

KGW GROUP BERHAD

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

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2023

KGW GROUP BERHAD

Registration No. 202201009353 (1455050-D)

(Incorporated in Malaysia)

**Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Second Quarter Ended 30 June 2023⁽¹⁾**

| | Note | <i>Individual Quarter</i> | | <i>Cumulative Quarter</i> | |
|---|------|---|--|--|---|
| | | Unaudited Current Quarter 30.06.2023 RM'000 | Unaudited Preceding Year Corresponding Quarter ⁽⁴⁾ 30.06.2022 RM'000 | Unaudited Current Year-to-date 30.06.2023 RM'000 | Unaudited Preceding Year Corresponding Year-to-date ⁽⁴⁾ 30.06.2022 RM'000 |
| Revenue | | 15,761 | N/A | 33,802 | N/A |
| Cost of sales | | (13,124) | N/A | (27,298) | N/A |
| Gross profit ("GP") | | 2,637 | N/A | 6,504 | N/A |
| Other income | | 1,060 | N/A | 1,241 | N/A |
| Administrative expenses | | (2,230) | N/A | (4,475) | N/A |
| Other operating expenses | | (32) | N/A | (56) | N/A |
| Reversal of impairment on financial assets, net | | - | N/A | 13 | N/A |
| Finance costs | | (110) | N/A | (219) | N/A |
| Profit before tax ("PBT") | B12 | 1,325 | N/A | 3,008 | N/A |
| Tax expense | B5 | (329) | N/A | (731) | N/A |
| Net profit/ Total comprehensive income for the financial period attributable to Owners of the Group | | 996 | N/A | 2,277 | N/A |
| Earnings per share ("EPS") | | | | | |
| - Basic (sen) ⁽²⁾ | B11 | 0.25 | N/A | 0.56 | N/A |
| - Diluted (sen) ⁽³⁾ | B11 | 0.21 | N/A | 0.47 | N/A |

NOTES:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement 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 KGW Group Berhad ("KGW" or the "Company") dated 30 June 2023 ("Prospectus") 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 the 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") but before the initial public offering of the Company ("IPO").
- (3) Diluted EPS is calculated based on the Company's share capital of 482,798,567 ordinary shares that were listed on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 1 August 2023.
- (4) This is the first interim financial report for the second quarter ended 30 June 2023 being announced by the Company in compliance with the ACE Market Listing Requirements of Bursa Securities ("Listing Requirements"), hence there are no comparative figures for the preceding corresponding quarter and year-to-date.
- (5) N/A denotes not applicable.

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**Unaudited Condensed Consolidated Statement of Financial Position
As at 30 June 2023⁽¹⁾**

| | Note | Unaudited As at 30.06.2023 RM'000 | Audited As at 31.12.2022 RM'000 |
|---|------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | | 22,723 | 23,130 |
| Deferred tax assets | | 199 | 369 |
| | | 22,922 | 23,499 |
| Current assets | | | |
| Inventories | | 13 | 14 |
| Trade receivables | | 5,475 | 7,729 |
| Other receivables, deposits and prepayments | | 775 | 311 |
| Contract costs | | 1,111 | 726 |
| Short-term investment | | - | 3,007 |
| Tax recoverable | | 589 | - |
| Fixed deposits with financial institutions | | 15,009 | 14,030 |
| Cash and bank balances | | 14,275 | 10,929 |
| | | 37,247 | 36,746 |
| Total assets | | 60,169 | 60,245 |
| Equity | | | |
| Share capital | | 12,094 | (2) - |
| Reorganisation reserve | | (10,594) | - |
| Invested equity | | - | 1,500 |
| Retained earnings | | 29,207 | 26,930 |
| Total equity attributable to owners of the Company | | 30,707 | 28,430 |
| Non-current liabilities | | | |
| Bank borrowings | B8 | 17,683 | 18,256 |
| Lease liabilities | | 590 | 768 |
| | | 18,273 | 19,024 |
| Current liabilities | | | |
| Trade payables | | 3,382 | 2,386 |
| Other payables and accruals | | 4,714 | 5,594 |
| Contract liabilities | | 1,940 | 2,271 |
| Bank borrowings | B8 | 782 | 761 |
| Lease liabilities | | 371 | 385 |
| Income tax payable | | - | 1,394 |
| | | 11,189 | 12,791 |
| Total liabilities | | 29,462 | 31,815 |
| Total equity and liabilities | | 60,169 | 60,245 |
| Net assets per ordinary share attributable to owners of the Company (RM)⁽³⁾ | | | |
| | | 0.08 | 0.07 |

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Unaudited Condensed Consolidated Statement of Financial Position (con't) As at 30 June 2023⁽¹⁾

NOTES:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement 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 and the accompanying explanatory notes attached to this report.
- (2) Represents less than RM1,000.
- (3) Net assets per ordinary share as at 30 June 2023 and 31 December 2022 are calculated based on the Company's share capital of 403,136,767 ordinary shares after the issuance of shares for the acquisition of KGW Logistics, Mattroy Logistics and KGW Medica but before the IPO.

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**Unaudited Condensed Consolidated Statement of Changes in Equity
for the Second Quarter Ended 30 June 2023⁽¹⁾**

| | ----- Attributable to Owners of the Company ----- | | | | Total equity RM'000 |
|--|---|---|-------------------------------------|--|------------------------|
| | Share capital RM'000 | <u>Non-Distributable</u> Reorganisation reserve RM'000 | <u>Invested</u> equity RM'000 | <u>Distributable</u> Retained earnings RM'000 | |
| At 31 December 2022/ 1 January 2023 (Audited) | (2)- | - | 1,500 | 26,930 | 28,430 |
| Share issue for the acquisition of subsidiaries | 12,094 | (10,594) | (1,500) | - | - |
| Net profit/ Total comprehensive income for the financial period | - | - | - | 2,277 | 2,277 |
| At 30 June 2023 (Unaudited) | 12,094 | (10,594) | - | 29,207 | 30,707 |

NOTES:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity is disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in Section 13 of the Prospectus and the accompanying explanatory notes attached to this report.
- (2) Represents less than RM1,000.

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**Unaudited Condensed Consolidated Statements of Cash Flows
for the Second Quarter Ended 30 June 2023⁽¹⁾**

| | Unaudited Current Year-to-date 30.06.2023 RM'000 | Unaudited Preceding Year Corresponding Year-to-date ⁽³⁾30.06.2022 RM'000 |
|--|---|--|
| Cash flow from operating activities | | |
| Profit before tax | 3,008 | N/A |
| Adjustment for: - | | |
| Depreciation of property, plant and equipment | 411 | N/A |
| Interest expenses | 219 | N/A |
| Interest income | (344) | N/A |
| Property, plant and equipment written off | ⁽²⁾ - | N/A |
| Reversal of impairment on financial assets, net | (13) | N/A |
| Unrealised (gain)/loss on foreign exchange, net | (840) | N/A |
| Operating profit before changes in working capital | <u>2,441</u> | <u>N/A</u> |
| Decrease in inventories | 1 | N/A |
| Decrease in trade and other receivables | 1,935 | N/A |
| Increase in trade and other payables | 36 | N/A |
| Increase in contract costs | (386) | N/A |
| Decrease in contract liabilities | (331) | N/A |
| Cash generated from operations | <u>3,696</u> | <u>N/A</u> |
| Interest paid | ⁽²⁾ - | N/A |
| Income tax paid | (2,545) | N/A |
| Net cash generated from operating activities | <u>1,151</u> | <u>N/A</u> |
| Cash flow from investing activities | | |
| Acquisition of property, plant and equipment | (4) | N/A |
| Repayment from related parties, net | - | N/A |
| Net cash used in investing activities | <u>(4)</u> | <u>N/A</u> |
| Cash flow from financing activities | | |
| Interest received | 344 | N/A |
| Interest paid | (219) | N/A |
| Proceeds from issuance of share capital | - | N/A |
| Withdrawal of fixed deposits pledged with financial institutions | 6 | N/A |
| Repayment of lease liabilities | (191) | N/A |
| Repayment of term loans | (551) | N/A |
| Net cash used in financing activities | <u>(611)</u> | <u>N/A</u> |
| Net increase in cash and cash equivalents | 536 | N/A |
| Effect of exchange rate changes | 787 | N/A |
| Cash and cash equivalents at beginning of the financial period | 27,494 | N/A |
| Cash and cash equivalents at end of the financial period ⁽⁵⁾ | <u>28,817</u> | <u>N/A</u> |

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**Unaudited Condensed Consolidated Statements of Cash Flows (cont'd)
for the Second Quarter Ended 30 June 2023⁽¹⁾**
NOTES:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Cash Flows is disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in Section 13 of the Prospectus and the accompanying explanatory notes attached to this report.
- (2) Represents less than RM1,000.
- (3) This is the first interim financial report for the second quarter ended 30 June 2023 being announced by the Company in compliance with the Listing Requirements, hence there are no comparative figures for the preceding corresponding year-to-date.
- (4) N/A denotes not applicable.
- (5) Cash and cash equivalents at the end of the financial period consist of:

| | Unaudited Current Year-to-date 30.06.2023 RM'000 | Unaudited Preceding Year Corresponding Year-to-date 30.06.2022 RM'000 |
|---|---|--|
| Cash and bank balances | 14,275 | N/A |
| Fixed deposits with financial institutions | 15,009 | N/A |
| | <u>29,284</u> | <u>N/A</u> |
| Less: Fixed deposit pledged for bank borrowings | (467) | N/A |
| | <u>28,817</u> | <u>N/A</u> |

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KGW GROUP BERHAD

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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 interim financial report of KGW and its subsidiaries (“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 Board, Rule 9.22 and Appendix 9B of the Listing Requirements.

This is the first interim financial report for the second quarter ended 30 June 2023 announced by the Company in compliance with the Listing Requirements. As such, there are no comparative figures for the preceding year’s corresponding period.

The interim financial report should be read in conjunction with the Accountants’ Report as disclosed in Section 13 of the Prospectus and the accompanying explanatory notes attached to this report.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and presentation adopted for this interim financial report are consistent with those adopted as disclosed in the Accountants’ Report in the Prospectus.

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

| 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 in the following financial year.

The initial application of the abovementioned amendments to MFRSs, where applicable, is not expected to have any material impact on 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 and financial year-to-date 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 were 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 and financial year-to-date 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 and financial year-to-date under review.

A7. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Save as disclosed below, there were no other material events subsequent to the end of the current financial quarter under review that have not been reflected in this interim financial report.

In conjunction with the Company's listing on the ACE Market of Bursa Securities, the Company has undertaken the IPO comprising:

- (a) Public issue of 79,661,800 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 the 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 selected Bumiputera investors approved by the MITI,

at an IPO price of RM0.21 per share.

Pursuant thereto, the Company was admitted to the Official List of Bursa Securities and the Company's entire enlarged issued share capital of 482,798,567 shares was listed and quoted on the ACE Market of Bursa Securities on 1 August 2023.

A8. DEBT AND EQUITY SECURITIES

Save as disclosed in note A7, there was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial quarter under review.

A9. DIVIDEND PAID

There was no dividend paid 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)
A10. SEGMENTAL INFORMATION

The Group is principally involved in the following businesses:

| <u>Operating segments</u> | <u>Nature</u> |
|----------------------------------|---|
| (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 sets out the breakdown of the Group's revenue by business activities for the financial quarter under review:

| | <i>Individual Quarter</i> | | <i>Cumulative Quarter</i> | |
|------------------------------|---|---|--|--|
| | Unaudited Current Quarter 30.06.2023 RM'000 | Unaudited Preceding Year Corresponding Quarter ⁽¹⁾ 30.06.2022 RM'000 | Unaudited Current Year-to-date 30.06.2023 RM'000 | Unaudited Preceding Year Corresponding Year-to-date ⁽¹⁾ 30.06.2022 RM'000 |
| Logistics services | 15,685 | N/A | 33,564 | N/A |
| Warehousing and distribution | 76 | N/A | 238 | N/A |
| | 15,761 | N/A | 33,802 | N/A |

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.

NOTES:

- (1) This is the first interim financial report for the second quarter ended 30 June 2023 being announced by the Company in compliance with the Listing Requirements, hence there are no comparative figures for the preceding corresponding quarter and year-to-date.
- (2) N/A denotes not applicable.

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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 sets out the breakdown of the Group's revenue by geographical region of customers for the financial quarter under review:

| | <i>Individual Quarter</i> | | <i>Cumulative Quarter</i> | |
|----------|--|---|--|--|
| | Unaudited Current Quarter 30.06.2023 RM'000 | Unaudited Preceding Year Corresponding Quarter (¹)30.06.2022 RM'000 | Unaudited Current Year-to- date 30.06.2023 RM'000 | Unaudited Preceding Year Corresponding Year-to-date (¹)30.06.2022 RM'000 |
| Malaysia | 9,382 | N/A | 19,413 | N/A |
| Overseas | 6,379 | N/A | 14,389 | N/A |
| | <u>15,761</u> | <u>N/A</u> | <u>33,802</u> | <u>N/A</u> |

NOTES:

(1) This is the first interim financial report for the second quarter ended 30 June 2023 being announced by the Company in compliance with the Listing Requirements, hence there are no comparative figures for the preceding corresponding quarter and year-to-date.

(2) N/A denotes not applicable.

A11. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

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

A12. CHANGES IN THE COMPOSITION OF THE GROUP

Save as disclosed in Note A7 of this report and the note below, there were no other material changes in the composition of the Group for the current financial quarter under review.

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, which was fully 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, which was fully 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, which was fully satisfied via the issuance of 12,483,333 new Shares at an issue price of RM0.03 per Share.

A13. CAPITAL COMMITMENTS

Approved and contracted for:

Renovation of property

**Unaudited
As at
30.06.2023
RM'000**

3,312

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

| | <i>Individual Quarter</i> | | <i>Cumulative Quarter</i> | |
|--|---|---|--|--|
| | Unaudited Current Quarter 30.06.2023 RM'000 | Unaudited Preceding Year Corresponding Quarter ⁽¹⁾ 30.06.2022 RM'000 | Unaudited Current Year-to-date 30.06.2023 RM'000 | Unaudited Preceding Year Corresponding Year-to-date ⁽¹⁾ 30.06.2022 RM'000 |
| Entities in which Directors have interest | | | | |
| - Rental expenses paid | 32 | N/A | 53 | N/A |
| Directors of the subsidiary | | | | |
| - Rental expenses paid | <u>20</u> | <u>N/A</u> | <u>33</u> | <u>N/A</u> |

NOTES:

(1) This is the first interim financial report for the second quarter ended 30 June 2023 being announced by the Company in compliance with the Listing Requirements, hence there are no comparative figures for the preceding corresponding quarter and year-to-date.

(2) N/A denotes not applicable.

A16. FAIR VALUE OF FINANCIAL LIABILITIES

There were no gains or losses arising from fair value changes in 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 LISTING REQUIREMENTS

B1. REVIEW OF PERFORMANCE

The Group recorded revenue of RM15.76 million and RM33.80 million for the current financial quarter and financial year-to-date ended 30 June 2023 respectively. The Group's revenue was mainly attributable to the ocean freight segment within the logistics services, contributing approximately 93.74% and 93.96% of the total revenue for the current financial quarter and the financial year-to-date under review respectively.

The Group registered a PBT of RM1.33 million for the current financial quarter and RM3.01 million for the financial year to date after deducting administrative expenses of RM2.23 million for the current financial quarter and RM4.48 million for the financial year-to-date under review. The administrative expenses mainly consist of staff costs, sales commissions, and depreciation of property, plant and equipment.

There are no comparative figures for the corresponding preceding quarter or year-to-date results as this is the first interim financial report for the second quarter ended 30 June 2023 being announced by the Company in compliance with the Listing Requirements.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

| | <i>Individual Quarter</i> | | <i>Variance</i> | |
|---------|--|--|-----------------|----------|
| | Unaudited Current Quarter 30.06.2023 RM'000 | Unaudited Immediate Preceding Quarter 31.03.2023 RM'000 | RM'000 | % |
| Revenue | 15,761 | 18,041 | (2,280) | (12.64) |
| PBT | 1,325 | 1,683 | (358) | (21.27) |

The Group recorded a decrease in revenue by RM2.28 million or 12.64% from RM18.04 million in the immediate preceding quarter ended 31 March 2023 ("1Q 2023") to RM15.76 million in 2Q 2023, mainly attributable to the decrease in revenue derived from our ocean freight segment.

The Group registered a decrease in PBT by RM0.35 million or 21.27% from RM1.68 million in 1Q 2023 to RM1.33 million in 2Q 2023 in line with the decrease in revenue.

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

B3. PROSPECTS AND OUTLOOK FOR THE CURRENT FINANCIAL YEAR

The prospects and outlook of Malaysia's logistics industry are closely related to the performance of the global and local economies. The Group is 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.

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

- (a) relocation to new warehouse cum office located at Hicom Glenmarie Industrial Park, Shah Alam, Selangor to facilitate the Group's 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 its warehousing and distribution services for healthcare-related products and devices; and
- (c) development of new business opportunities for the Group's 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

| | <i>Individual Quarter</i> | | <i>Cumulative Quarter</i> | |
|----------------------------|--|---|--|--|
| | Unaudited Current Quarter 30.06.2023 RM'000 | Unaudited Preceding Year Corresponding Quarter (²)30.06.2022 RM'000 | Unaudited Current Year-to- date 30.06.2023 RM'000 | Unaudited Preceding Year Corresponding Year-to-date (²)30.06.2022 RM'000 |
| Tax expense ⁽¹⁾ | 329 | N/A | 731 | N/A |
| Effective tax rate (%) | 24.8 | N/A | 24.3 | N/A |
| Statutory tax rate (%) | 24.0 | N/A | 24.0 | N/A |

NOTES:

- (1) Income tax is recognised based on management's best estimate.
- (2) This is the first interim financial report for the second quarter ended 30 June 2023 being announced by the Company in compliance with the Listing Requirements, hence there are no comparative figures for the preceding corresponding quarter and year-to-date.
- (3) N/A denotes not applicable.

The effective tax rate was slightly higher than the statutory tax rate due to the non-deductible expense.

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

B6. STATUS OF CORPORATE PROPOSALS

There were no other corporate proposals announced but not implemented as of the date of this report.

B7. UTILISATION OF PROCEEDS FROM IPO

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

| <u>Details of utilisation of proceeds</u> | <u>Proposed Utilisation RM'000</u> | <u>Actual Utilisation RM'000</u> | <u>Estimated timeframe for the utilisation upon Listing</u> |
|---|--|--|---|
| 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 |
| | <u>16,729</u> | <u>-</u> | |

B8. BORROWINGS

| | <u>Unaudited As at 30.06.2023 RM'000</u> | <u>Audited As at 31.12.2022 RM'000</u> |
|----------------------------------|--|--|
| <u>Current</u> | | |
| Lease liabilities ⁽¹⁾ | 192 | 195 |
| Term loans | 782 | 761 |
| | <u>974</u> | <u>956</u> |
| <u>Non-current</u> | | |
| Lease liabilities ⁽¹⁾ | 459 | 552 |
| Term loans | 17,683 | 18,256 |
| | <u>18,142</u> | <u>18,808</u> |

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 of 30 June 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 LISTING REQUIREMENTS (CONT'D)
B11. EARNINGS PER SHARE

The basic and diluted EPS are computed as follows:

| | <i>Individual Quarter</i> | | <i>Cumulative Quarter</i> | |
|---|---|--|---|---|
| | Unaudited Current Quarter 30.06.2023 | Unaudited Preceding Year Corresponding Quarter (³)30.06.2022 | Unaudited Current Year-to- date 30.06.2023 | Unaudited Preceding Year Corresponding Year-to-date (³)30.06.2022 |
| Profit attributable to the Owners of the Company (RM'000) | 996 | N/A | 2,277 | N/A |
| Basic EPS (sen) ⁽¹⁾ | 0.25 | N/A | 0.56 | N/A |
| Diluted EPS (sen) ⁽²⁾ | 0.21 | N/A | 0.47 | N/A |

NOTES:

- (1) Basic EPS is calculated based on the Company's share capital of 403,136,767 ordinary shares after the issuance of shares for the acquisition of KGW Logistics, Mattroy Logistics and KGW Medica but before the IPO.
- (2) Diluted EPS is calculated based on the Company's share capital of 482,798,567 ordinary shares that were listed on the ACE Market of Bursa Securities on 1 August 2023.
- (3) This is the first interim financial report for the second quarter ended 30 June 2023 being announced by the Company in compliance with the Listing Requirements, hence there are no comparative figures for the preceding corresponding quarter and year-to-date.
- (4) N/A denotes not applicable.

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)
B12. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

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

| | <i>Individual Quarter</i> | | <i>Cumulative Quarter</i> | |
|---|--|---|---|--|
| | Unaudited Current Quarter 30.06.2023 RM'000 | Unaudited Preceding Year Corresponding Quarter (²)30.06.2022 RM'000 | Unaudited Current Year-to-date 30.06.2023 RM'000 | Unaudited Preceding Year Corresponding Year-to-date (²)30.06.2022 RM'000 |
| Depreciation of property, plant and equipment | 205 | N/A | 411 | N/A |
| Interest expense | 110 | N/A | 219 | N/A |
| Interest income | (175) | N/A | (344) | N/A |
| Property, plant and equipment written off | (¹) | N/A | (¹) | N/A |
| (Reversal of impairment)/ impairment losses on trade receivables: | | | | |
| - lifetime ECL allowances | - | N/A | (13) | N/A |
| - specific allowances | - | N/A | (¹) | N/A |
| Realised (gain)/loss on foreign exchange | (20) | N/A | 3 | N/A |
| Rental expenses | 25 | N/A | 51 | N/A |
| Unrealised (gain)/loss on foreign exchange | (838) | N/A | (840) | N/A |

NOTES:

- (1) Represents less than RM1,000.
- (2) This is the first interim financial report for the second quarter ended 30 June 2023 being announced by the Company in compliance with the Listing Requirements, hence there are no comparative figures for the preceding corresponding quarter and year-to-date.
- (3) N/A denotes not applicable.

Other disclosure items pursuant to Note 16, Appendix 9B of the Listing Requirements are not applicable.

B13. Authorisation for Issue

The interim financial report was authorised for issue by the Board of Directors of the Company in accordance with a resolution passed by the Board of Directors on 24 August 2023.

**BY ORDER OF THE BOARD
KGW GROUP BERHAD**