



NATIONGATE HOLDINGS BERHAD

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 JUN 2023**

NATIONGATE HOLDINGS BERHAD

Registration No. 202101004230 (1404529-K)

(Incorporated in Malaysia)

**Unaudited Condensed Consolidated Statements of Comprehensive Income⁽¹⁾⁽²⁾
for the Second Quarter Ended 30 June 2023**

	Note	Individual Quarter		Cumulative Quarter	
		Unaudited Current Year Quarter	Unaudited Preceding Year Corresponding Quarter ⁽²⁾	Unaudited Current Year-to- date	Unaudited Preceding Year Corresponding Year-to-date ⁽²⁾
		30.06.2023 RM'000	30.06.2022 RM'000	30.06.2023 RM'000	30.06.2022 RM'000
Revenue		143,731	N/A	301,138	N/A
Cost of sales		(123,244)	N/A	(250,703)	N/A
Gross profit		<u>20,487</u>	<u>N/A</u>	<u>50,435</u>	<u>N/A</u>
Other income		4,274	N/A	8,064	N/A
Administrative expenses		(7,253)	N/A	(22,758)	N/A
Operating profit		<u>17,508</u>	<u>N/A</u>	<u>35,741</u>	<u>N/A</u>
Finance costs		(1,919)	N/A	(5,740)	N/A
Finance income		544	N/A	1,589	N/A
Share of profit from an associate		1	N/A	2	N/A
Profit before tax	B12	<u>16,134</u>	<u>N/A</u>	<u>31,592</u>	<u>N/A</u>
Income tax	B5	(1,811)	N/A	(3,981)	N/A
Profit after tax		<u>14,323</u>	<u>N/A</u>	<u>27,611</u>	<u>N/A</u>
Profit attributable to:					
- Owners of the Company		14,323	N/A	27,611	N/A
- Non-controlling interest		-	N/A	-	N/A
		<u>14,323</u>	<u>N/A</u>	<u>27,611</u>	<u>N/A</u>
Total comprehensive profit attributable to:					
- Owners of the Company		14,323	N/A	27,611	N/A
- Non-controlling interest		-	N/A	-	N/A
		<u>14,323</u>	<u>N/A</u>	<u>27,611</u>	<u>N/A</u>
Earnings per share ('EPS')					
- Basic (sen) ⁽⁴⁾	B11	0.69	N/A	1.33	N/A

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Registration No. 202101004230 (1404529-K)

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Unaudited Condensed Consolidated Statements of Comprehensive Income⁽¹⁾⁽²⁾ for the Second Quarter Ended 30 June 2023 (Cont'd)

NOTES:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of 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 RM3.84 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>	
	<u>Unaudited Current Year Quarter</u>	<u>Unaudited Preceding Year Corresponding Quarter⁽²⁾</u>	<u>Unaudited Current Year-to- date</u>	<u>Unaudited Preceding Year Corresponding Year-to-date⁽²⁾</u>
	<u>30.06.2023</u>	<u>30.06.2022</u>	<u>30.06.2023</u>	<u>30.06.2022</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Profit before tax	16,134	N/A	31,592	N/A
Add : Listing expenses	52	N/A	3,840	N/A
Adjusted profit before tax	16,186	N/A	35,432	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 30 June 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 Statements of Financial Position⁽¹⁾
As at 30 June 2023**

	Note	Unaudited As at 30.06.2023 RM'000	Audited As at 31.12.2022 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		240,857	233,547
Right-of-use assets		11,316	11,997
Investment Properties		14,965	15,116
Investment in an associate		394	393
		<u>267,532</u>	<u>261,053</u>
Current assets			
Inventories		185,559	186,329
Trade receivables		156,068	221,571
Contract assets		5,807	29,271
Other receivables, deposits and prepayments		11,282	10,417
Investment securities		324	385
Short term deposits with licensed banks		30,463	26,063
Cash and bank balances		31,667	27,348
		<u>421,170</u>	<u>501,384</u>
TOTAL ASSETS		<u>688,702</u>	<u>762,437</u>
EQUITY AND LIABILITIES			
Share capital		305,093	143,361
Merger reserve		(133,361)	(133,361)
Retained profits		241,472	219,046
Total equity		<u>413,204</u>	<u>229,046</u>
Non-current liabilities			
Borrowings	B8	34,597	67,521
Lease liabilities		7,165	8,292
Deferred tax liabilities		8,353	8,353
		<u>50,115</u>	<u>84,166</u>
Current liabilities			
Trade payables		88,847	131,833
Contract liabilities		883	9,089
Other payables and accruals		42,302	47,968
Borrowings	B8	81,058	250,286
Lease liabilities		4,355	3,854
Income tax payable		7,938	6,195
		<u>225,383</u>	<u>449,225</u>
Total liabilities		<u>275,498</u>	<u>533,391</u>
Total equity and liabilities		<u>688,702</u>	<u>762,437</u>
Net assets per share (sen) ⁽²⁾		<u>19.92</u>	<u>13.98</u>
Gearing ratio (times)		<u>0.28</u>	<u>1.39</u>

NATIONGATE HOLDINGS BERHAD

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**Unaudited Condensed Consolidated Statements of Financial Position⁽¹⁾
As at 30 June 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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Registration No. 202101004230 (1404529-K)

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**Unaudited Condensed Consolidated Statements of Changes in Equity⁽¹⁾
for the Period Ended 30 June 2023**

	Share Capital	Merger Reserve	<u>Distributable</u>	Total Equity
	RM'000	RM'000	Retained Profits	RM'000
			RM'000	RM'000
<u>6 months ended 30 June 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	(3,768)	-	-	(3,768)
Dividend	-	-	(5,185)	(5,185)
Total comprehensive income for the financial period	-	-	27,611	27,611
At 30 June 2023 (Unaudited)	<u>305,093</u>	<u>(133,361)</u>	<u>241,472</u>	<u>413,204</u>

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

Registration No. 202101004230 (1404529-K)

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**Unaudited Condensed Consolidated Statements of Cash Flows⁽¹⁾
for the Period Ended 30 June 2023**

	Current Year-to-date 30.06.2023 RM'000	Preceding Year Corresponding Year-to-date⁽²⁾ 30.06.2022 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	31,592	N/A
Adjustments for: -		
Depreciation of property, plant and equipment	18,090	N/A
Depreciation of right-of-use assets	2,186	N/A
Depreciation of investment properties	152	N/A
Fair value loss on investment securities	60	N/A
Gain on disposal of property, plant and equipment	(86)	N/A
Interest expense	5,740	N/A
Interest income	(1,588)	N/A
Listing expenses	3,840	N/A
Share of gain of associate	(2)	N/A
Unrealised gain on foreign exchange	(4,665)	N/A
Operating profit before working capital changes	55,319	N/A
Nat changes in:		
Inventories	770	N/A
Receivables	70,627	N/A
Payables	(48,789)	N/A
Contract assets	23,464	N/A
Contract liabilities	(8,206)	N/A
Cash generated from operation	93,185	N/A
Income tax paid	(2,777)	N/A
Income tax refund	540	N/A
Interest paid	(5,557)	N/A
Net cash generated from operating activities	85,391	N/A
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	1,498	N/A
Placement of fixed deposits with a licensed bank	(2,000)	N/A
Proceeds from disposal of property, plant and equipment	342	N/A
Purchase of property, plant and equipment	(25,657)	N/A
Net cash used in investing activities	(25,817)	N/A
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(5,185)	N/A
Payment of lease liabilities	(2,314)	N/A
Payment of listing expenses	(7,608)	N/A
Proceed from issuance of shares	165,500	N/A
Repayment of bankers' acceptance	(108,143)	N/A
Repayment of term loan	(75,226)	N/A
Repayment of revolving credit	(11,000)	N/A
Repayment of hire purchase	(8,969)	N/A
Net cash used in financing activities	(52,945)	N/A

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**Unaudited Condensed Consolidated Statements of Cash Flows⁽¹⁾
for the Period Ended 30 June 2023 (Cond't)**

	Current Year-to-date 30.06.2023 RM'000	Preceding Year Corresponding Year-to-date⁽²⁾ 30.06.2022 RM'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,629	N/A
CASH AND CASH EQUIVALENTS AT BEGINNING	46,869	N/A
CASH AND CASH EQUIVALENTS AT END	<u>53,498</u>	<u>N/A</u>
Represented by:		
Cash and bank balances	31,667	N/A
Short term deposits with licensed banks	30,463	N/A
Less : Deposits pledge with licensed bank	<u>(8,632)</u>	<u>N/A</u>
	<u>53,498</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) This is the second interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding year corresponding year-to-date quarter as no interim report was prepared for the comparative quarter concerned.
- 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 fourth interim financial report on the unaudited condensed consolidated financial results for the second quarter ended 30 June 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 and Amendments to MFRS 17 Insurance Contracts

Amendments to MFRS 17 Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 – Comparative Information

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

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

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

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

Effective for annual periods beginning on or after 1 January 2024

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

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

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

Amendments to MFRS 107 Statements of Cash Flows and MFRS 7 Financial Instruments: Disclosures - Supplier Finance Arrangements.

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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Registration No. 202101004230 (1404529-K)

(Incorporated in Malaysia)

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 30 June 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 first single tier interim dividend of 0.25 sen per ordinary share amounting to RM5,184,833.20 for the financial year ending 31 December 2023 that was declared on 29 May 2023 was paid on 30 June 2023.

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. The entitlement date and payment date are on 3 July 2023 and 17 July 2023 respectively. The shareholders had on 28 June 2023 approved the proposed final dividend.

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.

NATIONGATE HOLDINGS BERHAD

Registration No. 202101004230 (1404529-K)

(Incorporated in Malaysia)

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

By customer segments	Current Year	Preceding Year	Current	Preceding Year
	Quarter	Corresponding	Year-To-	Corresponding
	30.06.2023	Quarter ⁽¹⁾	Date	Year-To-Date ⁽¹⁾
	RM'000	30.06.2022	30.06.2023	30.06.2022
		RM'000	RM'000	RM'000
Networking and telecommunications	68,111	N/A	151,922	N/A
Industrial instruments	21,177	N/A	41,188	N/A
Data computing	20,866	N/A	48,607	N/A
Consumer electronics	9,103	N/A	10,475	N/A
Automotive	10,876	N/A	23,627	N/A
Semiconductor	8,036	N/A	15,093	N/A
Others ⁽²⁾	5,562	N/A	10,226	N/A
Total	143,731	N/A	301,138	N/A

(b) Contribution by geographical factors

Countries	Current Year	Preceding Year	Current	Preceding Year
	Quarter	Corresponding	Year-To-	Corresponding
	30.06.2023	Quarter ⁽¹⁾	Date	Year-To-Date ⁽¹⁾
	RM'000	30.06.2022	30.06.2023	30.06.2022
		RM'000	RM'000	RM'000
Malaysia	85,415	N/A	179,887	N/A
USA	4,919	N/A	12,873	N/A
China	591	N/A	2,464	N/A
Germany	8,312	N/A	16,232	N/A
Australia	3,417	N/A	8,859	N/A
Hong Kong	2,484	N/A	4,974	N/A
Singapore	21,588	N/A	49,734	N/A
France	3,980	N/A	7,214	N/A
Denmark	411	N/A	593	N/A
Others ⁽³⁾	12,614	N/A	18,308	N/A
Total	143,731	N/A	301,138	N/A

Notes:

- (1) No comparative figures for the preceding year corresponding quarter are available as this is the Company's fourth interim financial report on its consolidated results for the second quarter ended 30 June 2023 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, Mexico and India.
- N/A Not applicable

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

On 1 August 2023, the Company's wholly owned subsidiary, NationGate System Sdn Bhd ("NSY"), entered into a Sale and Purchase Agreement to acquire the piece of land measuring 17,501.5768 square metres and hereditaments, for a total cash consideration of Ringgit Malaysia Twenty Three Million and Eight Hundred Thousand only (RM23,800,000.00). The land is a leasehold land with tenure of 60 years expiring on 18 September 2049.

NATIONGATE HOLDINGS BERHAD

Registration No. 202101004230 (1404529-K)

(Incorporated in Malaysia)

Saved 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.

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.

During the financial period, the Company incorporated the following wholly-owned subsidiaries.

Company Name	Incorporation Date	Paid Up Capital
NationGate Computing Sdn Bhd ("NCS")	7-Jun-23	RM10,000.00
CloudGate Technology Sdn Bhd ("CTS")	19-Jun-23	RM2.00

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 date of the last annual statement of financial position.

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 ⁽¹⁾	Current Year-To-Date	Preceding Year Corresponding Year-To-Date ⁽¹⁾
		30.06.2023	30.06.2022	30.06.2023	30.06.2022
		RM'000	RM'000	RM'000	RM'000
Purchase and installation of metal racking systems and machinery	VS	103	N/A	572	N/A
Purchase of spare parts and consumables for the Group's manufacturing activities	VS	83	N/A	117	N/A
Purchase of spare parts for maintenance of building and office equipment	VS	159	N/A	206	N/A
Rental Expenses	SC	893	N/A	1,917	N/A

Notes:

- (1) No comparative figures for the preceding year corresponding quarter are available as this is the Company's fourth interim financial report on its consolidated results for the second quarter ended 30 June 2023 being announced by the Company in compliance with the Listing Requirements of Bursa Securities.

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A14. CAPITAL COMMITMENTS

	(Unaudited)	(Audited)
	As at	As at
	30.06.2023	31.12.2022
	RM'000	RM'000
Approved and contracted for:		
- Property, Plant and Equipment	33,746	17,449
	<u>33,746</u>	<u>17,449</u>

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Registration No. 202101004230 (1404529-K)

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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 30.06.2023 RM'000	Preceding Year Corresponding Quarter ⁽¹⁾ 30.06.2022 RM'000	Current Year- To-Date 30.06.2023 RM'000	Preceding Year Corresponding Year-To-Date ⁽¹⁾ 30.06.2022 RM'000
Revenue	143,731	N/A	301,138	N/A
Gross Profit	20,487	N/A	50,435	N/A
Profit before interest and tax	18,053	N/A	37,332	N/A
Profit before tax	16,134	N/A	31,592	N/A
Profit after tax	14,323	N/A	27,611	N/A
Profit attributable to owners of the Company	14,323	N/A	27,611	N/A

In the current quarter ended 30 June 2023 and financial year-to-date, the Group recorded revenue of RM143.73 million and 301.14 million respectively. This is mainly attributed from the networking and telecommunications segments which accounted for RM68.11 million and RM151.92 million revenue, representing 47.4% and 50.4% of the Group's total revenue respectively.

The Group's gross profit of RM20.49 million in the current quarter and RM50.44 million for the financial year to date is mainly attributed from the data computing segment, which contributed 46.8% of the Group's gross profit.

The Group recognised profit before tax of RM16.13 million for the current quarter and RM31.59 million for the financial year-to-date after deducting expenses which are mainly attributed to administration expenses amounting to RM7.25 million for the current quarter and RM22.76 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. If excluding non-recurring listing expenses of RM0.05 million for the current quarter and RM3.84 million for the financial year-to-date, the adjusted normalised profit before tax would be RM16.19 million for the current quarter and RM35.43 million for the financial year-to-date.

There are no comparative figures for the preceding year corresponding quarter's results as this is the fourth 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 Quater 30.06.2023 RM'000	Current Year Preceding Quater 31.03.2023 RM'000
Revenue	143,731	157,407
Gross Profit	20,487	29,948
Profit before interest and tax	18,053	19,279
Profit before tax	16,134	15,458
Profit after tax	14,323	13,288
Profit attributable to owners of the Company	14,323	13,288

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Registration No. 202101004230 (1404529-K)

(Incorporated in Malaysia)

The Group's revenue for the quarter under review has decreased by 8.7% to RM143.73 million comparing to RM157.41 million in preceding quarter. Decreased in revenue was mainly attributed by further decreased in Networking and Telecommunication and Data Computing segments, which decreased by RM15.70 million and RM6.88 million respectively. The decrease has been diminished by increased revenue generated from Consumer Electronics segment by RM7.73 million.

The Group's Gross Profit for the quarter under review has dropped by 31.6% to RM20.49 million comparing to RM29.95 million in preceding quarter mainly due to decrease in revenue.

The Group's recorded higher Profit Before Tax for the quarter under review of RM16.13 million comparing to RM15.46 million due to decrease in listing expenses and finance cost.

B3. PROSPECTS OF THE GROUP

The International Monetary Fund has projected the global growth to fall from 3.4 percent in 2022 to 2.9 percent in 2023. Meanwhile, Gartner's published in its April 2023 update that global semiconductor revenue is projected to decline 11.2% in 2023.

Despite of the overall outlook as disclosed, the Group believes that its financial performance for the year ending 31 December 2023 and its prospects are favorable taking into consideration the Group's competitive strengths and business strategies as set out in Section 6.5.6 and Section 6.6.1 of the Prospectus respectively.

The fast-paced 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 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>30.06.2023</u>	<u>Quarter⁽¹⁾</u>	<u>date</u>	<u>Year-to-date⁽¹⁾</u>
	<u>RM'000</u>	<u>30.06.2022</u>	<u>30.06.2023</u>	<u>30.06.2022</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
In respect of current period:				
Income tax expense	1,811	N/A	3,981	N/A
Effective tax rate (%)	11.2	N/A	12.6	N/A
Statutory tax rate (%)	24.0	N/A	24.0	N/A

NOTES:

⁽¹⁾ No comparative figures for the preceding year corresponding quarter are available as this is the Company's fourth interim financial report on its consolidated results for the Second quarter ended 30 June 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.

NATIONGATE HOLDINGS BERHAD

Registration No. 202101004230 (1404529-K)

(Incorporated in Malaysia)

B6. STATUS OF CORPORATE PROPOSALS

On 26 May 2023, the Company announced its intention to undertake a long-term incentive plan of up to 15.0% of the Company's total issued share capital (excluding treasury shares, if any) for eligible Directors and employees of NGH group who fulfil the eligibility criteria as set out in the By-Laws of the LTIP ("Proposed LTIP"). The Proposed LTIP comprises of a share grant plan ("Proposed SGP") and a share option plan ("Proposed SOP").

Bursa Malaysia Securities Berhad ("Bursa Securities") had granted approval on 16 June 2023 and the Proposed LTIP was approved by the shareholders at an Extraordinary General Meeting held on 20 July 2023.

Save as disclosed above, there were no corporate proposals announced but not completed 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:

Utilisation of proceeds	Propose	Percentage	Actual	Unutilised	Estimated timeframe for utilisation from Listing ⁽¹⁾
	Utilisation	of Utilisation	Utilisation	Amount	
	RM'000	%	RM'000	RM'000	
Purchase of machineries and equipment	5,930	3.6	1,836	4,094	Within 36 months
Working capital requirements	48,362	29.2	48,096	266	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>159,317</u>	<u>6,183</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 30 June 2023	Long Term	Short Term	Total Borrowings
	RM'000	RM'000	RM'000
Secured			
Bankers' acceptance	-	20,257	20,257
Finance leases	33,955	17,241	51,196
Term loans	642	40,560	41,202
Revolving credit	-	3,000	3,000
Total	<u>34,597</u>	<u>81,058</u>	<u>115,655</u>

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.

NATIONGATE HOLDINGS BERHAD

Registration No. 202101004230 (1404529-K)

(Incorporated in Malaysia)

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 October 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. The entitlement date and payment date are on 3 July 2023 and 17 July 2023 respectively. The shareholders had on 28 June 2023 approved the proposed final dividend.

On 24 May 2023, the Directors proposed the first single tier interim dividend of 0.25 sen per share for the financial year ending 31 December 2023. On 29 May 2023, the Company announced that the entitlement date and payment date are on 14 June 2023 and 30 June 2023 respectively.

On 29 August 2023, the Company proposed and announced the second single tier interim dividend of 0.25 sen per share for the financial year ending 31 December 2023. The entitlement date and payment date are on 29 September 2023 and 12 October 2023 respectively.

B11. EARNINGS PER SHARE ("EPS")

	<u>Individual Quarter</u>		<u>Cumulative Period</u>	
	<u>Current Year Quarter</u>	<u>Preceding Year Corresponding Quarter⁽¹⁾</u>	<u>Current Year-to- date</u>	<u>Preceding Year Corresponding Year-to-date⁽¹⁾</u>
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Profit attributable to the Owners of the Company (RM'000)	14,323	N/A	27,611	N/A
Number of ordinary shares in issue ('000)	2,073,933	N/A	2,073,933	N/A
Basic EPS (sen) ⁽²⁾	0.69	N/A	1.33	N/A

NOTES:

(1) No comparative figures for the preceding year corresponding quarter are available as this is the Company's fourth interim financial report on its consolidated results for the second quarter ended 30 June 2023 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.

NATIONGATE HOLDINGS BERHAD

Registration No. 202101004230 (1404529-K)

(Incorporated in Malaysia)

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>Current</u> <u>Year</u> <u>Quarter</u> <u>30.06.2023</u> <u>RM'000</u>	<u>Unaudited</u> <u>Preceding</u> <u>Year</u> <u>Corresponding</u> <u>Quarter⁽¹⁾</u> <u>30.06.2022</u> <u>RM'000</u>	<u>Unaudited</u> <u>Current</u> <u>Year-to-</u> <u>date</u> <u>30.06.2023</u> <u>RM'000</u>	<u>Unaudited</u> <u>Preceding Year</u> <u>Corresponding</u> <u>Year-to-date⁽¹⁾</u> <u>30.06.2022</u> <u>RM'000</u>
After charging/(crediting):-				
Depreciation of investment property	76	N/A	152	N/A
Depreciation of property, plant and equipment	9,230	N/A	18,090	N/A
Depreciation on right-of-use ("ROU") assets	1,095	N/A	2,186	N/A
Fair value loss on investment securities	(12)	N/A	60	N/A
Interest expense on:				
- Accretion of interest on lease liabilities	91	N/A	183	N/A
- Bankers' acceptance	288	N/A	1,293	N/A
- Bank overdraft	4	N/A	11	N/A
- Finance lease	753	N/A	1,577	N/A
- Revolving credit	23	N/A	156	N/A
- Term loans	760	N/A	2,520	N/A
Lease payment for:				
- Low value assets	19	N/A	36	N/A
- Short term leases	2	N/A	4	N/A
And crediting:				
Gain on disposal of property, plant and equipment	86	N/A	86	N/A
Interest income	543	N/A	1,588	N/A
Rental income	525	N/A	952	N/A
Realised gain on foreign exchange	3,421	N/A	989	N/A
Unrealised gain on foreign exchange	2,140	N/A	4,665	N/A

NOTES:

- (1) No comparative figures for the preceding year corresponding quarter are available as this is the Company's fourth interim financial report on its consolidated results for the second quarter ended 30 June 2023 being announced by the Company in compliance with the Listing Requirements of Bursa Securities.

NATIONGATE HOLDINGS BERHAD

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

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 29 August 2023.

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