



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 2024**

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 2024

	Unaudited As at 31 Jul 2024 RM'000	Audited As at 31 Jan 2024 RM'000
<u>ASSETS</u>		
Non-current assets		
Property, plant and equipment	151,612	128,190
Investment properties	11,300	11,300
Right-of-use assets	469	356
Net investment in sub-lease	6,739	6,706
Intangible assets	19	18
Total non-current assets	170,139	146,570
Current assets		
Inventories	1,345	1,969
Trade receivables	21,872	22,799
Non-trade receivables, deposit and prepayments	2,540	5,907
Short-term money market funds	27	27
Fixed deposits with licensed banks	874	874
Net investment in sub-lease	1,807	3,558
Tax recoverable	997	923
Cash and bank balances	13,163	8,983
Total current assets	42,625	45,040
Total assets	212,764	191,610
<u>EQUITY AND LIABILITIES</u>		
Equity attributable to the owners of the Company		
Share capital	38,265	38,265
Retained earnings	35,041	30,673
Merger reserve	(8,048)	(8,048)
	65,258	60,890
Minority interest	517	312
Total equity	65,775	61,202
Non-current liabilities		
Borrowings	68,593	51,834
Lease liabilities	11,521	8,473
Deferred tax liabilities	11,627	9,995
Total non-current liabilities	91,741	70,302

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UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2024 (cont'd)

	Unaudited As at 31 Jul 2024 RM'000	Audited As at 31 Jan 2024 RM'000
Current liabilities		
Trade payables	13,223	16,143
Non-trade payables, deposit received and accruals	8,751	6,250
ICPS	1,396	1,396
Borrowings	27,802	31,271
Lease liabilities	3,099	5,017
Tax payable	977	29
Total current liabilities	55,248	60,106
Total liabilities	146,989	130,408
Total equity and liabilities	212,764	191,610
Net assets per share (RM) ⁽²⁾	0.11	0.10

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 2024 as disclosed in the 2024 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 net assets attributable to ordinary equity holders of the Company over the Company's total number of issued shares of 587,133,200 ordinary shares as at 31 January 2024 and as at 31 July 2024.*

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UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 JULY 2024

	Individual 6 months ended		Cumulative 6 months ended	
	31 Jul 2024	31 Jul 2023	31 Jul 2024	31 Jul 2023
		Restated ⁽²⁾		Restated ⁽²⁾
	RM'000	RM'000	RM'000	RM'000
Revenue	57,653	58,235	57,653	58,235
Cost of sales	(43,881)	(50,723)	(43,881)	(50,723)
Gross profit	13,772	7,512	13,772	7,512
Other income	338	335	338	335
Other operating expenses	(4,115)	(4,069)	(4,115)	(4,069)
Profit from operations	9,995	3,778	9,995	3,778
Finance costs	(2,801)	(1,187)	(2,801)	(1,187)
Profit before taxation	7,194	2,591	7,194	2,591
Taxation	(2,621)	(855)	(2,621)	(855)
Profit for the financial period	4,573	1,736	4,573	1,736
Total comprehensive income for the financial period attributable to:				
Owners of the Company	4,368	2,018	4,368	2,018
Non-controlling interest	205	(282)	205	(282)
Profit for the financial period	4,573	1,736	4,573	1,736
Earnings per share ("EPS") (sen):				
- Basic ⁽³⁾	0.74	0.38	0.74	0.38
- Diluted ⁽⁴⁾	0.66	0.33	0.66	0.33

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 2024 as disclosed in the 2024 Annual Report and the accompanying explanatory notes attached to this interim financial report.*
- (2) *Certain items in the cost of sales and other operating expenses have been reclassified to conform with the current period interim report. There was no impact on the profit of the preceding period interim report.*
- (3) *Basic EPS is calculated based on the Company's weighted average number of ordinary shares of 533,757,500 and 587,133,200 ordinary shares for the financial period ended 31 July 2023 and 31 July 2024 respectively.*
- (4) *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 and 662,453,200 ordinary shares for the financial period ended 31 July 2023 and 31 July 2024 respectively.*

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 JULY 2024

	← 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 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	
At 1 February 2024	38,265	30,673	(8,048)	60,890	312	61,202	
Profit for the financial period, representing total comprehensive profit for the financial period	-	4,368	-	4,368	205	4,573	
At 31 July 2024	38,265	35,041	(8,048)	65,258	517	65,775	

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 2024 as disclosed in the 2024 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 2024

	6 months ended	
	31 Jul 2024	31 Jul 2023 Restated ⁽²⁾
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before taxation	7,194	2,591
Adjustments for:		
Depreciation of right-of-use assets	94	80
Depreciation of property, plant and equipment	25,842	15,113
Fair value gain on investment fund	-(3)	(6)
Gain on disposal of property, plant and equipment	(123)	(356)
Impairment on trade receivables	-	9
Interest expense	2,799	1,187
Operating profit before working capital changes	35,806	18,618
Decrease in inventories	625	305
Decrease/(Increase) in receivables	4,293	(11,103)
Decrease in net investment in sub-lease	1,718	-
(Decrease)/Increase in payables	(417)	31,211
Cash generated from operations	42,025	39,031
Tax paid	(116)	(138)
Net cash from operating activities	41,909	38,893
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment	(45,754)	(65,952)
Proceeds from disposal of property, plant and equipment	525	1,182
Utilisation of intangible assets	(1)	-
Net changes in fixed deposits with licensed banks	-	(273)
Net cash used in investing activities	(45,230)	(65,043)
Cash Flows From Financing Activities		
Drawdown of term loan	20,723	31,377
Drawdown of short-term loan	9,800	-
Interest paid – term loan	(2,353)	(1,177)
Interest paid – lease liabilities	(446)	(10)
Repayment of term loan	(17,234)	(7,559)
Repayment of lease liabilities	(2,989)	(95)
Net cash from financing activities	7,501	22,536

**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED
31 JULY 2024 (cont'd)**

	6 months ended	
	31 Jul 2024	31 Jul 2023 Restated ⁽²⁾
	RM'000	RM'000
Net increase/(decrease) in cash and cash equivalents	4,180	(3,614)
Cash and cash equivalents at beginning of the financial period	8,983	8,376
Cash and cash equivalents at end of the financial period	13,163	4,762
Cash and cash equivalent at the end of the financial period comprises:		
Cash and bank balances	13,163	4,762
Total cash and cash equivalents	13,163	4,762

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 2024 as disclosed in the 2024 Annual Report and the accompanying explanatory notes attached to this interim financial report.*
- (2) *Certain items in the operating and investing activities have been reclassified to conform with the current period interim report. There was no impact on the profit of the preceding period interim report.*
- (3) *Amount less than RM1,000.*

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JULY 2024

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 2024 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 2024 as disclosed in the 2024 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 2024, 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 2024

- Amendments to MFRS 7, *Financial Instruments: Disclosures* and MFRS 107, *Statement of Cash Flows* : Supplier Finance Arrangements
- Amendments to MFRS 16, *Leases: Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101, *Presentation of Financial Statements: Non-current Liabilities with Covenants*

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:

<u>MFRS</u>	<u>Effective date</u>
• Amendments to MFRS 7, <i>Financial Instruments: Disclosures</i> and MFRS 9, <i>Financial Instruments: Amendments to the Classification and Measurement of Financial Instruments</i>	1 January 2026
• MFRS 18, <i>Presentation of Financial Statements</i>	1 January 2027
• MFRS 19, <i>MFRS 18, Presentation of Financial Statements</i>	1 January 2027
• Amendments to MFRS 121, <i>The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability</i>	1 January 2025
• Amendments to MFRS 10, <i>Consolidated Financial Statements</i> and MFRS 128, <i>Investment in Associate and Joint Ventures: Sales or 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 PERIOD ENDED 31 JULY 2024 (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") hardware and software, 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 2024	31 Jul 2023	31 Jul 2024	31 Jul 2023
	RM'000	RM'000	RM'000	RM'000
Technology financing	35,721	20,890	35,721	20,890
Trading of ICT hardware and software	15,503	34,749	15,503	34,749
Provision of ICT services	240	161	240	161
Cloud solutions and services	6,189	2,435	6,189	2,435
Total	57,653	58,235	57,653	58,235

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

On 16 Feb 2024, the Company received a letter from its major shareholder, namely ICT Zone Holding Sdn Bhd ("ICT Zone Holding"), requesting the Company's Board of Directors to consider undertaking the Proposed Withdrawal and Proposed Listing (as defined herein).

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JULY 2024 (cont'd)

A9. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE CURRENT FINANCIAL PERIOD (cont'd)

Subsequently, on 19 February 2024, the Company proposes to undertake the following:-

- (a) proposed voluntary withdrawal of ICT Zone Asia's listing from the LEAP Market of Bursa Securities ("**Proposed Withdrawal**");
- (b) proposed listing and quotation of the entire enlarged issued ordinary shares of ICT Zone Asia on the ACE Market of Bursa Securities ("**Proposed Listing**"); and
- (c) proposed amendments to the Constitution of ICT Zone Asia to facilitate compliance with the ACE Market Listing Requirements of Bursa Securities pursuant to the Proposed Listing and the Companies Act 2016 ("**Proposed Amendments**"),

(collectively referred to as the "**Proposals**").

On 21 June 2024, the Company's shareholders and ICPS holders has approved the Proposals at the extraordinary general meetings ("**EGM**") and, the application for the Proposals has been made to Bursa Securities in accordance with Rule 8.08 of the LEAP Market Listing Requirements of Bursa Securities and Paragraph 2.0 of Guidance Note 15 of the ACE Market Listing Requirements of Bursa Securities.

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 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**").

On 27 July 2023, Rhipe has notified ICT Zone by an email that Rhipe will initiate legal proceedings to claim for the sum of RM2.2 million being the outstanding sum due and payable for providing Microsoft Azure cloud services ("**Services**") to ICT Zone. ICT Zone denies the claim on the ground that the account with Rhipe was hacked by unknown third parties who had fraudulently used the Services without ICT Zone's authorisation and/or knowledge.

On 4 September 2023, ICT Zone received a letter of demand dated 1 September 2023 from Messrs Sandosh Anandan as solicitors for Rhipe addressed to our Company to claim for the sum of RM2.2 million being outstanding sum due and payable for the Services as at 24 July 2023.

The letter of demand dated 1 September 2023 addressed to our Company is an invalid demand against ICT Zone by virtue of the principle of separate legal entity. Meanwhile, our Company had on 15 September 2023 responded to the aforementioned letter of demand, stating that it has no knowledge of the allegations therein and denies the claims by Rhipe. ICT Zone also had on 19 January 2024, through its solicitors, issued a letter to request for discovery against Rhipe seeking clarification on pertinent matters relating to their claim.

As at the date of this interim financial report, ICT Zone has not received any letter of demand or court of summons from Rhipe or its solicitors to claim for the alleged outstanding sums due and payable for the Services. Both our Company and ICT Zone have not received any response to their respective letters to Rhipe.

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JULY 2024 (cont'd)

A11. CONTINGENT ASSETS AND CONTINGENT LIABILITIES (cont'd)

Contingent liabilities (cont'd)

ICT Zone's solicitors are of the view that ICT Zone has a reasonably good chance of defending the claim, if not totally, at least to substantially reduce the quantum payable to the extent where liability is limited to pay for charges of use of the Services up to 5 December 2022, where the subscription of the Services ought to be suspended by Rhipe. For information, our Group had on 5 December 2022 requested for the Services to be terminated but was subsequently informed that the Services was confirmed to had only been cancelled on 27 December 2022. As our Group is unable to obtain the breakdown for the utilisation up to 5 December 2022, our Group is unable to quantify the charges of use of the Services up to 5 December 2022.

Contingent assets

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

A12. 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**

	Individual/Cumulative 6 months ended			
	31 Jul 2024	31 Jul 2023	Variance	
	RM'000	RM'000	RM'000	%
Revenue				
Technology financing	35,721	20,890	14,831	71.0%
Trading of ICT hardware and software	15,503	34,749	(19,246)	-55.4%
Provision of ICT services	240	161	79	49.1%
Cloud solutions and services	6,189	2,435	3,754	154.2%
	57,653	58,235	(582)	-1.0%
Profit after tax	4,573	1,736	2,837	163.4%

The decrease in the Group's revenue was mainly attributable to the decrease in trading of ICT hardware and software segment due to low demand. However, this decline was partially offset by the increases in the technology financing segment and cloud solutions and services segments which were driven by the additional contracts secured during the current financial period. The additional funds obtained from the financial institutions enabled the Group to secure new contracts from the corporate and government sectors in the current financial period.

Despite the revenue decreases, the Group recorded a higher profit after taxation ("PAT") primarily due to higher gross profit from the increased revenue in the technology financing segment and cloud solutions and services segments, and the absence of one-off expenses for Private Placement during the current financial period. The increase in gross profit was partially offset by higher finance costs and staff costs as well as one-off expenses for the Proposals.

B2. COMMENTARY ON PROSPECTS

The Group remains committed and focused on growing its technology financing segment, which contributed 62.0% of the Group's revenue in the current financial period. The Group's total unbilled order book of the technology financing segment over the next 5 financial years as at 31 July 2024 is approximately RM217.6 million.

In addition, the Group will persist in driving growth in its cloud solutions and services segment. The Group's total unbilled order book of cloud solutions and services segment for the next 3 financial years as at 31 July 2024 is approximately RM10.7 million.

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 Proposals as described in A8 above, there were no other 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 2024.

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