



NATIONGATE HOLDINGS BERHAD

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023**

NATIONGATE HOLDINGS BERHAD

Registration No. 202101004230 (1404529-K)

(Incorporated in Malaysia)

Unaudited Condensed Consolidated Statements of Comprehensive Income⁽¹⁾ for the Third Quarter Ended 30 September 2023

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-to- date	Preceding Year Corresponding Year-to-date
		30.09.2023 RM'000	30.09.2022 RM'000	30.09.2023 RM'000	30.09.2022 RM'000
Revenue		165,581	305,170	466,719	731,172
Cost of sales		(135,071)	(262,828)	(385,774)	(628,961)
Gross profit		30,510	42,342	80,945	102,211
Other income		2,088	409	10,152	5,111
Administrative expenses		(10,149)	(7,219)	(32,907)	(26,389)
Operating profit		22,449	35,532	58,190	80,933
Finance costs		(2,020)	(3,167)	(7,760)	(8,143)
Finance income		529	34	2,118	113
Share of profit from an associate		1	-	3	-
Profit before tax	B12	20,959	32,399	52,551	72,903
Income tax	B5	(3,681)	(2,346)	(7,662)	(9,465)
Profit after tax		17,278	30,053	44,889	63,438
Profit attributable to:					
- Owners of the Company		17,278	30,053	44,889	63,093
- Non-controlling interest		-	-	-	345
		17,278	30,053	44,889	63,438
Total comprehensive profit attributable to:					
- Owners of the Company		17,278	30,053	44,889	63,093
- Non-controlling interest		-	-	-	345
		17,278	30,053	44,889	63,438
Earnings per share ("EPS")					
- Basic (sen) ⁽³⁾	B11	0.83	1.83	2.16	3.85

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) 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:

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- to-date	Preceding Year Corresponding Year-to-date
	30.09.2023 RM'000	30.09.2022 RM'000	30.09.2023 RM'000	30.09.2022 RM'000
Profit before tax	20,959	32,399	52,551	72,903
Add : Listing expenses	-	-	3,840	-
Adjusted profit before tax	20,959	32,399	56,391	72,903

- (3) 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 September 2023 (30 September 2022 : 1,638,407,400 ordinary shares). There are no dilutive instruments as at the end of the current quarter.

N/A Not applicable.

NATIONGATE HOLDINGS BERHAD

Registration No. 202101004230 (1404529-K)

(Incorporated in Malaysia)

**Unaudited Condensed Consolidated Statements of Financial Position⁽¹⁾
As at 30 September 2023**

	Note	Unaudited As at 30.09.2023 RM'000	Audited As at 31.12.2022 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		245,184	233,547
Right-of-use assets		10,208	11,997
Investment property		14,889	15,116
Investment in an associate		395	393
		<u>270,676</u>	<u>261,053</u>
Current assets			
Inventories		218,756	186,329
Trade receivables		166,031	221,571
Contract assets		8,222	29,271
Other receivables, deposits and prepayments		15,158	10,417
Investment securities		325	385
Short term deposits with licensed banks		25,830	26,063
Cash and bank balances		17,318	27,348
		<u>451,640</u>	<u>501,384</u>
TOTAL ASSETS		<u>722,316</u>	<u>762,437</u>
EQUITY AND LIABILITIES			
Share capital		305,092	143,361
Merger reserve		(133,361)	(133,361)
Retained profits		232,826	219,046
Total equity		<u>404,557</u>	<u>229,046</u>
Non-current liabilities			
Borrowings	B8	30,482	67,521
Lease liabilities		6,055	8,292
Deferred tax liabilities		9,637	8,353
		<u>46,174</u>	<u>84,166</u>
Current liabilities			
Trade payables		116,756	131,833
Contract liabilities		883	9,089
Other payables and accruals		50,603	47,968
Borrowings	B8	95,082	250,286
Lease liabilities		4,387	3,854
Income tax payable		3,874	6,195
		<u>271,585</u>	<u>449,225</u>
Total liabilities		<u>317,759</u>	<u>533,391</u>
Total equity and liabilities		<u>722,316</u>	<u>762,437</u>
Net assets per share (sen) ⁽²⁾		<u>19.51</u>	<u>13.98</u>
Gearing ratio (times)		0.31	1.39

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 as at 30 September 2023 (31 December 2022 : 1,638,407,400 shares).

NATIONGATE HOLDINGS BERHAD

Registration No. 202101004230 (1404529-K)

(Incorporated in Malaysia)

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

	Share Capital	Merger Reserve	<u>Distributable</u> Retained Profits	Total Equity
	RM'000	RM'000	RM'000	RM'000
<u>9 months ended 30 September 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	(3,769)	-	-	(3,769)
Dividend	-	-	(31,109)	(31,109)
Total comprehensive income for the financial period	-	-	44,889	44,889
At 30 September 2023 (Unaudited)	<u>305,092</u>	<u>(133,361)</u>	<u>232,826</u>	<u>404,557</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.

[The remainder of this page is intentionally left blank]

NATIONGATE HOLDINGS BERHAD

Registration No. 202101004230 (1404529-K)

(Incorporated in Malaysia)

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

	Current Year-to-date 30.09.2023 RM'000	Preceding Year Corresponding Year-to-date 30.09.2022 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	52,551	72,902
Adjustments for: -		
Accretion of interest	-	9
Allowance for slow moving inventories – addition	2,297	3,506
Allowance for slow moving inventories - reversal	(2,196)	(2,648)
Depreciation of property, plant and equipment	27,854	22,574
Depreciation of right-of-use assets	3,294	2,893
Depreciation of investment properties	228	-
Fair value loss on investment securities	60	50
Gain on disposal of investment in securities	-	(3)
Gain on disposal of property, plant and equipment	(86)	(76)
Interest expense	7,760	8,134
Interest income	(2,118)	(113)
Listing expenses	3,840	-
Share of gain of associate	(3)	-
Unrealised gain on foreign exchange	(3,075)	(1,823)
Operating profit before working capital changes	90,406	105,405
Net changes in:		
Inventories	(32,529)	(41,138)
Receivables	56,175	(83,422)
Payables	(13,508)	55,219
Contract assets	21,049	(24,558)
Contract liabilities	(8,206)	-
Cash generated from operation	113,387	11,506
Income tax paid	(9,238)	(2,697)
Income tax refund	540	-
Interest paid	(7,495)	(7,873)
Net cash generated from operating activities	97,194	936
CASH FLOW FROM INVESTING ACTIVITIES		
Cash flows effects of disposal of a subsidiary	-	(395)
Effects of acquisition of subsidiary	-	(5,000)
Interest received	1,977	113
Placement of fixed deposits with a licensed bank	(3,000)	(3,000)
Proceeds from disposal of property, plant and equipment	1,127	2,268
Purchase of property, plant and equipment	(40,532)	(34,324)
Net cash used in investing activities	(40,428)	(40,338)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(31,109)	(12,500)
Payment of lease liabilities	(3,473)	(3,056)
Payment of listing expenses	(7,608)	-
Proceed from issuance of shares	165,500	-
(Repayment) / Drawdown of bankers' acceptance	(87,751)	58,020
(Repayment) / Drawdown of term loan	(86,418)	16,467
(Repayment) / Drawdown of revolving credit	(6,000)	1,398
Repayment of hire purchase	(13,311)	(12,862)
Net cash (used in) / generated from financing activities	(70,170)	47,467

NATIONGATE HOLDINGS BERHAD

Registration No. 202101004230 (1404529-K)

(Incorporated in Malaysia)

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

	Current Year-to-date 30.09.2023 RM'000	Preceding Year Corresponding Year-to-date 30.09.2022 RM'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	(13,404)	8,065
CASH AND CASH EQUIVALENTS AT BEGINNING	46,869	45,584
CASH AND CASH EQUIVALENTS AT END	33,465	53,649
Represented by:		
Cash and bank balances	17,318	27,415
Short term deposits with licensed banks	25,830	29,234
Less: Deposits pledge with licensed bank	(9,683)	(3,000)
	33,465	53,649

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.

[The remainder of this page is intentionally left blank]

NATIONGATE HOLDINGS BERHAD

Registration No. 202101004230 (1404529-K)

(Incorporated in Malaysia)

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.

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.

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.

NATIONGATE HOLDINGS BERHAD

Registration No. 202101004230 (1404529-K)

(Incorporated in Malaysia)

A4. SEASONAL OR CYCLICAL FACTORS

The Group's operation was not significantly affected by any unusual seasonal or cyclical factors.

A5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

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

The final single tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2022 that was approved by shareholders on 28 June 2023 was paid on 17 July 2023.

The second single tier interim dividend of 0.25 sen per ordinary share amounting to RM5,184,833.18 for the financial year ending 31 December 2023 that was declared on 29 August 2023 was paid on 12 October 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.

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
	30.09.2023	Quarter	Date	Year-To-Date
	RM'000	30.09.2022	30.09.2023	30.09.2022
		RM'000	RM'000	RM'000
Networking and telecommunications	76,663	228,007	228,585	511,507
Industrial instruments	25,404	29,165	66,592	83,687
Data computing	28,522	15,423	77,129	67,934
Consumer electronics	6,800	1,855	17,275	2,894
Automotive	13,689	18,850	37,316	34,571
Semiconductor	9,975	7,256	25,068	19,542
Others ⁽¹⁾	4,528	4,614	14,754	11,037
Total	165,581	305,170	466,719	731,172

(b) Contribution by geographical factors

Countries	Current Year	Preceding Year	Current	Preceding Year
	Quarter	Corresponding	Year-To-	Corresponding
	30.09.2023	Quarter	Date	Year-To-Date
	RM'000	30.09.2022	30.09.2023	30.09.2022
		RM'000	RM'000	RM'000
Malaysia	90,392	231,728	270,279	548,633
USA	6,510	16,305	19,383	30,643
China	3,560	3,471	6,024	9,986
Germany	12,729	16,348	28,961	29,743
Australia	4,688	2,253	13,547	6,398
Hong Kong	3,023	17,044	7,997	64,448
Singapore	28,091	15,844	77,825	34,384
France	3,410	1,326	10,624	5,197
Denmark	178	276	771	905
Others ⁽²⁾	13,000	575	31,308	835
Total	165,581	305,170	466,719	731,172

Notes:

- (1) Mainly consists of manufacturers of medical devices, Internet of Things, household electronic products and analytical instrumentation devices.
- (2) Other countries include Taiwan, Thailand, United Kingdom, Mexico and India.

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

There were no 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.

NATIONGATE HOLDINGS BERHAD

Registration No. 202101004230 (1404529-K)

(Incorporated in Malaysia)

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	Current Year-To-Date	Preceding Year Corresponding Year-To-Date
		30.09.2023	30.09.2022	30.09.2023	30.09.2022
		RM'000	RM'000	RM'000	RM'000
Purchase and installation of metal racking systems and machinery	VS	223	542	795	2,399
Purchase of spare parts and consumables for the Group's manufacturing activities	VS	144	45	261	94
Purchase of spare parts for maintenance of building and office equipment	VS	73	112	279	188
Rental Expenses	SC	1,024	1,024	2,941	2,731

A14. CAPITAL COMMITMENTS

	(Unaudited) As at 30.09.2023 RM'000	(Audited) As at 31.12.2022 RM'000
Approved and contracted for:		
- Property, Plant and Equipment	52,745	17,449
	<u>52,745</u>	<u>17,449</u>

NATIONGATE HOLDINGS BERHAD

Registration No. 202101004230 (1404529-K)

(Incorporated in Malaysia)

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

B1. REVIEW OF PERFORMANCE

	Current Year Quarter 30.09.2023 RM'000	Preceding Year Corresponding Quarter 30.09.2022 RM'000	Current Year- To-Date 30.09.2023 RM'000	Preceding Year Corresponding Year-To-Date 30.09.2022 RM'000
Revenue	165,581	305,170	466,719	731,172
Gross Profit	30,510	42,342	80,945	102,211
Profit before interest and tax	22,449	35,566	58,190	81,046
Profit before tax	20,959	32,399	52,551	72,903
Profit after tax	17,278	30,053	44,889	63,438
Profit attributable to owners of the Company	17,278	30,053	44,889	63,093

Comparison with preceding year corresponding quarter

The Group's revenue decreased 45.7% to RM165.6 million from RM305.2 million in the preceding year corresponding quarter mainly attributed by the lower demand especially from Networking and Telecommunication segments.

The Group's gross profit decreased by 27.9% and profit before tax decreased by 35.3% as a result of decreased in revenue. However, the improvement in gross profit margin and profit before tax margin was mainly attributed by favorable product mix.

Comparison with preceding year corresponding year-to-date

For the financial period ended 30 September 2023, the Group recorded RM466.7 million revenue, representing a decreased of 36.2% from RM731.2 million revenue recorded in the preceding financial year-to-date. This was mainly caused by the lower demand especially from Networking and Telecommunication segments.

Consequently, both gross profit and profit before tax decreased by 20.8% and 27.9% respectively. If excluding non-recurring listing expenses of RM3.84 million for the financial year-to-date, the adjusted normalised profit before tax would be RM56.39 million for the financial year-to-date. The improvement in gross profit margin and profit before tax margin was mainly attributed by favorable product mix.

B2. COMPARISON WITH IMMEDIATE-PRECEDING QUARTER'S RESULTS

	Current Year Quater 30.09.2023 RM'000	Current Year Preceding Quater 30.06.2023 RM'000
Revenue	165,581	143,731
Gross Profit	30,510	20,487
Profit before interest and tax	22,449	18,053
Profit before tax	20,959	16,134
Profit after tax	17,278	14,323
Profit attributable to owners of the Company	17,278	14,323

NATIONGATE HOLDINGS BERHAD

Registration No. 202101004230 (1404529-K)

(Incorporated in Malaysia)

B2. COMPARISON WITH IMMEDIATE-PRECEDING QUARTER'S RESULTS (Cont'd)

The Group's revenue for the quarter under review has increased by 15.2% to RM165.58 million comparing to RM143.73 million in preceding quarter. Increased in revenue was mainly attributed by further increased in revenue generated from Networking and Telecommunication and Data Computing segments, which increased by RM8.55 million and RM7.66 million respectively. The increase has been diminished by decreased revenue generated from Consumer Electronics segment by RM2.30 million.

Consequently, the Group's gross profit and profit before tax for the quarter under review has increased by 48.9% and 29.9% to RM30.51 million and RM20.96 million mainly due to increase in revenue besides favorable product mix.

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-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 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>	
	Current Year Quarter 30.09.2023 RM'000	Preceding Year Corresponding Quarter 30.09.2022 RM'000	Current Year- to-date 30.09.2023 RM'000	Preceding Year Corresponding Year-to-date 30.09.2022 RM'000
In respect of current period:				
Income tax expense	3,681	2,346	7,662	9,465
Effective tax rate (%)	17.6	7.2	14.6	13.0
Statutory tax rate (%)	24.0	24.0	24.0	24.0

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 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

NATIONGATE HOLDINGS BERHAD

Registration No. 202101004230 (1404529-K)

(Incorporated in Malaysia)

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 September 2023	Long Term	Short Term	Total Borrowings
	RM'000	RM'000	RM'000
Secured			
Bankers' acceptance	-	40,700	40,700
Finance leases	29,913	16,941	46,854
Term loans	569	29,441	30,010
Revolving credit	-	8,000	8,000
Total	<u>30,482</u>	<u>95,082</u>	<u>125,564</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.

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

NATIONGATE HOLDINGS BERHAD

Registration No. 202101004230 (1404529-K)

(Incorporated in Malaysia)

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 20 December 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 12 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.

On 14 November 2023, the Company declared an interim single tier dividend of 0.25 sen per share for the financial year ending 31 December 2023. The entitlement and payment dates of the aforesaid Dividend have yet to be finalised at the moment. A further announcement will be made at a later date upon finalisation of the entitlement and payment dates of the above.

B11. EARNINGS PER SHARE ("EPS")

	<u>Individual Quarter</u>		<u>Cumulative Period</u>	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-to-date	Preceding Year Corresponding Year-to-date
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
Profit attributable to the Owners of the Company (RM'000)	17,278	30,053	44,889	63,093
Number of ordinary shares in issue ('000)	2,073,933	1,638,407	2,073,933	1,638,407
Basic EPS (sen) ⁽¹⁾	0.83	1.83	2.16	3.85

NOTES:

- (1) EPS is calculated based on the Company's number of ordinary share in issue of 2,073,933,300 shares as at 30 September 2023 (30 September 2022 : 1,638,407,400 shares).

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>Current Year Quarter</u>	<u>Preceding Year Corresponding Quarter</u>	<u>Current Year-to- date</u>	<u>Preceding Year Corresponding Year-to-date</u>
	<u>30.09.2023</u>	<u>30.09.2022</u>	<u>30.09.2023</u>	<u>30.09.2022</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
After charging/(crediting):				
Allowance for slow moving inventories				
-Addition	-	-	2,297	3,506
-Reversal	-	-	(2,196)	(2,648)
Depreciation of investment property	76	-	228	-
Depreciation of property, plant and equipment	9,764	7,589	27,854	22,574
Depreciation on right-of-use ("ROU") assets	1,108	1,072	3,294	2,893
Fair value (gain)/loss on investment securities	-	17	60	50
Interest expense on :				
-Accretion of interest on lease liabilities	39	94	222	269
-Bankers' acceptance	562	1,582	1,855	3,622
-Bank overdraft	6	41	17	119
-Finance lease	738	750	2,315	2,198
-Revolving credit	35	147	191	383
- Term loans	642	553	3,162	1,552
Lease payment for:				
- Low value assets	20	18	56	51
- Short term leases	7	7	11	20
And crediting:				
Dividend Income	-	-	3	3
Gain on disposal of property, plant and equipment	-	1	86	76
Gain on disposal of equity interest in a subsidiary	-	3	-	3
Interest income	530	79	2,118	113
Rental income	405	406	1,357	541
Realised gain on foreign exchange	3,035	1,129	4,024	1,060
Unrealised gain/(loss) on foreign exchange	(1,590)	(1,097)	3,075	1,823

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 14 November 2023.

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