

**I-STONE GROUP BERHAD (1273151-K)**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 2019<sup>(1)</sup>**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter 30.06.2019 RM'000	Preceding Year Corresponding Quarter 30.06.2018 <sup>(2)</sup> RM'000	Current Year-To-Date 30.06.2019 RM'000	Preceding Year Corresponding Period 30.06.2018 <sup>(2)</sup> RM'000
Revenue	A9	17,216	N/A	37,902	N/A
Cost of sales		(11,786)	N/A	(25,204)	N/A
<b>Gross profit ("GP")</b>		<b>5,430</b>	<b>N/A</b>	<b>12,698</b>	<b>N/A</b>
Other income		164	N/A	282	N/A
Selling and distribution expenses		(318)	N/A	(446)	N/A
Administrative expenses		(2,157)	N/A	(4,395)	N/A
Other expenses		(143)	N/A	(302)	N/A
<b>Profit from Operations</b>		<b>2,976</b>	<b>N/A</b>	<b>7,837</b>	<b>N/A</b>
Finance costs		(234)	N/A	(445)	N/A
<b>Profit before tax ("PBT")</b>	B12	<b>2,742</b>	<b>N/A</b>	<b>7,392</b>	<b>N/A</b>
Taxation	B6	(509)	N/A	(920)	N/A
<b>Profit after tax ("PAT")</b>		<b>2,233</b>	<b>N/A</b>	<b>6,472</b>	<b>N/A</b>
<b>Other comprehensive income, net of tax</b>					
Foreign currency translation differences for foreign operations		104	N/A	76	N/A
<b>Total comprehensive income for the financial period</b>		<b>2,337</b>	<b>N/A</b>	<b>6,548</b>	<b>N/A</b>
<b>Profit for the financial period attributable to:</b>					
• Owners of the Company		2,148	N/A	6,342	N/A
• Non-controlling interests		85	N/A	130	N/A
		<b>2,233</b>	<b>N/A</b>	<b>6,472</b>	<b>N/A</b>
<b>Total comprehensive income for the financial period attributable to:</b>					
• Owners of the Company		2,252	N/A	6,420	N/A
• Non-controlling interests		85	N/A	128	N/A
		<b>2,337</b>	<b>N/A</b>	<b>6,548</b>	<b>N/A</b>
<b>Earnings per share attributable to owners of the Company</b>					
• Basic (sen) <sup>(3)</sup>	B11	0.22	N/A	0.65	N/A
• Diluted (sen) <sup>(4)</sup>	B11	0.22	N/A	0.65	N/A

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 2019<sup>(1)</sup> (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 second interim financial report announced in compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**") ("**Bursa Securities**"). 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 share capital of 977,181,200 shares as the share sales agreement ("**SSA**") referred to in A7 below has been completed on 2 May 2019.
- (4) Diluted earnings per share of the Company for the individual quarter ended 30 June 2019 and year-to-date ended 30 June 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 30 JUNE 2019<sup>(1)</sup>**

	<b>UNAUDITED</b>	<b>UNAUDITED</b>
	<b>As at 30.06.2019 RM'000</b>	<b>As at 30.06.2018<sup>(2)</sup> RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	22,748	N/A
Investment property	287	N/A
Goodwill on consolidation	856	N/A
<b>Total non-current assets</b>	<b>23,891</b>	<b>N/A</b>
<b>Current Assets</b>		
Inventories	9,255	N/A
Trade receivables	18,802	N/A
Other receivables	472	N/A
Current tax assets	-	N/A
Cash and cash equivalents	5,107	N/A
<b>Total current assets</b>	<b>33,636</b>	<b>N/A</b>
<b>TOTAL ASSETS</b>	<b>57,527</b>	<b>N/A</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	16,612	N/A
Retained earnings	26,528	N/A
Reserves	(15,971)	N/A
<b>Equity attributable to owners of the Company</b>	<b>27,169</b>	<b>N/A</b>
Non-controlling interests	-	N/A
<b>Total Equity</b>	<b>27,169</b>	<b>N/A</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Hire purchase payables	1,342	N/A
Loan and borrowings	10,847	N/A
Deferred tax liabilities	423	N/A
<b>Total non-current liabilities</b>	<b>12,612</b>	<b>N/A</b>
<b>Current liabilities</b>		
Trade payables	8,224	N/A
Other payables	4,417	N/A
Current tax liabilities	81	N/A
Hire purchase payables	412	N/A
Loan and borrowings	4,612	N/A
<b>Total current liabilities</b>	<b>17,746</b>	<b>N/A</b>
<b>TOTAL LIABILITIES</b>	<b>30,358</b>	<b>N/A</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>57,527</b>	<b>N/A</b>
<b>Weighted Average number of ordinary shares ('000)</b>	<b>977,181</b>	<b>N/A</b>
<b>NET ASSETS PER SHARE (RM) <sup>(3)</sup></b>	<b>0.03</b>	<b>N/A</b>

**I-STONE GROUP BERHAD (1273151-K)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT  
30 JUNE 2019<sup>(1)</sup> (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 second 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 share capital of 977,181,200 shares in issuance as at 30 June 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 SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 2019<sup>(1)(2)</sup>**

	Non-distributable			Distributable	Total attributable to owners of the Company RM'000	Non- controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Translation reserve RM'000	Merger Reserve RM'000	Retained Earnings RM'000			
<b>As at 1 January 2019</b>	~ <sup>(3)</sup>	-	-	(1,274)	<b>(1,274)</b>	-	<b>(1,274)</b>
Acquisition of subsidiary companies	-	579	-	21,300	<b>21,879</b>	853	<b>22,732</b>
Effect arising from merger method of accounting	16,612	-	(16,628)	-	<b>(16)</b>	-	<b>(16)</b>
Total comprehensive income:							
- Profit for the year	-	-	-	6,342	<b>6,342</b>	130	<b>6,472</b>
- Foreign currency translation differences for foreign operations	-	78	-	-	<b>78</b>	(2)	<b>76</b>
	-	78	-	6,342	<b>6,420</b>	128	<b>6,548</b>
Changes in ownership interests in a subsidiary	-	-	-	160	<b>160</b>	(981)	<b>(821)</b>
<b>As at 30 June 2019</b>	<b>16,612</b>	<b>657</b>	<b>(16,628)</b>	<b>26,528</b>	<b>27,169</b>	-	<b>27,169</b>

**I-STONE GROUP BERHAD (1273151-K)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 2019<sup>(1)(2)</sup> (CONT'D)**

**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 second 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) The share capital as at 1 January 2019 is RM100.

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**I-STONE GROUP BERHAD (1273151-K)**

**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 2019<sup>(1)</sup>**

	<b>CUMULATIVE QUARTER</b>	
	<b>Current Year- To-Date 30.06.2019 RM'000</b>	<b>Preceding Year Corresponding Period 30.06.2018<sup>(2)</sup> RM'000</b>
<b>Cash Flows From Operating Activities</b>		
<b>Profit before tax</b>	7,392	N/A
Adjustments for:		
Depreciation of property, plant and equipment	649	N/A
Depreciation of investment property	3	N/A
Gain on disposal of property, plant and equipment	(16)	N/A
Property, plant and equipment written off	58	N/A
Interest expense	438	N/A
Interest income	(1)	N/A
Rental income	(13)	N/A
Unrealised loss on foreign exchange	(1)	N/A
Operating profit before working capital changes	<u>8,509</u>	<u>N/A</u>
<b>Change in working capital</b>		
Inventories	(576)	N/A
Receivables, deposits and prepayment	(6,432)	N/A
Payables and accruals	(802)	N/A
	<u>(7,810)</u>	<u>N/A</u>
Cash from operations	699	N/A
Interest paid	(438)	N/A
Interest received	1	N/A
Tax paid	(453)	N/A
Tax refunded	64	N/A
Net cash used in operating activities	<u>(127)</u>	<u>N/A</u>
<b>Cash Flows From Investing Activities</b>		
Acquisition of subsidiaries	(2,567)	N/A
Purchase of property, plant and equipment	(452)	N/A
Proceeds from disposal of property, plant and equipment	58	N/A
Rental received	13	N/A
Net cash used in investing activities	<u>(2,948)</u>	<u>N/A</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from hire purchase	1,518	N/A
Proceeds from trade financing	963	N/A
Repayment to shareholders	(4)	N/A
Repayment of term loans	(492)	N/A
Repayment of hire purchase payables	(174)	N/A
Net cash from financing activities	<u>1,811</u>	<u>N/A</u>

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 2019<sup>(1)</sup> (CONT'D)**

	<b>CUMULATIVE QUARTER</b>	
	<b>Current Year- To-Date 30.06.2019 RM'000</b>	<b>Preceding Year Corresponding Period 30.06.2018<sup>(2)</sup> RM'000</b>
Net decrease in cash and cash equivalents	(1,264)	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	(45)	N/A
<b>Cash and cash equivalents at the end of the financial period</b>	<b>1,491</b>	<b>N/A</b>
<b>Cash and cash equivalents at the end of the financial period comprises:</b>		
Cash and bank balances	4,106	N/A
Fixed deposits with licensed banks	1,001	N/A
Bank overdrafts	(2,616)	N/A
	2,491	N/A
Less: Fixed deposits pledged with licensed banks	(1,000)	N/A
	<b>1,491</b>	<b>N/A</b>

**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 second 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 second interim financial statements on the Company’s unaudited condensed consolidated financial results for the second (2<sup>nd</sup>) quarter ended 30 June 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.

## **I-STONE GROUP BERHAD (1273151-K)**

### **A. 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:

	<b>Effective dates for financial periods beginning on or after</b>
• 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 ordinary shares in the Company (“**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 30 June 2019 is as follows:

(a) Analysis of revenue by business segments

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Current Year Quarter 30.06.2019 RM'000</b>	<b>Preceding Year Corresponding Quarter 30.06.2018<sup>(1)</sup> RM'000</b>	<b>Current Year-To-Date 30.06.2019 RM'000</b>	<b>Preceding Year Corresponding Period 30.06.2018<sup>(1)</sup> RM'000</b>
Manufacturing	14,383	N/A	32,699	N/A
Distribution	2,833	N/A	5,203	N/A
<b>Total</b>	<b>17,216</b>	<b>N/A</b>	<b>37,902</b>	<b>N/A</b>

(b) Analysis of revenue by geographical location

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Current Year Quarter 30.06.2019 RM'000</b>	<b>Preceding Year Corresponding Quarter 30.06.2018<sup>(1)</sup> RM'000</b>	<b>Current Year Quarter 30.06.2019 RM'000</b>	<b>Preceding Year Corresponding Quarter 30.06.2018<sup>(1)</sup> RM'000</b>
<b>Manufacturing</b>				
Malaysia	8,202	N/A	19,387	N/A
Philippines	5,459	N/A	9,786	N/A
Singapore	587	N/A	2,646	N/A
Taiwan	-	N/A	739	N/A
Others	135	N/A	141	N/A
<b>Sub-total</b>	<b>14,383</b>	<b>N/A</b>	<b>32,699</b>	<b>N/A</b>
<b>Distribution</b>				
Malaysia	1,613	N/A	2,949	N/A
Singapore	842	N/A	1,599	N/A
Indonesia	378	N/A	655	N/A
<b>Sub-total</b>	<b>2,833</b>	<b>N/A</b>	<b>5,203</b>	<b>N/A</b>
<b>Total</b>	<b>17,216</b>	<b>N/A</b>	<b>37,902</b>	<b>N/A</b>

**Note:**

- (1) This is the second 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.

On 21 June 2019, the Company issued its Prospectus and undertook an IPO comprising:

- (a) Public issue of 244,296,000 new ordinary shares in the Company at an issue price of RM0.16 per Share 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

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

Thereafter, the Company's enlarged issued share capital comprising 1,221,477,200 Shares was listed on the ACE Market of Bursa Securities on 17 July 2019.

#### **A12. Changes in the composition of the Group**

Save as disclosed in Note A7, 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**

	<b>UNAUDITED</b>
	<b>As at</b>
	<b>30.06.2019</b>
	<b>RM'000</b>
<b>Property, plant and equipment</b>	
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.

**Note:**

- A. This is the second 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 and PBT of RM17.22 million and RM2.74 million for the current financial quarter ended 30 June 2019.

The Group's revenue was principally derived from the manufacturing segment, contributing approximately 83.5% of the Group's total revenue for the current financial quarter ended 30 June 2019. The Malaysian market remains the largest market contributing to the Group's revenue accounting for approximately 57.0% of the total revenue for the current financial quarter ended 30 June 2019.

##### (b) Results for financial year-to-date

The Group recorded revenue and PBT of RM37.90 million and RM7.39 million for the period-to-date ended 30 June 2019.

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

#### B2. Comparison with immediate preceding quarter's results

	INDIVIDUAL QUARTER		CHANGES	
	Current Year Quarter 30.06.2019 RM'000	Preceding Year Corresponding Quarter 31.03.2019 RM'000	RM'000	%
Revenue	17,216	20,686	(3,470)	-16.8%
PBT	2,742	4,650	(1,907)	-41.0%

The Group recorded revenue of RM17.22 million for the current financial quarter ended 30 June 2019 as compared to RM20.69 million in preceding quarter ended 31 March 2019, a decrease of RM3.47 million during current financial quarter.

The Group registered a PBT of RM2.74 million in the current financial quarter under review, a decrease of RM1.91 million from RM4.65 million in the preceding quarter.

Lower revenue derived from manufacturing segment had contributed to the decrease in the Group's total revenue and PBT. As compared to immediate preceding quarter ended 31 March 2019, the revenue derived from manufacturing segment had decreased by approximately 21.5% from RM18.32 million to RM14.38 million.

## **I-STONE GROUP BERHAD (1273151-K)**

### **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 followings:-

- (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, Malaysia (“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**

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Current Year Quarter 30.06.2019 RM'000</b>	<b>Preceding Year Corresponding Quarter 30.06.2018<sup>(1)</sup> RM'000</b>	<b>Current Year-To-Date 30.06.2019 RM'000</b>	<b>Preceding Year Corresponding Period 30.06.2018<sup>(1)</sup> RM'000</b>
Income tax expense:				
- Current year	369	N/A	780	N/A
- Prior year	97	N/A	97	N/A
Foreign withholding tax	97	N/A	97	N/A
	563	N/A	974	N/A
Deferred tax expense	(54)	N/A	(54)	N/A
<b>Total tax expense</b>	<b>509</b>	<b>N/A</b>	<b>920</b>	<b>N/A</b>
Effective tax rate (%)	18.56	N/A	12.45	N/A

**Notes:**

- (1) This is the second 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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**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:-

<u>Details of utilisation</u>	<u>Proposed Utilisation</u> RM'000	<u>Actual Utilisation</u> RM'000	<u>Estimated timeframe for utilisation upon listing</u>
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
	<u>39,087</u>	<u>N/A*</u>	

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

**Note:**

\* The gross proceeds was only received on 17 July 2019 upon listing of the Group.

*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:

	<b>UNAUDITED</b>	<b>UNAUDITED</b>
	<b>As at</b>	<b>As at</b>
	<b>30.06.2019</b>	<b>30.06.2018<sup>(1)</sup></b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Current:</b>		
Hire purchase payables	412	N/A
Term loans - secured	1,033	N/A
Trade financing	963	N/A
Bank overdrafts	2,616	N/A
	<u>5,024</u>	<u>N/A</u>
<b>Non-current:</b>		
Hire purchase payables	1,342	N/A
Term loans - secured	10,847	N/A
	<u>12,189</u>	<u>N/A</u>
<b>Total bank borrowings</b>	<u><b>17,213</b></u>	<u><b>N/A</b></u>

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

**Notes:**

- (1) This is the second 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 30 June 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 (“EPS”)**

The basic and diluted earnings per share 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:

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Current Year Quarter 30.06.2019</b>	<b>Preceding Year Corresponding Quarter 30.06.2018<sup>(1)</sup></b>	<b>Current Year-To-Date 30.06.2019</b>	<b>Preceding Year Corresponding Period 30.06.2018<sup>(1)</sup></b>
Profit attributable to ordinary owners of the Company (RM'000)	2,148	N/A	6,342	N/A
Number of ordinary shares ('000)	977,181	N/A	977,181	N/A
Basic EPS (sen) <sup>(2)</sup>	0.22	N/A	0.65	N/A
Diluted EPS (sen) <sup>(3)</sup>	0.22	N/A	0.65	N/A

**Notes:**

- (1) This is the second 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 EPS is calculated based on the share capital of 977,181,200 shares in issuance as at 30 June 2019.
- (3) Diluted EPS of the Company for the individual quarter ended 30 June 2019 and period-to-date ended 30 June 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):

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2019 RM'000	Preceding Year Corresponding Quarter 30.06.2018 <sup>(1)</sup> RM'000	Current Year-To-Date 30.06.2019 RM'000	Preceding Year Corresponding Period 30.06.2018 <sup>(1)</sup> RM'000
Depreciation of property, plant and equipment	326	N/A	649	N/A
Depreciation of investment properties	1	N/A	3	N/A
Interest expense	232	N/A	438	N/A
Rental expense	28	N/A	55	N/A
Interest income	(1)	N/A	(1)	N/A
Rental income	(7)	N/A	(13)	N/A
(Gain)/Loss on foreign exchange				
- Realised	(4)	N/A	(6)	N/A
- Unrealised	(61)	N/A	(1)	N/A
Gain on disposal of property, plant and equipment	(5)	N/A	(16)	N/A

**Note:**

(1) This is the second 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.