

# SECUREMETRIC BERHAD

Registration No. 201701019864 (1234029-D)

(Incorporated in Malaysia)

## INTERIM FINANCIAL REPORT FOR THE FOURTH (4<sup>TH</sup>) QUARTER ENDED 31 DECEMBER 2021

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

	3-MONTH ENDED		YEAR-TO-DATE	
	31 December 2021 Unaudited RM'000	31 December 2020 Audited RM'000	31 December 2021 Unaudited RM'000	31 December 2020 Audited RM'000
Revenue	8,514	7,415	26,355	27,098
Cost of sales	(4,462)	(3,983)	(11,671)	(12,188)
<b>Gross profit</b>	<b>4,052</b>	<b>3,432</b>	<b>14,684</b>	<b>14,910</b>
Other income	309	189	1,262	1,239
Administrative expenses	(5,597)	(5,471)	(18,505)	(18,653)
Net gain/(loss) on impairment of financial instruments	1,244	(1,500)	1,301	(1,548)
Finance costs	(11)	(6)	(23)	(25)
Share of profit of associate	130	-	130	-
<b>Profit/(Loss) before tax</b>	<b>127</b>	<b>(3,356)</b>	<b>(1,151)</b>	<b>(4,077)</b>
Taxation	(190)	51	(804)	(791)
<b>Loss for the financial year</b>	<b>(63)</b>	<b>(3,305)</b>	<b>(1,955)</b>	<b>(4,868)</b>
<b>Other comprehensive (loss)/income for the financial year</b>				
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Exchange translation differences for foreign operations	(2)	67	85	(276)
<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	32	22	63	(109)
	30	89	148	(385)
<b>Total comprehensive loss for the financial year</b>	<b>(33)</b>	<b>(3,216)</b>	<b>(1,807)</b>	<b>(5,253)</b>
<b>Loss for the financial year attributable to:</b>				
- Owners of the Company	(47)	(3,295)	(1,942)	(4,852)
- Non-controlling interests	(16)	(10)	(13)	(16)
	<b>(63)</b>	<b>(3,305)</b>	<b>(1,955)</b>	<b>(4,868)</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	
	31 December 2021 Unaudited RM'000	31 December 2020 Audited RM'000	31 December 2021 Unaudited RM'000	31 December 2020 Audited RM'000
<b>Total comprehensive loss attributable to:</b>				
- Owners of the Company	(17)	(3,220)	(1,794)	(5,222)
- Non-controlling interests	(16)	4	(13)	(31)
	<b>(33)</b>	<b>(3,216)</b>	<b>(1,807)</b>	<b>(5,253)</b>
Loss per share attributable to owners of the Company (sen):				
Basic	Note B10	(0.01)	(0.64)	(0.35)
Diluted	Note B10	(0.01)	(0.64)	(0.95)

#### 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 2020 and the accompanying explanatory notes attached to this interim financial report.

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## INTERIM FINANCIAL REPORT FOR THE FOURTH (4<sup>TH</sup>) QUARTER ENDED 31 DECEMBER 2021

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

	AS AT 31 December 2021 Unaudited RM'000	AS AT 31 December 2020 Audited RM'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	1,249	1,330
Right-of-use assets	1,403	662
Development expenditure	-	483
Investment in associate	8,130	-
Other investments	6,324	6,261
Deferred tax assets	118	92
	17,224	8,828
<b>CURRENT ASSETS</b>		
Inventories	1,368	1,129
Contract assets	504	315
Trade receivables	9,163	8,782
Other receivables	4,236	2,693
Tax recoverable	578	614
Fixed deposits with licensed banks	3,123	14,056
Cash and bank balances	19,007	12,454
	37,979	40,043
<b>TOTAL ASSETS</b>	<b>55,203</b>	<b>48,871</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	41,310	35,684
Reserves	(11,155)	(11,303)
Retained earnings	12,382	14,324
<b>Total equity attributable to owners of the Company</b>	<b>42,537</b>	<b>38,705</b>
Non-controlling interests	316	329
<b>Total Equity</b>	<b>42,853</b>	<b>39,034</b>
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		
Employee benefits	332	275
Lease liabilities	731	157
	<b>1,063</b>	<b>432</b>

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## INTERIM FINANCIAL REPORT FOR THE FOURTH (4<sup>TH</sup>) QUARTER ENDED 31 DECEMBER 2021

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

	AS AT 31 December 2021 Unaudited RM'000	AS AT 31 December 2020 Audited RM'000
<b>CURRENT LIABILITIES</b>		
Trade payables	2,158	2,028
Other payables	3,531	2,285
Contract liabilities	4,810	4,513
Lease liabilities	624	473
Tax payable	164	106
	<b>11,287</b>	<b>9,405</b>
<b>Total liabilities</b>	<b>12,350</b>	<b>9,837</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>55,203</b>	<b>48,871</b>
Number of ordinary shares in issue ('000)	576,506 <sup>(2)</sup>	536,030 <sup>(2)</sup>
<b>NET ASSETS PER SHARE (sen)</b>	<b>7.38<sup>(2)</sup></b>	<b>7.22<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 2020 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 FOURTH (4<sup>TH</sup>) QUARTER ENDED 31 DECEMBER 2021

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

	Attributable to owners of the Company									
	Non-Distributable					Distributable				
	Share capital <sup>(3)</sup> 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	Non-controlling interests RM'000	Total equity 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 year	-	-	-	-	-	-	(4,852)	(4,852)	(16)	(4,868)
Other comprehensive loss for the financial year	-	(109)	(261)	-	-	-	-	(370)	(15)	(385)
Total comprehensive loss for the financial year	-	(109)	(261)	-	-	-	(4,852)	(5,222)	(31)	(5,253)
<b>Transactions with owners</b>										
Issuance of Warrants <sup>(2)</sup>	-	-	-	(38,221)	38,221	-	-	-	-	-
Issuance of ordinary shares										
- Exercise of Warrants <sup>(2)</sup>	16	-	-	16	(16)	-	-	16	-	16
- Private placement <sup>(3)</sup>	5,214	-	-	-	-	-	-	5,214	-	5,214
Change of non-controlling interests	-	-	-	-	-	-	-	-	<i>Negligible<sup>(4)</sup></i>	-
<b>As at 31 December 2020</b>	<b>35,684</b>	<b>101</b>	<b>(402)</b>	<b>(38,202)</b>	<b>38,205</b>	<b>(11,005)</b>	<b>14,324</b>	<b>38,705</b>	<b>329</b>	<b>39,034</b>

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## INTERIM FINANCIAL REPORT FOR THE FOURTH (4<sup>TH</sup>) QUARTER ENDED 31 DECEMBER 2021

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY<sup>(1)</sup> (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 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 2021	35,684	101	(402)	(38,202)	38,205	(11,005)	14,324	38,705	329	39,034
Loss for the financial year	-	-	-	-	-	-	(1,942)	(1,942)	(13)	(1,955)
Other comprehensive income for the financial year	-	63	85	-	-	-	-	148	-	148
Total comprehensive income/(loss) for the financial year	-	63	85	-	-	-	(1,942)	(1,794)	(13)	(1,807)
<b>Transactions with owners</b>										
Issuance of ordinary shares - Private placement <sup>(5)</sup>	5,626	-	-	-	-	-	-	5,626	-	5,626
<b>As at 31 December 2021</b>	<b>41,310</b>	<b>164</b>	<b>(317)</b>	<b>(38,202)</b>	<b>38,205</b>	<b>(11,005)</b>	<b>12,382</b>	<b>42,537</b>	<b>316</b>	<b>42,853</b>

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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 2020 and the accompanying explanatory notes attached to this interim financial report.
- (2) 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, the Company has 243,500,000 outstanding Warrants and 100,000 Warrants had been exercised into 100,000 ordinary shares of Securemetric.
- (3) On 25 June 2020, 48,730,000 new Securemetric Shares were listed on the ACE Market of Bursa Malaysia Securities Berhad at RM0.107 each pursuant to a private placement.
- (4) 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%.
- (5) 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 FOURTH (4<sup>TH</sup>) QUARTER ENDED 31 DECEMBER 2021

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

	YEAR-TO-DATE	
	31 December 2021 Unaudited RM'000	31 December 2020 Audited RM'000
<b>Operating Activities</b>		
Loss before tax	(1,151)	(4,077)
<u>Adjustments for:</u>		
Amortisation of development expenditure	483	483
Impairment losses on trade receivables	53	1,548
Depreciation of property, plant and equipment ("PPE")	659	639
Depreciation of right-of-use ("ROU") assets	652	532
Dividend income	(1)	-
Finance costs	23	25
Government grant income	(450)	(450)
(Gain)/loss on disposal of PPE	(16)	3
Interest income	(312)	(432)
Inventories written off	28	352
PPE written off	6	1
Provision of Liquidated Damages	783	-
Reversal of impairment losses on trade receivables	(1,354)	-
Share of profit of associate	(130)	-
Unrealised (gain)/loss on foreign exchange	(139)	105
<b>Operating loss before working capital changes</b>	<b>(866)</b>	<b>(1,271)</b>
<u>Changes in working capital:</u>		
Inventories	(365)	(493)
Receivables	(506)	7,278
Payables	1,136	(599)
Contract assets/liabilities	108	(745)
	<b>373</b>	<b>5,441</b>
<b>Cash (used in)/from operations</b>	<b>(493)</b>	<b>4,170</b>
Interest paid	(23)	(25)
Interest received	312	432
Tax paid	(730)	(1,528)
Tax refund	-	31
Exchange fluctuation adjustment	80	(258)
<b>Net cash (used in)/from operating activities</b>	<b>(854)</b>	<b>2,822</b>



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

	YEAR-TO-DATE	
	31 December 2021 Unaudited RM'000	31 December 2020 Audited RM'000
<b>Investing Activities</b>		
Proceeds from disposal of PPE	30	-
Purchase of other investment	-	(6,095)
Dividend received	1	-
Increase in fixed deposit with a licensed bank with maturity more than 3 months	(4)	(178)
Purchase of PPE	(499)	(363)
Purchase of ROU assets	(29)	(90)
Acquisition of associate	(8,000)	-
Capital contribution from non-controlling interests	-	<i>Negligible<sup>(2)</sup></i>
<b>Net cash used in investing activities</b>	<b>(8,501)</b>	<b>(6,726)</b>
<b>Financing Activities</b>		
Payment of lease liabilities	(638)	(475)
Proceeds from issuance of ordinary shares	5,626	5,230
(Increase)/Decrease in fixed deposits pledged	(8)	2,443
<b>Net cash from financing activities</b>	<b>4,980</b>	<b>7,198</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(4,375)</b>	<b>3,294</b>
Effect of exchange translation differences on cash and cash equivalents	(17)	17
Cash and cash equivalents at the beginning of the financial year	25,920	22,609
<b>Cash and cash equivalents at the end of the financial year</b>	<b>21,528</b>	<b>25,920</b>
Cash and cash equivalents at the end of the financial year comprises:		
Cash and bank balances	19,007	12,454
Fixed deposits with licensed banks	3,123	14,056
	22,130	26,510
Less: Fixed deposits pledged to licensed banks	(420)	(412)
Less: Fixed deposit with a licensed bank with maturity of more than 3 months	(182)	(178)
	<b>21,528</b>	<b>25,920</b>

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### 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 2020 and the accompanying explanatory notes attached to this interim financial report.
- (2) 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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## INTERIM FINANCIAL REPORT FOR THE FOURTH (4<sup>TH</sup>) QUARTER ENDED 31 DECEMBER 2021

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### NOTES TO THE INTERIM FINANCIAL REPORT

#### A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH (4<sup>TH</sup>) QUARTER ENDED 31 DECEMBER 2021

##### 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 2020 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 2020.

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:

		Effective dates for financial periods <u>beginning on or after</u>
Amendment to MFRS 16	Covid-19 - Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 – Comparative Information	30 December 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

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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)

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 137	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS 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 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 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 2020 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 nature 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.

Despite the COVID-19 pandemic, we remained focused on our business strategies such as expansion of business development sectors while managing our existing and potential clients. Our business strategies also include 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.

#### **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 year-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 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.

#### **A8. Dividends paid**

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

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

#### A9. Contingent liabilities or contingent assets

Contingent liabilities

	AS AT	AS AT
	31 December 2021	31 December 2020
	Unaudited	Audited
<b>Secured</b>	RM'000	RM'000
Bank guarantees provided to customers to secure performance under contracts	592	10

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

#### A10. Changes in the composition of the Group

Save as disclosed below, there were no changes in the composition of the Group for the current financial quarter under review.

- (a) On 16 March 2021, Signing Cloud Sdn. Bhd. ("Signing Cloud Malaysia"), a wholly-owned subsidiary company of the Company increased its issued share capital from 2 to 250,000 ordinary shares. The Company has subscribed for an additional 249,998 ordinary shares in Signing Cloud Malaysia by way of cash.
- (b) On 23 November 2021, Securemetric Technology Pte. Ltd. ("Securemetric Singapore"), a wholly-owned subsidiary company of the Company increased its issued share capital from 140,380 to 910,255 ordinary shares. The Company has subscribed for an additional 769,875 ordinary shares in Securemetric Technology Pte. Ltd. by way of cash.

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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/year ended 31 December 2021 under review:

	3-MONTH ENDED		YEAR-TO-DATE	
	31 December 2021 Unaudited RM'000	31 December 2020 Audited RM'000	31 December 2021 Unaudited RM'000	31 December 2020 Audited RM'000
(a) Digital security solutions				
- Software licensing protection dongles	444	728	2,310	2,186
- 2FA	47	97	553	1,039
- PKI	4,696	2,542	10,542	8,959
- CENTAGATE®	826	874	1,872	2,165
<b>Subtotal</b>	<b>6,013</b>	<b>4,241</b>	<b>15,277</b>	<b>14,349</b>
(b) Electronic identification products	286	932	1,480	4,097
(c) Others*	2,215	2,242	9,598	8,652
<b>Total Revenue</b>	<b>8,514</b>	<b>7,415</b>	<b>26,355</b>	<b>27,098</b>

#### 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 December 2021 under review:

	3-MONTH ENDED		YEAR-TO-DATE	
	31 December 2021 Unaudited RM'000	31 December 2020 Audited RM'000	31 December 2021 Unaudited RM'000	31 December 2020 Audited RM'000
Indonesia	2,357	1,456	7,538	6,554
Vietnam	2,726	2,358	6,312	8,480
Singapore	286	434	1,899	1,361
Philippines	1,102	938	4,023	4,346
Malaysia	955	1,093	3,142	3,038
Myanmar	4	38	123	377
Egypt	111	186	444	186
Tunisia	713	137	1,527	137
United States of America	23	486	220	1,463
Others	237	289	1,127	1,156
<b>Total Revenue</b>	<b>8,514</b>	<b>7,415</b>	<b>26,355</b>	<b>27,098</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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### 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 RM8.51 million and profit before tax of RM0.13 million for the current financial quarter ended 31 December 2021. 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 December 2021	30 September 2021	RM'000	%
Revenue	8,514	7,223	1,291	17.87
Profit before tax	127	112	15	13.39

The Group's revenue for the current financial quarter ended 31 December 2021 increased by RM1.29 million or 17.87% to RM8.51 million as compared to RM7.22 million in the preceding financial quarter ended 30 September 2021. The increase in revenue was mainly due to the increase in revenue from PKI (amounting to RM2.26 million) and CENTAGATE<sup>®</sup> (amounting to RM0.42 million). However, the increase was partially offset by the decrease in revenue from software licensing protection dongles (amounting to RM0.13 million), 2FA (amounting to RM0.25 million), electronic identification products (amounting to RM0.03 million) and others maintenance services (amounting to RM0.98 million).

The Group's profit before tax for the current financial quarter increased by RM0.015 million or 13.39% to RM0.13 million as compared to a profit before tax of RM0.11 million in the preceding financial quarter.

#### B3. Prospects

In light of the current global and regional economic challenges arising from the pandemic, the Group remains committed in mitigating the impacts on its business by continuously implementing precautionary measures that align with the Group's strategies. The Group also strives to ensure that in line with adapting with the new reality, costs will be continuously monitored and kept on a tight rein. This is to ensure that the Group's financial position remain stable and well-placed when economic activities revert to normal and the industry gradually recovers.

Moving forward into 2022, 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 Group also believes that the demand for digital security solutions, electronic identification products and its related services will continue to grow via its regional offices in South East Asia countries as well as develop new digital security solutions to maintain growth and sustainability.

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### **B3. Prospects (Cont'd)**

Our foreign subsidiary companies were affected by the COVID-19 pandemic. Nevertheless, the respective foreign governments have also carried out precautionary measures to contain the spread of COVID-19 pandemic. The Group recognises that the wellbeing of employees, as well as their families, clients, and communities around them are of utmost priority. During this period, some of the overseas subsidiary companies implemented work-from home basis according to the requirements and regulations of their countries. As Malaysia reached its herd immunity target and in line with the National Recovery Plan on COVID-19, the subsidiaries in Malaysia resumed operations at full capacity since December 2021. However, due to the emergence of the new Covid-19 variant of concern, Omicron, which is expected to be more transmissible, our subsidiaries located in Malaysia decided to implement alternate work arrangement based on one week rotation started from mid of February 2022 onwards. The Group will continue to adhere to all SOPs to safeguard the health and safety of all employees and to ensure its business continuity amid the ongoing Covid-19 pandemic. In addition to the existing SOPs, all the employees working in Malaysia are required to undergo RTK Antigen Testing every two weeks as a proactive measure to curb the spread of Covid-19 virus amongst employees.

The Group has stepped up precautionary measures at our offices and formulated business continuity plans to minimise the impact to operations and are ready to support our business partners and customers to ride through the challenges brought on by the COVID-19 pandemic.

Whilst our Group had carefully planned and strategised for the near and far future, the performance of the Group for the new financial year will remain challenging due to the current headwinds and disruption in the local and global economy. 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.

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### B5. Taxation

	3-MONTH ENDED		YEAR-TO-DATE	
	31 December 2021 Unaudited RM'000	31 December 2020 Audited RM'000	31 December 2021 Unaudited RM'000	31 December 2020 Audited RM'000
Tax (expenses)/income recognised in profit or loss:				
- Income tax	(190)	51	(804)	(791)
Effective tax rate	149.61%	1.52%	69.85%	19.40%

(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.

### B6. Corporate proposal

#### (a) Status of corporate proposal

Save as disclosed in A7, there were no corporate proposals announced as at the date of this interim financial 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 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 Proceeds raised RM'000	Re-allocation RM'000	Variation RM'000	Amount utilised RM'000	Balance RM'000	Original timeframe for utilisation of proceeds	Revised timeframe for utilisation of proceeds
Business expansion	1,700	-	-	(940)	760	By November 2020	By November 2022 <sup>(3)(4)</sup>
Development of new digital security solutions	5,700	-	(2,389)	(3,311)	-	By November 2020	By November 2021 <sup>(3)</sup>
Investment in PrivyID	-	-	2,389	(2,389)	-	(1)	(1)
Repayment of bank borrowings	1,942	-	-	(1,942)	-	Utilised	Utilised
Working capital	5,158	163	-	(5,321)	-(5)	By November 2020	By February 2022 <sup>(3)(4)</sup>
Estimated listing expenses	2,500	(163) <sup>(2)</sup>	-	(2,337)	-	Utilised	Utilised
<b>Total</b>	<b>17,000</b>	<b>-</b>	<b>-</b>	<b>(16,240)</b>	<b>760</b>		

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.
- (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.

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

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

- (5) 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	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	163	(1,741)	-	1,517	1,517	(1,517)	-
	<b>5,158</b>	<b>163</b>	<b>(2,804)</b>	<b>2,517</b>	<b>-</b>	<b>2,517</b>	<b>(2,517)</b>	<b>-</b>

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.

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

Details of utilisation	Proposed utilisation	Amount utilised	Deviation: Surplus/ (Deficit)	Balance	Estimated timeframe for utilisation of proceeds
	RM'000	RM'000	RM'000	RM'000	
Investment in research and development activities	950	(950)	-	-	Utilised
Exploration of investments and markets relating to digital security solutions	3,369	(3,369) <sup>(2)</sup>	-	-	Utilised
Working capital	800	(815)	15	-	Utilised
Expenses for Private Placement	95	(80)	(15) <sup>(1)</sup>	-	Utilised
<b>Total</b>	<b>5,214</b>	<b>(5,214)</b>	<b>-</b>	<b>-</b>	

#### Note:

- (1) The excess of RM0.015 million will be utilised for general working capital requirements of the Group.
- (2) Included in this amount, in which RM2.441 million was utilised for the investment in Innov8tif. As announced on 8 September 2021, the investment in Innov8tif was to be funded through the proceeds from private placement and the balance through internally generated funds.

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

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

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.

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

Details of utilisation	Proposed utilisation	Amount utilised	Deviation: Surplus/ (Deficit)	Balance	Estimated timeframe for utilisation of proceeds
	RM'000	RM'000	RM'000	RM'000	
Working capital	2,951	(2,614)	27	364	By August 2022
Certification costs	1,280	-	-	1,280	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>(2,702)</b>	<b>-</b>	<b>2,924</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 31 December 2021 Unaudited <u>RM'000</u>	AS AT 31 December 2020 Audited <u>RM'000</u>
<u>Current:</u>		
Lease liabilities	624	473
<u>Non-current:</u>		
Lease liabilities	731	157
<b>Total borrowings</b>	<b>1,355</b>	<b>630</b>

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

### B8. Material litigation

There was no material litigation involving the Group as at 31 December 2021.

### B9. Dividend declared

No dividend has been declared for the current quarter.



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### B10. Loss per share

The basic loss per share ("LPS") is calculated by dividing the consolidated loss for the financial year attributable to owners of the Company by the weighted average number of ordinary shares of the Company during the financial quarter and year as follows:

		3-MONTH ENDED		YEAR-TO-DATE	
		31 December 2021 Unaudited	31 December 2020 Audited	31 December 2021 Unaudited	31 December 2020 Audited
Loss attributable to owners of the Company	(RM'000)	(47)	(3,295)	(1,942)	(4,852)
Weighted average number of ordinary shares					
Issued ordinary shares at 1 January	('000)	536,030	243,600	536,030	243,600
Bonus issue	('000)	-	243,600	-	243,600
Effect of exercise of Warrants	('000)	-	86	-	86
Effect of Private Placement <sup>(2)(3)</sup>	('000)	16,745	25,297	16,745	25,297
		<u>552,775</u>	<u>512,583</u>	<u>552,775</u>	<u>512,583</u>
Basic LPS	(sen)	<u>(0.01)</u>	<u>(0.64)</u>	<u>(0.35)</u>	<u>(0.95)</u>
Diluted LPS <sup>(1)</sup>	(sen)	<u>(0.01)</u>	<u>(0.64)</u>	<u>(0.35)</u>	<u>(0.95)</u>

#### Notes:

- (1) The Group has no dilution in their loss per ordinary share as the exercise price of the warrants has exceeded the average market price of ordinary shares during the financial period, the warrants do not have any dilutive effect on the weighted average number of ordinary shares.
- (2) On 25 June 2020, 48,730,000 new Securemetric Shares were listed on the ACE Market of Bursa Malaysia Securities Berhad at RM0.107 each pursuant to a private placement.
- (3) 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	
	31 December 2021 Unaudited RM'000	31 December 2020 Audited RM'000	31 December 2021 Unaudited RM'000	31 December 2020 Audited RM'000
Profit/(Loss) before tax is arrived at after charging/(crediting):				
Amortisation of development expenditure	121	120	483	483
Depreciation of:				
- PPE	168	161	659	639
- ROU assets	188	141	652	532
Finance costs	11	6	23	25
PPE written off	6	1	6	1
Loss/(Gain) on disposal of PPE	-	3	(16)	3
Inventories written off	13	348	28	352
Impairment losses on trade receivables	47	1,500	53	1,548
Provision of liquidated damages	783	-	783	-
Unrealised loss/(gain) on foreign exchange	9	182	(139)	105
Realised (gain)/loss on foreign exchange	(5)	62	(36)	(62)
Reversal of impairment losses on trade receivables	(1,291)	-	(1,354)	-
Government grant income	(112)	(112)	(450)	(450)
Interest income	(55)	(149)	(312)	(432)
Dividend income	-	-	(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: 24<sup>th</sup> February 2022