



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 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 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.

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2023 ⁽¹⁾

	Unaudited As at 31 Jan 2023 RM'000	Audited As at 31 Jan 2022 RM'000
<u>ASSETS</u>		
Non-current assets		
Property, plant and equipment	66,407	42,930
Right-of-use assets	263	133
Investment properties	11,300	11,300
Total non-current assets	77,970	54,363
Current assets		
Inventories	575	902
Trade receivables	16,543	9,494
Non-trade receivables, deposits and prepayments	768	644
Short-term money market funds	408	-
Tax recoverable	572	349
Fixed deposits with licensed banks	593	864
Cash and bank balances	8,376	9,464
Total current assets	27,835	21,717
Total assets	105,805	76,080
<u>EQUITY AND LIABILITIES</u>		
Equity attributable to the owners of the Company		
Share capital	19,092	19,092
Irredeemable convertible preference shares ("ICPS")	9,032	9,032
Retained earnings	23,678	16,993
Merger reserve	(8,048)	(8,048)
Equity attributable to owners of the parent	43,754	37,069
Non-controlling interest	7	161
Total equity	43,761	37,230
Non-current liabilities		
ICPS	2,690	3,890
Borrowings	25,022	14,463
Deferred tax liabilities	8,241	6,655
Total non-current liabilities	35,953	25,008

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**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2023
(CONT'D) ⁽¹⁾**

	Unaudited As at 31 Jan 2023 RM'000	Audited As at 31 Jan 2022 RM'000
Current liabilities		
Trade payables	10,039	7,504
Non-trade payables, deposits received and accruals	3,359	1,748
Borrowings	12,329	4,322
Lease liabilities	292	160
Tax payable	72	108
Total current liabilities	26,091	13,842
Total liabilities	62,044	38,850
Total equity and liabilities	105,805	76,080
Net assets per share (RM) ⁽²⁾	0.08	0.07

Notes:

- (1) *The basis of preparation of the Unaudited Consolidated Statement 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 January 2023.*

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UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2023 ⁽¹⁾

	Individual 6 months ended		Cumulative 12 months ended	
	31 Jan 2023	31 Jan 2022	31 Jan 2023	31 Jan 2022
	RM'000	RM'000	RM'000	RM'000
Revenue	41,834	35,715	75,058	52,033
Cost of sales	(33,015)	(29,115)	(59,377)	(39,897)
Gross profit	8,819	6,600	15,681	12,136
Other income	322	347	798	643
Other operating expenses	(3,289)	(3,695)	(6,707)	(5,458)
Profit from operations	5,852	3,252	9,772	7,321
Finance costs	(1,134)	(558)	(1,586)	(892)
Profit before taxation	4,718	2,694	8,186	6,429
Taxation	(637)	(1,132)	(1,655)	(2,059)
Profit for the financial period / year, representing total comprehensive income for the financial period / year	4,081	1,562	6,531	4,370
Total comprehensive income for the financial period / year attributable to:				
Owners of the Company	4,235	1,475	6,685	4,283
Non-controlling interest	(154)	87	(154)	87
	4,081	1,562	6,531	4,370
Earnings per share ("EPS") (sen):				
- Basic ⁽²⁾	0.76	0.29	1.22	0.82
- Diluted ⁽³⁾	0.67	0.26	1.07	0.72

Notes:

- (1) *The basis of preparation of the Unaudited Consolidated Statement 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 year ended 31 January 2022 and 31 January 2023.*

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2023 ⁽¹⁾

	← Attributable to the owners of the parent →			Total	Non-controlling interest	Total
	← Non-distributable →		Distributable			
	Share capital	Merger reserve	Retained earnings			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 February 2021	28,124	(8,106)	12,967	32,985	-	32,985
Acquisition of subsidiary	-	58	(257)	(199)	74	(125)
Profit for the financial year, representing total comprehensive income for the financial year	-	-	4,283	4,283	87	4,370
At 31 January 2022	28,124	(8,048)	16,993	37,069	161	37,230
At 1 February 2022	28,124	(8,048)	16,993	37,069	161	37,230
Profit for the financial year, representing total comprehensive income for the financial year	-	-	6,685	6,685	(154)	6,531
At 31 January 2023	28,124	(8,048)	23,678	43,754	7	43,761

Note:

- (1) The basis of preparation of the Unaudited Consolidated Statement 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.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2023 ⁽¹⁾

	12 months ended	
	Unaudited 31 Jan 2023 RM'000	Audited 31 Jan 2022 RM'000
Cash Flows From Operating Activities		
Profit before taxation	8,186	6,429
Adjustments for:		
Depreciation of property, plant and equipment	20,187	16,222
Depreciation of right-of-use assets	162	126
Gain on disposal of property, plant and equipment	(1,439)	-
Interest expenses	1,584	880
Interest income from net investment in sub-lease	-	(2)
Property, plant and equipment written off	-	3
Right-of-use assets written off	-	2
Operating profit before working capital changes	28,680	23,662
(Increase)/decrease in inventories	328	(580)
Decrease in net investment in sub-lease	-	5
Increase in receivables	(7,174)	(3,267)
Increase/(decrease) in payables	4,147	(1,432)
Cash generated from operations	25,981	18,388
Interest received from net investment in sub-lease	-	(2)
Tax paid	(220)	(369)
Tax refunded	-	5
Net cash from operating activities	25,761	18,024
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment	(45,311)	(18,659)
Net cash flows on acquisition of subsidiaries	-	263
Net changes in ICPS	406	-
Net changes in fixed deposits with licensed banks	163	(114)
Net changes in short-term money market fund	(408)	-
Proceeds from disposal of property, plant and equipment	3,086	2,315
Net cash used in investing activities	(42,064)	(16,195)
Cash Flows From Financing Activities		
Dividend paid	(1,605)	(1,506)
Drawdown of term loan	26,411	14,230
Interest paid - lease liabilities	(1,584)	(11)
Interest paid – others	-	(868)
Net changes in short-term borrowings	-	(1,829)
Repayment of lease liabilities	(160)	(4)
Repayment of term loan	(7,847)	(4,446)
Net cash from financing activities	15,215	5,566

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2023 (CONT'D) ⁽¹⁾

	12 months ended	
	Unaudited 31 Jan 2023 RM'000	Audited 31 Jan 2022 RM'000
Net increase/(decrease) in cash and cash equivalents	(1,088)	7,395
Cash and cash equivalents at beginning of the financial year	9,464	2,069
Cash and cash equivalents at end of the financial year	8,376	9,464
Cash and cash equivalents at the end of the financial year comprise:		
Cash and bank balances	8,376	9,464
Total cash and cash equivalents	8,376	9,464

Notes:

- (1) *The basis of preparation of the Unaudited Consolidated Statement 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.*
- (2) *Less than RM1,000.*

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2023

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 year ended 31 January 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 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

(a) Standards issued and effective

On 1 January 2022, the Company has adopted the following accounting standards, amendments and interpretations which are mandatory for annual financial periods beginning on or after 1 January 2022:

Description

- Amendments to MFRS 3, *Business Combinations*: Reference to the Conceptual Framework
- Amendments to MFRS 116, *Property, Plant and Equipment*: Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*: Onerous Contracts – Cost of Fulfilling a Contract
- Annual improvements to MFRSs 2018 - 2020 cycle
 - Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards*
 - Amendments to MFRS 9, *Financial Instruments*
 - Amendments to MFRS 16, *Leases*

The Directors expect that the adoption of the new and amended MFRS above have no impact on the financial statements of the Company.

(b) Standards issued but not yet effective

The Company has not adopted the following new MFRSs, interpretations and amendments that have been issued by Malaysian Accounting Standards Board but are not yet effective for the Group:

Description	Effective for annual periods beginning on or after
• MFRS 17, <i>Insurance Contracts</i>	1 January 2023
• Amendments to MFRS 17, <i>Insurance Contracts</i>	1 January 2023
• Amendments to MFRS 17 <i>Insurance Contracts</i> : Initial Application of MFRS 17 and MFRS 9—Comparative Information	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 MFSR 112, <i>Income Tax</i> : Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

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

Description	Effective for annual periods beginning on or after
<ul style="list-style-type: none">• Amendments to MFRS 16, <i>Leases</i>: Lease Liability in a Sale and Leaseback	1 January 2024
<ul style="list-style-type: none">• Amendments to MFRS 101, <i>Presentation of Financial Statements</i>: Non-current Liabilities with Covenants	1 January 2024
<ul style="list-style-type: none">• 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 initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material impact to the financial statements of the Company.

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 under review.

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

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

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2023 (CONT'D)**A7. SEGMENTAL INFORMATION**

The Group's revenue is derived from 5 segments which are the leasing of information communication and technology ("ICT") hardware and software, trading of ICT solutions, rental of ICT solutions, provision of ICT services as well as cloud solutions and services. The Group's revenue based on business segments is presented as follows:

	Individual 6 months ended		Cumulative 12 months ended	
	31 Jan 2023	31 Jan 2022	31 Jan 2023	31 Jan 2022
	RM'000	RM'000	RM'000	RM'000
Leasing of ICT hardware and software	17,758	10,047	31,719	20,349
Trading of ICT solutions	19,836	18,392	34,381	21,375
Rental of ICT solutions	1,608	2,215	4,129	5,191
Provision of ICT services	80	-	253	57
Cloud solutions and services	2,552	5,061	4,576	5,061
Total	41,834	35,715	75,058	52,033

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 under review 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 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.

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.

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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 RM75.1 million for the current financial year ended 31 January 2023, as compared to RM52.0 million in the previous financial year, representing an increase of RM23.1 million or 44.4%, which was mainly attributable to the following:

- (i) an increase in revenue from the Group's trading of ICT solutions segment from RM21.4 million in the previous financial year to RM34.4 million in the current financial year ended 31 January 2023, representing an increase of RM13.0 million or 60.8%. The increase was mainly due to increased demand arising from amongst others, adoption of hybrid working environment following the reopening of the Malaysian economy and contracts secured from the corporate and government sectors; and
- (ii) an increase in revenue from the Group's leasing of ICT hardware and software segment from RM20.3 million in the previous financial year to RM31.7 million in the current financial year ended 31 January 2023, representing an increase of RM11.6 million or 56.8%. The increase was mainly due to extension of expired rental contracts and additional financing obtained from the financial institutions as well as better pricing strategy implemented by the Group which allowed the Group to secure additional contracts from the corporate and government sectors.

The Group recorded a profit after tax ("PAT") of RM6.5 million for the current financial year ended 31 January 2023 as compared to a PAT of RM4.4 million in the previous financial year, representing an increase of RM2.1 million or 47.7%. The increase in PAT was mainly attributable to the higher gross profit as a result of the increase in the Group's revenue as explained above. The increase in gross profit was partially offset by an increase in staff costs as a result of amongst others, an increase in headcount to cater for the Group's business expansion.

(b) Current Period vs. Previous Year Corresponding Period

The Group recorded a revenue of RM41.8 million for the current financial period ended 31 January 2023, as compared to RM35.7 million in the previous year corresponding period, representing an increase of RM6.1 million or 17.1%, which was mainly attributable to an increase in revenue from the Group's leasing of ICT hardware and software segment from RM10.0 million in the previous year corresponding period to RM17.8 million in the current financial period ended 31 January 2023, representing an increase of RM7.7 million or 76.7%. The increase was mainly due to extension of expired rental contracts and additional financing obtained from the financial institutions as well as better pricing strategy implemented by the Group which allowed the Group to secure additional contracts from the government sector in the current financial period ended 31 January 2023.

The Group recorded a PAT of RM4.1 million for the current financial period ended 31 January 2023 as compared to RM1.6 million in the previous year corresponding period, representing an increase of RM2.5 million or 156.3%, which was mainly attributable to the higher gross profit as a result of the increase in the Group's revenue as explained above and the higher gross profit margin contributed by the leasing of ICT hardware and software segment arising from the newly secured contracts and extension of expired rental contracts.

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

(c) Current Period vs. Immediate Preceding Period

The Group recorded a revenue of RM41.8 million for the current financial period ended 31 January 2023, as compared to RM33.2 million in the immediate preceding financial period, representing an increase of RM8.6 million or 25.9%, which was mainly attributable to the following:

- (i) an increase in revenue from the Group's trading of ICT solutions segment from RM14.5 million in the immediate preceding financial period to RM19.8 million in the current financial period ended 31 January 2023, representing an increase of RM5.3 million or 36.6%. The increase was mainly due to an increase in demand by end-user customers as the Group benefits from the shift of the Malaysian economy towards digitalisation; and
- (ii) an increase in revenue from the Group's leasing of ICT hardware and software segment from RM14.0 million in the immediate preceding financial period to RM17.8 million in the current financial period ended 31 January 2023, representing an increase of RM3.8 million or 27.1%. The increase was mainly due to the better pricing strategy implemented by the Group which allowed the Group to secure additional contracts from the government and corporate sectors.

The Group recorded a PAT of RM4.1 million for the current financial period ended 31 January 2023 as compared to a PAT of RM2.5 million in the immediate preceding financial period, representing an increase of RM1.6 million or 64.0%. The increase in PAT was mainly attributable to the higher gross profit as a result of the increase in the Group's revenue as explained above and the higher gross profit margin contributed by the leasing of ICT hardware and software segment arising from the newly secured contracts and extension of expired rental contracts. The increase in gross profit was partially offset by a higher finance cost as a result of additional borrowings secured for the Group's project financing purposes.

B2. COMMENTARY ON PROSPECTS

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 teleconferencing as well as project management tools. This is in line with the Group's objective to continue its focus on growing its leasing of ICT hardware and software, and rental of ICT solutions segments which contributed 47.8% of the Group's revenue for the current financial year under review. As at 31 January 2023, the Group's order book for the said segments for the next 3 financial years is approximately RM181.4 million.

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.

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 interim financial report.

C2. MATERIAL LITIGATION

There were no material litigations pending as at the date of this interim financial 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 has paid 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 year under review.