



SL INNOVATION CAPITAL BERHAD

(Registration No.201101044035 (972155-K))

(Incorporated in Malaysia)

**FINANCIAL STATEMENTS FOR THE HALF-YEAR
ENDED 30 JUNE 2023**

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 2023

	As at 30 Jun 2023	As at 31 Dec 2022
	Unaudited	Audited
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	6,921	7,014
Investment properties	556	562
Right-of-use assets	444	527
Intangible assets	30	59
Other Investment	13	13
Deferred tax assets	161	146
Total non-current assets	8,125	8,321
Current assets		
Trade receivables	6,686	6,558
Other receivables	307	223
Tax recoverable	166	376
Cash and bank balances	7,563	8,114
Total current assets	14,722	15,271
Total assets	22,847	23,592
EQUITY		
Share capital	7,648	7,648
Merger reserve	(3,325)	(3,325)
Retained earnings	12,945	12,646
Total equity	17,268	16,969
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	38	-
Lease liabilities	98	186
Loan and borrowings	1,166	1,176
Total non-current liabilities	1,302	1,362
Current liabilities		
Contract liabilities	869	917
Trade payables	2,053	2,952
Other payables	829	1,057
Lease liabilities	179	206
Loan and borrowings	58	84
Tax payable	289	45
Total current liabilities	4,277	5,261
Total liabilities	5,579	6,623
Total equity and liabilities	22,847	23,592
Net assets per share (RM)⁽²⁾	0.14	0.13

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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 2022 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 2023

	Individual 6 months ended		Cumulative 6 months ended	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
	RM'000	RM'000	RM'000	RM'000
Revenue	18,740	16,993	18,740	16,993
Cost of sales	(11,087)	(10,333)	(11,087)	(10,333)
Gross profit	7,653	6,660	7,653	6,660
Other income	127	34	127	34
Selling and distribution expenses	(115)	(148)	(115)	(148)
Administrative expenses	(4,601)	(4,031)	(4,601)	(4,031)
Finance costs	(42)	(45)	(42)	(45)
Profit before taxation	3,022	2,470	3,022	2,470
Taxation	(818)	(613)	(818)	(613)
Profit for the financial period	2,204	1,857	2,204	1,857
Earnings per share ("EPS") (sen):				
- Basic	1.74	1.46	1.74	1.46
- Diluted ⁽²⁾	1.74	1.46	1.74	1.46

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 2022 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 2023

	<----- Non-distributable ----->		<-Distributable->	Total RM'000
	Share capital	Merger reserve	Retained earnings	
	RM'000	RM'000	RM'000	
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
At 1 January 2023	7,648	(3,325)	12,646	16,969
Profit for the financial period, representing total comprehensive income for the financial period	-	-	2,204	2,204
Dividends paid to owners of the Company	-	-	(1,905)	(1,905)
At 30 June 2023	7,648	(3,325)	12,945	17,268

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 2022 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 2023

	6 months ended	
	30 Jun 2023 RM'000	30 Jun 2022 RM'000
Cash Flows From Operating Activities		
Profit before taxation	3,022	2,470
Adjustments for:		
Depreciation of property, plant and equipment	105	117
Depreciation of investment properties	6	6
Amortisation of intangible asset	29	29
Amortisation of right-of-use assets	83	116
Interest income	-	⁽²⁾
Interest expense	42	45
Operating profit before working capital changes	3,287	2,783
Changes in working capital		
(Increase)Decrease in receivables	(212)	1,133
(Increase)/Decrease in inventory	-	(9)
Increase/(Decrease) in contract liabilities	(48)	(878)
Increase/(Decrease) in payables	(1,127)	453
	(1,387)	699
Cash generated from operations	1,900	3,482
Interest received	-	⁽²⁾
Interest paid	(42)	(45)
Tax paid	(341)	(663)
	(383)	(708)
Net cash from operating activities	1,517	2,774
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(12)	-
Net cash used in investing activities	(12)	-
Cash Flows From Financing Activities		
Dividends paid	(1,905)	-
Repayment of lease liabilities	(115)	(150)
Repayment of term loans	(36)	(34)
Net cash used in financing activities	(2,056)	(184)
Net increase in cash and cash equivalents	(551)	2,590
Cash and cash equivalents at the beginning of the financial period	8,114	5,819
Cash and cash equivalents at the end of the financial period	7,563	8,409

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 2022 and the accompanying explanatory notes attached to this interim financial report.*

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(2) *Less than RM1,000.*

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2023

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 2023 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 2022 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 2022 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
Amendments to MFRS 16 Covid-19 - Related Rent Concessions beyond 30 June 2022	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 dates for financial periods beginning on or after
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 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 112 International Tax Reform – Pillar Two Model Rules	1 January 2023
Amendments to MFRS 16 Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101 Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101 Non-current Liabilities with Covenants	1 January 2024

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2023 (CONT'D)

MFRSs	Effective dates for financial periods beginning on or after
Amendments to MFRS 107 and MFRS 7 Supplier Finance Arrangements	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

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 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
	RM'000	RM'000	RM'000	RM'000
IT infrastructure technology solutions	6,705	5,366	6,705	5,366
Enterprise software solutions	12,035	11,627	12,035	11,627
Total	18,740	16,993	18,740	16,993

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 2023 (CONT'D)

A9. CHANGES IN THE COMPOSITION OF THE GROUP

The Group has incorporated a new wholly-owned subsidiary under the Companies Act 2016, namely, CR Distribution Sdn Bhd ("CR Distribution") on 27 June 2023 with an issued share capital of RM100.00 which comprising 100 ordinary shares. CR Distribution has subsequently on 1 August 2023 increased issued share capital to RM500,000.00 comprising of 500,000 ordinary shares in total.

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 RM18.74 million for the current financial period, representing an increase of RM1.75 million or 10.30% compared to RM16.99 million in the preceding year's corresponding period, mainly due to the increase in revenue from the IT infrastructure technology solutions business.

The IT infrastructure technology solutions business recorded an increase in revenue by approximately RM1.34 million or 24.95%, mainly due to higher hardware sales.

The enterprise software solutions business recorded an increase in revenue by approximately RM0.41 million or 3.53%, mainly due to higher subscription and software sales.

The Group recorded a profit before taxation ("PBT") of RM3.02 million for the current financial period, representing an increase of RM0.55 million or 22.27% as compared to RM2.47 million in the corresponding period of the preceding year. The increase in PBT was mainly due to higher revenue and higher gross profit attained.

B2. COMMENTARY ON PROSPECTS

The Group has in place a series of 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;
- (i) Expand the Group's enterprise resource planning solutions to include enterprise resource planning cloud solutions and managed services;
- (ii) 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 Company is actively working on the marketing of its products through email marketing and search engine optimisation to expand its customer base. We are also organising events with our principal, namely IBM and other trade associations, to market our 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 financial performance of the Group 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 10 May 2023 declared first interim single-tier dividend of RM0.015 per ordinary share for the financial year ending 31 December 2023 (“First Interim Dividend”). The First Interim Dividend of RM1,905,000 was paid on 23 May 2023.

The Board has subsequently on 12 July 2023 declared second interim single-tier dividend of RM0.015 per ordinary share for the financial year ending 31 December 2023 (“Second Interim Dividend”). The Second Interim Dividend of RM1,905,000 was paid on 28 July 2023.

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 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the parent	2,204	1,857	2,204	1,857
Number of ordinary shares in issue ('000)	127,000	127,000	127,000	127,000
Basic EPS (sen)	1.74	1.46	1.74	1.46

The EPS for the financial period ended 30 June 2023 and 30 June 2022 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.