



NATIONGATE HOLDINGS BERHAD

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022**

NATIONGATE HOLDINGS BERHAD

Registration No. 202101004230 (1404529-K)

(Incorporated in Malaysia)

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income⁽¹⁾⁽²⁾**for the Fourth Quarter Ended 31 December 2022**

	Note	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		Unaudited Current Quarter 31.12.2022 RM'000	Unaudited Preceding Year Corresponding Quarter ⁽²⁾ 31.12.2021 RM'000	Unaudited Current Year-to-date 31.12.2022 RM'000	Unaudited Preceding Year Corresponding Year-to-date ⁽²⁾ 31.12.2021 RM'000
Revenue		214,576	N/A	945,748	N/A
Cost of sales		(165,310)	N/A	(794,271)	N/A
Gross profit		49,266	N/A	151,477	N/A
Other income		803	N/A	6,027	N/A
Administrative expenses		(14,098)	N/A	(40,487)	N/A
Finance costs		(4,226)	N/A	(12,369)	N/A
Share of result of associate		(4)	N/A	(4)	N/A
Profit before tax	B12	31,741	N/A	104,644	N/A
Income tax	B5	(9,548)	N/A	(19,013)	N/A
Profit after tax		22,193	N/A	85,631	N/A
Profit attributable to:					
- Owners of the Company		22,193	N/A	85,286	N/A
- Non-controlling interest		-	N/A	345	N/A
		22,193	N/A	85,631	N/A
Total comprehensive profit attributable to:					
- Owners of the Company		22,193	N/A	85,286	N/A
- Non-controlling interest		-	N/A	345	N/A
		22,193	N/A	85,631	N/A
Earnings per share ("EPS")					
- Basic (sen) ⁽³⁾	B11	1.35	N/A	5.21	N/A
- Diluted (sen) ⁽⁴⁾	B11	1.07	N/A	4.11	N/A

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Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income⁽¹⁾⁽²⁾

for the Fourth Quarter Ended 31 December 2022 (Cont'd)

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 of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"). 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**") was 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

Registration No. 202101004230 (1404529-K)

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Unaudited Condensed Consolidated Statement of Financial Position⁽¹⁾**As at 31 December 2022**

	Note	Unaudited As at 31.12.2022 RM'000	Audited As at 31.12.2021 RM'000
Non-current assets			
Property, plant and equipment		235,521	209,663
Right-of-use assets		11,998	442
Investment Property		13,142	-
Investment in an associate		392	-
		261,053	210,105
Current assets			
Inventories		187,221	152,840
Trade receivables		220,685	166,648
Contract assets		29,271	22,796
Other receivables, deposits and prepayments		10,417	7,807
Investment securities		385	386
Short term deposits with licensed banks		26,063	10,477
Cash and bank balances		27,348	35,106
		501,390	396,060
Total assets		762,443	606,165
Equity attributable to owners of the Company			
Share capital		143,361	~
Invested equity		-	10,000
Retained profits		219,069	145,868
		362,430	155,868
Merger reserve		(133,361)	6
Non-controlling interests		-	2,560
Total equity		229,069	158,434
Non-current liabilities			
Bank borrowings	B8	67,521	87,056
Lease liabilities		8,292	36
Deferred tax liabilities		8,353	217
		84,166	87,309
Current liabilities			
Trade payables		131,838	164,488
Contract liabilities		9,089	-
Other payables and accruals	B8	47,946	51,849
Bank borrowings		250,286	143,024
Lease liabilities		3,854	422
Income tax payable		6,195	639
		449,208	360,422
Total liabilities		533,374	447,731
Total equity and liabilities		762,443	606,165
Net assets per share (sen) ⁽²⁾		13.98	9.67
Gearing ratio (times)		1.39	1.45

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Unaudited Condensed Consolidated Statement of Financial Position⁽¹⁾

As at 31 December 2022 (Cont'd)

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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Unaudited Condensed Consolidated Statements of Changes in Equity⁽¹⁾ for the Period Ended 31 December 2022

	Share Capital RM'000	Invested Equity RM'000	Merger Reserves RM'000	<u>Distributable</u> Retained Profits RM'000	Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
<u>12 months ended 31 December 2022</u>							
At 1 January 2022 (Audited)	~	⁽²⁾ 10,000	6	145,868	155,874	2,560	158,434
Total comprehensive income for the financial period	-	-	-	85,286	85,286	345	85,631
<u>Transaction with owners:</u>							
Increase in equity interest of a subsidiary ⁽³⁾	-	-	-	(12,095)	(12,095)	(2,905)	(15,000)
Disposal of a subsidiary ⁽⁴⁾	-	-	(6)	10	4	-	4
Acquisition of a subsidiary ⁽⁵⁾	143,361	(10,000)	(133,361)	-	-	-	-
	143,361	(10,000)	(133,367)	(12,085)	(12,091)	(2,905)	(14,996)
At 31 December 2022 (Unaudited)	143,361	-	(133,361)	219,069	229,069	-	229,069

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.
 - (5) NGH had on 20 October 2022 completed the acquisition of the entire equity interest of NSM and subsequently NSM became a wholly-owned subsidiary of NGH.
- ~ Denotes less than RM1,000

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**Unaudited Condensed Consolidated Statements of Cash Flows⁽¹⁾
for the Period Ended 31 December 2022**

	Current Year-to-date 31.12.2022 RM'000	Preceding Year- Corresponding Year- to-date ⁽²⁾ 31.12.2021 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	104,644	N/A
Adjustments for: -		
Accretion of interest	10	N/A
Allowance for slow moving inventories – addition	4,037	N/A
Allowance for slow moving inventories – reversal	(3,049)	N/A
Depreciation of property, plant and equipment	31,127	N/A
Depreciation of right-of-use assets	3,965	N/A
Fair value loss on investment securities	1	N/A
Gain on disposal of investment in subsidiary	(3)	N/A
Gain on disposal of property, plant & equipment	(108)	N/A
Interest expense	12,359	N/A
Interest income	(333)	N/A
Share of result of associate	4	N/A
Unrealised loss on foreign exchange	1,693	N/A
Operating profit before working capital changes	154,347	N/A
Increase in inventories	(35,369)	N/A
Increase in receivables	(59,549)	N/A
Decrease in payables	(15,060)	N/A
Increase in contract assets	(6,475)	N/A
Cash generated from operating activities	37,894	N/A
Income tax paid	(5,322)	N/A
Interest paid	(12,013)	N/A
Net cash generated from operating activities	20,559	N/A
CASH FLOW FROM INVESTING ACTIVITIES		
Cash flows effects of disposal of a subsidiary	(395)	N/A
Effects of acquisition of subsidiary	(15,000)	N/A
Interest received	333	N/A
Placement of fixed deposits with a licensed bank	(6,500)	N/A
Proceeds from disposal of property, plant and equipment	2,300	N/A
Purchase of property, plant and equipment	(36,705)	N/A
Net cash used in investing activities	(55,967)	N/A
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(12,500)	N/A
Drawdown of bankers' acceptance	14,264	N/A
Drawdown of term loan	55,725	N/A
Drawdown of revolving credit	1,330	N/A
Payment of lease liabilities	(4,188)	N/A
Repayment of finance lease	(17,895)	N/A
Net cash generated financing activities	36,736	N/A
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,328	N/A
CASH AND CASH EQUIVALENTS AT BEGINNING	45,583	N/A
CASH AND CASH EQUIVALENTS AT END	46,911	N/A

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	Current Year-to-date 31.12.2022 RM'000	Preceding Year Corresponding Year- to-date⁽²⁾ 31.12.2021 RM'000
Represented by:		
Cash and bank balances	27,348	N/A
Short term deposits with licensed banks	26,063	N/A
Less : Deposits pledge with licensed bank	(6,500)	N/A
	46,911	N/A

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 second interim financial report on its consolidated results for the fourth quarter ended 31 December 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 second interim financial report on the unaudited condensed consolidated financial results for the fourth quarter ended 31 December 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 31 December 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 31 December 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
	31.12.2022	Quarter	Date	Year-To-Date
	RM’000	31.12.2021 ⁽¹⁾	31.12.2022	31.12.2021 ⁽¹⁾
		RM’000	RM’000	RM’000
Networking and telecommunications	147,496	N/A	665,794	N/A
Industrial instruments	17,320	N/A	92,883	N/A
Data computing	24,623	N/A	105,050	N/A
Consumer electronics	1,105	N/A	4,138	N/A
Automotive	10,739	N/A	35,841	N/A
Semiconductor	6,117	N/A	25,659	N/A
Others ⁽²⁾	7,176	N/A	16,383	N/A
Total	214,576	N/A	945,748	N/A

(b) Contribution by geographical factors

Countries	Current Year	Preceding Year	Current	Preceding Year
	Quarter	Corresponding	Year-To-	Corresponding
	31.12.2022	Quarter	Date	Year-To-Date
	RM’000	31.12.2021 ⁽¹⁾	31.12.2022	31.12.2021 ⁽¹⁾
		RM’000	RM’000	RM’000
Malaysia	142,420	N/A	690,237	N/A
USA	15,831	N/A	47,629	N/A
China	1,918	N/A	13,535	N/A
Germany	11,393	N/A	36,897	N/A
Australia	2,592	N/A	8,314	N/A
Hong Kong	21,494	N/A	92,093	N/A
Singapore	12,314	N/A	43,875	N/A
France	5,459	N/A	10,502	N/A
Denmark	432	N/A	1,567	N/A
Others ⁽³⁾	723	N/A	1,099	N/A
Total	214,576	N/A	945,748	N/A

Notes:

- (1) No comparative figures for the preceding quarter are available as this is the Company’s second interim financial report on its consolidated results for the fourth quarter ended 31 December 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, Russia, 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

In conjunction with the Company’s listing on the ACE Market of Bursa Securities which was completed on 12 January 2023, the Company’s entire enlarged issue share capital of 2,073,933,300 shares was listed and quoted on the ACE Market of Bursa Securities, including the following:

Public issue of 435,525,900 new shares (“**Issue Shares**”) at an issue price of RM0.38 per share and were 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.

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 31 December 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
		31.12.2022	31.12.2021 ⁽¹⁾	31.12.2022	31.12.2021 ⁽¹⁾
		RM’000	RM’000	RM’000	RM’000
Purchase and installation of metal racking systems and machinery	VS	68	N/A	2,467	N/A
Purchase of spare parts and consumables for the Group’s manufacturing activities	VS	61	N/A	155	N/A
Purchase of spare parts for maintenance of building and office equipment	VS	59	N/A	247	N/A
Rental Expenses	SC	1,025	N/A	3,756	N/A
Purchase of electrical lighting equipment for the Group’s manufacturing facilities	OW	-	N/A	2	N/A

Notes:

⁽¹⁾ No comparative figures for the preceding quarter are available as this is the Company’s second interim financial report on its consolidated results for the fourth quarter ended 31 December 2022 being announced by the Company in compliance with the Listing Requirements of Bursa Securities.

A15. CAPITAL COMMITMENTS

	(Unaudited) As at 31.12.2022 RM’000	(Audited) As at 31.12.2021 RM’000
Approved and contracted for:		
- Property, Plant and Equipment	17,449	18,522
	17,449	18,522

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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 31.12.2022 RM'000	Preceding Year Corresponding Quarter 31.12.2021 RM'000	Current Year- To-Date 31.12.2022 RM'000	Preceding Year Corresponding Year-To-Date 31.12.2021 RM'000
Revenue	214,576	N/A	945,748	N/A
Gross Profit	49,266	N/A	151,477	N/A
Profit before interest and tax	35,967	N/A	117,013	N/A
Profit before tax	31,741	N/A	104,644	N/A
Profit after tax	22,193	N/A	85,631	N/A
Profit attributable to owners of the Company	22,193	N/A	85,286	N/A

In the current quarter ended 31 December 2022 and financial year-to-date, the Group recorded revenue of RM214.58 million and RM945.75 million respectively. This is mainly attributed from the networking and telecommunications segments which accounted for RM147.50 million and RM665.79 million revenue, representing 68.7% and 70.4% of the Group's total revenue respectively.

The Group's gross profit of RM49.27 million in the current quarter and RM151.48 million for the financial year-to-date is mainly attributed from the networking and telecommunications segments, which contributed RM24.44 million and RM61.12 million or 49.6% and 40.3% of the Group's gross profit respectively.

The Group recognised profit before tax of RM31.74 million for the current quarter and RM104.64 million for the financial year-to-date after deducting expenses which are mainly attributed to administration expenses amounting to RM14.10 million for the current quarter and RM40.49 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 second 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

	Current Year Quarter 31.12.2022 RM'000	Current Year Preceding Quarter 30.09.2022 RM'000
Revenue	214,576	305,170
Gross Profit	49,266	42,342
Profit before interest and tax	35,967	35,566
Profit before tax	31,741	32,399
Profit after tax	22,193	30,053
Profit attributable to owners of the Company	22,193	30,053

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PART B – ADDITIONAL INFORMATION REQUIRED BY ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

The Group's revenue for the quarter under review has decreased by 29.7% to RM214.6 million comparing to RM305.2 million in preceding quarter. Decreased in revenue was mainly caused by decreased in Networking and Telecommunication segments, which is our core customer segment contribution from RM234.8 million to RM147.5 million.

The Group's Gross Profit for the quarter under review has increased by 16.4% to RM49.3 million comparing to RM42.3 million in current year preceding quarter. Improved in gross profit was mainly caused by better margin for new product modules.

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
- (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.

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PART B – ADDITIONAL INFORMATION REQUIRED BY ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

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>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
	<u>Current Year</u>	<u>Preceding Year</u>	<u>Current</u>	<u>Preceding Year</u>
	<u>Quarter</u>	<u>Corresponding</u>	<u>Year-to-</u>	<u>Corresponding</u>
	<u>31.12.2022</u>	<u>Quarter</u>	<u>date</u>	<u>Year-to-date</u>
	<u>RM'000</u>	<u>31.12.2021⁽¹⁾</u>	<u>31.12.2022</u>	<u>31.12.2021⁽¹⁾</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
In respect of current period:				
Income tax expense	9,548	N/A	19,013	N/A
Effective tax rate (%)	30.1	N/A	18.2	N/A
Statutory tax rate (%)	24.0	N/A	24.0	N/A

NOTES:

⁽¹⁾ No comparative figures for the preceding quarter are available as this is the Company's second interim financial report on its consolidated results for the fourth quarter ended 31 December 2022 being announced by the Company in compliance with the Listing Requirements of Bursa Securities.

The Group's effective tax rate was higher than statutory tax rate for the current quarter mainly due to the increase in adjusted income that resulted in the increase of tax liability of RM2.67 million and the recognition of additional deferred tax liability of RM4.73 million as the Group has fully utilised available capital and reinvestment allowance from prior years. The effective tax rate was lower than statutory tax rate for the financial year-to-date 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 Company was successfully listed on the ACE Market of Bursa Securities on 12 January 2023.

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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 ⁽¹⁾
Purchase of machineries and equipment	5,930	3.6	110	5,820	Within 36 months
Working capital requirements	48,362	29.2	23,972	24,390	Within 24 months
Repayment of bank borrowings	105,508	63.8	50,000	55,508	Within 24 months
Estimated listing expenses	5,700	3.4	5,700	-	Within 1 month
	<u>165,500</u>	<u>100.0</u>	<u>79,782</u>	<u>85,718</u>	

Notes:

(1) From the date of listing of the Company on the ACE Market of Bursa Securities on 12 January 2023.

B8. GROUP BORROWINGS AND DEBTS SECURITIES

As at 31 December 2022	Long Term RM'000	Short Term RM'000	Total Borrowings RM'000
Secured			
Bankers' acceptance	-	127,214	127,214
Finance Leases	42,640	17,525	60,165
Term loans	24,881	91,547	116,428
Revolving credit	-	14,000	14,000
Total	67,521	250,286	317,807

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.

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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 16 March 2023.

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

(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.

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PART B – ADDITIONAL INFORMATION REQUIRED BY ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)**B10. DIVIDENDS**

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

B11. EARNINGS PER SHARE (“EPS”)

The basic and diluted 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 Quarter</u> <u>31.12.2022</u>	<u>Preceding Year Corresponding Quarter</u> <u>31.12.2021⁽¹⁾</u>	<u>Current Year-to-date</u> <u>31.12.2022</u>	<u>Preceding Year Corresponding Year-to-date</u> <u>31.12.2021⁽¹⁾</u>
Profit attributable to the Owners of the Company (RM'000)	22,193	N/A	85,286	N/A
Weighted average Number of ordinary shares in issue (RM'000)	1,638,407	N/A	1,638,407	N/A
Basic EPS (sen) ⁽²⁾	1.35	N/A	5.21	N/A
Based on enlarged ordinary shares in issue after the Pre-IPO Exercise and IPO:				
Number of ordinary shares ('000)	2,073,933	N/A	2,073,933	N/A
Diluted EPS (sen) (For illustrative purpose only) ⁽³⁾	1.07	N/A	4.11	N/A

NOTES:

- (1) No comparative figures for the preceding quarter are available as this is the Company's second interim financial report on its consolidated results for the fourth quarter ended 31 December 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.
- (3) Diluted EPS is calculated based on the Company's enlarged share capital of 2,073,933,300 ordinary shares that was listed as illustrative purposes only as the Company does not have any convertible securities as at the end of the reporting period.

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PART B – ADDITIONAL INFORMATION REQUIRED BY ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)**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>	
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
	<u>Current</u>	<u>Preceding</u>	<u>Current</u>	<u>Preceding</u>
	<u>Year</u>	<u>Year</u>	<u>Year-to-</u>	<u>Year</u>
	<u>Quarter</u>	<u>Corresponding</u>	<u>date</u>	<u>Year-to-date</u>
	<u>31.12.2022</u>	<u>Quarter⁽¹⁾</u>	<u>31.12.2022</u>	<u>31.12.2021</u>
	<u>RM'000</u>	<u>31.12.2021</u>	<u>RM'000</u>	<u>RM'000</u>
		<u>RM'000</u>		
After charging/(crediting):-				
Allowance for slow moving inventories				
- Addition	531	N/A	4,037	N/A
- Reversal	(401)	N/A	(3,049)	N/A
Depreciation of property, plant and equipment	8,553	N/A	31,127	N/A
Depreciation on right-of-use (“ROU”) assets	1,072	N/A	3,965	N/A
Fair value (gain) / loss on investment securities	(49)	N/A	1	N/A
Interest expense on:				
- Accretion of interest on lease liabilities	87	N/A	356	N/A
- Bankers' acceptance	2,035	N/A	5,657	N/A
- Bank overdraft	7	N/A	126	N/A
- Finance lease	805	N/A	3,003	N/A
- Revolving credit	167	N/A	550	N/A
- Term loans	1,125	N/A	2,677	N/A
Lease payment for:				
- Low value assets	(15)	N/A	36	N/A
- Short term leases	(20)	N/A	-	N/A
Realised gain on foreign exchange	319	N/A	1,379	N/A
Unrealised (gain) / loss on foreign exchange	(130)	N/A	1,693	N/A
And crediting:				
Dividend income	3	N/A	6	N/A

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Gain on disposal of property, plant and equipment	32	N/A	108	N/A
Gain on disposal of equity interest in a subsidiary	-	N/A	3	N/A
Interest income	220	N/A	333	N/A
Rental income	405	N/A	946	N/A

NOTES:

- (1) No comparative figures for the preceding quarter are available as this is the Company's second interim financial report on its consolidated results for the fourth quarter ended 31 December 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 23 February 2023.

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