

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 SEMI-ANNUAL FINANCIAL STATEMENTS
FOR THE 6-MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2023**

**(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 STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME⁽¹⁾
FOR THE 1st HALF YEAR ENDED AND FINANCIAL PERIOD ENDED 30 JUNE 2023**

	Individual 6 months ended		Cumulative 6 months ended	
	Unaudited 30.6.2023 RM'000	Unaudited 30.6.2022 RM'000	Unaudited 30.6.2023 RM'000	Unaudited 30.6.2022 RM'000
Revenue	15,816	17,088	15,816	17,088
Cost of sales	(11,331)	(11,811)	(11,331)	(11,811)
Gross profit	4,485	5,277	4,485	5,277
Other operating income	401	113	401	113
Administrative expenses	(5,364)	(4,513)	(5,364)	(4,513)
Selling and distribution expenses	(60)	(78)	(60)	(78)
Finance costs	(582)	(460)	(582)	(460)
Impairment loss on trade receivables	-	(40)	-	(40)
Shares of loss in associate, net of tax	-	(3)	-	(3)
(Loss)/Profit before taxation	(1,120)	296	(1,120)	296
Taxation	-	(64)	-	(64)
(Loss)/Profit for the financial period	(1,120)	232	(1,120)	232
Foreign currency translations	(109)	16	(109)	16
Total comprehensive (loss)/income	(1,229)	248	(1,229)	248
(Loss)/Profit for the financial year attributable to:				
- Owners of the Company	(1,120)	232	(1,120)	232
- Non-controlling interest	*	-	*	-
	<u>(1,120)</u>	<u>232</u>	<u>(1,120)</u>	<u>232</u>
Total comprehensive (loss)/income attributable to:				
- Owners of the Company	(1,229)	248	(1,229)	248
- Non-controlling interest	*	-	*	-
	<u>(1,229)</u>	<u>248</u>	<u>(1,229)</u>	<u>248</u>
Earnings/(Losses) per share attributable to owners of Company:				
- Basic/Diluted (sen) ⁽²⁾	(0.35)	0.07	(0.35)	0.07

Notes:

(1) The Condensed Consolidated Statement 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 2022 ("FYE 2022") and the accompanying explanatory notes attached to this interim financial report.

(2) Earnings/(Losses) per share is computed based on the Company's number of shares currently in issue of 319,205,402 ordinary shares.

* Less than RM1,000

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION⁽¹⁾
AS AT 30 JUNE 2023**

	Unaudited 30.6.2023 RM'000	Audited 31.12.2022 RM'000
Non-current assets		
Property, plant and equipment	15,316	14,777
Right-of-use assets	8,779	8,168
Investment in an associate	-	4
	24,095	22,949
Current assets		
Inventories	9,124	9,377
Trade and other receivables	6,693	7,073
Current tax asset	243	228
Cash and bank balances	1,049	1,746
	17,109	18,424
TOTAL ASSETS	41,204	41,373
Equity		
Share capital	13,381	13,381
Reserves	1,689	2,918
Shareholders' funds attributable to owners of Safetyware	15,070	16,299
Non-controlling interest	*	-
Total Equity	15,070	16,299
Non-current liabilities		
Borrowings ⁽²⁾	13,120	13,814
Current liabilities		
Trade and other payables	3,295	4,602
Contract liabilities	455	518
Borrowings ⁽²⁾	9,264	6,140
	13,014	11,260
TOTAL LIABILITIES	26,134	25,074
TOTAL EQUITY AND LIABILITIES	41,204	41,373
Net assets per ordinary share attributable to owners of Safetyware ⁽³⁾ (sen)	4.72	5.11

Notes:

(1) *The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited consolidated financial statements for the FYE 2022 and the accompanying explanatory notes attached to this interim financial report.*

(2) *Inclusive of lease liabilities*

(3) *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 2023.*

* *Less than RM1,000*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY⁽¹⁾

	[----- Unaudited -----]				Total Equity RM'000
	[----- Non-distributable -----]		Distributable		
	Share capital RM'000	Exchange translation reserve RM'000	Reorganisation debit reserve RM'000	Retained earnings RM'000	
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
At 1 January 2023	13,381	132	(5,400)	8,186	16,299
Total comprehensive loss	-	(109)	-	(1,120)	(1,229)
At 30 June 2023	13,381	23	(5,400)	7,066	15,070

Note:

(1) *The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited consolidated financial statements for the FYE 2022 and the accompanying explanatory notes attached to this interim financial report.*

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS⁽¹⁾
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023**

	6-months financial period ended 30 June	
	2023 RM'000	2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	(1,120)	296
Adjustments for:		
Depreciation of property, plant and equipment	865	560
Depreciation of right-of-use assets	510	428
Unrealised loss on foreign exchange	274	16
Finance cost	582	460
Share of loss of associate	5	3
Gain on disposal of property, plant and equipment	(1)	-
Impairment loss on trade receivables	-	40
	1,115	1,803
Decrease in inventories	253	227
Decrease/(Increase) in trade and other receivables	106	(685)
Decrease in trade and other payables	(1,306)	(200)
Decrease in contract liabilities	(63)	(164)
	105	981
Cash generated from operations	105	981
Tax paid	(15)	(77)
	90	904
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,402)	(1,155)
Purchase of right-of-use assets	(295)	(1,616)
Proceeds from disposal of property, plant and equipment	1	-
	(1,696)	(2,771)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	5,042	4,537
Repayment of borrowings	(3,657)	(3,324)
Interest paid	(478)	(460)
	907	753
Net generated cash from financing activities	907	753

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS⁽¹⁾
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023 (CONT'D)**

	6-months financial period ended 30 June	
	2023 RM'000	2022 RM'000
Net movement in cash and cash equivalents	(699)	(1,114)
Cash and cash equivalents at beginning of the financial period	(819)	892
Effects of exchange rate changes on cash and cash equivalents	158	15
Cash and cash equivalents at end of the financial period	(1,360)	(207)
Cash and cash equivalents comprise the following:		
Cash and bank balances	1,049	2,344
<u>Less</u>		
Bank overdraft	(2,409)	(2,551)
	(1,360)	(207)

Note:

(1) *The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited consolidated financial statements for the FYE 2022 and the accompanying explanatory notes attached to this interim financial report.*

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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 2022 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 2022.

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 2022, except for the following 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: *Initial Application of MFRS 17 and MFRS 9 – Comparable Information*
- Amendments to MFRS 101: *Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108: *Definition of Accounting Estimates*
- Amendments to MFRS 112: *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 following MFRSs and Amendments to MFRSs 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 2024

- Amendments to MFRS 16: *Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101: *Non-current Liabilities with Covenants*
- Amendments to MFRS 107 and MFRS 7: *Supplier Finance Arrangements*

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, 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 2022 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

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 or declared during the current financial period under review.

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

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.

A10. CHANGES IN THE COMPOSITION OF THE GROUP

On 17 May 2023, our wholly-owned subsidiary – Safetyware Sdn Bhd (“**STWSB**”) subscribed for additional 33,000 ordinary shares in our associate – Safetyware Australia Pty Ltd. (“**STW Australia**”). The total subscription consideration paid amounting to Australian Dollar 33,000. On completion of the subscription, the shareholding held by STWSB in STW Australia increased from 48.4% to 75.0% resulting in STW Australia ceased to be an associate of our Group and turned into an indirect subsidiary (via STWSB) of our Group.

Save for the above, there were no other changes in the composition of our Group during the current 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:

Revenue	6-months period ended			
	30.6.2023		30.6.2022	
	RM'000	%	RM'000	%
Manufacturing of safety and health products	4,550	28.77	6,021	35.24
Distribution of safety and health products	11,014	69.63	10,920	63.90
Other services ⁽¹⁾	252	1.60	147	0.86
Total	15,816	100.00	17,088	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.

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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 2023 (“1HFY23”), our Group’s revenue decreased by approximately RM1.27 million or 7.43% to RM15.82 million as compared to total revenue of RM17.09 million for the corresponding period in the preceding year.

The moderation in sales performance during the 1HFY23 was primarily due to decrease in revenue generated from manufacturing of safety and health products business segment, as a result of lower market demand and decrease in selling prices for some of the products particularly gloves, face masks, and sanitizers.

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:

GP	6-months period ended			
	30.6.2023		30.6.2022	
	RM’000	%	RM’000	%
Manufacturing of safety and health products	175	3.90	1,036	19.63
Distribution of safety and health products	4,307	96.03	4,182	79.25
Other services	3	0.07	59	1.12
Total	4,485	100.00	5,277	100.00

GP margin	6-months period ended	
	30.6.2023	30.6.2022
	%	%
Manufacturing of safety and health products	3.85	17.21
Distribution of safety and health products	39.10	38.30
Other services	1.19	40.14
Overall margin	28.36	30.88

Our Group’s GP decreased by approximately RM0.79 million or 14.96% to RM4.49 million for 1HFY23 (6-months period ended 30 June 2022: RM5.28 million) in line with the moderation in sales during the 1HFY23.

Our Group’s GP margin decreased to 28.36% for 1HFY23 (6-months period ended 30 June 2022: 30.88%) mainly due to the increase in cost of goods sold particularly for imported items resulting from the depreciation of Ringgit Malaysia, where we were unable to fully pass-on the incremental costs to our customers.

Profitability

Our Group recorded net loss after tax of RM1.12 million (6-months period ended 30 June 2022: profit after tax of RM0.23 million), mainly due to decrease in gross profit as explained above and overall increase in operating expenses.

B2. PROSPECTS

In the mid and long term, the personal protective equipment (“**PPE**”) market is expected to enjoy positive growth in line with rising emphasis both domestically and globally on safety and occupational health and gradual recovery of industrial and economic activities following the easing of COVID-19 pandemic.

Our Group is strategically positioned to capitalize on these growth opportunities, in view of the following driving factors:

- (i) our established track record and brand reputation in manufacturing and supplying good-quality of PPE; and
- (ii) our relatively well-established distribution network and market coverage particularly for the domestic market.

While the first half of 2023 presented challenges such as increased competition, eroding margins, economic slowdown, and start-up costs for expansion of our product offerings, our Group has proactively embarked on the following initiatives aiming to reduce the adverse impact:

- **Product Expansion:** Broadening our product range to cater to diverse customer needs and align our product offerings with the evolving customer needs;
- **Research and Development:** Investing in R&D to create innovative PPE solutions;
- **Distribution Network:** Extending our reach to new markets;
- **Marketing and Sales:** Enhancing efforts to elevate brand awareness and product visibility;
- **Cost Optimization:** Implementing lean management to reduce production costs and enhance profitability; and
- **Sales Digitization:** Leveraging digital channels to broaden sales reach and revenue streams.

The Board of Directors is cautiously optimistic that our Group’s strategic initiatives as mentioned above will help to mitigate the adverse impact due to the external factors and will benefit our Group with positive growth in the mid and long term. Barring any unforeseen circumstances, our Group’s financial performance is expected to gradually improve. Our Group will strive to achieve a turnaround in the financial performance for the financial year ending 31 December 2023.

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 proceeds from the Excluded Issue for approximately RM6.48 million is as follows:

	Purpose	Proposed utilisation RM'000	Actual utilisation⁽¹⁾ RM'000	Balance RM'000	Estimated timeframe for utilisation upon completion of the allotment of shares
(i)	Expansion of manufacturing segment	2,600	2,600	-	Fully utilised
(ii)	Expansion of distribution coverage	1,400	1,400	-	Fully utilised
(iii)	Upgrade of ERP system ⁽³⁾	500	470	30	Fully utilised
(iv)	Software development	150	-	150	By 8 July 2024 ⁽²⁾
(v)	Repayment of borrowings	500	500	-	Fully utilised
(vi)	Working Capital ⁽³⁾	531	649	(118)	Fully utilised
(vii)	Listing expenses ⁽³⁾	800	712	88	Fully utilised
	Total	6,481	6,331	150	

Notes:

(1) Status of utilisation as at 30.6.2023.

(2) In view of the economic uncertainties, the Group is putting more focus on the existing core operations (namely, manufacturing and distribution of safety and health products) and hence, a longer time is required for the implementation of software development. Accordingly, the estimated timeframe for utilisation will need to be extended from the original estimated timeframe (within 18 months from 9 July 2021 i.e. by 8 January 2023) to 8 July 2024 (revised estimated timeframe).

(3) The excess amount earmarked for upgrade of ERP system and listing expenses were reallocated to working capital and have been fully utilised as at 30.6.2023.

C3. MATERIAL LITIGATION

There was no material litigation pending as at the date of this report.