

I-STONE GROUP BERHAD (1273151-K)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2019⁽¹⁾

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter 31.12.2019 RM'000	Preceding Year Corresponding Quarter 31.12.2018 ⁽²⁾ RM'000	Current Year-To-Date 31.12.2019 RM'000	Preceding Year Corresponding Period 31.12.2018 ⁽²⁾ RM'000
Revenue	A9	21,565	N/A	77,731	N/A
Cost of sales		(17,591)	N/A	(55,230)	N/A
Gross profit ("GP")		3,974	N/A	22,501	N/A
Other income		169	N/A	646	N/A
Selling and distribution expenses		(294)	N/A	(1,018)	N/A
Administrative expenses		(2,945)	N/A	(10,793)	N/A
Other expenses		(150)	N/A	(465)	N/A
Profit from Operations		754	N/A	10,871	N/A
Finance costs		(31)	N/A	(570)	N/A
Profit before tax ("PBT")	B12	723	N/A	10,301	N/A
Taxation	B6	(375)	N/A	(1,766)	N/A
Profit after tax ("PAT")		348	N/A	8,535	N/A
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		16	N/A	55	N/A
Total comprehensive income for the financial period		364	N/A	8,590	N/A
Profit for the financial period attributable to:					
• Owners of the Company		348	N/A	8,405	N/A
• Non-controlling interests		-	N/A	130	N/A
		348	N/A	8,535	N/A
Total comprehensive income for the financial period attributable to:					
• Owners of the Company		364	N/A	8,462	N/A
• Non-controlling interests		-	N/A	128	N/A
		364	N/A	8,590	N/A
Earnings per share attributable to owners of the Company					
• Basic (sen) ⁽³⁾	B11	0.03	N/A	1.10	N/A
• Diluted (sen) ⁽⁴⁾	B11	0.03	N/A	1.10	N/A

I-STONE GROUP BERHAD (1273151-K)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 fourth 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) Basic earnings per share is calculated based on the weighted average number of ordinary shares in the Company in issuance of 1,221,477,200 shares for the individual quarter and 765,682,063 shares for the cumulative quarter.
- (4) Diluted earnings per share of the Company for the individual quarter ended 31 December 2019 and year-to-date ended 31 December 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 DECEMBER 2019⁽¹⁾

	UNAUDITED	UNAUDITED
	As at	As at
	31.12.2019	31.12.2018⁽²⁾
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	23,087	N/A
Right-of-use asset	184	N/A
Investment property	284	N/A
Goodwill on consolidation	856	N/A
Total non-current assets	24,411	N/A
Current Assets		
Inventories	5,487	N/A
Trade receivables	24,439	N/A
Other receivables	581	N/A
Current tax assets	-	N/A
Cash and cash equivalents	24,140	N/A
Total current assets	54,647	N/A
TOTAL ASSETS	79,058	N/A
EQUITY AND LIABILITIES		
Equity		
Share capital	54,516	N/A
Retained earnings	26,759	N/A
Reserves	(15,992)	N/A
Equity attributable to owners of the Company	65,283	N/A
Non-controlling interests	-	N/A
Total Equity	65,283	N/A
Liabilities		
Non-current liabilities		
Hire purchase payables	1,150	N/A
Lease liabilities	106	N/A
Deferred tax liabilities	651	N/A
Total non-current liabilities	1,907	N/A
Current liabilities		
Trade payables	5,349	N/A
Other payables	5,756	N/A
Current tax liabilities	285	N/A
Hire purchase payables	398	N/A
Lease liabilities	80	N/A
Total current liabilities	11,868	N/A
TOTAL LIABILITIES	13,775	N/A
TOTAL EQUITY AND LIABILITIES	79,058	N/A
NET ASSETS PER SHARE (RM) ⁽³⁾	0.05	N/A

I-STONE GROUP BERHAD (1273151-K)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 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 fourth 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 31 December 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 FOURTH (4TH) QUARTER ENDED
31 DECEMBER 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	-	-	-	8,405		8,405	130	8,535
- Foreign currency translation differences for foreign operations	-	57	-	-		57	(2)	55
	-	57	-	8,405		8,462	128	8,590
Total transactions with owners:								
- Issue of ordinary shares	39,087	-	-	-		39,087	-	39,087
- Shares issuance expenses	(1,183)	-	-	-		(1,183)	-	(1,183)
- Dividends distribution	-	-	-	(1,832)		(1,832)	-	(1,832)
	37,904	-	-	(1,832)		36,072	-	36,072
Changes in ownership interests in a subsidiary	-	-	-	160		160	(981)	(821)
	37,904	-	-	(1,672)		36,232	(981)	35,251
As at 31 December 2019	54,516	636	(16,628)	26,759		65,283	-	65,283

I-STONE GROUP BERHAD (1273151-K)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY FOR THE FOURTH (4TH) QUARTER ENDED
31 DECEMBER 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 fourth 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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I-STONE GROUP BERHAD (1273151-K)
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2019⁽¹⁾**

	CUMULATIVE QUARTER	
	Current Year- To-Date 31.12.2019 RM'000	Preceding Year Corresponding Period 31.12.2018⁽²⁾ RM'000
Cash Flows From Operating Activities		
Profit before tax	10,301	N/A
Adjustments for:		
Depreciation of property, plant and equipment	1,331	N/A
Depreciation of right-of-use asset	41	N/A
Depreciation of investment property	6	N/A
Gain on disposal of property, plant and equipment	(20)	N/A
Property, plant and equipment written off	58	N/A
Interest expense	558	N/A
Interest income	(61)	N/A
Dividend income	(202)	N/A
Rental income	(26)	N/A
Unrealised loss on foreign exchange	90	N/A
Operating profit before working capital changes	<u>12,076</u>	<u>N/A</u>
Change in working capital		
Inventories	3,191	N/A
Receivables, deposits and prepayment	(12,294)	N/A
Payables and accruals	(2,313)	N/A
	<u>(11,416)</u>	<u>N/A</u>
Cash used in operations	660	N/A
Interest paid	(553)	N/A
Interest received	61	N/A
Tax paid	(1,335)	N/A
Tax refund	533	N/A
Net cash used in operating activities	<u>(634)</u>	<u>N/A</u>
Cash Flows From Investing Activities		
Acquisition of subsidiaries	(2,567)	N/A
Purchase of property, plant and equipment	(1,472)	N/A
Proceeds from disposal of property, plant and equipment	62	N/A
Dividend received	202	N/A
Rental received	26	N/A
Net cash used in investing activities	<u>(3,749)</u>	<u>N/A</u>
Cash Flows From Financing Activities		
Dividends paid	(1,832)	N/A
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	(380)	N/A
Repayment of lease liabilities	(44)	N/A
Net cash from financing activities	<u>24,791</u>	<u>N/A</u>

I-STONE GROUP BERHAD (1273151-K)**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2019⁽¹⁾ (CONT'D)**

	CUMULATIVE QUARTER	
	Current Year- To-Date 31.12.2019 RM'000	Preceding Year Corresponding Period 31.12.2018⁽²⁾ RM'000
Net increase in cash and cash equivalents	20,408	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	(68)	N/A
Cash and cash equivalents at the end of the financial period	23,140	N/A
Cash and cash equivalents at the end of the financial period comprises:		
Cash and bank balances	23,139	N/A
Fixed deposits with licensed banks	1,001	N/A
	24,140	N/A
Less: Fixed deposits pledged with licensed banks	(1,000)	N/A
	23,140	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 fourth 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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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 of Bursa Securities.

This is the fourth interim financial statements on the Company’s unaudited condensed consolidated financial results for the fourth (4th) quarter ended 31 December 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 (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 adoption does not have 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 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.

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.

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

In respect of the financial year ended 31 December 2019, first interim single-tier dividend of 0.15 sen per ordinary share amounting to RM1,832,216 was 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 December 2019 is as follows:

(a) Analysis of revenue by business segments

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2019 RM'000	Preceding Year Corresponding Quarter 31.12.2018⁽¹⁾ RM'000	Current Year-To-Date 31.12.2019 RM'000	Preceding Year Corresponding Period 31.12.2018⁽¹⁾ RM'000
Manufacturing	19,335	N/A	68,382	N/A
Distribution	2,230	N/A	9,349	N/A
Total	21,565	N/A	77,731	N/A

(b) Analysis of revenue by geographical location

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2019 RM'000	Preceding Year Corresponding Quarter 31.12.2018⁽¹⁾ RM'000	Current Year Quarter 31.12.2019 RM'000	Preceding Year Corresponding Quarter 31.12.2018⁽¹⁾ RM'000
Manufacturing				
Malaysia	11,957	N/A	45,126	N/A
Philippines	6,443	N/A	17,835	N/A
Singapore	826	N/A	4,312	N/A
Taiwan	1	N/A	807	N/A
Others	108	N/A	302	N/A
Sub-total	19,335	N/A	68,382	N/A
Distribution				
Malaysia	1,255	N/A	5,539	N/A
Singapore	868	N/A	2,973	N/A
Indonesia	107	N/A	837	N/A
Sub-total	2,230	N/A	9,349	N/A
Total	21,565	N/A	77,731	N/A

Notes:

- (1) This is the fourth 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

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

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.

I-STONE GROUP BERHAD (1273151-K)

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

A14. Capital commitments

	UNAUDITED
	As at
	31.12.2019
	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 fourth 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 RM21.57 million for the current financial quarter ended 31 December 2019.

The Group's revenue was principally derived from the manufacturing segment, contributing approximately 89.7% of the Group's total revenue for the current financial quarter ended 31 December 2019. The Malaysian market remains the largest market contributing to the Group's revenue accounting for approximately 61.3% of the total revenue for the current financial quarter ended 31 December 2019.

The Group registered a PBT of RM0.72 million for the current financial quarter ended 31 December 2019. The lower profit was mainly attributable to our competitive pricing for the manufacturing segment, increase in staff cost and bonus declared in current financial quarter of RM2.32 million. In addition, the strengthening of Ringgit Malaysia ("RM) against United States Dollar ("USD") in the current financial quarter has resulted in loss on foreign exchange of RM0.16 million.

(b) Results for financial year-to-date

The Group recorded revenue and PBT of RM77.73 million and RM10.30 million for the period-to-date ended 31 December 2019.

There are no comparative figures for the preceding year available as this is the fourth 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 31.12.2019 RM'000	Current Year Preceding Quarter 30.09.2019 RM'000	RM'000	%
Revenue	21,565	18,264	3,301	18.1%
PBT	723	2,186		
Add: Listing expenses	-	1,010		
Adjusted PBT	723	3,196	(2,473)	-77.4%

The Group recorded revenue of RM21.57 million for the current financial quarter ended 31 December 2019 as compared to RM18.26 million in preceding quarter ended 30 September 2019, an increase of RM3.30 million during current financial 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 September 2019, the revenue derived from manufacturing segment had increased by approximately 18.3% from RM16.35 million to RM19.33 million.

The Group registered a PBT of RM0.72 million in the current financial quarter as compared to adjusted PBT of RM3.20 million, excluding listing expenses of RM1.01 million, in the preceding quarter. The decrease of RM2.47 million was mainly due to our competitive pricing for the manufacturing segment, increase in staff cost and bonus declared of RM2.32 million in the current financial quarter. In addition, the strengthening of RM against USD in the current financial quarter has resulted in loss on foreign exchange of RM0.16 million as compared to a gain on foreign exchange of RM0.07 million recorded in preceding quarter.

B3. Prospects and outlook

Moving forward into FY 2020, the Group will focus on broadening our customer base which is in line with the expected increase in demand of industrial automation brought by Industry Revolution 4.0. The Group will target electrical & electronics ("E&E") and automotive industries as test and automation requirements of these industries are similar with the Group's core expertise and solutions. Opportunities can be seen through the digitisation of automotive systems, such as, in-vehicle communication, Advanced Driver-Assistance Systems ("ADAS") and automated systems which will require more testing and automation in which the Group is poised to tap on the growth and increasing market demand. In addition, due to the trade diversion from China, the Group is able to take advantage of new customers in Malaysia and Singapore in the E&E sector. We will broaden our customer base by deploying active business development and engagement with potential new customers and manufacturers through promotion of our core competencies and expertise in order to fulfil their test and automation needs.

On the other hand, the Group continues to face pricing pressure from existing customers as they go through cost cutting measures as well as increasing competition from local and international suppliers. Therefore, the Group will take initiatives to optimise the business process, supply chain management, inventory and resource planning in order to achieve better efficiency in hopes to deliver better, faster and higher quality products and solutions to customers while maintaining healthy profit margins.

In addition, the Group remains cautious on the recent COVID-19 pandemic that could potentially pose some headwinds to the manufacturing industry, if the outbreak is prolonged. This could result in softer global demand and disruption in supply chain as customers may postpone or cancel new product launching which will directly reduce the needs of new test and automation machines from us. As of now, the demand for our test and automation machines remains stable and strong.

On the supply side, the Group currently does not face disruption in our supply chain as raw materials including equipments, electronics components and mechanical parts are not primarily sourced from China. At the same time, the Group is now constantly monitoring and analysing our supply chain to ensure no critical materials are impacted in the event of an extended production shut down in China. We are also exploring alternative sources from different geographical locations to mitigate the risk.

I-STONE GROUP BERHAD (1273151-K)

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

B3. Prospects and outlook (Cont'd)

Barring any unforeseen circumstances, we expect the financial results of FY 2020 to be satisfactory.

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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I-STONE GROUP BERHAD (1273151-K)**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 31.12.2019 RM'000	Preceding Year Corresponding Quarter 31.12.2018⁽¹⁾ RM'000	Current Year-To-Date 31.12.2019 RM'000	Preceding Year Corresponding Period 31.12.2018⁽¹⁾ RM'000
Income tax expense:				
- Current year	174	N/A	1,269	N/A
- Prior year	(3)	N/A	127	N/A
Foreign withholding tax	30	N/A	196	N/A
	201	N/A	1,592	N/A
Deferred tax expense	174	N/A	174	N/A
Total tax expense	375	N/A	1,766	N/A
Effective tax rate (%)	51.8%	N/A	17.1%	N/A

Notes:

- (1) This is the fourth 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 cumulative 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. However, the Group's current quarter effective tax rate was higher than cumulative effective tax rate mainly due to increase in non-pioneer activities.
- (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:-

Details of utilisation	Proposed Utilisation	Actual Utilisation	Unutilised Amount	Estimated timeframe for utilisation upon listing
	RM'000	RM'000	RM'000	
Process and product development	4,200	517	3,683	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	508	4,692	Within 24 months
Working capital requirements	5,905	365	5,540	Within 36 months
Estimated listing expenses	3,500	3,500	-	Within 1 months
	39,087	18,372	20,715	

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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I-STONE GROUP BERHAD (1273151-K)

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> As at 31.12.2019 RM'000	<u>UNAUDITED</u> As at 31.12.2018 ⁽¹⁾ RM'000
Current:		
Hire purchase payables	398	N/A
	<u>398</u>	<u>N/A</u>
Non-current:		
Hire purchase payables	1,150	N/A
	<u>1,150</u>	<u>N/A</u>
Total bank borrowings	<u>1,548</u>	<u>N/A</u>

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

Notes:

- (1) This is the fourth 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 31 December 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 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:

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>Current Year Quarter</u> <u>31.12.2019</u>	<u>Preceding Year Corresponding Quarter</u> <u>31.12.2018⁽¹⁾</u>	<u>Current Year-To-Date</u> <u>31.12.2019</u>	<u>Preceding Year Corresponding Period</u> <u>31.12.2018⁽¹⁾</u>
Profit attributable to ordinary owners of the Company (RM'000)	348	N/A	8,405	N/A
Number of ordinary shares ('000)	1,221,477	N/A	765,682	N/A
Basic EPS (sen) ⁽²⁾	0.03	N/A	1.10	N/A
Diluted EPS (sen) ⁽³⁾	0.03	N/A	1.10	N/A

Notes:

- (1) This is the fourth 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 1,221,477,200 shares for the individual quarter and 765,682,063 shares for the cumulative quarter.
- (3) Diluted earnings per share of the Company for the individual quarter ended 31 December 2019 and period-to-date ended 31 December 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 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 31.12.2019 RM'000	Preceding Year Corresponding Quarter 31.12.2018 ⁽¹⁾ RM'000	Current Year-To-Date 31.12.2019 RM'000	Preceding Year Corresponding Period 31.12.2018 ⁽¹⁾ RM'000
Depreciation of property, plant and equipment	348	N/A	1,331	N/A
Depreciation of right-of-use asset	21	N/A	41	N/A
Depreciation of investment properties	1	N/A	6	N/A
Interest expense	29	N/A	558	N/A
Rental expense	-	N/A	55	N/A
Interest income	(5)	N/A	(61)	N/A
Dividend income	(157)	N/A	(202)	N/A
Rental income	(7)	N/A	(26)	N/A
Loss / (Gain) on foreign exchange				
- Realised	57	N/A	(5)	N/A
- Unrealised	104	N/A	90	N/A
Gain on disposal of property, plant and equipment	-	N/A	(20)	N/A

Note:

- (1) This is the fourth 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.