

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2019⁽¹⁾

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter 30.09.2019 RM'000	Preceding Year Corresponding Quarter 30.09.2018 ⁽²⁾ RM'000	Current Year-To-Date 30.09.2019 RM'000	Preceding Year Corresponding Period 30.09.2018 ⁽²⁾ RM'000
Revenue	A9	18,264	N/A	56,166	N/A
Cost of sales		(12,435)	N/A	(37,639)	N/A
Gross profit ("GP")		5,829	N/A	18,527	N/A
Other income		195	N/A	477	N/A
Selling and distribution expenses		(278)	N/A	(724)	N/A
Administrative expenses ⁽³⁾		(3,453)	N/A	(7,848)	N/A
Other expenses		(13)	N/A	(315)	N/A
Profit from Operations		2,280	N/A	10,117	N/A
Finance costs		(94)	N/A	(539)	N/A
Profit before tax ("PBT")	B12	2,186	N/A	9,578	N/A
Taxation	B6	(471)	N/A	(1,391)	N/A
Profit after tax ("PAT")		1,715	N/A	8,187	N/A
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		(37)	N/A	39	N/A
Total comprehensive income for the financial period		1,678	N/A	8,226	N/A
Profit for the financial period attributable to:					
• Owners of the Company		1,715	N/A	8,057	N/A
• Non-controlling interests		-	N/A	130	N/A
		1,715	N/A	8,187	N/A
Total comprehensive income for the financial period attributable to:					
• Owners of the Company		1,678	N/A	8,098	N/A
• Non-controlling interests		-	N/A	128	N/A
		1,678	N/A	8,226	N/A
Earnings per share attributable to owners of the Company					
• Basic (sen) ⁽⁴⁾	B11	0.15	N/A	1.32	N/A
• Diluted (sen) ⁽⁵⁾	B11	0.15	N/A	1.32	N/A

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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 third interim financial report announced in compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**") ("**Bursa Securities**"). As the Company was only listed on the ACE Market of Bursa Securities on 17 July 2019, 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) Administrative expenses included one-off listing expenses of RM1.21 million. For illustration purposes only, the Group's normalised financial performance after adjusting for the one-off listing expenses are as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2019 RM'000	Preceding Year Corresponding Quarter 30.09.2018⁽²⁾ RM'000	Current Year-To- Date 30.09.2019 RM'000	Preceding Year Corresponding Period 30.09.2018⁽²⁾ RM'000
PBT	2,186	N/A	9,578	N/A
Add: Listing expenses	1,010	N/A	1,183	N/A
Adjusted PBT	3,196	N/A	10,761	N/A

- (4) Basic earnings per share is calculated based on the weighted average number of ordinary shares in the Company in issuance of 1,178,990,939 shares for the individual quarter and 612,080,771 shares for the cumulative quarter.
- (5) Diluted earnings per share of the Company for the individual quarter ended 30 September 2019 and year-to-date ended 30 September 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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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019⁽¹⁾

	UNAUDITED	UNAUDITED
	As at	As at
	30.09.2019	30.09.2018⁽²⁾
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	22,794	N/A
Right-of-use asset	204	N/A
Investment property	285	N/A
Goodwill on consolidation	856	N/A
Total non-current assets	24,139	N/A
Current Assets		
Inventories	8,737	N/A
Trade receivables	18,714	N/A
Other receivables	425	N/A
Current tax assets	-	N/A
Cash and cash equivalents	26,116	N/A
Total current assets	53,992	N/A
TOTAL ASSETS	78,131	N/A
EQUITY AND LIABILITIES		
Equity		
Share capital	54,516	N/A
Retained earnings	28,243	N/A
Reserves	(16,008)	N/A
Equity attributable to owners of the Company	66,751	N/A
Non-controlling interests	-	N/A
Total Equity	66,751	N/A
Liabilities		
Non-current liabilities		
Hire purchase payables	1,242	N/A
Lease liabilities	126	N/A
Deferred tax liabilities	477	N/A
Total non-current liabilities	1,845	N/A
Current liabilities		
Trade payables	5,315	N/A
Other payables	3,023	N/A
Current tax liabilities	708	N/A
Hire purchase payables	410	N/A
Lease liabilities	79	N/A
Total current liabilities	9,535	N/A
TOTAL LIABILITIES	11,380	N/A
TOTAL EQUITY AND LIABILITIES	78,131	N/A
NET ASSETS PER SHARE (RM) ⁽³⁾	0.05	N/A

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
30 SEPTEMBER 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 third interim financial report announced in compliance with the Listing Requirements of Bursa Malaysia. As the Company was only listed on the ACE Market of Bursa Securities on 17 July 2019, 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) Based on share capital of 1,221,477,200 shares in issuance as at 30 September 2019.

N/A – Not applicable

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I-STONE GROUP BERHAD (201801011135) (1273151-K)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY FOR THE THIRD (3RD) QUARTER ENDED
30 SEPTEMBER 2019⁽¹⁾⁽²⁾**

	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			
As at 1 January 2019	~ ⁽³⁾	-	-	(1,274)	(1,274)	-	(1,274)
Acquisition of subsidiary companies	-	579	-	21,300	21,879	853	22,732
Effect arising from merger method of accounting	16,612	-	(16,628)	-	(16)	-	(16)
Total comprehensive income:							
- Profit for the year	-	-	-	8,057	8,057	130	8,187
- Foreign currency translation differences for foreign operations	-	41	-	-	41	(2)	39
	-	41	-	8,057	8,098	128	8,226
Total transactions with owners:							
- Issue of ordinary shares	39,087	-	-	-	39,087	-	39,087
- Shares issuance expenses	(1,183)	-	-	-	(1,183)	-	(1,183)
	37,904	-	-	-	37,904	-	37,904
Changes in ownership interests in a subsidiary	-	-	-	160	160	(981)	(821)
	37,904	-	-	160	38,064	(981)	37,083
As at 30 September 2019	54,516	620	(16,628)	28,243	66,751	-	66,751

I-STONE GROUP BERHAD (201801011135) (1273151-K)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY FOR THE THIRD (3RD) QUARTER ENDED
30 SEPTEMBER 2019⁽¹⁾⁽²⁾ (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 third interim financial report announced in compliance with the Listing Requirements of Bursa Securities. As the Company was only listed on the ACE Market of Bursa Securities on 17 July 2019, 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) The share capital as at 1 January 2019 is RM100.

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**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2019⁽¹⁾**

	CUMULATIVE QUARTER	
	Current Year- To-Date 30.09.2019 RM'000	Preceding Year Corresponding Period 30.09.2018⁽²⁾ RM'000
Cash Flows From Operating Activities		
Profit before tax	9,578	N/A
Adjustments for:		
Depreciation of property, plant and equipment	983	N/A
Depreciation of right-of-use asset	20	N/A
Depreciation of investment property	5	N/A
Gain on disposal of property, plant and equipment	(20)	N/A
Property, plant and equipment written off	58	N/A
Interest expense	529	N/A
Interest income	(56)	N/A
Dividend income	(45)	N/A
Rental income	(19)	N/A
Unrealised loss on foreign exchange	(14)	N/A
Operating profit before working capital changes	11,019	N/A
Change in working capital		
Inventories	(58)	N/A
Receivables, deposits and prepayment	(6,266)	N/A
Payables and accruals	(5,123)	N/A
	(11,447)	N/A
Cash used in operations	(428)	N/A
Interest paid	(526)	N/A
Interest received	56	N/A
Tax paid	(684)	N/A
Tax refund	506	N/A
Net cash used in operating activities	(1,076)	N/A
Cash Flows From Investing Activities		
Acquisition of subsidiaries	(2,567)	N/A
Purchase of property, plant and equipment	(833)	N/A
Proceeds from disposal of property, plant and equipment	62	N/A
Dividend received	45	N/A
Rental received	19	N/A
Net cash used in investing activities	(3,274)	N/A
Cash Flows From Financing Activities		
Proceeds from hire purchase	1,518	N/A
Proceeds from issuance of ordinary shares	37,904	N/A
Repayment to shareholders	(4)	N/A
Repayment of term loans	(12,371)	N/A
Repayment of hire purchase payables	(276)	N/A
Repayment of lease liabilities	(22)	N/A
Net cash from financing activities	26,749	N/A

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2019⁽¹⁾ (CONT'D)**

	CUMULATIVE QUARTER	
	Current Year- To-Date 30.09.2019 RM'000	Preceding Year Corresponding Period 30.09.2018⁽²⁾ RM'000
Net increase in cash and cash equivalents	22,399	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	(83)	N/A
Cash and cash equivalents at the end of the financial period	25,116	N/A
 Cash and cash equivalents at the end of the financial period comprises:		
Cash and bank balances	25,115	N/A
Fixed deposits with licensed banks	1,001	N/A
	26,116	N/A
Less: Fixed deposits pledged with licensed banks	(1,000)	N/A
	25,116	N/A

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 third interim financial report announced in compliance with the Listing Requirements of Bursa Securities. As the Company was only listed on the ACE Market of Bursa Securities on 17 July 2019, 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

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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 of Bursa Securities.

This is the third interim financial statements on the Company’s unaudited condensed consolidated financial results for the third (3rd) quarter ended 30 September 2019 announced by the Company in compliance with the Listing Requirements of Bursa Securities 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 (201801011135) (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:

	Effective dates for financial periods beginning on or after
• 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 Group Berhad ("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.

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.

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 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.

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.

A8. Dividends paid

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

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

A9. Segmental information

The Group's segmental information for the current financial period ended 30 September 2019 is as follows:

(a) Analysis of revenue by business segments

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2019 RM'000	Preceding Year Corresponding Quarter 30.09.2018 ⁽¹⁾ RM'000	Current Year-To-Date 30.09.2019 RM'000	Preceding Year Corresponding Period 30.09.2018 ⁽¹⁾ RM'000
Manufacturing	16,348	N/A	49,047	N/A
Distribution	1,916	N/A	7,119	N/A
Total	18,264	N/A	56,166	N/A

(b) Analysis of revenue by geographical location

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2019 RM'000	Preceding Year Corresponding Quarter 30.09.2018 ⁽¹⁾ RM'000	Current Year Quarter 30.09.2019 RM'000	Preceding Year Corresponding Quarter 30.09.2018 ⁽¹⁾ RM'000
Manufacturing				
Malaysia	13,782	N/A	33,169	N/A
Philippines	1,606	N/A	11,392	N/A
Singapore	840	N/A	3,486	N/A
Taiwan	67	N/A	806	N/A
Others	53	N/A	194	N/A
Sub-total	16,348	N/A	49,047	N/A
Distribution				
Malaysia	1,335	N/A	4,284	N/A
Singapore	506	N/A	2,105	N/A
Indonesia	75	N/A	730	N/A
Sub-total	1,916	N/A	7,119	N/A
Total	18,264	N/A	56,166	N/A

Notes:

- (1) This is the third interim financial report announced in compliance with the Listing Requirements of 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.

N/A – Not applicable

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

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.

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.

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

A14. Capital commitments

	UNAUDITED
	As at
	30.09.2019
	RM'000
Property, plant and equipment	
Contracted but not provided for	84
Approved but not contracted for	6,800
	<hr/>
	6,884
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A15. Related party transactions

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

Notes:

- A. This is the third interim financial report announced in compliance with the Listing Requirements of Bursa Securities. 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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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Performance

(a) Results for current quarter

The Group recorded revenue of RM18.26 million for the current financial quarter ended 30 September 2019.

The Group's revenue was principally derived from the manufacturing segment, contributing approximately 89.5% of the Group's total revenue for the current financial quarter ended 30 September 2019. The Malaysian market remains the largest market contributing to the Group's revenue accounting for approximately 82.8% of the total revenue for the current financial quarter ended 30 September 2019.

The Group registered a PBT of RM2.19 million for the current financial quarter ended 30 September 2019. During the current financial quarter under review, the Group has recognised a one-off non-recurring listing expenses amounted to RM1.01 million.

(b) Results for financial year-to-date

The Group recorded revenue and PBT of RM56.17 million and RM9.58 million for the period-to-date ended 30 September 2019.

There are no comparative figures for the preceding year available as this is the third 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 30.09.2019 RM'000	Current Year Preceding Quarter 30.06.2019 RM'000	RM'000	%
Revenue	18,264	17,216	1,048	6.1%
PBT	2,186	2,742	(556)	-20.3%

The Group recorded revenue of RM18.26 million for the current financial quarter ended 30 September 2019 as compared to RM17.22 million in preceding quarter ended 30 June 2019, an increase of RM1.05 million during current financial quarter.

The Group registered a PBT of RM2.19 million in the current financial quarter, a decrease of RM0.56 million from RM2.74 million in the preceding quarter. If excluding the listing expenses of RM1.01 million, the adjusted PBT would have been RM3.20 million for the current financial quarter, an increase of RM0.46 million from the preceding quarter.

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

B2. Comparison with immediate preceding quarter's results (Cont'd)

Higher revenue derived from manufacturing segment had contributed to the increase in the Group's total revenue. As compared to immediate preceding quarter ended 30 June 2019, the revenue derived from manufacturing segment had increased by approximately 13.7% from RM14.38 million to RM16.35 million.

B3. Prospects and outlook

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;
- (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; and
- (v) Government initiatives in Annual Budget 2020 to reduce the foreign worker and modernize manufacturing systems.

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

There were no corporate proposals announced but not completed as at the date of this interim report.

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

B6. Income tax expenses

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2019 RM'000	Preceding Year Corresponding Quarter 30.09.2018⁽¹⁾ RM'000	Current Year-To-Date 30.09.2019 RM'000	Preceding Year Corresponding Period 30.09.2018⁽¹⁾ RM'000
Income tax expense:				
- Current year	315	N/A	1,095	N/A
- Prior year	33	N/A	130	N/A
Foreign withholding tax	69	N/A	166	N/A
	417	N/A	1,391	N/A
Deferred tax expense	54	N/A	-	N/A
Total tax expense	471	N/A	1,391	N/A
Effective tax rate (%)	21.55	N/A	14.52	N/A

Notes:

- (1) This is the third interim financial report announced in compliance with the Listing Requirements of Bursa Securities. 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 OF BURSA MALAYSIA SECURITIES BERHAD (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>Unutilised Amount</u> RM'000	<u>Estimated timeframe for utilisation upon listing</u>
Process and product development	4,200	129	4,071	Within 24 months
Repayment of borrowings	13,482	13,482	-	Within 12 months
Construction of new D&D centre	6,800	-	6,800	Within 48 months
Capital expenditures	5,200	149	5,051	Within 24 months
Working capital requirements	5,905	222	5,683	Within 36 months
Estimated listing expenses	3,500	3,500	-	Within 1 months
	<u>39,087</u>	<u>17,482</u>	<u>21,605</u>	

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

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

B8. Bank borrowings

The Group's bank borrowings were as follows:

	<u>UNAUDITED</u>	<u>UNAUDITED</u>
	As at 30.09.2019 RM'000	As at 30.09.2018 ⁽¹⁾ RM'000
Current:		
Hire purchase payables	410	N/A
	<u>410</u>	<u>N/A</u>
Non-current:		
Hire purchase payables	1,242	N/A
	<u>1,242</u>	<u>N/A</u>
Total bank borrowings	<u>1,652</u>	<u>N/A</u>

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

Notes:

- (1) This is the third interim financial report announced in compliance with the Listing Requirements of Bursa Securities. 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 September 2019.

B10. Dividend proposed

The Board of Directors has declared a single tier interim dividend of 0.15 sen per ordinary share for the financial year ending 31 December 2019.

The dividend will be paid on 31 December 2019. The entitlement date is on 11 December 2019.

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (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:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2019	Preceding Year Corresponding Quarter 30.09.2018⁽¹⁾	Current Year-To-Date 30.09.2019	Preceding Year Corresponding Period 30.09.2018⁽¹⁾
Profit attributable to ordinary owners of the Company (RM'000)	1,715	N/A	8,057	N/A
Number of ordinary shares ('000)	1,178,991	N/A	612,081	N/A
Basic EPS (sen) ⁽²⁾	0.15	N/A	1.32	N/A
Diluted EPS (sen) ⁽³⁾	0.15	N/A	1.32	N/A

Notes:

- (1) This is the third interim financial report announced in compliance with the Listing Requirements of Bursa Securities. 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 weighted average number of ordinary shares in the Company in issuance of 1,178,990,939 shares for the individual quarter and 612,080,771 shares for the cumulative quarter.
- (3) Diluted earnings per share of the Company for the individual quarter ended 30 September 2019 and period-to-date ended 30 September 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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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (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 30.09.2019 RM'000	Preceding Year Corresponding Quarter 30.09.2018 ⁽¹⁾ RM'000	Current Year-To-Date 30.09.2019 RM'000	Preceding Year Corresponding Period 30.09.2018 ⁽¹⁾ RM'000
Depreciation of property, plant and equipment	334	N/A	983	N/A
Depreciation of right-of-use asset	20	N/A	20	N/A
Depreciation of investment properties	2	N/A	5	N/A
Interest expense	91	N/A	529	N/A
Rental expense	-	N/A	55	N/A
Interest income	(55)	N/A	(56)	N/A
Dividend income	(45)	N/A	(45)	N/A
Rental income	(6)	N/A	(19)	N/A
Gain on foreign exchange				
- Realised	(56)	N/A	(62)	N/A
- Unrealised	(13)	N/A	(14)	N/A
Gain on disposal of property, plant and equipment	(4)	N/A	(20)	N/A

Note:

- (1) This is the third interim financial report announced in compliance with the Listing Requirements of 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.

N/A – Not applicable

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