

CE TECHNOLOGY BERHAD

(Incorporated in Malaysia)

Registration No.200201018747 (586410-P)

**Unaudited financial statements for the
6-month financial period from 1 August 2021 to 31 January 2022**

CHARACTERISTICS OF THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES")

THE LEAP MARKET HAS BEEN POSITIONED AS A MARKET DESIGNED TO ACCOMMODATE CORPORATIONS TO WHICH A HIGHER INVESTMENT RISK MAY BE ATTACHED THAN OTHER CORPORATIONS LISTED ON THE ACE MARKET OR MAIN MARKET OF BURSA SECURITIES. IT IS A QUALIFIED MARKET WHICH IS MEANT MAINLY FOR SOPHISTICATED INVESTORS ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY CE TECHNOLOGY BERHAD ("CET" OR THE "COMPANY"). SOPHISTICATED INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER DUE AND CAREFUL CONSIDERATION.

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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
	31.01.2022 RM'000	31.01.2021 RM'000	31.01.2022 RM'000	31.01.2021 RM'000
Revenue	54,050	57,032	54,050	57,032
Cost of sales	(35,662)	(35,457)	(35,662)	(35,457)
Gross profit	18,388	21,575	18,388	21,575
Other income	432	359	432	359
Administrative expenses	(4,371)	(3,867)	(4,371)	(3,867)
Finance costs	(572)	(367)	(572)	(367)
Profit before tax	13,877	17,700	13,877	17,700
Income tax expense	(1,368)	(2,581)	(1,368)	(2,581)
Total comprehensive income for the period	-	-	-	-
Total comprehensive income attributable to owners of the Company	12,509	15,119	12,509	15,119
Basic / Diluted earnings per share attributable to owners of the Company (sen) ⁽²⁾ :	3.61	4.37	3.61	4.37

Notes:

- (1) The basis of preparation of the 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 2021 and the accompanying explanatory notes attached to this interim financial report.
- (2) Earnings per share for the 6-month financial period ended ("FPE") 31 January 2022 is computed based on the Company's issued shares as at the end of the respective reporting period. Diluted earnings per share equals basic earnings per ordinary share as there is no dilutive potential shares outstanding during the financial period.

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CE TECHNOLOGY BERHAD
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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
	31.01.2022 RM'000	31.01.2021 RM'000	31.01.2022 RM'000	31.01.2021 RM'000
Profit after taxation for the period	12,509	15,119	12,509	15,119
Other comprehensive expenses	-	-	-	-
- Foreign currency translation difference				
Total comprehensive income for the period	12,509	15,119	12,509	15,119

Note:

(1) The basis of preparation of the 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 2021 and the accompanying explanatory notes attached to this interim financial report.

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CONDENSED STATEMENT OF FINANCIAL POSITION⁽¹⁾

	Unaudited As at 31.01.2022 RM'000	Audited As at 31.07.2021 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	68,756	51,954
Right-of-use assets	17,853	11,581
Intangible assets	178	208
	<u>86,787</u>	<u>63,743</u>
Current assets		
Inventories	16,559	17,623
Trade receivables	19,797	13,386
Other receivables, deposits and prepayments	2,989	2,979
Cash and bank balances	23,862	34,007
	<u>63,207</u>	<u>67,995</u>
TOTAL ASSETS	<u>149,994</u>	<u>131,738</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	27,186	27,186
Retained profits	72,772	61,647
Total equity attributable to owners of the Company	<u>99,958</u>	<u>88,833</u>
Non-current liabilities		
Borrowings	10,716	7,682
Government grant	324	331
Lease liabilities	2,281	1,811
Deferred tax liabilities	4,469	4,180
	<u>17,790</u>	<u>14,004</u>
Current liabilities		
Trade payables	2,329	1,501
Other payables and accruals	8,672	7,559
Borrowings	16,555	14,537
Government grant	14	14
Lease liabilities	1,641	1,414
Current tax liabilities	3,035	3,876
	<u>32,246</u>	<u>28,901</u>
TOTAL LIABILITIES	<u>50,036</u>	<u>42,905</u>
TOTAL EQUITY AND LIABILITIES	<u>149,994</u>	<u>131,738</u>
Net assets per share ⁽²⁾ (RM)	0.29	0.26

Notes:

- (1) The basis of preparation of the 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 2021 and the accompanying explanatory notes attached to this interim financial report.
- (2) Net assets 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	Distributable Retained Profits	Total Equity
	RM'000	RM'000	RM'000
<u>6-month period ended 31 January 2022</u>			
Opening balance as at 01.08.2021	27,186	61,647	88,833
Profit after taxation as at 31.01.2022	-	12,509	12,509
Dividend paid as at 31.01.2022	-	(1,384)	(1,384)
Closing balance as at 31.01.2022	27,186	72,772	99,958
<u>6-month period ended 31 January 2021</u>			
Opening balance as at 01.08.2020	27,186	25,360	52,546
Profit after taxation as at 31.01.2021	-	15,119	15,119
Dividend paid as at 31.01.2021	-	(173)	(173)
Closing balance as at 31.01.2021	27,186	40,306	67,492

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 2021 and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS⁽¹⁾

	CUMULATIVE PERIOD	
	Current Period	Comparative
	Ended	Period Ended
	31.01.2022	31.01.2021
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	13,877	17,700
Adjustments for:		
Depreciation of property, plant and equipment	2,004	1,973
Depreciation of right-of-use of assets	557	464
Amortisation of government grant	(7)	-
Amortisation of intangible assets	29	-
Interest expense	572	367
Interest income	(55)	(2)
Unrealised (gain)/loss on foreign exchange	(217)	421
Gain on modification of leases	(1)	-
Operating profit before working capital changes	16,759	20,923
Decrease/(Increase) in inventories	1,064	(2,480)
Increase in trade and other receivables	(6,449)	(11,367)
Increase/(Decrease) in trade and other payables	1,596	(435)
Cash generated from operations	12,970	6,641
Tax paid	(1,920)	(225)
Net cash from operating activities	11,050	6,416
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	55	2
Purchase of property, plant and equipment	(18,043)	(3,282)
Purchase of right-of-use of assets	(2,306)	(4,700)
Purchase of intangible assets	-	(7)
Net cash used in investing activities	(20,294)	(7,987)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayments)/Drawdown of bankers' acceptance	(3,185)	5,038
(Repayments)/Drawdown of term loans	(426)	2,925
Payments of lease liabilities	(999)	(130)
Dividends paid	(1,038)	(346)
Drawdown of bank overdraft	4,973	-
Interest paid	(471)	(367)
Net cash (used in)/from financing activities	(1,146)	7,120
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(10,390)	5,549
Effects of exchange rate changes on cash and cash equivalents	245	(439)
Cash and cash equivalents at beginning of financial period	34,007	8,313
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	23,862	13,423
Cash and cash equivalents at end of the period comprised:		
Cash and bank balances	28,835	13,423
Bank overdrafts	(4,973)	-
	23,862	13,423

Note:

- (1) The basis of preparation of the 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 2021 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 FPE 31 JANUARY 2022

A1 Basis of Preparation

The interim condensed 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 as issued by the Malaysian Accounting Standards Board (“MASB”).

The interim financial report should be read in conjunction with the Audited Financial Statements of the Company for the financial year ended 31 July 2021.

A2 Adoption of New MFRSs and Amendments to MFRSs

New MFRSs adopted during the financial year

The Company adopted the following Standards of the MFRS Framework that were issued by the MASB during the financial year:

Title	Effective Date
<i>Interest Rate Benchmark Reform – Phase 2</i> (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021
<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (Amendment to MFRS 16 Leases)	1 April 2021 (early adopt)

The adoption of the above Standards did not have any material effect on the financial performance or position of the Company.

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PART A – EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE 6-MONTH FPE 31 JANUARY 2022 (CONTINUED)

A2 Adoption of New MFRSs and Amendments to MFRSs (CONTINUED)

New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2022

Title	Effective Date
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
<i>Disclosure of Accounting Policies</i> (Amendments to MFRS 101 <i>Presentation of Financial Statements</i>)	1 January 2023
<i>Definition of Accounting Estimates</i> (Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>)	1 January 2023
Amendments to MFRS 112 <i>Deferred tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Company is in the midst of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for the future financial years.

A3 Auditors' Report

There was no qualification on the audited financial statements of the Company for the financial year ended 31 July 2021.

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.

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PART A – EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE 6-MONTH FPE 31 JANUARY 2022 (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

There were no changes in the debt and equity securities for the 6-month FPE 31 January 2022.

A8 Dividend Paid

During the financial period under review, the Company has declared and paid out dividends as follows:

- (i) on 24 September 2021, the Board of Directors declared a single tier second interim dividend of RM0.0015 per share in respect of the financial year ended 31 July 2021. The said interim dividend amounting to RM519,168 was paid on 18 October 2021.
- (ii) on 18 November 2021, the Board of Directors recommended a single tier final dividend of RM0.0015 per share in respect of the financial year ended 31 July 2021. The said final dividend amounting to RM519,168 was paid on 10 January 2022 upon shareholders' approval obtained in the Annual General Meeting of CET held on 17 December 2021.

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 is licensed by the Ministry of International Trade and Industry for the manufacture and sale of cleanroom products / critical environment products such as cleanroom gloves, cleanroom face masks, cleanroom wipers and cleanroom coveralls.

The Company currently produces various categories of cleanroom gloves which are used by the semiconductor and niche life sciences industries which require additional protection from micro contamination and electro-static discharge during their operational activities.

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

Country/Region	Unaudited			
	Current year 6-month period ended 31 January 2022		Preceding year corresponding 6-month period ended 31 January 2021	
	RM'000	%	RM'000	%
Malaysia	2,711	5.02	10,783	18.91
ASEAN ⁽¹⁾	8,640	15.98	9,471	16.61
USA	20,344	37.64	21,229	37.22
China	4,296	7.95	3,071	5.38
Europe	12,883	23.83	6,566	11.51
Japan	3,063	5.67	3,009	5.28
Others ⁽²⁾	2,113	3.91	2,903	5.09
	54,050	100.00	57,032	100.00

Notes:

- (1) ASEAN comprises Singapore, Thailand and Vietnam.
- (2) Others include Hong Kong, South Korea, South Africa, Taiwan and India.

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PART A – EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE 6-MONTH FPE 31 JANUARY 2022 (CONTINUED)

A10 Profit before taxation

Profit before taxation for the 6-month FPE 31 January 2022 is arrived at after charging/(crediting):-

	Unaudited	
	Current year 6-month period ended 31 January 2022 RM'000	Preceding year corresponding 6- month period ended 31 January 2021 RM'000
Auditors' remuneration	43	43
Directors' remuneration	332	475
(Gain)/loss on foreign exchange		
-realised	594	(289)
-unrealised	(217)	421
Interest income	(55)	(2)

A11 Valuation of property, plant and equipment

There was no valuation on property, plant and equipment during the 6-month FPE 31 January 2022.

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 2022:

	RM'000
Secured:	
Bank guarantees given by a financial institution for:	
- Utility deposit	674

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.

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PART A – EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE 6-MONTH FPE 31 JANUARY 2022 (CONTINUED)

A14 Capital Commitments

	RM'000
Capital expenditure in respect of construction of buildings and equipment-in-progress	
- Contracted but not provided for	53,180

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.

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PART B – ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS

B1 Review of Performance

Current 6-month period vs. preceding year corresponding 6-month period

The Company recorded revenue of RM54.05 million for the current 6-month ended 31 January 2022, representing a decrease of RM2.98 million or 5.2% as compared to RM57.03 million of revenue achieved during the preceding corresponding financial period. The decrease in revenue is mainly attributable to:

- (i) the decrease in the Company's production capacity as a result from the self-voluntary plant closure for 16 days from 13 September 2021 to 28 September 2021 due to a number of the Company's employees who were tested positive for Covid-19; and
- (ii) the decrease in the Company's production capacity in both the front-end and back-end operations due to the shortage of both local and foreign workers during the MCO period.

The Company's gross profit ("GP") reduced by approximately RM3.18 million from RM21.57 million (GP margin: 37.8%) in the preceding corresponding period to RM18.39 million (GP margin: 34.0%) in the current financial period. The decrease in GP were mainly due to the following:

- (i) lower revenue recorded in the current financial period as explained above; and
- (ii) higher fixed overhead cost per unit of goods produced due to lower production output in both the front-end and back-end operations.

The Company's profit before tax ("PBT") reduced by approximately RM3.82 million from RM17.70 million (PBT margin: 31.0%) in the preceding corresponding period to RM13.88 million (PBT margin: 25.7%) in the current financial period.

The decrease in profit before tax in current financial period was mainly attributable to the lower gross profit recorded as explained above.

B2 Commentary on Prospects

The Company's current capacity for high-end cleanroom gloves is 43 million pieces per month. Going forward, the Company plans to carry out the following business plan / strategies:

- (i) to leverage on the Company's in-house R&D capability and state-of-the-art facilities to produce more stringent and high-end varieties of cleanroom gloves in particular the Sterile Class 10 & 100 cleanroom gloves for use in the life sciences industries to meet new and future requirements in particular Aseptic applications;
- (ii) to launch a new range of electro-static discharge (ESD) Class 100 cleanroom gloves which are in demand by amongst others, the wafer fabrication, nano technology and aerospace industries;
- (iii) to continue increasing the Company's manufacturing capacities for both the front-end and back-end operations via the setting-up of additional raw nitrile gloves manufacturing and cleanroom post-processing capacity at its own land near the Company's existing manufacturing facilities.

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As at the date of this announcement, the additional raw nitrile gloves manufacturing facility has been completed. In addition, the installation of the first additional higher capacity raw glove-dipping line has also been completed, however the commissioning of this new higher capacity line has been delayed to end-April 2022 due to delays in additional utilities connections for water and electricity supply from the relevant authorities. The second and third additional higher capacity raw glove-dipping lines are expected to be commissioned by June and July 2022, respectively.

The new cleanroom processing facilities are still under construction and is expected to be commissioned by July 2022. The delay in the commissioning was mainly due to the restriction of labour movement in the construction industry during the MCO and not so favourable weather conditions.

The total additional investment for the capacity expansion is now estimated to be around RM102 million due to a significant increase in the cost of building materials as well as engineering equipment and components. This investment is being financed through a combination of internally generated funds and borrowings from financial institutions.

Upon completion of the above expansion plans, the Company's cleanroom post-processing capacity is expected to increase from 43 million pieces a month to approximately 83 million pieces a month. This represents an approximate four-fold increase in capacity as compared to prior to the Company's listing on the LEAP Market of Bursa Securities of 20 million pieces a month; and

- (iv) to explore opportunities of diversifying into the manufacturing and sales of other cleanroom products / critical environment products which we are licensed to manufacture and are synergistic to our existing business such as cleanroom face masks, cleanroom wipers and cleanroom coveralls. This intended expansion in the Company's product line-up is part of the Company's plan to become a one-stop center of providing critical environment solutions and supplying a wide range of cleanroom products to the critical environment industries in response to the needs and enquiries for such products from existing customers.

The current sales orders and future demand continue to exceed the current production capacity. As such, 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 will remain favourable.

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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 of Directors recommended a single tier first interim dividend of RM0.001 per Share amounting to approximately RM346,112 in respect of the 6-month financial period from 1 August 2021 to 31 January 2022.

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