



SL INNOVATION CAPITAL BERHAD

(Registration No.201101044035 (972155-K))

(Incorporated in Malaysia)

**FINANCIAL STATEMENTS FOR THE HALF-YEAR
ENDED 30 JUNE 2020**

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
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
30 JUNE 2020⁽¹⁾**

	As at 30 Jun 2020 Unaudited RM'000	As at 31 Dec 2019 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	7,508	7,620
Investment properties	591	597
Right-of-use assets	803	970
Development expenditures	207	236
Other investment	13	13
Total non-current assets	9,122	9,436
Current assets		
Trade receivables	5,814	7,795
Other receivables	265	502
Inventory	69	-
Tax recoverable	87	87
Cash and bank balances	4,573	3,524
Total current assets	10,808	11,908
Total assets	19,930	21,344
EQUITY		
Share capital	7,648	7,648
Merger reserve	(3,825)	(3,825)
Retained earnings	8,873	8,471
Total equity	12,696	12,294
LIABILITIES		
Non-current liabilities		
Lease liabilities	549	549
Bank borrowings	1,395	1,395
Deferred tax liabilities	31	31
Total non-current liabilities	1,975	1,975
Current liabilities		
Contract liabilities	-	800
Trade payables	3,333	3,212
Other payables	1,543	2,564
Lease liabilities	206	349
Bank borrowings	57	68
Tax payable	120	82
Total current liabilities	5,259	7,075
Total liabilities	7,234	9,050
Total equity and liabilities	19,930	21,344
Net assets per share (RM)⁽²⁾	0.10	0.10

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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 2019 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 HALF-YEAR ENDED 30 JUNE 2020⁽¹⁾

	Individual 6 months ended		Cumulative 6 months ended	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	RM'000	RM'000	RM'000	RM'000
Revenue	15,169	14,031	15,169	14,031
Cost of sales	(10,182)	(7,981)	(10,182)	(7,981)
Gross profit	4,987	6,050	4,987	6,050
Other income	193	258	193	258
Selling and distribution expenses	(336)	(453)	(336)	(453)
Administrative expenses	(4,176)	(4,406)	(4,176)	(4,406)
Finance costs	(42)	(46)	(42)	(46)
Profit before taxation	626	1,403	626	1,403
Taxation	(224)	(315)	(224)	(315)
Profit for the financial period	402	1,088	402	1,088
Earnings per share ("EPS") (sen):				
- Basic	0.32	0.86	0.32	0.86
- Diluted ⁽²⁾	0.32	0.86	0.32	0.86

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 2019 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.*

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR HALF-YEAR ENDED 30 JUNE 2020⁽¹⁾

	<----- Non-distributable ----->		<-Distributable->	Total
	Share Capital	Merger Reserve	Retained Earnings	
	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	7,648	(3,825)	7,770	11,593
Effect of adoption of MFRS 9	-	-	(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
At 30 June 2019	7,648	(3,825)	8,851	12,674
At 1 January 2020	7,648	(3,825)	8,471	12,294
Profit for the financial period, representing total comprehensive income for the financial period	-	-	402	402
At 30 June 2020	7,648	(3,825)	8,873	12,696

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 2019 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 HALF-YEAR ENDED 30 JUNE 2020⁽¹⁾

	6 months ended	
	30 Jun 2020 RM'000	30 Jun 2019 RM'000
Cash Flows From Operating Activities		
Profit before taxation	626	1,403
Adjustments for:		
Depreciation of property, plant and equipment	112	277
Depreciation of investment properties	6	-
Amortisation of intangible asset	30	-
Amortisation of right-of-use assets	166	-
Interest income	⁽²⁾ 42	-
Interest expense	42	46
Operating profit before working capital changes	982	1,726
Changes in working capital		
(Increase)/Decrease in receivables	2,218	(1,098)
Decrease in contract liabilities	(800)	-
Decrease in payables	(900)	(592)
Increase in inventory	(69)	-
	449	(1,690)
Cash generated from operations	1,431	36
Interest received	⁽²⁾ -	-
Interest paid	(42)	(40)
Tax paid	(186)	(374)
Tax refund	-	238
	(228)	(176)
Net cash from/(used in) operating activities	1,203	(140)
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	-	(97)
Net cash used in investing activities	-	(97)
Cash Flows From Financing Activities		
Drawdown of term loan	-	500
Repayment of lease liabilities	(143)	(153)
Repayment of term loans	(11)	(18)
Net cash from/(used in) financing activities	(154)	329
Net increase in cash and cash equivalents	1,049	92
Cash and cash equivalents at the beginning of the financial period	3,524	3,670
Cash and cash equivalents at the end of the financial period	4,573	3,762

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2020⁽¹⁾ (CONT'D)

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 2019 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 HALF-YEAR ENDED 30 JUNE 2020

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 2020 announced by the Company in compliance with the LEAP Market Listing Requirements of Bursa Securities (“**Listing Requirements**”).

The interim financial report should be read in conjunction with the Audited Consolidated Financial Statements for the financial year ended 31 December 2019 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 2019 except for the following:

MFRSs	Effective date
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendments to MFRS 16 <i>Covid-19-Related Rent Concessions</i>	1 June 2020

The adoption of the above pronouncement has no material financial impacts on the financial performance of the Group for the current financial period upon their initial application.

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
MFRS 17 Insurance Contracts	1 January 2021
<i>Amendments to MFRSs contained in the document entitled “Annual Improvements to MFRS Standards 2018–2020”</i>	1 January 2022
<i>Amendments to MFRS 101 Classification of Liabilities as Current or Non-Current</i>	1 January 2022
<i>Amendments to MFRS 3 Reference to the Conceptual Framework</i>	1 January 2022
<i>Amendments to MFRS 116 Property, Plant and Equipment–Proceeds before Intended Use</i>	1 January 2022
<i>Amendments to MFRS 137 Onerous Contracts–Cost of Fulfilling a Contract</i>	1 January 2022
<i>Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020 (CONT'D)

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 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.

A7. SEGMENTAL INFORMATION

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

	Individual 6 months ended		Cumulative 6 months ended	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	RM'000	RM'000	RM'000	RM'000
IT infrastructure technology solutions	5,617	5,327	5,617	5,327
Enterprise software solutions	9,552	8,704	9,552	8,704
Total	15,169	14,031	15,169	14,031

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 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.

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020 (CONT'D)

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 RM15.17 million for the current financial period, representing an increase of RM1.14 million or 8.13% as compared to RM14.03 million in the corresponding period of the preceding year due to higher revenue generated from the enterprise software solutions business.

The IT infrastructure technology solutions business recorded an increase in revenue by approximately RM0.29 million or 5.44% mainly due to higher sales of IT infrastructure as compared to the corresponding period of the preceding year.

The enterprise software solutions business recorded an increase in revenue by approximately RM0.85 million or 9.77% mainly due to higher software sales.

Despite the Group's higher revenue recorded for the current financial period, the Group's gross profit decreased by RM1.06 million or 17.52%, while its gross profit margin decreased to 32.88% as compared to 43.12% in the corresponding period of the preceding year. This is mainly due to lower services revenue from IT infrastructure and enterprise software solutions business which generally have higher gross profit margin.

The Group recorded a profit before taxation ("**PBT**") of RM0.63 million for the current financial period, representing a decrease of RM0.77 million or 55.00% as compared to RM1.40 million in the corresponding period of the preceding year. The decrease in PBT was mainly due to lower gross profit margin attained.

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.

The Board of Directors of the Company ("**Board**") have closely monitored the development of the outbreak of coronavirus pandemic ("**COVID-19**") infection in Malaysia that affects the business operations, financial performance and financial position of the Group and of the Company mainly due to travel and movement restriction and other precautionary measures imposed by relevant local authorities. As at the date of this report, the COVID-19 outbreak has affected the Group's services revenue which generally have higher profit margin due to the movement restrictions imposed by the Malaysian Government. Under the foregoing circumstances, the Board is of view that the financial performance of the Group will remain challenging for the financial year ending 31 December 2020. As such, the Board will continue to closely monitor the situation and respond proactively to mitigate the impact on the Group's and the Company's financial performance and financial position.

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	700	-	-	Within 24 months
Working capital	390	463	73	-	Within 24 months
Estimated listing expenses	800	727	(73) ⁽²⁾	-	Immediate
Total	1,890	1,890	-	-	

Notes:

(1) Utilisation as at 30 June 2020.

(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 does not recommend any dividend for the current financial period.

C5. EPS

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 2020 RM'000	30 Jun 2019 RM'000	30 Jun 2020 RM'000	30 Jun 2019 RM'000
Profit attributable to owners of the parent	402	1,088	402	1,088
Number of ordinary shares in issue ('000)	127,000	127,000	127,000	127,000
Basic EPS (sen)	0.32	0.86	0.32	0.86

The EPS for the financial period ended 30 June 2020 and 30 June 2019 were computed based on the Company's total number of issued shares of 127,000,000 ordinary shares. Diluted EPS is the same as the basic EPS as there were no potential dilutive instruments.