

**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME<sup>(1)</sup>**

|  | Individual Quarter                              |  | Cumulative Quarter                              |  |
|--|---|--|---|--|
|  | Current Year<br>Quarter<br>30.09.2019<br>RM'000 | Preceding Year<br>Quarter<br>30.09.2018 <sup>(2)</sup><br>RM'000 | Current Year<br>To-Date<br>30.09.2019<br>RM'000 | Preceding Year<br>To-Date<br>30.09.2018 <sup>(2)</sup><br>RM'000 |
| Revenue  | 26,847  | N/A  | 66,374  | N/A  |
| Cost of sales  | (17,463)  | N/A  | (47,695)  | N/A  |
| Gross profit   | 9,384   | N/A  | 18,679  | N/A  |
| Other income   | 1,418   | N/A  | 3,145   | N/A  |
| Administrative and distribution expenses   | (3,453)   | N/A  | (10,429)  | N/A  |
| Other operating expenses   | (30)  | N/A  | (98)  | N/A  |
| Profit from operations   | 7,319   | N/A  | 11,297  | N/A  |
| Finance costs  | (228)   | N/A  | (550)   | N/A  |
| Profit before taxation   | 7,091   | N/A  | 10,747  | N/A  |
| Taxation   | (1,850)   | N/A  | (3,012)   | N/A  |
| <b>Profit for the financial period</b>   | <b>5,241</b>                                    | <b>N/A</b>   | <b>7,735</b>                                    | <b>N/A</b>   |
| <b>Other comprehensive income</b>  |   |  |   |  |
| <i>Items that will be reclassified subsequently to profit or loss, net of tax effects:</i> |   |  |   |  |
| Foreign currency translation gain  | 34  | N/A  | 33  | N/A  |
| <b>Total comprehensive income for the financial period</b>                                 | <b>5,275</b>                                    | <b>N/A</b>   | <b>7,768</b>                                    | <b>N/A</b>   |
| Profit for the financial period attributable to:   |   |  |   |  |
| Owners of the Company  | 5,241   | N/A  | 7,736   | N/A  |
| Non-controlling interests  | -   | N/A  | (1)   | N/A  |
|  | 5,241   | N/A  | 7,735   | N/A  |
| Total comprehensive income for the financial period attributable to:                       |   |  |   |  |
| Owners of the Company  | 5,275   | N/A  | 7,769   | N/A  |
| Non-controlling interests  | -   | N/A  | (1)   | N/A  |
|  | 5,275   | N/A  | 7,768   | N/A  |
| Earnings per share attributable to owners of the Company (sen) <sup>(3)</sup> :            |   |  |   |  |
| Basic / Diluted <sup>(4)</sup>   | 1.06  | N/A  | 1.57  | N/A  |

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Accountants' Report as disclosed in the prospectus of the Company dated 2 January 2020 in relation to the Company's initial public offering ("**IPO**") ("**Prospectus**") and the accompanying explanatory notes attached to this interim financial report.
  - (2) There are no comparative figures for the preceding financial year's corresponding quarter and preceding financial year's corresponding period-to-date available as this is the first interim financial report announced by the Company in compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**").
  - (3) Based on the Company's weighted average number of ordinary shares during the current financial quarter / current financial year to-date.
  - (4) Diluted earnings per share is equivalent to the basic earnings per share as the Company does not have any convertible securities as at 30 September 2019.
- N/A Not applicable

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**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION<sup>(1)</sup>**

|   | Unaudited<br>As at<br>30.09.2019<br>RM'000 | Audited<br>As at<br>31.12.2018<br>RM'000 |
|---|--|--|
| <b>ASSETS</b>                           |  |  |
| <b>Non-current assets</b>               |  |  |
| Property, plant and equipment           | 12,068                                     | 13,754                                   |
| Right-of-use assets                     | 2,794                                      | -  |
| Intangible assets                       | -  | 51                                       |
| Goodwill                                | 495  | 495                                      |
| Investments                             | 8  | 14                                       |
|   | <b>15,365</b>                              | <b>14,314</b>                            |
| <b>Current assets</b>                   |  |  |
| Inventories                             | 13,695                                     | 13,330                                   |
| Trade and other receivables             | 48,182                                     | 43,633                                   |
| Tax recoverable                         | 752  | 1,181                                    |
| Deposits, cash and bank balances        | 14,680                                     | 17,861                                   |
|   | <b>77,309</b>                              | <b>76,005</b>                            |
| <b>TOTAL ASSETS</b>                     | <b>92,674</b>                              | <b>90,319</b>                            |
| <b>EQUITY AND LIABILITIES</b>           |  |  |
| <b>Equity</b>                           |  |  |
| Share capital                           | 14,806                                     | 14,806                                   |
| Retained earnings                       | 43,615                                     | 35,879                                   |
| Translation reserve                     | 82   | 49                                       |
|   | <b>58,503</b>                              | <b>50,734</b>                            |
| Non-controlling interests               | 1  | 2  |
| <b>TOTAL EQUITY</b>                     | <b>58,504</b>                              | <b>50,736</b>                            |
| <b>Non-current liabilities</b>          |  |  |
| Lease liabilities                       | 1,011                                      | 234                                      |
| Deferred tax liabilities                | 1,046                                      | 1,042                                    |
|   | <b>2,057</b>                               | <b>1,276</b>                             |
| <b>Current liabilities</b>              |  |  |
| Trade and other payables                | 30,031                                     | 36,564                                   |
| Amount due to directors                 | 2  | 28                                       |
| Bank borrowings                         | 839  | 207                                      |
| Lease liabilities                       | 1,043                                      | 343                                      |
| Current tax liabilities                 | 198  | 1,165                                    |
|   | <b>32,113</b>                              | <b>38,307</b>                            |
| <b>TOTAL LIABILITIES</b>                | <b>34,170</b>                              | <b>39,583</b>                            |
| <b>TOTAL EQUITY AND LIABILITIES</b>     | <b>92,674</b>                              | <b>90,319</b>                            |
| Net asset per share (RM) <sup>(2)</sup> | 0.12                                       | 0.10                                     |

**Notes:**

(1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Accountants' Report as disclosed in the Prospectus and the accompanying explanatory notes attached to this interim financial report.

(2) Based on the Company's issued share capital of 493,152,000 ordinary shares as at the end of the financial period / year.

## INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY<sup>(1)(2)</sup>

|   | Attributable to owners of the Company |                        |                      |               |          | Non-controlling<br>Interests | Total |        |
|---|---------------------------------------|------------------------|----------------------|---------------|----------|------------------------------|-------|--------|
|   | Non-distributable                     |                        | Distributable        |               | Total    |                              |       | Total  |
|   | Share<br>capital                      | Translation<br>reserve | Retained<br>earnings |               |          |                              |       |        |
|   | RM'000                                | RM'000                 | RM'000               | RM'000        | RM'000   |                              |       | RM'000 |
| At 1 January 2019                                   | 14,806                                | 49                     | 35,879               | 50,734        | 2        | 50,736                       |       |        |
| Profit for the financial period                     | -                                     | -                      | 7,736                | 7,736         | (1)      | 7,735                        |       |        |
| Other comprehensive profit for the financial period | -                                     | 33                     | -                    | 33            | -        | 33                           |       |        |
| Total comprehensive income                          | -                                     | 33                     | 7,736                | 7,769         | (1)      | 7,768                        |       |        |
| <b>Balance at 30 September 2019</b>                 | <b>14,806</b>                         | <b>82</b>              | <b>43,615</b>        | <b>58,503</b> | <b>1</b> | <b>58,504</b>                |       |        |

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Accountants' Report as disclosed in the Prospectus and the accompanying explanatory notes attached to this interim financial report.
- (2) There are no comparative figures for the preceding financial year's corresponding period-to-date available as this is the first interim financial report announced by the Company in compliance with the Listing Requirements.

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**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS<sup>(1)</sup>**

|  | Cumulative Quarter                              |  |
|--|---|--|
|  | Current Year<br>To-Date<br>30.09.2019<br>RM'000 | Preceding Year<br>To-Date<br>30.09.2018 <sup>(2)</sup><br>RM'000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                    |   |  |
| Profit before taxation   | 10,747  | N/A  |
| Adjustments for:   |   |  |
| Allowance for impairment loss on trade and other receivables   | 1,315   | N/A  |
| Amortisation of intangible assets                              | 51  | N/A  |
| Bad debt written off   | 19  | N/A  |
| Depreciation of property, plant and equipment                  | 895   | N/A  |
| Depreciation of right-of-use assets                            | 821   | N/A  |
| Deposit written off  | 2   | N/A  |
| Loss on changes in fair value of investments                   | 6   | N/A  |
| Property, plant and equipment written off                      | (3)   | N/A  |
| Reversal of impairment loss on trade and other receivables     | (1,853)   | N/A  |
| Unrealised loss on foreign exchange - net                      | 54  | N/A  |
| Interest expenses  | 550   | N/A  |
| Interest income  | (396)   | N/A  |
| Operating profit before working capital changes                | 12,211  | N/A  |
| Increase in inventories  | (365)   | N/A  |
| Increase in trade and other receivables                        | (4,030)   | N/A  |
| Decrease in amount due by director                             | (3)   | N/A  |
| Decrease in trade and other payables                           | (6,533)   | N/A  |
| Decrease in amount due to directors                            | (27)  | N/A  |
| Cash generated from operations                                 | 1,256   | N/A  |
| Interest paid  | (550)   | N/A  |
| Tax refund   | 874   | N/A  |
| Tax paid   | (4,194)   | N/A  |
| Net cash used in operating activities                          | (2,614)   | N/A  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                    |   |  |
| Interest received  | 396   | N/A  |
| Purchases of property, plant and equipment                     | (202)   | N/A  |
| Net cash generated from investing activities                   | 194   | N/A  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                    |   |  |
| Net finance lease payables repaid                              | (1,567)   | N/A  |
| Net bank borrowings obtained                                   | 632   | N/A  |
| Net cash used in financing activities                          | (935)   | N/A  |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>               |   |  |
| Cash and cash equivalents at beginning of the financial period | (3,355)   | N/A  |
| Net exchange differences                                       | 17,861  | N/A  |
|  | 174   | N/A  |
| <b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>    | <b>14,680</b>                                   | <b>N/A</b>   |
| <b>Cash and cash equivalents comprise:</b>                     |   |  |
| Deposits with licensed banks                                   | 7,342   | N/A  |
| Placement in money market deposits                             | 1,000   | N/A  |
| Cash and bank balances   | 6,338   | N/A  |
|  | 14,680  | N/A  |
| Less: Deposits pledged to licensed banks                       | (732)   | N/A  |
|  | <b>13,948</b>                                   | <b>N/A</b>   |

**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

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Notes:

- (1) The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Accountants' Report as disclosed in the Prospectus and the accompanying explanatory notes attached to this interim financial report.
- (2) There are no comparative figures for the preceding financial year's corresponding period-to-date available as this is the first interim financial report announced by the Company in compliance with the Listing Requirements.
- (3) Negligible.

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**PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT**

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**A1 Basis of Preparation**

The interim financial statements of Powerwell Holdings Berhad (“**Powerwell**” or the “**Company**”) and its subsidiaries (“**Group**”) are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard (“**MFRS**”) 134 - Interim Financial Reporting and paragraph 9.22 and Appendix 9B of the Listing Requirements.

This is the first interim financial report on the Company’s results for the third quarter ended 30 September 2019 announced in compliance with the Listing Requirements and as such, there are no comparative figures for the preceding financial year’s corresponding period.

This interim financial report should be read in conjunction with the Accountants’ Report as disclosed in the Prospectus and the accompanying explanatory notes attached to this interim financial report.

**A2 Significant Accounting Policies**

The accounting policies and presentations adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements of the Group for the financial period ended 31 July 2019 as disclosed in the Accountants’ Report in the Prospectus.

The application of the new MFRS 16 has resulted in changes in the Group’s accounting policies as further explained below. The adoption of the IC Interpretation and amendments to MFRSs that are effective for the current financial period did not have any significant impact on the Group’s financial statements.

**MFRS 16 Leases**

MFRS 16 superseded the existing MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases – Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and it sets out the principles for the recognition, measurement, presentation and disclosures of leases.

MFRS 16 has been adopted without restating comparative information in accordance with the transitional provisions of the Standard and the reclassification and adjustments arising from the new requirements are therefore not reflected in the statement of financial position as at 31 December 2018. Instead, they are recognised in the opening balances as at 1 January 2019. The financial information presented up to 2018 do not reflect the requirements of MFRS 16 but rather those of MFRS 117.

The following is a reconciliation of total operating lease commitments as at 31 December 2018 to the lease liabilities recognised at 1 January 2019:-

|  | <b>Group<br/>RM</b>     |
|--|-------------------------|
| Operating lease commitments disclosed at 31 December 2018          | 855,963                 |
| Discounted using incremental borrowing rate                        | 5.36%                   |
| Operating lease liabilities  | 1,503,213               |
| Finance lease obligation   | <u>577,074</u>          |
| Total lease liabilities recognised under MFRS 16 at 1 January 2019 | <u><u>2,080,287</u></u> |

**PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT****A2 Significant Accounting Policies (Cont'd)**

The impact of the initial application of MFRS 16 as at 1 January 2019 is as follows:

| Group                          | Carrying amount<br>as at 01.01.2019 | Effect of<br>adoption of<br>MFRS 16 | (Restated)<br>Carrying<br>amount as at<br>01.01.2019 |
|--------------------------------|-------------------------------------|-------------------------------------|--|
|                                | RM                                  | RM                                  | RM   |
| <b>Non-current assets</b>      |                                     |                                     |  |
| Property, plant and equipment  | 13,754,674                          | (994,828)                           | 12,759,846   |
| Right-of-use                   | -                                   | 2,498,041                           | 2,498,041  |
| <b>Non-current liabilities</b> |                                     |                                     |  |
| Lease liabilities              | 233,742                             | 941,903                             | 1,175,645  |
| <b>Current liabilities</b>     |                                     |                                     |  |
| Lease liabilities              | 343,332                             | 561,310                             | 904,642  |

On transition to MFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under MFRS 16 was 5.36%.

**A3 Auditors' Report**

There was no qualification on the audited financial statements of the Company for the financial year ended ("FYE") 31 December 2018.

**A4 Seasonal and Cyclical Factors**

The demand for the Group's products is dependent on developments in the construction sector in Malaysia and in other overseas countries as the Group supplies its products for new developments and refurbishment of properties and infrastructures. The construction sector typically moves in tandem with the economy, where strong economic growth coupled with fiscal stimulus by the Government spurs the growth of the construction sector.

**A5 Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

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

**A6 Material Changes in Estimates**

There were no material changes in estimates that have a material effect, during the current financial quarter and current financial year-to-date.

**A7 Debt and Equity Securities**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial quarter and current financial year-to-date.

**A8 Dividends Paid**

No dividend has been paid during the current financial quarter.

**PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT****A9 Segmental Reporting**

The Group is principally involved in the design, manufacturing and trading of electricity distribution products which comprise low voltage switchboards, medium voltage switchgears and related products. The Group's revenue is mainly confined to this single operating segment. As such, the revenue of the Group for the current financial quarter and current financial year-to-date is derived entirely from this operating segment.

In determining geographical segments of the Group, segment revenue is based on the geographical location of customers.

Revenue breakdown by geographical location of our customers are set out as follows:

| Revenue by geographical location | Individual Quarter |              |                           |            | Cumulative Quarter |              |                           |            |
|----------------------------------|--------------------|--------------|---------------------------|------------|--------------------|--------------|---------------------------|------------|
|                                  | Current Year       |              | Preceding Year            |            | Current Year       |              | Preceding Year            |            |
|                                  | Quarter            |              | Quarter                   |            | To-Date            |              | To-Date                   |            |
|                                  | 30.09.2019         |              | 30.09.2018 <sup>(1)</sup> |            | 30.09.2019         |              | 30.09.2018 <sup>(1)</sup> |            |
|                                  | RM'000             | %            | RM'000                    | %          | RM'000             | %            | RM'000                    | %          |
| Malaysia                         | 22,998             | 85.7         | N/A                       | N/A        | 54,799             | 82.6         | N/A                       | N/A        |
| Vietnam                          | 2,043              | 7.6          | N/A                       | N/A        | 4,752              | 7.1          | N/A                       | N/A        |
| Indonesia                        | 1,666              | 6.2          | N/A                       | N/A        | 5,626              | 8.5          | N/A                       | N/A        |
| Others <sup>(2)</sup>            | 140                | 0.5          | N/A                       | N/A        | 1,197              | 1.8          | N/A                       | N/A        |
| <b>Total</b>                     | <b>26,847</b>      | <b>100.0</b> | <b>N/A</b>                | <b>N/A</b> | <b>66,374</b>      | <b>100.0</b> | <b>N/A</b>                | <b>N/A</b> |

Notes:

(1) There are no comparative figures for the preceding financial year's corresponding quarter and preceding financial year's corresponding period-to-date available as this is the first interim financial report announced by the Company in compliance with the Listing Requirements.

(2) Others include Cambodia, Singapore and Australia.

N/A Not applicable.

**A10 Valuation of Property, Plant and Equipment**

There was no valuation of property, plant and equipment during the current financial quarter and current financial year-to-date.

**A11 Material Events Subsequent to the End of the Reporting Period**

Save as disclosed in Note B6, "Status of Corporate Proposals", 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**

There were no changes in the composition of the Group during the current financial quarter and current financial year-to-date.

**A13 Contingent Assets and Contingent Liabilities**

There are no contingent assets and contingent liabilities which, upon becoming enforceable, may have a material impact on our business, financial performance or financial position, as at the date of this interim financial report.

**PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT**

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**A14 Capital Commitments**

The Group's planned capital commitments are disclosed in Section 3.4.1 of the Prospectus. The Group expects to meet its planned capital commitments through the IPO proceeds as well as internally generated funds.

Saved as disclosed above, there were no material capital commitments in respect of property, plant and equipment as at the end of the current financial quarter.

**A15 Significant Related Party Transactions**

There were no significant related party transactions during the current financial quarter and current financial year-to-date.

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**PART B – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT****B1 Review of Financial Performance**

The Group recorded a revenue and profit before taxation of RM26.85 million and RM7.09 million respectively for the current financial quarter ended 30 September 2019. 85.7% of the Group's revenue was derived from customers located in Malaysia, followed by Vietnam (7.6%) and Indonesia (6.2%).

For the current financial year-to-date ended 30 September 2019, the Group recorded a revenue of RM66.37 million and profit before taxation of RM10.75 million. Sales to customers in Malaysia contributed 82.6% to the Group's revenue, followed by Indonesia (8.5%) and Vietnam (7.1%).

As at 30 September 2019, the balance of revenue expected to be recognised by the Group from its order book in hand, subject to delivery to and acceptance of the products by its customers, is as follows:

|              | <b>RM'million</b> |
|--------------|-------------------|
| FYE 2019     | (1)24.79          |
| FYE 2020     | (2)27.99          |
| <b>Total</b> | <b>52.78</b>      |

Notes:

- (1) Period from 1 October 2019 to 31 December 2019.
- (2) As disclosed in Section 10.10 of the Prospectus, as at 3 December 2019, the balance of revenue expected to be recognised by the Group from its order book in hand for FYE 2020 is a total of RM38.44 million.

While the Group secures the projects upfront, the Group's revenue is recognised upon the delivery to and acceptance of the products by its customers. Therefore, the issuance of the purchase order from customers and the timing of delivery and acceptance of the products for the projects will affect the Group's revenue.

There are no comparative figures for the preceding financial year's corresponding quarter and preceding financial year's corresponding period-to-date available as this is the first interim financial report announced by the Company in compliance with the Listing Requirements.

**B2 Comparison with Immediate Preceding Quarter**

No comparative figures are presented for the immediate preceding financial quarter as this is the first interim financial report announced by the Company in compliance with the Listing Requirements.

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**PART B – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT****B3 Commentary on Prospects**

As disclosed in the Prospectus, the Group has the following business strategies in the future:

- (i) Enhance the Group's product offerings through the commercialisation of our own "Powerwell" branded medium voltage switchgears;
- (ii) Obtain third party "International Electrotechnical Commission" standards-compliant certifications for a wider range of the Group's products, including the "Powerwell" branded medium voltage switchgears upon its successful development;
- (iii) Augment the Group's efforts in growing the replacement market business;
- (iv) continue to increase the Group's manufacturing and marketing activities in the domestic and regional markets in order to grow its market share; and
- (iv) Upgrade some of the Group's machinery and equipment, Enterprise Resource Planning system and data management system in order to support the anticipated growth in the Group's business.

Premised on the above and barring unforeseen circumstances, the Board of Directors expects the Group's financial performance for the current financial year to be satisfactory.

**B4 Profit Forecast**

The Company did not issue any profit forecast or guarantee during the current financial quarter and current financial year-to-date.

**B5 Taxation**

|                                   | Individual Quarter                              |  | Cumulative Quarter                              |  |
|-----------------------------------|---|--|---|--|
|                                   | Current Year<br>Quarter<br>30.09.2019<br>RM'000 | Preceding Year<br>Quarter<br>30.09.2018 <sup>(1)</sup><br>RM'000 | Current Year<br>To-Date<br>30.09.2019<br>RM'000 | Preceding Year<br>To-Date<br>30.09.2018 <sup>(1)</sup><br>RM'000 |
| Income tax                        | 1,845   | N/A  | 3,007   | N/A  |
| Deferred tax                      | 5   | N/A  | 5   | N/A  |
|                                   | 1,850   | N/A  | 3,012   | N/A  |
| Effective tax rate <sup>(2)</sup> | 26.1%   | N/A  | 28.0%   | N/A  |

**Notes:**

(1) There are no comparative figures for the preceding financial year's corresponding quarter and preceding financial year's corresponding period-to-date available as this is the first interim financial report announced by the Company in compliance with the Listing Requirements.

(2) The effective tax rate of the Group for the current financial quarter and current financial year-to-date was higher than the statutory tax rate mainly due to higher non-deductible expenses.

N/A Not applicable.

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**PART B – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT****B6 Status of Corporate Proposals**

In conjunction with the Company's listing on the ACE Market of Bursa Securities, the Company is undertaking a public issue of 87,400,000 new ordinary shares ("**Shares**") at an issue price of RM0.25 per Share ("**Public Issue**") comprising:

- (a) 23,800,000 new Shares to the Malaysian public;
- (b) 60,700,000 new Shares by way of private placement to Bumiputera investors approved by the Ministry of International Trade and Industry of Malaysia; and
- (c) 2,900,000 new Shares by way of private placement to institutional and selected investors.

Upon completion of the IPO, the issued share capital of the Company will increase to RM36,656,176 comprising 580,552,000 Shares. The Company is expected to be listed on the ACE Market of Bursa Securities on 22 January 2020.

Save as disclosed above, there are no other corporate proposals announced by the Company but not completed as at the date of this interim financial report.

**B7 Utilisation of Proceeds Raised from Public Issue**

The gross proceeds from the Public Issue amounting to RM21.85 million is intended to be utilised in the following manner:

| Details of utilisation     | Proposed utilisation<br>RM'000 | Actual utilisation<br>RM'000 | Estimated timeframe for utilisation upon listing |
|----------------------------|--------------------------------|------------------------------|--|
| Capital expenditure        | 10,270                         | -                            | Within 18 months                                 |
| Certification expenditure  | 3,865                          | -                            | Within 24 months                                 |
| Working capital            | 3,615                          | -                            | Within 24 months                                 |
| Estimated listing expenses | 4,100                          | -                            | Upon listing                                     |
| <b>Total</b>               | <b>21,850</b>                  | <b>-</b>                     |  |

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus.

**B8 Borrowings**

The details of the Group's borrowings are as follows:

| Currency                    | As at<br>30.09.2019<br>RM'000 | As at<br>31.12.2018<br>RM'000 |
|-----------------------------|-------------------------------|-------------------------------|
| <b>Non-current:</b>         |                               |                               |
| Lease liabilities (secured) | 1,011                         | 234                           |
|                             | <u>1,011</u>                  | <u>234</u>                    |
| <b>Current:</b>             |                               |                               |
| Lease liabilities (secured) | 1,043                         | 343                           |
| Revolving credit (secured)  | 839                           | 207                           |
|                             | <u>1,882</u>                  | <u>550</u>                    |

**PART B – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT****B9 Material Litigation**

Save as disclosed in Section 12.6 of the Prospectus, there are no other material litigations pending as at the date of this interim financial report.

**B10 Dividends**

The Board of Directors of the Company did not declare or recommend any dividend during the current financial quarter.

**B11 Earnings per Share**

The basic and diluted earnings per share for the current financial quarter and current financial year-to-date are computed as follows:

|  | Individual Quarter                    |  | Cumulative Quarter                    |  |
|--|---------------------------------------|--|---------------------------------------|--|
|  | Current Year<br>Quarter<br>30.09.2019 | Preceding Year<br>Quarter<br>30.09.2018 <sup>(1)</sup> | Current Year<br>To-Date<br>30.09.2019 | Preceding Year<br>To-Date<br>30.09.2018 <sup>(1)</sup> |
| Profit for the financial period attributable to owners of the Company (RM'000) | 5,241                                 | N/A  | 7,736                                 | N/A  |
| Weighted average number of ordinary shares in issue ('000)                     | 493,152                               | N/A  | 493,152                               | N/A  |
| Basic earnings per share (sen) <sup>(2)</sup>                                  | 1.06                                  | N/A  | 1.57                                  | N/A  |
| Diluted earnings per share (sen) <sup>(3)</sup>                                | 1.06                                  | N/A  | 1.57                                  | N/A  |

**Notes:**

- (1) There are no comparative figures for the preceding financial year's corresponding quarter and preceding financial year's corresponding period-to-date available as this is the first interim financial report announced by the Company in compliance with the Listing Requirements.
- (2) The basic earnings per share is computed based on the profit for the financial period attributable to the owners of the Company divided by the weighted average number of ordinary shares in issue during the current financial quarter / current financial year to-date.
- (3) Diluted earnings per share is equivalent to the basic earnings per share as the Company does not have any convertible securities as at 30 September 2019.

N/A Not applicable

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**PART B – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT****B12 Notes to the Statement of Profit or Loss and Other Comprehensive Income**

Profit before taxation is arrived at after charging / (crediting):

|   | Individual Quarter                              |  | Cumulative Quarter                              |  |
|---|---|--|---|--|
|   | Current Year<br>Quarter<br>30.09.2019<br>RM'000 | Preceding Year<br>Quarter<br>30.09.2018 <sup>(1)</sup><br>RM'000 | Current Year<br>To-Date<br>30.09.2019<br>RM'000 | Preceding Year<br>To-Date<br>30.09.2018 <sup>(1)</sup><br>RM'000 |
| Interest expense  | 228   | N/A  | 550   | N/A  |
| Amortisation of<br>intangible assets                                | -   | N/A  | 51  | N/A  |
| Depreciation of<br>property, plant and<br>equipment                 | 293   | N/A  | 895   | N/A  |
| Depreciation of right-<br>of-use assets                             | 267   | N/A  | 821   | N/A  |
| Impairment losses on<br>trade and other<br>receivables              | 334   | N/A  | 1,315   | N/A  |
| Foreign exchange loss<br>– unrealised (net)                         | 104   | N/A  | 54  | N/A  |
| Loss on changes in fair<br>value of investments                     | 6   | N/A  | 6   | N/A  |
| Deposit written off<br>Property, plant and<br>equipment written off | 2<br>-  | N/A<br>N/A   | 2<br>(2)-                                       | N/A<br>N/A   |
| Bad debt written off  | 19  | N/A  | 19  | N/A  |
| Reversal of impairment<br>losses on trade and<br>other receivables  | (471)   | N/A  | (1,853)   | N/A  |
| Foreign exchange gain<br>– realised (net)                           | (96)  | N/A  | (37)  | N/A  |
| Interest income   | (159)   | N/A  | (396)   | N/A  |
| Gain on disposal of<br>property, plant and<br>equipment             | -   | N/A  | (80)  | N/A  |

Notes:

(1) There are no comparative figures for the preceding financial year's corresponding quarter and preceding financial year's corresponding period-to-date available as this is the first interim financial report announced by the Company in compliance with the Listing Requirements.

(2) Negligible.

N/A Not applicable

Save as disclosed above, the other disclosure items as required under paragraph 16 of Appendix 9B of the Listing Requirements are not applicable.

**B13 Derivative Financial Instruments**

The Group has not entered into any derivatives as at the date of this interim financial report.