

# SECUREMETRIC BERHAD

Registration No. 201701019864 (1234029-D)

(Incorporated in Malaysia)

## INTERIM FINANCIAL REPORT FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2022

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME <sup>(1)</sup>

	3-MONTH ENDED		YEAR-TO-DATE	
	30 September 2022 Unaudited RM'000	30 September 2021 Unaudited RM'000	30 September 2022 Unaudited RM'000	30 September 2021 Unaudited RM'000
Revenue	8,837	7,223	20,784	17,841
Cost of sales	(3,303)	(2,875)	(8,730)	(7,209)
<b>Gross profit</b>	<b>5,534</b>	<b>4,348</b>	<b>12,054</b>	<b>10,632</b>
Other income	183	297	596	953
Administrative expenses	(4,457)	(4,526)	(13,740)	(12,908)
Net (loss)/gain on impairment of financial instruments	(15)	(3)	3	57
Finance costs	(10)	(4)	(32)	(12)
Share of results of an associate	(6)	-	(73)	-
<b>Profit/(Loss) before tax</b>	<b>1,229</b>	<b>112</b>	<b>(1,192)</b>	<b>(1,278)</b>
Taxation	(553)	(290)	(715)	(614)
<b>Profit/(Loss) for the financial period</b>	<b>676</b>	<b>(178)</b>	<b>(1,907)</b>	<b>(1,892)</b>
<b>Other comprehensive (loss)/income for the financial period</b>				
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Exchange translation differences for foreign operations	(54)	(100)	403	87
Share of other comprehensive income of an associate	-	-	3	-
	(54)	(100)	406	87
<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	-	4	96	31
Total other comprehensive (loss)/income for the financial period	(54)	(96)	502	118
<b>Total comprehensive income/(loss) for the financial period</b>	<b>622</b>	<b>(274)</b>	<b>(1,405)</b>	<b>(1,774)</b>

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### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME <sup>(1)</sup> (CONT'D)

	3-MONTH ENDED		YEAR-TO-DATE	
	30 September 2022 Unaudited RM'000	30 September 2021 Unaudited RM'000	30 September 2022 Unaudited RM'000	30 September 2021 Unaudited RM'000
<b>Profit/(Loss) for the financial period attributable to:</b>				
- Owners of the Company	677	(158)	(1,876)	(1,895)
- Non-controlling interests	(1)	(20)	(31)	3
	<u>676</u>	<u>(178)</u>	<u>(1,907)</u>	<u>(1,892)</u>
<b>Total comprehensive income/(loss) attributable to:</b>				
- Owners of the Company	623	(254)	(1,387)	(1,777)
- Non-controlling interests	(1)	(20)	(18)	3
	<u>622</u>	<u>(274)</u>	<u>(1,405)</u>	<u>(1,774)</u>
Earnings/(Loss) per share attributable to owners of the Company (sen):				
Basic	Note B10	0.12	(0.03)	(0.35)
Diluted	Note B10	0.12	(0.03)	(0.35)

#### Note:

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

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## INTERIM FINANCIAL REPORT FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2022

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION<sup>(1)</sup>

	AS AT 30 September 2022 Unaudited RM'000	AS AT 31 December 2021 Audited RM'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	995	1,248
Right-of-use assets	1,115	1,403
Investment in an associate	8,059	8,130
Other investments	6,095	6,324
Deferred tax assets	122	117
Trade receivables	909	1,041
	17,295	18,263
<b>CURRENT ASSETS</b>		
Inventories	907	1,419
Contract assets	82	504
Trade receivables	9,040	8,147
Other receivables	6,701	4,230
Tax recoverable	608	603
Fixed deposits with licensed banks	6,433	3,123
Cash and bank balances	10,727	19,007
	34,498	37,033
<b>TOTAL ASSETS</b>	<b>51,793</b>	<b>55,296</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	41,310	41,310
Reserves	(10,925)	(11,154)
Retained earnings	10,861	12,477
<b>Total equity attributable to owners of the Company</b>	<b>41,246</b>	<b>42,633</b>
Non-controlling interests	297	315
<b>Total Equity</b>	<b>41,543</b>	<b>42,948</b>
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		
Employee benefits	294	332
Lease liabilities	403	731
	<b>697</b>	<b>1,063</b>

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**INTERIM FINANCIAL REPORT FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2022**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION<sup>(1)</sup>**  
**(CONT'D)**

	<b>AS AT</b> <b>30 September</b> <b>2022</b> <b>Unaudited</b>	<b>AS AT</b> <b>31 December</b> <b>2021</b> <b>Audited</b>
	RM'000	RM'000
<b>CURRENT LIABILITIES</b>		
Trade payables	1,778	2,149
Other payables	2,168	3,540
Contract liabilities	4,394	4,810
Lease liabilities	721	624
Tax payable	492	162
	<b>9,553</b>	<b>11,285</b>
<b>Total liabilities</b>	<b>10,250</b>	<b>12,348</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>51,793</b>	<b>55,296</b>
Number of ordinary shares in issue ('000)	576,506 <sup>(2)</sup>	576,506 <sup>(2)</sup>
<b>NET ASSETS PER SHARE (sen)</b>	<b>7.15<sup>(2)</sup></b>	<b>7.40<sup>(2)</sup></b>

**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 2021 and the accompanying explanatory notes attached to this interim financial report.
- (2) Net assets per share is calculated based on number of ordinary shares in issue as at the end of the reporting period.

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## INTERIM FINANCIAL REPORT FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2022

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY<sup>(1)</sup>

	Attributable to owners of the parent									
	Non-Distributable						Distributable			
	Share capital	Fair value reserve	Foreign currency translation reserve	Other reserves	Warrant reserve	Merger reserve	Retained earnings	Total	Non-controlling interests	Total equity
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2021	35,684	101	(402)	(38,202)	38,205	(11,005)	14,324	38,705	329	39,034
Loss for the financial period	-	-	-	-	-	-	(1,895)	(1,895)	3	(1,892)
Other comprehensive income for the financial period	-	31	87	-	-	-	-	118	-	118
Total comprehensive income/(loss) for the financial period	-	31	87	-	-	-	(1,895)	(1,777)	3	(1,774)
<b>Transactions with owners</b>										
Issuance of ordinary shares										
- Private placement <sup>(2)</sup>	5,626	-	-	-	-	-	-	5,626	-	5,626
<b>At 30 September 2021</b>	<b>41,310</b>	<b>132</b>	<b>(315)</b>	<b>(38,202)</b>	<b>38,205</b>	<b>(11,005)</b>	<b>12,429</b>	<b>42,554</b>	<b>332</b>	<b>42,886</b>

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### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY<sup>(1)</sup> (CONT'D)

	Attributable to owners of the parent									
	Non-Distributable						Distributable			
	Share capital	Fair value reserve	Foreign currency translation reserve	Other reserves	Warrant reserve	Merger reserve	Retained earnings	Total	Non-controlling interests	Total equity
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2022	41,310	164	(316)	(38,202)	38,205	(11,005)	12,477	42,633	315	42,948
Loss for the financial period	-	-	-	-	-	-	(1,876)	(1,876)	(31)	(1,907)
Other comprehensive income for the financial period	-	96	393	-	-	-	-	489	13	502
Total comprehensive income/(loss) for the financial period	-	96	393	-	-	-	(1,876)	(1,387)	(18)	(1,405)
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	(260)	-	-	-	-	260	-	-	-
<b>At 30 September 2022</b>	<b>41,310</b>	<b>-</b>	<b>77</b>	<b>(38,202)</b>	<b>38,205</b>	<b>(11,005)</b>	<b>10,861</b>	<b>41,246</b>	<b>297</b>	<b>41,543</b>

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## INTERIM FINANCIAL REPORT FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2022

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### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY<sup>(1)</sup> (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 2021 and the accompanying explanatory notes attached to this interim financial report.
- (2) On 3 August 2021, 40,476,000 new Securemetric Shares were listed on the ACE Market of Bursa Malaysia Securities Berhad at RM0.139 each pursuant to a private placement.

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## INTERIM FINANCIAL REPORT FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2022

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS <sup>(1)</sup>

	YEAR-TO-DATE	
	30 September 2022	30 September 2021
	Unaudited	Unaudited
	RM'000	RM'000
<b>Operating Activities</b>		
Loss before tax	(1,192)	(1,278)
Adjustments for:		
Amortisation of development expenditure	-	362
Impairment losses on trade receivables	29	6
Depreciation of property, plant and equipment ("PPE")	458	491
Depreciation of right-of-use ("ROU") assets	571	464
Dividend income	(3)	(1)
Finance costs	32	12
Government grant income	-	(338)
Gain on disposal of PPE	(1)	(16)
Interest income	(164)	(257)
Inventories written off	21	15
Reversal of impairment losses on trade receivables	(32)	(63)
Share of results of an associate	73	-
Unrealised gain on foreign exchange	(140)	(148)
<b>Operating loss before working capital changes</b>	<b>(348)</b>	<b>(751)</b>
Changes in working capital:		
Inventories	491	(473)
Receivables	(3,044)	568
Payables	(1,904)	406
Contract assets/liabilities	6	(332)
	<b>(4,451)</b>	<b>169</b>
<b>Cash used in operations</b>	<b>(4,799)</b>	<b>(582)</b>
Interest paid	(32)	(12)
Interest received	164	257
Tax paid	(390)	(334)
Exchange fluctuation adjustment	381	83
<b>Net cash used in operating activities</b>	<b>(4,676)</b>	<b>(588)</b>

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### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS <sup>(1)</sup> (CONT'D)

	YEAR-TO-DATE	
	30 September 2022 Unaudited RM'000	30 September 2021 Unaudited RM'000
<b>Investing Activities</b>		
Proceeds from disposal of other investment	325	-
Proceeds from disposal of PPE	2	30
Dividend received	3	1
Decrease/(Increase) in fixed deposit with a licensed bank with maturity more than 3 months	182	(3)
Purchase of PPE	(195)	(403)
Purchase of ROU assets	-	(29)
<b>Net cash from/(used in) investing activities</b>	<b>317</b>	<b>(404)</b>
<b>Financing Activities</b>		
Payment of lease liabilities	(513)	(474)
Proceeds from issuance of ordinary shares	-	5,626
Increase in fixed deposits pledged	(6)	(6)
<b>Net cash (used in)/from financing activities</b>	<b>(519)</b>	<b>5,146</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(4,878)</b>	<b>4,154</b>
Effect of exchange translation differences on cash and cash equivalents	83	20
Cash and cash equivalents at the beginning of the financial period	21,529	25,919
<b>Cash and cash equivalents at the end of the financial period</b>	<b>16,734</b>	<b>30,093</b>
Cash and cash equivalents at the end of the financial period comprises:		
Cash and bank balances	10,727	22,353
Fixed deposits with licensed banks	6,433	8,339
	17,160	30,692
Less: Fixed deposits pledged to licensed banks	(426)	(418)
Less: Fixed deposit with a licensed bank with maturity of more than 3 months	-	(181)
	<b>16,734</b>	<b>30,093</b>

#### Note:

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

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## INTERIM FINANCIAL REPORT FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2022

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### NOTES TO THE INTERIM FINANCIAL REPORT

#### A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2022

##### A1. Basis of preparation

The interim financial report of Securemetric Berhad (“**SMB**” or “**the Company**”) and its subsidiaries (“**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 2021 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 2021.

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 Malaysian Accounting Standards Board but are not yet effective for the Group and for the Company:

		<u>Effective dates for financial periods beginning on or after</u>
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 - Comparative Information	1 January 2023

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## INTERIM FINANCIAL REPORT FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2022

### NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

#### A2. Significant accounting policies (Cont'd)

##### Standards issued but not yet effective (Cont'd)

The Group and the Company have not applied the following new standards and amendments to standards that have been issued by the Malaysian Accounting Standards Board but are not yet effective for the Group and for the Company: (Cont'd)

		<u>Effective dates for financial periods beginning on or after</u>
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
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 2021 was not subject to any qualifications.

#### 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.

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## INTERIM FINANCIAL REPORT FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2022

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### NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

#### 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

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.

#### 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 2022 Unaudited RM'000	AS AT 30 September 2021 Unaudited RM'000
<b>Secured</b>		
Bank guarantees provided to customers to secure performance under contracts	<u>16</u>	<u>20</u>

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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### NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

#### 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/period ended 30 September 2022 under review:

	3-MONTH ENDED		YEAR-TO-DATE	
	30 September 2022 Unaudited RM'000	30 September 2021 Unaudited RM'000	30 September 2022 Unaudited RM'000	30 September 2021 Unaudited RM'000
(a) Digital security solutions				
- Software licensing protection dongles	587	570	1,604	1,866
- 2FA	323	297	585	506
- PKI	3,413	2,441	8,565	5,846
- CENTAGATE®	729	407	1,675	1,046
<b>Subtotal</b>	<b>5,052</b>	<b>3,715</b>	<b>12,429</b>	<b>9,264</b>
(b) Electronic identification products	295	315	580	1,194
(c) Others*	3,490	3,193	7,775	7,383
<b>Total Revenue</b>	<b>8,837</b>	<b>7,223</b>	<b>20,784</b>	<b>17,841</b>

#### Note:

\* Comprising mainly maintenance service charges.

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## INTERIM FINANCIAL REPORT FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2022

### 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/period ended 30 September 2022 under review:

	3-MONTH ENDED		YEAR-TO-DATE	
	30 September 2022 Unaudited RM'000	30 September 2021 Unaudited RM'000	30 September 2022 Unaudited RM'000	30 September 2021 Unaudited RM'000
Indonesia	2,436	1,447	5,086	5,181
Vietnam	1,660	1,244	4,044	3,586
Singapore	633	273	2,121	1,613
Philippines	2,621	1,958	3,553	2,921
Malaysia	746	1,136	3,762	2,187
United States of America	40	40	168	197
Others	701	1,125	2,050	2,156
<b>Total Revenue</b>	<b>8,837</b>	<b>7,223</b>	<b>20,784</b>	<b>17,841</b>

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### NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

#### **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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## INTERIM FINANCIAL REPORT FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2022

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

#### B1. Review of performance

The Group recorded a revenue of RM8.84 million and profit before tax of RM1.23 million for the current financial quarter ended 30 September 2022. 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 2022	30 June 2022	RM'000	%
Revenue	8,837	4,597	4,240	92.23
Profit/(Loss) before tax	1,229	(2,147)	3,376	157.24

The Group's revenue for the current financial quarter ended 30 September 2022 increased by RM4.24 million or 92.23% to RM8.84 million as compared to RM4.60 million in the preceding financial quarter ended 30 June 2022. The increase in revenue was mainly due to the increase in revenue from PKI (amounting to RM1.86 million), CENTAGATE® (amounting to RM0.42 million), software licensing protection dongles (amounting to RM0.14 million), 2FA (amounting to RM0.08 million), electronic identification products (amounting to RM0.15 million) and others maintenance services (amounting to RM1.59 million).

The Group's profit before tax for the current financial quarter increased by RM3.38 million or 157.24% to RM1.23 million as compared to a loss before tax of RM2.15 million in the preceding financial quarter. The increase in profit before tax in the current financial quarter was due to higher gross profit arising from the increase in PKI revenue.

#### B3. Prospects

Global economic uncertainties is expected to continue throughout 2022 amid a resurgence of COVID-19 variants, global supply chain disruptions resulting in escalating cost challenges, elevated levels of inflation, as well as the ongoing Russia-Ukraine war conflict. It is challenging to predict the full extent and duration of these impact on the global economy.

Despite the global economic uncertainties, the Group remains focused on executing its strategies to achieve better financial performance from its existing digital security solutions, electronic identification products and its related services businesses. Our business strategies such as expansion of business development sectors while managing our existing and potential clients as well as continuous monitoring of market trends and developments in the digital security industry and at the same time maintain our long-standing commitment to innovating digital security to maintain growth and sustainability.

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### B3. Prospects (Cont'd)

Furthermore, the Group will continue to focus on its long-term strategy to increase its recurring revenue through CENTAGATE Cloud (a security-as-a-service solution to control, protect and secure application access through single login credential) and SigningCloud (a digital-signing-as-a-service to insert digital signature into electronic documents and transactions). We are confident that CENTAGATE Cloud and SigningCloud will enhance shareholders' value in the future.

The Directors of the Company will strive to continuously manage the Group's businesses with vigilance during this period of uncertainty.

### 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	
	30 September 2022 Unaudited RM'000	30 September 2021 Unaudited RM'000	30 September 2022 Unaudited RM'000	30 September 2021 Unaudited RM'000
Tax expenses recognised in profit or loss:				
- Income tax	<u>553</u>	<u>290</u>	<u>715</u>	<u>614</u>
Effective tax rate	45.00%	258.93%	59.98%	48.04%

(a) The effective tax rate for current financial period-to-date and year-to-date were higher than the statutory tax rate mainly due to certain expenses being disallowed for tax purposes.

(b) 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 below, there were no corporate proposals announced as at the date of this interim financial report.

On 5 September 2022, the Company had entered into a share sale and purchase agreement with Leong Wei Ping (“SPA”) for the purchase of 250,000 Series A Preferred Shares (“Sale Shares”) representing 5% of the total issued share capital of ACE Digital Revolution Group Limited (“ACE”) for a total cash consideration of RM4,000,000 (“Acquisition”). The Acquisition was completed on 12 October 2022 following the completion of the SPA.

#### (b) Utilisation of proceeds

##### Utilisation of proceeds from initial public offering

In conjunction with the Company’s listing on the ACE Market of Bursa Malaysia Securities Berhad on 13 November 2018, the gross proceeds from the initial public offering amounting to RM17.00 million are being utilised in the following manner:

Details of utilisation	IPO	Re-allocation	Variation	Amount utilised	Balance	Intended Timeframe for Utilisation of proceeds
	Proceeds raised					
	RM'000	RM'000	RM'000	RM'000	RM'000	
Business expansion	1,700	(519) <sup>(5)</sup>	-	(1,181)	-	Fully utilised <sup>(3)(4)</sup>
Development of new digital security solutions	5,700	-	(2,389)	(3,311)	-	Fully utilised <sup>(3)</sup>
Investment in PrivyID	-	-	2,389	(2,389)	-	(1)
Repayment of bank borrowings	1,942	-	-	(1,942)	-	Fully utilised
Working capital	5,158	682	-	(5,840)	-	Fully utilised <sup>(3)(4)</sup>
Estimated listing expenses	2,500	(163) <sup>(2)</sup>	-	(2,337)	-	Fully utilised
<b>Total</b>	<b>17,000</b>	<b>-</b>	<b>-</b>	<b>(17,000)</b>	<b>-</b>	

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

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### B6. Corporate proposal (Cont'd)

#### (b) Utilisation of proceeds (Cont'd)

##### 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.
- (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) As announced on 8 November 2021, the Board had decided to further extend the timeframe for the utilisation of proceeds raised from the Listing for business expansion from November 2021 to November 2022 and for working capital from November 2021 to February 2022 respectively.
- (5) The Board had decided to re-allocate RM0.519 million (of the RM1.70 million allocated for the business expansion) to working capital (day-to-day operations). Deviation was less than 5% therefore no announcement needed.

The details of the amount allocated for working capital purposes were as follows:

	IPO Proceeds raised	Re- allocation	Amount utilised	Balance of IPO Proceeds yet to be utilised	Variation	After variation	Amount utilised	Balance
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Expansion of workforce	3,580	-	(1,063)	2,517	(1,517)	1,000	(1,000)	-
Day-to-day operations	1,578	682	(2,260)	-	1,517	1,517	(1,517)	-
	<b>5,158</b>	<b>682</b>	<b>(3,323)</b>	<b>2,517</b>	<b>-</b>	<b>2,517</b>	<b>(2,517)</b>	<b>-</b>

#### Utilisation of proceeds from private placement exercise

On 25 June 2020, 48,730,000 new Securemetric Shares, which were issued at RM0.107 each, were listed on the ACE Market of Bursa Malaysia Securities Berhad pursuant to Securemetric's private placement exercise ("Private Placement I").

Proceeds raised from Private Placement I had been fully utilised as at 31 December 2021.

On 3 August 2021, 40,476,000 new Securemetric Shares, which were issued at RM0.139 each, were listed on the ACE Market of Bursa Malaysia Securities Berhad pursuant to Securemetric's private placement exercise ("Private Placement II").

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### B6. Corporate proposal (Cont'd)

#### (b) Utilisation of proceeds (Cont'd)

The details of the utilisation of the proceeds from the Private Placement II were as follows:

<u>Details of utilisation</u>	<u>Proposed utilisation</u>	<u>Amount utilised</u>	<u>Deviation: Surplus/ (Deficit)</u>	<u>Balance</u>	<u>Estimated timeframe for utilisation of proceeds</u>
	RM'000	RM'000	RM'000	RM'000	
Working capital	2,951	(2,978)	27	-	Utilised
Certification costs	1,280	(33)	-	1,247	By August 2023
IT infrastructure	1,280	-	-	1,280	By August 2023
Expenses for Private Placement	115	(88)	(27) <sup>(1)</sup>	-	Utilised
<b>Total</b>	<b>5,626</b>	<b>(3,099)</b>	<b>-</b>	<b>2,527</b>	

**Note:**

- (1) The excess of RM0.027 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 2022 <u>Unaudited</u> RM'000	AS AT 30 September 2021 <u>Unaudited</u> RM'000
<u>Current:</u>		
Lease liabilities	721	220
<u>Non-current:</u>		
Lease liabilities	403	445
<b>Total borrowings</b>	<b>1,124</b>	<b>665</b>

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

**B8. Material litigation**

There was no material litigation involving the Group as at 30 September 2022.

**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"/"LPS") is calculated by dividing the consolidated profit/(loss) for the financial 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 2022 Unaudited RM'000	30 September 2021 Unaudited RM'000	30 September 2022 Unaudited RM'000	30 September 2021 Unaudited RM'000
Profit/(Loss) attributable to owners of the Company	(RM'000)	677	(158)	(1,876)	(1,895)
Weighted average number of ordinary shares					
Issued ordinary shares at 1 January	('000)	576,506	536,030	576,506	536,030
Effect of Private Placement <sup>(2)</sup>	('000)	-	8,748	-	8,748
		<u>576,506</u>	<u>544,778</u>	<u>576,506</u>	<u>544,778</u>
Basic EPS/LPS	(sen)	<u>0.12</u>	<u>(0.03)</u>	<u>(0.33)</u>	<u>(0.35)</u>
Diluted EPS/LPS <sup>(1)</sup>	(sen)	<u>0.12</u>	<u>(0.03)</u>	<u>(0.33)</u>	<u>(0.35)</u>

#### Notes:

- (1) Diluted earnings/loss per share is equivalent to the basic earnings/loss per share as the Company has no dilution in its earnings/loss per ordinary share as the exercise price of the warrants has exceeded the average market price of ordinary shares during the financial quarter, the warrants do not have any dilutive effect on the weighted average number of ordinary shares.
- (2) On 3 August 2021, 40,476,000 new Securemetric Shares were listed on the ACE Market of Bursa Malaysia Securities Berhad at RM0.139 each pursuant to a 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 2022 Unaudited RM'000	30 September 2021 Unaudited RM'000	30 September 2022 Unaudited RM'000	30 September 2021 Unaudited RM'000
Profit/(Loss) before tax is arrived at after charging/(crediting):				
Amortisation of development expenditure	-	121	-	362
Depreciation of:				
- PPE	138	168	458	491
- ROU assets	190	169	571	464
Finance costs	10	4	32	12
Gain on disposal of PPE	(1)	(16)	(1)	(16)
Inventories written off	-	9	21	15
Impairment losses on trade receivables	18	6	29	6
Unrealised (gain)/loss on foreign exchange	(22)	41	(140)	(148)
Realised gain on foreign exchange	(64)	(26)	(122)	(31)
Reversal of impairment losses on trade receivables	(3)	(3)	(32)	(63)
Government grant income	-	(113)	-	(338)
Interest income	(51)	(95)	(164)	(257)
Dividend income	-	-	(3)	(1)

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: 28<sup>th</sup> November 2022