

SECUREMETRIC BERHAD

Registration No. 201701019864 (1234029-D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020

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

	3-MONTH ENDED		YEAR-TO-DATE	
	30 September 2020 Unaudited RM'000	30 September 2019 Unaudited RM'000	30 September 2020 Unaudited RM'000	30 September 2019 Unaudited RM'000
Revenue	7,575	7,345	19,683	21,418
Cost of sales	(2,876)	(3,605)	(8,205)	(7,812)
Gross profit	4,699	3,740	11,478	13,606
Other income	18	394	1,050	883
Administrative expenses	(4,157)	(4,119)	(13,182)	(12,114)
Net gain/(loss) on impairment of financial instruments	3	89	(48)	156
Finance costs	(5)	(9)	(19)	(85)
Profit/(Loss) before tax	558	95	(721)	2,446
Taxation	(526)	(125)	(842)	(592)
Profit/(Loss) for the financial period	32	(30)	(1,563)	1,854
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	(634)	187	(343)	210
<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 other comprehensive income	(38)	(36)	(131)	25
	(672)	151	(474)	235
Total comprehensive (loss)/income for the financial period	(640)	121	(2,037)	2,089
Profit/(Loss) for the financial period attributable to:				
- Owners of the Company	46	(24)	(1,557)	1,811
- Non-controlling interests	(14)	(6)	(6)	43
	32	(30)	(1,563)	1,854
Total comprehensive (loss)/income attributable to:				
- Owners of the Company	(597)	112	(2,002)	2,031
- Non-controlling interests	(43)	9	(35)	58
	(640)	121	(2,037)	2,089

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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	
	30 September 2020 Unaudited RM'000	30 September 2019 Unaudited RM'000	30 September 2020 Unaudited RM'000	30 September 2019 Unaudited RM'000
Weighted average number of ordinary shares ('000)	536,030	487,200	536,030	487,200
Earnings/(Loss) per share attributable to owners of the Company (sen):				
Basic ⁽²⁾ (4)	0.01	(0.01)	(0.29)	0.37
Diluted ⁽³⁾ (4)	0.01	(0.01)	(0.29)	0.37

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 30 September 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 30 September 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 30 September 2020 Unaudited	AS AT 31 December 2019 Audited
	RM'000	RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	1,427	1,435
Right-of-use assets	715	1,019
Development expenditure	604	967
Other investments	6,239	275
Deferred tax assets	86	89
	9,071	3,785
CURRENT ASSETS		
Inventories	961	1,169
Contract assets	674	425
Trade receivables	11,986	17,133
Other receivables	3,391	3,280
Tax recoverable	520	370
Fixed deposits with licensed banks	15,871	11,337
Cash and bank balances	9,836	14,128
	43,239	47,842
TOTAL ASSETS	52,310	51,627
EQUITY AND LIABILITIES		
EQUITY		
Share capital	35,684	30,454
Reserves	(11,378)	(10,933)
Retained earnings	17,619	19,176
Total equity attributable to owners of the Company	41,925	38,697
Non-controlling interests	325	360
Total Equity	42,250	39,057
LIABILITIES		
NON-CURRENT LIABILITIES		
Employee benefits	213	229
Lease liabilities	176	561
	389	790

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION⁽¹⁾ (CONT'D)

	AS AT 30 September 2020 Unaudited RM'000	AS AT 31 December 2019 Audited RM'000
CURRENT LIABILITIES		
Trade payables	1,554	1,738
Other payables	2,647	3,661
Contract liabilities	4,234	5,368
Lease liabilities	510	457
Tax payables	726	556
	9,671	11,780
Total liabilities	10,060	12,570
TOTAL EQUITY AND LIABILITIES	52,310	51,627
Weighted average number of ordinary shares ('000)	536,030 ⁽²⁾	487,200 ⁽³⁾
NET ASSETS PER SHARE (sen)	7.82⁽²⁾	7.94⁽²⁾

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					Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	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				
As at 1 January 2019	30,454	195	(334)	3	(11,005)	17,193	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	-	-	-	-	-	1,811	1,811	43	1,854
Other comprehensive income for the financial period	-	25	195	-	-	-	220	15	235
Total comprehensive income for the financial period	-	25	195	-	-	1,811	2,031	58	2,089
Transactions with owners									
Change of non-controlling interests	-	-	-	-	-	-	-	Negligible ⁽²⁾	-
As at 30 September 2019	30,454	220	(139)	3	(11,005)	18,997	38,530	380	38,910

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

	Attributable to owners of the Company						Total RM'000	Non- controlling interests RM'000	Total equity RM'000	
	Non-Distributable			Distributable						
	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
As at 1 January 2020	30,454	210	(141)	3	-	(11,005)	19,176	38,697	360	39,057
Loss for the financial period	-	-	-	-	-	-	(1,557)	(1,557)	(6)	(1,563)
Other comprehensive loss for the financial period	-	(131)	(314)	-	-	-	-	(445)	(29)	(474)
Total comprehensive loss for the financial period	-	(131)	(314)	-	-	-	(1,557)	(2,002)	(35)	(2,037)
Transactions with owners										
Issuance of Warrants ⁽⁴⁾	-	-	-	(38,221)	38,221	-	-	-	-	-
Exercise of Warrants ⁽⁴⁾	16	-	-	16	(16)	-	-	16	-	16
Issuance of private placement ⁽⁵⁾	5,214	-	-	-	-	-	-	5,214	-	5,214
Change of non- controlling interests	-	-	-	-	-	-	-	-	Negligible ⁽⁶⁾	-
As at 30 September 2020	35,684	79	(455)	(38,202)	38,205	(11,005)	17,619	41,925	325	42,250

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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 accompanying 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. As at the date of this report, 100,000 Warrants had been exercised into 100,000 ordinary shares of Securemetric.
- (5) On 25 June 2020, 48,730,000 new Shares were listed on the ACE Market of Bursa Malaysia Securities Berhad at RM0.107 each pursuant to the completion of the private placement.
- (6) On 14 September 2020, the Company disposed of two ordinary shares in Securemetric Technology Inc, a 99.997% owned subsidiary company, at a total consideration of approximately USD4.15 to two individuals. Consequently, the Company's shareholding in Securemetric Technology Inc decreased to 99.995%.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾

	YEAR-TO-DATE	
	30 September 2020 Unaudited RM'000	30 September 2019 Unaudited RM'000
Cash Flows From Operating Activities		
(Loss)/Profit before tax	(721)	2,446
<u>Adjustments for:</u>		
Amortisation of development expenditure	363	363
Impairment losses on trade receivables	48	-
Depreciation of property, plant and equipment ("PPE")	478	411
Depreciation of right-of-use assets	391	392
Dividend income	-	(40)
PPE written off	-	3
Fair value gain of financial asset at fair value through profit or loss	-	(9)
Finance costs	19	85
Government grant income	(338)	(340)
Interest income	(283)	(353)
Inventories written off	4	-
Reversal of impairment losses on trade receivables	-	(147)
Unrealised (gain)/loss on foreign exchange	(77)	(80)
Operating (loss)/profit before working capital changes	(116)	2,731
<u>Changes in working capital:</u>		
Inventories	14	(49)
Receivables	4,984	(1,558)
Payables	(827)	(455)
Contract assets	(1,383)	334
	2,788	(1,728)
Cash generated from operations	2,672	1,003
Interest paid	(19)	(85)
Interest received	283	353
Tax paid	(852)	(741)
Tax refund	31	2
Exchange fluctuation adjustment	(333)	201
Net cash from operating activities	1,782	733

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

	YEAR-TO-DATE	
	30 September 2020 Unaudited RM'000	30 September 2019 Unaudited 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	5
Purchase of other investment	(6,095)	-
Purchase of PPE	(289)	(511)
Purchase of ROU	(87)	-
Net cash (used in)/from investing activities	(6,469)	494
Cash Flows From Financing Activities		
Repayment of lease liabilities	(333)	(393)
Repayment of term loans	-	(1,997)
Proceeds from issuance of ordinary shares	5,230	-
Decrease/(Increase) in fixed deposits pledged	2,090	(105)
Net cash from/(used in) financing activities	6,987	(2,495)
Net increase/(decrease) in cash and cash equivalents	2,300	(1,268)
Effect of exchange translation differences on cash and cash equivalents	33	(6)
Cash and cash equivalents at the beginning of the financial period	22,609	23,915
Cash and cash equivalents at the end of the financial period	24,942	22,641
Cash and cash equivalents at the end of the financial period comprises:		
Cash and bank balances	9,836	9,835
Fixed deposits with licensed banks	15,871	15,675
	25,707	25,510
Less: Fixed deposits pledged to licensed banks	(765)	(2,869)
	24,942	22,641

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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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:

		Effective dates for financial periods beginning on or after
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform - Phase 2	1 January 2021
Amendments to MFRS 3	Reference to the 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

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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)

	Effective dates for financial periods beginning on or after	
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		
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 10 and MFRS 128	Sales 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 cyclical 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 novel coronavirus disease ("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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A7. Debt and equity securities (cont'd)

On 25 June 2020, 48,730,000 new Shares were listed on the ACE Market of Bursa Malaysia Securities Berhad at RM0.107 each pursuant to the completion of the private placement.

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 30 September 2020 Unaudited RM'000	AS AT 30 September 2019 Unaudited RM'000
Secured		
Bank guarantees provided to customers to secure performance under contracts	957	136

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

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 30 September 2020 under review:

	3-MONTH ENDED		YEAR-TO-DATE	
	30 September 2020 Unaudited RM'000	30 September 2019 Unaudited RM'000	30 September 2020 Unaudited RM'000	30 September 2019 Unaudited RM'000
(a) Digital security solutions				
- Software licensing protection dongles	508	736	1,458	1,818
- 2FA	548	1,431	942	1,679
- PKI	2,349	1,872	6,417	9,330
- CENTAGATE®	179	911	1,291	1,563
Subtotal	3,584	4,950	10,108	14,390
(b) Electronic identification products	1,608	556	3,165	1,984
(c) Others*	2,383	1,839	6,410	5,044
Total Revenue	7,575	7,345	19,683	21,418

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 30 September 2020 under review:

	3-MONTH ENDED		YEAR-TO-DATE	
	30 September 2020 Unaudited RM'000	30 September 2019 Unaudited RM'000	30 September 2020 Unaudited RM'000	30 September 2019 Unaudited RM'000
Indonesia	1,992	884	5,098	3,159
Vietnam	1,640	1,643	6,122	4,590
Philippines	2,399	702	3,408	2,022
United States of America	29	397	977	398
Singapore	327	2,800	927	7,292
Malaysia	594	638	1,945	2,334
Myanmar	218	19	339	67
Thailand	24	50	156	131
Others	352	212	711	1,425
Total Revenue	7,575	7,345	19,683	21,418

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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 RM7.57 million and profit before tax of RM0.56 million for the current financial quarter ended 30 September 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	
	30 September 2020	30 June 2020	RM'000	%
Revenue	RM'000 7,575	RM'000 7,305	RM'000 270	3.70
Profit before tax	558	693	(135)	-19.48

The Group's revenue for the current financial quarter ended 30 September 2020 increased by RM0.27 million or 3.70% to RM7.58 million as compared to RM7.31 million in the preceding financial quarter ended 30 June 2020. The increase in revenue was mainly due to the increase in electronic identification products, amounting to RM0.76 million, others maintenance services, amounting to RM0.31 million and 2FA, amounting to RM0.25 million in the current financial quarter. However, the increase was partially offset by the decrease in revenue in PKI and CENTAGATE[®], amounting to RM0.35 million and RM0.74 million respectively.

The Group's profit before tax for the current financial quarter of RM0.56 million represents a decrease of RM0.13 million or 19.48% as compared to a profit before tax of RM0.69 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 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 is currently implementing work-from-home basis according to the needs of the subsidiaries in respective countries. 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.

On 28 July 2020, the Company launched SigningCloud, a cloud-based pay-per-use digital signature platform, which is expected to contribute positively to the earnings of the Group.

B4. Profit Forecast or Profit Guarantee

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

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B5. Taxation

	3-MONTH ENDED		YEAR-TO-DATE	
	30 September 2020 Unaudited RM'000	30 September 2019 Unaudited RM'000	30 September 2020 Unaudited RM'000	30 September 2019 Unaudited RM'000
Tax expenses recognised in profit or loss:				
- Income tax	526	125	842	592
Effective tax rate	94.27%	131.58%	(116.78%)	24.20%

- (a) The effective tax rate for current financial period was higher than the statutory tax rate mainly due to certain expenses being disallowed for tax purposes.
- (b) The effective tax rate for year-to-date were 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.
- (c) Tax expense is recognised based on management's best estimate.

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 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.

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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:

Details of utilisation	IPO Proceeds raised	Re-allocation	Variation	Amount utilised	Balance	Original timeframe for utilisation of proceeds	Revised timeframe for utilisation of proceeds
	RM'000	RM'000	RM'000	RM'000	RM'000		
Business expansion	1,700	-	-	(746)	954	By November 2020	By November 2021 ⁽³⁾
Development of new digital security solutions	5,700	-	(2,389)	(2,863)	448	By November 2020	By November 2021 ⁽³⁾
Investment in PrivyID	-	-	2,389	(2,389)	-	(1)	(1)
Repayment of bank borrowings	1,942	-	-	(1,942)	-	Utilised	Utilised
Working capital	5,158	163	-	(2,804)	2,517 ⁽⁴⁾	By November 2020	By November 2021 ⁽³⁾
Estimated listing expenses	2,500	(163) ⁽²⁾	-	(2,337)	-	Utilised	Utilised
Total	17,000	-	-	(13,081)	3,919		

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) Surplus of RM0.163 million (of the RM2.50 million allocated for the estimated listing expenses) was re-allocated to the working capital requirements of the Group, in accordance with the Company's prospectus dated 23 October 2018.

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B6. Corporate Proposal (Cont'd)

(b) Utilisation of proceeds (Cont'd)

(3) As announced on 16 October 2020, the Board had decided to extend the timeframe for the utilisation of proceeds raised from the Listing from November 2020 to November 2021.

(4) The amount allocated for working capital purposes (specifically for expansion of workforce) will be varied to day-to-day operations:

	IPO Proceeds raised	Re-allocation	Amount utilised	Balance of IPO Proceeds yet to be utilised	Variation	After variation
	RM'000	RM'000	RM'000	RM'000	RM'000	
Expansion of workforce	3,580	-	(1,063)	2,517	(1,517)	1,000
Day-to-day operations	1,578	163	(1,741)	-	1,517	1,517
	5,158	163	(2,804)	2,517	-	2,517

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B6. Corporate Proposal (Cont'd)

(b) Utilisation of proceeds (Cont'd)

On 25 June 2020, 48,730,000 new Shares were listed on the ACE Market of Bursa Malaysia Securities Berhad at RM0.107 each pursuant to the completion of the private placement.

The details of the utilisation of the proceeds from the private placement were as follows:-

Details of utilisation	Proposed utilisation	Actual utilisation	Deviation: Surplus/ (Deficit)	Balance	Estimated timeframe for utilisation
	RM'000	RM'000	RM'000	RM'000	
Investment in research and development activities	950	(220)	-	730	Within 24 months
Exploration of investments and markets relating to digital security solutions	3,369	(109)	-	3,260	Within 24 months
Working capital	800	(448)	15	367	Within 12 months
Expenses for Private Placement	95	(80)	(15) ⁽¹⁾	-	Within 1 month
Total	5,214	(857)	-	4,357	

Note:

(1) The excess of RM0.015 million will be utilised for general working capital requirements of the Group.

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B7. Borrowings

The Group's borrowings were as follows:

	AS AT 30 September 2020 Unaudited	AS AT 30 September 2019 Unaudited
	RM'000	RM'000
<u>Current:</u>		
Lease liabilities	510	70
<u>Non-current:</u>		
Lease liabilities	176	249
Total borrowings	686	319

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

B8. Material litigation

There was no material litigation involving the Group as at 30 September 2020.

B9. Dividend declared

No dividend has been declared for the current quarter.

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B10. Earnings/(loss) per share

The basic earnings/(loss) per share (“EPS”) are calculated by dividing the profit/(loss) 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	
		30 September 2020 Unaudited	30 September 2019 Unaudited	30 September 2020 Unaudited	30 September 2019 Unaudited
Profit/(Loss) attributable to owners of the Company	(RM'000)	46	(24)	(1,557)	1,811
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	-
Effect of Private Placement ⁽³⁾	('000)	48,730	-	48,730	-
		<u>536,030</u>	<u>487,200</u>	<u>536,030</u>	<u>487,200</u>
Basic EPS ⁽¹⁾	(Sen)	0.01	(0.01)	(0.29)	0.37
Diluted EPS ^{(1) (2)}	(Sen)	0.01	(0.01)	(0.29)	0.37

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.
- (3) On 25 June 2020, 48,730,000 new Shares were listed on the ACE Market of Bursa Malaysia Securities Berhad at RM0.107 each pursuant to the completion of the private placement.

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

	3-MONTH ENDED		YEAR-TO-DATE	
	30 September 2020 Unaudited RM'000	30 September 2019 Unaudited RM'000	30 September 2020 Unaudited RM'000	30 September 2019 Unaudited RM'000
Profit/(Loss) before tax is arrived at after charging/(crediting):				
Amortisation of development expenditure	121	121	363	363
Depreciation of:				
- property, plant and equipment	170	147	478	411
- right-of-use assets	125	137	391	392
Finance costs	5	9	19	85
PPE written off	-	3	-	3
Inventories written off	2	-	4	-
Impairment losses on trade receivables	-	-	48	-
Realised loss/(gain) on foreign exchange	145	(3)	(124)	(20)
Reversal of impairment losses on trade receivables	(3)	(86)	-	(147)
Unrealised loss/(gain) on foreign exchange	197	(86)	(77)	(80)
Fair value gain of financial asset at fair value through profit or loss	-	(3)	-	(9)
Government grant income	(113)	(52)	(338)	(340)
Interest income	(104)	(161)	(283)	(353)
Other income (including investment income)	-	(12)	-	(40)

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: 24th November 2020