



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 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 JULY 2023

	Unaudited As at 31 Jul 2023 RM'000	Audited As at 31 Jan 2023 RM'000
<u>ASSETS</u>		
Non-current assets		
Property, plant and equipment	115,928	65,916
Investment properties	11,300	11,300
Right-of-use assets	211	263
Total non-current assets	127,439	77,479
Current assets		
Inventories	270	575
Trade receivables	27,682	17,066
Non-trade receivables, deposit and prepayments	1,036	1,002
Short-term money market funds	414	408
Fixed deposits with licensed banks	865	593
Tax recoverable	337	354
Cash and bank balances	4,762	8,376
Total current assets	35,366	28,374
Total assets	162,805	105,853
<u>EQUITY AND LIABILITIES</u>		
Equity attributable to the owners of the Company		
Share capital	28,124	28,124
Retained earnings	25,349	23,331
Merger reserve	(8,048)	(8,048)
	45,425	43,407
Minority interest	(83)	199
Total equity	45,342	43,606
Non-current liabilities		
Irredeemable Convertible Preference Shares ("ICPS")	2,690	2,690
Borrowings	50,629	25,297
Deferred tax liabilities	8,939	8,241
Total non-current liabilities	62,258	36,228

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2023 (cont'd)

	Unaudited As at 31 Jul 2023 RM'000	Audited As at 31 Jan 2023 RM'000
Current liabilities		
Trade payables	41,272	10,039
Non-trade payables, deposit received and accruals	2,893	3,359
Borrowings	10,816	12,329
Lease liabilities	224	292
Total current liabilities	55,205	26,019
Total liabilities	117,463	62,247
Total equity and liabilities	162,805	105,853
Net assets per share (RM) ⁽²⁾	0.08	0.08

Notes:

- (1) *The basis of preparation of the Unaudited Condensed Consolidated Statements of Financial Position is detailed in Note A1 and should be read in conjunction with the Audited Consolidated Financial Statements for the financial year ended 31 January 2023 as disclosed in the 2023 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 2023 and as at 31 July 2023.*

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UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 JULY 2023

	Individual 6 months ended		Cumulative 6 months ended	
	31 Jul 2023	31 Jul 2022	31 Jul 2023	31 Jul 2022
	RM'000	RM'000	RM'000	RM'000
Revenue	58,235	33,224	58,235	33,224
Cost of sales	(50,210)	(26,362)	(50,210)	(26,362)
Gross profit	8,025	6,862	8,025	6,862
Other income	335	476	335	476
Other operating expenses	(4,582)	(3,418)	(4,582)	(3,418)
Profit from operations	3,778	3,920	3,778	3,920
Finance costs	(1,187)	(452)	(1,187)	(452)
Profit before taxation	2,591	3,468	2,591	3,468
Taxation	(855)	(1,018)	(855)	(1,018)
Profit for the financial period	1,736	2,450	1,736	2,450
Total comprehensive income for the financial period attributable to:				
Owners of the Company	2,018	2,450	2,018	2,450
Non-controlling interest	(282)	-	(282)	-
Profit for the financial period	1,736	2,450	1,736	2,450
Earnings per share ("EPS") (sen):				
- Basic ⁽²⁾	0.33	0.46	0.33	0.46
- Diluted ⁽³⁾	0.29	0.40	0.29	0.40

Notes:

- (1) *The basis of preparation of the Unaudited Consolidated Statements of Profit or Loss and Other Comprehensive Income is detailed in Note A1 and should be read in conjunction with the Audited Consolidated Financial Statements for the financial year ended 31 January 2023 as disclosed in the 2023 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 for the financial period ended 31 July 2022 and 31 July 2023.*
- (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 2022 and 31 July 2023.*

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 JULY 2023

	← 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 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
At 1 February 2023	28,124	23,331	(8,048)	43,407	199	43,606
Profit for the financial period, representing total comprehensive profit for the financial period	-	2,018	-	2,018	(282)	1,736
At 31 July 2023	28,124	25,349	(8,048)	45,425	(83)	45,342

Note:

- (1) *The basis of preparation of the Unaudited Consolidated Statements of Changes in Equity is detailed in Note A1 and should be read in conjunction with the Audited Consolidated Financial Statements for the financial year ended 31 January 2023 as disclosed in the 2023 Annual Report and the accompanying explanatory notes attached to this interim financial report.*

**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED
31 JULY 2023**

	6 months ended	
	31 Jul 2023	31 Jul 2022
	RM'000	Restated RM'000
Cash Flows From Operating Activities		
Profit before taxation	2,591	3,468
Adjustments for:		
Depreciation of right-of-use assets	80	27
Depreciation of property, plant and equipment	15,113	10,075
Fair value gain on investment fund	(6)	-
Gain on disposal of property, plant and equipment	(318)	(378)
Impairment on trade receivables	9	-
Interest income	-	(5)
Interest expense	1,187	435
Operating profit before working capital changes	18,656	13,622
Decrease/(Increase) in inventories	305	(104)
Increase in payables	30,767	9,135
Increase in receivables	(10,659)	(2,425)
Cash generated from operations	39,069	20,228
Tax paid	(138)	(172)
Net cash from operating activities	38,931	20,056
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment	(65,952)	(30,221)
Net changes in investment fund	-	(501)
Proceeds from disposal of property, plant and equipment	1,144	993
Net changes in fixed deposits with licensed banks	(273)	(116)
Net cash used in investing activities	(65,081)	(29,845)
Cash Flows From Financing Activities		
Drawdown of term loan	31,377	9,190
Repayment of lease liabilities	(95)	(40)
Interest paid – others	(1,177)	(434)
Interest paid – lease liabilities	(10)	(1)
Repayment of term loan	(7,559)	(2,738)
Net changes in short-term borrowings	-	254
Net cash from financing activities	22,536	6,231

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UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 JULY 2023 (cont'd)

	6 months ended	
	31 Jul 2023	31 Jul 2022
		Restated
	RM'000	RM'000
Net decrease in cash and cash equivalents	(3,614)	(3,558)
Cash and cash equivalents at beginning of the financial period	8,376	9,464
Cash and cash equivalents at end of the financial period	4,762	5,906
Cash and cash equivalent at the end of the financial period comprises:		
Cash and bank balances	4,762	5,906
Total cash and cash equivalents	4,762	5,906

Note:

- (1) *The basis of preparation of the Unaudited Consolidated Statements of Cash Flows is detailed in Note A1 and should be read in conjunction with the Audited Consolidated Financial Statements for the financial year ended 31 January 2023 as disclosed in the 2023 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 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 period ended 31 July 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 2023 as disclosed in the 2023 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 2023, except for the adoption of the following MFRSs and Amendments to MFRSs as disclosed below:

Effective for annual periods commencing on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts*: Initial Application of MFRS 17 and MFRS 9 - Comparative Information
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates*: Definition of Accounting Estimates
- Amendments to MFRS 112, *Income Tax*: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The adoption of the above MFRS and Amendments to MFRSs did not have any significant financial impact to the Group.

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 16, <i>Leases: Lease Liability in a Sale and Leaseback</i>	1 January 2024
• Amendments to MFRS 101, <i>Presentation of Financial Statements</i> : Non-current Liabilities with Covenants	1 January 2024
• Amendments to MFRS 107, <i>Statements of Cash Flows</i> and MFRS 7, <i>Financial Instruments: Disclosures</i> : Supplier Finance Arrangements	1 January 2024
• 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 2023 (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 include technology financing, trading of information communication and technology ("ICT") solutions, provision of ICT services as well as provision of cloud solution and services. The Group's revenue based on business segments is presented as follows:

	Individual 6 months ended		Cumulative 6 months ended	
	31 Jul 2023	31 Jul 2022	31 Jul 2023	31 Jul 2022
		Restated		Restated
	RM'000	RM'000	RM'000	RM'000
Technology financing	20,890	15,621	20,890	15,621
Trading of ICT solutions	34,749	15,749	34,749	15,749
Provision of ICT services	161	173	161	173
Cloud solutions and services	2,435	1,681	2,435	1,681
Total	58,235	33,224	58,235	33,224

A8. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE CURRENT FINANCIAL PERIOD

On 14 June 2023, the Company proposed to undertake a private placement of up to 53,375,750 new ordinary shares in ICT Zone Asia ("**Shares**"), representing 10% of the total number of issued ICT Zone Asia Shares ("**Private Placement**"). The listing application in relation to the Private Placement had been submitted to Bursa Securities on 15 June 2023 and Bursa Securities had, vide its letter dated 13 July 2023, noted that up to 53,375,750 new ICT Zone Asia Shares arising from the Private Placement will be listed and quoted on the LEAP Market of Bursa Securities. On 14 August 2023, the 1st tranche of 31,318,700 ICT Zone Asia Shares issued by the Company at RM0.19 each pursuant to the Private Placement had been listed on the LEAP Market of Bursa Securities.

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JULY 2023 (cont'd)

A9. CHANGES IN THE COMPOSITION OF THE GROUP

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

A10. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities

On 2 May 2023, Rhipe Malaysia Sdn. Bhd. ("**Rhipe**"), an authorised reseller and/or distributor of Microsoft products and services, had demanded for a payment of RM2.2 million via two invoices ("**Alleged Outstanding Sums**"), for the usage from 1 November 2022 to 31 December 2022 ("**Usage**") in relation to the Group subscription on Microsoft Azure Stack Demo Account ("**Demo Account**") and issued a letter of demand dated 1 September 2023 for the aforementioned Alleged Outstanding Sum.

The Group has disputed on the Alleged Outstanding Sums on, amongst others, the basis that the Demo Account has been inactive for many years and the Group did not acquire the service for the Usage.

Contingent assets

There were no contingent assets 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

The Group recorded a revenue of RM58.2 million for the current financial period ended 31 July 2023 as compared to RM33.2 million in the previous year corresponding period, representing an increase of RM25.0 million or 75.3%. The increase in revenue was mainly attributable to the following:

- (i) increase in revenue from the Group's trading of ICT solutions segment from RM15.7 million in the previous year corresponding period to RM34.7 million in the current financial period ended 31 July 2023, representing an increase of RM19.0 million or 121.0%. The increase was mainly due to additional contracts secured from the corporate and government sectors, and
- (ii) increase in revenue from the Group's technology financing segment from RM15.6 million in the previous year corresponding period to RM20.9 million in the current financial period ended 31 July 2023, representing an increase of RM5.3 million or 34.0%. 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.

However, the Group recorded a profit after taxation ("PAT") of RM1.7 million for the current financial period ended 31 July 2023 as compared to a PAT of RM2.5 million in the previous year corresponding period, representing a slight decrease of RM0.8 million or 32.0%, which was mainly due to:

- (i) higher finance costs by RM0.7 million and one-off administrative expenses of RM0.4 million incurred for the Group's project financing for the rental assets;
- (ii) lower gross profit by RM0.4 million recorded from cloud solution segment due to the lower one-time cloud-related service revenue recorded in the current financial period ended 31 July 2023;
- (iii) increase in staff costs by RM0.5 million as a result of amongst others, an increase in headcount to cater for the Group's expansion plans,

which was partially offset by the increase in gross profit by RM1.5 million contributed from the Group's technology financing and trading segments as a result of higher revenue as explained above.

B2. COMMENTARY ON PROSPECTS

The Group will remain its focus to grow its technology financing segment, which contributed 35.9% of the Group's revenue for the current financial period under review. As at 31 July 2023, the Group had increased the said segment total unbilled order book for the next 3 financial years to approximately RM201.7 million, from RM181.4 as at 31 January 2023.

In addition, HaaS Technologies Sdn. Bhd., a subsidiary of ICT Zone Asia, has launched its partner programme, PAYUNG (Pay As You Use Next Generation) to support the growing demand of 'as a Service' solutions among its partner ecosystem. The launch is jointly supported by Dell Technologies Malaysia and Ingram Micro Malaysia. On 15 June 2023, HaaS Technologies has been appointed as the first Dell Cloud Partner Connect in Malaysia. With such appointment, HaaS Technologies will be able to fulfill dual recognition and grow its 'as a Service' business with Dell Technologies.

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**

Save for the Private Placement as described in A8 above, 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 will pay a preference dividend of RM0.02 per ICPS on 16 October 2023.

Save for the above, ICT Zone Asia's Board of Directors did not recommend any dividend for the current financial period.

C4. UTILISATION OF PROCEEDS

As at the date of this interim financial report, the status of utilisation of the gross proceeds raised from the 1st tranche of 31,318,700 ICT Zone Asia Shares issued at RM0.19 each pursuant to the Private Placement is as follows:-

<u>Utilisation purposes</u>	<u>Proposed Utilisation</u>	<u>Actual Utilisation</u>	<u>Balance</u>	<u>Estimated timeframe for utilisation from receipt of proceeds</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	
Working capital	5,881	5,881	-	Within 12 months
Defray estimated expenses for the Private Placement	70	70	-	Within 1 month
Total	<u>5,951</u>	<u>5,951</u>	<u>-</u>	