



SL INNOVATION CAPITAL BERHAD

(Registration No.201101044035 (972155-K))

(Incorporated in Malaysia)

**FINANCIAL STATEMENTS FOR THE HALF-YEAR
ENDED 30 JUNE 2022**

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 30 JUNE 2022

	As at 30 Jun 2022 Unaudited RM'000	As at 31 Dec 2021 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	7,079	7,196
Investment properties	567	573
Right-of-use assets	347	463
Development expenditures	89	118
Deferred tax assets	142	142
Other Investment	13	13
Total non-current assets	8,237	8,505
Current assets		
Trade receivables	4,512	5,606
Other receivables	184	223
Inventory	9	-
Tax recoverable	344	294
Cash and bank balances	8,409	5,819
Total current assets	13,458	11,942
Total assets	21,695	20,447
EQUITY		
Share capital	7,648	7,648
Merger reserve	(3,325)	(3,325)
Retained earnings	12,651	10,794
Total equity	16,974	15,117
LIABILITIES		
Non-current liabilities		
Lease liabilities	149	149
Bank borrowings	1,263	1,263
Total non-current liabilities	1,412	1,412
Current liabilities		
Contract liabilities	-	878
Trade payables	1,812	1,681
Other payables	1,349	1,027
Lease liabilities	94	244
Bank borrowings	54	88
Total current liabilities	3,309	3,918
Total liabilities	4,721	5,330
Total equity and liabilities	21,695	20,447
Net assets per share (RM)⁽²⁾	0.13	0.12

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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 2021 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 2022

	Individual 6 months ended		Cumulative 6 months ended	
	30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021
	RM'000	RM'000	RM'000	RM'000
Revenue	16,993	13,620	16,993	13,620
Cost of sales	(10,333)	(8,691)	(10,333)	(8,691)
Gross profit	6,660	4,929	6,660	4,929
Other income	34	99	34	99
Selling and distribution expenses	(438)	(237)	(438)	(237)
Administrative expenses	(3,741)	(4,118)	(3,741)	(4,118)
Finance costs	(45)	(54)	(45)	(54)
Profit before taxation	2,470	619	2,470	619
Taxation	(613)	(218)	(613)	(218)
Profit for the financial period	1,857	401	1,857	401
Earnings per share ("EPS") (sen):				
- Basic	1.46	0.32	1.46	0.32
- Diluted ⁽²⁾	1.46	0.32	1.46	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 2021 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 2022

	<----- Non-distributable ----->		<-Distributable->	Total RM'000
	Share capital	Merger reserve	Retained earnings	
	RM'000	RM'000	RM'000	
At 1 January 2021	7,648	(3,325)	9,170	13,493
Profit for the financial period, representing total comprehensive income for the financial period	-	-	401	401
At 30 June 2021	7,648	(3,325)	9,571	13,894
At 1 January 2022	7,648	(3,325)	10,794	15,117
Profit for the financial period, representing total comprehensive income for the financial period	-	-	1,857	1,857
At 30 June 2022	7,648	(3,325)	12,651	16,974

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 2021 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 2022

	6 months ended	
	30 Jun 2022 RM'000	30 Jun 2021 RM'000
Cash Flows From Operating Activities		
Profit before taxation	2,470	619
Adjustments for:		
Depreciation of property, plant and equipment	117	112
Depreciation of investment properties	6	6
Amortisation of intangible asset	29	29
Amortisation of right-of-use assets	116	16
Interest income	(2)	(2)
Interest expense	45	54
Operating profit before working capital changes	2,783	836
Changes in working capital		
(Increase)Decrease in receivables	1,133	3,135
(Increase)/Decrease in inventory	(9)	-
Increase/(Decrease) in contract liabilities	(878)	(1,093)
Increase/(Decrease) in payables	453	(1,877)
	699	162
Cash generated from operations	3,482	998
Interest received	(2)	(2)
Interest paid	(45)	(54)
Tax paid	(663)	(303)
	(708)	(357)
Net cash from operating activities	2,774	641
Cash Flows From Financing Activities		
Repayment of lease liabilities	(150)	(41)
Repayment of term loans	(34)	(33)
Net cash used in financing activities	(184)	(74)
Net increase in cash and cash equivalents	2,590	567
Cash and cash equivalents at the beginning of the financial period	5,819	5,578
Cash and cash equivalents at the end of the financial period	8,409	6,145

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 2021 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 2022

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 year ended 30 June 2022 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 2021 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 2021 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
Amendments to MFRS 16 Covid-19-Related Rent Concessions beyond 31 December 2021	1 April 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 dates for financial periods beginning on or after 1 April 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
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

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2022 (CONT'D)

MFRSs	Effective dates for financial periods beginning on or after 1 April 2022
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

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 6 months ended	
	30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021
	RM'000	RM'000	RM'000	RM'000
IT infrastructure technology solutions	5,366	6,097	5,366	6,097
Enterprise software solutions	11,627	7,523	11,627	7,523
Total	16,993	13,620	16,993	13,620

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.

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2022 (CONT'D)

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 RM16.99 million for the current financial period, representing an increase of RM3.37 million or 24.74% compared to RM13.62 million in the preceding year's corresponding period, mainly due to an increase in revenue from the enterprise software solutions business.

The enterprise software solutions business recorded an increase in revenue by approximately RM4.10 million or 54.52%, mainly due to an increase in software sales.

The IT infrastructure technology solutions business recorded a decrease in revenue by approximately RM0.73 million or 11.97%, mainly due to lower hardware sales.

The Group recorded a profit before taxation ("PBT") of RM2.47 million for the current financial period, representing an increase of RM1.85 million or 298.39% as compared to RM0.62 million in the corresponding period of the preceding year. The increase in PBT was mainly due to higher software revenue and higher gross profit attained.

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.

Outlook for 2022 will continue to be cautious but leans towards optimism as Malaysia is migrating from a pandemic to an endemic approach due to high vaccination rates, implementation of recovery policies by the government, and the reopening of international borders. As such, the Board of Directors of the Company ("**Board**") is of the view that the financial performance of the Group is cautiously optimistic for the financial year ending 31 December 2022. 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 is declaring a single-tier interim dividend of 1.5 sen per ordinary share in respect of financial year ending 31 December 2022. The interim dividend amounting to RM1,905,000 shall be paid on 19 September 2022.

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 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the parent	1,857	401	1,857	401
Number of ordinary shares in issue ('000)	127,000	127,000	127,000	127,000
Basic EPS (sen)	1.46	0.32	1.46	0.32

The EPS for the financial period ended 30 June 2022 and 30 June 2021 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.