



SL INNOVATION CAPITAL BERHAD

(Registration No.201101044035 (972155-K))

(Incorporated in Malaysia)

**FINANCIAL STATEMENTS FOR THE HALF-YEAR
ENDED 31 DECEMBER 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.

SL INNOVATION CAPITAL BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	As at 31 Dec 2021 Unaudited RM'000	As at 31 Dec 2020 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	7,196	7,412
Investment properties	573	585
Right-of-use assets	463	707
Development expenditures	118	177
Deferred tax assets	70	-
Other Investment	13	13
Total non-current assets	8,433	8,894
Current assets		
Trade receivables	5,761	9,059
Other receivables	223	542
Tax recoverable	357	131
Cash and bank balances	5,819	5,578
Total current assets	12,160	15,310
Total assets	20,593	24,204
EQUITY		
Share capital	7,648	7,648
Merger reserve	(3,825)	(3,825)
Retained earnings	11,441	9,670
Total equity	15,264	13,493
LIABILITIES		
Non-current liabilities		
Lease liabilities	149	378
Bank borrowings	1,263	1,357
Deferred tax liabilities	-	22
Total non-current liabilities	1,412	1,757
Current liabilities		
Contract liabilities	878	1,093
Trade payables	1,272	4,223
Other payables	1,435	2,959
Lease liabilities	244	303
Bank borrowings	88	86
Tax payable	-	290
Total current liabilities	3,917	8,954
Total liabilities	5,329	10,711
Total equity and liabilities	20,593	24,204
Net assets per share (RM)⁽²⁾	0.12	0.10

Notes:

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- (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 FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Individual 6 months ended		Cumulative 12 months ended	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Revenue	13,090	19,283	26,710	34,452
Cost of sales	(7,899)	(11,288)	(16,590)	(21,470)
Gross profit	5,191	7,995	10,120	12,982
Other income	334	289	433	482
Net impairment gain on trade receivables	28	(56)	28	(56)
Selling and distribution expenses	(275)	(252)	(512)	(588)
Administrative expenses	(3,902)	(5,693)	(8,020)	(9,869)
Finance costs	(13)	(30)	(67)	(72)
Profit before taxation	1,363	2,253	1,982	2,879
Taxation	7	(821)	(211)	(1,045)
Profit for the financial period/year	1,370	1,432	1,771	1,834
Earnings per share ("EPS") (sen):				
- Basic	1.07	1.12	1.39	1.44
- Diluted ⁽²⁾	1.07	1.12	1.39	1.44

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.*

SL INNOVATION CAPITAL BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	<----- Non-distributable ----->		<-Distributable->	Total RM'000
	Share capital RM'000	Merger reserve RM'000	Retained earnings RM'000	
At 1 January 2020	7,648	(3,825)	8,471	12,294
Profit for the financial year, representing total comprehensive income for the financial year	-	-	1,834	1,834
Dividends paid to owners of the Company	-	-	(635)	(635)
At 31 December 2020	7,648	(3,825)	9,670	13,493
At 1 January 2021	7,648	(3,825)	9,670	13,493
Profit for the financial year, representing total comprehensive income for the financial year	-	-	1,771	1,771
At 31 December 2021	7,648	(3,825)	11,441	15,264

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.*

SL INNOVATION CAPITAL BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	12 months ended	
	31 Dec 2021	31 Dec 2020
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before taxation	1,982	2,879
Adjustments for:		
Depreciation of property, plant and equipment	227	236
Depreciation of investment properties	12	12
Amortisation of intangible asset	59	59
Amortisation of right-of-use assets	261	335
Impairment losses on trade receivables	-	97
Reversal of impairment losses on trade receivables	(28)	(41)
Unrealised loss on foreign exchange	-	1
Interest income	_(2)	_(2)
Interest expense	67	72
Operating profit before working capital changes	2,580	3,650
Changes in working capital		
(Increase)/Decrease in receivables	3,645	(1,360)
Increase/(Decrease) in contract liabilities	(215)	293
Increase/(Decrease) in payables	(4,475)	1,406
	(1,045)	339
Cash generated from operations	1,535	3,989
Interest received	_(2)	_(2)
Interest paid	(67)	(72)
Tax paid	(819)	(890)
	(886)	(962)
Net cash from operating activities	649	3,027
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(11)	(28)
Net cash used in investing activities	(11)	(28)
Cash Flows From Financing Activities		
Dividend paid	-	(635)
Repayment of lease liabilities	(305)	(289)
Repayment of term loans	(92)	(20)
Net cash used in financing activities	(397)	(944)
Net increase in cash and cash equivalents	241	2,055
Effect of exchange translation differences on cash and cash equivalents	-	(1)
Cash and cash equivalents at the beginning of the financial year	5,578	3,524
Cash and cash equivalents at the end of the financial year	5,819	5,578

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 FINANCIAL YEAR ENDED 31 DECEMBER 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 financial year ended 31 December 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 31 December 2021	1 April 2021
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
Annual Improvements to MFRS Standard 2018 – 2020	1 January 2022
Amendments to MFRS 1	
Amendments to MFRS 9	
Amendments to Illustrative Examples accompanying MFRS 16	
Amendments to MFRS 141	
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 17 Initial Application of MFRS 17 and MFRS 9 – Comparative Information	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

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONT'D)

MFRSs	Effective date
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

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 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
IT infrastructure technology solutions	4,600	11,097	10,697	16,714
Enterprise software solutions	8,490	8,186	16,013	17,738
Total	13,090	19,283	26,710	34,452

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.

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONT'D)

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 RM26.71 million for the financial year ended 31 December 2021, as compared to RM34.45 million in the preceding financial year, representing a decrease of RM7.74 million or 22.47% mainly 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 RM6.01 million or 35.96%, mainly due to fewer major upgrades by the Group's existing customers during the financial year.

The enterprise software solutions business recorded a decrease in revenue by approximately RM1.73 million or 9.75%, mainly due to lower software sales.

The Group recorded a profit before taxation ("**PBT**") of RM1.98 million for the financial year ended 31 December 2021 compared to a PBT of RM2.88 million in the preceding financial year, representing a decrease of RM0.90 million or 31.25% mainly due to lower revenue and lower gross profit generated.

b) Current Period vs. Previous Year Corresponding Period

The Group recorded a revenue of RM13.09 million for the current financial period ended 31 December 2021, as compared to RM19.28 million in the preceding year corresponding period, representing a decrease of RM6.19 million or 32.10% 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 RM6.50 million or 58.55%, mainly due to lower sales of IT infrastructure hardwares.

The enterprise software solutions business recorded an increase in revenue by approximately RM0.30 million or 3.66%, mainly due to higher software sales and maintenance services.

The Group recorded a PBT of RM1.36 million for the current financial period ended 31 December 2021 as compared to RM2.25 million in the preceding year corresponding period, representing a decrease of RM0.89 million or 39.55% mainly due to lower revenue and lower gross profit generated.

c) Current Period vs. Immediate Preceding Period

The Group recorded a revenue of RM13.09 million for the current financial period ended 31 December 2021, as compared to RM13.62 million in the immediate preceding period, representing a decrease of RM0.53 million or 3.89% due to lower revenue generated from the IT infrastructure solutions business.

The IT infrastructure technology solutions business recorded a decrease in revenue by approximately RM1.50 million or 24.59% mainly due to lower hardware sales arising from fewer major upgrades by the Group's existing customers.

The enterprise software solutions business recorded an increase in revenue by approximately RM0.97 million or 12.89% mainly due to higher software sales during the current financial period.

The Group recorded a PBT of RM1.36 million for the current financial period ended 31 December 2021 as compared to RM0.62 million in the immediate preceding period, representing an increase of RM0.74 million or 119.35% mainly due to higher gross profit generated.

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

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. As at the date announcement of this report has 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 2022. 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 does not propose any interim dividend payment for the financial year ended 31 December 2021.

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 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the parent	1,370	1,432	1,771	1,834
Number of ordinary shares in issue ('000)	127,000	127,000	127,000	127,000
Basic EPS (sen)	1.07	1.12	1.39	1.44

The EPS for the financial year ended 31 December 2021 and 31 December 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.