

CE TECHNOLOGY BERHAD

(Incorporated in Malaysia)

Company No: 586410-P

**Unaudited financial statements for the
6-month financial period from 1 August 2018 to 31 January 2019**

CE TECHNOLOGY BERHAD
(Company No: 586410-P)
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS⁽¹⁾

	INDIVIDUAL 6 MONTHS		CUMULATIVE PERIOD	
	Current Year 6 Months	Preceding Year Corresponding 6 Months	Current Year To-Date	Preceding Year Corresponding Period
	31.01.2019 RM'000	31.01.2018 RM'000	31.01.2019 RM'000	31.01.2018 RM'000
Revenue	23,892	21,550	23,892	21,550
Cost of sales	(17,944)	(16,954)	(17,944)	(16,954)
Gross profit	5,948	4,596	5,948	4,596
Other income	236	235	236	235
Administrative expenses	(2,246)	(2,415)	(2,246)	(2,415)
Finance costs	(340)	(173)	(340)	(173)
Profit before tax	3,598	2,243	3,598	2,243
Income tax expense	(274)	(656)	(274)	(656)
Profit / Total comprehensive income for the period	-	-	-	-
Profit / Total comprehensive income attributable to owners of the Company	3,324	1,587	3,324	1,587
Earnings per share attributable to owners of the Company (sen) ⁽²⁾ : Basic/Diluted	1.13	0.54	1.13	0.54

Notes:

- (1) The basis of preparation of the Unaudited Condensed Statements of Profit or Loss are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 July 2018 and the accompanying explanatory notes attached to this interim financial report.
- (2) Earnings per share for the 6-month financial period ended 31 January 2019 is computed based on the Company's total number of issued shares of 294,112,000 pursuant to the completion of a share split and a bonus issue on 24 December 2018. The total number of issued shares for the 6-month financial period ended 31 January 2018 has incorporated the aforementioned share split and bonus issue for comparative purposes.

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UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME⁽¹⁾

	INDIVIDUAL 6 MONTHS		CUMULATIVE PERIOD	
	Current Year 6 Months	Preceding Year Corresponding 6 Months	Current Year To-Date	Preceding Year Corresponding Period
	31.01.2019 RM'000	31.01.2018 RM'000	31.01.2019 RM'000	31.01.2018 RM'000
Profit After Tax for the period	3,324	1,587	3,324	1,587
Other Comprehensive Expenses	-	-	-	-
- Foreign currency translation difference				
Total Comprehensive income for the period	3,324	1,587	3,324	1,587

Note:

- (1) The basis of preparation of the Unaudited Condensed Statements of Comprehensive Income are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 July 2018 and the accompanying explanatory notes attached to this interim financial report.

CE TECHNOLOGY BERHAD
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UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION⁽¹⁾

	Unaudited As at 31.01.2019 RM'000	Audited As at 31.07.2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	40,186	33,950
	<u>40,186</u>	<u>33,950</u>
Current assets		
Inventories	10,808	8,942
Trade receivables	5,277	6,847
Other receivables, deposits and prepayments	1,787	1,668
Amount owing by contract customers	-	-
Deposits with licensed banks	-	-
Cash and bank balances	407	2,558
	<u>18,279</u>	<u>20,015</u>
TOTAL ASSETS	<u>58,465</u>	<u>53,965</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	14,706	3,676
Retained profits	21,911	29,617
Total equity attributable to owners of the Company	<u>36,617</u>	<u>33,293</u>
Non-current liabilities		
Hire purchase payables	4,371	2,793
Term loan	3,374	2,999
Deferred tax liabilities	2,320	2,191
	<u>10,065</u>	<u>7,983</u>
Current liabilities		
Trade payables	2,700	2,761
Other payables and accruals	2,808	3,918
Amount owing to contract customers	-	-
Hire purchase payables	681	656
Short-term borrowings	5,446	5,224
Current tax liabilities	148	130
	<u>11,783</u>	<u>12,689</u>
TOTAL LIABILITIES	<u>21,848</u>	<u>20,672</u>
TOTAL EQUITY AND LIABILITIES	<u>58,465</u>	<u>53,965</u>
Net asset per share (RM) ⁽²⁾	<u>0.13</u>	<u>0.11</u>

Notes:

(1) The basis of preparation of the Unaudited Condensed Statement of Financial Position are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 July 2018 and the accompanying explanatory notes attached to this interim financial report.

(2) Net asset per share as at 31 January 2019 is computed based on the Company's total number of issued shares of 294,112,000 and pursuant to the completion of a share split and a bonus issue on 24 December 2018. The number of issued shares as at 31 July 2018 has incorporated the aforementioned share split and bonus issue for comparative purposes.

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY⁽¹⁾

	Non-distributable Share Capital RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
<u>6-month period ended 31 January 2019</u>			
Opening balance as at 01.08.2018	3,676	29,617	33,293
Profit after taxation as at 31.01.2019	-	3,324	3,324
Bonus issue	11,030	(11,030)	-
Closing balance as at 31.01.2019	14,706	21,911	36,617
<u>6-month period ended 31 January 2018</u>			
Opening balance as at 01.08.2017	3,676	24,872	28,548
Profit after taxation as at 31.01.2018	-	1,587	1,587
Closing balance as at 31.01.2018	3,676	26,459	30,135

Note:

- (1) The basis of preparation of the Condensed Statement of Changes in Equity are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 July 2018 and the accompanying explanatory notes attached to this interim financial report.

CE TECHNOLOGY BERHAD
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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS⁽¹⁾

	CUMULATIVE PERIOD	
	Current Period Ended 31.01.2019 RM'000	Comparative Period Ended 31.01.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,598	2,243
Adjustments for:		
Depreciation	1,299	1,266
Listing expenses	-	-
Interest expense	340	173
Interest income	(19)	(5)
Loss/(Gain) on disposal of property, plant and equipment	-	-
Loss/(Gain) on foreign exchange – unrealised	(85)	105
Operating profit before changes in working capital	<u>5,133</u>	<u>3,782</u>
Net Increase in amount owing by/to contract customers	-	-
(Increase)/ decrease in trade and other receivables	1,541	(1,007)
Increase / (decrease) in trade and other payables	(1,202)	193
(Increase) / decrease in inventories	(1,866)	173
Cash flows from operations	<u>3,606</u>	<u>3,141</u>
Interest paid	-	-
Interest received	-	-
Tax paid	(100)	(132)
Net cash from operating activities	<u>3,506</u>	<u>3,009</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(7,538)	(2,541)
Proceeds from sale of property, plant and equipment	2	-
Interest received	19	5
Net cash used in investing activities	<u>(7,517)</u>	<u>(2,536)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase / (decrease) in fixed deposits pledged to banks	-	-
Drawdown/(Repayments) of term loan	317	(152)
Payment of listing expenses	-	-
Drawdown/(Repayments) of bankers' acceptance	280	(284)
Drawdown/(Repayments) of hire purchase	1,603	(49)
Repayment of term loans	-	-
Initial public offering proceeds	-	-
Dividend paid	-	-
Interest paid	(340)	(173)
Net cash used in financing activities	<u>1,860</u>	<u>(658)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,151)	(185)
Cash and cash equivalents at beginning of the financial period	<u>2,558</u>	<u>2,762</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>407</u>	<u>2,577</u>
Cash and cash equivalents comprise :		
Deposits with licensed banks	-	-
Cash and bank balances	407	2,577
Bank overdrafts	-	-
Less: Deposits pledged to licensed banks	-	-
	<u>407</u>	<u>2,577</u>

Note:

(1) The basis of preparation of the Unaudited Condensed 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 July 2018 and the accompanying explanatory notes attached to this interim financial report.

PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019

A1 Basis of Preparation

The interim financial statements of CE Technology Berhad (“CET” or the “Company”) are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134: Interim Financial Reporting.

The interim financial reports should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 July 2018.

A2 Significant Accounting Policies

The significant accounting policies and methods of computation adopted by the Company in this interim financial report are consistent with those adopted in the Audited Financial Statements for the financial year ended 31 July 2018, except for the following:

- MFRS 9, “Financial Instruments”
- MFRS 15, “Revenue from Contracts with Customers”
- Amendments to MFRS 1, “First-time Adoption of Malaysian Financial Reporting Standards” (Annual improvements 2014-2016 cycle)
- Amendments to MFRS 2, “Classification and Measurement of Share-Based Payment Transactions”
- Amendments to MFRS 4, “Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts”
- Amendments to MFRS 128, “Investments in Associates and Joint Ventures” (Annual improvements 2014-2016 cycle)
- Amendments to MFRS 140, “Transfers of Investment Property”
- IC Interpretation 22, “Foreign Currency Transactions and Advance Consideration”

The adoption of the above amendments to MFRSs do not have any significant financial impact on the results and financial position of the Company for the current financial year.

Accounting standards, amendments to accounting standards and IC Interpretation that are applicable for the Company in the following periods but are not yet effective:

Annual periods beginning on/after 1 January 2019

- MFRS 16, “Leases”
- Amendments to MFRS 3, “Business Combinations” (Annual Improvements to MFRS 2015-2017 cycle)
- Amendments to MFRS 9, “Prepayment Features with Negative Compensation”
- Amendments to MFRS 11, “Joint Arrangement” (Annual Improvements to MFRS 2015-2017 cycle)
- Amendments to MFRS 112, “Income Taxes” (Annual Improvements to MFRS 2015-2017 cycle)
- Amendments to MFRS 123, “Borrowing Costs” (Annual Improvements to MFRS 2015-2017 cycle)
- Amendments to MFRS 128, “Long-term Interests in Associates and Joint Ventures”
- IC Interpretation 23, “Uncertainty over Income Tax Treatments”

PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019 (CONTINUED)

A2 Significant Accounting Policies (CONTINUED)

Annual periods beginning on/after 1 January 2020

Amendments to References to the Conceptual Framework in MFRS Standards:

- Amendments to MFRS 3, “Definition of a Business”
- Amendments to MFRS 101 and MFRS 108, “Definition of Material”
- Amendments to MFRS 2, “Share Based Payments”
- Amendments to MFRS 3, “Business Combinations”
- Amendments to MFRS 6, “Exploration for and Evaluation of Mineral Resources”
- Amendments to MFRS 14, “Regulatory Deferral Accounts”
- Amendments to MFRS 101, “Presentation of Financial Statements”
- Amendments to MFRS 108, “Accounting Policies, Changes in Accounting Estimates and Errors”
- Amendments to MFRS 134, “Interim Financial Reporting”
- Amendment to MFRS 137, “Provisions, Contingent Liabilities and Contingent Assets”
- Amendment to MFRS 138, “Intangible Assets”
- Amendment to IC Interpretation 12, “Service Concession Arrangements”
- Amendment to IC Interpretation 19, “Extinguishing Financial Liabilities with Equity Instruments”
- Amendment to IC Interpretation 20, “Stripping Costs in the Production Phase of a Surface Mine”
- Amendment to IC Interpretation 22, “Foreign Currency Transactions and Advance Considerations”
- Amendments to IC Interpretation 132, “Intangible Assets- Web Site Costs”

Annual periods beginning on/after 1 January 2021

- MFRS 17, “Insurance Contracts”.

Effective date yet to be determined by the Malaysian Accounting Standards Board

- Amendments to MFRS 10 and MFRS 128, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The above accounting standards, amendments to accounting standards and interpretation do not have any significant impact to the financial statement.

A3 Auditors’ Report

There was no qualification on the audited financial statements of the Company for the financial year ended 31 July 2018.

A4 Seasonal and Cyclical Factors

The business operations of the Company are not materially affected by any seasonal or cyclical factors.

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

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

PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019 (CONTINUED)

A6 Changes in Estimates

There were no material changes in estimates that have a material effect on the financial quarter and period under review.

A7 Debt and Equity Securities

The Company had on 24 December 2018 completed a share split involving the subdivision of every 1 existing Share into 20 Shares (“Share Split”) and a bonus issue of 220,584,000 new Shares on the basis of 3 bonus Shares for every 1 existing Share (“Bonus Issue”) after the share split. After the completion of the Share Split and Bonus Issue, the Company’s enlarged share capital is RM14,705,600 comprising 294,112,000 Shares.

Save as disclosed above, there were no other issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial period ended 31 January 2019.

A8 Dividends Paid

There were no dividends paid during the financial period ended 31 January 2019.

A9 Segmental Reporting

The Company is principally involved in the manufacture and sale of cleanroom gloves. As such, the revenue of the Company for the current financial period under review and the financial period to date is derived entirely from its sale of cleanroom gloves.

The Company’s revenue as segmented by countries that it shipped its products to is set out below:

Country/Region	6-month period ended 31 January 2019		6-month period ended 31 January 2018	
	RM’000	%	RM’000	%
Malaysia	1,646	6.89	587	2.72
ASEAN	6,301	26.37	7,038	32.66
USA	5,708	23.89	4,051	18.80
China	2,206	9.23	2,879	13.36
Europe	3,375	14.13	3,567	16.55
Japan	2,709	11.34	2,512	11.66
Others ⁽¹⁾	1,947	8.15	916	4.25
	23,892	100	21,550	100

Note:-

(1) Others include Hong Kong, Korea, South Africa and Taiwan.

PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019 (CONTINUED)

A10 Profit before taxation

Profit before taxation for the financial period is arrived at after charging/(crediting):

	6-month period ended 31 January 2019 RM'000	6-month period ended 31 January 2018 RM'000
Auditors' remuneration	40	40
Directors' remuneration	364	367
Rental of buildings	135	129
Gain/(Loss) on foreign exchange		
-realised	183	(189)
-unrealised	85	(105)
Interest income	19	5

A11 Valuation of property, plant and equipment

There was no valuation on property and equipment during the financial period ended 31 January 2019.

A12 Material Events after the End of the Reporting Period

There were no other material events subsequent to the end of the current financial period.

A13 Contingent Liabilities and Contingent Assets

The Company has the following contingent liability as at 31 January 2019:

	RM'000
Secured:	
Bank guarantees given by a financial institution for:	
- Working capital	315

The bank guarantees are secured by first party first legal charges over the long-term leasehold land and certain buildings of the Company.

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

PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019 (CONTINUED)

A14 Commitments

(a) Operating lease commitments

The Company as lessee

The Company has entered into non-cancellable lease arrangements for one of the factory buildings and staff housing, resulting in future rental commitments which can, subject to certain terms in the agreements, be revised annually based on prevailing market rates.

The Company has aggregate future minimum lease commitments for the financial period ended 31 January 2019 as follows:

	RM'000
Not later than one (1) year	293
Later than one (1) year but not later than five (5) years	<u>535</u>
	<u>828</u>

(b) Capital Commitments

	RM'000
Capital expenditure in respect of construction of buildings and equipment-in-progress	
- Contracted but not provided for	<u>3,322</u>

A15 Significant related party transactions

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

A16 Financial Liabilities

The Company has not entered into any derivatives and do not have any financial liabilities.

PART B – ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS

B1 Review of Performance

The Company's performance for the current 6-month ended 31 January 2019 versus the preceding corresponding financial period are as follows:

- (i) The Company achieved sales revenue of RM23.89 million for the current financial period, an improvement of RM2.35 million or 10.90% as compared with RM21.54 million in the preceding corresponding financial period, mainly attributable to the sales of new type of high end cleanroom gloves which commands a higher selling price resulting in the increase in the overall revenue of the Company's products. The strengthening of US Dollar against RM also contributed to the higher revenue.
- (ii) Gross profit margin increased from 21.13% to 24.89% mainly attributable to the higher margin of the sales of the new type of high-end cleanroom gloves.
- (iii) Profit before tax also registered an increase of RM1.35 million or 69.7% driven by the sales of the new high end cleanroom gloves which yield a higher profit margin.

B2 Commentary on Prospects

As disclosed in the Information Memorandum of the Company dated 28 March 2019, the Company is expecting further growth from a series of future plans as follows:

- (i) Expansion of manufacturing capacity via the construction of a new dipping line which will increase the Company's manufacturing capacity from 18 million pieces of raw nitrile gloves per month to 27 million pieces of raw nitrile gloves per month. The expansion has been completed in April 2019 and is currently operational.
- (ii) Expansion of post-processing facility which will increase the Company's processing capacity from approximately 20 million pieces of cleanroom gloves per month to approximately 43 million pieces of cleanroom gloves per month. The expansion will be completed and operational by second quarter of calendar year 2019.
- (iii) Investment in a series of machinery and equipment to cater for the expected increase in capacity from the completion of the Company's new dipping line and post-processing facility.
- (iv) Expansion of product range through development of new glove properties and specifications that are targeted for the niche market such as high-end electronics and life sciences industries. The Company has successfully commercialised the new extra-long cleanroom gloves in line with its plan to venture into the business of manufacturing of cleanroom gloves for very niche markets.

Barring any unforeseen circumstances, the Board of Directors of the Company ("Board") is of the opinion that the prospects of the Company's financial performance for financial year ending 31 July 2019 will remain favourable.

PART C – OTHER INFORMATION

C1 Status of Corporate Proposals

There was no corporate proposal announced but pending completion as at the date of this report.

C2 Material Litigation

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

C3 Dividend

The Board did not declare any interim dividend in respect of the financial period ended 31 January 2019.