



5E RESOURCES LIMITED
(Company Registration. No. 202136285K)
(Incorporated in Singapore)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

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A. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	6 months ended		Increase/ (Decrease) %
		30 June 2022 MYR'000	30 June 2021 MYR'000	
Revenue from contracts with customers	4	32,737	24,352	34.4
Cost of sales		(17,513)	(13,227)	32.4
Gross profit		15,224	11,125	36.8
Other income				
Interest income	6	132	27	388.9
Other gains	7	235	17	1,282.4
Administrative expenses		(4,938)	(5,579)	(11.5)
Selling and distribution expenses		(1,893)	(1,763)	7.4
Finance expenses		(242)	(115)	110.4
Net impairment losses on trade receivables		38	(19)	(300.0)
Profit before income tax		8,556	3,693	131.7
Income tax expense	9	(2,399)	(1,544)	55.4
Net profit and total comprehensive income for the financial year ("NPAT")		6,157	2,149	186.5
Net profit and total comprehensive income for the financial year attributable to:				
- Owners of the Company		6,157	2,149	186.5
Earnings per share for profit attributable to equity holders of the Company				
- Basic and diluted earnings per share (cents)	14	5.15	1.97	

Reconciliation from Profit for the period ended 30 June 2022 and 30 June 2021 to Normalised Operating Earnings:

	6 months ended		Increase/ (Decrease) %
	30 June 2022 MYR'000	30 June 2021 MYR'000	
NPAT	6,157	2,149	186.5
Adjusting for Listing expenses	2,419	3,735	
Normalized operating earnings	8,576	5,884	45.8

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B. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Note	Group		Company		
	30 June 2022	31 December 2021	30 June 2022	31 December 2021	
	MYR'000	MYR'000	MYR'000	MYR'000	
ASSETS					
Current assets					
	Cash and cash equivalents	57,550	21,918	29,496	-
	Short term deposits	984	82	-	-
	Trade and other receivables	10,958	11,693	-	-
	Amount due from related parties	68	59	-	-
	Other current assets	295	863	-	-
	Inventories	802	499	-	-
	Total current assets	70,657	35,114	29,496	-
Non-current assets					
11	Property, plant and equipment	28,841	29,750	-	-
	Right-of-use assets	18,507	7,161	-	-
	Investment in subsidiary	-	-	55,886	55,886
	Prepayment for purchase of property, plant and equipment	320	70	-	-
	Total non-current assets	47,668	36,981	55,886	55,886
	Total assets	118,325	72,095	85,382	55,886
LIABILITIES					
Current liabilities					
	Trade and other payables	5,734	7,158	553	280
	Amount due to related company	1	-	3,669	1,355
	Contract liabilities	74	99	-	-
	Current income tax liabilities	2,798	1,772	-	-
12	Borrowings	3,140	3,311	-	-
	Lease liabilities	81	189	-	-
	Total current liabilities	11,828	12,529	4,222	1,635
Non-current liabilities					
	Lease liabilities	12,052	138	-	-
12	Borrowings	2,454	2,617	-	-
	Deferred tax liabilities	2,338	2,427	-	-
	Total non-current liabilities	16,844	5,182	-	-
	Total liabilities	28,672	17,711	4,222	1,635
	NET ASSETS	89,653	54,384	81,160	54,251
EQUITY					
Capital and reserves attributable to owners of the Company					
13	Share capital	84,998	55,886	84,998	55,886
	Reserves	(59,250)	(59,250)	-	-
	Retained earnings	63,905	57,748	(3,838)	(1,635)
	Total equity	89,653	54,384	81,160	54,251

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C. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Group			
	Share capital	Reserves	Retained profits	Total
	MYR'000	MYR'000	MYR'000	MYR'000
Balance at 1 January 2022	55,886	(59,250)	57,748	54,384
Net profit for the financial year	-	-	6,157	6,157
Total comprehensive income for the period	-	-	6,157	6,157
Issuance of shares	31,502	-	-	31,502
Share issue costs	(2,390)	-	-	(2,390)
Transaction with owners	29,112	-	-	29,112
Balance at 30 June 2022	84,998	(59,250)	63,905	89,653

	Attributable to equity holders of the Group			
	Share capital	Reserves	Retained profits	Total
	MYR'000	MYR'000	MYR'000	MYR'000
Balance at 1 January 2021	55,886	(59,250)	48,451	45,087
Net profit for the financial year	-	-	2,149	2,149
Total comprehensive income for the year	-	-	2,149	2,149
Balance at 30 June 2021	55,886	(59,250)	50,600	47,236

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D. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	30 June 2022	30 June 2021
	MYR'000	MYR'000
Cash flows from operating activities		
Profit before income tax	8,556	3,693
Adjustments for:		
- Depreciation of property, plant and equipment	1,326	1,134
- Depreciation of right-of-use assets	381	263
- Loss on disposal of property, plant and equipment	35	-
- Listing expenses charged to equity	(2,390)	-
- Interest income	(132)	(27)
- Finance expenses	242	115
	<u>8,018</u>	<u>5,178</u>
Changes in working capital:		
- Inventories	(303)	(185)
- Trade and other receivables	621	1,992
- Trade and other payables	(756)	(1,734)
Cash generated from operations	<u>7,580</u>	<u>5,251</u>
Income tax paid	(1,463)	(1,148)
Net cash generated from operating activities	<u>6,117</u>	<u>4,103</u>
Cash flows from investing activities		
Payment to shareholders of a subsidiary in respect of the acquisition of a subsidiary	-	(4,495)
Purchase of property, plant and equipment	(702)	(1,142)
Repayment from/(advance to) related parties	(19)	(83)
Placement of short-term fixed deposit	(900)	-
Interest received	131	24
Net cash used in investing activities	<u>(1,490)</u>	<u>(5,696)</u>
Cash flows from financing activities		
Repayments of term loans	(333)	(314)
Proceeds from issuance of shares	31,502	-
Repayments of lease liabilities	(107)	(219)
Interest paid	(57)	(115)
Net cash generated from/ (used in) financing activities	<u>31,005</u>	<u>(648)</u>
Net change in cash and cash equivalents	<u>35,632</u>	<u>(2,241)</u>
Cash and cash equivalents at the beginning of financial period	<u>21,918</u>	<u>16,845</u>
Cash and cash equivalents at the end of financial period	<u>57,550</u>	<u>14,604</u>

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E. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. General information, the restructuring exercise and basis of presentation

1.1 General information

5E Resources Limited (the “**Company**”) was incorporated and domiciled in Singapore on 18 October 2021 as a private company limited by shares. The address of the Company’s registered office is 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712. On 25 March 2022, the Company was subsequently converted to a public limited company and the Company’s name was changed to “5E Resources Limited”.

The Company was successfully listed on Catalist, the sponsor-supervised listing platform in the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 12 May 2022.

The Company is an investment holding company. The Company, together with its subsidiaries (the “**Group**”), are principally engaged in the provision of scheduled waste management services, sale of recovered and recycled products and trading of chemicals.

1.2 Restructuring Exercise

In preparation for the listing of the Company’s shares on the Catalist of the SGX-ST, the Group underwent the restructuring as described below, which resulted in the Company becoming the holding company of the Group. For further information, please refer to section entitled “Restructuring Exercise” of the Company’s Offer Document.

1.3 Basis of presentation

The Group resulting from the above Restructuring Exercise is regarded as a continuing entity for the year ended 31 December 2021 as the Group is ultimately controlled by the common shareholders both before and after the Restructuring Exercise. Accordingly, although the Company is only incorporated on 18 October 2021, the interim financial statements of the Group have been prepared on the basis that the Restructuring Exercise transfer the equity interest in the combining entities under the common control to the Company has been affected for the year ended 31 December 2021.

2. Basis of preparation

These condensed interim financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“**SFRS(I)s**”) 1-34 “Interim Finance Reporting”. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last financial statements for the period ended 30 June 2022.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the estimation of income tax and adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Malaysia Ringgit (“**MYR**”) (“presentation currency”), which is the functional currency of the Group.

E. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

2.1 New and amended standards adopted by the Group

On 1 January 2022, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the current financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial periods and financial years.

3. Use of judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives and residual values of plant and machinery

The costs of plant and machinery are depreciated on a straight-line basis over their useful lives. Management exercises its judgement in estimating the useful lives and residual values of the depreciable assets. The estimated useful lives reflect management's estimate of the period that the Group intends to derive future economic benefits from the use of the depreciable asset.

The Group reviews annually the estimated useful lives of plant and machinery based on the factors that include asset utilisation, internal technical evaluation, technological changes, environmental and anticipated use of the assets. It is possible that the Group's future results could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives by 1 year would increase the Group's annual depreciation expense by MYR 60,000 and MYR 175,000 for 30 June 2022 and 31 December 2021 respectively.

(b) Impairment of trade receivables

The loss allowance for financial assets is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation.

To measure the expected credit losses, these receivables have been grouped based on days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months and the corresponding credit losses experienced within this period. The historical loss rates are adjusted to reflect the current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and inflationary rate in Malaysia to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. Any possible changes in these inputs could result in revision to the loss allowance recorded by the Group.

E. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

3. Use of judgements and estimates (continued)

(b) *Impairment of trade receivables (continued)*

Management has considered a range of possible outcomes, i.e. a baseline scenario and the worst case scenario in computing the Expected Credit Losses. In the baseline scenario, management incorporated the current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the trade receivables and made adjustments to the expected loss rates accordingly. In the worst case scenario, management considered a further increase in expected loss rate as computed in the baseline scenario. A probability-weighting of occurrence was subsequently applied to these two different scenarios to derive at the expected credit loss allowance to be made. A 20% increase in the probability-weighting would increase the loss allowance by MYR34,000 and MYR40,000 for 30 June 2022 and 31 December 2021 respectively.

4. Revenue and segment information

The chief operating decision maker (“CODM”) has been identified as the Executive Directors of the Company who review the Group’s internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The Group is principally engaged in scheduled waste management services, sales of recovered and recycled products and chemical trading. Information reported to CODM, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group. For the financial period ended 30 June 2022 and 30 June 2021, there are three operating segments based on business type: (1) scheduled waste management services, (2) sales of recovered and recycled products, and (3) chemical trading.

The CODM consider the business from activities perspective and assess the performance of the operating segments based on a measure of gross profit for the purposes of allocating resources. No analysis of segment assets or segment liabilities is regularly provided to the CODM.

Transactions between operating segments are carried out on agreed terms between both segments. The effects of such inter-segment transactions and balances arising thereof are eliminated.

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E. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

4. Revenue and segment information (continued)

	6 months ended 30 June 2022			
	Scheduled waste management services MYR'000	Sales of recovered and recycled products MYR'000	Chemical trading MYR'000	Total MYR'000
Group				
Segment revenue				
Total revenue	26,450	5,498	1,934	33,882
Intersegment revenue elimination	-	-	(1,145)	(1,145)
Revenue from external customers	26,450	5,498	789	32,737
Segment results	11,904	2,769	551	15,224
Other income				
- interest income				132
Other gains				235
Administrative expenses				(4,938)
Selling and distribution expenses				(1,893)
Finance expenses				(242)
Net impairment loss on trade receivables				38
Profit before income tax				8,556
Significant non-cash items				
Depreciation of property, plant and equipment	1,100	225	1	1,326
Depreciation of right-of-use assets	305	62	14	381
Addition:				
Property, plant and equipment	452	-	-	452

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E. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

4. Revenue and segment information (continued)

	6 months ended 30 June 2021			
	Scheduled waste management services MYR'000	Sales of recovered and recycled products MYR'000	Chemical trading MYR'000	Total MYR'000
Group				
Segment revenue				
Total revenue	19,037	4,633	1,479	25,149
Intersegment revenue elimination	-	(1)	(796)	(797)
Revenue from external customers	19,037	4,632	683	24,352
Segment results	8,237	2,360	528	11,125
Other income				
- interest income				27
Other gains				17
Administrative expenses				(5,579)
Selling and distribution expenses				(1,763)
Finance expenses				(115)
Net impairment loss on trade receivables				(19)
Profit before income tax				3,693
Significant non-cash items				
Depreciation of property, plant and equipment	986	147	1	1,134
Depreciation of right-of-use assets	216	32	15	263
Addition:				
Property, plant and equipment	834	-	2	836

Most of the Group's revenue is generated from customers located in Malaysia and all the assets of the Group are located in Malaysia. Accordingly, no geographical segment analysis is presented.

For the financial period ended 30 June 2022 and 30 June 2021, there were no customers which contributed over 10% of the Group's total revenue.

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5. Financial assets and liabilities

	Group		Company	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	MYR'000	MYR'000	MYR'000	MYR'000
Financial assets				
Trade and other receivables	10,958	11,693	-	-
Amounts due from related parties	68	59	-	-
Short term deposits	984	82	-	-
Cash and cash equivalents	57,550	21,918	29,496	-
	69,560	33,752	29,496	-

	Group		Company	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	MYR'000	MYR'000	MYR'000	MYR'000
Financial liabilities				
Trade and other payables	5,734	7,158	553	280
Amount due to related parties	1	-	3,669	1,355
Borrowings	5,594	5,928	-	-
Lease liabilities	12,133	327	-	-
	23,462	13,413	4,222	1,635

6. Other income

	Group	
	30 June 2022	30 June 2021
	MYR'000	MYR'000
Interest income	132	27

7. Other gains

	Group	
	30 June 2022	30 June 2021
	MYR'000	MYR'000
Currency exchange gain – net	235	17

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E. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

8. Expenses by nature

	Group	
	6 months ended 30 June	
	2022	2021
	MYR'000	MYR'000
Depreciation of property, plant and equipment	1,326	1,134
Depreciation of right-of-use assets	381	263
Employee compensation	5,900	5,028
Transportation charges	1,123	819
Referral fees	166	227
Fuel oil and petrol	1,170	748
Utilities expense	964	791
Short term leases	39	31
Repair and maintenance fee	1,725	825
Raw material consumed	2,104	2,070
Consumables	1,583	1,225
Subcontractor charges	336	181
Sludge disposal	3,745	2,406
Professional fees	2,454	3,677
Others	1,328	1,144
Total cost of sales, administrative expenses and selling and distribution expenses	24,344	20,569

9. Income tax expense

	Group	
	6 months ended 30 June	
	2022	2021
	MYR'000	MYR'000
Tax expense attributable to profit is made up of:		
Current income tax		
- current period	2,489	1,543
Deferred income tax expense	(90)	1
	2,399	1,544

10. Net asset value

	Group	
	30 June 2022	31 December 2021
Net Asset Value per share (cent)	61	50
Net Asset Value (MYR'000)	89,653	54,384
Number of shares in issue at period/year end	147,474,784	108,974,784

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11. Property, plant and equipment

	Buildings	Plant and machinery	Furniture and office equipment	Motor vehicles	Total
	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000
Group					
As at 30 June 2022					
<i>Cost</i>					
Beginning of financial period	22,455	23,841	3,771	3,312	53,379
Additions	33	259	160	-	452
Disposal	-	(35)	-	-	(35)
End of financial period	<u>22,488</u>	<u>24,065</u>	<u>3,931</u>	<u>3,312</u>	<u>53,796</u>
<i>Accumulated depreciation</i>					
Beginning of financial period	2,243	17,058	2,484	1,844	23,629
Depreciation charge	243	664	189	230	1,326
End of financial period	<u>2,486</u>	<u>17,722</u>	<u>2,673</u>	<u>2,074</u>	<u>24,955</u>
Net book value					
End of financial period	<u>20,002</u>	<u>6,343</u>	<u>1,258</u>	<u>1,238</u>	<u>28,841</u>

	Buildings	Plant and machinery	Furniture and office equipment	Motor vehicles	Total
	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000
Group					
As at 31 December 2021					
<i>Cost</i>					
Beginning of financial year	20,376	23,279	3,269	2,291	49,215
Additions	2,079	565	502	1,021	4,167
Disposal	-	(3)	-	-	(3)
End of financial year	<u>22,455</u>	<u>23,841</u>	<u>3,771</u>	<u>3,312</u>	<u>53,379</u>
<i>Accumulated depreciation</i>					
Beginning of financial year	1,838	15,960	2,147	1,452	21,397
Depreciation charge	405	1,098	337	392	2,232
End of financial year	<u>2,243</u>	<u>17,058</u>	<u>2,484</u>	<u>1,844</u>	<u>23,629</u>
Net book value					
End of financial year	<u>20,212</u>	<u>6,783</u>	<u>1,287</u>	<u>1,468</u>	<u>29,750</u>

Bank borrowings (Note 12) are secured on buildings of the Group with carrying amounts of MYR20,002,000 and MYR20,212,000 as at 30 June 2022 and 31 December 2021 respectively.

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E. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

12. Borrowings

	Group	
	30 June 2022	31 December 2021
	MYR'000	MYR'000
<u>Non-current</u>		
Term loans (secured)	2,454	2,617
<u>Current</u>		
Term loans (secured)	3,140	3,311
Total borrowings	5,594	5,928

These borrowings bear floating interest rates. The weighted average interest rate of the borrowings as at 30 June 2022 and 31 December 2021 is 3.10% per annum.

13. Share capital

	Group	
	30 June 2022	
	No. of shares	MYR
Issued and fully paid		
At beginning of financial period	108,974,784	55,885,903
Issuance of shares upon listing	38,500,000	31,502,471
Share Issue Cost	-	(2,390,143)
At end of the financial period	147,474,784	84,998,231
	Group	
	31 December 2021	
	No. of shares	MYR
Issued and fully paid		
At beginning of financial year	108,974,784	55,885,903
At end of the financial year	108,974,784	55,885,903

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E. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

14. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2022 is based on the profit attributable to ordinary shareholders of MYR6,157,000 (30 June 2021: MYR2,149,000) and the weighted-average number of ordinary shares outstanding during the period of 119,610,143 shares (30 June 2021: 108,974,784 shares).

15. Related party transactions

In addition to the information disclosed elsewhere in the consolidated interim financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Related party transactions

The ultimate controlling shareholders of the Group are Mr Wong Kim Fatt, Ms Loo Sok Ching and Mr Ban Kim Wah. Related parties are entities controlled by one of the ultimate controlling shareholders of the Group.

	Group	
	30 June 2022	30 June 2021
	MYR'000	MYR'000
<i>With entities controlled by the two of the ultimate controlling shareholders of the Group</i>		
Provision of scheduled waste management services	90	28
Sales of goods	1	-
Purchase of goods	(3)	-
Lease of right-of-use assets	-	(150)
Deposit paid for purchase of factory building	-	-
Purchase of factory building, less deposit paid in prior year	-	-
Payment on behalf for the services charges and utility expenses	(17)	(5)
	<u>(17)</u>	<u>(5)</u>

	Group	
	30 June 2022	30 June 2021
	MYR'000	MYR'000
<i>Financial guarantee granted for Group's borrowings</i>		
By an entity controlled by two of the ultimate controlling shareholders of the Group and jointly and severally by certain Directors of the Group	-	-
Jointly and severally by certain Directors of the Group	5,595	5,928
	<u>5,595</u>	<u>5,928</u>

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E. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

15. Related party transactions (continued)

(b) Balances with related parties

	Group	
	30 June 2022	30 June 2021
	MYR'000	MYR'000
<i>With entities controlled by two of the ultimate controlling shareholders of the Group</i>		
Trade receivable	69	23
Non trade (receivable)/payables	(1)	-
	<u>68</u>	<u>23</u>

16. Events occurring after the reporting period

There are no known subsequent events which have led to adjustment to this set of interim financial statement.

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F. OTHER INFORMATION REQUIRED BY APPENDIX 7C OF THE CATALIST RULES

1. Review

The condensed interim financial statements for the six months ended 30 June 2022 have not been audited nor reviewed by the Company's auditors.

2. Review of performance of the group

Consolidated Statement of Comprehensive Income

Revenue

Total revenue increased by approximately MYR8.3 million or 34.0% from approximately MYR24.4 million in six months ended 30 June 2021 ("6M2021") to approximately MYR32.7 million in six months ended 30 June 2022 ("6M2022"). The increase was primarily due to the increase in revenue from our three (3) business segments.

Our revenue generated from scheduled waste management services increased by approximately MYR7.5 million or 39.5% from approximately MYR19.0 million in 6M2021 to approximately MYR26.5 million in 6M2022, primarily due to increase in demand for regular scheduled waste management services as a result of the easing of COVID-19 restrictions in Malaysia.

Our revenue generated from sale of recovered and recycled products increased by approximately MYR0.9 million or 19.6% from approximately MYR4.6 million in 6M2021 to approximately MYR5.5 million in 6M2022, primarily due to the overall increase in business activities as a result of the easing of COVID-19 restrictions in Malaysia, which increased the demand for recovered and recycled products.

Our revenue generated from chemical trading increased by approximately MYR0.1 million or 14.3% from approximately MYR0.7 million in 6M2021 to approximately MYR0.8 million in 6M2022, primarily due to increase in demand for chemicals from our existing customers.

Cost of sales

Our cost of sales increased by approximately MYR4.3 million or 32.4% from approximately MYR13.2 million in 6M2021 to approximately MYR17.5 million in 6M2022. The increase was in line with the increase in revenue across our three business segments.

Cost of sales attributable to scheduled waste management services increased by approximately MYR3.7 million or 34.3% from approximately MYR10.8 million in 6M2021 to approximately MYR14.5 million in 6M2022, mainly due to an increase in direct labour cost, repair and maintenance, sludge disposal cost, fuel oil and petrol consumed for the provision of our scheduled waste management services.

Cost of sales attributable to sale of recovered and recycled products increased by approximately MYR0.4 million or 17.4% from approximately MYR2.3 million in 6M2021 to approximately MYR2.7 million in 6M2022, mainly due to higher cost of purchase of waste in this segment.

Cost of sales attributable to chemical trading increased by approximately MYR83,000 or 53.5% from approximately MYR155,000 in 6M2021 to approximately MYR238,000 in 6M2022, in tandem with the increase in revenue from chemical trading.

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F. OTHER INFORMATION REQUIRED BY APPENDIX 7C OF THE CATALIST RULES
(continued)

2. Review of performance of the group (continued)

Gross profit

Gross profit increased by approximately MYR4.1 million or 36.8% from approximately MYR11.1 million in 6M2021 to approximately MYR15.2 million in 6M2022. Our overall gross profit margin remained stable from approximately 45.7% in 6M2021 to 46.5% in 6M2022.

Other income

Other income increased by approximately MYR105,000 or 388.9% from approximately MYR27,000 in 6M2021 to approximately MYR132,000 in 6M2022, mainly due to the interest earned from bank current account.

Other gains

Other gains increased by approximately MYR218,000 or 1,282.4% from approximately MYR17,000 in 6M2021 to approximately MYR235,000 in 6M2022, mainly due to net gain on foreign exchange.

Expenses

Our administrative expenses decreased by approximately MYR0.6 million or 11.5% from approximately MYR5.6 million in 6M2021 to approximately MYR5.0 million in 6M2022, primarily due to one-off and non-recurring professional fee expenses incurred in connection with Company's listing exercises of MYR2.4 million in 6M2022, compared to MYR3.7 million in 6M2021.

Our selling and distribution expenses increased by approximately MYR0.1 million or 7.4% from approximately MYR1.8 million in 6M2021 to approximately MYR1.9 million in 6M2022, primarily due to the increase in staff cost and commission in relation to our marketing activities.

Our finance expenses increased by approximately MYR127,000 or 110.4% from approximately MYR115,000 in 6M2021 to approximately MYR242,000 in 6M2022, mainly due to the increase in interest expense on new lease of land.

Net impairment losses on trade receivables

In 6M2022, we recognised a reversal of impairment losses on trade receivables of approximately MYR38,000 as compared to an impairment of MYR19,000 in 6M2022 due to the improved collection from customers which resulted in a lower receivables balance as of the 6M2022, following a tighter credit control by our Group.

Income tax expense

Our income tax expense increased by approximately MYR0.9 million or 55.4% from approximately MYR1.5 million in 6M2021 to approximately MYR2.4 million in 6M2022. Our effective income tax rate decreased from approximately 41.8% in 6M2021 to approximately 28.0% in 6M2022, mainly due to one-off and non-recurring professional fee expenses incurred in connection with current listing exercises which are non-deductible for tax purpose.

Normalized operating earnings

On normalized operating earnings basis excluding the listing expenses of MYR2.4 million in 6M2022 and MYR3.7 million in 6M2021, the earnings growth y-o-y was 45.8% or MYR2.7 million.

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F. OTHER INFORMATION REQUIRED BY APPENDIX 7C OF THE CATALIST RULES
(continued)

2. Review of performance of the group (continued)

Consolidated Statement of Financial Position

Non-current assets

The Group's non-current assets increased by MYR10.7 million from MYR37.0 million as at 31 December 2021 to MYR47.7 million as at 30 June 2022, largely due to:

- a. Decrease in property, plant and equipment approximately MYR0.9 million due to depreciation charge for the 6M2022 outweighed the additions of plant and machinery and office equipment.
- b. Increase in right-of-use assets of MYR11.3 million mainly due to new lease of land net off against depreciation charge for the year;
- c. Increase in prepayment for purchase of property, plant and equipment of MYR0.3 million.

Current assets

The Group's current assets increased by MYR35.5 million from MYR70.7 million as at 31 December 2021 to MYR35.1 million as at 30 June 2022, mainly due to:

- a. Increase in cash and cash equivalents by MYR35.6 million contributed by higher cash inflow from proceeds of issuance of shares from financing activities.
- b. Trade and other receivables decreased by MYR0.7 million was due to higher collection from debtors.
- c. Decrease in other current assets of MYR0.6 million mainly due to higher receipts of goods for the prepayment made to suppliers.
- d. Increase in short term deposits by MYR0.9 million contributed additions of fixed deposit placed with the bank.

Non-current liabilities

The Group's non-current liabilities increased by MYR11.6 million from MYR5.2 million as at 31 December 2021 to MYR16.8 million as at 30 June 2022, primarily due to:

- a. Increase in lease liabilities by MYR11.9 million was mainly due to the new lease of land during the financial period.
- b. Borrowings decreased by MYR0.2 million as a result of repayment of existing loan.
- c. Decrease in deferred tax liabilities of MYR89,000 in 6M2022.

Current liabilities

The Group's current liabilities decreased by MYR0.7 million from MYR12.5 million in 6M2021 to MYR11.8 million in FY2022, largely due to:

- a. Decrease in trade and other payables of MYR1.4 million was as a result of settlement of these payables before end of the reporting period.
- b. Contract liabilities decreased by MYR25,000 was mainly due to the lower deposit received from our customers as unfulfilled performance.
- c. Increase in current income tax liabilities of MYR1.0 million due to the increase in chargeable income in 6M2022.
- d. Decrease in borrowings of MYR0.2 million due to repayment of term loans.
- e. Decrease in lease liabilities of MYR0.1 million due to repayment of lease liabilities.

Shareholder's equity

The Group's shareholder equity increased by MYR35.3 million from MYR54.4 million as at 31 December 2021 to MYR89.7 million as at 30 June 2022 mainly due to net profit for the six months of MYR6.2million in 6M2022 and increase of share capital by MYR29.1 million.

**F. OTHER INFORMATION REQUIRED BY APPENDIX 7C OF THE CATALIST RULES
(continued)**

2. Review of performance of the group (continued)

Consolidated Statement of Cash Flows

The Group generated net cash from operating activities before movement in working capital of approximately MYR8.0 million in 6M2022 compared with approximately MYR5.2 million in 6M2021 as a result of higher profit before tax.

Net cash flows generated from operating activities was approximately MYR6.1 million which was a result of increase in inventories of approximately MYR0.3 million due to higher inventories, decrease in trade and other receivables of approximately MYR0.6 million due to higher collection from debtors, and decrease in trade and other payables of approximately MYR0.8 million due to higher materials purchased and sludge disposal cost and listing expenses accrued during the financial year.

Net cash flows used in investing activities amounted to approximately MYR1.5 million, which was attributable to purchase of property, plant and equipment of approximately MYR0.7 million, placement of short term fixed deposit of approximately MYR0.9 million and repayment to related parties, partially offset by interest received by approximately MYR131,000.

Net cash flows generated from financing activities amounted to approximately MYR31.0 million, which was attributable to proceed from issuance of shares of approximately MYR31.5 million, partially offset by repayment of borrowings and lease liabilities of approximately MYR0.3 million and MYR0.1 million respectively, and interest paid of MYR57,000.

3. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer opinion:

- (a) Updates on the efforts taken to resolve each outstanding audit issue.
- (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is material uncertainty relating to going concern

Not applicable.

4. Where a forecast, or a prospect statement, has previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

5. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or event that may affect the group in the next reporting period and the next 12 months

Looking forward, the manufacturing industry in Malaysia is expected to continue to be the largest contributor of scheduled waste in Malaysia, and will continuously bring huge demand for scheduled waste management services representing a steady growth at a compound annual growth rate ("CAGR") of approximately 5.5% from 2019 to 2025. The volume of scheduled waste in Malaysia is projected to grow at CAGR of approximately 4.1%, reaching 5.1 million tonnes in 2025. The steady development of manufacturing industries in Malaysia, mainly driven by electronics and electrical appliances, oil refining, rubber industry, machinery and automobile, is expected to further drive the demand for scheduled waste management services. The Group performance in FY2021 is in-line with Frost & Sullivan Industry Report as disclosed in Offer Document. The management expected the steady growth in the future.

**F. OTHER INFORMATION REQUIRED BY APPENDIX 7C OF THE CATALIST RULES
(continued)**

- 5. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or event that may affect the group in the next reporting period and the next 12 months (continued)**

The scheduled waste management industry in Malaysia is effectively growing as a result of continuous review of the environmental regulations, the active enforcement by the Department of Environment of Malaysia and the acknowledgement of technology to improve waste treatment process. Some heavy pollution cases in Malaysia involving human health have promoted the importance of safe and sustainable scheduled waste management. Public concern on the waste management issue and triggered the Malaysian government to strengthen the supervision and regulations on illegal dumping and scheduled waste management. The stringent enforcement by government authorities will reduce the illegal dumping and increase waste treatment and recycle activities for our industry.

The outbreak of COVID-19 and hostilities between Russia and Ukraine have brought the geographical and economical risks. At the moment, management does not expect these risks will have any material impact. However, we foreseen the raw materials price might increase in future.

6. Dividend information

- a) Whether an interim (final) ordinary dividend had been declared (recommended) for current financial period reported on**

No dividend has been declared or recommended for the six months ended 30 June 2022.

- b) Whether an interim (final) ordinary dividend had been declared (recommended) for previous corresponding period**

No dividend has been declared or recommended for the previous corresponding period.

- c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hand of shareholders, this must be stated).**

Not applicable

- d) Date payable**

Not applicable

- e) The date on which Registrable Transfers received by the Company (up to 5:00pm) will be registered before entitlements to the dividend are determined.**

Not applicable

- 7. If no dividend had been declared/recommendeded, a statement to that effect and the reason(s) for the decision**

No dividend had been declared or recommended for the six months ended 30 June 2022. The available fund will be retained for working capital use.

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F. OTHER INFORMATION REQUIRED BY APPENDIX 7C OF THE CATALIST RULES
(continued)

8. Interested person transactions

The Group has not obtained a general mandate from shareholders for Interested Person Transactions (“IPT”). There were no other IPT greater than S\$100,000 for 6M2022.

9. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company has procured undertakings from all its directors and executive officers in the required format.

10. Status of the use of IPO funds raised

The Group raised net proceeds of S\$8.0 million. As of the date of announcement, the net proceeds have not been utilised and the balance as follows:

	Allocation of net proceeds	Amount utilised as at the date of this announcement	Balance as at the date of this announcement
	S\$'000	S\$'000	S\$'000
Acquisition of an off-site storage plant including the land on which it is situated, for geographical business expansion	3,863	-	3,863
Capital investment in facilities, plants, machineries and/or equipment to enhance production efficiency and capacities	2,244	-	2,244
Expansion of our business through, inter alia, investments, mergers and acquisitions, joint ventures and/or strategic collaboration	1,169	-	1,169
General working capital purposes	741	-	741
Total	8,017	-	8,017

11. Confirmation by the Board

On behalf of the Board of Directors of the Company, I, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six months period ended 30 June 2022 to be false or misleading in any material aspect.

ON BEHALF OF THE BOARD

Lim Te Hua
 Executive Director and Chief Executive Officer
 12 August 2022