

KGW GROUP BERHAD

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

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 Fourth Quarter Ended 31 December 2023⁽¹⁾**

	Note	<i>Individual Quarter</i>		<i>Cumulative Quarter</i>	
		Unaudited Current Quarter 31.12.2023 RM'000	Unaudited Preceding Year Corresponding Quarter ⁽³⁾ 31.12.2022 RM'000	Unaudited Current Year-to-date 31.12.2023 RM'000	Audited Preceding Year Corresponding Year-to-date 31.12.2022 RM'000
Revenue		17,421	N/A	71,470	229,695
Cost of sales		(15,124)	N/A	(59,600)	(194,477)
Gross profit ("GP")		2,297	N/A	11,870	35,218
Other income		(253)	N/A	1,351	1,274
Administrative expenses		(2,318)	N/A	(9,351)	(13,682)
Other operating expenses ⁽⁴⁾		(20)	N/A	(2,194)	(940)
Net (loss)/gain on impairment of financial assets		(123)	N/A	(110)	120
Finance costs		(46)	N/A	(357)	(119)
(Loss)/profit before tax ("LBT"/"PBT")	B12	(463)	N/A	1,209	21,871
Taxation	B5	88	N/A	(825)	(5,536)
Net (loss)/income/ Total comprehensive (loss)/income for the financial year		(375)	N/A	384	16,335
Net (loss)/income/ Total comprehensive (loss)/income for the financial year attributable to					
Owners of the Group		(371)	N/A	388	16,335
Non-controlling interest		(4)	N/A	(4)	-
		(375)	N/A	384	16,335
(Loss)/earnings per share - Basic/diluted (sen) ⁽²⁾	B11	(0.08)	N/A	0.08	3.38

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) The basic (loss)/earning per share is calculated based on the Company's share capital of 482,798,567 ordinary shares after the Company was listed on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 1 August 2023. The diluted (loss)/earnings per share is equivalent to the basic (loss)/earnings per share as there were no potential dilutive securities in issue during the financial quarter under review.

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Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Fourth Quarter Ended 31 December 2023⁽¹⁾ (Cont'd)

- (3) This is the first interim financial report for the fourth quarter ended 31 December 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 year’s corresponding quarter.
- (4) For illustration purposes only, the Company’s financial performance after adjusting for the one-off listing expenses is as follows:

	<i>Individual Quarter</i>		<i>Cumulative Quarter</i>	
	Unaudited Current Quarter 31.12.2023 RM'000	Unaudited Preceding Year Corresponding Quarter 31.12.2022 RM'000	Unaudited Current Year-to-date 31.12.2023 RM'000	Audited Preceding Year Corresponding Year-to-date 31.12.2022 RM'000
(Loss)/profit before tax	(463)	N/A	1,209	21,871
Add: Listing expenses	-	N/A	2,130	936
Adjusted profit before tax	<u>(463)</u>	<u>N/A</u>	<u>3,339</u>	<u>22,807</u>

- (5) N/A denotes not applicable.

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**Unaudited Condensed Consolidated Statement of Financial Position
As at 31 December 2023⁽¹⁾**

	Note	Unaudited As at 31.12.2023 RM'000	Audited As at 31.12.2022 RM'000
Non-current assets			
Property, plant and equipment		22,523	23,130
Capital work-in-progress		2,950	-
Deferred tax assets		176	369
		<u>25,649</u>	<u>23,499</u>
Current assets			
Inventories		5	14
Trade receivables		5,932	7,729
Other receivables, deposits and prepayments		545	311
Contract costs		933	726
Contract assets		66	-
Short term investment		-	3,007
Tax recoverable		1,271	-
Fixed deposits with financial institutions		15,983	14,030
Cash and bank balances		12,727	10,929
		<u>37,462</u>	<u>36,746</u>
Total assets		<u>63,111</u>	<u>60,245</u>
Equity			
Share capital		28,167	(2)-
Reorganisation reserve		(10,594)	-
Invested equity		-	1,500
Retained earnings		27,318	26,930
Total equity attributable to owners of the Company		44,891	28,430
Non-controlling interest		(3)	-
Total equity		<u>44,888</u>	<u>28,430</u>
Non-current liabilities			
Bank borrowings	B8	6,628	18,256
Lease liabilities		470	768
		<u>7,098</u>	<u>19,024</u>
Current liabilities			
Trade payables		3,317	2,386
Other payables and accruals		4,633	5,594
Contract liabilities		1,626	2,271
Bank borrowings	B8	1,203	761
Lease liabilities		346	385
Income tax payable		-	1,394
		<u>11,125</u>	<u>12,791</u>
Total liabilities		<u>18,223</u>	<u>31,815</u>
Total equity and liabilities		<u>63,111</u>	<u>60,245</u>
Net assets per ordinary share attributable to owners of the Company (RM)⁽³⁾			
		0.09	0.07

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Unaudited Condensed Consolidated Statement of Financial Position As at 31 December 2023⁽¹⁾ (Cont'd)

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 31 December 2022 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, Mattroy Logistics (Malaysia) Sdn Bhd and KGW Medica Sdn Bhd but before the initial public offering of the Company ("IPO"). Net assets per ordinary share as at 31 December 2023 is calculated based on the Company's enlarged share capital of 482,798,567 ordinary shares after the IPO.

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**Unaudited Condensed Consolidated Statement of Changes in Equity
For The Fourth Quarter Ended 31 December 2023⁽¹⁾**

	-----Attributable to Owners of the Company-----						Total equity RM'000
	<u>Non-Distributable</u>			<u>Distributable</u>		Equity attributable to Owners of the Company RM'000	
	Share capital RM'000	Reorganisation reserve RM'000	Invested equity RM'000	Retained earnings RM'000			
At 31 December 2022/ 1 January 2023 (Audited)	(2)-	-	1,500	26,930	28,430	-	28,430
Share issue for the acquisition of subsidiaries	12,094	(10,594)	(1,500)	-	-	-	-
Issuance of ordinary shares	16,729	-	-	-	16,729	(2)-	16,729
Share issuance expenses	(656)	-	-	-	(656)	-	(656)
Net profit /Total comprehensive income for the financial year	-	-	-	388	388	(3)	385
At 31 December 2023 (Unaudited)	28,167	(10,594)	-	27,318	44,891	(3)	44,888
At 31 December 2021 / 1 January 2022 (Audited)	-	-	1,202	10,595	11,797	-	11,797
Issuance of shares	(2)-	-	298	-	298	-	298
Net profit /Total comprehensive income for the financial year	-	-	-	16,335	16,335	-	16,335
At 31 December 2022 (Audited)	(2)-	-	1,500	26,930	28,430	-	28,430

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.

KGW GROUP BERHAD

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**Unaudited Condensed Consolidated Statement of Cash Flows
For the Fourth Quarter Ended 31 December 2023⁽¹⁾**

	Unaudited Current Year-to-date 31.12.2023 RM'000	Audited Preceding Year Corresponding Year-to-date 31.12.2022 RM'000
Cash flows from operating activities		
Profit before tax	1,209	21,871
Adjustments for: -		
Bad debts written off	-	4
Depreciation of property, plant and equipment	704	705
Gain on disposal of property, plant and equipment	-	(266)
Gain on derecognition of leases	-	(2)
Interest expenses	357	119
Interest income	(811)	(71)
Property, plant and equipment written off	(2)	(2)
Impairment losses on financial assets	126	17
Reversal of impairment losses on financial assets	(16)	(137)
Unrealised gain on foreign exchange, net	(537)	(97)
Operating profit before changes in working capital	<u>1,032</u>	<u>22,145</u>
Decrease in inventories	9	23
Decrease in trade and other receivables	1,470	12,627
Decrease in trade and other payables	(66)	(10,806)
Increase in contract assets	(66)	-
(Increase)/decrease in contract costs	(208)	5,890
Decrease in contract liabilities	(645)	(4,740)
Cash generated from operations	<u>1,526</u>	<u>25,139</u>
Interest paid	(2)	(3)
Income tax paid	(3,298)	(7,158)
Net cash (used in)/generated from operating activities	<u>(1,772)</u>	<u>17,978</u>
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	-	267
Acquisition of property, plant and equipment	(46)	(21,599)
Capital work-in-progress	(2,950)	-
Subscription of shares in subsidiary by non-controlling interest	(2)	-
Repayment from related parties, net	-	6
Net cash used in investing activities	<u>(2,996)</u>	<u>(21,326)</u>
Cash flows from financing activities		
Dividend paid	-	(6,000)
Interest received	811	71
Interest paid	(357)	(117)
Proceeds from issuance of share capital	16,073	298
Placement of fixed deposits pledged with financial institutions	-	(58)
Withdrawal of fixed deposits pledged with financial institution	1	-
Repayment of lease liabilities	(386)	(450)

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**Unaudited Condensed Consolidated Statement of Cash Flows
For the Fourth Quarter Ended 31 December 2023⁽¹⁾ (Cont'd)**

	Unaudited Current Year-to date 31.12.2023 RM'000	Audited Preceding Year Corresponding Year-to-date 31.12.2022 RM'000
Cash flows from financing activities (cont'd)		
(Repayment)/drawdown of term loans	(11,185)	17,446
Net movement in amount owing to directors of the Company	-	(1)
Net cash generated from financing activities	<u>4,957</u>	<u>11,189</u>
Net increase in cash and cash equivalents	189	7,841
Effect of exchange rate changes	556	147
Cash and cash equivalents at beginning of financial year	<u>27,494</u>	<u>19,506</u>
Cash and cash equivalents at end of financial year⁽³⁾	<u>28,239</u>	<u>27,494</u>

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) Cash and cash equivalents at the end of the financial year consist of:

	Unaudited Current Year-to-date 31.12.2023 RM'000	Audited Preceding Year Corresponding Year-to-date 31.12.2022 RM'000
Cash and bank balances	12,727	10,929
Short-term investment	-	3,007
Fixed deposits with financial institutions	15,983	14,030
	<u>28,710</u>	<u>27,966</u>
Less: Fixed deposit pledged for bank borrowings	(471)	(472)
	<u>28,239</u>	<u>27,494</u>

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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 fourth quarter ended 31 December 2023 announced by the Company in compliance with the Listing Requirements. As such, there are no comparative figures for the preceding year’s corresponding quarter.

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

There were no material events subsequent to the end of the current financial quarter under review that have not been reflected in this interim financial report.

A8. DEBT AND EQUITY SECURITIES

There were 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.

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
(c) Investment holding	Activities of holding company

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PART A – EXPLANATORY NOTES ON COMPLIANCE WITH MFRS 134: INTERIM FINANCIAL REPORTING (Cont'd)
A10. SEGMENTAL INFORMATION (Cont'd)

(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 31.12.2023 RM'000	Unaudited Preceding Year Corresponding Quarter ⁽¹⁾31.12.2022 RM'000	Unaudited Current Year-to-date 31.12.2023 RM'000	Audited Preceding Year Corresponding Year-to-date 31.12.2022 RM'000
Logistics services	17,375	N/A	71,082	228,037
Warehousing and distribution	68	N/A	388	1,658
Investment holdings	(22)	N/A	-	-
	<u>17,421</u>	<u>N/A</u>	<u>71,470</u>	<u>229,695</u>

Ocean freight segment within our logistics services was the major revenue contributor during the financial quarter 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 fourth quarter ended 31 December 2023 being announced by the Company in compliance with the Listing Requirements, hence there are no comparative figures for the preceding year's corresponding quarter.

(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 31.12.2023 RM'000	Unaudited Preceding Year Corresponding Quarter ⁽¹⁾31.12.2022 RM'000	Unaudited Current Year-to-date 31.12.2023 RM'000	Audited Preceding Year Corresponding Year-to-date 31.12.2022 RM'000
Malaysia	7,943	N/A	40,373	115,403
Overseas	9,478	N/A	31,097	114,292
	<u>17,421</u>	<u>N/A</u>	<u>71,470</u>	<u>229,695</u>

NOTES:

(1) This is the first interim financial report for the fourth quarter ended 31 December 2023 being announced by the Company in compliance with the Listing Requirements, hence there are no comparative figures for the preceding year's corresponding quarter.

(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**

There were no material changes in the composition of the Group during the current financial quarter under review.

A13. CAPITAL COMMITMENTS

Approved and contracted for:

Renovation of property

**Unaudited
As at
31.12.2023
RM'000
644**

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 31.12.2023 RM'000	Unaudited Preceding Year Corresponding Quarter ⁽¹⁾31.12.2022 RM'000	Unaudited Current Year-to-date 31.12.2023 RM'000	Audited Preceding Year Corresponding Year-to-date 31.12.2022 RM'000
Entities in which Directors have interest				
- Rental expenses paid	32	N/A	117	128
- Sales billed to	-	N/A	-	93
- Purchase billed from	-	N/A	-	5
- Rental income received	-	N/A	-	4
- Payment on behalf of entities	-	N/A	-	(2)_
Directors of the subsidiary				
- (Repayment to)/advances from Director, net	-	N/A	-	(2)_
- Rental expenses paid	<u>20</u>	<u>N/A</u>	<u>73</u>	<u>78</u>

NOTES:

- (1) This is the first interim financial report for the fourth quarter ended 31 December 2023 being announced by the Company in compliance with the Listing Requirements, hence there are no comparative figures for the preceding year's corresponding quarter.
- (2) Represents less than RM1,000.
- (3) 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 RM17.42 million and RM71.47 million for the current financial quarter and financial year-to-date ended 31 December 2023 respectively. The Group’s revenue was mainly attributable to the ocean freight segment within the logistics services, contributing approximately 94.77% and 94.74% of the total revenue for the current financial quarter and the financial year-to-date under review respectively. The Group’s revenue for the financial year-to-date ended 31 December 2023 decreased by RM158.23 million or 68.89% to RM71.47 million from RM229.70 million for the financial year-to-date ended 31 December 2022. It was mainly due to the lower revenue from all operating segments.

The Group registered a LBT of RM0.46 million for the current financial quarter after deducting administrative expenses of RM2.32 million. For the financial year-to-date, the Group’s PBT was RM1.21 million after deducting administrative expenses of RM9.35 million. The administrative expenses mainly consist of staff costs, sales commissions, and depreciation of property, plant and equipment. The PBT of RM1.21 million is lower than the PBT of RM21.87 million for the preceding financial year ended 31 December 2022 mainly due to the lower revenue as set out above, which led to lower GP.

There are no comparative figures for the preceding year’s corresponding quarter as this is the first interim financial report for the fourth quarter ended 31 December 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 31.12.2023 RM'000	Unaudited Immediate Preceding Quarter 30.09.2023 RM'000	RM'000	%
Revenue	17,421	20,247	(2,826)	(13.96)
(LBT)	(463)	(1,336)	873	65.34

The Group recorded a decrease in revenue by RM2.83 million or 13.96% from RM20.25 million in the immediate preceding quarter ended 30 September 2023 (“3Q 2023”) to RM17.42 million in 4Q 2023, mainly attributable to the decrease in revenue derived from our ocean freight segment.

The Group registered a lower LBT by RM0.88 million or 65.34% from LBT of RM1.34 million in 3Q 2023 to LBT of RM0.46 million in 4Q 2023 due to the absence of one-off listing expenses.

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS
(Cont'd)****B3. PROSPECTS AND OUTLOOK**

The trajectory of Malaysia's logistics industry is intricately tied to the ebbs and flows of both the global and local economies. The recently unveiled 2024 Budget anticipates Malaysia's GDP growth rate of +4.0~5.0%. This encouraging outlook is underpinned by a steadfast expansion in domestic demand, a key driver supporting economic recovery and bolstering external trade.

The World Trade Organization (WTO) echoes this optimism, predicting a resurgence in global trade come 2024. Malaysia, in turn, envisions a stabilization and resurgence of its external trade from 4Q2023 onwards. This resurgence is anticipated to be fueled by a more robust recovery in China, positive sentiments surrounding stabilizing monetary policies in major economies, and the sustained elevation of commodity prices, aligning well with positive economic forecasts. This comprehensive perspective not only reflects confidence in the national economic trajectory but also acknowledges the interconnected nature of global economic factors influencing Malaysia's logistics industry.

As outlined in Section 7.23 of the Prospectus, the Group is poised to embark on the following strategic initiatives:

- (a) Relocation to a new warehouse cum office in Hicom Glenmarie Industrial Park, Shah Alam, Selangor:
This move signifies a pivotal step in our Group's strategic expansion plans, focusing on scaling up operations and accommodating an increase in headcount. The renovation of the warehouse cum office is progressing, with an anticipated completion date in the first quarter of 2024. In consonance with the Government's vision of achieving net-zero greenhouse gas emissions by 2025 and our commitment to ESG compliance, we are set to install solar panels on our rooftops. This not only aligns with our environmental responsibility but also reflects our dedication to sustainable practices. Moreover, this relocation provides an opportune moment to diversify our offerings.

The expanded space and modernized facilities will enhance our warehouse business, enabling us to cater to evolving market demands. Additionally, this strategic move opens doors for us to venture more into e-commerce solutions, aligning seamlessly with our broader business expansion plan. By identifying a café operator to occupy a section of the premises, we not only enhance the overall working environment for our staff but also create an additional amenity that complements the evolving nature of our business. This relocation stands as a testament to our commitment to growth, sustainability, and adaptability in the ever-changing landscape of the logistics industry.

- (b) Enhancement of Warehouse Facilities and Capabilities:
This strategic move is geared towards offering enhanced warehousing services to our logistics clients. It will also enable the expansion of our warehousing and distribution services, particularly for healthcare-related products and devices. The Group is presently in the process of soliciting quotations for the necessary equipment to equip the warehouse and prepare to kick-start operations.

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS
(Cont'd)**

B3. PROSPECTS AND OUTLOOK (Cont'd)

(c) Venturing into E-commerce Solutions:

The Group's strategic decision to venture into the dynamic realm of e-commerce solutions is poised to reshape our role within the logistics services sector. This proactive move underscores our commitment to innovation and growth, as we aim to carve out new business avenues. By entering the e-commerce domain, we acknowledge the evolving market dynamics that emphasize the transformative power of online commerce.

This strategic initiative aligns perfectly with our vision to remain at the forefront of industry trends. The e-commerce sector, experiencing unprecedented growth, represents an opportunity for us to expand our service portfolio and cater to the changing needs of our clients. This venture not only reflects our adaptability but also positions us to tap into the thriving market of e-commerce. Our foray into this space signifies a forward-thinking approach, showcasing our readiness to embrace new opportunities and technologies.

As the logistics landscape undergoes rapid transformations, this move ensures that we stay ahead of the curve, providing cutting-edge solutions to our clients. In essence, our entry into e-commerce solutions is a testament to our dynamic approach, reflecting our commitment to staying relevant, innovative, and responsive to the ever-changing demands of the logistics industry.

Armed with these strategic plans and buoyed by the anticipated resurgence of the global and local economy, the Group maintains an optimistic view towards its ability to achieve satisfactory financial performance in the current financial year ending 31 December 2024.

B4. PROFIT FORECAST OR PROFIT GUARANTEE

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

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS
(Cont’d)**

B5. TAXATION

	<i>Individual Quarter</i>		<i>Cumulative Quarter</i>	
	Unaudited Current Quarter 31.12.2023 RM'000	Unaudited Preceding Year Corresponding Quarter ⁽²⁾31.12.2022 RM'000	Unaudited Current Year-to-date 31.12.2023 RM'000	Audited Preceding Year Corresponding Year-to-date 31.12.2022 RM'000
Taxation ⁽¹⁾	(88)	N/A	825	5,536
Effective tax rate (%)	N/A	N/A	68.2	25.3
Statutory tax rate (%)	24.0	N/A	24.0	24.0

NOTES:

- (1) Income tax is recognized based on management’s best estimate.
- (2) This is the first interim financial report for the fourth quarter ended 31 December 2023 being announced by the Company in compliance with the Listing Requirements, hence there are no comparative figures for the preceding year’s corresponding quarter.
- (3) N/A denotes not applicable.

The effective tax rate for the current financial year-to-date was higher than the statutory tax rate mainly due to the non-recurring listing expenses which are non-tax-deductible and due to losses of subsidiaries. If listing expenses were excluded, the year-to-date effective tax rate would have been 24.71%.

B6. STATUS OF CORPORATE PROPOSALS

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

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KGW GROUP BERHAD

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**PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS
(Cont'd)**
B7. UTILISATION OF PROCEEDS FROM IPO

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

<u>Details of utilisation of proceeds</u>	<u>Proposed Utilisation RM'000</u>	<u>Actual Utilisation RM'000</u>	<u>Reallocation RM'000</u>	<u>Balance to be utilised RM'000</u>	<u>Estimated timeframe for the utilisation upon listing</u>
Renovation of property	2,000	2,000	-	-	Within 12 months
Repayment of bank borrowings	10,000	10,000	-	-	Within 3 months
Working capital	729	201	278	806	Within 12 months
Estimated listing expenses	4,000	3,722	(278)	-	Within 1 months
	<u>16,729</u>	<u>15,923</u>	<u>-</u>	<u>806</u>	

B8. BORROWINGS

	<u>Unaudited As at 31.12.2023 RM'000</u>	<u>Audited As at 31.12.2022 RM'000</u>
<u>Current</u>		
Lease Liabilities ⁽¹⁾	197	195
Term Loans	1,203	761
	<u>1,400</u>	<u>956</u>
<u>Non-current</u>		
Lease Liabilities ⁽¹⁾	406	552
Term Loans	6,628	18,256
	<u>7,034</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 31 December 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 (loss)/earnings per share are computed as follows:

	<i>Individual Quarter</i>		<i>Cumulative Quarter</i>	
	Unaudited Current Quarter 31.12.2023	Unaudited Preceding Year Corresponding Quarter (²)31.12.2022	Unaudited Current Year-to-date 31.12.2023	Audited Preceding Year Corresponding Year-to-date 31.12.2022
(Loss)/profit attributable to the Owners of the Company (RM'000)	(371)	N/A	388	16,335
Number of ordinary shares ('000) ⁽¹⁾	482,799	N/A	482,799	482,799
Basic/diluted (loss)/earning per share (sen) ⁽¹⁾	(0.08)	N/A	0.08	3.38

NOTES:

- (1) The basic (loss)/earning per share is calculated based on the Company's share capital of 482,798,567 ordinary shares after the Company was listed on the ACE Market of Bursa Securities on 1 August 2023. The diluted (loss)/earnings per share is equivalent to the basic (loss)/earnings per share as there were no potential dilutive securities in issue during the financial quarter under review.
- (2) This is the first interim financial report for the fourth quarter ended 31 December 2023 being announced by the Company in compliance with the Listing Requirements, hence there are no comparative figures for the preceding year's corresponding quarter.
- (3) 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 31.12.2023 RM'000	Unaudited Preceding Year Corresponding Quarter (²)31.12.2022 RM'000	Unaudited Current Year-to-date 31.12.2023 RM'000	Audited Preceding Year Corresponding Year-to-date 31.12.2022 RM'000
Depreciation of property, and equipment	88	N/A	704	705
Interest expenses	46	N/A	357	119
Interest income	(270)	N/A	(811)	(71)
Property, plant and equipment written off	-	N/A	(1)	(1)
Gain on disposal of property, plant and equipment (Reversal of impairment)/ impairment losses on the trade receivables:	-	N/A	-	(266)
- lifetime ECL allowances	16	N/A	3	(82)
- specific allowances	107	N/A	107	(38)
Realised (gain)/loss on foreign exchange	20	N/A	64	(813)
Rental expenses	25	N/A	102	24
Unrealised (gain)/loss on foreign exchange	502	N/A	(537)	(97)

NOTES:

- (1) Represents less than RM1,000.
- (2) This is the first interim financial report for the fourth quarter ended 31 December 2023 being announced by the Company in compliance with the Listing Requirements, hence there are no comparative figures for the preceding year's corresponding quarter.
- (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 28 February 2024.

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