

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023⁽¹⁾

	Note	Individual quarter		Cumulative quarter	
		Unaudited Current year quarter 31.12.2023 RM'000	Unaudited Preceding year corresponding quarter 31.12.2022 RM'000	Unaudited Current year-to-date 31.12.2023 RM'000	Unaudited Preceding year corresponding year-to-date 31.12.2022 RM'000
Revenue	A9	15,903	24,981	124,413	85,784
Cost of sales		(2,534)	(12,237)	(73,336)	(42,827)
Gross profit		13,369	12,744	51,077	42,957
Other income	B5	1,248	1,036	4,005	5,546
Administration expenses		(3,955)	(4,229)	(10,220)	(12,448)
Operating profit		10,662	9,551	44,862	36,055
Finance costs		(968)	(639)	(2,735)	(2,175)
Finance income		233	371	1,197	927
Profit before tax ("PBT")	B15	9,927	9,283	43,324	34,807
Tax expense	B6	(2,557)	(1,708)	(4,191)	(2,830)
Profit for the financial period		7,370	7,575	39,133	31,977
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the financial period		7,370	7,575	39,133	31,977
Profit attributable to:					
Owners of the Company		7,370	7,575	39,133	31,977
		7,370	7,575	39,133	31,977
Total comprehensive income attributable to:					
Owners of the Company		7,370	7,575	39,133	31,977
		7,370	7,575	39,133	31,977
Earnings per ordinary share attributable to owners of the Company:					
Basic earnings per share (sen)	B14	0.31 ⁽²⁾	0.32 ⁽³⁾	1.63 ⁽²⁾	1.39 ⁽³⁾

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023

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 31 December 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 FOURTH QUARTER ENDED 31 DECEMBER 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023⁽¹⁾

	Note	Unaudited As at 31.12.2023 RM'000	Audited As at 31.12.2022 RM'000
Non-current assets			
Property, plant and equipment		147,430	122,303
Investment property		2,407	2,498
Intangible asset		1,284	2,311
Total non-current assets		151,121	127,112
Current assets			
Inventories		14,783	6,598
Trade receivables		60,328	24,394
Other receivables, deposits and prepayments		10,993	9,003
Deferred tax assets		724	-
Cash and cash equivalents		54,222	72,191
Total current assets		141,050	112,186
Total assets		292,171	239,298
Equity			
Share capital		119,489	119,489
Merger reserve		(53,077)	(53,077)
Retained earnings		130,809	100,476
Total equity		197,221	166,888
Non-current liabilities			
Deferred tax liabilities		6,071	3,115
Deferred income		852	1,548
Borrowings	B9	34,713	38,642
Total non-current liabilities		41,636	43,305
Current liabilities			
Trade payables		33,356	1,799
Other payables and accruals		3,444	11,062
Contract liabilities		159	758
Borrowings	B9	15,961	14,992
Current tax liabilities		394	494
Total current liabilities		53,314	29,105
Total liabilities		94,950	72,410
Total equity and liabilities		292,171	239,298
Net assets per share (RM)		0.08 ⁽²⁾	0.07 ⁽³⁾

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 31 December 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 FOURTH QUARTER ENDED 31 DECEMBER 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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	-	-	-	39,133	39,133
<i>Transaction with owners:</i>					
Dividend	-	-	-	(8,800)	(8,800)
Balance as at 31 December 2023	119,489	-	(53,077)	130,809	197,221
Balance as at 1 January 2022	*	2,000	-	72,499	74,499
Total comprehensive income for the financial period	-	-	-	31,977	31,977
<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	(1,999)	-	-	-	(1,999)
Total transaction with owners	119,489	(2,000)	(53,077)	(4,000)	60,412
Balance as at 31 December 2022	119,489	-	(53,077)	100,476	166,888

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 FOURTH QUARTER ENDED 31 DECEMBER 2023**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023⁽¹⁾**

	Unaudited Current year- to-date 31.12.2023 RM'000	Unaudited Preceding year-to-date 31.12.2022 RM'000
Cash flows from operating activities		
PBT	43,324	34,807
Adjustments for:		
Amortisation of intangible assets	1,028	1,028
Bargain purchase	-	(1,606)
Deferred income released	(696)	(696)
Depreciation of property, plant and equipment	10,307	7,383
Depreciation on investment property	90	22
Interest expenses	2,735	2,175
Interest income	(1,197)	(927)
Listing expenses	-	2,046
Unrealised loss on foreign exchange	72	497
Operating profit before working capital changes	55,663	44,729
Changes in working capital:		
Inventories	(8,186)	(715)
Trade and other receivables	(37,996)	(11,308)
Trade and other payables	24,223	(10,082)
Contract liabilities	(599)	(25)
Cash generated from operations	33,105	22,599
Income tax paid	(1,795)	(1,488)
Interest paid	(2,735)	(2,175)
Interest received	1,197	927
Net cash from operating activities	29,772	19,863
Cash flows from investing activities		
Net cash from acquisition of a subsidiary	-	2,448
Purchase of property, plant and equipment	(25,451)	(20,579)
Net cash (used in) investing activities	(25,451)	(18,131)
Cash flows from financing activities		
Dividend paid	(8,800)	(4,000)
Drawdown of term loans	2,484	13,749
Payment of listing expenses	-	(4,045)
Placement of fixed deposits	(600)	591
Proceed from issuance of shares	-	62,232
Repayment of hire purchase	(11,749)	(9,312)
Repayment of term loans	(3,915)	(13,805)
Net cash (used in)/from financing activities	(22,580)	45,410
Net (decrease)/increase in cash and cash equivalents carried forward	(18,259)	47,142

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	Unaudited Current year- to-date 31.12.2023 RM'000	Unaudited Preceding year-to-date 31.12.2022 RM'000
Net (decrease)/increase in cash and cash equivalents brought forward	(18,259)	47,142
Effect of changes in foreign exchange rate	(333)	176
Cash and cash equivalents at beginning of financial period	71,158	23,840
Cash and cash equivalents at end of financial period	52,566	71,158
Cash and cash equivalents at the end of the financial period comprises:		
Fixed deposits with licensed banks	1,656	1,033
Cash and bank balances	52,566	71,158
Less: Fixed deposits pledged to licensed banks or maturity period more than 3 months	(1,656)	(1,033)
Cash and cash equivalents at the end of the financial period	52,566	71,158

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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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

The following are accounting standards that have been issued by the Malaysian Accounting Standards Board but not yet effective for the Group:

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

There was no dividend proposed or declared during the current quarter under review. 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.

In the previous financial year ended ("FYE") 31 December 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. On 17 February 2023, the Board declared a second interim single-tier dividend of RM0.005 per Share amounting to RM4.00 million which was paid on 23 March 2023 to shareholders whose names appeared in the Company's record of depositors on 06 March 2023. The total dividends declared for the FYE 31 December 2022 is RM0.01 per ordinary share.

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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 31.12.2023 RM'000	Unaudited Preceding year quarter 31.12.2022 RM'000	Unaudited Current year-to-date 31.12.2023 RM'000	Unaudited Preceding year-to-date 31.12.2022 RM'000
Revenue				
Sheet metal fabrication	1,775	3,429	10,984	20,563
CNC machining	4,457	6,020	17,869	36,224
Mechanical assembly	6,610	10,832	87,568	15,657
Automated equipment solutions	3,061	4,700	7,992	13,340
Total	15,903	24,981	124,413	85,784

(b) Revenue contribution by geographical locations

	Individual quarter		Cumulative quarter	
	Unaudited Current year quarter 31.12.2023 RM'000	Unaudited Preceding year quarter 31.12.2022 RM'000	Unaudited Current year- to-date 31.12.2023 RM'000	Unaudited Preceding year-to-date 31.12.2022 RM'000
Malaysia	2,546	16,118	83,354	56,792
Foreign Markets				
<i>Hong Kong</i>	-	-	12,568	-
<i>USA</i>	2,346	4,787	12,007	19,395
<i>China</i>	9,138	-	9,138	-
<i>Singapore</i>	1,323	4,076	5,409	9,069
<i>Others⁽¹⁾</i>	550	-	1,937	528
	15,903	24,981	124,413	85,784

Note:

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

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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 for the current financial quarter under review.

A14. Capital commitments

	Unaudited As at 31.12.2023 RM'000	Audited As at 31.12.2022 RM'000
Authorised and contracted for		
- Building	2,740	15,536
- Property, plant and equipment	30,573	29,197
	<u>33,313</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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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 31.12.2023 RM'000	Unaudited Preceding Year Corresponding Quarter 31.12.2022 RM'000	Unaudited Current Year- To-Date 31.12.2023 RM'000	Unaudited Preceding Year Corresponding Year-To-Date 31.12.2022 RM'000
Revenue	15,903	24,981	124,413	85,784
Gross Profit	13,369	12,744	51,077	42,957
Profit before interest and tax	10,662	9,551	44,862	36,055
PBT	9,927	9,283	43,324	34,807
Profit after tax	7,370	7,575	39,133	31,977
Profit attributed to owners of the company	7,370	7,575	39,133	31,977

The Group recorded revenue of RM15.90 million for the current quarter and RM124.41 million for year-to-date ended 31 December 2023 which represented a decrease of RM9.08 million or 36.35% and increase of RM38.63 million or 45.03% as compared to the revenue recorded of RM24.98 million and RM85.78 million for the preceding year corresponding quarter and corresponding year-to-date ended 31 December 2022, respectively.

During the quarter under review, the Group's revenue was principally derived from the Mechanical Assembly segment which contributed RM6.61 million accounting for approximately 41.57% of the total revenue for the current quarter which represented a decrease of RM4.22 million or 38.97% as compared to the revenue generated from the Mechanical Assembly segment in the preceding year corresponding quarter of RM10.83 million. For the year-to-date ended 31 December 2023, the Group's revenue was also principally derived from the Mechanical Assembly segment which contributed RM87.57 million accounting for approximately 70.39% of the total revenue for the current year-to-date which represented an increase of RM71.91 million or 459.20% as compared to the revenue generated from the Mechanical Assembly segment in the preceding year corresponding year-to-date of RM15.66 million mainly due to increase in orders.

During the quarter under review, the Group's revenue was mainly derived from customers in Malaysia which contributed RM2.55 million accounting for approximately 16.04% of the Group's total revenue for the current quarter which represented a decrease of RM13.57 million or 84.18% as compared to the revenue derived from customers in Malaysia in the preceding year corresponding quarter of RM16.12 million. For the year-to-date ended 31 December 2023, the Group's revenue was mainly derived from customers in Malaysia, USA and Hong Kong which in aggregate contributed a total of RM107.93 million accounting for approximately 86.75% of the Group's total revenue for the current year-to-date ended 31 December 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 88.82% of the Group's total revenue.

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The Group recorded PBT of RM9.93 million and RM43.32 million for the current quarter ended and year-to-date ended 31 December 2023 after deducting administrative expenses of RM3.96 million and RM10.22 million respectively, which mainly comprised of staff cost and depreciation of non-manufacturing related property, plant and equipment. As compared to the PBT generated by the Group for the preceding year corresponding quarter and year-to-date ended 31 December 2022, it represented an increase of RM0.65 million or 7.00% and RM8.51 million or 24.45% 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-to-date ended 31 December 2022.

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

	Quarter Ended		Variance RM'000	%
	31.12.2023 RM'000	30.09.2023 RM'000		
Revenue	15,903	37,456	(21,553)	(57.54)
PBT	9,927	11,559	(1,632)	(14.12)

The Group recorded a decrease in revenue of RM21.55 million or approximately 57.54% for the current quarter ended 31 December 2023 as compared to the preceding quarter ended 30 September 2023. The decrease in revenue was due to the urgency of deliveries where the sales arrangement of consigned parts from the customer for mechanical assembly was inevitably replacing the original full turnkey solution. The cost of the consignment parts was not recognized as revenue.

The Group's PBT decreased by RM1.63 million or approximately 14.12% for the current quarter ended 31 December 2023 as compared to the preceding quarter ended 30 September 2023 is mainly due to unrealised foreign exchange loss resulted from the weakening of the 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 first half of FYE2023, 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 to further grow this business segment with sporadic large project-based business opportunities throughout FYE2023.

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, has been completed in the fourth quarter of 2023. The Group anticipates to launch the project in the second quarter of 2024.

Moving forward in 2024, the Group envisions setting up of international corporate presence and potential realisation of inorganic growth partnership in the international arena.

Based on the above, the Board of Directors ("Board") is optimistic of the Group's future prospects in FY2024. Leveraging on its competitive advantage, the Group expects the expansion plans and strategic direction 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 31.12.2023 RM'000	Unaudited Preceding year quarter 31.12.2022 RM'000	Unaudited Current year-to-date 31.12.2023 RM'000	Unaudited Preceding year-to-date 31.12.2022 RM'000
Bargain purchase ⁽¹⁾	-	-	-	1,606
Realised gain on foreign exchange	791	504	1,696	1,662
Government grant	174	174	696	696
Scrap income	73	67	515	511
Rental income	210	291	1,098	1,071
Total	1,248	1,036	4,005	5,546

Note:

(1) Arising from the acquisition of SASB using the acquisition method of accounting.

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B6. Tax expense

	Individual quarter		Cumulative quarter	
	Unaudited Current year quarter 31.12.2023 RM'000	Unaudited Preceding year quarter 31.12.2022 RM'000	Unaudited Current year-to- date 31.12.2023 RM'000	Unaudited Preceding year-to- date 31.12.2022 RM'000
Current tax expense	191	1,708	1,343	2,830
Deferred tax expense	2,618	-	3,198	-
	2,809	1,708	4,541	2,830
Over provision in prior years				
- Current tax expenses	(11)	-	(109)	-
- Deferred tax expenses	(241)	-	(241)	-
Total tax expenses	2,557	1,708	4,191	2,830
Effective tax rate (%)	25.76	18.40	9.67	8.13
Statutory tax rate (%)	24.00	24.00	24.00	24.00

The effective tax rate of the Group of 25.76% for the current quarter was higher than the statutory tax rate of 24.00% due to higher deferred tax expense recognition. Nevertheless, the effective tax rate of the Group of 9.67% for cumulative quarter 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.

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023

B8. Utilisation of Proceeds from the Initial Public Offering (“IPO”)

The status of utilisation of proceeds from IPO as at 31 December 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	21,684	3,600	Within 36 months	No change
Construction of Manufacturing Plant 3	15,000	-	15,000	15,000	-	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	5,687	-	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	2,216	-	Within 12 months	Within 18 months
Total	62,232	-	62,232	58,632	3,600		

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.

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023

B9. Borrowings

As at 31 December 2023, the Group has total borrowings of RM50.29 million as follows:

	Unaudited As at 31.12.2023 RM'000	Audited As at 31.12.2022 RM'000
Non-current liabilities (secured)		
Term loans	26,649	27,735
Hire purchase	8,064	10,907
	<u>34,713</u>	<u>38,642</u>
Current liabilities (secured)		
Term loans	4,214	4,322
Hire purchase	11,747	10,670
	<u>15,961</u>	<u>14,992</u>
Total borrowings		
Term loans	30,863	32,057
Hire purchase	19,811	21,577
	<u>50,674</u>	<u>53,634</u>

The currency of borrowing is as follows:

	Unaudited As at 31.12.2023 RM'000	Audited As at 31.12.2022 RM'000
Ringgit Malaysia	44,753	47,460
United States Dollar	5,921	6,174
	<u>50,674</u>	<u>53,634</u>

B10. Derivative financial instruments

As at 31 December 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.

SFP TECH HOLDINGS BERHAD

(Registration No. 202101004713 (1405012-M))

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023**B13. Dividend**

On 23 February 2024, the Board declared a second interim single tier dividend of 0.2 sen per Share totalling RM4.80 million in respect of financial year ending 31 December 2023. The second interim single tier dividend will be paid on 25 March 2024 to the shareholders whose name appear in the Record of depositors on 11 March 2024.

B14. Earnings per share

	Individual quarter		Cumulative quarter	
	Unaudited Current year quarter 31.12.2023	Unaudited Preceding year quarter 31.12.2022	Unaudited Current year-to-date 31.12.2023	Unaudited Preceding year-to-date 31.12.2022
Profit attributable to owners of the Company (RM'000)	7,370	7,575	39,133	31,977
Weighted average number of ordinary shares in issue (^000)	2,400,000	2,400,000	2,400,000	2,296,956
Basic EPS (sen)	0.31 ⁽¹⁾	0.32 ⁽²⁾	1.63 ⁽¹⁾	1.39 ⁽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 31 December 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 FOURTH QUARTER ENDED 31 DECEMBER 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 31.12.2023 RM'000	Unaudited Preceding year quarter 31.12.2022 RM'000	Unaudited Current year- to-date 31.12.2023 RM'000	Unaudited Preceding year-to-date 31.12.2022 RM'000
After charging/(crediting) :				
Amortisation of intangible assets	257	257	1,028	1,028
Depreciation on				
- Property, plant and equipment	3,168	1,902	10,307	7,383
- Investment property	22	22	90	22
Expenses related to short term leases of premises	285	94	647	186
Expenses related to low value assets				
- office equipment	16	3	45	14
Allowance for expected credit losses	(6)	-	72	-
Gain on foreign exchange				
- realised	(791)	(504)	(1,696)	(1,662)
Unrealised loss on foreign exchange	72	2,553	72	497
Deferred income released	(174)	(174)	(696)	(696)

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
23 FEBRUARY 2024