



**SL INNOVATION CAPITAL BERHAD**

(Company No. 972155-K)

(Incorporated in Malaysia)

**FINANCIAL STATEMENTS FOR THE HALF-YEAR  
ENDED 30 JUNE 2019**

**CHARACTERISTICS OF THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”)**

THE LEAP MARKET HAS BEEN POSITIONED AS A MARKET DESIGNED TO ACCOMMODATE CORPORATIONS TO WHICH A HIGHER INVESTMENT RISK MAY BE ATTACHED THAN OTHER CORPORATIONS LISTED ON THE ACE MARKET OR MAIN MARKET OF BURSA SECURITIES. IT IS A QUALIFIED MARKET WHICH IS MEANT MAINLY FOR SOPHISTICATED INVESTORS ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY SL INNOVATION CAPITAL BERHAD (“SLiC” OR THE “COMPANY”). SOPHISTICATED INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER DUE AND CAREFUL CONSIDERATION.

**SL INNOVATION CAPITAL BERHAD**  
(Company No. 972155-K)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT  
30 JUNE 2019<sup>(1)</sup>**

	As at 30 Jun 2019 Unaudited RM'000	As at 31 Dec 2018 Audited RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	8,163	8,249
Right-of-use assets	220	-
Investment properties	603	609
Development expenditures	296	296
<b>Total non-current assets</b>	<b>9,282</b>	<b>9,154</b>
<b>Current assets</b>		
Trade receivables	5,810	6,452
Other receivables	2,259	519
Tax recoverable	-	260
Cash and bank balances	3,762	3,670
<b>Total current assets</b>	<b>11,831</b>	<b>10,901</b>
<b>Total assets</b>	<b>21,113</b>	<b>20,055</b>
<b>EQUITY</b>		
Share capital	7,648	7,648
Merger reserve	(3,825)	(3,825)
Retained earnings	8,851	7,770
<b>Total equity</b>	<b>12,674</b>	<b>11,593</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Finance lease liabilities	459	459
Lease liabilities	145	-
Bank borrowings	1,465	975
Deferred tax liabilities	59	59
<b>Total non-current liabilities</b>	<b>2,128</b>	<b>1,493</b>
<b>Current liabilities</b>		
Contract liabilities	749	749
Trade payables	3,494	2,447
Other payables	1,582	3,221
Finance lease liabilities	60	118
Lease liabilities	82	-
Bank borrowings	32	40
Tax payable	312	394
<b>Total current liabilities</b>	<b>6,311</b>	<b>6,969</b>
<b>Total liabilities</b>	<b>8,439</b>	<b>8,462</b>
<b>Total equity and liabilities</b>	<b>21,113</b>	<b>20,055</b>
<b>Net assets per share (RM)<sup>(2)</sup></b>	<b>0.10</b>	<b>0.09</b>

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*Notes:*

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Financial Position are detailed in Note A1 and should be read in conjunction with the Audited Consolidated Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.*
- (2) Net assets per share is calculated based on the Company's total number of issued shares of 127,000,000 ordinary shares as at 30 June 2019 and 31 December 2018.*

**SL INNOVATION CAPITAL BERHAD**  
(Company No. 972155-K)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2019<sup>(1)</sup>**

	Individual 6 months ended		Cumulative 6 months ended	
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
Revenue	14,031	14,064	14,031	14,064
Cost of sales	(7,981)	(8,448)	(7,981)	(8,448)
<b>Gross profit</b>	<b>6,050</b>	<b>5,616</b>	<b>6,050</b>	<b>5,616</b>
Other income	258	295	258	295
Selling and distribution expenses	(453)	(314)	(453)	(314)
Administrative expenses	(4,406)	(4,037)	(4,406)	(4,037)
Listing expenses	-	(659)	-	(659)
Finance costs	(46)	(30)	(46)	(30)
<b>Profit before taxation</b>	<b>1,403</b>	<b>871</b>	<b>1,403</b>	<b>871</b>
Taxation	(315)	(342)	(315)	(342)
<b>Profit for the financial period, representing total comprehensive income for the financial period attributable to owners of the Company</b>	<b>1,088</b>	<b>529</b>	<b>1,088</b>	<b>529</b>
<b>Earnings per ordinary share ("EPS") (sen):</b>				
- Basic	0.86	0.44	0.86	0.44
- Diluted <sup>(2)</sup>	0.86	0.44	0.86	0.44

Notes:

- (1) *The basis of preparation of the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income are detailed in Note A1 and should be read in conjunction with the Audited Consolidated Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.*
- (2) *Diluted earnings per ordinary share is equivalent to the basic earnings per ordinary share as the Company does not have any securities convertible into ordinary shares of the Company at the end of the reporting period.*

**SL INNOVATION CAPITAL BERHAD**  
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2019<sup>(1)</sup>**

	<----- Non-distributable ----->		Distributable	Total
	Share Capital	Merger Reserve	Retained Earnings	
	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2018</b>	<b>5,825</b>	<b>(3,825)</b>	<b>7,385</b>	<b>9,385</b>
Profit for the financial period, representing total comprehensive income for the financial period	-	-	529	529
<b>Transaction with owners:</b>				
Dividends paid to owner of subsidiary company	1,890	-	-	1,890
Listing expenses	(67)	-	-	(67)
<b>At 30 June 2018</b>	<b>7,648</b>	<b>(3,825)</b>	<b>7,914</b>	<b>11,737</b>
<b>At 1 January 2019</b>	<b>7,648</b>	<b>(3,825)</b>	<b>7,770</b>	<b>11,593</b>
Opening balance adjustments from adoption of MFRS 16	-	-	(7)	(7)
At 1 January 2019 (Restated)	7,648	(3,825)	7,763	11,586
Profit for the financial period, representing total comprehensive income for the financial period	-	-	1,088	1,088
<b>At 30 June 2019</b>	<b>7,648</b>	<b>(3,825)</b>	<b>8,851</b>	<b>12,674</b>

Note:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity are detailed in Note A1 and should be read in conjunction with the Audited Consolidated Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

**SL INNOVATION CAPITAL BERHAD**  
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2019<sup>(1)</sup>**

	6 months ended	
	30 Jun 2019 RM'000	30 Jun 2018 RM'000
<b>Cash Flows From Operating Activities</b>		
Profit before taxation	1,403	871
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	277	126
Listing expenses	-	659
Interest expense	46	30
Operating profit before working capital changes	1,726	1,686
Changes in working capital		
Decrease / (increase) in receivables	(1,098)	920
Increase in inventories	-	(54)
Decrease in payables	(592)	(3,074)
	(1,690)	(2,208)
Cash generated from operations	36	(522)
Interest paid	(40)	(30)
Tax paid	(374)	(342)
Tax refund	238	-
	(176)	(372)
Net cash used in operating activities	(140)	(894)
<b>Cash Flows From Investing Activities</b>		
Purchase of property, plant and equipment	(97)	-
Net cash used in investing activities	(97)	-
<b>Cash Flows From Financing Activities</b>		
Proceeds from issuance of ordinary shares	-	1,823
Drawdown of bank borrowing liabilities	500	-
Repayment of finance lease liabilities	(153)	(24)
Repayment of term loans	(18)	(18)
Listing expenses	-	(659)
Net cash from financing activities	329	1,122
Net increase in cash and cash equivalents	92	228
Cash and cash equivalents at beginning of the financial period	3,670	2,430
<b>Cash and cash equivalents at end of the financial period</b>	<b>3,762</b>	<b>2,658</b>

**SL INNOVATION CAPITAL BERHAD**  
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2019<sup>(1)</sup> (CONT'D)**

*Note:*

- (1) *The basis of preparation of the Unaudited Condensed Consolidated Statement of Cash Flows are detailed in Note A1 and should be read in conjunction with the Audited Consolidated Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.*

**A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2019**

**A1. BASIS OF PREPARATION**

The interim financial statements of SLIC and its subsidiaries (the “**Group**”) are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards (“**MFRS**”) 134: Interim Financial Reporting.

This is the interim financial report on the consolidated results for the half-year ended 30 June 2019 announced by the Company in compliance with the LEAP Market Listing Requirements of Bursa Securities (“**Listing Requirements**”). The comparative figures have been presented as if the combination has occurred from the date when the combining entities first came under common control.

The interim financial report should be read in conjunction with the Audited Consolidated Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

**A2. CHANGES IN ACCOUNTING POLICIES**

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the Audited Consolidated Financial Statements for the financial year ended 31 December 2018 except for the following:

<b>MFRSs</b>	<b>Effective date</b>
MFRS 16 <i>Leases</i>	1-Jan-19
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1-Jan-19
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1-Jan-19
Amendments to MFRS 119 <i>Plan Amendments, Curtailment or Settlement</i>	1-Jan-19
Amendments to MFRS 128 <i>Long-term interests in Associates and Joint Venture</i>	1-Jan-19
Annual Improvements to MFRSs 2015 – 2017 Cycle:	
• Amendments to MFRS 3	1-Jan-19
• Amendments to MFRS 11	1-Jan-19
• Amendments to MFRS 112	1-Jan-19
• Amendments to MFRS 123	1-Jan-19

The adoption of the above pronouncement has no material financial impacts on the results and financial position of the Group for the current financial period other than as set out below:

**i. MFRS 16: Leases**

At the beginning of the current financial year, the Group has adopted MFRS 16: Leases. MFRS 16 had replaced MFRS 117. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires leases to account for all leases under a single on-balance sheet model similar to the accounting for finance lease under MFRS 117.

MFRS 16 has been adopted by the Group as at 1 January 2019 using the modified retrospective method of adoption which measures the lease liabilities based on the present value of future lease payments calculated using the incremental borrowing rate and exchange rate at date of transition. Lease payments would be split into principal and interest payments, using the effective interest method.



**A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2019 (CONT'D)**

Correspondingly, the right-of-use assets will be the present value of the liability at the commencement date of the lease, adding any directly attributable costs. The right-of-use assets will be depreciated on a straight-line basis over the shorter of the lease term and useful life of the leased asset.

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that previously identified as leases applying MFRS 117 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). As the modified retrospective method of adoption is applied comparative figures are not restated.

The adoption of MFRS 16 has the following impact on the unaudited consolidated financial statements for the half year ended 30 June 2019.

Statements of financial position of the Group

	Unaudited as of 1 January 2019, previously stated RM'000	Impact of MFRS 16 adoption RM'000	Unaudited as of 1 January 2019, as restated RM'000
Right-of-use assets	-	308	308
Lease liabilities (Non-current)	-	145	145
Lease liabilities (Current)	-	170	170
Retained earnings	7,770	(7)	7,763

The Group did not early adopt any new standards, interpretations or amendments that have been issued but are not yet effective.

**A3. SEASONAL AND CYCLICAL FACTORS**

The business operations of the Group are not significantly affected by any seasonal or cyclical factors for the current financial period.

**A4. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS**

There were no material unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial period.

**A5. MATERIAL CHANGES IN ESTIMATES**

There were no material changes in estimates in the current financial period.

**A6. DEBT AND EQUITY SECURITIES**

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial period.

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**A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2019 (CONT'D)**

**A7. SEGMENTAL INFORMATION**

The Group's revenue based on activities is presented as follows:

	Individual 6 months ended		Cumulative 6 months ended	
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
IT infrastructure technology solutions	5,327	6,223	5,327	6,223
Enterprise software solutions	8,704	7,841	8,704	7,841
<b>Total</b>	<b>14,031</b>	<b>14,064</b>	<b>14,031</b>	<b>14,064</b>

The Group's revenue is derived from project based sales and retainer based contracts which comprise both IT infrastructure technology solutions and enterprise software solutions, whereby the composition is dependent on the nature of the project and our customers' requirements.

**A8. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE CURRENT FINANCIAL PERIOD**

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

**A9. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group for the current financial period.

**A10. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

There are no contingent assets and contingent liabilities as at the date of this interim financial report.

**A11. CAPITAL COMMITMENTS**

There were no material capital commitments in respect of property, plant and equipment as at the end of the current financial period.

**B ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS**

**B1. REVIEW OF PERFORMANCE**

The Group recorded a revenue of RM14.03 million for the current financial period, representing a slight decrease of RM0.03 million or 0.21% as compared to RM14.06 million in the corresponding period of the preceding year due to lower revenue generated from IT infrastructure solutions business.

The IT infrastructure technology solutions business recorded a decrease in revenue by approximately RM0.90 million or 14.47% mainly due to lower sales of IT infrastructure as a result of lesser upgrades by customers of the Group as compared to the corresponding period of the preceding year.

The enterprise software solutions business recorded an increase in revenue by approximately RM0.86 million or 10.97% mainly due to higher software sales and software services.

Despite the Group's lower revenue recorded for the current financial period, the Group's gross profit increased by RM0.43 million or 7.65%, while its gross profit margin increased to 43.12% as compared to 39.93% in the corresponding period of the preceding year. This is mainly due to higher sales from enterprise software solutions business which has higher profit margin.

The Group recorded a profit before tax of RM1.40 million for the current financial period, representing an increase of RM0.53 million or 60.92% as compared to RM0.87 million in the corresponding period of the preceding year. The increase in profit before tax was mainly due to the absence of one-off listing expenses of RM0.66 million which were incurred in the corresponding period of the preceding year.

**B2. COMMENTARY ON PROSPECTS**

As disclosed in the Company's Information Memorandum dated 18 April 2018, the Group has in place a series of future plans and strategies to further expand the Group's business which are focused in the following areas:

- (i) Increase the adoption of the Group's MountainTop solutions;
- (ii) Grow the Group's customer base for third-party solutions, particularly for Optimity; and
- (iii) Expand the Group's enterprise resource planning solutions to include enterprise resource planning cloud solutions and managed services.

Further to the above, the Company is actively working on the marketing of its products by ways through email marketing, participating in trade exhibitions and search engine optimisation to expand its customer base.

Barring any unforeseen circumstances, the Board of Directors of the Company ("**Board**") is of the opinion that the prospects of the Group's financial performance for the financial year ending 31 December 2019 will remain favourable.

**B3. VARIANCE OF ACTUAL PROFIT FROM PROFIT FORECAST AND PROFIT GUARANTEE**

The Group has not issued any profit forecast or profit guarantee in any form of public documentation and announcement.

**SL INNOVATION CAPITAL BERHAD**  
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**C OTHER INFORMATION**

**C1. STATUS OF CORPORATE PROPOSALS**

There were no corporate proposals announced but pending completion as at the date of this report.

**C2. UTILISATION OF PROCEEDS**

The status of utilisation of the proceeds from the excluded issue of RM1.89 million are as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation <sup>(1)</sup> RM'000	Deviation RM'000	Balance RM'000	Estimated timeframe for utilisation upon listing
R&D expenditure	700	210	-	490	Within 24 months
Working capital	390	-	73	463	Within 24 months
Estimated listing expenses	800	727	(73) <sup>(2)</sup>	-	Immediate
<b>Total</b>	<b>1,890</b>	<b>937</b>	<b>-</b>	<b>953</b>	

Notes:

(1) Utilisation as at 30 June 2019.

(2) This amount has been relocated to the amount earmarked for working capital.

**C3. MATERIAL LITIGATION**

There are no material litigations pending as at the date of this report.

**C4. DIVIDENDS**

The Board has declared a single tier interim dividend of 1 sen per ordinary share in respect of the financial year ending 31 December 2019. The interim dividend shall be paid on 19 September 2019.

**C5. EPS**

(i) The basic EPS for the current financial period and financial year-to-date are computed as follows:

	Individual 6 months ended		Cumulative 6 months ended	
	30 Jun 2019 RM'000	30 Jun 2018 RM'000	30 Jun 2019 RM'000	30 Jun 2018 RM'000
Profit attributable to owners of the parent	1,088	529	1,088	529
Weighted average number of ordinary shares in issue	127,000	119,168	127,000	119,168
Basic EPS (sen)	0.86	0.44	0.86	0.44

**SL INNOVATION CAPITAL BERHAD**  
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**C OTHER INFORMATION (CONT'D)**

The EPS for the financial period ended 30 June 2019 and 30 June 2018 were computed based on weighted average number of issued ordinary shares adjusted to take into account the issuance of new shares. The Company's issued ordinary shares prior to the excluded issue of 116,500,000 were assumed to be issued at the beginning of the financial period ended 30 June 2018.

- (ii) Diluted earnings per share is the same as the basic EPS as there were no potential dilutive instruments.