



GREATECH TECHNOLOGY BERHAD
(Company No. 201801008633 (1270647-H))
(Incorporated in Malaysia under the Companies Act 2016)

**INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED
31 MARCH 2020**

GREATECH TECHNOLOGY BERHAD
(Company No. 201801008633 (1270647-H))

(Incorporated in Malaysia under the Companies Act 2016)

Interim Financial Report For The First Quarter Ended 31 March 2020



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020 ⁽¹⁾

	Unaudited As at 31/03/2020 RM'000	Audited As at 31/12/2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	37,099	37,548
Right-of-use assets	28,659	29,131
	<u>65,758</u>	<u>66,679</u>
Current assets		
Inventories	18,848	2,865
Trade and other receivables	25,707	30,240
Contract assets	27,214	26,409
Current tax assets	506	506
Derivative assets	-	9
Short term funds	178,746	176,528
Cash and bank balances	56,354	41,404
	<u>307,375</u>	<u>277,961</u>
TOTAL ASSETS	<u>373,133</u>	<u>344,640</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	111,951	111,951
Reserves	102,119	83,639
Total equity	<u>214,070</u>	<u>195,590</u>
Non-current liabilities		
Borrowings	18,268	18,128
Lease liabilities	1,848	2,186
Government grant	626	659
Deferred tax liabilities	3,139	3,139
	<u>23,881</u>	<u>24,112</u>
Current liabilities		
Trade and other payables	47,846	29,147
Contract liabilities	44,394	56,189
Provision for warranties	40,019	37,124
Derivative liabilities	244	-
Borrowings	1,195	1,001
Lease liabilities	1,348	1,331
Government grant	132	133
Current tax liabilities	4	13
	<u>135,182</u>	<u>124,938</u>
Total liabilities	<u>159,063</u>	<u>149,050</u>
TOTAL EQUITY AND LIABILITIES	<u>373,133</u>	<u>344,640</u>

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	Unaudited	Audited
	As at	As at
	31/03/2020	31/12/2019
Number of ordinary shares in issue ('000)	626,000	626,000
Net assets per share attributable to owners of the parent (RM)	0.34	0.31

- (1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

GREATECH TECHNOLOGY BERHAD**(Company No. 201801008633 (1270647-H))**

(Incorporated in Malaysia under the Companies Act 2016)

Interim Financial Report For The First Quarter Ended 31 March 2020

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2020⁽¹⁾**

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	RM'000	RM'000	RM'000	RM'000
Revenue	52,738	58,727	52,738	58,727
Cost of sales	<u>(31,813)</u>	<u>(39,603)</u>	<u>(31,813)</u>	<u>(39,603)</u>
Gross profit	20,925	19,124	20,925	19,124
Other income	4,929	1,519	4,929	1,519
Administrative and marketing expenses	(6,822)	(7,912)	(6,822)	(7,912)
Finance costs	<u>(231)</u>	<u>(102)</u>	<u>(231)</u>	<u>(102)</u>
Profit before taxation	18,801	12,629	18,801	12,629
Tax expenses	<u>(314)</u>	<u>(81)</u>	<u>(314)</u>	<u>(81)</u>
Profit for the financial period	18,487	12,548	18,487	12,548
Other comprehensive income, net of tax				
Item that may be reclassified subsequently to profit or loss				
Foreign currency translations	<u>(7)</u>	<u>*</u>	<u>(7)</u>	<u>*</u>
Total comprehensive income for the financial period attributable to owners of the parent	<u>18,480</u>	<u>12,548</u>	<u>18,480</u>	<u>12,548</u>
Earnings per share attributable to owners of the parent (sen)				
- Basic/Diluted ⁽²⁾	<u>2.95</u>	<u>20.28</u>	<u>2.95</u>	<u>20.28</u>

(1) The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

(2) Based on weighted average number of ordinary shares in issue during the financial period under review.

* Less than RM1,000

GREATECH TECHNOLOGY BERHAD**(Company No. 201801008633 (1270647-H))**

(Incorporated in Malaysia under the Companies Act 2016)

Interim Financial Report For The First Quarter Ended 31 March 2020

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2020 ⁽¹⁾**

	----- Attributable to Owners of the Parent -----					Total RM'000
	----- Non-distributable -----			Distributable		
	Share capital RM'000	Exchange translation reserve RM'000	Reorganisation debit reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	
Balance as at 1 January 2020	111,951	7	(39,500)	5,464	117,668	195,590
Profit for the financial period	-	-	-	-	18,487	18,487
Realisation of revaluation surplus	-	-	-	(43)	43	-
Other comprehensive income, net of tax	-	(7)	-	-	-	(7)
Total comprehensive income	-	(7)	-	(43)	18,530	18,480
Balance as at 31 March 2020	111,951	-	(39,500)	5,421	136,198	214,070
Balance as at 1 January 2019	1,000	*	-	3,605	65,261	69,866
Profit for the financial period	-	-	-	-	12,548	12,548
Realisation of revaluation surplus	-	-	-	(28)	28	-
Other comprehensive income, net of tax	-	*	-	-	-	*
Total comprehensive income	-	*	-	(28)	12,576	12,548
Transaction with owners:						
Acquisition of subsidiaries in business combination under common control	39,500	-	(39,500)	-	-	-
Balance as at 31 March 2019	40,500	*	(39,500)	3,577	77,837	82,414

(1) The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

* Less than RM1,000

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Interim Financial Report For The First Quarter Ended 31 March 2020



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE
 FIRST QUARTER ENDED 31 MARCH 2020 ⁽¹⁾**

	3 months ended	
	31/03/2020	31/03/2019
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	18,801	12,629
Adjustments for:		
Amortisation of government grant	(34)	(33)
Depreciation of property, plant and equipment	875	639
Depreciation of right-of-use assets	478	-
Fair value adjustments on derivative liabilities	253	-
Impairment losses on contract assets	732	-
Impairment losses on trade receivables	159	387
Interest expense	231	102
Interest income	(211)	(11)
Property, plant and equipment written off	-	*
Provision for warranties	3,498	4,001
Reversal of impairment losses on trade receivables	(180)	(523)
Reversal of unused provision for warranties	(603)	-
Unrealised (gain)/loss on foreign exchange	(530)	432
	<hr/>	<hr/>
Operating profit before changes in working capital	23,469	17,623
(Increase)/Decrease in inventories	(15,983)	1,850
Decrease in trade and other receivables	4,692	1,185
Increase in contract assets	(1,537)	-
Increase/(Decrease) in trade and other payables	18,523	(22,435)
Decrease in contract liabilities	(11,795)	-
Warranties paid	-	(10)
	<hr/>	<hr/>
Cash generated from/(used in) operations	17,369	(1,787)
Interest received	211	11
Interest paid	(195)	(102)
Tax paid	(218)	(97)
	<hr/>	<hr/>
Net cash from/(used in) operating activities	17,167	(1,975)

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Interim Financial Report For The First Quarter Ended 31 March 2020



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE
 FIRST QUARTER ENDED 31 MARCH 2020 ⁽¹⁾**

	3 months ended	
	31/03/2020	31/03/2019
	RM'000	RM'000
Cash flows from investing activities		
Net changes in deposits pledged with licensed banks	(22)	(10)
Purchase of property, plant and equipment	(426)	(15,180)
Purchase of right-of-use assets	(7)	-
	<u>(455)</u>	<u>(15,190)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from:		
- hire purchase creditors	-	150
- term loans	490	-
Repayment of:		
- hire purchase creditors	-	(410)
- lease liabilities	(357)	-
- term loans	(156)	(188)
	<u>(23)</u>	<u>(448)</u>
Net cash used in financing activities		
Net changes in cash and cash equivalents	16,689	(17,613)
Effect of exchange rate changes on cash and cash equivalents	456	(475)
Cash and cash equivalents at beginning of financial period	<u>215,109</u>	<u>62,203</u>
Cash and cash equivalents at end of financial period	<u><u>232,254</u></u>	<u><u>44,115</u></u>
Cash and cash equivalents comprise the following at end of financial period:		
Cash and bank balances	53,393	21,613
Deposits with licensed banks	2,961	2,835
Short term funds	178,746	22,397
	<u>235,100</u>	<u>46,845</u>
Less: Deposits pledged to licensed banks	(2,846)	(2,730)
	<u><u>232,254</u></u>	<u><u>44,115</u></u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE
FIRST QUARTER ENDED 31 MARCH 2020 ⁽¹⁾**

Reconciliation of liabilities arising from financing activities

	Lease liabilities	Term loans
	RM'000	RM'000
Balance as at 1 January 2020	3,517	19,129
Cash flows	(357)	334
Non-cash flows		
- unwinding of interest	36	-
Balance as at 31 March 2020	<u>3,196</u>	<u>19,463</u>

	Hire purchase	Term loans
	creditors	RM'000
	RM'000	RM'000
Balance as at 1 January 2019	3,047	5,096
Cash flows	(260)	(188)
Balance as at 31 March 2019	<u>2,787</u>	<u>4,908</u>

(1) The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

* Less than RM1,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

Part A - Explanatory Notes Pursuant To MFRS 134, Interim Financial Reporting

A1. Basis of Preparation

The interim financial report of Greatech Technology Berhad (“Company” or “Greatech”) and its subsidiaries (collectively known as “the Group”) are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRSs”) 134 *Interim Financial Reporting* and Rule 9.22 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”).

This interim financial report should be read in conjunction with the Group’s 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 significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the latest audited financial statements, except for the adoption of the following new and revised MFRSs, Amendments to MFRSs and IC interpretations.

a) New and revised MFRSs, Amendments to MFRSs and IC interpretations adopted during the financial year

Title	Effective date
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform</i>	1 January 2020

The adoption of the above accounting standards and interpretations have no impact on the financial statements of the Group upon their initial application.

b) New and revised MFRSs, Amendments to MFRSs and IC interpretations, but only effective for annual periods beginning on or after 1 January 2021

The following are standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board but have not been early adopted by the Group:

Title	Effective date
<i>MFRS 17 Insurance Contracts</i>	1 January 2021
<i>Amendments to MFRS 101 Classification of Liabilities as Current or Non-Current</i>	1 January 2022
<i>Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

A3. Audit Report

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2019.

A4. Seasonal or Cyclical Factors

The Group did not experience any material seasonality or cyclicity in the business as the demand for the products and services are neither subject to seasonal fluctuations nor cyclical variations.

A5. Material Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current financial quarter under review.

A6. Material Changes in Estimates

There were no changes in estimates that have a material effect in the current financial quarter under review.

A7. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter under review.

A8. Dividend Paid

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

A9. Segmental Reporting

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely the sale of automated equipment together with provision of parts and services.

No provision of parts and services segment information is presented as the Chief Executive Officer ("CEO") views the Group as a single reportable segment.

A10. Valuations of Property, Plant and Equipment and Right-Of-Use Assets

The valuations of leasehold land classified under Property, Plant and Equipment and Right-Of-Use Assets is performed by an independent professional valuer using the open market value basis on 31 December 2019.

A11. Material Events Subsequent to the end of the Interim Financial Period

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

A12. Changes in Group's Composition

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

A13. Contingent Assets and Contingent Liabilities

There were no material contingent assets or contingent liabilities to be disclosed as at the date of this interim financial report.

A14. Capital Commitments

Save as disclosed below, as at 31 March 2020, the Group does not have any material capital commitments:

	RM'000
- Approved and contracted for	<u>3,316</u>

Capital commitments of the Group relate to the construction of new operational facility, computer systems and plant and machinery.

A15. Significant Related Party Transactions

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

A16. Fair Value of Financial Liabilities

There were no gains or losses arising from fair value changes of the Group's financial liabilities for the current financial quarter under review.

Part B - Additional Information Required by the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad

B1. Review of Group Performance

The Group revenue of RM52.74 million were 10.20% or RM5.99 million lower of prior year corresponding quarter. The reduced revenue was mainly contributed by the softening demand of customer support-related activities and order for the parts were lower in the period compared better commercial opportunities in the first few months of 2019.

Despite the drop in revenue, the Group saw an increase in gross profit ("GP") by RM1.81 million from RM19.12 million to RM20.93 million. The improvement in GP was contributed by the optimisation of operation processes which boosted efficiency with the decrease in sub-contractor expenses and direct labour expenses as compared to prior year corresponding quarter.

The Group profit before taxation ("PBT") for the current financial quarter was RM18.80 million or 35.65% of revenue, an increase of RM6.17 million or 48.87% as compared to the prior year corresponding quarter. The increase is primarily due to improvement in GP margin, increase in foreign exchange gains from appreciation of US Dollar against Ringgit Malaysia and increase in interest income from funds placed with financial institutions.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

B2. Comparison with immediate preceding quarter's results

The Group's revenue for the current financial quarter ended 31 March 2020 decreased by RM5.78 million or 9.88% to RM52.74 million as compared to RM58.52 million in the preceding financial quarter ended 31 December 2019. The drop in revenue was mainly due to reduced customer support-related activities and order of parts from our Asia customer. The preceding quarter benefited from a number of orders from our major customer in Asia which has not repeated this year. There was no significant fluctuation in revenue recognised for the production line systems.

PBT of the Group for the current financial quarter was RM18.80 million, compared to preceding financial quarter of RM20.97 million. The RM2.17 million decrease in PBT was mainly due to the decrease in revenue as reflected by its corresponding GP figure. There is an increase in other income for this quarter by RM2.18 million attributable to the increased foreign exchange gains from the appreciation of US Dollar against Ringgit Malaysia and interest received from funds placed with financial institutions. However, this increase was shadowed by the increase of Administrative and Marketing expense by RM2.10 million, with RM1.04 million arising from donation expenses inclusive of the donation of 1 unit of ultrasound machine to Penang General Hospital associated with Coronavirus ("COVID-19") and RM0.71 million arising from the provision of impairment loss of trade receivable and contract assets as required by MFRS 9. The Group was able to maintain its GP margin for both quarters.

B3. Commentary on prospects

COVID-19 and Operations Update

With the emergence of the COVID-19 pandemic continuing to cause a global crisis, our Malaysian government has imposed a Movement Control Order ("MCO") disallowing certain manufacturing activities to operate from 18 March 2020 until 28 April 2020. Our business is considered essential and has been granted approval to conduct our operations at a reduced capacity of 50% to adhere social distancing rules. The government has gradually allowed businesses to resume operation as per normal starting 29 April 2020.

In view of this unprecedented situation, the Group has monitored COVID-19 related developments and implemented precautionary measures over the past several weeks to minimise the risks of spreading of the virus to our employees, customers, business partners and the community in general by following the recommendations and guidelines from the World Health Organisation, local health authorities and governments. The Group has established an Employee Health Response Team to ensure compliance with national and local directives and coordinate our plans to protect our people and ensure business continuity.

During this time, the Group's primary goal is to maintain its full ability in serving our customers and taking all necessary measures to protect the safety and health of our employees. The Group has undertaken certain important measures at our own facilities and in our operations with customers like work-from-home arrangement for certain employees, best-practice guides on hygiene, incorporating social distancing policy to protect the safety and well-being of our employees and sustainability of our business. Many Greatech employees continue to work safely at customer sites located at various countries in supporting crucial installations and commissioning activities during this challenging time. The Group has made action plans to track the health of our support teams who work at customer sites on a daily basis. The Group is grateful to all of our employees for their great commitment and constant effort in supporting our customers both on site and remotely. The preventive measures undertaken by the Group have accomplished well so far with minimal disruption to our operations. The Group is proud to announce that there were no COVID-19 related job losses in this challenging time.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

B3. Commentary on prospects (Cont'd)

COVID-19 and Operations Update (Cont'd)

On 29 April 2020, the Group has restarted the facilities with full operation. 100% of our employees has returned to work. However, workforce restrictions as directed by the local government during the MCO period together with measures implemented including work-from-home arrangements, travel restrictions and self-quarantine, have inevitably caused the Group to operate below full capacity and efficiency. The Group is working towards recovering the lost capacity through working overtime, working shifts and improving productivity starting in May. During these months, the Group incurred some incremental costs for overtime and allowance.

The Group has experienced some disruptions and logistical challenges in the supply chain due to the lockdown and mobility restriction measures issued in most of the countries in connection with the outbreak, and herewith affecting the Group's manufacturing schedule. So far, this has been manageable and the impact on the Group have been mitigated at this time. The Group has incurred and will continue to incur some logistic and supply related costs to alleviate the supply chain disruptions. Going forward, the Group does not anticipate significant supply chain disruption given the strong mitigation measures and inventory levels. The Group has also recorded additional safety related expense such as the purchase of relevant personal protection equipment and sanitisation to ensure compliance with authorities' guidelines and reduce the probability of employees contracting COVID-19 virus.

The Group had achieved a satisfactory result in the first quarter 2020, considering the market impact of COVID-19. As we move forward, the Group will continue to ensure on-going compliance with the official guidance, applicable law and regulation to minimise the risk of COVID-19 infections.

The Group is not aware of any cases of COVID-19 infection among its people and the outbreak has not had a significant impact to the Group's operations to date which requires changes in the management's judgement, estimates or assumptions. The Group currently has an appropriate response plan in place and will continue to monitor and assess the ongoing development closely and respond accordingly.

Prospects Statement

The extraordinary circumstances resulted from the spread of the COVID-19 pandemic has adversely impacted the global economic growth which expected to lead to a global recession and long-term economic consequences. The fall in oil prices and growing uncertainties around how the pandemic will play out and related government responses on the current crisis make it difficult to provide a full assessment of the COVID-19 related impacts on the Group's business and operating results for the remainder of 2020. The Group is continually monitoring the situation closely.

As we navigate current ongoing uncertainty, the Group is scrutinising capital spending and investment plans, identifying and implementing cost containment measures, protecting our talented workforce and proactively searching for business opportunities to deliver long term value to our shareholders.

The Group has maintained a healthy balance sheet and liquidity position facing the challenges ahead. The Group has RM232.25 million of cash and cash equivalents as at first quarter of 2020. Additionally, the Group has RM8.70 million of unutilised credit facilities as at 31 March 2020 and confident to have sufficient liquidity to meet the needs throughout fiscal year 2020 and to weather through the challenging future should the pandemic continues in the coming year.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

B3. Commentary on prospects (Cont'd)

Prospects Statement (Cont'd)

The Group has been able to mitigate the impact of pandemic on our business in Q1 2020 through the extraordinary efforts of our teams. Giving the location of our customers in Malaysia, Vietnam and United States, the impact was only felt towards the end of reporting quarter. The Group entered Q2 2020 with order book of RM217.28 million. Despite limited clarity on the economic front, the Group has not encountered any order cancellations so far. Our customers' capital investment plan is long term and their technology road map remain unchanged. The Group has also seen huge efforts made from governments and global central banks to battle the economic consequences of the virus, and the Group believes automation is essential in navigate the challenges of COVID-19 and redefine the new normal in a post-pandemic world.

The Group remains positive of the long-term prospect, benefiting from the significant financial strength, underlying resiliency of the business and innovative product pipelines.

B4. Profit Forecast

The Group did not issue any profit forecast during the financial quarter under review.

B5. Status of Corporate Proposals

There were no corporate proposals for the current financial quarter under review.

B6. Tax Expenses

	Unaudited			
	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax				
- Current tax	(209)	(81)	(209)	(81)
- Deferred tax liabilities	-	-	-	-
Foreign withholding tax	(105)	-	(105)	-
	<u>(314)</u>	<u>(81)</u>	<u>(314)</u>	<u>(81)</u>
Effective tax rates	1.67%	0.64%	1.67%	0.64%

The overall effective tax rate for the financial period of the Group was lower than the statutory tax rate as the subsidiary, Greatech Integration (M) Sdn Bhd, was granted pioneer status by Ministry of International Trade and Industry of Malaysia under the Promotion of Investments Act, 1986 on 29 March 2013, for a period of five (5) years up to 28 March 2018, which was subsequently extended for another five (5) years to 28 March 2023. As such, the Company's statutory income during this period is exempted from income tax.

Foreign withholding tax is related to withholding tax liability from sales of production line systems and provision of engineering services to a customer in certain jurisdiction. Due to complexity of the tax law, significant judgement is required in evaluating the tax positions, including uncertainties. There is no assurance of refundability. Thus, the Group has decided to expense the withholding tax to the profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

B7. Use of proceeds from the Initial Public Offering (“IPO”)

The gross proceeds of RM73.05 million raised from the Public Issue and status of utilisation as at 31 March 2020 is disclosed in the following manner:

Purposes	Estimated time frame for utilisation upon Listing	Proposed utilisation RM'000	Actual utilisation RM'000	Percentage utilised %
Business expansion and development, and marketing activities	Within 48 months	18,000	1,046	6%
Capital expenditure	Within 24 months	5,000	4,690	94%
R&D expenditure	Within 24 months	5,000	713	14%
Working capital	Within 30 months	36,548	36,493	100%
Repayment of bank borrowings	Within 3 months	4,500	4,500	100%
Estimated listing expenses	Immediately	4,000	4,000	100%
		<u>73,048</u>	<u>51,442</u>	<u>70%</u>

The use of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 13 May 2019.

B8. Borrowings and Debt Securities

The details of the Group’s borrowings are as follows:

	Unaudited	
	31/03/2020	31/03/2019
	RM'000	RM'000
Secured:		
Current liabilities		
Hire purchase creditors	-	1,772
Term loans	1,195	782
	<u>1,195</u>	<u>2,554</u>
Non-current liabilities		
Hire purchase creditors	-	1,015
Term loans	18,268	4,126
	<u>18,268</u>	<u>5,141</u>
Total liabilities		
Hire purchase creditors	-	2,787
Term loans	19,463	4,908
	<u>19,463</u>	<u>7,695</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

B9. Derivative Liabilities

The details of outstanding derivative instruments as at 31 March 2020 are as follow:

	Contract amount	Liability
	RM'000	RM'000
Foreign Exchange Forward Contracts:		
- Less than 1 year	8,421	244

The Group's derivative liabilities at the end of the current financial quarter comprise forward foreign exchange contracts which are used to manage the foreign currency exposures arising from the Group's receivables denominated in USD. The fair value of the forward foreign exchange contracts is based on the difference between the contracted forward rates and the mark-to-market rates.

B10. Material Litigation

As at the date of this interim financial report, there were no material litigations involving the Group.

B11. Proposed Dividend

The Board of Directors did not declare or recommend any dividend for the current financial quarter under review.

B12. Earnings Per Share ("EPS")

The basic and diluted EPS are calculated based on the Group's profit after tax attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the financial period under review.

	Unaudited			
	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
Profit after tax attributable to owners of the parent (RM'000)	18,487	12,548	18,487	12,548
Weighted average number of ordinary shares in issue ('000)	626,000	61,875	626,000	61,875
Basic EPS (sen) ⁽¹⁾	2.95	20.28	2.95	20.28
Diluted EPS (sen) ⁽²⁾	2.95	20.28	2.95	20.28

(1) Basic EPS is calculated based on the profit after tax attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the financial period under review. The basic EPS for Q1 2019 was based on weighted average number of ordinary shares upon the acquisition of subsidiaries in business combination under common control prior to IPO on 21 March 2019 (instead of 2.48 which was previously announced).

(2) Diluted EPS equals basic EPS, as the Company does not have any convertible options at the end of the interim financial period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

B13. Profit Before Tax

Included in profit for the financial period are as follows:

	Unaudited			
	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31/03/2020 RM'000	31/03/2019 RM'000	31/03/2020 RM'000	31/03/2019 RM'000
Amortisation of government grant	34	33	34	33
Depreciation of property, plant and equipment	(875)	(639)	(875)	(639)
Depreciation of right-of-use assets	(478)	-	(478)	-
Fair value adjustments on derivative liabilities	(253)	-	(253)	-
Impairment losses on contract assets	(732)	-	(732)	-
Impairment losses on trade receivables	(159)	(387)	(159)	(387)
Interest expense	(231)	(102)	(231)	(102)
Interest income	211	11	211	11
Property, plant and equipment written off	-	*	-	*
Provision for warranties	(3,498)	(4,001)	(3,498)	(4,001)
Realised gain on foreign exchange	2,368	639	2,368	639
Reversal of impairment losses on trade receivables	180	523	180	523
Reversal of unused provision for warranties	603	-	603	-
Unrealised gain/(loss) on foreign exchange	530	(432)	530	(432)

* Less than RM1,000