

THE ADMISSION OF SAFETYWARE GROUP BERHAD TO THE LEAP MARKET WAS ADVISED BY OUR APPROVED ADVISOR, WYNCORP ADVISORY SDN BHD



SAFETYWARE GROUP BERHAD

Registration No.: 202001037668 (1393989-P)
(Incorporated in Malaysia under the Companies Act, 2016)

UNAUDITED FINANCIAL STATEMENTS FOR THE 6-MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2022

**(APPENDIX 6A, PART A OF THE LEAP MARKET LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD)**

CHARACTERISTICS OF THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD (THE "EXCHANGE")

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 EXCHANGE. 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 SAFETYWARE GROUP BERHAD ("SAFETYWARE" 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.

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME ⁽¹⁾
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022 (UNAUDITED)**

| | Individual 6 months ended | | Cumulative 6 months ended | |
|--|---------------------------|--------------|---------------------------|--------------|
| | 30.06.2022 | 30.06.2021 | 30.06.2022 | 30.06.2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 17,088 | 17,070 | 17,088 | 17,070 |
| Cost of sales | (11,811) | (11,877) | (11,811) | (11,877) |
| Gross profit | 5,277 | 5,193 | 5,277 | 5,193 |
| Other operating income | 113 | 341 | 113 | 341 |
| Administrative expenses | (4,513) | (5,390) | (4,513) | (5,390) |
| Selling and distribution expenses | (78) | (16) | (78) | (16) |
| Finance costs | (460) | (426) | (460) | (426) |
| Impairment loss on trade receivables | (40) | - | (40) | - |
| Shares of loss in associate, net of tax | (3) | (3) | (3) | (3) |
| Profit / (loss) before taxation | 296 | (301) | 296 | (301) |
| Taxation | (64) | (40) | (64) | (40) |
| Profit / (loss) for the financial period | 232 | (341) | 232 | (341) |
| Foreign currency translations | 16 | 6 | 16 | 6 |
| Total comprehensive income / (loss) | 248 | (335) | 248 | (335) |
| Earnings / (loss) per share attributable to owners of Safetyware: | | | | |
| - Basic / Diluted (sen) ⁽²⁾ | 0.07 | (0.11) | 0.07 | (0.11) |

Notes:

- (1) The Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2021 ("FYE 2021") and the accompanying explanatory notes attached to this interim financial report.
- (2) Earnings / (loss) per share is computed based on the Company's number of shares currently in issue of 319,205,402 ordinary shares.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ⁽¹⁾
AS AT 30 JUNE 2022**

| | Unaudited 30.6.2022 RM'000 | Audited 31.12.2021 RM'000 |
|---|---|--|
| Non-current assets | | |
| Property, plant and equipment | 15,079 | 14,484 |
| Right-of-use assets | 7,543 | 5,811 |
| Investment in an associate | 11 | 14 |
| | 22,633 | 20,309 |
| Current assets | | |
| Inventories | 8,719 | 8,946 |
| Trade and other receivables | 8,756 | 8,127 |
| Current tax asset | 137 | 124 |
| Cash and bank balances | 2,344 | 2,574 |
| | 19,956 | 19,771 |
| TOTAL ASSETS | 42,589 | 40,080 |
| Equity | | |
| Invested equity/Share capital | 13,381 | 13,381 |
| Reserves | 4,371 | 4,123 |
| Total Equity | 17,752 | 17,504 |
| Non-current liabilities | | |
| Borrowings | 12,359 | 11,039 |
| Lease liabilities | 1,628 | 1,654 |
| | 13,987 | 12,693 |
| Current liabilities | | |
| Trade and other payables | 4,337 | 4,537 |
| Contract liabilities | 401 | 565 |
| Borrowings | 5,256 | 4,052 |
| Lease liabilities | 855 | 728 |
| Current tax liabilities | 1 | 1 |
| | 10,850 | 9,883 |
| Total Liabilities | 24,837 | 22,576 |
| TOTAL EQUITY AND LIABILITIES | 42,589 | 40,080 |
| Net assets per ordinary share attributable to owners of Safetyware ⁽²⁾ (sen) | 5.56 | 5.48 |

Notes:

- (1) *The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited consolidated financial statements for the FYE 2021 and the accompanying explanatory notes attached to this interim financial report.*
- (2) *Net assets per share is calculated based on the Company's number of ordinary shares at the end of the reporting period of 319,205,402 shares as at 30 June 2022.*

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY ⁽¹⁾

| | [----- Unaudited -----] | | | | Total Equity RM'000 |
|----------------------------|---------------------------------|--|--|---|---------------------------|
| | [----- Non-distributable -----] | Exchange translation reserve RM'000 | Reorganisation debit reserve RM'000 | Distributable Retained earnings RM'000 | |
| | Invested equity RM'000 | | | | |
| At 1 January 2021 | 1,500 | 90 | - | 9,301 | 10,891 |
| Total comprehensive income | 5,400 | 6 | - | (5,741) | (335) |
| At 30 June 2021 | 6,900 | 96 | - | 3,560 | 10,556 |
| At 1 January 2022 | 13,381 | 96 | (5,400) | 9,427 | 17,504 |
| Total comprehensive income | - | 16 | - | 232 | 248 |
| At 30 June 2022 | 13,381 | 112 | (5,400) | 9,659 | 17,752 |

Note:

(1) *The unaudited Consolidated Statements of Changes in Equity should be read in conjunction with the audited consolidated financial statements for the FYE 2021 and the accompanying explanatory notes attached to this interim financial report.*

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS ⁽¹⁾
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022 (UNAUDITED)**

| | 6-month financial period ended 30 June | |
|---|---|----------------|
| | 2022 RM'000 | 2021 RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit / (loss) before tax | 296 | (301) |
| <u>Adjustments for:</u> | | |
| Depreciation of property, plant and equipment | 560 | 424 |
| Depreciation of right-of-use assets | 428 | 283 |
| Unrealised loss on foreign exchange | 16 | 6 |
| Finance cost | 460 | 426 |
| Share of loss of associate | 3 | 3 |
| Gain on disposal of property, plant and equipment | - | (30) |
| Gain on lease modification | - | (*) |
| Impairment loss on trade receivables | 40 | - |
| Reversal of impairment loss on trade receivables | - | (24) |
| | 1,803 | 787 |
| Decrease/(Increase) in inventories | 227 | (715) |
| Increase in trade and other receivables | (685) | 110 |
| Decrease in trade and other payables | (200) | 3,375 |
| Decrease in contract liabilities | (164) | (80) |
| | 981 | 3,477 |
| Cash used in operations | 981 | 3,477 |
| Tax paid | (77) | (185) |
| | 904 | 3,292 |
| Net cash used in operating activities | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (1,155) | (539) |
| Purchase of right-of-use assets | (1,616) | (23) |
| Proceeds from disposal of property, plant and equipment | - | 30 |
| | (2,771) | (532) |
| Net cash used in investing activities | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Drawdown from: | | |
| - bankers' acceptance | 2,433 | 2,899 |
| - trust receipts | 204 | 267 |
| - term loans | 1,900 | - |
| Repayment of: | | |
| - bankers' acceptance | (2,270) | (4,343) |
| - trust receipts | (108) | (335) |
| - term loans | (504) | (433) |
| - lease liabilities | (442) | (311) |
| Interest paid | (460) | (426) |
| | 753 | (2,682) |
| Net cash generated from/(used in) financing activities | | |

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS ⁽¹⁾
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022 (UNAUDITED)**

| | 6-month financial period ended 30 June | |
|---|---|----------------|
| | 2022 RM'000 | 2021 RM'000 |
| Net movement in cash and cash equivalents | (1,114) | 78 |
| Cash and cash equivalents at beginning of the financial period | 892 | 1,344 |
| Effects of exchange rate changes on cash and cash equivalents | 15 | 5 |
| Cash and cash equivalents at end of the financial period | (207) | 1,427 |
| Cash and cash equivalents comprise the following: | | |
| Cash and bank balances | 2,344 | 2,298 |
| <u>Less</u> | | |
| Bank overdraft | (2,551) | (871) |
| | (207) | 1,427 |

Remark:

* Amount less than RM1,000

Note:

(1) The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited consolidated financial statements for the FYE 2021 and the accompanying explanatory notes attached to this interim financial report.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

SECTION A - EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134

A1. BASIS OF PREPARATION

The condensed consolidated financial statements as contained in this interim financial report are unaudited and have been prepared under the historical cost convention method unless otherwise stated. Any discrepancies in the tables between the amounts listed and the totals in this interim report are due to rounding.

These unaudited interim consolidated financial statements have been prepared in accordance with the requirements of MFRS 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("MASB") and Part C, Rule 6.12 and Appendix 6A, Part A of the LEAP Market Listing Requirements ("LEAP LR") issued by Bursa Malaysia Securities Berhad ("Bursa Securities").

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report. The explanatory notes contained herein provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2021.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of the unaudited consolidated interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 2021, except for the following Amendments to MFRSs as disclosed below:

- Annual Improvements to MFRS Standards 2018 – 2020
- Amendments to MFRS 3 *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 116 *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*

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

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group:

Effective for annual periods commencing on or after 1 January 2023

- MFRS 17 *Insurance Contracts*
- Amendments to MFRS 17 *Insurance Contracts*
- Amendments to MFRS 17 *Initial Application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 101 *Presentation of Financial Statements – Disclosure of Accounting Policies*
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Deferred (date to be determined by MASB)

- Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group is in the process of assessing the impact of implementing these accounting Standards and Amendments to the Standards since the effects would only be observable for the future financial years.

A3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the Group's most recent annual audited consolidated financial statements for the financial year ended 31 December 2021 were not subject to any qualification.

A4. SEASONALITY OR CYCLICALITY OF OPERATION

Generally, our Group's business is not subject to any significant cyclical or seasonal trend.

A5. UNUSUAL ITEMS

Save for the impact arising from COVID-19 pandemic and imposition of the wider lockdown in China on the overall economic and market environment, there were no other unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial period under review.

A6. MATERIAL CHANGES IN ESTIMATES

There were no significant changes in estimates of amounts reported in prior financial years that have a material impact on the financial period under review.

A7. DEBTS AND EQUITY SECURITIES

There was no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the financial period under review.

A8. DIVIDEND PAID

There were no dividends paid during the current financial period under review.

A9. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

Save for the appointment of our Independent Director, Mr Loh Wei Hoong as per announcement made on 11 August 2022, there were no material events subsequent to the end of the financial period under review that have not reflected in this interim financial report or announced to Bursa Securities as at the date of this interim financial report.

A10. CHANGES IN THE COMPOSITION OF THE GROUP

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

A11. CHANGES IN MATERIAL LITIGATION AND CONTINGENT LIABILITIES

There were no litigation or arbitration, which has a material effect on the financial position of the Group, and the Board of Directors are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings.

A12. SEGMENT INFORMATION

Our Group is principally an integrated safety and health solutions provider involved in the manufacturing and distribution of safety and health products, provision of EHS training and consultancy services, as well as IT solutions. Under our manufacturing segment, we produce a variety of safety and health products such as safety shoes, safety apparel, masks and respirators, and signage and labels, amongst others. Meanwhile, for our distribution segment, we distribute a variety of safety and health products such as PPE, facility and traffic safety equipment, and gas detectors, amongst others. As part of our integrated safety and health solution, we also provide EHS training and consultancy services and industrial hygiene assessment to our customers.

There is no change to the principal activities of the Group during the financial period under review.

By business segment

The following table sets out the breakdown of our Group's revenue by segment for the financial period under review

| | 6-months period ended | | | |
|---|-----------------------|---------------|---------------|---------------|
| | 30.06.2022 | | 30.06.2021 | |
| | RM'000 | % | RM'000 | % |
| Manufacturing of safety and health products | 6,021 | 35.24 | 4,208 | 24.65 |
| Distribution of safety and health products | 10,920 | 63.90 | 12,723 | 74.54 |
| Other services ⁽¹⁾ | 147 | 0.86 | 139 | 0.81 |
| Total | 17,088 | 100.00 | 17,070 | 100.00 |

Note:

(1) Consist of EHS training and consultancy services and IT solutions. Some of the customers to whom we provide these services are common customers who purchased our safety and health products under the manufacturing and/or distribution business segments.

By geographical location

| | 6-months period ended | | | |
|---|-----------------------|---------------|---------------|---------------|
| | 30.06.2022 | | 30.06.2021 | |
| | RM'000 | % | RM'000 | % |
| • Malaysia | 14,189 | 83.03 | 13,763 | 80.63 |
| • Canada | - | - | 1,674 | 9.81 |
| • Singapore | 881 | 5.16 | 745 | 4.36 |
| • Other overseas countries ⁽¹⁾ | 2,018 | 11.81 | 888 | 5.20 |
| Total | 17,088 | 100.00 | 17,070 | 100.00 |

Note:

(1) Consist of Australia, Brunei, Cambodia, China, Greece, Hong Kong, India, Indonesia, Italy, Maldives, Myanmar, Namibia, Nigeria, Pakistan, Papua New Guinea, Philippines, Russia, Seychelles, Sri Lanka, Taiwan, Thailand, Uganda, United Arab Emirates, United Kingdom, United States, Vietnam, and Yemen.

By products

| | 6-months period ended | | | |
|--|-----------------------|---------------|---------------|---------------|
| | 30.06.2022 | | 30.06.2021 | |
| | RM'000 | % | RM'000 | % |
| Foot protection products | 3,245 | 18.99 | 2,262 | 13.25 |
| Respiratory protection products | 3,117 | 18.24 | 2,867 | 16.80 |
| Hand protection products | 3,654 | 21.38 | 5,076 | 29.74 |
| Body protection products | 1,250 | 7.32 | 1,023 | 5.99 |
| PE and PP disposable products | 172 | 1.01 | 120 | 0.70 |
| Hygiene and sanitisation products | 608 | 3.56 | 501 | 2.93 |
| Other PPE products and miscellaneous items ⁽¹⁾ | 1,576 | 9.22 | 2,524 | 14.79 |
| Safety and health equipment and instruments ⁽²⁾ | 3,319 | 19.42 | 2,558 | 14.99 |
| Other services ⁽³⁾ | 147 | 0.86 | 139 | 0.81 |
| Total | 17,088 | 100.00 | 17,070 | 100.00 |

Notes:

- (1) *Consist of other wearable protection products and accessories to protect various body parts and other value-added services for the customers.*
- (2) *Consist of various types of safety and health equipment and instruments as well as signage, labels and digital prints.*
- (3) *Consist of EHS training and consultancy services and IT solutions*

SECTION B - ADDITIONAL INFORMATION REQUIRED BY THE LEAP MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1. ANALYSIS OF PERFORMANCE

Revenue

For the 6-months period ended 30 June 2022 (“FPE 2022”), our Group’s revenue remained relatively consistent with the corresponding period in the preceding year (“FPE 2021”), stood at RM17.09 million (FPE 2021: RM17.07 million).

Further details on segmental revenue are disclosed under Note A12 above. The changes in revenue mix from manufacturing of safety and health products segment and distribution of safety and health products segment are consistent with our Group’s focus to enhance and step up the internal production capabilities and capacity.

Gross profit (“GP”) and GP margin

The following tables set out the breakdown of our Group’s GP and GP margin for the financial period under review:

| | 6-months period ended | | | |
|---|-----------------------|---------------|--------------|---------------|
| | 30.06.2022 | | 30.06.2021 | |
| | RM'000 | % | RM'000 | % |
| Manufacturing of safety and health products | 1,036 | 19.63 | 874 | 16.83 |
| Distribution of safety and health products | 4,182 | 79.25 | 4,238 | 81.61 |
| Other services | 59 | 1.12 | 81 | 1.56 |
| Total | 5,277 | 100.00 | 5,193 | 100.00 |

| GP Margin | 6-months period ended | |
|---|-----------------------|--------------|
| | 30.06.2022 | 30.06.2021 |
| | % | % |
| Manufacturing of safety and health products | 6.06 | 5.12 |
| Distribution of safety and health products | 24.47 | 24.83 |
| Other services | 0.35 | 0.47 |
| Overall Margin | 30.88 | 30.42 |

Consistent with our revenue trend, our Group’s GP for the FPE 2022 remained relatively consistent with the FPE 2021, stood at RM5.28 million (FPE 2021: RM5.19 million).

Our Group’s overall GP margin for the FPE 2022 stood at 30.88%, increased by approximately 0.46% as compared to the FPE 2021; primarily due to higher GP margin recorded from the manufacturing of safety and health products segment.

Administrative expenses

| | 6-months period ended | | | |
|-----------------------------|-----------------------|---------------|--------------|---------------|
| | 30.06.2022 | | 30.06.2021 | |
| | RM'000 | % | RM'000 | % |
| Payroll costs | 3,007 | 66.63 | 3,493 | 64.81 |
| Depreciation ⁽¹⁾ | 393 | 8.71 | 708 | 13.14 |
| Professional fees | 20 | 0.44 | 59 | 1.09 |
| Upkeep expenses | 97 | 2.15 | 136 | 2.52 |
| Insurance and road tax | 87 | 1.93 | 48 | 0.89 |
| Office expenses | 791 | 17.53 | 703 | 13.04 |
| Training | 35 | 0.77 | 100 | 1.86 |
| Others ⁽²⁾ | 83 | 1.84 | 143 | 2.65 |
| Total | 4,513 | 100.00 | 5,390 | 100.00 |

Notes:

(1) For the FPE 2022, depreciation of approximately RM0.60 million was allocated to "Cost of sales", classified within production overheads.

(2) Others consist of miscellaneous expenses incurred in the daily operations.

For the FPE 2022, our Group's administrative expenses decreased by approximately RM0.88 million or 16.33% to RM4.51 million primarily due to lower depreciation charges and overall decrease in payroll costs due to lower directors' remuneration.

Taxation

| | 6-months period ended | |
|-------------------------------|-----------------------|-------------|
| | 30.06.2022 | 30.06.2021 |
| | RM'000 | RM'000 |
| Overall tax expenses | 64 | 40 |
| Effective tax rate (%) | 21.62 | N/A* |

Note:

* Not applicable as the Group reported loss before tax in the FPE 2021.

Our Group's overall tax expenses stood at RM0.06 million for the FPE 2022, representing an effective tax rate of 21.62%.

Our effective tax rate was lower than the applicable statutory tax rate in Malaysia; mainly due to utilisation of deferred tax assets not recognised in prior years.

Profit after tax ("PAT")

For the FPE 2022, our Group's PAT was RM0.23 million compared to loss after tax of RM0.34 million in the FPE 2021. The improved PAT performance was primarily attributable to improved GP backed by our revenue growth and decrease in administrative expenses during the financial period under review, as explained above.

B2. PROSPECTS

According to Independent Market Research Report as set out in Section 5 of our Information Memorandum dated 3 June 2022, the PPE industry in Malaysia was estimated to be valued at RM2.75 billion in 2021 on the back of demand for healthcare-related PPE due to the COVID-19 pandemic. Moving forward, the PPE industry in Malaysia is expected to grow healthily primarily due to its wide range of end-users, growing awareness of worker health and safety, favourable government regulations in relation to occupational safety and health, and the growth in various end-user industries.

The on-going COVID-19 pandemic continues to affect the Malaysian and global economy. The use of face coverings remains an option for outdoor areas while it is mandatory for indoor spaces in Malaysia, which is likely to add to the demand for healthcare-related PPE. As such, the PPE industry in Malaysia is expected to grow by 16.4% in 2022 and 10.0% in 2023.

The demand for PPE products is expected to be sustainable in the medium to long-term owing to factors such as increased awareness of worker health and safety and government regulations regarding occupational safety and health, a wide range of end-users, and growing demand from the various end-user industries such as manufacturing and construction. On the supply side, short-term supply of PPE product may be affected by global supply chain issues brought upon by the COVID-19 pandemic. However, the supply of healthcare-related PPE is expected to be strong due to various Malaysian companies increasing their production capacity or venturing into the manufacturing of such products. In the medium to long term, advancements in technology is likely to lead to supply of smart PPE which may help consumers manage occupational health and safety risks more effectively and environmentally friendly PPE which can cater to consumers who are growing more environmentally conscious. As such, the PPE industry in Malaysia is projected to expand from RM2.75 billion in 2021 to RM4.11 billion in 2026, registering a CAGR of 8.4% over the period.

(Source: Report by Protégé Associates Sdn Bhd as disclosed in the information Memorandum)

Barring any unforeseen circumstances, the Board of Directors is cautiously optimistic that the performance of the Group for the current financial year ending 31 December 2022 will remain stable and healthy.

B3. DISCLOSURE ON SELECTED INCOME/ EXPENSE ITEMS

Included in profit before tax are the following income/(expense) items:

| | Unaudited | |
|---|---------------------------------|---------------|
| | 6-month financial period | |
| | ended 30 June | |
| | 2022 | 2021 |
| | RM'000 | RM'000 |
| Depreciation of property, plant and equipment | (560) | (424) |
| Depreciation of right-of-use assets | (428) | (283) |
| Finance cost | (460) | (426) |
| Unrealised loss on foreign exchange | (16) | (6) |
| Impairment loss on trade receivables | (40) | - |
| Reversal of impairment loss on trade receivables | - | 24 |
| Share of loss of associate | (3) | (3) |
| Gain on disposal of property, plant and equipment | - | 30 |
| Gain on lease modification | - | * |

Remark:

* Amount less than RM1,000

SECTION C - OTHER INFORMATION

C1. STATUS OF CORPORATE PROPOSAL

There was no corporate proposal announced but pending completion as at the date of this report.

C2. UTILISATION OF PROCEEDS

The status of the utilisation of gross proceeds of approximately RM6.48 million from the allotment of 43,205,400 ordinary shares to Private Investors at the subscription price of RM0.15 per ordinary share is as follows:

| | Purpose | Proposed utilisation RM'000 | Actual utilisation ⁽¹⁾ RM'000 | Balance RM'000 | Estimated timeframe for utilisation upon listing |
|-------|------------------------------------|--|---|---------------------------|---|
| (i) | Expansion of manufacturing segment | 2,600 | 2,600 | - | Fully utilised |
| (ii) | Expansion of distribution coverage | 1,400 | 1,103 | 297 | By 31 December 2022 |
| (iii) | Upgrade of ERP system | 500 | 470 | 30 | By 31 December 2022 |
| (iv) | Software development | 150 | - | 150 | By 31 December 2022 |
| (v) | Repayment of borrowings | 500 | 500 | - | Fully utilised |
| (vi) | Working Capital | 531 | 531 | - | Fully utilised |
| (vii) | Listing expenses | 800 | 398 | 402 | By 31 December 2022 |
| | Total | 6,481 | 5,602 | 879 | |

Note:

(1) Status of utilisation as at 30.6.2022.