

WENTEL ENGINEERING HOLDINGS BERHAD

Registration No. 202301007290 (1501211-T)

(Incorporated in Malaysia)

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

WENTEL ENGINEERING HOLDINGS BERHAD

Registration No. 202301007290 (1501211-T)

(Incorporated in Malaysia under the Companies Act 2016)

**Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Third Quarter Ended 30 September 2024⁽¹⁾**

	Note	<i>Individual Quarter</i>		<i>Cumulative Quarter</i>	
		Unaudited Current Quarter 30.09.2024 RM'000	Unaudited Preceding Year Corresponding Quarter ⁽³⁾ 30.09.2023 RM'000	Unaudited Current Year-to- date 30.09.2024 RM'000	Audited Preceding Year Corresponding Year-to-date ⁽³⁾ 30.09.2023 RM'000
Revenue		28,943	N/A	83,494	72,129
Cost of Sales		(20,903)	N/A	(61,218)	(53,851)
Gross Profit ("GP")		8,040	N/A	22,276	18,278
Other income		762	N/A	2,621	1,764
Selling and distribution expenses		(50)	N/A	(235)	(126)
Administrative expenses		(4,192)	N/A	(8,065)	(5,235)
Finance costs		(29)	N/A	(115)	(210)
Listing expenses		-	N/A	(4,092)	-
Profit before tax ("PBT") ⁽⁴⁾	B12	4,531	N/A	12,390	14,471
Tax expense	B5	(1,111)	N/A	(3,982)	(3,470)
Profit after tax ("PAT")		3,420	N/A	8,408	11,001
Other comprehensive income					
<u>Items that Will be Reclassified</u>					
<u>Subsequently to Profit or Loss</u>					
Foreign currency translation differences		(369)	N/A	(357)	97
Total comprehensive income		3,051	N/A	8,051	11,098
PAT attributable to:-					
Owners of the Company		3,420	N/A	8,408	11,001
Non-controlling interests		-	N/A	-	-
		3,420	N/A	8,408	11,001
Total comprehensive income					
attributable to:-					
Owners of the Company		3,051	N/A	8,051	11,098
Non-controlling interests		-	N/A	-	-
		3,051	N/A	8,051	11,098
Earnings per share					
- Basic/diluted (sen) ⁽²⁾	B11	0.30	N/A	0.73	0.96

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(Incorporated in Malaysia under the Companies Act 2016)

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Third Quarter Ended 30 September 2024⁽¹⁾ (Cont'd)

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 audited financial statements of the Group (as defined in Note A1) for the financial year ended 31 December 2023 and the accompanying explanatory notes attached to this report.
- (2) The basic earnings per share is calculated based on the Company's enlarged share capital of 1,150,000,000 ordinary shares after its initial public offering ("IPO") which involved the issuance of 273,200,000 new ordinary shares in conjunction with its listing on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 6 February 2024 ("Listing"). The diluted earnings per share is equivalent to the basic earnings per share as there were no potential dilutive securities in issue during the financial quarter and financial year-to-date under review.
- (3) This is the first interim financial report for the third quarter ended 30 September 2024 being announced by the Company in compliance with the ACE Market Listing Requirements of Bursa Securities ("Listing Requirements"). As the Company was only listed on the ACE Market of Bursa Securities on 6 February 2024, there are no comparative figures for the preceding year's corresponding quarter as no interim financial report was prepared for the financial period concerned. The preceding year's corresponding year-to-date should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 15 January 2024 ("Prospectus") issued in relation to the IPO.
- (4) For illustrative purposes only, the Group's financial performance after adjusting for the non-recurring listing expenses is as follows:

	<i>Individual Quarter</i>		<i>Cumulative Quarter</i>	
	Unaudited Current Quarter 30.09.2024 RM'000	Unaudited Preceding Year Corresponding Quarter 30.09.2023 RM'000	Unaudited Current Year-to-date 30.09.2024 RM'000	Audited Preceding Year Corresponding Year-to-date 30.09.2023 RM'000
PBT	4,531	N/A	12,390	14,471
Add: Listing expenses	-	N/A	4,092	-
Adjusted PBT	<u>4,531</u>	<u>N/A</u>	<u>16,482</u>	<u>14,471</u>

- (5) N/A denotes not applicable.

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WENTEL ENGINEERING HOLDINGS BERHAD

Registration No. 202301007290 (1501211-T)

(Incorporated in Malaysia under the Companies Act 2016)

**Unaudited Condensed Consolidated Statement of Financial Position
As at 30 September 2024⁽¹⁾**

	Note	Unaudited As at 30.09.2024 RM'000	Audited As at 31.12.2023 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		45,165	42,783
Right-of-use assets		258	1,535
Intangible assets		(2) ₋	(2) ₋
		<u>45,423</u>	<u>44,318</u>
Current assets			
Inventories		19,952	15,532
Trade receivables		28,672	20,815
Other receivables, deposits and prepayments		9,025	3,843
Current tax assets		1,415	1,295
Fixed deposits with a licensed bank		67,278	13,165
Cash and bank balances		26,144	18,649
		<u>152,486</u>	<u>73,299</u>
TOTAL ASSETS		<u>197,909</u>	<u>117,617</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		157,467	87,680
Merger deficit		(86,443)	(86,443)
Foreign exchange translation reserve		214	573
Retained profits		108,527	100,119
Total equity / Net assets		<u>179,765</u>	<u>101,929</u>
Non-current liabilities			
Lease liabilities		2	172
Term loan	B8	237	1,422
		<u>239</u>	<u>1,594</u>
Current liabilities			
Trade payables		6,527	6,612
Other payables and accruals		9,555	4,548
Lease liabilities		264	1,425
Term loan	B8	1,559	1,509
		<u>17,905</u>	<u>14,094</u>
Total liabilities		<u>18,144</u>	<u>15,688</u>
Total equity and liabilities		<u>197,909</u>	<u>117,617</u>
Net assets per ordinary share attributable to owners of the Company (RM)⁽³⁾		0.16	0.12

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(Incorporated in Malaysia under the Companies Act 2016)

Unaudited Condensed Consolidated Statement of Financial Position As at 30 September 2024⁽¹⁾ (Cont'd)

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 audited financial statements of the Group (as defined in Note A1) for the financial year ended 31 December 2023 and the accompanying explanatory notes attached to this report.
- (2) Represents less than RM1,000.
- (3) Net assets per ordinary share as at 30 September 2024 is calculated based on the Company's enlarged share capital of 1,150,000,000 ordinary shares as at 30 September 2024 after the Company's IPO involving the issuance of 273,200,000 new ordinary shares in conjunction with its Listing (31 December 2023: 876,800,000 ordinary shares in issue as at 31 December 2023, which is prior to the Company's IPO).

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Unaudited Condensed Consolidated Statement of Changes in Equity For The Third Quarter Ended 30 September 2024⁽¹⁾

	Share Capital RM'000	Merger Deficit RM'000	Foreign Exchange Translation Reserve RM'000	Retained Earnings RM'000	Attributable to the Owners of the Company RM'000	Total Equity RM'000
Balance at 1.1.2024 (audited)	87,680	(86,443)	573	100,119	101,929	101,929
Profit after taxation for the financial period	-	-	-	8,408	8,408	8,408
IPO proceeds	71,032	-	-	-	71,032	71,032
Listing expenses capitalization	(1,245)	-	-	-	(1,245)	(1,245)
Other comprehensive income for the financial period:						
- Foreign currency translation differences	-	-	(359)	-	(359)	(359)
Total comprehensive income for the financial period	69,787	-	(359)	8,408	77,836	77,836
Balance at 30.09.2024 (unaudited)	157,467	(86,443)	214	108,527	179,765	179,765

NOTE:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity is disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Group (as defined in Note A1) for the financial year ended 31 December 2023 and the accompanying explanatory notes attached to this report.

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WENTEL ENGINEERING HOLDINGS BERHAD

Registration No. 202301007290 (1501211-T)

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Unaudited Condensed Consolidated Statement of Cash Flows For The Third Quarter Ended 30 September 2024⁽¹⁾

	Unaudited Current Year-to-date 30.09.2024 RM'000	Audited Preceding Year Corresponding Year-to-date ⁽²⁾30.09.2023 RM'000
Cash flows from/ (for) operating activities		
Profit before tax	12,390	14,471
<u>Adjustments for: -</u>		
Depreciation of property, plant and equipment	1,825	2,605
Depreciation of right-of-use assets	1,275	1,476
Written off of property, plant and equipment	2	4
Gain on disposal of property, plant and equipment	(82)	(118)
Interest expenses on lease liabilities	37	90
Interest expenses on term loan	78	120
Interest income	(2,215)	(316)
Listing expense	4,092	-
Unrealised loss/ (gain) on foreign exchange	400	(653)
Operating profit before changes in working capital	17,802	17,679
Increase in inventories	(4,421)	(596)
(Increase)/ Decrease in trade and other receivables	(12,667)	797
Increase/ (Decrease) in trade and other payables	4,789	(4,318)
Cash from operations	5,503	13,562
Income tax paid	(4,102)	(4,794)
Net cash from operating activities	1,401	8,768
Cash flows for investing activities		
Additions of fixed deposits with tenure of more than 3 months	(35,642)	(21)
Interest income received	2,215	316
Purchase of property, plant and equipment	(4,206)	(18,957)
Proceeds from disposal of property, plant and equipment	80	118
Net cash for investing activities	(37,553)	(18,544)
Cash flows from/ (for) financing activities		
Interest paid	(115)	(210)
IPO proceeds	71,032	-
Proceeds from issuance of ordinary shares	-	⁽³⁾ -
Listing expenses	(5,337)	-
Repayment of lease liabilities	(1,331)	(1,488)
Repayment of term loans	(1,135)	(1,093)
Net cash from/ (for) financing activities	63,114	(2,791)
Net increase/ (decrease) in cash and cash equivalents	26,962	(12,567)
Effect of exchange rate translation	(357)	100
Cash and cash equivalents at beginning of financial period	26,661	35,762
Cash and cash equivalents at end of financial period⁽⁴⁾	53,266	23,295

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Unaudited Condensed Consolidated Statement of Cash Flows For The Third Quarter Ended 30 September 2024⁽¹⁾ (Cont'd)

NOTES:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Cash Flows is disclosed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2023 and the accompanying explanatory notes attached to this report.
- (2) The preceding year's corresponding year-to-date should be read in conjunction with the Accountants' Report as disclosed in the Prospectus.
- (3) Represents less than RM1,000.
- (4) Cash and cash equivalents at the end of the financial period consist of:

	Unaudited Current Year-to-date 30.09.2024 RM'000	Audited Preceding Year Corresponding Year-to-date 30.09.2023 RM'000
Cash and bank balances	26,144	13,084
Fixed deposits with financial institutions	67,278	11,274
	<u>93,422</u>	<u>24,358</u>
Less: Fixed deposit with tenure of more than 3 months	(40,156)	(1,063)
	<u>53,266</u>	<u>23,295</u>

- (5) N/A denotes not applicable.

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PART A – EXPLANATORY NOTES ON COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING

A1. BASIS OF PREPARATION

The interim financial report of Wentel Engineering Holdings Berhad (“the Company”) and its subsidiaries (“the Group”) are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), Rule 9.22 and Appendix 9B of the Listing Requirements.

This is the first interim financial report for the third quarter and year to-date ended 30 September 2024 announced by the Company in compliance with the Listing Requirements. As the Company was only listed on the ACE Market of Bursa Securities on 6 February 2024, as such, there are no comparative figures for the preceding year’s corresponding quarter as no interim financial report was prepared for the financial period concerned. The preceding year’s corresponding year-to-date should be read in conjunction with the Accountants’ Report as disclosed in the Prospectus.

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

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted for this interim financial report are consistent with those adopted in the Group’s audited financial statements for the financial year ended 31 December 2023, except for the adoption of the following amendments to MFRSs:

MFRS (Including the Consequential Amendments)	Effective Date
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements	1 January 2024

The adoption of the above did not result in any material impact on the financial statements of the Group.

As at the date of this report, the Group has not applied in advance the following amendments to MFRSs that have been issued by the MASB but are not yet effective:

MFRS (Including the Consequential Amendments)	Effective Date
Amendments to MFRS 121: Lack of Exchangeability	1 January 2025
Amendments to MFRS 10 and 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Group intends to adopt these amendments to MFRSs, if applicable, when they become effective in the following financial year.

The initial application of the abovementioned amendments to MFRSs, where applicable, is not expected to have any material impact on the financial statements of the Group.

A3. MATERIAL CHANGES IN ACCOUNTING ESTIMATES

There were no material changes in accounting estimates during the current financial quarter and financial year-to-date under review.

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PART A – EXPLANATORY NOTES ON COMPLIANCE WITH MFRS 134: INTERIM FINANCIAL REPORTING (CONT'D)

A4. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of the Group for the financial year ended 31 December 2023 were issued without any qualifications.

A5. SEASONAL OR CYCLICAL FACTORS

The Group's performance has not been materially affected by any seasonal and cyclical factors during the current financial quarter and financial year-to-date under review.

A6. ITEMS OR INCIDENTS OF AN UNUSUAL NATURE

There were no material and unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter and financial year-to-date under review.

A7. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

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

A8. DEBT AND EQUITY SECURITIES

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

Save as disclosed below, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial year-to-date under review.

In conjunction with the Company's Listing, the Company issued 273,200,000 new ordinary shares at an issue price of RM0.26 per share via public issue ("IPO Shares") that were allocated in the following manner:

- (i) 57,500,000 IPO Shares were issued to the Malaysian public;
- (ii) 33,000,000 IPO Shares were issued to the Group's eligible directors and employees, and other persons who have contributed to success of the Group;
- (iii) 38,950,000 IPO Shares were issued by way of private placement to selected investors; and
- (iv) 143,750,000 IPO Shares were issued by way of private placement to Bumiputera investors approved by the Ministry of Investment, Trade and Industry ("MITI").

Pursuant thereto, the Company was admitted to the Official List of Bursa Securities and the Company's entire enlarged issued share capital of 1,150,000,000 shares were listed and quoted on the ACE Market of Bursa Securities on 6 February 2024.

A9. DIVIDEND PAID

There was no dividend paid during the current financial quarter and financial year-to-date under review.

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PART A – EXPLANATORY NOTES ON COMPLIANCE WITH MFRS 134: INTERIM FINANCIAL REPORTING (CONT'D)

A10. SEGMENTAL INFORMATION

The Group is principally involved in the following businesses:

<u>Operating segments</u>	<u>Nature</u>
(a) Fabrication of semi-finished metal products	Products such as machine bodies and modules that are not finished products
(b) Fabrication of metal parts	Other products such as components and parts
(c) Assembly of finished products	Products that are complete, finished and ready to use

(a) Revenue by business activities

The table below sets out the breakdown of the Group's revenue by business activities for the financial quarter and financial year-to-date under review:

	<i>Individual Quarter</i>		<i>Cumulative Quarter</i>	
	Unaudited Current Quarter 30.09.2024 RM'000	Unaudited Preceding Year Corresponding Quarter ⁽¹⁾30.09.2023 RM'000	Unaudited Current Year-to-date 30.09.2024 RM'000	Audited Preceding Year Corresponding Year-to-date 30.09.2023 RM'000
Fabrication of semi-finished metal products	20,948	N/A	62,605	54,499
Fabrication of metal parts	6,224	N/A	15,752	12,019
Assembly of finished products	1,771	N/A	5,137	5,611
	<u>28,943</u>	<u>N/A</u>	<u>83,494</u>	<u>72,129</u>

Fabrication of semi-finished metal products was the major revenue contributor during the financial quarter and financial year-to-date under review. The key factor affecting our major revenue contributor is the customers' demand for the specific type of products within the respective product segments.

NOTES:

(1) This is the first interim financial report for the third quarter ended 30 September 2024 being announced by the Company in compliance with the Listing Requirements. As the Company was only listed on the ACE Market of Bursa Securities on 6 February 2024, there are no comparative figures for the preceding year's corresponding quarter as no interim financial report was prepared for the financial period concerned.

(2) N/A denotes not applicable.

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PART A – EXPLANATORY NOTES ON COMPLIANCE WITH MFRS 134: INTERIM FINANCIAL REPORTING (CONT'D)

A10. SEGMENTAL INFORMATION (CONT'D)

(b) Revenue by geographical region of customers

The table below sets out the breakdown of the Group's revenue by geographical region of customers for the financial quarter and financial year-to-date under review:

	<i>Individual Quarter</i>		<i>Cumulative Quarter</i>	
	Unaudited Current Quarter 30.09.2024 RM'000	Unaudited Preceding Year Corresponding Quarter (1)30.09.2023 RM'000	Unaudited Current Year-to-date 30.09.2024 RM'000	Audited Preceding Year Corresponding Year-to-date 30.09.2023 RM'000
Malaysia	20,892	N/A	61,963	49,781
Singapore	7,845	N/A	21,035	21,988
United States	206	N/A	496	360
	<u>28,943</u>	<u>N/A</u>	<u>83,494</u>	<u>72,129</u>

NOTES:

(1) This is the first interim financial report for the third quarter ended 30 September 2024 being announced by the Company in compliance with the Listing Requirements. As the Company was only listed on the ACE Market of Bursa Securities on 6 February 2024, there are no comparative figures for the preceding year's corresponding quarter as no interim financial report was prepared for the financial period concerned.

(2) N/A denotes not applicable.

A11. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no valuation of property, plant and equipment in the current financial quarter under review.

A12. CHANGES IN THE COMPOSITION OF THE GROUP

Save as disclosed in Note A8 above, there were no material changes in the composition of the Group during the current financial quarter and financial year-to-date under review.

A13. CAPITAL COMMITMENTS

	Unaudited As at 30.09.2024 RM'000
<u>Approved and contracted for:</u> Construction of property, plant and equipment	62,461

A14. CONTINGENT ASSETS OR CONTINGENT LIABILITIES

There were no contingent assets and contingent liabilities as at the end of the current financial quarter and financial year-to-date.

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PART A – EXPLANATORY NOTES ON COMPLIANCE WITH MFRS 134: INTERIM FINANCIAL REPORTING (CONT'D)

A15. SIGNIFICANT RELATED PARTY TRANSACTIONS

	<i>Individual Quarter</i>		<i>Cumulative Quarter</i>	
	Unaudited Current Quarter 30.09.2024 RM'000	Unaudited Preceding Year Corresponding Quarter (¹)30.09.2023 RM'000	Unaudited Current Year- to-date 30.09.2024 RM'000	Audited Preceding Year Corresponding Year-to-date 30.09.2023 RM'000
Corporate shareholder				
- Factory rental paid	356	N/A	1,069	1,069
- Trademark	-	N/A	-	(²)-
Related parties				
- Purchases	58	N/A	125	2,519
- Sales	-	N/A	-	10

NOTES:

(1) This is the first interim financial report for the third quarter ended 30 September 2024 being announced by the Company in compliance with the Listing Requirements. As the Company was only listed on the ACE Market of Bursa Securities on 6 February 2024, there are no comparative figures for the preceding year's corresponding quarter as no interim financial report was prepared for the financial period concerned.

(2) Represents less than RM1,000.

(3) N/A denotes not applicable.

A16. FAIR VALUE OF FINANCIAL LIABILITIES

There were no gains or losses arising from fair value changes in the Group's financial liabilities for the current financial quarter under review.

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

B1. REVIEW OF PERFORMANCE

The Group recorded a revenue of RM28.94 million for the current financial quarter ended 30 September 2024. The Group's revenue was mainly attributable to the fabrication of semi-finished metal products, contributing approximately 72.38% of the total revenue for the current financial quarter under review.

The Group registered a PBT of RM4.53 million for the current financial quarter ended 30 September 2024 after deducting the administrative expenses of RM4.19 million. The administrative expenses mainly consist of loss on foreign currency exchange, staff costs, directors' remuneration and depreciation cost.

The Group recorded a revenue of RM83.49 million for the financial year-to-date ended 30 September 2024 compared with RM72.13 million for the financial year-to-date ended 30 September 2023, an increase of 15.76%. The increase in revenue was mainly due to the increase of fabrication of metal parts related to robust recovery of the semiconductor market.

The Group registered a PBT of RM12.39 million for the financial year-to-date ended 30 September 2024 compared with RM14.47 million for the financial year-to-date ended 30 September 2023. The decrease of 14.38% of PBT was mainly due to the non-recurring listing expenses of RM4.09 million.

There are no comparative figures for the preceding year's corresponding quarter as this is the first interim financial report for the third quarter ended 30 September 2024 being announced by the Company in compliance with the Listing Requirements.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	<i>Individual Quarter</i>		<i>Variance</i>	
	Unaudited Current Quarter 30.09.2024 RM'000	Unaudited Immediate Preceding Quarter 30.06.2024 RM'000	RM'000	%
Revenue	28,943	28,777	166	0.58
PBT	4,531	5,922	(1,391)	(23.49)

The Group's revenue for the current quarter ended 30 September 2024 increased by RM0.17 million or 0.58% as compared to the immediate preceding quarter ended 30 June 2024. The increase in revenue was mainly due to the increase in orders for the fabrication of metal parts segment.

The Group has recorded a decrease of PBT by RM1.39 million or 23.49% for the current quarter ended 30 September 2024 as compared to the immediate preceding quarter ended 30 June 2024 mainly due to the loss on foreign currency exchange.

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

B3. PROSPECTS AND OUTLOOK

The global economy continues to expand amid resilient labour markets and continued recovery in global trade. Looking ahead, global growth is expected to be sustained by positive labour market conditions, moderating inflation and less restrictive monetary policy. Global trade recovery is expected to continue, supported by both electrical and electronics (“E&E”) as well as non-E&E products. The growth outlook remains subject to downside risks, mainly from further escalation of geopolitical tensions, heightened volatility in global financial markets and slower growth momentum in major economies.

For the Malaysian economy, the latest indicators point towards sustained strength in economic activity driven by resilient domestic expenditure and higher export activity. Going forward, exports are expected to be supported by the global tech upcycle, continued strength in non-E&E goods and higher tourist spending. Employment and wage growth, as well as policy measures, remain supportive of household spending. The robust expansion in investment activity would be sustained by the progress of multi-year projects in both the private and public sectors, the higher realisation of approved investments, as well as the implementation of catalytic initiatives under the national master plans. These investments, supported by higher capital imports, will raise exports and expand the productive capacity of the economy. Budget 2025 measures will provide additional support to growth. The growth outlook is subject to downside risks from lower-than-expected external demand and commodity production. Meanwhile, upside risks to growth mainly emanate from greater spillover from the tech upcycle, more robust tourism activity, and faster implementation of investment projects.

Ringgit performance continues to be primarily driven by external factors. The outcome of the US elections could heighten volatility in the near term. Looking ahead, the narrowing interest rate differentials between Malaysia and the advanced economies is positive for the ringgit. Malaysia’s favourable economic prospects and domestic structural reforms, complemented by ongoing initiatives to encourage flows, will continue to provide enduring support to the ringgit.

(Source: Monetary Policy Statement on 6 November 2024, Bank Negara Malaysia)

The International Monetary Fund (IMF) projects global growth to be at 3.2% in 2024, despite the prolonged geopolitical tensions and a high interest rate environment. It is then expected to remain stable at 3.3% in 2025, driven by modest growth in trade and investment. Economic activities are more balanced across countries as cyclical factors dwindle and activities become better aligned with their economic potential. Global trade strengthened in the first half of 2024 and is expected to continue towards the end of the year and expand in 2025. Meanwhile, global inflation is projected to moderate, averaging 5.9% in 2024 and improve further to 4.4% in 2025. As inflationary pressures remain persistent, central banks will continue to adopt a careful stance on adjusting monetary policies.

During the first half of 2024, Malaysia’s economy posted a commendable growth of 5.1% driven by robust domestic demand, combined with further expansion in exports as well as positive growth in all economic sectors. Growth is forecast to continue its momentum in the second half of the year, albeit at a moderate pace. In 2024, Malaysia’s economy is forecast to expand between 4.8% and 5.3%. Growth will be propelled by robust domestic demand and recovery in exports. Consumer spending is expected to remain resilient, supported by improvements in labour market conditions and vibrant tourism related activities. Investment will be driven by new and ongoing projects by both the private and public sectors, supported by the implementation of key national policies and initiatives, including the National Energy Transition Roadmap (NETR) and the New Industrial Master Plan 2030 (NIMP 2030). From a sectoral perspective, the services and manufacturing sectors remain the primary engines of growth. Meanwhile, the construction sector is projected to achieve stellar performance, supported by a broad-based expansion across all subsectors.

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

The growth in 2025 is projected between 4.5% and 5.5%, supported by a resilient external sector, benefitting from improved global trade and stronger demand for E&E goods, leveraging the country's strategic position within the semiconductor supply chain. Additionally, robust domestic demand, fuelled by strong private sector expenditure, will support the expansion, through continued implementation of key national master plans and ongoing initiatives. A pertinent initiative which is Government-Linked Enterprises Activation and Reform Programme (GEAR-uP), will synergise efforts across government-linked entities to catalyse growth in high growth sectors, encompassing energy transition, advanced manufacturing, food security, healthcare, Islamic finance and biopharmaceuticals. The potential investment from this initiative is expected to amount to RM120 billion over the span of five years. On the production side, most sectors are expected to expand, highlighting the resilience and agility of Malaysia's economy.

The manufacturing sector expanded by 3.3% during the first half of 2024 on the back of higher growth of domestic-oriented industries and a stronger performance of export-oriented industries. The domestic-oriented industries saw a steady growth of 5.9%, fuelled by rising demand, mainly in non-metallic mineral products, basic metal and fabricated products subsector, backed by robust performance in construction activities. Meanwhile, export-oriented industries recorded a growth of 2.1%, supported by an upturn in demand of the E&E segment, attributed to positive market momentum in the global semiconductor industry. The sector is projected to grow by 4.9% in the second half of 2024, owing to strengthening domestic demand and improving performance of the external sector. Within the domestic oriented industries, growth is expected to remain resilient propelled by consumer-related activities, particularly in food and beverages as well as transportation segments resulting from flourishing tourism activities. In addition, output for construction-related materials such as metals and cement is anticipated to rise, following acceleration of ongoing infrastructure projects and upcoming development activities. Meanwhile, within the export-oriented industries, the E&E segment is expected to further improve in line with the uptrend in global electronics demand, supported by evolving innovation as well as improvement in the consumer electronics market. In addition, increasing demand for AI chips, data centres, next-generation computing and high-performance computing application will further boost Malaysia's semiconductor industry. Overall, the manufacturing sector is forecast to register a strong growth of 4.1% in 2024.

(Source: Economic Outlook 2025, Ministry of Finance Malaysia)

According to the Monetary Policy Statement from Bank Negara Malaysia, the strength of the global economy remained sustained and continued recovery in global trade and the higher export activity creates an opportunity for the exporter in Malaysia. The management is putting effort into focusing on driving growth across all its business segments, and expanding our customer base, to position ourselves to address rising demand of security scanning equipment and E&E products and enhance our market presence. Further, global exports are expected to be supported by various factors such as the global travel traffics and E&E industry growth, and will facilitate the Group to explore potential business opportunities within the industry that the Group is involved in. Besides, the Group is identifying a better way of expanding the Group's operation capacity such as leasing a third-party warehouse to cater for the future growth in demand.

The Group's financial performance for the financial quarter ended 30 September 2024 has been affected by the appreciation of the RM against the United States Dollar (USD) and Singapore Dollar (SGD). The Group's revenues are mainly derived in USD for the year-to-date ended 30 September 2024. The Group's purchases in multi foreign currency such as USD, SGD, GBP & EUR for the year-to-date ended 30 September 2024. The Group's foreign currency sales and purchases provide a natural hedge against the fluctuations in foreign exchange rates. Notwithstanding the above, any substantial fluctuation between USD or SGD and RM will affect the financial performance of the Group. At this point, the management remains cautiously optimistic in the future and the management will continue to vigilantly monitor and take any necessary action to minimize the risks.

B4. PROFIT FORECAST OR PROFIT GUARANTEE

The Group did not issue any profit forecast or profit guarantee during the current financial quarter and financial year-to-date under review.

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

B5. INCOME TAX EXPENSES

	<i>Individual Quarter</i>		<i>Cumulative Quarter</i>	
	Unaudited Current Quarter 30.09.2024 RM'000	Unaudited Preceding Year Corresponding Quarter (²)30.09.2023 RM'000	Unaudited Current Year-to-date 30.09.2024 RM'000	Audited Preceding Year Corresponding Year-to-date 30.09.2023 RM'000
Tax expenses ⁽¹⁾	1,111	N/A	3,982	3,470
Effective tax rate (%)	24.52	N/A	32.14	23.98
Statutory tax rate (%) ⁽³⁾	24.00	N/A	24.00	24.00
Adjusted effective tax rate (%)	24.52	N/A	24.16	23.98

NOTES:

- (1) Income tax is recognized based on the management's best estimate.
- (2) This is the first interim financial report for the third quarter ended 30 September 2024 being announced by the Company in compliance with the Listing Requirements. As the Company was only listed on the ACE Market of Bursa Securities on 6 February 2024, there are no comparative figures for the preceding year's corresponding quarter as no interim financial report was prepared for the financial period concerned.
- (3) Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the financial year/period. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.
- (4) N/A denotes not applicable.

The effective tax rate was higher than the statutory tax rate of Malaysia of 24.00% for the current financial quarter mainly due to non-deductible expenses which is nonbusiness nature expenses in the current financial quarter. The effective tax rate was higher than the statutory tax rate of Malaysia of 24.00% for the financial year-to-date mainly due to the one-off non-deductible listing expenses in the financial year-to-date.

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

B6. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals announced but not implemented as of the date of this report.

B7. UTILISATION OF PROCEEDS FROM IPO

The gross proceeds of approximately RM71.03 million raised from the IPO which was completed on 6 February 2024 are utilized in the following manner:

<u>Details of utilisation of proceeds</u>	<u>Proposed Utilisation</u> <u>RM'000</u>	<u>Actual Utilisation</u> <u>RM'000</u>	<u>Reallocation</u> <u>RM'000</u>	<u>Balance to be utilised</u> <u>RM'000</u>	<u>Estimated timeframe for the utilisation upon listing</u>
Part finance the construction of new manufacturing plant	40,000	(2,699)	663	37,964	Within 18 months
Part finance the purchase of new machinery and equipment	25,032	-	-	25,032	Within 18 months
Estimated listing expenses	6,000	(5,337)	(663) ⁽¹⁾	-	Within 3 months
	71,032	(8,036)	-	62,996	

The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus.

NOTE:

(1) In view that the actual listing expenses were less than estimated, the surplus has been re-allocated to fund the construction of new manufacturing plant.

B8. BORROWINGS

	<u>Unaudited</u> <u>As at</u> <u>30.09.2024</u> <u>RM'000</u>	<u>Audited</u> <u>As at</u> <u>31.12.2023</u> <u>RM'000</u>
<u>Current</u>		
Term Loan	1,559	1,509
	<u>1,559</u>	<u>1,509</u>
<u>Non-current</u>		
Term Loan	237	1,422
	<u>237</u>	<u>1,422</u>

These borrowings are secured and denominated in RM.

B9. MATERIAL LITIGATION

There was no material litigation involving the Group as at the date of this report.

B10. DIVIDEND PROPOSED

No dividend has been declared or recommended by the Board of Directors for the current financial quarter and financial year-to-date under review.

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

B11. EARNINGS PER SHARE

The basic and diluted earnings per share are computed as follows:

	<i>Individual Quarter</i>		<i>Cumulative Quarter</i>	
	Unaudited Current Quarter 30.09.2024	Unaudited Preceding Year Corresponding Quarter (²)30.09.2023	Unaudited Current Year-to-date 30.09.2024	Audited Preceding Year Corresponding Year-to-date 30.09.2023
Profit attributable to the Owners of the Company (RM'000)	3,420	N/A	8,408	11,001
Number of ordinary shares ('000) ⁽¹⁾	1,150,000	N/A	1,150,000	1,150,000
Basic/diluted earnings per share (sen) ⁽¹⁾	0.30	N/A	0.73	0.96

NOTES:

- (1) The basic earnings per share is calculated based on the Company's enlarged share capital of 1,150,000,000 ordinary shares after its IPO and Listing. The diluted earnings per share is equivalent to the basic earnings per share as there were no potential dilutive securities in issue during the financial quarter and financial year-to-date under review.
- (2) This is the first interim financial report for the third quarter ended 30 September 2024 being announced by the Company in compliance with the Listing Requirements. As the Company was only listed on the ACE Market of Bursa Securities on 6 February 2024, there are no comparative figures for the preceding year's corresponding quarter as no interim financial report was prepared for the financial period concerned.
- (3) N/A denotes not applicable.

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

B12. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

Profit before tax is arrived at after charging/(crediting):

	<i>Individual Quarter</i>		<i>Cumulative Quarter</i>	
	Unaudited Current Quarter 30.09.2024 RM'000	Unaudited Preceding Year Corresponding Quarter ⁽¹⁾30.09.2023 RM'000	Unaudited Current Year-to-date 30.09.2024 RM'000	Audited Preceding Year Corresponding Year-to-date 30.09.2023 RM'000
Depreciation of property, plant and equipment	618	N/A	1,825	2,605
Depreciation of right-of-use assets	425	N/A	1,275	1,476
Written off of property, plant and equipment	-	N/A	2	4
Gain on disposal of property, plant and equipment	-	N/A	(82)	(118)
Interest expenses	29	N/A	115	210
Interest income	(772)	N/A	(2,215)	(316)
Realised loss/(gain) on foreign exchange	1,962	N/A	1,735	(498)
Unrealised loss/(gain) on foreign exchange	287	N/A	400	(653)

NOTES:

(1) This is the first interim financial report for the third quarter ended 30 September 2024 being announced by the Company in compliance with the Listing Requirements. As the Company was only listed on the ACE Market of Bursa Securities on 6 February 2024, there are no comparative figures for the preceding year's corresponding quarter as no interim financial report was prepared for the financial period concerned.

(2) N/A denotes not applicable.

Other disclosure items pursuant to Note 16, Appendix 9B of the Listing Requirements are not applicable.

**BY ORDER OF THE BOARD
WENTEL ENGINEERING HOLDINGS BERHAD**