



HE GROUP BERHAD

*(Registration No. 202301016404 (1510326-M))
(Incorporated in Malaysia under the Companies Act 2016)*

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2024

HE GROUP BERHAD

(Registration No: 202301016404 (1510326-M))
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ⁽¹⁾

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER 30.06.2024 Unaudited RM'000	PRECEDING CORRESPONDING QUARTER 30.06.2023 ⁽²⁾ Unaudited RM'000	CURRENT YEAR-TO- DATE 30.06.2024 Unaudited RM'000	PRECEDING YEAR-TO- DATE 30.06.2023 ⁽²⁾ Unaudited RM'000
Revenue	48,897	N/A	113,731	N/A
Cost of sales	(40,958)	N/A	(98,355)	N/A
Gross profit	7,939	N/A	15,376	N/A
Other income	393	N/A	853	N/A
Administrative expenses ⁽³⁾	(2,648)	N/A	(7,572)	N/A
Net loss on impairment of financial assets	(24)	N/A	(20)	N/A
Profit from operations	5,660	N/A	8,637	N/A
Finance costs	(104)	N/A	(265)	N/A
Profit before tax ⁽³⁾	5,556	N/A	8,372	N/A
Taxation	(1,350)	N/A	(2,667)	N/A
Profit after tax	4,206	N/A	5,705	N/A
Other comprehensive income	-	N/A	-	N/A
Total comprehensive income for the financial periods	4,206	N/A	5,705	N/A
Total comprehensive income for the financial periods attributable to:				
Owners of the company	4,206	N/A	5,705	N/A
Non-controlling interest	-		-	
	4,206	N/A	5,705	N/A
Basic and diluted earnings per share (sen) ⁽⁴⁾	0.96	N/A	1.30	N/A

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(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ⁽¹⁾

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income are disclosed in Note A1 and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2023 and the accompanying explanatory notes attached in the interim financial report.
- (2) This is the first interim financial report for the second quarter ended 30 June 2024 being announced in compliance with the ACE Market Listing Requirements ("**Listing Requirements**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"). There are no comparative figures for the preceding corresponding quarter and period as there is no interim financial report prepared for the comparative period concerned.
- (3) Administrative expenses included non-recurring listing expenses of approximately RM2.65 million for the cumulative financial quarter. For illustration purposes only, the Group's financial performance after adjusting for the non-recurring listing expenses is as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30.06.2024 RM'000	30.06.2023 ⁽²⁾ RM'000	30.06.2024 RM'000	30.06.2023 ⁽²⁾ RM'000
Profit before tax	5,556	N/A	8,372	N/A
Add : Listing expenses	-	N/A	2,650	N/A
Adjusted profit before tax	5,556	N/A	11,022	N/A

- (4) Basic and diluted earnings per share ("**EPS**") is calculated based on profit after tax attributable to owners of the Company and divided by the Company's enlarged share capital of 440,000,000 shares pursuant to completion of the initial public offering ("**IPO**") of the Company. No diluted earnings per share is computed as the Company does not have dilutive potential ordinary shares as at the end of the financial period.

N/A Not applicable.

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HE GROUP BERHAD

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ⁽¹⁾

	UNAUDITED 30.06.2024 RM'000	AUDITED 31.12.2023 RM'000
Non-current Assets		
Property, plant and equipment	3,079	3,110
Investment properties	1,180	1,180
Receivables	804	784
	<u>5,063</u>	<u>5,074</u>
Current Assets		
Inventories	1,730	1,938
Receivables	55,900	61,479
Contract assets	7,463	1,723
Cash and cash equivalents	46,183	22,918
	<u>111,276</u>	<u>88,058</u>
TOTAL ASSETS	<u>116,339</u>	<u>93,132</u>
EQUITY		
Share capital	38,997	15,890
Merger reserve	(14,890)	(14,890)
Retained earnings	31,555	25,850
TOTAL EQUITY	<u>55,662</u>	<u>26,850</u>
Non-current Liabilities		
Borrowings	997	1,175
Lease liabilities	1,085	1,084
Deferred tax liabilities	86	86
	<u>2,168</u>	<u>2,345</u>
Current Liabilities		
Payables	39,900	31,908
Contract liabilities	14,705	29,535
Tax payable	3,112	1,681
Borrowings	353	344
Lease liabilities	439	469
	<u>58,509</u>	<u>63,937</u>
TOTAL LIABILITIES	<u>60,677</u>	<u>66,282</u>
TOTAL EQUITY AND LIABILITIES	<u>116,339</u>	<u>93,132</u>
Net assets per share (RM) ⁽²⁾	0.13	0.06

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ⁽¹⁾

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Financial Position are disclosed in Note A1 and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2023 and the accompanying explanatory notes attached in the interim financial report.
- (2) Computed based on total equity attributable to owners of the Company divided by 440,000,000 shares in issue as at 30 June 2024.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ^{(1) (2)}

	SHARE CAPITAL	MERGER RESERVE	RETAINED EARNINGS	TOTAL
	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2024	15,890	(14,890)	25,850	26,850
Total comprehensive income for the financial period	-	-	5,705	5,705
<i>Transactions with owners:</i>				
- Issuance of shares	24,329	-	-	24,329
- Share issuance expenses	(1,222)	-	-	(1,222)
Balance as at 30 June 2024 (Unaudited)	38,997	(14,890)	31,555	55,662

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity are disclosed in Note A1 and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2023 and the accompanying explanatory notes attached in the interim financial report.
- (2) This is the first interim financial report for the second quarter ended 30 June 2024 being announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding corresponding quarter and period as there is no interim financial report prepared for the comparative period concerned.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾

	CURRENT YEAR- TO-DATE 30.06.2024 Unaudited RM'000	PRECEDING YEAR- TO-DATE 30.06.2023 ⁽²⁾ Unaudited RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	8,372	N/A
Adjustments for:		
Depreciation on property, plant and equipment	365	N/A
Fair value gain on other investment	(39)	N/A
Interest expenses	265	N/A
Interest income	(683)	N/A
Impairment loss on expected credit losses on trade receivables	20	N/A
Gain on termination of lease contracts	(1)	
Unwinding of discount on non-current financial assets	(20)	N/A
Operating profit before working capital changes	8,279	N/A
Changes in working capital:		
Inventories	208	N/A
Receivables	6,293	N/A
Payables	7,992	N/A
Contract assets and liabilities	(20,570)	N/A
Cash generated from operations	2,202	N/A
Tax paid	(1,235)	N/A
Net cash from operating activities	967	N/A
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	683	N/A
Withdrawal of other investment	39	N/A
Purchase of property, plant and equipment	(108)	N/A
Placement of fixed deposits pledged with licensed banks	965	N/A
Net cash from investing activities	1,579	N/A
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(265)	N/A
Repayments of lease liabilities	(255)	N/A
Repayments of term loans	(169)	N/A
Proceed from issuance of shares	24,329	N/A
Payment for listing expenses	(1,956)	N/A
Net cash from financing activities	21,684	N/A

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾

	CURRENT YEAR- TO-DATE 30.06.2024 Unaudited RM'000	PRECEDING YEAR- TO-DATE 30.06.2023 ⁽²⁾ Unaudited RM'000
NET CHANGES IN CASH AND CASH EQUIVALENTS	24,230	N/A
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	15,854	N/A
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u>40,084</u>	<u>N/A</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD COMPRISES:		
Cash and bank balances	5,715	N/A
Fixed deposits with licensed banks	9,622	N/A
Short-term investment	30,846	N/A
	<u>46,183</u>	<u>N/A</u>
Less: Cash collateral pledged with licensed banks	(1,506)	N/A
Less: Fixed deposits pledged with licensed banks	(4,593)	N/A
	<u>40,084</u>	<u>N/A</u>

Notes:

(1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Cash Flows are disclosed in Note A1 and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2023 and the accompanying explanatory notes attached in the interim financial report.

(2) This is the first interim financial report for the second quarter ended 30 June 2024 being announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding corresponding year-to-date as there is no interim financial report prepared for the comparative period concerned.

N/A Not applicable.

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

A1 Basis of preparation

The interim financial statements of HE Group Berhad (“**HE Group**” or the “**Company**”) and its subsidiaries (the “**Group**”) are unaudited and have been prepared in accordance with the requirements of the MFRS 134 “Interim Financial Reporting” and Appendix 9B of the Listing Requirements.

This is the first interim financial report on the Group’s unaudited condensed consolidated interim financial statements for the second quarter ended 30 June 2024 being announced by the Group in compliance with the Listing Requirements. As such, there are no comparative figures for the preceding corresponding period.

This interim financial report should be read in conjunction with the Company’s audited financial statements for the financial year ended 31 December 2023 and the accompanying explanatory notes attached to this interim financial report.

A2 Significant accounting policies

The accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the preparation of the Company’s audited financial statements for the financial year ended 31 December 2023, save for the following:

MFRS and Amendments to MFRSs in issue and effective

The Group has adopted the following Standards and Amendments to MFRS 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 *Statement of Cash Flows* and MFRS 7 *Financial Instruments: Disclosure - Supplier Finance Arrangements*

MFRS and Amendments to MFRSs in issue but not yet effective

The Group has not adopted the following Standards and Amendments to MFRS:

Effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121 *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability*

Effective for annual periods beginning on or after 1 January 2026

- Amendments to MFRS 9 *Financial Instruments* and MFRS 7 *Financial Instruments: Disclosures - Amendments to the Classification and Measurement of Financial Instruments*

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A EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING (CONT'D)

A2 Significant accounting policies (Cont'd)

MFRS and Amendments to MFRSs in issue but not yet effective (Cont'd)

Effective for annual periods beginning on or after 1 January 2027

- MFRS 18 Presentation and Disclosure in Financial Statements
- MFRS 19 Subsidiaries without Public Accountabilities: Disclosure

Deferred until further notice

- 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 Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any material effect on the financial statements of the Group upon their initial application.

A3 Auditors' report on preceding annual financial statements

The audited financial statements of the Group for the financial year ended 31 December 2023 were not subject to any qualification.

A4 Seasonal or cyclical factors

The Group's business operations for the current financial quarter under review were not affected by any seasonal or cyclical factors.

A5 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no items or events that arose, which affected the assets, liabilities, equity, net income or cash flows of the Group, that are unusual by reason of their nature, size or incidence for the financial quarter under review.

A6 Material changes in estimates

There were no material changes in estimates which have a material effect on the results for the financial quarter under review.

A7 Debt and equity securities

There were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the financial quarter under review.

A8 Dividend paid

There was no dividend paid during the current financial quarter under review.

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A EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING (CONT'D)

A9 Segment information

The segmental reporting of the Group's revenue for the financial year-to-date is as follows:

	INDIVIDUAL QUARTER				CUMULATIVE QUARTER			
	CURRENT QUARTER 30.06.2024 Unaudited		PRECEDING CORRESPONDING QUARTER 30.06.2023 ⁽¹⁾ Unaudited		CURRENT YEAR-TO-DATE 30.06.2024 Unaudited		PRECEDING YEAR-TO-DATE 30.06.2023 ⁽¹⁾ Unaudited	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Business activities								
Power distribution system	31,866	65.17	N/A	N/A	77,304	67.97	N/A	N/A
Other building systems and works	5,949	12.17	N/A	N/A	20,917	18.39	N/A	N/A
Electrical equipment hook-up and retrofitting	10,510	21.49	N/A	N/A	14,938	13.14	N/A	N/A
Trading of electrical products	572	1.17	N/A	N/A	572	0.50	N/A	N/A
Total revenue	48,897	100.00	N/A	N/A	113,731	100.00	N/A	N/A

Notes:

(1) This is the first interim financial report for the second quarter ended 30 June 2024 being announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding corresponding year-to-date as there is no interim financial report prepared for the comparative period concerned.

N/A Not applicable.

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A EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING (CONT'D)

A10 Valuation of property, plant and equipment, and investment properties

There was no valuation of property, plant and equipment, and investment properties undertaken during the current financial quarter under review.

A11 Significant events subsequent to the end of the interim financial period

There were no other material events subsequent to the end of the current financial quarter under review that have not been reflected in this interim financial report.

A12 Changes in the composition of the Group

There were no changes in the composition of the Group during the current financial quarter under review.

A13 Fair value of financial instruments

There were no gain or loss arising from fair value changes of financial assets and liabilities for the current financial quarter under review.

A14 Capital commitments

There were no capital commitments at the end of the financial quarter under review.

A15 Contingent assets and contingent liabilities

There were no contingent assets or contingent liabilities as at the end of the financial quarter under review.

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A EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING (CONT'D)

A16 Significant related party transactions

The related party transactions of the Group have been entered into in the normal course of business. Listed below are the significant transactions with related parties of the Group during the current financial quarter under review:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER 30.06.2024 Unaudited RM'000	PRECEDING CORRESPONDING QUARTER 30.06.2023 ⁽¹⁾ Unaudited RM'000	CURRENT YEAR-TO-DATE 30.06.2024 Unaudited RM'000	PRECEDING YEAR-TO-DATE 30.06.2023 ⁽¹⁾ Unaudited RM'000
Transactions with related companies				
Sales of goods	19	N/A	19	N/A
Purchase of goods	450	N/A	450	N/A
Rental paid	6	N/A	12	N/A

Notes:

(1) This is the first interim financial report for the second quarter ended 30 June 2024 being announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding corresponding year-to-date as there is no interim financial report prepared for the comparative period concerned.

N/A Not applicable.

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS

B1 Review of performance

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30.06.2024 Unaudited RM'000	30.06.2023 ⁽¹⁾ Unaudited RM'000	30.06.2024 Unaudited RM'000	30.06.2023 ⁽¹⁾ Unaudited RM'000
Revenue	48,897	N/A	113,731	N/A
Gross profit	7,939	N/A	15,376	N/A
Profit before tax ("PBT")	5,556	N/A	8,372	N/A
Profit after tax ("PAT")	4,206	N/A	5,705	N/A

Notes:

- (1) This is the first interim financial report for the second quarter ended 30 June 2024 being announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding corresponding year-to-date as there is no interim financial report prepared for the comparative period concerned.

N/A Not applicable.

The Group recorded revenue of RM48.90 million for the current financial quarter ended 30 June 2024 mainly derived from the provision of power distribution system which contributed to RM31.87 million or 65.17% of the total revenue.

The Group registered a PBT of RM5.56 million in the current financial quarter after deducting expenses which are mainly attributable to administrative expenses of approximately RM2.65 million. The administrative expenses mainly comprise of depreciation, directors' remuneration, and staff costs amounting to an aggregate of RM2.26 million for the current financial quarter under review.

The Group registered a PAT of RM4.21 million in the current financial quarter after a deduction of RM1.35 million in tax expenses.

B2 Variation of results against preceding quarter

	INDIVIDUAL QUARTER		VARIANCE	
	CURRENT QUARTER 30.06.2024 RM'000	PRECEDING QUARTER 31.03.2024 RM'000	RM'000	%
Revenue	48,897	64,834	(15,937)	(24.58)
PBT	5,556	2,816	2,740	97.30

The Group's revenue decreased by RM15.94 million or 24.58% to RM48.90 million in the current financial quarter ended 30 June 2024 as compared to RM64.83 million in the preceding financial quarter ended 31 March 2024. The decrease was mainly due to lower work deliveries for power distribution system, and other building systems and works during the financial quarter under review.

The Group's PBT increased by RM2.74 million or 97.30% to RM5.56 million in the current financial quarter ended 30 June 2024 as compared to the preceding financial quarter ended 31 March 2024. This growth is primarily attributed to the absence of non-recurring listing expenses amounting to RM2.65 million, which had been charged during the preceding financial quarter.

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B3 Prospects

The Malaysian economy advanced by 5.9% in the second quarter of 2024 (1Q 2024: 4.2%). The growth is driven by stronger domestic demand and further expansion in exports. Household spending increased amid sustained positive labour market conditions and larger policy support. Investment activity was underpinned by continued progress in multi-year projects and capacity expansion by firms. Exports improved amid higher external demand and positive spillovers from the global tech upcycle. Most supply-side sectors registered higher growth. The manufacturing sector was supported by broad-based improvement across all clusters, particularly in electrical and electronics (E&E). The services sector recorded strong growth, driven by consumer and business-related subsectors. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 2.9% (1Q 2024: 1.5%).

Bank Negara Malaysia Governor Dato' Seri Abdul Rasheed Ghaffour says, "Growth in the second half of 2024 will be driven by domestic spending with continued strong support from external demand." On the domestic front, household spending will be underpinned by continued employment and wage growth as well as policy measures. Investment activities will be driven by progress in multi-year projects across private and public sectors. Catalytic initiatives announced in national master plans and the higher realisation of approved investments are also key drivers for investment activities. Externally, the ongoing global tech upcycle and continued strong demand for non-electrical and electronics goods are expected to lift exports. Improvement in tourist arrivals and spending are expected to continue. Upside risks to growth include greater spillover from the tech upcycle, robust tourism activities, and faster implementation of existing and new investment projects. Downside risks to Malaysia's growth prospects stem from a downturn in external demand, an escalation in geopolitical conflicts and lower-than-expected commodity production.

(Source: Bank Negara Malaysia's Quarterly Bulletin 2Q 2024).

The Malaysian government's implementation of the New Investment Policy, the New Industrial Master Plan 2030, and the National Energy Transition Roadmap (NETR) is driving high-value investments in key industries. These initiatives, focusing on sustainable and holistic economic growth, aim to develop critical sectors such as electrical & electronics, medical devices, and renewable energy. With a stable political environment, Malaysia's attractiveness as an investment hub is poised to keep growing.

HE Group, being a beneficiary of these policies, is well-positioned to capitalise on increased opportunities, particularly in the semiconductor and power distribution systems industries. The NETR, launched to guide Malaysia towards net-zero emissions by 2050, highlights substantial investment opportunities, particularly in energy efficiency, renewable energy, and green technology. HE Group, with its expertise in power distribution systems, is likely to benefit from these initiatives, especially as the demand for energy-efficient infrastructure grows. The Group is experiencing increased inquiries from the semiconductor industry, which aligns with the NETR's emphasis on enhancing the local manufacturing ecosystem to support green mobility and energy transitions. This trend is expected to continue in the latter half of 2024.

Leveraging the proceeds raised from its IPO, HE Group is confident in executing its strategic plans, as outlined in the Prospectus dated 12 January 2024. The secured order book and anticipated investments in energy transition projects, supported by government incentives, offer a solid foundation for growth. However, the Group remains cautious, acknowledging that

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B3 Prospects (Cont'd)

the successful implementation of these plans will depend on the evolving regulatory landscape and the timely execution of infrastructure projects under the NETR.

Barring any unforeseen circumstances, the Board remains optimistic that these expansion plans will contribute positively to the Group's financial performance in the coming financial year. While the outlook is favorable, it is important to note that the transition to a green economy is a complex and gradual process, requiring sustained efforts and adaptation to regulatory developments.

The Group's prospects remain positive, bolstered by both the national focus on energy transition and its strategic positioning within the industry.

B4 Profit forecast

The Group did not issue any profit forecast or guarantee during current financial quarter under review.

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B5 Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER 30.06.2024 Unaudited RM'000	PRECEDING CORRESPONDING QUARTER 30.06.2023 ⁽¹⁾ Unaudited RM'000	CURRENT YEAR-TO-DATE 30.06.2024 Unaudited RM'000	PRECEDING YEAR-TO-DATE 30.06.2023 ⁽¹⁾ Unaudited RM'000
In respect of the current period:				
Current tax	1,350	N/A	2,667	N/A
Deferred tax	-	N/A	-	N/A
Total	1,350	N/A	2,667	N/A
Effective tax rate (%)	24.30	N/A	31.86	N/A

Notes:

(1) This is the first interim financial report for the second quarter ended 30 June 2024 being announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding corresponding year-to-date as there is no interim financial report prepared for the comparative period concerned.

N/A Not applicable.

The effective tax rate for the current financial quarter was slightly higher than the statutory tax rate of 24% mainly due to certain non-deductible expenses which include mainly depreciation charges and legal fee on loan.

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B6 Status of corporate proposals

Save as disclosed below, there are no other corporate proposals announced but not yet completed as at the date of this interim financial report:

- (i) On 28 June 2024, the Company announced that the application in relation to the proposal to comply with the Bumiputera equity condition to allocate 12.50% of the Company's enlarged number of issued shares to Bumiputera investors to be approved or recognised by the Ministry of Investment, Trade and Industry of Malaysia ("MITI") has been submitted to the Equity Compliance Unit of the Securities Commission Malaysia and MITI.

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B7 Utilisation of proceeds raised from public issue

In conjunction with the IPO, the Company has raised gross proceeds from the public issue amounting to RM24.33 million.

The gross proceeds is intended to be utilised in the following manner:

<u>PURPOSES</u>	PROPOSED UTILISATION		ACTUAL UTILISATION	BALANCE UNUTILISED	ESTIMATED TIME FRAME FOR UTILISATION
	RM'000	%	RM'000	RM'000	
Business expansion	3,650	15.00	135	3,515	Within 30 months
Capital expenditure	1,750	7.19	-	1,750	Within 24 months
Working capital	15,129	62.19	67	15,062	Within 36 months
Estimated listing expenses	3,800	15.62	3,800	-	Within 1 month
	24,329	100.00	4,002	20,327	

The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 12 January 2024.

HE GROUP BERHAD

(Registration No: 202301016404 (1510326-M))

(Incorporated in Malaysia)

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B8 Loans and borrowings

The Group's borrowings are as follows:

	PAYABLE WITHIN 12 MONTHS RM'000	PAYABLE AFTER 12 MONTHS RM'000	TOTAL OUTSTANDING RM'000
<u>Secured borrowings</u>			
Hire purchases	115	337	452
Term loans	353	997	1,350
Lease liabilities (ROU)	324	748	1,072
	<hr/>	<hr/>	<hr/>
	792	2,082	2,874
	<hr/>	<hr/>	<hr/>

The secured bank borrowings and other facilities are secured by way of:

- (a) Corporate guarantee of holding company;
- (b) Charges over fixed deposits of the Group.

The bank borrowings and other facilities are denoted in local currency.

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B9 Material litigations

As at the date of this report, the Group is not engaged in any material litigation.

B10 Proposed dividend

On 23 February 2024, the Board of Directors have proposed a final single-tier dividend of 0.40 sen per ordinary share, amounting to approximately RM1.76 million for the financial year ended 31 December 2023. The proposed dividend had been approved by shareholders at the Company's Annual General Meeting on 21 June 2024 with the payment made on 22 July 2024.

B11 Basic and diluted earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER 30.06.2024	PRECEDING CORRESPONDING QUARTER 30.06.2023 ⁽²⁾	CURRENT YEAR TO-DATE 30.06.2024	PRECEDING YEAR-TO-DATE 30.06.2023 ⁽²⁾
Net profit for the period attributable to ordinary equity holders of the company (RM'000)	4,206	N/A	5,705	N/A
Number of shares in issue ('000)	440,000	N/A	440,000	N/A
Basic and diluted earnings per share (sen) ⁽¹⁾	0.96	N/A	1.30	N/A

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B11 Basic and diluted earnings per share (Cont'd)

Notes:

- (1) The basic earnings per share is computed based on profit after tax attributable to owners of the Company and divided by the Company's enlarged share capital of 440,000,000 shares pursuant to completion of the initial public offering ("IPO") of the Company. No diluted earnings per share is computed as the Company does not have dilutive potential ordinary shares as at the end of the financial period.
- (2) This is the first interim financial report for the second quarter ended 30 June 2024 being announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding corresponding year-to-date as there is no interim financial report prepared for the comparative period concerned.

N/A Not applicable.

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B12 Notes to the statement of comprehensive income

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER 30.06.2024 Unaudited RM'000	PRECEDING CORRESPONDING QUARTER 30.06.2023 Unaudited RM'000	CURRENT YEAR-TO-DATE 30.06.2024 Unaudited RM'000	PRECEDING YEAR-TO-DATE 30.06.2023 Unaudited RM'000
The following amounts have been included in arriving at profit before tax:				
Finance costs	104	N/A	265	N/A
Depreciation on property, plant and equipment	181	N/A	365	N/A
Impairment losses on trade receivables	24	N/A	24	N/A
and after crediting:				N/A
Interest income	328	N/A	683	N/A
Fair value gain on other investment	0	N/A	39	N/A
Unwinding of discount on non-current financial assets	10	N/A	20	N/A
Sales of solar energy	45	N/A	93	N/A
Realised gain on foreign currency exchange	9	N/A	18	N/A
Gain on Termination of lease contract	1	N/A	1	N/A
Reversal of impairment losses on trade receivables	0	N/A	4	N/A

By Order of the Board

Date : 19 August 2024