

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023⁽¹⁾

	Note	Individual quarter		Cumulative quarter	
		Unaudited Current year quarter 30.09.2023 RM'000	Unaudited Preceding year corresponding quarter 30.09.2022 RM'000	Unaudited Current year-to-date 30.09.2023 RM'000	Unaudited Preceding year corresponding year-to-date 30.09.2022 RM'000
Revenue	A9	37,456	22,007	108,510	60,803
Cost of sales		(24,543)	(11,427)	(70,802)	(30,590)
Gross profit		12,913	10,580	37,708	30,213
Other income	B5	2,044	2,496	4,960	6,567
Administration expenses		(3,067)	(3,343)	(8,468)	(10,276)
Operating profit		11,890	9,733	34,200	26,504
Finance costs		(600)	(601)	(1,767)	(1,536)
Finance income		269	466	964	556
Profit before tax ("PBT")	B15	11,559	9,598	33,397	25,524
Tax expense	B6	(530)	(383)	(1,634)	(1,122)
Profit for the financial period		11,029	9,215	31,763	24,402
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the financial period		11,029	9,215	31,763	24,402
Profit attributable to:					
Owners of the Company		11,029	9,215	31,763	24,402
		11,029	9,215	31,763	24,402
Total comprehensive income attributable to:					
Owners of the Company		11,029	9,215	31,763	24,402
		11,029	9,215	31,763	24,402
Earnings per ordinary share attributable to owners of the Company:					
Basic earnings per share (sen)	B14	0.46 ⁽²⁾	0.38 ⁽³⁾	1.32 ⁽²⁾	1.08 ⁽³⁾

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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 Group's audited financial statements for the financial year ended 31 December 2022 as disclosed in the Annual Report and the accompanying explanatory notes attached to this interim financial report.
- (2) Basic earnings per share ("**EPS**") is calculated based on the profits attributable to owners of the Company divided by the total number of ordinary shares of SFP Tech ("**Share(s)**") in issue as at 30 September 2023. There are no dilutive instruments as at the end of the financial period.
- (3) Comparative weighted average number of shares in issue was restated to take into account the effects of Bonus Issue in calculation of the EPS.

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023⁽¹⁾

	Note	Unaudited As at 30.09.2023 RM'000	Audited As at 31.12.2022 RM'000
Non-current assets			
Property, plant and equipment		143,969	122,303
Investment property		2,430	2,498
Intangible asset		1,541	2,311
Total non-current assets		147,940	127,112
Current assets			
Inventories		12,154	6,598
Trade receivables		71,002	24,394
Other receivables, deposits and prepayments		12,654	9,003
Cash and cash equivalents		38,864	72,191
Total current assets		134,674	112,186
Total assets		282,614	239,298
Equity			
Share capital		119,489	119,489
Merger reserve		(53,077)	(53,077)
Retained earnings		123,439	100,476
Total equity		189,851	166,888
Non-current liabilities			
Deferred tax liabilities		3,696	3,115
Deferred income		1,026	1,548
Borrowings	B9	33,429	38,642
Total non-current liabilities		38,151	43,305
Current liabilities			
Trade payables		27,754	1,799
Other payables and accruals		12,022	11,062
Contract liabilities		309	758
Borrowings	B9	14,357	14,992
Current tax liabilities		170	494
Total current liabilities		54,612	29,105
Total liabilities		92,763	72,410
Total equity and liabilities		282,614	239,298
Net assets per share (RM)		0.08 ⁽²⁾	0.07 ⁽³⁾

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

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 accompanying explanatory notes attached to this interim financial report.
- (2) Net assets per share is calculated based on the total equity divided by the total number of ordinary shares in issue as at 30 September 2023.
- (3) Comparative weighted average number of shares in issue was restated to take into account the effects of Bonus Issue in calculation of the net assets per share.

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023⁽¹⁾

	<-----Attributable to owners of the parent ----->				
	<----- Non-distributable ----->			Distributable	
	Share Capital RM'000	Invested Equity RM'000	Merger Reserves RM'000	Retained Earnings RM'000	Total Equity RM'000
Balance as at 1 January 2023	119,489	-	(53,077)	100,476	166,888
Total comprehensive income for the financial period	-	-	-	31,763	31,763
<i>Transaction with owners:</i>					
Dividend	-	-	-	(8,800)	(8,800)
Balance as at 30 September 2023	119,489	-	(53,077)	123,439	189,851
Balance as at 1 January 2022	*	2,000	-	72,499	74,499
Total comprehensive income for the financial period	-	-	-	24,402	24,402
<i>Transaction with owners:</i>					
Acquisition of subsidiaries	59,256	(2,000)	(53,077)	-	4,179
Dividend	-	-	-	(4,000)	(4,000)
Issuance of ordinary shares	62,232	-	-	-	62,232
Listing expenses	(1,588)	-	-	-	(1,588)
Balance as at 30 September 2022	119,900	-	(53,077)	92,901	159,724

Note:

* Amount is less than RM1,000.

- (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 accompanying explanatory notes attached to this interim financial report.

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023⁽¹⁾

	Unaudited Current year- to-date 30.09.2023 RM'000	Unaudited Preceding year-to-date 30.09.2022 RM'000
Cash flows from operating activities		
PBT	33,397	25,524
Adjustments for:		
Amortisation of intangible assets	770	770
Bargain purchase	-	(1,606)
Deferred income released	(522)	(522)
Depreciation of property, plant and equipment	7,139	5,481
Depreciation on investment property	68	-
Interest expenses	1,767	1,536
Interest income	(964)	(556)
Listing expenses	-	2,457
Unrealised gain on foreign exchange	(2,203)	(2,056)
Operating profit before working capital changes	39,452	31,028
Changes in working capital:		
Inventories	(5,556)	(849)
Trade and other receivables	(48,081)	(8,237)
Trade and other payables	26,102	(5,788)
Contract liabilities	(449)	344
Cash generated from operations	11,468	16,498
Income tax paid	(1,385)	(923)
Interest paid	(1,767)	(1,536)
Interest received	964	556
Net cash from operating activities	9,280	14,595
Cash flows from investing activities		
Net cash from acquisition of a subsidiary	-	2,448
Purchase of property, plant and equipment	(25,716)	(8,808)
Net cash (used in) investing activities	(25,716)	(6,360)
Cash flows from financing activities		
Dividend paid	(8,800)	(4,000)
Drawdown of term loans	2,484	10,852
Payment of listing expenses	-	(4,045)
Placement of fixed deposits	(600)	-
Proceed from issuance of shares	-	62,232
Repayment of hire purchase	(8,597)	(6,674)
Repayment of term loans	(2,615)	(8,736)
Net cash (used in)/from financing activities	(18,128)	49,629

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	Unaudited Current year- to-date 30.09.2023 RM'000	Unaudited Preceding year-to-date 30.09.2022 RM'000
Net (decrease)/increase in cash and cash equivalents brought forward	(34,564)	57,864
Effect of changes in foreign exchange rate	637	1,310
Cash and cash equivalents at beginning of financial period	71,158	23,840
Cash and cash equivalents at end of financial period	37,231	83,014
Cash and cash equivalents at the end of the financial period comprises:		
Fixed deposits with licensed banks	1,633	1,624
Cash and bank balances	37,231	83,014
Less: Fixed deposits pledged to licensed banks or maturity period more than 3 months	(1,633)	(1,624)
Cash and cash equivalents at the end of the financial period	37,231	83,014

Note:

- (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 accompanying explanatory notes attached to this interim financial report.

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SFP TECH HOLDINGS BERHAD

(Registration No. 202101004713 (1405012-M))

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The interim financial report of SFP Tech Holdings Berhad (“**SFP Tech**” or “**Company**”) and its subsidiaries (“**Group**”) are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“**MASB**”) and Rule 9.22 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”).

The interim financial statements should be read in conjunction with the accompanying notes attached to this interim financial report.

A2. Summary of accounting policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in preparation of the Group’s annual audited financial statements for the financial year ended 31 December 2022 as disclosed in the Annual Report except for the adoption of the following amendments/ improvements to MFRSs that are mandatory for the current financial year.

Effective for annual periods beginning on or after 1 January 2023

MFRS 17 Insurance Contracts and Amendments to MFRS 17 Insurance Contracts

Amendments to MFRS 17 Insurance Contracts: Initial application of MFRS 17 and MFRS 9 - Comparative Information

Amendments to MFRS 101 Presentation of Financial Statements: Disclosure of Accounting Policies

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

Amendments to MFRS 112 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to MFRS 112 Income Taxes: International Tax Reform - Pillar Two Model Rules

Effective for annual periods beginning on or after 1 January 2024

Amendments to MFRS 16 Leases: Lease Liability in a Sale and Leaseback

Amendments to MFRS 101 Presentation of Financial Statements: Non-Current Liabilities with Covenants

Amendments to MFRS 101 Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current

Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosure – Supplier Finance Arrangements

Effective for annual periods beginning on or after 1 January 2025

Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability

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Effective date yet to be confirmed

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The initial application of the above standard and amendments to MFRSs is not expected to have any material impact to the financial statements of the Group upon adoption.

A3. Auditors' report on preceding annual financial statements

SFP Tech was incorporated under the Companies Act, 2016 on 8 February 2021. The Company completed the acquisition of its subsidiaries, SFP Technology Sdn Bhd (“**STSB**”) and SFP Automation Sdn Bhd (“**SASB**”) on 18 March 2022.

The auditors' report for the preceding financial year ended 31 December 2022 was issued without any qualification.

A4. Seasonal or cyclical factors

The Group's operation was not significantly affected by any unusual seasonal or cyclical factors.

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

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

A6. Changes in estimates

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

A7. Debt and equity securities

On 13 April 2023, Public Investment Bank Berhad (“**PIVB**”) on behalf of the Board of Directors of the Company (“**Board**”) announced that the Company is proposing to undertake a proposed bonus issue of up to 1,600,000,000 new ordinary shares in SFP Tech (“**SFP Tech Share(s)**”) (“**Bonus Share(s)**”) on the basis of 2 Bonus Shares for every 1 existing SFP Tech Share held (“**Proposed Bonus Issue**”).

On 17 April 2023, PIVB on behalf of the Board announced that Bursa Malaysia Securities Berhad has approved the listing and quotation of 1,600,000,000 Bonus Shares to be issued pursuant to the Proposed Bonus Issue.

Approval from the shareholders of the Company in relation to the Proposed Bonus Issue was obtained at an extraordinary meeting held on 7 June 2023. On 8 June 2023, PIVB on behalf of the Board announced that the entitlement date for the Bonus Shares shall be 23 June 2023.

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The Proposed Bonus Issue was completed on 26 June 2023, being the date on which 1,600,000,000 Bonus Shares were listed and quoted on the ACE Market of Bursa Malaysia Securities Berhad.

Pursuant to Proposed Bonus Issue, the issued shares of the Company increased from 800,000,000 ordinary shares to 2,400,000,000 ordinary shares.

Save for the above, there was no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current financial quarter under review and year-to-date.

A8. Dividend Paid

On 11 August 2023, the Board declared an interim single tier dividend of RM0.002 per Share totalling RM4.80 million in respect of financial year ending 31 December 2023. The interim single tier dividend was paid on 18 September 2023 to shareholders whose names appeared in the Company's record of depositors on 04 September 2023. The total dividend declared for the 9-mth financial period ended 30 September 2023 is RM0.002 per Share.

In the previous year corresponding 3rd quarter ended 30 September 2022, the Company had on 19 August 2022 declared an interim single-tier dividend of RM0.005 per Share in respect of the financial year ending 31 December 2022 amounting to RM4.00 million which was paid on 28 September 2022 to shareholders whose names appeared in the Company's record of depositors on 12 September 2022. The total dividend declared for the 9-mth financial period ended 30 September 2022 is RM0.005 per Share.

A9. Segmental information

The Group is predominantly an engineering supporting services provider with integrated capabilities in providing automation equipment solutions.

The segmental information based on the nature of the business segments as well as by geographical location are as follows:

(a) Revenue contribution by business segments

	Individual quarter		Cumulative quarter	
	Unaudited Current year quarter 30.09.2023 RM'000	Unaudited Preceding year quarter 30.09.2022 RM'000	Unaudited Current year-to-date 30.09.2023 RM'000	Unaudited Preceding year-to-date 30.09.2022 RM'000
Revenue				
Sheet metal fabrication	3,051	4,803	9,209	17,134
CNC machining	4,106	11,942	13,412	30,204
Mechanical assembly	28,881	2,157	80,958	4,825
Automated equipment solutions	1,418	3,105	4,931	8,640
Total	37,456	22,007	108,510	60,803

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(b) Revenue contribution by geographical locations

	Individual quarter		Cumulative quarter	
	Unaudited Current year quarter 30.09.2023 RM'000	Unaudited Preceding year quarter 30.09.2022 RM'000	Unaudited Current year- to-date 30.09.2023 RM'000	Unaudited Preceding year-to-date 30.09.2022 RM'000
Malaysia	33,133	8,157	80,808	40,674
Foreign Markets				
<i>Hong Kong</i>	-	-	12,568	-
<i>USA</i>	2,168	11,194	9,661	14,608
<i>Singapore</i>	1,420	2,128	4,086	4,993
<i>India</i>	1	512	323	512
<i>Others⁽¹⁾</i>	734	16	1,064	16
	37,456	22,007	108,510	60,803

Note:

⁽¹⁾ Others comprise of China, Netherlands, Philippines, Republic of Korea and Thailand.

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 significant events subsequent to the end of the current quarter under review.

A12. Changes in the composition of the Group

There were no other material changes to the composition of the Group during the current financial quarter under review.

A13. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets in the Group since the end of the last reporting period as at 30 September 2023.

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

A14. Capital commitments

	Unaudited As at 30.09.2023 RM'000	Audited As at 31.12.2022 RM'000
Authorised and contracted for		
- Building	11,628	15,536
- Property, plant and equipment	31,566	29,197
	<u>43,194</u>	<u>44,733</u>
Authorised but not contracted for		
- Property, plant and equipment	-	<u>17,940</u>

A15. Related party transactions

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

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023**B. ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD****B1. Review of performance - Comparison with previous year's corresponding quarter and financial year-to-date**

	Unaudited Current year Quarter 30.09.2023 RM'000	Unaudited Preceding Year Corresponding Quarter 30.09.2022 RM'000	Unaudited Current Year- To-Date 30.09.2023 RM'000	Unaudited Preceding Year Corresponding Year-To-Date 30.09.2022 RM'000
Revenue	37,456	22,007	108,510	60,803
Gross Profit	12,913	10,580	37,708	30,213
Profit before interest and tax	11,890	9,733	34,200	26,504
PBT	11,559	9,598	33,397	25,524
Profit after tax	11,029	9,215	31,763	24,402
Profit attributed to owners of the company	11,029	9,215	31,763	24,402

The Group recorded revenue of RM37.46 million for the current quarter and RM108.51 million for year-to-date ended 30 September 2023 which represented an increase of RM15.45 million or 70.20% and RM47.71 million or 78.47% as compared to the revenue recorded of RM22.01 million and RM60.80 million for the preceding year corresponding quarter and corresponding year-to-date ended 30 September 2022, respectively.

During the quarter under review, the Group's revenue was principally derived from the Mechanical Assembly segment which contributed RM28.88 million accounting for approximately 77.10% of the total revenue for the current quarter which represented an increase of RM26.72 million or 1,237.04% as compared to the revenue generated from the Mechanical Assembly segment in the preceding year corresponding quarter of RM2.16 million. The increase was mainly driven by recurring order for assembled mechanical systems products from existing customers in Malaysia. For the year-to-date ended 30 September 2023, the Group's revenue was also principally derived from the Mechanical Assembly segment which contributed RM80.96 million accounting for approximately 74.61% of the total revenue for the current year-to-date which represented an increase of RM76.13 million or 1,576.19% as compared to the revenue generated from the Mechanical Assembly segment in the preceding year corresponding year-to-date of RM4.83 million due mainly to increase orders for assembled mechanical systems products.

During the quarter under review, the Group's revenue was mainly derived from customers in Malaysia which contributed RM33.13 million accounting for approximately 88.84% of the Group's total revenue for the current quarter which represented an increase of RM24.97 million or 306.00% as compared to the revenue derived from customers in Malaysia in the preceding year corresponding quarter of RM8.16 million. For the year-to-date ended 30 September 2023, the Group's revenue was mainly derived from customers in Malaysia and Hong Kong which in aggregate contributed a total of RM93.38 million accounting for approximately 86.06% of the Group's total revenue for the current year-to-date ended 30 September 2023 as compared to the preceding year corresponding year-to-date whereby the revenue was predominately from Malaysia and USA, which in aggregate accounted for 90.92% of the Group's total revenue.

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The Group recorded PBT of RM11.56 million and RM 33.40 million for the current quarter ended and year-to-date ended 30 September 2023 after deducting administrative expenses of RM3.07 million and RM8.49 million respectively, which mainly comprised of staff cost and bonuses and depreciation of non-manufacturing related property, plant and equipment, and finance costs of RM0.60 million and RM1.77 million respectively. As compared to the PBT generated by the Group for the preceding year corresponding quarter and year-to-date ended 30 September 2022, it represented an increase of RM1.96 million or 20.42% and RM7.88 million or 30.88% respectively due mainly to higher gross profit generated resulting from increase in revenue coupled with lower administrative expenses due to the one-off non-recurring IPO expenses incurred in preceding year corresponding quarter and year-to-date ended 30 September 2022.

B2. Review of performance - Comparison with Immediate Preceding Quarter's Results

	Quarter Ended		Variance RM'000	%
	30.09.2023 RM'000	30.06.2023 RM'000		
Revenue	37,456	36,441	1,015	2.79
PBT	11,559	11,167	392	3.51

The Group recorded an increase in revenue of RM1.02 million or approximately 2.79% for the current quarter ended 30 September 2023 as compared to the preceding quarter ended 30 June 2023. The increasing in revenue was mainly from the Mechanical Assembly segment during the quarter was driven by recurring order from existing customers.

The Group's PBT increased by RM0.39 million or approximately 3.51% for the current quarter ended 30 September 2023 as compared to the preceding quarter ended 30 June 2023 is mainly due to increase in revenue and increase of other income from realised foreign exchange gain as a result of strengthening of United States dollar against the Malaysian ringgit.

B3. Prospects of the Group

SFP Tech specialises in providing Engineering Supporting Services ("ESS") and Automated Equipment Solutions ("AES"). ESS includes Sheet Metal Fabrication, CNC Machining and Mechanical Assembly Business. The Group has in total 3 plants located in Mainland Penang, with a diversified portfolio of customers across different industries such as semiconductor, electrical and electronic products, solar PV, automotive, healthcare, amongst others.

Despite the global semiconductor sales slowdown in 1st half of 2023, SFP Tech continues to focus on its core ESS and AES product and service offerings to grow its business. The Group continues to increase its capacity through adding new machineries, expand its product range and value added offerings and services via integration of ESS and AES, and expansion into more industries and markets to grow its customer base. Further, as part of the Group's business strategy, the Group has also continuously capitalised on growth opportunities and oriented its direction towards the high value-add turnkey mechanical assembly segment and envisage to further grow this business segment with sporadic large project-based business opportunities, as shown in the first three quarters of 2023 segmental performance.

The Group has reorganised its manufacturing plants to better streamline its business operations, whereby Manufacturing Plant 1 and 2 are positioned to expand the Group's sheet metal fabrication business operations. Manufacturing Plant 2 also houses the Group's existing large format CNC machining operations. Manufacturing Plant 3 houses the Group's multi geometry CNC machining, mechanical assembly, and automated equipment solutions business operations.

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The Group's vision inspection equipment handler platforms' first-generation equipment from the design and development ("D&D") activities was developed in conjunction with certain customer's end application space. The next-in-line platform equipment resulting from the Group's D&D activities, catering to different set of customer application space, is planned to be completed in the fourth quarter of 2023. The Group anticipates to launch the project in the second quarter of 2024.

Based on the above, the Board of Directors ("Board") is optimistic of the Group's future prospects and leveraging on its competitive advantage expects the Group's expansion plans to contribute positively to its financial performance in the future.

B4. Variance of actual profits from forecast profits

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

B5. Other income

	Individual quarter		Cumulative quarter	
	Unaudited Current year quarter 30.09.2023 RM'000	Unaudited Preceding year quarter 30.09.2022 RM'000	Unaudited Current year-to-date 30.09.2023 RM'000	Unaudited Preceding year-to-date 30.09.2022 RM'000
Bargain purchase ⁽¹⁾	-	-	-	1,606
Realised gain on foreign exchange	879	606	905	1,159
Unrealised gain on foreign exchange	609	793	2,203	2,056
Government grant	174	174	522	522
Scrap income	86	143	442	444
Rental income	296	780	888	780
Total	2,044	2,496	4,960	6,567

Note:

- (1) Arising from the acquisition of SFP Automation Sdn Bhd using the acquisition method of accounting.

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B6. Tax expense

	Individual quarter		Cumulative quarter	
	Unaudited Current year quarter 30.09.2023 RM'000	Unaudited Preceding year quarter 30.09.2022 RM'000	Unaudited Current year-to- date 30.09.2023 RM'000	Unaudited Preceding year-to- date 30.09.2022 RM'000
Current tax expense	268	383	1,152	1,122
Deferred tax expense	360	-	580	-
	628	383	1,732	1,122
Over provision in prior year current tax expense	(98)	-	(98)	-
Total tax expenses	530	383	1,634	-
Effective tax rate (%)	4.59	3.99	4.89	4.40
Statutory tax rate (%)	24.00	24.00	24.00	24.00

The effective tax rate of the Group of 4.59% and 4.89% for the current quarter and cumulative quarter respectively was lower than the statutory tax rate of 24.00% mainly due to tax incentive from pioneer status tax exemption of STSB.

B7. Status of corporate proposals

On 11 September 2023, the Company announced to undertake the following proposals:

- (i) Proposed transfer of the listing of and quotation for the entire issued share capital of SFP Tech from the Ace Market to the Main Market of Bursa Malaysia Securities Berhad (“**Proposed Transfer**”); and
- (ii) Proposed amendments to the constitution of SFP Tech to facilitate the implementation of the Proposed Transfer (“**Proposed Amendments**”)

(collectively referred to as the “**Proposals**”)

The application to the relevant authorities in relation to the Proposals are expected to be made by the 1st quarter of 2024.

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

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B8. Utilisation of Proceeds from the IPO

The status of utilisation of proceeds from IPO as at 30 September 2023 is as follows:

Details of utilisation	Proposed utilisation⁽¹⁾	Variation⁽¹⁾ / Deviation⁽²⁾	Revised utilisation	Actual utilisation	Balance unutilised proceeds	Original time frame for utilisation (from date of listing on 20 June 2022)	Revised timeframe for utilisation (from date of listing on 20 June 2022)⁽¹⁾
	RM'000	RM'000	RM'000	RM'000	RM'000		
Purchase of new machinery and equipment	24,500	784	25,284	18,084	7,200	Within 36 months	No change
Construction of Manufacturing Plant 3	15,000	-	15,000	14,058	942	Within 24 months	No change
Repayment of bank borrowings	10,000	-	10,000	10,000	-	Within 12 months	Not applicable ⁽³⁾
Working capital expenditure	5,132	555	5,687	3,753	1,934	Within 12 months	Within 24 months
Estimated listing expenses	4,600	(555)	4,045	4,045	-	Within 3 months	Not applicable ⁽³⁾
D&D centre	3,000	(784)	2,216	1,536	680	Within 12 months	Within 18 months
Total	62,232	-	62,232	51,476	10,756		

Notes:

- (1) The utilisation of proceeds and the variation as well as the extension of time for the utilisation of the proceeds from the IPO as disclosed above should be read in conjunction with the prospectus of the Company dated 26 May 2022 (“**Prospectus**”) and the Company’s announcement dated 20 June 2023 pertaining to the variation and extension of time for the utilisation of IPO proceeds.
- (2) The actual utilisation for listing expenses amounted to approximately RM4.05 million. In accordance with section 4.4.5 of the Prospectus, the excess amounting to approximately RM0.56 million will be used for working capital purposes.
- (3) Not applicable as the proceeds allocated has been fully utilised/reallocated to other purposes.

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B9. Borrowings

As at 30 September 2023, the Group has total borrowings of RM47.79 million as follows:

	Unaudited As at 30.09.2023 RM'000	Audited As at 31.12.2022 RM'000
Non-current liabilities (secured)		
Term loans	27,510	27,735
Hire purchase	5,919	10,907
	<u>33,429</u>	<u>38,642</u>
Current liabilities (secured)		
Term loans	4,206	4,322
Hire purchase	10,151	10,670
	<u>14,357</u>	<u>14,992</u>
Total borrowings		
Term loans	31,716	32,057
Hire purchase	16,070	21,577
	<u>47,786</u>	<u>53,634</u>

The currency of borrowing is as follows:

	Unaudited As at 30.09.2023 RM'000	Audited As at 31.12.2022 RM'000
Ringgit Malaysia	41,616	47,460
United States Dollar	6,170	6,174
	<u>47,786</u>	<u>53,634</u>

B10. Derivative financial instruments

As at 30 September 2023, the Group does not have any derivative financial instruments.

B11. Fair value of financial liabilities

The Group did not have any financial liabilities measured at fair value for the current quarter under review and year-to-date.

B12. Material litigation

The Group is not involved/engaged in any material litigation, claim or arbitration either as plaintiff or defendant and there is no proceeding pending or threatened or any fact likely to give rise to proceedings which might materially affect our position or business as at the date of this report.

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

B13. Dividend

There was no dividend proposed or declared during the quarter under review save as disclosed in Note A8.

B14. Earnings per share

	Individual quarter		Cumulative quarter	
	Unaudited Current year quarter 30.09.2023	Unaudited Preceding year quarter 30.09.2022	Unaudited Current year-to-date 30.09.2023	Unaudited Preceding year-to-date 30.09.2022
Profit attributable to owners of the Company (RM'000)	11,029	9,215	31,763	24,402
Weighted average number of ordinary shares in issue ('000)	2,400,000	2,400,000	2,400,000	2,262,230
Basic EPS (sen)	0.46 ⁽¹⁾	0.38 ⁽²⁾	1.32 ⁽¹⁾	1.08 ⁽²⁾

Notes:

- (1) Basic EPS is calculated based on the profits attributable to owners of the Company divided by the total number of ordinary shares in issue as at 30 September 2023. There are no dilutive instruments as at the end of the financial period.
- (2) Comparative weighted average number of shares in issue was restated to take into account the effects of Bonus Issue in calculation of the EPS.

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

B15. Notes to the Condensed Consolidated Statement of Profit and Other Comprehensive Income

Profit for the period was derived after taking into consideration of the following:-

	Individual quarter		Cumulative quarter	
	Unaudited Current year quarter 30.09.2023 RM'000	Unaudited Preceding year quarter 30.09.2022 RM'000	Unaudited Current year- to-date 30.09.2023 RM'000	Unaudited Preceding year-to-date 30.09.2022 RM'000
After charging/(crediting) :				
Amortisation of intangible assets	257	257	770	770
Depreciation on				
- Property, plant and equipment	2,818	1,866	7,139	5,481
- Investment property	23	-	68	-
Expenses related to short term leases of premises	172	30	362	92
Expenses related to low value assets				
- office equipment	13	4	29	11
Allowances for expected credit losses	78	-	78	-
Gain on foreign exchange				
- realised	(879)	(606)	(905)	(1,159)
- unrealised	(609)	(793)	(2,203)	(2,056)
Deferred income released	(174)	(174)	(522)	(522)

Save for the above, the other disclosure items as required under Rule 16, Part A of Appendix 9B of the Listing Requirements are not applicable.

BY ORDER OF THE BOARD
SFP TECH HOLDING BERHAD
17 NOVEMBER 2023