

TECHNA-X BERHAD [Registration No. 200601012477 (Company No.: 732227-T)]
(Formerly known as SINO HUA-AN INTERNATIONAL BERHAD)
Incorporated in Malaysia

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021**
- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	First quarter ended		Financial period ended	
	Unaudited		Unaudited	
	Current Period 31-Mar-21 RM'000	Preceding Period 31-Mar-20 RM'000 (Restated)	Current Period 31-Mar-21 RM'000	Preceding Period 31-Mar-20 RM'000 (Restated)
Continuing Operations				
Revenue	9,618	5,526	9,618	5,526
Cost of sales	(2,274)	(2,056)	(2,274)	(2,056)
Gross profit	7,344	3,470	7,344	3,470
Other income	340	11	340	11
Operating expenses	(4,891)	(5,107)	(4,891)	(5,107)
Finance cost	(694)	(257)	(694)	(257)
	(5,245)	(5,353)	(5,245)	(5,353)
Share of loss in associate company	-	(13)	-	(13)
Profit/(Loss) before tax from continuing operations	2,099	(1,896)	2,099	(1,896)
Taxation	(10)	(91)	(10)	(91)
Profit/(Loss) for the period from continuing operations	2,089	(1,987)	2,089	(1,987)
Discontinued Operations				
Loss for the period from discontinued operations	(25,610)	(39,102)	(25,610)	(39,102)
Total loss for the period	(23,521)	(41,089)	(23,521)	(41,089)
Other comprehensive (expense)/income: Items that will be reclassified subsequently to profit or loss:				
Exchange difference arising from translation of foreign operations	2,982	6,562	2,982	6,562
Total comprehensive expense for the period	(20,539)	(34,527)	(20,539)	(34,527)
Profit/(Loss) attributable to				
Equity holders of the Company	(23,928)	(41,089)	(23,928)	(41,089)
Minority interest	407	-	407	-
	(23,521)	(41,089)	(23,521)	(41,089)
Total comprehensive expenses attributable to				
Equity holders of the Company	(22,373)	(34,527)	(22,373)	(34,527)
Minority interest	1,834	-	1,834	-
	(20,539)	(34,527)	(20,539)	(34,527)
Loss per share attributable to equity holders of the Company (sen)				
- basic (sen)	(1.49)	(3.66)	(1.49)	(3.66)
- fully diluted (sen)	(1.49)	(3.66)	(1.49)	(3.66)

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2020.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31-Mar-21	Audited as at 31-Dec-20
	RM'000	RM'000
Non Current Assets		
Property, plant and equipment	36,414	35,730
Right of use assets	5,258	6,118
Intangible assets	191,967	185,224
	233,639	227,072
Current Assets		
Inventories	2,115	311
Trade receivables	3,093	1,041
Other receivables, deposits and prepayments	77,880	71,956
Tax recoverable	823	549
Bank balances and cash	16,985	6,975
	100,896	80,832
Assets held for sales	144,725	128,920
	479,260	436,824
Total Assets		
Shareholders' Fund		
Share capital	1,197,763	1,153,305
Reserves	(1,114,219)	(1,091,846)
	83,544	61,459
Non-controlling interest	103,100	101,266
	186,644	162,725
Current Liabilities		
Trade payables	4,650	3,562
Other payables and accrued expenses	132,376	136,986
Lease payable	3,648	3,491
Short term bank loan	1,987	1,987
Provision for taxation	6	15
	142,667	146,041
Liabilities held for sales	135,144	94,388
Non Current Liabilities		
Other payable	12,007	30,161
Lease payable	2,543	3,490
Deferred tax liabilities	255	19
	14,805	33,670
Total Equity and Liabilities	479,260	436,824
Net assets per share (RM)	0.05	0.04

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2020.

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FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	←----- Non-distributable reserves ----->					Distributable reserve	Sub-total RM'000	Non- controlling interest RM'000	Total RM'000
	Share capital RM'000	Statutory common reserve funds RM'000	Reverse acquisition reserve RM'000	Foreign currency translation reserve RM'000	Option reserve RM'000	Retained earnings RM'000			
<u>3 months ended 31 March 2020</u>									
Balance as of January 1, 2020	1,115,045	49,358	(799,823)	179,357	2,640	(354,767)	191,810	-	191,810
Loss for the period	-	-	-	-	-	(41,086)	(41,086)	-	(41,086)
Other comprehensive expense									
Exchange difference arising from translation of foreign operations	-	-	-	6,562	-	-	6,562	-	6,562
Balance as of March 31, 2020	1,115,045	49,358	(799,823)	185,919	2,640	(395,853)	157,286	-	157,286
<u>3 months ended 31 March 2021</u>									
Balance as of January 1, 2021	1,153,305	49,358	(799,823)	192,753	2,640	(536,774)	61,459	101,266	162,725
Issue of shares:									
Conversion of RCN	27,000	-	-	-	-	-	27,000	-	27,000
Private placement	17,458	-	-	-	-	-	17,458	-	17,458
Loss for the period	-	-	-	-	-	(23,928)	(23,928)	407	(23,521)
Other comprehensive income									
Exchange difference arising from translation of foreign operations	-	-	-	1,555	-	-	1,555	1,427	2,982
Balance as of March 31, 2021	1,197,763	49,358	(799,823)	194,308	2,640	(560,702)	83,544	103,100	186,644

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2020.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021**

- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	For the financial period ended	
	31-Mar-21 RM'000	31-Mar-20 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax from continuing operations	2,099	(1,896)
Loss before tax from discontinued operations	(25,610)	(39,102)
Loss for the period	<u>(23,511)</u>	<u>(40,998)</u>
Adjustments for:		
Depreciation of property, plant and equipment	3,831	6,771
Depreciation of right of use assets	860	505
Amortisation of lease payments	268	256
Amortisation of intangibles	383	-
Finance costs	694	643
Interest income	(11)	(13)
Share of associate's results	-	13
Operating loss before working capital changes	<u>(17,486)</u>	<u>(32,823)</u>
(Increase) / Decrease in:		
Inventories	(7,711)	29,480
Trade receivables	(3,074)	(21,418)
Other receivables, deposits and prepayments	(6,605)	8,404
Increase / (Decrease) in:		
Trade payables	37,001	17,230
Other payables and accrued expenses	(17,480)	(1,753)
Cash used in operations	<u>(15,355)</u>	<u>(880)</u>
Interest paid	(694)	(643)
Tax	-	32
Net cash used in operating activities	<u>(16,049)</u>	<u>(1,491)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(860)	(5,131)
Interest received	11	13
Net cash used in investing activities	<u>(849)</u>	<u>(5,118)</u>
CASH FLOWS USED IN FINANCING ACTIVITY		
Proceeds from Redeemable Convertible Note, net of transaction costs	27,000	-
Proceeds from Private Placement, net of transaction costs	17,458	-
Repayment of lease payables	(897)	(503)
Net cash generated from/(used in) financing activity	<u>43,561</u>	<u>(503)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	26,663	(7,112)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD		
Effect of changes in exchange rates	(18,187)	2,464
Changes in cash and cash equivalents classified as held for sales	(1,539)	(8,643)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>16,985</u>	<u>1,693</u>

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the the Audited Financial Statements for the financial year ended 31 December 2020.

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 - INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and Chapter 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad (“BMSB”).

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2020. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2020.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2020, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRSs”) and amendments to MFRS for financial periods beginning on or after 1 January 2021: -

- Amendments to References to the Conceptual Framework in MFRS Standards:
 - 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”
 - Amendments to MFRS 137, “Provisions, Contingent Liabilities and Contingent Assets”
 - Amendments to MFRS 138, “Intangible Assets”
 - Amendments to IC Interpretation 12, “Service Concession Arrangements”
 - Amendments to IC Interpretation 19, “Extinguishing Financial Liabilities with Equity Instruments”
 - Amendments to IC Interpretation 20, “Stripping Costs in the Production Phase of a Surface Mine”
 - Amendments to IC Interpretation 22, “Foreign Currency Transactions and Advance Considerations”
 - Amendments to IC Interpretation 132, “Intangible Assets- Web Site Costs”
- Amendments to MFRS 3, “Business Combinations” (Definition of a Business)
- Amendments to MFRS Standards arising from Definition of Material:
 - Amendments to MFRS 101, “Presentation of Financial Statements”
 - Amendments to MFRS 108, “Accounting Policies, Changes in Accounting Estimates and Errors”
- Amendments to MFRS Standards arising from Interest Rate Benchmark Reform:
 - Amendments to MFRS 7, “Financial Instruments: Disclosures”
 - Amendments to MFRS 9, “Financial Instruments”
 - Amendments to MFRS 139, “Financial Instruments: Recognition and Measurement”

- Amendments to MFRS Standards arising from Interest Rate Benchmark Reform – Phase 2:
 - Amendments to MFRS 4, “Insurance Contracts”
 - Amendments to MFRS 7, “Financial Instruments: Disclosures”
 - Amendments to MFRS 9, “Financial Instruments”
 - Amendments to MFRS 16, “Leases”
 - Amendments to MFRS 139, “Financial Instruments: Recognition and Measurement”

The above accounting standards, amendments to accounting standards and IC interpretation effective during the financial year do not have any significant impact to the financial results and position of the Group.

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

Annual periods beginning on/after 1 January 2022

- Amendments to MFRS 3, “Business Combinations” (Reference to the Conceptual Framework)
- Amendments to MFRS 116, “Property, Plant and Equipment” (Proceeds before Intended Use)
- Amendments to MFRS 137, “Provision, Contingent Liabilities and Contingent Assets” (Onerous Contracts - Cost of Fulfilling a Contract)
- Annual Improvement to MFRS Standards 2018 – 2020:
 - Amendment to MFRS 101, “First-time Adoption of Malaysian Financial Reporting Standards”
 - Amendment to MFRS 9, “Financial Instruments”
 - Amendment to Illustrative Examples accompanying MFRS 16, “Leases”
 - Amendment to MFRS 141, “Agriculture”

Annual periods beginning on/after 1 January 2023

- MFRS 17, “Insurance Contracts”
- Amendments to MFRS 17, “Insurance Contracts”
- Amendments to MFRS 101, “Presentation of Financial Statements” (Classification of Liabilities as Current or Non-current)

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 adoption of the accounting standards, amendments to accounting standards, IC Interpretation and amendments to IC Interpretation are not expected to have any significant impact to the financial statements of the Group and of the Company.

A2. Audit report

The auditors' report on the audited financial statements for the year ended 31 December 2020 was not qualified.

A3. Seasonal or cyclical factors

The coke segment, being the major operations of the Group, which is classified under operations held for sale, generally moves in tandem with the performance of the steel industry and the overall economic landscape. The other segments of the operations of the Group are subject to consumer spending preference and general market condition in the F&B and digital technology industry.

A4. Unusual items

During the quarter under review, there were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence.

A5. Changes in estimates

There were no changes in the estimates of amounts reported that have a material effect on the results in the quarter under review.

A6. Issuance, cancellations, repurchases, resale and repayments of debts and equity securities

Save as disclosed below, there were no issuances, cancellations, repurchases, resales and repayments of debt and equity securities during the current quarter:

The Company issued 136,461,500 Private Placement Shares amounting to RM17,758,000 (net of transaction costs) completing its Private Placement in accordance with the General Mandate obtained from its shareholders at its 14th AGM convened on 6 July 2020 which authorised the Board to allot and issue new ordinary shares not exceeding 20% of the total issued shares of the Company, following the listing of and quotation for a total of 236,461,500 Placement Shares on the Main Market of Bursa Securities on 22 December 2020 and 24 February 2021.

The Company has also issued redeemable convertible notes (“RCN”) of RM27 million and all has been converted into approximately 235 million ordinary shares at issued prices ranging from RM0.1133 to RM0.1203 per share.

The above issuances have thereby increased the Company’s total issued share capital from RM1,153,305,000 to RM1,197,763,000 during the quarter under review.

A7. Dividends paid

There were no dividends paid during the quarter under review.

A8. Segmental information

Segment results by business activities

	First quarter ended 31 March 2021		Financial period ended 31 March 2021	
	External Revenue RM'000	Profit/(Loss) before tax RM'000	External Revenue RM'000	Profit/(Loss) before tax RM'000
Technology driven food and beverage	5,299	1,797	5,299	1,797
Technology and digital transformations enabler	4,319	2,560	4,319	2,560
Others*	-	(2,258)	-	(2,258)
	<u>9,618</u>	<u>2,099</u>	<u>9,618</u>	<u>2,099</u>

	First quarter ended 31 March 2020		Financial period ended 31 March 2020	
	External Revenue RM'000	Loss before tax RM'000	External Revenue RM'000	Loss before tax RM'000
Technology driven food and beverage	5,305	(818)	5,305	(818)
Technology and digital transformations enabler	221	(533)	221	(533)
Others*	-	(545)	-	(545)
	<u>5,526</u>	<u>(1,896)</u>	<u>5,526</u>	<u>(1,896)</u>

* This refers to the expenses incurred by TXB, majority of which are attributable to the capital raising and corporate exercises of the Group

A9. Valuation of Property, Plant and Equipment

The property, plant and equipment of the Group have not been revalued during the quarter under review.

A10. Material Events Subsequent to the end of the Reporting Period

Subsequent to the end of the reporting period, the Company further issued RM8 million RCNs in total which have been converted into ordinary shares at issue prices ranging from RM0.1041 to RM0.1173 per share, thereby further increasing the Company's issued ordinary share capital from RM1,197,763,000 to RM1,205,763,000.

A11. Changes in the composition of the Group

There were no material changes to the composition of the Group for the current quarter under review.

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Notes to the quarterly report – 31 March 2021

A12. Changes in contingent liabilities or contingent assets

There were no changes in the contingent liabilities or contingent assets of the Group during the quarter under review.

A13. Related party transactions

There was no related party transaction during the quarter under review.

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of performance

In the current quarter under review, the technology driven food & beverage business continued to face challenges due to the continued extension of the movement control order following the persistently high number of daily COVID-19 cases being recorded in Malaysia. This segment of the operations in the Group contributed approximately RM5.3 million in revenue. The digital & technology businesses has also started to gain traction and accordingly contributed approximately RM4.3 million to the consolidated revenue of the Group for the continuing operations. The technology driven food & beverage business recorded a cost of sales of approximately RM1.8 million whilst the digital & technology business recorded about RM0.5 million during the quarter under review.

Consequently, the technology driven food & beverage business and digital & technology business recorded a net profit for the period of approximately RM4.3 million in the current quarter under review compared to a net loss of approximately RM1.4 million in the preceding year corresponding quarter.

The total operating expenses incurred by the Group was approximately RM4.9 million during the quarter under review, a substantial portion of which was attributed to expenses/costs incurred relating to the capital raising and corporate exercises of the Group.

On the other hand, pursuant to the conditional share sale agreement entered into by the Company with Hua Fei Investment Limited (“Purchaser”) for the proposed disposal of 50,000 ordinary shares in PIPO Overseas Limited (“Proposed Disposal”), the revenue and expenses in relation to the Group’s metallurgical coke business operations have been separately classified as “discontinued operations” on the face of Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The results of the discontinued operations included in the consolidated statement of comprehensive income are set out below: -

	First quarter ended		Financial period ended	
	Unaudited		Unaudited	
	Current Period 31-Mar-21 RM'000	Preceding Period 31-Mar-20 RM'000	Current Period 31-Mar-21 RM'000	Preceding Period 31-Mar-20 RM'000
Revenue	41,776	101,310	41,776	101,310
Cost of sales	(65,345)	(123,480)	(65,345)	(123,480)
Gross loss	(23,569)	(22,170)	(23,569)	(22,170)
Other income	54	349	54	349
Operating expenses	(2,095)	(16,894)	(2,095)	(16,894)
Finance cost	-	(387)	-	(387)
Loss before tax	(2,041)	(16,932)	(2,041)	(16,932)
Taxation	(25,610)	(39,102)	(25,610)	(39,102)
Taxation	-	-	-	-
Loss for the period	(25,610)	(39,102)	(25,610)	(39,102)

The coke business continued to suffer a considerably large consolidated loss for the period as the results of the legacies arising from the peremptory policy reforms and

structural changes in the economy of China which had largely resulted in continuous waning of the coke business, particularly that of independent coke manufacturers like the TXB's subsidiary in China. In consequence thereof, the coke business weighted down the Group's entire financial results for the quarter under review with a significant loss of RM25.6 million in the current quarter under review.

The Group's coke business classified as "discontinued operation" recorded a revenue of approximately RM41.8 million in the current quarter compared to the preceding year corresponding quarter of approximately RM101.3 million. Such significant reduction in revenue was primarily attributed to a 71% drop in sales volume compared to that achieved in the corresponding quarter of 2020 as a result of lower demand for coke in the midst of the economic debilitating pandemic affecting the world. Additionally, China government's exertion in continuously curbing the production capacities of highly polluting industry especially those located in the urbanised areas, like that of the Group's current coke manufacturing plant, proved to be a blight of the Group's coke production and business operations.

Despite the weakened demand from steel manufacturing customers, the average selling price of metallurgical coke saw an approximate 41% increase to RMB2,385 per tonne in the current quarter compared to approximately RMB1,697 per tonne recorded in the preceding year corresponding quarter. Notwithstanding the above, with the significantly lower sales volume of coke and the contribution from its by-products by approximately 71% during the current quarter, the total revenue recorded by the coke business during the current quarter under review was approximately 59% lower compared to the preceding year corresponding quarter.

Correspondingly, the total cost of sales in coke business saw a significant decrease of approximately 47% to about RM65.3 million in the current quarter under review from about RM123.5 million in the previous year corresponding quarter. Such a reduction was predisposed in tandem with the abovementioned reduction in sales volume generated by the coke business despite the increase in the average coal price by approximately 21% from RMB1,108 per tonne in the previous year corresponding quarter to RMB1,341 per tonne in the current quarter under review.

Other income included interest from the banks and sales of scraps during the quarter under review.

Operating expenses incurred were much lower at approximately RM2.1 million in the current quarter compared to RM16.9 million in the preceding year corresponding quarter. This was mainly due to the expenses incurred in relation to the dry quenching facility being included in the preceding year corresponding quarter. Other operating expenses include staff salary, depreciation, minor repair and maintenance, electricity charges, etc.

After taking into consideration all of the above financial components, the coke business registered a loss of RM25.6 million in the current quarter under review compared to approximately RM39.1 million losses in the preceding year corresponding quarter.

B2. Variation of results against preceding quarter

The revenue recorded by the technology driven food & beverage business had improved to approximately RM5.3 million in the current quarter compared to RM3.7 million during the immediate preceding quarter ended 31 December 2020. This was mainly due to an improved spending sentiment after a long period of time under the severe impact of the on-going pandemic. The revenue from the digital & technology businesses also showed an improvement to approximately RM4.3 million during the quarter under review following improvements in the revenue derived from the various digital technology projects as well as the inclusion of contribution from the energy storage business, as compared to RM1.9 million recorded in the last quarter ended 31 December 2020.

The gross profit contribution generated from the technology driven food & beverages business and digital & technology businesses also improved from approximately RM2.4 million and RM0.8 million respectively in the immediate preceding quarter ended 31 December 2020 to approximately RM3.5 million and RM3.8 million respectively for the current quarter under review, resulting in a total gross profit of approximately RM7.3 million being recorded for the current quarter under review.

After taking into consideration the other income and operating expenses (a substantial portion of which was attributed to expenses/costs incurred relating to the capital raising and corporate exercises of the Group), the Group registered an overall net profit of RM2.1 million for the current quarter under review. This however was still an improvement over the net loss position of approximately RM11.0 million incurred in the immediate preceding quarter ended 31 December 2020. The above can be deemed as validation to the Group's strategy of transforming itself into a digital and technology based entity which is beginning to yield the desired results despite the negative impact stemming from the prevailing pandemic.

On the other hand, the coke business continued to drag down the performance of the Group despite recording higher consolidated revenue at approximately RM41.8 million during the quarter under review compared to RM35.3 million recorded in the immediate preceding quarter ended 31 December 2020. This was primarily due to some upward adjustment to the average coke price in the current quarter under review despite the Group having a relatively lower sales volume. The sales volume decreased by approximately 5% in comparison between the two quarters in question. The coke price, on the other hand, saw an increase by 24% from approximately RMB1,917 per tonne during the last quarter ended 31 December 2020 to approximately RMB2,385 per tonne in the current quarter under review.

The cost of sales of the coke business recorded by the Group during the quarter under review was approximately RM65.3 million as compared to RM66.7 million in the immediate preceding quarter ended 31 December 2020. The slight reduction was mainly attributed to lower sales volume via-a-vis an increase in the average coal price. The average coal price was higher at approximately RMB1,341 per tonne during the quarter under review compared to approximately RMB1,154 per tonne in the immediate preceding quarter. With the continued unfavourable pricing dynamics of coke and coal besetting the coke industry and that of its by-products, the coke business segment continued to record a total gross loss of approximately RM23.6 million in the current quarter under review compared to a gross loss of approximately RM31.4 million in the immediate preceding quarter ended 31 December 2020.

After taking into consideration of the other income and operating expenses directly attributed to the coke business, the coke business segment recorded a net loss of approximately RM25.6 million during the quarter under review as compared to a net loss of approximately RM64.0 million in the immediate preceding quarter ended 31 December 2020.

B3. Current year prospects

Smarty City

Due to Covid19, there has been an increased demand for digital services in the public and private sectors. In particular, the Malaysian government has initiated a number of Smart City programs including integrated command centers, data exchange platforms, smart lighting, 5G roll out and many others.

Techna is actively pursuing a number of grants, tenders and contracts for these Smart City verticals. This includes collaborations, joint ventures and acquisitions for the above projects.

Agritech

There has also been growing demand for IOT services in the agricultural sector. We are engaging with key players for palm oil, durian and vertical farming. We are particularly well placed for strong growth in palm oil IOT, given our track record as one of the leading agri-IOT providers in the region.

Electrical Mobility

The joint venture company called Erex has been set up in Croatia. This team targets to have a working electric vehicle prototype by the end of 2021.

Energy Storage

Covid restrictions have severely restricted some key projects. Not being able to travel to China has limited our access to market and we are not able to fully activate the order books. Instead, the team has reallocated resources to some opportunistic verticals that have arisen due to the pandemic.

B4. Variation on forecast profit / Profit guarantee

The Group did not issue any profit forecast nor profit guarantee during the current financial period to date.

B5. Current year taxation

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group is as follows:

	First quarter ended		Financial period ended	
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
	RM'000	RM'000	RM'000	RM'000
(Loss) before taxation	(23,511)	(40,998)	(23,511)	(40,998)
Less: (Loss) from discontinued operations	(25,610)	(39,102)	(25,610)	(39,102)
Profit from continued operations	<u>2,099</u>	<u>(1,896)</u>	<u>2,099</u>	<u>(1,896)</u>
Taxation at statutory tax rate of 24%	504	(455)	504	(455)
Different tax rates in other countries	(61)	-	(61)	-
Expenses not deductible for tax purposes	568	549	568	549
Income not subject to tax	(6)	(3)	(6)	(3)
Utilisation of tax losses not previously recognized	(995)	-	(995)	-
Taxation for the financial year	<u>10</u>	<u>91</u>	<u>10</u>	<u>91</u>

B6. Corporate proposals

On the issuance of RCN with an aggregate principal amount of up to RM150 million, as at the current quarter ended 31 March 2021, RCN with an aggregate principal amount of RM27 million were issued and subsequently converted into new ordinary shares of the Company at issued prices ranging from RM0.1133 to RM0.1203 per share. The utilisation of proceeds raised is as follows:

No.	Purposes	Proposed Utilisation	Actual utilised	Balance unutilised	Expected timeframe for utilisation of proceeds ⁽ⁱ⁾
		RM million	RM million	RM million	
(a)	Business expansion and working capital of TouchPoint International Sdn Bhd (“ TouchPoint ”)	27.0	1.6	25.4	Within 18 months
(b)	Business expansion and working capital of Wavetree PLT (“ Wavetree ”)	25.0	0.1	24.9	Within 18 months
(c)	Business expansion and working capital of Craveat International Sdn. Bhd. (formerly known as Bistromalones (PJ) Sdn. Bhd.), its subsidiaries and associated	40.0	28.0	12.0	Within 18 months

No.	Purposes	Proposed Utilisation	Actual utilised	Balance unutilised	Expected timeframe for utilisation of proceeds ⁽ⁱ⁾
		RM million	RM million	RM million	
	companies (“Craveat Group”) within Malaysia				
(d)	Business expansion and working capital of Craveat Group in China	22.0	-	22.0	Within one (1) year
(e)	Working capital for SHIB’s core business	26.2	19.1	7.1	Within one (1) year
(f)	Estimated expenses in relation to the SHIB RCN				
	(i) Professional fees, regulatory fees, printing and advertising costs	1.6	1.0	0.6	Within one (1) month
	(ii) Upon issuance redemption and/or implementation of the SHIB RCN which includes, inter-alia, the administrative fees and the annual fee	8.2	3.2	5.0	Within two (2) year
	Total	150.0	53.0	97.0	

Note: -

(i) From the date of drawdown.

B7. Lease payable

	31 Mar 2021 RM’000	31 Dec 2020 RM’000
Secured Lease liabilities	<u>6,191</u>	<u>6,981</u>
Analysed as		
Repayable within twelve months	3,648	3,491
Repayable after twelve months	<u>2,543</u>	<u>3,490</u>

B8. Borrowings

	31 Mar 2021 RM’000	31 Dec 2020 RM’000
Secured Term loan	<u>1,987</u>	<u>1,987</u>

Analysed as		
Repayable within twelve months	<u>1,987</u>	<u>1,987</u>

B9. Material litigation

As at the date of this report, save and except for the liabilities that have already been recognised in the financial statements, the Group is not engaged in any material litigation which in the opinion of the Board of Directors will have a material effect on the financial position or the business of the Group.

B10. Dividends

No dividends had been declared in respect of the current quarter under review.

B11. Profit/(Loss) per share

(a) Basic profit/(loss) per share

The profit/(loss) per share has been calculated based on the consolidated profit/(loss) for the financial year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the current quarter.

	First quarter ended		Financial period ended	
	31 Mar 21	31 Mar 20	31 Mar 21	31 Mar 20
Basic profit/(loss) per share				
Profit/(Loss) for the period attributable to the equity holders of the Company from: (RM'000)				
- continuing operations	1,682	(1,987)	1,682	(1,987)
- discontinued operations	<u>(25,610)</u>	<u>(39,102)</u>	<u>(25,610)</u>	<u>(39,102)</u>
	<u>(23,928)</u>	<u>(41,089)</u>	<u>(23,928)</u>	<u>(41,089)</u>
Number / Weighted average number of shares in issue ('000)	<u>1,601,531</u>	<u>1,122,308</u>	<u>1,601,531</u>	<u>1,122,308</u>
Basic profit/(loss) per share (sen)				
- continuing operations	0.11	(0.18)	0.11	(0.18)
- discontinued operations	<u>(1.60)</u>	<u>(3.48)</u>	<u>(1.60)</u>	<u>(3.48)</u>
	<u>(1.49)</u>	<u>(3.66)</u>	<u>(1.49)</u>	<u>(3.66)</u>

(b) Diluted profit/(loss) per share

For the purpose of calculating diluted profit/(loss) per share, consolidated profit/(loss) attributable to owners of the Company, adjusted for dilutive adjustments is divided by weighted average number of ordinary shares in issue during the financial year, adjusted for the dilutive effects of all potential ordinary shares.

	First quarter ended		Financial period ended	
	31 Mar 21	31 Mar 20	31 Mar 21	31 Mar 20
Diluted profit/(loss) per share				
Profit/(Loss) for the period attributable to the equity holders of the Company from: (RM'000)				
- continuing operations	1,682	(1,987)	1,682	(1,987)
- discontinued operations	(25,610)	(39,102)	(25,610)	(39,102)
	<u>(23,928)</u>	<u>(41,089)</u>	<u>(23,928)</u>	<u>(41,089)</u>
Adjustment in respect of redeemable convertible notes (RM'000)	*	N/A	*	N/A
Loss for the year after dilutive adjustment (RM'000)	<u>(23,928)</u>	<u>(41,089)</u>	<u>(23,928)</u>	<u>(41,089)</u>
Number / Weighted average number of shares in issue ('000)	1,601,531	1,122,308	1,601,531	1,122,308
Adjustment in respect of redeemable convertible notes (RM'000)	*	N/A	*	N/A
Adjusted weighted average number of shares in issue ('000)	<u>1,601,531</u>	<u>1,122,308</u>	<u>1,601,531</u>	<u>1,122,308</u>
Diluted profit/(loss) per share (sen)				
- continuing operations	0.11	(0.18)	0.11	(0.18)
- discontinued operations	<u>(1.60)</u>	<u>(3.48)</u>	<u>(1.60)</u>	<u>(3.48)</u>
	<u><u>(1.49)</u></u>	<u><u>(3.66)</u></u>	<u><u>(1.49)</u></u>	<u><u>(3.66)</u></u>

* The potential conversion of redeemable convertible notes ("RCN") is anti-dilutive as the conversion of the RCN results in a reduction in diluted loss per share upon conversion.

B12. Loss before tax

Loss before tax is derived after charging/(crediting):

	First quarter ended		Financial period ended	
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
	RM'000	RM'000	RM'000	RM'000
Interest income	(11)	(13)	(11)	(13)
Other income	(388)	(347)	(388)	(347)
Finance cost	694	643	694	643
Depreciation of property, plant and equipment	3,831	6,771	3,831	6,771
Amortisation of lease payments	268	256	268	256
Depreciation of right-of- use-asset	860	505	860	505
Share of associate's results	-	13	-	13
	<u>-</u>	<u>13</u>	<u>-</u>	<u>13</u>

By Order of the Board
Chua Siew Chuan
Secretary
31 May 2021