

SECUREMETRIC BERHAD

Registration No. 201701019864 (1234029-D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ⁽¹⁾

	3-MONTH ENDED		YEAR-TO-DATE	
	31 March 2020 Unaudited RM'000	31 March 2019 Unaudited RM'000	31 March 2020 Unaudited RM'000	31 March 2019 Unaudited RM'000
Revenue	4,803	5,844	4,803	5,844
Cost of sales	(2,358)	(1,201)	(2,358)	(1,201)
Gross profit	2,445	4,643	2,445	4,643
Other income	782	211	782	211
Administrative expenses	(5,117)	(4,222)	(5,117)	(4,222)
Net loss on impairment of financial instruments	(75)	(110)	(75)	(110)
Finance costs	(7)	(68)	(7)	(68)
(Loss)/Profit before tax	(1,972)	454	(1,972)	454
Taxation	(112)	(248)	(112)	(248)
(Loss)/Profit for the financial period	(2,084)	206	(2,084)	206
Other comprehensive (loss)/income for the financial period				
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Exchange translation differences for foreign operations	(743)	(19)	(743)	(19)
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Net change in fair value of equity investments designated at fair value through (loss)/other income	(177)	68	(177)	68
	(920)	49	(920)	49
Total comprehensive (loss)/income for the financial period	(3,004)	255	(3,004)	255
(Loss)/Profit for the financial period attributable to:				
- Owners of the Company	(2,084)	167	(2,084)	167
- Non-controlling interests	-	39	-	39
	(2,084)	206	(2,084)	206
Total comprehensive (loss)/income attributable to:				
- Owners of the Company	(2,946)	216	(2,946)	216
- Non-controlling interests	(58)	39	(58)	39
	(3,004)	255	(3,004)	255

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ⁽¹⁾ (CONT'D)

	3-MONTH ENDED		YEAR-TO-DATE	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Weighted average number of ordinary shares ('000)	487,300	487,200	487,300	487,200
(Loss)/Earnings per share attributable to owners of the Company (sen):				
Basic ⁽²⁾ ⁽⁴⁾	(0.43)	0.03	(0.43)	0.03
Diluted ⁽³⁾ ⁽⁴⁾	(0.43)	0.03	(0.43)	0.03

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income are disclosed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.
- (2) Basic earnings/loss per share of the Group for the quarter and year to date ended 31 March 2020 is calculated based on weighted average of ordinary shares.
- (3) Diluted earnings/loss per share of the Group for the quarter and year to date ended 31 March 2020 is equivalent to the basic earnings per share as the warrants do not have any dilutive effect on the weighted average number of ordinary shares as at the end of the reporting period.
- (4) The weighted average number of ordinary shares issued for the preceding financial quarter and year to date ended 31 December 2019 have been adjusted to reflect the bonus issue of 1 for 1 existing ordinary shares which was completed on 20 January 2020.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION⁽¹⁾

	AS AT 31 March 2020 Unaudited RM'000	AS AT 31 December 2019 Audited RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	1,356	1,435
Right-of-use assets	875	1,019
Development expenditure	846	967
Other investments	6,193	275
Deferred tax assets	82	89
	<u>9,352</u>	<u>3,785</u>
CURRENT ASSETS		
Inventories	946	1,169
Contract assets	347	425
Trade receivables	12,519	17,133
Other receivables	3,728	3,280
Tax recoverable	436	370
Fixed deposits with licensed banks	9,431	11,337
Cash and bank balances	10,360	14,128
	<u>37,767</u>	<u>47,842</u>
TOTAL ASSETS	<u>47,119</u>	<u>51,627</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	30,470	30,454
Reserves	(11,795)	(10,933)
Retained earnings	17,092	19,176
Total equity attributable to owners of the Company	<u>35,767</u>	<u>38,697</u>
Non-controlling interests	302	360
Total Equity	<u>36,069</u>	<u>39,057</u>
LIABILITIES		
NON-CURRENT LIABILITIES		
Employee benefit	198	229
Lease liabilities	435	561
	<u>633</u>	<u>790</u>

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	AS AT 31 March 2020 Unaudited RM'000	AS AT 31 December 2019 Audited RM'000
CURRENT LIABILITIES		
Trade payables	1,908	1,738
Other payables	3,066	3,661
Contract liabilities	4,520	5,368
Lease liabilities	468	457
Tax payables	455	556
	10,417	11,780
Total liabilities	11,050	12,570
TOTAL EQUITY AND LIABILITIES	47,119	51,627
Weighted average number of ordinary shares ('000)	487,300 ⁽²⁾	487,200 ⁽³⁾
NET ASSETS PER SHARE (sen)	7.34⁽²⁾	7.94⁽³⁾

Notes:

- (1) The basis of preparation of Unaudited Condensed Consolidated Statement of Financial Position are disclosed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.
- (2) Net assets per share is calculated based on number of ordinary shares as at the end of the reporting period.
- (3) The weighted average number of ordinary shares issued as at 31 December 2019 have been adjusted to reflect the bonus issue of 1 for 1 existing ordinary shares which was completed on 20 January 2020.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY⁽¹⁾

	Attributable to owners of the Company								
	Non-Distributable					Distributable			
	Share capital RM'000	Fair value reserve RM'000	Foreign currency translation reserve RM'000	Other reserve RM'000	Merger reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
As at 1 January 2019	30,454	195	(334)	3	(11,005)	17,176	36,506	322	36,828
Effects on adoption of MFRS 16	-	-	-	-	-	(7)	(7)	-	(7)
At 1 January 2019, as restated	30,454	195	(334)	3	(11,005)	17,186	36,499	322	36,821
Profit for the financial period	-	-	-	-	-	167	167	39	206
Other comprehensive income /(loss) for the financial period	-	68	(19)	-	-	-	49	-	49
Total comprehensive income /(loss) for the financial period	-	68	(19)	-	-	167	216	39	255
Transactions with owners									
Change of non-controlling interests	-	-	-	-	-	-	-	<i>Negligible⁽²⁾</i>	-
As at 31 March 2019	30,454	263	(353)	3	(11,005)	17,353	36,715	361	37,076

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY⁽¹⁾ (CONT'D)

Attributable to owners of the Company

	Non-Distributable						Distributable		Non-controlling interests RM'000	Total equity RM'000
	Share capital ⁽³⁾ RM'000	Fair value reserve RM'000	Foreign currency translation reserve RM'000	Other reserve RM'000	Warrant reserve RM'000	Merger reserve RM'000	Retained earnings RM'000	Total RM'000		
As at 1 January 2020	30,454	210	(141)	3	-	(11,005)	19,176	38,697	360	39,057
Loss for the financial period	-	-	-	-	-	-	(2,084)	(2,084)	-	(2,084)
Other comprehensive loss for the financial period	-	(176)	(686)	-	-	-	-	(862)	(58)	(920)
Total comprehensive loss for the financial period	-	(176)	(686)	-	-	-	(2,084)	(2,946)	(58)	(3,004)
Transactions with owners										
Issuance of Warrants ⁽⁴⁾	-	-	-	(38,221)	38,221	-	-	-	-	-
Exercise of Warrants ⁽⁵⁾	16	-	-	16	(16)	-	-	16	-	16
As at 31 March 2020	30,470	34	(827)	(38,202)	38,205	(11,005)	17,092	35,767	302	36,069

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY⁽¹⁾ (CONT'D)

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity are detailed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompany explanatory notes attached to this interim financial report.
- (2) PT Securemetric Technology, a wholly-owned subsidiary company, increased its share capital by USD 10 (equivalent to IDR 141,540; RM41) by issuing 10 shares to an individual. Consequently, the Company's shareholding in PT Securemetric Technology decreased from 100% to 99.999%.
- (3) On 20 January 2020, 243,600,000 bonus shares ("Bonus Shares") were listed on the ACE Market of Bursa Malaysia Securities Berhad.
- (4) On 4 February 2020, 243,600,000 free warrants ("Warrants") were listed on the ACE Market of Bursa Malaysia Securities Berhad. Each Warrant carries the entitlement to subscribe for 1 new ordinary share in the Company at the exercise price of RM0.16 at any time during the exercise period from 22 January 2020 to 21 January 2023, subject to any adjustments in accordance with the provisions of the deed poll dated 3 January 2020 constituting the Warrants.

Warrant reserve represents the fair value assigned to the Warrants 2020/2023 of RM0.1569.

- (5) As of to-date, 100,000 Warrants had been exercised into 100,000 ordinary shares of Securemetric.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾

	YEAR-TO-DATE	
	31 March 2020 Unaudited RM'000	31 March 2019 Unaudited RM'000
Cash Flows From Operating Activities		
Loss before tax	(1,972)	454
<u>Adjustments for:</u>		
Amortisation of development expenditure	121	121
Impairment losses on trade receivables	75	115
Depreciation of property, plant and equipment	150	117
Depreciation of right-of-use assets	141	123
Dividend income	-	(16)
Fair value gain of financial asset at fair value through profit or loss	-	(5)
Government grant income	(113)	(115)
Finance costs	7	68
Interest income	(94)	(42)
Unrealised (gain)/loss on foreign exchange	(269)	64
Operating (loss)/profit before working capital changes	(1,954)	884
<u>Changes in working capital:</u>		
Inventories	223	(213)
Receivables	4,402	(1,196)
Payables	(590)	(1,741)
Contract assets	(770)	1,019
	3,265	(2,131)
Cash generated from/(used in) operations	1,311	(1,247)
Interest paid	(7)	(68)
Interest received	94	42
Tax paid	(260)	(195)
Tax refund	-	2
Exchange fluctuation adjustment	(733)	(19)
Net cash from/(used in) operating activities	405	(1,485)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾ (CONT'D)

	YEAR-TO-DATE	
	31 March 2020	31 March 2019
	Unaudited	Unaudited
	RM'000	RM'000
Cash Flows From Investing Activities		
Proceeds from disposal of financial assets at fair value through profit or loss	-	1,000
Proceeds from disposal of PPE	2	-
Purchase of other investment	(6,095)	-
Purchase of PPE	(95)	(34)
Net cash (used in)/from investing activities	(6,188)	966
Cash Flows From Financing Activities		
Repayment of lease liabilities	(56)	(135)
Repayment of term loans	-	(1,997)
Proceeds from issuance of ordinary shares	16	-
Decrease/(Increase) in fixed deposits pledged	2,279	(45)
Net cash from/(used in) financing activities	2,239	(2,177)
Net decrease in cash and cash equivalents	(3,544)	(2,696)
Effect of exchange translation differences on cash and cash equivalents	149	20
Cash and cash equivalents at the beginning of the financial period	22,610	23,915
Cash and cash equivalents at the end of the financial period	19,215	21,239
Cash and cash equivalents at the end of the financial period comprises:		
Cash and bank balances	10,360	19,789
Fixed deposits with licensed banks	9,431	4,259
	19,791	24,048
Less: Fixed deposits pledged to licensed banks	(576)	(2,809)
	19,215	21,239

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated 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 December 2019 and the accompanying explanatory notes attached to this interim financial report.

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NOTES TO THE INTERIM FINANCIAL REPORT

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 March 2020

A1. Basis of preparation

The interim financial report of Securemetric Berhad (“**SMB**” or “**the Company**”) and its subsidiary companies (“**the Group**”) are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“**MFRS**”) 134 *Interim Financial Reporting* and Rule 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Listing Requirements**”).

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

A2. Significant accounting policies

The accounting policies adopted in the interim financial report are consistent with those as disclosed in the audited financial statements for the financial year ended 31 December 2019.

Unless otherwise described below, the Group has adopted those standards, amendments and interpretations that have become effective and such adoptions do not have material impact on the financial position and performance of the Group.

Standards issued but not yet effective

The Group and the Company have not applied the following new standards and amendments to standards that have been issued by the MASB but are not yet effective for the Group and for the Company:

	<u>Effective dates for financial periods beginning on or after</u>
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7	1 January 2020
Amendments to MFRS 101 and MFRS 108	1 January 2020

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NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A2. Significant accounting policies (Cont'd)

Standards issued but not yet effective (Cont'd)

		<u>Effective dates for financial periods beginning on or after</u>
Amendments to MFRS 16	Covid-19 - Related Rent Concessions	1 June 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 3	Reference to Conceptual Framework	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRSs Standards 2018 - 2020:		1 January 2022
• Amendments to MFRS 1		
• Amendments to MFRS 9		
• Amendments to MFRS 16		
• Amendments to MFRS 141		
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group and the Company intend to adopt the above new standards and amendments to standards, if applicable, when they become effective.

The initial application of the above-mentioned new standards and amendments to standards are not expected to have any significant impacts on the financial statements of the Group and of the Company.

A3. Auditors' report

The auditors' report for the financial year ended 31 December 2019 was not subject to any qualifications.

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NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A4. Seasonal or cyclical factors

The Group's revenue is subject to seasonality due to the annual budget cycles of certain of its customers.

The Group does not experience any cyclicity in its business because the digital security industry is not cyclical in nature. A cyclical industry is one which experiences predictable changes which recur over a period of several years.

However, the disease novel coronavirus ("COVID-19") which first arrived in Malaysia in January 2020 may affect the business performance of the Group. Travel and movement restriction and other precautionary measures imposed by Malaysia and other countries, which our subsidiaries are established may affect the Group's operations and short-term outlook of the Group's performance.

A5. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter and financial period-to-date.

A6. Material changes in estimates

There were no material changes in the estimates in the current financial quarter under review.

A7. Debt and equity securities

Save as disclosed below, there were no issuance or repayment of debt and equity securities, share buy-back, share cancellations, shares held as treasury shares and resale of treasury shares during the current financial quarter under review.

On 20 January 2020, 243,600,000 Bonus Shares were listed on the ACE Market of Bursa Malaysia Securities Berhad.

On 4 February 2020, 243,600,000 Warrants were listed on the ACE Market of Bursa Malaysia Securities Berhad. Each Warrant carries the entitlement to subscribe for 1 new ordinary share in the Company at the exercise price of RM0.16 at any time during the exercise period from 22 January 2020 to 21 January 2023, subject to any adjustments in accordance with the provisions of the deed poll dated 3 January 2020 constituting the Warrants.

As at the date of this report, 100,000 Warrants had been exercised into 100,000 ordinary shares of Securemetric.

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NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A8. Dividends paid

There was no dividend paid during the current financial quarter under review and financial period.

A9. Contingent liabilities or contingent assets

Contingent liabilities

	AS AT	AS AT
	31 March 2020	31 March 2019
	Unaudited	Audited
	RM'000	RM'000
Secured		
Bank guarantees provided to customers to secure performance under contracts	<u>904</u>	<u>N/A</u>

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

N/A – Not applicable.

A10. Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial quarter under review.

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A11. Segmental reporting

The Group is principally involved in the provision of digital security solutions as well as trading of electronic identification products, and other related services.

(a) Revenue by business activities

The table below sets out the breakdown of the Group's revenue by business activities for the financial quarter/year ended 31 March 2020 under review:

	3-MONTH ENDED		YEAR-TO-DATE	
	31 March 2020 Unaudited RM'000	31 March 2019 Unaudited RM'000	31 March 2020 Unaudited RM'000	31 March 2019 Unaudited RM'000
(a) Digital security solutions				
- Software licensing protection dongles	479	583	479	583
- 2FA	98	3	98	3
- PKI	1,373	2,454	1,373	2,454
- CENTAGATE®	189	550	189	550
Subtotal	2,139	3,590	2,139	3,590
(b) Electronic identification products	707	861	707	861
(c) Others*	1,957	1,393	1,957	1,393
Total Revenue	4,803	5,844	4,803	5,844

Note:

* Comprising mainly maintenance service charges.

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NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A11. Segmental reporting (Cont'd)

(a) Revenue by business activities (Cont'd)

The main factors affecting the Group's revenue are as follows:

- (i) Rapid changes in technological development;
- (ii) Fluctuation in foreign currency exchange rates; and
- (iii) Ability to secure new projects and customers.

(b) Revenue by geographical regions

The table below sets out the breakdown of the Group's revenue by geographical regions for the financial quarter/year ended 31 March 2020 under review:

	3-MONTH ENDED		YEAR-TO-DATE	
	31 March 2020 Unaudited RM'000	31 March 2019 Unaudited RM'000	31 March 2020 Unaudited RM'000	31 March 2019 Unaudited RM'000
Indonesia	1,407	1,204	1,407	1,204
Vietnam	1,372	704	1,372	704
Philippines	756	754	756	754
United States of America	380	31	380	31
Singapore	302	1,946	302	1,946
Malaysia	248	595	248	595
Myanmar	108	29	108	29
Thailand	36	44	36	44
Others	194	537	194	537
Total Revenue	4,803	5,844	4,803	5,844

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A12. Valuation of property, plant and equipment

The Group has not carried out any valuation on its property, plant and equipment in the current financial quarter under review.

A13. Material events subsequent to the end of the current financial quarter

There were no material events subsequent to the end of the current financial quarter that have not been reflected in this interim financial report.

A14. Significant related party transactions

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

A15. Capital commitments

There were no capital commitments in the current financial quarter under review.

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PART B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Performance

The Group recorded revenue of RM4.80 million and loss before tax of RM1.97 million for the current financial quarter ended 31 March 2020. Revenue was derived from the provision of digital security solutions as well as trading of electronic identification products, and other related services.

B2. Comparison with immediate preceding quarter's results

	3-MONTH ENDED		Variance	
	31 March 2020	31 December 2019	RM'000	%
Revenue	4,803	9,671	(4,868)	-50.34%
(Loss)/Profit before tax	(1,972)	583	(2,555)	-438.25%

The Group's revenue for the current financial quarter ended 31 March 2020 decreased by RM4.87 million or 50.34% to RM4.80 million as compared to RM9.67 million in the preceding financial quarter ended 31 December 2019. The decrease in revenue was mainly due to the decrease in PKI revenue, amounting to RM2.07 million and CENTAGATE[®] revenue, amounting to RM2.07 million in the current financial quarter.

The Group's loss before tax for the current financial quarter of RM1.97 million represents a decrease of RM2.55 million or 438.25% as compared to a profit before tax of RM0.58 million in the preceding financial quarter.

As at the date of this report, the financial impact from the COVID-19 pandemic cannot be reasonably estimated due to the inherent unpredictable nature and rapid development relating to COVID-19 pandemic.

B3. Prospects

In light of the impact from COVID-19 pandemic, the global economy is expected to contract in 2020.

The Group has stepped up its precautionary measures at the offices and has also formulated business continuity plans to minimize the impact from the COVID-19 pandemic to its operations. In addition, the Group is also ready to support their business partners and customers to ride through the challenges brought on by the COVID-19 pandemic. The Group takes cognisance of the wellbeing of the employees, as well as their families, clients, and communities around them. As such, the Group's operation is entirely on a work-from-home basis. Nevertheless, some of the business operations such as logistics and business development, were affected by the movement restriction, as these require the staff to be in office to arrange for packaging and shipment as well as salesperson to meet with prospective customers.

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B3. Prospects (Cont'd)

The Group foresees that the extent of the financial impact from the COVID-19 pandemic will depend on how quickly the virus is contained, the steps to be taken by the authorities to contain it as well as economic policies and support that the governments are willing to deploy during the pandemic's immediate impact and the aftermath.

The Directors of the Company will continuously monitor the development of the COVID-19 pandemic in Malaysia as well as business performance, financial performance and financial position of the Group.

In the immediate future, the Group believes that the digital security solutions, electronic identification products and its related services will continue to improve via its regional offices in South East Asia countries as well as develop new digital security solutions to maintain growth and sustainability.

B4. Profit Forecast or Profit Guarantee

The Company did not issue any profit forecast or profit guarantee during the current financial quarter under review.

B5. Taxation

	3-MONTH ENDED		YEAR-TO-DATE	
	31 March 2020 Unaudited RM'000	31 March 2019 Unaudited RM'000	31 March 2020 Unaudited RM'000	31 March 2019 Unaudited RM'000
Tax expenses recognised in profit or loss:				
- Income tax	112	248	112	248
Effective tax rate	(5.67%)	54.63%	(5.67%)	54.63%

- The effective tax rate for current financial period to date was lower than the statutory tax rate mainly due to losses incurred by certain companies cannot be offset against the profits made by other companies within the Group.
- The effective tax rate for preceding financial period to date was higher than the statutory tax rate mainly due to certain expenses being disallowed for tax purposes.
- Tax expense is recognised based on management's best estimate.

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B6. Corporate Proposal

(a) Status of corporate proposal

Save as disclosed in A7 and below, there were no corporate proposals announced as at the date of this interim report.

On 15 January 2020, the Company had entered into a conditional Share Subscription Agreement (“SSA”) with PT Privy Identitas Digital (“PrivyID”) for the subscription of 3,639 Class B Preferred Shares in PrivyID (“Investment in PrivyID”) representing 5% of the total enlarged issued shares for a total cash consideration of IDR20,250,000,000 equivalent to approximately RM6,034,500. The SSA has been completed as at the date of this report.

On 21 May 2020, the Company announced its intention to implement a private placement of up to 73,080,000 of its new ordinary shares, representing up to 10% of its total number of issued shares (excluding treasury shares, if any) (“Private Placement”). On 21 May 2020, the Company announced its intention to implement a private placement of up to 73,080,000 of its new ordinary shares, representing up to 10% of its total number of issued shares (excluding treasury shares, if any) (“Private Placement”). On 16 June 2020, Bursa Malaysia Securities Berhad approved the listing and quotation of up to 73,080,000 Private Placement shares to be issued pursuant to the Private Placement. On 17 June 2020, TA Securities Holdings Berhad announced, on behalf of the Board, that the issue price for 48,730,000 Private Placement shares has been fixed at RM0.107 each. On 25 June 2020, the Private Placement was completed through the listing of 48,730,000 Private Placement shares on the ACE Market of Bursa Malaysia Securities Berhad.

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B6. Corporate Proposal (Cont'd)

(b) Utilisation of proceeds

In conjunction with the Company's listing on the ACE Market of Bursa Securities on 13 November 2018, the gross proceeds from the Public Issue amounting to RM17 million are being utilised in the following manner:

<u>Details of utilisation</u>	<u>Proposed utilisation</u>	<u>Variation</u>	<u>Actual utilisation</u>	<u>Deviation: Surplus/ (Deficit)</u>	<u>Balance</u>	<u>Estimated timeframe for utilisation</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	
Business expansion	1,700	-	(425)	-	1,275	By November 2020
Development of new digital security solutions	5,700	(2,389)	(2,019)	-	1,292	By November 2020
Investment in PrivyID	-	2,389	(2,389)	-	-	(1)
Repayment of bank borrowings	1,942	-	(1,942)	-	-	Utilised
Working capital	5,158	-	(2,485)	163	2,836	By November 2020
Estimated listing expenses	2,500	-	(2,337)	(163) ⁽²⁾	-	Utilised
Total	17,000	-	(11,597)	-	5,403	

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 23 October 2018.

Notes:

(1) The Board had decided to re-allocate RM2.389 million towards its investment in PrivyID. As announced on 15 January 2020, the investment in PrivyID was to be funded through the proceeds from the Public Issue and / or internally-generated funds of the Group.

(2) The excess of RM0.16 million will be utilised for general working capital requirements of the Group.

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B7. Bank borrowings

The Group's bank borrowings were as follows:

	AS AT 31 March 2020 Unaudited RM'000	AS AT 31 March 2019 Unaudited RM'000
<u>Current:</u>		
Lease liabilities	468	68
<u>Non-current:</u>		
Lease liabilities	435	284
	435	352
Total bank borrowings	903	352

All the Company's bank borrowings are denominated in Ringgit Malaysia.

B8. Material litigation

There was no material litigation involving the Group as at 31 March 2020.

B9. Dividend declared

No dividend has been declared for the current quarter.

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B10. (Loss)/Earnings per share

The basic (loss)/earnings per share (“EPS”) are calculated by dividing the (loss)/profit for the period attributable to owners of the Company by the weighted average number of ordinary shares of the Company during the financial quarter as follows:

		3-MONTH ENDED		YEAR-TO-DATE	
		31 March 2020 Unaudited	31 March 2019 Unaudited	31 March 2020 Unaudited	31 March 2019 Unaudited
(Loss)/Profit attributable to owners of the Company	(RM'000)	(2,084)	167	(2,084)	167
Weighted average number of ordinary shares in issue:					
Issued ordinary shares at 1 January	('000)	243,600	243,600	243,600	243,600
Effect of issuance of bonus issue of shares ⁽¹⁾	('000)	243,600	243,600	243,600	243,600
Effect of exercise of Warrants	('000)	100	-	100	-
		<u>487,300</u>	<u>487,200</u>	<u>487,300</u>	<u>487,200</u>
Basic EPS ⁽¹⁾	(Sen)	<u>(0.43)</u>	<u>0.03</u>	<u>(0.43)</u>	<u>0.03</u>
Diluted EPS ⁽¹⁾⁽²⁾	(Sen)	<u>(0.43)</u>	<u>0.03</u>	<u>(0.43)</u>	<u>0.03</u>

Notes:

- (1) The weighted average number of ordinary shares issued for the preceding financial quarter and year to date ended 31 December 2019 have been adjusted to reflect the bonus issue of 1 for 1 existing ordinary shares which was completed on 20 January 2020.
- (2) Diluted earnings per share is equivalent to the basic earnings per share as the warrants do not have any dilutive effect on the weighted average number of ordinary shares at the end of reporting period.

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B11. Disclosure on selected expense/(income) items as required by the Listing Requirements

	3-MONTH ENDED		YEAR-TO-DATE	
	31 March 2020 Unaudited RM'000	31 March 2019 Unaudited RM'000	31 March 2020 Unaudited RM'000	31 March 2019 Unaudited RM'000
(Loss)/Profit before tax is arrived at after charging/(crediting):				
Amortisation of development expenditure	121	121	121	121
Depreciation of:				
- property, plant and equipment	150	117	150	117
- right-of-use assets	141	123	141	123
Finance costs	7	68	7	68
Impairment losses on trade receivables	75	115	75	115
Realised (gain)/loss on foreign exchange	(116)	62	(116)	62
Unrealised (gain)/loss on foreign exchange	(269)	64	(269)	64
Fair value gain of financial asset at fair value through profit or loss	-	(5)	-	(5)
Government grant income	(113)	(115)	(113)	(115)
Interest income	(94)	(42)	(94)	(42)
Other income (including investment income)	-	(16)	-	(16)

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Securities are not applicable.

BY ORDER OF THE BOARD

Company Secretary

Date: 29th June 2020