

CE TECHNOLOGY BERHAD

(Incorporated in Malaysia)

Registration No.200201018747 (586410-P)

**Unaudited financial statements for the
2nd half of financial year ended 31 July 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.

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
	31.07.2022 RM'000	31.07.2021 RM'000	31.07.2022 RM'000	31.07.2021 RM'000
Revenue	53,893	69,389	107,943	126,421
Cost of sales	(37,205)	(39,506)	(72,867)	(74,963)
Gross profit	16,688	29,883	35,076	51,458
Other income	1,548	1,077	1,980	1,436
Administrative expenses	(4,227)	(4,527)	(8,598)	(8,394)
Finance costs	(861)	(403)	(1,433)	(770)
Profit before tax	13,148	26,030	27,025	43,730
Income tax expense	(1,659)	(4,343)	(3,027)	(6,924)
Total comprehensive income for the period	-	-	-	-
Total comprehensive income attributable to owners of the Company	11,489	21,687	23,998	36,806
Basic / Diluted earnings per share attributable to owners of the Company (sen) ⁽²⁾ :	3.32	6.27	6.93	10.63

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 July 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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UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME⁽¹⁾

	INDIVIDUAL 6 MONTHS		CUMULATIVE PERIOD	
	Current Year	Preceding Year	Current Year	Preceding Year
	6 Months	Corresponding	To-Date	Corresponding
	31.07.2022	31.07.2021	31.07.2022	31.07.2021
	RM'000	RM'000	RM'000	RM'000
Profit after taxation for the period	11,489	21,687	23,998	36,806
Other comprehensive expenses	-	-	-	-
- Foreign currency translation difference				
Total comprehensive income for the period	11,489	21,687	23,998	36,806

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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CE TECHNOLOGY BERHAD
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CONDENSED STATEMENT OF FINANCIAL POSITION⁽¹⁾

	Unaudited As at 31.07.2022 RM'000	Audited As at 31.07.2021 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	94,098	51,954
Right-of-use assets	21,339	11,581
Intangible assets	149	208
	<u>115,586</u>	<u>63,743</u>
Current assets		
Inventories	15,169	17,623
Trade receivables	17,837	13,386
Other receivables, deposits and prepayments	5,051	2,979
Current tax assets	709	-
Cash and bank balances	30,972	34,007
	<u>69,738</u>	<u>67,995</u>
TOTAL ASSETS	<u>185,324</u>	<u>131,738</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	27,186	27,186
Retained profits	83,915	61,647
Total equity attributable to owners of the Company	<u>111,101</u>	<u>88,833</u>
Non-current liabilities		
Borrowings	17,782	7,682
Government grant	317	331
Lease liabilities	11,574	1,811
Deferred tax liabilities	6,054	4,180
	<u>35,727</u>	<u>14,004</u>
Current liabilities		
Trade payables	3,824	1,501
Other payables and accruals	19,663	7,559
Borrowings	10,810	14,537
Government grant	14	14
Lease liabilities	4,185	1,414
Current tax liabilities	-	3,876
	<u>38,496</u>	<u>28,901</u>
TOTAL LIABILITIES	<u>74,223</u>	<u>42,905</u>
TOTAL EQUITY AND LIABILITIES	<u>185,324</u>	<u>131,738</u>
Net assets per share ⁽²⁾ (RM)	0.32	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 RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
<u>Unaudited financial year ended 31 July 2022</u>			
Opening balance as at 01.08.2021	27,186	61,647	88,833
Profit after taxation as at 31.07.2022	-	23,998	23,998
Dividend paid	-	(1,730)	(1,730)
Closing balance as at 31.07.2022	27,186	83,915	111,101
<u>Audited financial year ended 31 July 2021</u>			
Opening balance as at 01.08.2020	27,186	25,360	52,546
Profit after taxation as at 31.07.2021	-	36,806	36,806
Dividend paid	-	(519)	(519)
Closing balance as at 31.07.2021	27,186	61,647	88,833

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 Ended 31.07.2022	Comparative Period Ended 31.07.2021
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	27,025	43,730
Adjustments for:		
Depreciation of property, plant and equipment	4,180	4,003
Depreciation of right-of-use assets	1,208	958
Amortisation of government grant	(14)	(9)
Amortisation of intangible assets	59	44
Interest expense	1,433	770
Interest income	(129)	(8)
Inventories written off	41	46
Property, plant and equipment written off	11	3
Unrealised gain on foreign exchange	(1,483)	(619)
Gain on modification of leases	(1)	-
Operating profit before working capital changes	32,330	48,918
Decrease/(Increase) in inventories	2,413	(8,872)
Increase in trade and other receivables	(6,428)	(6,635)
Increase in trade and other payables	1,958	3,601
Cash generated from operations	30,273	37,012
Tax paid	(5,950)	(2,355)
Tax refund	193	-
Net cash from operating activities	24,516	34,657
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	129	8
Purchase of property, plant and equipment	(15,970)	(15,002)
Purchase of right-of-use assets	(1,337)	(956)
Purchase of intangible assets	-	(7)
Net cash used in investing activities	(17,178)	(15,957)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayments)/Drawdown of bankers' acceptance	(5,061)	9,625
Repayments of term loans	(801)	(663)
Repayments of fixed loans	(163)	-
Payments of lease liabilities	(2,993)	(1,559)
Dividends paid	(1,730)	(692)
Receipt of government grant	-	354
Interest paid	(988)	(565)
Net cash (used in)/from financing activities	(11,736)	6,500
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,398)	25,200
Effects of exchange rate changes on cash and cash equivalents	1,363	494
Cash and cash equivalents at beginning of the financial period	34,007	8,313
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	30,972	34,007
Cash and cash equivalents at end of the period comprised:		
Cash and bank balances	30,972	34,007
Bank overdraft	-	-
	30,972	34,007

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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.

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PART A – EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE 6-MONTH FPE 31 JULY 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 and Amendments 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 JULY 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
<i>Reference to the Conceptual Framework</i> (Amendments to MFRS 3 <i>Business Combinations</i>)	1 January 2022
<i>Property, Plant and Equipment - Proceeds before Intended Use</i> (Amendments to MFRS 116 <i>Property, Plant and Equipment</i>)	1 January 2022
<i>Onerous Contracts - Cost of Fulfilling a Contract</i> (Amendments to MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>)	1 January 2022
<i>Classification of Liabilities as Current or Non-current</i> (Amendments to MFRS 101 <i>Presentation of Financial Statements</i>)	1 January 2023
<i>MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i> (Amendment to MFRS 17 <i>Insurance Contract</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
<i>Deferred tax related to Assets and Liabilities arising from a Single Transaction</i> (Amendments to MFRS 112 <i>Income Taxes</i>)	1 January 2023
<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> (Amendments to MFRS 10 <i>Consolidated Financial Statements</i> and MFRS 128 <i>Investments in Associates and Joint Ventures</i>)	Deferred

The Company are in the process 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 JULY 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 July 2022.

A8 Dividend Paid

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

- (i) on 28 March 2022, the Board of Directors declared a single tier first interim dividend of RM0.001 per share in respect of the financial year ended 31 July 2022. The said interim dividend amounting to RM346,112 was paid on 26 April 2022.
- (ii) on 21 June 2022, the Board of Directors declared a single tier second interim dividend of RM0.001 per share in respect of the financial year ended 31 July 2022. The said interim dividend amounting to RM346,112 was paid on 20 July 2022.

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 July 2022		Preceding year corresponding 6-month period ended 31 July 2021	
	RM'000	%	RM'000	%
Malaysia	5,633	10.45	7,519	10.84
ASEAN ⁽¹⁾	4,763	8.84	12,490	18.00
USA	22,686	42.10	29,761	42.89
China	4,524	8.39	2,430	3.50
Europe	9,606	17.82	9,939	14.32
Japan	1,939	3.60	4,641	6.69
Others ⁽²⁾	4,742	8.80	2,609	3.76
	53,893	100.00	69,389	100.00

Notes:

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

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

A10 Profit before taxation

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

	Unaudited	
	Current year 6-month period ended 31 July 2022	Preceding year corresponding 6-month period ended 31 July 2021
	RM'000	RM'000
Auditors' remuneration	53	43
Directors' remuneration	953	1,481
Gain on foreign exchange		
-realised	(680)	(184)
-unrealised	(1,266)	(1,040)
Interest income	(74)	(5)

A11 Valuation of property, plant and equipment

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

	RM'000
Secured:	
Bank guarantees given by a financial institution for:	
- Utility deposit	1,000

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 JULY 2022 (CONTINUED)

A14 Capital Commitments

RM'000

Capital expenditure in respect of construction of buildings and equipment-in-progress

- Contracted but not provided for 16,593

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 does 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's revenue decreased by RM15.50 million or 22.3% from RM69.39 million (6-month FPE 31 July 2021) to RM53.89 million for the current 6-month FPE 31 July 2022. The decrease in revenue is mainly attributable to:

- (i) the decrease in the utilisation of the Company's production capacity in both the front-end and back-end operations due to the shortage of both local and foreign workers;
- (ii) the delay in getting approval for the recruitment of foreign workers; and
- (iii) the reduction of the selling price to the customers as a result of lower raw material cost which is the main component of the product cost.

For the 6-month FPE 31 July 2022, the Company's gross profit ("GP") decreased by approximately RM13.19 million or 44.1% from 29.88 million (6-month FPE 31 July 2021; GP margin: 43.1%) to RM16.69 million (GP margin: 31.0%) for the 6-month FPE 31 July 2022. The decrease in GP and GP margin were mainly due to the following:

- (i) lower revenue recorded in the current financial period as explained above;
- (ii) higher fixed overhead cost per unit of goods produced due to lower production output in both the front-end and back-end operations; and
- (iii) higher labour cost due to the implementation of the Minimum Wages Order 2022 effective 1 May 2022 from RM1,200 to RM1,500 per employee.

The Company recorded profit before tax ("PBT") of RM13.15 million for the current 6-month ended 31 July 2022, representing a decrease of RM12.88 million or 49.5% as compared to RM26.03 million PBT achieved during the preceding corresponding 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 new manufacturing facilities at its own land near the Company's existing manufacturing facilities.

As at the date of this announcement, the additional front end manufacturing capacity has been partially completed with the commissioning of the first additional higher capacity line. The second and third higher capacity lines are expected to be commissioned by December 2022 and February 2023 respectively.

The new cleanroom processing buildings have also been completed as to-date while the new cleanroom processing facilities are still under construction and installation process. These new cleanroom processing facilities are expected to be fully commissioned by February 2023.

The total estimated investment of around RM108 million on the capacity expansion is being financed through a combination of internally generated funds and borrowings from financial institutions. The increase in investment cost is mainly due to significant increase in the cost of building and engineering materials besides much higher labour costs.

Upon full 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 centre 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.

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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

There was no dividend proposed by the Board of Directors of the Company as at the date of this report.

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