



# **HE GROUP BERHAD**

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

## **UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024**

# HE GROUP BERHAD

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

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME <sup>(1)</sup>

|  | INDIVIDUAL QUARTER                                   |  | CUMULATIVE QUARTER   |  |
|--|--|--|--|--|
|  | CURRENT QUARTER<br>30.09.2024<br>Unaudited<br>RM'000 | PRECEDING<br>CORRESPONDING<br>QUARTER<br>30.09.2023<br>Unaudited<br>RM'000 | CURRENT<br>YEAR-TO-<br>DATE<br>30.09.2024<br>Unaudited<br>RM'000 | PRECEDING<br>YEAR-TO-<br>DATE<br>30.09.2023<br>Unaudited<br>RM'000 |
| Revenue  | 58,897   | 78,904   | 172,628  | 160,155  |
| Cost of sales  | (50,071)   | (71,743)   | (148,426)  | (142,039)  |
| <b>Gross profit</b>  | <b>8,826</b>   | <b>7,161</b>   | <b>24,202</b>  | <b>18,116</b>  |
| Other income   | 387  | 242  | 1,240  | 478  |
| Administrative expenses  | (2,643)  | (2,176)  | (10,215)   | (6,305)  |
| Net loss on impairment of<br>financial assets  | (176)  | (28)   | (196)  | (155)  |
| Other expenses   | -  | (3)  | -  | (11)   |
| <b>Profit from operations</b>  | <b>6,394</b>   | <b>5,196</b>   | <b>15,031</b>  | <b>12,123</b>  |
| Finance costs  | (247)  | (390)  | (512)  | (789)  |
| <b>Profit before tax</b>   | <b>6,147</b>   | <b>4,806</b>   | <b>14,519</b>  | <b>11,334</b>  |
| Taxation   | (1,524)  | (1,315)  | (4,190)  | (3,038)  |
| <b>Profit after tax</b>  | <b>4,623</b>   | <b>3,491</b>   | <b>10,329</b>  | <b>8,296</b>   |
| Other comprehensive<br>income  | -  | -  | -  | -  |
| <b>Total comprehensive<br/>income for the<br/>financial periods</b>                      | <b>4,623</b>   | <b>3,491</b>   | <b>10,329</b>  | <b>8,296</b>   |
| <b>Total comprehensive<br/>income for the<br/>financial periods<br/>attributable to:</b> |  |  |  |  |
| Owners of the company  | 4,623  | 3,491  | 10,329   | 8,296  |
| Non-controlling interest   | -  | -  | -  | -  |
|  | <b>4,623</b>   | <b>3,491</b>   | <b>10,329</b>  | <b>8,296</b>   |
| Basic and diluted earnings<br>per share (sen) <sup>(2)</sup>                             | 1.05   | 0.99   | 2.35   | 2.35   |

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## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME <sup>(1)</sup>

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) Basic and diluted earnings per share for the current financial quarter and financial year-to-date ended 30 September 2024 is calculated based on the Company's share capital of 440,000,000 shares in issue pursuant to completion of the initial public offering ("IPO") of the Company. Basic and diluted earnings per share for the comparative quarter and year-to-date ended 30 September 2023 is calculated based on the Company's share capital of 353,110,300 shares in issue before the Company's IPO. 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.

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## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION <sup>(1)</sup>

|  | UNAUDITED<br>30.09.2024<br>RM'000 | AUDITED<br>31.12.2023<br>RM'000 |
|--|-----------------------------------|---------------------------------|
| <b>Non-current Assets</b>                |                                   |                                 |
| Property, plant and equipment            | 3,532                             | 3,110                           |
| Investment properties                    | 1,180                             | 1,180                           |
| Receivables                              | 807                               | 784                             |
|  | <u>5,519</u>                      | <u>5,074</u>                    |
| <b>Current Assets</b>                    |                                   |                                 |
| Inventories                              | 2,825                             | 1,938                           |
| Receivables                              | 69,122                            | 61,479                          |
| Contract assets                          | 8,344                             | 1,723                           |
| Cash and cash equivalents                | 44,363                            | 22,918                          |
|  | <u>124,654</u>                    | <u>88,058</u>                   |
| <b>TOTAL ASSETS</b>                      | <b><u>130,173</u></b>             | <b><u>93,132</u></b>            |
| <b>EQUITY</b>                            |                                   |                                 |
| Share capital                            | 38,997                            | 15,890                          |
| Merger reserve                           | (14,890)                          | (14,890)                        |
| Retained earnings                        | 34,419                            | 25,850                          |
| <b>TOTAL EQUITY</b>                      | <b><u>58,526</u></b>              | <b><u>26,850</u></b>            |
| <b>Non-current Liabilities</b>           |                                   |                                 |
| Borrowings                               | 907                               | 1,175                           |
| Lease liabilities                        | 1,206                             | 1,084                           |
| Deferred tax liabilities                 | 86                                | 86                              |
|  | <u>2,199</u>                      | <u>2,345</u>                    |
| <b>Current Liabilities</b>               |                                   |                                 |
| Payables                                 | 55,414                            | 31,908                          |
| Contract liabilities                     | 10,587                            | 29,535                          |
| Tax payable                              | 2,587                             | 1,681                           |
| Borrowings                               | 357                               | 344                             |
| Lease liabilities                        | 503                               | 469                             |
|  | <u>69,448</u>                     | <u>63,937</u>                   |
| <b>TOTAL LIABILITIES</b>                 | <b><u>71,647</u></b>              | <b><u>66,282</u></b>            |
| <b>TOTAL EQUITY AND LIABILITIES</b>      | <b><u>130,173</u></b>             | <b><u>93,132</u></b>            |
| Net assets per share (RM) <sup>(2)</sup> | 0.13                              | 0.06                            |

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## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION <sup>(1)</sup>

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 September 2024.

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# HE GROUP BERHAD

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## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY <sup>(1)</sup>

|   | SHARE<br>CAPITAL | INVESTED EQUITY | MERGER<br>RESERVE | RETAINED<br>EARNINGS   | TOTAL         |
|---|------------------|-----------------|-------------------|------------------------|---------------|
|   | RM'000           | RM'000          | RM'000            | RM'000                 | RM'000        |
| <b>Balance as at 1 January 2024</b>                 | <b>15,890</b>    | -               | <b>(14,890)</b>   | <b>25,850</b>          | <b>26,850</b> |
| Total comprehensive income for the financial period | -                | -               | -                 | 10,329                 | 10,329        |
| <i>Transactions with owners:</i>                    |                  |                 |                   |                        |               |
| - Issuance of shares                                | 24,329           | -               | -                 | -                      | 24,329        |
| - Share issuance expenses                           | (1,222)          | -               | -                 | -                      | (1,222)       |
| - Dividend  | -                | -               | -                 | (1,760) <sup>(2)</sup> | (1,760)       |
| <b>Balance as at 30 September 2024 (Unaudited)</b>  | <b>38,997</b>    | -               | <b>(14,890)</b>   | <b>34,419</b>          | <b>58,526</b> |
| <b>Balance as at 1 January 2023</b>                 | -                | <b>1,000</b>    | -                 | <b>14,890</b>          | <b>15,890</b> |
| Total comprehensive income for the financial period | -                | -               | -                 | 8,296                  | 8,296         |
| <i>Transactions with owners:</i>                    |                  |                 |                   |                        |               |
| - Issuance of shares                                | *                | -               | -                 | -                      | *             |
| <b>Balance as at 30 September 2023 (Unaudited)</b>  | <b>*</b>         | <b>1,000</b>    | -                 | <b>23,186</b>          | <b>24,186</b> |

### Notes:

\* Amount is less than RM1,000.

- (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) The Company declared a final dividend of 0.40 sen per ordinary share amounting to approximately RM1.76 million in respect of the financial year ended 31 December 2023. The final dividend has been paid by the Company on 22 July 2024 to shareholders whose names appeared in the Record of Depositors at the close of business on 10 July 2024.

# HE GROUP BERHAD

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## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS <sup>(1)</sup>

|  | CURRENT YEAR-<br>TO-DATE<br>30.09.2024<br>Unaudited<br>RM'000 | PRECEDING YEAR-<br>TO-DATE<br>30.09.2023<br>Unaudited<br>RM'000 |
|--|---|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                    |   |   |
| Profit before tax  | 14,519  | 11,334  |
| Adjustments for:   |   |   |
| Depreciation on property, plant and equipment                  | 537   | 473   |
| Discount on non-current financial assets                       | -   | 197   |
| Fair value gain on other investment                            | (39)  | (58)  |
| Interest expenses  | 512   | 593   |
| Interest income  | (1,007)   | (168)   |
| Impairment loss on expected credit losses on trade receivables | 196   | 155   |
| Gain on termination of lease contracts                         | (2)   | *   |
| Unwinding of discount on non-current financial assets          | (29)  | (26)  |
| Operating profit before working capital changes                | 14,687  | 12,500  |
| Changes in working capital:                                    |   |   |
| Inventories  | (886)   | (601)   |
| Receivables  | (7,099)   | (28,145)  |
| Payables   | 23,506  | 11,912  |
| Contract assets and liabilities                                | (25,569)  | 16,842  |
| Cash generated from operations                                 | 4,639   | 12,508  |
| Tax paid   | (3,284)   | (1,968)   |
| Tax refunded   | -   | 6   |
| <b>Net cash from operating activities</b>                      | <b>1,355</b>  | <b>10,546</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                    |   |   |
| Interest received  | 1,007   | 168   |
| Net changes in other investment                                | 39  | 58  |
| Purchase of property, plant and equipment                      | (426)   | (616)   |
| Proceed from disposal of non-current asset held for sale       | -   | 4,800   |
| Placement of cash collateral pledged with licensed banks       | (775)   | (375)   |
| <b>Net cash (used in) / from investing activities</b>          | <b>(155)</b>  | <b>4,035</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                    |   |   |
| Interest paid  | (512)   | (593)   |
| Repayments of lease liabilities                                | (375)   | (315)   |
| Drawdown of term loans   | -   | 1,000   |
| Repayments of term loans                                       | (256)   | (392)   |
| Proceed from issuance of shares                                | 24,329  | *   |
| Payment of listing expenses                                    | (1,956)   | -   |
| Dividend paid  | (1,760)   | -   |
| Drawdown of bankers' acceptances                               | -   | 2,454   |

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## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS <sup>(1)</sup>

|  | CURRENT YEAR-<br>TO-DATE<br>30.09.2024<br>Unaudited<br>RM'000 | PRECEDING YEAR-<br>TO-DATE<br>30.09.2023<br>Unaudited<br>RM'000 |
|--|---|---|
| Repayment of bankers' acceptances  | -   | (10,963)  |
| <b>Net cash from / (used in) financing activities</b>                          | <b>19,470</b>   | <b>(8,809)</b>  |
| <b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>                                | 20,670  | 5,772   |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>      | 15,854  | 7,531   |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>            | <b>36,524</b>   | <b>13,303</b>   |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD COMPRISES:</b> |   |   |
| Cash and bank balances   | 5,745   | 5,685   |
| Fixed deposits with licensed banks   | 10,413  | 5,180   |
| Short-term investment  | 28,205  | 9,057   |
|  | 44,363  | 19,922  |
| Less: Cash collateral pledged with licensed banks                              | (1,506)   | (1,439)   |
| Less: Fixed deposits pledged with licensed banks                               | (6,333)   | (5,180)   |
|  | <b>36,524</b>   | <b>13,303</b>   |

### Notes:

\* Amount is less than RM1,000

(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.

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# HE GROUP BERHAD

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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 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*

##### 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*

# HE GROUP BERHAD

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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)

##### 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

The Company declared a final dividend of 0.40 sen per ordinary share amounting to approximately RM1.76 million in respect of the financial year ended 31 December 2023. The final dividend has been paid by the Company on 22 July 2024 to shareholders whose names appeared in the Record of Depositors at the close of business on 10 July 2024.

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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<br>QUARTER<br>30.09.2024<br>Unaudited |               | PRECEDING<br>CORRESPONDING<br>QUARTER<br>30.09.2023<br>Unaudited |               | CURRENT<br>YEAR-TO-DATE<br>30.09.2024<br>Unaudited |               | PRECEDING<br>YEAR-TO-DATE<br>30.09.2023<br>Unaudited |               |
|  | RM'000  | %             | RM'000   | %             | RM'000   | %             | RM'000   | %             |
| <b>Business activities</b>                   |   |               |  |               |  |               |  |               |
| Power distribution system                    | 24,770  | 42.06         | 44,478   | 56.37         | 102,074  | 59.13         | 104,635  | 65.33         |
| Other building systems and works             | 6,357   | 10.79         | 31,800   | 40.30         | 27,275   | 15.80         | 47,714   | 29.79         |
| Electrical equipment hook-up and retrofiting | 27,402  | 46.53         | 2,234  | 2.83          | 42,340   | 24.53         | 7,414  | 4.63          |
| Trading of electrical products               | 368   | 0.62          | 392  | 0.50          | 939  | 0.54          | 392  | 0.25          |
| <b>Total revenue</b>                         | <b>58,897</b>                                 | <b>100.00</b> | <b>78,904</b>  | <b>100.00</b> | <b>172,628</b>                                     | <b>100.00</b> | <b>160,155</b>                                       | <b>100.00</b> |

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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<br>QUARTER<br>30.09.2024<br>Unaudited<br>RM'000 | PRECEDING<br>CORRESPONDING<br>QUARTER<br>30.09.2023<br>Unaudited<br>RM'000 | CURRENT<br>YEAR-TO-DATE<br>30.09.2024<br>Unaudited<br>RM'000 | PRECEDING<br>YEAR-TO-DATE<br>30.09.2023<br>Unaudited<br>RM'000 |
| <b>Transactions with related companies</b> |   |  |  |  |
| Sales of goods                             | -   | -  | 19   | 10   |
| Purchase of goods                          | -   | 2,133  | 450  | 8,011  |
| Rental paid                                | 6   | -  | 18   | -  |
| Rental income                              | -   | 24   | -  | 72   |

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

### B1 Review of performance

|                           | INDIVIDUAL QUARTER                |                                   | CUMULATIVE QUARTER                |                                   |
|---------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|                           | 30.09.2024<br>Unaudited<br>RM'000 | 30.09.2023<br>Unaudited<br>RM'000 | 30.09.2024<br>Unaudited<br>RM'000 | 30.09.2023<br>Unaudited<br>RM'000 |
| Revenue                   | 58,897                            | 78,904                            | 172,628                           | 160,155                           |
| Gross profit              | 8,826                             | 7,161                             | 24,202                            | 18,116                            |
| Profit before tax ("PBT") | 6,147                             | 4,806                             | 14,519                            | 11,334                            |
| Profit after tax ("PAT")  | 4,623                             | 3,491                             | 10,329                            | 8,296                             |

#### (a) Comparison with Preceding Year's Corresponding Quarter Results

The Group recorded revenue of RM58.90 million for the current financial quarter ended 30 September 2024 ("3Q2024"), of which RM52.17 million or 88.59% are derived from the provision of power distribution system and electrical equipment hook-up and retrofitting, compared with RM78.90 million for the preceding financial quarter of 30 September 2023 ("3Q2023") which represents a decrease of RM20.00 million or 25.35% year-on-year ("y-o-y"). This decrease was mainly due to lower work deliveries from power distribution system, and other building systems and works.

The Group registered a PBT of RM6.15 million in 3Q2024, an increase of RM1.34 million after deducting expenses which are mainly attributable to administrative expenses of approximately RM2.64 million that including depreciation, directors' remuneration, and staff costs amounting to an aggregate of RM2.33 million for the current financial quarter under review.

The Group registered a PAT of RM4.62 million in 3Q2024 as compared with RM3.49 million in 3Q2023.

#### (b) Comparison with Preceding Year's Corresponding Year-to-Date Results

The Group recorded revenue of RM172.63 million for the financial year-to-date ended 30 September 2024 compared with RM160.16 million for the preceding financial year-to-date ended 30 September 2023, an increase of RM12.47 million or 7.79% y-o-y. The overall increase in revenue for the Group mainly contributed from electrical equipment hook-up and retrofitting, which increased from RM7.41 million to RM42.34 million in financial year-to-date ended 30 September 2024.

The Group registered a PBT of RM14.52 million in financial year-to-date ended 30 September 2024, which represents an increase of RM3.19 million as compared to previous corresponding period. The higher PBT was attributable to better profit margin and an increase in other income of RM0.76 million.

The Group registered a PAT of RM10.33 million in financial year-to-date ended 30 September 2024 compared with RM8.30 million in the previous corresponding period.

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

### B2 Variation of quarterly results against the results of the preceding quarter

|         | INDIVIDUAL QUARTER                      |   | VARIANCE | %     |
|---------|---|---|----------|-------|
|         | CURRENT QUARTER<br>30.09.2024<br>RM'000 | PRECEDING QUARTER<br>30.06.2024<br>RM'000 |          |       |
| Revenue | 58,897                                  | 48,897                                    | 10,000   | 20.45 |
| PBT     | 6,147                                   | 5,556                                     | 591      | 10.64 |

The Group's revenue increased by RM10.00 million or 20.45% to RM58.90 million in the 3Q2024 as compared to RM48.90 million in the preceding financial quarter ended 30 June 2024 ("2Q2024"). The increase was mainly due to higher work deliveries for electrical equipment hook-up and retrofitting during the financial quarter under review.

The Group's PBT increased by RM0.59 million or 10.64% to RM6.15 million in 3Q2024 as compared to 2Q2024 in line with the increase in revenue as mentioned above.

### B3 Prospects

The Malaysian economy expanded by 5.3% in the third quarter of 2024 (2Q 2024: 5.9%), driven by strong investment activity and continued improvement in exports. Investment activity was underpinned by strong spending on structures and machinery and equipment (M&E), while household spending sustained its expansion amid positive labour market conditions and policy support. In the external sector, exports continued to strengthen on the back of recovering external demand and positive spillovers from the global tech upcycle. Meanwhile, imports also grew at a faster pace, following strong demand for capital and intermediate goods to support rising investments and trade. On the supply side, most sectors remained supportive of growth. In particular, the improvement in the manufacturing sector was driven by export-oriented clusters. However, growth was partly offset by maintenance activities in the mining sector. On a quarter-on-quarter, seasonally-adjusted basis, growth momentum moderated to 1.8% (2Q 2024: 2.9%). Overall, the Malaysian economy expanded by 5.2% in the first three quarters of 2024.

In the third quarter of 2024, the ringgit appreciated by 14.9% against the US dollar, while the ringgit nominal effective exchange rate (NEER) also appreciated by 9.9%. This, in part, can be attributed to the shift towards a monetary policy easing stance by the US Federal Reserve, which has alleviated pressure on regional currencies, including the ringgit. However, the ringgit has since depreciated by 7.8% against the US dollar between 1 October and 13 November 2024. This was mainly driven by a stronger US dollar in the same period, amid expectations for smaller US policy rate reductions following robust US economic data. Nevertheless, on a year-to-date basis (as at 13 November 2024), the ringgit appreciated by 3.1% against the US dollar (NEER: +6.6%). Moving forward, movements in the ringgit will continue to be influenced by external developments. Nevertheless, Malaysia's favourable macroeconomic outlook and ongoing structural reforms would support the ringgit over the medium term. BNM will continue to ensure the orderly functioning of the domestic foreign exchange market.

Bank Negara Malaysia Governor Dato' Seri Abdul Rasheed Ghaffour said, "Going forward, growth of the Malaysian economy will be driven by robust expansion in investment activity, continued improvement in exports, and resilient household spending."

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

### **B3 Prospects (Cont'd)**

On the domestic front, investment activities will be supported by progress in multi-year projects across private and public sectors. Catalytic initiatives announced in national master plans and higher realisation of approved investments are also key drivers for investment activities. These investments, which are supported by higher capital imports, will raise exports and expand productive capacity in the economy. Household spending will be underpinned by continued employment and wage growth as well as policy measures. Externally, the ongoing global tech upcycle, continued strong demand for manufactured goods and commodities, and higher tourist spending are expected to lift exports. The growth outlook remains subject to downside risks stemming from slower external demand, further escalation of geopolitical tensions and protectionist measures, as well as weaker-than-expected commodity production. Nevertheless, upside risks to growth include greater spillovers from the tech upcycle, faster implementation of investment projects and more robust tourism activity.

*(Source: Economic and Financial Developments in Malaysia in the Third Quarter of 2024, Bank Negara Malaysia).*

In the third quarter of 2024, the Malaysian economy grew at an estimated 5.3% year-on-year, primarily driven by the services, manufacturing and construction sectors. This positive momentum has led to an upward revision of the full-year GDP forecast to 4.8% - 5.3% for 2024.<sup>1</sup> This is higher than the 3.7% growth recorded in 2023.<sup>2</sup> This favourable economic climate provides an optimal environment for HE Group to capitalise on emerging business opportunities and strategically expand its orderbook within Malaysia.

This current economic environment in Malaysia is shaped by strategic initiatives such as the New Industrial Master Plan 2030, New Investment Policy and the National Energy Transition Roadmap. These policies collectively aim to enhance the nation's competitiveness by focusing on critical sectors like electrical and electronic manufacturing, medical devices, and renewable energy. While these initiatives create a favourable backdrop for growth, we are approaching them with a realistic but encouraging outlook.

Malaysia's strategic location, robust infrastructure, and favourable regulatory environment have made it an attractive destination for data centre development within the ASEAN region. Recent data from the Ministry of Investment, Trade, and Industry ("MITI"), via the Malaysian Investment Development Authority, reveals that from 2021 to 2024, RM76.0 billion worth of data centre-related investments were approved, reflecting growing confidence from international firms in Malaysia's potential as a regional hub.<sup>3</sup> HE Group remains vigilant and adaptable to market fluctuations and competitive pressures in this evolving landscape.

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<sup>1</sup> [Reuters](#)

<sup>2</sup> [Bank Negara Malaysia](#)

<sup>3</sup> [BERNAMA](#)



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

### **B3 Prospects (Cont'd)**

In addition, the global semiconductor industry is on upward trajectory due to rising demand for Artificial Intelligence related technologies and a recovery in electronic production. Malaysia aims to attract RM500.0 billion in investments to strengthen its position in the global supply chain and position itself as a global manufacturing hub.<sup>4</sup> This positive outlook presents a promising opportunity for HE Group to expand its footprint in advanced semiconductor manufacturing facilities.

Given these dynamics, HE Group is strategically positioned to leverage its expertise in delivering complex power distribution systems tailored for critical industries such as semiconductor, medical devices and electronics. We are committed to expanding our order book and enhancing shareholder value while maintaining a cautious approach amid potential uncertainties. Barring unforeseen circumstances, our focus remains on executing our growth strategies effectively while adapting to the evolving market conditions.

### **B4 Profit forecast**

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

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<sup>4</sup> [Reuters](#)

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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<br>30.09.2024<br>Unaudited<br>RM'000 | PRECEDING CORRESPONDING QUARTER<br>30.09.2023<br>Unaudited<br>RM'000 | CURRENT YEAR-TO-DATE<br>30.09.2024<br>Unaudited<br>RM'000 | PRECEDING YEAR-TO-DATE<br>30.09.2023<br>Unaudited<br>RM'000 |
| In respect of the current period:           |  |  |   |   |
| Current tax <sup>(1)</sup>                  | 1,524  | 1,315  | 4,190   | 3,065   |
| Deferred tax                                | -  | -  | -   | (27)  |
| <b>Total</b>                                | <b>1,524</b>   | <b>1,315</b>   | <b>4,190</b>  | <b>3,038</b>  |
| <b>Effective tax rate (%)<sup>(2)</sup></b> | <b>24.79</b>   | <b>27.36</b>   | <b>28.78</b>  | <b>26.80</b>  |

Notes:

- (1) Income tax expense is recognized based on management's best estimate.
- (2) The effective tax rate for the current financial quarter was slightly higher than the statutory tax rate of 24% mainly due to non-deductible expenses which include mainly depreciation charges, provision of impairment of financial assets, legal fee on loan and others for tax purposes.

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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 MITI ("Proposed Special Issue") has been submitted to the Equity Compliance Unit of the Securities Commission Malaysia ("SC") and MITI.

Subsequently, the SC had, vide its letter dated 26 August 2024 (which was received on 28 August 2024), approved the Company's resultant equity structure pursuant to the Proposed Special Issue. Further, MITI had, vide its letter dated 18 September 2024, confirmed its recognition of the existing Bumiputera shareholdings of 15,100,000 ordinary shares in HE Group which represents approximately 3.43% of the Company's issued share capital as at 13 June 2024, being the latest practicable date prior to the date of submission to MITI. On 7 October 2024, on behalf of the Board of Directors of HE Group ("Board"), the Company announced that it intends to undertake the Proposed Special Issue, and the additional listing application in relation to the Proposed Special Issue has been submitted to Bursa Securities on 9 October 2024.

On 5 November 2024, the Company announced that in order to comply with the Bumiputera equity condition, in addition to the Proposed Special Issue, the Company's major shareholders also intend to undertake an offer for sale of existing ordinary shares in HE Group to Bumiputera investors to be identified and/or approved by MITI at an offer price to be determined later.

Bursa Securities had, vide its letter dated 15 November 2024, approved the listing and quotation of up to 22,800,000 new ordinary shares in HE Group representing approximately 5.18% of the issued shares of the Company (excluding treasury shares, if any) pursuant to the Proposed Special Issue subject to conditions as set out therein.

Currently, the Company is in the midst of preparing for application to the MITI for the identification and/or approval of Bumiputera investors for the implementation of the Proposed Special Issue.

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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 are intended to be utilised in the following manner:

| <b>PURPOSES</b>            | <b>PROPOSED UTILISATION</b> |               | <b>ACTUAL UTILISATION</b> | <b>BALANCE UNUTILISED</b> | <b>ESTIMATED TIME FRAME FOR UTILISATION</b> |
|----------------------------|-----------------------------|---------------|---------------------------|---------------------------|---|
|                            | <b>RM'000</b>               | <b>%</b>      | <b>RM'000</b>             | <b>RM'000</b>             |   |
| Business expansion         | 3,650                       | 15.00         | 275                       | 3,375                     | Within 30 months                            |
| Capital expenditure        | 1,750                       | 7.19          | 59                        | 1,691                     | Within 24 months                            |
| Working capital            | 15,129                      | 62.19         | 3,449                     | 11,680                    | Within 36 months                            |
| Estimated listing expenses | 3,800                       | 15.62         | 3,800                     | -                         | Within 1 month                              |
|                            | <b>24,329</b>               | <b>100.00</b> | <b>7,583</b>              | <b>16,746</b>             |   |

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

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## 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<br>12 MONTHS<br>RM'000 | PAYABLE AFTER<br>12 MONTHS<br>RM'000 | TOTAL<br>OUTSTANDING<br>RM'000 |
|---|---------------------------------------|--------------------------------------|--------------------------------|
| <b><u>Secured borrowings</u></b>            |                                       |                                      |                                |
| Hire purchases                              | 116                                   | 307                                  | 423                            |
| Term loans                                  | 357                                   | 907                                  | 1,264                          |
| Lease liabilities (rights-of-use of assets) | 387                                   | 899                                  | 1,286                          |
|   | <b>860</b>                            | <b>2,113</b>                         | <b>2,973</b>                   |

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

- (a) Corporate guarantee of holding company; and
- (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

No dividends were declared or recommended for payment by the Board of Directors of the Company during the current financial quarter under review.

### B11 Basic and diluted earnings per share

|   | INDIVIDUAL QUARTER            |   | CUMULATIVE QUARTER                 |                                      |
|---|-------------------------------|---|------------------------------------|--------------------------------------|
|   | CURRENT QUARTER<br>30.09.2024 | PRECEDING CORRESPONDING QUARTER<br>30.09.2023 | CURRENT YEAR TO-DATE<br>30.09.2024 | PRECEDING YEAR-TO-DATE<br>30.09.2023 |
| Net profit for the period attributable to ordinary equity holders of the company (RM'000) | 4,623                         | 3,491   | 10,329                             | 8,296                                |
| Number of shares in issue ('000)  | 440,000                       | 353,110                                       | 440,000                            | 353,110                              |
| Basic and diluted earnings per share (sen) <sup>(1)</sup>                                 | 1.05                          | 0.99  | 2.35                               | 2.35                                 |

Note :

- (1) The Basic and diluted earnings per share for the current financial quarter and financial year-to-date ended 30 September 2024 is calculated based on the Company's share capital of 440,000,000 shares in issue pursuant to completion of the initial public offering ("IPO") of the Company. Basic and diluted earnings per share for the comparative quarter and year-to-date ended 30 September 2023 is calculated based on the Company's share capital of 353,110,300 shares in issue before the Company's IPO. 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.

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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<br>QUARTER<br>30.09.2024<br>Unaudited<br>RM'000 | PRECEDING<br>CORRESPONDING<br>QUARTER<br>30.09.2023<br>Unaudited<br>RM'000 | CURRENT<br>YEAR-TO-DATE<br>30.09.2024<br>Unaudited<br>RM'000 | PRECEDING<br>YEAR-TO-DATE<br>30.09.2023<br>Unaudited<br>RM'000 |
| The following amounts have been included in arriving at profit before tax: |   |  |  |  |
| Finance costs  | 247   | 390  | 512  | 789  |
| Depreciation on property, plant and equipment                              | 172   | 183  | 537  | 473  |
| Impairment losses on trade receivables                                     | 172   | 28   | 196  | 155  |
| Realised loss on foreign currency exchange                                 | -   | 3  | -  | 11   |
| and after crediting:   |   |  |  |  |
| Interest income  | 324   | 99   | 1,007  | 168  |
| Rental Income  | -   | 24   | -  | 72   |
| Fair value gain on other investment  | -   | 58   | 39   | 58   |
| Unwinding of discount on non-current financial assets                      | 9   | 10   | 29   | 26   |
| Sales of solar energy  | 45  | 49   | 138  | 147  |
| Realised gain on foreign currency exchange                                 | 6   | -  | 24   | -  |
| Gain on termination of lease contract                                      | 1   | -  | 2  | -  |

By Order of the Board

Date : 18 November 2024