



METRONIC GLOBAL BERHAD

Company No. : 200301029648 (632068-V)
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED

30 SEPTEMBER 2020

METRONIC GLOBAL BERHAD 200301029648 (632068-V)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS FOR THE FIRST QUARTER
QUARTER ENDED 30 SEPTEMBER 2020**

(The figures have not been audited)

	NOTE	Individual Quarter		Cumulative Quarter	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Quarter
		30.09.2020	30.09.2019	30.09.2020	30.09.2019
		RM	RM	RM	RM
Continuing operations					
Revenue	9	5,502,231	6,586,233	5,502,231	6,586,233
Cost of sales		(3,181,449)	(5,078,304)	(3,181,449)	(5,078,304)
Gross profit		2,320,782	1,507,929	2,320,782	1,507,929
Other income		3,689,547	1,718,420	3,689,547	1,718,420
Administration expenses		(515,536)	(970,005)	(515,536)	(970,005)
Other operating expenses		(1,967,534)	(2,353,951)	(1,967,534)	(2,353,951)
Profit / (Loss) from operations		3,527,259	(97,607)	3,527,259	(97,607)
Finance costs		(141,648)	(129,828)	(141,648)	(129,828)
Profit / (Loss) before taxation		3,385,612	(227,434)	3,385,612	(227,434)
Income tax expense		-	-	-	-
Profit / (Loss) for the period from					
- continuing operations		3,385,612	(227,434)	3,385,612	(227,434)
- discontinued operations		(20,451)	(21,558)	(20,451)	(21,558)
Profit / (Loss) for the period	25	3,365,161	(248,992)	3,365,161	(248,992)
Profit / (Loss) attributable to:					
Owners of the parent		3,393,076	(220,956)	3,393,076	(220,956)
Non controlling interest		(27,915)	(28,036)	(27,915)	(28,036)
		3,365,161	(248,992)	3,365,161	(248,992)

The interim consolidated income statements should be read in conjunction with the annual financial statements for the year ended 30 June 2020 and the accompanying explanatory notes attached to the interim financial statements.

METRONIC GLOBAL BERHAD 200301029648 (632068-V)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Quarter
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM	RM	RM	RM
Net Profit / (Loss) from:				
- continuing operations	3,385,612	(227,434)	3,385,612	(227,434)
- discontinued operations	(20,451)	(21,558)	(20,451)	(21,558)
Net Profit / (Loss) for the period	3,365,161	(248,992)	3,365,161	(248,992)
Other comprehensive income / (expense) :				
Foreign currency translation	(181,739)	115,570	(181,739)	115,570
Other comprehensive income/(expense) for the period, net of tax	(181,739)	115,570	(181,739)	115,570
Total comprehensive income/(expense) for the period, net of tax	3,183,422	(133,422)	3,183,422	(133,422)
Total comprehensive income/(expense) attributable to:				
Owners of the parent	3,211,337	(105,386)	3,211,337	(105,386)
Non-controlling interests	(27,915)	(28,036)	(27,915)	(28,036)
	3,183,422	(133,422)	3,183,422	(133,422)
Basic / diluted earning / (loss) per share attributable to equity holders of the Company (sen):				
- continuing operations	0.41	(0.03)	0.41	(0.03)
- discontinued operations	-	-	-	-

There is no dilution effect to the earnings per share in the current period as the exercise price of warrant were higher from the average market price of the ordinary shares during the period.

The condensed consolidated income statements should be read in conjunction with the annual financial statements for the year ended 30 June 2020 and the accompanying explanatory notes attached to the interim financial statements

METRONIC GLOBAL BERHAD 200301029648 (632068-V)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT
30 SEPTEMBER 2020**

	NOTE	As at 30.09.2020 RM	(Audited) As at 30.06.2020 RM
ASSETS			
NON-CURRENT ASSETS			
Investment properties		458,887	2,313,236
Available-for-sale financial assets		2,305,310	2,766,430
Other Investment		1,224,211	1,224,211
Deferred tax assets		3,555,609	3,555,609
		<u>16,587,004</u>	<u>18,763,485</u>
CURRENT ASSETS			
Property development cost		12,901,204	10,364,261
Inventories		508,354	712,178
Trade receivables		8,763,251	7,877,595
Amount owing by contract customers		3,802,526	4,234,454
Other receivables and deposits		5,376,598	5,428,629
Fixed deposits balances		68,938,027	68,219,023
Cash and bank balances		1,355,492	1,005,251
		<u>101,645,453</u>	<u>97,841,391</u>
TOTAL ASSETS		<u>118,232,456</u>	<u>116,604,876</u>
EQUITY AND LIABILITIES			
Share capital		133,680,926	133,680,926
Fair value reserve		(248,540)	(248,540)
Revaluation reserve		5,669,118	5,669,118
Warrant reserve		16,797,466	16,797,466
Foreign currency translation reserve		(232,300)	(414,039)
Accumulated losses		(69,279,229)	(73,247,884)
Equity attributable to owners of the parent		<u>86,387,441</u>	<u>82,237,048</u>
Non-controlling interests		<u>66,216</u>	<u>(120,768)</u>
TOTAL EQUITY		<u>86,453,657</u>	<u>82,116,280</u>
CURRENT LIABILITIES			
Trade payables		3,906,020	4,344,117
Other payables		18,128,068	19,647,135
Finance lease liabilities		-	3,424
Loans and borrowings	22	9,744,710	10,493,920
		<u>31,778,799</u>	<u>34,488,596</u>
TOTAL LIABILITIES		<u>31,778,799</u>	<u>34,488,596</u>
TOTAL EQUITY AND LIABILITIES		<u>118,232,456</u>	<u>116,604,876</u>
NET ASSET PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY		0.08	0.08

The condensed consolidated income statements should be read in conjunction with the annual financial statements for the year ended 30 June 2020 and the accompanying explanatory notes attached to the interim financial statements

METRONIC GLOBAL BERHAD 200301029648 (632068-V)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020**

	←----- Attributable to owners of the parent ----->									
	←----- Non-distributable reserve ----->									
	Share capital RM	Fair value reserve RM	Revaluation reserve RM	Warrant reserve RM	Shares grant reserve RM	Foreign currency translation reserve RM	Accumulated losses RM	Total RM	Non- controlling interests RM	Total equity RM
As at 1 July 2019	128,573,351	-	5,669,118	16,797,466	-	(58,116)	(55,169,419)	95,812,402	66,860	95,879,262
Total comprehensive income	-	(248,540)	-	-	-	-	(17,495,422)	(17,743,962)	(187,628)	(17,931,591)
Foreign currency translation differences	-	-	-	-	-	(355,923)	-	(355,923)	-	(355,923)
Issue of private placements	5,107,575	-	-	-	-	-	-	5,107,575	-	5,107,575
As at 30 June 2020	<u>133,680,926</u>	<u>(248,540)</u>	<u>5,669,118</u>	<u>16,797,466</u>	<u>-</u>	<u>(414,039)</u>	<u>(72,664,841)</u>	<u>82,820,091</u>	<u>(120,768)</u>	<u>82,699,323</u>
Total comprehensive income	-	-	-	-	-	-	3,385,612	3,385,612	186,984	3,572,595
Foreign currency translation differences	-	-	-	-	-	181,739	-	181,739	-	181,739
Issue of private placements	-	-	-	-	-	-	-	-	-	-
As at 30 September 2020	<u>133,680,926</u>	<u>(248,540)</u>	<u>5,669,118</u>	<u>16,797,466</u>	<u>-</u>	<u>(232,300)</u>	<u>(69,279,229)</u>	<u>86,387,441</u>	<u>66,216</u>	<u>86,453,657</u>

The condensed consolidated income statements should be read in conjunction with the annual financial statements for the year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements

METRONIC GLOBAL BERHAD 200301029648 (632068-V)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020**

(The figures have not been audited)

		3 Months Ended	3 Months Ended
		30.09.2020	30.09.2019
	NOTE	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) before taxation from:			
Continuing operations		3,385,612	(227,434)
Profit / (Loss) from assets held for sale		-	(21,558)
Adjustments for:			
Depreciation of investment properties	25	1,408	1,408
Depreciation of property, plant and equipment	25	60,012	26,884
Government subsidies		96,700	-
(Gain) / Loss on unrealised foreign exchange	25	131	7,390
Reversal / (Impairment) of impairment losses of quoted shares	25	3,087,741	(1,203,989)
Finance costs	25	141,648	129,828
Interest income	25	(470,328)	(514,432)
Operating loss before working capital changes		<u>6,309,305</u>	<u>(1,791,865)</u>
Changes in working capital:			
Inventories		203,824	19,474
Contract customer		899,511	-
Trade and other receivables		2,273,326	1,815,545
Property development costs		(1,504,943)	-
Trade and other payables		<u>(1,957,164)</u>	<u>(2,683,032)</u>
Net cash used in operations		6,223,859	(2,639,878)
Tax paid		-	(8,379)
Interest paid		141,648	-
Net cash used in operating activities		<u>6,365,506</u>	<u>(2,648,257)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		470,328	514,432
Purchase of property, plant and equipment		(199,000)	-
Proceed from disposal of fair value through profit or loss financial assets		<u>1,423,590</u>	<u>-</u>
Net cash used in investing activities		<u>1,694,918</u>	<u>514,432</u>

METRONIC GLOBAL BERHAD 200301029648 (632068-V)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020**

(The figures have not been audited)

	3 Months Ended 30.09.2020	3 Months Ended 30.09.2019
NOTE	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(141,648)	(129,828)
Net drawdown / (repayment) of bank borrowings	1,989,750	2,716,496
(Placements) / Withdrawal of fixed deposits	(719,004)	(693,572)
Repayment of finance leases	-	(2,187)
Net Drawdown/(Repayment) of margin facilities	963,960	(908,987)
Net cash generated from financing activities	<u>2,093,058</u>	<u>981,922</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	10,153,482	(1,151,903)
EFFECT OF FOREIGN EXCHANGE RATES CHANGES	(181,739)	115,570
CASH AND CASH EQUIVALENTS AS AT 1 JULY	1,005,251	1,487,703
FIXED DEPOSITS	68,219,023	60,192,769
BANK OVERDRAFT	<u>(4,391,432)</u>	<u>(2,896,715)</u>
CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER	<u>74,804,585</u>	<u>57,747,424</u>
Cash and cash equivalents at the balance sheet date comprise the following:		
Cash and bank balances	1,355,492	1,252,515
Fixed deposits balances	68,938,027	60,886,341
Bank overdraft	4,511,066	(4,391,432)
	<u>74,804,585</u>	<u>57,747,424</u>

The condensed unaudited consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 30 June 2020 and the accompanying explanatory notes.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

PART A : COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARD (MFRS) 134 : INTERIM FINANCIAL REPORTING

1. Basis of Preparation

This unaudited condensed consolidated interim financial statements ("Condensed Report"), has been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia, where applicable and the requirements of Chapter 9.22, of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Condensed Report should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2020 and the accompanying explanatory notes attached herein for a better understanding of changes in financial position and performance of the Group.

2. Significant Accounting Policies

The accounting policies adopted in the preparation of the Condensed Report are consistent with those followed in the preparation of the Group's audited financial statements for the financial year ended 30 June 2020.

2.1 Adoption of Amendments and Annual Improvements to Standards

The Group has adopted the following MFRS and Amendments to MFRSs issued by the Malaysian Accounting Standards Board, which shall be effective for annual periods beginning on or after 1 January 2018.

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2 Share-based Payment	
Amendments to MFRS 140 Investment Property	
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	

MFRS 9 Financial Instruments

The adoption of this standard resulted in changes in accounting policies and adjustments to the financial statements. The accounting policies that relate to the classification, measurement and impairment of financial assets are amended to comply with this standard whereby financial assets are classified according to their contractual cash flow characteristic and the business model under which they are held. The impairment requirements in MFRS 9 are based on expected credit loss model and replace the MFRS 139 Financial Instruments: Recognition and Measurement incurred loss model. In accordance with the transition provisions in the standard, comparatives are not restated and the financial impact of the adoption of the standard is recognised in retained profits, fair value through other comprehensive income reserve or regulatory reserve as at the date of initial application.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in MFRS 15 provide a more structured approach (i.e five-step model) to measure and recognise revenue. The five-step model that applies to revenue recognition under MFRS 15 is as follows :

- i) Identify the contract(s) with a customer;
- ii) Identify the performance obligations in the contract;
- iii) Determine the transaction price;
- iv) Allocate the transaction price to the performance obligations in the contract; and
- v) Recognise revenue when (or as) the entity satisfies a performance obligation.

2. Significant Accounting Policies (Cont)

2.1 Adoption of Amendments and Annual Improvements to Standards (Continue)

The new standard supersedes the previous revenue recognition requirements under MFRS (including MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15 Agreements for the construction of Real Estate, IC Interpretation 18 Transfers of Assets from Customers and IC Interpretation 131 Revenue). Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Group have adopted the standard on 1 July 2018, using modified retrospective method of adoption.

The financial impact of the adoption of MFRS 9 and 15 on the financial statements of the Group are disclosed in Note 15.

2.2 Standard issued but not yet effective

Effective for financial period beginning on or after 1 June 2019

MFRS 16 Leases

The Directors expect that the adoption of the above standard will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 16 Leases

MFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

2.3 Significant Accounting Estimate and Judgements

The preparation of unaudited condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, expenses, assets, liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Although these estimates and judgements are based on management's best knowledge of current events and actions, actual results may differ.

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying Group's accounting policies and the keys sources of estimation uncertainty were the same as those that applied to the audited annual financial statements for the financial year ended 30 June 2018 except for the measurement of expected credit loss under MFRS 9 which involves increased complexity and judgements.

3. Assets classified as held for sale and disposal of subsidiary

On 29 August 2014, The Company has signed a Share Purchase Agreement to dispose of its 89% owned subsidiary, Metronic Engineering Private Limited ("MEPL") for a consideration of INR9,840,000. The disposal is pending completion. As such, MEPL has been classified as Assets held for sales and discontinued operations. During the year, the management decided that MEPL does not meet criteria to classified as asset held for sales. Therefore all the assets and liabilities under MEPL was reclassified to respective classes of assets.

4. Seasonality or cyclicity of interim operations

The Group's interim operation are not materially affected by seasonal or cyclical factors during the financial period under review.

5. 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 under review except as disclosed in Note 21 and 22.

6. Material changes in estimates

There were no changes in estimates that have had any material effect on the result for the current financial quarter and financial period under review.

7. Debt and equity securities

There were no issuances, repurchases and repayments of debt and equity securities during the financial quarter and financial period under review, save as disclosed in Note 22.

8. Dividends

No dividend was paid during the current financial quarter and previous corresponding quarter.

9. Segmental information

Analysis by segments is as follow:-

By geographical segments:

	Individual Quarter			Cumulative Quarter		
	Current Period 30.09.2020 RM	Current Period 30.09.2019 RM	% Changes	Current Period 30.09.2020 RM	Current Period 30.09.2019 RM	% Changes
Segment revenue						
Total revenue	5,502,231	6,586,233	16%	5,502,231	6,586,233	16%
Inter-segment elimination	-	-	-	-	-	-
Continued operations	5,502,231	6,586,233	16%	5,502,231	6,586,233	16%
Results						
Operating results						
Malaysia	3,547,740	(76,048)	>100%	3,547,740	(76,048)	>100%
Overseas	-	-	-	-	-	-
	3,547,740	(76,048)	>100%	3,547,740	(76,048)	>100%
Finance costs	(141,648)	(129,828)	-9%	(141,648)	(129,828)	-9%
Profit/(Loss) before tax						
- Continued operation	3,406,092	(205,876)	>100%	3,406,092	(205,876)	>100%
Profit/(Loss) before tax						
- Discontinued operation	(20,451)	(21,558)	5%	(20,451)	(21,558)	5%
Profit/(Loss) before tax	3,385,612	(227,434)	>100%	3,385,612	(227,434)	>100%

By business segments:

	Individual Quarter			Cumulative Quarter		
	Current 30.09.2020 RM	Current 30.09.2019 RM	% Changes	Current 30.09.2020 RM	Current 30.09.2019 RM	% Changes
Segment revenue						
Engineering	5,502,231	6,586,233	16%	5,502,231	6,586,233	16%
Total revenue	5,502,231	6,586,233	16%	5,502,231	6,586,233	16%
Inter-segment elimination	-	-	-	-	-	-
Continued operations	5,502,231	6,586,233	16%	5,502,231	6,586,233	16%
Discontinued operation	-	-	-	-	-	-
External customers	5,502,231	6,586,233	16%	5,502,231	6,586,233	16%

9. Segmental information (continue)

Results	Individual Quarter			Cumulative Quarter		
	Current Period 30.09.2020	Current Period 30.09.2019	% Changes	Current Period 30.09.2020	Current Period To 30.09.2019	% Changes
	RM	RM		RM	RM	
Operating results						
Engineering	162,532	(50,719)	>100%	162,532	(50,719)	>100%
Investment holding	3,385,179	(25,329)	>100%	3,385,179	(25,329)	>100%
	<u>3,547,711</u>	<u>(76,048)</u>	<u>>100%</u>	<u>3,547,711</u>	<u>(76,048)</u>	<u>>100%</u>
Finance costs	<u>(141,648)</u>	<u>(129,828)</u>	<u>-9%</u>	<u>(141,648)</u>	<u>(129,828)</u>	<u>-9%</u>
Profit/(Loss) before tax						
- Continued operations	3,406,063	(205,876)	>100%	3,406,063	(205,876)	>100%
Profit/(Loss) before tax						
- Discontinued operation	(20,451)	(21,558)	5%	(20,451)	(21,558)	5%
Profit/(Loss) before tax	<u>3,385,612</u>	<u>(227,434)</u>	<u>>100%</u>	<u>3,385,612</u>	<u>(227,434)</u>	<u>>100%</u>

10. Material subsequent events

Other than those disclosed in Note 20 and 21, there were no other material subsequent events after the period ended 30 September 2020.

11. Changes in the composition of the Group

On 21 September 2020, the Group had incorporated wholly-owned subsidiary, Metronic Medicare Sdn Bhd with Registration No. 202001028932 (1385252-X) under the Company Act 2016. The intended principal activity of Metronic Medicare is to focus on research and development, importer and distributor on medical related products in Malaysia and South East Asia Region.

12. Contingent liabilities

Contingent liabilities of the Group as at the latest practicable date are as follows:

(a) Secured	RM
Performance and financial guarantees issued by the banks to third parties	<u>7,801,018</u>
(b) Unsecured	RM
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	<u>25,800,000</u>
Corporate guarantees given to performance for project granted to subsidiaries	<u>43,042,826</u>

13. Capital commitments

	RM
The total approved and committed for acquisition of properties	<u>21,160,926</u>

14. Significant related party transactions

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

PART B : EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

15. Performance review

Continuing operations

Quarter and Period Ended 30 September 2020

RM	Individual Period (1st quarter)		Changes (Amount%)	Cumulative Period		Changes (Amount %)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To Date	Preceding Year Corresponding Period	
	30.09.2020	30.06.2019		30.06.2020	30.06.2019	
Revenue	5,502,231	6,586,233	-16%	5,502,231	6,586,233	-16%
Operating Profit	3,527,259	(97,607)	>100%	3,527,259	(97,607)	>100%
Profit/(Loss) Before Interest & Tax	3,385,612	(227,434)	>100%	3,385,612	(227,434)	>100%
Profit/(Loss) Before Tax	3,385,612	(227,434)	>100%	3,385,612	(227,434)	>100%
Profit/(Loss) After Tax	3,365,161	(248,992)	>100%	3,365,161	(248,992)	>100%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	3,393,076	(220,956)	>100%	3,393,076	(220,956)	>100%

The Group reported a net profit of RM3.4 million for the 1st quarter of FY2021 compared to a net loss of RM227k a year before on the same quarter mainly due to the reversal of the impairment of quoted shares of approximately RM3.1 million.

The revenue for the 1st quarter fell to RM5.5 million from RM6.6 million posted in the same quarter in previous year due to the completion of some projects under the Engineering division. Moreover, MRT2 project is still at the preliminary stage and the targeted actual installation work will commence in mid-December 2020. There will be more revenue to be recognised in the third and fourth quarter of FY2021. Service department also recorded a slight small drop in revenue in the service contract compared to 1st quarter last year partly due to the covid-19 pandemic that resulted in the client asking for discount due to poor business performance during the period of MCO. The discount is only for certain months. Hence, to resolve the discount issue, the service team has been providing value added services and repackaging the agreement in order to attract the existing customers to continue to support Metronic.

16. Material Change in Profit Before Taxation of Current Quarter Compared with Preceding Quarter

RM	Current Quarter 30.09.2020	Immediate Preceding Quarter 30.06.2020	Changes (Amount %)
Revenue	5,502,231	2,712,129	>100%
Operating Profit	3,527,259	(1,972,214)	>100%
Profit/(Loss) Before Interest & Tax	3,385,612	(2,124,975)	>100%
Profit/(Loss) Before Tax	3,385,612	(2,124,975)	>100%
Profit/(Loss) After Tax	3,365,161	(2,145,219)	>100%
Profit/(Loss) Attributable to Ordinary Equity Holders of the	3,393,076	(2,142,993)	>100%

In the current quarter under review, the Group recorded a profit before tax of RM3.4 million as opposed to a loss before tax of RM2.1 million in the preceding quarter.

Profit reported for the current quarter due to reversal of impairment of available for sale quoted shares incurred for the quarter amounting RM3.1 million.

Besides that, the favourable result came from lower total operating expenses of RM2.5 million for 1st quarter FY2021 compared to RM3.3 million last year in overall expenses due to the ongoing cost cutting measures put in place during these challenging times.

The GP margin of the Engineering division had also improved. It was recorded at 42% for the 1st quarter compared to only 23% last year same quarter as a result of our aggressive and continuous price negotiation for all the existing purchases as well as incoming new projects and effective sourcing of equipment and cables directly from manufacturer to improve our GP margin.

17. Current year prospects

The Group is mindful of the challenges ahead for the Engineering Division with the competition and current economic situation. The Group will continue to explore other new opportunities among others, to expand into infrastructure smart system, M&E division and government project. In addition to that, the Group continue to strengthen the sales team and strategies in order to build up a strong order book. The Group will also continue taking various measures to enhance its operational efficiency and effective cost management in order to improve the performance of the Group.

The Group's balance order book is stood at RM78 million and the Group is presently tendering contracts totalling RM85 million.

18. Profit forecast or profit guarantee

Not applicable as no profit forecast was published by the Group.

19. Taxation

	Individual Quarter	Cumulative Quarter
	30.09.2020	30.09.2020
	RM	RM
Income tax expense:		
Malaysian income tax		
- Current	-	-
- Under provision in prior year	-	-
Deferred Tax		
- Relating to origination and reversal of temporary differences	-	-
- Under provision in prior year	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Income tax expense is recognized in each interim period based on the best estimate of the income tax payable for the full financial year.

20. Status of Corporate Proposals

a) On 20 March 2019, the Group announced that its subsidiary, Metronic Engineering Sdn Bhd ("MESB") had signed Memorandum of Understanding (MOU) with Zhuhai Singyes New Materials Technology Co. Ltd., a subsidiary of China Singyes New Materials Holdings Limited (a public listed company in Hong Kong). Singyes is specialized in green building technology, renewable energy application, new materials and solar PV integrated ecological agricultural products. The purposes of the MOU are mainly to promote collaboration of Smart city in both countries and to cooperate in terms of infrastructure, new green materials technology, development, technical knowledge exchange, planning, implementation, upgrading support and maintenance. It is in line with Metronic current business direction and strategy to increase the Company's revenue.

On 7 August 2019, the Group subsequently announced that its subsidiary, MESB had signed a joint venture agreement with Zhuhai Singyes New Materials Technology Co. Ltd. The main purpose of the joint venture among other to develop smart city solutions in Malaysia.

At this moment, the prototype of smart city model has been developed together with the selection of hardware and software required in for the implementation of the smart city model. The project was differed slightly due to the high pricing issue. Both parties are looking into redesigning and reengineering the prototype in order to reduce the pricing. Subsequently, both parties were unable to proceed further due to the travel restriction as a result of the global COVID-19 pandemic which hinder Singyes to visit Malaysia. Both parties agreed to extend the said JV Agreement till 17 November 2021.

20. Status of Corporate Proposals (continue)

- b) On 23 April 2019, the Group announced that the Rights Issue with Warrants exercise undertaken by the Group has been completed following the listing and quotation of 641,821,340 Right Shares and 481,365,866 Warrants on the Main Market of Bursa Securities. Total proceed from the right issue exercise was RM41.7 million.

Each warrant entitled to subscribe 1 new Metronic share at the exercise price RM0.08 per share any time during the exercise period until its maturity date 16 April 2022.

Following is the status utilisation of rights issue proceeds as at 30 September 2020:

Purposes	Approved Allocation (RM '000)	Actual Utilisation (RM'000)	Balance Unutilised (RM'000)	Intended Timeframe for Utilisation	Deviation Amount		Explanations (if the Deviation is 5% or more)
					Amount (RM'000)	%	
1) Kuala Krai project	22,400	1,900	20,500	Within 24 months	-		-
2) Existing & Future Engineering Project	18,488	3,435	15,053	Within 36 months	-		-
3) Rights Issue Expenses	830	822	8	Immediate	-		-
	41,718	6,157	35,561		-		-

- c) On 7 June 2019, the Group announced that it offered a total of 98,696,593 shares under Employee Share Option Scheme ("ESOS") at the option price of RM0.0674 to eligible employees of the Company in accordance with the By-Laws of the ESOS. As at 21 June 2019, all the ESOS offered was fully subscribed with the total proceeds of RM6,652,150.

Date of offer	Exercise price	Number of options over Ordinary Shares					At 30 June 2020
		At 1 January 2019	Granted	Exercised	Adjusted	Lapsed	
07-Jun-19	RM0.0674	98,696,593	-	-	-	-	98,696,593

- d) On 14 June 2019, the Group announced that a total of 71,086,890 warrants issued in pursuant to the right issue exercise, had exercised the warrants to ordinary shares. The total proceeds from the exercise was RM 5,686,951. Balance warrants after the above exercise is 410,278,115.

- e) On 15 October 2019, the Group announced that it offered a total of 156,826,100 new shares under the private placement which represent 10% of the total number of issued shares of the company (excluding treasury shares) at RM0.06 per shares. The private placement has been completed with a total share subscribed of 113,250,000 at the offered price of RM0.0451 per share during the exercise. Following is the status of the utilisation of the private placement as at 30 September 2020.

Utilization of proceeds	Timeframe for utilization	Approved utilization of proceeds (RM'000)	Private placement received (RM'000)	Amount utilization (RM'000)	Balance to be utilized (RM'000)
General working capital	Within 36 months	9,250	4,947	-	4,947
Expenses for the private placement	Immediate	160	160	119	41
Total		9,410	5,107	119	4,988

21 Material Litigations

- a) The Company and its wholly owned subsidiary, Metronic Integrated System Sdn Bhd ("the Defendants") or collectively referred as "the Companies" have been served a writ of summon by Hew Chai Seng ("the Plaintiff") on 25th February 2014 for infringement of trademark.

On 16 December 2015, the Kuala Lumpur High Court Judge after full trial granted Judgement in favour of the Plaintiff and allowed the Plaintiff's claim with costs of RM 50,000 and for general damages to be assessed.

On 11 January 2016, the Company filed the appeal to Court of Appeal however the Appeal was dismissed. On 23 May 2017 the Companies filed Notice of Motion to seek leave to Appeal to Federal Court. The Notice of Motion was also dismissed.

On 10 April 2018, the Deputy Registrar of Kuala Lumpur High Court awarded general damages of RM1,677,040 to the Plaintiff together with the interest of 5% per annum on RM1,677,040 calculated from 25 February 2014 until full settlement and cost of proceeding of RM20,000 to the Plaintiff.

The Company subsequently on 15 April 2018 filed an appeal against the award and applied for stay of execution. On 5 July 2018, the Court approved the Company's application for stay of execution until the appeal is being heard by the High Court. The Court, based on hearing 4 April and 18 April 2019 had ordered as follows:

- i. The Judge has allowed partly the appeal whereby the Judge reduced the sum of damages granted by the Registrar to RM 1,158,750.00.
- ii. RM 10,000.00 costs to be paid subject to allocator.
- iii. Interest calculated at 5%.

The Company subsequently filed appeal to the Court of Appeal on 24 April 2019 and the application for stay of execution. The Court on 8 October 2019, granted stay subject to MGB/ MISSB deposit RM1,158,750 into solicitors joined account. The Court has fixed the appeal hearing on 29 September 2020 but subsequently fixed to another date on 8 April 2021.

- b) On 19 May 2016, Metronic Microsystem (Beijing) Co. Ltd ("MMBCL"), a wholly-owned subsidiary of the Company, has filed a legal claim against 英泰格瑞房地产投资顾问有限公司, which has occupied MMBCL's property in Beijing at No. 18, Level 8, Top Fine International Centre, Dong San Huan Middle Road, Chao Yang District, Beijing, People's Republic of China ("Beijing Property"), for outstanding rental and late payment charges amounting to RMB7.25 million (approximately RM4.41 million) ("Claim"). The amount comprises outstanding rental amounting to RMB5.81 million (approximately RM3.5 million) and late payment charges of RMB1.44 million (approximately RM0.9 million).

The case was heard before the Beijing Chaoyang Municipal Council Court on 8 December 2016 and 2 June 2017, respectively. The Beijing Chaoyang Municipal Council Court had appointed a professional valuer to conduct a valuation on the Beijing Property. Based on the valuation report provided, MMBCL had on 11 May 2018 submitted the justification of Claim to the Beijing Chaoyang Municipal Court.

On 19 October 2018, the Beijing Chaoyang Municipal Council Court had awarded the outstanding rental amounting to RMB3.97 million (approximately RM2.4 million) payable to MMBCL. The outstanding rental however has yet to be paid.

Necessary documents had been submitted to court on 10 July 2019, pending for court's execution order for rental payment from tenant. The progress has been slow due to Covid 19 pandemic in China.

Note:-

- (1) Based on BNM's exchange rate of RMB1:RM0.6085 as at the LPD.

21 Material Litigations (Cont.)

- c) On 3 June 2019, the Company announced that it had initiated investigation on unauthorized transfer of office ownership for its property held by its wholly owned subsidiary, Metronic Microsystem (Beijing) Co. Ltd, had acquired 1 unit office in Beijing, China at Room 801, Level 8, Top Fine International Centre, Dong San Huan, Chao Yang District, Beijing, China measuring 700.53 square meter at a purchase consideration of approximately RM4.0 million. The current valuation price of the said property is at RM15.8 million.

The Board of Directors, in the announcement, informed that Mr Tan Ew Chew ("TEC") was advisor for the company from 1 January 2013 to 16 May 2017 and Mr Tan Kian Hong ("TKH"), son of TEC, was director of MGB from 8 February 2013 to 10 April 2017. During the controlling time under both TEC and TKH in July 2016, the ownership of the above office unit in Beijing has been allegedly transferred to a third party without consent and/or Board resolution from the Company. Once the above made aware to the new Board of Directors in 2017, the Board of Directors requested lawyer in China to investigate on the above and found that the said office has been transferred to third party with the name of Shouguang Yaoweiping ("Shouguang") in China. Subsequently in October 2018, the Court from China via documents issued, confirmed the said transfer of property to Shouguang.

The Company had on 3 June 2019, lodged a police report on investigation against TEC and TKH on the alleged breach of trust and causing the Company suffering a loss of more than RM15.7 million.

The case is now pending action from relevant authorities. No progress due to Movement Control Order (MCO) from the government.

- d) MGB announced that the Company had on 13.11.2019, received an originating summons ("OS") filed by the Mohd Johari Bin Abdul Raoff against the Company and its Directors, Employees and Shareholders, seeking declarations that the Company's shares issued pursuant to Employees Shares Option Scheme ("ESOS") in June 2019 and Private Placement around 15.10.2019 are null and void.

The Plaintiff had also filed applications to have discovery process ("Discovery Application") and the apply for injunction ("Injunction Application").

The OS and the Applications were called before the High Court at on 9.11.2019 and :-

- i. The Plaintiff claims that he obtained the information forming the contents of the OS from his associates, namely Tan Sri Lee Kim Yew and Lagenda Perdana Sdn Bhd;
- ii. It was highlighted by the solicitors of the Defendants to the Court that the Plaintiff was never a shareholder of the Company during the whole period when the ESOS and Private Placement were undertaken;
- iii. The Plaintiff's solicitors confirmed that the Plaintiff had just became a shareholder of the Company in the end of October 2019, and bought the Company's share for the purpose of filing this OS.
- iv. The Directors had offered that, the Company's Annual General Meeting ("AGM") scheduled to be held on 26.11.2019 shall be convened as per the Notice of AGM, and the AGM ("Notice") shall be adjourned to a date fixed by the Court after Agenda 1 of the Notice:- "To receive the Audited Financial Statements for the financial year ended 30 June 2019 together with the Reports of the Directors and Auditors thereon" is tabled. This offer had been recorded by the Court; and
- v. The OS and the Applications are then fixed for case management to be held on 19 November 2019, before the High Court for the Plaintiff to decide whether to withdraw the OS and the Applications.

Based on the case management held on 19 November 2019, there is also another application to intervene into the OS. As a result, the Court has fixed the application for hearing on 3 February 2020.

By way of consent that the AGM of the Company scheduled on 26.11.2019 be convened as scheduled, whereby apart from Agenda No. 1 of the Notice of AGM which shall be tabled, all other agendas are to be adjourned for voting at an adjourned AGM on a date to be fixed by the High Court after the full and final disposal of Enclosure 1.

Further to the hearing on 3 February 2020, the court had directed the defendant to file for strike out application by 21 February 2020. The next hearing is fixed on 1 April 2020.

The case has been withdrawn on 1 October 2020.

21 Material Litigations (Cont.)

- e) The Group, on 6 December 2019, announced that MESB was served with a winding-up petition on 4 December 2019 by Eric Boon Chuan Kit (Petitioner) through his solicitors.

The Petitioner claims that MESB was indebted to the Petitioner for a sum of RM178,000 based on the judgement given by Industrial Court at Kuala Lumpur in Case No. 4/4-544/18 on 29 January 2019 and for a sum of cost amounting to RM5,000 based on the judgement given by High Court at Kuala Lumpur on 1 August 2019.

MESB has paid the sum of in favour of the Petitioner. Our lawyer is striking out the winding up process.

The amount claimed by the Petitioner is relatively immaterial to the value of the assets of MESB and will not in any way jeopardized its business operation.

The amount claimed has been fully settled

- f) MGB announced that the Company had been served with a suit at the Shah Alam High Court Civil by way of counterclaim by Tan

Sri Lee Kim Yew whereby he claimed against the Company and its directors to seek the following reliefs :

- i. A declaration that the affairs of the Company are conducted and the powers of the directors are being exercised in a manner oppressive to Tan Sri Lee.
- ii. A declaration that certain shares allotted and issued on 13 June 2019, 19 June 2019, and 15 October 2019 are void and if so, for the said shares to be cancelled.
- iii. An order for the directors of the Company to pay Tan Sri Lee the sum of RM10,454,716.46.
- iv. Damages to be assessed against the Company and its directors.
- v. Interest, costs and such further reliefs deemed fit.

The Company will be vehemently resisting the said counterclaim. The next hearing has been fixed on 9 March 2020 for the striking out application.

The Company has filed an application to strike out Tan Sri Lee Kim Yew's counterclaim on 9 March 2020 and the application is now fixed for hearing on 5 October 2020.

The case has been withdrawn on 5 October 2020.

22. Borrowings

The Group's total borrowing as at 30 September 2020 stood at RM9.7million, representing a gearing ratio of 0.11 to shareholders' equity. The amount was lower than the previous year end date of RM10 million.

Breakdown by type of facilities is shown below:

	As at 30 September 2020					
	Long Term		Short term		Total borrowings	
	Foreign denomination	RM denomination	Foreign denomination	RM denomination	Foreign denomination	RM denomination
Secured borrowings						
Bank overdraft	-	-	-	4,511,066	-	4,511,066
Bankers' acceptances	-	-	-	3,270,354	-	3,270,354
Amount due to director	-	-	-	100,000	-	100,000
Margin Financing	-	-	-	1,863,291	-	1,863,291
Sub-Total	-	-	-	9,744,710	-	9,744,710
Un-Secured borrowings						
Nil	-	-	-	-	-	-
Sub-Total	-	-	-	-	-	-
Total	-	-	-	9,744,710	-	9,744,710
	As at 30 June 2020 (audited)					
	Long Term		Short term		Total borrowings	
	Foreign denomination	RM denomination	Foreign denomination	RM denomination	Foreign denomination	RM denomination
Secured borrowings						
Bank overdraft	-	-	-	4,272,593	-	4,272,593
Bankers' acceptances	-	-	-	3,219,539	-	3,219,539
Amount due to director	-	-	-	250,000	-	250,000
Margin Financing	-	-	-	2,751,788	-	2,751,788
Sub-Total	-	-	-	10,493,920	-	10,493,920
Un-Secured borrowings						
Nil	-	-	-	-	-	-
Sub-Total	-	-	-	-	-	-
Total	-	-	-	10,493,920	-	10,493,920

23. Proposed Dividend

There was no dividend proposed in the current quarter and the previous corresponding quarter.

24. Earnings per share (EPS)

Basic EPS

	Individual Current Period Quarter 30.09.2020 RM	Cumulative Current Period To Date 30.09.2020 RM
Profit / (Loss) attributable to ordinary equity owners of the parent		
- Continuing operations	3,385,612	3,385,612
- Discontinued operations	(20,451)	(20,451)
	<u>3,365,161</u>	<u>3,365,161</u>
Weighted average number of ordinary shares in issue	826,504,930	826,504,930
Basic earnings per share (sen)		
- Continuing operations	0.41	0.41
- Discontinued operations	-	-
	<u>0.41</u>	<u>0.41</u>

The basic earnings per share of the Group is calculated by dividing the Group's loss after tax attributable to the owners of the Company by the weighted average number of ordinary shares issued during the period/cumulative period respectively.

The weighted average number of ordinary shares in issue was calculated by taking into account the share consolidation exercise completed on 26 December 2018 whereby 3 ordinary shares consolidated into 1 share and the new issues of shares in pursuant to rights issue, ESOS and warrant exercises.

24. Earnings per share (continue)

Diluted EPS

	Individual Current Period Quarter 30.09.2020 RM	Cumulative Current Period To Date 30.09.2020 RM
Profit / (Loss) attributable to ordinary equity owners of the parent		
- Continuing operations	3,385,612	3,385,612
- Discontinued operations	(20,451)	(20,451)
	<u>3,365,161</u>	<u>3,365,161</u>
Weighted average number of ordinary shares in issue	826,504,930	826,504,930
Effect of dilution after conversion of all outstanding Esos and Warrants	410,278,976	410,278,976
Adjusted weighted average number of ordinary shares the purpose of diluted EPS	<u>1,236,783,906</u>	<u>1,164,966,928</u>
Diluted earnings per share (sen)		
- Continuing operations	0.41	0.41
- Discontinued operations	-	-
	<u>0.41</u>	<u>0.41</u>

There is no dilution effect to the earnings per share in the current period as the exercise price of warrant were higher from the average market price of the ordinary shares during the period.

25. Profit/(Loss) for the period

	Individual Current Period Quarter 30.09.2020 RM	Cumulative Current Period To Date 30.09.2020 RM
After charging/(crediting):		
Depreciation of investment properties	1,407	1,407
Depreciation of property, plant and equipment	60,012	60,012
Directors' fee	49,500	49,500
(Gain) / Loss on foreign exchange - realised	131	131
Reversal of impairment of available for sale quoted shares	3,087,741	3,087,741
Interest expenses	141,648	141,648
Interest income	470,328	470,328
Staff cost	1,894,786	1,894,786

26. Audit Report

The auditors' report on Group's financial statements for the year ended 30 June 2020 was not qualified.

27. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 November 2020.