

CE TECHNOLOGY BERHAD

(Incorporated in Malaysia)

Company No: 586410-P

**Unaudited financial statements for the
2nd half-year ended 31 July 2019**

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

UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS⁽¹⁾

	INDIVIDUAL 6 MONTHS		CUMULATIVE PERIOD	
	Unaudited Current Year 6 Months	Preceding Year Corresponding 6 Months ⁽³⁾	Unaudited Current Year To-Date	Audited Preceding Year Corresponding Period
	31.07.2019 RM'000	31.07.2018 RM'000	31.07.2019 RM'000	31.07.2018 RM'000
Revenue	22,592	N/A	46,484	44,315
Cost of sales	(17,845)	N/A	(35,789)	(34,746)
Gross profit	4,747	N/A	10,695	9,569
Other income	177	N/A	413	315
Administrative expenses	(4,125)	N/A	(6,371)	(4,103)
Finance costs	(565)	N/A	(905)	(487)
Profit before tax	234	N/A	3,832	5,294
Income tax expense	(433)	N/A	(707)	(549)
Total comprehensive income / (loss) for the period	-	-	-	-
Total comprehensive income / (loss) attributable to owners of the Company	(199)	N/A	3,125	4,745
Basic earnings / (loss) per share attributable to owners of the Company (sen) ⁽²⁾ :	(0.07)	N/A	1.04	1.58
Diluted earnings / (loss) per share attributable to owners of the Company (sen) ⁽²⁾ :	N/A	N/A	N/A	N/A

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 as disclosed in the Information Memorandum dated 28 March 2019 and the accompanying explanatory notes attached to this interim financial report.
- (2) Earnings per share for the 6-month financial period ended 31 July 2019 is computed based on the Company's weighted average number of issued shares as at the end of the reporting period.
- (3) There are no comparative figures for the preceding 6-month ended 31 July 2018 year as this is the second interim financial report announced in compliance with the LEAP Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements").
- N/A Not applicable

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UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME⁽¹⁾

	INDIVIDUAL 6 MONTHS		CUMULATIVE PERIOD	
	Unaudited	Preceding Year	Unaudited	Audited
	Current Year 6 Months 31.07.2019 RM'000	Corresponding 6 Months ⁽²⁾ 31.07.2018 RM'000	Current Year To-Date 31.07.2019 RM'000	Preceding Year Corresponding Period 31.07.2018 RM'000
(Loss)/Profit After Tax for the period	(199)	N/A	3,125	4,745
Other comprehensive expenses - Foreign currency translation difference	-	N/A	-	-
Total comprehensive income / (loss) for the period	(199)	N/A	3,125	4,745

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 as disclosed in the Information Memorandum dated 28 March 2019 and the accompanying explanatory notes attached to this interim financial report.
- (2) There are no comparative figures for the preceding 6-month ended 31 July 2018 year as this is the second interim financial report announced in compliance with the Listing Requirements.
- N/A Not applicable

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

	Unaudited As at 31.07.2019	Audited As at 31.07.2018
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	44,088	33,950
	<u>44,088</u>	<u>33,950</u>
Current assets		
Inventories	11,150	8,942
Trade receivables	4,722	6,847
Other receivables, deposits and prepayments	2,435	1,668
Cash and bank balances	9,147	2,558
	<u>27,454</u>	<u>20,015</u>
TOTAL ASSETS	<u>71,542</u>	<u>53,965</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	27,185	3,676
Retained profits	21,713	29,617
Total equity attributable to owners of the Company	<u>48,898</u>	<u>33,293</u>
Non-current liabilities		
Hire purchase payables	3,171	2,793
Term loan	3,339	2,999
Deferred tax liabilities	2,531	2,191
	<u>9,041</u>	<u>7,983</u>
Current liabilities		
Trade payables	3,540	2,761
Other payables and accruals	4,274	3,918
Hire purchase payables	909	656
Short-term borrowings	4,779	5,224
Current tax liabilities	101	130
	<u>13,603</u>	<u>12,689</u>
TOTAL LIABILITIES	<u>22,644</u>	<u>20,672</u>
TOTAL EQUITY AND LIABILITIES	<u>71,542</u>	<u>53,965</u>
Net asset per share ⁽²⁾ (RM)	<u>0.14</u>	<u>9.06</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 as disclosed in the Information Memorandum dated 28 March 2019 and the accompanying explanatory notes attached to this interim financial report.
- (2) Net asset per share is computed based on the Company's total number of issued shares as at the end of the respective financial reporting period.

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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>Unaudited financial year ended 31 July 2019</u>			
Opening balance as at 01.08.2018	3,676	29,617	33,293
Profit/Total comprehensive income for the year	-	3,125	3,125
Bonus issue	11,029	(11,029)	-
New shares issued pursuant to listing	12,480	-	12,480
Closing balance as at 31.07.2019	27,185	21,713	48,898
<u>Audited financial year ended 31 July 2018</u>			
Opening balance as at 01.08.2017	3,676	24,872	28,548
Profit/Total comprehensive income for the year	-	4,745	4,745
Closing balance as at 31.07.2018	3,676	29,617	33,293

Note:

(1) The basis of preparation of the Unaudited 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 as disclosed in the Information Memorandum dated 28 March 2019 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
	31.07.2019
	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	3,832
Adjustments for:	
Depreciation	2,614
Interest expense	905
Interest income	(33)
Property, plant and equipment written off	2
Loss/(Gain) on foreign exchange – unrealised	18
Operating profit before changes in working capital	7,338
(Increase)/ decrease in trade and other receivables	1,359
Increase / (decrease) in trade and other payables	1,159
(Increase) / decrease in inventories	(2,209)
Cash flows from operations	7,647
Interest paid	-
Interest received	-
Tax paid	(452)
Tax refund	56
Net cash from operating activities	7,251
CASH FLOWS USED IN INVESTING ACTIVITIES	
Purchase of property, plant and equipment	(10,282)
Purchase of intangible assets	(40)
Proceeds from sale of property, plant and equipment	-
Interest received	33
Net cash used in investing activities	(10,289)
CASH FLOWS FROM FINANCING ACTIVITIES	
Drawdown of term loan	302
(Repayments)/Drawdown of bankers' acceptance	(407)
Repayments of hire purchase	(1,801)
Initial public offering proceeds	12,480
Dividend paid	-
Interest paid	(905)
Net cash used in financing activities	9,669
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,631
Cash and cash equivalents at beginning of the financial period	2,558
Effects of exchange rate on cash and cash equivalents	(42)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	9,147
Cash and cash equivalents comprise :	
Deposits with licensed banks	-
Cash and bank balances	9,147
Bank overdrafts	-
Less: Deposits pledged to licensed banks	-
	9,147

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 as disclosed in the Information Memorandum dated 28 March 2019 and the accompanying explanatory notes attached to this interim financial report.

PART A – EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE 6-MONTH FINANCIAL PERIOD ENDED 31 JULY 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 as disclosed in the Information Memorandum dated 28 March 2019.

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”
- Amendments to MFRS 119, “Plan Amendment, curtailment or settlement.”

PART A – EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE 6-MONTH FINANCIAL PERIOD ENDED 31 JULY 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 Company is in the process of assessing the impact of implementing these standards and amendments, since the effect would only be observable for the future financial year.

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 period under review.

PART A – EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE 6-MONTH FINANCIAL PERIOD ENDED 31 JULY 2019 (CONTINUED)

A6 Changes in Estimates

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

A7 Debt and Equity Securities

Saved as disclosed below, there were no changes in the debt and equity securities for the 6-month financial period ended 31 July 2019.

On 19 June 2019, the Company had issued 52,000,000 new ordinary shares (“Shares”) at an issue price of RM0.24 per Share to the sophisticated investors pursuant to an excluded issue within the meaning of Section 230 of the Capital Markets and Services Act 2007 (“Excluded Issue”) in conjunction with the listing of the Company on the LEAP Market of Bursa Malaysia Securities Berhad.

A8 Dividends Paid

The Company has declared and paid a first interim single tier dividend of RM0.001 per Share amounting to approximately RM346,112 for the financial year ended 31 July 2019 on 6 August 2019 and 30 August 2019 respectively.

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 are set out below:

Country/Region	Unaudited 6-month period ended 31 July 2019	
	RM'000	%
Malaysia	1,280	5.66
ASEAN	5,100	22.57
USA	7,061	31.24
China	1,521	6.73
Europe	3,255	14.40
Japan	1,695	7.50
Others ⁽¹⁾	2,680	11.90
	22,592	100.00

Note:-

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

PART A – EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE 6-MONTH FINANCIAL PERIOD ENDED 31 JULY 2019 (CONTINUED)

A10 Profit before taxation

Profit before taxation for the 6-month financial period ended 31 July 2019 is arrived at after charging/(crediting):-

	Unaudited 6-month period ended 31 July 2019 RM'000
Auditors' remuneration	44
Directors' remuneration	358
Rental of buildings	163
(Gain)/loss on foreign exchange -realised	82
-unrealised	(103)
Interest (income)/expense	14
Listing Expenses	1,900

A11 Valuation of property, plant and equipment

There was no valuation on property and equipment during the 6-month financial period ended 31 July 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 July 2019:

	RM'000
Secured:	
Bank guarantees given by a financial institution for:	
- Utility deposit	450

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 UNAUDITED INTERIM FINANCIAL REPORT FOR THE 6-MONTH FINANCIAL PERIOD ENDED 31 JULY 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 6-month financial period ended 31 July 2019 as follows:

	RM'000
Not later than one (1) year	335
Later than one (1) year but not later than five (5) years	<u>241</u>
	<u>576</u>

(b) Capital Commitments

	RM'000
Capital expenditure in respect of construction of buildings and equipment-in-progress	
- Contracted but not provided for	1,874

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 recorded revenue of RM22.6 million and profit before tax of RM0.2 million for the current 6-month period ended 31 July 2019. The Company incurred one-off listing expenses of RM1.9 million which was charged out to the profit or loss during the current financial period under review. The Company also incurred additional depreciation charges due to the addition of new assets (i.e. new dipping line and 2 new cleanroom facilities).

Profit before tax excluding the listing expenses is RM5.73 million in current financial year under review compared to RM5.29 million in the preceding corresponding financial year, representing an increase of 8.3% or RM0.44 million.

No comparative figures for the preceding 6-month period ended 31 July 2018 are available as this is the second interim financial report announced in compliance with the Listing Requirements.

B2 Commentary on Prospects

As at 31 July 2019, the Company has completed the following business strategies which is expected to contribute positively to the performance of the Company moving forward:

- (i) Expansion of production capacity with the addition of a third dipping line, thereby increasing the Company's dipping capacity from approximately 18 million pieces of gloves a month to approximately 27 million pieces of gloves a month;
- (ii) The addition of a Class 10 cleanroom and a Class 100 cleanroom, thereby increasing the Company's post-processing capacity from approximately 20 million pieces of gloves a month to approximately 43 million pieces of gloves a month; and
- (iii) Expansion and further improvements on product range (i.e. long cuff gloves, good electrostatic discharge prevention gloves and low halogen gloves) by leveraging on the Company's research and development capabilities to develop new glove properties and specifications that are targeted for niche markets such as the high-end electronics and life sciences industries.

Furthermore, based on the level of demand from the customers, our Company is assessing on the suitability and feasibility of expanding our production capacity by adding a fourth dipping line in the future.

Barring any unforeseen circumstances, the Board of Directors of the Company is of the opinion that the prospects of the Company's financial performance for financial year ending 31 July 2020 will remain favourable.

B3 Profit Forecast, Profit Guarantee and Internal Targets

The Company has not issued any profit forecast, profit guarantee in any form of public documentation and announcement.

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 Status of Utilisation of Proceeds

Proposed utilisation	Proposed amount for utilisation (RM'000)	Revised amount for utilisation (RM'000)	Actual amount utilised (RM'000)	Balance amount to be utilised (RM'000)	Estimated timeframe for utilisation upon listing
(i) Capital expenditure	8.58	8.58	6.57	2.01	Within 12 months
(ii) Working capital	2.20	⁽²⁾ 2.00	0.60	1.40	Within 12 months
(iii) Estimated listing expenses	1.70	⁽¹⁾⁽²⁾ 1.90	1.90	-	Immediate
Total	12.48	12.48	9.07	3.41	

Notes:

(1) Higher amount utilised for listing expenses mainly due to service tax incurred of approximately RM70,000 and other miscellaneous expenses, such as printing costs which amounted to approximately RM45,000, amongst others.

(2) The deficit of RM200,000 will be reallocated from the amount earmarked for working capital.

C3 Material Litigation

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

C4 Dividend

The Directors recommended a final single tier dividend of RM0.001 per share amounting to approximately RM346,112 in respect of the financial year ended 31 July 2019 subject to the shareholders' approval in the coming annual general meeting.