



NATIONGATE HOLDINGS BERHAD

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 31 MARCH 2023**

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 First Quarter Ended 31 March 2023**

	Note	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		Unaudited Current Year Quarter 31.03.2023 RM'000	Unaudited Preceding Year Corresponding Quarter ⁽²⁾ 31.03.2022 RM'000	Unaudited Current Year-to- date 31.03.2023 RM'000	Unaudited Preceding Year Corresponding Year-to-date ⁽²⁾ 31.03.2022 RM'000
Revenue		157,407	N/A	157,407	N/A
Cost of sales		(127,459)	N/A	(127,459)	N/A
Gross profit		29,948	N/A	29,948	N/A
Other income		3,790	N/A	3,790	N/A
Administrative expenses		(15,505)	N/A	(15,505)	N/A
Operating profit		18,233	N/A	18,233	N/A
Finance costs		(3,821)	N/A	(3,821)	N/A
Finance income		1,045	N/A	1,045	N/A
Share of profit from an associate		1	N/A	1	N/A
Profit before tax	B12	15,458	N/A	15,458	N/A
Income tax	B5	(2,170)	N/A	(2,170)	N/A
Profit after tax		13,288	N/A	13,288	N/A
Profit attributable to:					
- Owners of the Company		13,288	N/A	13,288	N/A
- Non-controlling interest		-	N/A	-	N/A
		13,288	N/A	13,288	N/A
Total comprehensive profit attributable to:					
- Owners of the Company		13,288	N/A	13,288	N/A
- Non-controlling interest		-	N/A	-	N/A
		13,288	N/A	13,288	N/A
Earnings per share ("EPS")					
- Basic (sen) ⁽³⁾	B11	0.64	N/A	0.64	N/A

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(Incorporated in Malaysia)

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income⁽¹⁾⁽²⁾**for the First Quarter Ended 31 March 2023 (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 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) 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) Administrative expenses included non-recurring listing expenses of RM3.79 million. For illustration purposes only, the Group's normalised financial performance after adjusting for the non-recurring listing expenses is as follow:

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Unaudited Current Year Quarter 31.03.2023 RM'000	Unaudited Preceding Year Corresponding Quarter 31.03.2022⁽¹⁾ RM'000	Unaudited Current Year-to- date 31.03.2023 RM'000	Unaudited Preceding Year Corresponding Year-to-date 31.03.2022⁽¹⁾ RM'000
Profit before tax	15,458	N/A	15,458	N/A
Add : Listing expenses	3,788	N/A	3,788	N/A
Adjusted profit before tax	19,246	N/A	19,246	N/A

- (4) Basic earnings per share ("**EPS**") is calculated based on the Company's share capital of 2,073,933,300 shares in issue as at 31 March 2023. There are no dilutive instruments as at the end of the current quarter.

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 March 2023**

	Note	Unaudited As at 31.03.2023 RM'000	Audited As at 31.12.2022 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		238,529	233,547
Right-of-use assets		12,412	11,997
Investment Properties		15,041	15,116
Investment in an associate		393	393
		<u>266,375</u>	<u>261,053</u>
Current assets			
Inventories		187,900	186,329
Trade receivables		181,274	221,571
Contract assets		12,627	29,271
Other receivables, deposits and prepayments		8,604	10,417
Investment securities		312	385
Short term deposits with licensed banks		21,161	26,063
Cash and bank balances		48,528	27,348
		<u>460,406</u>	<u>501,384</u>
TOTAL ASSETS		<u>726,781</u>	<u>762,437</u>
EQUITY AND LIABILITIES			
Share capital		305,106	143,361
Merger reserve		(133,361)	(133,361)
Retained Profits		232,334	219,046
Total equity		<u>404,079</u>	<u>229,046</u>
Non-current liabilities			
Borrowings	B8	38,979	67,521
Lease liabilities		8,266	8,292
Deferred tax liabilities		8,353	8,353
		<u>55,598</u>	<u>84,166</u>
Current liabilities			
Trade payables		105,151	131,833
Contract liabilities		6,574	9,089
Other payables and accruals		44,210	47,968
Borrowings	B8	100,038	250,286
Lease liabilities		4,323	3,854
Income tax payable		6,808	6,195
		<u>267,104</u>	<u>449,225</u>
Total liabilities		<u>322,702</u>	<u>533,391</u>
Total equity and liabilities		<u>726,781</u>	<u>762,437</u>
Net assets per share (sen) ⁽²⁾		<u>19.48</u>	<u>13.98</u>
Gearing ratio (times)		<u>0.34</u>	<u>1.39</u>

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Unaudited Condensed Consolidated Statement of Financial Position⁽¹⁾

As at 31 March 2023 (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 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) Net assets per share is calculated based on the Company's number of ordinary shares in issue of 2,073,933,300 shares which restated to reflect the enlarged number of shares after the Company listed on 12 Jan 2023. The net assets per share as at 31 December 2022 is calculated based on the number of ordinary shares in issue of 1,638,407,400 shares.

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**Unaudited Condensed Consolidated Statements of Changes in Equity⁽¹⁾
for the Period Ended 31 March 2023**

	Share Capital RM'000	Merger Reserve RM'000	<u>Distributable</u> Retained Profits RM'000	Total Equity RM'000
<u>3 months ended 31 March 2023</u>				
At 1 January 2023 (Audited)	143,361	(133,361)	219,046	229,046
Issuance of shares	165,500	-	-	165,500
Share issuance expenses	(3,755)	-	-	(3,755)
Total comprehensive income for the financial period	-	-	13,288	13,288
At 31 March 2023 (Unaudited)	305,106	(133,361)	232,334	404,079

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 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.

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NATIONGATE HOLDINGS BERHAD

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**Unaudited Condensed Consolidated Statements of Cash Flows⁽¹⁾
for the Period Ended 31 March 2023**

	Current Year-to-date 31.03.2023 RM'000	Preceding Year Corresponding Year-to-date⁽²⁾ 31.03.2022 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	15,458	N/A
Adjustments for: -		
Depreciation of property, plant and equipment	8,860	N/A
Depreciation of right-of-use assets	1,091	N/A
Depreciation of investment properties	76	N/A
Fair value loss on investment securities	72	N/A
Interest expense	3,821	N/A
Interest income	(441)	N/A
Listing expenses	3,788	N/A
Share of gain of associate	(1)	N/A
Unrealised gain on foreign exchange	(2,525)	N/A
Operating profit before working capital changes	30,199	N/A
Nat changes in:		
Inventories	(1,571)	N/A
Receivables	48,579	N/A
Payables	(32,558)	N/A
Contract assets	16,644	N/A
Contract liabilities	(2,515)	N/A
Cash generated from operation	58,778	N/A
Income tax paid	(1,636)	N/A
Income tax refund	79	N/A
Interest paid	(3,729)	N/A
Net cash generated from operating activities	53,492	N/A
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	395	N/A
Placement of fixed deposits with a licensed bank	(1,000)	N/A
Purchase of property, plant and equipment	(13,842)	N/A
Net cash used in investing activities	(14,447)	N/A
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(1,154)	N/A
Payment of listing expenses	(7,542)	N/A
Proceed from issuance of shares	165,500	N/A
Repayment of bankers' acceptance	(100,683)	N/A
Repayment of term loan	(64,620)	N/A
Repayment of revolving credit	(11,000)	N/A
Repayment of hire purchase	(4,297)	N/A
Repayment of finance lease	(17)	N/A
Net cash used in financing activities	(23,813)	N/A

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**Unaudited Condensed Consolidated Statements of Cash Flows⁽¹⁾
for the Period Ended 31 March 2023 (Cond't)**

	Current Year-to-date 31.03.2023 RM'000	Preceding Year Corresponding Year-to-date⁽²⁾ 31.03.2022 RM'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,232	N/A
CASH AND CASH EQUIVALENTS AT BEGINNING	46,869	N/A
CASH AND CASH EQUIVALENTS AT END	<u>62,101</u>	<u>N/A</u>
Represented by:		
Cash and bank balances	48,528	N/A
Short term deposits with licensed banks	21,161	N/A
Less : Deposits pledge with licensed bank	<u>(7,588)</u>	<u>N/A</u>
	<u>62,101</u>	<u>N/A</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 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) No comparative figures for the preceding quarter are available as this is the Company's third interim financial report on its consolidated results for the first quarter ended 31 March 2023 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 third interim financial report on the unaudited condensed consolidated financial results for the first quarter ended 31 March 2023 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 Group’s audited financial statements for the financial year ended 31 December 2022 as disclosed in the Annual Report. 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 2022.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant 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 audited financial statements for the financial year ended 31 December 2022 as disclosed in the Annual Report 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 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

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

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

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2022.

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 March 2023.

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

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.

Saved as disclosed above, 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 March 2023.

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)**A9. SEGMENTAL INFORMATION (Cont’d)****(a) Contribution by customer segment**

By customer segments	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Year-To-Date
	31.03.2023 RM’000	31.03.2022 ⁽¹⁾ RM’000	31.03.2023 RM’000	31.03.2022 ⁽¹⁾ RM’000
Networking and telecommunications	83,811	N/A	83,811	N/A
Industrial instruments	20,011	N/A	20,011	N/A
Data computing	27,741	N/A	27,741	N/A
Consumer electronics	1,372	N/A	1,372	N/A
Automotive	12,751	N/A	12,751	N/A
Semiconductor	7,057	N/A	7,057	N/A
Others ⁽²⁾	4,664	N/A	4,664	N/A
Total	157,407	N/A	157,407	N/A

(b) Contribution by geographical factors

Countries	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Year-To-Date
	31.03.2023 RM’000	31.03.2022 ⁽¹⁾ RM’000	31.03.2023 RM’000	31.03.2022 ⁽¹⁾ RM’000
Malaysia	94,472	N/A	94,472	N/A
USA	7,954	N/A	7,954	N/A
China	1,873	N/A	1,873	N/A
Germany	7,920	N/A	7,920	N/A
Australia	5,442	N/A	5,442	N/A
Hong Kong	2,490	N/A	2,490	N/A
Singapore	28,146	N/A	28,146	N/A
France	3,234	N/A	3,234	N/A
Denmark	182	N/A	182	N/A
Others ⁽³⁾	5,694	N/A	5,694	N/A
Total	157,407	N/A	157,407	N/A

Notes:

- (1) No comparative figures for the preceding year corresponding quarter are available as this is the Company’s third interim financial report on its consolidated results for the first quarter ended 31 March 2023 being announced by the Company in compliance with the Listing Requirements of Bursa Securities.

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

- (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 and Mexico.
- N/A Not applicable

A10. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

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.

A11. CHANGES IN COMPOSITION OF THE GROUP

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.

Saved as disclosed above, there were no other material changes in the composition of the Group for the current financial quarter under review.

A12. 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 March 2023.

A13. 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”)

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
		31.03.2023	31.03.2022 ⁽¹⁾	31.03.2023	31.03.2022 ⁽¹⁾
		RM’000	RM’000	RM’000	RM’000
Purchase and installation of metal racking systems and machinery	VS	469	N/A	469	N/A
Purchase of spare parts and consumables for the Group’s manufacturing activities	VS	34	N/A	34	N/A
Purchase of spare parts for maintenance of building and office equipment	VS	47	N/A	47	N/A
Rental Expenses	SC	1,024	N/A	1,024	N/A

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

- ⁽¹⁾ No comparative figures for the preceding quarter are available as this is the Company’s third interim financial report on its consolidated results for the first quarter ended 31 March 2023 being announced by the Company in compliance with the Listing Requirements of Bursa Securities.

A14. CAPITAL COMMITMENTS

	(Unaudited) As at 31.03.2023 RM'000	(Audited) As at 31.12.2022 RM'000
Approved and contracted for:		
- Property, Plant and Equipment	19,759	17,449
	<hr/> 19,759	<hr/> 17,449

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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 31.03.2023 RM'000	Preceding Year Corresponding Quarter 31.03.2022 RM'000	Current Year- To-Date 31.03.2023 RM'000	Preceding Year Corresponding Year-To-Date 31.03.2022 RM'000
Revenue	157,407	N/A	157,407	N/A
Gross Profit	29,948	N/A	29,948	N/A
Profit before interest and tax	19,279	N/A	19,279	N/A
Profit before tax	15,458	N/A	15,458	N/A
Profit after tax	13,288	N/A	13,288	N/A
Profit attributable to owners of the Company	13,288	N/A	13,288	N/A

In the current quarter ended 31 March 2023 and financial year-to-date, the Group recorded revenue of RM157.41 million. This is mainly attributed from the networking and telecommunications segments besides data computing segments which accounted for RM83.81 million and RM27.74 million, representing 53.2% and 17.6% of the Group's total revenue respectively.

The Group's gross profit of RM29.95 million in the current quarter is mainly attributed from the data computing segment, which contributed 35.4% of the Group's gross profit.

The Group recognised profit before tax of RM15.46 million for the current quarter after deducting expenses which are mainly attributed to administration expenses amounting to RM15.10 million for the current quarter. The administrative expenses mainly consist of staff cost, depreciation, repair and maintenance costs, insurance as well as legal and professional fees. If excluding non-recurring listing expenses of RM3.79 million, adjusted normalised profit before tax would be RM19.25 million.

There are no comparative figures for the corresponding preceding quarter's results as this is the third 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 31.03.2023 RM'000	Preceding Quarter 31.12.2022 RM'000
Revenue	157,407	214,576
Gross Profit	29,948	49,266
Profit before interest and tax	19,279	35,944
Profit before tax	15,458	31,719
Profit after tax	13,288	22,170
Profit attributable to owners of the Company	13,288	22,170

The Group's revenue for the quarter under review has decreased by 26.6% to RM157.41 million comparing to RM214.58 million in preceding quarter. Decreased in revenue was mainly attributed by

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

further decreased in Networking and Telecommunication segments, which is our core customer segment contribution from RM147.5 million to RM83.8 million.

The Group's Gross Profit for the quarter under review has dropped by 39.2% to RM29.95 million comparing to RM49.27 million in preceding quarter due to decrease in revenue.

The Group's recorded lower Profit Before Tax for the quarter under review of RM15.46 million comparing to RM31.72 million due to decrease in revenue generated.

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. Although the Group has recorded normalised profit before taxation position of RM19.2 million (after adjusting for the expenses for the IPO) during the first quarter of 2023 (as compared to profit before taxation of RM31.74 million during the fourth quarter of 2022), however as a comparison against the first quarter of 2022, the Group's PBT position has improved by 3.0%. During the first quarter of the financial year, the Group experienced softer sales and expects the Group's performance to recover from the second half of 2023 onwards.

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.

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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>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>31.03.2023</u>	<u>Quarter</u>	<u>date</u>	<u>Year-to-date</u>
	<u>RM'000</u>	<u>31.03.2022⁽¹⁾</u>	<u>31.03.2023</u>	<u>31.03.2022⁽¹⁾</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
In respect of current period:				
Income tax expense	2,170	N/A	2,170	N/A
Effective tax rate (%)	14.0	N/A	14.0	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 third interim financial report on its consolidated results for the first quarter ended 31 March 2023 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

On 12 January 2023, the Company was successfully listed on the ACE Market of Bursa Securities and the Company enlarged issue share capital of 2,073,933,300 shares was listed and quoted on the ACE Market of Bursa Securities.

Save as disclosed above, there were no other corporate proposals announced but not yet implemented as at the date of this interim financial report.

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:

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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	848	5,082	Within 36 months
Working capital requirements	48,362	29.2	39,215	9,147	Within 24 months
Repayment of bank borrowings	105,508	63.8	103,685	1,823	Within 24 months
Estimated listing expenses	5,700	3.4	5,700	-	Within 1 month
	<u>165,500</u>	<u>100.0</u>	<u>149,448</u>	<u>16,052</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 March 2023	Long Term RM'000	Short Term RM'000	Total Borrowings RM'000
Secured			
Bankers' acceptance	-	28,358	28,358
Finance Leases	38,264	17,587	55,851
Term loans	715	51,093	51,808
Revolving credit	-	3,000	3,000
Total	38,979	100,038	139,017

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 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 17 July 2023.

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

B10. DIVIDENDS

On 27 April 2023, the Company proposed a Final Single Tier Dividend of 1.0 sen per share in respect of the financial year ended 31 December 2022, subject to the members' approval at the forthcoming Annual General Meeting.

On 24 May 2023, the Directors propose the first single tier interim dividend of 0.25 sen per share for the financial year ending 31 December 2023. However, the entitlement and payment dates have yet to be finalised at the moment.

B11. EARNINGS PER SHARE ("EPS")

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>Current Year</u> <u>Quarter</u> <u>31.03.2023</u>	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>31.03.2022⁽¹⁾</u>	<u>Current</u> <u>Year-to-date</u> <u>31.03.2023</u>	<u>Preceding Year</u> <u>Corresponding</u> <u>Year-to-date</u> <u>31.03.2022⁽¹⁾</u>
Profit attributable to the Owners of the Company (RM'000)	13,288	N/A	13,288	N/A
Number of ordinary shares in issue ('000)	2,073,933	N/A	2,073,933	N/A
Basic EPS (sen) ⁽²⁾	0.64	N/A	0.64	N/A

NOTES:

- (1) No comparative figures for the preceding quarter are available as this is the Company's third interim financial report on its consolidated results for the first quarter ended 31 March 2023

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being announced by the Company in compliance with the Listing Requirements of Bursa Securities.

- (2) EPS is calculated based on the Company's share capital of 2,073,933,300 ordinary shares that was listed on the ACE Market of Bursa Securities.

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 Year</u>
	<u>Year</u>	<u>Year</u>	<u>Year-to-</u>	<u>Corresponding</u>
	<u>Quarter</u>	<u>Corresponding</u>	<u>date</u>	<u>Year-to-date</u>
	<u>31.03.2023</u>	<u>31.03.2022⁽¹⁾</u>	<u>31.03.2023</u>	<u>31.03.2022⁽¹⁾</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
After charging/(crediting):-				
Depreciation of investment property	76	N/A	76	N/A
Depreciation of property, plant and equipment	8,860	N/A	8,860	N/A
Depreciation on right-of-use ("ROU") assets	1,091	N/A	1,091	N/A
Fair value loss on investment securities	72	N/A	72	N/A
Interest expense on:				
- Accretion of interest on lease liabilities	92	N/A	92	N/A
- Bankers' acceptance	1,005	N/A	1,005	N/A
- Bank overdraft	7	N/A	7	N/A
- Finance lease	824	N/A	824	N/A
- Revolving credit	133	N/A	133	N/A
- Term loans	1,760	N/A	1,760	N/A
Lease payment for:				
- Low value assets	17	N/A	17	N/A
- Short term leases	2	N/A	2	N/A
Realised loss on foreign exchange	2,432	N/A	2,432	N/A

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	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Unaudited	Unaudited	Unaudited	Unaudited
	Current	Preceding	Current	Preceding Year
	Year	Year	Year-to-	Corresponding
	Quarter	Quarter	date	Year-to-date
	31.03.2023	31.03.2022 ⁽¹⁾	31.03.2023	31.03.2022 ⁽¹⁾
	RM'000	RM'000	RM'000	RM'000
And crediting:				
Interest income	1,045	N/A	1,045	N/A
Rental income	427	N/A	427	N/A
Unrealised gain on foreign exchange	2,525	N/A	2,525	N/A

NOTES:

- (1) No comparative figures for the preceding quarter are available as this is the Company's third interim financial report on its consolidated results for the first quarter ended 31 March 2023 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 24 May 2023.

BY ORDER OF THE BOARD
NATIONGATE HOLDINGS BERHAD