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KGW GROUP BERHAD

(Incorporated in Malaysia)
202201009353 (1455050-D)

ACCOUNTANTS' REPORT ON COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2019, 2020, 2021 AND 2022

ECOVIS MALAYSIA PLT
201404001750 (LLP0003185-LCA) & AF 001825
Chartered Accountants

13 June 2023

The Board of Directors
KGW Group Berhad
No. D11-10-01 Block D11
Dana 1 Commercial Centre
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor, Malaysia

Dear Sirs

REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF KGW GROUP BERHAD

Opinion

We have audited the combined financial statements of KGW Group Berhad ("Company") and its combining entities (collectively referred to as "the Group"), which comprises the combined statements of financial position as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022, the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flow for the financial years then ended, and a summary of significant accounting policies as set out on page 13 to 87.

This combined financial statements of the Group have been prepared solely for inclusion in the prospectus to be issued in connection to the listing and quotation of the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad (the "Listing"). This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia and for no other purpose.

In our opinion, the accompanying combined financial statements of the Group gives a true and fair view of the financial positions of the Group as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022, and of its financial performance and its cash flows for the financial years ended ("FYE") 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standard.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Combined 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.

ECOVIS MALAYSIA PLT 201404001750 (LLP0003185-LCA) & AF 001825 Chartered Accountants. No 9-3, Jalan 109F, Plaza Danau 2, Taman Danau Desa, 58100 Kuala Lumpur, Malaysia **Phone:** +60(3) 7981 1799 **Fax:** +60(3) 7980 4796 **E-Mail:** kuala-lumpur@ecovis.com.my

Basis for Opinion (Cont'd)

Independence and Other Ethical Responsibilities

We are independent of the Group 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.

Directors' Responsibilities for the Combined Financial Statements

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

In preparing the combined financial statements of the Group, the Directors are responsible for assessing the Group'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 to cease operations, or has no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole is free from material misstatement, whether due to fraud or error, and to issue a 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 ISAs 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 basis of these combined financial statements.

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

(a) Identify and assess the risks of material misstatement of the combined financial statements of the Group, 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.

(b) 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 internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also: (cont'd)

(d) 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 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 combined financial statements of the Group 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 report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Company represents the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined 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.

Restriction on Distribution and Use

This report is made solely to the Group in connection with the listing and quotation of the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of the combined financial statements.

ECOVIS MALAYSIA PLT	**PAT YIN LAI**
AF 001825	03073/12/2023 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur
13 June 2023

KGW Group Berhad

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ACCOUNTANTS' REPORT (CONT'D)

COMBINED STATEMENTS OF FINANCIAL POSITION

		At 31 December			
		2022	2021	2020	2019
	Note	RM	RM	RM	RM
Non-current assets					
Property, plant and equipment	8	23,130,367	1,762,058	1,497,349	1,045,079
Deferred tax assets	9	368,657	55,401	-	6,661
		23,499,024	1,817,459	1,497,349	1,051,740
Current assets					
Inventories	10	13,879	37,030	-	-
Trade receivables	11	7,729,285	20,812,750	8,147,172	5,162,177
Other receivables, deposits and prepayments	12	310,385	56,719	49,784	142,866
Contract costs	13	725,565	6,616,039	1,933,570	1,124,309
Amount owing by related parties	14	-	5,880	28,161	-
Tax recoverable		-	-	4,537	12,340
Short-term investment	15	3,007,007	-	-	-
Fixed deposits with financial institutions	16	14,030,477	914,685	357,131	307,131
Cash and bank balances		10,928,886	19,005,864	2,083,139	2,762,291
		36,745,484	47,448,967	12,603,494	9,511,114
Total assets		60,244,508	49,266,426	14,100,843	10,562,854

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ACCOUNTANTS' REPORT (CONT'D)

COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	← At 31 December 2022 RM	2021 RM	2020 RM	2019 RM →
Equity and liabilities					
Equity					
Share capital	17	10	-	-	-
Invested equity	17	1,500,000	1,202,500	1,200,000	1,200,000
Retained earnings	18	26,929,770	10,594,709	2,436,892	258,428
Total equity attributable to shareholders of the Company		28,429,780	11,797,209	3,636,892	1,458,428
Non-controlling interests		-	-	(2,867)	(724)
Total equity		28,429,780	11,797,209	3,634,025	1,457,704
Non-current liabilities					
Bank borrowings	19	18,255,950	1,213,961	595,664	658,999
Lease liabilities	20	767,463	745,085	730,239	639,787
Deferred tax liabilities	9	-	-	10,041	-
		19,023,413	1,959,046	1,335,944	1,298,786
Current liabilities					
Trade payables	21	2,386,267	13,176,792	3,453,352	2,530,243
Other payables and accruals	22	5,594,310	11,880,193	1,450,734	2,158,408
Contract liabilities	23	2,270,902	7,011,048	2,175,526	1,673,507
Amount owing to Directors	24	-	500	185,752	959,309
Bank borrowings	19	760,637	356,180	1,090,275	178,226
Lease liabilities	20	384,740	382,282	331,209	212,971
Income tax payable		1,394,459	2,703,176	444,026	93,700
		12,791,315	35,510,171	9,130,874	7,806,364
Total liabilities		31,814,728	37,469,217	10,466,818	9,105,150
Total equity and liabilities		60,244,508	49,266,426	14,100,843	10,562,854

The accompanying notes form an integral part of these combined financial statements.

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ACCOUNTANTS' REPORT (CONT'D)

COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		FYE 31 December			
		2022	2021	2020	2019
	Note	RM	RM	RM	RM
Revenue	25	229,694,900	195,419,198	63,525,450	43,378,997
Cost of sales		(194,476,647)	(162,424,301)	(54,512,750)	(36,732,711)
Gross profit		35,218,253	32,994,897	9,012,700	6,646,286
Other income		1,274,416	90,933	191,855	44,473
Administrative expenses		(13,681,537)	(11,123,645)	(5,689,964)	(5,693,765)
Other operating expenses		(940,294)	(930,876)	(490,824)	(204,808)
Reversal of impairment/(impairment losses) on financial asset, net		119,665	(103,734)	(29,618)	(38,677)
Profit from operations		21,990,503	20,927,575	2,994,149	753,509
Finance costs	26	(119,430)	(177,124)	(129,352)	(145,161)
Profit before tax	27	21,871,073	20,750,451	2,864,797	608,348
Tax expense	28	(5,536,012)	(4,992,634)	(688,476)	(258,925)
Net profit/total comprehensive income for the year		16,335,061	15,757,817	2,176,321	349,423
Net profit/total comprehensive income for the financial year attributable to:					
Owners of the Group		16,335,061	15,757,817	2,178,464	350,637
Non-controlling interests		-	-	(2,143)	(1,214)
		16,335,061	15,757,817	2,176,321	349,423
EPS attributable to owners of the Group					
Basic and diluted	29	11.06	13.12	1.82	0.35

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ACCOUNTANTS' REPORT (CONT'D)

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	← Attributable to owners of the Group →				
		Non-distributable Invested equity RM	Distributable Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 January 2019		450,000	(92,209)	357,791	-	357,791
Transactions with owners:-						
Issuance of shares	17	750,000	-	750,000	-	750,000
Shares issued pursuant to acquisition of interest in subsidiary from non-controlling interests		-	-	-	490	490
Net profit/total comprehensive income for the financial year		-	350,637	350,637	(1,214)	349,423
At 31 December 2019/1 January 2020		1,200,000	258,428	1,458,428	(724)	1,457,704
Net profit/total comprehensive income for the financial year		-	2,178,464	2,178,464	(2,143)	2,176,321
At 31 December 2020/1 January 2021		1,200,000	2,436,892	3,636,892	(2,867)	3,634,025
Transactions with owners:-						
Issuance of shares	17	2,500	-	2,500	-	2,500
Derecognition of a subsidiary		-	-	-	2,867	2,867
Dividends to owners	30	-	(7,600,000)	(7,600,000)	-	(7,600,000)
Net profit/total comprehensive income for the financial year		-	15,757,817	15,757,817	-	15,757,817
At 31 December 2021/1 January 2022		1,202,500	10,594,709	11,797,209	-	11,797,209

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ACCOUNTANTS' REPORT (CONT'D)

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

		Attributable to owners of the Group					
		Non-distributable		Distributable			
	Note	Share capital RM	Invested equity RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
At 31 December 2021/1 January 2022 (cont'd)		-	1,202,500	10,594,709	11,797,209	-	11,797,209
Transactions with owners:-							
Issuance of shares	17	10	297,500	-	297,510	-	297,510
Net profit/total comprehensive income for the financial year		-	-	16,335,061	16,335,061	-	16,335,061
At 31 December 2022		10	1,500,000	26,929,770	28,429,780	-	28,429,780

The accompanying notes form an integral part of these combined financial statements.

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ACCOUNTANTS' REPORT (CONT'D)

COMBINED STATEMENTS OF CASH FLOWS

		FYE 31 December			
		2022	2021	2020	2019
	Note	RM	RM	RM	RM
Cash flows from operating activities					
Profit before tax		21,871,073	20,750,451	2,864,797	608,348
Adjustments for :					
Bad debts written off		4,013	60,974	4,247	-
Depreciation of property, plant and equipment		704,751	672,874	408,051	198,596
Gain on disposal of property, plant and equipment		(265,766)	(18,728)	-	(18,000)
Gain on derecognition of a subsidiary		-	(2,984)	-	-
Gain on derecognition of leases		(219)	-	-	-
Impairment losses on financial assets		17,547	103,734	29,618	38,677
Interest expenses		119,430	177,124	129,352	145,161
Interest income		(70,790)	(7,154)	-	(7,131)
Property, plant and equipment written off		375	-	-	-
Reversal of impairment losses on financial assets		(137,212)	-	-	-
Unrealised (gain)/loss on foreign exchange, net		(97,372)	(33,671)	153,599	84,498
Operating profit before changes in working capital		22,145,830	21,702,620	3,589,664	1,050,149
Decrease/(Increase) in inventories		23,151	(37,030)	-	-
Decrease/(Increase) in trade and other receivables		12,625,899	(12,610,171)	(2,905,119)	(596,802)
(Decrease)/Increase in trade and other payables		(10,806,726)	13,936,356	170,193	508,469
Decrease/(Increase) in contract costs		5,890,474	(4,682,469)	(809,261)	141,683
(Decrease)/Increase in contract liabilities		(4,740,146)	4,835,522	502,019	23,629
Cash generated from operations		25,138,482	23,144,828	547,496	1,127,128
Interest paid		(2,561)	(28,727)	(6,931)	(4,787)
Income tax paid		(7,157,985)	(2,816,073)	(313,645)	(211,521)
Income tax refunded		-	21,684	-	54,660
Net cash generated from operating activities		17,977,936	20,321,712	226,920	965,480

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ACCOUNTANTS' REPORT (CONT'D)

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

	Note	FYE 31 December 2022 RM	2021 RM	2020 RM	2019 RM
Cash flows from investing activities					
Acquisition of a subsidiary, net of cash acquired		-	-	-	490
Derecognition of a subsidiary		-	(1,000)	-	-
Proceeds from disposal of property, plant and equipment		267,000	20,000	-	18,000
Acquisition of property, plant and equipment	(a)	(21,599,238)	(478,855)	(467,119)	(139,301)
Repayment from/(advances) to related parties, net		5,880	22,281	(28,161)	-
Net cash used in investing activities		(21,326,358)	(437,574)	(495,280)	(120,811)
Cash flows from financing activities					
Dividend paid		(6,000,000)	(1,600,000)	-	-
Interest received		70,790	7,154	-	7,131
Interest paid		(116,869)	(148,397)	(122,421)	(140,374)
Proceeds from issuance of share capital		297,510	2,500	-	750,000
Placement of fixed deposits pledged with financial institutions		(57,718)	(57,554)	(50,000)	(307,131)
Withdrawal of fixed deposits pledged with financial institutions		-	-	-	182,270
Net movement in amount owing to Directors	(b)	(500)	(185,252)	(773,557)	606,968
Repayment of lease liabilities	(b)	(450,376)	(394,081)	(184,512)	(202,476)
Drawdown of term loans	(b)	18,180,000	1,000,000	-	-
Repayment of term loans	(b)	(733,554)	(220,145)	(46,939)	(162,775)
Net cash generated from/(used in) financing activities		11,189,283	(1,595,775)	(1,177,429)	733,613
Net increase/(decrease) in cash and cash equivalents		7,840,861	18,288,363	(1,445,789)	1,578,282
Effect of exchange rate changes		147,242	30,015	(129,016)	(106,541)
Cash and cash equivalents at beginning of financial year		19,505,864	1,187,486	2,762,291	1,290,550
Cash and cash equivalents at end of financial year	31	27,493,967	19,505,864	1,187,486	2,762,291

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ACCOUNTANTS' REPORT (CONT'D)

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

Notes:

(a) Purchase of property, plant and equipment

The Group made the following cash payment to purchase property, plant and equipment:

		FYE 31 December			
	Note	2022 RM	2021 RM	2020 RM	2019 RM
Property, plant and equipment acquired	8	22,117,961	938,855	860,321	307,400
Amount settled via lease arrangements		(518,723)	(460,000)	(393,202)	(168,099)
		21,599,238	478,855	467,119	139,301

(b) Changes in liabilities arising from financing activities:

	At 1 January RM	Acquisition of new leases RM	Derecognition of leases RM	Net financing cash flows RM	At 31 December RM
Group					
FYE 31 December 2022					
Lease liabilities	1,127,367	518,723	(43,511)	(450,376)	1,152,203
Term loans	1,570,141	-	-	17,446,446	19,016,587
Amount owing to Directors	500	-	-	(500)	-
	2,698,008	518,723	(43,511)	16,995,570	20,168,790
FYE 31 December 2021					
Lease liabilities	1,061,448	460,000	-	(394,081)	1,127,367
Term loans	790,286	-	-	779,855	1,570,141
Amount owing to Directors	185,752	-	-	(185,252)	500
	2,037,486	460,000	-	200,522	2,698,008
FYE 31 December 2020					
Lease liabilities	852,758	393,202	-	(184,512)	1,061,448
Term loans	837,225	-	-	(46,939)	790,286
Amount owing to Directors	959,309	-	-	(773,557)	185,752
	2,649,292	393,202	-	(1,005,008)	2,037,486

The accompanying notes form an integral part of these combined financial statements.

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ACCOUNTANTS' REPORT (CONT'D)

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

Notes: (cont'd)

(b) Changes in liabilities arising from financing activities: (cont'd)

	At 1 January RM	Acquisition of new leases RM	Derecognition of leases RM	Net financing cash flows RM	At 31 December RM
Group					
FYE 31 December 2019					
Lease liabilities	887,135	168,099	-	(202,476)	852,758
Term loans	1,000,000	-	-	(162,775)	837,225
Amount owing to Directors	352,341	-	-	606,968	959,309
	2,239,476	168,099	-	241,717	2,649,292

The accompanying notes form an integral part of these combined financial statements.

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ACCOUNTANTS' REPORT (CONT'D)

1. GENERAL INFORMATION

KGW Group Berhad ("KGW" or the "Company") was incorporated on 14 March 2022 as a private limited liability company with issued and paid up share capital of RM10 comprising 100 ordinary shares. The Company was subsequently converted into a public limited liability company on 7 October 2022.

The registered office is located at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur. The principal place of business is located at No. D11-10-01, Block D11, Dana 1 Commercial Centre, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor.

The principal activity of the Company is investment holding whilst the principal activities of its combining entities are disclosed in Note 2 to this report. The Company was incorporated to acquire the combining entities pursuant to the restructuring exercise and proposed listing exercise as disclosed in Note 2 to this report.

2. RESTRUCTURING EXERCISE

For the purpose of its Proposed Listing on the ACE Market of Bursa Securities ("Proposed Listing"), KGW is undertaking a restructuring exercise via the acquisition of KGW Logistics (M) Sdn. Bhd. ("KGW Logistics"), KGW Medica Sdn. Bhd. ("KGW Medica") and Mattroy Logistics (Malaysia) Sdn. Bhd. ("Mattroy Logistics") (collectively known as "Group").

For the purposes of the proposed Listing, share sale agreements were executed for:

(i) the acquisition by the Company of the entire issued share capital in KGW Logistics comprising 1,000,000 ordinary shares for a purchase consideration of RM11,092,800 which was satisfied via the issuance of 369,760,000 new Shares at an issue price of RM0.03 per Share. The acquisition of KGW Logistics was completed on 18 April 2023.

(ii) the acquisition by the Company of the entire issued share capital in KGW Medica comprising 300,000 ordinary shares for a purchase consideration of RM374,500 which was satisfied via the issuance of 12,483,333 new Shares at an issue price of RM0.03 per Share. The acquisition of KGW Medica was completed on 18 April 2023.

(iii) the acquisition by the Company of the entire issued share capital in Mattroy Logistics comprising 200,000 ordinary shares for a purchase consideration of RM626,800 which was satisfied via the issuance of 20,893,334 new Shares at an issue price of RM0.03 per Share. The acquisition of Mattroy Logistics was completed on 18 April 2023.

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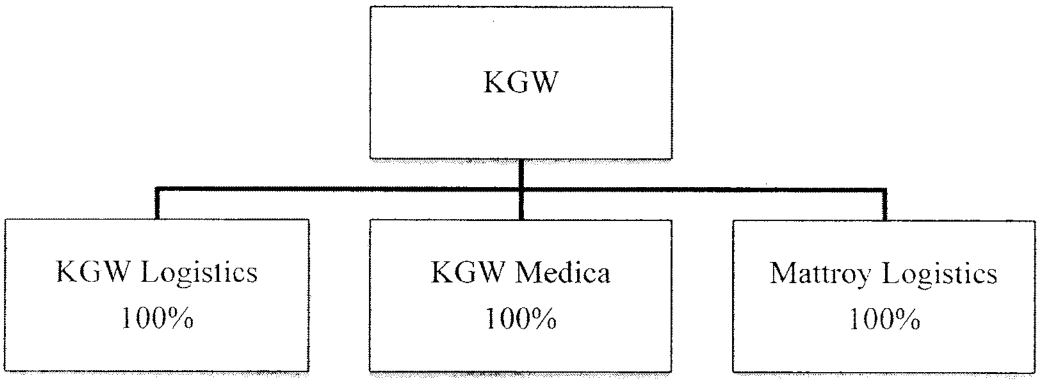
ACCOUNTANTS' REPORT (CONT'D)

2. RESTRUCTURING EXERCISE (CONT'D)

The corporate structure following completion of the restructuring exercise is as follows:



KGW and its combining entities are collectively known as "KGW Group" or "the Group" in the combined financial statements contained in this Accountants' Report.

Details of the combining entities at the date of this report are as follows:

Name of combining entities	Date of incorporation	Issued share capital (RM)	Effective equity interest At 31 December 2022 %	2021 %	2020 %	2019 %	Principal activities
KGW	14 March 2022	12,094,110	100	-	-	-	Investment holding.
KGW Logistics	15 September 2005	1,000,000	100	100	100	100	Logistic services provider including provision of ocean and air freight services, freight forwarding services and other supporting services.
KGW Medica	24 June 2021	300,000	100	100	-	-	Warehousing and distribution of healthcare-related products and devices.
Mattroy Logistics	3 September 2014	200,000	100	100	100	100	Logistic services provider including provision of ocean and air freight services, freight forwarding services and other supporting services.

All the above combining entities are incorporated in Malaysia.

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ACCOUNTANTS' REPORT (CONT'D)

2. RESTRUCTURING EXERCISE (CONT'D)

KGW Gemilang Sdn. Bhd. ("KGW Gemilang"), a former subsidiary of KGW Logistics

On 11 November 2019, KGW Logistics has subscribed 51 ordinary shares representing 51% equity interest in KGW Gemilang for a cash consideration of RM51. KGW Gemilang had not commenced any business since the date of incorporation. During FYE 31 December 2021, KGW Gemilang had been struck off and the strike off process was completed on 29 December 2021.

(i) Summary of the effect of striking off KGW Gemilang is as follows:

	RM
Asset and liabilities derecognised:	
Cash and cash equivalents	1,000
Payables	(6,851)
	(5,851)
Total share of net liabilities derecognised (51%)	(2,984)
Gain on derecognition of KGW Gemilang	(2,984)
Net cash outflows, presented under investing activities in the statement of cash flows	(1,000)

3. SHARE CAPITAL

The details of the changes in the issued share capital of KGW Group Berhad since its incorporation are as follow:-

Date of allotment	No. of shares alloted	Cumulative no. of shares allotted	Consideration	Cumulative issued share capital (RM)
14 March 2022	100	100	Cash	10
18 April 2023	369,760,000	369,760,100	Acquisition of KGW Logistics	11,092,810
18 April 2023	12,483,333	382,243,433	Acquisition of KGW Medica	11,467,310
18 April 2023	20,893,334	403,136,767	Acquisition of Mattroy Logistics	12,094,110
Upon listing	79,661,800	482,798,567	Public issue	28,823,088

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4. BASIS OF COMBINATION

This report comprises solely the individual financial statements of the combining entities for FYE 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 aggregated and adjusted for intercompany transactions for preparation of the combined financial statements for this report.

The combined financial statements were prepared based on the audited financial statements of combining entities which were prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") for the purpose of combination. The combining entities maintain their accounting records and prepare the relevant statutory financial statements in accordance with MFRS, IFRS and the requirements of the Act in Malaysia.

The relevant financial years/period of the audited financial statements combined for the purpose of this report are as follows:

Company	**Relevant Financial Years/Period**	**Auditors**
KGW Group Berhad	Financial period ended ("FPE") 31 December 2022	Ecovis Malaysia PLT
KGW Logistics	FYE 31 December 2019*	KHLC PLT
	FYE 31 December 2020	Ecovis Malaysia PLT
	FYE 31 December 2021	Ecovis Malaysia PLT
	FYE 31 December 2022	Ecovis Malaysia PLT
Mattroy Logistics	FYE 31 December 2019*	KHLC PLT
	FYE 31 December 2020*	KHLC PLT
	FYE 31 December 2021	Ecovis Malaysia PLT
	FYE 31 December 2022	Ecovis Malaysia PLT
KGW Medica	FPE 31 December 2021	Ecovis Malaysia PLT
	FYE 31 December 2022	Ecovis Malaysia PLT

*Reaudited by Ecovis Malaysia PLT for the purpose of this report.

The audited financial statements of combining entities for the relevant financial years/period reported above were not subject to any qualification or modification.

The combined financial statements disclosed in page 4 to 87 of this report consist of the financial statements of the combining entities which were under common control throughout the reporting periods by Dato' Roger Wong Ken Hong, being the key management personnel and major shareholder of the combining entities. The combined financial statements of the Group for the FYE 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 have been prepared in a manner as if the combined entities under common control were operating as a single economic entity at the beginning of the earliest comparative period presented or, if later, at the date that common control was established.

Entities under common control are entities which are ultimately controlled by the same parties both during and after the reporting periods and that control is not transitory. Common control exists when the same parties have ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory.

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ACCOUNTANTS' REPORT (CONT'D)

4. BASIS OF COMBINATION (CONT'D)

The merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the combined financial statements. In applying merger accounting, financial statement line items of the combining entities for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the combined financial statements as if the combination had occurred from the date when the combining entities first came under the control of the controlling party or parties.

A single uniform set of accounting policies is adopted by the combining entities. Therefore, the assets, liabilities and equity of the combining entities are recognised at the carrying amounts in the combined financial statements. The carrying amounts are included as if such combined financial statements had been prepared by the controlling party, including adjustments required for conforming to the Group's accounting policies and applying those policies to all years presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions and balances between the combining entities, whether occurring before or after the combination, are eliminated in preparing the combined financial statements.

The financial information as presented in the combined financial statements do not correspond to the consolidated financial statements of the Group, as the combined financial statements reflect business combinations under common control for the purpose of the Proposed Listing. Consequently, the financial information from the combined financial statements do not purport to predict the financial positions, results of operations and cash flows of the Group during the reporting periods.

5. BASIS OF PREPARATION

5.1 Statement of compliance

The combined financial statements have been prepared in accordance with MFRS and IFRS.

The combined financial statements are prepared under the historical cost convention except otherwise indicated in the summary of significant accounting policies set out in Note 6 to this report.

The combined financial statements are presented in Ringgit Malaysia ("RM"), which is also the functional and presentation currency of the combining entities.

The preparation of the combined financial statements in conformity with MFRS requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The areas involving such judgements, estimates and assumptions are disclosed in Note 7 to this report. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results may differ from these estimates.

5. BASIS OF PREPARATION (CONT'D)

5.2 Adoption of amendments to MFRSs on its mandatory effective date

The Group has adopted the following amendments to MFRSs that are mandatory in FYE 31 December 2022:

MFRS (including the consequential amendments)		Effective Date
Amendments to MFRSs	Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to MFRS 3	'Business Combinations' – Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116	'Property, Plant and Equipment' – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	'Provisions, Contingent Liabilities and Contingent Assets' – Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022

The adoption of the above amendments to MFRS did not result in significant changes in the accounting policies of the Group and has no significant effect on the financial performance or position of the Group for the relevant financial years.

The Group has adopted MFRS 16, 'Leases' which is effective for annual periods beginning on or after 1 January 2019. The effects of the adoption are as discussed below:

(i) MFRS 16, 'Leases'

MFRS 16 replaces the guidance in MFRS 117, 'Leases', IC Int 4, 'Determining Whether an Arrangement Contains a Lease', IC Int 115, 'Operating Leases – Incentives' and IC Int 127, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognised a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group adopted MFRS 16 using the full retrospective approach, under which the effect of initial application is recognised as an adjustment to retained earnings at 1 January 2019. The relevant accounting policies for MFRS 16 as disclosed in Note 6(k) to this report have been applied continuously in the combined financial statements of the Group for the financial years ended 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022.

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5. BASIS OF PREPARATION (CONT'D)

5.2 Adoption of amendments to MFRSs on its mandatory effective date (cont'd)

(i) MFRS 16, 'Leases' (cont'd)

The following table presents the impact of changes to the statement of financial position of the Group resulting from the adoption of MFRS 16 as at 1 January 2019:

	As at 31 December 2018 RM	Adoption of MFRS 16 RM	As at 1 January 2019 RM
Non-current asset			
Property, plant and equipment	484,159	452,116	936,275
Non-current liability			
Lease liabilities	317,255	395,241	712,496
Current liability			
Lease liabilities	117,764	56,875	174,639
Total liabilities	435,019	452,116	887,135

The weighted average lessee's incremental borrowing rates applied to the lease liabilities of the Group on 1 January 2019 range from 4.42% to 5.66% per annum.

Right-of-use assets comprise long-term lease on premises, and motor vehicles under finance lease agreements. Subsequent to the initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation, accumulated impairment losses and adjusted for any remeasurement of lease liabilities.

Other than the above, the Group has elected to apply exemption from application of MFRS 16 for leases of property, plant and equipment expiring within 12 months from date of transition and those involving low value underlying assets. The lease payments are recognised as an expense on a straight line basis over the remaining lease term.

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5. BASIS OF PREPARATION (CONT'D)

5.3 MFRS and amendments to MFRSs issued but not yet effective

The following are new MFRS, amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB"), but are not yet effective, up to the date of issuance of the combined financial statements. The Group intends to adopt these MFRS and amendments to MFRSs, if applicable, when they become effective for the following financial year:

MFRS (Including the consequential amendments)		Effective Date
MFRS 17 and amendments to MFRS 17	'Insurance Contracts'	1 January 2023
Amendments to MFRS 17	'Insurance Contracts' – Initial Application of MFRS17 and MFRS 9 – Comparative Informaton	1 January 2023
Amendments to MFRS 101	'Presentation of Financial Statements'– Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	'Accounting, Policies, Changes in Accounting Estimates and Errors' – Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112	'Income Taxes' – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to MFRS 16	'Leases' – Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101	'Presentation of Financial Statements' – Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 10	'Consolidated Financial Statements' – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced
Amendments to MFRS 128	'Investment in Associates and Join Ventures' – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The initial application of the abovementioned MFRS and amendments to MFRSs, where applicable, are not expected to have any material financial impact to the combined financial statements.

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ACCOUNTANTS' REPORT (CONT'D)

6. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Investment in subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the combined financial statements from the date that control commences until the date that control ceases.

Control is achieved when the Group is exposed to, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable are taken into account.

The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affects the investee's return. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investments in subsidiaries are measured in the Company's separate financial statements at cost less any impairment losses, unless the investment is held for sale (accounted for in accordance with MFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations') or distribution. The cost of investment includes transaction costs.

The policy for the recognition and measurement of impairment losses is in accordance with Note 6(d) to this report. On disposal, the difference between the net disposal proceeds and its carrying amount is recognised as gain or loss on disposal in profit or loss.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. Acquisition-related costs are expensed as incurred and included in administrative expenses.

For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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ACCOUNTANTS' REPORT (CONT'D)

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(ii) Business combinations (cont'd)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9, 'Financial Instruments' ("MFRS 9") is measured at fair value with changes in fair value recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

(iii) Loss of control

Upon the loss of control of a combining entity, the Group derecognises the assets and liabilities of the former combining entity, any non-controlling interests and the other components of equity related to the former combining entity from the combined statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former combining entity, then such interest is measured at fair value at the date the control ceases. Subsequently it is accounted for as an equity-accounted investee or as an equity instrument at fair value through other comprehensive income ("FVTOCI") depending on the level of influence retained.

(iv) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a combining entity not attributable directly or indirectly to the equity holders of the Company, are presented in the combined statement of financial position and statement of changes in equity, separately from equity attributable to equity holders of the Company. Non-controlling interests in the results of the Group is presented in the combined statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the equity holders of the Company.

Losses applicable to non-controlling interests in a combining entity are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and carrying amount of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

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ACCOUNTANTS' REPORT (CONT'D)

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(v) Transactions eliminated on combination

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the combined financial statements.

(b) Foreign currencies transactions and balances

Transactions in foreign currencies are measured in the functional currency of the Group and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss. Exchange differences arising on the translation of non-monetary items carried at fair value are included in the profit or loss for the financial year except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity.

In the combined financial statements, when settlement of a monetary item receivable from, or payable to, a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity at group level.

(c) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Property, plant and equipment (cont'd)

Depreciation of an asset begins when it is ready for its intended use. Freehold land is not depreciated but are subject to impairment test if there is any indication of impairment. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, at the following annual rates:

Freehold buildings	2%
Computers and software	20% - 25%
Furniture and fittings	20%
Motor vehicle	20%
Office equipment	20%
Electrical installation and renovation	20%
Signboard	15%

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The policy for the recognition and measurement of impairment losses is in accordance with Note 6(d) to this report.

The residual values, useful lives and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

Leased assets presented under plant and equipment are right-of-use assets within the scope of MFRS 16 "Lease". The policy for recognition and measurement of right-of-use assets are disclosed in Note 6(k) to this report.

(d) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset (except for inventories and tax recoverable) may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful lives or that are not available for use, the recoverable amount is estimated each period at the same time.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows from continuing use CGU. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGU to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of the combination.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. Where the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount, the asset is written down to its recoverable amount.

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6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Impairment of non-financial assets (cont'd)

In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses are recognised in profit or loss except for assets that have been previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. Impairment losses recognised in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro-rated basis.

An impairment loss in respect of goodwill is not reversed. In respect of assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Such reversal is credited to profit or loss in the financial year in which the reversal is recognised.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out method. The cost includes cost of purchase and other incidental expenses in bringing the items into its present location and condition, if any.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and bank balances and deposits placed with licensed banks, other short term and highly liquid investment which have an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial assets

(i) Initial recognition and subsequent measurement

Financial assets are recognised in the statement of financial position when, and only when, the combining entities become a party to the contractual provisions of the financial instrument.

When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss ("FVTPL"), directly attributable transaction costs.

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial assets under MFRS 9 are as below:

a. Financial assets measured at amortised cost

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objectives are to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss through the amortisation process and when the financial assets are impaired or derecognised.

b. Financial assets measured at fair value

Financial assets that are debt instruments are measured at fair value through other comprehensive income ("FVTOCI") if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, these financial assets are measured at fair value. Any gains or losses arising from the changes in fair value of these financial assets are recognised in other comprehensive income, except impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Financial assets that are debt instruments which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at fair value through profit or loss ("FVTPL"). The Group does not have any financial assets measured at FVTOCI or FVTPL.

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives).

6. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(g) **Financial assets (cont'd)**

(i) **Initial recognition and subsequent measurement (cont'd)**

b. **Financial assets measured at fair value (cont'd)**

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value of these financial assets are recognised in other comprehensive income and are not subsequently transferred to profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

(ii) **Derecognition**

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the settlement date, i.e. the date that the asset is delivered to or by the Group.

(iii) **Impairment of financial assets**

The Group assesses at each financial year end whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition.

In determining whether credit risk on a financial asset has increased significantly since initial recognition, the Group uses historical experience and other supportive information to assess deterioration in credit quality of a financial asset. The Group assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For collective basis evaluation, financial assets are grouped on the basis of similar risk characteristics.

The Group considers past loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

The amount of impairment loss is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group expects to receive.

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6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial assets (cont'd)

(iii) Impairment of financial assets (cont'd)

The carrying amount of the financial asset is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance account.

The Group measures the impairment loss on financial assets other than trade receivables based on the two-step approach:

a. 12-months expected credit loss ("ECL")

For a financial asset for which there is no significant increase in credit risk since initial recognition, the Group shall measure the allowance for impairment for that financial asset at an amount based on the probability of default occurring within the next 12 months considering the loss given default of that financial asset.

b. Lifetime ECL

For a financial asset for which there is a significant increase in credit risk since initial recognition, a lifetime ECL for that financial asset is recognised as allowance for impairment by the Group. If, in a subsequent period the significant increase in credit risk since initial recognition is no longer evident, the Group shall revert the loss allowance measurement from lifetime ECL to 12-months ECL.

For trade receivables, the Group measures impairment loss based on lifetime ECL at each reporting date until the financial assets are derecognised.

(h) Financial liabilities

(i) Initial recognition and subsequent measurement

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are measured initially at fair value plus directly attributable costs, except in the case of financial liabilities at FVTPL.

Financial liabilities are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

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ACCOUNTANTS' REPORT (CONT'D)

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial liabilities (cont'd)

(i) Initial recognition and subsequent measurement (cont'd)

a. Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVTPL.

Financial liabilities held for trading include derivatives entered into by the Group that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group does not have any financial liabilities at FVTPL in the current financial year and previous financial years.

b. Other financial liabilities

The Group's other financial liabilities consist of payables, borrowings and lease liabilities.

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

(ii) Derecognition

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(i) Provisions for liabilities

Provisions for liabilities are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the proceeds received at issuance and classified as equity. Transaction costs directly related to the issuance of equity instrument are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the reporting date. A dividend proposed or declared after the reporting date, but before the report are authorised for issue, is not recognised as liability at the reporting date.

(k) Leases

The Group has recognised and measured its leases in accordance MFRS 16 effective from 1 January 2019. The financial impact to the combined financial statements on initial application of this standard is disclosed in Note 5.2(i) to this report.

(i) As lessee

The Group recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases excluding short-term leases or leases for which the underlying asset is of low value, conveying the right to control the use of an identified asset for a period of time.

The right-of-use assets are initially recorded at cost, which comprise:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date of the lease, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lessor.

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

Depreciation is computed on a straight-line basis over the estimated useful lives of the right-of-use assets or lease term whichever is earlier.

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6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Leases (cont'd)

(i) As lessee (cont'd)

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The policy for the recognition and measurement of impairment losses is in accordance with Note 6(d) to this report.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease. If rate cannot be readily determined, the Group's incremental borrowing rate is used. Subsequent to the initial recognition, the Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications.

(ii) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

(l) Revenue

Revenue comprises payment that the Group expects to be entitled to in exchange for sale of goods and services, net of SST, rebates and/or discounts after eliminating sales within the Group.

The Group recognises revenue from contracts with customers based on the five-step model as set out in MFRS 15:

(i) Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(iii) Determine the transaction price. The transaction price is the amount of consideration to which the combining entities expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

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ACCOUNTANTS' REPORT (CONT'D)

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Revenue (cont'd)

The Group recognises revenue from contracts with customers based on the five-step model as set out in MFRS 15: (cont'd)

(iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

(v) Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time if the Group's performance:

(i) Does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; or

(ii) Creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(iii) Provides benefits that the customer simultaneously receives and consumes as the Group performs.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligation in contracts with customers:

(i) Revenue from contracts with customers

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

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ACCOUNTANTS' REPORT (CONT'D)

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Revenue (cont'd)

(i) Revenue from contracts with customers (cont'd)

(a) Air and ocean freight

Revenue from air and ocean freight includes air and ocean freight charges of inbound and outbound transportation of cargo, delivery and warehousing charges which are recognised based upon the terms in the contract of carriage and to the extent a service is completed. Revenue is recognised based on the actual service provided up to the end of the reporting period as a proportion of the total services to be provided as the customer receives and consumes the benefits of the Group's performance simultaneously. The Group measures the fulfilment of its performance obligations on the progress of each shipment in terms of days travelled.

Other incidental revenue included in air and ocean freight were terminal handling charges, bill of lading handling charges and other related charges which are considered to represent one single performance obligation satisfied at a point in time when the services are fully rendered.

(b) Freight forwarding

These revenue include mainly customs clearance, preparation of import and export documentation and other handling charges. These services are considered to represent one single performance obligation satisfied at a point in time when the services are fully rendered.

(c) Sale of medical and healthcare products

Revenue from sale of medical and healthcare products is recognised at a point in time when the Group satisfies a performance obligation by transferring promised goods to a customer. An asset is transferred as and when the customer obtains control of that asset, which coincides with the delivery and acceptance of goods by customers.

(d) Warehousing and distribution of healthcare products

Revenue from warehousing services is recognised overtime, the Group measures based upon the terms in the contract of warehousing and to the extent the service is completed. The Group measures the fulfilment of its performance obligations based on the storage space and duration occupied by customers.

For revenue for distribution services, the Group measures the fulfilment of its performance obligations based on the type and amount of distribution services provided and delivery trips undertaken. Revenue is recognised upon delivery and acceptance of goods by receivers designated by the customers.

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ACCOUNTANTS' REPORT (CONT'D)

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Revenue (cont'd)

(ii) Other income

(a) Interest income

Interest income is recognised as it accrues, using the effective interest method.

(b) Rental income

Revenue from rental of property, plant and equipment is recognised over the lease term on accrual basis.

(m) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are incurred. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

(n) Employee benefits

(i) Short-term employee benefits

Short-term employment benefits, such as wages, salaries and social security contributions, are recognised as an expenses in the financial year in which the associated services are rendered by employees of the Group.

Short-term accumulating compensated absences, such as paid annual leave, are recognised when the employees render services that increase their entitlement to future compensated absences.

Non-accumulating compensated absences, such as sick leave, are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the reporting date.

Profit-sharing and bonus plans are recognised when the Group has a present legal or constructive obligation to make payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when, and only when the Group has no realistic alternative but to make the payments.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Employee benefits (cont'd)

(ii) Defined contribution plans

Defined contributions plans are post-employment benefits plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(o) Taxes

The tax expense in the profit or loss represents the aggregate amount of current tax and deferred tax.

(i) Current tax

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted at the reporting date, and adjustment of tax payable in respect of the previous financial year.

Current taxes is recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the combined statements of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unutilised tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unutilised tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss, except when it arises from transaction which is recognised in other comprehensive income or directly in equity, in which case the deferred tax is charged or credited in other comprehensive income or directly in equity.

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ACCOUNTANTS' REPORT (CONT'D)

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Taxes (cont'd)

(iii) Sales and Service Tax ("SST")

Expenses and assets are recognised net of SST except:

- where SST incurred in a purchase of asset or service is not recoverable from the authority, in which case the SST is recognised as part of cost of acquisition of asset or as part of the expense item as applicable; and

- payables that are stated as SST inclusive.

The rate for sales tax is fixed at 5% or 10%, while the rate for service tax is fixed at 6%.

(p) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different level in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within 1 level that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfer between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Contingent liability and contingent asset

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations not under common control, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

(r) Related parties

A related party is a person or an entity that is related to the Group under the following conditions:

(i) A person or a close member of that person's family:

- (a) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;
- (b) has control or joint control over the reporting entity; or
- (c) has significant influence over the reporting entity.

(ii) Any one of the following condition applies:

- (a) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (b) either entity is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member).
- (c) both entities are joint ventures of a third entity.
- (d) either entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (e) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (f) the entity is controlled or jointly controlled by a person identified in Note 6(r)(i).
- (g) a person identified in Note 6(r)(i)(b) has significant influence over the entity or is a member of the key management personnel of the entity or of a parent of the entity.
- (h) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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ACCOUNTANTS' REPORT (CONT'D)

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Related parties (cont'd)

A related party is a person or an entity that is related to the Group under the following conditions: (cont'd)

(iii) Directly, or indirectly through one or more intermediaries, the party:

- (a) controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries, fellow subsidiaries and fellow associates and joint ventures);
- (b) has an interest in the entity that gives it significant influence over the entity; or
- (c) has joint control over the entity.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependants of that person or that person's spouse or domestic partner.

(s) Contract costs

Contract costs are freight expenses deferred and amortised over the course of the freights services on a percentage completion basis that is consistent with revenue recognition. This percentage of completion is derived from time elapsed between days travelled from the loading port to the destination port. Contract costs are recognised as an asset if they represent incremental costs of obtaining a contract or fulfilment costs that (i) relate directly to a contract or to an anticipated contract; (ii) generate or enhance resources to be used in meeting obligations under the contract; and (iii) are expected to be recovered.

(t) Contract liabilities

Contract liabilities are the obligations to transfer services to customer for which the Group has received the consideration from or has billed the customer. In the case of freight services revenue, contract liabilities represents the excess of freight services charges that had been billed to customer to date over revenue recognised based on stage of completion. The stage of completion is determined by the number of days of travel completed as at year end in relation to the total travel days from the loading port to the destination port.

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ACCOUNTANTS' REPORT (CONT'D)

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Earnings per ordinary share ("EPS")

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the net profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the periods, adjusted for own shares held.

Diluted EPS is determined by adjusting the net profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources and assesses the performance of the operating segments of an entity.

Segment revenue, expense, assets and liabilities are those amount resulting from the operating activities of a segment that are directly attributable to the segment and the relavant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

(w) Current versus non-current classification

Assets and liabilities in statement of financial position are presented based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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ACCOUNTANTS' REPORT (CONT'D)

7. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of financial statements in conformity with MFRS requires management to exercise their judgement in the process of applying the Group's accounting policies and the use of accounting estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the reporting date and which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods. Although these judgements and estimates are based on the management's best knowledge of current events and actions, actual results may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is disclosed below:

(i) Measurement of right-of-use assets and lease liabilities

The right-of-use assets are depreciated on the straight-line basis over the assets' useful lives or lease term, whichever is earlier. Management estimates the useful lives of these assets based on expected usage level and current conditions of the assets with proper maintenance schedule, therefore future depreciation charges could be revised.

The lease term has been determined based on the non-cancellable period of lease in term and conditions of the arrangements together with both:

i. periods covered by an option to extend the leases; and
ii. periods covered by an option to terminate the lease.

In determining whether it is reasonably certain that an option to extend the lease or not to exercise an option to terminate the lease will be exercised, management has considered all relevant factors and circumstances that have created the economic incentives to exercise such option when exercising their judgement in the assessment.

The lease terms and incremental borrowing rates have been determined using appropriate assumptions as necessary including management's estimation of the application internal costs.

(ii) Measurement of income taxes

Liability for taxation is recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice of whether additional taxes will be payable. When the final outcome of the tax payable is determined with the tax authority, the amount might be different from the initial estimate of the tax payable. Such difference may impact the income tax in the period when such determination is made. The Group will adjust for the differences as over- or under- provision of income tax in the period in which those differences arise.

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7. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT (CONT'D)

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is disclosed below: (cont'd)

(iii) Useful lives of property, plant and equipment

MFRS 116, 'Property, Plant and Equipment' requires the review of the residual value and remaining useful life of an item of property, plant and equipment at each financial year end. The Group reviewed the residual values and remaining useful lives of its property, plant and equipment and found that no revisions to the residual values and remaining useful lives of these assets were necessary.

(iv) Impairment of financial assets

Impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. This is determined based on the ageing profile, expected collection patterns of individual receivable balances, credit quality and credit losses incurred. Management carefully monitors the credit quality of receivable balances and makes estimates about the amount of credit losses that have been incurred at each financial statement reporting date. Any changes to the ageing profile, collection patterns, credit quality and credit losses can have an impact on the impairment recorded.

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ACCOUNTANTS' REPORT (CONT'D)

8. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Freehold building RM	Rented properties RM	Computer and software RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Electrical installation and renovation RM	Signboard RM	Total RM
Cost										
At 1 January 2019	-	-	452,116	229,733	158,379	725,850	158,220	188,552	-	1,912,850
Additions	-	-	168,099	25,772	24,982	-	19,751	68,796	-	307,400
Disposals	-	-	-	-	-	(49,597)	-	-	-	(49,597)
At 31 December 2019/ 1 January 2020	-	-	620,215	255,505	183,361	676,253	177,971	257,348	-	2,170,653
Additions	-	-	393,202	46,196	72,995	-	59,348	288,580	-	860,321
At 31 December 2020/ 1 January 2021	-	-	1,013,417	301,701	256,356	676,253	237,319	545,928	-	3,030,974
Additions	-	-	-	50,800	9,790	759,692	65,293	45,480	7,800	938,855
Disposals	-	-	-	-	-	(41,512)	-	-	-	(41,512)
At 31 December 2021/ 1 January 2022	-	-	1,013,417	352,501	266,146	1,394,433	302,612	591,408	7,800	3,928,317
Additions	16,178,387	4,905,704	57,723	67,422	22,588	839,825	16,312	30,000	-	22,117,961
Disposals	-	-	-	-	-	(550,875)	-	-	-	(550,875)
Written off	-	-	-	(166,945)	(91,188)	-	(70,614)	(58,387)	-	(387,134)
Derecognition	-	-	(128,812)	-	-	-	-	-	-	(128,812)
At 31 December 2022	16,178,387	4,905,704	942,328	252,978	197,546	1,683,383	248,310	563,021	7,800	24,979,457

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ACCOUNTANTS' REPORT (CONT'D)

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

	Freehold land RM	Freehold building RM	Rented properties RM	Computer and software RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Electrical installation and renovation RM	Signboard RM	Total RM
Accumulated depreciation										
At 1 January 2019	-	-	-	194,276	142,817	354,853	124,491	160,138	-	976,575
Charge for the year	-	-	96,981	14,814	6,118	48,330	13,712	18,641	-	198,596
Disposals	-	-	-	-	-	(49,597)	-	-	-	(49,597)
At 31 December 2019/ 1 January 2020	-	-	96,981	209,090	148,935	353,586	138,203	178,779	-	1,125,574
Charge for the year	-	-	133,939	28,990	20,750	126,948	25,146	72,278	-	408,051
At 31 December 2020/ 1 January 2021	-	-	230,920	238,080	169,685	480,534	163,349	251,057	-	1,533,625
Charge for the year	-	-	215,856	34,652	32,405	255,485	36,123	97,378	975	672,874
Disposals	-	-	-	-	-	(40,240)	-	-	-	(40,240)
At 31 December 2021/ 1 January 2022	-	-	446,776	272,732	202,090	695,779	199,472	348,435	975	2,166,259
Charge for the year	-	9,306	209,553	44,312	25,902	295,658	33,612	85,238	1,170	704,751
Disposals	-	-	-	-	-	(549,641)	-	-	-	(549,641)
Written off	-	-	-	(166,943)	(91,188)	-	(70,246)	(58,382)	-	(386,759)
Derecognition	-	-	(85,520)	-	-	-	-	-	-	(85,520)
At 31 December 2022	-	9,306	570,809	150,101	136,804	441,796	162,838	375,291	2,145	1,849,090

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ACCOUNTANTS' REPORT (CONT'D)

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

	Freehold land RM	Freehold building RM	Rented properties RM	Computer and software RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Electrical installation and renovation RM	Signboard RM	Total RM
Net carrying amounts										
At 31 December 2022	16,178,387	4,896,398	371,519	102,877	60,742	1,241,587	85,472	187,730	5,655	23,130,367
At 31 December 2021	-	-	566,641	79,769	64,056	698,654	103,140	242,973	6,825	1,762,058
At 31 December 2020	-	-	782,497	63,621	86,671	195,719	73,970	294,871	-	1,497,349
At 31 December 2019	-	-	523,234	46,415	34,426	322,667	39,768	78,569	-	1,045,079

(a) Right-of-use assets

Right-of-use assets represent operating lease agreements entered into by the Group for the use of office and warehouse. The lease is for an initial lease with period ranging from 24 to 36 months with option to renew for another 24 months.

The Group also has motor vehicles with initial lease term of five years.

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ACCOUNTANTS' REPORT (CONT'D)

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

(a) Right-of-use assets (cont'd)

Additional information on the right-of-use assets is as follows:-

	Rented Properties RM	Motor vehicles RM	Total RM
Cost			
At 1 January 2019	452,116	676,253	1,128,369
Additions	168,099	-	168,099
At 31 December 2019/1 January 2020	620,215	676,253	1,296,468
Additions	393,202	-	393,202
At 31 December 2020/1 January 2021	1,013,417	676,253	1,689,670
Additions	-	759,692	759,692
Disposal	-	(41,512)	(41,512)
At 31 December 2021/1 January 2022	1,013,417	1,394,433	2,407,850
Additions	57,723	834,045	891,768
Disposal	-	(550,875)	(550,875)
Derecognition	(128,812)	-	(128,812)
At 31 December 2022	942,328	1,677,603	2,619,931
Accumulated depreciation			
At 1 January 2019	-	305,256	305,256
Charge for the year	96,981	48,330	145,311
At 31 December 2019/1 January 2020	96,981	353,586	450,567
Charge for the year	133,939	126,948	260,887
At 31 December 2020/1 January 2021	230,920	480,534	711,454
Charge for the year	215,856	254,101	469,957
Disposal	-	(38,856)	(38,856)
At 31 December 2021/1 January 2022	446,776	695,779	1,142,555
Charge for the year	209,553	294,691	504,244
Disposal	-	(549,641)	(549,641)
Derecognition	(85,520)	-	(85,520)
At 31 December 2022	570,809	440,829	1,011,638
Net carrying amount			
At 31 December 2022	371,519	1,236,774	1,608,293
At 31 December 2021	566,641	698,654	1,265,295
At 31 December 2020	782,497	195,719	978,216
At 31 December 2019	523,234	322,667	845,901

The above right-of-use assets have been included in property, plant and equipment. Details of the lease liabilities are disclosed in Note 20 to this report.

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

(b) Freehold land and building with a net carrying amount of RM21,074,785 (2021: Nil; 2020: Nil; 2019: Nil) has been pledged as security for term loans obtained from a licensed bank, as disclosed in Note 19 to this report.

(c) Included in property, plant and equipment of the Group are the following fully depreciated property, plant and equipment which are still in use:

	At 31 December			
	2022	2021	2020	2019
	RM	RM	RM	RM
Cost:				
Computer and software	57,383	211,502	166,943	68.803
Furniture and fittings	67,192	149,265	91,188	152,608
Motor vehicles	-	174,595	-	-
Office equipment	83,232	137,000	76,258	111,586
Electrical installation and renovation	130,164	184,046	53,882	180,031
	337,971	856,408	388,271	513,028

9. DEFERRED TAX ASSETS/(LIABILITIES)

	At 31 December			
	2022	2021	2020	2019
	RM	RM	RM	RM
Deferred tax assets/(liabilities):				
At 1 January	55,401	(10,041)	6,661	3,695
Charged to profit or loss (Note 28)	313,256	65,442	(16,702)	2,966
At 31 December	368,657	55,401	(10,041)	6,661

The components and movement of the Group's deferred tax assets and liabilities are as follows:

	At 31 December			
	2022	2021	2020	2019
	RM	RM	RM	RM
Deferred tax assets:				
Contract cost and contract liabilities	370,880	94,802	58,070	981
Impairment losses on trade receivables	11,861	51,972	16,391	-
Property, plant and equipment	-	-	-	5,870
Total deferred tax assets	382,741	146,774	74,461	6,851
Deferred tax liabilities:				
Property, plant and equipment	(14,084)	(91,373)	(84,502)	(190)
Total deferred tax liabilities	(14,084)	(91,373)	(84,502)	(190)
Net deferred tax assets/(liabilities)	368,657	55,401	(10,041)	6,661

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10. INVENTORIES

	At 31 December 2022 RM	2021 RM	2020 RM	2019 RM
At cost:				
Trading goods	13,879	37,030	-	-
Recognised in profit or loss:				
Inventories recognised in cost of sales	1,315,570	1,575,020	-	-

11. TRADE RECEIVABLES

	At 31 December 2022 RM	2021 RM	2020 RM	2019 RM
Third parties	7,778,704	20,978,111	7,057,500	4.676.463
Related parties	-	6,668	1,157,967	524,391
	7,778,704	20,984,779	8,215,467	5.200,854
Less: Impairment losses	(49,419)	(172,029)	(68,295)	(38,677)
	7,729,285	20,812,750	8,147,172	5,162,177

Trade receivables of the Group are non-interest bearing and the normal credit terms range from cash on delivery to 45 days (2021: cash on delivery to 45 days; 2020: cash on delivery to 45 days; 2019: cash on delivery to 45 days) terms. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis on trade receivables

The ageing analysis of trade receivables are as follows:

	At 31 December 2022 RM	2021 RM	2020 RM	2019 RM
Not past due	3,520,469	6,737,601	3,143,906	2.617.539
Past due				
- 30 days	2,854,347	9,503,726	3,453,824	1,780.892
- 31 to 60 days	831,652	3,239,534	1,173.996	348.314
- 61 to 90 days	171,979	590,185	221,838	247,759
- 91 days to 120 days	309,843	128,125	77,228	140,731
- more than 120 days	40,995	613,579	76,380	26,942
	4,208,816	14,075,149	5,003,266	2,544.638
	7,729,285	20,812,750	8,147,172	5,162.177
Impaired and provided for	49,419	172,029	68,295	38,677
	7,778,704	20,984,779	8,215,467	5,200,854

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ACCOUNTANTS' REPORT (CONT'D)

11. TRADE RECEIVABLES (CONT'D)

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group.

None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM4,208,816 (2021: RM14,075,149; 2020: RM5,003,266; 2019: RM2,544,638) that are past due at the reporting date but are not impaired.

Trade receivables that were past due but not impaired relate to customers that have good track record with the Group. Based on past experience and no adverse information to date, the Directors of the Group is of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are recoverable.

Receivables that are past due and impaired

The Group has trade receivables amounting to RM49,419 (2021: RM172,029; 2020: RM68,295; 2019: RM38,677) that have been impaired.

Receivables that are individually determined to be impaired at the end of the financial year relate to receivables that are facing significant financial difficulties and have defaulted on payments or the Directors of the Group are of the opinion that they are not recoverable.

The Group applies the simplified approach whereby allowance for impairment is measured at lifetime ECL. The movement of impairment losses on the trade receivables of the Group are as follows:

	Lifetime ECL allowance RM	Specific allowance RM	Total RM
At 1 January 2019	-	-	-
Charge for the year (Note 27)	1,858	36,819	38,677
At 31 December 2019/1 January 2020	1,858	36,819	38,677
Charge for the year (Note 27)	5,366	24,252	29,618
At 31 December 2020/1 January 2021	7,224	61,071	68,295
Charge for the year (Note 27)	77,024	26,710	103,734
At 31 December 2021/1 January 2022	84,248	87,781	172,029
Charge for the year (Note 27)	-	17,547	17,547
Reversal for the year (Note 27)	(81,907)	(55,305)	(137,212)
Bad debt written off	-	(2,945)	(2,945)
At 31 December 2022	2,341	47,078	49,419

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ACCOUNTANTS' REPORT (CONT'D)

11. TRADE RECEIVABLES (CONT'D)

The currency exposure profile of trade receivables is summarised as follow:

	At 31 December			
	2022 RM	2021 RM	2020 RM	2019 RM
Ringgit Malaysia	5,300,556	11,309,404	5,982,755	4,312,040
United States Dollar	2,478,148	9,668,374	2,223,643	877,714
Singapore Dollar	-	7,001	9,069	11,007
Euro	-	-	-	93
	7,778,704	20,984,779	8,215,467	5,200,854

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 31 December			
	2022 RM	2021 RM	2020 RM	2019 RM
Other receivables	53,141	6,451	4,437	106,311
Deposits	57,106	42,700	39,106	29,905
Prepayments	200,138	7,568	6,241	6,650
	310,385	56,719	49,784	142,866

The currency exposure profile of other receivables, deposits and prepayments is summarised as follow:

	At 31 December			
	2022 RM	2021 RM	2020 RM	2019 RM
Ringgit Malaysia	273,532	56,719	49,784	142,866
United States Dollar	36,853	-	-	-
	310,385	56,719	49,784	142,866

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ACCOUNTANTS' REPORT (CONT'D)

13. CONTRACT COSTS

	At 31 December			
	2022 RM	2021 RM	2020 RM	2019 RM
Contract costs	725,565	6,616,039	1,933,570	1,124,309

Contract costs are freight expenses deferred and amortised over the course of the freights services on a percentage completion basis that is consistent with revenue recognition. This percentage of completion is derived from time elapsed between days travelled from the loading port to the destination port. The Group expects to charge out the above contract costs within one year. There was no impairment loss in relation to contract costs capitalised.

14. AMOUNT OWING BY RELATED PARTIES

Amount owing by related parties are non-trade in nature, unsecured, interest free and repayable on demand in cash and cash equivalents.

15. SHORT-TERM INVESTMENT

Short-term investment represents fixed return investment, which is recognised at amortised cost.

Short-term investment as at the end of each reporting period has a maturity period of 1 month (2021: Nil; 2020: Nil; 2019: Nil) and the effective return rate of 2.75% (2021: Nil; 2020: Nil; 2019: Nil) per annum..

16. FIXED DEPOSITS WITH FINANCIAL INSTITUTIONS

Deposit placed with financial institutions as at the end of each reporting period have average maturity period of 7 days to 365 days (2021: 31 days to 365 days; 2020: 365 days; 2019: 365 days) and the effective interest rate for the Group range from 1.85% to 5.10% (2021: 1.5% to 1.85%; 2020: 3.35%; 2019: 3.1%) respectively per annum.

Fixed deposits with financial institutions comprise of RM472,403 (2021: RM414,685; 2020: RM357,131; 2019: RM307,131) are pledged for bank facilities granted to the Group as disclosed in Note 19 to this report.

17. SHARE CAPITAL AND INVESTED EQUITY

(a) Share capital

	At 31 December 2022	
	No. of shares	RM
Issued and fully paid		
At beginning/end of the financial period	100	10

17. SHARE CAPITAL AND INVESTED EQUITY (CONT'D)

(b) Invested equity

	At 31 December							
	2022		2021		2020		2019	
	No. of shares	RM	No. of shares	RM	No. of shares	RM	No. of shares	RM
KGW Logistics								
Issued and fully paid								
At beginning of the financial year	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	250,000	250,000
Issuance of shares	-	-	-	-	-	-	750,000	750,000
At end of the financial year	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Mattroy Logistics								
Issued and fully paid								
At beginning/end of the financial year	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
KGW Medica								
Issued and fully paid								
At date of incorporation	2,500	2,500	2,500	2,500	-	-	-	-
Issuance of shares	297,500	297,500	-	-				
At end of the financial year/period	300,000	300,000	2,500	2,500	-	-	-	-
Total invested equity	1,500,000	1,500,000	1,202,500	1,202,500	1,200,000	1,200,000	1,200,000	1,200,000

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18. RETAINED EARNINGS

The Group's policy is to treat all gains and losses in statement of profit or loss and other comprehensive income (i.e. non-owner transactions or events) as revenue reserves. Other than retained earnings, all other revenue reserves are regarded as non-distributable in the form of cash dividends to shareholders.

The retained earnings of the Group are available for distribution by way of cash dividends or dividends in specie. Under the single-tier system of taxation, dividends payable to shareholders are deemed net of income taxes. There are no potential income tax consequences to the combining entities that would result from the payment of dividends to shareholders. The dividends would not be taxable in the hands of the shareholders.

19. BANK BORROWINGS

	At 31 December			
	2022 RM	2021 RM	2020 RM	2019 RM
Current liabilities:				
Bank overdraft	-	-	895,653	-
Term loans	760,637	356,180	194,622	178,226
	760,637	356,180	1,090,275	178,226
Non-current liabilities:				
Term loans	18,255,950	1,213,961	595,664	658,999
Total borrowings:				
Bank overdraft	-	-	895,653	-
Term loans	19,016,587	1,570,141	790,286	837,225
	19,016,587	1,570,141	1,685,939	837,225
Maturity of borrowings:				
- Not later than one year	760,637	356,180	1,090,275	178,226
- Later than one year and not later than five years	3,350,180	1,001,621	595,664	658,999
- Later than five years	14,905,770	212,340	-	-
	19,016,587	1,570,141	1,685,939	837,225

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19. BANK BORROWINGS (CONT'D)

The above bank borrowings obtained from financial institutions are secured on the following:

(i) Open All Monies Facilities Agreement entered into between the Group and the bank;

(ii) Assignment of a Single Contribution Reducing Term Plan issued by Sun Life Malaysia Takaful Berhad under the name of a director of the Group;

(iii) Guarantee in favour of the bank by Credit Guarantee Corporation Malaysia Berhad under the Portfolio Guarantee Scheme-I;

(iv) Upfront fixed deposit of RM300,000 with yearly sinking fund of RM50,000 (waived on 25 October 2022) until the overdraft facility is fully secured together with all interest accruing from time to time in respect of fixed deposit as disclosed in Note 16 to this report;

(v) Joint and several guarantee by the directors and shareholder of the Group;

(vi) Guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) under SJPP-TRRF-I for RM400,000; and

(vii) First party legal charge over the Group's freehold land and building as disclosed in Note 8 to this report.

Except for a term loan in relation to the acquisition of property land and building (Note 36(ii)) which bears interest at 2.70% below the Base Financing Rate per annum, the term loans bear interest at Nil (2021: 3.50% above; 2020: 3.50%; 2019: 3.50%) above the Base Financing Rate per annum and 3.50% (2021: 3.50%; 2020: nil, 2019: nil) fixed rate per annum on monthly rest and on daily rest respectively.

The bank overdraft bears interest at 1.50% (2021: 1.50%; 2020: 1.50%; 2019: 1.50%) above the Base Financing Rate per annum.

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20. LEASE LIABILITIES

	At 31 December			
	2022	**2021**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Minimum lease payment				
- Not later than one year	435,712	430,917	371,627	248,687
- Later than one year and not later than five years	815,492	796,029	783,971	697,419
	1,251,204	1,226,946	1,155,598	946,106
Less: Future finance charges	(99,001)	(99,579)	(94,150)	(93,348)
Present value of lease liabilities	1,152,203	1,127,367	1,061,448	852,758
Current				
- Not later than one year	384,740	382,282	331,209	212,971
Non-current				
- Later than one year and not later than five years	767,463	745,085	730,239	639,787

Lease arrangements for rented properties and motor vehicles of the Group are disclosed in Note 8 to this report.

The incremental borrowing rate and interest rate implicit in lease applied by the Group to lease liabilities range from 4.80% to 5.81% and 3.87% to 9.92% (2021: 4.80% to 5.81% and 4.42% to 5.59%; 2020: 4.80% to 5.81% and 4.42% to 5.66%; 2019: 4.88% to 5.03% and 4.42% to 5.66%) per annum.

The following are the amounts recognised in profit or loss:

	FYE 31 December			
	2021	**2021**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Gain on derecognition of leases	(219)	-	-	-
Depreciation expenses of right-of-use assets	504,244	469,957	260,887	145,311
Interest expense on lease liabilities	61,262	59,547	40,396	45,222
Expenses relating to short-term leases	23,500	-	5,500	8,000
Total amount recognised in profit or losses	588,787	529,504	306,783	198,533
Total cash outflows for leases (including short-term leases)	535,138	453,628	230,408	255,698

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21. TRADE PAYABLES

	At 31 December			
	2022 RM	2021 RM	2020 RM	2019 RM
Third parties	2,386,267	13,172,899	3,438,815	2,515,355
Related parties	-	3,893	14,537	14,888
	2,386,267	13,176,792	3,453,352	2,530,243

The trade credit term granted to the Group range from cash on delivery to 45 days (2021: cash on delivery to 45 days; 2020: cash on delivery to 45 days; 2019: cash on delivery to 45 days).

The currency exposure profile of trade payables are as follows:

	At 31 December			
	2022 RM	2021 RM	2020 RM	2019 RM
Ringgit Malaysia	987,146	807,908	2,509,805	1,756,808
United States Dollar	1,392,304	12,333,919	939,680	700,796
Singapore Dollar	-	23,045	1,599	7,885
Euro	5,073	10,035	1,920	42,454
British Pound Sterling	1,744	1,885	348	8,274
Australian Dollar	-	-	-	14,026
	2,386,267	13,176,792	3,453,352	2,530,243

22. OTHER PAYABLES AND ACCRUALS

	At 31 December			
	2022 RM	2021 RM	2020 RM	2019 RM
Other payables	68,561	147,387	253,713	579,241
Dividend payable	-	6,000,000	-	-
Accruals	5,521,799	5,732,806	1,197,021	1,579,167
Deposit received	3,950	-	-	-
	5,594,310	11,880,193	1,450,734	2,158,408

Included in other payables are amount of Nil (2021: Nil; 2020: Nil; 2019: RM139,901), owing to close family member of a Director of the Group and amount of Nil (2021: Nil: 2020: RM45,000; 2019: Nil), owing to individuals which have interest in the Group. These amounts are unsecured, interest free and repayable on demand in cash and cash equivalents.

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23. CONTRACT LIABILITIES

	At 31 December			
	2022	2021	2020	2019
	RM	RM	RM	RM
At 31 December	2,270,902	7,011,048	2,175,526	1,673,507

(a) Movement in contract liabilities

	FYE 31 December			
	2022	2021	2020	2019
	RM	RM	RM	RM
Contract liabilities				
At 1 January	7,011,048	2,175,526	1,673,507	1,649,878
Net revenue recognised	(199,453,571)	(178,564,754)	(51,651,131)	(34,570,070)
Net billing issued	194,713,425	183,400,276	52,153,150	34,593,699
At 31 December	2,270,902	7,011,048	2,175,526	1,673,507

(b) Transaction price allocated to remaining performance obligation

The Group expects to recognise revenue from remaining performance obligation for shipping contracts within one year.

24. AMOUNT OWING TO DIRECTORS

Amount owing to Directors are unsecured, interest free and payable on demand in cash and cash equivalents.

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25. REVENUE

	FYE 31 December			
	2022 RM	2021 RM	2020 RM	2019 RM
Logistics services:				
- Ocean freight	223,517,461	187,839,161	58,663,630	38,935,550
- Air freight	1,814,230	1,899,018	1,890,723	2,038,919
- Freight forwarding	2,705,030	3,857,726	2,971,097	2,404,528
	228,036,721	193,595,905	63,525,450	43,378,997
Warehousing, trading and distribution of:				
- Healthcare-related products	1,658,179	1,823,293	-	-
	229,694,900	195,419,198	63,525,450	43,378,997
Timing of revenue recognition				
- At a point of time	30,010,080	16,854,444	11,874,319	8,808,927
- Over time	199,684,820	178,564,754	51,651,131	34,570,070
	229,694,900	195,419,198	63,525,450	43,378,997

26. FINANCE COSTS

	FYE 31 December			
	2022 RM	2021 RM	2020 RM	2019 RM
Bank overdraft interest	2,561	28,727	6,931	4,787
Lease liabilities interest	61,262	59,547	40,396	45,222
Term loans interest	55,607	88,850	82,025	95,152
	119,430	177,124	129,352	145,161

All of the finance costs above represents interest expenses of financial liabilities that are not measured at fair value through profit or loss.

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27. PROFIT BEFORE TAX

	FYE 31 December			
	2022	2021	2020	2019
	RM	RM	RM	RM
Profit before tax is arising at after charging/(crediting):				
Auditors' remuneration (statutory audit):				
- Current year	107,000	61,000	32,700	24,500
- Overprovision in prior year	(225)	(550)	-	-
Bad debts written off	4,013	60,974	4,247	-
Depreciation of property, plant and equipment [1]	704,751	672,874	408,051	198,596
Employee benefits expenses:				
- Salaries, allowances and bonus	4,073,409	2,773,191	1,824,493	1,981,468
- Commission	4,636,522	5,217,607	1,882,291	859,563
- Defined contribution plan	1,050,240	1,000,343	411,460	266,131
- Social security contributions	44,357	32,716	27,181	24,020
- Other staff related expenses	100,004	55,724	45,393	122,627
Formation costs	2,171	2,479	-	-
Gain on disposal of property, plant and equipment	(265,766)	(18,728)	-	(18,000)
Interest income [2]	(70,790)	(7,154)	-	(7,131)
Gain on derecognition of a subsidiary	-	(2,984)	-	-
Gain on lease modification	(219)	-	-	-
Property, plant and equipment written off	375	-	-	-
(Reversal of impairment)/ impairment losses on trade receivables:				
- lifetime ECL allowances	(81,907)	77,024	5,366	1,858
- specific allowances	(37,758)	26,710	24,252	36,819
Realised (gain)/loss on foreign exchange, net	(812,780)	869,903	213,916	120,309
Rental expenses [3]	23,500	-	5,500	8,000
Rental income	(4,000)	(12,000)	(12,000)	(6,360)
Unrealised (gain)/loss on foreign exchange	(97,372)	(33,671)	153,599	84,498

[1] Included RM13,175 (2021: Nil; 2020: Nil; 2019: Nil) being depreciation expense recognised in cost of sales.

[2] The amount represents interest income of financial assets measured at amortised cost calculated using the effective interest method.

[3] The amount represents low value underlying assets leases and short term leases under MFRS 16.

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28. TAX EXPENSE

	FYE 31 December			
	2022 RM	2021 RM	2020 RM	2019 RM
Income tax				
Current year	5,860,026	5,092,276	655,326	208,149
(Over)/Underprovision in prior years	(10,758)	(34,200)	16,448	53,742
	5,849,268	5,058,076	671,774	261,891
Deferred tax (Note 9)				
Current year	(246,684)	(66,088)	130,822	(2,850)
(Over)/Underprovision in prior years	(66,572)	646	(114,120)	(116)
	(313,256)	(65,442)	16,702	(2,966)
	5,536,012	4,992,634	688,476	258,925

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

	FYE 31 December			
	2022 RM	2021 RM	2020 RM	2019 RM
Profit before tax	21,871,073	20,750,451	2,864,797	608,348
Malaysian statutory tax rate of 24%	5,249,058	4,980,108	687,551	146,004
Tax effect in respect of:				
Non-taxable income	(28,026)	(35,976)	-	-
Non-deductible expenses	416,049	121,686	117,697	99,069
Deferred tax assets not recognised during the financial year	18,261	-	-	-
Difference in tax rate for:				
- small and medium companies in Malaysia	(42,000)	(39,630)	(19,100)	(39,774)
(Over)/Underprovision of current tax in prior years	(10,758)	(34,200)	16,448	53,742
(Over)/Underprovision of deferred tax in prior years	(66,572)	646	(114,120)	(116)
Tax expense for the financial year	5,536,012	4,992,634	688,476	258,925

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28. TAX EXPENSE (CONT'D)

The amount of temporary difference for which no deferred tax assets has been recognised in the statement of financial position are as follow:

	At 31 December			
	2022	2021	2020	2019
	RM	RM	RM	RM
Temporary differences on plant and equipment	(16,382)	-	-	-
Unabsorbed capital allowances	24,806	-	-	-
Unabsorbed tax losses	67,662	-	-	-
	76,086	-	-	-

Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits will be available against when the combining entity, KGW Medica can utilise the benefits.

The availability of unutilised tax losses for offsetting against future taxable profits of the KGW Medica is subject to the requirements under the Income Tax Act 1967 and guidelines issued by the Inland Revenue Board.

Under the current tax legislation in Malaysia, unabsorbed losses from year of assessment ("YA") 2019 onwards can only be carried forward for a maximum period of 10 consecutive YAs. Unabsorbed losses for YA 2019 can be set off against income from any business source for 10 YAs and will be disregarded in YA 2030. Unabsorbed losses accumulated up to YA 2018 can be utilised for another 10 YAs and will be disregarded in YA 2029.

Unutilised tax losses of KGW Medica can be carried forward until the following YAs:

	At 31 December			
	2022	2021	2020	2019
	RM	RM	RM	RM
YA 2032	67,662	-	-	-

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29. EARNINGS PER SHARE

Basic and diluted EPS are calculated by dividing the profit for the financial year attributable to owners of the Group by the weighted average number of ordinary shares in issue for the financial years.

For the purpose of the combined financial statements, the number of ordinary shares for the FYE 2019, 2020, 2021 and 2022 represents the weighted average aggregate ordinary shares issued of the Group.

	FYE 31 December			
	2022	**2021**	**2020**	**2019**
Profit for the financial year attributable to owners of the Group (RM)	16,335,061	15,757,817	2,178,464	350,637
Weighted average number of ordinary shares at 31 December (unit)	1,476,827	1,201,308	1,200,000	1,000,685
Basic and diluted EPS (RM)	11.06	13.12	1.82	0.35

There were no dilutive potential equity instruments in issue as at each FYE that have dilutive effect to the EPS.

30. DIVIDENDS

	FYE 31 December 2021 RM
Dividends paid by KGW Logistics:	
Interim single tier dividend of RM1.50 per ordinary share for the financial year ended 31 December 2021 paid on 31 December 2021	1,500,000
Interim single tier dividend of RM6.00 per ordinary share for the financial year ended 31 December 2021 paid on 18 March 2022	6,000,000
Dividends paid by Mattroy Logistics:	
Interim single tier dividend of RM0.50 per ordinary share for the financial year ended 31 December 2021 paid on 27 December 2021	100,000
	7,600,000

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31. CASH AND CASH EQUIVALENTS

	At 31 December			
	2022 RM	2021 RM	2020 RM	2019 RM
Cash and bank balances	10,928,886	19,005,864	2,083,139	2,762,291
Short-term investment	3,007,007	-	-	-
Fixed deposits with financial institutions	14,030,477	914,685	357,131	307,131
	27,966,370	19,920,549	2,440,270	3,069,422
Less: Bank overdraft	-	-	(895,653)	-
Less: Fixed deposit pledged for bank borrowings	(472,403)	(414,685)	(357,131)	(307,131)
	27,493,967	19,505,864	1,187,486	2,762,291

The currency exposure profile of cash and cash equivalents is as follows:

	At 31 December			
	2022 RM	2021 RM	2020 RM	2019 RM
USD	14,831,694	7,713,408	1,266,152	1,879,167
RM	13,134,676	12,207,141	1,174,118	1,190,255
	27,966,370	19,920,549	2,440,270	3,069,422

32. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the combining entities have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or influence over the party in making financial and operating decisions, or vice versa, or where combining entities and the party are subject to common control or common significant influence. Related parties could be individual or other entities.

The Group has related party relationships with its combining entities, entities in which the Director has substantial financial interests and key management personnel of the Group.

32. RELATED PARTY DISCLOSURES (CONT'D)

(b) In addition to the information detailed elsewhere in the combined financial statements, the combining entities had the following transactions with related parties during the reporting periods:

	FYE 31 December			
	2022 RM	2021 RM	2020 RM	2019 RM
Entities in which Directors have interest				
- Rental expenses paid	127,800	127,800	52,800	34,650
- Sales billed to	92,680	4,291,828	4,063,048	2,196,566
- Purchase billed from	4,566	47,180	25,600	49,662
- Rental income received	4,000	12,000	12,000	-
- Management fee income received	-	-	11,100	-
- Payment on behalf of entities	818	1,910	8,502	-
- Payment on behalf by entities	-	2,189	334	-
Director of the Company				
- Repayment to Director, net	-	(125,752)	(159,784)	(66,805)
Directors of the combining entities				
- (Repayment to)/advances from Director, net	(500)	(59,500)	60,000	-
- Rental expenses paid	78,000	78,000	78,000	78,000
Key management personnel of the combining entities				
- Advances from/ (repayment to), net	-	(30,000)	30,000	-
- Proceeds from disposal of motor vehicles	-	-	-	18,000
Related parties compensation:				
- Salaries, allowances and bonus	66,000	51,500	31,000	26,000
- Commission	-	5,000	-	-
- Defined contribution plan	8,580	7,345	4,030	3,380
- Social security contributions	864	523	445	445
- Other staff related expenses	99	60	51	51
	75,543	64,428	35,526	29,876

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32. RELATED PARTY DISCLOSURES (CONT'D)

(c) Compensation of Directors and key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group.

The remuneration of Directors and key management personnel of the Group during the financial years are as follows:

	FYE 31 December			
	2022	2021	2020	2019
Director of the combining entities compensation:	RM	RM	RM	RM
- Director fee	35,400	-	-	350,000
- Directors' salaries, allowances and bonus	1,146,158	364,200	206,000	249,977
- Director non-fee emoluments	-	-	-	396,615
- Defined contribution plan	136,741	39,600	84,312	32,989
- Social security contributions	3,336	1,657	1,657	1,036
- Other staff related expenses	381	190	190	1,279
	1,322,016	405,647	292,159	1,031,896
Key management personnel compensation:				
- Salaries, allowances and bonus	673,400	291,100	257,600	207,600
- Commission	811,701	2,384,881	417,246	623,192
- Defined contribution plan	269,731	305,525	113,159	67,088
- Social security contributions	3,596	2,555	2,486	2,486
- Other staff related expenses	411	592	484	284
	1,758,839	2,984,653	790,975	900,650

33. SEGMENT INFORMATION

The Group has three reportable operating segments – logistics services provider, healthcare products and other as described below. They have been segregated as three strategic business units for internal reporting to the Director for performance evaluation and resource allocation.

Operating segments	**Nature**
Logistics services provider	Provision of ocean and air freight services, freight forwarding services and other supporting services.
Healthcare products	Warehousing and distribution of pharmaceutical and medical goods.
Other	Investment holding

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33. SEGMENT INFORMATION (CONT'D)

Operating segments

	Logistic services RM	Healthcare products RM	Other RM	Total RM
FYE 31 December 2022				
Revenue				
External revenues	228,036,721	1,658,179	-	229,694,900
Results				
Segment results	23,749,982	(118,077)	(1,007,441)	22,624,464
Depreciation of property, plant and equipment	(682,036)	(22,715)	-	(704,751)
Interest income	70,790	-	-	70,790
Finance costs	(115,200)	(4,230)	-	(119,430)
Profit before tax	23,023,536	(145,022)	(1,007,441)	21,871,073
Tax expense	(5,534,269)	(1,743)	-	(5,536,012)
Profit for the financial year	17,489,267	(146,765)	(1,007,441)	16,335,061
Assets				
Additions to non-current assets [1]	21,945,341	114,897	-	22,060,238
Segment assets	59,483,813	329,856	62,182	59,875,851
Deferred tax assets	368,657	-	-	368,657
Total assets	59,852,470	329,856	62,182	60,244,508
Liabilities				
Segment liabilities	29,238,203	112,453	1,069,613	30,420,269
Income tax payable	1,394,459	-	-	1,394,459
Total liabilities	30,632,662	112,453	1,069,613	31,814,728
Other non-cash items				
Bad debts written off	4,013	-	-	4,013
Gain on disposal of property, plant and equipment	(265,766)	-	-	(265,766)
Reversal of impairment loss on trade receivables, net:				
- lifetime ECL allowances	(81,907)	-	-	(81,907)
- specific allowances	(37,758)	-	-	(37,758)
Unrealised gain on foreign exchange, net	(97,372)	-	-	(97,372)

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33. SEGMENT INFORMATION (CONT'D)

Operating segments (cont'd)

	Logistic services RM	Healthcare products RM	Total RM
FYE 31 December 2021			
Revenue			
External revenues	193.595,905	1,823,293	195,419,198
Results			
Segment results	21,502,640	90,655	21,593,295
Depreciation of property, plant and equipment	(672,863)	(11)	(672,874)
Interest income	7,154	-	7,154
Finance costs	(177,124)	-	(177,124)
Profit before tax	20,659,807	90,644	20,750,451
Tax expense	(4,976,475)	(16,159)	(4,992,634)
Profit for the financial year	15,683,332	74,485	15,757,817
Assets			
Additions to non-current assets [1]	938,476	379	938,855
Segment assets	49,004,431	206,594	49,211,025
Deferred tax assets	55,401	-	55,401
Total assets	49,059,832	206,594	49,266,426
Liabilities			
Segment liabilities	34,652,591	113,450	34,766,041
Income tax payable	2,687,017	16,159	2,703,176
Total liabilities	37,339,608	129,609	37,469,217
Other non-cash items			
Bad debts written off	60,974	-	60,974
Gain on disposal of property, plant and equipment	(18,728)	-	(18,728)
Impairment loss on trade receivables:			
- lifetime ECL allowances	77,024	-	77,024
- specific allowances	26,710	-	26,710
Unrealised gain on foreign exchange, net	(33,671)	-	(33,671)

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33. SEGMENT INFORMATION (CONT'D)

Operating segments (cont'd)

[1] Additions to non-current assets include additions of property, plant and equipment but exclude addition to right-of-use assets in relation to rental lease arrangement.

Information about operating segments for financial years ended 31 December 2020 and 31 December 2019 had not been reported separately as the Group's revenue, profit or loss, assets and liabilities were mainly confined to a single operating segment, namely the logistics services.

Geographical segments

Revenue of the Group based on the geographical location of its customers are as follows:

	FYE 31 December			
	2022 RM	2021 RM	2020 RM	2019 RM
Revenue from external customers				
Malaysia	115,403,385	109,471,085	49,584,103	34,022,420
Africa	1,390,333	388,932	88,475	91,804
Asia	30,558,828	25,757,699	6,694,728	5,281,177
Europe	1,580,545	2,742,892	253,028	820,471
North America	79,669,575	56,278,622	6,667,076	3,011,320
South America	104,636	376,430	13,781	-
Oceania	987,598	403,538	224,259	151,805
	229,694,900	195,419,198	63,525,450	43,378,997
Malaysia	115,403,385	109,471,085	49,584,103	34,022,420
Outside Malaysia	114,291,515	85,948,113	13,941,347	9,356,577
	229,694,900	195,419,198	63,525,450	43,378,997

Non-current assets of the Group are located in Malaysia.

Major customers

Major customers with revenue of at least 10% of the Group's total revenue are as follows:

	FYE 31 December			
	2022 RM	2021 RM	2020 RM	2019 RM
Customer A	27,789,765	21,363,387	4,498,046	2,079,915
Customer B	-	-	12,631,281	11,003,762
Customer C	23,140,547	7,994,055	-	-

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34. FINANCIAL INSTRUMENTS

34.1 Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost based on their respective classification. The significant accounting policies in Note 6(g) and 6(h) describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The table below provides an analysis of financial instruments of the Group in the statement of financial position by the classes and categories of financial instruments to which they are assigned and therefore by the measurement basis:

	At 31 December			
	2022 RM	2021 RM	2020 RM	2019 RM
Financial assets				
At amortised cost:-				
Trade receivables	7,729,285	20,812,750	8,147,172	5,162,177
Other receivables and deposits (excluding prepayments)	110,247	49,151	43,543	136,216
Amount owing by related parties	-	5,880	28,161	-
Short-term investment	3,007,007	-	-	-
Fixed deposits with financial institutions	14,030,477	914,685	357,131	307,131
Cash and bank balances	10,928,886	19,005,864	2,083,139	2,762,291
	35,805,902	40,788,330	10,659,146	8,367,815
Financial liabilities				
At amortised cost:-				
Trade payables	2,386,267	13,176,792	3,453,352	2,530,243
Other payables and accruals	5,594,310	11,880,193	1,450,734	2,158,408
Amount owing to Directors	-	500	185,752	959,309
Bank borrowings	19,016,587	1,570,141	1,685,939	837,225
Lease liabilities	1,152,203	1,127,367	1,061,448	852,758
	28,149,367	27,754,993	7,837,225	7,337,943

34.2 Net gains and losses arising from financial instruments

	FYE 31 December			
	2022 RM	2021 RM	2020 RM	2019 RM
Net gains/(losses) arising from:				
Financial assets measured at amortised cost	(218,119)	(905,306)	(317,899)	(234,836)
Financial liabilities measured at amortised cost	1,247,935	217,328	(19,998)	68,707

Interest income and interest expense arising from financial instruments are not included in the above net gains and losses. They are disclosed in Note 26 and Note 27 to this report.z

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34. FINANCIAL INSTRUMENTS (CONT'D)

34.3 Financial risk management, objectives and policies

The Group is exposed to financial risk arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, credit risk, liquidity risk and foreign currency risk.

The Directors review and agree policies and procedure for the management of these risks, which are executed by the Managing Director. The Group's financial risk management policies are to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its interest rate risk, credit risk, liquidity risk and foreign currency risk. The Group operates within policies and guidelines that are approved by the Directors, which includes not engaging in speculative transactions.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of those risks.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group manages the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an ongoing basis. The management does not enter into interest rate hedging transactions as the cost of such instruments outweighs the potential risk of interest rate fluctuation.

The interest rate profile of the Group's significant interest bearing financial instruments, based on the carrying amounts as at the end of the reporting period is as follows:

	At 31 December			
	2022	**2021**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Fixed rate instruments				
Financial assets				
Short-term investment	3,007,007	-	-	-
Fixed deposits with financial institutions	14,030,477	914,685	357,131	307,131
Financial liabilities				
Bank borrowings	836,587	979,963	-	-
Lease liabilities	1,152,203	1,127,367	1,061,448	852,758
Floating rate instruments				
Financial liabilities				
Bank borrowings	18,180,000	590,178	1,685,939	837,225

Sensitivity analysis is not disclosed on fixed rate instruments as fixed rate instruments are not exposed to interest rate risk and are measured at amortised cost.

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34. FINANCIAL INSTRUMENTS (CONT'D)

34.3 Financial risk management, objectives and policies (cont'd)

(i) Interest rate risk (cont'd)

A 50 basis points strengthening in the interest rate of floating rate instruments as at the end of the reporting periods would have decreased Group's profit after tax by RM69,084 (2021: RM2,243; 2020: RM6,407; 2019: RM3,181). A 50 basis points weakening would have had an equal but opposite effect on the profit before tax. This assumes that all other variables remain constant.

(ii) Credit risk

(a) Trade receivables

Credit risk is the risk of a financial loss to the Group that may arise if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its trade and other receivables.

The management has in place credit procedures to monitor and minimise the exposure of default. Receivables are monitored on a regular and an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

Credit risk concentration profile

The Group has no concentration of credit risk except for the amounts owing by one (2021: nil; 2020: three; 2019: two) customer(s) which constituted approximately 31% (2021: nil; 2020: 36%; 2019: 40%) of its trade receivables as at the end of the reporting period.

Exposure to credit risk

At the end of financial year, the Group's maximum exposure to credit risk is represented by the carrying amount of trade receivables recognised in the statement of financial position.

Information regarding ageing analysis for trade receivables is disclosed in Note 11 to this report.

Assessment of impairment losses

The Group considers the probability of default upon initial recognition of asset and applies the simplified approach to measure expected credit losses ("ECL") using lifetime ECL allowance for all trade receivables.

The Group considers a receivable as being in default requiring individual impairment assessment when the debtor fails to make payment for invoices more than 120 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

An impairment analysis is performed at each reporting date using provision matrix to measure ECL for all trade receivables.

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34. FINANCIAL INSTRUMENTS (CONT'D)

34.3 Financial risk management, objectives and policies (cont'd)

(ii) Credit risk (cont'd)

(a) Trade receivables (cont'd)

Assessment of impairment losses (cont'd)

The ECL asessment incorporate historical default experience, customers' financial information, past trends of payments of each customer individually and forward-looking information such as forecast of economic conditions where the gross domestic product is expected to increase/decrease over the next year, leading to change in the number of defaults.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from ECL for trade receivables.

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34. FINANCIAL INSTRUMENTS (CONT'D)

34.3 Financial risk management, objectives and policies (cont'd)

(ii) Credit risk (cont'd)

(a) Trade receivables (cont'd)

Assessment of impairment losses (cont'd)

The loss allowance as at 31 December 2022 and comparative years is determined as follows:

	Current	30 days past due	60 days past due	90 days past due	120 days past due	More than 120 days past due	Total
At 31 December 2022							
Expected loss rate (%)	0.01	0.05	0.08	0.01	0.04	33.89	
Gross carrying amount (RM)	3,520,751	2,855,611	831,948	172,000	309,979	41,337	
Loss allowance (RM)	282	1,264	296	21	136	342	2,341
Impaired receivables (RM)							47,078
Total impairment loss (RM)							49,419

34. FINANCIAL INSTRUMENTS (CONT'D)

34.3 Financial risk management, objectives and policies (cont'd)

(ii) Credit risk (cont'd)

(a) Trade receivables (cont'd)

Assessment of impairment losses (cont'd)

The loss allowance as at 31 December 2022 and comparative years is determined as follows: (cont'd)

	Current	30 days past due	60 days past due	90 days past due	120 days past due	More than 120 days past due	Total
At 31 December 2021							
Expected loss rate (%)	0.14	0.06	0.25	0.15	0.35	8.73	
Gross carrying amount (RM)	6,746,368	9,509,728	3,247,631	591,058	128,570	673,643	
Loss allowance (RM)	8,767	6,002	8,097	873	445	60,064	84,248
Impaired receivables (RM)							87,781
Total impairment loss (RM)							172,029

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34. FINANCIAL INSTRUMENTS (CONT'D)

34.3 Financial risk management, objectives and policies (cont'd)

(ii) Credit risk (cont'd)

(a) Trade receivables (cont'd)

Assessment of impairment losses (cont'd)

The loss allowance as at 31 December 2022 and comparative years is determined as follows: (cont'd)

	Current	30 days past due	60 days past due	90 days past due	120 days past due	More than 120 days past due	Total
At 31 December 2020							
Expected loss rate (%)	-*	0.02	0.05	0.04	0.11	5.96	
Gross carrying amount (RM)	3,143,965	3,454,568	1,174,552	221.922	40,478	118,911	
Loss allowance (RM)	59	744	556	84	69	5,712	7,224
Impaired receivables (RM)							61,071
Total impairment loss (RM)							68,295

**Less than 0.01%*

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ACCOUNTANTS' REPORT (CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.3 Financial risk management, objectives and policies (cont'd)

(ii) Credit risk (cont'd)

(a) Trade receivables (cont'd)

Assessment of impairment losses (cont'd)

The loss allowance as at 31 December 2022 and comparative years is determined as follows: (cont'd)

	Current	30 days past due	60 days past due	90 days past due	120 days past due	More than 120 days past due	Total
At 31 December 2019							
Expected loss rate (%)	-*	-*	0.01	0.05	0.07	4.91	
Gross carrying amount (RM)	2,617,615	1,780,954	348,354	247,893	140,826	28,393	
Loss allowance (RM)	76	62	40	134	96	1,450	1,858
Impaired receivables (RM)							36,819
Total impairment loss (RM)							38,677

**Less than 0.01%*

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ACCOUNTANTS' REPORT (CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.3 Financial risk management, objectives and policies (cont'd)

(ii) Credit risk (cont'd)

(b) Other receivables

Exposure to credit risk, credit quality and collateral

Other receivable balances are monitored on an ongoing basis.

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of other receivables as at the end of the reporting period.

Ageing analysis of other receivables and impairment losses

The Group does not maintain ageing analysis for other receivables. Based on past experience, the Directors determine whether impairment is necessary in respect of other receivables applying the general approach to determine the ECL.

(c) Cash and cash equivalents

Cash and cash equivalents are held with financial institutions. The Group minimises credit risk by dealing exclusively with high credit rating counterparties.

Exposure to credit risk, credit quality and collateral

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meets its obligations. As at the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of bank balances and fixed deposits in the statement of financial position.

Impairment losses

Bank balances and fixed deposits have low credit risk and they are protected to an extent by Perbadanan Insurans Deposit Malaysia. Consequently, the Group is of the view that loss allowance is not material and hence it is not provided for.

34. FINANCIAL INSTRUMENTS (CONT'D)

34.3 Financial risk management, objectives and policies (cont'd)

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility of cash flow through the use of standby credit facilities.

The Group maintains a level of cash and cash equivalents, bank overdrafts and loan facilities deemed adequate by management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM	Contractual undiscounted cash flows RM	On demand or within one year RM	Two to five years RM	More than five years RM
At 31 December 2022					
Trade payables	2,386,267	2,386,267	2,386,267	-	-
Other payables and accruals	5,594,310	5,594,310	5,594,310	-	-
Bank borrowings	19,016,587	27,125,688	1,485,651	5,942,605	19,697,432
Lease liabilities	1,152,203	1,251,204	435,712	815,492	-
	28,149,367	36,357,469	9,901,940	6,758,097	19,697,432

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ACCOUNTANTS' REPORT (CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.3 Financial risk management, objectives and policies (cont'd)

(iii) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities at the end of the reporting period based on undiscounted contractual payments: (cont'd)

	Carrying amount RM	Contractual undiscounted cash flows RM	On demand or within one year RM	Two to five years RM	More than five years RM
At 31 December 2021					
Trade payables	13,176,792	13,176,792	13,176,792	-	-
Other payables and accruals	11,880,193	11,880,193	11,880,193	-	-
Amount due to Directors	500	500	500	-	-
Bank borrowings	1,570,141	1,753,688	433,034	1,105,563	215,091
Lease liabilities	1,127,367	1,226,946	430,917	796,029	-
	27,754,993	28,038,119	25,921,436	1,901,592	215,091
At 31 December 2020					
Trade payables	3,453,352	3,453,352	3,453,352	-	-
Other payables and accruals	1,450,734	1,450,734	1,450,734	-	-
Amount due to Directors	185,752	185,752	185,752	-	-
Bank borrowings	1,685,939	1,815,947	1,153,580	662,367	-
Lease liabilities	1,061,448	1,155,598	371,627	783,971	-
	7,837,225	8,061,383	6,615,045	1,446,338	-

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ACCOUNTANTS' REPORT (CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.3 Financial risk management, objectives and policies (cont'd)

(iii) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities at the end of the reporting period based on undiscounted contractual payments: (cont'd)

	Carrying amount RM	Contractual undiscounted cash flows RM	On demand or within one year RM	Two to five years RM	More than five years RM
At 31 December 2019					
Trade payables	2,530,243	2,530,243	2,530,243	-	-
Other payables and accruals	2,158,408	2,158,408	2,158,408	-	-
Amount due to Directors	959,309	959,309	959,309	-	-
Bank borrowings	837,225	1,031,271	257,927	773,344	-
Lease liabilities	852,758	946,106	248,687	697,419	-
	7,337,943	7,625,337	6,154,574	1,470,763	-

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ACCOUNTANTS' REPORT (CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.3 Financial risk management, objectives and policies (cont'd)

(iv) Foreign exchange risk

The Group is exposed to foreign currency risks as a result of its normal operating activities with foreign companies, denominated mainly in Australian Dollar ("AUD"), United States Dollar ("USD") , Euro ("EUR"), British Pound Sterling ("GBP") and Singapore Dollar ("SGD").

The Group's exposure to foreign currency at each reporting date is as follows:

	EUR RM	GBP RM	USD RM	Total RM
At 31 December 2022				
Financial assets				
Trade receivables	-	-	2,478,148	2,478,148
Other receivables, deposits and prepayments	-	-	36,853	36,853
Fixed deposits with financial institutions	-	-	13,558,074	13,558,074
Cash and bank balances	-	-	1,273,620	1,273,620
	-	-	17,346,695	17,346,695
Financial liabilities				
Trade payables	5,073	1,744	1,392,304	1,399,121
Net exposure	(5,073)	(1,744)	15,954,391	15,947,574

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ACCOUNTANTS' REPORT (CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.3 Financial risk management, objectives and policies (cont'd)

(iv) Foreign exchange risk (cont'd)

The Group's exposure to foreign currency at each reporting date is as follows: (cont'd)

	EUR RM	GBP RM	SGD RM	USD RM	Total RM
At 31 December 2021					
Financial assets					
Trade receivables	-	-	7,001	9,668,374	9,675,375
Cash and bank balances	-	-	-	7,713,408	7,713,408
	-	-	7,001	17,381,782	17,388,783
Financial liabilities					
Trade payables	10,035	1,885	23,045	12,333,919	12,368,884
	10,035	1,885	23,045	12,333,919	12,368,884
Net exposure	(10,035)	(1,885)	(16,044)	5,047,863	5,019,899

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ACCOUNTANTS' REPORT (CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.3 Financial risk management, objectives and policies (cont'd)

(iv) Foreign exchange risk (cont'd)

The Group's exposure to foreign currency at each reporting date is as follows: (cont'd)

	EUR RM	GBP RM	SGD RM	USD RM	Total RM
At 31 December 2020					
Financial assets					
Trade receivables	-	-	9,069	2,223,643	2,232,712
Cash and bank balances	-	-	-	1,266,152	1,266,152
	-	-	9,069	3,489,795	3,498,864
Financial liabilities					
Trade payables	1,920	348	1,599	939,680	943,547
	1,920	348	1,599	939,680	943,547
Net exposure	(1,920)	(348)	7,470	2,550,115	2,555,317

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ACCOUNTANTS' REPORT (CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.3 Financial risk management, objectives and policies (cont'd)

(iv) Foreign exchange risk (cont'd)

The Group's exposure to foreign currency at each reporting date is as follows: (cont'd)

	AUD RM	EUR RM	GBP RM	SGD RM	USD RM	Total RM
At 31 December 2019						
Financial assets						
Trade receivables	-	93	-	11,007	877,714	888,814
Cash and bank balances	-	-	-	-	1,879,167	1,879,167
	-	93	-	11,007	2,756,881	2,767,981
Financial liabilities						
Trade payables	14,026	42,454	8,274	7,885	700,796	773,435
	14,026	42,454	8,274	7,885	700,796	773,435
Net exposure	(14,026)	(42,361)	(8,274)	3,122	2,056,085	1,994,546

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ACCOUNTANTS' REPORT (CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.3 Financial risk management, objectives and policies (cont'd)

(iv) Foreign exchange risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit after tax to a reasonably possible fluctuation in the EUR, GBP, SGD, USD and AUD exchange rate against RM, with all other variables held constant.

	FYE 31 December			
	2022 Increase/ (decrease) RM	2021 Increase/ (decrease) RM	2020 Increase/ (decrease) RM	2019 Increase/ (decrease) RM
Effects on profit after tax				
EUR				
- strengthens by 10%	(386)	(763)	(146)	(3,219)
- weakens by 10%	386	763	146	3,219
GBP				
- strengthens by 10%	(133)	(143)	(26)	(629)
- weakens by 10%	133	143	26	629
SGD				
- strengthens by 10%	-	(1,219)	568	237
- weakens by 10%	-	1,219	(568)	(237)
USD				
- strengthens by 10%	1,212,534	383,638	193,809	156,262
- weakens by 10%	(1,212,534)	(383,638)	(193,809)	(156,262)
AUD				
- strengthens by 10%	-	-	-	(1,066)
- weakens by 10%	-	-	-	1,066

(v) Fair value of financial instruments

The carrying amount of financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to relatively short term maturity of these financial instruments.

The carrying amount of the floating rate term loans approximate their fair values as these instruments bear interest at variable rates.

The carrying amount of the fixed rate term loans approximately their fair values as these instruments bear interest that approximated the market lending rates at the reporting date.

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ACCOUNTANTS' REPORT (CONT'D)

35. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure the Group's ability to continue as a going concern and maximise shareholders' value.

To achieve this objective, the Group 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 manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total shareholders' equity. Net debt is calculated as bank borrowings plus amount owing to Directors and lease liabilities less cash and cash equivalents.

The debt-to-equity ratio of the Group as at the end of the reporting period is as follows:

	FYE 31 December			
	2022 RM	2021 RM	2020 RM	2019 RM
Amount owing to Directors	-	500	185,752	959,309
Bank borrowings	19,016,587	1,570,141	1,685,939	837,225
Lease liabilities #	748,885	528,655	256,384	317,255
	19,765,472	2,099,296	2,128,075	2,113,789
Less: Cash and cash equivalents	(27,493,967)	(19,505,864)	(1,187,486)	(2,762,291)
Net (cash)/debt	(7,728,495)	(17,406,568)	940,589	(648,502)
Total shareholders' equity	28,429,780	11,797,209	3,636,892	1,458,428
Debt-to-equity ratio	N/A*	N/A*	0.26	N/A*

Exclude lease liabilities in relation to rental lease arrangement.
* The gearing ratio is not applicable as the cash and cash equivalents is sufficient to cover the entire debt obligation.

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ACCOUNTANTS' REPORT (CONT'D)

36. SIGNIFICANT EVENT DURING AND AFTER THE REPORTING PERIODS

(i) The Coronavirus disease 2019 "COVID-19" pandemic

The World Health Organisation declared the 2019 Novel Coronavirus infection ("COVID-19") a global pandemic on 11 March 2020. The Government of Malaysia imposed a Movement Control Order ("MCO") effective from 18 March 2020 followed by various phases of the MCO subsequently to curb the spread of the COVID-19 pandemic during 2020 and 2021. These orders and the resurgence of COVID-19 cases, movement restriction orders and targeted containment measures implemented in many countries have caused disruptions to business activities nationwide, especially markets in which the Group operates.

The restrictions imposed have not, however, negatively impacted the Group's financial performance as most of its operations were allowed to operate throughout the MCO under the respective guidelines set by the National Security Council and the Ministry of International Trade and Industry. The Group has performed assessment on the overall impact of COVID-19 situation on its operations, including the recoverability of the carrying amount of assets and concluded that there was no material adverse effect on the Group at the end of the reporting periods.

(ii) Acquisition of property land and building

On 21 April 2022, the Group had signed a letter of offer with a third party at a consideration of RM20.20 million to acquire a freehold land and building located at Hicom Glenmarie Industrial Park, Shah Alam, Selangor with a total built-up area of 53,455.76 sq. ft.. The sales and purchase agreement had been entered by the Group on 05 July 2022.

The transaction has completed during the financial year ended 31 December 2022 with fully disbursement of loan amounted to RM18,180,000 on 28 December 2022.

(iii) Acquisition of KGW Logistics, Mattroy Logistics and KGW Medica

On 30 September 2022, KGW entered into a conditional share sale agreement with KGW Logistics, Mattroy Logistics and KGW Medica Vendors:

(a) to acquire the entire equity interest in KGW Logistics comprising 1,000,000 ordinary shares for a total purchase consideration of RM11,092,800 to be satisfied via the issuance of 369,760,000 new Shares at an issue price of RM0.03 per Share;

(b) to acquire the entire equity interest in Mattroy Logistics comprising 200,000 ordinary shares for a total purchase consideration of RM626,800 to be satisfied via the issuance of 20,893,334 new Shares at an issue price of RM0.03 per Share; and

(c) to acquire the entire equity interest in KGW Medica comprising 300,000 ordinary shares for a purchase consideration of RM374,500 to be satisfied via the issuance of 12,483,333 new Shares at an issue price of RM0.03 per Share.

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ACCOUNTANTS' REPORT (CONT'D)

36. SIGNIFICANT EVENT DURING AND AFTER THE REPORTING PERIOD

(iii) Acquisition of KGW Logistics, Mattroy Logistics and KGW Medica (cont'd)

The Acquisition is conditional upon the approval of the relevant authorities being obtained for Listing of KGW within 9 months from agreement date. The new Shares issued under the Acquisition rank equally in all respects with existing Shares. Upon completion of the Acquisition, KGW Logistics, Mattroy Logistics and KGW Medica become the wholly-owned subsidiaries of KGW.

The transactions have completed on 18 April 2023.

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ACCOUNTANTS' REPORT (CONT'D)

Statement By Directors

We, **Dato' Roger Wong Ken Hong** and **Cheok Hui Yen,** being two of the Directors of **KGW Group Berhad,** state that, in the opinion of the Directors, the audited combined financial statements set out on pages 4 to 87 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 and of their financial performance, changes in equity and cash flows for each of the financial years ended 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022.

Signed on behalf of Board of Directors in accordance with a resolution of the Directors,

Dato' Roger Wong Ken Hong
Director
13 JUN 2023

Cheok Hui Yen
Director

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The Board of Directors
KGW GROUP BERHAD
D11-10-1, Block D11
Dana 1 Commercial Centre
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

Kuala Lumpur, 13 June 2023

Dear Sirs,

KGW GROUP BERHAD ("KGW" OR "THE COMPANY") AND ITS COMBINING ENTITIES (COLLECTIVELY "THE GROUP")

REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION INCLUDED IN A PROSPECTUS

We have completed our assurance engagement to report on the compilation of pro forma combined statement of financial position of the Group as at 31 December 2022. The pro forma combined statement of financial position as at 31 December 2022 ("Pro Forma Combined Statement of Financial Position") together with the accompanying notes are prepared by the Board of Directors of KGW ("the Directors") for inclusion in the prospectus of the Company ("the Prospectus") in connection with the listing and quotation of the entire enlarged issued share capital of KGW on the ACE Market of Bursa Malaysia Securities Berhad ("the Listing") and have been stamped by us for identification purposes.

The applicable criteria on the basis of which the Directors have compiled the Pro Forma Combined Statement of Financial Position are described in the notes to the Pro Forma Combined Statement of Financial Position. The Pro Forma Combined Statement of Financial Position are prepared in accordance with the requirements of Chapter 9, Part II Division I: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants ("Guidance Note").

The Pro Forma Combined Statement of Financial Position have been compiled by the Directors, for illustrative purposes only, solely to illustrate the impact of the events or transactions as set out in the notes to the Pro Forma Combined Statement of Finanical Position as if the events have occurred or the transactions have been effected on 31 December 2022. As part of this process, information about the Group's financial position have been extracted by the Directors from the Group's audited combined statement of financial position as at 31 December 2022, on which an audit report has been issued by us.

Directors' Responsibility for the Pro Forma Combined Statement of Financial Position

The Directors of the Company are responsible for compiling the Pro Forma Combined Statement of Financial Position on the basis described in the notes to the Pro Forma Combined Statement of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the Guidance Notes.

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Reporting Accountants' Professional Ethics and Quality Management

We have complied with the independence and other ethical requirement of the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our Firm applies International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding complaince with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Combined Statement of Financial Position have been compiled, in all material respects, by the Directors on the basis as described in the notes to the Pro Forma Combined Statement of Financial Position.

We conducted our engagement in accordance with International Standard on Assurance Engagement ("ISAE") 3420, *Assurance Engagement to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus,* issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Combined Statement of Financial Position on the basis set out in the notes to the Pro Forma Combined Statement of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the Guidance Note.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Combined Statement of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Combined Statement of Financial Position.

The purpose for inclusion of the Pro Forma Combined Statement of Financial Position in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Combined Statement of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Combined Statement of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

(i) the related pro forma adjustments give appropriate effect to those criteria; and

(ii) the Pro Forma Combined Statement of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

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Reporting Accountants' Responsibilities (cont'd)

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Combined Statement of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Combined Statement of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro Forma Combined Statement of Financial Position have been compiled, in all material respects, on the basis set out in the notes to the Pro Forma Combined Statement of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the Guidance Notes.

Other Matters

This report has been prepared solely for the purpose stated above, in connection with the Listing and should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

ECOVIS MALAYSIA PLT
AF 001825
Chartered Accountants

PAT YIN LAI
03073/12/2023 J
Chartered Accountant

Kuala Lumpur
13 June 2023

KGW GROUP BERHAD
PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

ECOVIS MALAYSIA PLT
(AF 001825)
Chartered Accountants
For identification purposes only

1.0 Introduction

The pro forma combined statement of financial position of KGW Group Berhad ("KGW" or the "Company") and its combining entities (collectively referred as "the Group") as at 31 December 2022 together with the notes thereon, for which the Board of Directors ("the Directors") of KGW are solely responsible, have been prepared for illustration only for the purpose of inclusion in the prospectus of the Company in connection with the listing and quotation of the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("the Listing").

2.0 Pro Forma Group and Basis of Preparation

2.1 Basis of Preparation

The applicable criteria on the basis of which the Directors have compiled the pro forma combined statement of financial position are as described forthwith. The pro forma combined statement of financial position are prepared in accordance with the requirements of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The pro forma combined statement of financial position of KGW Group had been prepared based on the audited combined statement of financial position of the Group as at 31 December 2022, which was prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS"), and in a manner consistent with the format of the statement of financial position and the accounting policies of KGW as disclosed in its audited combined financial statements for the financial year ended 31 December 2022.

The pro forma combined statement of financial position is presented in Ringgit Malaysia ("RM").

The pro forma combined statement of financial position together with the related notes thereon, have been prepared solely to illustrate the impact of the events and transactions set out in Note 3 to the pro forma combined statement of financial position had the events occurred or transactions been undertaken on 31 December 2022. The pro forma combined statement of financial position are not necessarily indicative of the financial position that would have been attained had the Listing actually occurred at the respective dates. Further, such information does not purport to predict the future financial position of the Group.

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KGW GROUP BERHAD
PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

ECOVIS MALAYSIA PLT
(AF 001825)
Chartered Accountants
For identification purposes only

2.0 Pro Forma Group and Basis of Preparation (Cont'd)

2.1 Basis of Preparation (Cont'd)

For the purpose of accounting for the Pre-Initial Public Offering ("Pre-IPO") Exercise as described in Note 2.2.1, the Group has applied the merger method of accounting as the combining entities within the Group are under common control by Dato' Roger Wong Ken Hong, being the key management personnel and the major shareholder of the combining entities before and after the Pre-IPO Exercise. Under the merger method of accounting, the difference between the cost of investment recorded by the Company (i.e. the consideration for the acquisition of the combining entities) and the share capital of the acquirees, KGW Logistics (M) Sdn. Bhd. ("KGW Logistics"), KGW Medica Sdn. Bhd. ("KGW Medica") and Mattroy Logistics (Malaysia) Sdn. Bhd. ("Mattroy Logistics"), are accounted for as reorganisation reserve as follows:

	RM
New shares issued by the Company as consideration for the acquisition of:	
- KGW Logistics	11,092,800
- KGW Medica	374,500
- Mattroy Logistics	626,800
Less: Reversal of issued and paid-up share capital on acquisition date:	
- KGW Logistics	(1,000,000)
- KGW Medica	(300,000)
- Mattroy Logistics	(200,000)
Reorganisation reserve	10,594,100

The auditors' report of the audited combined financial statements of the Group for the financial year ended 31 December 2022 was not subject to any qualification, modification or disclaimer of opinion.

The pro forma financial information of the Group comprises the pro forma combined statement of financial position as at 31 December 2022, adjusted for the impact of the Pre-IPO Exercise (Note 2.2.1), IPO (Note 2.2.2) and utilisation of proceeds from the IPO (Note 3.1.3).

2.2 Listing Scheme

In conjunction with and as an integral part of the listing and quotation of the entire enlarged issued share capital of KGW on the ACE Market, the Company intends to undertake the following transactions:

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2.0 Pro Forma Group and Basis of Preparation (Cont'd)

2.2 Listing Scheme (cont'd)

2.2.1 Pre-IPO Exercise

On 30 September 2022, the Company had entered into three conditional Share Sale and Purchase Agreements ("SSA") with the selling shareholders to acquire the equity interest in KGW Logistics, KGW Medica and Mattroy Logistics:

(i) Acquisition of the entire equity interest in KGW Logistics for a purchase consideration of RM11,092,800 to be satisfied via the issuance of 369,760,000 KGW Shares at an issue price of RM0.03 per Share;

(ii) Acquisition of the entire equity interest in KGW Medica for a purchase consideration of RM374,500 to be satisfied via the issuance of 12,483,333 KGW Shares at an issue price of RM0.03 per Share; and

(iii) Acquisition of the entire equity interest in Mattroy Logistics for a purchase consideration of RM626,800 to be satisfied via the issuance of 20,893,334 KGW Shares at an issue price of RM0.03 per Share.

(collectively known as "Acquisitions")

The total purchase consideration of RM12,094,100 was arrived after taking into consideration of the audited net assets of KGW Logistics, KGW Medica and Mattroy Logistics as at 31 December 2021 and KGW Medica's increase in share capital on 25 January 2022 and 9 February 2022. The SSA was completed on 18 April 2023.

2.2.2 IPO

2.2.2.1 Public Issue

In conjunction with the IPO, the Company will undertake Public Issue of 79,661,800 new KGW Shares ("Public Issue") and Offer for Sale of 43,452,000 existing KGW Shares ("Offer Shares") at an IPO price of RM0.21 per share. The Public Issue of 79,661,800 KGW Shares will be issued in the following manner:

(a) 24,140,000 new KGW Shares made available for application by the Malaysian Public;

(b) 9,656,000 new KGW Shares made available for application by the eligible Directors, employees and persons who have contributed to the success of the Group;

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2.0 Pro Forma Group and Basis of Preparation (Cont'd)

2.2 Listing Scheme (cont'd)

2.2.2 IPO (Cont'd)

2.2.2.1 Public Issue (Cont'd)

In conjunction with the IPO, the Company will undertake public issue of 79,661,800 new KGW Shares ("Public Issue") and Offer for Sale of 43,452,000 existing KGW Shares at an IPO price of RM0.21 per share. The Public Issue of 79,661,800 KGW Shares will be issued in the following manner: (cont'd)

(c) 38,624,000 new KGW Shares by way of private placement to Bumiputera investors approved by the Ministry of Investment, Trade and Industry ("MITI"); and

(d) 7,241,800 new KGW Shares by way of private placement to selected investors.

2.2.2.2 Offer for Sale

The Offer for Sale of 43,452,000 Offer Shares will be made available in the following manner:

(a) Private Placement

- 21,726,000 Offer Shares made available by way of private placement to Bumiputera investors approved by MITI; and

- 21,726,000 Offer Shares made available by way of private placement to selected investors.

2.2.2.3 Listing

The admission of KGW to the Official List of Bursa Securities, and the listing and quotation of KGW's entire enlarged issued share capital of RM28,823,088 comprising 482,798,567 KGW Shares on the ACE Market shall take place upon completion of the Public Issue.

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14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

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3.0 Pro Forma Combined Statement of Financial Position as at 31 December 2022

	Note	Audited as at 31 December 2022 [1] RM	← Pre-IPO → Acquisitions RM	Pro Forma I After Pre-IPO RM	Public Issue RM	Pro Forma II After Pro Forma I and IPO RM	Utilisation of proceeds RM	Pro Forma III After Pro Forma II and utilisation of proceeds RM
Assets								
Non-current assets								
Property, plant and equipment	3.2.1	23,130,367	-	23,130,367	-	23,130,367	3,520,000	26,650,367
Deferred tax assets		368,657	-	368,657	-	368,657	-	368,657
		23,499,024	-	23,499,024	-	23,499,024	3,520,000	27,019,024
Current assets								
Inventories		13,879	-	13,879	-	13,879	-	13,879
Trade receivables		7,729,285	-	7,729,285	-	7,729,285	-	7,729,285
Other receivables, deposits and prepayments	3.2.2	310,385	-	310,385	-	310,385	(62,172)	248,213
Contract costs		725,565	-	725,565	-	725,565	-	725,565
Amount owing by related parties		-	-	-	-	-	-	-
Short-term investment		3,007,007	-	3,007,007	-	3,007,007	-	3,007,007
Fixed deposit with financial institution		14,030,477	-	14,030,477	-	14,030,477	-	14,030,477
Cash and bank balances	3.2.3	10,928,886	-	10,928,886	16,728,978	27,657,864	(16,707,922)	10,949,942
		36,745,484	-	36,745,484	16,728,978	53,474,462	(16,770,094)	36,704,368
Total assets		60,244,508	-	60,244,508	16,728,978	76,973,486	(13,250,094)	63,723,392
Equity and liabilities								
Equity								
Share capital	3.2.4	10	12,094,100	12,094,110	16,728,978	28,823,088	(730,965)	28,092,123
Invested equity	3.2.5	1,500,000	(1,500,000)	-	-	-	-	-
Reorganisation reserve	3.2.6	-	(10,594,100)	(10,594,100)	-	(10,594,100)	-	(10,594,100)
Retained earnings	3.2.7	26,929,770	-	26,929,770	-	26,929,770	(2,333,129)	24,596,641
Total equity attributable to shareholders of the Company		28,429,780	-	28,429,780	16,728,978	45,158,758	(3,064,094)	42,094,664

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

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3.0 Pro Forma Combined Statement of Financial Position as at 31 December 2022 (Cont'd)

		Audited as at 31 December 2022 [1]	Acquisitions	Pro Forma I After Pre-IPO	Public Issue	Pro Forma II After Pro Forma I and IPO	Utilisation of proceeds	Pro Forma III After Pro Forma II and utilisation of proceeds
		RM	RM	RM	RM	RM	RM	RM
Liabilities								
Non-current liabilities								
Bank borrowings	3.2.8	18,255,950	-	18,255,950	-	18,255,950	(10,000,000)	8,255,950
Lease liabilities		767,463	-	767,463	-	767,463	-	767,463
		19,023,413	-	19,023,413	-	19,023,413	(10,000,000)	9,023,413
Current liabilities								
Trade payables		2,386,267	-	2,386,267	-	2,386,267	-	2,386,267
Other payables and accruals	3.2.9	5,594,310	-	5,594,310	-	5,594,310	(186,000)	5,408,310
Contract liabilities		2,270,902	-	2,270,902	-	2,270,902	-	2,270,902
Bank borrowings	3.2.8	760,637	-	760,637	-	760,637	-	760,637
Lease liabilities		384,740	-	384,740	-	384,740	-	384,740
Income tax payable		1,394,459	-	1,394,459	-	1,394,459	-	1,394,459
		12,791,315	-	12,791,315	-	12,791,315	(186,000)	12,605,315
Total liabilities		31,814,728	-	31,814,728	-	31,814,728	(10,186,000)	21,628,728
Total equity and liabilities		60,244,508	-	60,244,508	16,728,978	76,973,486	(13,250,094)	63,723,392
Number of KGW Shares in issue		1,500,100		403,136,767		482,798,567		482,798,567
Net assets (RM)		28,429,780		28,429,780		45,158,758		42,094,664
Net assets per Share (RM)		18.95		0.07		0.09		0.09
Borrowings [2]		19,765,472		19,765,472		19,765,472		9,765,472
Gearing (times) [3]		0.70		0.70		0.44		0.23
Current ratio (times) [4]		2.9		2.9		4.2		2.9

[1] Extracted from KGW's audited combined financial statements for the financial year ended 31 December 2022
[2] Excluding lease liabilities arising from rental of land and buildings
[3] Calculated based on the total borrowings (excluding lease liabilities arising from rental of land and buildings) of the Group divided by the total equity of the Group
[4] Calculated based on total current assets divided by total current liabilities of the Group

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3.1 Notes to Pro Forma Combined Statement of Financial Position

3.1.1 Pro Forma I

Pro Forma I incorporates the effects of Acquisitions as set out in Note 2.2.1.

3.1.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and IPO as set out in Note 2.2.2.

3.1.3 Pro Forma III

Pro Forma III incorporates the effects of Pro Forma II and the utilisation of proceeds from IPO.

The gross proceeds from IPO of RM16,728,978 will be utilised as follows:

	RM	Estimated time frame (from the listing date)
Renovation of the Target Property [1]	2,000,000	Within 12 months
Repayment of bank borrowing [2]	10,000,000	Within 3 months
Working capital	728,978	Within 12 months
Estimated listing expenses [3]	4,000,000	Within 1 month
	16,728,978	

Notes:

(1) The Group had entered into a sales and purchase agreement on 5 July 2022 to acquire a freehold factory with 3-storey office ("Target Property") for a total purchase consideration of RM20.20 million, which primarily financed via a bank borrowing of RM18.18 million and remaining balance of RM2.02 million via cash. The transaction has completed as at 31 December 2022.

The Group has illustrated the utilisation of proceeds of RM2.0 million earmarked for renovation of the Target Property in the Pro Forma Combined Statement of Financial Position, of which a contract has been awarded to a contractor amounting to RM3.52 million. The remaining RM1.52 million will be finance via cash.

(2) As at 31 May 2023 ("LPD"), the outstanding principal amount of this term loan stood at approximately RM17.78 million. In accordance with Paragraph 9.18(a)(ii), Division 1, Equity of the Prospectus Guidelines, the Group has illustrated the utilisation of proceeds of RM10.00 million earmarked for repayment of bank borrowing through partial repayment of bank borrowing in the Pro Forma Combined Statement of Financial Position.

(3) The estimated listing expenses comprise the following:

	RM
Professional fees	2,777,200
Fees payable to authorities	76,139
Underwriting, placement and brokerage fees	443,318
Printing, advertising fees and contingencies	703,343
	4,000,000

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3.2 Pro Forma Effects on Financial Statement Line Items

3.1.3 Pro Forma III

Notes: (cont'd)

(3) Upon completion of the IPO, an estimated listing expenses of RM730,965, which is directly attributable to the issuance of new KGW Shares will be offset against share capital. The remaining estimated listing expenses of RM3,269,035 will be charged out to profit or loss.

The Group has recognised listing expenses amounting to RM935,906 in profit or loss for the financial year ended 31 December 2022, of which RM186,000 was on accrual basis. As such, the remaining expenses of RM2,333,129 being charged out to profit or loss in the illustration above.

3.2.1 Effects on Property, Plant and Equipment

	RM	RM
As audited on 31 December 2022 and after effects of Pro Forma I and II		**23,130,367**
Pro Forma III:		
Utilisation of proceeds from IPO:		
- Renovation of property	3,520,000	3,520,000
After effects of Pro Forma III		**26,650,367**

3.2.2 Effects on Other receivables, deposits and prepayment

	RM	RM
As audited on 31 December 2022 and after effects of Pro Forma I and II		**310,385**
Pro Forma III:		
Utilisation of proceeds from IPO:		
- Estimated listing expenses offset against equity	(62,172)	(62,172)
After effects of Pro Forma III		**248,213**

3.2.3 Effects on Cash and Bank Balances

	RM	RM
As audited on 31 December 2022 and after effects of Pro Forma I		**10,928,886**
Pro Forma II:		
IPO		16,728,978
After effects of Pro Forma II		**27,657,864**
Pro Forma III:		
Utilisation of proceeds from IPO:		
- Renovation of property	(3,520,000)	
- Partial repayment of bank borrowing	(10,000,000)	
- Payment for estimated listing expenses	(3,187,922)	(16,707,922)
After effects of Pro Forma III		**10,949,942**

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3.2 Pro Forma Effects on Financial Statement Line Items (Cont'd)

3.2.4 Effects on Share Capital

	No. of shares	RM
As audited on 31 December 2022	**100**	**10**
Pro Forma I:		
Acquisitions:		
- Shares issued on Acquisitions	403,136,667	12,094,100
After effects of Pro Forma I	**403,136,767**	**12,094,110**
Pro Forma II:		
IPO	79,661,800	16,728,978
After effects of Pro Forma II	**482,798,567**	**28,823,088**
Pro Forma III:		
Utilisation of proceeds from IPO:		
- Estimated listing expenses offset against equity	-	(730,965)
After effects of Pro Forma III	**482,798,567**	**28,092,123**

3.2.5 Effects on Invested Equity

	RM	RM
As audited on 31 December 2022		**1,500,000**
Pro Forma I:		
Acquisitions		(1,500,000)
After effects of Pro Forma I, II and III		-

3.2.6 Effects on Reorganisation Reserve

	RM	RM
As audited on 31 December 2022		-
Pro Forma I:		
Acquisitions:		
- Shares issued on Acquisitions	12,094,100	
- Elimination of ordinary shares of KGW Logistics, KGW Medica and Mattroy Logistics	(1,500,000)	10,594,100
After effects of Pro Forma I, II, III		**10,594,100**

3.2.7 Effects on Retained Earnings

	RM
As audited on 31 December 2022	**26,929,770**
Pro Forma III:	
Utilisation of proceeds from IPO:	
- Estimated listing expenses charged to profit or loss	(2,333,129)
After effects of Pro Forma I, II and III	**24,596,641**

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

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3.2 **Pro Forma Effects on Financial Statement Line Items (Cont'd)**

3.2.8 **Effects on Bank Borrowings**

	RM	RM
As audited on 31 December 2022 and after effects of Pro Forma I and II		
- current	760,637	
- non-current	18,255,950	**19,016,587**
Pro Forma III:		
Utilisation of proceeds from IPO:		
- Partial repayment of bank borrowing	(10,000,000)	(10,000,000)
After effects of Pro Forma III		
- current	760,637	
- non-current	8,255,950	**9,016,587**

3.2.9 **Effects on Other payables and accruals**

	RM	RM
As audited on 31 December 2022 and after effects of Pro Forma I and II		**5,594,310**
Pro Forma III:		
Utilisation of proceeds from IPO:		
- Estimated listing fee paid	(186,000)	(186,000)
After effects of Pro Forma III		5,408,310

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4.0 Approval by the Board of Directors

The pro forma combined statement of financial position is approved by the Board of Directors of KGW Group Berhad in accordance with Directors' resolution dated **13 JUN 2023**

Dato' Roger Wong Ken Hong
Director

Cheok Hui Yen
Director

15. ADDITIONAL INFORMATION

15.1 SHARE CAPITAL

(i) No Shares will be allotted, issued or offered on the basis of this Prospectus later than 6 months after the date of this Prospectus.

(ii) As at the date of this Prospectus, we only have 1 class of shares, namely ordinary shares, all of which rank equally with one another.

(iii) None of our Group's share capital is under any option or agreed conditionally or unconditionally to be put under any option as at the date of this Prospectus.

(iv) No person has been or is entitled to be given an option to subscribe for any share, stock, debenture or other security of our Group, except for the Pink Form Allocation.

(v) There is no scheme involving our Directors and employees in the capital of our Group, except for the Pink Form Allocation.

(vi) Save as disclosed in Sections 4.3 and 6.1.3 of this Prospectus, no shares, debentures, warrants, options, convertible securities or uncalled capital of our Group have been or are proposed to be issued as fully or partly paid-up, in cash or otherwise than in cash, within the 3 years preceding the date of this Prospectus.

(vii) As at the date of this Prospectus, our Group does not have any outstanding convertible securities, options, warrants or uncalled capital.

15.2 EXTRACT OF OUR CONSTITUTION

The following provisions relating to the selected matters are reproduced from our Constitution which complies with the Listing Requirements, the Act and the Rules.

The words, terms and expressions appearing in the following provisions shall bear the same meanings used in our Constitution unless they are otherwise defined herein or the context otherwise requires.

15.2.1 Remuneration, voting and borrowing powers of Directors

(i) <u>Remuneration of Directors</u>

<u>Clause 119</u>

Subject to the Act and this Constitution, the fees and any benefits payable to the Directors (including any compensation for loss of employment of the Director or any former Director) or any increase thereof shall from time to time be determined by an Ordinary Resolution of the Company in general meeting provided that:

(a) The fees of the non-executive Directors shall be a fixed sum and not by a commission on or percentage of profits or turnover, and such fee shall be divided amongst the non-executive Directors as they shall determine or failing agreement, equally.

(b) The salaries payable to executive Directors may not include a commission on or percentage of turnover.

(c) The Director shall also be paid such travelling, hotel or other expenses as may reasonably be incurred by them in the execution of their duties including such expenses incurred in connection with their attendance at meetings of Directors. If by arrangement with the other Directors, any Director shall perform or render any duties or services outside his ordinary duties as a Director or shall make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or shall give special attention to the business of the Company as a member of a committee of Directors, the Directors may pay him special remuneration in a lump sum in addition to his ordinary remuneration.

(d) Any fee paid to an alternate director shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Clause 123

Subject to the provisions of the Act, any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he was not a Director, provided that nothing herein contained shall authorise a Director or his firm to act as auditor of the Company.

Clause 126

The remuneration of a Managing Director, a Deputy Managing Director and an Executive Director given due to his office as executive or management position, if any, shall be fixed by the Directors and may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes, but shall not be a commission on or percentage of turnover but it may be a term of their appointment that they shall receive pension, gratuity or other benefits upon their retirement.

(ii) Voting powers of Directors

Clause 122

No Director shall be disqualified by his office from holding any office or place of profit under the Company or under any company in which the Company shall be a shareholder or otherwise interested in conjunction with his office of Director (except that of auditor) or from contracting with the Company either as vendor, purchaser, or otherwise, nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested be avoided, nor shall any Director be liable to account to the Company for any profit arising from any such office or place of profit or realised by any such contract or arrangement by reason only of such Director holding that office or of the fiduciary relations thereby established provided always that Sections 221, 222 and 228 and all other relevant provisions of the Act and this Constitution are complied with. A Director who is in any way, whether directly or indirectly, interested in a contract entered into or proposed to be entered into by the company, unless the interest is one that need not be disclosed under Section 221 of the Act, shall be counted only to make the quorum at the meeting of the Directors but shall not participate in any discussion while the contract or proposed contract is being considered during the meeting and shall not vote on the contract or proposed contract.

Clause 143

Subject to the provisions of this Constitution, question arising at any meeting shall be decided by a majority of votes of the Directors present, each Director having one (1) vote. In case of an equality of votes, the Chairman shall have a second or casting vote provided always that the Chairman of a meeting at which only two (2) Directors are present or at which only two (2) Directors are competent to vote on the questions at issue shall not have a second or casting vote.

(iii) Borrowing powers of Directors

Clause 151

The Directors may from time to time at their discretion raise or borrow for the purpose of the Company such sums of moneys as they think proper. The Directors shall not borrow any money or mortgage or charge any of the Company's or its subsidiaries' undertaking, property or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

15.2.2 Change in share capital and variation of class rights

(i) Change in share capital

Clause 8

Subject to the provisions of the Act, this Constitution and any rules, regulations and guidelines thereunder issued by the Exchange and any other relevant authority, the Company shall have the power to purchase its own shares and thereafter to deal with the shares purchased in accordance with the provisions of the Act and any rules, regulations and guidelines thereunder or issued by the Exchange and any other relevant authorities in respect thereof.

The Company shall not purchase its own shares unless:

(a) the Company is solvent at the date of the purchase and will not become insolvent by incurring the debts involved in the obligation to pay for the shares so purchased;

(b) the purchase is made through the Exchange and in accordance with the relevant rules of the Exchange; and

(c) the purchase is made in good faith and in the interests of the Company.

Clause 62

Subject to the provisions of the Act and the Listing Requirements, the Company may by Ordinary Resolution:

(a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived;

(b) subdivide its shares or any of the shares, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived;

(c) cancel shares which at the date of the passing of the resolution in that regard, have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled or in such other manner allowed by law; or

(d) subject to this Constitution and the Act, convert and/or re-classify any class of shares into any other class of shares.

Clause 63

The Company may by Special Resolution reduce its share capital, in any manner authorised by the Act.

Clause 64

The Company in a general meeting may from time to time by passing of an Ordinary Resolution, whether all the shares for the time being issued have been fully called up or not, increase its capital by the creation and issuance of new shares, with such aggregate increase to be of such amount and to be divided into shares of such respective amounts as the Company in such general meeting directs and such new shares or any of them may have such preference or priority over the then existing shares of the Company and that such rights and privileges be different from those of such existing shares as the Directors may think fit.

(ii) Variation of class rights

Clause 19

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of seventy-five per centum (75%) of the issued shares of that class, or with the sanction of a Special Resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions in this Constitution relating to the General Meeting shall mutatis mutandis apply, but so that the necessary quorum shall be two (2) persons at least holding or representing by proxy one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such Special Resolution, the provisions of Section 292 of the Act shall, with such adaptations as are necessary, apply.

15.2.3 Transfer of shares

Clause 39

(a) Subject to the restriction of this Constitution, the Central Depositories Act and the Rules, Non-Deposited Securities shall be transferable by a duly executed and stamped instrument of transfer lodged at the Office accompanied by the certificate of the Non-Deposited Securities to be transferred (if any) and such other evidence (if any) as the Directors may reasonably require to show the right of the transferor to make the transfer. All instruments of transfer which shall be registered shall be retained by the Company.

(b) The transfer of any Deposited Securities or class of Deposited Security of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Section 105, 106 or 110 of the Act but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Deposited Securities.

Clause 41

In the case of Deposited Security, the Depository may refuse to register any transfer of Deposited Security that does not comply with the Central Depositories Act and Rules or where the reason for the transfer does not fall within any of the approved reasons provided in the Rules.

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15.2.4 Rights, preferences and restrictions attached to each class of shares relating to voting, dividend, liquidation and any special rights

Clause 94

(a) For so long as the Company is listed, and subject to the Listing Requirements, any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting shall be voted by poll and the Company must appoint at least one scrutineer to validate the votes cast at the general meeting. Such scrutineer must not be an officer of the Company or its related corporation and must be independent of the person undertaking the polling process. If such scrutineer is interested in a resolution to be passed at the general meeting, the scrutineer must refrain from acting as the scrutineer for that resolution.

(b) In the event that the Company has been unlisted, at any general meetings a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded:

(i) by the Chairman;

(ii) by at least three (3) Members present in person or by proxy or by attorney or in the case of a corporation by a representative and entitled to vote thereat;

(iii) by a Member or Members present in person or by proxy or by attorney or in the case of a corporation by a representative and representing not less than ten per centum (10%) of the total voting rights of all the Members having the right to vote at the meeting, excluding treasury shares; or

(iv) by a Member or Members holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than ten per centum (10%) of the total paid up shares conferring that right, excluding treasury shares.

A proxy shall be entitled to vote on a show of hands on any question at any general meeting.

(c) Unless a poll is so demanded in accordance with the foregoing provision, a declaration by the Chairman of the meeting that a resolution has on a show of hands been carried or carried unanimously or with a particular majority or is lost, and an entry to that effect in the minutes of the proceedings of the Company pursuant to Section 343 of the Act, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

Clause 103

Subject to any rights or restrictions for the time being attached to any class or classes of shares by or in accordance with this Constitution, on a show of hands every person present who is a member or proxy or an authorised corporate representative, or holder of preference shares or attorney or other duly authorised representative shall be entitled to one (1) vote and in the case of a poll every member present in person or by proxy or by attorney or other duly authorised representative shall be entitled one (1) vote for every share held by him upon which all calls due to the Company have been paid. A person entitled to more than one (1) vote need not use all his votes or cast all the votes he uses on a poll in the same way. The shares held or represented by a member present in person or by proxy or by attorney or other duly authorised representative shall, in relation to shares of a Depositor, be the number of shares entered against his name in the Record of Depositors.

15.2.5 Limitation on the rights to hold securities and/or exercise voting

Clause 105

(a) A Member who is of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental disorder may vote, whether on a show of hands or on a poll, by his committee or by such other person as properly has the management of his estate, and any such committee or other person may vote by proxy or attorney. Evidence to the Directors' satisfaction of the person claiming to exercise the right to vote shall be deposited at the Office, at least forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the right to vote is to be exercised or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll. If this is not done, the right to vote shall not be exercisable.

(b) The legal personal representative of a deceased Member or the person entitled under the Clauses of transmission of shares to any share in consequence of the death or bankruptcy of any Member may vote at any general meeting in respect thereof in the same manner as if he was the registered holder of such shares provided that not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the form of appointment of proxy proposes to vote, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, he shall satisfy the Directors of his right to any share in consequence of the death or bankruptcy of any member unless the Directors shall have previously admitted his right to vote in respect thereof.

Clause 102

Subject to Clauses 76 and 77 and any special rights or restrictions for the time being attached to any class or classes of shares, at meetings of Members or classes of Members, each Member shall be entitled to be present and to vote at any general meeting of the Company either personally or by proxy or by attorney and to be reckoned in a quorum in respect of shares fully paid and in respect of partly paid shares upon which all calls due to the Company have been paid.

Clause 106

No Member shall vote at any general meeting or at any separate meeting of the holders of any class of shares in the Company, either in person or by proxy or attorney, nor be counted as one of the quorum in respect of any share held by him unless all calls and other moneys presently payable by him in respect of that share have been paid.

15.3 LIMITATION ON THE RIGHT TO OWN SECURITIES

There are no limitations imposed by law or by the constituent documents of our Company on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

15.4 MATERIAL LITIGATION

Our Group is not engaged in any material litigation and/or arbitration, either as plaintiff or defendant, which has a material effect on our financial position, and our Directors are not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect our financial position or business as at the LPD.

15.5 MATERIAL CONTRACTS

Save as disclosed below, we have not entered into any material contract (not being contracts entered into in the ordinary course of business) for the Period Under Review up to the date of this Prospectus:

(i) sale and purchase agreement dated 5 July 2022 for the Target Property entered into between KGW Logistics and MMAG Digital Sdn Bhd (Registration No.:200901035960 (879082-T)) with a contract value of RM20,200,000, of which RM2,020,000 (representing 10% of the contract value) has been paid as deposit. The Target Property is located at Hicom Glenmarie Industrial Park, Shah Alam, Selangor. The balance purchase price of RM18,180,000 is to be settled on or before 31 December 2022. Please refer to Section 4.8.1 of this Prospectus for further details;

(ii) share sale agreement dated 30 September 2022 entered into between KGW and Dato' Roger Wong, Cheok Hui Yen, Chow Enn Jie and Teoh Huey Hong for the Acquisition of KGW Logistics. Please refer to Section 6.1.2(iii)(a) of this Prospectus for further details;

(iii) share sale agreement dated 30 September 2022 entered into between KGW and Dato' Roger Wong, Datin Wong Wan Jye and Chan Sek Seng for the Acquisition of KGW Medica. Please refer to Section 6.1.2(iii)(b) of this Prospectus for further details;

(iv) share sale agreement dated 30 September 2022 entered into between KGW and Dato' Roger Wong, Chow Enn Jie and Cheok Hui Yen for the Acquisition of Mattroy Logistics. Please refer to Section 6.1.2(iii)(c) of this Prospectus for further details; and

(v) Underwriting Agreement dated 12 June 2023 between our Company and the Underwriter for the underwriting of 24,140,000 Issue Shares based on the underwriting commission at the rate set out in Section 4.9.2 of this Prospectus. Please refer to Section 4.10 of this Prospectus for further details of the Underwriting Agreement.

15.6 CONSENTS

(i) The written consents of our Principal Adviser, Sponsor, Underwriter and Placement Agent, Financial Adviser, Solicitors for our IPO, Solicitors for our Principal Adviser, Sponsor, Underwriter and Placement Agent, Share Registrar, Issuing House and Company Secretaries for the inclusion in this Prospectus of their names in the form and context in which their names appear in this Prospectus have been given before the issuance of this Prospectus, and have not subsequently been withdrawn.

(ii) The written consent of the Auditors and Reporting Accountants for the inclusion in this Prospectus of their name, the Accountants' Report and the Reporting Accountants' Report on the Compilation of Pro Forma Consolidated Statements of Financial Position in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus, and has not subsequently been withdrawn.

(iii) The written consent of the IMR for the inclusion in this Prospectus of its name and the IMR Report and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus, and has not subsequently been withdrawn.

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15.7 DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at our registered office during office hours for a period of 6 months from the date of this Prospectus:

(i) Our Constitution;

(ii) The Accountants' Report as included in Section 13 of this Prospectus;

(iii) The Reporting Accountants' Report on the Compilation of Pro Forma Consolidated Statements of Financial Position of our Group as included in Section 14 of this Prospectus;

(iv) The material contracts referred to in Section 15.5 of this Prospectus;

(v) The letters of consent referred to in Section 15.6 of this Prospectus; and

(vi) The audited financial statements of:

  (a) KGW for the financial period from 14 March 2022 (date of incorporation) to 31 December 2022;

  (b) KGW Logistics for the FYE 2019, FYE 2020, FYE 2021 and FYE 2022;

  (c) Mattroy Logistics for the FYE 2019, FYE 2020, FYE 2021 and FYE 2022; and

  (d) KGW Medica for the financial period from 24 June 2021 (date of incorporation) to 31 December 2021 and FYE 2022.

(vii) The IMR Report as included in Section 8 of this Prospectus.

15.8 RESPONSIBILITY STATEMENTS

(i) TA Securities acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts relating to our IPO.

(ii) This Prospectus has been seen and approved by our Directors, Promoters and the Selling Shareholders and they collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

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16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

16.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 30 June 2023

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 18 July 2023

Applications for the IPO Shares will open and close at the times and dates stated above.

In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

Late Applications will not be accepted.

16.2 METHODS OF APPLICATIONS

16.2.1 Application for our IPO Shares by the Malaysian Public and Eligible Persons

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that your Application will succeed. You agree to be bound by our Constitution.

Types of application and category of investors	Application method
(a) Applications by the Malaysian Public:	
(i) Individuals	• White Application form; or • Electronic Share Application; or • Internet Share Application
(ii) Non-Individuals	White Application form only
(b) Applications by Eligible Persons:	Pink Application Form only

16.2.2 Application by selected investors via private placement

Types of application	Application method
Applications by:	
(i) Selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
(ii) Bumiputera investors approved by the MITI	MITI will contact the Bumiputera investors directly. They should follow MITI's instructions.

Selected investors and Bumiputera investors approved by the MITI may still apply for our IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

16.3 ELIGIBILITY

16.3.1 General

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities. The CDS Account must be in your own name. **Invalid, nominee or third party CDS Accounts** will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

16.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

(i) You must be one of the following:

(a) A Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares;

(b) A corporation / institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors / trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

(c) A superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia;

(ii) You must not be a director or employee of our Issuing House or an immediate family member of a director or employee of our Issuing House; and

(iii) You must submit Applications by using only one of the following methods:

(a) White Application Form;

(b) Electronic Share Application; or

(c) Internet Share Application.

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16.3.3 Application by Eligible Persons

Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated IPO Shares. Applicants must follow the notes and instructions on the said documents and where relevant, in this Prospectus.

Eligible Persons may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, our Issuing House, TA Securities, Participating Organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

The Eligible Persons are not precluded from making additional application under the Malaysian Public category using either the White Application Form, Electronic Share Application or Internet Share Application.

16.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is based on the IPO Price of RM0.21 for each IPO Share.

Payment must be made out in favour of "**TIIH SHARE ISSUE ACCOUNT NO. 743**" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

(i) despatch by **ORDINARY POST** in the official envelopes provided to the following address:

Tricor Investor & Issuing House Services Sdn Bhd (197101000970 (11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

(ii) **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at the following address:

Tricor Customer Service Centre
Unit G-3, Ground Floor
Vertical Podium
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 18 July 2023 or by such other time and date specified in any change to the date or time for closing.

We, together with our Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to our Issuing House.

16.5 PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only **Malaysian individuals** may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions.

16.6 PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only **Malaysian individuals** may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

16.7 AUTHORITY OF OUR BOARD AND OUR ISSUING HOUSE

Our Issuing House, on the authority of our Board reserves the right to:

(i) reject Applications which:

  (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

  (b) are illegible, incomplete or inaccurate; or

  (c) are accompanied by an improperly drawn up, or improper form of, remittance; or

(ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 16.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of our Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

16.8 OVER / UNDER-SUBSCRIPTION

In the event of over-subscription, our Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by our Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on our Issuing House's website https://tiih.online within 1 Market Day after the balloting event.

Pursuant to the Listing Requirements, we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or Eligible Persons, subject to the underwriting arrangement and reallocation as set out in Sections 4.3.3 and 4.3.4 of our Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

16.9 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful / partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

16.9.1 For applications by way of Application Forms

(i) The Application monies or the balance of it, as the case may be, will be refunded to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

(ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the NRIC or any official valid temporary identity documents issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by our Issuing House as per items (i) and (ii) above (as the case may be).

(iv) Our Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by ordinary post / registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

16.9.2 For applications by way of Electronic Share Application and Internet Share Application

(i) Our Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited (without interest) into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from our Issuing House.

(ii) You may check your account on the 5th Market Day from the balloting date.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by our Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institutions will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from our Issuing House.

16.10 SUCCESSFUL APPLICANTS

If you are successful in your Application:

(i) Our IPO Shares allotted to you will be credited into your CDS account.

(ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued / offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.

(iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

16.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services Telephone at +603-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at https://tiih.online, within **1 Market Day** after the balloting date.

You may also check the status of your Application at the above website, **5 Market Days** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities.

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KGW GROUP BERHAD

Registration No. 202201009353 (1455050-D)
(Incorporated in Malaysia)

UNAUDITED COMBINED FINANCIAL INFORMATION FOR THE FIRST QUARTER ENDED 31 MARCH 2023

KGW GROUP BERHAD

Registration No. 202201009353 (1455050-D)
(Incorporated in Malaysia)

Unaudited Combined Statements of Profit or Loss and Other Comprehensive Income For the First Quarter Ended 31 March 2023[1]

		Individual Quarter		*Cumulative Quarter*	
	Note	Unaudited Current Quarter 31.03.2023 RM'000	Unaudited Preceding Year Corresponding Quarter 31.03.2022 RM'000	Unaudited Current Year-to-date 31.03.2023 RM'000	Unaudited Preceding Year Corresponding Year-to-date 31.03.2022 RM'000
Revenue		18,041	80,970	18,041	80,970
Cost of sales		(14,174)	(67,307)	(14,174)	(67,307)
Gross profit ("GP")		3,867	13,663	3,867	13,663
Other income		181	6	181	6
Administrative expenses		(2,245)	(3,707)	(2,245)	(3,707)
Other operating expenses		(24)	(24)	(24)	(24)
Reversal of impairment on financial assets, net		13	43	13	43
Finance costs		(109)	(36)	(109)	(36)
Profit before tax ("PBT")	B12	1,683	9,945	1,683	9,945
Tax expense	B5	(402)	(2,387)	(402)	(2,387)
Net profit/ Total comprehensive income for the financial period attributable to Owners of the Group		1,281	7,558	1,281	7,558
Earnings per share ("EPS")					
- Basic (sen) [2]	B11	0.32	1.87	0.32	1.87
- Diluted (sen) [3]	B11	0.27	1.57	0.27	1.57

NOTES:

(1) The basis of preparation of the Unaudited Combined Statements of Profit or Loss and Other Comprehensive Income are disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in Section 13 of the Prospectus of the Company and the accompanying explanatory notes attached to this report.

(2) Basic EPS is calculated based on the Company's share capital of 403,136,767 ordinary shares after issuance of shares for the acquisition of KGW Logistics (M) Sdn. Bhd. ("KGW Logistics"), Mattroy Logistics (Malaysia) Sdn. Bhd. ("Mattroy Logistics") and KGW Medica Sdn. Bhd. ("KGW Medica").

(3) Diluted EPS is calculated based on the Company's share capital of 482,798,567 ordinary shares that shall be listed on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 1 August 2023.

KGW GROUP BERHAD
Registration No. 202201009353 (1455050-D)
(Incorporated in Malaysia)

Unaudited Combined Statements of Financial Position
As at 31 March 2023(1)

	Note	Unaudited As at 31.03.2023 RM'000	Audited As at 31.12.2022 RM'000
Non-current assets			
Property, plant and equipment		22,928	23,130
Deferred tax assets		302	369
		23,230	23,499
Current assets			
Inventories		13	14
Trade receivables		6,447	7,729
Other receivables, deposits and prepayments		474	311
Contract costs		1,251	726
Short-term investment		-	3,007
Fixed deposits with financial institutions		14,089	14,030
Cash and bank balances		15,839	10,929
		38,113	36,746
Total assets		**61,343**	**60,245**
Equity			
Share capital		(2) -	(2) -
Invested equity		1,500	1,500
Retained earnings		28,211	26,930
Total equity attributable to owners of the Company		29,711	28,430
Non-current liabilities			
Bank borrowings	B8	17,968	18,256
Lease liabilities		695	768
		18,663	19,024
Current liabilities			
Trade payables		3,702	2,386
Other payables and accruals		5,323	5,594
Contract liabilities		2,506	2,271
Bank borrowings	B8	771	761
Lease liabilities		379	385
Income tax payable		288	1,394
		12,969	12,791
Total liabilities		31,632	31,815
Total equity and liabilities		**61,343**	**60,245**

NOTES:

(1) The basis of preparation of the unaudited combined statements of financial position are disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in Section 13 of the Prospectus of the Company and the accompanying explanatory notes attached to this report.

(2) Represents less than RM1,000.

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Unaudited Combined Statements of Changes in Equity for the First Quarter Ended 31 March 2023[1]

	---------- Attributable to Owners of the Company ----------			
	Non-Distributable		Distributable	
	Share capital RM'000	Invested equity RM'000	Retained earnings RM'000	Total equity RM'000
At 31 December 2022/ 1 January 2023 (Audited)	[2]-	1,500	26,930	28,430
Net profit/ Total comprehensive income for the financial period	-	-	1,281	1,281
At 31 March 2023 (Unaudited)	**[2]-**	**1,500**	**28,211**	**29,711**
At 31 December 2021/ 1 January 2022 (Audited)	-	1,202	10,595	11,797
Issuance of shares	-	298	-	298
Net profit/ Total comprehensive income for the financial year	-	-	16,335	16,335
At 31 December 2022 (Audited)	**-**	**1,500**	**26,930**	**28,430**

NOTES:

(1) The basis of preparation of the Unaudited Combined Statements of Changes in Equity are disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in Section 13 of the Prospectus of the Company and the accompanying explanatory notes attached to this report.

(2) Represents less than RM1,000.

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KGW GROUP BERHAD
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Unaudited Combined Statements of Cash Flows for the First Quarter Ended 31 March 2023[(1)]

	Unaudited Current Year-to-date 31.03.2023 RM'000	Unaudited Preceding Year Corresponding Year-to-date 31.03.2022 RM'000
Cash flow from operating activities		
Profit before tax	1,683	9,945
Adjustment for: -		
Depreciation of property, plant and equipment	206	161
Interest expenses	109	36
Interest income	(169)	(3)
Property, plant and equipment written off	[(2)]-	[(2)]-
Reversal of impairment on financial assets, net	(13)	(43)
Unrealised (gain)/loss on foreign exchange	(2)	631
Operating profit before changes in working capital	1,814	10,727
Decrease/(increase) in inventories	1	(14)
Decrease/(increase) in trade and other receivables	1,209	(8,922)
Increase/(decrease) in trade and other payables	1,025	(1,346)
Increase in contract costs	(525)	(2,179)
Increase in contract liabilities	235	1,356
Cash generated from operations	3,759	(378)
Interest paid	[(2)]-	[(2)]-
Income tax paid	(1,442)	(1,815)
Net cash generated from/(used in) operating activities	2,317	[(4)](2,193)
Cash flow from investing activities		
Acquisition of property, plant and equipment	(4)	(135)
Repayment from related parties, net	-	6
Net cash used in investing activities	(4)	(129)
Cash flow from financing activities		
Dividend paid	-	(6,000)
Interest received	169	3
Interest paid	(109)	(36)
Proceeds from issuance of share capital	-	298
Placement of fixed deposits pledged with financial institutions	-	(14)
Withdrawal of fixed deposits pledged with financial institutions	8	-
Repayment of lease liabilities	(78)	(105)
Repayment of term loans	(278)	(87)
Net cash used in financing activities	(288)	(5,941)
Net increase/(decrease) in cash and cash equivalents	2,025	(8,263)
Effect of exchange rate changes	(56)	(130)
Cash and cash equivalents at beginning of the financial period	27,494	19,506
Cash and cash equivalents at end of the financial period [(3)]	**29,463**	**11,113**

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Unaudited Combined Statements of Cash Flows (cont'd)
for the First Quarter Ended 31 March 2023[1]

NOTES:

(1) The basis of preparation of the Unaudited Combined Statements of Cash Flows are disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in Section 13 of the Prospectus of the Company and the accompanying explanatory notes attached to this report.

(2) Represents less than RM1,000.

(3) Cash and cash equivalents at the end of the financial periods consist of:

	Unaudited Current Year-to-date 31.03.2023 RM'000	Unaudited Preceding Year Corresponding Year-to-date 31.03.2022 RM'000
Cash and bank balances	15,839	11,113
Fixed deposits with financial institutions	14,089	428
	29,928	11,541
Less: Fixed deposit pledged for bank borrowings	(465)	(428)
	29,463	11,113

(4) The Group recorded net cash used in operating activities for the preceding year corresponding year-to-date 31 March 2022 mainly due to the increase in trade receivables arising from higher revenue generated during the quarter where payment has yet to be collected from customers as at 31 March 2022. As a result, trade receivables increased by RM8.45 million from RM20.81 million as at 31 December 2021 to RM29.26 million as at 31 March 2022. In addition, higher ocean freight charges have been paid in advance to ocean carriers as at 31 March 2022 as compared to 31 December 2021, resulted in the increase in contract costs by RM2.18 million.

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PART A – EXPLANATORY NOTES ON COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORTING

A1. BASIS OF PREPARATION

The combined financial information of KGW Group Berhad ("KGW" or "the Company") and its combining entities ("the Group") are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Boards, Rule 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Securities.

The unaudited combined financial information should be read in conjunction with the Accountants' Report as disclosed in Section 13 of the Prospectus of the Company and the accompanying explanatory notes attached to this report.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and presentation adopted for the unaudited combined financial information are consistent with those adopted as disclosed in the Accountants' Report in the Prospectus of the Company.

The new and amended standards and interpretations that are issued, but not yet effective and have not been adopted by the Group are as follow:

MFRS (Including the Consequential Amendments)		Effective Date
Amendments to MFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101	Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 10 and 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The Group intends to adopt these amendments to MFRSs, if applicable, when they become effective for the following financial year.

The initial application of the abovementioned amendments to MFRSs, where applicable, are not expected to have any material impact to the financial statements of the Group.

A3. MATERIAL CHANGES IN ACCOUNTING ESTIMATES

There were no material changes in accounting estimates during the current financial quarter under review.

A4. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of the Group for the preceding financial year ended 31 December 2022 was issued without any qualifications.

A5. SEASONAL OR CYCLICAL FACTORS

The Group's performance has not been materially affected by any seasonal and cyclical factors during the current financial quarter under review.

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PART A – EXPLANATORY NOTES ON COMPLIANCE WITH MFRS 134: INTERIM FINANCIAL REPORTING (CONT'D)

A6. ITEMS OR INCIDENCES OF AN UNUSUAL NATURE

There were no material and unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter under review.

A7. MATERIAL SUBSEQUENT EVENT

(1) Acquisition of KGW Logistics, Mattroy Logistics and KGW Medica

On 18 April 2023, KGW has completed the acquisition of its subsidiaries namely KGW Logistics, Mattroy Logistics and KGW Medica through conditional share sale agreement entered on 30 September 2022, as follows:

(a) to acquire the entire equity interest in KGW Logistics comprising 1,000,000 ordinary shares for a total purchase consideration of RM11,092,800 to be satisfied via the issuance of 369,760,000 new Shares at an issue price of RM0.03 per Share;

(b) to acquire the entire equity interest in Mattroy Logistics comprising 200,000 ordinary shares for a total purchase consideration of RM626,800 to be satisfied via the issuance of 20,893,334 new Shares at an issue price of RM0.03 per Share; and

(c) to acquire the entire equity interest in KGW Medica comprising 300,000 ordinary shares for a total purchase consideration of RM374,500 to be satisfied via the issuance of 12,483,333 new Shares at an issue price of RM0.03 per Share.

(2) Admission to the official list on the ACE Market of Bursa Securities

In conjunction with the Company's listing on the ACE Market of Bursa Securities, the Company shall on 30 June 2023 issue its Prospectus for its Initial Public Offering ("IPO") entailing the following:

(a) Public issue of new shares in the following manner:
  (i) 24,140,000 new IPO Shares available for application by the Malaysian public;
  (ii) 9,656,000 new IPO Shares available for application by our eligible directors and employees, and other persons who have contributed to the success of our Group;
  (iii) 7,241,800 new IPO Shares by way of private placement to selected investors; and
  (iv) 38,624,000 new IPO Shares by way of private placement to Bumiputera investors approved by the Ministry of Investment, Trade and Industry ("MITI");

(b) Offer for sale of 43,452,000 existing shares in the following manner:
  (i) 21,726,000 shares by way of private placement to selected investors; and
  (ii) 21,726,000 shares by way of private placement to Bumiputera investors approved by the MITI,

at an IPO price of RM0.21 per share.

Upon completion of the IPO, the Company is expected to be admitted to the Official List of Bursa Securities and the Company's entire enlarged issued share capital of 482,798,567 shares shall be listed and quoted on the ACE Market of Bursa Securities on 1 August 2023.

Save as disclosed above, there were no other material events subsequent to the end of the current financial quarter under review that have not been reflected in the unaudited combined financial information.

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PART A – EXPLANATORY NOTES ON COMPLIANCE WITH MFRS 134: INTERIM FINANCIAL REPORTING (CONT'D)

A8. DEBT AND EQUITY SECURITIES

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial quarter under review.

Subsequently on 18 April 2023, the Company has issued a total of 403,136,667 new Shares pursuant to the acquisition of the entire equity interest in KGW Logistics, Mattroy Logistics and KGW Medica, as disclosed in Note A7(1) of this report.

A9. DIVIDEND PAID

There was no dividend paid during the current financial quarter under review.

A10. SEGMENTAL INFORMATION

The Group is principally involved in the following businesses:

Operating segments	Nature
(a) Logistics services	Provision of ocean freight, air freight and freight forwarding services
(b) Warehousing and distribution	Warehousing and distribution of healthcare-related products and devices

(a) Revenue by business activities

The table below set out the breakdown of the Group's revenue by business activities for the financial quarter under review:

	Individual Quarter		***Cumulative Quarter***	
	Unaudited Current Quarter 31.03.2023 RM'000	**Unaudited Preceding Year Corresponding Quarter 31.03.2022 RM'000**	**Unaudited Current Year-to-date 31.03.2023 RM'000**	**Unaudited Preceding Year Corresponding Year-to-date 31.03.2022 RM'000**
Logistics services	17,879	79,615	17,879	79,615
Warehousing and distribution	162	1,355	162	1,355
	18,041	80,970	18,041	80,970

Ocean freight segment within our logistics services was the major revenue contributor during the financial periods under review. The key factor affecting our major revenue contributor is the fluctuation in ocean freight rate.

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PART A – EXPLANATORY NOTES ON COMPLIANCE WITH MFRS 134: INTERIM FINANCIAL REPORTING (CONT'D)

A10. SEGMENTAL INFORMATION (CONT'D)

(b) Revenue by geographical region of customers

The table below set out the breakdown of the Group's revenue by geographical region of customers for the financial quarter under review:

	Individual Quarter		***Cumulative Quarter***	
	Unaudited Current Quarter 31.03.2023 RM'000	**Unaudited Preceding Year Corresponding Quarter 31.03.2022 RM'000**	**Unaudited Current Year-to-date 31.03.2023 RM'000**	**Unaudited Preceding Year Corresponding Year-to-date 31.03.2022 RM'000**
Malaysia	10,031	34,199	10,031	34,199
Overseas	8,010	46,771	8,010	46,771
	18,041	80,970	18,041	80,970

A11. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no valuation of property, plant and equipment in the current financial quarter under review.

A12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no other material changes in the composition of the Group for the current financial quarter under review other than those disclosed in Note A7(1) and A8 of this report.

A13. CAPITAL COMMITMENTS

	Unaudited As at 31.03.2023 RM'000	**Audited As at 31.12.2022 RM'000**
Approved and contracted for:		
Renovation of property	3,520	-
Purchase of property	-	18,180
	3,520	18,180

A14. CONTINGENT ASSETS OR CONTINGENT LIABILITIES

There were no contingent assets and contingent liabilities as at the date of this report.

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PART A – EXPLANATORY NOTES ON COMPLIANCE WITH MFRS 134: INTERIM FINANCIAL REPORTING (CONT'D)

A15. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Individual Quarter		***Cumulative Quarter***	
	Unaudited Current Quarter 31.03.2023 RM'000	**Unaudited Preceding Year Corresponding Quarter 31.03.2022 RM'000**	**Unaudited Current Year-to-date 31.03.2023 RM'000**	**Unaudited Preceding Year Corresponding Year-to-date 31.03.2022 RM'000**
Entities in which Directors have interest				
- Rental expenses paid	21	32	21	32
- Purchase billed from	-	5	-	5
- Rental income received	-	3	-	3
- Payment on behalf	-	(1)-	-	(1)-
Directors of the combining entities				
- Rental expenses paid	13	20	13	20

NOTE:

(1) Represents less than RM1,000.

A16. FAIR VALUE OF FINANCIAL LIABILITIES

There were no gains or losses arising from fair value changes of the Group's financial liabilities for the current financial quarter under review.

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE MARKET LISTING REQUIREMENTS

B1. REVIEW OF PERFORMANCE

The Group recorded lower revenue of RM18.04 million in the current financial quarter ended 31 March 2023 ("1Q 2023") as compared to RM80.97 million in the preceding year corresponding quarter ended 31 March 2022 ("1Q 2022"), mainly attributable to the decrease in revenue derived from our ocean freight segment within the logistics services in line with the significant reduction in global freight rate. The Group's average ocean freight revenue per twenty-foot equivalent unit ("TEU") of container decreased by 80.07% from RM21,349 per TEU in 1Q 2022 to RM4,254 per TEU in 1Q 2023.

In line with the lower revenue recorded in 1Q 2023, the Group has registered a lower GP and PBT at RM3.87 million and RM1.68 million respectively in 1Q 2023 as compared to RM13.66 million and RM9.95 million respectively in 1Q 2022.

Nevertheless, our Group's GP margin increased from 16.87% in 1Q 2022 to 21.43% in 1Q 2023, mainly attributable to higher GP margin from our ocean freight segment as we were able to secure better margin for our ocean freight services while there was significant reduction in ocean freight rates charged by the ocean carriers to us in 1Q 2023 as compared to 1Q 2022.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	Individual Quarter		***Variance***	
	Unaudited Current Quarter 31.03.2023 RM'000	**Unaudited Immediate Preceding Quarter 31.12.2022 RM'000**	**RM'000**	**%**
Revenue	18,041	23,939	(5,898)	(24.64)
PBT	1,683	87	1,596	>100.00

The Group recorded decrease in revenue by RM5.90 million or 24.64% from RM23.94 million in the immediate preceding quarter ended 31 December 2022 ("4Q 2022") to RM18.04 million in 1Q 2023, mainly attributable to the decrease in revenue derived from our ocean freight segment, in line with the continuous downward trend of the global freight rate. The Group's average ocean freight revenue per TEU of container decreased by 41.24% from RM7,240 per TEU in 4Q 2022 to RM4,254 per TEU in 1Q 2023.

The Group registered an increase in PBT by RM1.59 million from RM0.09 million in 4Q 2022 to RM1.68 million in 1Q 2023. Minimal PBT recorded in 4Q 2022 was mainly due to one-off IPO expenses of RM0.94 million, one-off legal fee of RM0.09 million with stamp duty of RM0.10 million for the new banking facility agreement as well as one-off valuer fee of RM0.01 million for the valuation on the new property have been incurred in 4Q 2022. In addition, provision for bonus of RM0.62 million for FYE 2022 have also been provided in 4Q 2022.

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE MARKET LISTING REQUIREMENTS (CONT'D)

B3. PROSPECTS AND OUTLOOK FOR THE CURRENT FINANCIAL YEAR

The prospects and outlook of Malaysia logistics industry are closely related to the performance of global and local economy. The Group is in cognisant that its financial performance for the current financial year is likely to be affected by the current unfavourable development in the global and local economy with downward trend in the global freight rate.

Nevertheless, the Group is hopeful towards the gradual recovery on the global and local economy from second half of year 2023 and remains cautiously optimistic on its prospects in view of the expansion strategies as disclosed in Section 7.23 of the Company's Prospectus as follows:

(a) relocation to new warehouse cum office located at Hicom Glenmarie Industrial Park, Shah Alam, Selangor to facilitate our business expansion to enable expansion of headcount to scale up operations;
(b) enhancement of warehouse facilities and capabilities so as to offer warehousing services to the Group's logistics services customers as well as to expand our warehousing and distribution services for healthcare-related products and devices; and
(c) development of new business opportunities for our logistics services through providing e-commerce solutions.

B4. PROFIT FORECAST OR PROFIT GUARANTEE

The Group did not issue any profit forecast or profit guarantee in the current financial quarter under review.

B5. INCOME TAX EXPENSE

	Individual Quarter		***Cumulative Quarter***	
	Unaudited Current Quarter 31.03.2023 RM'000	**Unaudited Preceding Year Corresponding Quarter 31.03.2022 RM'000**	**Unaudited Current Year-to-date 31.03.2023 RM'000**	**Unaudited Preceding Year Corresponding Year-to-date 31.03.2022 RM'000**
Tax expense[(1)]	402	2,387	402	2,387
Effective tax rate (%)	23.9	24.0	23.9	24.0
Statutory tax rate (%)	24.0	24.0	24.0	24.0

NOTE:

(1) Income tax is recognised based on management's best estimate.

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE MARKET LISTING REQUIREMENTS (CONT'D)

B6. STATUS OF CORPORATE PROPOSALS

Save for the IPO as disclosed in Note A7(2), there were no other corporate proposals announced but not implemented as at the date of this report.

B7. UTILISATION OF PROCEEDS FROM IPO

The gross proceeds of approximately RM16.73 million expected to be raised from the IPO is intended to be utilised in the following manner:

Details of utilisation of proceeds	Proposed Utilisation RM'000	Actual Utilisation RM'000	Estimated timeframe for the utilisation upon Listing
Renovation of property	2,000	-	Within 12 months
Repayment of bank borrowing	10,000	-	Within 3 months
Working capital	729	-	Within 12 months
Estimated listing expenses	4,000	-	Within 1 month
	16,729	**-**	

The utilisation of proceeds disclosed above should be read in conjunction with Section 4.8 of the Prospectus of the Company. As at the date of this report, the IPO is pending completion and the proceeds have yet to be raised.

B8. BORROWINGS

	Unaudited As at 31.03.2023 RM'000	Audited As at 31.12.2022 RM'000
Current		
Lease liabilities [(1)]	194	195
Term loans	771	761
	965	956
Non-current		
Lease liabilities [(1)]	505	552
Term loans	17,968	18,256
	18,473	18,808

NOTE:

(1) Excluding lease liabilities arising from rental of land and buildings.

These borrowings are secured and denominated in Ringgit Malaysia.

B9. MATERIAL LITIGATION

There was no material litigation involving the Group as at 31 March 2023.

B10. DIVIDEND PROPOSED

No dividend has been declared or recommended by the Board of Directors for the current financial quarter under review.

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE MARKET LISTING REQUIREMENTS (CONT'D)

B11. EARNINGS PER SHARE

The basic and diluted EPS are computed as follows:

	Individual Quarter		***Cumulative Quarter***	
	Unaudited Current Quarter 31.03.2023 RM'000	**Unaudited Preceding Year Corresponding Quarter 31.03.2022 RM'000**	**Unaudited Current Year-to-date 31.03.2023 RM'000**	**Unaudited Preceding Year Corresponding Year-to-date 31.03.2022 RM'000**
Profit attributable to the Owners of the Company (RM'000)	1,281	7,558	1,281	7,558
Basic EPS (sen)[1]	0.32	1.87	0.32	1.87
Diluted EPS (sen)[2]	0.27	1.57	0.27	1.57

NOTES:

(1) Basic EPS is calculated based on the Company's share capital of 403,136,767 ordinary shares after issuance of shares for the acquisition of KGW Logistics, Mattroy Logistics and KGW Medica as disclosed in Note A7(1) and A8 of this report.

(2) Diluted EPS is calculated based on the Company's share capital of 482,798,567 ordinary shares that shall be listed on the ACE Market of Bursa Securities on 1 August 2023.

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE MARKET LISTING REQUIREMENTS (CONT'D)

B12. NOTES TO THE COMBINED STATEMENTS OF PROFIT AND OTHER COMPREHENSIVE INCOME

Profit before tax is arrived after charging/(crediting):

	Individual Quarter		*Cumulative Quarter*	
	Unaudited Current Quarter 31.03.2023 RM'000	**Unaudited Preceding Year Corresponding Quarter 31.03.2022 RM'000**	**Unaudited Current Year-to-date 31.03.2023 RM'000**	**Unaudited Preceding Year Corresponding Year-to-date 31.03.2022 RM'000**
Depreciation of property, plant and equipment	206	161	206	161
Interest expense	109	36	109	36
Interest income	(169)	(3)	(169)	(3)
Property, plant and equipment written off	(1)-	(1)-	(1)-	(1)-
(Reversal of impairment)/ impairment losses on trade receivables:				
- lifetime ECL allowances	(13)	14	(13)	14
- specific allowances	(1)-	(57)	(1)-	(57)
Realised loss on foreign exchange	23	28	23	28
Rental expenses	26	-	26	-
Rental income	-	(3)	-	(3)
Unrealised (gain)/loss on foreign exchange	(2)	631	(2)	631

NOTE:

(1) Represents less than RM1,000.

B13. Authorisation for Issue

The unaudited combined financial information was authorised for issue by the Board of Directors of the Company in accordance with a resolution passed by the Board of Directors on 13 June 2023.

BY ORDER OF THE BOARD
KGW GROUP BERHAD