

MMAG HOLDINGS BERHAD 200301007003 (609423-V)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED
30 SEPTEMBER 2022**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022**

Note	UNAUDITED AS AT 30.09.2022 RM'000	AUDITED AS AT 31.03.2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	331,386	344,301
Investment properties	22,981	23,301
Intangible assets	120	120
Other investments	242,243	251,437
Deferred tax assets	1,600	1,600
Goodwill on consolidation	37,226	37,226
Fixed deposits with a licensed bank	2,555	2,835
Total non-current assets	638,111	660,820
Current assets		
Inventories	6,417	10,536
Contract assets	3,810	2,901
Trade receivables	43,782	29,771
Other receivables	50,986	35,136
Tax recoverable	39	30
Fixed deposits with licensed banks	4,205	9,705
Cash and bank balances	11,189	12,840
Total current assets	120,428	100,919
Assets of disposal group	-	41,504
TOTAL ASSETS	758,539	803,243
EQUITY AND LIABILITIES		
Equity		
Share capital	294,561	270,547
Irredeemable convertible preference shares	689	754
Reserves	83,131	104,950
	378,381	376,251
Non-controlling interests	(5,210)	1,551
TOTAL EQUITY	373,171	377,802
Non-current liabilities		
Borrowings	B7 2,596	2,806
Lease liabilities	252,098	252,079
Deferred taxation	961	961
Total non-current liabilities	255,655	255,846
Current liabilities		
Trade payables	38,589	28,725
Other payables	45,302	65,673
Contract liabilities	4,386	9,440
Borrowings	B7 16,437	20,549
Lease liabilities	24,984	40,637
Tax payable	15	23
Total current liabilities	129,713	165,047
Liabilities directly associated with disposal group classified as held for sale	-	4,548
TOTAL LIABILITIES	385,368	425,441
TOTAL EQUITY AND LIABILITIES	758,539	803,243
Net Assets per share attributable to Owners of the Company	0.2222	0.2867

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 March 2022 and the accompanying explanatory notes to this interim financial statements

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT & LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 SEPTEMBER 2022**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER ENDED 30.09.2022 RM'000	PRECEDING YEAR CORRESPONDING QUARTER ENDED 30.09.2021 RM'000	CURRENT YEAR-TO-DATE ENDED 30.09.2022 RM'000	PRECEDING YEAR-TO-DATE ENDED 30.09.2021 RM'000
Revenue	90,795	134,120	191,836	233,727
Cost of sales	(84,686)	(130,500)	(181,320)	(228,179)
Gross profit	6,109	3,620	10,516	5,548
Other income	6,534	176	9,365	1,810
Gain/(Loss) on foreign exchange	442	(135)	477	(145)
Depreciation and amortisation	(3,318)	(2,840)	(6,595)	(5,325)
Bad debts written off	-	-	(14)	-
Finance costs	(3,007)	(640)	(6,118)	(1,460)
Other expenses	(9,469)	(9,454)	(18,108)	(16,535)
Results from operating activities	(2,709)	(9,273)	(10,477)	(16,107)
Interest income	47	2	62	24
Loss before tax for the period	(2,662)	(9,271)	(10,415)	(16,083)
Tax expenses	(27)	-	(27)	(14)
Loss after tax for the period	(2,689)	(9,271)	(10,442)	(16,097)
Loss attributable to:				
Owners of the Company	(2,442)	(8,785)	(9,869)	(15,514)
Non-controlling interest	(247)	(486)	(573)	(583)
	(2,689)	(9,271)	(10,442)	(16,097)
Basic loss per share (sen)	(0.14)	(0.72)	(0.65)	(1.32)
Diluted loss per share (sen)	(0.28)	(0.85)	(1.04)	(1.39)
Loss after tax for the period	(2,689)	(9,271)	(10,442)	(16,097)
Other comprehensive (loss)/income, net of tax	(39)	2	(10,631)	3
Total other comprehensive loss, net of tax	(2,728)	(9,269)	(21,073)	(16,094)
Total comprehensive loss, attributable to:				
Owners of the parent	(2,481)	(8,785)	(20,500)	(15,513)
Non-controlling interests	(247)	(484)	(573)	(581)
	(2,728)	(9,269)	(21,073)	(16,094)

The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 March 2022 and the accompanying explanatory notes to this interim financial statements

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 SEPTEMBER 2022**

	Attributable to Equity Holders of the Company								Non-controlling interests RM'000	Total equity RM'000	
	Non-distributable										
	Share capital RM'000	Irredeemable convertible preference shares RM'000	Revaluation reserve RM'000	Fair value reserve RM'000	Warrant reserve RM'000	Merger deficit RM'000	Exchange translation reserve RM'000	Accumulated losses RM'000			Total RM'000
At 1 April 2022	270,547	754	9,875	165,346	25,143	(7,900)	23	(87,537)	376,251	1,551	377,802
Transactions with owners:											
Disposal of subsidiaries	23,754	-	(1,319)	-	-	7,900	-	(7,900)	22,435	(6,188)	16,247
Issuance of shares arising from conversion of ICPS	260	(65)	-	-	-	-	-	-	195	-	195
Total transactions with owners	24,014	(65)	(1,319)	-	-	7,900	-	(7,900)	22,630	(6,188)	16,442
Realisation of fair value reserve upon disposal of shares	-	-	-	(17,105)	-	-	-	17,105	-	-	-
Net loss for the period	-	-	-	-	-	-	-	(9,869)	(9,869)	(573)	(10,442)
Other comprehensive loss for the period	-	-	-	(10,560)	-	-	(71)	-	(10,631)	-	(10,631)
Total comprehensive loss for the period	-	-	-	(10,560)	-	-	(71)	(9,869)	(20,500)	(573)	(21,073)
At 30 September 2022	294,561	689	8,556	137,681	25,143	-	(48)	(88,201)	378,381	(5,210)	373,171
At 1 April 2021	246,330	1,453	9,875	55,148	25,575	(7,900)	27	(111,432)	219,076	6,324	225,400
Transaction with owners:											
Change in ownership interest in a subsidiary	-	-	-	-	-	-	-	21,356	21,356	3,833	25,189
Issuance of shares arising from conversion of ICPS	2,794	(699)	-	-	-	-	-	-	2,095	-	2,095
Issuance of shares arising from conversion of warrants	1,109	-	-	-	(432)	-	-	-	677	-	677
Issuance of shares arising from private placement	20,314	-	-	-	-	-	-	-	20,314	-	20,314
Total transaction with owners	24,217	(699)	-	-	(432)	-	-	21,356	44,442	3,833	48,275
Net loss for the period	-	-	-	-	-	-	-	(15,514)	(15,514)	(583)	(16,097)
Other comprehensive income for the period	-	-	-	-	-	-	2	-	2	1	3
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	2	(15,514)	(15,512)	(582)	(16,094)
At 30 September 2021	270,547	754	9,875	55,148	25,143	(7,900)	29	(105,590)	248,006	9,575	257,581

The condensed consolidated statement of changes of equity should be read in conjunction with the audited financial statements for the financial year ended 31 March 2022 and the accompanying explanatory notes to this interim financial statements

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 SEPTEMBER 2022**

	CURRENT YEAR-TO-DATE ENDED 30.09.2022 RM'000	PRECEDING YEAR-TO-DATE ENDED 30.09.2021 RM'000
Cash Flows From Operating Activities		
Loss before tax	(10,415)	(16,083)
Adjustments for:		
Non-cash items	21,075	10,317
Non-operating items	5,651	210
Operating profit/(loss) before working capital changes	<u>16,311</u>	<u>(5,556)</u>
Changes in working capital		
Inventories	4,348	(2,893)
Contract customers	(5,963)	(2,231)
Receivables	(30,274)	(3,181)
Payables	29,317	22,729
Cash (used in)/from operations	<u>13,739</u>	<u>8,868</u>
Tax paid	(44)	(21)
Tax refunded	-	3
Interest received	62	24
Net cash (used in)/from operating activities	<u>13,757</u>	<u>8,874</u>
Investing Activities		
Acquisition of subsidiaries	-	(18,091)
Net cash inflow from disposal of subsidiaries	17,600	-
Proceeds from disposal of property, plant and equipment	769	3,312
Proceeds from disposal of partial stake to non-controlling interests	-	25,187
Purchase of intangible asset	-	(381)
Purchase of other investment	(191)	(11,002)
Purchase of property, plant and equipment and investment properties	(11,657)	(11,104)
Net cash from/(used in) investing activities	<u>6,521</u>	<u>(12,079)</u>
Financing Activities		
Repayment to other payables	(25,176)	-
Drawdown of borrowings	17,932	-
Interest paid	(6,118)	(1,460)
Proceeds from issuance of shares	23,949	23,087
Repayment of borrowings	(22,253)	(3,704)
Repayment of lease liabilities	(15,893)	(5,588)
Termination of lease liabilities	(120)	-
Upliftment of fixed deposit with licensed banks	280	-
Net cash from financing activities	<u>(27,399)</u>	<u>12,335</u>
Cash and cash equivalents		
Net changes	(7,121)	9,130
Effect of foreign currency translation differences	(79)	4
At beginning of period	22,389	21,907
At end of period	<u>15,189</u>	<u>31,041</u>
Cash and cash equivalents comprise of:		
Cash and bank balances	11,189	21,006
Fixed deposits with licensed banks	6,760	10,915
	<u>17,949</u>	<u>31,921</u>
Less:		
Fixed deposits pledged to licensed banks	(2,760)	(880)
	<u>15,189</u>	<u>31,041</u>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 March 2022 and the accompanying explanatory notes to this interim financial statements

NOTES TO THE QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2022

**A EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134 (“MFRS 134”)
- INTERIM FINANCIAL REPORTING**

A1 Basis of preparation

The interim financial statements is unaudited and has been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial statements should be read in conjunction with the annual audited financial statement of the Group for the financial year ended 31 March 2022.

The accounting policies and methods adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the financial year ended 31 March 2022.

The adoption of MFRSs and amendments to MFRSs which were effective for financial year beginning on and after 1 April 2022 are not expected to have any significant financial impacts on the Group.

A2 Auditors’ Report of preceding annual financial statements

There were no qualifications to the audited financial statements for the Company and its subsidiaries for the financial year ended 31 March 2022.

A3 Seasonal or cyclical factors

Our business is heavily dependent on working days, public or festive holidays during the current quarter and period under review.

A4 Unusual items affecting assets, liabilities, equity, net income or cash flows

During the current quarter under review, there were no items or events that arose, which affect the assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence.

A5 Changes in estimates

There were no material changes in the estimates of amounts reported in previous reporting which have a material effect in the current financial quarter.

A6 Debt and equity securities

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

A7 Dividend

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

NOTES TO THE QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2022

A8 Segmental information

Segment information is presented in respect of the Group's business segments.

The Group comprises the following main business segments:-

- (i) **Mobile and fulfilment ("Mobile & Fulfilment")**
Mobile operators' 3PL & 4PL contract, fulfilment business and physical and online sale of smart devices.
- (ii) **Courier and logistics services**
Express delivery or last mile delivery services business to business ("B2B"), business to customers ("B2C") and customers to customers ("C2C"), warehousing, customised solutions, freight forwarding and customs clearance services.
- (iii) **Air freight**
Provision of air cargo services.

Segmental information for the Group is presented as follows:-

For the financial period ended 30 September 2022	Mobile & fulfilment RM'000	Courier & logistic services RM'000	Air freight RM'000	Other segment RM'000	Total RM'000	Adjustments and eliminations RM'000	Total RM'000
Sales to external customer	63,658	38,092	89,954	132	191,836	-	191,836
Inter-segment sales	77	2,245	6,284	72	8,678	(8,678)	-
Total sales	<u>63,735</u>	<u>40,337</u>	<u>96,238</u>	<u>204</u>	<u>200,514</u>	<u>(8,678)</u>	<u>191,836</u>
Profit/(Loss) before tax	<u>1,068</u>	<u>(11,721)</u>	<u>350</u>	<u>(1,712)</u>	<u>(12,015)</u>	<u>1,600</u>	<u>(10,415)</u>
Segment assets	85,499	95,435	289,653	253,269	723,856	(2,582)	721,274
Other unallocated assets							<u>37,265</u>
							<u>758,539</u>
Segment liabilities	11,346	68,048	289,251	19,116	387,761	(3,369)	384,392
Other unallocated liabilities							<u>976</u>
							<u>385,368</u>

NOTES TO THE QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2022

A8 Segmental information (Cont'd)

Segmental information for the Group is presented as follows (Cont'd):-

For the financial period ended 30 September 2021	Mobile & fulfilment RM'000	Courier & logistic services RM'000	Air freight RM'000	Other segment RM'000	Total RM'000	Adjustments and eliminations RM'000	Total RM'000
Sales to external customer	183,913	37,643	12,150	167	233,873	(146)	233,727
Inter-segment sales	5	4,454	-	118	4,577	(4,577)	-
Total sales	183,918	42,097	12,150	285	238,450	(4,723)	233,727
Profit/(Loss) before tax	5,494	(20,007)	(1,125)	7,155	(8,483)	(7,600)	(16,083)
Segment assets	100,803	83,594	28,695	123,442	336,534	1,322	337,856
Other unallocated assets							40,586
							378,442
Segment liabilities	19,957	55,950	9,225	16,336	101,468	19,393	120,861
Other unallocated liabilities							-
							120,861

A9 Valuation of property, plant and equipment

There were no valuation of the property, plant and equipment in the current quarter under review.

A10 Significant event during the interim reporting period

The following was the significant event during the financial period ended 30 September 2022:-

- (i) On 5 July 2022, the Board of Directors announced that the wholly owned sub-subsidiary, MMAG Digital Sdn Bhd had entered into a sale and purchase agreement (“SPA”) with KGW Logistics (M) Sdn Bhd for the disposal of a piece of land held under Geran 215194, Lot 61800, Bandar Glenmarie, Daerah Petaling, Negeri Selangor Darul Ehsan measuring approximately 4,777 square metres in area together with a two (2) storey warehouse and a three (3) story office building erected thereon bearing postal address of No. 6, Jalan Pemaju U1/15, Hicom Glenmarie Industrial Park, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan for a total cash consideration of RM20.20 million, subject to the terms set out in the SPA.

NOTES TO THE QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2022**A11 Events subsequent to the end of the interim reporting period**

The following were the material events subsequent to the financial period ended 30 September 2022:-

- (i) On 17 October 2022, the Board of Directors announced that the issue price was fixed at RM0.0200 per Placement Share;
- (ii) On 19 October 2022, the Board of Directors announced that a total of 681,269,200 Placement Shares based on the issue price of RM0.0200 each as announced on 17 October 2022 will be allotted to the placee in due course. This exercise was completed on 26 October 2022;
- (iii) On 9 November 2022, total of 7,500,000 new ordinary shares had been issued pursuant to the conversion of 7,500,000 Warrant by conversion of 1 unit Warrant and payment of RM0.20 in cash for 1 new ordinary share;
- (iv) On 10 November 2022, total of 26,993,500 new ordinary shares had been issued pursuant to the conversion of 26,993,500 Warrant by conversion of 1 unit Warrant and payment of RM0.20 in cash for 1 new ordinary share;
- (v) On 16 November 2022, total of 10,000 new ordinary shares had been issued pursuant to the conversion of 10,000 Warrant by conversion of 1 unit Warrant and payment of RM0.20 in cash for 1 new ordinary share;
- (vi) On 23 November 2022, total of 100 ordinary shares have been issued pursuant to the conversion of 100 ICPS by the way of conversion of 1 unit ICPS with payment of RM0.15 in cash for 1 new ordinary share.

A12 Changes in the composition of the Group

During the financial period ended 30 September 2022, the board's approval for the acquisitions, disposal and incorporation of subsidiaries, associate and other investments were as below:-

- (i) On 4 May 2021, the Board of Directors announced that the Company proposes to undertake the following:-
 - (a) Proposed disposal of 19,000,000 ordinary shares in MGSB, representing 74.51% equity interest in MGudang Sdn Bhd ("MGSB"), to Ingenieur Gudang Berhad (formerly known as Dynaciate Group Berhad) ("IGB") for a total disposal consideration of RM17,830,000 to be satisfied via a combination of cash of RM534,900 and issuance of 180,157,290 new ordinary shares in IGB at an issue price of RM0.0960 per Consideration Share; and
 - (b) Proposed settlement of an amount owing by MGSB to MMAG of RM4,500,000 via issuance of 46,875,000 new IGB Shares at an issue price of RM0.0960 per Settlement Share upon completion of the Proposed Disposal of MGSB.

Further to the Announcement, the Board of Directors announced that the Company had on 28 September 2021 entered into a Supplemental Agreement with IGB to amend and vary certain provisions of the SSA.

On 4 April 2022, the Board of Directors announced that, IGB had allotted to the Company 180,157,290 new DGB shares at an issue price of RM0.096 per share in satisfaction of the disposal consideration of RM17,830,000 whereby the remaining consideration of RM534,900 was satisfied by cash.

NOTES TO THE QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2022

A13 Contingent liabilities

The amounts of contingent liabilities of the Company as at the end of the current financial period as follows:-

	As at 30.09.2022 RM'000
Corporate guarantees given to certain suppliers and financial institutions of certain subsidiaries	200,210
	200,210

A14 Commitments

The amounts of commitments of the Company as at the end of the current financial period as follows:-

	As at 30.09.2022 RM'000
Commitments authorised but not provided for	
Lease of aircrafts	77,525
Lease of land	6,120
	83,645

The Company leased a land and the lease period is for three years with an option to renew after every three years for a further three (3) years up to total lease period of twelve (12) years.

NOTES TO THE QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2022

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) FOR THE ACE MARKET**B1 Financial review for current quarter and financial period-to-date**

	Individual period		Changes		Cumulative period		Changes	
	Current year	Preceding year			Current	Preceding		
	quarter	corresponding			period-to-date	period-to-date		
	ended	quarter ended	ended	ended				
	30.09.2022	30.09.2021	RM'000	%	30.09.2022	30.09.2021	RM'000	%
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	90,795	134,120	(43,325)	-32%	191,836	233,727	(41,891)	-18%
Operating loss	(2,709)	(9,273)	(6,564)	-71%	(10,477)	(16,107)	(5,630)	-35%
Profit/(Loss) before interest and tax	345	(8,631)	(8,976)	-104%	(4,297)	(14,623)	(10,326)	-71%
Loss before tax	(2,662)	(9,271)	(6,609)	-71%	(10,415)	(16,083)	(5,668)	-35%
Loss after tax	(2,689)	(9,271)	(6,582)	-71%	(10,442)	(16,097)	(5,655)	-35%
Loss attributable to owners of the company	(2,442)	(8,785)	(6,343)	-72%	(9,869)	(15,514)	(5,645)	-36%

The Group revenue for current quarter ended 30 September 2022 was RM90.80 million, a decrease of RM43.32 million or 32% as compared to RM134.12 million in the preceding year corresponding quarter ended 30 September 2021.

In addition, the Group registered a loss before tax (“LBT”) of RM2.66 million for the current quarter ended 30 September 2022 as compared to LBT of RM9.27 million in the preceding year corresponding quarter ending 30 September 2021.

The Group’s revenue for financial period ended 30 September 2022 was RM191.84 million, a decrease of RM41.89 million or 18% as compared to RM233.73 million in the preceding year corresponding financial period ended 30 September 2021. In the preceding year, “Jaringan Prihatin Program” was kicked started from May 2021 until September 2021 and this project had contributed to higher revenue for that specific period. Absence of similar project in the current financial period being the factor that contributed to the drop in revenue generated from mobile devices and fulfilment division of RM120.26 million. However, this decrease had been netted off with the increase of RM78.76 million in the revenue from air freight division.

In addition, the Group registered a LBT of RM10.42 million for the financial period ended 30 September 2022 as compared to LBT of RM16.08 million in the preceding year corresponding financial period ended 30 September 2021. The improved LBT was mainly due to a referral fee of RM5.61 million receivable by courier and logistic division in the current financial period.

NOTES TO THE QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2022

B2. Change in the quarterly results compared to the results of the immediate preceding quarter

	Current quarter RM'000	Immediate preceding quarter RM'000	Changes	
			RM'000	%
Revenue	90,795	101,041	(10,246)	-10%
Operating loss	(2,709)	(7,768)	(5,059)	-65%
Profit/(Loss) before interest and tax	345	(4,642)	(4,987)	-107%
Loss before tax	(2,662)	(7,753)	(5,091)	-66%
Loss after tax	(2,689)	(7,753)	(5,064)	-65%
Loss attributable to owners of the Company	(2,442)	(7,427)	(4,985)	-67%

Revenue of the current quarter (Q2-2023) is RM90.80 million, which is a decrease of RM10.25 million compared to the immediate preceding quarter (Q1-2023). The LBT of RM2.66 million is lower by 66% of the immediate preceding quarter (LBT of RM7.75 million in Q1-2023). In the current quarter under review, the reduction in LBT mainly due to the referral fee of RM5.61 million receivable by courier and logistic division.

B3 Prospects

The mobile and fulfilment division has been appointed by a few telecommunication companies as their 3rd Party Logistics (“3PL”) and 4th Party Logistics (“4PL”) partners. The primary objective of this partnership is for the division to act on behalf of the telecommunication companies to procure, process, store and deliver the business tools/devices/terminals to their customers with agreed SLA targets. To remain agile, the division will continue to embrace digitisation solutions to improve on productivity and continue to meet SLA in order to provide greater customer experience.

Given the fact that last mile delivery/courier business and warehousing are on the uptrend, the Group will accelerate the logistics business through direct and indirect business partnership arrangements. As for the performance parameters, the Group will continue to work on revenue enhancement and cost optimisation initiatives. Margin will continue to be a challenge in the courier & logistics service division as industry players will compete indirectly in the price game in order to get a bigger slice of the pie.

Following the COVID-19 pandemic, online shopping has become a new normal which has accelerated the growth in the e-commerce industry. With the increase in e-commerce transactions, efficient logistics services is important to ensure timely delivery of e-commerce products to meet customers’ satisfactions. Logistics companies usually rely on belly space of commercial planes for air cargo logistic services for deliveries of products. However, the COVID-19 has dampened the aviation industry wherein the significant decline in passenger flights had caused shortage of belly cargo space and delays in deliveries. This in turn had increased the demand for charter flights for cargo space and capacity.

Air cargo logistics business of M Jets International Sdn Bhd (“MJet”) complements the Group’s courier and logistics business undertaken by Line Clear Express & Logistics Sdn Bhd. The Group is able to provides integrated courier and logistic services with wider coverage of end-to-end services and shorter timeframe of delivery services, allowing the Group to further strengthen and expand its network and connectivity domestically and globally. The Board believes that with the positive prospects on the growth of e-commerce, there is a potential growth in the air cargo industry which will provide opportunity to grow MJets’ air cargo logistics business.

NOTES TO THE QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2022

B4 Variance on profit forecast

There was no profit forecast issued by the Group.

B5 Corporate proposal

Save from the following, there were no corporate proposal announced but not completed as at 23 November 2022, being the last practicable date from the date of the issue of this report.

On-going Corporate Exercise

- (i) Proposed Private Placement of new ordinary shares in MMAG, representing up to 40% of the number of MMAG shares in issue (excluding treasury shares) (“Private Placement III”)
- (a) On 10 March 2022, the Board of Directors announced that the Company proposes to undertake the Proposed Private Placement of new ordinary shares in MMAG, representing up to 40% of the number of MMAG shares in issue (excluding treasury shares);
- (b) On 18 March 2022, the Board of Directors announced that the additional listing application in relation to the Proposed Private Placement III has been submitted to Bursa Securities;
- (c) On 10 May 2022, Bursa Securities had, vide its letter dated 10 May 2022, resolved the listing and quotation of up to 765,665,400 Placement Shares to be issued pursuant to the Proposed Private Placement III;
- (d) On 17 October 2022, the Board of Directors announced that the issue price was fixed at RM0.0200 per Placement Share; and
- (e) On 19 October 2022, the Board of Directors announced that a total of 681,269,200 Placement Shares based on the issue price of RM0.0200 each as announced on 17 October 2022 will be allotted to the placee in due course. This exercise was completed on 26 October 2022.

B6 Utilisation of proceeds

Proceeds raised from corporate proposals (Private Placement II) had been fully utilised on 31 March 2022.

B7 Borrowing and debt securities

The Group’s borrowings as at 30 September 2022 are as follows:-

	Quarter ended 30.09.2022 RM'000	Quarter ended 30.09.2021 RM'000
<u>Secured</u>		
Borrowings		
- Short term	16,437	392
- Long term	2,596	3,037
	19,033	3,429

During the financial period under review, the total finance costs (inclusive of lease liabilities) for the financial period ended 30 September 2022 was RM5.48 million as compared to RM1.30 million in the corresponding financial period ended 30 September 2021.

NOTES TO THE QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2022

B8 Material litigations

Save as disclosed below, as at 23 November 2022 (being the latest practicable date which is not earlier than 7 days from the date of issue of this Quarterly Report), the Group was not engaged in any material litigation either as plaintiff or defendant and the directors are not aware of any proceedings pending or threatened against the Group or any facts likely to give rise to any proceeding which might materially and adversely affect the financial position or business operations of the Group:-

- (i) On 18 April 2022, the Board of Directors announced that MJets (“Defendant”) had been served a Writ and Statement of Claim dated 13 April 2022 by Comone International Logistics Co Limited (“Plaintiff”).

The claimed against MJets is due to the cancellation of the proposed joint venture agreement by the previous management in year 2020 before MJets was a subsidiary of the Company.

If the claim is allowed, there is no material financial impact as the amount had already been fully provided in the accounts except for any additional cost or interest granted (if any).

On 25 May 2022, the Board of Directors announced that the aforesaid dispute has been amicably settled out of court and accordingly, a Notice of Discontinuance was filed by the plaintiff’s solicitors to the Shah Alam High Court.

- (ii) On 24 May 2022, the Board of Directors announced that the Company and MJets (“Defendants”) had on today been served with Originating Summons dated 19 May 2022 (“Originating Summons”) from the solicitors acting for JT Aerotech Solutions Sdn Bhd (“JT Aerotech”). The shareholders of MJets are MMAG (80%) and JT Aerotech (20%).

In the Originating Summons, JT Aerotech is seeking for, inter-alia, the following:-

- (a) declaratory reliefs pursuant to sections 105, 199, 200, 346 and 351 of the Companies Act 2016; and
 (b) orders pursuant to sections 41, 51 and 53 of the Specific Relief Act 1950.

The financial impact of the legal suit, if any, can only be ascertained pending the legal review by the defendants’ solicitors. There is no operational impact of the legal suit on MMAG Group and MJets.

On 19 August 2022, the Board of Directors announced that the Originating Summons was heard on 5 August 2022 with continued hearing on 19 August 2022. The Plaintiff’s Originating Summons was dismissed by the High Court, with costs, on 19 August 2022.

B9 Dividends

There was no dividend has been proposed nor declared during the financial period under review.

NOTES TO THE QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2022

B10 Loss per share**10.1 Basic loss per share**

The basis loss per share is calculated by dividing the net loss for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the financial period.

	Current year quarter ended 30.09.2022 RM'000	Preceding year corresponding quarter ended 30.09.2021 RM'000	Current year-to-date ended 30.09.2022 RM'000	Preceding year year-to-date ended 30.09.2021 RM'000
Loss attributable to Owners of the Company	(2,442)	(8,785)	(9,869)	(15,514)
Weighted average number of shares in issue ('000)	1,703,173	1,213,231	1,528,403	1,174,867
Basic loss per share (sen)	(0.14)	(0.72)	(0.65)	(1.32)

10.2 Diluted loss per share

The diluted loss per share is calculated by dividing the net loss for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares that would have been issued upon full conversion of Warrant 2017/2022.

	Current year quarter ended 30.09.2022 RM'000	Preceding year corresponding quarter ended 30.09.2021 RM'000	Current year-to-date ended 30.09.2022 RM'000	Preceding year year-to-date ended 30.09.2021 RM'000
Loss attributable to Owners of the Company	(2,442)	(8,785)	(9,869)	(15,514)
Weighted average number of shares in issue ('000)	1,703,173	1,213,231	1,528,403	1,174,867
Effect of dilution:				
Exercise of warrants	(831,701)	(178,426)	(578,691)	(55,893)
Adjusted weighted average number of ordinary shares in issue ('000)	871,472	1,034,805	949,712	1,118,974
Diluted loss per share (sen)	(0.28)	(0.85)	(1.04)	(1.39)

B11 Authorised for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 November 2022.