



SL INNOVATION CAPITAL BERHAD

(Registration No.201101044035 (972155-K))

(Incorporated in Malaysia)

**FINANCIAL STATEMENTS FOR THE HALF-YEAR
ENDED 31 DECEMBER 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
(Registration No. 201101044035 (972155-K))

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019⁽¹⁾

	As at 31 Dec 2019 Unaudited RM'000	As at 31 Dec 2018 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	5,967	8,249
Investment properties	2,788	609
Right-of-use assets	432	-
Development expenditures	236	296
Other Investment	13	-
Total non-current assets	9,436	9,154
Current assets		
Trade receivables	7,795	6,452
Other receivables	502	519
Tax recoverable	53	260
Cash and bank balances	3,507	3,670
Total current assets	11,857	10,901
Total assets	21,293	20,055
EQUITY		
Share capital	7,648	7,648
Merger reserve	(3,825)	(3,825)
Retained earnings	8,451	7,770
Total equity	12,274	11,593
LIABILITIES		
Non-current liabilities		
Finance lease liabilities	335	459
Lease liabilities	222	-
Bank borrowings	1,395	975
Deferred tax liabilities	34	59
Total non-current liabilities	1,986	1,493
Current liabilities		
Contract liabilities	800	749
Trade payables	3,216	2,447
Other payables	2,559	3,221
Finance lease liabilities	124	118
Lease liabilities	218	-
Bank borrowings	68	40
Tax payable	48	394
Total current liabilities	7,033	6,969
Total liabilities	9,019	8,462
Total equity and liabilities	21,293	20,055
Net assets per share (RM)⁽²⁾	0.10	0.09

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Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements 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.*

SL INNOVATION CAPITAL BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019⁽¹⁾

	Individual 6 months ended		Cumulative 12 months ended	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
Revenue	16,748	17,247	30,779	31,311
Cost of sales	(9,326)	(9,068)	(17,307)	(17,463)
Gross profit	7,422	8,179	13,472	13,848
Other income	117	350	375	645
Selling and distribution expenses	(62)	(289)	(515)	(603)
Administrative expenses	(6,038)	(6,201)	(10,444)	(10,898)
Finance costs	(52)	(38)	(98)	(68)
Profit before taxation	1,387	2,001	2,790	2,924
Taxation	(517)	(884)	(832)	(1,209)
Profit for the financial period	870	1,117	1,958	1,715
Earnings per share ("EPS") (sen):				
- Basic	0.69	0.88	1.54	1.40
- Diluted ⁽²⁾	0.69	0.88	1.54	1.40

Notes:

- (1) *The basis of preparation of the Unaudited Condensed Consolidated Statements 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 EPS is equivalent to the basic EPS 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 STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019⁽¹⁾

	<----- Non-distributable ----->		<-Distributable->	Total RM'000
	Share Capital	Merger Reserve	Retained Earnings	
	RM'000	RM'000	RM'000	
At 1 January 2018	5,825	(3,825)	7,385	9,385
Effect of adoption of MFRS 9	-	-	(60)	(60)
At 1 January 2018 (Restated)	5,825	(3,825)	7,325	9,325
Profit for the financial year, representing total comprehensive income for the financial year	-	-	1,715	1,715
Transaction with owners:				
Issuance of ordinary shares	1,890	-	-	1,890
Listing expenses	(67)	-	-	(67)
Dividends paid to owners of the Company	-	-	(1,270)	(1,270)
At 31 December 2018	7,648	(3,825)	7,770	11,593
At 1 January 2019	7,648	(3,825)	7,770	11,593
Effect of adoption of MFRS 16	-	-	(7)	(7)
At 1 January 2019 (Restated)	7,648	(3,825)	7,763	11,586
Profit for the financial year, representing total comprehensive income for the financial year	-	-	1,958	1,958
Dividends paid to owners of the Company	-	-	(1,270)	(1,270)
At 31 December 2019	7,648	(3,825)	8,451	12,274

Note:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements 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 STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019⁽¹⁾

	12 months ended	
	31 Dec 2019 RM'000	31 Dec 2018 RM'000
Cash Flows From Operating Activities		
Profit before taxation	2,790	2,924
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	332	264
Depreciation of investment properties	57	23
Amortisation of Intangible assets	59	-
Amortisation of right-of-use assets	227	-
Gain on disposal property, plant and equipment	(2)	-
Impairment on trade receivables	-	179
Reversal of impairment losses of trade receivables	(92)	(11)
Unrealised gain/(loss) on foreign exchange	4	(16)
Interest income	(1)	(2)
Interest expense	98	68
Operating profit before working capital changes	3,474	3,431
Changes in working capital		
(Increase)/Decrease in receivables	(1,238)	2,554
Increase/(Decrease) in contract liabilities	52	(261)
Increase/(Decrease) in payables	107	(1,933)
	(1,079)	360
Cash generated from operations	2,395	3,791
Interest received	1	(2)
Interest paid	(98)	(68)
Tax paid	(1,389)	(1,957)
Tax refund	393	10
	(1,093)	(2,015)
Net cash from operating activities	1,302	1,776
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(285)	(796)
Addition of development expenditures	-	(210)
Proceed from disposal of property, plant and equipment	(2)	-
Net cash used in investing activities	(285)	(1,006)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019⁽¹⁾ (CONT'D)

Cash Flows From Financing Activities

Dividend paid	(1,270)	(1,270)
Proceeds from issuance of ordinary shares	-	1,890
Listing expenses	-	(67)
Other investment	(13)	-
Drawdown of term loan	500	-
Repayment of finance lease liabilities	(118)	(54)
Repayment of lease liabilities	(227)	-
Repayment of term loan	(52)	(31)
Net cash from/(used in) financing activities	<u>(1,180)</u>	<u>468</u>
Net increase/(decrease) in cash and cash equivalents	(163)	1,238
Effect of exchange translation differences on cash and cash equivalents	(2)	2
Cash and cash equivalents at the beginning of the financial year	<u>3,670</u>	<u>2,430</u>
Cash and cash equivalents at the end of the financial year	<u>3,507</u>	<u>3,670</u>

Notes:

(1) *The basis of preparation of the Unaudited Condensed Consolidated Statements 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.*

(2) *Less than RM1,000*

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 financial year ended 31 December 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:

MFRSs	Effective date
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 Ventures</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 pronouncements has no material financial impact on the financial performance of the Group for the current financial year 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 FINANCIAL YEAR ENDED 31 DECEMBER 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. 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 financial year ended 31 December 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	-	431	431
Lease liabilities (Non-current)	-	221	221
Lease liabilities (Current)	-	217	217
Retained earnings	7,770	(7)	7,763

The Group has not applied the following new MFRSs, new interpretations and amendments to MFRSs that have been issued by Malaysian Accounting Standard Board but are not yet effective for the Group:

MFRSs	Effective date
Amendments to References to the Conceptual Framework in MFRS Standards	1-Jan-20
Amendments to MFRS 3 <i>Definition of a Business</i>	1-Jan-20
Amendments to MFRS 101 and MFRS 108 <i>Definition of a Material</i>	1-Jan-20
Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest Rate Benchmark Reform</i>	1-Jan-20
MFRS 17 <i>Insurance Contracts</i>	1-Jan-21
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture</i>	Deferred until further notice

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 and financial year-to-date under review.

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

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 and financial year-to-date under review.

A5. MATERIAL CHANGES IN ESTIMATES

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

A6. DEBT AND EQUITY SECURITIES

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial period and financial year-to-date under review.

A7. SEGMENTAL INFORMATION

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

	Individual 6 months ended		Cumulative 12 months ended	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
IT infrastructure technology solutions	8,405	8,196	13,732	14,419
Enterprise software solutions	8,343	9,051	17,047	16,892
Total	16,748	17,247	30,779	31,311

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 the customers' requirements.

A8. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE CURRENT FINANCIAL YEAR

There were no material events subsequent to the end of the current financial year 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 year.

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 year.

B ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS

B1. REVIEW OF PERFORMANCE

a) Financial Year-to-Date vs. Previous Financial Year-to-Date

The Group recorded a revenue of RM30.78 million for the financial year ended 31 December 2019, as compared to RM31.31 million in the preceding financial year, representing a decrease of RM0.53 million or 1.69% due to lower revenue generated from the IT infrastructure technology solutions business.

The IT infrastructure technology solutions business recorded a decrease in revenue by approximately RM0.69 million or 4.78% mainly due to lower sales of IT infrastructure following major upgrades by customers in the previous financial year.

The enterprise software solutions business recorded an increase in revenue by approximately RM0.16 million or 0.95% mainly due to higher services revenue.

The Group recorded a profit before taxation ("**PBT**") of RM2.79 million for the financial year ended 31 December 2019 as compared to a PBT of RM2.92 million in the preceding financial year, representing a decrease of RM0.13 million or 4.45% mainly due to lower revenue and lower gross profit margin attained.

b) Current Period vs. Previous Year Corresponding Period

The Group recorded a revenue of RM16.75 million for the current financial period ended 31 December 2019, as compared to RM17.25 million in the corresponding period of the preceding year, representing a decrease of RM0.50 million or 2.90% due to lower revenue generated from the enterprise software solutions business.

The IT infrastructure technology solutions business recorded an increase in revenue by approximately RM0.21 million or 2.56% mainly due to higher hardware sales arising from upgrade of IT infrastructure by the Group's existing customers and new customer.

The enterprise software solutions business recorded a decrease in revenue by approximately RM0.71 million or 7.85% mainly due to lower maintenance services.

The Group recorded a PBT of RM1.39 million for the current financial period ended 31 December 2019 as compared to RM2.00 million in the corresponding period of the preceding year, representing a decrease of RM0.61 million or 30.50% mainly due to lower revenue and lower gross profit generated.

c) Current Period vs. Immediate Preceding Period

The Group recorded a revenue of RM16.75 million for the current financial period ended 31 December 2019, as compared to RM14.03 million in the immediate preceding period, representing an increase of RM2.72 million or 19.39% due to higher revenue generated from the IT infrastructure solutions business.

The IT infrastructure technology solutions business recorded an increase in revenue by approximately RM3.08 million or 57.79% mainly due to higher sales of IT infrastructure arising from upgrade of IT infrastructure by the Group's existing customers and new customer.

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B ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS (CONT'D)

B1. REVIEW OF PERFORMANCE (CONT'D)

The enterprise software solutions business recorded a decrease in revenue by approximately RM0.36 million or 4.14% mainly due to lower maintenance services generated during the current financial period.

The Group recorded a PBT of RM1.39 million for the current financial period ended 31 December 2019 as compared to RM1.40 million in the immediate preceding period, representing a decrease of RM0.01 million or 0.71% mainly due to higher administrative expenses.

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 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 2020 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.

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 ⁽¹⁾ 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	463	73	-	Within 24 months
Estimated listing expenses	800	727	(73) ⁽²⁾	-	Immediate
Total	1,890	1,400	-	490	

Notes:

(1) Utilisation as at 31 December 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 on 21 August 2019 declared a single-tier interim dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2019. The interim dividend amounting to RM1,270,000 was paid on 19 September 2019.

C5. EPS

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

	Individual 6 months ended		Cumulative 12 months ended	
	31 Dec 2019 RM'000	31 Dec 2018 RM'000	31 Dec 2019 RM'000	31 Dec 2018 RM'000
Profit attributable to owners of the parent	870	1,117	1,958	1,715
Weighted average number of ordinary shares in issue ('000)	127,000	127,000	127,000	123,116
Basic EPS (sen)	0.69	0.88	1.54	1.40

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C OTHER INFORMATION (CONT'D)

The EPS for the financial year ended 31 December 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 ordinary shares were assumed to be issued at the beginning of the financial year ended 31 December 2018.

Diluted EPS is the same as the basic EPS as there were no potential dilutive instruments.