



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 JULY 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 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 JULY 2022

| | Unaudited As at 31 Jul 2022 RM'000 | Audited As at 31 Jan 2022 RM'000 |
|---|--|--|
| <u>ASSETS</u> | | |
| Non-current assets | | |
| Property, plant and equipment | 62,582 | 42,930 |
| Investment properties | 11,300 | 11,300 |
| Right-of-use assets | 134 | 133 |
| Total non-current assets | 74,016 | 54,363 |
| Current assets | | |
| Inventories | 1,006 | 902 |
| Trade receivables | 10,995 | 9,494 |
| Non-trade receivables, deposit and prepayments | 944 | 644 |
| Fixed deposits with licensed banks | 982 | 864 |
| Tax recoverable | 421 | 349 |
| Cash and bank balances | 5,906 | 9,464 |
| Total current assets | 20,254 | 21,717 |
| Total assets | 94,270 | 76,080 |
| <u>EQUITY AND LIABILITIES</u> | | |
| Equity attributable to the owners of the Company | | |
| Share capital | 28,124 | 28,124 |
| Retained earnings | 19,443 | 16,993 |
| Merger reserve | (8,048) | (8,048) |
| | 39,519 | 37,069 |
| Minority interest | 161 | 161 |
| Total equity | 39,680 | 37,230 |
| Non-current liabilities | | |
| Irredeemable Convertible Preference Shares ("ICPS") | 3,890 | 3,890 |
| Borrowings | 21,730 | 14,464 |
| Deferred tax liabilities | 7,552 | 6,655 |
| Total non-current liabilities | 33,172 | 25,009 |

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UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2022 (cont'd)

| | Unaudited | Audited |
|---|--------------------------|--------------------------|
| | As at 31 Jul 2022 | As at 31 Jan 2022 |
| | RM'000 | RM'000 |
| Current liabilities | | |
| Trade payables | 13,318 | 7,503 |
| Non-trade payables, deposit received and accruals | 3,816 | 1,747 |
| Borrowings | 3,763 | 4,323 |
| Lease liabilities | 391 | 160 |
| Tax payable | 130 | 108 |
| Total current liabilities | 21,418 | 13,841 |
| Total liabilities | 54,590 | 38,850 |
| Total equity and liabilities | 94,270 | 76,080 |
| Net assets per share (RM) ⁽²⁾ | 0.07 | 0.07 |

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 2022 as disclosed in the 2022 Annual Report 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 2022 and as at 31 July 2022.*

ICT ZONE ASIA BERHAD

(Registration No. 201901003459 (1312785-X))

UNAUDITED COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 JULY 2022

| | Individual 6 months ended | | Cumulative 6 months ended | |
|--|---------------------------|--------------|---------------------------|--------------|
| | 31 Jul 2022 | 31 Jul 2021 | 31 Jul 2022 | 31 Jul 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 33,224 | 16,318 | 33,224 | 16,318 |
| Cost of sales | (26,362) | (10,782) | (26,362) | (10,782) |
| Gross profit | 6,862 | 5,536 | 6,862 | 5,536 |
| Other income | 476 | 296 | 476 | 296 |
| Other operating expenses | (3,418) | (1,763) | (3,418) | (1,763) |
| Profit from operations | 3,920 | 4,069 | 3,920 | 4,069 |
| Finance costs | (452) | (334) | (452) | (334) |
| Profit before taxation | 3,468 | 3,735 | 3,468 | 3,735 |
| Taxation | (1,018) | (927) | (1,018) | (927) |
| Profit for the financial period | 2,450 | 2,808 | 2,450 | 2,808 |
| Earnings per share ("EPS") (sen): | | | | |
| - Basic ⁽²⁾ | 0.46 | 0.53 | 0.46 | 0.53 |
| - Diluted ⁽³⁾ | 0.40 | 0.46 | 0.40 | 0.46 |

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 January 2022 as disclosed in the 2022 Annual Report and the accompanying explanatory notes attached to this interim financial report.*
- (2) *Basic EPS is calculated based on the Company's weighted average number of ordinary shares of 533,757,500 ordinary shares.*
- (3) *Diluted EPS is calculated based on the number of ordinary shares in issue (after adjusting for the dilutive effects of the ICPS) of 609,077,500 ordinary shares for the financial period ended 31 July 2021 and 31 July 2022.*

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 JULY 2022

| | ← Attributable to the owners of the Company → | | | | | |
|--|---|----------------------|-------------------|---------------|---------------------------------|---------------|
| | Share capital | Retained earnings | Merger reserve | Total | Non- controlling Interest | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 February 2021 | 28,124 | 12,967 | (8,106) | 32,985 | - | 32,985 |
| Profit for the financial period, representing total comprehensive profit for the financial period | - | 2,808 | - | 2,808 | - | 2,808 |
| At 31 July 2021 | 28,124 | 15,775 | (8,106) | 35,793 | - | 35,793 |
| At 1 February 2022 | 28,124 | 16,993 | (8,048) | 37,069 | 161 | 37,230 |
| Profit for the financial period, representing total comprehensive profit for the financial period | - | 2,450 | - | 2,450 | - | 2,450 |
| At 31 July 2022 | 28,124 | 19,443 | (8,048) | 39,519 | 161 | 39,680 |

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 2022 as disclosed in the 2022 Annual Report and the accompanying explanatory notes attached to this interim financial report.*

ICT ZONE ASIA BERHAD

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UNAUDITED COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 JULY 2022

| | 6 months ended | |
|---|----------------|-------------|
| | 31 Jul 2022 | 31 Jul 2021 |
| | RM'000 | RM'000 |
| Cash Flows From Operating Activities | | |
| Profit before taxation | 3,468 | 3,734 |
| Adjustments for: | | |
| Depreciation of right-of-use assets | 27 | 7 |
| Depreciation of property, plant and equipment | 10,075 | 6,735 |
| Gain on disposal of property, plant and equipment | (979) | (659) |
| Interest income | (5) | - |
| Interest expense | 653 | 330 |
| Operating profit before working capital changes | 13,239 | 10,147 |
| Increase in inventories | (104) | (322) |
| Decrease in net investment in sub-lease | 69 | 5 |
| Increase/(decrease) in payables | 9,449 | (6,070) |
| Increase in receivables | (2,425) | (149) |
| Cash generated from operations | 20,228 | 3,611 |
| Tax paid | (172) | (102) |
| Net cash from operating activities | 20,056 | 3,509 |
| Cash Flows From Investing Activities | | |
| Acquisition of property, plant and equipment | (30,221) | (4,126) |
| Net changes in investment fund | (501) | - |
| Proceeds from disposal of property, plant and equipment | 993 | 1,801 |
| Net changes in fixed deposits with licensed banks | (116) | - |
| Net cash used in investing activities | (29,845) | (2,325) |
| Cash Flows From Financing Activities | | |
| Drawdown of term loan | 9,190 | 8,269 |
| Repayment of lease liabilities | (40) | (30) |
| Interest paid – others | (434) | (325) |
| Interest paid – lease liabilities | (1) | (5) |
| Repayment of term loan | (2,738) | (2,129) |
| Net changes in short-term borrowings | 254 | (2,147) |
| Net cash from financing activities | 6,231 | 3,633 |

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UNAUDITED COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 JULY 2022 (cont'd)

| | 6 months ended | |
|---|----------------|--------------|
| | 31 Jul 2022 | 31 Jul 2021 |
| | RM'000 | RM'000 |
| Net (decrease)/increase in cash and cash equivalents | (3,558) | 4,817 |
| Cash and cash equivalents at beginning of the financial period | 9,464 | 2,069 |
| Cash and cash equivalents at end of the financial period | 5,906 | 6,886 |
| Cash and cash equivalent at the end of the financial period comprises: | | |
| Cash and bank balances | 5,906 | 6,886 |
| Total cash and cash equivalents | 5,906 | 6,886 |

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 2022 as disclosed in the 2022 Annual Report 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 PERIOD ENDED 31 JULY 2022

A1. BASIS OF PREPARATION

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 period ended 31 July 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 January 2022 as disclosed in the 2022 Annual Report 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 2022.

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:

| MFRS | Effective date |
|---|-----------------------|
| • Amendments to MFRS 3, Business Combinations: Reference to the Conceptual Framework | 1 January 2022 |
| • Amendments to MFRS 116, Property, Plant and Equipment: Property, Plant and Equipment – Proceeds before Intended Use | 1 January 2022 |
| • Amendments to MFRS 137, <i>Provisions, Contingent Liabilities and Contingent Assets</i> : Onerous Contracts – Cost of Fulfilling a Contract | 1 January 2022 |
| • Annual improvements to MFRSs 2018 - 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 |
| - MFRS 17, <i>Insurance Contracts</i> | 1 January 2023 |
| • Amendments to MFRS 17, <i>Insurance Contracts</i> | 1 January 2023 |
| • Amendment to MFRS 17 <i>Insurance Contracts</i> : Initial Application of MFRS 17 and MFRS 9—Comparative Information | 1 January 2023 |
| • Amendments to MFRS 101, <i>Presentation of Financial Statements</i> : Classifications of Liabilities as Current or Non-current | 1 January 2023 |
| • Amendments to MFRS 101, <i>Presentation of Financial Statements</i> : Disclosure of Accounting Policies | 1 January 2023 |
| • Amendments to MFRS 108, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> : Definition of Accounting Estimates | 1 January 2023 |
| • Amendments to MFRS 112, <i>Income Tax</i> : Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |
| • Amendments to MFRS 10, <i>Consolidated Financial Statements</i> and MFRS 128 <i>Investment in Associate and Joint Ventures</i> : Sales or Contribution of Assets Between an Investor and its Associate or Joint Venture | 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 PERIOD ENDED 31 JULY 2022 (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 period under review.

A5. MATERIAL CHANGES IN ESTIMATES

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

A6. DEBT AND EQUITY SECURITIES

There were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial period under review.

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 6 months ended | |
|--------------------------------------|---------------------------|---------------|---------------------------|---------------|
| | 31 Jul 2022 | 31 Jul 2021 | 31 Jul 2022 | 31 Jul 2021 |
| | | Restated | | Restated |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Leasing of ICT hardware and software | 13,961 | 10,302 | 13,961 | 10,302 |
| Trading of ICT solutions | 14,545 | 2,982 | 14,545 | 2,982 |
| Rental of ICT solutions | 2,521 | 2,976 | 2,521 | 2,976 |
| Provision of ICT services | 173 | 58 | 173 | 58 |
| Cloud solutions and services | 2,024 | - | 2,024 | - |
| Total | 33,224 | 16,318 | 33,224 | 16,318 |

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.

A9. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the current financial period under review.

A10. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

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A11. CAPITAL COMMITMENTS

There is no material capital commitment in respect of property, plant and equipment as at the date of this interim financial report.

B ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS

B1. REVIEW OF PERFORMANCE

The Group recorded a revenue of RM33.2 million for the current financial period ended 31 July 2022 as compared to RM16.3 million in the previous year corresponding period, representing an increase of RM16.9 million or 103.6%. The increase in revenue was mainly attributable to the following:

- (i) increase in revenue for the Group's leasing of ICT software and hardware segment from RM10.3 million in the previous year corresponding period to RM14.0 million in the current financial period ended 31 July 2022, representing an increase of RM3.7 million or 35.9%. The increase was mainly due to newly secured contracts and extension of previously expired rental contracts; and
- (ii) increase in revenue for the Group's trading of ICT solutions segment from RM3.0 million in the previous year corresponding period to RM14.6 million in the current financial period ended 31 July 2022, representing an increase of RM11.6 million or 386.7%. The increase was mainly due to increased demand arising from amongst others, work-from-home policies and contracts secured from the corporate and government sectors.

In addition, the significant increase in the Group's revenue was also attributable to the recognition of income from the Group's new cloud solutions and services segment *via* HaaS Technologies Sdn Bhd, a subsidiary of the Company acquired at the end of 2021.

However, the Group recorded a profit after taxation ("PAT") of RM2.5 million for the current financial period ended 31 July 2022 as compared to a PAT of RM2.8 million in the previous year corresponding period, representing a slight decrease of RM0.4 million or 10.7%, which was mainly attributable to:

- (i) an increase in staff costs as a result of among others, an increase in headcount to cater for the Group's expansion plans;
- (ii) higher professional and finance costs incurred for the Group's project financing; and
- (iii) higher deferred tax expenses mainly as a result of a higher rate of capital allowances as compared to the depreciation rate for newly acquired ICT hardware and software.

B2. COMMENTARY ON PROSPECTS

As disclosed in the Company's Information Memorandum dated 6 November 2020, the Group has a series of future plans and strategies in place to further expand the Group's business which are focused on the following areas:

- (i) expand the Group's revenue stream from device management software and computer security software. As part of this expansion plan, the Group has been appointed by Hewlett-Packard (M) Sdn Bhd as the authorised reseller for its device management software and computer security software in June 2021; and
- (ii) offer the Group's new and existing customers a new option for financing ICT solutions.

In addition, the Group is also focused on growing its leasing and rental segments which contributed 49.6% of the Group's revenue for the financial period ended 31 July 2022. As at 31 July 2022, the Group's order book for these two segments for the next 3 years is approximately RM103.2 million, of which RM30.0 million is expected to be recognised in the financial year ending 31 January 2023.

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B ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS (cont'd)

Following the reopening of the Malaysian economy, there was a gradual return to the office in the first half of 2022. However, organisations have also started adopting hybrid working environment as a way to promote higher employee productivity levels as well as flexibility, which will allow the Group to continuously capitalise on the usage of digital tools to enable file sharing, virtual video and audio conferencing as well as project management tools. In addition, the shift towards the Digital Economy has increased markedly in response of the coronavirus pandemic. The shift towards the Digital Economy is now more than just a necessity for business continuity but also a leading role in business efficiency and productivity, which is essential in today's highly connected and competitive business landscape. Barring any unforeseen circumstances, the Board of Directors of the Company is of the opinion that the Group will continue to benefit from the accelerated shift towards the Digital Economy and the prospects of the Group's financial performance for the financial year ending 31 January 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.

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

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 will pay a preference dividend of RM0.02 per ICPS on 14 October 2022.

Save for the above, the Board does not recommend any dividend for the current financial period.