



SL INNOVATION CAPITAL BERHAD

(Registration No.201101044035 (972155-K))

(Incorporated in Malaysia)

**FINANCIAL STATEMENTS FOR THE HALF-YEAR
ENDED 30 JUNE 2021**

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.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2021

	As at 30 Jun 2021 Unaudited RM'000	As at 31 Dec 2020 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	7,300	7,412
Investment properties	579	585
Right-of-use assets	691	707
Development expenditures	148	177
Other investment	13	13
Total non-current assets	8,731	8,894
Current assets		
Inventories	3	-
Trade receivables	6,298	9,059
Other receivables	168	542
Tax recoverable	131	131
Cash and bank balances	6,145	5,578
Total current assets	12,745	15,310
Total assets	21,476	24,204
EQUITY		
Share capital	7,648	7,648
Merger reserve	(3,825)	(3,825)
Retained earnings	10,071	9,670
Total equity	13,894	13,493
LIABILITIES		
Non-current liabilities		
Lease liabilities	378	378
Bank borrowings	1,357	1,357
Deferred tax liabilities	22	22
Total non-current liabilities	1,757	1,757
Current liabilities		
Contract liabilities	-	1,093
Trade payables	3,660	4,223
Other payables	1,645	2,959
Lease liabilities	262	303
Bank borrowings	53	86
Tax payable	205	290
Total current liabilities	5,825	8,954
Total liabilities	7,582	10,711
Total equity and liabilities	21,476	24,204
Net assets per share (RM) ⁽²⁾	0.11	0.11

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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 2020 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 2021

	Individual 6 months ended		Cumulative 6 months ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Revenue	13,620	15,169	13,620	15,169
Cost of sales	(8,691)	(10,182)	(8,691)	(10,182)
Gross profit	4,929	4,987	4,929	4,987
Other income	99	193	99	193
Selling and distribution expenses	(237)	(336)	(237)	(336)
Administrative expenses	(4,118)	(4,176)	(4,118)	(4,176)
Finance costs	(54)	(42)	(54)	(42)
Profit before taxation	619	626	619	626
Taxation	(218)	(224)	(218)	(224)
Profit for the financial period	401	402	401	402
Earnings per share ("EPS")				
(sen):				
- Basic	0.32	0.32	0.32	0.32
- Diluted ⁽²⁾	0.32	0.32	0.32	0.32

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 2020 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 HALF-YEAR ENDED 30 JUNE 2021

	<----- Non-distributable ----->		<-Distributable->	Total RM'000
	Share Capital	Merger Reserve	Retained Earnings	
	RM'000	RM'000	RM'000	
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
At 1 January 2021	7,648	(3,825)	9,670	13,493
Profit for the financial period, representing total comprehensive income for the financial period	-	-	401	401
At 30 June 2021	7,648	(3,825)	10,071	13,894

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 2020 and the accompanying explanatory notes attached to this interim financial report.*

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2021

	6 months ended	
	30 Jun 2021	30 Jun 2020
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before taxation	619	626
Adjustments for:		
Depreciation of property, plant and equipment	112	112
Depreciation of investment properties	6	6
Amortisation of intangible asset	29	30
Amortisation of right-of-use assets	16	166
Interest income	(2)	(2)
Interest expense	54	42
Operating profit before working capital changes	836	982
Changes in working capital		
Decrease in receivables	3,134	2,218
Decrease in contract liabilities	(1,093)	(800)
Decrease in payables	(1,876)	(900)
Increase in Inventories	(3)	(69)
	162	449
Cash generated from operations	998	1,431
Interest received	(2)	(2)
Interest paid	(54)	(42)
Tax paid	(303)	(186)
	(357)	(228)
Net cash from operating activities	641	1,203
Cash Flows From Investing Activities		
Net cash used in investing activities	-	-
Cash Flows From Financing Activities		
Repayment of lease liabilities	(41)	(143)
Repayment of term loans	(33)	(11)
Net cash used in financing activities	(74)	(154)
Net increase in cash and cash equivalents	567	1,049
Cash and cash equivalents at the beginning of the financial period	5,578	3,524
Cash and cash equivalents at the end of the financial period	6,145	4,573

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2021 (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 2020 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 2021

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 2021 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 2020 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 2020 except for the following:

MFRSs	Effective date
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

The adoption of the above pronouncements has no material financial impact 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
Amendments to MFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 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 - Proceeds before Intended Use	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 101 Disclosures of Accounting Policies	1 January 2023
Amendments to MFRS 108 Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112 Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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 HALF-YEAR ENDED 30 JUNE 2021 (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 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
IT infrastructure technology solutions	6,097	5,617	6,097	5,617
Enterprise software solutions	7,523	9,552	7,523	9,552
Total	13,620	15,169	13,620	15,169

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.

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 RM13.62 million for the current financial period, representing a decrease of RM1.55 million or 10.22% compared to RM15.17 million in the preceding year's corresponding period, mainly due to a decrease in revenue from the enterprise software solutions business.

The enterprise software solutions business recorded a decrease in revenue by approximately RM2.03 million or 21.26%, mainly due to a decrease in software sales.

This was partially offset by an increase in revenue from the IT infrastructure technology solutions business of approximately RM0.48 million or 8.54%, which was mainly due to higher sales of IT infrastructure hardware.

Notwithstanding the decrease in revenue, the Group managed to maintain its profit before taxation through amongst others, maintenance of its gross profit.

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 Group is actively working on the marketing of its products through email marketing and search engine optimisation to expand its customer base. The Group is also organising webinar events with its principal, namely IBM to market its products and services to customers from various industries.

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 movement control orders ("**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.

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 does not recommend any dividend for the current financial period.

C4. 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 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the parent	401	402	401	402
Number of ordinary shares in issue ('000)	127,000	127,000	127,000	127,000
Basic EPS (sen)	0.32	0.32	0.32	0.32

The EPS for the financial period ended 30 June 2021 and 30 June 2020 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.