

SECUREMETRIC BERHAD

Registration No. 201701019864 (1234029-D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2021

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

	3-MONTH ENDED		YEAR-TO-DATE	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
Revenue	5,089	7,305	10,618	12,108
Cost of sales	(1,878)	(2,971)	(4,334)	(5,329)
Gross profit	3,211	4,334	6,284	6,779
Other income	95	250	656	1,032
Administrative expenses	(4,180)	(3,908)	(8,382)	(9,025)
Net gain/(loss) on impairment of financial instruments	42	24	60	(51)
Finance costs	(4)	(7)	(8)	(14)
(Loss)/Profit before tax	(836)	693	(1,390)	(1,279)
Taxation	(95)	(204)	(324)	(316)
(Loss)/Profit for the financial period	(931)	489	(1,714)	(1,595)
Other comprehensive income/(loss) for the financial period				
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Exchange translation differences for foreign operations	5	1,034	187	291
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Net change in fair value of equity investments designated at fair value through other comprehensive income	13	84	27	(93)
	18	1,118	214	198
Total comprehensive (loss)/income for the financial period	(913)	1,607	(1,500)	(1,397)
(Loss)/Profit for the financial period attributable to:				
- Owners of the Company	(918)	481	(1,737)	(1,603)
- Non-controlling interests	(13)	8	23	8
	(931)	489	(1,714)	(1,595)
Total comprehensive (loss)/income attributable to:				
- Owners of the Company	(900)	1,541	(1,523)	(1,405)
- Non-controlling interests	(13)	66	23	8
	(913)	1,607	(1,500)	(1,397)

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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	
		30 June 2021	30 June 2020	30 June 2021	30 June 2020
		Unaudited	Unaudited	Unaudited	Unaudited
		RM'000	RM'000	RM'000	RM'000
(Loss)/Earnings per share attributable to owners of the Company (sen):					
Basic	Note B10	(0.17)	0.10	(0.32)	(0.33)
Diluted	Note B10	(0.17)	0.10	(0.32)	(0.33)

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 2020 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 30 June 2021 Unaudited RM'000	AS AT 31 December 2020 Audited RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	1,312	1,330
Right-of-use assets	599	662
Development expenditure	242	483
Other investments	6,287	6,261
Deferred tax assets	94	92
	<u>8,534</u>	<u>8,828</u>
CURRENT ASSETS		
Inventories	1,162	1,129
Contract assets	304	315
Trade receivables	5,066	8,782
Other receivables	3,651	2,693
Tax recoverable	670	614
Fixed deposits with licensed banks	16,591	14,056
Cash and bank balances	9,365	12,454
	<u>36,809</u>	<u>40,043</u>
TOTAL ASSETS	<u>45,343</u>	<u>48,871</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	35,684	35,684
Reserves	(11,089)	(11,303)
Retained earnings	12,587	14,324
Total equity attributable to owners of the Company	<u>37,182</u>	<u>38,705</u>
Non-controlling interests	352	329
Total Equity	<u>37,534</u>	<u>39,034</u>
LIABILITIES		
NON-CURRENT LIABILITIES		
Employee benefits	269	275
Lease liabilities	260	157
	<u>529</u>	<u>432</u>

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	AS AT 31 June 2021 Unaudited RM'000	AS AT 31 December 2020 Audited RM'000
CURRENT LIABILITIES		
Trade payables	1,419	2,028
Other payables	1,518	2,285
Contract liabilities	3,796	4,513
Lease liabilities	299	473
Tax payable	248	106
	7,280	9,405
Total liabilities	7,809	9,837
TOTAL EQUITY AND LIABILITIES	45,343	48,871
Number of ordinary shares ('000)	536,030	536,030
NET ASSETS PER SHARE (sen)	6.94	7.22

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 2020 and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY⁽¹⁾

	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 period	-	-	-	-	-	-	(1,603)	(1,603)	8	(1,595)
Other comprehensive (loss)/income for the financial period	-	(93)	291	-	-	-	-	198	-	198
Total comprehensive (loss)/income for the financial period	-	(93)	291	-	-	-	(1,603)	(1,405)	8	(1,397)
Transactions with owners										
Issuance of Warrants	-	-	-	(38,221)	38,221	-	-	-	-	-
Exercise of Warrants ⁽²⁾	16	-	-	16	(16)	-	-	16	-	16
Issuance of private placement ⁽³⁾	5,214	-	-	-	-	-	-	5,214	-	5,214
As at 30 June 2020	35,684	117	150	(38,202)	38,205	(11,005)	17,573	42,522	368	42,890

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	Attributable to owners of the Company						Total RM'000	Non- controlling interests RM'000	Total equity RM'000	
	Non-Distributable			Distributable						
	Share capital 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 2021	35,684	101	(402)	(38,202)	38,205	(11,005)	14,324	38,705	329	39,034
Loss for the financial period	-	-	-	-	-	-	(1,737)	(1,737)	23	(1,714)
Other comprehensive income for the financial period	-	27	187	-	-	-	-	214	-	214
Total comprehensive income/(loss) for the financial period	-	27	187	-	-	-	(1,737)	(1,523)	23	(1,500)
As at 30 June 2021	35,684	128	(215)	(38,202)	38,205	(11,005)	12,587	37,182	352	37,534

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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 2020 and the accompanying explanatory notes attached to this interim financial report.
- (2) 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, the Company has outstanding 243,500,000 Warrants and 100,000 Warrants had been exercised into 100,000 ordinary shares of Securemetric.
- (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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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾

	YEAR-TO-DATE	
	30 June 2021 Unaudited RM'000	30 June 2020 Unaudited RM'000
Operating Activities		
Loss before tax	(1,390)	(1,279)
<u>Adjustments for:</u>		
Amortisation of development expenditure	241	242
Impairment losses on trade receivables	-	51
Depreciation of property, plant and equipment ("PPE")	323	308
Depreciation of right-of-use assets ("ROU")	295	266
Dividend income	(1)	-
Finance costs	8	13
Government grant income	(225)	(225)
Interest income	(162)	(179)
Inventories written off	6	2
Reversal of impairment losses on trade receivables	(60)	-
Unrealised gain on foreign exchange	(189)	(274)
Operating loss before working capital changes	(1,154)	(1,075)
<u>Changes in working capital:</u>		
Inventories	22	(16)
Receivables	2,985	1,782
Payables	(1,159)	(407)
Contract assets/liabilities	(706)	(1,590)
	1,142	(231)
Cash used in operations	(12)	(1,306)
Interest paid	(8)	(13)
Interest received	162	179
Tax paid	(238)	(765)
Exchange fluctuation adjustment	179	291
Net cash from/(used in) operating activities	83	(1,614)

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

	YEAR-TO-DATE	
	30 June 2021	30 June 2020
	Unaudited	Unaudited
	RM'000	RM'000
Investing Activities		
Proceeds from disposal of PPE	-	2
Purchase of other investment	-	(6,095)
Dividend received	1	-
Increase in fixed deposit with a licensed bank with maturity more than 3 months	(2)	-
Purchase of PPE	(361)	(163)
Purchase of ROU	(14)	-
Net cash used in investing activities	(376)	(6,256)
Financing Activities		
Payment of lease liabilities	(288)	(221)
Proceeds from issuance of ordinary shares	-	5,230
(Increase)/Decrease in fixed deposits pledged	(4)	2,274
Net cash (used in)/from financing activities	(292)	7,283
Net decrease in cash and cash equivalents	(585)	(587)
Effect of exchange translation differences on cash and cash equivalents	25	(5)
Cash and cash equivalents at the beginning of the financial period	25,919	22,610
Cash and cash equivalents at the end of the financial period	25,359	22,018
Cash and cash equivalents at the end of the financial period comprises:		
Cash and bank balances	9,365	7,256
Fixed deposits with licensed banks	16,591	15,343
	25,956	22,599
Less: Fixed deposits pledged to licensed banks	(416)	(581)
Less: Fixed deposit with a licensed bank with maturity of more than 3 months	(181)	-
	25,359	22,018

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 2020 and the accompanying explanatory notes attached to this interim financial report.

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INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2021

NOTES TO THE INTERIM FINANCIAL REPORT

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2021

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 2020 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 2020.

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 Malaysian Accounting Standards Board but are not yet effective for the Group and for the Company:

		Effective dates for financial periods <u>beginning on or after</u>
Amendment to MFRS 16	Covid-19 - Related Rent Concessions beyond 30 June 2021	1 April 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

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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)

The Group and the Company have not applied the following new standards and amendments to standards that have been issued by the Malaysian Accounting Standards Board but are not yet effective for the Group and for the Company: (Cont'd)

		<u>Effective dates for financial periods beginning on or after</u>
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS 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 101	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 10 and MFRS 128	Sale 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 2020 was not subject to any qualifications.

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NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

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.

Despite the COVID-19 pandemic, we remained focused on our business strategies such as expansion of business development sectors while managing our existing and potential clients. Our business strategies also include continuous monitoring of market trends and developments in the digital security industry and at the same time maintain our long-standing commitment to innovating digital security.

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 period-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

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.

A8. Dividends paid

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

A9. Contingent liabilities or contingent assets

Contingent liabilities

	AS AT	AS AT
	30 June 2021	30 June 2020
	Unaudited	Unaudited
Secured	RM'000	RM'000
Bank guarantees provided to customers to secure performance under contracts	20	1,020

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

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NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

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 16 March 2021, Signing Cloud Sdn. Bhd. ("Signing Cloud Malaysia"), a wholly-owned subsidiary company of the Company increased its issued share capital from 2 to 250,000 ordinary shares. The Company has subscribed for an additional of 249,998 ordinary shares in Signing Cloud Malaysia by way of cash.

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/period ended 30 June 2021 under review:

	3-MONTH ENDED		YEAR-TO-DATE	
	30 June 2021 Unaudited RM'000	30 June 2020 Unaudited RM'000	30 June 2021 Unaudited RM'000	30 June 2020 Unaudited RM'000
(a) Digital security solutions				
- Software licensing protection dongles	698	471	1,296	950
- 2FA	106	296	209	394
- PKI	1,407	2,695	3,405	4,068
- CENTAGATE®	437	923	639	1,112
Subtotal	2,648	4,385	5,549	6,524
(b) Electronic identification products	241	850	879	1,557
(c) Others*	2,200	2,070	4,190	4,027
Total Revenue	5,089	7,305	10,618	12,108

Note:

* Comprising mainly maintenance service charges.

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NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

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/period ended 30 June 2021 under review:

	3-MONTH ENDED		YEAR-TO-DATE	
	30 June 2021 Unaudited RM'000	30 June 2020 Unaudited RM'000	30 June 2021 Unaudited RM'000	30 June 2020 Unaudited RM'000
Indonesia	1,349	1,699	3,734	3,106
Vietnam	1,136	3,110	2,342	4,482
Singapore	842	298	1,340	600
Philippines	504	253	963	1,009
Malaysia	622	1,103	1,051	1,351
Myanmar	2	13	116	121
Egypt	110	-	222	-
Tunisia	-	-	106	-
United States of America	128	568	157	948
Others	396	261	587	491
Total Revenue	5,089	7,305	10,618	12,108

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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 a revenue of RM5.09 million and loss before tax of RM0.84 million for the current financial quarter ended 30 June 2021. 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	
	30 June 2021	31 March 2021	RM'000	%
Revenue	RM'000 5,089	RM'000 5,529	RM'000 (440)	% (7.96)
Loss before tax	(836)	(554)	(282)	(50.90)

The Group's revenue for the current financial quarter ended 30 June 2021 decreased by RM0.44 million or 7.96% to RM5.09 million as compared to RM5.53 million in the preceding financial quarter ended 31 March 2021. The decrease in revenue was mainly due to the decrease in revenue from PKI (amounting to RM0.59 million) and electronic identification products (amounting to RM0.40 million). However, the decrease was partially offset by the increase in revenue from software licensing protection dongles (amounting to RM0.10 million), CENTAGATE[®] (amounting to RM0.24 million) and others maintenance services (amounting to RM0.21 million).

The Group's loss before tax for the current financial quarter increased by RM0.28 million or 50.90% to RM0.84 million as compared to a loss before tax of RM0.55 million in the preceding financial quarter. The increase was mainly due to the decrease in unrealised gain on foreign exchange in the current financial quarter as compared to the preceding financial quarter.

B3. Prospects

In light of the current global and regional economic challenges arising from the pandemic, the Group remains committed in mitigating the impacts on its business by continuously implementing precautionary measures that align with the Group's strategies. The Group also strives to ensure that in line with adapting with the new reality, costs will be continuously monitored and kept on a tight rein. This is to ensure that the Group's financial position remain stable and well-placed when economic activities revert to normal and the industry gradually recovers.

Moving forward into 2022, the Group will continue to focus on its long-term strategy to increase its recurring revenue through CENTAGATE Cloud (a security-as-a-service solution to control, protect and secure application access through single login credential) and SigningCloud (a digital-signing-as-a-service to insert digital signature into electronic documents and transactions). We are confident that CENTAGATE Cloud and SigningCloud will enhance shareholders' value in future. The Group also 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.

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B3. Prospects (Cont'd)

Our foreign subsidiary companies were affected by the COVID-19 pandemic. Nevertheless, the respective foreign governments have also carried out precautionary measures to contain the spread of COVID-19 pandemic. Our business (which is provision of digital security solutions as well as trading of electronic identification products and other related services) were deemed to be non-essential and hence, prohibited from operating during the initial precautionary measures implemented by the government. The Group recognises that the wellbeing of employees, as well as their families, clients, and communities around them are of utmost priority. During this period, some of the subsidiary companies implemented work-from home basis according to the needs of their countries. Nevertheless, some of the business operations such as logistics and business development are required to be in office to arrange for packaging and shipment as well as our salespeople to meet with prospective customers.

The Group has stepped up precautionary measures at our offices and formulated business continuity plans to minimise the impact to operations and are ready to support our business partners and customers to ride through the challenges brought on by the COVID-19 pandemic.

Whilst our Group had carefully planned and strategised for the near and far future, the performance of the Group for the new financial year will remain challenging due to the current headwinds and disruption in the local and global economy. Nevertheless, the Group remains cautious of the potential impact should the COVID-19 pandemic prolong. The Directors of the Company will strive to continuously manage the Group's businesses with vigilance during this period of uncertainty.

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	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Tax expenses recognised in profit or loss:				
- Income tax	95	204	324	316
Effective tax rate	(11.36%)	29.44%	(23.31%)	(24.71%)

(a) The effective tax rate for current financial period-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 below, there were no corporate proposals announced as at the date of this interim financial report.

On 22 March 2021, the Company announced its intention to implement second private placement of up to 107,176,000 new ordinary shares of the Company ("Securemetric Shares") pursuant to the general mandate obtained from its shareholders at the annual general meeting convened on 24 August 2020, where the Board has been authorised to issue and allot Securemetric Shares not exceeding 20% of the total number of issued shares of the Company (excluding treasury shares) at the time of issue.

On 2 April 2021, Bursa Malaysia Securities Berhad approved the listing of and quotation for up to 107,176,000 new Securemetric Shares to be issued pursuant to the Private Placement.

On 23 July 2021, TA Securities Holdings Berhad announced, on behalf of the Board, that the issue price for the Securemetric Shares had been fixed at RM0.139 each.

On 3 August 2021, 40,476,000 Securemetric Shares were listed on the ACE Market of Bursa Malaysia Securities Berhad raising gross proceeds of RM5,626,164.

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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 Malaysia Securities Berhad on 13 November 2018, the gross proceeds from the initial public offering amounting to RM17.00 million are being utilised in the following manner:

Details of utilisation	IPO Proceeds raised	Re-allocation	Variation	Amount utilised	Balance	Original timeframe for utilisation of proceeds	Revised timeframe for utilisation of proceeds
	RM'000	RM'000	RM'000	RM'000	RM'000		
Business expansion	1,700	-	-	(784)	916	By November 2020	By November 2021 ⁽³⁾
Development of new digital security solutions	5,700	-	(2,389)	(3,311)	-	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	-	(4,602)	719 ⁽⁴⁾	By November 2020	By November 2021 ⁽³⁾
Estimated listing expenses	2,500	(163) ⁽²⁾	-	(2,337)	-	Utilised	Utilised
Total	17,000	-	-	(15,365)	1,635		

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	(595)	405
Day-to-day operations	1,578	163	(1,741)	-	1,517	1,517	(1,203)	314
	5,158	163	(2,804)	2,517	-	2,517	(1,798)	719

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

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

Details of utilisation	Proposed utilisation	Amount utilised	Deviation: Surplus/ (Deficit)	Balance	Estimated timeframe for utilisation of proceeds
	RM'000	RM'000	RM'000	RM'000	
Investment in research and development activities	950	(810)	-	140	By June 2022
Exploration of investments and markets relating to digital security solutions	3,369	(928)	-	2,441	By June 2022
Working capital	800	(815)	15	-	Utilised
Expenses for Private Placement	95	(80)	(15) ⁽¹⁾	-	Utilised
Total	5,214	(2,633)	-	2,581	

Note:

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

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B6. Corporate proposal (Cont'd)

(b) Utilisation of proceeds (Cont'd)

On 3 August 2021, 40,476,000 new Securemetric Shares, which were issued at RM0.139 each, were listed on the ACE Market of Bursa Malaysia Securities Berhad pursuant to Securemetric's private placement exercise.

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

Details of utilisation	Proposed utilisation	Amount utilised	Deviation: Surplus/ (Deficit)	Balance	Estimated timeframe for utilisation of proceeds
	RM'000	RM'000	RM'000	RM'000	
Working capital	2,951	-	27	2,978	By August 2022
Certification costs	1,280	-	-	1,280	By August 2023
IT infrastructure	1,280	-	-	1,280	By August 2023
Expenses for Private Placement	115	(88)	(27) ⁽¹⁾	-	Utilised
Total	5,626	(88)	-	5,538	

Note:

(1) The excess of RM0.027 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 30 June 2021 Unaudited RM'000	AS AT 30 June 2020 Unaudited RM'000
<u>Current:</u>		
Lease liabilities	299	490
<u>Non-current:</u>		
Lease liabilities	260	307
Total borrowings	559	797

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

B8. Material litigation

There was no material litigation involving the Group as at 30 June 2021.

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 (“LPS”) is calculated by dividing the consolidated loss for the financial period attributable to owners of the Company by the weighted average number of ordinary shares of the Company during the financial quarter as follows:

		3-MONTH ENDED		YEAR-TO-DATE	
		30 June 2021 Unaudited	30 June 2020 Unaudited	30 June 2021 Unaudited	30 June 2020 Unaudited
(Loss)/Profit attributable to owners of the Company	(RM'000)	(918)	481	(1,737)	(1,603)
Weighted average number of ordinary shares					
Issued ordinary shares at 1 January	('000)	536,030	243,600	536,030	243,600
Bonus issue	('000)	-	243,600	-	243,600
Effect of exercise of Warrants	('000)	-	72	-	72
Effect of Private Placement ⁽²⁾	('000)	-	1,606	-	1,606
		<u>536,030</u>	<u>488,878</u>	<u>536,030</u>	<u>488,878</u>
Basic LPS	(sen)	<u>(0.17)</u>	<u>0.10</u>	<u>(0.32)</u>	<u>(0.33)</u>
Diluted LPS ⁽¹⁾	(sen)	<u>(0.17)</u>	<u>0.10</u>	<u>(0.32)</u>	<u>(0.33)</u>

Notes:

- (1) The Group has no dilution in their loss per ordinary share as the exercise price of the warrants has exceeded the average market price of ordinary shares during the financial period, the warrants do not have any dilutive effect on the weighted average number of ordinary shares.
- (2) 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	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before tax is arrived at after charging/(crediting):				
Amortisation of development expenditure	121	121	241	242
Depreciation of:				
- PPE	165	158	323	308
- ROU	154	125	295	266
Finance costs	4	6	8	13
Inventories written off	6	2	6	2
Impairment losses on trade receivables	-	(24)	-	51
Unrealised loss/(gain) on foreign exchange	60	(5)	(189)	(274)
Realised loss/(gain) on foreign exchange	10	(153)	(5)	(269)
Reversal of impairment losses on trade receivables	(42)	-	(60)	-
Government grant income	(113)	(112)	(225)	(225)
Interest income	(75)	(85)	(162)	(179)
Dividend income	(1)	-	(1)	-

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: 26th August 2021