

I-STONE GROUP BERHAD (1273151-K)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2019⁽¹⁾

	Note	3-MONTH ENDED		PERIOD-TO-DATE	
		31.03.2019 RM'000	31.03.2018 ⁽²⁾ RM'000	31.03.2019 RM'000	31.03.2018 ⁽²⁾ RM'000
Revenue	A9	20,686	N/A	20,686	N/A
Cost of sales		(13,418)	N/A	(13,418)	N/A
Gross profit ("GP")		7,268	N/A	7,268	N/A
Other income		118	N/A	118	N/A
Selling and distribution expenses		(128)	N/A	(128)	N/A
Administrative expenses		(2,238)	N/A	(2,238)	N/A
Other expenses		(159)	N/A	(159)	N/A
Profit from Operations		4,861	N/A	4,861	N/A
Finance costs		(211)	N/A	(211)	N/A
Profit before tax ("PBT")	B12	4,650	N/A	4,650	N/A
Taxation	B6	(411)	N/A	(411)	N/A
Profit after tax ("PAT")		4,239	N/A	4,239	N/A
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		(28)	N/A	(28)	N/A
Total comprehensive income for the financial period		4,211	N/A	4,211	N/A
Profit for the financial period attributable to:					
• Owners of the Company		4,194	N/A	4,194	N/A
• Non-controlling interests		45	N/A	45	N/A
		4,239	N/A	4,239	N/A
Total comprehensive income for the financial period attributable to:					
• Owners of the Company		4,168	N/A	4,168	N/A
• Non-controlling interests		43	N/A	43	N/A
		4,211	N/A	4,211	N/A
Earnings per share attributable to owners of the Company					
• Basic (sen) ⁽³⁾	B11	0.43	N/A	0.43	N/A
• Diluted (sen) ⁽⁴⁾	B11	0.43	N/A	0.43	N/A

I-STONE GROUP BERHAD (1273151-K)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2019⁽¹⁾ (CONT'D)

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 the Prospectus dated 21 June 2019 and the accompanying explanatory notes attached to this interim financial report.
- (2) This is the first interim financial report announced in compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"). There are no comparative figures for the preceding quarter and period-to-date available as no interim financial report was prepared for the comparative financial period concerned.
- (3) Basic earnings per share is calculated based on the pro forma enlarged share capital of 977,181,200 shares in issue assuming that the share sale agreement ("**SSA**") referred to in Note A7 below has been completed as at 31 March 2019.
- (4) Diluted earnings per share of the Company for the individual quarter ended 31 March 2019 and year-to-date ended 31 March 2019 is equivalent to the basic earnings per share as the Company does not have any convertible options as at the end of the reporting period.

N/A – Not applicable

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I-STONE GROUP BERHAD (1273151-K)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019⁽¹⁾

	UNAUDITED	UNAUDITED
	As at 31.03.2019 RM'000	As at 31.03.2018⁽²⁾ RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	22,979	N/A
Investment property	288	N/A
Goodwill on consolidation	856	N/A
Total non-current assets	24,123	N/A
Current Assets		
Inventories	5,339	N/A
Trade receivables	19,719	N/A
Other receivables	493	N/A
Current tax assets	278	N/A
Cash and cash equivalents	4,708	N/A
Total current assets	30,537	N/A
TOTAL ASSETS	54,660	N/A
EQUITY AND LIABILITIES		
Equity		
Share capital	1,500	N/A
Retained earnings	24,210	N/A
Reserves	554	N/A
Equity attributable to owners of the Company	26,264	N/A
Non-controlling interests	1,327	N/A
Total Equity	27,591	N/A
Liabilities		
Non-current liabilities		
Hire purchase payables	1,438	N/A
Loan and borrowings	11,139	N/A
Deferred tax liabilities	477	N/A
Total non-current liabilities	13,054	N/A
Current liabilities		
Trade payables	4,305	N/A
Other payables	4,101	N/A
Hire purchase payables	409	N/A
Loan and borrowings	5,200	N/A
Total current liabilities	14,015	N/A
TOTAL LIABILITIES	27,069	N/A
TOTAL EQUITY AND LIABILITIES	54,660	N/A
Weighted Average number of ordinary shares ('000)	977,181	N/A
NET ASSETS PER SHARE (RM) ⁽³⁾	0.03	N/A

I-STONE GROUP BERHAD (1273151-K)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019⁽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 the Prospectus dated 21 June 2019 and the accompanying explanatory notes attached to this interim financial report.
- (2) This is the first interim financial report announced in compliance with the Listing Requirements. There are no comparative figures for the preceding quarter available as no interim financial report was prepared for the comparative financial period concerned.
- (3) Based on the pro forma enlarged share capital of 977,181,200 shares in issuance assuming that the SSA referred to in Note A7 below has been completed as at 31 March 2019.

N/A – Not applicable

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I-STONE GROUP BERHAD (1273151-K)**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2019⁽¹⁾⁽²⁾**

	----- Non-distributable -----		Distributable	Total attributable to owners of the Company	Non-controlling Interests	Total Equity
	Share Capital	Translation reserve	Retained Earnings	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2019	1,500	580	20,016	22,096	1,284	23,380
Profit for the year	-	-	4,194	4,194	45	4,239
Foreign currency translation differences for foreign operations	-	(26)	-	(26)	(2)	(28)
As at 31 March 2019	1,500	554	24,210	26,264	1,327	27,591

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity are disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus dated 21 June 2019 and the accompanying explanatory notes attached to this interim financial report.
- (2) This is the first interim financial report announced in compliance with the Listing Requirements. There are no comparative figures for the preceding quarter available as no interim financial report was prepared for the comparative financial period concerned.

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I-STONE GROUP BERHAD (1273151-K)
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2019⁽¹⁾**

	PERIOD-TO-DATE	
	31.03.2019	31.03.2018⁽²⁾
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	4,650	N/A
Adjustments for:		
Depreciation of property, plant and equipment	323	N/A
Depreciation of investment property	2	N/A
Gain on disposal of property, plant and equipment	(11)	N/A
Interest expense	206	N/A
Rental income	(6)	N/A
Unrealised loss on foreign exchange	60	N/A
Operating profit before working capital changes	<u>5,224</u>	<u>N/A</u>
Change in working capital		
Inventories	3,340	N/A
Receivables, deposits and prepayment	(7,363)	N/A
Payables and accruals	(5,044)	N/A
	<u>(9,067)</u>	<u>N/A</u>
Cash used in operations	(3,843)	N/A
Interest paid	(206)	N/A
Tax paid	(213)	N/A
Tax refund	54	N/A
Net cash used in operating activities	<u>(4,208)</u>	<u>N/A</u>
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(257)	N/A
Proceeds from disposal of property, plant and equipment	53	N/A
Rental received	6	N/A
Net cash used in investing activities	<u>(198)</u>	<u>N/A</u>
Cash Flows From Financing Activities		
Proceeds from hire purchase	1,518	N/A
Proceeds from trade financing	2,705	N/A
Repayment of term loans	(239)	N/A
Repayment of hire purchase payables	(81)	N/A
Net cash from financing activities	<u>3,903</u>	<u>N/A</u>
Net decrease in cash and cash equivalents	(503)	N/A
Cash and cash equivalents at the beginning of the financial period	2,800	N/A
Effect of exchange translation differences on cash and cash equivalents	(91)	N/A
Cash and cash equivalents at the end of the financial period	<u>2,206</u>	<u>N/A</u>

I-STONE GROUP BERHAD (1273151-K)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2019⁽¹⁾ (CONT'D)

	PERIOD-TO-DATE	
	31.03.2019	31.03.2018⁽²⁾
	RM'000	RM'000
Cash and cash equivalents at the end of the financial period comprises:		
Cash and bank balances	3,707	N/A
Fixed deposits with licensed banks	1,001	N/A
Bank overdrafts	(1,502)	N/A
	<u>3,206</u>	<u>N/A</u>
Less: Fixed deposits pledged with licensed banks	(1,000)	N/A
	<u>2,206</u>	<u>N/A</u>

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Cash Flows are disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus dated 21 June 2019 and the accompanying explanatory notes attached to this interim financial report.
- (2) This is the first interim financial report announced in compliance with the Listing Requirements. There are no comparative figures for the preceding period-to-date available as no interim financial report was prepared for the comparative financial period concerned.

N/A – Not applicable

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I-STONE GROUP BERHAD (1273151-K)

A. NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of preparation

The interim financial report of I-STONE GROUP BERHAD (“**I-STONE**” or “**the Company**”) and its subsidiaries (“**the Group**”) are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“**MFRS**”) No. 134: Interim Financial Reporting and Rule 9.22 of Listing Requirements.

This is the first interim financial statements on the Company’s unaudited condensed consolidated financial results for the first (1st) quarter ended 31 March 2019 announced by the Company in compliance with the Listing Requirements and as such, there are no comparative figures for the preceding year’s corresponding period.

This interim financial report should be read in conjunction with the Accountants’ Report as disclosed in the Prospectus of the Company dated 21 June 2019 and the accompanying notes attached to this interim financial report.

A2. Summary of Significant Accounting Policies

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted as disclosed in the Accountants’ Report in the Prospectus of the Group dated 21 June 2019. The Group has adopted those standards, amendments and interpretations that have become effective and such adoptions do not have material impact on the financial position and performance of the Group.

Adoption of new and amended standard

During the financial period, the Group has adopted the following amendments for MFRSs issued by the Malaysian Accounting Standards Board (“**MASB**”) that are mandatory for current financial period.

- Amendments to MFRS 9 Prepayment Features with Negative Compensation,
- MFRS 16 Leases,
- Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures,
- Annual Improvements to MFRS Standards 2015 – 2017 Cycle,
- Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement, and
- IC Interpretation 23 Uncertainty over Income Tax Treatments

Adoption of the above standards and interpretations did not have any material impact to the financial statements of the Group.

MFRS 16 Leases – effective 1 January 2019

MFRS 16 ‘Leases’ supersedes MFRS 117 ‘Leases’ and the related interpretations. MFRS 16 introduces a single accounting model for a lessee and eliminates the distinction between finance lease and operating lease. Lessee is now required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Upon adoption of MFRS 16, the Group is required to account for major part of their operating leases in the statement of financial position by recognising the ‘right-of-use’ assets and the lease liability, thus increasing the assets and liabilities of the Group.

NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A2. Summary of Significant Accounting Policies (Cont'd)

The Group applied the simplified retrospective approach. Under this approach, the Group is not required to restate the comparatives and the MFRS 16 adjustments will be reflected in the opening retained earnings at 1 January 2019, being the date of initial application. The group expects no material impact to the financial statements of the Group.

Standards issued but not yet effective

At the date of authorisation for issue of this interim financial report, the new and revised Standards and Amendments, which were in issue but not yet effective and have not been early adopted by the Group are as follow:

	<u>Effective dates for financial periods beginning on or after</u>
• Amendments to MFRS 101 Definition of Material	1 January 2020
• Amendments to MFRS 3 Definition of Business	1 January 2020
• Amendments to MFRS 108 Definition of Material	1 January 2020
• Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
• MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

A3. Auditors' report on preceding annual financial statements

I-STONE was incorporated on 22 March 2018, as such, there was no auditors' report on the preceding annual financial statements. However, the auditors' report for the financial year ended 31 December 2018 of I-STONE was not subject to any qualification.

A4. Seasonal or cyclical factors

The business operations of the Group were not materiality affected by seasonal and cyclical effects.

A5. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter and financial period-to-date.

A6. Material changes in estimates

There were no material changes in the estimates that have a material effect to the Group in the current financial quarter under review.

I-STONE GROUP BERHAD (1273151-K)

A. NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A7. Debt and equity securities

Save as disclosed below, there were no issuances, cancellations, repurchases, resale and repayment of debts and equity during the current financial quarter under review.

On 31 October 2018, the Company had entered into a conditional SSA with the vendors of i-Stone Technology Sdn Bhd (“i-Stone Technology”) to acquire the entire equity interest in i-Stone Technology for a total purchase consideration of RM16,612,079 satisfied via the issuance of 977,181,100 new ordinary Shares in the Company at an issue price of approximately RM0.017 per Share. The acquisition of i-Stone Technology was completed on 2 May 2019. Thereafter, i-Stone Technology became a wholly-owned subsidiary of the Company.

In conjunction with the Company’s listing on the ACE Market of Bursa Securities, the Company has undertaken an initial public offering (“**IPO**”) comprising:

- (i) Public issue of 244,296,000 new Shares at an issue price of RM0.16 per Share (“**IPO Price**”) allocated in the following manner:-
- 61,074,000 new Shares available for application by the Malaysian Public;
 - 12,215,000 new Shares available for application by the eligible directors and employees;
 - 48,859,000 new Shares by way of private placement to selected investors; and
 - 122,148,000 new Shares by way of private placement to identified Bumiputera investors approved by Ministry of International Trade and Industry, Malaysia.

and

- (ii) Offer for sale of 122,148,000 existing Shares by way of private placement to selected investors at the IPO Price.

A8. Dividends paid

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

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I-STONE GROUP BERHAD (1273151-K)

A. NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A9. Segmental information

The Group's segmental information for the current financial period ended 31 March 2019 is as follows:

(a) Analysis of revenue by business segments

	3-MONTH ENDED		PERIOD-TO-DATE	
	31.03.2019	31.03.2018⁽¹⁾	31.03.2019	31.03.2018⁽¹⁾
	RM'000	RM'000	RM'000	RM'000
Manufacturing	18,316	N/A	18,316	N/A
Distribution	2,370	N/A	2,370	N/A
Total	20,686	N/A	20,686	N/A

(b) Analysis of revenue by geographical location

	3-MONTH ENDED		PERIOD-TO-DATE	
	31.03.2019	31.03.2018⁽¹⁾	31.03.2019	31.03.2018⁽¹⁾
	RM'000	RM'000	RM'000	RM'000
Manufacturing				
Malaysia	11,185	N/A	11,185	N/A
Philippines	4,327	N/A	4,327	N/A
Singapore	2,059	N/A	2,059	N/A
Taiwan	739	N/A	739	N/A
Others	6	N/A	6	N/A
Sub-total	18,316	N/A	18,316	N/A
Distribution				
Malaysia	1,336	N/A	1,336	N/A
Singapore	757	N/A	757	N/A
Indonesia	277	N/A	277	N/A
Sub-total	2,370	N/A	2,370	N/A
Total	20,686	N/A	20,686	N/A

Notes:

- (1) This is the first interim financial report announced in compliance with the Listing Requirements. There are no comparative figures for the preceding quarter and period-to-date available as no interim financial report was prepared for the comparative financial period concerned.

N/A – Not applicable

I-STONE GROUP BERHAD (1273151-K)

A. NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A10. Valuation of property, plant and equipment

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

A11. Material events subsequent to the end of the current financial quarter

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

(a) Acquisition of companies

i-Stone Technology entered into the following conditional share purchase agreements on 31 October 2018 with its current shareholders to acquire their respective equity interest in the following companies, as detailed below:

- (i) Acquisition of 200,000 ordinary shares, representing 100% equity interest in i-Stone International Pte Ltd (“i-Stone International”) for a cash consideration of RM534,019.
- (ii) Acquisition of the remaining 10,000 ordinary shares, representing 10% equity interest in Bizit Systems (M) Sdn Bhd (“Bizit Systems Malaysia”) for a purchase consideration of RM30,801, satisfied via the issuance of 2,319 new i-Stone Technology Shares at an issue price of RM13.282 each.
- (iii) Acquisition of 90,000 ordinary shares, representing 90% of equity interest in Bizit Systems and Solutions Pte Ltd (“Bizit Systems Singapore”) for a cash consideration of RM2,033,377 and 10,000 ordinary shares, representing 10% of equity interest in Bizit Systems Singapore for a purchase consideration of RM225,927, satisfied via the issuance of 17,010 new ordinary shares in i-Stone Technology (“i-Stone Technology Shares”) at an issue price of RM13,272 each.
- (iv) Acquisition of the remaining 75,000 ordinary shares, representing 30% equity interest in i-Stone Engineering Sdn Bhd (“i-Stone Engineering”) for a purchase consideration of RM440,285, satisfied via the issuance of 33,149 new i-Stone Technology Shares at an issue price of RM13.282 each.
- (v) Acquisition of the remaining 40,000 ordinary shares, representing 40% equity interest in P.A. Metal Technics Sdn Bhd (“P.A. Metal”) for a total purchase consideration of RM349,927, satisfied via the issuance of 26,346 new i-Stone Technology Shares at an issue price of RM13.282 each.

The abovementioned acquisitions were completed on 30 April 2019 and thereafter, the above companies became wholly-owned subsidiaries of i-Stone Technology.

I-STONE GROUP BERHAD (1273151-K)

A. NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A11. Material events subsequent to the end of the current financial quarter (Cont'd)

(b) Acquisition of i-Stone Technology

On 31 October 2018, the Company had entered into a conditional SSA with the vendors of i-Stone Technology for the acquisition of the entire enlarged share capital of i-Stone Technology of 1,250,699 i-Stone Technology Shares for a total purchase consideration of RM16,612,079, satisfied via the issuance of 977,181,100 new Shares in the Company at an issue price of approximately RM0.017 per Share. The Acquisition of i-Stone Technology was completed on 2 May 2019. Thereafter, i-Stone Technology became a wholly-owned subsidiary of the Company.

(c) IPO

- (i) Public issue of 244,296,000 new ordinary shares in the Company at the IPO Price allocated in the following manner:-
- 61,074,000 new Shares available for application by the Malaysian Public;
 - 12,215,000 new Shares available for application by the eligible directors and employees;
 - 48,859,000 new Shares by way of private placement to selected investors; and
 - 122,148,000 new Shares by way of private placement to identified Bumiputera investors approved by Ministry of International Trade and Industry, Malaysia.

and

- (ii) Offer for sale of 122,148,000 existing Shares by way of private placement to selected investors at the IPO Price.

Thereafter, the listing of and quotation for the Company's enlarged issued share capital comprising 1,221,477,200 Shares on the ACE Market of Bursa Securities is expected to be on 17 July 2019.

A12. Changes in the composition of the Group

Save as disclosed in Note A11, there were no material changes in the composition of the Group for the current financial quarter under review.

A13. Contingent assets and contingent liabilities

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

I-STONE GROUP BERHAD (1273151-K)

A. NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A14. Capital commitments

	UNAUDITED
	As at
	31.03.2019
	RM'000
Property, plant and equipment	
Contracted but not provided for	84
Approved but not contracted for	6,800
	<hr/>
	6,884
	<hr/>

A15. Related party transactions

There were no material related party transactions during the current financial quarter under review.

Notes:

- A. This is the first interim financial report announced in compliance with the Listing Requirements. There are no comparative figures for the preceding quarter available as no interim financial report was prepared for the comparative financial period concerned.

N/A – Not applicable

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I-STONE GROUP BERHAD (1273151-K)

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS

B1. Review of Performance

(a) Results for current quarter

The Group recorded revenue of RM20.69 million for the current financial quarter ended 31 March 2019.

The Group's revenue was principally derived from the manufacturing segment, contributing approximately 88.5% of the Group's total revenue for the current financial quarter ended 31 March 2019. The Malaysian market remains the largest market contributing to the Group's revenue accounting for approximately 60.5% of the total revenue for the current financial quarter ended 31 March 2019.

The Group registered a PBT of RM4.65 million in the current financial quarter under review.

(b) Results for financial year-to-date

As this is the first quarter financial report being announced by the Group, therefore the financial year-to-date record will be the same as the results for current quarter.

There are no comparative figures for the preceding year available as this is the first interim financial report being announced by the Group in compliance with the Listing Requirements.

B2. Comparison with immediate preceding quarter's results

There are no comparative figures for the preceding quarter available as this is the first interim financial report for the first quarter ended 31 March 2019 announcement in compliance with the Listing Requirements.

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

B3. Prospects and outlook

As disclosed in the Prospectus of the Company dated 21 June 2019, the outlook for the Specialised Machinery and Equipment industry remains positive, in light of the growth in the specialised machinery and equipment industry in Malaysia which are driven by the following:-

- (i) Growing demand for automation in the manufacturing industry;
- (ii) Electrical & Electronics (“E&E”) industry being among the main drivers for automation;
- (iii) Continuous technological advancements; and
- (iv) Government initiatives to embrace fourth industrial revolution or Industry 4.0 and provides incentives which is in line with the National Policy on Industry 4.0 (“Industry4WRD Policy”) implemented by Ministry of International Trade and Industry (“MITI”) with the objective of transforming the Malaysian manufacturing industry and its related services to be smart, systematic and resilient.

B4. Profit Forecast or Profit Guarantee

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

B5. Status of corporate proposals

Save as disclosed in A11, there were no corporate proposals announced but not completed as at the date of this interim report.

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I-STONE GROUP BERHAD (1273151-K)**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)****B6. Income tax expenses**

	3-MONTH ENDED		PERIOD-TO-DATE	
	31.03.2019	31.03.2018⁽¹⁾	31.03.2019	31.03.2018⁽¹⁾
	RM'000	RM'000	RM'000	RM'000
Current tax expense	411	N/A	411	N/A
Total tax expense	411	N/A	411	N/A
Effective tax rate (%)	8.84	N/A	8.84	N/A

Notes:

- (1) This is the first interim financial report announced in compliance with the Listing Requirements. There are no comparative figures for the preceding quarter available as no interim financial report was prepared for the comparative financial period concerned.
- (2) The Group's effective tax rate was lower than the statutory income tax rate due to one of the subsidiary, i-Stone Systems Sdn Bhd, has been granted the Pioneer Status incentives by the Malaysian Investment Development Authority under the provisions of the Promotion of Investment Act 1986. The subsidiary enjoys exemption from income tax on its statutory income from pioneer activities for a period of five (5) years from 1 January 2017 up to 31 December 2021.
- (3) Income tax expense is recognised based on management's estimate.

N/A – Not applicable

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I-STONE GROUP BERHAD (1273151-K)

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

B7. Utilisation of proceeds from the IPO

Based on the IPO Price, the gross proceeds arising from the Public issue amounting to RM39.09 million is intended to be utilised in the following manner:-

Details of utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Estimated timeframe for utilisation upon listing
Process and product development	4,200	N/A	Within 24 months
Repayment of borrowings	13,482	N/A	Within 12 months
Construction of new D&D centre	6,800	N/A	Within 48 months
Capital expenditures	5,200	N/A	Within 24 months
Working capital requirements	5,905	N/A	Within 36 months
Estimated listing expenses	3,500	N/A	Within 1 months
	39,087	N/A	

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 21 June 2019.

Note:

N/A – Not applicable

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I-STONE GROUP BERHAD (1273151-K)

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

B8. Bank borrowings

The Group's bank borrowings were as follows:

	<u>UNAUDITED</u> As at 31.03.2019 RM'000	<u>UNAUDITED</u> As at 31.03.2018 ⁽¹⁾ RM'000
Current:		
Hire purchase payables	409	N/A
Term loans - secured	993	N/A
Trade financing	2,705	N/A
Bank overdrafts	1,502	N/A
	<u>5,609</u>	<u>N/A</u>
Non-current:		
Hire purchase payables	1,438	N/A
Term loans - secured	11,139	N/A
	<u>12,577</u>	<u>N/A</u>
Total bank borrowings	<u>18,186</u>	<u>N/A</u>

All the Group's borrowings are denominated in Ringgit Malaysia.

Notes:

- (1) This is the first interim financial report announced in compliance with the Listing Requirements. There are no comparative figures for the preceding quarter available as no interim financial report was prepared for the comparative financial period concerned.

N/A – Not applicable

B9. Material litigation

There were no material litigation involving the Group as at 31 March 2019.

B10. Dividend proposed

No dividend has been proposed for the current financial quarter under review.

I-STONE GROUP BERHAD (1273151-K)**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)****B11. Earnings per share**

The basic and diluted earnings per share (“EPS”) are calculated by dividing the profit for the period attributable to owners of the Company by weighted average number of ordinary shares of the Company during the financial period as follows:

	3-MONTH ENDED		PERIOD-TO-DATE	
	31.03.2019	31.03.2018⁽¹⁾	31.03.2019	31.03.2018⁽¹⁾
Profit attributable to ordinary owners of the Company (RM'000)	4,194	N/A	4,194	N/A
Number of ordinary shares ('000)	977,181	N/A	977,181	N/A
Basic EPS (sen) ⁽²⁾	0.43	N/A	0.43	N/A
Diluted EPS (sen) ⁽³⁾	0.43	N/A	0.43	N/A

Notes:

- (1) This is the first interim financial report announced in compliance with the Listing Requirements. There are no comparative figures for the preceding quarter available as no interim financial report was prepared for the comparative financial period concerned.
- (2) Basic earnings per share is calculated based on the pro forma enlarged share capital of 977,181,200 shares in issue assuming that the SSA has been completed as at 31 March 2018.
- (3) Diluted earnings per share of the Company for the individual quarter ended 31 March 2019 and period-to-date ended 31 March 2019 is equivalent to the basic earnings per share as the Company does not have any convertible options as at the end of the reporting period.

N/A – Not applicable

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I-STONE GROUP BERHAD (1273151-K)**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)****B12. Disclosure on selected expense/income items as required by the Listing Requirements**

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

	3-MONTH ENDED		PERIOD-TO-DATE	
	31.03.2019	31.03.2018⁽¹⁾	31.03.2019	31.03.2018⁽¹⁾
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	323	N/A	323	N/A
Depreciation of investment properties	2	N/A	2	N/A
Interest expense	206	N/A	206	N/A
Rental expense	27	N/A	27	N/A
Rental income	(6)	N/A	(6)	N/A
(Gain)/Loss on foreign exchange				
- Realised	(2)	N/A	(2)	N/A
- Unrealised	60	N/A	60	N/A
Gain on disposal of property, plant and equipment	(11)	N/A	(11)	N/A

Note:

- (1) This is the first interim financial report announced in compliance with the Listing Requirements. There are no comparative figures for the preceding quarter and period-to-date available as no interim financial report was prepared for the comparative financial period concerned.

N/A – Not applicable

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