



**SMART ASIA CHEMICAL BHD**

(Registration no.: 201901016953 (1326281-T))  
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT**

**FOR THE SECOND QUARTER ENDED 30 JUNE 2024**

**SMART ASIA CHEMICAL BHD**

(Registration no.: 201901016953 (1326281-T))

(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2024****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2024 <sup>(1)</sup>**

|   | Note | <u>INDIVIDUAL QUARTER</u>        |   | <u>CUMULATIVE QUARTER</u>        |   |
|---|------|----------------------------------|---|----------------------------------|---|
|   |      | Unaudited<br>30.6.2024<br>RM'000 | Unaudited<br>30.6.2023 <sup>(2)</sup><br>RM'000 | Unaudited<br>30.6.2024<br>RM'000 | Unaudited<br>30.6.2023 <sup>(2)</sup><br>RM'000 |
| Revenue   | A9   | 19,415                           | N/A   | 43,375                           | N/A   |
| Cost of sales                                       |      | <u>(14,925)</u>                  | <u>N/A</u>                                      | <u>(31,008)</u>                  | <u>N/A</u>                                      |
| Gross profit  |      | 4,490                            | N/A   | 12,367                           | N/A   |
| Other income  |      | 9                                | N/A   | 12                               | N/A   |
| Selling and distribution expenses                   |      | (4,029)                          | N/A   | (6,825)                          | N/A   |
| Administrative expenses                             |      | (2,421)                          | N/A   | (3,718)                          | N/A   |
| Other operating expenses                            |      | <u>(155)</u>                     | <u>N/A</u>                                      | <u>(155)</u>                     | <u>N/A</u>                                      |
| Operating (loss)/profit                             |      | (2,106)                          | N/A   | 1,681                            | N/A   |
| Finance costs                                       |      | <u>(538)</u>                     | <u>N/A</u>                                      | <u>(1,056)</u>                   | <u>N/A</u>                                      |
| (Loss)/profit before tax ("LBT") ("PBT")            | B4   | (2,644)                          | N/A   | 625                              | N/A   |
| Income tax credit                                   | B5   | <u>4,265</u>                     | <u>N/A</u>                                      | <u>3,482</u>                     | <u>N/A</u>                                      |
| Profit after tax                                    |      | <u>1,621</u>                     | <u>N/A</u>                                      | <u>4,107</u>                     | <u>N/A</u>                                      |
| Other comprehensive income                          |      | -                                | N/A   | -                                | N/A   |
| Total comprehensive income for the financial period |      | <u>1,621</u>                     | <u>N/A</u>                                      | <u>4,107</u>                     | <u>N/A</u>                                      |

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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2024****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2024 <sup>(1)</sup> (CONT'D)**

|   | Note | <u>INDIVIDUAL QUARTER</u>        |   | <u>CUMULATIVE QUARTER</u>        |   |
|---|------|----------------------------------|---|----------------------------------|---|
|   |      | Unaudited<br>30.6.2024<br>RM'000 | Unaudited<br>30.6.2023 <sup>(2)</sup><br>RM'000 | Unaudited<br>30.6.2024<br>RM'000 | Unaudited<br>30.6.2023 <sup>(2)</sup><br>RM'000 |
| Total comprehensive income/(loss) for the financial period attributable to: |      |                                  |   |                                  |   |
| - Owners of the Company   |      | 1,644                            | N/A   | 4,147                            | N/A   |
| - Non-controlling interest  |      | (23)                             | N/A   | (40)                             | N/A   |
|   |      | <u>1,621</u>                     | <u>N/A</u>                                      | <u>4,107</u>                     | <u>N/A</u>                                      |
| Earnings per share (sen) <sup>(3)</sup>                                     | B7   |                                  |   |                                  |   |
| - Basic/diluted   |      | <u>0.53</u>                      | <u>N/A</u>                                      | <u>1.43</u>                      | <u>N/A</u>                                      |

**Notes:**

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income is disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company in relation to its initial public offering ("**IPO**") dated 2 May 2024 ("**Prospectus**") and the accompanying explanatory notes attached to this interim financial report.
- (2) This is the second interim financial report being announced in compliance with the ACE Market Listing Requirements ("**Listing Requirements**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"). There are no comparative figures for the preceding year's corresponding quarter and period as there is no interim financial report prepared for the comparative quarter concerned.
- (3) Basic and diluted earnings per share ("**EPS**") is calculated based on the weighted average number of ordinary shares in issue in the Company ("**Shares**") (as disclosed in Note B7). Diluted EPS is equivalent to the basic EPS as the Company does not have any dilutive instruments at the end of the reporting period.

N/A - Not Applicable

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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2024****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024<sup>(1)</sup>**

|   | Note | Unaudited<br>30.6.2024<br>RM'000 | Audited<br>31.12.2023<br>RM'000 |
|---|------|----------------------------------|---------------------------------|
| <b>ASSETS</b>                                   |      |                                  |                                 |
| <b>Non-current assets</b>                       |      |                                  |                                 |
| Property, plant and equipment                   |      | 77,491                           | 73,027                          |
| Intangible asset                                |      | 160                              | 170                             |
| Deferred tax assets                             |      | 7,047                            | 140                             |
| <b>Total non-current assets</b>                 |      | <u>84,698</u>                    | <u>73,337</u>                   |
| <b>Current assets</b>                           |      |                                  |                                 |
| Inventories                                     |      | 24,581                           | 25,249                          |
| Current tax assets                              |      | 899                              | 365                             |
| Trade and other receivables                     |      | 28,007                           | 30,206                          |
| Contract assets                                 |      | 1,444                            | 1,209                           |
| Cash and short-term deposits                    |      | 7,753                            | 5,922                           |
| <b>Total current assets</b>                     |      | <u>62,684</u>                    | <u>62,951</u>                   |
| <b>TOTAL ASSETS</b>                             |      | <u>147,382</u>                   | <u>136,288</u>                  |
| <b>EQUITY AND LIABILITIES</b>                   |      |                                  |                                 |
| <b>Equity attribute to owners of the Group</b>  |      |                                  |                                 |
| Share capital                                   |      | 91,326                           | 51,800                          |
| Reorganisation reserve                          |      | (29,253)                         | (25,783)                        |
| Retained earnings                               |      | 46,851                           | 42,704                          |
|   |      | <u>108,924</u>                   | <u>68,721</u>                   |
| Non-controlling interest                        |      | 10                               | 50                              |
| <b>TOTAL EQUITY</b>                             |      | <u>108,934</u>                   | <u>68,771</u>                   |
| <b>Non-current liabilities</b>                  |      |                                  |                                 |
| Loans and borrowings                            | B6   | 10,633                           | 37,177                          |
| Deferred income                                 |      | 143                              | 143                             |
| Deferred tax liabilities                        |      | 2,854                            | 458                             |
| <b>Total non-current liabilities</b>            |      | <u>13,630</u>                    | <u>37,778</u>                   |
| <b>Current liabilities</b>                      |      |                                  |                                 |
| Loans and borrowings                            | B6   | 3,080                            | 4,314                           |
| Current tax liabilities                         |      | 73                               | 402                             |
| Trade and other payables                        |      | 20,162                           | 23,056                          |
| Contract liabilities                            |      | 1,503                            | 1,967                           |
| <b>Total current liabilities</b>                |      | <u>24,818</u>                    | <u>29,739</u>                   |
| <b>TOTAL LIABILITIES</b>                        |      | <u>38,448</u>                    | <u>67,517</u>                   |
| <b>TOTAL EQUITY AND LIABILITIES</b>             |      | <u>147,382</u>                   | <u>136,288</u>                  |
| <b>NET ASSETS PER SHARE (sen)<sup>(2)</sup></b> |      | 29.45                            | 27.02                           |

## **SMART ASIA CHEMICAL BHD**

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### **INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2024**

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#### **Notes:**

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Financial Position is disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus and the accompanying explanatory notes attached to this interim financial report.
- (2) Net assets per share is computed based on the number of Shares in issue of 254,500,010 Shares for the financial year ended 31 December 2023 and 369,850,420 Shares for the financial period ended 30 June 2024 after the Public Issue (as defined in Note B10).

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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2024****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2024<sup>(1)(2)</sup>**

|  | <b>Share capital<br/>RM'000</b> | <b>Non-<br/>distributable<br/>Reorganisation<br/>reserve<br/>RM'000</b> | <b>Distributable<br/>Retained<br/>earnings<br/>RM'000</b> | <b>Total<br/>RM'000</b> | <b>Non-controlling<br/>interest<br/>RM'000</b> | <b>Total<br/>equity<br/>RM'000</b> |
|--|---------------------------------|---|---|-------------------------|--|------------------------------------|
| Balance as at 1 January 2024   | 51,800                          | (25,783)  | 42,704  | 68,721                  | 50   | 68,771                             |
| Profit after tax/Total<br>comprehensive<br>income/(loss) for the<br>financial period | -                               | -   | 4,147   | 4,147                   | (40)   | 4,107                              |
| <b>Transaction with owners</b>   |                                 |   |   |                         |  |                                    |
| Adjustment pursuant to<br>merger accounting  | 3,470                           | (3,470)   | -   | -                       | -  | -                                  |
| Public issue   | 37,400                          | -   | -   | 37,400                  | -  | 37,400                             |
| Share issuance expenses for<br>listing   | (1,344)                         | -   | -   | (1,344)                 | -  | (1,344)                            |
| Balance as at 30 June 2024   | <u>91,326</u>                   | <u>(29,253)</u>   | <u>46,851</u>   | <u>108,924</u>          | <u>10</u>                                      | <u>108,934</u>                     |

**Notes:**

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity is disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus and the accompanying explanatory notes attached to this interim financial report.
- (2) This is the second interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding year's corresponding quarter as no interim financial report was prepared for the comparative quarter concerned.

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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2024****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2024<sup>(1)</sup>**

|  | <b>Unaudited Quarter Ended<br/>30.6.2024<br/>RM'000</b> | <b>30.6.2023<sup>(2)</sup><br/>RM'000</b> |
|--|---|---|
| <b>Cash flows from operating activities</b>                        |   |   |
| PBT  | 625   | N/A                                       |
| Adjustments for:   |   |   |
| Depreciation of property, plant and equipment                      | 1,219   | N/A                                       |
| Amortisation of intangible assets                                  | 10  | N/A                                       |
| Impairment loss on trade receivables                               | 155   | N/A                                       |
| Finance costs  | 1,056   | N/A                                       |
| Interest income  | (6)   | N/A                                       |
| Operating profit before changes in working capital                 | <u>3,059</u>  | N/A                                       |
| Decrease in inventories  | 668   | N/A                                       |
| Decrease in trade and other receivables                            | 2,044   | N/A                                       |
| Decrease in trade and other payables                               | (6,223)   | N/A                                       |
| Increase in contract assets  | (235)   | N/A                                       |
| Decrease in contract liabilities                                   | <u>(464)</u>  | N/A                                       |
| Cash used in operations  | (1,151)   | N/A                                       |
| Income tax paid  | (1,894)   | N/A                                       |
| Income tax refund  | 2   | N/A                                       |
| Interest paid  | <u>(29)</u>   | N/A                                       |
| Net cash used in operating activities                              | <u>(3,072)</u>  | N/A                                       |
| <b>Cash flows from investing activities</b>                        |   |   |
| Purchase of property, plant and equipment                          | (2,308)   | N/A                                       |
| Placement of fixed deposits  | (1,600)   | N/A                                       |
| Interest received  | 6   | N/A                                       |
| Net cash used in investing activities                              | <u>(3,902)</u>  | N/A                                       |
| <b>Cash flows from financing activities</b>                        |   |   |
| Interest paid  | (1,027)   | N/A                                       |
| Repayment of term loans  | (26,439)  | N/A                                       |
| Drawdown of bankers' acceptance                                    | 3,710   | N/A                                       |
| Repayment of bankers' acceptance                                   | (4,945)   | N/A                                       |
| Repayment of hire purchase payable                                 | (101)   | N/A                                       |
| Repayment of lease liability                                       | (49)  | N/A                                       |
| Proceeds from issuance of new ordinary share, net                  | <u>36,056</u>   | N/A                                       |
| Net cash from financing activities                                 | <u>7,205</u>  | N/A                                       |
| <b>Net Increase in cash and cash equivalents</b>                   | <u>231</u>  | N/A                                       |
| Cash and cash equivalents at the beginning of the financial period | <u>5,778</u>  | N/A                                       |
| Cash and cash equivalents at the end of the financial period       | <u>6,009</u>  | N/A                                       |

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2024<sup>(1)</sup> (CONT'D)**

|   | <b>Unaudited Quarter Ended</b> |                                |
|---|--------------------------------|--------------------------------|
|   | <b>30.6.2024</b>               | <b>30.6.2023<sup>(2)</sup></b> |
|   | <b>RM'000</b>                  | <b>RM'000</b>                  |
| <b>Cash and cash equivalents at end of the financial period consist of:</b> |                                |                                |
| Short-term deposits   | 1,744                          | N/A                            |
| Less: Pledged deposits  | <u>(1,744)</u>                 | <u>N/A</u>                     |
|   | -                              | N/A                            |
| Cash and bank balances  | <u>6,009</u>                   | <u>N/A</u>                     |
|   | <u>6,009</u>                   | <u>N/A</u>                     |

**Notes:**

- (1) The basis of preparation of the above Unaudited Condensed Consolidated Statement of Cash Flows is disclosed in Note A1 of the notes to this interim financial report and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus and the accompanying explanatory notes attached to this interim financial report.
- (2) This is the second interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding year's corresponding quarter as no interim financial report was prepared for the comparative quarter concerned.

N/A - Not Applicable



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## INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2024

### PART A: EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134 - INTERIM FINANCIAL REPORTING

#### A1. Basis of Preparation

The interim financial report of Smart Asia Chemical Bhd ("**SAC**" or the "**Company**") and its subsidiaries (the "**Group**") is unaudited and have been prepared in accordance with the requirements of the Malaysian Financial Reporting Standard ("**MFRS**") 134: Interim Financial Reporting and Appendix 9B of the ACE Market Listing Requirements of Bursa Securities.

This is the second interim financial report on the Company's consolidated results for the second quarter ended 30 June 2024 announced by the Company in compliance with the Listing Requirements of Bursa Securities. As such, there are no comparative figures for the preceding year's corresponding quarter.

This interim financial report should be read in conjunction with the Accountants' Report as disclosed in the Prospectus and the accompanying explanatory notes attached to this interim financial report.

#### A2. Summary of Material Accounting Policies

The summary of material accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in preparation of the Accountants' Report as disclosed in the Prospectus except for the following amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group.

##### Effective for annual period beginning on or after 1 January 2024

| Title                  |                                      | Effective Date |
|------------------------|--------------------------------------|----------------|
| Amendments to MFRS 7   | Financial Instruments: Disclosures   | 1 January 2024 |
| Amendments to MFRS 16  | Leases                               | 1 January 2024 |
| Amendments to MFRS 101 | Presentation of Financial Statements | 1 January 2024 |
| Amendments to MFRS 107 | Statements of Cash Flows             | 1 January 2024 |

##### Effective for financial period beginning on or after 1 January 2025 and onwards

| Title                  |   | Effective Date |
|------------------------|---|----------------|
| Amendments to MFRS 121 | The Effect of Change in Foreign Exchange Rates          | 1 January 2025 |
| Amendments to MFRS 7   | Financial Instruments: Disclosures                      | 1 January 2026 |
| Amendments to MFRS 9   | Financial Instruments                                   | 1 January 2026 |
| MFRS 18                | Presentation and Disclosure in Financial Statements     | 1 January 2027 |
| MFRS 19                | Subsidiaries without Public Accountability: Disclosures | 1 January 2027 |
| Amendments to MFRS 10  | Consolidated Financial Statements                       | Deferred       |
| Amendments to MFRS 128 | Investment in Associates and Joint Ventures             | Deferred       |

The Group will adopt the abovementioned standards, amendments or interpretations, if applicable, when they become effective in respective financial periods.

The initial application of the above standards is not expected to have any material impact to the financial statements of the Group upon adoption.

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### **INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2024**

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#### **A3. Auditors' Report on Preceding Annual Financial Statements**

The audited consolidated financial statements of the Group for the financial year ended 31 December 2023 were not subject to any qualification.

#### **A4. Seasonal or Cyclical Factors**

The business operations of the Group were not materially affected by any seasonal or cyclical factors during the current financial quarter under review and financial period-to-date.

#### **A5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter under review and financial period-to-date.

#### **A6. Material Changes in Estimates and Judgements**

There were no material changes in accounting estimates and judgements that have a material effect on the current financial quarter under review and financial period-to-date.

#### **A7. Debts and Equity Securities**

There were no issuance, cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter under review and financial period-to-date.

#### **A8. Dividend Paid**

There were no dividends paid during the current financial quarter under review and financial period-to-date.

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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2024****A9. Segmental Information**

The segmental analysis of Group's revenue is set out as follows:

**(a) Revenue by business activities, products and services**

|                          | INDIVIDUAL QUARTER               |   | CUMULATIVE QUARTER               |   |
|--------------------------|----------------------------------|---|----------------------------------|---|
|                          | Unaudited<br>30.6.2024<br>RM'000 | Unaudited<br>30.6.2023 <sup>(1)</sup><br>RM'000 | Unaudited<br>30.6.2024<br>RM'000 | Unaudited<br>30.6.2023 <sup>(1)</sup><br>RM'000 |
| Manufacturing Segment    | 18,106                           | N/A   | 39,965                           | N/A   |
| Sale and Trading Segment | 849                              | N/A   | 1,825                            | N/A   |
| Others <sup>(2)</sup>    | 460                              | N/A   | 1,585                            | N/A   |
| Total                    | 19,415                           | N/A   | 43,375                           | N/A   |

**(b) By geographical locations**

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers.

|                       | INDIVIDUAL QUARTER               |   | CUMULATIVE QUARTER               |   |
|-----------------------|----------------------------------|---|----------------------------------|---|
|                       | Unaudited<br>30.6.2024<br>RM'000 | Unaudited<br>30.6.2023 <sup>(1)</sup><br>RM'000 | Unaudited<br>30.6.2024<br>RM'000 | Unaudited<br>30.6.2023 <sup>(1)</sup><br>RM'000 |
| Malaysia              | 16,400                           | N/A   | 38,109                           | N/A   |
| Singapore             | 1,146                            | N/A   | 1,841                            | N/A   |
| Brunei                | 791                              | N/A   | 1,606                            | N/A   |
| Others <sup>(3)</sup> | 1,078                            | N/A   | 1,819                            | N/A   |
| Total                 | 19,415                           | N/A   | 43,375                           | N/A   |

**Notes:**

- (1) This is the second interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding year's corresponding quarter as no interim financial report was prepared for the comparative quarter concerned.
- (2) Revenue generated from other business activities, products and services which comprise of disinfecting products, sales of Smart Colour POS Tinting Machines, maintenance services for Smart Colour POS Tinting Machines, and painting services.
- (3) Other geographical locations comprise of Indonesia, Myanmar, Vietnam and Cambodia.

N/A - Not Applicable

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#### A10. Material Capital Commitments

As at 30 June 2024, there were no material capital commitments.

#### A11. Significant related party transactions

The significant related party transactions of the Group are shown below:

|   | INDIVIDUAL QUARTER               |   | CUMULATIVE QUARTER               |   |
|---|----------------------------------|---|----------------------------------|---|
|   | Unaudited<br>30.6.2024<br>RM'000 | Unaudited<br>30.6.2023 <sup>(1)</sup><br>RM'000 | Unaudited<br>30.6.2024<br>RM'000 | Unaudited<br>30.6.2023 <sup>(1)</sup><br>RM'000 |
| Sales of goods to entities in which person connected to a director has interests      | 1,323                            | N/A   | 3,014                            | N/A   |
| Purchase of goods from entities in which person connected to a director has interests | 39                               | N/A   | 73                               | N/A   |

#### **Notes:**

(1) This is the second interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding year's corresponding quarter as no interim financial report was prepared for the comparative quarter concerned.

N/A - Not Applicable

#### A12. Valuation of Property, Plant and Equipment

The Group has not carried out any valuation on its property, plant and equipment during the financial period.

#### A13. Contingent Assets and Liabilities

There were no material contingent assets and liabilities as at the end of the interim financial period.

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**A14. Fair value of financial instruments**

There were no gain or loss arising from fair value changes of financial assets and liabilities for the current financial quarter under review.

**A15. Changes in Composition of the Group**

There were no material changes in the composition of the Group during the current financial quarter under review.

**A16. Significant Events Occurring After the Financial Period**

There were no significant events subsequent to the end of the current financial period under review that have not been reflected in this interim financial report.

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#### PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES

##### B1. Review of financial performance for current quarter ended 30 June 2024 ("Q2FY2024") and immediate preceding quarter ended 31 March 2024 ("Q1FY2024")

|                         | <b>Q2FY2024</b> | <b>Q1FY2024</b> | <b>Variance</b> |          |
|-------------------------|-----------------|-----------------|-----------------|----------|
|                         | <b>RM'000</b>   | <b>RM'000</b>   | <b>RM'000</b>   | <b>%</b> |
| Revenue                 | 19,415          | 23,960          | (4,545)         | (18.97)  |
| Gross profit            | 4,490           | 7,877           | (3,387)         | (43.00)  |
| Gross profit margin (%) | 23.13           | 32.88           | N/A             | N/A      |
| (LBT)/PBT               | (2,644)         | 3,269           | (5,913)         | (180.88) |

The Group recorded revenue of RM19.42 million in Q2FY2024 and RM23.96 million in Q1FY2024. This represents a decrease of RM4.54 million or 18.97%, primarily attributable to a weaker market demand from local dealers.

The Group recorded gross profit of RM4.49 million in Q2FY2024 as compared to RM7.88 million in Q1FY2024, marking a decrease of RM3.39 million or 43.00%. The gross profit margin dropped from 32.88% in Q1FY2024 to 23.13% in Q2FY2024, mainly due to the increase in cost of sales as a result of increase in raw materials cost caused by the global supply chain disruption.

The Group reported a LBT of RM2.64 million for Q2FY2024, compared to PBT of RM3.27 million in Q1FY2024. After excluding the one-off non-recurring listing expenses of RM1.21 million, the adjusted LBT for 2Q2024 would be RM1.44 million. The LBT recorded in Q2FY2024 is mainly due to the increased costs related to the commencement of operations at the Perak plant, additional marketing efforts, and inventory adjustments for discontinued products.

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#### **B2. Commentary on Prospects**

The paints and coatings industry in Malaysia continues to thrive, bolstered by the ongoing rebound in the construction sector. Looking ahead, the construction industry in Malaysia is expected to continue expanding, driven by the government's continuous efforts to promote infrastructure development, consequently stimulating growth in the paints and coatings industry. This is evidenced by data from the Department of Statistics Malaysia (DOSM), which shows that the value of construction work completed surged by 14.2% year-on-year in the first quarter of 2024, reaching RM36.8 billion.

Our Perak Plant, which commenced commercial operations in May 2024, is currently in the commissioning and fine-tuning phase to further enhance our manufacturing capabilities. It is equipped with an advanced automated production system designed to streamline operations and increase manufacturing capacity, addressing the limitation of our current facilities in Johor, which have reached maximum capacity. Its strategic location near the calcium carbonate source is anticipated to reduce production lead time and overheads costs, while also supporting the expansion of our customer base in the Central and Northern regions of Malaysia.

We are on track to expand our network of dealers, targeting the addition of 800 new dealers between 2024 and 2026. Throughout this time, we will invest in additional 250 sets of Smart Colour POS Tinting Machines which will be distributed locally to both new and existing wholesalers and dealers, with the anticipation that this will boost our sales.

With favorable market conditions and our strategic initiatives, including the continued expansion of our dealer network and enhanced manufacturing capabilities, driven by the growth of the construction industry in Malaysia, the Board is cautiously optimistic in the future performance of the Group.

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The Group has not issued any profit forecast or profit guarantee in any form of public documentation and announcement during the current financial quarter under review.

**B4. Profit before Tax**

|  | INDIVIDUAL QUARTER               |   | CUMULATIVE QUARTER               |   |
|--|----------------------------------|---|----------------------------------|---|
|  | Unaudited<br>30.6.2024<br>RM'000 | Unaudited<br>30.6.2023 <sup>(1)</sup><br>RM'000 | Unaudited<br>30.6.2024<br>RM'000 | Unaudited<br>30.6.2023 <sup>(1)</sup><br>RM'000 |
| <b>Profit before tax is arrived at after charging/(crediting):</b> |                                  |   |                                  |   |
| Auditors' remuneration   |                                  |   |                                  |   |
| - current year   | 16                               | N/A   | 24                               | N/A   |
| Depreciation of property, plant and equipment                      | 716                              | N/A   | 1,219                            | N/A   |
| Impairment loss on trade receivables                               | 155                              | N/A   | 155                              | N/A   |
| Amortisation of intangible assets                                  | 8                                | N/A   | 10                               | N/A   |
| Finance costs  |                                  |   |                                  |   |
| - bankers' acceptance interest                                     | 36                               | N/A   | 68                               | N/A   |
| - overdraft interest   | 12                               | N/A   | 29                               | N/A   |
| - term loan interest   | 489                              | N/A   | 956                              | N/A   |
| - lease liabilities interest                                       | -                                | N/A   | 1                                | N/A   |
| - hire purchase interest   | 1                                | N/A   | 2                                | N/A   |
| Listing expenses   | 1,207                            | N/A   | 1,314                            | N/A   |
| Interest income  | (6)                              | N/A   | (6)                              | N/A   |
| Unrealised foreign exchange (gain)/loss                            | (14)                             | N/A   | 63                               | N/A   |
| Realised foreign exchange loss                                     | 57                               | N/A   | 60                               | N/A   |

**Notes:**

- (1) This is the second interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding year's corresponding quarter as no interim financial report was prepared for the comparative quarter concerned.

N/A - Not Applicable



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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2024****B5. Income tax**

|                              | INDIVIDUAL QUARTER               |   | CUMULATIVE QUARTER               |   |
|------------------------------|----------------------------------|---|----------------------------------|---|
|                              | Unaudited<br>30.6.2024<br>RM'000 | Unaudited<br>30.6.2023 <sup>(1)</sup><br>RM'000 | Unaudited<br>30.6.2024<br>RM'000 | Unaudited<br>30.6.2023 <sup>(1)</sup><br>RM'000 |
| Income tax expense/(credit): |                                  |   |                                  |   |
| - Current tax                | 452                              | N/A   | 1,235                            | N/A   |
| - Deferred tax               | (4,717)                          | N/A   | (4,717)                          | N/A   |
| Total income tax credit      | (4,265)                          | N/A   | (3,482)                          | N/A   |
| Effective tax rate (%)       | (161.31)                         | N/A   | (557.12)                         | N/A   |
| Statutory tax rate (%)       | 24.00                            | N/A   | 24.00                            | N/A   |

**Notes:**

- (1) This is the second interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding year's corresponding quarter as no interim financial report was prepared for the comparative quarter concerned.
- (2) For the current quarter ended 30 June 2024, the effective tax rate was a credit of 161.31%, mainly due to the recognition of deferred tax assets relating to the reinvestment allowance of approximately RM4.16 million following the commencement of operations at the Perak plant. Consequently, the effective tax rate for the cumulative quarter ended 30 June 2024 was a credit of 557.12%.

N/A - Not Applicable

**B6. Loans and Borrowings**

|                                   | Unaudited<br>30.6.2024<br>RM'000 | Audited<br>31.12.2023<br>RM'000 |
|-----------------------------------|----------------------------------|---------------------------------|
| <b>Current</b>                    |                                  |                                 |
| Term loans                        | 884                              | 866                             |
| Hire purchase payables            | 190                              | 201                             |
| Bankers' acceptance               | 1,945                            | 3,180                           |
| Lease liabilities                 | 61                               | 67                              |
|                                   | <u>3,080</u>                     | <u>4,314</u>                    |
| <b>Non-current</b>                |                                  |                                 |
| Term loans                        | 10,606                           | 37,062                          |
| Hire purchase payables            | -                                | 89                              |
| Lease liabilities                 | 27                               | 26                              |
|                                   | <u>10,633</u>                    | <u>37,177</u>                   |
| <b>Total loans and borrowings</b> | <u>13,713</u>                    | <u>41,491</u>                   |

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**B7. Earnings per share**

|   | INDIVIDUAL QUARTER     |                                       | CUMULATIVE QUARTER     |                                       |
|---|------------------------|---------------------------------------|------------------------|---------------------------------------|
|   | Unaudited<br>30.6.2024 | Unaudited<br>30.6.2023 <sup>(1)</sup> | Unaudited<br>30.6.2024 | Unaudited<br>30.6.2023 <sup>(1)</sup> |
| Profit attributable to owners of the Company (RM'000) | 1,644                  | N/A                                   | 4,147                  | N/A                                   |
| Weighted average number of Shares                     | 311,284,486            | N/A                                   | 290,095,680            | N/A                                   |
| Basic/Diluted EPS (sen)                               | 0.53                   | N/A                                   | 1.43                   | N/A                                   |

**Notes:**

- (1) This is the second interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding year's corresponding quarter as no interim financial report was prepared for the comparative quarter concerned.

N/A - Not Applicable

**B8. Material Litigation**

The Group was not engaged in any material litigation as at the date of this interim financial report.

**B9. Dividend Proposed or Declared**

No dividend has been proposed or declared by the Board of Directors of the Company during the current financial quarter under review and financial period-to-date.

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#### B10. Status of Corporate Proposals and Use of Proceeds

Save as disclosed below on corporate proposal which has been completed, there were no other corporate proposals announced by the Company but pending completion as at the date of this interim financial report.

On 28 May 2024, the enlarged issued share capital of the Company comprising 369,850,420 shares was listed and quoted on the ACE Market of Bursa Securities.

The Company had raised gross proceeds of RM37.40 million from the IPO. As at 30 June 2024, the status of utilisation of the IPO proceeds are as follows:

| Details of use of proceeds   | Proposed Utilisation (RM'000) | Amount Utilised (RM'000) | Balance Unutilised (RM'000) | Estimated timeframe for use from the date of Listing |
|--|-------------------------------|--------------------------|-----------------------------|--|
| (a) Establishment of Perak Plant:                                    |                               |                          |                             |  |
| (i) Construction of Perak Plant                                      | 16,000                        | 16,000                   | -                           | Within 12 months                                     |
| (ii) Purchase and commissioning of automated paint production system | 11,000                        | 9,032                    | 1,968                       | Within 12 months                                     |
| (b) Purchase of 250 sets of Smart Colour POS Tinting Machine         | 5,000                         | -                        | 5,000                       | Within 36 months                                     |
| (c) Working capital  | 1,300                         | 1,300                    | -                           | Within 12 months                                     |
| (d) Listing expenses   | 4,100                         | 4,100                    | -                           | Within 1 month                                       |
| <b>Total</b>   | <b>37,400</b>                 | <b>29,007</b>            | <b>6,968</b>                |  |

By Order of The Board  
SMART ASIA CHEMICAL BHD  
26 August 2024