



**SL INNOVATION CAPITAL BERHAD**

(Registration No.201101044035 (972155-K))

(Incorporated in Malaysia)

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020**

	As at 31 Dec 2020 Unaudited RM'000	As at 31 Dec 2019 Audited RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	7,412	7,620
Investment properties	585	597
Right-of-use assets	764	970
Development expenditures	177	236
Deferred tax assets	25	-
Other Investment	13	13
<b>Total non-current assets</b>	<b>8,976</b>	<b>9,436</b>
<b>Current assets</b>		
Trade receivables	9,059	7,795
Other receivables	529	502
Tax recoverable	174	87
Cash and bank balances	5,578	3,524
Inventories	13	-
<b>Total current assets</b>	<b>15,353</b>	<b>10,908</b>
<b>Total assets</b>	<b>24,329</b>	<b>21,344</b>
<b>EQUITY</b>		
Share capital	7,648	7,648
Merger reserve	(3,825)	(3,825)
Retained earnings	9,707	8,471
<b>Total equity</b>	<b>13,530</b>	<b>12,294</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Lease liabilities	443	549
Bank borrowings	1,392	1,395
Deferred tax liabilities	47	31
<b>Total non-current liabilities</b>	<b>1,882</b>	<b>1,975</b>
<b>Current liabilities</b>		
Contract liabilities	1,093	800
Trade payables	4,273	3,212
Other payables	2,928	2,564
Finance lease liabilities	-	-
Lease liabilities	307	349
Bank borrowings	51	68
Tax payable	265	82
<b>Total current liabilities</b>	<b>8,917</b>	<b>7,075</b>
<b>Total liabilities</b>	<b>10,799</b>	<b>9,050</b>
<b>Total equity and liabilities</b>	<b>24,329</b>	<b>21,344</b>
<b>Net assets per share (RM)<sup>(2)</sup></b>	<b>0.10</b>	<b>0.10</b>

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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 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 FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Individual 6 months ended		Cumulative 12 months ended	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Revenue	19,197	16,748	34,366	30,779
Cost of sales	(11,253)	(9,326)	(21,435)	(17,307)
<b>Gross profit</b>	<b>7,944</b>	<b>7,422</b>	<b>12,931</b>	<b>13,472</b>
Other income	276	56	469	314
Net impairment gain on trade receivables	-	93	-	93
Selling and distribution expenses	(251)	(62)	(587)	(515)
Administrative expenses	(5,693)	(6,052)	(9,869)	(10,458)
Finance costs	(30)	(52)	(72)	(98)
<b>Profit before taxation</b>	<b>2,246</b>	<b>1,405</b>	<b>2,872</b>	<b>2,808</b>
Taxation	(777)	(514)	(1,001)	(829)
<b>Profit for the financial period/year</b>	<b>1,469</b>	<b>891</b>	<b>1,871</b>	<b>1,979</b>
<b>Earnings per share ("EPS") (sen):</b>				
- Basic	1.16	0.70	1.47	1.56
- Diluted <sup>(2)</sup>	1.16	0.70	1.47	1.56

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 THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	<----- Non-distributable ----->		<-Distributable->	Total RM'000
	Share Capital RM'000	Merger Reserve RM'000	Retained Earnings RM'000	
<b>At 1 January 2019</b>	<b>7,648</b>	<b>(3,825)</b>	<b>7,762</b>	<b>11,585</b>
Profit for the financial year, representing total comprehensive income for the financial year	-	-	1,979	1,979
Dividends paid to owners of the Company	-	-	(1,270)	(1,270)
<b>At 31 December 2019</b>	<b>7,648</b>	<b>(3,825)</b>	<b>8,471</b>	<b>12,294</b>
<b>At 1 January 2020</b>	<b>7,648</b>	<b>(3,825)</b>	<b>8,471</b>	<b>12,294</b>
Profit for the financial year, representing total comprehensive income for the financial year	-	-	1,871	1,871
Dividends paid to owners of the Company	-	-	(635)	(635)
<b>At 31 December 2020</b>	<b>7,648</b>	<b>(3,825)</b>	<b>9,707</b>	<b>13,530</b>

*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.*

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	12 months ended	
	31 Dec 2020	31 Dec 2019
	RM'000	RM'000
<b>Cash Flows From Operating Activities</b>		
Profit before taxation	2,872	2,808
Adjustments for:		
Depreciation of property, plant and equipment	192	242
Depreciation of investment properties	56	12
Amortisation of intangible asset	59	59
Amortisation of right-of-use assets	335	362
Gain on disposal property, plant and equipment	-	-(2)
Allowance for impairment loss on trade receivables	1	-
Reversal of impairment losses of trade receivables	-	(92)
Net unrealised gain on foreign exchange	1	3
Interest income	-(2)	(1)
Interest expense	60	98
Waiver of other payable	-	(31)
Operating profit before working capital changes	3,576	3,460
Changes in working capital		
Increase in receivables	(1,388)	(1,238)
Increase in contract liabilities	293	52
Increase in payables	1,509	138
Decrease in Inventories	(13)	-
	401	(1,048)
Cash generated from operations	3,977	2,412
Interest received	-(2)	1
Interest paid	(60)	(98)
Tax paid	(890)	(1,389)
Tax refund	-	393
	(950)	(1,093)
Net cash from operating activities	3,027	1,319
<b>Cash Flows From Investing Activities</b>		
Purchase of property, plant and equipment	(28)	(285)
Increase in other investment	-	(13)
Proceed from disposal of property, plant and equipment	-	-(2)
Net cash used in investing activities	(28)	(298)

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)**

	12 months ended	
	31 Dec 2020 RM'000	31 Dec 2019 RM'000
<b>Cash Flows From Financing Activities</b>		
Dividend paid	(635)	(1,270)
Drawdown of term loan	-	500
Repayment of lease liabilities	(289)	(345)
Repayment of term loans	(20)	(52)
Net cash used in financing activities	<u>(944)</u>	<u>(1,167)</u>
Net increase/(decrease) in cash and cash equivalents	2,055	(146)
Effect of exchange translation differences on cash and cash equivalents	(1)	_(2)
Cash and cash equivalents at the beginning of the financial year	<u>3,524</u>	<u>3,670</u>
<b>Cash and cash equivalents at the end of the financial year</b>	<u><b>5,578</b></u>	<u><b>3,524</b></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 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 FINANCIAL YEAR ENDED 31 DECEMBER 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 financial year ended 31 December 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:

<b>MFRSs</b>	<b>Effective date</b>
Amendment to MFRS 4 Extension of the Temporary Exemption from Applying MFRS 9	1 January 2020
Amendments to MFRS 101 Classification of Liabilities as Current or Non-current- Deferral of Effective Date	1 January 2020
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

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:

<b>MFRSs</b>	<b>Effective date</b>
Amendments to MFRS 16 Covid-19-Related Rent Concessions	1 June 2020
Amendment to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 Interest Rate Benchmark Reform - Phase 2	1 January 2021
Annual Improvements to MFRS Standards 2018–2020	1 January 2022
Amendments to MFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116 Property, Plant and Equipment	1 January 2022
Amendments to MFRS 137 Onerous Contracts–Cost of Fulfilling a Contract	1 January 2022
MFRS 17 Insurance Contracts	1 January 2023
Amendment to MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 101 Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred



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**A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 and financial year-to-date under review.

**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 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
IT infrastructure technology solutions	11,119	8,405	16,736	13,732
Enterprise software solutions	8,078	8,343	17,630	17,047
<b>Total</b>	<b>19,197</b>	<b>16,748</b>	<b>34,366</b>	<b>30,779</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 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 RM34.37 million for the financial year ended 31 December 2020, as compared to RM30.78 million in the preceding financial year, representing an increase of RM3.59 million or 11.66% mainly due to higher revenue generated from the IT infrastructure technology solutions business.

The IT infrastructure technology solutions business recorded an increase in revenue by approximately RM3.00 million or 21.85% mainly due to higher sales of IT infrastructure following major upgrades by customers during the financial year.

The enterprise software solutions business recorded an increase in revenue by approximately RM0.58 million or 3.40% mainly due to higher software sales.

The Group recorded a profit before taxation (“**PBT**”) of RM2.87 million for the financial year ended 31 December 2020 as compared to a PBT of RM2.81 million in the preceding financial year, representing an increase of RM0.06 million or 2.14% mainly due to lower administration expenses incurred mainly due to the implementation of the Movement Control Order (“**MCO**”) by the Malaysian Government following the outbreak of coronavirus pandemic (“**COVID-19**”).

b) Current Period vs. Previous Year Corresponding Period

The Group recorded a revenue of RM19.20 million for the current financial period ended 31 December 2020, as compared to RM16.75 million in the preceding year corresponding period, representing an increase of RM2.45 million or 14.63% due to higher revenue generated from the IT infrastructure technology solutions business.

The IT infrastructure technology solutions business recorded an increase in revenue by approximately RM2.71 million or 32.22% mainly due to higher hardware sales arising from upgrade of IT infrastructure by the Group’s existing and new customers.

The enterprise software solutions business recorded a decrease in revenue by approximately RM0.26 million or 3.12% mainly due to lower services revenue as a result of less services performed during the financial period following the implementation of MCO.

The Group recorded a PBT of RM2.25 million for the current financial period ended 31 December 2020 as compared to RM1.41 million in the preceding year corresponding period, representing an increase of RM0.84 million or 59.57% mainly due to higher revenue and gross profit generated as well as lower administrative expenses as mentioned above.

c) Current Period vs. Immediate Preceding Period

The Group recorded a revenue of RM19.20 million for the current financial period ended 31 December 2020, as compared to RM15.17 million in the immediate preceding period, representing an increase of RM4.03 million or 26.57% due to higher revenue generated from the IT infrastructure solutions business.

The IT infrastructure technology solutions business recorded an increase in revenue by approximately RM5.49 million or 97.67% mainly due to higher hardware sales arising from upgrade of the IT infrastructure by the Group’s existing and new customers.

The enterprise software solutions business recorded a decrease in revenue by approximately RM1.47 million or 15.39% mainly due to lower software sales and maintenance provided during the current financial period.

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

The Group recorded a PBT of RM2.25 million for the current financial period ended 31 December 2020 as compared to RM0.63 million in the immediate preceding period, representing an increase of RM1.62 million or 257.14% mainly due to higher revenue and gross profit generated.

**B2. COMMENTARY ON PROSPECTS**

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.

During the current financial period, the Company has registered 5 MountainTop intellectual property (IP) with the Intellectual Property Corporation Malaysia as part of the Group's continuous development of its MountainTop solutions.

The Board of Directors of the Company ("**Board**") have closely monitored the development of the outbreak of COVID-19 that affects the business operations, financial performance and financial position of the Group and of the Company mainly due to the MCO and other precautionary measures imposed by the Malaysian Government. As at the date of this report, the MCO has thus far not significantly affected the Group's business operations, and for at least the coming year, is not expected to materially dampen revenue. 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 2021. 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.

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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. MATERIAL LITIGATION**

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

**C3. DIVIDENDS**

The Board has on 9 December 2020 declared a single-tier interim dividend of 0.5 sen per ordinary share in respect of the financial year ended 31 December 2020. The interim dividend amounting to RM635,000 was paid on 24 December 2020.

**C4. 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 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the parent	1,469	891	1,871	1,979
Number of ordinary shares in issue ('000)	127,000	127,000	127,000	127,000
Basic EPS (sen)	1.16	0.70	1.47	1.56

The EPS for the financial year ended 31 December 2020 and 31 December 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.