

SECUREMETRIC BERHAD

Registration No. 201701019864 (1234029-D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ⁽¹⁾

	3-MONTH ENDED		YEAR-TO-DATE	
	31 December 2020 Unaudited RM'000	31 December 2019 Audited RM'000	31 December 2020 Unaudited RM'000	31 December 2019 Audited RM'000
Revenue	7,413	9,671	27,096	31,089
Cost of sales	(3,981)	(4,158)	(12,186)	(11,970)
Gross profit	3,432	5,513	14,910	19,119
Other income	193	210	1,243	1,093
Administrative expenses	(5,341)	(5,156)	(18,523)	(17,270)
Net (loss)/gain on impairment of financial instruments	(1,612)	24	(1,660)	180
Finance costs	(6)	(8)	(25)	(93)
(Loss)/Profit before tax	(3,334)	583	(4,055)	3,029
Taxation	25	(424)	(817)	(1,016)
(Loss)/Profit for the financial year	(3,309)	159	(4,872)	2,013
Other comprehensive income/(loss) for the financial year				
Items that are or may be reclassified subsequently to profit or loss				
Exchange translation differences for foreign operations	51	(2)	(292)	208
Items that will not be reclassified subsequently to profit or loss				
Net change in fair value of equity investments designated at fair value through other comprehensive income	22	(10)	(109)	15
	73	(12)	(401)	223
Total comprehensive (loss)/income for the financial year	(3,236)	147	(5,273)	2,236
(Loss)/Profit for the financial year attributable to:				
- Owners of the Company	(3,297)	179	(4,854)	1,990
- Non-controlling interests	(12)	(20)	(18)	23
	(3,309)	159	(4,872)	2,013
Total comprehensive (loss)/income attributable to:				
- Owners of the Company	(3,238)	168	(5,240)	2,198
- Non-controlling interests	2	(21)	(33)	38
	(3,236)	147	(5,273)	2,236

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ⁽¹⁾ (CONT'D)

	3-MONTH ENDED		YEAR-TO-DATE		
	31 December 2020 Unaudited RM'000	31 December 2019 Audited RM'000	31 December 2020 Unaudited RM'000	31 December 2019 Audited RM'000	
(Loss)/Earnings per share attributable to owners of the Company (sen):					
Basic	Note B10				
		(0.64)	0.04	(0.95)	0.41
Diluted	Note B10				
		(0.64)	0.04	(0.95)	0.41

Note:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income are disclosed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION⁽¹⁾

	AS AT 31 December 2020 Unaudited RM'000	AS AT 31 December 2019 Audited RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	1,330	1,435
Right-of-use assets	662	1,019
Development expenditure	483	967
Other investments	6,261	275
Deferred tax assets	76	89
	8,812	3,785
CURRENT ASSETS		
Inventories	1,129	1,169
Contract assets	316	425
Trade receivables	8,771	17,133
Other receivables	2,659	3,280
Tax recoverable	605	370
Fixed deposits with licensed banks	14,056	11,337
Cash and bank balances	12,454	14,128
	39,990	47,842
TOTAL ASSETS	48,802	51,627
EQUITY AND LIABILITIES		
EQUITY		
Share capital	35,684	30,454
Reserves	(11,322)	(10,933)
Retained earnings	14,322	19,176
Total equity attributable to owners of the Company	38,684	38,697
Non-controlling interests	327	360
Total Equity	39,011	39,057
LIABILITIES		
NON-CURRENT LIABILITIES		
Employee benefits	274	229
Lease liabilities	157	561
	431	790

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION⁽¹⁾
 (CONT'D)**

	AS AT 31 December 2020 Unaudited RM'000	AS AT 31 December 2019 Audited RM'000
CURRENT LIABILITIES		
Trade payables	2,097	1,738
Other payables	2,221	3,661
Contract liabilities	4,513	5,368
Lease liabilities	473	457
Tax payable	56	556
	9,360	11,780
Total liabilities	9,791	12,570
TOTAL EQUITY AND LIABILITIES	48,802	51,627
Weighted average number of ordinary shares ('000)	512,583 ⁽²⁾	487,200 ⁽³⁾
NET ASSETS PER SHARE (sen)	7.55⁽²⁾	7.94⁽²⁾

Notes:

- (1) The basis of preparation of Unaudited Condensed Consolidated Statement of Financial Position are disclosed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.
- (2) Net assets per share is calculated based on weighted average number of ordinary shares as at the end of the reporting period.
- (3) The weighted average number of ordinary shares issued as at 31 December 2019 have been adjusted to reflect the bonus issue of 1 for 1 existing ordinary shares which was completed on 20 January 2020.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY⁽¹⁾

	Attributable to owners of the Company					Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Fair value reserve RM'000	Foreign currency translation reserve RM'000	Other reserve RM'000	Merger reserve RM'000				
As at 1 January 2019	30,454	195	(334)	3	(11,005)	17,193	36,506	322	36,828
Effects on adoption of MFRS 16	-	-	-	-	-	(7)	(7)	-	(7)
At 1 January 2019, as restated	30,454	195	(334)	3	(11,005)	17,186	36,499	322	36,821
Profit for the financial year	-	-	-	-	-	1,990	1,990	23	2,013
Other comprehensive income for the financial year	-	15	193	-	-	-	208	15	223
Total comprehensive income for the financial year	-	15	193	-	-	1,990	2,198	38	2,236
Transactions with owners									
Change of non-controlling interests	-	-	-	-	-	-	-	Negligible ⁽²⁾	-
As at 31 December 2019	30,454	210	(141)	3	(11,005)	19,176	38,697	360	39,057

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY⁽¹⁾ (CONT'D)

	Attributable to owners of the Company						Total RM'000	Non- controlling interests RM'000	Total equity RM'000	
	Non-Distributable			Distributable						
	Share capital ⁽³⁾ RM'000	Fair value reserve RM'000	Foreign currency translation reserve RM'000	Other reserve RM'000	Warrant reserve RM'000	Merger reserve RM'000				Retained earnings RM'000
As at 1 January 2020	30,454	210	(141)	3	-	(11,005)	19,176	38,697	360	39,057
Loss for the financial year	-	-	-	-	-	-	(4,854)	(4,854)	(18)	(4,872)
Other comprehensive loss for the financial year	-	(109)	(277)	-	-	-	-	(386)	(15)	(401)
Total comprehensive loss for the financial year	-	(109)	(277)	-	-	-	(4,854)	(5,240)	(33)	(5,273)
Tax Amnesty	-	-	-	(3)	-	-	-	(3)	-	(3)
Transactions with owners										
Issuance of Warrants ⁽⁴⁾	-	-	-	(38,221)	38,221	-	-	-	-	-
Exercise of Warrants ⁽⁴⁾	16	-	-	16	(16)	-	-	16	-	16
Issuance of private placement ⁽⁵⁾	5,214	-	-	-	-	-	-	5,214	-	5,214
Change of non- controlling interests	-	-	-	-	-	-	-	-	<i>Negligible⁽⁶⁾</i>	-
As at 31 December 2020	35,684	101	(418)	(38,205)	38,205	(11,005)	14,322	38,684	327	39,011

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY⁽¹⁾ (CONT'D)

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity are detailed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.
- (2) PT Securemetric Technology, a wholly-owned subsidiary company, increased its share capital by USD 10 (equivalent to IDR 141,540; RM41) by issuing 10 shares to an individual. Consequently, the Company's shareholding in PT Securemetric Technology decreased from 100% to 99.999%.
- (3) On 20 January 2020, 243,600,000 bonus shares ("Bonus Shares") were listed on the ACE Market of Bursa Malaysia Securities Berhad.
- (4) On 4 February 2020, 243,600,000 free warrants ("Warrants") were listed on the ACE Market of Bursa Malaysia Securities Berhad. Each Warrant carries the entitlement to subscribe for 1 new ordinary share in the Company at the exercise price of RM0.16 at any time during the exercise period from 22 January 2020 to 21 January 2023, subject to any adjustments in accordance with the provisions of the deed poll dated 3 January 2020 constituting the Warrants. Warrant reserve represents the fair value assigned to the Warrants 2020/2023 of RM0.1569. As at the date of this report, 100,000 Warrants had been exercised into 100,000 ordinary shares of Securemetric.
- (5) On 25 June 2020, 48,730,000 new Shares were listed on the ACE Market of Bursa Malaysia Securities Berhad at RM0.107 each pursuant to the completion of the private placement.
- (6) On 14 September 2020, the Company disposed of two ordinary shares in Securemetric Technology Inc, a 99.997% owned subsidiary company, at a total consideration of approximately USD4.15 to two individuals. Consequently, the Company's shareholding in Securemetric Technology Inc decreased to 99.995%.

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INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾

	YEAR-TO-DATE	
	31 December 2020 Unaudited RM'000	31 December 2019 Audited RM'000
Cash Flows From Operating Activities		
(Loss)/Profit before tax	(4,055)	3,029
<u>Adjustments for:</u>		
Amortisation of development expenditure	484	484
Impairment losses on trade receivables	1,547	-
Impairment on other receivables	113	-
Depreciation of property, plant and equipment ("PPE")	639	491
Depreciation of right-of-use assets ("ROU")	532	546
Dividend income	-	(40)
PPE written off	1	4
Fair value gain of financial asset at fair value through profit or loss	-	(10)
Finance costs	25	93
Government grant income	(450)	(450)
Interest income	(362)	(525)
Loss on disposal of PPE	-	-
Inventories written off	352	19
Reversal of impairment losses on trade receivables	-	(170)
Unrealised loss on foreign exchange	105	121
Operating (loss)/profit before working capital changes	(1,069)	3,592
<u>Changes in working capital:</u>		
Inventories	(498)	149
Receivables	7,187	(6,681)
Payables	(571)	256
Contract assets	(746)	2,385
	5,372	(3,891)
Cash generated from/(used in) operations	4,303	(299)
Interest paid	(25)	(93)
Interest received	362	525
Tax paid	(1,579)	(1,269)
Tax refund	31	215
Exchange fluctuation adjustment	(277)	200
Net cash from/(used in) operating activities	2,815	(721)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾ (CONT'D)

	YEAR-TO-DATE	
	31 December 2020 Unaudited RM'000	31 December 2019 Audited RM'000
Cash Flows From Investing Activities		
Proceeds from disposal of other investment	-	2,580
Proceeds from disposal of PPE	2	5
Purchase of other investment	(6,095)	-
Purchase of PPE	(360)	(608)
Purchase of ROU	(87)	-
Capital contribution from non-controlling interests	<i>Negligible⁽³⁾</i>	<i>Negligible⁽²⁾</i>
Net cash (used in)/from investing activities	(6,540)	1,977
Cash Flows From Financing Activities		
Repayment of lease liabilities	(477)	(450)
Repayment of term loans	-	(1,997)
Proceeds from issuance of ordinary shares	5,230	-
Decrease/(Increase) in fixed deposits pledged	2,444	(91)
Net cash from/(used in) financing activities	7,197	(2,538)
Net increase/(decrease) in cash and cash equivalents	3,472	(1,282)
Effect of exchange translation differences on cash and cash equivalents	17	(24)
Cash and cash equivalents at the beginning of the financial year	22,609	23,915
Cash and cash equivalents at the end of the financial year	26,098	22,609
Cash and cash equivalents at the end of the financial year comprises:		
Cash and bank balances	12,454	14,128
Fixed deposits with licensed banks	14,056	11,337
	26,510	25,465
Less: Fixed deposits pledged to licensed banks	(412)	(2,856)
	26,098	22,609

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Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Cash Flows are disclosed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.
- (2) PT Securemetric Technology, a wholly-owned subsidiary company, increased its share capital by USD 10 (equivalent to IDR 141,540; RM41) by issuing 10 shares to an individual. Consequently, the Company's shareholding in PT Securemetric Technology decreased from 100% to 99.999%.
- (3) On 14 September 2020, the Company disposed of two ordinary shares in Securemetric Technology Inc, a 99.997% owned subsidiary company, at a total consideration of approximately USD4.15 to two individuals. Consequently, the Company's shareholding in Securemetric Technology Inc decreased to 99.995%.

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NOTES TO THE INTERIM FINANCIAL REPORT

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2020

A1. Basis of preparation

The interim financial report of Securemetric Berhad (“**SMB**” or “**the Company**”) and its subsidiary companies (“**the Group**”) are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“**MFRS**”) 134 *Interim Financial Reporting* and Rule 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Listing Requirements**”).

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

A2. Significant accounting policies

The accounting policies adopted in the interim financial report are consistent with those as disclosed in the audited financial statements for the financial year ended 31 December 2019.

Unless otherwise described below, the Group has adopted those standards, amendments and interpretations that have become effective and such adoptions do not have material impact on the financial position and performance of the Group.

Standards issued but not yet effective

The Group and the Company have not applied the following new standards and amendments to standards that have been issued by the MASB but are not yet effective for the Group and for the Company:

		Effective dates for financial periods beginning on or after
Amendments to MFRS 16	Covid-19 – Related Rent Concessions	1 June 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform - Phase 2	1 January 2021
Amendments to MFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022

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NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A2. Significant accounting policies (Cont'd)

Standards issued but not yet effective (Cont'd)

		Effective dates for financial periods beginning on or after
Annual Improvements to MFRSs Standards 2018 - 2020:		1 January 2022
• Amendments to MFRS 1		
• Amendments to MFRS 9		
• Amendments to MFRS 16		
• Amendments to MFRS 141		
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 10 and MFRS 128	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group and the Company intend to adopt the above new standards and amendments to standards, if applicable, when they become effective.

The initial application of the above-mentioned new standards and amendments to standards are not expected to have any significant impacts on the financial statements of the Group and of the Company.

A3. Auditors' report

The auditors' report for the financial year ended 31 December 2019 was not subject to any qualifications.

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A4. Seasonal or cyclical factors

The Group's revenue is subject to seasonality due to the annual budget cycles of certain of its customers.

The Group does not experience any cyclical in its business because the digital security industry is not cyclical in nature. A cyclical industry is one which experiences predictable changes which recur over a period of several years.

However, the novel coronavirus disease ("COVID-19") which first arrived in Malaysia in January 2020 has impacted the business performance of the Group. Travel and movement restriction and other precautionary measures imposed by Malaysia and other countries, in which our subsidiaries are established, have affected the Group's operations and short-term outlook of the Group's performance.

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 and financial year-to-date.

A6. Material changes in estimates

There were no material changes in the estimates in the current financial quarter under review.

A7. Debt and equity securities

Save as disclosed below, there were no issuance or repayment of debt and equity securities, share buy-back, share cancellations, shares held as treasury shares and resale of treasury shares during the current financial quarter under review.

On 20 January 2020, 243,600,000 Bonus Shares were listed on the ACE Market of Bursa Malaysia Securities Berhad.

On 4 February 2020, 243,600,000 Warrants were listed on the ACE Market of Bursa Malaysia Securities Berhad. Each Warrant carries the entitlement to subscribe for 1 new ordinary share in the Company at the exercise price of RM0.16 at any time during the exercise period from 22 January 2020 to 21 January 2023, subject to any adjustments in accordance with the provisions of the deed poll dated 3 January 2020 constituting the Warrants.

As at the date of this report, 100,000 Warrants had been exercised into 100,000 ordinary shares of Securemetric.

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NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A7. Debt and equity securities (cont'd)

On 25 June 2020, 48,730,000 new Shares were listed on the ACE Market of Bursa Malaysia Securities Berhad at RM0.107 each pursuant to the completion of the private placement.

A8. Dividends paid

There was no dividend paid during the current financial quarter under review and financial year.

A9. Contingent liabilities or contingent assets

Contingent liabilities

	AS AT 31 December 2020 Unaudited RM'000	AS AT 31 December 2019 Audited RM'000
Secured		
Bank guarantees provided to customers to secure performance under contracts	10	1,014

There were no contingent assets as at the date of this interim financial report.

A10. Changes in the composition of the Group

Save as disclosed below, there were no changes in the composition of the Group for the current financial quarter under review.

On 20 November 2020, the Group has incorporated a wholly owned subsidiary, Signing Cloud Sdn. Bhd.

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NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A11. Segmental reporting

The Group is principally involved in the provision of digital security solutions as well as trading of electronic identification products, and other related services.

(a) Revenue by business activities

The table below sets out the breakdown of the Group's revenue by business activities for the financial quarter/year ended 31 December 2020 under review:

	3-MONTH ENDED		YEAR-TO-DATE	
	31 December 2020 Unaudited RM'000	31 December 2019 Audited RM'000	31 December 2020 Unaudited RM'000	31 December 2019 Audited RM'000
(a) Digital security solutions				
- Software licensing protection dongles	728	726	2,186	2,544
- 2FA	97	217	1,039	1,896
- PKI	2,542	3,421	8,959	12,751
- CENTAGATE®	874	2,088	2,165	3,651
Subtotal	4,241	6,452	14,349	20,842
(b) Electronic identification products	930	664	4,095	2,648
(c) Others*	2,242	2,555	8,652	7,599
Total Revenue	7,413	9,671	27,096	31,089

Note:

* Comprising mainly maintenance service charges.

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A11. Segmental reporting (Cont'd)

(a) Revenue by business activities (Cont'd)

The main factors affecting the Group's revenue are as follows:

- (i) Rapid changes in technological development;
- (ii) Fluctuation in foreign currency exchange rates; and
- (iii) Ability to secure new projects and customers.

(b) Revenue by geographical regions

The table below sets out the breakdown of the Group's revenue by geographical regions for the financial quarter/year ended 31 December 2020 under review:

	3-MONTH ENDED		YEAR-TO-DATE	
	31 December 2020 Unaudited RM'000	31 December 2019 Audited RM'000	31 December 2020 Unaudited RM'000	31 December 2019 Audited RM'000
Indonesia	1,456	2,539	6,554	5,698
Vietnam	2,358	3,671	8,480	8,261
Philippines	938	1,519	4,346	3,541
United States of America	484	18	1,461	416
Singapore	434	414	1,361	7,706
Malaysia	1,093	784	3,038	3,118
Others	650	726	1,856	2,349
Total Revenue	7,413	9,671	27,096	31,089

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NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A12. Valuation of property, plant and equipment

The Group has not carried out any valuation on its property, plant and equipment in the current financial quarter under review.

A13. Material events subsequent to the end of the current financial quarter

There were no material events subsequent to the end of the current financial quarter that have not been reflected in this interim financial report.

A14. Significant related party transactions

There were no significant related party transactions in the current financial quarter under review.

A15. Capital commitments

There were no capital commitments in the current financial quarter under review.

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

B1. Review of Performance

The Group recorded revenue of RM7.41 million and loss before tax of RM3.33 million for the current financial quarter ended 31 December 2020. Revenue was derived from the provision of digital security solutions as well as trading of electronic identification products, and other related services.

B2. Comparison with immediate preceding quarter's results

	3-MONTH ENDED		Variance	
	31 December 2020	30 September 2020	RM'000	%
Revenue	RM'000 7,413	RM'000 7,575	RM'000 (162)	% -2.14
(Loss)/Profit before tax	(3,334)	558	(3,892)	-697.49

The Group's revenue for the current financial quarter ended 31 December 2020 decreased by RM0.16 million or 2.14% to RM7.41 million as compared to RM7.57 million in the preceding financial quarter ended 30 September 2020. The decrease in revenue was mainly due to the decrease in electronic identification products, amounting to RM0.68 million, others maintenance services, amounting to RM0.14 million and 2FA, amounting to RM0.45 million in the current financial quarter. However, the decrease was mitigated by the increase in revenue in PKI and CENTAGATE[®], amounting to RM0.19 million and RM0.70 million respectively.

The Group's loss before tax for the current financial quarter of RM3.33 million represents a decrease of RM3.89 million or 697.49% as compared to a profit before tax of RM0.56 million in the preceding financial quarter. The loss was mainly contributed by the impairment losses on trade receivables and inventories written off in the current financial quarter.

As at the date of this report, the financial impact from the COVID-19 pandemic cannot be reasonably estimated due to the inherent unpredictable nature relating to COVID-19 pandemic.

B3. Prospects

In light of the impact from COVID-19 pandemic, the global economy is having contraction.

The Group has stepped up its precautionary measures at the offices and formulated business continuity plans to minimize the impact from the COVID-19 pandemic to its operations. In addition, the Group has been providing continuous support to their business partners and customers to ride through the challenges brought on by the COVID-19 pandemic. During this period, the Group also takes cognisance of the wellbeing of the employees, as well as their families, clients, and communities around them. As such, some of the subsidiaries are currently implementing work-from-home basis according to the needs of their countries. Nevertheless, some of the business operations such as logistics and business development, were affected by the movement restriction, as these require the staff to be in office to arrange for packaging and shipment as well as salesperson to meet with prospective customers.

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B3. Prospects (Cont'd)

The Group believes that the extent of the financial impact from the COVID-19 pandemic will depend on how quickly the virus is contained, the steps to be taken by the authorities to contain it as well as economic policies and support that the governments are willing to deploy during the pandemic's immediate impact and the aftermath.

The Directors of the Company will continuously monitor the development of the COVID-19 pandemic in Malaysia as well as business performance, financial performance and financial position of the Group.

In the immediate future, the Group believes that the digital security solutions, electronic identification products and its related services will continue to improve via its regional offices in South East Asia countries as well as develop new digital security solutions to maintain growth and sustainability.

B4. Profit Forecast or Profit Guarantee

The Company did not issue any profit forecast or profit guarantee during the current financial quarter under review.

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B5. Taxation

	3-MONTH ENDED		YEAR-TO-DATE	
	31 December 2020 Unaudited RM'000	31 December 2019 Audited RM'000	31 December 2020 Unaudited RM'000	31 December 2019 Audited RM'000
Tax income/ (expenses) recognised in profit or loss:				
- Income tax	25	(424)	(817)	(1,016)
Effective tax rate	0.75%	72.73%	20.15%	33.54%

(a) The effective tax rate for year-to-date was lower than the statutory tax rate mainly due to losses incurred by certain companies cannot be offset against the profits made by other companies within the Group.

(b) Tax expense is recognised based on management's best estimate.

B6. Corporate Proposal

(a) Status of corporate proposal

Save as disclosed in A7 and below, there were no corporate proposals announced as at the date of this interim report.

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B6. Corporate Proposal (Cont'd)

(b) Utilisation of proceeds

In conjunction with the Company's listing on the ACE Market of Bursa Securities on 13 November 2018, the gross proceeds from the Public Issue amounting to RM17 million are being utilised in the following manner:

Details of utilisation	IPO Proceeds raised RM'000	Re-allocation RM'000	Variation RM'000	Amount utilised RM'000	Balance RM'000	Original timeframe for utilisation of proceeds	Revised timeframe for utilisation of proceeds
Business expansion	1,700	-	-	(782)	918	By November 2020	By November 2021 ⁽³⁾
Development of new digital security solutions	5,700	-	(2,389)	(3,181)	130	By November 2020	By November 2021 ⁽³⁾
Investment in PrivyID	-	-	2,389	(2,389)	-	(1)	(1)
Repayment of bank borrowings	1,942	-	-	(1,942)	-	Utilised	Utilised
Working capital	5,158	163	-	(3,124)	2,197 ⁽⁴⁾	By November 2020	By November 2021 ⁽³⁾
Estimated listing expenses	2,500	(163) ⁽²⁾	-	(2,337)	-	Utilised	Utilised
Total	17,000	-	-	(13,755)	3,245		

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 23 October 2018.

Notes:

- (1) The Board had decided to re-allocate RM2.389 million towards its investment in PrivyID. As announced on 15 January 2020, the investment in PrivyID was to be funded through the proceeds from the Public Issue and / or internally-generated funds of the Group.
- (2) Surplus of RM0.163 million (of the RM2.50 million allocated for the estimated listing expenses) was re-allocated to the working capital requirements of the Group, in accordance with the Company's prospectus dated 23 October 2018.

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B6. Corporate Proposal (Cont'd)

(b) Utilisation of proceeds (Cont'd)

(3) As announced on 16 October 2020, the Board had decided to extend the timeframe for the utilisation of proceeds raised from the Listing from November 2020 to November 2021.

(4) The amount allocated for working capital purposes (specifically for expansion of workforce) will be varied to day-to-day operations:

	IPO Proceeds raised	Re- allocation	Amount utilised	Balance of IPO Proceeds yet to be utilised	Variation	After variation	Amount utilised	Balance
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Expansion of workforce	3,580	-	(1,063)	2,517	(1,517)	1,000	(162)	838
Day-to-day operations	1,578	163	(1,741)	-	1,517	1,517	(158)	1,359
	5,158	163	(2,804)	2,517	-	2,517	(320)	2,197

On 25 June 2020, 48,730,000 new Shares were listed on the ACE Market of Bursa Malaysia Securities Berhad at RM0.107 each pursuant to the completion of the private placement.

The details of the utilisation of the proceeds from the private placement were as follows:-

Details of utilisation	Proposed utilisation	Actual utilisation	Deviation: Surplus/ (Deficit)	Balance	Estimated timeframe for utilisation
	RM'000	RM'000	RM'000	RM'000	
Investment in research and development activities	950	(437)	-	513	Within 24 months
Exploration of investments and markets relating to digital security solutions	3,369	(928)	-	2,441	Within 24 months
Working capital	800	(514)	15	301	Within 12 months
Expenses for Private Placement	95	(80)	(15) ⁽¹⁾	-	Within 1 month
Total	5,214	(1,959)	-	3,255	

Note:

(1) The excess of RM0.015 million will be utilised for general working capital requirements of the Group.

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B7. Borrowings

The Group's borrowings were as follows:

	AS AT 31 December 2020 Unaudited RM'000	AS AT 31 December 2019 Audited RM'000
<u>Current:</u>		
Lease liabilities	473	457
<u>Non-current:</u>		
Lease liabilities	157	561
Total borrowings	630	1,018

All the Company's borrowings are denominated in Ringgit Malaysia.

B8. Material litigation

There was no material litigation involving the Group as at 31 December 2020.

B9. Dividend declared

No dividend has been declared for the current quarter.

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B10. (Loss)/Earnings per share

The basic (loss)/earnings per share (“EPS”) are calculated by dividing the (loss)/ profit for the year attributable to owners of the Company by the weighted average number of ordinary shares of the Company during the financial quarter and year to date as follows:

		3-MONTH ENDED		YEAR-TO-DATE	
		31 December 2020 Unaudited	31 December 2019 Audited	31 December 2020 Unaudited	31 December 2019 Audited
(Loss)/Profit attributable to owners of the Company	(RM'000)	(3,297)	179	(4,854)	1,990
Weighted average number of ordinary shares in issue:					
Issued ordinary shares at 1 January	('000)	243,600	243,600	243,600	243,600
Effect of issuance of bonus issue of shares ⁽¹⁾	('000)	243,600	243,600	243,600	243,600
Effect of exercise of Warrants	('000)	86	-	86	-
Effect of Private Placement ⁽³⁾	('000)	25,297	-	25,297	-
		<u>512,583</u>	<u>487,200</u>	<u>512,583</u>	<u>487,200</u>
Basic EPS ⁽¹⁾	(Sen)	(0.64)	0.04	(0.95)	0.41
Diluted EPS ^{(1) (2)}	(Sen)	(0.64)	0.04	(0.95)	0.41

Notes:

- (1) The weighted average number of ordinary shares issued for the preceding financial quarter and year to date ended 31 December 2019 have been adjusted to reflect the bonus issue of 1 for 1 existing ordinary shares which was completed on 20 January 2020.
- (2) Diluted earnings per share is equivalent to the basic earnings per share as there are no dilutive potential ordinary shares at the end of reporting period.
- (3) On 25 June 2020, 48,730,000 new shares were listed on the ACE Market of Bursa Malaysia Securities Berhad at RM0.107 each pursuant to the completion of the private placement.

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B11. Disclosure on selected expense/(income) items as required by the Listing Requirements

	3-MONTH ENDED		YEAR-TO-DATE	
	31 December 2020 Unaudited RM'000	31 December 2019 Audited RM'000	31 December 2020 Unaudited RM'000	31 December 2019 Audited RM'000
(Loss)/Profit before tax is arrived at after charging/(crediting):				
Amortisation of development expenditure	121	121	484	484
Depreciation of:				
- PPE	161	80	639	491
- ROU	141	154	532	546
Finance costs	6	8	25	93
PPE written off	1	1	1	4
Inventories written off	348	19	352	19
Impairment losses on trade receivables	1,499	-	1,547	-
Impairment on other receivables	113	-	113	-
Unrealised loss on foreign exchange	182	201	105	121
Realised loss/(gain) on foreign exchange	62	36	(62)	16
Reversal of impairment losses on trade receivables	-	(23)	-	(170)
Fair value gain of financial asset at fair value through profit or loss	-	(1)	-	(10)
Government grant income	112	(110)	(450)	(450)
Interest income	(79)	(161)	(362)	(525)
Other income (including investment income)	-	-	-	(40)

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Securities are not applicable.

BY ORDER OF THE BOARD

Company Secretary

Date: 23th February 2021