



**NATIONGATE HOLDINGS BERHAD**

Registration No. 202101004230 (1404529-K)  
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022**

**NATIONGATE HOLDINGS BERHAD**

Registration No. 202101004230 (1404529-K)

(Incorporated in Malaysia)

**Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income<sup>(1)(2)</sup>****for the Third Quarter Ended 30 September 2022**

	Note	Individual Quarter		Cumulative Quarter	
		Unaudited Current Quarter 30.09.2022 RM'000	Unaudited Preceding Year Corresponding Quarter <sup>(2)</sup> 30.09.2021 RM'000	Unaudited Current Year-to- date 30.09.2022 RM'000	Unaudited Preceding Year Corresponding Year-to-date <sup>(2)</sup> 30.09.2021 RM'000
Revenue		305,170	N/A	731,172	N/A
Cost of sales		(262,828)	N/A	(628,961)	N/A
Gross profit		42,342	N/A	102,211	N/A
Other income		443	N/A	5,224	N/A
Administrative expenses		(7,219)	N/A	(26,389)	N/A
Finance costs		(3,167)	N/A	(8,143)	N/A
Profit before tax	B12	32,399	N/A	72,903	N/A
Income tax	B5	(2,346)	N/A	(9,465)	N/A
Profit after tax		30,053	N/A	63,438	N/A
Profit attributable to:					
- Owners of the Company		30,053	N/A	63,093	N/A
- Non-controlling interest		-	N/A	345	N/A
		30,053	N/A	63,438	N/A
Total comprehensive profit attributable to:					
- Owners of the Company		30,053	N/A	63,093	N/A
- Non-controlling interest		-	N/A	345	N/A
		30,053	N/A	63,438	N/A
Earnings per share ("EPS")					
- Basic (sen) <sup>(3)</sup>	B11	1.83	N/A	3.85	N/A
- Diluted (sen) <sup>(4)</sup>	B11	1.45	N/A	3.04	N/A

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### **Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income<sup>(1)(2)</sup> for the Third Quarter Ended 30 September 2022 (Continued)**

#### **NOTES:**

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income are detailed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus dated 12 December 2022 ("**Prospectus**") and the accompanying explanatory notes attached to this interim financial report.
  - (2) The interim financial report announced is in compliance with the ACE Market Listing Requirements ("**Listing Requirements**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"). There are no comparative figures for the preceding year's corresponding quarter and preceding year's corresponding year-to-date as NationGate Holdings Berhad ("**NGH**" or "**Company**") will only be listed on the ACE Market of Bursa Securities on 12th January 2023 and as such no interim financial report was prepared for the comparative financial period concerned.
  - (3) Basic earnings per share ("**EPS**") is calculated based on the Company's enlarged share capital of 1,638,407,400 ordinary shares in NGH ("**NGH Shares**" or "**Shares**") pursuant to the acquisition of the entire equity interest of NationGate Solution (M) Sdn Bhd ("**NSM**"), which was completed on 20 October 2022 ("**Acquisition of NSM**") (refer to Note B11).
  - (4) Diluted EPS is calculated based on the Company's enlarged share capital of 2,073,933,300 ordinary shares upon completion of the listing of the Company on the ACE Market of Bursa Securities on 12 January 2023.
- N/A Not applicable.

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**NATIONGATE HOLDINGS BERHAD**

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**Unaudited Condensed Consolidated Statement of Financial Position<sup>(1)</sup>****As at 30 September 2022**

	<b>Unaudited As at 30.09.2022 RM'000</b>	<b>Audited As at 31.12.2021 RM'000</b>
<b>Non-current assets</b>		
Property, plant and equipment	245,656	209,663
Right-of-use assets	13,070	442
Investment in an associate	397	-
	<u>259,123</u>	<u>210,105</u>
<b>Current assets</b>		
Inventories	193,120	152,840
Trade receivables	258,106	166,648
Contract assets	47,354	22,796
Other receivables, deposits and prepayments	14,194	7,807
Investment securities	336	386
Short term deposits with licensed banks	29,234	10,477
Cash and bank balances	27,415	35,106
	<u>569,759</u>	<u>396,060</u>
<b>Total assets</b>	<b><u>828,882</u></b>	<b><u>606,165</u></b>
<b>Equity attributable to owners of the Company</b>		
Share capital	~	~
Invested equity	10,000	10,000
Retained profits	196,875	145,868
	<u>206,875</u>	<u>155,868</u>
Merger reserve	-	6
Non-controlling interests	-	2,560
<b>Total equity</b>	<b><u>206,875</u></b>	<b><u>158,434</u></b>
<b>Non-current liabilities</b>		
Bank borrowings	B8 65,846	87,056
Lease liabilities	9,282	36
Deferred tax liabilities	3,155	217
	<u>78,283</u>	<u>87,309</u>
<b>Current liabilities</b>		
Trade payables	188,858	164,488
Other payables and accruals	89,192	51,849
Bank borrowings	B8 257,294	143,024
Lease liabilities	3,910	422
Income tax payable	4,470	639
	<u>543,724</u>	<u>360,422</u>
<b>Total liabilities</b>	<b><u>622,007</u></b>	<b><u>447,731</u></b>
<b>Total equity and liabilities</b>	<b><u>828,882</u></b>	<b><u>606,165</u></b>
Net assets per share (sen) <sup>(2)</sup>	<u>12.63</u>	<u>9.67</u>
Gearing ratio (times)	<u>1.56</u>	<u>1.45</u>

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### **Unaudited Condensed Consolidated Statement of Financial Position<sup>(1)</sup> As at 30 September 2022 (Continued)**

#### **NOTES:**

- (1) The basis of preparation of the above Unaudited Condensed Consolidated Statements of Financial Position are detailed in Note A1 and 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) Net assets per share is calculated based on the Company's enlarged share capital of 1,638,407,400 NGH shares pursuant to the Acquisition of NSM (refer to Note B11).
- ~ Denotes less than RM1,000.

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**NATIONGATE HOLDINGS BERHAD**

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**Unaudited Condensed Consolidated Statements of Changes in Equity<sup>(1)</sup>  
for the Period Ended 30 September 2022**

	Share Capital RM'000	Invested Equity RM'000	Merger Reserves RM'000	Distributable Retained Profits RM'000	Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
<b>9 months ended 30 September 2022</b>							
<b>At 1 January 2022 (Audited)</b>	~	<sup>(2)</sup> 10,000	6	145,868	155,874	2,560	158,434
Total comprehensive income for the financial period	-	-	-	63,093	63,093	345	63,438
<u>Transaction with owners:</u>							
Increase in equity interest of a subsidiary <sup>(3)</sup>	-	-	-	(12,095)	(12,095)	(2,905)	(15,000)
Disposal of a subsidiary <sup>(4)</sup>	-	-	(6)	9	3	-	3
	-	-	(6)	(12,086)	(12,092)	(2,905)	(14,997)
<b>At 30 September 2022 (Unaudited)</b>	~	<b>10,000</b>	-	<b>196,875</b>	<b>206,875</b>	-	<b>206,875</b>

**NOTES:**

- (1) The basis of preparation of the above Unaudited Condensed Consolidated Statements of Changes in Equity are detailed in Note A1 and 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) This denotes the share capital of NSM.
- (3) NSM had on 17 February 2022 completed the acquisition of the remaining 49% equity interest in NationGate System Sdn Bhd ("NSY") and subsequently NSY became a wholly-owned subsidiary of NSM.
- (4) NSM had on 8 June 2022 disposed 60% equity interest in NationGate Integration (M) Sdn Bhd ("NIM") to Goldtek Technology Co. Ltd ("Goldtek") and NIM subsequently became an associated company of NSM.
- ~ Denotes less than RM1,000

**NATIONGATE HOLDINGS BERHAD**

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**Unaudited Condensed Consolidated Statements of Cash Flows<sup>(1)</sup>  
for the Period Ended 30 September 2022**

	<b>Current Year-to-date 30.09.2022 RM'000</b>	<b>Preceding Year Corresponding Year-to-date<sup>(2)</sup> 30.09.2021 RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	72,902	N/A
Adjustments for: -		
Accretion of interest	9	N/A
Allowance for slow moving inventories – addition	3,506	N/A
Allowance for slow moving inventories – reversal	(2,648)	N/A
Depreciation of property, plant and equipment	22,574	N/A
Depreciation of right-of-use assets	2,893	N/A
Fair value loss on investment securities	50	N/A
Gain on disposal of investment in subsidiary	(3)	N/A
Gain on disposal of property, plant & equipment	(76)	N/A
Interest expense	8,134	N/A
Interest income	(113)	N/A
Unrealised gain on foreign exchange	(1,823)	N/A
<b>Operating profit before working capital changes</b>	<b>105,405</b>	<b>N/A</b>
Increase in inventories	(41,138)	N/A
Increase in receivables	(83,422)	N/A
Increase in payables	55,219	N/A
Increase in contract assets	(24,558)	N/A
<b>Cash generated from operating activities</b>	<b>11,506</b>	<b>N/A</b>
Income tax paid	(2,697)	N/A
Interest paid	(7,873)	N/A
<b>Net cash generated from operating activities</b>	<b>936</b>	<b>N/A</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Cash flows effects of disposal of a subsidiary	(395)	N/A
Effects of acquisition of subsidiary	(5,000)	N/A
Interest received	113	N/A
Placement of fixed deposits with a licensed bank	(3,000)	N/A
Proceeds from disposal of property, plant and equipment	2,268	N/A
Purchase of property, plant and equipment	(34,324)	N/A
<b>Net cash used in investing activities</b>	<b>(40,338)</b>	<b>N/A</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	(12,500)	N/A
Drawdown of bankers' acceptance	58,020	N/A
Drawdown of term loan	16,467	N/A
Drawdown of revolving credit	1,398	N/A
Payment of lease liabilities	(3,056)	N/A
Repayment of finance lease	(12,862)	N/A
<b>Net cash generated financing activities</b>	<b>47,467</b>	<b>N/A</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>8,065</b>	<b>N/A</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING</b>	<b>45,584</b>	<b>N/A</b>
<b>CASH AND CASH EQUIVALENTS AT END</b>	<b>53,649</b>	<b>N/A</b>

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	<b>Current Year-to-date 30.09.2022 RM'000</b>	<b>Preceding Year Corresponding Year-to-date<sup>(2)</sup> 30.09.2021 RM'000</b>
<b>Represented by:</b>		
Cash and bank balances	27,415	N/A
Short term deposits with licensed banks	29,234	N/A
Less : Deposits pledge with licensed bank	(3,000)	N/A
	<u><b>53,649</b></u>	<u><b>N/A</b></u>

**NOTES:**

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Cash Flow is disclosed in Note A1 and 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) No comparative figures for the preceding quarter are available as this is the Company's first interim financial report on its consolidated results for the third quarter ended 30 September 2022 being announced by the Company in compliance with the Listing Requirements of Bursa Securities.
- N/A Not applicable

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## PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING

### A1. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Boards (“MASB”) and Paragraph 9.22 of Listing Requirements of Bursa Securities.

This is the Company’s first interim financial report on the unaudited condensed consolidated financial results for the third quarter ended 30 September 2022 announced by the Company in compliance with the Listing Requirements of Bursa Securities and as such, there are no comparative figures for the preceding year’s corresponding period.

The interim financial statements should be read in conjunction with the Accountants’ Report as disclosed in the Prospectus. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of NGH and its subsidiaries and associated company (“Group”) since the financial year ended 31 December 2021.

### A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted by the Group in this interim financial report is consistent with those adopted in preparation of the Accountants’ Report as disclosed in the Prospectus except for the following new MFRSs and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group.

#### **Effective for annual periods beginning on or after 1 January 2023**

*MFRS 17 Insurance Contracts*

*Amendments to MFRS 4 Insurance Contracts – Extension of the Temporary Exemption from Applying*

*MFRS 9 Financial Instruments*

*Amendments to MFRS 17 Insurance Contracts*

*Amendments to MFRS 17 Initial Application of MFRS 17 and MFRS 9 – Comparative Information*

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

*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*

#### **Effective for annual periods beginning on or after 1 January 2024**

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

#### **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 adoption of the above MFRSs and amendments to MFRSs are not expected to have any material impact on the financial statements of the Group upon initial application.

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### **PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING (CONT’D)**

#### **A3. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The Company was incorporated on 4 February 2021 and its first annual audited financial statements for the period ended 31 December 2021 was not subject to any qualification. The Company has completed the acquisition of NSM on 20 October 2022.

The auditors’ report to the member of NSM on the financial statements for the financial year ended 31 December 2021 was not subject to 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 DUE TO THEIR NATURE, SIZE OR INCIDENCE**

There were no extraordinary and exceptional items of unusual nature affecting assets, liabilities, equity, net income, or cash flows in the interim financial period ended 30 September 2022.

#### **A6. MATERIAL CHANGES IN ESTIMATES**

There were no material changes in estimates of amounts reported in prior interim periods or prior financial year that have a material effect in the current financial year to date.

#### **A7. DEBT AND EQUITY SECURITIES**

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter under review.

#### **A8. DIVIDEND PAID**

The Company did not pay any dividend during the financial period ended 30 September 2022.

#### **A9. SEGMENTAL INFORMATION**

The Group is an electronic manufacturing services (“EMS”) provider focusing on the assembly and testing of electronic components and products to produce completed printed circuit boards (“PCB”), semi-finished sub-assemblies and fully-assembled electronic products, as well as semiconductor devices.

For management purposes, the Group is organised into business units based on their nature of businesses and customer segment as well as geographical sales contribution.

Segmental information is provided based on contribution by business units based on their nature of businesses and customer segment as well as by geographical factors.

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**PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING (CONT’D)****A10. SEGMENTAL INFORMATION (Cont’d)****(a) Contribution by customer segment**

By customer segments	Current Year	Preceding Year	Current	Preceding Year
	Quarter	Corresponding	Year-To-	Corresponding
	30.09.2022	Quarter	Date	Year-To-Date
	RM’000	30.09.2021 <sup>(1)</sup>	30.09.2022	30.09.2021 <sup>(1)</sup>
	RM’000	RM’000	RM’000	RM’000
Networking and telecommunications	228,007	N/A	511,507	N/A
Industrial instruments	29,165	N/A	83,687	N/A
Data computing	15,423	N/A	67,934	N/A
Consumer electronics	1,855	N/A	2,894	N/A
Automotive	18,850	N/A	34,571	N/A
Semiconductor	7,256	N/A	19,542	N/A
Others <sup>(2)</sup>	4,614	N/A	11,037	N/A
<b>Total</b>	<b>305,170</b>	<b>N/A</b>	<b>731,172</b>	<b>N/A</b>

**(b) Contribution by geographical factors**

Countries	Current Year	Preceding Year	Current	Preceding Year
	Quarter	Corresponding	Year-To-	Corresponding
	30.09.2022	Quarter	Date	Year-To-Date
	RM’000	30.09.2021 <sup>(1)</sup>	30.09.2022	30.09.2021 <sup>(1)</sup>
	RM’000	RM’000	RM’000	RM’000
Malaysia	231,728	N/A	548,633	N/A
USA	16,305	N/A	30,643	N/A
China	3,471	N/A	9,986	N/A
Germany	16,348	N/A	29,743	N/A
Australia	2,253	N/A	6,398	N/A
Hong Kong	17,044	N/A	64,448	N/A
Singapore	15,844	N/A	34,384	N/A
France	1,326	N/A	5,197	N/A
Denmark	276	N/A	905	N/A
Others <sup>(3)</sup>	575	N/A	835	N/A
<b>Total</b>	<b>305,170</b>	<b>N/A</b>	<b>731,172</b>	<b>N/A</b>

**Notes:**

- (1) No comparative figures for the preceding quarter are available as this is the Company’s first interim financial report on its consolidated results for the third quarter ended 30 September 2022 being announced by the Company in compliance with the Listing Requirements of Bursa Securities.
- (2) Mainly consists of manufacturers of medical devices, Internet of Things, household electronic products and analytical instrumentation devices.
- (3) Other countries include Taiwan, United Kingdom, Canada, Mexico, India and Hungary.

N/A Not applicable

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### **PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING (CONT’D)**

#### **A11. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

Pursuant to the conditional share sale agreement dated 14 June 2022, the acquisition by the Company of the entire equity interest of NSM for a total purchase consideration of RM143,360,647.33 which was wholly satisfied by the issuance of 1,638,407,398 new NGH shares at an issue price of approximately RM0.0875 each, which was completed on 20 October 2022.

In conjunction with the Company’s proposed listing on the ACE Market of Bursa Securities which will be held on 12 January 2023, the Company issued its Prospectus for its Initial Public Offering (“**IPO**”) entailing the following:

Public issue of 435,525,900 new shares (“**Issue Shares**”) at an issue price of RM0.38 per share and shall be allotted in the following manner:

- 103,696,800 Issue Shares available for application by the Malaysian Public,
- 103,696,800 Issue Shares available for application by the eligible Directors and employees as well as person who have contributed to the success of the Group, and
- 228,132,300 Issue Shares by way of private placement to selected investors.

Upon completion of the IPO, the Company will be admitted to the Official List of Bursa Securities and the Company’s entire enlarged issue share capital of 2,073,933,300 shares shall be listed and quoted on the ACE Market of Bursa Securities on 12 January 2023.

Save as disclosed above, there were no other material events subsequent to the end of the current financial period under review that have not been reflected in this interim financial report.

#### **A12. CHANGES IN COMPOSITION OF THE GROUP**

There were no other material changes in the composition of the Group and for the current financial quarter under review.

#### **A13. CONTINGENT LIABILITIES OR CONTINGENT ASSETS**

Save for the material litigation as disclosed in Note B9, there were no contingent liabilities or contingent assets in the Group since the end of the last reporting period as at 30 September 2022.

#### **A14. RELATED PARTY TRANSACTIONS DISCLOSURES**

The following companies are related parties as they relate to companies in which one of the directors of the Group has substantial financial interest.

- VS Solution Services Sdn Bhd (“**VS**”)
- SkyGate Sciences Sdn Bhd (“**SC**”)
- Oneworks Lighting Sdn Bhd (“**OW**”)

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**PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING (CONT’D)****A14. RELATED PARTY TRANSACTIONS DISCLOSURES (Cont’d)**

Type of transactions	Related parties	Individual Quarter		Cumulative Period	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Year-To-Date
		30.09.2022	30.09.2021 <sup>(1)</sup>	30.09.2022	30.09.2021 <sup>(1)</sup>
		RM’000	RM’000	RM’000	RM’000
Purchase and installation of metal racking systems and machinery	VS	542	N/A	2,399	N/A
Purchase of spare parts and consumables for the Group’s manufacturing activities	VS	45	N/A	94	N/A
Purchase of spare parts for maintenance of building and office equipment	VS	112	N/A	188	N/A
Rental Expenses	SC	1,024	N/A	2,731	N/A
Purchase of electrical lighting equipment for the Group’s manufacturing facilities	OW	2	N/A	2	N/A

**Notes:**

- <sup>(1)</sup> No comparative figures for the preceding quarter are available as this is the Company’s first interim financial report on its consolidated results for the third quarter ended 30 September 2022 being announced by the Company in compliance with the Listing Requirements of Bursa Securities.

**A15. CAPITAL COMMITMENTS**

	(Unaudited) As at 30.09.2022 RM’000	(Audited) As at 31.12.2021 RM’000
<b>Approved and contracted for:</b>		
- Property, Plant and Equipment	36,038	18,522
	36,038	18,522

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## NATIONGATE HOLDINGS BERHAD

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### PART B – ADDITIONAL INFORMATION REQUIRED BY ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

#### B1. REVIEW OF PERFORMANCE

	Current Year Quarter 30.09.2022 RM'000	Preceding Year Corresponding Quarter 30.09.2021 RM'000	Current Year- To-Date 30.09.2022 RM'000	Preceding Year Corresponding Year-To-Date 30.09.2021 RM'000
Revenue	305,170	N/A	731,172	N/A
Gross Profit	42,342	N/A	102,211	N/A
Profit before interest and tax	35,566	N/A	81,046	N/A
Profit before tax	32,399	N/A	72,903	N/A
Profit after tax	30,053	N/A	63,438	N/A
Profit attributable to owners of the Company	30,053	N/A	63,093	N/A

In the current quarter ended 30 September 2022 and financial year-to-date, the Group recorded revenue of RM305.17 million and RM731.17 million respectively. This is mainly attributed from the networking and telecommunications segments which accounted for RM228.01 million and RM511.51 million revenue, representing 74.7% and 70.0% of the Group's total revenue respectively.

The Group's gross profit of RM42.34 million in the current quarter and RM102.21 million for the financial year-to-date is mainly attributed from the networking and telecommunications segments, which contributed RM19.82 million and RM36.68 million or 33.1% and 35.9% of the Group's gross profit respectively.

The Group recognised profit before tax of RM32.40 million for the current quarter and RM72.90 million for the financial year-to-date after deducting expenses which are mainly attributed to administration expenses amounting to RM7.22 million for the current quarter and RM26.39 million for the financial year-to-date. The administrative expenses mainly consist of staff cost, depreciation, repair and maintenance costs, insurance as well as legal and professional fees.

There are no comparative figures for the corresponding preceding quarter's results as this is the first interim financial report being announced by the Company in compliance with the Listing Requirements of the Bursa Securities.

#### B2. COMPARISON WITH IMMEDIATE-PRECEDING QUARTER'S RESULTS

No comparative figures are presented for the immediate-preceding quarter as this is the first interim financial report on the combined results announced by the Company.

#### B3. PROSPECTS OF THE GROUP

As disclosed in Section 6.6.1 of the Prospectus, we believe that we are in a good position to ride on the projected growth in the market by successfully implementing our business strategies, as follows:

- (a) to expand the Group's EMS service offerings to its existing customers and securing more new customers by leveraging on its track record in the industry;
- (b) to ride on the Group's new business collaboration with GoldTek Technology Co. Ltd to further expand its EMS business; and

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- (c) to expand its SMT assembly capacity, wherein the Group has allocated RM5.93 million of its IPO proceeds to purchase additional machineries and equipment to further expand its SMT assembly lines for its PCBA services, which are expected to enhance the Group's EMS efficiency.

The Group believes that its prospects in the EMS industry are favourable taking into consideration the Group's competitive strengths as set out in Section 6.5.6 of the Prospectus, the Group's business strategies as set out above as well as the outlook of the EMS industry as set out in the IMR Report in Section 7 of the Prospectus.

According to the Independent Market Research Report prepared by Protégé Associates Sdn Bhd, the EMS market in Malaysia is expected to continue on an expansionary trend. The expectation for 10.3% CAGR growth in E&E exports from RM565.51 billion in 2022 to RM819.12 billion in 2027 bodes well for the growth of the EMS market in Malaysia. Factors boosting growth within the local EMS market is likely to come from more manufacturers from a broad range of end-user markets outsourcing more manufacturing activities to EMS market players. At the same time, the increasing adoption of electronic content in traditional and non-traditional markets such as the automotive and consumer electronics sectors also provide EMS market players with a growing pool of potential new clients. Prospects of the local EMS market have also been uplifted by the presence of an established electronics cluster in Malaysia providing a sizable and ready end-user market for EMS.

The fast pace nature of the E&E industry coupled with the continuously changing technological landscape globally, the Group's relentless effort in bringing up the value chain of the manufacturing services rendered shall keep us ahead in this competitive market. In addition, the Group intends to continuously strive for technological advancement and cost-effectiveness and build a strong collaboration in its supply chain ecosystem to better position itself in the EMS market.

Based on the above, the Board of Directors of the Company ("**Board**") is optimistic and positive about the future prospects of the Group.

#### 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. TAXATION

	<u>Individual Quarter</u>		<u>Cumulative Period</u>	
	<u>Unaudited</u> <u>Current Year</u> <u>Quarter</u> <u>30.09.2022</u> <u>RM'000</u>	<u>Unaudited</u> <u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>30.09.2021<sup>(1)</sup></u> <u>RM'000</u>	<u>Unaudited</u> <u>Current</u> <u>Year-to-</u> <u>date</u> <u>30.09.2022</u> <u>RM'000</u>	<u>Unaudited</u> <u>Preceding Year</u> <u>Corresponding</u> <u>Year-to-date</u> <u>30.09.2021<sup>(1)</sup></u> <u>RM'000</u>
In respect of current period:				
Income tax expense	2,346	N/A	9,465	N/A
Effective tax rate (%)	7.2	N/A	13.0	N/A
Statutory tax rate (%)	24.0	N/A	24.0	N/A

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#### NOTES:

- (1) No comparative figures for the preceding quarter are available as this is the Company's first interim financial report on its consolidated results for the third quarter ended 30 September 2022 being announced by the Company in compliance with the Listing Requirements of Bursa Securities.

The Group's effective tax rate was lower than statutory tax rate mainly due to utilisation of previously unabsorbed reinvestment allowance claimed on qualifying capital expenditure incurred on machineries and equipment and 70% of pioneer income arising from NSY not subject to income tax.

#### B6. STATUS OF CORPORATE PROPOSALS

In conjunction with the Company's IPO, the Company has undertaken the following listing scheme:

##### a) Acquisition of NSM

The acquisition of the entire equity interest of NSM by the Company for a total purchase consideration of RM143,360,647.33 which was wholly satisfied by the issuance of 1,638,407,398 new NGH shares at an issue price of approximately RM0.0875 each, which was completed on 20 October 2022.

##### b) Listing Exercise

On 12 December 2022, the Company issued its Prospectus and undertook an IPO comprising a public issue of 435,525,900 new ordinary shares in the Company and an offer for sale of 290,351,300 existing ordinary shares by existing shareholders of the Company at an IPO price of RM0.38 per share. The listing will take place on 12 January 2023.

#### B7. UTILISATION OF PROCEEDS FROM IPO

The gross proceeds of RM165.50 million from the IPO is intended to be utilised in the following manner:

Utilisation of proceeds	Propose Utilisation RM'000	Percentage of Utilisation %	Actual Utilisation RM'000	Unutilised Amount RM'000	Estimated timeframe for utilisation from Listing <sup>(1)</sup>
Purchase of machineries and equipment	5,930	3.6	-	5,930	Within 36 months
Working capital requirements	48,362	29.2	-	48,362	Within 24 months
Repayment of bank borrowings	105,508	63.8	-	105,508	Within 24 months
Estimated listing expenses	5,700	3.4	-	5,700	Within 1 month
	<u>165,500</u>	<u>100.0</u>	<u>-</u>	<u>165,500</u>	

#### Notes:

- (1) From the date of listing of the Company.



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#### B8. GROUP BORROWINGS AND DEBTS SECURITIES

As at 30 September 2022	Long Term RM'000	Short Term RM'000	Total Borrowings RM'000
<b>Secured</b>			
Bankers' acceptance	-	175,951	175,951
Finance Leases	40,277	15,930	56,207
Term loans	25,569	51,413	76,982
Revolving credit	-	14,000	14,000
<b>Total</b>	<b>65,846</b>	<b>257,294</b>	<b>323,140</b>

The bank borrowings are secured and denominated in both Ringgit Malaysia and US Dollar.

#### B9. MATERIAL LITIGATION

##### (a) Kuala Lumpur High Court Civil Suit No.: WA-22NCVC-535-08/2020

**BMW Credit (Malaysia) Sdn Bhd (“Plaintiff” or “BMW Credit”)**

-v-

**1. Lumileds Malaysia Sdn Bhd (“1st Defendant” or “Lumileds”)**

**2. NationGate System Sdn Bhd (“2nd Defendant” or “NSY”)**

Optotronics Semiconductors Sdn Bhd (“**Optotronic**”) was appointed to manufacture products for Lumileds with the machines of which Lumileds claimed ownership (“**the Machines**”). In 2018, Optotronic obtained hire purchase facilities from BMW Credit to lease the Machines but it defaulted in payment and was in liquidation. Subsequently, BMW Credit obtained a court order for Optotronic and/or any third party to deliver the machineries to BMW Credit.

By a manufacturing agreement dated 15 July 2020, Lumileds formally appointed NationGate System Sdn Bhd (“**NSY**”), the wholly-owned subsidiary of NSM to manufacture products for Lumileds with the Machines. To be appointed as the contract manufacturer of Lumileds, NSY was required by Lumileds to enter into the said manufacturing services agreement where it sets out the general terms and conditions in relation to the engagement of NSY as the contract manufacturer to Lumileds to provide certain manufacturing and assembly services and to consign to NSY certain materials to be used in the connection therewith. It is a normal arrangement for NSY to retain its customers' machines in its premises under the said consignment arrangement. The value of these machineries is not recorded as our property, plant and equipment and as such the value of these machineries cannot be ascertained. In BMW Credit's attempt to recover the Machines through the court's execution process, NSY successfully denied BMW Credit access to the premises. Although the machineries do not belong to NSY, we may still be potentially liable for any damages or if these machineries are stolen from our manufacturing facilities, hence NSY could not permit BMW Credit to have access to the machineries without the permission of Lumileds. BMW then filed the above civil suit No. WA-22NCVC-535-08/2020 against Lumileds and NSY for recovery of the machineries.

The High Court has fixed the next case management on 11 January 2023.

The legal counsel acting for NSY is of the view that NSY has a fair chance to win the case.

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#### (b) Kuala Lumpur High Court Civil Suit No.: WA-22NCVC-427-06/2021

There is a civil case instituted by Lumileds against BMW Credit for a declaratory order that Lumileds is the legal and beneficial owners of the Consigned Machines and to set aside the Judgement obtained

by BMW Credit. BMW Credit filed a counter-claim against Lumileds and NSY. The facts and claims of BMW Credit's counter-claim are identical to the above suit. NSY has filed an application for striking out on the ground of multiplicity of proceedings. This civil suit was withdrawn on 28 July 2022.

#### (c) Taiwan New Taipei District Court

##### NSM vs Hon Hai Precision Industry Co. Ltd ("Defendant" or "HHP")

NSM and HHP entered into a Subcontract Service Agreement dated 23 March 2020 wherein HHP appointed NSM as its subcontractor to produce equipment known as "ICT TR8001/TR8100" by way of outsourcing arrangement ("**Contract**"). In the statement of work pursuant to the Contract, the Defendant agreed to place a minimum order of 1,304,348 units, with expected revenue of RM25,932,531.70 (based on the exchange rate of USD1.00:RM 4.0130 as at 31 December 2020), representing approximately 4.60% of the Group's total revenue in FYE 2020 of RM566,246,159, within 365 days from the production ramp-up, failing which, the Defendant will compensate the Plaintiff for the pro-rata expense of the equipment and deficit of production volume. At the end of the contract period on 24 March 2021, there was only 273,344 units ordered. Despite various demands from NSM, the Defendant failed to settle the contractual compensation sum. NSM had on 17 January 2022 filed a court application at Taiwan New Taipei District Court to claim for a total compensation due and payable from the Defendant to the Plaintiff of USD5,560,823.12 with 5% interest per annum from 25 March 2021.

Both parties have since mutually reached an amicable settlement for the lawsuit, whereby NSM has withdrawn the above lawsuit from the Taiwan New Taipei District Court and both parties have agreed to continue with their business relationship by entering into a new manufacturing and supply agreement to undertake new EMS opportunities.

#### B10. DIVIDENDS

No dividend has been proposed or declared for the current financial period.

#### B11. EARNINGS PER SHARE ("EPS")

The basic EPS for the current quarter and financial year-to-date are computed as follows:

	<u>Individual Quarter</u>		<u>Cumulative Period</u>	
	<u>Current Year</u> <u>Quarter</u> <b>30.09.2022</b>	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <b>30.09.2021<sup>(1)</sup></b>	<u>Current</u> <u>Year-to-date</u> <b>30.09.2022</b>	<u>Preceding Year</u> <u>Corresponding</u> <u>Year-to-date</u> <b>30.09.2021<sup>(1)</sup></b>
Profit attributable to the Owners of the Company (RM'000)	30,053	N/A	63,093	N/A
Weighted average Number of ordinary shares in issue (RM'000)	1,638,407	N/A	1,638,407	N/A

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	<u>Individual Quarter</u>		<u>Cumulative Period</u>	
	Current Year Quarter 30.09.2022	Preceding Year Corresponding Quarter 30.09.2021 <sup>(1)</sup>	Current Year-to-date 30.09.2022	Preceding Year Corresponding Year-to-date 30.09.2021 <sup>(1)</sup>
Basic EPS (sen) <sup>(2)</sup>	1.83	N/A	3.85	N/A

**NOTES:**

- (1) No comparative figures for the preceding quarter are available as this is the Company's first interim financial report on its consolidated results for the third quarter ended 30 September 2022 being announced by the Company in compliance with the Listing Requirements of Bursa Securities.
- (2) Basic EPS is calculated based on the Company's share capital of 1,638,407,400 ordinary shares after issuance of shares for the acquisition of NSM.

**B12. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Unaudited Current Year Quarter 30.09.2022 RM'000	Unaudited Preceding Year Corresponding Quarter <sup>(1)</sup> 30.09.2021 RM'000	Unaudited Current Year-to- date 30.09.2022 RM'000	Unaudited Preceding Year Year-to-date <sup>(1)</sup> 30.09.2021 RM'000
<b>After charging/(crediting):-</b>				
Allowance for slow moving inventories				
- Addition	-	N/A	3,506	N/A
- Reversal	-	N/A	(2,648)	N/A
Depreciation of property, plant and equipment	7,589	N/A	22,574	N/A
Depreciation on right-of-use ("ROU") assets	1,072	N/A	2,893	N/A
Fair value loss on investment securities	17	N/A	50	N/A
Interest expense on:				
- Accretion of interest on lease liabilities	94	N/A	269	N/A
- Bankers' acceptance	1,582	N/A	3,622	N/A
- Bank overdraft	41	N/A	119	N/A

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	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
	<u>Current Year</u>	<u>Preceding Year</u>	<u>Current Year-</u>	<u>Preceding Year</u>
	<u>Quarter</u>	<u>Corresponding</u>	<u>to-date</u>	<u>Year-to-date<sup>(1)</sup></u>
	<u>30.09.2022</u>	<u>30.09.2021</u>	<u>30.09.2022</u>	<u>30.09.2021</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
- Finance lease	750	N/A	2,198	N/A
- Revolving credit	147	N/A	383	N/A
- Term loans	553	N/A	1,552	N/A
Lease payment for:				
- Low value assets	18	N/A	51	N/A
- Short term leases	7	N/A	20	N/A
Realised gain on foreign exchange	1,129	N/A	1,060	N/A
Unrealised (gain) / loss on foreign exchange	(1,097)	N/A	1,823	N/A
<b>And crediting:</b>				
Dividend income	-	N/A	3	N/A
Gain on disposal of property, plant and equipment	1	N/A	76	N/A
Gain on disposal of equity interest in a subsidiary	3	N/A	3	N/A
Interest income	79	N/A	113	N/A
Rental income	406	N/A	541	N/A

**NOTES:**

- (1) No comparative figures for the preceding quarter are available as this is the Company's first interim financial report on its consolidated results for the third quarter ended 30 September 2022 being announced by the Company in compliance with the Listing Requirements of Bursa Securities.

**B13. Authorisation for Issue**

The interim financial report was authorised for issue by the Board of Directors of the Company in accordance with a resolution passed by the Board of Directors on 6 January 2023.

**BY ORDER OF THE BOARD**  
**NATIONGATE HOLDINGS BERHAD**