



CPE TECHNOLOGY BERHAD
Registration No.: 202101015732 (1416032-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30
SEPTEMBER 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023 ⁽¹⁾

Items	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Period Quarter	Preceding Year Corresponding Quarter ⁽²⁾	Current Period-to-date	Preceding Year Corresponding Period-to-date ⁽²⁾
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Revenue	22,697	N/A	22,697	N/A
Cost of sales	(16,580)	N/A	(16,580)	N/A
Gross Profit	6,117	N/A	6,117	N/A
Other income	237	N/A	237	N/A
Other gains/ (losses), net	(5)	N/A	(5)	N/A
Selling and marketing expenses	(629)	N/A	(629)	N/A
General and administrative expenses	(2,271)	N/A	(2,271)	N/A
Operating profit	3,449	N/A	3,449	N/A
Finance income	148	N/A	148	N/A
Finance costs	(397)	N/A	(397)	N/A
Finance cost, net	(249)	N/A	(249)	N/A
Profit Before Tax	3,200	N/A	3,200	N/A
Tax expense	(633)	N/A	(633)	N/A
Profit After Tax/Net Profit for the Financial Year	2,567	N/A	2,567	N/A
Other comprehensive income for the financial period, net of tax:				
Currency translation differences	(302)	N/A	(302)	N/A
Total comprehensive income for the financial period	2,265	N/A	2,265	N/A
Basic earnings per share (sen) ⁽³⁾	0.51	N/A	0.51	N/A
Diluted earnings per share (sen) ⁽⁴⁾	0.51	N/A	0.51	N/A



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023 (CONT'D)

(1)

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Accountants' Report as disclosed in the prospectus of CPE Technology Berhad ("**CPE Technology**" or the "**Company**") and its subsidiaries ("**CPE Technology Group**" or the "**Group**") dated 20 November 2023 and the accompanying explanatory notes attached to this interim financial report.
- (2) No comparative figures for the preceding financial year's corresponding quarter and period-to-date are available as the Company will only be listed on the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**") on 7 December 2023. The interim financial report is announced in compliance with the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**").
- (3) Basic earnings per share ("**EPS**") is calculated based on the Group's enlarged share capital of 503,486,091 shares before the Initial Public Offering ("**IPO**") of the Company.
- (4) The diluted EPS of the Group for the current financial quarter and financial period to date ended 30 September 2023 is equivalent to the basic EPS as the Group does not have any convertible options at the end of the reporting period.

N/A Not applicable.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 ⁽¹⁾

	As at 30 September 2023 (Unaudited) RM'000	As at 30 June 2023 (Audited) RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	61,313	62,639
Right-of-use assets	3,288	3,460
Deferred tax assets	274	276
Deposits with licensed banks	877	872
	65,752	67,247
CURRENT ASSETS		
Inventories	51,553	53,667
Receivables, deposits and prepayments	17,159	21,586
Contract assets	73	146
Current tax receivable	5,577	220
Deposits, cash and bank balances	51,861	52,719
	126,223	128,338
CURRENT LIABILITIES		
Payables and accrued liabilities	9,239	17,101
Current tax provision	8,840	4,437
Borrowings	7,148	7,652
Lease liabilities	805	1,179
	26,032	30,369
NET CURRENT ASSETS	165,943	165,216
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	91,397	91,397
Capital reorganisation reserves	(86,215)	(86,215)
Currency translation reserves	4,931	5,233
Retained profits	129,840	127,273
Shareholders' equity	139,953	137,688
NON-CURRENT LIABILITIES		
Borrowings	21,446	23,091
Lease liabilities	2,252	2,145
Deferred tax liabilities	2,292	2,292
	25,990	27,528
	165,943	165,216
Net assets per share (sen) ⁽²⁾	27.80	27.35



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(Registration No. 202101015732 (1416032-X))
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D) ⁽¹⁾

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Accountants' Report as disclosed in the prospectus of the Company dated 20 November 2023 and the accompanying explanatory notes attached to this interim financial report.
- (2) In the calculation of net assets per ordinary share is calculated based on the Company's enlarged number of ordinary shares as at 30 September 2023 of 503,486,091 ordinary shares (30 June 2023: 503,486,091 shares).

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023 ^{(1) (2)}

	Share capital RM'000	Capital reorgani- sation reserve RM'000	Currency translation reserve RM'000	Retained profits RM'000	Total RM'000
As at 1 July 2023	91,397	(86,215)	5,233	127,273	137,688
TOTAL COMPREHENSIVE INCOME:					
- Net profit for the financial period	-	-	-	2,567	2,567
- Other comprehensive income for the financial period, net of tax	-	-	(302)	-	(302)
As at 30 September 2023	91,397	(86,215)	4,931	129,840	139,953

Notes:

- (1) The Unaudited Consolidated Statement of Changes in Equity should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2023 and the accompanying explanatory notes attached to this interim financial report.
- (2) No comparative figures for the preceding year are presented as this is the first interim financial report announced by the Group in compliance with the Listing Requirements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023 ⁽¹⁾

	CUMULATIVE QUARTER	
	Current Period-to-date	Preceding Year Corresponding Period-to-date ⁽²⁾
	30 September 2023	30 September 2022
	RM'000	RM'000
OPERATING CASH FLOWS		
Profit before taxation	3,200	N/A
Adjustments for:		
Property, plant and equipment:		
- depreciation	1,958	N/A
Amortisation of right-of-use assets	198	N/A
Finance income	(148)	N/A
Finance costs	397	N/A
Unrealised foreign exchange loss	651	N/A
Provision for slow moving inventories	158	N/A
	6,414	N/A
Changes in working capital:		
Inventories	1,957	N/A
Receivables	3944	N/A
Contract assets	73	N/A
Payables	(7,843)	N/A
Cash generated from/(used in) operations	4,545	N/A
Tax paid	(1,587)	N/A
Net operating cash flow	2,958	N/A
INVESTING CASH FLOWS		
Property, plant and equipment		
- purchases	(632)	N/A
Interest received	143	N/A
Net investing cash flow	(489)	N/A

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023 (CONT'D) ⁽¹⁾

	CUMULATIVE QUARTER	
	Current Period-to-date	Preceding Year Corresponding Period-to-date ⁽²⁾
	30 September 2023	30 September 2022
	RM'000	RM'000
FINANCING CASH FLOWS		
Interest paid	(398)	N/A
Repayments of term loans	(227)	N/A
Repayment of trust receipts	(327)	N/A
Repayments of hire-purchase liabilities	(1,597)	N/A
Repayments of lease liabilities	(292)	N/A
Net financing cash flow	(2,841)	N/A
NET CHANGE IN CASH AND CASH EQUIVALENTS	(372)	N/A
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	52,719	N/A
EFFECT OF CHANGES IN EXCHANGE RATES OF CASH AND CASH EQUIVALENTS	(486)	N/A
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	51,861	N/A

Notes:

- (1) The Unaudited Consolidated Statement of Cash Flows should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2023 and the accompanying explanatory notes attached to this interim financial report.
- (2) No comparative figures for the preceding financial year's corresponding period-to-date is available as this is the first interim financial report announced in compliance with the Listing Requirements.

N/A Not applicable.

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023

A1. BASIS OF PREPARATION

This condensed consolidated interim financial report has been prepared in accordance with MFRS 134 – *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (MASB) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

This is the first interim financial report on the Group’s unaudited consolidated results for the first quarter ended 30 September 2023 announced by the Group in compliance with the Listing Requirements and as such, there are no comparative figures for the preceding corresponding period.

The condensed consolidated interim financial report should be read in conjunction with the Accountants’ Report as disclosed in the prospectus of the Group dated 20 November 2023 and the accompanying explanatory notes in this report. The explanatory notes attached to this Condensed Report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of our Group since the year ended 30 June 2023.

A2. Significant Accounting Policies

The significant accounting policies and presentations adopted by our Group are consistent with those adopted in the financial statements for the year ended 30 June 2023, except for the adoption of the following standards which are effective for annual periods beginning on and after 1 July 2023.

- (i) Financial year beginning on or after 1 July 2023:

MFRS 17 ‘Insurance Contracts’	Effective 1 January 2023
Amendments to MFRS 17 ‘Insurance Contracts’	Effective 1 January 2023
Amendments to MFRS 101 ‘Presentation of Financial Statements’ and MFRS Practice Statement 2 on ‘Disclosure of Accounting Policies’	Effective 1 January 2023
Amendments to MFRS 108 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ on ‘Definition of Accounting Estimates’	Effective 1 January 2023
Amendments to MFRS 112 ‘Deferred Tax related to Assets and Liabilities Arising from a Single Transaction’	Effective 1 January 2023
Amendments to MFRS 112 on International Tax Reform – Pillar Two Model Rules	Effective immediate and on 1 January 2023

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023 (CONT'D)

A2. Significant Accounting Policies (Cont'D)

(ii) Financial year beginning on or after 1 July 2024:

Amendments to MFRS 101 'Classification of Liabilities as Current or Non-current Liabilities and Deferral of Effective Date' (2021 Amendments) and Non-current Liabilities with Covenants (2022 Amendments)	Effective 1 January 2024
Amendments to MFRS 16 "Leases" on 'Lease Liability in a Sale and Leaseback'	Effective 1 January 2024
Amendments to MFRS 107 and MFRS 7 on Supplier-Finance Arrangements	Effective 1 January 2024

The adoption of abovementioned new MFRS and amendments of MFRS do not have material impact on the interim financial statements of our Group

A3. Audit Qualification

There was no audit qualification on the annual financial statements of the Company and our Group for the year ended 30 June 2023.

A4. Seasonality of Operations

Our Group's business operations are not affected by any seasonal trends.

A5. Unusual and Material Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow

Save as disclosed in Note B1 and Note B2 below, there were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current period ended 30 September 2023.

A6. Material Changes in Estimates

There were no material changes in estimates that have a material affect in the current period ended 30 September 2023.

A7. Debt and Equity Securities

There were no issuance and repayment of debts and equity security, share buy-backs, share cancellation, share held as treasury shares by the Company during the current period ended 30 September 2023.

A8. Dividend Paid

There was no dividend paid during the current period ended 30 September 2023.

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023 (CONT'D)

A9 Segmental Information

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Period Quarter	Preceding Year Corresponding Quarter ⁽¹⁾	Current Period-to-date	Preceding Year Corresponding Period-to-date ⁽¹⁾
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
<u>Revenue from contracts with customers:</u>				
- Sales of goods	20,047	N/A	20,047	N/A
- Rendering of services	2,650	N/A	2,650	N/A
	22,697	N/A	22,697	N/A
<u>Revenue from contracts with customers by geographical locations:</u>				
- United States of America	13,259	N/A	13,259	N/A
- Singapore	4,409	N/A	4,409	N/A
- Malaysia	3,952	N/A	3,952	N/A
- Germany	122	N/A	122	N/A
- Japan	372	N/A	372	N/A
- Thailand	144	N/A	144	N/A
- Italy	381	N/A	381	N/A
- Portugal	57	N/A	57	N/A
- Romania	1	N/A	1	N/A
	22,697	N/A	22,697	N/A

Notes:

N/A means "Not applicable"

(1) No comparative figures for the preceding corresponding period are presented as this is the first interim financial report announced by CPE Technology Berhad in compliance with the Listing Requirements.

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023 (CONT'D)

A9 Segmental Information (Cont'D)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Period Quarter	Preceding Year Corresponding Quarter ⁽¹⁾	Current Period-to-date	Preceding Year Corresponding Period-to-date ⁽¹⁾
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
<u>Revenue from contracts with customers by industry segments:</u>				
- Semiconductor	13,548	N/A	13,548	N/A
- Life science and medical devices	2,332	N/A	2,332	N/A
- Sport equipment	3,742	N/A	3,742	N/A
- Sensor equipment	409	N/A	409	N/A
- Security	964	N/A	964	N/A
- Opto-mechanical	176	N/A	176	N/A
- Aerospace	688	N/A	688	N/A
- Instrumentation	300	N/A	300	N/A
- Automotive	532	N/A	532	N/A
- General engineering industry	6	N/A	6	N/A
	22,697	N/A	22,697	N/A

Notes:

N/A means "Not applicable"

(1) No comparative figures for the preceding corresponding period are presented as this is the first interim financial report announced by CPE Technology Berhad in compliance with the Listing Requirements.

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023 (CONT'D)

A9 Segmental Information (Cont'D)

The Group's property, plant and equipment and right-of-use assets by geographical location, which is determined by the country in which the asset is located, is as follows:

	Unaudited	Audited
	30 September	30 June
	2023	2023
	RM'000	RM'000
Property, plant and equipment:		
Malaysia	61,200	62,508
Singapore	113	131
	<u>61,313</u>	<u>62,639</u>
Right-of-use assets:		
Malaysia	1,531	1,695
Singapore	1,757	1,765
	<u>3,288</u>	<u>3,460</u>
	<u>64,601</u>	<u>66,099</u>

A10. Material Events Subsequent to the Statement of Financial Position Date

Saved as disclosed in Note B5, there were no material events subsequent to the end of the current financial year under review that have not been reflected in this condensed consolidated interim financial report.

A11. Changes in Composition of our Group

There were no changes in composition of our Group for the current period ended 30 September 2023.

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023 (CONT'D)**A12. Changes in Contingent Liabilities or Contingent Assets**

There were no changes in contingent liabilities or contingent assets of a material nature as current period as at 30 September 2023.

A13. Capital Commitments

There were no contractual capital commitments subsequent to the end of the current period as at 30 September 2023.

A14. Significant Related Party Transactions

There were no related party transactions for the current period ended 30 September 2023.

A15. Derivatives

There were no derivatives used in the current period ended 30 September 2023.

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Performance

Current and Cumulative Quarter ended 30 September 2023 (“Q1 FY2024”)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Period Quarter	Preceding Year Corresponding Quarter ⁽¹⁾	Current Period-to-date	Preceding Year Corresponding Period-to-date ⁽¹⁾
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Revenue	22,697	N/A	22,697	N/A
Profit before tax (“PBT”)	3,200	N/A	3,200	N/A

Notes:

N/A means “Not applicable”

(1) No comparative figures for the preceding corresponding period are presented as this is the first interim financial report announced by CPE Technology Berhad in compliance with the Listing Requirements.

The Group recorded total revenue of approximately RM22.69 million in Q1 FY2024, mainly derived from the Semiconductor industry, which contributed RM13.55 million or 59.69% to the total revenue, followed by the Sport equipment industry of RM3.74 million or 16.49% and Life science and medical devices industry of RM2.33 million or 10.27% and Security industry of RM0.96 or 4.25% and Aerospace industry of RM0.69 million or 3.03% and Automotive industry of RM0.53 million or 2.34% and Sensor equipment industry of RM0.41 million or 1.80% and Instrumentation industry of RM0.30 million or 1.32% and Otpo-mechanical industry of RM0.17 million or 0.78% and General engineering industry of RM0.006 million or 0.03% .

The Group registered gross profit of RM6.12m with gross profit margin of 26.95%, profit before tax of RM3.20 million and net profit after tax of RM2.57 million with a net profit after tax margin of 11.3%.

There are no comparative figures for the immediate preceding quarter as this is the first interim financial report announced by CPET Technology Berhad in compliance with the Listing Requirements.

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B2. Commentary on Prospects

Our Group expects that the orders from some of our existing customers should remain softened for the first half of our FYE 30 June 2024 and strengthen in the second half of our FYE 30 June 2024. This is in line with the expected contraction of the global semiconductor industry due mainly to the following factors:-

- (i) Oversupply of certain segments of semiconductors (namely memory chips used in electronics).

The oversupply resulted from a rapid expansion in the global semiconductor production capacity as demand for semiconductors soared during the start of the COVID-19 pandemic and from various countries' investment in onshoring semiconductor production in light of tensions between the United States of America ("USA") and China.

- (ii) Global economic slowdown.

As semiconductors are used in all electrical and electronics products, the global economic slowdown and inflationary environment may lead to weak consumer spending and lower demand for electrical and electronics products and in turn lead to weaker demand for semiconductors.

- (iii) Geopolitical tensions.

Tensions between the USA and China have led to the USA banning certain export of semiconductor technology to China in 2022 by enacting export controls on the supply of advanced semiconductor technology to China, which includes, cutting-edge chips, chip design software, chip manufacturing equipment, and USA-built components of manufacturing equipment. The prohibitions not only cover exports from American firms, but also applies to any company worldwide that uses USA semiconductor technology. Japan and the Netherlands have followed suit, announcing respective export restrictions in 2023. In response to such export restrictions, China also enacted export restrictions on gallium and germanium compounds, two metal compounds that are used in the manufacturing of semiconductors. The new restriction will require exporters to have a license to ship the said metal compounds. The USA further tightened its export controls on advanced semiconductor chips and announced that it would constrict exports of artificial intelligence chips. In the short-term, these geopolitical tensions may lead to global semiconductor companies having to cease operations in China or stop exporting their products to China. This may lead companies to establish operations in other countries and lead to the short-term downturn of the industry until the new operations commence.

Notwithstanding the above, moving forward to 2024, the global semiconductor industry is expected to rebound due mainly to the following factors:-

- (i) Demand from enterprise-driven markets.

Demand from enterprise-driven markets such as enterprise networking, enterprise computer, industrial, medical, and commercial transportation which is expected to remain resilient. Rebound in demand augers well for the global semiconductor industry and is likely to contribute to strengthening of orders from our Group's semiconductor customers in the second half of our FYE 30 June 2024.

- (ii) Continued investment.

The USA government had introduced the Creating Helpful Incentives to Produce Semiconductor and Science Act of 2022, otherwise known as the CHIPS Act on 9 August 2022, whereby the USA government will provide companies with subsidies for investment in chip fabrication plants, chip research and development, and workforce development, as well as incentives for facilities that manufacture equipment for semiconductor manufacturing to boost the semiconductor industry in the USA. Similarly, China has also been boosting investments into its local semiconductor industry to strengthen its domestic supply chain as the US curbs tech exports. The country invested over USD290.8 billion in semiconductor-related investment projects between 2021 and 2022, mainly into semiconductor equipment and materials. In September 2023, the country has sought to raise a 300 billion Renminbi (USD41 billion) state-backed fund for its semiconductor industry. In Europe, the European Union adopted the European Chips Act, aimed at reducing the European Union's vulnerabilities and dependencies on foreign players. The act mobilises more than EUR43 billion (USD47.5 billion) and aims to double the region's market share to 20% in 2030.

As of the current market analysis, numerous reports and research studies have indicated that the semiconductor industry is likely to experience a prolonged downturn until the conclusion of the year 2023.

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B2. Commentary on Prospects (Cont'D)

Considering the global short-term downturn and its impact on the semiconductor industry, our Group has observed a decline in new orders and deliveries, consequently resulting in a softening of sales revenue, particularly in the second half of 2023. Despite these challenges, our management remains optimistic about an upcoming resurgence, anticipating initial signs of recovery in the first half of 2024, followed by a robust rebound in the latter half of the same year.

Despite recent challenges in market, our Group has secured orders from a new Japanese semiconductor customer, who is one of the market leader in the Semiconductor Mass Flow Controller (MFC) market. Securing this customer reflects our unwavering commitment to excellence and underscores our ability to navigate and thrive in challenging market conditions. This achievement not only boosts our confidence but also reaffirms our standing in the industry. We are optimistic that this success marks the beginning of a turnaround, and we remain dedicated to adapting, evolving, and delivering value to our customers despite market fluctuations

Aligned with our commitment to sustained progress, our Group continues to prioritise the development of new customer relationships and the expansion of our product portfolio, catering to the demands of existing clientele. To maintain our competitiveness in the changing semiconductor market, we are working hard to improve our production capacity and operational efficiency, as explained in the following:-

(i) Renting of Plant 5

To facilitate our operational efficiency and accommodate the increasing demands of our business, our Group has secured a strategic lease for "Plant 5," situated approximately 500 meters away from our existing Plants 2, 3, and 4. With the land and built-in size of approximately 53,249 sf and 25,953 sf respectively, Plant 5 is currently undergoing renovations and is scheduled to commence production activities by January 2024. This new facility serves as a transitional measure to alleviate congestion within our existing plants, ensuring optimized production processes, and providing ample space for the management of our inventories.

(ii) Our IPO on the Main Market of Bursa Securities

Furthermore, in line with our long-term growth strategy, our Group is poised to be listed on the Main Board of Bursa Malaysia by the conclusion of the year 2023. The proceeds from our initial public offering (IPO) are earmarked for strategic investments in new capacities and the bolstering of our working capital, as specified in our Prospectus dated 20 November 2023.

We remain resolutely focused on fortifying our market position and reaffirm our commitment to delivering sustained value to our stakeholders, even in the face of the current market challenges.

B3. Profit Forecast

Not applicable as no profit forecast was published.

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B4. Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Period Quarter	Preceding Year Corresponding Quarter ⁽¹⁾	Current Period-to-date	Preceding Year Corresponding Period-to-date ⁽¹⁾
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Current tax expenses				
- Current year	631	N/A	631	N/A
- Prior year	2	N/A	2	N/A
	633	N/A	633	N/A
Effective tax rate (%)	19.78	N/A	19.78	N/A
Statutory tax rate (%)				
- Malaysia	24.00	N/A	24.00	N/A
- Singapore	17.00	N/A	17.00	N/A

Note:

N/A means "Not applicable"

(1) No comparative figures for the preceding corresponding period are presented as this is the first interim financial report announced by CPE Technology Berhad in compliance with the Listing Requirements.

The group's effective tax rate is lower than Malaysia's statutory rate of 24% is mainly due to the income generated by its subsidiaries in Singapore is taxed at Singapore's statutory rate of 17%.

B5. Status of Corporate Proposal

Save as disclosed below, there were no other corporate proposals announced by the Company but not completed as at the date of this condensed consolidated interim financial report.

On 20 November 2023, the Company issued the Prospectus in relation to the initial public offering ("IPO") comprising the public issue of 167,828,700 new ordinary shares in the Company and the offer for sale of 67,131,000 ordinary shares in the Company at an IPO price of RM1.07 per share.

The listing of and quotation for the Company's entire issued share capital on the Main Market of Bursa Securities is expected to be on 7 December 2023 ("**Listing**").

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B6. Utilisation of Proceeds from the Public Issue

The gross proceeds from the Public Issue of RM 179.58 million are expected to be used in the following manner:

No	Purpose	Proposed Utilisation	Percentage of Total Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation ⁽¹⁾
		RM'000	%	RM'000	
1.	Acquisition of the New Industrial Lands and construction of the New Plants	69,595	38.76	-	Within 36 months
2.	Purchase of new machinery and equipment and relocation of existing machinery and equipment	32,882	18.31	-	Within 36 months
3.	Repayment of bank borrowings	17,454	9.72	-	Within 36 months
4.	Part-financing working capital expenditure requirements	46,909	26.12	-	Within 24 months
5.	Part financing other capital expenditure requirements	1,422	0.79	-	Within 12 months
6.	Estimated listing expenses	11,315	6.30	-	Within 3 months
Total		179,577	100.00	-	N/A

Note:-

(1) From the date of Listing of the Company.

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B7. Interest bearing bank borrowings and lease liabilities

	Unaudited
	30 September 2023
	RM'000
<hr/>	
<u>Interest-bearing bank borrowings</u>	
<u>Non - current</u>	
Term loans	17,703
Hire Purchase Creditors	3,743
	21,446
<u>Current</u>	
Term loans	931
Hire Purchase Creditors	6,217
	7,148
<u>Currency Denominated In</u>	
Ringgit Malaysia ("MYR")	28,594
<u>Lease Liabilities</u>	
Non - current	2,252
Current	805
	3,057

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B8. Operating Profit/(Loss)

	INDIVIDUAL QUARTER	
	Current Period Quarter	Preceding Year Corresponding Quarter ⁽¹⁾
	30 September 2023 RM'000	30 September 2022 RM'000
Operating profit/(loss) is arrived at after charging/(crediting):		
Interest Income	(148)	N/A
Interest expense	397	N/A
Depreciation of property, plant and equipment	1,958	N/A
Amortisation of right-of-use assets	198	
Loss on foreign exchange	5	N/A
Additional allowance for slow moving and obsolete inventories	158	N/A
Upkeep, repair and maintenance	676	N/A

N/A means "Not applicable"

(1) No comparative figures for the preceding corresponding period are presented as this is the first interim financial report announced by CPE Technology Berhad in compliance with the Listing Requirements.

B9. Material Litigation

Our Group is not engaged in any material litigation for the current period ended 30 September 2023.

B10. Dividend

The Board does not recommend any dividend for the current period ended 30 September 2023.

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B11. Earnings per Share

The basic and diluted EPS for the current quarter and financial year under review is computed as follows:

	Individual Quarter		Cumulative Period	
	Current Period Quarter	Preceding Year Corresponding Quarter ⁽¹⁾	Current Period-to-date	Preceding Year Corresponding Period-to-date ⁽¹⁾
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Profit attributable to the owners of the Company	2,567	N/A	2,567	N/A
Weighted average number of ordinary shares in issue (basic) (unit)	503,486	N/A	503,486	N/A
Basic EPS (sen) ⁽²⁾	0.51	N/A	0.51	N/A
Diluted EPS (sen) ⁽³⁾	0.51	N/A	0.51	N/A

Notes:

- (1) No comparative figures for the preceding corresponding period are presented as this is the first interim financial report announced by CPE Technology Berhad in compliance with the Listing Requirements.
- (2) Computed based on profit attributable to owners of CPE Technology Berhad divided by the number of ordinary shares outstanding (after the completion of the Pre-IPO Reorganisation Exercise as disclosed in the Prospectus of CPE Technology Berhad dated 20 November 2023) of 503,486,091.
- (3) Diluted EPS of CPE Technology Berhad is equivalent to the basic EPS as the Group does not have convertible securities at the end of the current quarter.

B12. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report as set out above was approved by the Board of Directors of CPE Technology Berhad in accordance with a resolution dated 30 November 2023.

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