



SL INNOVATION CAPITAL BERHAD

(Registration No.201101044035 (972155-K))

(Incorporated in Malaysia)

**FINANCIAL STATEMENTS FOR THE HALF-YEAR
ENDED 31 DECEMBER 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 31 DECEMBER 2022

	As at 31 Dec 2022 Unaudited RM'000	As at 31 Dec 2021 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	7,014	7,196
Investment properties	562	573
Right-of-use assets	527	463
Development expenditures	476	118
Deferred tax assets	123	142
Other investment	13	13
Total non-current assets	8,715	8,505
Current assets		
Trade receivables	6,653	5,606
Other receivables	223	223
Tax recoverable	307	294
Cash and bank balances	8,113	5,819
Total current assets	15,296	11,942
Total assets	24,011	20,447
EQUITY		
Share capital	7,648	7,648
Merger reserve	(3,325)	(3,325)
Retained earnings	12,936	10,794
Total equity	17,259	15,117
LIABILITIES		
Non-current liabilities		
Lease liabilities	186	149
Bank borrowings	1,176	1,263
Total non-current liabilities	1,362	1,412
Current liabilities		
Contract liabilities	917	878
Trade payables	3,081	1,681
Other payables	1,057	1,027
Lease liabilities	206	244
Bank borrowings	84	88
Tax payable	45	-
Total current liabilities	5,390	3,918
Total liabilities	6,752	5,330
Total equity and liabilities	24,011	20,447
Net assets per share (RM)⁽²⁾	0.14	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 FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Individual 6 months ended		Cumulative 12 months ended	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Revenue	17,538	13,090	34,531	26,710
Cost of sales	(9,881)	(7,899)	(20,214)	(16,590)
Gross profit	7,657	5,191	14,317	10,120
Other income	251	334	285	433
Net impairment gain / (loss) on trade receivables	83	(128)	83	(128)
Selling and distribution expenses	112	(5)	(326)	(242)
Administrative expenses	(5,073)	(4,172)	(8,814)	(8,290)
Finance costs	(15)	(13)	(60)	(67)
Profit before taxation	3,015	1,207	5,485	1,826
Taxation	(825)	16	(1,438)	(202)
Profit for the financial period/year	2,190	1,223	4,047	1,624
Earnings per share ("EPS") (sen):				
- Basic	1.72	0.96	3.19	1.28
- Diluted ⁽²⁾	1.72	0.96	3.19	1.28

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 FINANCIAL YEAR ENDED 31 DECEMBER 2022

	<----- Non-distributable ----->		<-Distributable->	Total RM'000
	Share capital RM'000	Merger reserve RM'000	Retained earnings RM'000	
At 1 January 2021	7,648	(3,325)	9,170	13,493
Profit for the financial year, representing total comprehensive income for the financial year	-	-	1,624	1,624
At 31 December 2021	7,648	(3,325)	10,794	15,117
At 1 January 2022	7,648	(3,325)	10,794	15,117
Profit for the financial year, representing total comprehensive income for the financial year	-	-	4,047	4,047
Dividends paid to owners of the Company	-	-	(1,905)	(1,905)
At 31 December 2022	7,648	(3,325)	12,936	17,259

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.*

SL INNOVATION CAPITAL BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	12 months ended	
	31 Dec 2022 RM'000	31 Dec 2021 RM'000
Cash Flows From Operating Activities		
Profit before taxation	5,485	1,826
Adjustments for:		
Depreciation of property, plant and equipment	217	226
Depreciation of investment properties	11	12
Amortisation of intangible asset	59	59
Amortisation of right-of-use assets	204	259
Impairment losses on trade receivables	-	213
Reversal of impairment gain on trade receivables	(83)	(85)
Interest income	-	⁽²⁾
Interest expense	60	67
Gain on termination of lease contract	-	⁽²⁾
Operating profit before working capital changes	5,953	2,577
Changes in working capital		
(Increase)/Decrease in receivables	(964)	3,732
Increase/(Decrease) in contract liabilities	39	(215)
Increase/(Decrease) in payables	1,430	(4,563)
	505	(1,046)
Cash generated from operations	6,458	1,531
Tax refund	-	95
Tax paid	(1,388)	(913)
	(1,388)	(818)
Net cash from operating activities	5,070	713
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(43)	(11)
Purchase of intangible assets	(417)	-
Proceed from disposal of property, plant and equipment	9	-
Interest received	-	⁽²⁾
Net cash used in investing activities	(451)	(11)
Cash Flows From Financing Activities		
Dividend paid	(1,905)	-
Interest paid	(60)	(67)
Repayment of lease liabilities	(269)	(303)
Repayment of term loans	(91)	(91)
Net cash used in financing activities	(2,325)	(461)
Net increase in cash and cash equivalents	2,294	241
Cash and cash equivalents at the beginning of the financial year	5,819	5,578
Cash and cash equivalents at the end of the financial year	8,113	5,819

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (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 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 FINANCIAL YEAR ENDED 31 DECEMBER 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 financial year ended 31 December 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
Annual Improvements to MFRS Standards 2018–2020	1 January 2022
<ul style="list-style-type: none"> • Amendments to MFRS 1 • Amendments to MFRS 9 • Amendments to Illustrative Examples accompanying MFRS 16 • Amendments to MFRS 141 	
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

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
MFRS 17 Insurance Contracts	1 January 2023
Amendment 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 Disclosure 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 16 Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (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 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
IT infrastructure technology solutions	8,039	4,600	13,405	10,697
Enterprise software solutions	9,499	8,490	21,126	16,013
Total	17,538	13,090	34,531	26,710

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.

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (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 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 RM34.53 million for the financial year ended 31 December 2022, as compared to RM26.71 million in the preceding financial year, representing an increase of RM7.82 million or 29.28% mainly due to higher revenue generated from the enterprise software solutions business.

The IT infrastructure technology solutions business recorded an increase in revenue by approximately RM2.71 million or 25.33%, mainly due to higher hardware sales and services income.

The enterprise software solutions business recorded an increase in revenue by approximately RM5.12 million or 31.98%, mainly due to higher software sales.

The Group recorded a profit before taxation (“PBT”) of RM5.49 million for the financial year ended 31 December 2022 compared to a PBT of RM1.83 million in the preceding financial year, representing an increase of RM3.66 million or 200.00% mainly due to higher revenue and gross profit generated.

b) Current Period vs. Previous Year Corresponding Period

The Group recorded a revenue of RM17.54 million for the current financial period ended 31 December 2022, as compared to RM13.09 million in the preceding year corresponding period, representing an increase of RM4.45 million or 34.00% 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 RM3.44 million or 74.78%, mainly due to higher sales of IT infrastructure hardware.

The enterprise software solutions business recorded an increase in revenue by approximately RM1.01 million or 11.90%, mainly due to higher subscription sales and service income.

The Group recorded a PBT of RM3.02 million for the current financial period ended 31 December 2022 as compared to RM1.21 million in the preceding year corresponding period, representing an increase of RM1.81 million or 149.59% mainly due to higher revenue and gross profit generated.

c) Current Period vs. Immediate Preceding Period

The Group recorded a revenue of RM17.54 million for the current financial period ended 31 December 2022, as compared to RM16.99 million in the immediate preceding period, representing an increase of RM0.55 million or 3.24% 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 RM2.67 million or 49.72% mainly due to higher hardware sales and service income.

The enterprise software solutions business recorded a decrease in revenue by approximately RM2.13 million or 18.31% mainly due to lower software sales.

The Group recorded a PBT of RM3.02 million for the current financial period ended 31 December 2022 as compared to RM2.47 million in the immediate preceding period, representing an increase of RM0.55 million or 22.27% 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;
- (iii) Expand the Group's enterprise resource planning solutions to include enterprise resource planning cloud solutions and managed services;
- (iv) Exponentially grow Business Process Automation (BPA) - service focus, and
- (v) Invest and focus on Malaysia's Robotic Process Automation (RPA).

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 events with its principal, namely IBM and other trade associations to market its products and services to customers from various industries.

Barring any unforeseen circumstances, the Board of Directors of the Company ("Board") is of the opinion that the prospects of the Group's financial performance for the financial year ending 31 December 2023 will remain favourable.

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 29 August 2022 declared a single-tier interim dividend of 1.5 sen per ordinary share in respect of the financial year ending 31 December 2022. The interim dividend amounting to RM1,905,000 was 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 12 months ended	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the parent	2,190	1,223	4,047	1,624
Number of ordinary shares in issue ('000)	127,000	127,000	127,000	127,000
Basic EPS (sen)	1.72	0.96	3.19	1.28

The EPS for the financial year ended 31 December 2022 and 31 December 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.