

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-MONTH FINANCIAL PERIOD ENDED 30 JUNE 2024

**(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"). 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 6-MONTH FINANCIAL PERIOD ENDED 30 JUNE 2024**

	Individual 6-month ended		Cumulative 6-month ended	
	Unaudited 30.6.2024 RM'000	Unaudited 30.6.2023 RM'000	Unaudited 30.6.2024 RM'000	Unaudited 30.6.2023 RM'000
Revenue	19,884	15,816	19,884	15,816
Cost of sales	(13,402)	(11,331)	(13,402)	(11,331)
Gross profit	6,482	4,485	6,482	4,485
Other income	88	401	88	401
Administrative expenses	(2,994)	(5,363)	(2,994)	(5,363)
Selling and distribution costs	(2,594)	(60)	(2,594)	(60)
Finance costs	(646)	(582)	(646)	(582)
Share of loss in associate, net of tax	-	(1)	-	(1)
Profit/(Loss) before tax	336	(1,120)	336	(1,120)
Taxation	-	-	-	-
Profit/(Loss) for the financial period	336	(1,120)	336	(1,120)
Exchange difference on translations of foreign operation	(3)	(109)	(3)	(109)
Total comprehensive income/(loss) for the financial period, net of tax	333	(1,229)	333	(1,229)
Profit/(Loss) for the financial year attributable to:				
- Owners of the Company	336	(1,120)	336	(1,120)
- Non-controlling interest ("NCI")	*	*	*	*
	336	(1,120)	336	(1,120)
Total comprehensive income/(loss) attributable to:				
- Owners of the Company	333	(1,229)	333	(1,229)
- NCI	*	*	*	*
	333	(1,229)	333	(1,229)
Earnings/(Losses) per share:				
- Basic/Diluted (sen) ⁽²⁾	0.11	(0.35)	0.11	(0.35)

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 2023 ("FYE 2023") 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 STATEMENTS OF FINANCIAL POSITION⁽¹⁾
AS AT 30 JUNE 2024

	Unaudited 30.6.2024 RM'000	Audited 31.12.2023 RM'000
Non-current assets		
Property, plant and equipment ⁽²⁾	20,891	21,602
Investment properties	1,277	1,281
Goodwill on consolidation	20	20
	22,188	22,903
Current assets		
Inventories	10,047	10,141
Trade receivables	5,666	5,399
Other receivables	2,216	2,730
Tax recoverable	372	304
Cash and bank balances	735	2,461
	19,036	21,035
TOTAL ASSETS	41,224	43,938
Equity		
Share capital	13,381	13,381
Reserves	(567)	(900)
Equity attributable to owners of the Company	12,814	12,481
NCI	27	27
Total equity	12,841	12,508
Non-current liabilities		
Loans and borrowings	12,833	13,970
Lease liabilities	1,084	1,785
	13,917	15,755
Current liabilities		
Trade payables	2,367	2,321
Other payables	1,774	3,357
Contract liabilities	803	772
Amount due to directors	1,348	939
Loans and borrowings	6,820	6,821
Lease liabilities	1,354	1,464
Tax payable	-	1
	14,466	15,675
TOTAL LIABILITIES	28,383	31,430
TOTAL EQUITY AND LIABILITIES	41,224	43,938
Net assets per ordinary share attributable to owners of Safetyware ⁽³⁾ (sen)	4.02	3.92

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION⁽¹⁾
AS AT 30 JUNE 2024 (CONT'D)**

Notes:

- (1) *The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited consolidated financial statements for the FYE 2023 and the accompanying explanatory notes attached to this interim financial report.*
- (2) *Inclusive of right-of-use assets.*
- (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 2024.*

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY⁽¹⁾

	[----- Unaudited -----]						
	[----- Non-distributable -----]			Distributable			
	Share capital RM'000	Foreign currency translation reserve RM'000	Merger reserve RM'000	Retained earnings RM'000	Total RM'000	NCI RM'000	Total equity RM'000
At 1 January 2023	13,381	132	(5,400)	8,186	16,299	-	16,299
Loss for the financial period	-	-	-	(1,120)	(1,120)	-	(1,120)
Foreign currency translation	-	(109)	-	-	(109)	-	(109)
Total comprehensive loss for the financial period	-	(109)	-	(1,120)	(1,229)	-	(1,229)
At 30 June 2023	13,381	23	(5,400)	7,066	15,070	-	15,070
At 1 January 2024	13,381	196	(5,400)	4,304	12,481	27	12,508
Profit for the financial period	-	-	-	336	336	*	336
Foreign currency translation	-	(3)	-	-	(3)	-	(3)
Total comprehensive income for the financial period	-	(3)	-	336	333	*	333
At 30 June 2024	13,381	193	(5,400)	4,640	12,814	27	12,841

Notes:

(1) The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited consolidated financial statements for the FYE 2023 and the accompanying explanatory notes attached to this interim financial report.

* Less than RM1,000.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS⁽¹⁾
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024**

	6-month financial period ended 30 June	
	2024 RM'000	2023 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	336	(1,120)
Adjustments for:		
Depreciation of property, plant and equipment	776	1,375
Depreciation of investment properties	4	-
Gain on disposal of property, plant and equipment	(1)	(1)
Interest expenses	646	582
Interest income	*	-
Unrealised loss on foreign exchange	-	274
Share of loss of associate	-	5
	1,761	1,115
Operating profit before working capital changes		
Decrease in inventories	94	253
Decrease in trade and other receivables	241	106
Decrease in trade and other payables	(1,536)	(1,306)
Increase/(Decrease) in contract liabilities	31	(63)
	591	105
Cash generated from operations		
Tax paid	(69)	(15)
	522	90
Net cash generated from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(78)	(1,402)
Acquisition of right-of-use assets	-	(295)
Interest income	*	-
Proceeds from disposal of property, plant and equipment	14	1
	(64)	(1,696)
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	5,146	5,042
Repayment of borrowings	(6,523)	(3,553)
Interest paid	(646)	(582)
	(2,023)	907
Net cash (used in)/generated from financing activities		

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS⁽¹⁾
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024 (CONT'D)**

	6-month financial period ended 30 June	
	2024 RM'000	2023 RM'000
Net movement in cash and cash equivalents	(1,565)	(699)
Cash and cash equivalents at beginning of the financial period	54	(819)
Effects of exchange rate changes on cash and cash equivalents	*	158
Cash and cash equivalents at end of the financial period	(1,511)	(1,360)
Cash and cash equivalents comprise the following:		
Cash and bank balances	735	1,049
<u>Less</u>		
Bank overdraft	(2,246)	(2,409)
	(1,511)	(1,360)

Notes:

(1) *The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited consolidated financial statements for the FYE 2023 and the accompanying explanatory notes attached to this interim financial report.*

* *Less than RM1,000.*

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SECTION A - EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (“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 Rule 6.12 (under Part C, Chapter 6) and Appendix 6A of the LEAP Market Listing Requirements 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 2023 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 Safetyware Group Berhad and its subsidiaries (“Group”) since the financial year ended 31 December 2023.

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 2023, except for the following Amendments to MFRSs as disclosed below:

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*

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 2025

- Amendments to MFRS 121: *Lack of Exchangeability*

Effective for annual periods commencing on or after 1 January 2026

- Amendments to MFRS 9 and MFRS 7: *Amendments to the Classification and Measurement of Financial Instruments*

Effective for annual periods commencing on or after 1 January 2027

- MFRS 18: *Presentation and Disclosure in Financial Statements*
- MFRS 19: *Subsidiaries without Public Accountability - Disclosures*

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*

A2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 FYE 2023 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 been reflected in this interim financial report or announced to Bursa Securities.

A10. CHANGES IN THE COMPOSITION OF THE GROUP

On 12 August 2024, the Company incorporated a wholly-owned subsidiary, namely Keyway Digital Labs Sdn Bhd ("Keyway Digital Labs") with an initial share capital of RM1,000 comprising 1,000 ordinary shares. The intended business activities of Keyway Digital Labs are software development and IT solutions, digital transformation and technology consulting, and artificial intelligence and machine learning solutions.

Save for the above, there were no changes in the composition of our Group up to the date of this report.

A11. CHANGES IN MATERIAL LITIGATION AND CONTINGENT LIABILITIES

There were no litigation or arbitration, which has a material effect on the financial position and performance of the Group, and the Board of Directors is 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 environment, health and safety (“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 Personal Protective Equipment (“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-month period ended			
	30.6.2024		30.6.2023	
	RM’000	%	RM’000	%
Manufacturing of safety and health products	7,740	38.93	4,550	28.77
Distribution of safety and health products	11,414	57.40	11,014	69.64
Other services ⁽¹⁾	730	3.67	252	1.59
Total	19,884	100.00	15,816	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-month period ended 30 June 2024 (“1HFY24”), our Group’s revenue increased by RM4.06 million or 25.66% to RM19.88 million as compared to total revenue of RM15.82 million for the corresponding period in the preceding year.

The increase in sales performance during 1HFY24 was primarily driven by higher revenue generated from manufacturing of safety and health products business segment as a result of increased market demand, particularly for safety footwear.

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-month period ended			
	30.6.2024		30.6.2023	
	RM’000	%	RM’000	%
Manufacturing of safety and health products	1,702	26.26	175	3.90
Distribution of safety and health products	4,524	69.79	4,307	96.03
Other services	256	3.95	3	0.07
Total	6,482	100.00	4,485	100.00

GP margin	6-month period ended	
	30.6.2024	30.6.2023
	%	%
Manufacturing of safety and health products	21.99	3.85
Distribution of safety and health products	39.64	39.10
Other services	35.07	1.19
Overall GP margin	32.60	28.36

Our Group’s GP increased by approximately RM1.99 million or 44.32% to RM6.48 million for the 1HFY24 (6-month period ended 30 June 2023: RM4.49 million), in line with the increase in sales during the 1HFY24.

Our Group’s GP margin improved to 32.60% for the 1HFY24 (6-month period ended 30 June 2023: 28.36%); mainly due to improved GP margin for manufacturing of safety and health product business segment resulting from overall decrease in production cost, and better GP margin achieved for other services business segment through the introduction and provision of a variety of higher value EHS training and consultancy services.

Profitability

Backed by the improved revenue and gross profit, our Group recorded net profit after tax of RM0.34 million for the 1HFY24; a notable improvement as compared to net loss after tax of RM1.12 million for the corresponding period in preceding year.

B2. PROSPECTS

The Personal Protective Equipment (“**PPE**”) market continues to show robust growth potential, both regionally and globally. Leveraging on our Group’s core strengths, our Group is well-positioned to capitalize on the emerging opportunities within the PPE market. Our established reputation for manufacturing and supplying high-quality PPE, coupled with our extensive distribution network and strong brand equity, provide a solid foundation for our Group’s future growth. To build on this momentum, we are focused on the following strategic priorities:

- **Product Diversification:** Expanding our product portfolio to address the evolving needs of our customers and to capture a larger market share.
- **Innovation:** Increasing investment in research and development to bring innovative and technologically-advanced PPE solutions to the market.
- **Market Expansion:** Strengthening our presence in existing markets while exploring new geographical expansion and customer segments.
- **Brand Enhancement:** Amplifying marketing efforts to enhance brand recognition and visibility in both domestic and international markets.

Although the market over the shorter term is likely to be influenced by challenges such as rising raw material costs, increased competition, and ongoing economic uncertainties; our Group has taken the following proactive steps to mitigate these challenges:

- **Cost Management:** Implementing cost-control measures and optimizing our supply chain to protect margins.
- **Digital Transformation:** Accelerating our digital strategy to enhance customer engagement and streamline sales processes.
- **New Product Introduction:** Aligning our product development efforts with market demands to meet the evolving expectations of our customers.

Barring any unforeseen circumstances, the Board of Directors is cautiously optimistic about our Group’s outlook for the financial year ending 31 December 2024. Our Group is well-prepared to navigate through the market challenges and capitalize on the opportunities in the PPE market. Our Group’s commitment to innovation, quality, and customer satisfaction; coupled with our strategic initiatives, are expected to contribute positively to our Group’s future and sustainable growth. The Board of Directors remains focused on delivering value to the shareholders and stakeholders of our Group.

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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 of 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	104	46	On or before 30 September 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	6,435	46	

Notes:

(1) Status of utilisation as at 30.6.2024.

(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 further extended to on or before 30 September 2024.

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

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