

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 31 DECEMBER 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 STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME⁽¹⁾
FOR THE 2ND HALF YEAR ENDED AND FINANCIAL PERIOD ENDED 31 DECEMBER 2023**

	Individual 6 months ended		Cumulative 12 months ended	
	Unaudited 31.12.2023 RM'000	Unaudited 31.12.2022 RM'000	Unaudited 31.12.2023 RM'000	Audited 31.12.2022 RM'000
Revenue	19,276	16,976	35,092	34,064
Cost of sales	(13,333)	(11,840)	(24,664)	(22,847)
Gross profit	5,943	5,136	10,428	11,217
Other operating (loss)/income	(151)	516	250	502
Administrative expenses	(7,091)	(6,315)	(12,455)	(11,418)
Selling and distribution expenses	(387)	(165)	(447)	(428)
Finance costs	(607)	(537)	(1,189)	(931)
Impairment loss on trade receivables	(223)	(76)	(223)	(112)
Shares of loss in associate, net of tax	(1)	(6)	(1)	(9)
Loss before taxation	(2,517)	(1,447)	(3,637)	(1,179)
Taxation	(17)	2	(17)	(62)
Loss for the financial period	(2,534)	(1,445)	(3,654)	(1,241)
Foreign currency translations	63	20	(46)	36
Total comprehensive loss	(2,471)	(1,425)	(3,700)	(1,205)
Loss for the financial year attributable to:				
- Owners of the Company	(2,532)	(1,445)	(3,652)	(1,241)
- Non-controlling interest	(2)	-	(2)	-
	(2,534)	(1,445)	(3,654)	(1,241)
Total comprehensive loss attributable to:				
- Owners of the Company	(2,469)	(1,425)	(3,698)	(1,205)
- Non-controlling interest	(2)	-	(2)	-
	(2,471)	(1,425)	(3,700)	(1,205)
Loss per share attributable to owners of Safetyware:				
- Basic/Diluted (sen) ⁽²⁾	(0.79)	(0.45)	(1.14)	(0.39)

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 2022 ("FYE 2022") and the accompanying explanatory notes attached to this interim financial report.

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

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION⁽¹⁾
AS AT 31 DECEMBER 2023**

	Unaudited 31.12.2023 RM'000	Audited 31.12.2022 RM'000
Non-current assets		
Property, plant and equipment	14,655	14,777
Right-of-use assets	8,228	8,168
Investment in an associate	-	5
	22,883	22,950
Current assets		
Inventories	10,371	9,377
Trade and other receivables	8,209	7,072
Current tax asset	304	229
Cash and bank balances	2,438	1,746
	21,322	18,424
TOTAL ASSETS	44,205	41,374
Equity		
Share capital	13,381	13,381
Reserves	(780)	2,918
Shareholders' funds attributable to owners of Safetyware	12,601	16,299
Non-controlling interest	(2)	-
Total Equity	12,599	16,299
Non-current liabilities		
Borrowings	13,970	11,785
Lease liabilities	1,784	2,029
	15,754	13,814
Current liabilities		
Trade and other payables	6,793	4,602
Contract liabilities	772	519
Borrowings	6,822	5,096
Lease liabilities	1,464	1,044
Current tax liabilities	1	-
	15,852	11,261
Total Liabilities	31,606	25,075
TOTAL EQUITY AND LIABILITIES	44,205	41,374
Net assets per ordinary share attributable to owners of Safetyware ⁽²⁾ (sen)	3.95	5.11

Notes:

(1) *The Condensed Consolidated Statements 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) *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 31 December 2023.*

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

	[----- Audited -----]				Total Equity RM'000
	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
Loss for the financial year	-	-	-	(1,241)	(1,241)
Foreign currency translations	-	36	-	-	36
Total comprehensive income/(loss)	-	36	-	(1,241)	(1,205)
At 31 December 2022	13,381	132	(5,400)	8,186	16,299

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY⁽¹⁾
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)**

	[----- Unaudited -----]					Total Equity RM'000
	Share capital RM'000	Exchange Translation Reserve RM'000	Reorganisation debit reserve RM'000	Retained earnings RM'000	Non-controlling interest RM'000	
At 1 January 2023	13,381	132	(5,400)	8,186	-	16,299
Loss for the financial year	-	-	-	(3,652)	(2)	(3,654)
Foreign currency translations	-	(46)	-	-	-	(46)
Total comprehensive loss	-	(46)	-	(3,652)	(2)	(3,700)
At 31 December 2023	13,381	86	(5,400)	4,534	(2)	12,599

Note:

(1) *The Consolidated Statements 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 STATEMENTS OF CASH FLOWS⁽¹⁾
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

	Cumulative 12-month ended	
	Unaudited 2023 RM'000	Audited 2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(3,637)	(1,179)
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	1,262	1,122
Depreciation of right-of-use assets	1,044	918
Unrealised loss on foreign exchange	(6)	22
Finance cost	1,189	931
Share of loss of in an associate	1	9
Loss on derecognition of an associate	3	-
Loss/(Gain) on disposal of property, plant and equipment	407	(1)
Impairment loss on trade receivables	223	116
Reversal of impairment losses on trade receivables	-	(4)
	486	1,934
Operating profit before working capital changes		
Increase in inventories	(994)	(431)
(Increase)/Decrease in trade and other receivables	(1,373)	942
Increase in trade and other payables	2,191	43
Increase/(Decrease) in contract liabilities	253	(47)
	563	2,441
Cash generated from operations		
Net tax paid	(91)	(167)
	472	2,274
Net cash generated from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(272)	(1,402)
Purchase of right-of-use assets	(347)	(1,640)
Proceeds from disposal of property, plant and equipment	13	10
	(606)	(3,032)
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	10,754	7,276
Repayment of borrowings	(8,543)	(7,504)
Interest paid	(1,189)	(760)
	1,022	(988)
Net cash generated from/(used in) financing activities		

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS⁽¹⁾
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

	Cumulative 12-month ended	
	Unaudited	Audited
	2023	2022
	RM'000	RM'000
Net increase/(decrease) in cash and cash equivalents	888	(1,746)
Cash and cash equivalents at beginning of the financial year	(819)	892
Effects of exchange rate changes on cash and cash equivalents	(40)	35
	<u>29</u>	<u>(819)</u>
Cash and cash equivalents at end of the financial year	29	(819)
Cash and cash equivalents comprise the following:		
Cash and bank balances	2,438	1,746
<u>Less</u>		
Bank overdraft	(2,409)	(2,565)
	<u>29</u>	<u>(819)</u>

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 Safetyware Group Berhad and its subsidiaries (“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 - *Comparative 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*
- Amendments to MFRS 112: International Tax Reform – Pillar Two Model Rules

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 are not 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*

Effective for annual periods commencing on or after 1 January 2025

- Amendments to MFRS 121: *Lack of Exchangeability*

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 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 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 material 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			
	31.12.2023		31.12.2022	
	RM'000	%	RM'000	%
Manufacturing of safety and health products	7,630	39.58	5,958	35.10
Distribution of safety and health products	11,144	57.81	10,780	63.50
Other services ⁽¹⁾	502	2.61	238	1.40
Total	19,276	100.00	16,976	100.00

	12-months period ended			
	31.12.2023		31.12.2022	
	RM'000	%	RM'000	%
Manufacturing of safety and health products	12,180	34.71	11,979	35.17
Distribution of safety and health products	22,158	63.14	20,894	61.34
Other services ⁽¹⁾	754	2.15	1,191	3.49
Total	35,092	100.00	34,064	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.

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 31 December 2023 (“2HFY23”), our Group’s revenue increased by RM2.30 million or 13.55% to RM19.28 million as compared to total revenue of RM16.98 million for the corresponding period in the preceding year. The increase in sales performance during the 2HFY23 was primarily due to increase in revenue generated from manufacturing of safety and health products as well as distribution of safety and health products and other services business segments, as a result of increased market awareness and increase in market demand for some of the products particularly safety shoe, safety helmet and automated external defibrillators.

For the financial year ended 31 December 2023 (“FYE 2023”), our Group’s revenue increased by RM1.03 million or 3.02% to RM35.09 million as compared to total revenue of RM34.06 million for the corresponding period in the preceding year. The increase in sales performance during the FYE 2023 was due to increase in revenue generated from manufacturing of safety and health products and distribution of safety and health products business segments.

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			
	31.12.2023		31.12.2022	
	RM'000	%	RM'000	%
Manufacturing of safety and health products	880	14.81	1,081	21.05
Distribution of safety and health products	4,856	81.71	3,923	76.38
Other services	207	3.48	132	2.57
Total	5,943	100.00	5,136	100.00

	12-months period ended			
	31.12.2023		31.12.2022	
	RM'000	%	RM'000	%
Manufacturing of safety and health products	1,055	10.12	2,060	18.37
Distribution of safety and health products	9,163	87.87	8,587	76.55
Other services	210	2.01	570	5.08
Total	10,428	100.00	11,217	100.00

GP Margin	6-months period ended	
	31.12.2023	31.12.2022
	%	%
Manufacturing of safety and health products	11.53	18.14
Distribution of safety and health products	43.58	36.39
Other services	41.24	55.46
Overall Margin	30.83	30.25

GP Margin	12-months period ended	
	31.12.2023	31.12.2022
	%	%
Manufacturing of safety and health products	8.66	17.20
Distribution of safety and health products	41.35	41.10
Other services	27.85	47.86
Overall Margin	29.72	32.93

Our Group's GP increased by approximately RM0.80 million or 15.56% to RM5.94 million for 2HFY23 (6-months period ended 31 December 2022: RM5.14 million). The higher GP was due to increase in GP from distribution of safety and health products and other services business segments.

For the FYE 2023, our Group's GP decreased by approximately RM0.79 million or 7.04% to RM10.43 for the FYE 2023 (FYE 2022: RM11.22 million) respectively. The lower GP was mainly due to decrease in GP from manufacturing of safety and health products and other services business segments.

Our Group's GP margin for 2HFY23 stood at 30.83% (6-months period ended 31 December 2022: 30.25%). The higher GP margin was due to increase in GP margin for distribution of safety and health product business segment.

For the FYE 2023, our overall GP margin stood at 29.72% (FYE 2022: 32.93%). The lower GP margin was due to decrease in GP margin for manufacturing of safety and health products and other services business segments.

Profitability

For the 2HFY23, our Group recorded net loss after tax of RM2.53 million (6-months period ended 31 December 2022: RM1.45 million) while for the FYE 2023, our Group recorded net loss after tax of RM3.65 million (FYE 2022: RM1.24 million), mainly due to overall increase in operating expenses and finance costs.

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 second half of 2023 presented challenges such as increased competition, 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 in order to cater to diverse customer needs and align our product offerings with the evolving customer needs;
- **Research and Development:** Investing in research activities to create innovative PPE solutions;
- **Distribution Network:** Extending our reach to new markets such as collaborating with other companies for manufacturing activities;
- **Marketing and Sales:** Enhancing efforts to elevate brand awareness and product visibility;
- **Cost Optimisation:** Implementing lean management to reduce production costs and enhance profitability; and
- **Sales Digitisation:** Leveraging on 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 2024.

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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 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 31.12.2023.

(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.