



SL INNOVATION CAPITAL BERHAD

(Registration No.201101044035 (972155-K))

(Incorporated in Malaysia)

**FINANCIAL STATEMENTS FOR THE HALF-YEAR
ENDED 31 DECEMBER 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 31 DECEMBER 2023

	As at 31 Dec 2023 Unaudited RM'000	As at 31 Dec 2022 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	7,210	7,014
Investment properties	551	562
Right-of-use assets	944	527
Intangible assets	-	59
Other investment	13	13
Deferred tax assets	178	146
Total non-current assets	8,896	8,321
Current assets		
Trade receivables	6,743	6,558
Other receivables	1,557	223
Tax recoverable	166	376
Cash and bank balances	11,202	8,114
Total current assets	19,668	15,271
Total assets	28,564	23,592
EQUITY		
Share capital	7,648	7,648
Merger reserve	(3,325)	(3,325)
Retained earnings	13,054	12,646
Total equity	17,377	16,969
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	34	-
Lease liabilities	469	186
Loan and borrowings	1,047	1,176
Total non-current liabilities	1,550	1,362
Current liabilities		
Contract liabilities	1,134	917
Trade payables	5,728	2,952
Other payables	1,968	1,057
Lease liabilities	258	206
Loan and borrowings	121	84
Tax payable	428	45
Total current liabilities	9,637	5,261
Total liabilities	11,187	6,623
Total equity and liabilities	28,564	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 FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Individual 6 months ended		Cumulative 12 months ended	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Revenue	31,659	17,538	50,399	34,531
Cost of sales	(23,804)	(10,170)	(34,891)	(20,503)
Gross profit	7,855	7,368	15,508	14,028
Other income	388	251	515	285
Net impairment gain / (loss) on trade receivables	-	(11)	-	(11)
Selling and distribution expenses	(386)	(178)	(501)	(326)
Administrative expenses	(5,180)	(4,783)	(9,781)	(8,814)
Finance costs	(24)	(15)	(66)	(60)
Profit before taxation	2,653	2,632	5,675	5,102
Taxation	(639)	(733)	(1,457)	(1,346)
Profit for the financial period/year	2,014	1,899	4,218	3,756
Earnings per share ("EPS") (sen):				
- Basic	1.59	1.50	3.32	2.96
- Diluted ⁽²⁾	1.59	1.50	3.32	2.96

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.*

SL INNOVATION CAPITAL BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	<----- Non-distributable ----->		<-Distributable->	Total RM'000
	Share capital RM'000	Merger reserve RM'000	Retained earnings RM'000	
At 1 January 2022	7,648	(3,325)	10,795	15,118
Profit for the financial year, representing total comprehensive income for the financial year	-	-	3,756	3,756
Dividends paid to owners of the Company	-	-	(1,905)	(1,905)
At 31 December 2022	7,648	(3,325)	12,646	16,969
At 1 January 2023	7,648	(3,325)	12,646	16,969
Profit for the financial year, representing total comprehensive income for the financial year	-	-	4,218	4,218
Dividends paid to owners of the Company	-	-	(3,810)	(3,810)
At 31 December 2023	7,648	(3,325)	13,054	17,377

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.*

SL INNOVATION CAPITAL BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	12 months ended	
	31 Dec 2023 RM'000	31 Dec 2022 RM'000
Cash flows from operating activities		
Profit before taxation	5,675	5,102
Adjustments for:		
Depreciation of property, plant and equipment	219	217
Depreciation of investment properties	11	11
Amortisation of intangible asset	59	59
Amortisation of right-of-use assets	228	204
Allowance for expected credit losses on trade receivables	-	95
Reversal of allowance for expected credit losses on trade receivables	-	(83)
Interest income	(2)	-
Interest expense	66	59
Operating profit before working capital changes	6,256	5,664
Changes in working capital		
(Increase)/Decrease in receivables	(1,519)	(964)
Increase/(Decrease) in contract liabilities	217	39
Increase/(Decrease) in payables	3,687	1,302
	2,385	377
Cash generated from operations	8,641	6,041
Tax refund	127	-
Tax paid	(988)	(1,388)
	(861)	(1,388)
Net cash from operating activities	7,780	4,653
Cash flows from investing activities		
Purchase of property, plant and equipment	(420)	(43)
Proceed from disposal of property, plant and equipment	5	9
Interest received	2	-
Net cash used in investing activities	(413)	(34)
Cash flows from financing activities		
Dividend paid	(3,810)	(1,905)
Interest paid	(66)	(59)
Repayment of lease liabilities	(310)	(269)
Repayment of term loans	(93)	(91)
Net cash used in financing activities	(4,279)	(2,324)
Net increase in cash and cash equivalents	3,088	2,295
Cash and cash equivalents at the beginning of the financial year	8,114	5,819
Cash and cash equivalents at the end of the financial year	11,202	8,114

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (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 2022 and the accompanying explanatory notes attached to this interim financial report.*

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 financial year ended 31 December 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
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

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 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
Amendments to MFRS 107 and MFRS 7 Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 121 Lack of Exchangeability	1 January 2025
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.

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

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 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
IT infrastructure technology solutions	19,654	7,847	26,359	13,213
Business process automation solutions	12,005	9,691	24,040	21,318
Total	31,659	17,538	50,399	34,531

The Group's previously known enterprise software solutions activity is now categorised as business process automation solutions as the Group has extended its solution offering to include robotic process automation ("RPA") solutions since July 2023 when its wholly owned subsidiary, CR Distribution Sdn Bhd, was appointed as an exclusive distributor for in Malaysia. The Group's revenue is derived from project-based sales and retainer-based contracts which comprise both IT infrastructure technology solutions and business process automation 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

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.

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (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 RM50.40 million for the financial year ended 31 December 2023, as compared to RM34.53 million in the preceding financial year, representing an increase of RM15.87 million or 45.96% mainly 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 RM13.15 million or 99.55%, mainly due to higher hardware sales arising from the upgrade of IT infrastructure by the Group's existing customers.

The business process automation solutions business recorded an increase in revenue by approximately RM2.72 million or 12.76%, mainly due to higher service income.

Despite achieving higher revenue in the financial year ending on 31 December 2023, the Group experienced a decline in its gross profit margin to 30.77% as compared to 40.63% in the preceding financial year. This decline is mainly due to an increase in hardware sales, which yielded a lesser profit margin and that had an overall impact on the Group's gross profit margin.

The Group recorded a profit before tax ("PBT") of RM5.68 million for the financial year ended 31 December 2023, representing a marginal increase of RM0.58 million or 11.37%. The marginal increase in PBT was mainly due to lower gross profit margins and higher administrative expenses.

b) Current Period vs. Previous Year Corresponding Period

The Group recorded a revenue of RM31.66 million for the current financial period ended 31 December 2023, as compared to RM17.54 million in the preceding year corresponding period, representing an increase of RM14.12 million or 80.50% 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 RM11.80 million or 150.32%, mainly due to higher hardware sales arising from the upgrade of IT infrastructure by the Group's existing customers.

The business process automation solutions business recorded an increase in revenue by approximately RM2.32 million or 23.94%, mainly due to higher service income.

Despite achieving higher revenue in the current financial period ended 31 December 2023, the Group experienced a decline in its gross profit margin to 24.82% as compared to 42.02% in the preceding year corresponding period. This decline is mainly due to an increase in hardware sales, which yielded a lesser profit margin and that had an overall impact on the Group's gross profit margin.

The Group recorded a PBT of RM2.65 million for the current financial period ended 31 December 2023 as compared to RM2.63 million in the preceding year corresponding period, representing a marginal increase of RM0.02 million or 0.76%. The marginal increase is mainly due to lower gross profit margins and higher administrative expenses.

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

c) Current Period vs. Immediate Preceding Period

The Group recorded a revenue of RM31.66 million for the current financial period ended 31 December 2023, as compared to RM18.74 million in the immediate preceding period, representing an increase of RM12.92 million or 68.94% 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 RM12.94 million or 192.85%, mainly due to higher hardware sales arising from the upgrade of IT infrastructure by the Group's existing customers.

The business process automation solutions business recorded a marginal decrease in revenue by approximately RM0.02 million or 0.17%. This marginal decrease is mainly due to lesser software sales and is offset by higher service income.

Despite achieving higher revenue in the current financial period ended 31 December 2023, the Group experienced a decline in its gross profit margin to 24.82% as compared to 40.82% in the immediate preceding period. This decline is mainly due to an increase in hardware sales, which yielded a lesser profit margin and that had an overall impact on the Group's gross profit margin.

The Group recorded a PBT of RM2.65 million for the current financial period ended 31 December 2023 as compared to RM3.02 million in the immediate preceding period, representing a decrease of RM0.37 million or 12.25%. The decrease was mainly due to lower gross profit margins and higher administrative expenses.

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;
- (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 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 2024 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.

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 12 months ended	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the parent	2,014	1,899	4,218	3,756
Number of ordinary shares in issue ('000)	127,000	127,000	127,000	127,000
Basic EPS (sen)	1.59	1.50	3.32	2.96

The EPS for the financial year ended 31 December 2023 and 31 December 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.