



ICT ZONE ASIA BERHAD
(Registration No. 201901003459 (1312785-X))
(Incorporated in Malaysia under the Companies Act 2016)

**FINANCIAL STATEMENTS FOR THE HALF-YEAR
ENDED 31 JANUARY 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 ICT ZONE ASIA BERHAD (“ICT ZONE ASIA” 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.

ICT ZONE ASIA BERHAD

(Registration No. 201901003459 (1312785-X))

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2021

	Unaudited As at 31 Jan 2021 RM'000	Audited As at 31 Jan 2020 RM'000
<u>ASSETS</u>		
Non-current assets		
Property, plant and equipment	41,722	38,032
Right-of-use assets	90	62
Investment properties	11,300	11,300
Net investment in sub-lease	-	4
Capital reserve funds	-	1,003
Total non-current assets	<u>53,112</u>	<u>50,401</u>
Current assets		
Inventories	322	434
Trade receivables	5,989	10,965
Non-trade receivables, deposit and prepayments	386	1,195
Tax recoverable	289	223
Fixed deposits with licensed banks	740	382
Net investment in sub-lease	12	541
Capital reserve funds	-	22,080
Cash and bank balances	2,069	843
Total current assets	<u>10,837</u>	<u>36,663</u>
Total assets	<u>62,919</u>	<u>87,064</u>
<u>EQUITY AND LIABILITIES</u>		
Equity attributable to the owners of the Company		
Share capital	19,092	18,936
Irredeemable convertible preference shares ("ICPS")	9,032	8,658
Retained earnings	13,061	9,090
Merger reserve	(8,106)	(8,106)
Total equity	<u>33,079</u>	<u>28,578</u>
Non-current liabilities		
ICPS	5,002	5,782
Borrowings	5,404	1,656
Lease liabilities	-	51
ICT Interest Value	-	1,351
Deferred tax liabilities	4,892	3,469
Total non-current liabilities	<u>15,298</u>	<u>12,309</u>

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UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2021 *(cont'd)*

	Unaudited	Audited
	As at 31 Jan 2021	As at 31 Jan 2020
	RM'000	RM'000
Current liabilities		
Trade payables	7,594	18,668
Non-trade payables, deposit received and accruals	1,369	8,284
ICT Interest Value	-	14,980
Borrowings	1,828	3,616
Lease liabilities	152	530
Tax payable	-	99
Term loan	3,599	-
Total current liabilities	14,542	46,177
Total liabilities and equity	62,919	87,064
Net assets per share (RM) ⁽²⁾	0.06	0.05

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 January 2020 as disclosed in the Information Memorandum of the Company dated 6 November 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 533,757,500 ordinary shares as at 31 January 2021 and 532,782,500 ordinary shares as at 31 January 2020.*

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UNAUDITED COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2021

	Individual 6 months ended		Cumulative 12 months ended	
	31 Jan 2021	31 Jan 2020	31 Jan 2021	31 Jan 2020
	RM'000	RM'000	RM'000	RM'000
Revenue	23,208	26,359	39,570	38,910
Cost of sales	(17,419)	(20,479)	(29,795)	(30,022)
Gross profit	5,789	5,880	9,775	8,888
Other income	354	358	1,717	676
Other operating expenses	(2,035)	(1,763)	(3,976)	(3,695)
Profit from operations	4,108	4,475	7,516	5,869
Finance costs	(877)	(2,689)	(1,780)	(4,488)
Profit before taxation	3,231	1,786	5,736	1,381
Taxation	(1,221)	(20)	(1,765)	(332)
Profit for the financial period / year	2,010	1,766	3,971	1,049
Earnings per share ("EPS") (sen):				
- Basic ⁽²⁾	0.38	0.33	0.73	0.20
- Diluted ⁽³⁾	0.33	0.29	0.64	0.17

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 January 2020 as disclosed in the Information Memorandum of the Company dated 6 November 2020 and the accompanying explanatory notes attached to this interim financial report.*
- (2) *Basic EPS are calculated based on the assumptions that 532,782,500 and 533,757,500 ordinary shares were issued at the beginning of the financial year ended 31 January 2020 and 31 January 2021 respectively.*
- (3) *Diluted EPS are calculated based on the number of ordinary shares in issue (after adjusting for the dilutive effects of the ICPS) of 604,972,500 and 609,077,500 ordinary shares for the financial year ended 31 January 2020 and 31 January 2021 respectively.*

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2021

	← Non-distributable →		Distributable	
	Share capital	Merger reserve	Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000
At 1 February 2019	7,210	-	8,041	15,252
Profit for the financial year, representing total comprehensive profit for the financial year	-	-	1,049	-
Acquisition of interests in common interests	(7,200)	(8,106)	-	(15,306)
Transactions with owners:				
Issuance of ordinary shares	18,926	-	-	18,926
Issuance of ICPS	8,658	-	-	8,658
Total transactions with owners	27,584	-	-	27,584
At 31 January 2020	27,594	(8,106)	9,090	28,578
At 1 February 2020	27,594	(8,106)	9,090	28,578
Profit for the financial year, representing total comprehensive profit for the financial year	-	-	3,971	3,971
Transactions with owners:				
Issuance of ordinary shares	156	-	-	156
Issuance of ICPS	374	-	-	374
Total transactions with owners	530	-	-	530
At 31 January 2021	28,124	(8,106)	13,061	33,079

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 January 2020 as disclosed in the Information Memorandum of the Company dated 6 November 2020 and the accompanying explanatory notes attached to this interim financial report.

ICT ZONE ASIA BERHAD

(Registration No. 201901003459 (1312785-X))

UNAUDITED COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2021

	12 months ended	
	31 Jan 2021	31 Jan 2020
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before taxation	5,736	1,381
Adjustments for:		
Reversal of impairment loss on:		
- trade receivables	-	(24)
- related party	-	(24)
Depreciation of property, plant and equipment	13,885	13,680
Depreciation of right-of-use assets	69	111
Effective interim nett yield on ICT Interest Value	650	3,927
Gain on disposal of property, plant and equipment	-	(1,828)
Interest expense	606	544
Interest income from net investment in sub-lease	(4)	(41)
Loss on lease modification	40	-
Operating profit before working capital changes	20,982	17,726
Decrease in inventories	112	1,008
Decrease in net investment in sub-lease	533	1,223
Decrease in amount due from related parties	-	84
(Increase)/decrease in capital reserve fund	23,083	(5,991)
Increase/(decrease) in payables	(18,063)	6,657
(Increase)/decrease in receivables	5,785	(3,549)
Cash generated from operations	32,432	17,159
Interest received from net investment in sub-lease	4	41
Tax paid	(507)	(168)
Tax refunded	-	14
Net cash from operating activities	31,929	17,045
Cash Flows From Investing activities		
Acquisition of property, plant and equipment	(18,227)	(23,385)
Net cash outflows on acquisition of subsidiaries	-	(15,306)
Net changes in fixed deposits	-	(223)
Proceeds from disposal of property, plant and equipment	652	4,094
Net cash used in investing activities	(17,575)	(34,819)
Cash Flows From Financing activities		
Dividend paid	(1,506)	-
Drawdown of term loan	7,710	4,600
Interest paid - lease liabilities	-	(46)
Interest paid - others	(130)	(498)
Interim nett yield on ICT Interest Value	(576)	(3,927)
Net changes in short-term borrowings	689	(531)
Proceeds from issuance of ICPS	624	14,440
Proceeds from issuance of ordinary shares	156	18,926

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UNAUDITED COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2021 (cont'd)

	12 months ended	
	31 Jan 2021	31 Jan 2020
	RM'000	RM'000
Withdrawal of ICT Interest Value	(16,330)	(13,331)
Repayment of lease liabilities	(566)	(1,120)
Repayment of term loan	(2,841)	(1,492)
Net cash from/(used in) financing activities	(12,770)	17,020
Net increase /(decrease) in cash and cash equivalents	1,584	(753)
Cash and cash equivalents at beginning of the financial year	1,225	1,756
Cash and cash equivalents at end of the financial year	2,809	1,003
Cash and cash equivalent at the end of the financial year comprises:		
Cash and bank balances	2,069	843
Fixed deposits with original maturity less than 3 months	-	160
Total cash and cash equivalents	2,069	1,003
Less: Pledged fixed deposits with licensed banks	740	-
	<u>2,809</u>	<u>1,003</u>

Note:

- (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 January 2020 as disclosed in the Information Memorandum of the Company dated 6 November 2020 and the accompanying explanatory notes attached to this interim financial report.*

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2021

A1. BASIS OF PREPARATION

ICT Zone Asia was incorporated in Malaysia on 21 May 2019 under the Companies Act 2016 as a public company. On 15 December 2020, ICT Zone Asia's entire issued share capital of RM34,156,000 comprising of 533,757,500 ordinary shares and 75,320,000 ICPS were listed on the LEAP Market of Bursa Securities.

The interim financial statements of ICT Zone Asia 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 January 2021 announced by the Company in compliance with the LEAP Market Listing Requirements of Bursa Securities ("Listing Requirements"). The comparative figures have been presented as if the combination has occurred from the date when the combining entities first came under common control.

The interim financial report should be read in conjunction with the Audited Combined Financial Statements as disclosed in the Information Memorandum of the Company dated 6 November 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 January 2020.

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:

<u>MFRS</u>	<u>Effective date</u>
• Amendments to MFRS 16 Leases: Covid-19-Related Rent Concessions	1 June 2020
• Amendments to MFRS 9 <i>Financial Instruments</i> , MFRS 139 <i>Financial Instruments: Recognition and Measurement</i> , MFRS 7 <i>Financial Instruments: Disclosures</i> , MFRS 4 <i>Insurance Contracts</i> and MFRS 16 <i>Leases: Interest Rate Benchmark Reform – Phase 2</i>	1 January 2021
• Annual improvements to MFRSs 2019 - 2020 cycle	
- Amendments to MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards</i>	1 January 2022
- Amendments to MFRS 9 <i>Financial Instruments</i>	1 January 2022
- Amendments to MFRS 16 <i>Leases</i>	1 January 2022
- Amendments to MFRS 141 <i>Agriculture</i>	1 January 2022
• Amendments to MFRS 3 <i>Business Combinations: Reference to the Conceptual Framework</i>	1 January 2022
• Amendments to MFRS 116 <i>Property, Plant and Equipment: Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
• Amendments to MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
• Amendments to MFRS 101 <i>Presentation of Financial Statements: Classification of Liabilities as Current or Non-current</i>	1 January 2023
• MFRS 17 <i>Insurance Contract</i> and Amendments to MFRS 17 <i>Insurance Contract</i>	1 January 2023
• Amendments to MFRS 10 <i>Consolidated Financial Statements</i> and MFRS 128 <i>Investment in Associates and Joint Ventures: Sales and Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group did not early adopt any new standards, interpretations or amendments that have been issued but are not yet effective.

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2021 (CONT'D)**A3. SEASONAL AND CYCLICAL FACTORS**

The business operations of the Group are not significantly affected by any seasonal or cyclical factors.

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 year.

A5. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates in the current financial year under review that have not been reflected in this interim financial report.

A6. DEBT AND EQUITY SECURITIES

Save as disclosed below, there were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial year:

On 8 April 2020, ICT Zone Asia and ICT Zone Ventures Berhad (“**ICT Zone Ventures**”) have entered into Deeds of Novation and Settlement with certain holders of redeemable interests (“**ICT Interest Holders**”) under the ICT Zone Ventures Scheme (which comprise of Shariah-compliant interest scheme managed by ICT Zone Ventures under Section 28 of the Interest Schemes Act 2016 and Interest Schemes Regulations 2017) to redeem their investments in ICT Zone Ventures Scheme *via* issuance of 887,500 ordinary shares and 2,840,000 ICPS.

On 10 April 2020, 87,500 ordinary shares and 280,000 ICPS were issued pursuant to the additional cash subscription by ICT Interest Holders.

A7. SEGMENTAL INFORMATION

The Group’s revenue is derived from 4 segments which are the leasing of information communication and technology (“**ICT**”) hardware and software, trading and rental of ICT solutions and provision of ICT services. The Group’s revenue based on business segments is presented as follows:

	Individual 6 months ended		Cumulative 12 months ended	
	31 Jan 2021	31 Jan 2020	31 Jan 2021	31 Jan 2020
	RM'000	RM'000	RM'000	RM'000
Leasing of ICT hardware and software	9,928	10,760	19,788	20,733
Trading of ICT solutions	10,984	13,622	15,195	14,404
Rental of ICT solutions	2,276	1,910	4,512	3,644
Provision of ICT services	20	67	75	129
Total	23,208	26,359	39,570	38,910

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.

A9. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the financial year ended 31 January 2021.

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A10. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no contingent assets and contingent liabilities as at the date of this interim financial report.

A11. CAPITAL COMMITMENTS

There is no material capital commitment in respect of property, plant and equipment as at 31 January 2021.

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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 RM39.6 million for the current financial year ended 31 January 2021, as compared to RM38.9 million in the previous financial year, representing an increase of RM0.7 million or 1.8% mainly attributable to the Group's ability to secure higher sales from leasing contract secured from the corporate sector for the financial year ended 31 January 2021.

The Group recorded a profit after tax ("**PAT**") of RM3.9 million for the current financial year ended 31 January 2021 as compared to a PAT of RM1.1 million in the previous financial year, representing an increase of RM2.8 million or 254.5%, which was mainly attributable to lower finance costs. This was mainly due to the lower amount of interim yield incurred as a result of the redemption of ICT Zone Ventures Scheme which took place in January 2020 as well as April 2020.

(b) Current Period vs. Previous Year Corresponding Period

The Group recorded revenue of RM23.2 million for the current 6-month financial period ended 31 January 2021, as compared to RM26.4 million in the previous year corresponding period, representing a decrease of RM3.2 million or 12.1% due to lower trading of ICT solutions contract secured from the Government in the current 6-month financial period ended 31 January 2021.

The Group recorded a PAT of RM2.0 million for the current 6-month financial period ended 31 January 2021 as compared to RM1.8 million in the previous corresponding period, representing an increase of RM0.2 million or 11.1% mainly attributable to lower finance cost pursuant to the redemption of ICT Zone Ventures Scheme as mentioned above.

(c) Current Period vs. Immediate Preceding Period

The Group recorded revenue of RM23.2 million for the current 6-month financial period ended 31 January 2021, as compared to RM16.4 million in the immediate preceding financial period, represent an increase of RM6.8 million or 41.5%. This was mainly attributable to the higher sales from trading of ICT solutions as a result of higher deployment of ICT solutions to the end-user customers for the current 6-month financial period ended 31 January 2021.

The Group recorded a PAT of RM2.0 million for the current 6-month financial period ended 31 January 2021 as compared to a PAT of RM1.9 million in the immediate preceding financial period, representing an increase of RM0.1 million or 5.3%, which is in line with the increase in revenue as mentioned above.

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

B2. COMMENTARY ON PROSPECTS

As disclosed in the Company's Information Memorandum dated 6 November 2020, 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) to expand the Group's revenue stream from device management software and computer security software;
- (ii) to offer the Group's new and existing customers a new option for financing ICT solutions; and
- (iii) to grow sales on the Group's e-commerce platform, www.komputermurah.my.

The Group's e-commerce platform which was launched in February 2020 has been receiving great responses for its refurbished ICT hardware and had recorded a revenue of approximately RM1.3 million for the financial year ended 31 January 2021. The Group is confident that the e-commerce platform is able to generate higher revenue for the financial year ending 31 January 2021 as the Group is actively looking to expand its sales team responsible for the e-commerce platform.

The Board of Directors of the Company ("**Board**") have closely monitored the development of the outbreak of coronavirus pandemic ("**COVID-19**") infection in Malaysia. The resurgence in number of new COVID-19 cases has led to the implementation of the Movement Control Order ("**MCO**"), Conditional Movement Control Order ("**CMCO**") and other precautionary measures imposed by the Malaysian Government. The COVID-19 pandemic played a part in driving the Digital Economy. Many corporations have implemented work-from-home policies during the MCO and CMCO, which gave rise to the use of digital tools to enable file sharing, virtual video and audio teleconferencing as well as project management tools. The Group benefitted from the accelerated shift towards the Digital Economy and is expected to continue benefiting as ICT solutions become increasingly essential in carrying out daily operational tasks. Barring any unforeseen circumstances, the Board is of the opinion that the prospects of the Group's financial performance for the financial year ending 31 January 2022 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 as at the date of this report.

C2. MATERIAL LITIGATION

There were no material litigations pending as at the date of this report.

C3. DIVIDENDS

The Board does not recommend any interim dividend for the financial year ended 31 January 2021.

In accordance with the terms of the ICPS as set out in Appendix I of the Company's Information Memorandum dated 6 November 2020, the Company has paid the preference dividend of RM0.02 per ICPS on 20 October 2020.