9. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO ALL OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.

9.1 RISKS RELATING TO OUR BUSINESS AND OUR OPERATIONS

9.1.1 We are dependent on our major customers and Dyson

Major customers who have contributed substantially to our revenue for FYE 2016 to 2018 and FPE 2019 are as follows:

Major customers[(2)]	FYE 2016	FYE 2017	FYE 2018	FPE 2019	Length of relationship
	% revenue contribution				Years
Jabco Filter System Sdn Bhd	54.9	56.5	52.1	52.7	9
Syarikat Sin Kwang Plastic Industries Sdn Bhd	2.7	9.1	7.1	5.2	11
ATA Industrial (M) Sdn Bhd	5.5	4.8	6.4	8.0	11
V.S. Industry Berhad	(1)	(1)	3.0	3.0	14
Company C	(1)	(1)	2.5	(1)	3
Takatronics (M) Sdn Bhd	5.6	3.6	(1)	(1)	4
Technocom Systems Sdn Bhd	(1)	2.8	(1)	2.2	11
Flextronics Technology (Penang) Sdn Bhd	2.6	(1)	(1)	(1)	6
	71.3	**76.8**	**71.1**	**71.1**	

Notes:

(1) They are not our top 5 major customers for that financial year under review

(2) Further details of such major customers and their respective revenue contribution are set out in Section 7.14

Based on the table above, we expect that our major customers will continue to contribute significantly to our Group's revenue in the future. We do not have contracts with our major customers. As such, we may be materially and adversely affected if we were to lose one or more of our major customers without securing new customers to replace the loss of business, or if we were to encounter difficulties in collecting payments from these major customers.

In addition, save for Technocom Systems Sdn Bhd, all of our major customers listed above are suppliers for Dyson. We supply certain components of the domestic appliances which are used by our customers to assemble the semi-finished or finished products for Dyson. If our customers' services as suppliers are terminated by Dyson, our customers may in turn cease to use our converting services, which will then materially and adversely affect our financial performance. The revenue contributed by our Group's customers who are suppliers for Dyson amounted to 76.6%, 81.1%, 80.1% and 80.8% for FYE 2016, 2017 and 2018 and FPE 2019 respectively.

9.1.2 Disruptions or unplanned shutdowns to our manufacturing plant could materially and adversely affect our business

Our Group's business is dependent on our manufacturing plant operating smoothly and efficiently. Any disruptions to or unplanned shutdowns of our production activities, arising from fire, power failure, floods and accidents may have an adverse impact on our manufacturing activities.

Although we have taken up insurance policies to provide coverage against the risk of fire and burglary and personal accidents for our workers, there is no assurance that our coverage is adequate to compensate for any financial losses arising from such incidents. There are also other risks such as natural disasters, riots and general strikes that cannot be reasonably insured against, which may materially and adversely affect our operations.

9.1.3 We rely on our suppliers to supply the products we distribute

We rely on our suppliers for our trading goods under our distribution business. Pursuant to distributorship agreements entered into with 3M and Henkel on 1 January 2018 and 25 February 2015 respectively, we have been appointed as distributors for 3M's industrial tape and adhesive products for Malaysia and Henkel's general industrial adhesive products for Malaysia and Singapore. Please refer to Section 7.15 for details of our purchases from these 2 suppliers.

Our Group's revenue from the distribution business amounted to between 13.2% and 16.6% for FYE 2016 to 2018 and FPE 2019. Any termination, withdrawal, disruptions in supply or change in terms with our suppliers may negatively affect us.

9.1.4 Our continued success is dependent on our Managing Director, Executive Directors and key senior management

We attribute our success to the leadership and continued contributions of our key senior management, led by our Managing Director and Executive Directors, Chaw Kam Shiang, Lau Cher Liang and Goh Jui Heng.

We believe that our continued and future success is dependent on our ability to retain our key senior management, who are responsible for formulating and implementing our business strategies, business development and daily management of operations. The loss of our Managing Director and Executive Directors may adversely affect us. The loss of our key senior management simultaneously or within a short span of time without suitable and timely replacement, or our inability to attract and retain qualified and competent personnel, could adversely impact us.

9.1.5 Our profit margin may fluctuate from year to year

The nature of our business requires us to discuss and develop solutions with our customers and/or end customers, especially when there are new product or new models of existing products being developed by them. We are required to propose and test new materials or modify converting processes to meet the requirements of our customers. Such testing and development process can be costly and time consuming. In FYE 2017, we incurred significant testing costs on various mesh materials and we chose not to transfer these costs to our customer which led to a drop in our GP margin for converting services from 21.3% in FYE 2016 to 16.3% in FYE 2017. Please refer to Section 12.2.2 (ii) for further details. As such, moving forward, if we are unable or chooses not to transfer the testing and development costs to our customers, our profitability may fluctuate and may be adversely affected.

9.1.6 We are exposed to fluctuation in foreign exchange rates

We are exposed to fluctuations in foreign exchange rates as majority of our purchases are transacted in foreign currencies. For FPE 2019, approximately 53.7%, 13.3% and 0.3% of our total purchases were transacted in USD, SGD and Euro respectively. We do not enter into any foreign currency hedging contracts. As such, any adverse fluctuations in the foreign exchange rates may have an adverse impact on our Group's financial performance.

For illustrative purpose, if the exchange rate between USD against RM in FPE 2019 increased by 5%, this would result in our purchases to increase by approximately RM2.5 million.

9.1.7 Express conditions of property owned by us

The express condition set out in the land title of our manufacturing plant in Tebrau states that the land shall be used only for the business purposes of "metal stamping, plastic injection, moulding and E&E products and other uses related to it". Based on our audited financial statements for FYE 2016, 2017 and 2018 and FPE 2019, approximately 96% of the products and services provided by us on the abovementioned land relate to such business purposes. As such, the current land use for the balance business activities may be a potential breach of the express condition.

In view of the potential breach, the State Authority may serve us a notice requiring us to show cause why a fine should not be imposed. If the State Authority is not satisfied with the reply or the show cause given by us, the State Authority may impose a fine of not less than RM500, and in the case of a continuing breach, a further fine of not less than RM100 for each day during which the breach continues. Such fine will not be imposed retrospectively and is only imposed on us when the State Authority concludes that we are in breach of the express condition.

If such breach continues, the State Authority may then issue a notice to specify the remedial actions (i.e. to cease such business operations which are not specifically covered in the express condition) and timeframe. The State Authority shall then endorse on the register document of title that the land is subject to an action for breach of condition.

When the breach has been remedied, the State Authority shall cancel any note endorsed on the register document of title that the land is subject to an action for breach of condition.

If we fail to carry out remedial actions within the specified timeframe, the State Authority shall take temporary possession of the land or in the absence of such direction, the State Authority may make an order declaring the land forfeited.

9.1.8 We may not be able to execute our business strategies and future plans successfully which may adversely affect our business

Our business strategies and future plans are to expand our converting capabilities and to adopt new printing technology. As part of our efforts to achieve this, we intend to construct a new manufacturing plant to house our corporate office, production lines and warehouse as well as acquire new machineries.

Although we will endeavour to minimise any business interruptions arising from the construction and relocation to our new manufacturing plant, there is no guarantee that we may not face disruptions or unplanned shutdowns which will adversely affect our business.

If our new manufacturing plant is unable to perform up to our expectations or generate sufficient revenue to cover any additional operating costs associated with the new manufacturing plant or operate at a lower capacity compared to our current manufacturing plant, our financial performance may also be negatively affected.

9.1.9 We are unable to disclose the identity of one of our major customers, namely Company C

Company C was one of our Group's top 5 major customers for FYE 2018, contributing 2.5% of our revenue for FYE 2018. Although Company C only appeared as our top 5 major customers for FYE 2018, it also contributed 1.0% of our Group's total revenue for FYE 2017 and 1.2% for FPE 2019. In addition, Company C is the only foreign company among all the top 5 customers and this is only the second year of our business dealings with them.

Moving forward, we expect Company C will continue to contribute significantly to our Group's revenue. Any dispute or difficulties in collection from Company C may affect our Group's financial performance. As such, the non-disclosure of Company C's identity may affect investor's ability to assess the impact of Company C on our business and the investors' risk when investing in our Shares.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We face competition from other competitors

We face competition from existing and prospective competitors which may be capable of offering similar label printing and converting services and distributing similar or substitute products. They may compete with us in terms of pricing, services range and quality.

Should our competitors offer more competitive pricing for their products and/or services, we may be forced to match their pricing in order to secure our market share, which may affect our profit margins. Additionally, should our competitors provide products and/or services of better quality such as faster response time, we may lose out to them, which in turn will negatively affect us.

9.2.2 We are dependent on foreign workers in our manufacturing plant

Our manufacturing operations are dependent on the continued supply of foreign labour. As at LPD, our foreign workers represent 47.3% of our total employees. Our foreign workers are mainly from Myanmar and Nepal.

Our business is therefore subject to labour and immigration laws that govern the employment of foreign workers. Any substantial shortage in the supply of foreign workers or restrictions on foreign workers usage may disrupt our operations. At this juncture, we obtain work permits for our foreign workers, which will be renewed on a yearly basis provided that the foreign workers are willing to continue working for our Group and satisfies the renewal conditions imposed by the Government of Malaysia. Any adverse changes to the policies on employment of foreign workers between Malaysia and the countries from which our foreign workers are sourced or any significant increase in labour wages, may adversely affect us.

9.2.3 Failure to comply with laws and regulations

Both Toyo Sho and Intag Industrial holds LMW licences issued by Royal Malaysian Customs Department for the warehousing and/or undertaking any manufacturing process of goods which are liable to customs duty and intended mainly for export. Customs duty exemption is given to all raw materials to be used in the manufacturing process of approved products.

The manufacturing licenses of Toyo Sho and Intag Steel stipulate that the company must by year 2020 fulfil the condition that its full time employment must consist of at least 80% Malaysian citizens. As at LPD, Toyo Sho and Intag Steel have not complied with such condition. If Toyo Sho and Intag Steel are unable to comply with such condition by year 2020, its manufacturing licenses may be suspended or revoked and this will negatively affect our business operations.

Separately, we are also required to obtain and maintain a number of licenses and permits from the relevant authorities to operate our business. If we are unable to comply with all regulations or conditions of our licences and/or permits, our licences and/or permits may be suspended or revoked and this will negatively affect our operations. There is also no assurance that the introduction of new laws or any changes to these legislations or other future regulatory developments will not have a material adverse effect on us.

9.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

9.3.1 No prior market for our Shares

Prior to our Listing, there was no public trading for our Shares. The listing of our Shares on the ACE Market does not guarantee that an active market for our Shares will develop.

There is also no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market.

9.3.2 Failure/delay in or termination/abortion of our Listing

Our Listing may be aborted or delayed should any of the following occurs:

(i) The selected investors fail to subscribe for their portion of our IPO Shares;

(ii) Our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein; and

(iii) We are unable to meet the public shareholding spread requirement set by Bursa Securities, whereby at least 25.0% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders each holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing.

If any of these events occur, investors will not receive any Shares and we will return in full without interest, all monies paid in respect of the Application within 14 days, failing which the provisions of Section 243(2) of the CMSA will apply.

If our Listing is aborted and/or terminated, and our Shares have been allotted to the investors, a return of monies to the investors could only be achieved by way of cancellation of share capital as provided under Sections 116 or 117 of the Act and its related rules.

Such cancellation requires the approval of shareholders by special resolution in a general meeting, with sanction of High Court of Malaya or with notice to be sent to the Director General of the Inland Revenue Board and ROC within 7 days of the date of the special resolution and us meeting the solvency requirements under Section 117(3) of the Act.

There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

9.3.3 Volatility of our Share price and volume of our Shares

The trading price and volume of our Shares may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and world bourses, inflow or outflow of foreign funds, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

9.4 OTHER RISKS

9.4.1 Continued control by our Promoters/substantial shareholders

Our Promoters will collectively hold approximately 69.2% of our enlarged share capital upon Listing. Because of the size of their shareholdings, our Promoters will have significant influence on the outcome of certain matters requiring the vote of shareholders unless they are required to abstain from voting by law and/or as required by the relevant authorities.

9.4.2 Forward-looking/prospective statements

Certain statements or expectations or forecasts in this Prospectus are based on historical data which may not be reflective of our future results. Forward-looking statements in this Prospectus are based on assumptions and subject to uncertainties and contingencies.

There can be no assurance that such prospective statements or expectations or forecasts will materialise and actual results may be deviate significantly. Such deviation may have a material and adverse effect on us.

10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

Save for the Acquisitions and as disclosed below, there were no transactions, existing and/or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them which are material to our Group during FYE 2016 to 2018 and FPE 2019 and up to LPD:

					Value of transactions									
					FYE 2016		FYE 2017		FYE 2018		FPE 2019		1 April 2019 up to LPD	
Related parties	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Brightwater Sunrise Sdn Bhd	Toyo Sho	Chaw Kam Shiang Ang Yam Fung	Chaw Kam Shiang is our Promoter, substantial shareholder and Managing Director Ang Yam Fung is our Promoter and key senior management The interested persons are also directors and shareholders of Brightwater Sunrise Sdn Bhd	Disposal of properties by Toyo Sho to Brightwater Sunrise Sdn Bhd	-	-	-	-	16,660	-	-	-	-	-
Harmony Networks Sdn Bhd	Toyo Sho	Chaw Kam Shiang Ang Yam Fung	Chaw Kam Shiang is our Promoter, substantial shareholder and Managing Director Ang Yam Fung is our Promoter and key senior	Disposal of properties by Toyo Sho to Harmony Networks Sdn Bhd	-	-	-	-	9,300	-	-	-	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Related parties	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Value of transactions FYE 2016 RM'000	FYE 2016 %	FYE 2017 RM'000	FYE 2017 %	FYE 2018 RM'000	FYE 2018 %	FPE 2019 RM'000	FPE 2019 %	1 April 2019 up to LPD RM'000	1 April 2019 up to LPD %
			management The interested persons are also directors and shareholders of Harmony Networks Sdn Bhd											
Trillion Paradise Sdn Bhd	Toyo Sho	Chaw Kam Shiang	Chaw Kam Shiang is our Promoter, substantial shareholder and Managing Director He is also a director and shareholder of Trillion Paradise Sdn Bhd	Disposal of property by Toyo Sho to Trillion Paradise Sdn Bhd	-	-	-	-	384	-	-	-	-	-
PA Properties Sdn Bhd	Intag Steel	Lau Cher Liang	Lau Cher Liang is our Promoter, substantial shareholder and Executive Director He is also a director and shareholder of PA Properties Sdn Bhd	Disposal of property by Intag Steel to PA Properties Sdn Bhd	-	-	-	-	2,200	-	-	-	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Related parties	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Value of transactions FYE 2016 RM'000	FYE 2016 %	FYE 2017 RM'000	FYE 2017 %	FYE 2018 RM'000	FYE 2018 %	FPE 2019 RM'000	FPE 2019 %	1 April 2019 up to LPD RM'000	1 April 2019 up to LPD %
Super Gold Supply Sdn Bhd (formerly known as Intag Engineering Hardware Sdn Bhd)	Intag Steel	Goh Jui Heng	Goh Jui Heng is our Executive Director He was formerly a director and shareholder of Super Gold Supply Sdn Bhd	Sale of steel products by Intag Steel to Super Gold Supply Sdn Bhd	(282)	*	(1,642)	*	(13)	*	-	-	-	-
Chaw Kam Shiang Lau Cher Liang	Intag Industrial	Chaw Kam Shiang Lau Cher Liang	Chaw Kam Shiang is our Promoter, substantial shareholder and Managing Director Lau Cher Liang is our Promoter, substantial shareholder and Executive Director	Rental paid by Intag Industrial to rent a warehouse belonging to Chaw Kam Shiang and Lau Cher Liang	225	-	270	-	270	-	-[1]	-	-[1]	-

Notes:

* Less than 0.1% of our revenue for the respective financial year

[1] We have ceased to rent this warehouse from 1 July 2018

Our Directors are of the view that the above related party transactions were conducted on an arm's length basis and on competitive commercial terms not more favourable to the related parties.

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Moving forward, in order to ensure that related party transactions are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

(i) Recurrent related party transactions

(a) At least 2 other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, wherever possible, to determine if the price and terms offered by related parties are fair and reasonable and comparable to those offered by other third parties for the same or substantially similar type of products/services and/or quantities; or

(b) If quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by other third parties for substantially similar type of transaction to ensure that the recurrent related party transactions are not detrimental us.

Our Board shall seek mandate from shareholders to enter into any recurrent related party transactions at a general meeting. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such recurrent transactions which are transacted in our ordinary course of business without having to convene numerous general meetings to approve such recurrent transactions as and when they are entered into.

(ii) Other related party transactions

(a) Whether the terms of the related party transaction are fair and on arm's length basis to our Group and would apply on the same basis if the transaction did not involve a related party;

(b) The rationale for the Group to enter into the related party transaction and the nature of alternative transactions, if any; and

(c) Whether the related party transaction would present a conflict of interest between our Group and the related parties, taking into account the size of the transaction and the nature of the related parties' interest in the transaction.

Where required under the Listing Requirements, a related party transaction may require prior approval of shareholders at a general meeting to be convened. An independent adviser may be appointed to comment as to whether the related party transaction is fair and reasonable so far as the minority shareholders are concerned; and whether the transaction is to the detriment of minority shareholders. In such instances, the independent adviser shall also advise minority shareholders on whether they should vote in favour of the transaction.

For related party transactions that require shareholders' approval, the Directors, major shareholders and/or persons connected with them, which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transactions, the Director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Directors and/or major shareholders will also undertake that he shall ensure that the persons connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting. The relevant directors who are deemed interested or conflicted in such transactions shall also abstain from our Board deliberations and voting on the Board resolutions relating to these transactions.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. Where necessary, our Board would make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

10.2 OTHER TRANSACTIONS

10.2.1 Transactions entered into that are unusual in their nature or conditions

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party for FYE 2016 to 2018, FPE 2019 and up to LPD.

10.2.2 Outstanding loans (including guarantees of any kind)

Outstanding loans and/or balances

The following is our related party balances for FYE 2016 to 2018, FPE 2019 and LPD:

	FYE 2016	FYE 2017	FYE 2018	FPE 2019	LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Amount due from Directors related companies[1]					
• Harmony Networks Sdn Bhd	-	-	20	-	-
• Super Gold Supply Sdn Bhd (formerly known as Intag Engineering Hardware Sdn Bhd)	291	64	-	-	-
• Super Gold Industrial Sdn Bhd	9	-	-	-	-
Amount due to Directors related companies[1]					
• Super Gold Supply Sdn Bhd (formerly known as Intag Engineering Hardware Sdn Bhd)	7	2	-	-	-
• Super Graphic Industrial Supplies Sdn Bhd	6	3	-	-	-
Amount due to Directors[2]					
• Chaw Kam Shiang	2,640	919	-	-	-
• Lau Cher Liang	2,100	200	-	-	-
• Goh Jui Heng	350	200	-	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Notes:

(1) This amount mainly comprises trade balance between our Group and the Directors' related companies

(2) This amount comprises expenses paid on behalf by Directors to our Group

Guarantees

(i) Chaw Kam Shiang, Lau Cher Liang, Goh Jui Heng and Ang Yam Fung, had extended personal guarantees for banking facilities and finance lease liabilities extended to our Group as at 31 March 2019. As at LPD, we have received conditional approvals from the respective banks to discharge the said guarantees upon Listing;

(ii) Certain of our related parties, namely Sam-Q Industrial Sdn Bhd (formerly known as Toyo Sho Industrial Supplies Sdn Bhd), Vantage Hour Sdn Bhd and Harmony Networks Sdn Bhd, had provided third party securities in the form of land and buildings for banking facilities extended to our Group as at 31 March 2019. As at LPD, we have received conditional approvals from the respective banks to discharge the said securities upon Listing; and

(iii) Yeong Kwan Loong, our previous Director in Intag Industrial had extended personal guarantee for one of the banking facilities extended to our Group as at 30 June 2018. As at LPD, the bank has discharged the said guarantee.

We will apply to the banks to discharge the said guarantees and securities upon Listing and expect to complete the discharge within 3 months from our Listing.

Save as disclosed above, there were no outstanding loans (including guarantees of any kind) made by us to or for the benefit of a related party in respect of FYE 2016 to 2018 and FPE 2019.

10.2.3 Promotions of any material assets acquired/to be acquired within 3 years preceding the date of this Prospectus

Save for the disposal of properties as disclosed in Section 10.1, none of our Directors or substantial shareholders had any interest, direct or indirect, in the promotion of or in any material assets which had been, within FYE 2016 to 2018 and FPE 2019, acquired or proposed to be acquired, disposed or proposed to be disposed or leased or proposed to be leased to/by us.

10.2.4 Transactions entered into with M&A Securities

Save as disclosed below, we have not entered into any transactions with M&A Securities who is the Adviser, Sponsor, Underwriter and Placement Agent for our Listing:

(i) Agreement dated 29 September 2017 and 11 October 2018 between Toyo Sho, Intag Industrial, Intag Steel and M&A Securities for the appointment of M&A Securities as Adviser, Placement Agent and Sponsor for our Listing; and

(ii) Underwriting Agreement dated 12 July 2019 entered into between our Company and M&A Securities for the underwriting of 48,087,700 Issue Shares.

11. CONFLICT OF INTEREST

11.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS AND OUR SUPPLIERS

Lau Cher Liang, our Executive Director, Promoter and substantial shareholder had first invested in ATA IMS Berhad in 2017, a public company listed on the Main Market of Bursa Securities which is the holding company of our major customers, namely ATA Industrial (M) Sdn Bhd and Jabco Filter System Sdn Bhd. Nevertheless, our Board is of the opinion that Lau Cher Liang's investment in ATA IMS Berhad, holding 3,034,000 ordinary shares does not give rise to any conflict of interest situation with our Group, taking into consideration that his shareholdings in ATA IMS Berhad is less than 0.03% of its share capital as at LPD and he is not involved in the business operations of our major customers. As at LPD, the number of ordinary shares in ATA IMS Berhad is 1,204,370,999.

Save as disclosed above, none of our other Directors or substantial shareholders has any interest, direct or indirect, in other businesses or corporations carrying on a similar or related trade as our Group, or are customers and/or suppliers of our Group as at LPD.

It is the Director's fiduciary duty to avoid conflict. Our Directors are required to attend courses which provide guidelines to them on their fiduciary duties. Moving forward, in order to mitigate any possible conflict of interest situation, our Directors will declare to our Nominating Committee and our Board their interests in other companies on the onset and as and when there are changes in their respective interests in companies outside our Group. Our Nominating Committee will then evaluate if such Director's involvement give rise to an actual or potential conflict of interest with our Group's business after the disclosure provided by such Director. Where a determination has been made that there is an actual or potential conflict of interest of a Director, our Nominating Committee will:

(i) Immediately inform our Board of the conflict of interest situation;

(ii) Make recommendations to our Board to direct the conflicted Director to:

   (a) Withdraw from all his executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an Executive Director); and

   (b) Abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (ii) above, the conflicted Director shall be absent from any Board discussion relating to the recommendation of our Nominating Committee and the conflicted Director shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairman of the Board, be present at the Board meeting for the purposes of answering any questions.

In circumstances where a Director has a significant, ongoing and irreconcilable conflict of interest with our Group, and where such conflict of interest significantly impedes the Director's ability to carry out his fiduciary responsibility to our Group, our Nominating Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

11.2 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS

(i) M&A Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Adviser, Sponsor, Underwriter and Placement Agent for our Listing.

(ii) Messrs Wong Beh & Toh has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Solicitors for our Listing.

(iii) Messrs Grant Thornton Malaysia has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for our Listing.

(iv) Protégé has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as IMR for our Listing.

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12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

Our historical financial information throughout FYE 2016 to 2018 and FPE 2019 have been prepared in accordance with MFRS and IFRS. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows.

The financial statements of Intag Industrial, Intag Steel and Toyo Sho were previously prepared in accordance with Private Entity Reporting Standards with different reporting periods in 2016. In conjunction with the Listing, the Group has adopted MFRS and determined 30 June to be its financial year.

We completed the acquisitions of the entire equity interest of Intag Industrial, Intag Steel and Toyo Sho on 28 June 2019. Intag Industrial, Intag Steel and Toyo Sho are assumed to be under common control with our Group since their incorporation and prior to completion of the Acquisitions. As such, the historical financial information of our Group for FYE 2016 to 2018 and FPE 2019 are presented based on the combined audited financial statements of MTAG Group.

12.1.1 Historical combined statements of profit or loss and other comprehensive income

The following table sets out a summary of our combined statements of profit or loss and other comprehensive income for FYE 2016 to 2018 and FPE 2019 as well as the historical combined unaudited statements of our Group for the FPE 2018 which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Accountants' Report set out in Sections 12.2 and 13 respectively.

	Audited			Unaudited	Audited
	FYE 2016	**FYE 2017**	**FYE 2018**	**FPE 2018**	**FPE 2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	126,983	186,607	187,465	143,119	136,109
Less : Cost of sales	(97,887)	(149,487)	(131,053)	(102,514)	(95,264)
GP	29,096	37,120	56,412	40,605	40,845
Other income	1,567	4,351	16,926	5,047	2,071
Selling and distribution expenses	(1,844)	(2,356)	(2,686)	(1,973)	(1,733)
Administration expenses	(6,612)	(7,810)	(11,211)	(8,147)	(9,165)
Finance costs	(1,119)	(1,271)	(1,148)	(973)	(187)
PBT	21,088	30,034	58,293	34,559	31,831
Tax expenses	(5,198)	(7,403)	(10,786)	(8,502)	(8,122)
Profit for the financial year/period	**15,890**	**22,631**	**47,507**	**26,057**	**23,709**
Other comprehensive income, net of tax					
Items that may not be reclassified subsequently to profit or loss:					
Realisation of revaluation reserve upon depreciation of revalued assets	-	-	-	-	89
Transfer of revaluation reserve to unappropriated profit	-	-	-	-	(89)
Revaluation of properties	-	-	7,926	-	-
Tax effect on items that will not be reclassified to profit or loss	-	-	(1,902)	-	-
	-	-	6,024	-	-
Total comprehensive income for the financial year/period	**15,890**	**22,631**	**53,531**	**26,057**	**23,709**

Our Group recorded gain on disposal of properties in FYE 2018, our adjusted PBT and PAT excluding the gain on disposal of properties in FYE 2018 are as follows:

	FYE 2018
PBT	58,293
Less: Gain on disposal of non-current asset held for sale	(2,117)
Gain on disposal of investment properties	(10,936)
Adjusted PBT	45,240
Tax expenses	(10,786)
Adjusted profit for the financial year	**34,454**

	Audited			Unaudited	Audited
	FYE 2016	FYE 2017	FYE 2018	FPE 2018	FPE 2019
	RM'000	RM'000	RM'000	RM'000	RM'000
EBIT [(1)]	22,199	31,292	59,424	35,524	31,920
EBITDA [(1)]	24,508	34,614	61,914	37,739	33,728
GP margin (%)[(2)]	22.9	19.9	30.1	28.4	30.0
PBT margin (%)[(3)]	16.6	16.1	31.1	24.1	23.4
Net margin (%)[(3)]	12.5	12.1	25.3	18.2	17.4
Basic EPS (sen) [(4)]	2.9	4.2	8.7	4.8	4.3
Diluted EPS (sen) [(5)]	2.3	3.3	7.0	3.8	3.5
Adjusted EBIT [(1)]	Not applicable	Not applicable	46,371	Not applicable	Not applicable
Adjusted EBITDA [(1)]	Not applicable	Not applicable	48,861	Not applicable	Not applicable
Adjusted PBT margin (%)[(3)]	Not applicable	Not applicable	24.1	Not applicable	Not applicable
Adjusted net margin (%)[(3)]	Not applicable	Not applicable	18.4	Not applicable	Not applicable
Adjusted basic EPS (sen) [(4)]	Not applicable	Not applicable	6.3	Not applicable	Not applicable
Adjusted diluted EPS (sen) [(5)]	Not applicable	Not applicable	5.1	Not applicable	Not applicable

Notes:

(1) EBIT and EBITDA are calculated as follows:

	Audited			#Adjusted	Unaudited	Audited
	FYE 2016	FYE 2017	FYE 2018	FYE 2018	FPE 2018	FPE 2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit for the financial year/period	15,890	22,631	47,507	34,454	26,057	23,709
Less:						
Interest income	(8)	(13)	(17)	(17)	(8)	(98)
Add:						
Finance costs	1,119	1,271	1,148	1,148	973	187
Tax expenses	5,198	7,403	10,786	10,786	8,502	8,122
EBIT	**22,199**	**31,292**	**59,424**	**46,371**	**35,524**	**31,920**
Add:						
Depreciation	2,309	3,322	2,490	2,490	2,215	1,808
EBITDA	**24,508**	**34,614**	**61,914**	**48,861**	**37,739**	**33,728**

\# Adjusted to exclude gain on disposal of properties in FYE 2018

(2) Calculated based on GP divided by revenue

(3) PBT margin and net margin are calculated based on the respective PBT or adjusted PBT and profit for the financial year/period or adjusted profit for the financial year divided by revenue

(4) Calculated based on profit for the financial year/period or adjusted profit for the financial year divided by our enlarged number of Shares in issue before IPO

(5) Calculated based on profit for the financial year/period or adjusted profit for the financial year divided by our enlarged number of Shares in issue after IPO

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12.1.2 Historical combined statements of financial position

The following table sets out the combined statements of financial position of our Group as at 30 June 2016, 2017, 2018 and 31 March 2019 which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Accountants' Report set out in Sections 12.2 and 13 respectively.

	Audited			
	FYE 2016	**FYE 2017**	**FYE 2018**	**FPE 2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-current assets				
Property, plant and equipment	14,119	19,378	24,374	23,619
Investment properties	19,746	14,765	-	-
Capital work-in-progress	560	-	-	-
Total non-current assets	34,425	34,143	24,374	23,619
Current assets				
Inventories	11,521	24,512	19,608	24,498
Trade receivables	38,176	55,585	45,216	49,973
Other receivables	771	1,105	2,223	3,120
Amount due from Directors related companies	300	64	20	-
Fixed deposits with a licensed bank	-	-	-	3,000
Cash and bank balances	3,025	8,022	22,311	25,130
	53,793	89,288	89,378	105,721
Non-current assets classified as held for sale	-	4,190	-	-
Total current assets	53,793	93,478	89,378	105,721
Total assets	**88,218**	**127,621**	**113,752**	**129,340**
Equity				
Share capital	2,566	2,566	2,566	2,566
Revaluation reserve	-	-	6,024	5,935
Unappropriated profit	35,514	55,145	67,730	82,028
Total equity	38,080	57,711	76,320	90,529
Non-current liabilities				
Deferred tax liabilities	341	752	2,313	2,597
Finance lease creditors	457	514	590	506
Borrowings	19,048	17,543	6,357	5,861
Total non-current liabilities	19,846	18,809	9,260	8,964
Current liabilities				
Trade payables	16,373	39,442	13,188	23,364
Other payables	2,752	1,998	1,955	2,495
Amount due to Directors	5,090	1,319	-	-
Amount due to Directors related companies	13	5	-	-
Finance lease creditors	138	143	202	264
Borrowings	4,489	6,777	9,903	3,472
Dividend payable	-	-	1,020	-
Tax payable	1,437	1,417	1,904	252
Total current liabilities	30,292	51,101	28,172	29,847
Total liabilities	50,138	69,910	37,432	38,811
Total equity and liabilities	**88,218**	**127,621**	**113,752**	**129,340**

12.1.3 Historical combined statements of cash flows

The following table sets out the combined statements of cash flows of our Group for FYE 2016 to 2018 and FPE 2019 which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Accountants' Report set out in Sections 12.2 and 13 respectively.

	Audited			
	FYE 2016	**FYE 2017**	**FYE 2018**	**FPE 2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Operating activities				
PBT	21,088	30,034	58,293	31,831
Adjustments for:				
Bad debt written off	21	8	-	3
Depreciation of property, plant and equipment	1,542	2,531	2,225	1,808
Depreciation of investment properties	767	791	265	-
Interest expenses	1,119	1,269	1,143	187
Property, plant and equipment written off	-	-	19	-
Gain on disposal of property, plant and equipment	-	(103)	(75)	(7)
Gain on disposal of non-current assets classified as held for sale	-	-	(2,117)	-
Interest income	(8)	(13)	(17)	(98)
Unrealised (gain)/loss on foreign exchange	(13)	(1,508)	25	(545)
Gain on disposal of investment properties	-	-	(10,936)	-
Operating profit before working capital changes	24,516	33,009	48,825	33,179
Changes in working capital:				
Inventories	2,065	(12,991)	4,905	(4,890)
Receivables	(8,348)	(17,787)	9,250	(5,646)
Payables	4,505	23,785	(26,296)	11,249
Directors related companies	(293)	227	39	20
Cash generated from operations	22,445	26,243	36,723	33,912
Tax paid	(4,725)	(7,012)	(10,641)	(9,490)
Net cash flows from operating activities	**17,720**	**19,231**	**26,082**	**24,422**
Investing activities				
Purchase of property, plant and equipment	(902)	(7,013)	(2,217)	(898)
Purchase of capital work-in-progress	(560)	-	-	-
Addition of non-current assets classified as held for sale[1]	-	-	(2,193)	-
Purchase of investment properties	(6,170)	-	-	-
Proceeds from disposal of property, plant and equipment	-	103	169	15
Proceeds from disposal of investment properties	-	-	642	-
Proceeds from disposal of non-current assets classified as held for sale	-	-	8,500	-
Placement of fixed deposits with a licensed bank	-	-	-	(3,000)
Interest received	8	13	17	98
Net cash flows (used in)/from investing activities	**(7,624)**	**(6,897)**	**4,918**	**(3,785)**

	Audited			
	FYE 2016	**FYE 2017**	**FYE 2018**	**FPE 2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financing activities				
Dividend paid	(4,000)	(3,000)	(6,000)	(10,520)
Interest paid	(1,119)	(1,269)	(1,143)	(187)
Drawdown of term loans	3,700	-	-	-
(Repayment of)/Proceeds from short-term borrowings	(127)	2,350	5,191	(6,437)
Repayment of finance lease creditors	(117)	(155)	(163)	(186)
Repayment of term loans	(1,347)	(1,567)	(13,252)	(488)
Repayment to Directors	(7,851)	(3,771)	(1,319)	-
Issuance of shares	-	-	*	*
Net cash flows used in financing activities	**(10,861)**	**(7,412)**	**(16,686)**	**(17,818)**
Cash and cash equivalents				
Net changes	(765)	4,922	14,314	2,819
Effect of exchange rate changes	13	75	(25)	-
At beginning of financial year/period	3,777	3,025	8,022	22,311
At end of financial year/period	**3,025**	**8,022**	**22,311**	**25,130**

Notes:

* Less than RM1,000

(1) Mainly consist of payment for extension of lease periods for the property located at PLO 105, Jalan Cyber 5, Kawasan Perindustrian Senai III, 81400 Senai, Johor

12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and segmental analysis of our combined financial statements for FYE 2016 to 2018 and FPE 2019 should be read with the Accountants' Report included in Section 13.

12.2.1 Overview of our operations

(i) Principal activities

Our Group is principally involved in printing of labels and stickers and customised converting services and distribution of industrial tapes, adhesives and other products. Please refer to Section 7 for our Group's detailed business overview.

(ii) Revenue

Our Group's revenue is mainly derived from (i) converting services which includes printing of labels and stickers and customised converting services and (ii) distribution of industrial tapes, adhesives and other products. Our revenue is recognised upon the issuance of a delivery order to our customer.

Revenue is recognised when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

(iii) Cost of sales

The cost of sales for our converting and distribution business mainly comprise the invoiced price of the materials, plus directly attributable costs of purchase such as transportation, handling costs and freight insurance. We also incurred direct labour and factory overhead.

(iv) Other income

Other income includes mainly gain on foreign exchange, rental income from our investment properties and gain on disposal of properties.

(v) Selling and distribution expenses

Selling and distribution expenses are costs incurred directly for marketing and sales functions such as advertisement, entertainment, carriage outwards and staff costs of our salesmen.

(vi) Administration expenses

Administration expenses comprise overheads incurred to maintain our operations such as administrative staff costs, directors' remuneration and depreciation.

(vii) Finance costs

Finance costs comprise mainly interest expense on our borrowings.

(viii) Recent developments

Save for the Acquisitions, there were no other significant events subsequent to our Group's audited combined financial statements for FPE 2019.

12.2.2 Review of our results of operations

(i) Revenue

	Audited						Unaudited		Audited	
	FYE 2016		FYE 2017		FYE 2018		FPE 2018		FPE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Converting	110,227	86.8	161,018	86.3	156,392	83.4	119,580	83.6	118,005	86.7
Distribution	16,756	13.2	25,589	13.7	31,073	16.6	23,539	16.4	18,104	13.3
	126,983	**100.0**	**186,607**	**100.0**	**187,465**	**100.0**	**143,119**	**100.0**	**136,109**	**100.0**

Comparison between FYE 2016 and FYE 2017

Our Group's total revenue increased by RM59.6 million or 46.9% from RM127.0 million in FYE 2016 to RM186.6 million in FYE 2017. Converting services is our main business which contributed 86.3% of our Group's total revenue in FYE 2017.

Revenue from converting services increased by RM50.8 million due to higher demand for our mesh products arising from the introduction of new vacuum cleaner models by Dyson.

During the financial year, the demand for our tapes and adhesives to cater to new hairdryer and bladeless fan by Dyson also increased. This resulted in higher revenue from our distribution business which increased by RM8.8 million or 52.7%.

Comparison between FYE 2017 and FYE 2018

Our Group's total revenue increased marginally by RM0.9 million or 0.5% from RM186.6 million in FYE 2017 to RM187.5 million in FYE 2018.

Revenue from converting services decreased by RM4.6 million due to lower demand for our mesh products from Dyson. This was due to slowdown of demand for vacuum cleaner as no new model was introduced by Dyson during this period.

Revenue from distribution business increased by RM5.4 million due to higher demand for our tapes and adhesives arising from the introduction of new hairdryer and bladeless fan models by Dyson in 2017.

12. FINANCIAL INFORMATION *(Cont'd)*

Comparison between FPE 2018 and FPE 2019

Our Group's total revenue decreased by RM7.0 million or 4.9% from RM143.1 million in FPE 2018 to RM136.1 million in FPE 2019.

Revenue from converting services decreased by RM1.6 million due to lower demand for our mesh products from Dyson as there was no major products introduced during this period.

Revenue from distribution business decreased by RM5.4 million due to lower demand for our tapes and adhesives from Dyson. Our revenue for FPE 2018 was higher due to the introduction of new hairdryer and bladeless fan models by Dyson in 2017.

(ii) Cost of sales, GP and GP margin

Analysis of cost of sales by activities

	Audited						Unaudited		Audited	
	FYE 2016		FYE 2017		FYE 2018		FPE 2018		FPE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Converting										
- Materials	80,594	82.3	127,254	85.1	101,433	77.4	80,354	78.4	75,671	79.4
- Direct labour	2,397	2.5	3,120	2.1	3,565	2.7	2,195	2.1	2,533	2.7
- Factory overheads	3,730	3.8	4,345	2.9	4,437	3.4	3,533	3.4	4,287	4.5
	86,721	88.6	134,719	90.1	109,435	83.5	86,082	83.9	82,491	86.6
Distribution										
- Trading goods	10,934	11.1	14,449	9.6	21,178	16.2	16,045	15.7	12,418	13.0
- Direct labour	76	0.1	86	0.1	171	0.1	26	0.1	68	0.1
- Warehouse overheads	156	0.2	233	0.2	269	0.2	361	0.3	287	0.3
	11,166	11.4	14,768	9.9	21,618	16.5	16,432	16.1	12,773	13.4
	97,887	**100.0**	**149,487**	**100.0**	**131,053**	**100.0**	**102,514**	**100.0**	**95,264**	**100.0**

12. FINANCIAL INFORMATION *(Cont'd)*

Analysis of GP and GP margin by activities

	Audited						Unaudited		Audited	
	FYE 2016		FYE 2017		FYE 2018		FPE 2018		FPE 2019	
	GP	GP margin	GP	GP margin	GP	GP margin	GP	GP margin	GP	GP margin
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Converting	23,506	21.3	26,299	16.3	46,957	30.0	33,498	28.0	35,514	30.1
Distribution	5,590	33.4	10,821	42.2	9,455	30.4	7,107	30.2	5,331	29.4
	29,096	**22.9**	**37,120**	**19.9**	**56,412**	**30.1**	**40,605**	**28.4**	**40,845**	**30.0**

Comparison between FYE 2016 and FYE 2017

Our Group's total cost of sales increased by RM51.6 million or 52.7% from RM97.9 million in FYE 2016 to RM149.5 million in FYE 2017 which was consistent with the increase in our revenue. We purchased various types of mesh such as non-woven materials, fibre glass and PTFE to support the introduction of new vacuum cleaner models by Dyson.

The increase in cost of sales for our distribution business by RM3.6 million or 32.3% was due to increase of demand for our tapes and adhesives arising from the introduction of new hairdryer and bladeless fan models by Dyson.

Materials are the major component of our cost of sales which contributed 85.1% of our Group's total cost of sales in FYE 2017.

The overall percentage increase in cost of sales was higher than the percentage increase in our revenue which resulted in our overall Group's GP margin to decrease from 22.9% in FYE 2016 to 19.9% in FYE 2017.

Due to the introduction of new vacuum cleaner models in FYE 2017, we incurred significant testing costs on various mesh materials to meet the new specifications of those models. In order to maintain our long term business relationship with the end customer, we did not transfer these costs to them which led to a drop in our GP margin for converting services from 21.3% in FYE 2016 to 16.3% in FYE 2017.

Our GP margin from distribution business increased from 33.4% in FYE 2016 to 42.2% in FYE 2017 mainly due to higher selling price for the new range of tapes and adhesives. We were able to price higher for our initial testing and development of the tapes and adhesives to meet the stringent specifications of our end customers.

Subject to any new products developed by our customers or any improved requirement for the existing products, we are required to conduct testing and development from time to time in order to propose modifications on the materials selection and converting processes. As we intend to maintain long term business relationship with our customers and may decide not to transfer these cost to our customers, our GP margin may fluctuate from year to year.

Comparison between FYE 2017 and FYE 2018

Our Group's total cost of sales decreased by RM18.4 million or 12.3% from RM149.5 million in FYE 2017 to RM131.1 million in FYE 2018 despite a slight increase in revenue. This was largely contributed by the decrease of materials cost of RM25.8 million in FYE 2018.

Materials remained as the major component of our cost of sales which contributed 77.4% of our Group's total cost of sales in FYE 2018.

After a series of testing on various mesh materials and discussion with our materials suppliers for the new specifications in FYE 2017, we obtained sufficient technical knowhow to propose modifications on the materials selection and converting processes to the end customer which led to improvement in our efficiency and effectiveness. Further, we also purchased 4 new converting machines during the end of FYE 2017 which shortened our converting process as it can undertake the functions of double-sided printing and die-cutting simultaneously. This led to increase in our GP margin for converting services from 16.3% to 30.0%.

Our GP margin from distribution business decreased from 42.2% in FYE 2017 to 30.4% in FYE 2018 due to reduction in selling price for recurring products requested by customers.

Comparison between FPE 2018 and FPE 2019

Our Group's total cost of sales decreased by RM7.2 million or 7.1% from RM102.5 million in FPE 2018 to RM95.3 million in FPE 2019 due to decrease in revenue. This was largely contributed by the decrease of materials cost of RM4.7 million and trading goods of RM3.6 million in FPE 2019.

Materials remained as the major component of our cost of sales which contributed 79.4% of our Group's total cost of sales in FPE 2019.

Our GP margin from converting business of 30.1% in FPE 2019 is fairly consistent as compared to 30.0% in FYE 2018.

Our GP margin from distribution business slightly decreased from 30.4% in FYE 2018 to 29.4% in FPE 2019 due to reduction in selling price for recurring products requested by customers, mainly on hot melt adhesive utilised for mesh materials.

12. FINANCIAL INFORMATION *(Cont'd)*

(iii) Other income

	Audited						Unaudited		Audited	
	FYE 2016		FYE 2017		FYE 2018		FPE 2018		FPE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest income	8	0.5	13	0.3	17	0.1	8	0.1	98	4.7
Gain on disposal of non-current assets held for sale	-	-	-	-	2,117	12.5	-	-	-	-
Gain on disposal of investment properties	-	-	-	-	10,936	64.6	-	-	-	-
Gain on disposal of property, plant and equipment	-	-	103	2.4	75	0.4	115	2.3	87	4.2
Rental income	1,428	91.1	1,983	45.6	1,407	8.3	1,342	26.6	-	-
Unrealised gain on foreign exchange	13	0.8	1,508	34.7	2	*	-	-	545	26.3
Realised gain on foreign exchange	117	7.5	562	12.9	2,364	14.0	3,574	70.9	1,341	64.8
Others	1	0.1	(1)182	4.1	8	0.1	8	0.1	-	-
	1,567	**100.0**	**4,351**	**100.0**	**16,926**	**100.0**	**5,047**	**100.0**	**2,071**	**100.0**

Note:

(1) Others include insurance claim for defective raw materials during shipment and discount received from suppliers

Comparison between FYE 2016 and FYE 2017

Other income increased by RM2.8 million from RM1.6 million in FYE 2016 to RM4.4 million in FYE 2017. This was mainly due to the following:

(a) Increase in gain on realised and unrealised foreign exchange differences of RM1.9 million;

(b) Increase in rental income of RM0.6 million; and

(c) Insurance claim for defective goods of RM0.2 million.

Comparison between FYE 2017 and FYE 2018

Other income increased by RM12.5 million from RM4.4 million in FYE 2017 to RM16.9 million in FYE 2018. This was mainly due to gain on disposal of properties amounted to RM13.1 million. Rental income decreased by RM0.6 million as the properties have been disposed during the financial year. Realised gain on foreign exchange increased by RM1.8 million mainly due to strengthening of RM against other foreign currencies in FYE 2018 as majority of our purchases are denominated in foreign currencies.

Comparison between FPE 2018 and FPE 2019

Other income decreased by RM3.0 million from RM5.0 million in FPE 2018 to RM2.0 million in FPE 2019. This was mainly due to no rental income collected as we have disposed all of our properties in FYE 2018. Realised gain on foreign exchange decreased by RM2.2 million mainly due to weakening of RM against other foreign currencies in FPE 2019 as majority of our purchases are denominated in foreign currencies.

(iv) Selling and distribution expenses

	Audited						Unaudited		Audited	
	FYE 2016		FYE 2017		FYE 2018		FPE 2018		FPE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Advertisement and entertainment	324	17.6	400	17.0	487	18.1	387	19.6	197	11.4
Carriage outwards	135	7.3	189	8.0	221	8.2	186	9.4	184	10.6
Staff costs	1,069	58.0	1,300	55.2	1,554	57.9	1,044	52.9	1,040	60.0
Travelling expenses	316	17.1	467	19.8	424	15.8	356	18.1	312	18.0
	1,844	**100.0**	**2,356**	**100.0**	**2,686**	**100.0**	**1,973**	**100.0**	**1,733**	**100.0**

Comparison between FYE 2016 and FYE 2017

Selling and distribution expense increased by RM0.5 million or 27.8% from RM1.8 million in FYE 2016 to RM2.3 million in FYE 2017 mainly due to higher commission paid to salesmen in line with increase in sales.

Comparison between FYE 2017 and FYE 2018

Selling and distribution expense increased by RM0.4 million or 14.0% from RM2.3 million in FYE 2017 to RM2.7 million in FYE 2018 mainly due to higher headcount and commission rate paid to salesmen.

12. FINANCIAL INFORMATION *(Cont'd)*

Comparison between FPE 2018 and FPE 2019

Selling and distribution expense decreased by RM0.2 million or 12.2% from RM1.9 million in FPE 2018 to RM1.7 million in FPE 2019 mainly due to lower entertainment expenses.

(v) Administration expenses

	Audited						Unaudited		Audited	
	FYE 2016		FYE 2017		FYE 2018		FPE 2018		FPE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bad debts	21	0.3	8	0.1	-	-	-	-	3	0.1
Bank charges	42	0.6	46	0.6	63	0.6	47	0.6	33	0.4
Depreciation	1,567	23.7	2,111	27.0	1,138	10.1	1,213	14.9	792	8.6
Directors' fees and remuneration[(1)]	1,778	26.9	1,490	19.1	5,024	44.8	3,505	43.0	4,916	53.6
License and insurance	56	0.9	60	0.8	76	0.7	55	0.7	53	0.6
Legal and professional fees	425	6.4	332	4.2	395	3.5	310	3.8	439	4.8
Office expenses	122	1.8	151	1.9	128	1.1	98	1.2	125	1.4
Property expenses	228	3.5	167	2.1	215	2.0	152	1.9	35	0.4
Real property gains tax	-	-	-	-	325	2.9	-	-	173	1.9
Repair and maintenance	119	1.8	130	1.7	161	1.4	128	1.6	82	0.9
Realised loss on foreign exchange	41	0.6	132	1.7	-	-	-	-	-	-
Staff benefits	205	3.1	218	2.8	300	2.7	188	2.3	147	1.6
Staff costs	1,784	27.0	2,647	33.9	3,152	28.1	2,275	27.9	2,206	24.1
Travelling and communication expenses	138	2.1	162	2.1	145	1.3	76	0.9	81	0.8
Others[(2)]	86	1.3	156	2.0	89	0.8	100	1.2	80	0.8
	6,612	**100.0**	**7,810**	**100.0**	**11,211**	**100.0**	**8,147**	**100.0**	**9,165**	**100.0**

Notes:

[1] Relates to Managing Director and Executive Directors of MTAG only

[2] Others mainly include entertainment, property, plant and equipment written off and unrealised loss on foreign exchange

Comparison between FYE 2016 and FYE 2017

Administration expense increased by RM1.2 million or 18.2% from RM6.6 million in FYE 2016 to RM7.8 million in FYE 2017. The increase was mainly attributable to:

(a) Higher depreciation of RM0.6 million due to the purchase of RM3.4 million of plant and machineries to improve our converting capabilities in FYE 2017. We also incurred RM3.9 million to refurbish a dilapidated property located in Taman Perindustrian Cemerlang which was acquired in FYE 2016; and

(b) Higher staff cost mainly due to annual increment and higher bonus paid of RM0.9 million to reward our employees for the increase of revenue and profit for the financial year.

Directors' fees and remuneration reduced by RM0.3 million in FYE 2017 despite our Group recording a 46.9% increase in revenue as the Directors intended to conserve more cash and bank balances in our Group in anticipation of further capital expenditure to support our business expansion.

Comparison between FYE 2017 and FYE 2018

Administration expense increased by RM3.4 million or 43.5% from RM7.8 million in FYE 2017 to RM11.2 million in FYE 2018. The increase was mainly attributable to:

(a) Higher director remuneration paid to our Managing Director and Executive Directors to commensurate with our overall business growth in the last 3 financial years as we recorded higher cash flows from operating activities from RM17.7 million in FYE 2016 to RM26.1 million in FYE 2018;

(b) Higher staff costs of RM0.5 million due to the hiring of 14 new employees in FYE 2018 to support our business expansion; and

(c) Real property gains tax amounted to RM0.3 million due to our disposal of properties in FYE 2018.

Depreciation reduced in FYE 2018 mainly due to disposal of investment properties.

Comparison between FPE 2018 and FPE 2019

Administration expense increased by RM1.0 million or 12.5% from RM8.1 million in FPE 2018 to RM9.1 million in FPE 2019 which was mainly attributable to higher director remuneration paid to our Managing Director and Executive Directors to commensurate with our overall business growth in the last 3 financial years as we recorded higher cash flows from operating activities of RM24.4 million in FPE 2019 as compared to RM26.1 million in FYE 2018. This was partially offset by the decrease of depreciation of RM0.4 million due to the disposal of properties in FPE 2018 *(please refer to Section 6.4).*

(vi) Finance costs

	Audited						Unaudited		Audited	
	FYE 2016		FYE 2017		FYE 2018		FPE 2018		FPE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bank overdrafts	2	0.2	3	0.2	7	0.6	-	-	5	2.7
Bank commitment fees	-	-	2	0.2	5	0.4	-	-	4	2.1
Bankers' acceptances	74	6.6	108	8.5	308	26.8	231	23.7	73	39.0
Finance lease creditors	12	1.1	35	2.8	35	3.1	13	1.4	30	16.0
Term loans	1,031	92.1	1,123	88.3	793	69.1	729	74.9	75	40.2
	1,119	**100.0**	**1,271**	**100.0**	**1,148**	**100.0**	**973**	**100.0**	**187**	**100.0**

Comparison between FYE 2016 and FYE 2017

Finance costs increased by RM0.1 million or 13.6% from RM1.1 million in FYE 2016 to RM1.2 million in FYE 2017. The increase was mainly attributable to increase in term loans interest by RM0.1 million resulted from the acquisition of property located in Taman Perindustrian Cemerlang which was financed by term loan drawdown towards end of FYE 2016.

Comparison between FYE 2017 and FYE 2018

Finance costs decreased by RM0.1 million or 9.7% from RM1.2 million in FYE 2017 to RM1.1 million in FYE 2018. The decrease was mainly attributable to decrease in term loans interest by RM0.3 million resulted from the redemption of term loans of RM13.0 million for those investment properties that we disposed. However, this was offset by increase in bankers' acceptances interest which was used to purchase huge quantity of inventories towards the end of FYE 2017.

12. FINANCIAL INFORMATION *(Cont'd)*

Comparison between FPE 2018 and FPE 2019

Finance costs decreased by RM0.8 million or 80.8% from RM1.0 million in FPE 2018 to RM0.2 million in FPE 2019. The decrease was mainly attributable to decrease in term loans interest by RM0.7 million resulted from the redemption of term loans of RM13.0 million for those investment properties that we disposed in FYE 2018.

(vii) PBT and PBT margin

	Audited			Unaudited	Audited
	FYE 2016	FYE 2017	FYE 2018	FPE 2018	FPE 2019
	RM'000	RM'000	RM'000	RM'000	RM'000
PBT (RM'000)	21,088	30,034	58,293	34,559	31,831
Adjusted PBT [(1)] (RM'000)	Not applicable	Not applicable	45,240	Not applicable	Not applicable
PBT margin (%)	16.6	16.1	31.1	24.1	23.4
Adjusted PBT margin [(1)] (%)	Not applicable	Not applicable	24.1	Not applicable	Not applicable

Note:

(1) Adjusted to exclude gain on disposal of properties in FYE 2018

PBT margin improved significantly to 31.1% in FYE 2018 due to gain on disposal of properties amounted to RM13.1 million. Based on the adjusted PBT excluding the gain on disposal of properties, our adjusted PBT margin was 24.1% for FYE 2018. The improvement in the adjusted PBT margin was mainly due to improvement in the GP margin for our converting business.

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12. FINANCIAL INFORMATION *(Cont'd)*

(viii) Taxation

	Audited			Unaudited	Audited
	FYE 2016	FYE 2017	FYE 2018	FPE 2018	FPE 2019
	RM'000	RM'000	RM'000	RM'000	RM'000
Taxation	5,198	7,403	10,786	8,502	8,122
Effective tax rate (%)	24.6	24.6	18.5	24.6	25.5
Statutory tax rate (%)	24.0	24.0	24.0	24.0	24.0

Our effective tax rate for FYE 2018 is 18.5% which is lower than the statutory tax rate. This was mainly due to adjustments on certain non-taxable income such as gain on disposal of properties.

Our effective tax rate for FPE 2019 is 25.5% which is higher than the statutory tax rate. This was mainly due to under provision of tax expenses in FYE 2018.

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12.2.3 Review of financial position

(i) Assets

	Audited			
	FYE 2016	FYE 2017	FYE 2018	FPE 2019
	RM'000	RM'000	RM'000	RM'000
Non-current assets				
Property, plant and equipment	14,119	19,378	24,374	23,619
Investment properties	19,746	14,765	-	-
Capital work-in-progress	560	-	-	-
Total non-current assets	34,425	34,143	24,374	23,619
Current assets				
Inventories	11,521	24,512	19,608	24,498
Trade receivables	38,176	55,585	45,216	49,973
Other receivables	771	1,105	2,223	3,120
Amount due from Directors related companies	300	64	20	-
Fixed deposits with a licensed bank	-	-	-	3,000
Cash and bank balances	3,025	8,022	22,311	25,130
	53,793	89,288	89,378	105,721
Non-current assets classified as held for sale	-	4,190	-	-
Total current assets	53,793	93,478	89,378	105,721
Total assets	**88,218**	**127,621**	**113,752**	**129,340**

Comparison between FYE 2016 and FYE 2017

Total assets increased by RM39.4 million from RM88.2 million in FYE 2016 to RM127.6 million in FYE 2017. This was mainly due to the increase in our current assets by RM39.7 million.

The increase in current assets was mainly due to higher inventories, trade receivables and cash and bank balance, in line with higher business activities during the financial year. The increase in trade receivables is consistent with the increase in revenue of 46.9%. We have also increased our raw materials level to support current and anticipated increased of future production activities based on customers' forecast.

Non-current assets classified as held for sale relates to an investment property located in PLO 105, Jalan Cyber 5, Kawasan Perindustrian Senai III, 81400 Senai, Johor which was disposed off in FYE 2018.

Comparison between FYE 2017 and FYE 2018

Total assets decreased by RM13.8 million from RM127.6 million in FYE 2017 to RM113.8 million in FYE 2018 resulting from a decrease in non-current assets by RM9.7 million and current assets by RM4.1 million.

The decrease in non-current assets was mainly due to disposal of investment properties.

The decrease in current assets of RM4.1 million was mainly due to disposal of non-current assets classified as held for sale. The working capital position of our Group is approximately the same as prior year.

Comparison between FYE 2018 and FPE 2019

Total assets increased by RM15.5 million from RM113.8 million in FYE 2018 to RM129.3 million in FPE 2019 resulting from an increase in current assets by RM16.3 million which was partially offset by decrease in non-current assets by RM0.8 million.

The increase in current assets of RM16.3 million was mainly due to higher inventories, trade receivables and cash collected from our revenue. We have increased our level of raw materials in particularly mesh to support current and anticipated increase in future production activities based on customers' forecast.

(ii) Liabilities

	Audited			
	FYE 2016	**FYE 2017**	**FYE 2018**	**FPE 2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-current liabilities				
Deferred tax liabilities	341	752	2,313	2,597
Finance lease creditors	457	514	590	506
Borrowings	19,048	17,543	6,357	5,861
Total non-current liabilities	19,846	18,809	9,260	8,964
Current liabilities				
Trade payables	16,373	39,442	13,188	23,364
Other payables	2,752	1,998	1,955	2,495
Amount due to Directors	5,090	1,319	-	-
Amount due to Directors related companies	13	5	-	-
Finance lease creditors	138	143	202	264
Borrowings	4,489	6,777	9,903	3,472
Dividend payable	-	-	1,020	-
Tax payable	1,437	1,417	1,904	252
Total current liabilities	30,292	51,101	28,172	29,847
Total liabilities	**50,138**	**69,910**	**37,432**	**38,811**

Comparison between FYE 2016 and FYE 2017

Total liabilities increased by RM19.8 million from RM50.1 million in FYE 2016 to RM69.9 million in FYE 2017 mainly due to increase in trade payables by RM23.1 million arising from higher purchase towards the end of FYE 2017 to support the testing and development of new materials for new vacuum cleaner models by Dyson. During the year, there were few consignments of new materials which did not meet the specifications of our end customers. Pending resolutions between our suppliers and end customers, we withheld the payment to our suppliers. We subsequently settled the outstanding balance after the matters were resolved between the suppliers and end customers.

Comparison between FYE 2017 and FYE 2018

Total liabilities decreased significantly by RM32.5 million from RM69.9 million in FYE 2017 to RM37.4 million in FYE 2018. This was mainly due to settlement of trade payables balances as explained in the preceding year commentary. Further, we also redeemed our term loans of RM13.0 million for those investment properties that we disposed.

Deferred tax liabilities increased by RM1.6 million due to revaluation surplus from our manufacturing plant located in PLO 226, Jalan Kencana Mas, Kawasan Perindustrian Tebrau III, 81100 Johor Bahru, Johor.

Comparison between FYE 2018 and FPE 2019

Total liabilities increased by RM1.4 million from RM37.4 million in FYE 2018 to RM38.8 million in FPE 2019. This was mainly due to increase of trade payables as we purchased more inventories to support current and anticipated increase of future production activities based on customers' forecast. Further, we also repaid our banker acceptances of RM6.4 million.

12.2.4 Review of cash flows

	Audited			
	FYE 2016	**FYE 2017**	**FYE 2018**	**FPE 2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net cash flows from operating activities	17,720	19,231	26,082	24,422
Net cash flows (used in)/from investing activities	(7,624)	(6,897)	4,918	(3,785)
Net cash flows used in financing activities	(10,861)	(7,412)	(16,686)	(17,818)
Net changes	(765)	4,922	14,314	2,819
Effect of exchange rate changes	13	75	(25)	-
At beginning of financial year/period	3,777	3,025	8,022	22,311
At end of financial year/period	**3,025**	**8,022**	**22,311**	**25,130**

FYE 2016

Net cash for operating activities

In FYE 2016, our net cash inflows from operating activities amounted to RM17.7 million. Our payments of RM102.9 million were offset against our sales collection of RM120.6 million. Such payments were:

(a) trade payables of RM84.7 million;

(b) other payables of RM6.2 million;

(c) staff and directors' remuneration of RM7.3 million; and

(d) income tax of RM4.7 million.

Net cash for investing activities

In FYE 2016, the net cash outflows from investing activities amounted to RM7.6 million, mainly attributable to the purchase of a single storey detached factory located in No.16, Jalan Istimewa 7, Taman Perindustrian Cemerlang of RM6.2 million and purchase of plant and machineries as well as forklift and motor vehicles of RM1.4 million.

Net cash for financing activities

In FYE 2016, the net cash outflows from financing activities amounted to RM10.9 million, mainly attributable to repayment to our Directors of RM7.9 million and payment of dividend of RM4.0 million. The advances from Directors were previously obtained to finance the purchase of our inventories to gain the advantages of foreign exchange and fluctuations of steel price. Other than above, we also repaid our finance lease creditors and term loans and paid interest on borrowings and finance lease creditors, all of which amounted to RM2.7 million.

Net cash outflows was partially offset by drawdown of a term loan of RM3.7 million to part finance the single storey detached factory located in No.16, Jalan Istimewa 7, Taman Perindustrian Cemerlang.

FYE 2017

Net cash for operating activities

In FYE 2017, our net cash inflows from operating activities amounted to RM19.2 million. Our payments of RM152.2 million were offset against our sales collection of RM171.4 million. Such payments were:

(a) trade payables of RM131.5 million;

(b) other payables of RM4.8 million;

(c) staff and directors' remuneration of RM8.9 million; and

(d) income tax of RM7.0 million.

Net cash for investing activities

In FYE 2017, the net cash outflows from investing activities amounted to RM6.9 million, mainly attributable to the cost of refurbishing a dilapidated single storey detached factory located in No.16, Jalan Istimewa 7, Taman Perindustrian Cemerlang of RM3.9 million which we intended to rent out and purchase of 4 converting machines of RM3.1 million. The machines were purchased to:

(a) improve the efficiency of our converting processes; and

(b) support the converting requirement for our customer's new products.

Net cash outflows were partially offset by proceeds from disposal of plant and machineries as well as forklift and motor vehicles amounted to RM0.1 million.

Net cash for financing activities

In FYE 2017, the net cash outflows from financing activities amounted to RM7.4 million, mainly attributable to repayment to our Directors of RM3.8 million and payment of dividend of RM3.0 million. The advances from Directors were previously obtained to finance the purchase of our inventories to gain the advantages of foreign exchange and fluctuations of steel price. Other than above, we also repaid our finance lease creditors and term loans and paid interest on borrowings and finance lease creditors, all of which amounted to RM3.0 million.

Net cash outflows were partially offset by drawdown of bankers' acceptances of RM2.4 million for the purchase of inventories.

FYE 2018

Net cash for operating activities

In FYE 2018, our net cash inflows from operating activities amounted to RM26.1 million. Our payments of RM171.9 million were offset against our sales collection of RM198.0 million. Such payments were:

(a) trade payables of RM143.6 million;

(b) other payables of RM3.9 million;

(c) staff and directors' remuneration of RM13.8 million; and

(d) income tax of RM10.6 million.

Net cash for investing activities

In FYE 2018, the net cash inflows from investing activities amounted to RM4.9 million was attributable to the proceeds received from the disposal of properties of RM9.1 million and plant and machineries as well as forklift and motor vehicles of RM0.2 million. RM9.1 million comprises the proceeds from the disposal of PLO 105, Jalan Cyber 5, Kawasan Perindustrian Senai III of RM8.5 million from Delisauce World Foods Sdn Bhd and No. 17J & 17J-1, Jalan Dewani, Kawasan Perindustrian Temenggong from Brightwater Sunrise Sdn Bhd of RM0.6 million.

The net cash inflows were partially offset by purchase of new property, plant and equipment and payment for extension of the lease period of RM4.4 million. We have extend the lease period for the property located in PLO 105, Jalan Cyber 5, Kawasan Perindustrian Senai III from 2025 to 2055 before disposing to Delisauce World Foods Sdn Bhd.

Net cash for financing activities

In FYE 2018, our net cash outflows from financing activities amounted to RM16.7 million. This was mainly due to payment of dividend of RM6.0 million and redemption of term loans amounting to RM13.0 million relating to investment properties that we disposed of and RM0.4 million for the term loans of our manufacturing plant located in PLO 226, Jalan Kencana Mas, Kawasan Perindustrian Tebrau III.

The breakdown of the redemption of terms loans of RM12.8 million is as follows:

	Redemption
	RM'000
No. 16, Jalan Istimewa 7, Taman Perindustrian Cemerlang	3,651
PLO 105, Jalan Cyber 5, Kawasan Perindustrian Senai III	447
No. 2, Jalan Dewani 4, Kawasan Perindustrian Temenggong	548
No. 8, Jalan Dewani 4, Kawasan Perindustrian Temenggong	2,194
No. 15 & 15-01, Jalan Dewani 4, Kawasan Perindustrian Temenggong	1,170
No. 17H & 17H-1, Jalan Dewani, Kawasan Perindustrian Temenggong	371
No. 17J & 17J-1, Jalan Dewani, Kawasan Perindustrian Temenggong	579
Lot 1191, Jalan Kangkar Tebrau, Kawasan Perindustrian Temenggong	2,480
#05-01, Pangsapuri Senai 1, Jalan Senai Jaya 6, Taman Senai Jaya	214
Geran 144972, Lot 63829, Mukim of Plentong	1,102
	12,756

Additionally, we also repaid our finance lease creditors, Directors and paid interest on borrowings and finance lease creditors, all of which amounted to RM2.7 million. The advances from Directors were previously obtained to finance the purchase of our inventories to gain the advantages of foreign exchange and fluctuations of steel price.

Net cash outflows were partially offset by drawdown of bankers' acceptances of RM5.2 million for the purchase of inventories.

FPE 2019

Net cash for operating activities

In FPE 2019, our net cash inflows from operating activities amounted to RM24.4 million. Our payments of RM106.9 million were offset against our sales collection of RM131.3 million. Such payments were:

(a) trade payables of RM82.8 million;

(b) other payables of RM5.7 million;

(c) staff and directors' remuneration of RM9.0 million; and

(d) income tax of RM9.4 million.

Net cash for investing activities

In FPE 2019, the net cash outflows from investing activities amounted to RM3.8 million, mainly attributable to the placement of fixed deposits of RM3.0 million and purchase of plant and machineries as well as forklift and motor vehicles of RM0.9 millon.

The net cash outflows was partially offset by interest received of RM0.1 million from the placement of fixed deposits.

Net cash for financing activities

In FYE 2019, the net cash outflows from financing activities amounted to RM17.8 million, mainly attributable to payment of dividend of RM10.5 million and banker's acceptance of RM6.4 million. Other than above, we also repaid our finance lease creditors and term loans and paid interest on borrowings and finance lease creditors, all of which amounted to RM0.9 million.

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12.3 LIQUIDITY AND CAPITAL RESOURCES

12.3.1 Working capital

We finance our operations with cash generated from operations, credit extended by trade payables and/or financial institutions as well as cash and bank balances. Our facilities from financial institutions comprise term loans, overdrafts, bank guarantees, bankers' acceptances and similar instruments as well as finance lease creditors.

As at 31 March 2019, we have:

(i) Cash and bank balances and fixed deposits with a licensed bank of RM28.1 million; and

(ii) RM34.5 million in total banking facilities (excluding finance lease creditors), of which RM10.0 million have been utilised.

Based on the pro forma consolidated statements of financial position of our Group as at 31 March 2019 (after the Acquisitions but before Public Issue), our NA position stood at RM90.5 million and our gearing level is 0.11 times. Our NA position after the Acquisitions, Public Issue and utilisation of proceeds is RM159.0 million. We will repay all our borrowings upon Listing.

Our Board is confident that, after taking into consideration our gearing and cash flow position as well as the banking facilities currently available to our Group, our working capital will be sufficient for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus.

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12.4 BORROWINGS

All our bank borrowings are secured and interest-bearing. Our total outstanding borrowings as at 31 March 2019 stood at RM10.1 million, details of which are set out below:

	Purpose	Security	Tenure	Interest rate %	As at 31 March 2019 RM'000
Interest bearing short-term borrowings, payable within 1 year:					
Bankers' acceptances	Working capital	(i) Fixed charge over land and buildings of Directors' related company[(3)] (ii) Joint and several guarantee by our Promoters[(3)]	120 days	4.02 - 5.15	3,026
Term loans	Purchase of properties	(i) Fixed charge over land and buildings (ii) Personal guarantee by our Managing Director[(3)]	240 months	4.77 – 5.07	446
Finance lease creditors	Purchase of motor vehicles	(i) Assets purchased through the facility (ii) Joint and several guarantee by our Managing Director and Executive Directors[(3)]	Between 5 to 7 years	2.34 – 2.69	264
					3,736
Interest bearing long-term borrowings, payable after 1 year:					
Term loans	Purchase of properties	(i) Fixed charge over land and buildings (ii) Personal guarantee by our Managing Director[(3)]	240 months	4.77 – 5.07	5,861
Finance lease creditors	Purchase of motor vehicles	(i) Assets purchased through the facility (ii) Joint and several guarantee by our Managing Director and Executive Directors[(3)]	Between 5 to 7 years	2.34 – 2.69	506
					6,367
Total borrowings					**10,103**
Gearing (times)					
After Acquisitions but before Public Issue [(1)]					0.11
After Public Issue and utilisation of proceeds [(2)]					*

12. FINANCIAL INFORMATION *(Cont'd)*

Notes:

* Less than 0.1

(1) Computed based on our pro forma equity attributable to the owners of the Company of RM90.5 million in the pro forma consolidated statements of financial position after the Acquisitions but before Public Issue and proposed utilisation of proceeds

(2) Computed based on our pro forma equity attributable to the owners of the Company of RM159.0 million in the pro forma consolidated statements of financial position after the Acquisitions, Public Issue and utilisation of proceeds which includes the repayment of bank borrowings of RM10.0 million

(3) To be discharged upon Listing *(Please refer to Section 10.2.2)*

As at LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currency. We have not defaulted on payments of principal sums and/or interests in respect of any of our borrowings throughout FYE 2016 to FYE 2018 and FPE 2019 and up to LPD.

As at LPD, neither our Company nor any of our subsidiaries is in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations or the investments by holders of our securities.

Over FYE 2016 to 2018 and FPE 2019, we have not experienced any claw back or reduction in the facilities limit granted to us by our lenders.

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12.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

Save as disclosed in Section 12.4 above, we do not have or utilise any other financial instruments or have any other treasury policies. All our financial instruments are used towards purchase of property, plant and equipment and the conduct of our converting and distribution business. As at 31 March 2019, save for our finance lease creditors and bankers' acceptances which are based on fixed rates, all our other facilities with licensed financial institutions are based on base lending rate plus or minus a rate which varies depending on the type of facility.

12.6 MATERIAL CAPITAL COMMITMENTS

As at LPD, we do not have any material commitments.

12.7 MATERIAL LITIGATION AND CONTINGENT LIABILITIES

We are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and there is no proceeding pending or threatened or any fact likely to give rise to any proceeding which might materially or adversely affect our position or business as at LPD.

As at LPD, save as disclosed below, our Directors confirm that there are no material contingent liabilities incurred by our Group, which upon becoming enforceable may have a material effect on our Group's business, financial results or position:

	RM'000
Bank guarantees given by the bank to:	
Royal Malaysian Customs Department	560
Tenaga Nasional Berhad	20
3M	50
	630

12.8 KEY FINANCIAL RATIOS

The key financial ratios of our Group for FYE 2016 to 2018 and FPE 2019 are as follows:

	Audited			
	FYE 2016	**FYE 2017**	**FYE 2018**	**FPE 2019**
Trade receivables turnover (days)[(1)]	98	92	98	96
Trade payables turnover (days)[(2)]	52	68	73	53
Adjusted trade payables turnover (days)[(3)]	52	47	49	53
Inventory turnover (days)[(4)]	47	44	61	63
Adjusted inventory turnover (days)[(5)]	47	52	61	63
Current ratio (times)[(6)]	1.8	1.8	3.2	3.5
Gearing ratio (times)[(7)]	0.6	0.4	0.2	0.1

Notes:

(1) Computed based on average trade receivables based on opening and closing balance over revenue for the year multiplied by 365 days for each financial year and 274 days for FPE 2019

(2) Computed based on average trade payables based on opening and closing balance over costs of sales for the year multiplied by 365 days for each financial year and 274 days for FPE 2019

(3) Computed based on average trade payables (excluding RM17.4 million in FYE 2017, which payment was pending resolution between our supplier and end-customer) based on opening and closing balance over costs of sales for the year multiplied by 365 days for each financial year and 274 days for FPE 2019

(4) Computed based on average inventory based on opening and closing balance over cost of sales for the year multiplied by 365 days for each financial year and 274 days for FPE 2019

(5) Computed based on average inventory based on opening and closing balance over adjusted cost of sales for the year multiplied by 365 days for each financial year and 274 days for FPE 2019. The adjusted cost of sales was computed by excluding initial testing and development cost of RM23.6 million in FYE 2017

(6) Computed based on current assets over current liabilities as at each financial year end and 274 days for FPE 2019

(7) Computed based on total borrowings over total equity as at each financial year end and 274 days for FPE 2019

12.8.1 Trade receivables turnover

The normal credit period granted by our Group to our customers is between 30 to 90 days from the date of invoice.

Other credit terms such as 120 days can sometimes be negotiated (such as for new customers or large orders). Such terms would be assessed and approved on a case-by-case basis.

Our overall trade receivables turnover days for FYE 2016 to 2018 and FPE 2019 were between 92 to 98 days, which slightly exceed the credit period granted to our customers. The trade receivable turnover days for our Dyson related customers were 100 days, 95 days, 103 days and 98 days for FYE 2016 to 2018 and FPE 2019 respectively, whereas the trade receivable turnover days for our non Dyson related customers were 91 days, 76 days, 78 days and 87 days for FYE 2016 to 2018 and FPE 2019 respectively. The trade receivable turnover days for our non Dyson related customers were lower for the financial years/period under review.

Our overall trade receivables turnover days were slightly higher than the credit period granted because most of our customers, who are suppliers to Dyson will only make payment to us after they collected their payment from the end customers. As most of our collections are dependent on the payment from end customers, we are not revising the credit term to our customers.

The ageing analysis of our trade receivables as at 31 March 2019 is as follows:

	Trade receivables as at 31 March 2019		Amount collected subsequent from 1 April 2019 up to LPD		Trade receivables net of subsequent collections	
	RM'000	Percentage of trade receivables	RM'000	Percentage collected	RM'000	Percentage of trade receivables net of subsequent collections
	(a)	(a)/total of (a)	(b)	(b) /(a)	(c) = (a)-(b)	(c)/total of (c)
Neither past due nor impaired	27,994	56.0	26,428	94.4	1,566	100.0
Past due but not impaired:						
• 1 to 30 days	15,210	30.4	15,210	100.0	-	-
• 31 to 60 days	5,247	10.5	5,247	100.0	-	-
• More than 60 days	1,522	3.1	1,522	100.0	-	-
	21,979	44.0	21,979	100.0	-	-
Total	**49,973**	**100.0**	**48,407**	**96.9**	**1,566**	**100.0**

Majority of the trade receivables are due from our major customers who are granted credit term of 60 days.

Our Group has not encountered any major disputes with our debtors. With respect to overdue debts, we have generally been able to collect payment eventually as evident by our subsequent collections of the trade receivables as at end of FPE 2019. As such, our management was of view that the overdue trade receivables were recoverable and no impairment was made in FPE 2019. Our management closely monitors the recoverability of our overdue trade receivables on a regular basis, and, when appropriate, provides for impairment of these trade receivables.

12.8.2 Trade payables turnover

Trade payables are recognised at their original invoice amounts which represent their fair value on initial recognition. The normal credit terms granted by our suppliers ranges from 30 to 120 days from the date of invoice. Our adjusted trade payables turnover days were between 47 to 53 days for the financial years/period under review, which is within the credit period given by our suppliers.

As at 31 March 2019, all our trade payables were within their credit period. As at LPD, we have fully repaid our trade payables as at 31 March 2019.

As at LPD, there are no disputes in respect of any trade payables and no legal action has been initiated by our suppliers to demand for payment.

12.8.3 Inventories

Our Group's inventories mainly consist of raw materials for our converting services and trading goods for our distribution business. Our adjusted inventory turnover days were between 47 to 63 days for FYE 2016 to 2018 and FPE 2019.

Our inventory turnover days vary year to year according to our end customer's forecast and development of new models. Further to this, to ensure that our production activities are not disrupted by insufficient raw materials, we are also required to order our incoming raw materials for the converting services 2 months ahead of our production schedule to cater for shipment lead time as majority of our raw materials are imported. Our inventory turnover days increased to 63 days in FPE 2019 as we had ordered imported raw materials in anticipation of our customers' forecast in the the fourth quarter of FYE 2019.

There were no inventories written off for FYE 2016 to 2018 and FPE 2019.

12.8.4 Current ratio

Our current ratio throughout the financial years/period under review is as follows:

	Audited			
	FYE 2016	**FYE 2017**	**FYE 2018**	**FPE 2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current assets	53,793	93,478	89,378	105,721
Current liabilities	30,292	51,101	28,172	29,847
Net current assets	**23,501**	**42,377**	**61,206**	**75,874**
Current ratio (times)	1.8	1.8	3.2	3.5

Our current ratios improved throughout the financial years/period under review, ranging from 1.8 to 3.5 times. Our current ratio increased significantly in FYE 2018 mainly due to higher profits as we expanded our business operations. The collections from our revenue have exceeded the payment to our suppliers and other operational costs.

The payment to suppliers has led to decrease in our trade payables by RM26.2 million (including RM17.4 million which payment was withheld pending resolution between our supplier and end-customer as at 30 June 2017) as explained in Section 12.2.3(ii).

Other than the cash collected from our customers, our cash and bank balances also increased as a result of proceeds collected from disposal of non-current assets classified as held for sale which is a leasehold property known as PLO 105, Jalan Cyber 5, Kawasan Perindustrian Senai III, 81400 Senai, Johor of RM8.5 million.

12.8.5 Gearing ratio

Our gearing ratio throughout the financial years/period under review is as follows:

	Audited			
	FYE 2016	**FYE 2017**	**FYE 2018**	**FPE 2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total borrowings	24,132	24,977	17,052	10,103
Total equity	38,080	57,711	76,320	90,529
Gearing ratio (times)	0.6	0.4	0.2	0.1

Our gearing ratio improved from 0.6 times in FYE 2016 to 0.1 times in FPE 2019. Over the financial years/period under review, we reduced our borrowings from RM24.1 million as at 30 June 2016 to RM10.1 million as at 31 March 2019 after the redemption of our term loans for those investment properties that we disposed. This resulted in a lower borrowings level, compared to the increase in our Group's total equity from profits generated over the 3 financial years/period.

12.9 SIGNIFICANT FACTORS AFFECTING OUR REVENUE

Section 9 details a number of risk factors relating to our business and the industry in which we operate in. Some of these risk factors have an impact on our Group's revenue and financial performance. The main factors which affect our revenues and profits include but are not limited to the following:

(i) Dependency on our major customers and Dyson

Our top 5 major customers contributed a total of 71.3%, 76.8%, 71.1% and 71.1% for FYE 2016, 2017, 2018 and FPE 2019 respectively. The revenue contributed by our Group's customers who are suppliers for Dyson amounted to 76.6%, 81.1%, 80.1% and 80.8% for FYE 2016, 2017, 2018 and FPE 2019 respectively. Should any of our customers' services as suppliers are terminated by Dyson or major customers cease purchasing from us, we will lose a significant portion of our revenue.

(ii) Distribution of industrial tapes and adhesives

We are the authorised distributor for 3M's industrial tape and adhesive products in Malaysia and Henkel's adhesive products for Singapore and Malaysia. Should any of them terminate our distribution agreement, we will lose a significant portion of our distribution revenue.

(iii) Exposure to fluctuation in foreign exchange rates

Our purchases are subject to the risk of fluctuations in foreign exchange rates. These fluctuations in foreign exchange rates could bring an adverse impact to our Group's financial performance as the local currency value of payables may increase as a result of such fluctuations.

12.10 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

Risks relating to government, economic, fiscal or monetary policies or factors which may materially affect our operations are set out in Section 9.

12.11 IMPACT OF INFLATION

Our financial performance during the financial years under review was not significantly affected by the impact of inflation. However, there is no assurance that our business will not be adversely affected by the impact of inflation in the future.

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12.12 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES ON OUR GROUP'S OPERATIONS

12.12.1 Impact of foreign exchange rates

Our revenue is mainly denominated in RM. However, we are exposed to fluctuations in foreign exchange rates as a major part of our purchases are denominated in currencies other than RM. Our foreign currency total purchases, receivables and payables (in RM equivalent) as at 31 March 2019 are set out in the table below:

	USD	SGD	Euro	Total
	RM'000	RM'000	RM'000	RM'000
Purchases	49,949	12,413	319	62,681
Financial assets				
Trade receivables	2,772	8	-	2,780
Other receivables	890	-	404	1,294
Cash and bank balances	414	8	-	422
	4,076	**16**	**404**	**4,497**
Financial liabilities				
Trade payables	14,866	1,386	-	16,252
	14,866	**1,386**	**-**	**16,252**

Based on the table above:

(i) our foreign currency purchases represent 67.3% of our total purchases of RM93.0 million for FPE 2019;

(ii) our foreign currency trade receivables represent only 5.6% of our total trade receivables of RM50.0 million as at 31 March 2019;

(iii) our foreign currency other receivables represent only 41.5% of our total other receivables of RM3.1 million as at 31 March 2019;

(iv) our foreign currency cash and bank balances represent only 1.5% of our total cash and bank balances and fixed deposits with a licensed bank of RM28.1 million as at 31 March 2019; and

(v) our foreign currency trade payables represent 69.5% of our total trade payables of RM23.4 million as at 31 March 2019.

At the moment, our Group does not enter into forward exchange contracts to hedge foreign currency risks. However, we monitor the foreign exchange fluctuations on an on-going basis. Foreign currency risk is monitored closely on an on-going basis to ensure that the net exposure is at an acceptable level.

12.12.2 Impact of interest rates

	Audited			
	FYE 2016	FYE 2017	FYE 2018	FPE 2019
	RM'000	RM'000	RM'000	RM'000
EBIT	22,199	31,292	59,424	31,920
Finance cost	1,119	1,271	1,148	187
Interest coverage ratio (times)[(1)]	19.8	24.6	51.8	170.7

Note:

(1) Computed based on EBIT over finance costs for FYE 2016 to 2018 and FPE 2019

Interest coverage ratio measures the number of times a company can make its interest payments with its EBIT.

Our interest coverage ratio was between 19.8 to 170.7 times for FYE 2016 to 2018 and FPE 2019, indicating that our Group has been able to generate sufficient profits from operations to meet our interest serving obligations.

Our Group's financial results for FYE 2016 to 2018 and FPE 2019 were not materially affected by fluctuations in interest rates. However, major increase in interest rates would raise the cost of borrowings and our finance costs, which may have an adverse effect on the performance of our Group.

12.12.3 Impact of commodity prices

We were not directly affected by fluctuations in commodity prices for FYE 2016 to 2018 and FPE 2019.

12.13 ORDER BOOK

We do not maintain an order book as we receive work orders and/or purchase orders from our customers on an ongoing basis.

12.14 DIRECTORS' DECLARATION ON OUR GROUP'S FINANCIAL PERFORMANCE

Our Board is of the opinion that:

(i) Our Group's revenue will remain sustainable with an upward growth trend, in line with the growth outlook of the label printing and converting industry and steel distribution and secondary steel forming industry in Malaysia as set out in the IMR Report in Section 8;

(ii) Our liquidity will improve further subsequent to the Public Issue given the additional funds to be raised for our Group to carry out our business strategies as stated in Section 7.18; and

(iii) Our capital resources will strengthen, taking into account the amount to be raised from the IPO as well as internally generated funds. We may consider debt funding for our capital expansion should the need arises.

In addition to the above, our Board confirms that there are no circumstances which would result in a significant decline in our revenue and GP margins or know of any factors that are likely to have a material impact on our liquidity, revenue or profitability.

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12.15 TREND INFORMATION

Based on our track record for FYE 2016 to 2018 and FPE 2019, including our segmental analysis of revenue and profitability, the following trends may continue to affect our business:

(i) More than 80.0% of our revenue was derived from our converting services. We expect this division to continue contributing significantly to our revenue in the future;

(ii) The main components of our cost of sales are purchases of materials for our converting services. Moving forward, purchases of materials will continue to dominate our cost of sales in line with the expected revenue from converting services. Generally, our cost of sales is expected to fluctuate in tandem with our business growth and would depend on amongst others, the availability and price fluctuation of our purchases; and

(iii) We achieved GP margins of 22.9%, 19.9%, 30.1% and 30.0% for FYE 2016, FYE 2017, FYE 2018 and FPE 2019 respectively. Moving forward, our GP margin will depend on, amongst others, our continued ability to manage our costs efficiently and price our products and services competitively.

As at LPD, after all reasonable enquiries, our Board confirms that our operations have not been and are not expected to be affected by any of the following:

(i) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in Sections 12.2, 12.9 and 12.12;

(ii) Material commitments for capital expenditure;

(iii) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Sections 12.2, 12.9 and 12.12;

(iv) Known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue save for those that had been discussed in Sections 12.2, 12.9 and 12.12; and

(v) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position other than those discussed in Sections 12.2, 12.9 and 12.12.

Our Board is optimistic about the future prospects of our Group given the positive outlook of the label printing and converting industry and steel distribution and secondary steel forming industry in Malaysia as set out in the IMR Report in Section 8, our Group's competitive advantages set out in Section 7.17 and our Group's intention to implement the business strategies as set out in Section 7.18.

12.16 DIVIDEND POLICY

As our Company is an investment holding company, our income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiaries, present or future. Our subsidiaries may require its financiers' consent as set out in the respective facility agreements to pay dividends to our Company. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, there are no legal, financial, or economic restrictions on the ability of our existing subsidiary to transfer funds in the form of cash dividends, loans or advances to us. Moving forward, the payment of dividends or other distributions by our subsidiaries will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective boards of directors deem relevant.

Our Board intends to recommend and distribute a dividend of at least 20% of our annual audited consolidated PAT attributable to our shareholders. Any dividend declared will be at the discretion of our Board and any final dividends declared will be subject to approval of our shareholders at our annual general meeting.

You should take note that this dividend policy merely describes our current intention and shall not constitute legally binding statements in respect of our future dividends that are subject to our Board's discretion.

When recommending the actual dividends for approval by shareholders or when declaring any interim dividends, our Board will consider, amongst others:

(i) our anticipated future operating conditions as well as future expansion, capital expenditures and investment plans;

(ii) our operating cash flow requirements and financing commitments;

(iii) our expected financial performance including return on equity and retained earnings;

(iv) any restrictive covenants contained in our current and future financing arrangements;

(v) the availability of adequate reserves and cash flows; and

(vi) any material impact of tax laws and regulatory requirements.

Actual dividends proposed and declared may vary depending on the financial performance and cash flows of our Group, and may be waived if the payment of the dividends would adversely affect the cash flows and operations of our Group.

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12.17 CAPITALISATION AND INDEBTEDNESS

The table below summarises our capitalisation and indebtedness:

(i) Based on the latest unaudited financial information as at 30 June 2019; and

(ii) After adjusting for the effects of IPO and utilisation of proceeds.

	MTAG	I	II
	As at 30 June 2019	After IPO	After I and utilisation of proceeds
	RM'000	RM'000	RM'000
Indebtedness (1)			
Current			
Bankers' acceptances	4,831	4,831	970
Term loans	455	455	-
Finance lease creditors	261	261	261
Non-current			
Term loans	5,684	5,684	-
Finance lease creditors	444	444	444
Contingent liabilities (2)	630	630	630
Total indebtedness	**12,305**	**12,305**	**2,305**
Capitalisation			
Equity	98,061	170,313	166,513
Total capitalisation	**98,061**	**170,313**	**166,513**
Total capitalisation and indebtedness	**110,366**	**182,618**	**168,818**
Gearing ratio (3)	0.1	*	*

Notes:

* Less than 0.1

(1) All of our indebtedness are secured

(2) Contingent liabilities consist of bank guarantees issued in favour of the Royal Malaysian Customs Department, Tenaga Nasional Berhad and 3M

(3) Calculated based on total indebtedness divided by total capitalisation

MTAG GROUP BERHAD

(Group No: 1262041 V)

(Incorporated in Malaysia)

ACCOUNTANTS' REPORT

GRANT THORNTON MALAYSIA

CHARTERED ACCOUNTANTS

Member of Grant Thornton International Ltd

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Date: 20 July 2019

The Board of Directors
MTAG Group Berhad
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Dear Sirs,

Reporting Accountants' opinion on the Financial Information contained in the Accountants' Report of MTAG Group Berhad ("the Group" or "MTAG")

We have audited the financial information ("Financial Information") of MTAG Group Berhad and its subsidiaries (collectively "the Group" or "MTAG Group") which comprises the combined statements of financial position of the Group as at 30 June 2016, 30 June 2017, 30 June 2018 and 31 March 2019, and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years ended ("FYE") 30 June 2016, 30 June 2017 and 30 June 2018 and for the financial period ended ("FPE") 31 March 2019, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 89.

The Financial Information have been prepared for inclusion in the prospectus of the Group in connection with the admission to the Official List and the listing of and quotation for the entire enlarged issued share capital of the Group on the ACE Market of Bursa Malaysia Securities Berhad.

In our opinion, the accompanying Financial Information give a true and fair view of the financial position of the Group as at 30 June 2016, 30 June 2017, 30 June 2018 and 31 March 2019 and of its financial performance and cash flows for the financial years and period then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Reporting Accountants' responsibilities for the audit of the Financial Information section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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Responsibilities of the Directors for the Financial Information

The Directors of the Group are responsible for the preparation of the Financial Information of the Group that give a true and fair view in accordance with the MFRS and IFRS. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of Financial Information of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Information of the Group, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intent to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the Financial Information of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an accountants' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Information.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the Financial Information of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountants' report to the related disclosures in the Financial Information of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our reporting accountants' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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Reporting Accountants' Responsibilities for the Audit of the Financial Information (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (cont'd):-

- Evaluate the overall presentation, structure and content of the Financial Information of the Group, including the disclosures, and whether the Financial Information of the Group represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the Financial Information of the entities or business activities within the Group to express an opinion on the Financial Information of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matters

In accordance with paragraph 10.05 of Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia ("SC"), we also report that the significant subsequent events identified by the Group since 31 March 2019 to the date of this opinion are as disclosed in Note 35 to the Financial Information.

This report has been prepared solely to comply with Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines issued by the SC and for inclusion in the prospectus of MTAG Group Berhad in connection with the listing of and quotation for the entire enlarged issued share capital of MTAG Group Berhad on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.

GRANT THORNTON MALAYSIA	MOHAMAD HEIZRIN BIN SUKIMAN
(NO. AF: 0737)	(NO: 03046/05/2021 J)
CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANT

COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2016, 30 JUNE 2017, 30 JUNE 2018 AND 31 MARCH 2019

	Note	30.6.2016 RM	30.6.2017 RM	30.6.2018 RM	31.3.2019 RM
ASSETS					
Non-current assets					
Property, plant and equipment	6	14,118,593	19,377,588	24,374,414	23,619,105
Investment properties	7	19,746,365	14,765,685	-	-
Capital work-in-progress	8	560,000	-	-	-
Total non-current assets		34,424,958	34,143,273	24,374,414	23,619,105
Current assets					
Inventories	9	11,521,285	24,512,529	19,607,593	24,497,631
Trade receivables	10	38,176,128	55,584,557	45,215,763	49,973,157
Other receivables	11	771,427	1,104,930	2,223,506	3,119,963
Amount due from Directors' related companies	12	299,633	63,921	20,249	-
Fixed deposits with a licensed bank	13	-	-	-	3,000,000
Cash and bank balances	14	3,025,088	8,022,036	22,310,920	25,130,029
		53,793,561	89,287,973	89,378,031	105,720,780
Non-current assets classified as held for sale	15	-	4,190,010	-	-
Total current assets		53,793,561	93,477,983	89,378,031	105,720,780
Total assets		88,218,519	127,621,256	113,752,445	129,339,885
EQUITY AND LIABILITIES					
EQUITY					
Share capital	16	2,565,945	2,565,945	2,565,946	2,565,947
Revaluation reserve	17	-	-	6,023,938	5,934,828
Unappropriated profit	18	35,513,841	55,144,806	67,730,007	82,027,602
Total equity		38,079,786	57,710,751	76,319,891	90,528,377

COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2016, 30 JUNE 2017, 30 JUNE 2018 AND 31 MARCH 2019 (CONT'D)

	Note	30.6.2016 RM	30.6.2017 RM	30.6.2018 RM	31.3.2019 RM
EQUITY AND LIABILITIES (CONT'D)					
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	19	341,328	752,349	2,313,149	2,597,000
Finance lease creditors	20	457,225	513,965	590,035	506,034
Borrowings	21	19,047,503	17,542,566	6,356,316	5,861,333
Total non-current liabilities		19,846,056	18,808,880	9,259,500	8,964,367
Current liabilities					
Trade payables	22	16,372,918	39,442,512	13,188,141	23,363,797
Other payables	23	2,751,521	1,997,664	1,955,725	2,495,323
Amount due to Directors	24	5,089,763	1,318,748	-	-
Amount due to Directors' related companies	12	13,128	4,828	-	-
Finance lease creditors	20	138,348	143,220	202,290	263,604
Borrowings	21	4,489,577	6,777,487	9,902,934	3,472,406
Dividend payable		-	-	1,020,000	-
Tax payable		1,437,422	1,417,166	1,903,964	252,011
Total current liabilities		30,292,677	51,101,625	28,173,054	29,847,141
Total liabilities		50,138,733	69,910,505	37,432,554	38,811,508
TOTAL EQUITY AND LIABILITIES		88,218,519	127,621,256	113,752,445	129,339,885

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 30 JUNE 2016, 30 JUNE 2017 AND 30 JUNE 2018 AND FINANCIAL PERIOD ENDED 31 MARCH 2019

	Note	1.7.2015 to 30.6.2016 RM	1.7.2016 to 30.6.2017 RM	1.7.2017 to 30.6.2018 RM	1.7.2018 to 31.3.2019 RM
Revenue	25	126,983,423	186,607,371	187,465,036	136,109,448
Cost of sales		(97,886,776)	(149,486,779)	(131,053,085)	(95,263,662)
Gross profit		29,096,647	37,120,592	56,411,951	40,845,786
Other income		1,566,592	4,350,883	16,926,342	2,070,690
Selling and distribution expenses		(1,844,298)	(2,356,250)	(2,685,691)	(1,733,427)
Administration expenses		(6,612,024)	(7,810,347)	(11,210,832)	(9,165,426)
Finance costs		(1,118,821)	(1,270,890)	(1,148,469)	(187,057)
Profit before tax	26	21,088,096	30,033,988	58,293,301	31,830,566
Tax expense	27	(5,197,560)	(7,403,023)	(10,786,607)	(8,122,081)
Profit for the financial year/period		15,890,536	22,630,965	47,506,694	23,708,485
Other comprehensive income, net of tax :-					
Items that will not be reclassified subsequently to profit or loss					
Realisation of revaluation reserve upon depreciation of revalued assets		-	-	-	89,110
Transfer of revaluation reserve to unappropriated profit		-	-	-	(89,110)
Revaluation of properties		-	-	7,926,234	-
Tax effect on items that will not be reclassified to profit or loss		-	-	(1,902,296)	-
		-	-	6,023,938	-
Total comprehensive income for the financial year/period		15,890,536	22,630,965	53,530,632	23,708,485

COMBINED STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2016, 30 JUNE 2017 AND 30 JUNE 2018 AND FINANCIAL PERIOD ENDED 31 MARCH 2019

	Share capital RM	Unappropriated profit RM	Total RM
Balance as at 1 July 2015	2,565,945	23,623,305	26,189,250
Transactions with owners:			
Interim single tier dividends	-	(4,000,000)	(4,000,000)
Total transactions with owners	-	(4,000,000)	(4,000,000)
Profit for the financial year	-	15,890,536	15,890,536
Other comprehensive income for the financial year	-	-	-
Total comprehensive income for the financial year	-	15,890,536	15,890,536
Balance as at 30 June 2016	2,565,945	35,513,841	38,079,786

COMBINED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2016, 30 JUNE 2017 AND 30 JUNE 2018 AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (CONT'D)

	Share capital RM	Revaluation reserve RM	Unappropriated profit RM	Total RM
Balance as at 30 June 2016/1 July 2016	2,565,945	-	35,513,841	38,079,786
Transactions with owners:				
Interim single tier dividends	-	-	(3,000,000)	(3,000,000)
Total transactions with owners	-	-	(3,000,000)	(3,000,000)
Profit for the financial year	-	-	22,630,965	22,630,965
Other comprehensive income for the financial year	-	-	-	-
Total comprehensive income for the financial year	-	-	22,630,965	22,630,965
Balance as at 30 June 2017	2,565,945	-	55,144,806	57,710,751
Incorporation of MTAG	1	-	-	1
Transaction with owners:				
Interim single tier dividends	-	-	(34,921,493)	(34,921,493)
Total transaction with owners	-	-	(34,921,493)	(34,921,493)
Profit for the financial year	-	-	47,506,694	47,506,694
Other comprehensive income for the financial year	-	6,023,938	-	6,023,938
Total comprehensive income for the financial year	-	6,023,938	47,506,694	53,530,632
Balance as at 30 June 2018	2,565,946	6,023,938	67,730,007	76,319,891

COMBINED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEARS ENDED 30 JUNE 2016, 30 JUNE 2017 AND 30 JUNE 2018 AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (CONT'D)

	Share capital RM	Revaluation reserve RM	Unappropriated profit RM	Total RM
Balance as at 30 June 2018/1 July 2018	2,565,946	6,023,938	67,730,007	76,319,891
Transactions with owners:				
Issuance of share capital	1	-	-	1
Interim single tier dividends	-	-	(9,500,000)	(9,500,000)
Total transactions with owners	1	-	(9,500,000)	(9,499,999)
Profit for the financial period	-	-	23,708,485	23,708,485
Other comprehensive income for the financial period	-	(89,110)	89,110	-
Total comprehensive income for the financial period	-	(89,110)	23,797,595	23,708,485
Balance as at 31 March 2019	2,565,947	5,934,828	82,027,602	90,528,377

COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 30 JUNE 2016, 30 JUNE 2017 AND 30 JUNE 2018 AND FINANCIAL PERIOD ENDED 31 MARCH 2019

	Note	1.7.2015 to 30.6.2016 RM	1.7.2016 to 30.6.2017 RM	1.7.2017 to 30.6.2018 RM	1.7.2018 to 31.3.2019 RM
OPERATING ACTIVITIES					
Profit before tax		21,088,096	30,033,988	58,293,301	31,830,566
Adjustments for:-					
Bad debt written off		21,102	7,943	-	3,074
Depreciation of property, plant and equipment		1,542,404	2,530,913	2,224,794	1,807,723
Depreciation of investment properties		766,522	790,670	264,911	-
Interest expense		1,118,821	1,268,884	1,143,280	187,057
Property, plant and equipment written off		-	-	19,734	-
Gain on disposal of property, plant and equipment		-	(103,241)	(75,024)	(6,700)
Gain on disposal of non-current assets classified as held for sale		-	-	(2,117,137)	-
Interest income		(7,663)	(12,511)	(16,850)	(98,226)
Unrealised (gain)/loss on foreign exchange		(13,267)	(1,507,620)	25,442	(544,738)
Gain on disposal of investment properties		-	-	(10,936,283)	-
Operating profit before working capital changes		24,516,015	33,009,026	48,826,168	33,178,756
Changes in working capital:-					
Inventories		2,064,993	(12,991,244)	4,904,936	(4,890,038)
Receivables		(8,348,440)	(17,786,994)	9,250,218	(5,645,971)
Payables		4,504,820	23,785,294	(26,296,310)	11,249,038
Directors' related companies		(293,197)	227,412	38,844	20,249
Cash generated from operations		22,444,191	26,243,494	36,723,856	33,912,034
Tax paid		(4,723,917)	(7,012,258)	(10,641,305)	(9,490,183)
Net cash flows from operating activities		17,720,274	19,231,236	26,082,551	24,421,851

COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 30 JUNE 2016, 30 JUNE 2017 AND 30 JUNE 2018 AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (CONT'D)

	Note	1.7.2015 to 30.6.2016 RM	1.7.2016 to 30.6.2017 RM	1.7.2017 to 30.6.2018 RM	1.7.2018 to 31.3.2019 RM
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	A	(901,708)	(7,013,308)	(2,218,081)	(897,913)
Addition of capital work-in-progress		(560,000)	-	-	-
Addition of non-current assets classified as held for sale		-	-	(2,192,853)	-
Purchase of investment properties		(6,170,000)	-	-	-
Proceeds from disposal of property, plant and equipment		-	103,241	169,149	15,199
Proceeds from disposal of investment properties		-	-	642,400	-
Proceeds from disposal of non-current assets classified as held for sale		-	-	8,500,000	-
Placement of fixed deposits with a licensed bank		-	-	-	(3,000,000)
Interest received		7,663	12,511	16,850	98,226
Net cash flows (used in)/from investing activities		(7,624,045)	(6,897,556)	4,917,465	(3,784,488)
FINANCING ACTIVITIES					
Dividend paid		(4,000,000)	(3,000,000)	(6,000,000)	(10,520,000)
Interest paid		(1,118,821)	(1,268,884)	(1,143,280)	(187,057)
Drawndown of term loans		3,700,000	-	-	-
(Repayment of)/Proceeds from short-term borrowings		(127,000)	2,350,000	5,191,000	(6,437,000)
Repayment of finance lease creditors		(116,673)	(154,988)	(162,860)	(185,687)
Repayment of term loans		(1,347,249)	(1,567,027)	(13,251,803)	(488,511)
Repayment to Directors		(7,851,445)	(3,771,015)	(1,318,748)	-
Issuance of shares		-	-	1	1
Net cash flows used in financing activities		(10,861,188)	(7,411,914)	(16,685,690)	(17,818,254)
CASH AND CASH EQUIVALENTS					
Net changes		(764,959)	4,921,766	14,314,326	2,819,109
Effect of exchange rate changes		13,267	75,182	(25,442)	-
At beginning of financial year/period		3,776,780	3,025,088	8,022,036	22,310,920
At end of financial year/period		3,025,088	8,022,036	22,310,920	25,130,029

COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 30 JUNE 2016, 30 JUNE 2017 AND 30 JUNE 2018 AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (CONT'D)

NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	1.7.2015 to 30.6.2016	1.7.2016 to 30.6.2017	1.7.2017 to 30.6.2018	1.7.2018 to 31.3.2019
	RM	RM	RM	RM
Total purchase of property, plant and equipment	1,483,408	7,229,908	2,516,081	1,060,913
Less: Acquisition by means of finance lease liabilities	(581,700)	(216,600)	(298,000)	(163,000)
Total cash paid	901,708	7,013,308	2,218,081	897,913

B. DIVIDEND PAYMENT

	1.7.2015 to 30.6.2016	1.7.2016 to 30.6.2017	1.7.2017 to 30.6.2018	1.7.2018 to 31.3.2019
Dividend declared	-	-	27,901,493	-
Paid on behalf by Directors' related companies through proceeds from disposal of investment properties	-	-	(27,901,493)	-
Net cash used in dividend payment	-	-	-	-

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	At 1 July 2018	Cash flows	At 31 March 2019
	RM	RM	RM
Finance lease creditors	792,325	(22,687)	769,638
Term loans	6,796,250	(488,511)	6,307,739
Short-term borrowings	9,463,000	(6,437,000)	3,026,000
Total liabilities from financing activities	17,051,575	(6,948,198)	10,103,377

	At 1 July 2017	Cash flows	At 30 June 2018
	RM	RM	RM
Finance lease creditors	657,185	135,140	792,325
Term loans	20,048,053	(13,251,803)	6,796,250
Short-term borrowings	4,272,000	5,191,000	9,463,000
Total liabilities from financing activities	24,977,238	(7,925,663)	17,051,575

NOTES TO THE FINANCIAL INFORMATION – 30 JUNE 2016, 30 JUNE 2017, 30 JUNE 2018 AND 31 MARCH 2019

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. The principal place of business of the Company is located at PLO 226, Jalan Kencana Mas, Kawasan Perindustrian Tebrau III, 81100 Johor Bahru, Johor Darul Takzim.

The principal activities of the Company and of its subsidiaries are disclosed in Note 2 to the Financial Information.

2. THE REORGANISATION

A reorganisation exercise was undertaken by the Group to rationalise and streamline the business operations and corporate structure for an initial public offering ("the Reorganisation"). The following steps were undertaken in the reorganisation exercise.

MTAG Group Berhad ("MTAG") was incorporated in Malaysia in accordance with the Companies Act, 2016 as a private limited liability Group on 2 January 2018 to principally engage in investment holding activities ("Incorporation of MTAG"). On 23 October 2018, it was converted as a public limited liability company and assumed its current name of MTAG Group Berhad.

Pursuant to three separate conditional share sale agreements dated 24 October 2018 signed between MTAG and the vendors namely Chaw Kam Shiang, Ang Yam Fung, Lau Cher Liang and Goh Jui Heng, MTAG has acquired from the vendors: -

(a) The entire equity interest in Toyo Sho Industrial Products Sdn. Bhd. ("Toyo Sho") comprising 565,945 ordinary shares for a total purchase consideration of RM22,154,500. The purchase consideration was satisfied by the issuance of 158,246,398 new ordinary shares of MTAG to Chaw Kam Shiang and Ang Yam Fung at an issue price of RM0.14 each;

(b) The entire equity interest in Intag Industrial Supplies Sdn. Bhd. ("Intag Industrial") comprising 500,000 ordinary shares for a total purchase consideration of RM49,083,370. The purchase consideration was satisfied by the issuance of 350,595,500 new ordinary shares of MTAG to Chaw Kam Shiang and Lau Cher Liang at an issue price of RM0.14 each; and

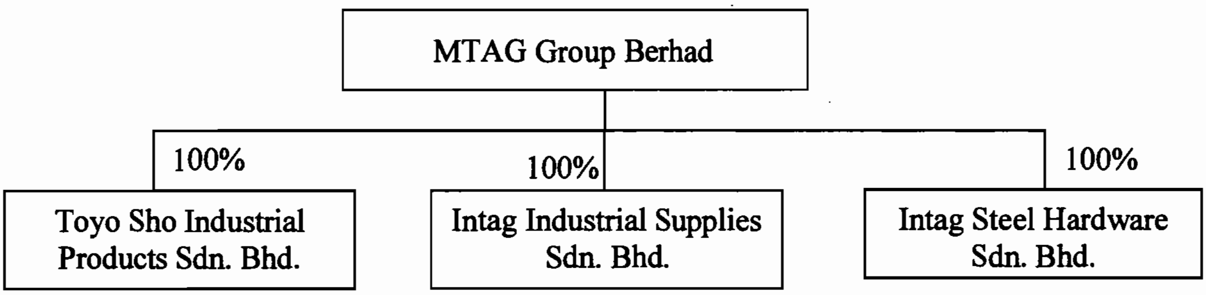
2. THE REORGANISATION (CONT'D)

Pursuant to three separate conditional share sale agreements dated 24 October 2018 signed between MTAG and the vendors namely Chaw Kam Shiang, Ang Yam Fung, Lau Cher Liang and Goh Jui Heng, MTAG has acquired from the vendors (cont'd): -

(c) The entire equity interest in Intag Steel Hardware Sdn. Bhd. ("Intag Steel") comprising 1,500,000 ordinary shares for a total purchase consideration of RM5,103,280. The purchase consideration was satisfied by the issuance of 36,452,000 new ordinary shares of MTAG to Chaw Kam Shiang, Lau Cher Liang and Goh Jui Heng at an issue price of RM0.14 each.

The completion of the Reorganisation is subject to the approval by Bursa Malaysia Securities Berhad ("Bursa Malaysia") for the proposed listing of the ordinary shares of the Group on the ACE Market of Bursa Malaysia. Consequently, the approval from Bursa Malaysia was obtained on 30 April 2019 and the acquisitions of Toyo Sho, Intag Industrial and Intag Steel were completed on 28 June 2019.

The Group Structure after the Reorganisation would be as follows:-



The details of the subsidiaries prior to the Reorganisation are as follows:-

Name of Subsidiaries	Country of Incorporation	Principal Activities	Effective Interest 30.6.2016 %	30.6.2017 %	30.6.2018 %	31.3.2019 %
Toyo Sho Industrial Products Sdn. Bhd.	Malaysia	Printing of label and stickers and die-cutting services.	-	-	-	-
Intag Industrial Supplies Sdn. Bhd.	Malaysia	Converting and distribution of industrial tapes, adhesives and other products.	-	-	-	-
Intag Steel Hardware Sdn. Bhd.	Malaysia	Converting and distribution of metal products.	-	-	-	-

2. THE REORGANISATION (CONT'D)

The Group is regarded as a continuing entity resulting from the Reorganisation since the management of all the entities which took major part in the Reorganisation were substantially controlled by the same Directors and substantially under the same major shareholders before and immediately after the Reorganisation. Consequently, immediately after the Reorganisation, there was a continuation of the control over the entities' financial and operating policy decisions and risks and benefits to the ultimate shareholders that existed prior to the Reorganisation. The Reorganisation has been accounted for as a reorganisation under common control in a manner similar to pooling of interests. Accordingly, the Financial Information for the financial years ended 30 June 2016, 30 June 2017 and 30 June 2018 and financial period ended 31 March 2019 have been prepared on the basis of merger accounting and comprise the financial statements of the subsidiaries which were under common control of the ultimate shareholders and Directors that existed prior to the Reorganisation during the relevant periods or since their respective dates of incorporation. No financial information of MTAG was included for the financial years ended 30 June 2016 and 30 June 2017 as MTAG was only incorporated on 2 January 2018.

3. BASIS OF PREPARATION

3.1 Statement of Compliance

The Financial Information have been prepared pursuant to the listing exercise of the Group on the ACE Market of Bursa Malaysia Securities Berhad (hereinafter defined as "the Listing').

The Financial Information have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs") based on the Guidance Note on 'Combined Financial Statements', issued by the Malaysian Institute of Accountants in relation to the Listing.

The Financial Information consists of the financial statements of combining entities as disclosed in Note 2 to the Financial Information, which were under common control throughout the reporting years/period by virtue of common controlling shareholders.

The Financial Information have been prepared using financial information obtained from the records of the combining entities during the reporting years/period.

The Financial Information may not correspond to the consolidated financial statements of the Group, as the Financial Information reflect business combinations under common control for the purpose of the Listing. Consequently, the Financial Information do not purport to predict the financial positions, results of operations and cash flows of the combining entities during the reporting years/period.

3. BASIS OF PREPARATION (CONT'D)

3.1 Statement of Compliance (cont'd)

The statutory audited financial statements of Toyo Sho from 1 June 2015 to 31 May 2016 and from 1 June 2016 to 30 June 2017 were realigned to 1 July 2015 to 30 June 2016 and 1 July 2016 to 30 June 2017 for the purpose of this Financial Information to be coterminous with the financial year end of the Group.

Likewise, the statutory audited financial statements of Intag Steel from 1 October 2015 to 30 September 2016 and from 1 October 2016 to 30 June 2017 were realigned to 1 July 2015 to 30 June 2016 and 1 July 2016 to 30 June 2017 for the purpose of this Financial Information to be coterminous with the financial year end of the Group.

The combining entities, except for the Group which already applied MFRSs since the date of its incorporation, were previously applied Private Entity Reporting Standards ("PERSs"). These combining entities adopted MFRSs and IFRSs for the first-time during the financial year/period ended 30 June 2017. There were no significant financial impacts on transition to MFRSs. The realigned financial statements of Toyo Sho and Intag Steel for the financial years ended 30 June 2016 and 2017 and financial statements of Intag Industrial for the financial year ended 30 June 2016 were prepared in accordance with MFRSs and IFRSs and have been re-audited by Grant Thornton Malaysia for the purpose of inclusion into the Financial Information.

3.2 Basis of Measurement

The Financial Information of the Group are prepared under the historical cost convention, except for leasehold land and building that are measured at revalued amount at the end of each reporting period as indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

3. BASIS OF PREPARATION (CONT'D)

3.2 Basis of Measurement (cont'd)

A fair value measurement of a non-financial market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For assets and liabilities that are recognised in the Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting period.

The Group has established control framework in respect to the measurement of fair values of financial instruments. The Board of Directors has overall responsibility for overseeing all significant fair value measurements. The Board of Directors regularly reviews significant unobservable inputs and valuation adjustments.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

3.3 Functional and Presentation Currency

The Financial Information are presented in Ringgit Malaysia ("RM") which is the Group's and the Group's functional currency and all values are rounded to the nearest RM except when otherwise stated.

3. **BASIS OF PREPARATION (CONT'D)**

3.4 **MFRSs**

3.4.1 **Adoption of New or Revised MFRSs**

The Group has consistently applied the accounting policies set out in Note 4 to the Financial Information to all periods presented in these Financial Information.

At the beginning of the current financial period, the Group adopted new and revised/amendments/improvements to MFRSs and IC Interpretations approved by the Malaysian Accounting Standards Board ("MASB") and applicable for the financial periods beginning on or after 1 January 2015.

Application of the new and revised/amendments/improvements to MFRSs and IC Interpretations has no material impact to the Financial Information of the Group except as disclosed in Note 5 to the Financial Information.

3.4.2 **Standards Issued But Not Yet Effective**

At the date of authorisation of these Financial Information, the MASB has approved certain new standards, amendments and interpretations to existing standards which are not yet effective, and have not been early adopted by the Group.

The management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. The initial application of the new standards, amendments and interpretations are not expected to have any material impacts to the Financial Information of the Group except as mentioned below:-

MFRS 16 Leases

MFRS 16 replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal From of a Lease.

Essentially, the new Standard requires all lease arrangements ("right of use assets") to be recognised on the statement of financial position. The structure of the statement of profit or loss will change as the previous lease expense will be replaced by a depreciation charge on the right of use assets and the interest expense on the corresponding lease liability. The related cash flows will be divided into a repayment of the lease liability and interest portion, thus changing the structure of the cash flows.

The Group will apply MFRS 16 for the first time using the modified retrospective method of which the comparative amounts for the period prior to the first adoption of the new Standard will not be restated and the management is currently assessing the financial impact of adopting MFRS 16.

3. BASIS OF PREPARATION (CONT'D)

3.5 Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the Financial Information. They affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

3.5.1 <u>Estimation uncertainty</u>

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

Useful lives of depreciable assets

The management estimates the useful lives of the property, plant and equipment and investment properties to be within 3 to 60 years except for the freehold land which is not depreciated and reviews the useful lives of depreciable assets at each reporting date. At each reporting periods, the management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analysed in Notes 6 and 7 to the Financial Information. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting adjustment to the Group's assets.

Management anticipates that the expected useful lives of the property, plant and equipment and investment properties would not have material difference from their estimates and hence it would not result in material variance in the Group's profit for the financial year.

Impairment of property, plant and equipment and investment properties

The Group carries out impairment tests based on a variety of estimation including value-in-use of cash-generating unit to which the property, plant and equipment and investment properties are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

3. BASIS OF PREPARATION (CONT'D)

3.5 Significant Accounting Estimates and Judgements (cont'd)

3.5.1 Estimation uncertainty (cont'd)

Impairment of inventories

The management reviews inventories to identify damaged, obsolete and slow-moving inventories which require judgement and changes in such estimates could result in revision to valuation of inventories.

The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 9 to the Financial Information.

Provision for expected credit losses ("ECL") for trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for grouping of various customer segments that have similar loss patterns such as customer type and rating and other forms of credit insurance.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information on each quarterly reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed rates, forecast of economic conditions and ECL is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may not be representative of customers' actual default rate in the future.

The Group's assessment concludes no significant impact on the impairment of financial assets for all reporting periods.

Income taxes/Deferred tax liabilities

Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. BASIS OF PREPARATION (CONT'D)

3.5 Significant Accounting Estimates and Judgements (cont'd)

3.5.2 Significant management judgements

The followings are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the Financial Information.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. The Group accounts for the portions separately if the portions could be sold separately (or leased out separately under a finance lease). If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Non-current assets classified as held for sale

On 21 June 2017, the Group has entered into a Lease Transfer Agreement to dispose its leasehold land and building at Senai and therefore classified these assets as non-current assets classified as held for sale. The Board considered these assets met the criteria to be classified as held for sale at that date for the following reasons:

- The leasehold land and building at Senai are available for immediate sale and can be sold to potential buyers in their current condition.
- The Group has signed Lease Transfer Agreement with the buyer.
- The Board expects the sales to be completed within 12 months from the reporting date.

Refer to Note 15 to the Financial Information for more details on the disposal of leasehold land and building at Senai.

3. BASIS OF PREPARATION (CONT'D)

3.5 Significant Accounting Estimates and Judgements (cont'd)

3.5.2 Significant management judgements (cont'd)

Leases

In applying the classification of leases in MFRS 117, management considers its leases of leasehold land as finance lease arrangements. The lease transaction is not always conclusive, and management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership, whether the lease term is for the major part of the economic life of the asset even if title is not transferred and others in accordance with MFRS 117 Leases.

4. SIGNIFICANT ACCOUNTING POLICIES

The Group applies the significant accounting policies, as summarised below, consistently throughout all periods presented in the Financial Information, unless otherwise stated.

4.1 Basis of consolidation

4.1.1 Consolidation

The Financial Information of the Group includes the audited financial statements of the Group and all of its subsidiaries made up to the end of the reporting periods.

All inter-Group balances and significant inter-Group transactions and resulting unrealised profits or losses are eliminated on consolidation and the Financial Information reflects external transactions and balances only. The results of subsidiaries acquired or disposal of during the financial years are included in or excluded from the combined profit or loss from the effective date in which control is transferred to the Group or in which control ceases respectively.

The Financial Information of the Group for the financial years was prepared in manner similar to the "pooling of interest" method or merger method. Such manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant period, as a single economic enterprise, although the legal parent-subsidiary relationships were not established.

4.1.2 Common control business combination outside the scope of MFRS 3

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. A business combination involving common control entities, and accordingly the accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the Financial Information.

In applying merger accounting, financial statement items of the combining entities or businesses for the reporting periods in which the common control combination occurs, and for any comparative years disclosed, are included in the Financial Information of the combined entity as if the combination had occurred from the date when the combining entities first came under the control of the controlling party or parties prior to the common control combination.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Basis of consolidation (cont'd)

4.1.2 Common control business combination outside the scope of MFRS 3 (cont'd)

A single uniform set of accounting policies is adopted by the combined entity. Therefore, the combined entity recognised the assets, liabilities and equity of the combining entities or business at the carrying amounts in the Financial Information of the controlling party or parties to the common control combination.

The carrying amounts are included as if such Financial Information had been prepared by the controlling party, including adjustments required for conforming the combined entity's accounting policies and applying those policies to all periods presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the Financial Information of the combined entity.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The combined assets and liabilities are accounted for based on the carrying amounts from the perspective of the common control shareholders at the date of transfer. On combination, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

4.1.3 Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Basis of consolidation (cont'd)

4.1.4 Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of the equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as the equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

4.1.5 Changes in ownership interests in subsidiaries without change of control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

4.2 Property, plant and equipment

Property, plant and equipment are initially stated at cost. Leasehold land and building are subsequently shown at market value, based on valuations by external valuers, less subsequent depreciation and any impairment losses. All other property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses.

Revaluation is made at least once in every five years based on valuation by an independent valuer on an open market value basis. Any revaluation increase is credited to equity as a revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case, the increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation decrease is first offset against an increase on unutilised revaluation surplus in respect of the same asset and is thereafter recognised as an expense. Upon the disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to unappropriated profit.

Depreciation is provided on the straight-line method in order to write-off the cost of each asset over its estimated useful life.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Property, plant and equipment (cont'd)

The principal annual depreciation rates used are as follows:-

Long leasehold land	51 - 60 years
Building	2%
Equipment, furniture and fittings	10% - 33%
Plant and machineries	20%
Renovation and electrical installation	10%
Forklift and motor vehicles	20%

Restoration cost relating to an item of property, plant and equipment is capitalised only if such expenditure is expected to increase the future benefits from the existing property, plant and equipment beyond its previously assessed standard of performance.

Property, plant and equipment are written down to recoverable amount if, in the opinion of the Directors, it is less than their carrying value. Recoverable amount is the net selling price of the property, plant and equipment i.e. the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss in the financial year in which the asset is derecognised.

4.3 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and short term demand deposits which are readily convertible to known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the statement of financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the reporting date are classified as non-current asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Assets acquired under lease agreements

Accounting by lessees

Operating leases

Leased payments for operating leases, where substantially all the risk and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

Finance leases

Lease of property, plant and equipment acquired under hire purchase and finance lease arrangements which transfer substantially all the risks and rewards of ownership to the Group are capitalised. The depreciation policy on these assets is similar to that of the Group's property, plant and equipment depreciation policy.

Outstanding obligation due under hire purchase and finance lease arrangements after deducting finance expenses are included as liabilities in the Financial Information. Finance charges on hire purchase and finance lease arrangements are allocated to profit or loss over the period of the respective agreements.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment or as an investment property if held to earn rental income or for capital appreciation or both.

4.5 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Provisions (cont'd)

Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provisions due to the passage of time is recognised as a finance cost.

4.6 Income tax

Income tax on the profit or loss for the year comprises current tax expense and deferred tax. Current tax expense is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities and assets are provided for under the liability method at the current tax rate in respect of all temporary differences at the reporting date between the carrying amount of an asset or liability in the statement of financial position and its tax base including unused tax losses and capital allowances.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each reporting date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or that entire deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

Current tax expense and deferred tax are recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 Income tax (cont'd)

Goods and services tax ("GST")

GST is a consumption tax based on value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input GST that the Group paid on purchases of business inputs can be deducted from output GST.

Revenues, expenses and assets are recognised net of the amount of GST except:-

(i) where the GST incurred in a purchase of assets or services is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

During the financial period, GST was reset at standard rate of 0% with effective on 1 June 2018 and Sales and Services Tax ("SST") was enacted with effective on 1 September 2018 to replace GST.

4.7 Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Employee benefits (cont'd)

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial period.

Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, the Group makes contribution to the Employees Provident Fund ("EPF").

4.8 Revenue recognition

The Group applies five-step model revenue recognition under MFRS 15 Revenue from Contracts with Customers effective 1 January 2018. The adoption of this standard results in changes in the accounting policy for revenue recognition, and has no material financial impact from the MFRS 118 Revenue applied previously.

The Group recognises revenue from contracts with customers for goods or services based on the five-step model as set out in this Standards:-

i. Identify contracts with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

ii. Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer goods or services to the customer that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

iii. Determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

iv. Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

v. Recognise revenue when (or as) the Group satisfies a performance obligation. An asset is transferred when (or as) the customer obtains control of the asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Revenue recognition (cont'd)

The Group satisfies a performance obligation and recognises revenue over time if the Group's performance:-

i. Does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to-date; or
ii. Create or enhance an asset that the customer controls as the asset is created or enhanced; or
iii. Provide benefits that the customer simultaneously receives and consumes as the Group performs.

For performance obligations where any one of the above conditions are not met, revenue is recognised at a point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract based on asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

4.8.1 Sales of goods

All revenue is recognised at a point in time, which is typically on delivery. An asset is transferred when (or as) the customer obtains control of the asset. All the contracts are completed at the adoption date. The revenue is recognised net of any related rebates, discounts and tax. The Group shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

4.8.2 Interest income

Interest income is accounted for on accrual basis.

4.8.3 Rental income

Rental income is recognised when the rent is due.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of non-financial assets to determine whether there is any indication of impairment.

If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount of the asset or a cash-generating unit is less than its carrying amount. Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

In assessing value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

An impairment loss is recognised as an expense in profit or loss immediately unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

All reversals of impairment losses are recognised as income immediately in profit or loss unless the asset is carried at revalued amount, in which case, the reversal in excess of impairment loss previously recognised through profit or loss is treated as revaluation increase. After such a reversal, depreciation charge is adjusted in future periods to allocate the revised carrying amount of the asset, less any residual value, on a systematic basis over its remaining useful life.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments

4.10.1 Financial assets

4.10.1.1 Classification

Accounting policies applied until 30 June 2018

The Group categorises financial assets as follows:-
- Loans and receivables

Accounting policies applied from 1 July 2018

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

From 1 July 2018, the Group classifies its financial assets in the following measurement category:
- Those to be measured at amortised cost

4.10.1.2 Recognition and derecognition

Accounting policies applied until 30 June 2018

Financial assets are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset has expired or control of the asset is not retained or substantially all of the risk and rewards of ownership of the financial asset are transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (cont'd)

4.10.1 Financial assets (cont'd)

4.10.1.2 Recognition and derecognition (cont'd)

Accounting policies applied from 1 July 2018

A financial asset is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

4.10.1.3 Initial measurement

Accounting policies applied until 30 June 2018

Financial assets are measured initially at fair value plus transactions costs that are directly attributable to the acquisition or issue of the financial instrument, except for financial instrument carried at fair value through profit or loss, which are measured initially at fair value.

Accounting policies applied from 1 July 2018

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (cont'd)

4.10.1 Financial assets (cont'd)

4.10.1.4 Subsequent measurement

Accounting policies applied until 30 June 2018

The Group categorises financial instruments as follows and all financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortised cost using effective interest method, less provision for impairment. Gains and losses from loans and receivables are recognised in profit or loss through amortisation process or upon derecognition or impairment. Discounting is omitted where the effect of discounting is immaterial in subsequent measurement.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

Financial assets included in loans and receivables are cash and cash equivalents, amount due from Directors' related companies, trade and most of the other receivables.

Accounting policies applied from 1 July 2018

Financial assets are subsequently classified into the following category:-

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortised cost.

Financial assets at amortised cost are subsequently measured using effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include cash and cash equivalents, amount due from Directors' related companies, trade and most of the other receivables.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (cont'd)

4.10.1 Financial assets (cont'd)

4.10.1.5 Impairment of financial assets

Accounting policies applied until 30 June 2018

All financial assets (except for financial assets categorised as investment in subsidiaries and investment in associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

Financial assets carried at amortised cost

An impairment loss in respect of loans and receivables is recognised in profit or loss. The Group considers factors such as significant delay in payment, default or the probability of insolvency of the loan and receivables to determine whether there is objective evidence that an impairment loss has occurred. If such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

Accounting policies applied from 1 July 2018

The Group assesses on a forward-looking basis the expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs represent probability-weighted estimate of the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (cont'd)

4.10.1 Financial assets (cont'd)

4.10.1.5 Impairment of financial assets (cont'd)

Accounting policies applied from 1 July 2018 (cont'd)

ECLs are measured on either of the following basis:-

- 12-month ECLs: the portion of lifetime expected credit loss losses that result from possible default events on a financial instrument within the 12 months after the reporting date; and
- Lifetime ECLs: the expected credit loss that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and economic environment.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are re-measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at fair value through other comprehensive income ("FVTOCI") (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have any assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (cont'd)

4.10.2 Financial liabilities

4.10.2.1 Classification

Accounting policies applied until 30 June 2018

The Group categorises financial liabilities as follows:-
- Financial liabilities at fair value through profit or loss
- Other liabilities measured at amortised cost

Accounting policies applied from 1 July 2018

From 1 July 2018, the Group classifies its financial liabilities in the following measurement categories:

- Those to be measured subsequently at FVTPL, and
- Those to be measured at amortised cost.

4.10.2.2 Recognition and derecognition

Accounting policies applied until 30 June 2018

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Accounting policies applied from 1 July 2018

A financial liability is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial liability (or a part of a financial liability) from its statement of financial position when, and only when, the obligation specified in the contract is discharged or cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (cont'd)

4.10.2 Financial liabilities (cont'd)

4.10.2.2 Recognition and derecognition (cont'd)

Accounting policies applied from 1 July 2018 (cont'd)

On derecognition of a financial liability, the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4.10.2.3 Initial measurement

Accounting policies applied until 30 June 2018 and Accounting policies applied from 1 July 2018

The Group initially measures a financial liability at its fair value plus, in the case of a financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial liability.

4.10.2.4 Subsequent measurement

Accounting policies applied until 30 June 2018

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, contingent consideration in a business combination and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group that are not financial guarantee contracts or do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses recognised on derivatives include exchange differences.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (cont'd)

4.10.2 Financial liabilities (cont'd)

4.10.2.4 Subsequent measurement (cont'd)

Accounting policies applied until 30 June 2018 (cont'd)

(ii) Other liabilities measured at amortised cost

Other financial liabilities including finance lease creditors, borrowings, amount due to Directors, amount due to Directors' related companies, trade and most of the other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Accounting policies applied from 1 July 2018

The subsequent measurement of financial liabilities depends on their classification, as described below:-

(i) FVTPL

Financial liabilities at FVTPL include financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities designated upon initial recognition as at FVTPL.

At initial recognition, the Group may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- If doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel.

Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses recognised on derivatives include exchange differences.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (cont'd)

4.10.2 Financial liabilities (cont'd)

4.10.2.4 Subsequent measurement (cont'd)

Accounting policies applied from 1 July 2018 (cont'd)

The subsequent measurement of financial liabilities depends on their classification, as described below:- (cont'd)

(i) FVTPL (cont'd)

For financial liability that is designated as at fair value through profit or loss upon initial recognition, the Group recognises the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk in other comprehensive income and the remaining amount of the change in the fair value in profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

The Group has not elected to designate any financial liability at fair value through profit or loss.

(ii) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

The Group's financial liabilities at amortised cost include finance lease creditors, borrowings, amount due to Directors, amount due to Directors' related companies, trade and most of the other payables. Borrowings are classified as current liabilities unless the Group has unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (cont'd)

4.10.3 Offsetting of financial instruments

Accounting policies applied until 30 June 2018 and Accounting policies applied from 1 July 2018

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.11 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are equity instruments.

Unappropriated profit includes all current and prior period profit.

All transactions with shareholders are recorded separately within equity.

4.12 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and its existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 Related parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the Group if that person:-

(i) Has control or joint control over the Group;
(ii) Has significant influence over the Group; or
(iii) Is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:-

(i) The entity and the Group are members of the same group.
(ii) The entity is an associate or joint venture of the Group.
(iii) Both the Group and the entity are joint ventures of the same third party.
(iv) The Group is a joint venture of a third entity and the other entity is an associate of the same third entity.
(v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
(vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
(vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity.
(viii) The entity, or any other member of a group which it is a party, provides key management personnel services to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.14 Inventories

Inventories consist of raw materials, finished goods and trading goods and are stated at the lower of cost and net realisable value.

Cost of raw materials, finished goods and trading goods are determined on first-in-first-out method.

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

4.15 Interest-bearing borrowings

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs incurred. Borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred. However, borrowing costs incurred to finance the construction of property, plant and equipment are capitalised as part of the cost of those assets during the period of time that is required to complete and prepare the assets for its intended use.

4.16 Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising in translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

4.17 Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.17 Investment properties (cont'd)

Investment properties are measured at cost, including transaction costs less any accumulated depreciation and impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

The principal annual depreciation rates used are as follows:-

Leasehold land	12 years
Buildings	2%

Freehold land has an unlimited useful life and therefore is not depreciated.

Investment properties are derecognised when either they are disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the profit or loss in the financial period of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change.

4.18 Non-current assets classified as held for sale

Non-current assets are deemed to be held for sale if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

Classification of the asset as held for sale occurs only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary and sale must be highly probable. The management must be committed to a plan to sell the assets which are expected to qualify for recognition as a completed sale within one year from the date of classification. Action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or the plan will be withdrawn.

Upon classification as held for sale, non-current assets are measured at the lower of carrying amount and fair value less costs to sell and are not depreciated. Any differences are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 Dividends

Final dividends proposed by the Directors are not accounted for in shareholders' equity as an appropriation of retained profits until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Group grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

5. CHANGES IN ACCOUNTING POLICIES

5.1 MFRS 9 *Financial Instruments*

The Group has adopted MFRS 9 on 1 July 2018. MFRS 9 introduces new requirements which have resulted in changes in accounting policies for recognition, classification and measurement of financial instruments and impairment of financial assets, while the hedge accounting requirements under this Standard are not relevant to the Group.

The Group has applied MFRS 9 retrospectively on the initial application date in accordance with the transitional provision and the comparative information was not restated.

5.1.1 Classification and measurement of financial instruments

Financial assets

Under MFRS 9, at initial recognition, financial assets are classified and measured at amortised cost, FVTOCI and FVTPL. The classification depends on the Group's business model for managing the financial assets and the terms of contractual cash flows. Based on the assessment, the financial assets held by the Group as at 1 July 2018, 1 July 2017 and 1 July 2016 are reclassified to the following categories:-

	Measurement category		Carrying amount as at 1 July 2018	
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139) RM	New (MFRS 9) RM
Financial assets:				
Trade receivables	LAR*	Amortised cost	45,215,763	45,215,763
Other receivables	LAR*	Amortised cost	2,223,506	2,223,506
Amount due from Directors' related companies	LAR*	Amortised cost	20,249	20,249
Cash and bank balances	LAR*	Amortised cost	22,310,920	22,310,920

	Measurement category		Carrying amount as at 1 July 2017	
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139) RM	New (MFRS 9) RM
Financial assets:				
Trade receivables	LAR*	Amortised cost	55,584,557	55,584,557
Other receivables	LAR*	Amortised cost	1,104,930	1,104,930
Amount due from Directors' related companies	LAR*	Amortised cost	63,921	63,921
Cash and bank balances	LAR*	Amortised cost	8,022,036	8,022,036

5. CHANGES IN ACCOUNTING POLICIES (CONT'D)

5.1 MFRS 9 *Financial Instruments* (cont'd)

5.1.1 Classification and measurement of financial instruments (cont'd)

Financial assets (cont'd)

	Measurement category		Carrying amount as at 1 July 2016	
	Original (MFRS 139)	**New (MFRS 9)**	**Original (MFRS 139) RM**	**New (MFRS 9) RM**
Financial assets:				
Trade receivables	LAR*	Amortised cost	38,176,128	38,176,128
Other receivables	LAR*	Amortised cost	771,427	771,427
Amount due from Directors' related companies	LAR*	Amortised cost	299,633	299,633
Cash and bank balances	LAR*	Amortised cost	3,025,088	3,025,088

* LAR - Loans and Receivables

Trade receivables, other receivables, amount due from Directors' related companies and cash and bank balances that were previously classified as loans and receivables are now reclassified to amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:-

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group's assessment did not identify any requirements to reclassify financial liabilities at 1 July 2018, 1 July 2017 and 1 July 2016, and it has not designated any financial liabilities at FVTPL and it has no intention to do so.

5. CHANGES IN ACCOUNTING POLICIES (CONT'D)

5.1 MFRS 9 *Financial Instruments* (cont'd)

5.1.2 Impairment of financial assets

MFRS 9 introduces an expected credit loss ("ECL") model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group applied the simplified approach and calculated expected credit losses based on lifetime expected credit losses on all trade receivables. The Group established a provision matrix that is based on its historical credit loss experience with trade receivables of similar credit risk characteristics, adjusted for forward-looking factors specific to the category of debtors and the economic environment.

The Group's assessment concludes no significant impact on the impairment of financial assets for all reporting periods.

5.2 MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a comprehensive framework for determining how and when revenue is recognised. Under MFRS 15, revenue is recognised when control of the goods or services transfers to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services.

The Group involved in converting and distribution businesses, solely based on purchase orders. The Group also enters into a variety of arrangements with customers, including pricing arrangements and master supply arrangements which outline the terms under which the Group does businesses with specific customers.

Revenue is recognised for these arrangements over time or at a point in time depending on the Group's evaluation of when the customer obtains control of the promised goods or services. The Group has reviewed its performance obligations, customer contracts and evaluated the impact of MFRS 15 based on the amount and timing of revenue recognition.

All revenue is recognised at a point in time, which is typically on delivery. An asset is transferred when (or as) the customer obtains control of the asset. All the contracts are completed at the adoption date. The revenue is recognised net of any related rebates, discounts and tax.

In conclusion, the adoption of MFRS 15 has no significant impact on the substance of the principles applied by the Group to the amount and timing of revenue recognition. The revenue recognition principles and delivery terms applied by the Group remain generally unaltered. No adjustment to the opening balance of retained earnings has been made as there are no changes in timing of the revenue recognition.

6. PROPERTY, PLANT AND EQUIPMENT

	Long leasehold land RM	Building RM	Equipment, furniture and fittings RM	Plant and machineries RM	Renovation and electrical installation RM	Forklift and motor vehicles RM	Total RM
Cost/Valuation							
At 1 July 2015	3,367,418	8,539,940	1,492,373	11,337,444	819,788	2,067,228	27,624,191
Additions	-	-	46,707	490,106	18,980	927,615	1,483,408
At 30 June 2016	3,367,418	8,539,940	1,539,080	11,827,550	838,768	2,994,843	29,107,599
Additions	-	-	45,443	3,452,644	3,392,603	339,218	7,229,908
Transfer from capital work-in-progress	-	-	-	-	560,000	-	560,000
Disposal	-	-	-	(211,680)	-	(334,366)	(546,046)
At 30 June 2017	3,367,418	8,539,940	1,584,523	15,068,514	4,791,371	2,999,695	36,351,461
Additions	-	-	416,663	1,151,166	203,300	744,952	2,516,081
Disposal	-	-	(2,339)	(440,284)	-	(449,072)	(891,695)
Written off	-	-	(329,668)	(63,536)	-	(198,000)	(591,204)
Transfer to investment properties	-	-	-	-	(3,484,303)	-	(3,484,303)
Revaluation	5,132,582	960,060	-	-	-	-	6,092,642
At 30 June 2018	8,500,000	9,500,000	1,669,179	15,715,860	1,510,368	3,097,575	39,992,982
Additions	-	-	52,953	775,000	-	232,960	1,060,913
Disposal	-	-	(3,302)	-	-	(86,463)	(89,765)
At 31 March 2019	8,500,000	9,500,000	1,718,830	16,490,860	1,510,368	3,244,072	40,964,130
Representing:-							
At cost	-	-	1,718,830	16,490,860	1,510,368	3,244,072	22,964,130
At valuation: 2018	8,500,000	9,500,000	-	-	-	-	18,000,000
	8,500,000	9,500,000	1,718,830	16,490,860	1,510,368	3,244,072	40,964,130

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Long leasehold land RM	Building RM	Equipment, furniture and fittings RM	Plant and machineries RM	Renovation and electrical installation RM	Forklift and motor vehicles RM	Total RM
Accumulated depreciation							
At 1 July 2015	280,618	853,296	893,785	9,623,906	328,887	1,466,110	13,446,602
Charge for the financial year	56,124	170,799	142,088	700,322	93,850	379,221	1,542,404
At 30 June 2016	336,742	1,024,095	1,035,873	10,324,228	422,737	1,845,331	14,989,006
Charge for the financial year	60,801	185,032	148,816	1,167,991	513,738	454,535	2,530,913
Disposal	-	-	-	(211,680)	-	(334,366)	(546,046)
At 30 June 2017	397,543	1,209,127	1,184,689	11,280,539	936,475	1,965,500	16,973,873
Charge for the financial year	56,123	170,799	158,583	1,282,115	142,899	414,275	2,224,794
Disposal	-	-	(2,339)	(400,284)	-	(394,947)	(797,570)
Written off	-	-	(312,597)	(60,873)	-	(198,000)	(571,470)
Transfer to investment properties	-	-	-	-	(377,467)	-	(377,467)
Revaluation	(453,666)	(1,379,926)	-	-	-	-	(1,833,592)
At 30 June 2018	-	-	1,028,336	12,101,497	701,907	1,786,828	15,618,568
Charge for the financial period	125,000	142,500	137,792	954,925	114,772	332,734	1,807,723
Disposal	-	-	(3,302)	-	-	(77,964)	(81,266)
At 31 March 2019	125,000	142,500	1,162,826	13,056,422	816,679	2,041,598	17,345,025
Net carrying amount							
At 30 June 2016	3,030,676	7,515,845	503,207	1,503,322	416,031	1,149,512	14,118,593
At 30 June 2017	2,969,875	7,330,813	399,834	3,787,975	3,854,896	1,034,195	19,377,588
At 30 June 2018	8,500,000	9,500,000	640,843	3,614,363	808,461	1,310,747	24,374,414
At 31 March 2019	8,375,000	9,357,500	556,004	3,434,438	693,689	1,202,474	23,619,105

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The leasehold land and building are pledged to the bank for borrowing facility granted to the Group.

The leasehold land is amortised over the leasehold period of 51 to 60 years.

The net carrying amount of motor vehicles of the Group which are acquired under finance lease arrangements amounted to RM767,654 (30.6.2018: RM823,008; 30.6.2017: RM701,410 and 30.6.2016: RM742,653). Leased assets are pledged as security for the related finance lease liabilities.

On 30 June 2018, the Directors revalued the leasehold land and building based on professional revaluation made by Cheston International (Johor) Sdn. Bhd. on the market value basis. The valuation was incorporated in the Financial Information for the financial year ended 30 June 2018.

The market value is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeable, prudently and without compulsion. The market value of the leasehold land and building was determined based on the comparison approach.

Leasehold land and building at valuation are categorised at Level 2 fair value.

Level 2 Fair Value

Level 2 fair value of leasehold land and building have been generally derived using the comparison method approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

Had the revalued leasehold land and building of the Group been carried under the cost model, the net carrying amount would have been as follows:-

	Long leasehold land RM	Building RM
31 March 2019		
Cost	3,367,418	8,539,940
Accumulated depreciation	(495,758)	(1,508,024)
Net carrying amount	2,871,660	7,031,916
30 June 2018		
Cost	3,367,418	8,539,940
Accumulated depreciation	(453,666)	(1,379,926)
Net carrying amount	2,913,752	7,160,014

7. INVESTMENT PROPERTIES

	Freehold land RM	Leasehold land RM	Buildings RM	Total RM
Cost				
At 1 July 2015	4,763,993	1,700,000	9,895,755	16,359,748
Additions	3,000,000	-	3,170,000	6,170,000
At 30 June 2016	7,763,993	1,700,000	13,065,755	22,529,748
Transfer to assets held for sale	-	(1,700,000)	(4,752,593)	(6,452,593)
At 30 June 2017	7,763,993	-	8,313,162	16,077,155
Transfer from property, plant and equipment	-	-	3,484,303	3,484,303
Disposals	(7,763,993)	-	(11,797,465)	(19,561,458)
At 30 June 2018 and 31 March 2019	-	-	-	-
Accumulated depreciation				
At 1 July 2015	-	425,000	1,591,861	2,016,861
Charge for the financial year	-	141,667	624,855	766,522
At 30 June 2016	-	566,667	2,216,716	2,783,383
Charge for the financial year	-	153,472	637,198	790,670
Transfer to assets held for sale	-	(720,139)	(1,542,444)	(2,262,583)
At 30 June 2017	-	-	1,311,470	1,311,470
Transfer from property, plant and equipment	-	-	377,467	377,467
Charge for the financial year	-	-	264,911	264,911
Disposals	-	-	(1,953,848)	(1,953,848)
At 30 June 2018 and 31 March 2019	-	-	-	-
Net carrying amount				
At 30 June 2016	7,763,993	1,133,333	10,849,039	19,746,365
At 30 June 2017	7,763,993	-	7,001,692	14,765,685
At 30 June 2018	-	-	-	-
At 31 March 2019	-	-	-	-

7. INVESTMENT PROPERTIES (CONT'D)

The Directors represented that the fair value of the Group's investment properties is approximately at RMNil (30.6.2018: RMNil; 30.6.2017: RM28,583,000 and 30.6.2016: RM38,080,000) under Level 2 fair value.

All the above investment properties have been pledged to the banks for banking facilities granted to the Group as referred to in Note 21 to the Financial Information before they were disposed.

8. CAPITAL WORK-IN-PROGRESS

	Renovation RM
At 1 July 2015	-
Addition	560,000
At 30 June 2016	560,000
Transfer to property, plant and equipment	(560,000)
At 30 June 2017, 30 June 2018 and 31 March 2019	-

9. INVENTORIES

	30.6.2016 RM	30.6.2017 RM	30.6.2018 RM	31.3.2019 RM
Goods in transit	-	-	361,154	-
Raw materials	10,388,675	22,448,006	17,231,630	23,675,883
Finished goods	12,302	292,780	239,545	343,391
Trading goods	1,120,308	1,771,743	1,775,264	478,357
Total inventories	11,521,285	24,512,529	19,607,593	24,497,631

A total of RM88,342,956 (30.6.2018: RM122,838,874; 30.6.2017: RM141,967,226 and 30.6.2016: RM76,893,849) of inventories was included in profit or loss as expense.

10. TRADE RECEIVABLES

Trade receivables comprise amounts receivable from sales of goods. The credit terms granted to the customers ranged from 30 days to 90 days (30.6.2018, 30.6.2017 and 30.6.2016: 30 days to 90 days respectively). Trade receivables are recognised at their original invoice amounts which represents their fair values on initial recognition.

The currency exposure profile of the trade receivables is as follows (foreign currency balances are unhedged):-

	30.6.2016 RM	30.6.2017 RM	30.6.2018 RM	31.3.2019 RM
Ringgit Malaysia	36,757,641	52,222,818	42,588,312	47,192,666
Singapore Dollar	25,973	45,522	18,730	8,039
US Dollar	1,392,514	3,316,217	2,608,721	2,772,452
	38,176,128	55,584,557	45,215,763	49,973,157

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. Information regarding the Group's exposure to the credit risk and ECLs for trade receivables is disclosed in Note 32(c) to the Financial Information.

11. OTHER RECEIVABLES

	30.6.2016 RM	30.6.2017 RM	30.6.2018 RM	31.3.2019 RM
Non-trade receivables	138,731	116,681	1,013	4,061
Advance payment to suppliers	-	484,950	489,432	1,351,398
Deposits for purchase of property, plant and equipment	215,255	76,917	989	-
Deposits	278,941	137,120	137,220	131,456
Prepayments	39,034	133,252	526,149	1,256,498
Prepayment - Real property gain tax	-	-	745,300	255,000
GST receivable	99,466	156,010	323,403	121,550
	771,427	1,104,930	2,223,506	3,119,963

11. OTHER RECEIVABLES (CONT'D)

The currency exposure profile of the other receivables is as follows (foreign currency balances are unhedged):-

	30.6.2016 RM	30.6.2017 RM	30.6.2018 RM	31.3.2019 RM
Ringgit Malaysia	556,172	578,863	2,168,533	1,825,778
US Dollar	215,255	41,117	-	890,231
EURO	-	484,950	54,973	403,954
	771,427	1,104,930	2,223,506	3,119,963

12. AMOUNT DUE FROM/TO DIRECTORS' RELATED COMPANIES

Directors' related companies refer to companies in which Directors of the Group have shareholdings interest in it.

The amounts due from/to Directors' related companies are denominated in Ringgit Malaysia.

The amounts due from/to Directors' related companies are unsecured, bear no interest and repayable upon demand.

	30.6.2016 RM	30.6.2017 RM	30.6.2018 RM	31.3.2019 RM
Amount due from Directors' related companies				
Trade	299,633	63,921	20,249	-
Non-trade	-	-	-	-
	299,633	63,921	20,249	-
Amount due to Directors' related companies				
Trade	6,138	3,963	-	-
Non-trade	6,990	865	-	-
	13,128	4,828	-	-

13. FIXED DEPOSITS WITH A LICENSED BANK

	30.6.2016 RM	30.6.2017 RM	30.6.2018 RM	31.3.2019 RM
Current	-	-	-	3,000,000

The fixed deposits with a licensed bank are on fixed rate basis and will mature within 6 months (30.6.2018, 30.6.2017 and 30.6.2016: Nil) period.

The effective interest rate on fixed deposits with a licensed bank is 3.55% (30.6.2018, 30.6.2017 and 30.6.2016: Nil) per annum.

All fixed deposits with a licensed bank are denominated in Ringgit Malaysia.

14. CASH AND BANK BALANCES

	30.6.2016 RM	30.6.2017 RM	30.6.2018 RM	31.3.2019 RM
Cash on hand and at banks	3,025,088	8,022,036	22,310,920	22,094,986
Short term deposits with a licensed bank	-	-	-	3,035,043
	3,025,088	8,022,036	22,310,920	25,130,029

As at the reporting date, the interest rate and the maturity of short term deposits were as follows:-

	30.6.2016	30.6.2017	30.6.2018	31.3.2019
Interest rate (%)	Nil	Nil	Nil	3.55
Maturity (days)	Nil	Nil	Nil	30

The currency exposure profile of the cash and bank balances is as follows (foreign currency balances are unhedged):-

	30.6.2016 RM	30.6.2017 RM	30.6.2018 RM	31.3.2019 RM
Ringgit Malaysia	2,936,100	7,905,776	21,953,591	24,708,381
Singapore Dollar	4,264	6,780	6,942	7,637
US Dollar	84,724	109,480	350,387	414,011
	3,025,088	8,022,036	22,310,920	25,130,029

15. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	30.6.2016 RM	30.6.2017 RM	30.6.2018 RM	31.3.2019 RM
At beginning of financial year/period	-	-	4,190,010	-
Addition	-	-	2,192,853	-
Transferred from investment properties				
- Leasehold land	-	979,861	-	-
- Building	-	3,210,149	-	-
Disposals	-	-	(6,382,863)	-
At end of financial year/period	-	4,190,010	-	-

On 21 June 2017, the Group entered into a Lease Transfer Agreement to dispose off its leasehold land and building located at Senai to Delisauce World Foods Sdn. Bhd. for a total cash consideration of RM8,500,000. This transaction had been completed on 19 May 2018.

16. SHARE CAPITAL

	30.6.2016 Unit	30.6.2016 RM	30.6.2017 Unit	30.6.2017 RM	30.6.2018 Unit	30.6.2018 RM
Issued and fully paid-up:-						
Ordinary shares						
At beginning of financial year	2,565,945	2,565,945	2,565,945	2,565,945	2,565,945	2,565,945
Incorporation of MTAG	-	-	-	-	1	1
At end of financial year	2,565,945	2,565,945	2,565,945	2,565,945	2,565,946	2,565,946

	31.3.2019 Unit	31.3.2019 RM
Issued and fully paid-up:-		
Ordinary shares		
At beginning of financial period	2,565,946	2,565,946
Issuance of share	1	1
At end of financial period	2,565,947	2,565,947

The new Companies Act, 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital.

17. REVALUATION RESERVE

The revaluation reserve arose from the revaluation of land and building and is not available for distribution as dividends.

18. UNAPPROPRIATED PROFIT

Effective from 1 January 2014, the Group is required by the Income Tax Act 1967 to pay dividend under single tier income tax system. As such, the Group may frank the payment of dividends out of its entire unappropriated profit.

19. DEFERRED TAX LIABILITIES

	30.6.2016 RM	30.6.2017 RM	30.6.2018 RM	31.3.2019 RM
At beginning of financial year/period	363,885	341,328	752,349	2,313,149
Over provision of deferred tax liabilities in prior financial year	-	-	-	(47,149)
Transferred (from)/to profit or loss (Note 27)	(22,557)	411,021	(341,496)	359,140
Transferred from other comprehensive income	-	-	1,902,296	-
Realisation of deferred tax liabilities upon depreciation of revalued assets	-	-	-	(28,140)
At end of financial year/period	341,328	752,349	2,313,149	2,597,000

The balance in the deferred tax liabilities is made up of temporary differences arising from:-

	30.6.2016 RM	30.6.2017 RM	30.6.2018 RM	31.3.2019 RM
Carrying amount of qualifying property, plant and equipment in excess of their tax base	341,328	752,349	410,853	722,844
Revaluation of land and buildings	-	-	1,902,296	1,874,156
	341,328	752,349	2,313,149	2,597,000

20. FINANCE LEASE CREDITORS

	30.6.2016 RM	30.6.2017 RM	30.6.2018 RM	31.3.2019 RM
Minimum lease payment				
- within 1 year	169,537	171,050	236,292	294,528
- after 1 year but not later than 5 years	508,178	561,023	631,191	531,599
	677,715	732,073	867,483	826,127
Less: Interest in suspense	(82,142)	(74,888)	(75,158)	(56,489)
	595,573	657,185	792,325	769,638
Total principal sum payable				
- within 1 year	138,348	143,220	202,290	263,604
- after 1 year but not later than 5 years	457,225	513,965	590,035	506,034
	595,573	657,185	792,325	769,638

The interest rates on the finance lease ranged from 2.34% to 2.69% (30.6.2018: 2.34% to 2.69%; 30.6.2017 and 30.6.2016: 2.47% to 2.69% respectively) per annum.

21. BORROWINGS

	30.6.2016 RM	30.6.2017 RM	30.6.2018 RM	31.3.2019 RM
Current				
Secured:-				
Term loans	2,567,577	2,505,487	439,934	446,406
Banker's acceptance	1,922,000	4,272,000	9,463,000	3,026,000
Total current	4,489,577	6,777,487	9,902,934	3,472,406
Non-current				
Secured:-				
Term loans	19,047,503	17,542,566	6,356,316	5,861,333
Total non-current	19,047,503	17,542,566	6,356,316	5,861,333
Total borrowings	23,537,080	24,320,053	16,259,250	9,333,739

21. BORROWINGS (CONT'D)

The above borrowings of the Group are obtained by way of:-

(a) Fixed charge over land and buildings of the Group;
(b) Certain properties of Directors' related companies;
(c) Jointly and severally guaranteed by certain Directors of the Group and a promoter; and
(d) Personal guarantee by a previous director of Intag Industrial Supplies Sdn. Bhd..

The term loans bear interest at rates ranging from 4.77% to 5.07% (30.6.2018: 4.52% to 7.72%; 30.6.2017: 4.52% to 7.60% and 30.6.2016: 4.65% to 7.60%) per annum.

The banker's acceptance bears interest at rates ranging from 4.02% to 5.15% (30.6.2018: 3.76% to 5.39%; 30.6.2017: 3.80% to 5.08% and 30.6.2016: 3.92% to 4.03%) per annum.

The entire borrowings are denominated in Ringgit Malaysia.

22. TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases. The credit terms granted to the Group ranged from 30 days to 120 days (30.6.2018, 30.6.2017 and 30.6.2016: 30 days to 120 days respectively).

The currency exposure profile of the trade payables is as follows (foreign currency balances are unhedged):-

	30.6.2016	30.6.2017	30.6.2018	31.3.2019
	RM	RM	RM	RM
Ringgit Malaysia	4,726,335	5,608,032	6,289,350	7,112,052
US Dollar	11,598,158	32,825,814	6,821,290	14,865,844
Singapore Dollar	48,425	1,008,666	77,501	1,385,901
	16,372,918	39,442,512	13,188,141	23,363,797

23. OTHER PAYABLES

	30.6.2016 RM	30.6.2017 RM	30.6.2018 RM	31.3.2019 RM
Non-trade payables	1,370,356	739,719	1,041,587	621,291
Accruals of expenses	931,107	473,854	914,138	1,874,032
Deposit received	450,058	450,058	-	-
Deposit received from purchaser of asset held for sale	-	270,300	-	-
GST payable	-	63,733	-	-
	2,751,521	1,997,664	1,955,725	2,495,323

The entire other payables balances are denominated in Ringgit Malaysia.

24. AMOUNT DUE TO DIRECTORS

The amount due to Directors is unsecured, bears no interest and repayable upon demand.

The entire amount due to Directors is denominated in Ringgit Malaysia.

25. REVENUE

Revenue comprise of the following:-

	1.7.2015 to 30.6.2016 RM	1.7.2016 to 30.6.2017 RM	1.7.2017 to 30.6.2018 RM	1.7.2018 to 31.3.2019 RM
Revenue from contract with customers	126,983,423	186,607,371	187,465,036	136,109,448

25. REVENUE (CONT'D)

Revenue from contracts with customers is disaggregated by major products, primary geographical market and timing of revenue recognition in the following table:-

	1.7.2015 to 30.6.2016 RM	1.7.2016 to 30.6.2017 RM	1.7.2017 to 30.6.2018 RM	1.7.2018 to 31.3.2019 RM
Major products				
Filter media and mesh	80,732,838	115,477,487	106,656,076	77,189,435
General merchandise goods	16,756,118	25,588,420	31,072,771	18,104,442
Hardware products	12,405,870	13,503,691	15,530,121	12,102,749
Stickers and labels	17,088,597	32,037,773	34,206,068	28,712,822
	126,983,423	186,607,371	187,465,036	136,109,448
Primary geographical markets				
Northern region	5,796	-	3,981	10,030
Central region	184,607	416,497	739,064	266,951
Southern region	126,308,955	184,805,851	182,792,232	130,872,023
Overseas (outside Malaysia)	484,065	1,385,023	3,929,759	4,960,444
	126,983,423	186,607,371	187,465,036	136,109,448
Timing of revenue recognition				
Products transferred at a point in time	126,983,423	186,607,371	187,465,036	136,109,448
Revenue from contracts with customers	126,983,423	186,607,371	187,465,036	136,109,448

26. PROFIT BEFORE TAX

Profit before tax has been determined after charging/(crediting), amongst others, the following items:-

	1.7.2015 to 30.6.2016 RM	1.7.2016 to 30.6.2017 RM	1.7.2017 to 30.6.2018 RM	1.7.2018 to 31.3.2019 RM
Auditors' remuneration				
- statutory	42,500	65,000	69,500	60,025
- non-statutory	12,800	19,700	20,300	-
- under provision of non-statutory fee in prior year	-	-	-	2,000
Directors' fee	1,170,000	692,000	1,860,000	-
Direct operating expenses for				
- revenue generating investment properties during the financial year/period	114,339	96,568	90,197	-
Rental of warehouse	225,000	270,000	270,000	-
Rental of hostel	13,000	12,200	14,400	10,800
Rental income				
- third party	(1,367,847)	(1,922,959)	(1,347,163)	-
- promoter	(60,000)	(60,000)	(60,000)	-
Realised gain on foreign exchange	(78,211)	(562,490)	(2,363,435)	(1,340,719)

27. TAX EXPENSE

Malaysian income tax is calculated at the statutory tax rate of 24% (2018 and 2017: 24%) of the estimated taxable profits for the financial year.

A reconciliation of income tax expense applicable to profit before tax at the statutory tax rate to the income tax expense at the effective tax rate of the Group is as follows:-

	1.7.2015 to 30.6.2016 RM	1.7.2016 to 30.6.2017	1.7.2017 to 30.6.2018 RM	1.7.2018 to 31.3.2019 RM
Current year's/period's tax expense	5,243,547	6,778,711	11,181,341	7,810,522
(Over)/Under provision of tax expense in prior financial year	(23,430)	213,291	(53,238)	27,708
Transferred (to)/from deferred taxation (Note 19)	(22,557)	411,021	(341,496)	359,140
Over provision of deferred tax liabilities in prior financial year	-	-	-	(47,149)
Realisation of deferred tax liabilities upon depreciation of revalued assets	-	-	-	(28,140)
	5,197,560	7,403,023	10,786,607	8,122,081

Malaysian income tax is calculated at the statutory tax rate of 24% (30.6.2018, 30.6.2017 and 30.6.2016: 24% respectively) of the estimated taxable profits for the financial year/period.

27. TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to profit before tax at the statutory tax rate to the income tax expense at the effective tax rate of the Group is as follows:-

	1.7.2015 to 30.6.2016 RM	1.7.2016 to 30.6.2017 RM	1.7.2017 to 30.6.2018 RM	1.7.2018 to 31.3.2019 RM
Profit before tax	21,088,096	30,033,988	58,293,301	31,830,566
Tax expense at Malaysian statutory tax rate of 24% (30.6.2018, 30.6.2017 and 30.6.2016: 24% respectively)	5,061,143	7,208,157	13,990,392	7,639,336
Tax effects in respect of:-				
Expenses not deductible for tax purposes	209,831	593,729	373,629	656,748
Income not subject to tax	(3,184)	(453,416)	(3,434,176)	(21,422)
Deferred tax assets not recognised	8,406	-	-	-
Change in tax rate for the first tranche of the chargeable income	(70,000)	(90,000)	(90,000)	(105,000)
Effect of change in tax rate on opening of deferred taxation	(10,478)	-	-	-
Realisation of deferred tax liabilities upon depreciation of revalued assets	-	-	-	(28,140)
Utilisation of reinvestment allowance	-	(68,738)	-	-
(Over)/Under provision of tax expense in prior financial year	(23,430)	213,291	(53,238)	27,708
Under/(Over) provision of deferred taxation in prior financial year	25,272	-	-	(47,149)
Total tax expense	5,197,560	7,403,023	10,786,607	8,122,081

28. EMPLOYEE BENEFITS EXPENSE

	1.7.2015 to 30.6.2016 RM	1.7.2016 to 30.6.2017 RM	1.7.2017 to 30.6.2018 RM	1.7.2018 to 31.3.2019 RM
Staff costs	5,332,517	6,825,914	10,486,654	10,695,091

Employee benefits expense of the Group consists of, amongst others, the following items:-

	1.7.2015 to 30.6.2016 RM	1.7.2016 to 30.6.2017 RM	1.7.2017 to 30.6.2018 RM	1.7.2018 to 31.3.2019 RM
Directors' remuneration				
- Salary	247,200	263,200	345,100	1,197,900
- EPF	78,566	124,596	373,084	273,482
- EIS	-	-	106	252
- Commission	244,064	353,284	2,269,124	-
- Bonus	35,800	53,500	171,950	3,440,365
- SOCSO	2,408	3,315	4,276	3,215
- HRDF	-	-	-	1,257
Defined contribution plan				
- Staff EPF	331,355	421,647	485,957	434,179
Other key management personnel remuneration				
- Salary, allowance and commission	372,891	455,931	596,108	582,428
- EPF, SOCSO and EIS	54,109	65,314	81,137	85,430
- Bonus	53,000	54,825	59,050	51,850
- Fee	-	300,000	300,000	250,000

29. RELATED PARTY DISCLOSURES

(a) The transactions of the Group with the related parties were as follows:-

	1.7.2015 to 30.6.2016 RM	1.7.2016 to 30.6.2017 RM	1.7.2017 to 30.6.2018 RM	1.7.2018 to 31.3.2019 RM
Transactions with Directors' related companies:-				
- Sales of goods	283,878	1,645,671	14,990	-
- Purchases of goods and services charged by	17,004	21,350	19,133	-
- Production expense charged by	-	-	911	-
- Disposal of property, plant and equipment	-	-	300	-
- Disposal of investment properties	-	-	28,543,893	-
- Purchase of property, plant and equipment	-	-	5,460	-
Transactions with Directors:-				
- Rental of hostel charged by	13,000	12,200	14,400	10,800
- Rental of warehouse charged by	225,000	270,000	270,000	-
- Disposal of property, plant and equipment	-	-	83,000	-
Transactions with a promoter:-				
- Rental charged to	60,000	60,000	60,000	-

(b) The outstanding balances arising from related party transactions as at the reporting date are disclosed in Note 12 to the Financial Information.

(c) The remuneration of key management personnel is disclosed in Notes 26 and 28 to the Financial Information. Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. Other key management personnel comprise persons other than the Directors of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

30. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments in respect of the following is not provided for in the Financial Information:-

	30.6.2016 RM	30.6.2017 RM	30.6.2018 RM	31.3.2019 RM
Authorised and contracted for:-				
- Plant and machineries	502,325	368,683	-	-
- Motor vehicle	-	330,600	-	-

(b) The future rental expense commitments are as follows:-

	30.6.2016 RM	30.6.2017 RM	30.6.2018 RM	31.3.2019 RM
Within the next one year	270,000	45,000	-	138,210
After the next one year and not later than five years	45,000	-	-	-
After five years	-	-	-	-

(c) The contingent liabilities are as follows:-

	30.6.2016 RM	30.6.2017 RM	30.6.2018 RM	31.3.2019 RM
Secured:-				
Bank guarantee given by the bank to:-				
- Royal Custom Department Malaysia	20,000	285,000	540,000	560,000
- Tenaga Nasional Berhad	20,000	20,000	20,000	20,000
- 3M Malaysia Sdn. Bhd.	50,000	50,000	50,000	50,000

31. OPERATING LEASE ARRANGEMENTS

The Group has entered into operating lease agreements on its assets. These leases have remaining lease terms of Nil months (30.6.2018: 12 months; 30.6.2017 and 30.6.2016: between 6 to 84 months respectively).

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables are as follows:-

	30.6.2016 RM	30.6.2017 RM	30.6.2018 RM	31.3.2019 RM
Within the next one year	2,063,141	1,507,690	-	-
After the next one year and not later than five years	1,994,810	507,760	-	-
After five years	62,919	42,279	-	-
	4,120,870	2,057,729	-	-

32. FINANCIAL INSTRUMENTS

Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in Notes 4.10.1 and 4.10.2 respectively. The main types of risks are foreign currency risk, interest rate risk, credit risk and liquidity risk.

Financial risk management policy is established to ensure that adequate resources are available for the development of the Group's business whilst managing its foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group operates within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

(a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on those transactions that are denominated in a currency other than the functional currency of the Group. The currencies giving rise to this risk are primarily US Dollar ("USD"), Singapore Dollar ("SGD") and EURO.

Based on carrying amounts as at the reporting date, foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below:-

32. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (cont'd)

(a) Foreign currency risk (cont'd)

	USD RM	SGD RM	EURO RM
30.6.2016			
Financial assets			
Trade receivables	1,392,514	25,973	-
Other receivables	215,255	-	-
Cash and bank balances	84,724	4,264	-
	1,692,493	30,237	-
Financial liability			
Trade payables	(11,598,158)	(48,425)	-
Net exposure	(9,905,665)	(18,188)	-
30.6.2017			
Financial assets			
Trade receivables	3,316,217	45,522	-
Other receivables	41,117	-	484,950
Cash and bank balances	109,480	6,780	-
	3,466,814	52,302	484,950
Financial liability			
Trade payables	(32,825,814)	(1,008,666)	-
Net exposure	(29,359,000)	(956,364)	484,950
30.6.2018			
Financial assets			
Trade receivables	2,608,721	18,730	-
Other receivables	-	-	54,973
Cash and bank balances	350,387	6,942	-
	2,959,108	25,672	54,973
Financial liability			
Trade payables	(6,821,290)	(77,501)	-
Net exposure	(3,862,182)	(51,829)	54,973

32. **FINANCIAL INSTRUMENTS (CONT'D)**

Risk management objectives and policies (cont'd)

(a) Foreign currency risk (cont'd)

	USD RM	SGD RM	EURO RM
31.3.2019			
Financial assets			
Trade receivables	2,772,452	8,039	-
Other receivables	890,231	-	403,954
Cash and bank balances	414,011	7,637	-
	4,076,694	15,676	403,954
Financial liability			
Trade payables	(14,865,844)	(1,385,901)	-
Net exposure	(10,789,150)	(1,370,225)	403,954

Foreign currency sensitivity analysis

The following table illustrates the sensitivity of profit in regards to the Group's financial assets and financial liabilities and the RM/USD exchange rate, RM/SGD exchange rate and RM/EURO exchange rate with 'all other things are being equal'.

It assumes a +/- 1% (30.6.2018 and 30.6.2017: 5% respectively; 30.6.2016: 7%) change of the RM/USD, RM/SGD and RM/EURO exchange rate respectively. The percentage has been determined based on the average market volatility in exchange rates in the previous 9 or 12 months. The sensitivity analysis is based on the Group's foreign currency denominated financial instruments held at each reporting date.

If the RM had strengthened against the USD, SGD and EURO by 1% (30.6.2018 and 30.6.2017: 5% respectively; 30.6.2016: 7%), this would have the following impact:-

	← Increase/(Decrease) on profit for the financial year/period →			
	USD RM	SGD RM	EURO RM	Total RM
30.6.2016	693,397	1,273	-	694,670
30.6.2017	1,467,950	47,818	(24,248)	1,491,520
30.6.2018	193,109	2,591	(2,749)	192,951
31.3.2019	107,891	13,703	(4,040)	117,554

32. **FINANCIAL INSTRUMENTS (CONT'D)**

Risk management objectives and policies (cont'd)

(a) Foreign currency risk (cont'd)

Foreign currency sensitivity analysis (cont'd)

If the RM had weakened against the USD, SGD and EURO by 1% (30.6.2018 and 30.6.2017: 5% respectively; 30.6.2016: 7%), then the impact to profit for the financial year/period would be the opposite effect.

Exposures to foreign exchange rates vary during the financial year/period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposures to foreign currency risk.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's fixed rate borrowings are exposed to a risk of change in their fair values due to changes in interest rates. The Group's variable rate borrowing is exposed to the risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

The Group's interest rate management objective is to manage interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation.

32. **FINANCIAL INSTRUMENTS (CONT'D)**

Risk management objectives and policies (cont'd)

(b) Interest rate risk (cont'd)

Interest rate sensitivity

The Group is exposed to changes in market interest rates through borrowings at variable interest rates. Other borrowings are at fixed interest rates. The exposure to interest rates for the Group's short term placement is considered immaterial.

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period is as follows:-

	30.6.2016 RM	30.6.2017 RM	30.6.2018 RM	31.3.2019 RM
Fixed rate instruments				
Financial assets				
Fixed deposits with a licensed bank	-	-	-	3,000,000
Short term deposits with a licensed bank	-	-	-	3,035,043
	-	-	-	6,035,043
Fixed rate instruments				
Financial liabilities				
Finance lease creditors	(595,573)	(657,185)	(792,325)	(769,638)
Banker's acceptance	(1,922,000)	(4,272,000)	(9,463,000)	(3,026,000)
	(2,517,573)	(4,929,185)	(10,255,325)	(3,795,638)
Floating rate instrument				
Financial liabilities				
Term loans	(21,615,080)	(20,048,053)	(6,796,250)	(6,307,739)
	(21,615,080)	(20,048,053)	(6,796,250)	(6,307,739)

32. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (cont'd)

(b) Interest rate risk (cont'd)

Interest rate sensitivity (cont'd)

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/-25 (30.6.2018, 30.6.2017 and 30.6.2016: +/- 25 respectively) basis points ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rates for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	(Decrease)/Increase on profit for the financial year/period	
	+ 25 bp	- 25 bp
	RM	RM
30.6.2016	(54,038)	54,038
30.6.2017	(50,120)	50,120
30.6.2018	(16,991)	16,991
31.3.2019	(15,769)	15,769

32. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (cont'd)

(c) Credit risk

Credit risk is the risk that counterparty fails to discharge an obligation to the Group. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:-

	30.6.2016 RM	30.6.2017 RM	30.6.2018 RM	31.3.2019 RM
Classes of financial assets:-				
Cash and cash equivalents	3,025,088	8,022,036	22,310,920	25,130,029
Fixed deposits with a licensed bank	-	-	-	3,000,000
Trade receivables	38,176,128	55,584,557	45,215,763	49,973,157
Other receivables	417,672	253,801	138,233	135,517
Amount due from Directors' related companies	299,633	63,921	20,249	-
Carrying amount	41,918,521	63,924,315	67,685,165	78,238,703

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements and none of the carrying amount of financial assets whose terms have been renegotiated that would otherwise be past due or impaired.

32. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (cont'd)

(c) Credit risk (cont'd)

The ageing analysis of trade receivables is as follows:-

	Gross	← Allowance for impairment loss: Expected credit loss (individually impaired)	Expected credit loss (collectively impaired)	Total →	Net
	RM	RM	RM	RM	RM
30.6.2016					
Within terms	21,806,077	-	-	-	21,806,077
Past due 1 to 30 days	12,940,762	-	-	-	12,940,762
Past due 31 to 60 days	2,669,362	-	-	-	2,669,362
Past due 61 to 90 days	471,283	-	-	-	471,283
Past due 91 to 120 days	215,906	-	-	-	215,906
Past due more than 120 days	72,738	-	-	-	72,738
	38,176,128	-	-	-	38,176,128
30.6.2017					
Within terms	31,956,329	-	-	-	31,956,329
Past due 1 to 30 days	18,155,475	-	-	-	18,155,475
Past due 31 to 60 days	3,854,752	-	-	-	3,854,752
Past due 61 to 90 days	897,771	-	-	-	897,771
Past due 91 to 120 days	414,857	-	-	-	414,857
Past due more than 120 days	305,373	-	-	-	305,373
	55,584,557	-	-	-	55,584,557
30.6.2018					
Within terms	25,481,588	-	-	-	25,481,588
Past due 1 to 30 days	13,376,753	-	-	-	13,376,753
Past due 31 to 60 days	4,582,267	-	-	-	4,582,267
Past due 61 to 90 days	1,246,735	-	-	-	1,246,735
Past due 91 to 120 days	451,189	-	-	-	451,189
Past due more than 120 days	77,231	-	-	-	77,231
	45,215,763	-	-	-	45,215,763
31.3.2019					
Within terms	27,993,697	-	-	-	27,993,697
Past due 1 to 30 days	15,210,152	-	-	-	15,210,152
Past due 31 to 60 days	5,247,305	-	-	-	5,247,305
Past due 61 to 90 days	875,781	-	-	-	875,781
Past due 91 to 120 days	422,642	-	-	-	422,642
Past due more than 120 days	223,580	-	-	-	223,580
	49,973,157	-	-	-	49,973,157

32. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (cont'd)

(c) Credit risk (cont'd)

The credit risk concentration profile of the Group's trade receivables as at the reporting date are as follows:-

	30.6.2016 RM	%	30.6.2017 RM	%	30.6.2018 RM	%
Top 5 receivables	28,102,480	74	41,605,127	75	30,019,993	66

	31.3.2019 RM	%
Top 5 receivables	36,104,456	72

In respect of other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Based on historical information about customer default rates, the management consider the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents and fixed deposits with a licensed bank are considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(d) Liquidity risk

Liquidity risk is the risk arising from the Group not being able to meet its financial obligations due to shortage of funds.

In managing its exposures to liquidity risk, the Group maintains a level of cash and cash equivalents and bank credit facilities deemed adequate by the management to ensure that it will have sufficient liquidity to meet its liabilities as and when they fall due.

32. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (cont'd)

(d) Liquidity risk (cont'd)

The following table shows the areas where the Group is exposed to liquidity risk:-

	Current	Non-current	
	Less than 1 year	Between 1 year to 5 years	More than 5 years
	RM	RM	RM
30.6.2016			
Non-derivative financial liabilities			
Term loans	2,619,240	8,432,762	22,235,978
Finance lease creditors	169,537	508,178	-
Banker's acceptance	1,922,000	-	-
Trade payables	16,372,918	-	-
Other payables	2,751,521	-	-
Amount due to Directors	5,089,763	-	-
Amount due to Directors' related companies	13,128	-	-
Total undiscounted financial liabilities	28,938,107	8,940,940	22,235,978
30.6.2017			
Non-derivative financial liabilities			
Term loans	2,480,821	7,813,577	20,252,008
Finance lease creditors	171,050	561,023	-
Banker's acceptance	4,272,000	-	-
Trade payables	39,442,512	-	-
Other payables	1,663,631	-	-
Amount due to Directors	1,318,748	-	-
Amount due to Directors' related companies	4,828	-	-
Total undiscounted financial liabilities	49,353,590	8,374,600	20,252,008

32. **FINANCIAL INSTRUMENTS (CONT'D)**

Risk management objectives and policies (cont'd)

(d) Liquidity risk (cont'd)

The following table shows the areas where the Group is exposed to liquidity risk (cont'd):-

	Current	Non-current	
	Less than 1 year RM	Between 1 year to 5 years RM	More than 5 years RM
30.6.2018			
Non-derivative financial liabilities			
Term loans	751,932	3,007,728	5,279,749
Finance lease creditors	236,292	631,191	-
Banker's acceptance	9,463,000	-	-
Trade payables	13,188,141	-	-
Other payables	1,955,725	-	-
Total undiscounted financial liabilities	25,595,090	3,638,919	5,279,749
31.3.2019			
Non-derivative financial liabilities			
Term loans	446,406	2,011,317	3,850,016
Finance lease creditors	294,528	531,599	-
Banker's acceptance	3,026,000	-	-
Trade payables	23,363,797	-	-
Other payables	2,495,323	-	-
Total undiscounted financial liabilities	29,626,054	2,542,916	3,850,016

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the financial liabilities at the reporting date.

33. CAPITAL MANAGEMENT OBJECTIVE

The primary capital management objective of the Group is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to sustain future development of the business. There is no change to the objectives in financial years/period ended 2016, 2017, 2018 and 2019.

The Group manages its capital by regularly monitoring its current and expected liquidity requirement and modify the combination of equity and borrowings from time to time to meet the needs. Shareholders' equity and gearing ratio of the Group are as follows:-

	30.6.2016 RM	30.6.2017 RM	30.6.2018 RM	31.3.2019 RM
Total equity	38,079,786	57,710,751	76,319,891	90,528,377
Borrowings	24,132,653	24,977,238	17,051,575	10,103,377
Debt-to-equity ratio	0.63	0.43	0.22	0.11

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities of the Group as at the reporting date are approximately at their fair values due to their short term nature, insignificant impact of discounting or they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

Fair value hierarchy

As at the end of the reporting period, the Group has no financial instruments that are measured subsequent to initial recognition at fair value and hence fair value hierarchy is not presented.

35. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD AND SUBSEQUENT TO THE REPORTING PERIOD

(a) On 24 October 2018, MTAG entered into a conditional share sale agreement with Chaw Kam Shiang and Ang Yam Fung (collectively known as "Toyo Sho Vendors") to acquire the entire equity interest of Toyo Sho Industrial Products Sdn. Bhd. from Toyo Sho Vendors at a total purchase consideration of RM22,154,500, satisfied by the issuance of 158,246,398 new ordinary shares of MTAG to Toyo Sho Vendors at an issue price of RM0.14 each.

(b) On 24 October 2018, MTAG entered into a conditional share sale agreement with Chaw Kam Shiang and Lau Cher Liang (collectively known as "Intag Industrial Vendors") to acquire the entire equity interest of Intag Industrial Supplies Sdn. Bhd. from Intag Industrial Vendors at a total purchase consideration of RM49,083,370, satisfied by the issuance of 350,595,500 new ordinary shares of MTAG to Intag Industrial Vendors at an issue price of RM0.14 each.

(c) On 24 October 2018, MTAG entered into a conditional share sale agreement with Chaw Kam Shiang, Lau Cher Liang and Goh Jui Heng (collectively known as "Intag Steel Vendors") to acquire the entire equity interest of Intag Steel Hardware Sdn. Bhd. from Intag Steel Vendors at a total purchase consideration of RM5,103,280, satisfied by the issuance of 36,452,000 new ordinary shares of MTAG to Intag Steel Vendors at an issue price of RM0.14 each.

(d) On 31 January 2019, M&A Securities Sdn. Bhd. on behalf of the Board of Directors of MTAG submitted an application to the Bursa Malaysia for the proposed admission of MTAG to the Official List and the listing of and the quotation for entire enlarged issued and paid-up share capital of MTAG shares on the ACE Market of Bursa Malaysia.

(e) On 30 April 2019, Bursa Malaysia has approved the said application as mentioned in Note 35 (d) to the Financial Information.

(f) On 28 June 2019, MTAG had completed the acquisition of 100% equity interest in Toyo Sho Industrial Products Sdn. Bhd., Intag Industrial Supplies Sdn. Bhd. and Intag Steel Hardware Sdn. Bhd. for a total purchase consideration of RM76,341,150 with the issuance of 545,293,898 new ordinary shares in MTAG at an issue price of RM0.14 each.

36. SEGMENTAL REPORTING - GROUP

For management purpose, the Group is organised into business units based on its products and has 2 reportable segments, as follows:-

Converting	-	Printing of labels and stickers and customised converting services
Distribution	-	Distribution of industrial tapes, adhesives and other products

The Directors monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated Financial Information.

Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation. Transfer prices between business segments are established on terms and conditions that are mutually agreed upon.

The Group has aggregated certain operating segments to form a reportable segment due to the similar nature and operational characteristics of the products.

36. SEGMENTAL REPORTING - GROUP (CONT'D)

Business segments

	Converting RM	Distribution RM	Elimination RM	Combined RM
30.6.2016				
Revenue:-				
External customers	112,219,379	16,756,118	(1,992,074)	126,983,423
Results:-				
Interest income	7,663	-	-	7,663
Interest expense	(1,108,563)	(10,258)	-	(1,118,821)
Depreciation of property, plant and equipment	(1,398,316)	(144,088)	-	(1,542,404)
Depreciation of investment properties	(766,522)	-	-	(766,522)
Tax expense	(4,676,246)	(521,314)	-	(5,197,560)
Other non-cash expenses (i)	(21,102)	-	-	(21,102)
Segment profit before tax	18,947,377	2,140,719	-	21,088,096
Assets:-				
Additions to property, plant and equipment	1,008,231	475,177	-	1,483,408
Additions to capital work-in-progress	560,000	-	-	560,000
Additions to investment properties	6,170,000	-	-	6,170,000

36. SEGMENTAL REPORTING - GROUP (CONT'D)

Business segments (cont'd)

	Converting RM	Distribution RM	Elimination RM	Combined RM
30.6.2017				
Revenue:-				
External customers	163,274,350	25,588,420	(2,255,399)	186,607,371
Results:-				
Interest income	12,511	-	-	12,511
Interest expense	(1,251,961)	(16,923)	-	(1,268,884)
Depreciation of property, plant and equipment	(2,362,353)	(168,560)	-	(2,530,913)
Depreciation of investment properties	(790,670)	-	-	(790,670)
Tax expense	(6,863,331)	(539,692)	-	(7,403,023)
Other non-cash income (i)	95,298	-	-	95,298
Segment profit before tax	27,628,148	2,405,840	-	30,033,988
Assets:-				
Additions to property, plant and equipment	7,187,667	42,241	-	7,229,908

36. SEGMENTAL REPORTING - GROUP (CONT'D)

Business segments (cont'd)

	Converting RM	Distribution RM	Elimination RM	Combined RM
30.6.2018				
Revenue:-				
External customers	158,615,609	31,072,770	(2,223,343)	187,465,036
Results:-				
Interest income	16,850	-	-	16,850
Interest expense	(1,088,282)	(54,998)	-	(1,143,280)
Depreciation of property, plant and equipment	(2,043,481)	(181,313)	-	(2,224,794)
Depreciation of investment properties	(264,911)	-	-	(264,911)
Tax expense	(9,558,231)	(1,228,376)	-	(10,786,607)
Other non-cash income (i)	13,128,510	-	(19,800)	13,108,710
Segment profit before tax	53,318,788	4,994,313	(19,800)	58,293,301
Assets:-				
Additions to property, plant and equipment	2,042,629	473,452	-	2,516,081
Additions to non-current assets classified as held for sale	2,192,853	-	-	2,192,853

36. SEGMENTAL REPORTING - GROUP (CONT'D)

Business segments (cont'd)

	Converting RM	Distribution RM	Elimination RM	Combined RM
31.3.2019				
Revenue:-				
External customers	119,473,080	18,104,442	(1,468,074)	136,109,448
Results:-				
Interest income	86,984	11,242	-	98,226
Interest expense	(165,666)	(17,633)	-	(183,299)
Depreciation of property, plant and equipment	(1,734,805)	(72,918)	-	(1,807,723)
Tax expense	(7,275,364)	(846,717)	-	(8,122,081)
Other non-cash income (i)	3,626	-	-	3,626
Segment profit before tax	28,187,418	3,643,148	-	31,830,566
Assets:-				
Additions to property, plant and equipment	1,060,913	-	-	1,060,913

36. SEGMENTAL REPORTING - GROUP (CONT'D)

Business segments (cont'd)

Note to the nature of adjustments and eliminations to arrive at amounts reported in the Financial Information:-

i. Other material non-cash (expenses)/income consist of the following items:-

	30.6.2016 RM	30.6.2017 RM	30.6.2018 RM	31.3.2019 RM
Property, plant and equipment written off	-	-	(19,734)	-
Gain on disposal of investment properties	-	-	10,936,283	-
Gain on disposal of property, plant and equipment	-	103,241	75,024	6,700
Gain on disposal of non-current assets classified as held for sale	-	-	2,117,137	-
Bad debts written off	(21,102)	(7,943)	-	(3,074)
	(21,102)	95,298	13,108,710	3,626

Geographical information

The Group's operation is predominantly carried out in Malaysia.

Information about major customers

The following is major customer with revenue equal or more than 10% of the Group's total revenue:-

	Segment	Revenue 1.7.2015 to 30.6.2016 RM	1.7.2016 to 30.6.2017 RM	1.7.2017 to 30.6.2018 RM	1.7.2018 to 31.3.2019 RM
Jabco Filter System Sdn. Bhd.	Converting	69,751,030	105,501,155	97,590,254	71,718,859

MTAG GROUP BERHAD
(Company No.: 1262041 - V)
(Incorporated in Malaysia)

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 MARCH 2019

GRANT THORNTON MALAYSIA

CHARTERED ACCOUNTANTS

Member Firm of Grant Thornton International Ltd.

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REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

Grant Thornton Malaysia
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Date: 20 July 2019

The Board of Directors
MTAG Group Berhad
Unit 30-01, Level 30
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

Dear Sirs,

MTAG GROUP BERHAD ("MTAG" OR "THE COMPANY") AND ITS SUBSIDIARIES ("MTAG GROUP", "PRO FORMA GROUP" OR "THE GROUP")

REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS ("REPORT")

We have completed our assurance engagement to report on the compilation of the pro forma consolidated financial information of the Group prepared by the Board of Directors of the Company. The pro forma consolidated financial information consists of the pro forma consolidated statements of financial position as at 31 March 2019 together with the accompanying notes thereon, for which we have stamped for the purpose of identification. The pro forma consolidated financial information has been prepared for inclusion in the prospectus of the Company in connection with the initial public offering ("IPO") and the listing and quotation of the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing").

The applicable criteria on the basis of which the Board of Directors has compiled the pro forma consolidated financial information are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and described in Note 1 of the pro forma consolidated financial information ("Applicable Criteria").

The pro forma consolidated financial information has been compiled by the Board of Directors for illustrative purposes only, to illustrate the impact of the transactions as set out in Note 1 of the pro forma consolidated financial information on the financial position of the Group as at 31 March 2019 had these transactions been effected on 31 March 2019. As part of this process, information about the financial position of the Group has been extracted by the Board of Directors from the financial information of the Company and its subsidiaries as at 31 March 2019 which have been audited.

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The Directors' Responsibility for the Pro Forma Consolidated Financial Information

The Board of Directors is responsible for compiling the pro forma consolidated financial information on the basis described in Note 1 of the pro forma consolidated financial information and in accordance with the requirements of the Prospectus Guidelines.

Our Independence and Quality Control

We are independent in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants ("IESBA Code") which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our firm applies *International Standard on Quality Control ("ISQC") 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility for the Pro Forma Consolidated Financial Information

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the pro forma consolidated financial information has been compiled, in all material respects, by the Board of Directors of the Company on the basis as described in Note 1 of the pro forma consolidated financial information and in accordance with the requirements of the Prospectus Guidelines.

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE 3420), Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a Prospectus*, issued by the International Auditing and Assurance Standard Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors of the Company have compiled, in all material respects, the pro forma consolidated financial information on the basis as set out in Note 1 of the pro forma consolidated financial information and in accordance with the requirements of the Prospectus Guidelines.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated financial information.

The purpose of pro forma consolidated financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions as at 31 March 2019 would have been as presented.

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Reporting Accountants' Responsibility for the Pro Forma Consolidated Financial Information (cont'd)

A reasonable assurance engagement to report on whether the pro forma consolidated financial information have been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Board of Directors in the compilation of the pro forma consolidated financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the pro forma consolidated financial information has been compiled and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma consolidated statements of financial position of the Group have been properly compiled, in all material respects, on the basis as set out in Note 1 of the pro forma consolidated financial information and in accordance with the requirements of the Prospectus Guidelines.

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Other Matter

This report has been prepared solely for the purpose stated above, in connection with the IPO and Listing. As such, this letter should not be used or relied upon for any other purpose without the prior written consent from us. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Grant Thornton Malaysia

GRANT THORNTON MALAYSIA
NO. AF: 0737
CHARTERED ACCOUNTANTS

MOHAMAD HEIZRIN BIN SUKIMAN
(NO: 03046/05/2021 J)
CHARTERED ACCOUNTANT

MTAG GROUP BERHAD AND ITS SUBSIDIARIES

1. PRO FORMA GROUP, BASIS OF PREPARATION AND LISTING SCHEME

1.1 Pro Forma Group

The pro forma consolidated financial information of MTAG Group Berhad ("MTAG" or "the Company") and its subsidiaries (collectively referred to as "MTAG Group", "Pro Forma Group" or "the Group") has been prepared for illustrative purposes only for the purpose of inclusion in the Prospectus in connection with the initial public offering of ordinary shares in the Company and the listing of and quotation of the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Listing").

1.2 Basis of Preparation

The pro forma consolidated financial information of the Group has been prepared in a manner consistent with the format of the financial statements and accounting policies adopted by the Group for the financial period ended 31 March 2019, in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Prospectus Guidelines, except for the adoption of the following new accounting policy:-

Merger method of accounting

The pro forma consolidated statements of financial position are consolidated using the merger method as these companies are under the common control by the same party both before and after the acquisition of the Group. When the merger method is used, the difference between the cost of investment recorded by MTAG and the share capital of the subsidiaries are accounted for as merger deficit in the pro forma consolidated statements of financial position.

The Group is regarded as a continuing entity resulting from the reorganisation exercise because the management of all the entities within the Group, which participated in the reorganisation exercise was under common control before and immediately after the reorganisation exercise. The Group has applied the merger method of accounting on a retrospective basis and restated its comparative as if the consolidation had taken place before the state of the earliest period presented in the financial statements.

The audited financial statements of the Group as at 31 March 2019 were prepared in accordance with MFRSs and IFRSs and were not subject to any audit qualification.

The pro forma consolidated financial information, because of its nature, may not reflect the actual financial position of the Group. Further, such information does not predict the future financial position of the Group.

The pro forma consolidated financial information of the Group comprises pro forma consolidated statements of financial position as at 31 March 2019, adjusted for the impact of the Listing Scheme as set out in Note 1.3 of this pro forma consolidated financial information.

MTAG GROUP BERHAD AND ITS SUBSIDIARIES

1. PRO FORMA GROUP, BASIS OF PREPARATION AND LISTING SCHEME (CONT'D)

1.3 Listing Scheme

(i) Acquisitions

Acquisitions entail acquiring the entire equity interest of the subsidiaries, for a total purchase consideration of RM76,341,150, to be satisfied via the issuance of 545,293,898 new ordinary shares.

(ii) Initial Public Offering ("IPO")

The IPO involves a public issue of 136,323,500 new ordinary shares in MTAG at an indicative issue/offer price of RM0.53 per share.

(iii) Offer for Sale

There is an Offer for Sale of 68,161,500 shares to identified investors, representing approximately 10% of the Company's enlarged number of shares at an indicative price of RM0.53 per Offer Share. This Offer for Sale does not affect the total number of new ordinary shares to be issued in this IPO and the Company will not receive any proceeds from the Offer for Sale.

(iv) Listing and Quotation on the ACE Market of Bursa Malaysia Securities Berhad

In conjunction with the IPO, the Company would seek the listing and quotation of its entire enlarged issued share capital comprising 681,617,400 ordinary shares in MTAG on the ACE Market of Bursa Malaysia Securities Berhad.

1.4 Utilisation of Proceeds from IPO

Gross proceeds from the IPO of RM72,251,455 are expected to be utilised as follows:

Details of utilisation		**RM**
Construction of new factory		33,000,000
Capital expenditure		13,000,000
Repayment of bank borrowings		9,333,739
Working capital		13,117,716
Estimated listing expenses*		3,800,000
Total estimated proceeds		**72,251,455**

** The estimated listing expenses arising from the issuance of new MTAG Shares pursuant to the IPO amounting to RM1,909,000 are to be offset against the share capital and the remaining estimated listing expenses of RM1,891,000 will be expensed off to profit or loss and this represents an one-off expenditure in conjunction with the IPO.*

Stamped for the purposed of identification on:
20 JUL 2019
Grant Thornton Malaysia

MTAG GROUP BERHAD AND ITS SUBSIDIARIES

1. PRO FORMA GROUP, BASIS OF PREPARATION AND LISTING SCHEME (CONT'D)

1.5 Auditors of MTAG Group

The auditors of the audited financial statements of MTAG Group for the financial period ended 31 March 2019 are as follows:

Company	**Auditor**
MTAG Group Berhad	Grant Thornton Malaysia
Intag Industrial Supplies Sdn. Bhd.	Grant Thornton Malaysia
Intag Steel Hardware Sdn. Bhd.	Grant Thornton Malaysia
Toyo Sho Industrial Products Sdn. Bhd.	Grant Thornton Malaysia

The audited financial statements of MTAG Group for the financial period ended 31 March 2019 were not subject to any qualification or modification.

Stamped for the purposed of identification on:
20 JUL 2019
Grant Thornton Malaysia

MTAG GROUP BERHAD AND ITS SUBSIDIARIES

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2019

The pro forma consolidated statements of financial position ("SOFP") as at 31 March 2019 has been prepared for illustrative purposes only to show the effects on MTAG Group as at 31 March 2019 based on the assumption that the Listing Scheme as set out in Note 1.3 of the pro forma consolidated financial information had been effected on 31 March 2019.

	Note	Statement of Financial Position as at 31 March 2019	Adjustments for Acquisitions	Pro forma I After Acquisitions	Adjustments for Public Issue and Offer for Sale	Pro forma II After Public Issue and Offer for Sale	Adjustments for Utilisation of Proceeds from Public Issue	Pro forma III After Utilisation of Proceeds from Public Issue
		RM	RM	RM	RM	RM	RM	RM
ASSETS								
Non-current asset								
Property, plant and equipment	3.1	-	23,619,105	23,619,105	-	23,619,105	46,000,000	69,619,105
Total non-current asset		-	23,619,105	23,619,105	-	23,619,105	46,000,000	69,619,105
Current assets								
Inventories	3.2	-	24,497,631	24,497,631	-	24,497,631	-	24,497,631
Trade receivables	3.3	-	49,973,157	49,973,157	-	49,973,157	-	49,973,157
Other receivables	3.4	2	3,119,961	3,119,963	-	3,119,963	-	3,119,963
Fixed deposits with a licensed bank	3.5	-	3,000,000	3,000,000	-	3,000,000	-	3,000,000
Cash and bank balances	3.6	4,409	25,125,620	25,130,029	72,251,455	97,381,484	(59,133,739)	38,247,745
Total current assets		4,411	105,716,369	105,720,780	72,251,455	177,972,235	(59,133,739)	118,838,496
Total assets		4,411	129,335,474	129,339,885	72,251,455	201,591,340	(13,133,739)	188,457,601

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MTAG GROUP BERHAD AND ITS SUBSIDIARIES

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2019 (CONT'D)

	Note	Statement of Financial Position as at 31 March 2019	Adjustments for Acquisitions	Pro forma I After Acquisitions	Adjustments for Public Issue and Offer for Sale	Pro forma II After Public Issue and Offer for Sale	Adjustments for Utilisation of Proceeds from Public Issue	Pro forma III After Utilisation of Proceeds from Public Issue
		RM	RM	RM	RM	RM	RM	RM
EQUITY AND LIABILITIES								
Equity								
Share capital	3.7	2	76,341,150	76,341,152	72,251,455	148,592,607	(1,909,000)	146,683,607
Merger deficit	3.8	-	(73,775,205)	(73,775,205)	-	(73,775,205)	-	(73,775,205)
Revaluation reserve	3.9	-	5,934,828	5,934,828	-	5,934,828	-	5,934,828
(Accumulated losses)/Retained earnings	3.10	(3,887)	82,031,489	82,027,602	-	82,027,602	(1,891,000)	80,136,602
Total equity		(3,885)	90,532,262	90,528,377	72,251,455	162,779,832	(3,800,000)	158,979,832
LIABILITIES								
Non-current liabilities								
Borrowings	3.11	-	5,861,333	5,861,333	-	5,861,333	(5,861,333)	-
Finance lease liabilities	3.12	-	506,034	506,034	-	506,034	-	506,034
Deferred tax liabilities	3.13	-	2,597,000	2,597,000	-	2,597,000	-	2,597,000
Total non-current liabilities		-	8,964,367	8,964,367	-	8,964,367	(5,861,333)	3,103,034

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MTAG GROUP BERHAD AND ITS SUBSIDIARIES

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2019 (CONT'D)

	Note	Statement of Financial Position as at 31 March 2019	Adjustments for Acquisitions	Pro forma I After Acquisitions	Adjustments for Public Issue and Offer for Sale	Pro forma II After Public Issue and Offer for Sale	Adjustments for Utilisation of Proceeds from Public Issue	Pro forma III After Utilisation of Proceeds from Public Issue
		RM	RM	RM	RM	RM	RM	RM
Current liabilities								
Trade payables	3.14	-	23,363,797	23,363,797	-	23,363,797	-	23,363,797
Other payables	3.15	1,500	2,493,823	2,495,323	-	2,495,323	-	2,495,323
Amount due to Directors' related companies	3.16	6,796	(6,796)	-	-	-	-	-
Borrowings	3.11	-	3,472,406	3,472,406	-	3,472,406	(3,472,406)	-
Finance lease liabilities	3.12	-	263,604	263,604	-	263,604	-	263,604
Tax payable	3.17	-	252,011	252,011	-	252,011	-	252,011
Total current liabilities		8,296	29,838,845	29,847,141	-	29,847,141	(3,472,406)	26,374,735
Total liabilities		8,296	38,803,212	38,811,508	-	38,811,508	(9,333,739)	29,477,769
Total equity and liabilities		4,411	129,335,474	129,339,885	72,251,455	201,591,340	(13,133,739)	188,457,601
Issued ordinary share capital (Unit)	3.7	2	545,293,898	545,293,900	136,323,500	681,617,400	-	681,617,400
Net (liabilities)/assets per share (RM)		(1,943)		0.17		0.24		0.23

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MTAG GROUP BERHAD AND ITS SUBSIDIARIES

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2019 (CONT'D)

(i) Pro Forma I: Acquisitions

Pro Forma I is stated after entails the followings:-

Acquisitions entail acquiring the entire equity interest of the subsidiaries, for a total purchase consideration of RM76,341,150, to be satisfied via the issuance of 545,293,898 new ordinary shares.

(ii) Pro Forma II: Public Issue and Offer for Sale

Pro Forma II is stated after Pro Forma I and entails the issuance of 136,323,500 new MTAG Shares at an issue price of RM0.53 per MTAG Share.

Meanwhile, the Offer for Sale has no impact to the total number of new ordinary shares to be issued in this IPO. Details of the Offer for Sale is as stated in Note 1.3(iii) of the pro forma consolidated financial information.

(iii) Pro Forma III: Utilisation of Proceeds from Public Issue

Pro Forma III is stated after Pro Forma II and entails the utilisation of proceeds from pubic issue amounting to RM72,251,455.

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MTAG GROUP BERHAD AND ITS SUBSIDIARIES

3. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

3.1 PROPERTY, PLANT AND EQUIPMENT

The movements of the property, plant and equipment are as follows:

	Amount RM
As at 31 March 2019	-
Pursuant to acquisition of subsidiaries	23,619,105
As per Pro Forma I/II	23,619,105
Pursuant to utilisation of proceeds from public issue	46,000,000
As per Pro Forma III	69,619,105

3.2 INVENTORIES

The movements of the inventories are as follows:

	Amount RM
As at 31 March 2019	-
Pursuant to acquisition of subsidiaries	24,497,631
As per Pro Forma I/II/III	24,497,631

3.3 TRADE RECEIVABLES

The movements of the trade receivables are as follows:

	Amount RM
As at 31 March 2019	-
Pursuant to acquisition of subsidiaries	49,973,157
As per Pro Forma I/II/III	49,973,157

3.4 OTHER RECEIVABLES

The movements of the other receivables are as follows:

	Amount RM
As at 31 March 2019	2
Pursuant to acquisition of subsidiaries	3,119,961
As per Pro Forma I/II/III	3,119,963

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MTAG GROUP BERHAD AND ITS SUBSIDIARIES

3. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.5 FIXED DEPOSITS WITH A LICENSED BANK

The movements of the fixed deposits with a licensed bank are as follows:

	Amount RM
As at 31 March 2019	-
Pursuant to acquisition of subsidiaries	3,000,000
As per Pro Forma I/II/III	3,000,000

3.6 CASH AND BANK BALANCES

The movements of the cash and bank balances are as follows:

	Amount RM
As at 31 March 2019	4,409
Pursuant to acquisition of subsidiaries	25,125,620
As per Pro Forma I	25,130,029
Pursuant to proceeds from public issue	72,251,455
As per Pro Forma II	97,381,484
Pursuant to utilisation of proceeds from public issue	(59,133,739)
As per Pro Forma III	38,247,745

3.7 SHARE CAPITAL

The movements of the share capital are as follows:

	No. of Shares	Amount RM
As at 31 March 2019	2	2
Pursuant to issuance of shares	545,293,898	76,341,150
As per Pro Forma I	545,293,900	76,341,152
Pursuant to proceeds from public issue	136,323,500	72,251,455
As per Pro Forma II	681,617,400	148,592,607
Arising from offsetting of listing expenses	-	(1,909,000)
As per Pro Forma III	681,617,400	146,683,607

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MTAG GROUP BERHAD AND ITS SUBSIDIARIES

3. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.8 MERGER DEFICIT

The movements of the merger deficit are as follows:

	Amount RM
As at 31 March 2019	-
Pursuant to acquisition of subsidiaries	
- Issuance of shares of MTAG	(76,341,150)
- Share capital of its subsidiaries	2,565,945
As per Pro Forma I/II/III	(73,775,205)

3.9 REVALUATION RESERVE

The movements of the revaluation reserve are as follows:

	Amount RM
As at 31 March 2019	-
Pursuant to acquisition of subsidiaries	5,934,828
As per Pro Forma I/II/III	5,934,828

3.10 (ACCUMULATED LOSSES)/RETAINED EARNINGS

The movements of the (accumulated losses)/retained earnings are as follows:

	Amount RM
As at 31 March 2019	(3,887)
Pursuant to acquisition of subsidiaries	82,031,489
As per Pro Forma I/II	82,027,602
Arising from listing expenses charged to profit or loss	(1,891,000)
As per Pro Forma III	80,136,602

MTAG GROUP BERHAD AND ITS SUBSIDIARIES

3. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.11 BORROWINGS

The movements of the borrowings are as follows:

	Amount RM
NON-CURRENT LIABILITIES	
As at 31 March 2019	-
Pursuant to acquisition of subsidiaries	5,861,333
As per Pro Forma I/II	5,861,333
Pursuant to utilisation of proceeds from public issue	(5,861,333)
As per Pro Forma III	-

	Amount RM
CURRENT LIABILITIES	
As at 31 March 2019	-
Pursuant to acquisition of subsidiaries	3,472,406
As per Pro Forma I/II	3,472,406
Pursuant to utilisation of proceeds from public issue	(3,472,406)
As per Pro Forma III	-

3.12 FINANCE LEASE LIABILITIES

The movements of the finance lease liabilities are as follows:

	Amount RM
NON-CURRENT LIABILITIES	
As at 31 March 2019	-
Pursuant to acquisition of subsidiaries	506,034
As per Pro Forma I/II/III	506,034

	Amount RM
CURRENT LIABILITIES	
As at 31 March 2019	-
Pursuant to acquisition of subsidiaries	263,604

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MTAG GROUP BERHAD AND ITS SUBSIDIARIES

3. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.13 DEFERRED TAX LIABILITIES

The movements of the deferred tax liabilities are as follows:

	Amount RM
As at 31 March 2019	-
Pursuant to acquisition of subsidiaries	2,597,000
As per Pro Forma I/II/III	2,597,000

3.14 TRADE PAYABLES

The movements of the trade payables are as follows:

	Amount RM
As at 31 March 2019	-
Pursuant to acquisition of subsidiaries	23,363,797
As per Pro Forma I/II/III	23,363,797

3.15 OTHER PAYABLES

The movements of the other payables are as follows:

	Amount RM
As at 31 March 2019	1,500
Pursuant to acquisition of subsidiaries	2,493,823
As per Pro Forma I/II/III	2,495,323

MTAG GROUP BERHAD AND ITS SUBSIDIARIES

3. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.16 AMOUNT DUE TO DIRECTORS' RELATED COMPANIES

The movements of the amount due to Directors' related companies are as follows:

	Amount RM
As at 31 March 2019	6,796
Pursuant to acquisition of subsidiaries	(6,796)
As per Pro Forma I/II/III	-

3.17 TAX PAYABLE

The movements of the tax payable are as follows:

	Amount RM
As at 31 March 2019	-
Pursuant to acquisition of subsidiaries	252,011
As per Pro Forma I/II/III	252,011

15. STATUTORY AND OTHER INFORMATION

15.1 SHARE CAPITAL

(i) As at the date of this Prospectus, we only have one class of shares, namely, ordinary shares, all of which rank equally with one another.

(ii) Save for the Pink Form Allocations as disclosed in Section 4.3.3, as at the date of this Prospectus:

(a) no Director or employee of our Group has been or is entitled to be given or has exercised any option to subscribe for any share of our Company or our subsidiaries; and

(b) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.

(iii) Save for the subscriber's share issued upon our incorporation, 1 new Share issued on 16 October 2018, the new Shares issued under the Acquisitions and to be issued under the Public Issue as disclosed in Sections 6.2 and 4.3 respectively, no shares of our Company or our subsidiaries have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 2 years immediately preceding the date of this Prospectus.

(iv) Other than our Public Issue as disclosed in Section 4.3, there is no intention on the part of our Directors to further issue any Shares on the basis of this Prospectus.

(v) As at the date of this Prospectus, we do not have any outstanding convertible debt securities.

15.2 CHANGES IN SHARE CAPITAL OF OUR SUBSIDIARIES

15.2.1 Toyo Sho

Toyo Sho's share capital as at LPD is RM565,945 comprising 565,945 ordinary shares. The movements in its share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/ Type of issue	Cumulative share capital
			RM
3 January 1995	2	RM2/ Subscribers' shares	2
18 May 1995	49,998	RM49,998/ Cash	50,000
15 June 1995	50,000	RM50,000/ Cash	100,000
12 July 1995	20,000	RM20,000/ Cash	120,000
15 January 1996	10,000	RM10,000/ Cash	130,000
3 April 1996	20,000	RM20,000/ Capitalisation of debts owing	150,000
26 May 1997	63,901	RM63,901/ Capitalisation of debts owing	213,901
23 July 1998	229,839	RM229,839/ Capitalisation of debts owing	443,740
26 May 1999	122,205	RM122,205/ Cash	565,945

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Toyo Sho. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.2.2 Intag Industrial

Intag Industrial's share capital as at LPD is RM500,000 comprising 500,000 ordinary shares. The movements in its share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/ Type of issue	Cumulative share capital
			RM
22 June 2001	10	RM10/ Subscribers' shares	10
23 July 2001	49,990	RM49,990/ Cash	50,000
20 September 2002	300,000	RM300,000/ Cash	350,000
5 January 2004	150,000	RM150,000/ Cash	500,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Intag Industrial. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.2.3 Intag Steel

Intag Steel's share capital as at LPD is RM1,500,000 comprising 1,500,000 ordinary shares. The movements in its share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/ Type of issue	Cumulative share capital
			RM
7 September 2005	100	RM100/ Subscribers' shares	100
14 February 2006	589,900	RM589,900/ Cash	590,000
29 May 2006	910,000	RM910,000/ Capitalisation of debts owing	1,500,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Intag Steel. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.3 CONSTITUTION

The following provisions are extracted from our Company's Constitution and are qualified in its entirety by the remainder of the provisions of our Company's Constitution and the applicable law. The terms defined in our Constitution shall have the same meanings when used here unless they are otherwise defined here or the context otherwise requires.

15.3.1 Remuneration, voting and borrowing powers of Directors

The provisions in our Constitution dealing with remuneration, voting and borrowing powers of Directors are as follows:

(i) Clause 110 - Directors' remuneration

Subject to this Constitution, the fees and benefits of the Directors shall be annually determined by the Company in general meeting provided always:

(1) Directors' fees and benefits payable to Directors not holding any executive office in the Company shall be a fixed sum and shall not be payable by a commission on or percentage of profits or turnover;

(2) salaries payable to Directors holding any executive office pursuant to a contract of service need not be determined by the Company in general meeting but such salaries may not include a commission on or a percentage of turnover;

(3) all remuneration payable to Directors shall be deemed to accrue from day to day;

(4) fees and benefits payable to Directors shall not be increased except pursuant to a resolution passed by the Company in general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and

(5) any fee and benefit paid to an alternate Director shall be agreed between him and his appointor and shall be deducted from his appointor's remuneration.

(ii) Clause 111 - Expenses

The Directors may be paid all travelling, hotel and other reasonable expenses, properly and reasonably incurred by them in the execution of their duties including any such expenses incurred in connection with attending and returning from meetings of the Directors or any committee of Directors or general or other meetings of the Company or in connection with the business of the Company in the course of the performance of their duties as Directors.

(iii) Clause 112 - Special remuneration

The Directors may grant special remuneration to any Director who (on request by the Directors) is willing to:

(1) render any special or extra services to the Company; or

(2) to go or reside outside his country of domicile or residence in connection with the conduct of any of the Company's affairs.

Such special remuneration may be paid to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be paid in a lump sum or by way of salary, or by a percentage of profits, or by all or any of such methods but shall not include (where such special remuneration is paid by way of salary) a commission on or a percentage of turnover.

(iv) Clause 145 - Right to regulate proceedings

Subject to this Constitution, the Directors may meet together for the despatach of busiess at such date, time and place, adjourn and otherwise regulate their meetings and proceedings as they think fit. A Director may, and the Secretary at the request of a Director shall, call a meeting of the Directors. Questions arising at a meeting shall be decided by a majority of votes. In the case of an equality of votes, the Chairman of the meeting shall (subject to Clause 149) have a second or casting vote.

(v) Clause 149 –Where no casting vote

When two (2) Directors form a quorum, the chairman of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question at issue, shall not have a casting vote. Otherwise in the case of an equality of votes the Chairman shall have a second or casting vote.

(vi) Clause 152 –Directors' resolution in writing

A resolution in writing signed by a majority of the Directors for the time being or their alternates not being less than two (2) Directors shall be as valid and effectual as if it had been passed by a meeting of Directors duly called and constituted. Any such resolution may consist of several documents in like form each signed by one or more Directors. Any such document, may be accepted as sufficiently signed by a Director if transmitted to the Company by telex, telegram, cable, facsimile or other electrical or digital written message purporting to include a signature of a Director but a resolution signed by an alternate Director need not also be signed by his appointor and, if it is signed by a Director who has appointed an alternate Director, it need not be signed by the alternate Director in that capacity. A signed Directors' Circular Resolution transmitted by facsimile (fax) or any other electronic means shall be deemed to be an original.

(vii) Clause 153 –Disqualification from voting

Except as otherwise provided by this Constitution, a Director shall not vote at a meeting of Directors or of a committee of Directors on any resolution concerning any contract, proposed contract, arrangement or other matter in which he has, directly or indirectly, a personal interest or duty which is material and which conflicts or may conflict with the interests of the Company unless his interest or duty arises only because the case falls within one or more of the following paragraphs:

(1) in a case where the contract or proposed contract relates to any loan to the company that he has guaranteed or joined in guaranteeing the repayment of the loan or any part of the loan; or

(2) in a case where the contract or proposed contract has been or will be made with or for the benefit of or on behalf of a Related Corporation - that he is a director of that corporation.

For avoidance of doubt, a Director shall be counted in the quorum present at a meeting in relation to a resolution on which he is not entitled to vote.

(viii) Clause 154 –Separation of resolutions

Where proposals under consideration are concerning or relating to the terms of employment, consultancy or other services of or to be provided by Directors to or with the Company or any body corporate in which the Company is interested or other related matters, the proposals may be divided and considered in relation to each Director separately and (provided he is not for another reason precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own.

(ix) Clause 155 –Questions on right to vote

If a question arises at a meeting of Directors or of a committee of Directors as to the right of a Director to vote, the question may, before the conclusion of the meeting, be referred to the Chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive.

(x) Clause 125 - General borrowing powers

Except as provided by Clause 126, the Directors may exercise all the powers of the Company to borrow money of any sum or sums from any person, bank, firm or company and to mortgage or charge its undertaking, property and uncalled capital, and any part thereof and to issue debentures and other securities, whether as primary or collateral security for any debt, liability or obligation of the Company, its subsidiaries or any other party. The Directors may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon with power to the Directors to indemnify the guarantors from or against liability under their guarantees by means of a mortgage or hypothecation of or charge upon any property and asset of the Company or otherwise. The Directors may exercise all the powers of the Company to guarantee and give guarantees or indemnities for payment of money, the performance of contracts or obligations or for the benefit or interest of the Company or its Subsidiaries.

(xi) Clause 126 - Restrictions on borrowing

The Directors shall not borrow any money or mortgage or charge any of the Company's or its Subsidiaries' undertaking, property or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

15.3.2 Changes to share capital

The provisions in our Constitution dealing with changes in share capital are as follows:

(i) Clause 12 - Issue of securities

Subject to the Act and this Constitution, the Directors may offer, issue, allot (with or without conferring a right of renunciation) shares of the Company (whether forming part of the original or any increased capital), grant options over, grant any right or rights to subscribe for such shares or any right or rights to convert any security into such shares, or otherwise deal with or dispose of them to such persons at such times and on such terms and conditions as they may determine.

(ii) Clause 13 - Restrictions on issue

Clause 12 shall be subject to the following provisions:

(1) the Company shall not offer, issue, allot, grant options over shares, grant any right or right to subscribe for shares or any right or rights to convert any security into shares or otherwise deal with or dispose of shares which will or may have the effect of transferring a controlling interest in the Company without the prior approval of the Members in general meeting;

(2) no Director shall participate in a Share Issuance Scheme unless the Members in general meeting have approved the specific allotment to such Director; and

(3) the rights attached to shares of a class other than ordinary shares shall be expressed in the resolution creating them.

15.3.3 Transfer of securities

The provisions in our Constitution in respect of transfer of securities of our Company are as follows:

(i) Clause 40 – Transfer of securities

The transfer of any listed securities or class of listed securities of the Company shall be made by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 98, 105, 106 and 110 of the Act, but subject to subsection 148(2) of the Act and any exemption that may be made from compliance with subsection 148(1) of the Act, the Company shall not be required to register or effect any transfer of the listed securities.

(ii) Clause 41 –Execution requirements

The instrument of transfer lodged with the Company shall be executed by or on behalf of the transferor and the transferee and the transferor shall be deemed to remain the holder of the share until the transferee's name is entered in the Register as the holder of that share and/or the Record of Depositors, as the case may be.

(iii) Clause 42 –Directors' right to decline registration

The Directors may decline to register any instrument of transfer of shares which are not fully paid (whether these are quoted or otherwise) to a person whom they do not approve. Subject to the Act, the Listing Requirements, the Central Depositories Act and the Rules, if the Directors refuse to register a transfer they shall send to the transferee written notice of the refusal and reasons therefore.

(iv) Clause 43 –Depository's' right to refuse transfer

The Depository may, in its absolute discretion, refuse to register any transfer that does not comply with the Central Depositories Act and the Rules.

(v) Clause 44 –Transfer fully paid securities

Subject to the Central Depositories Act and the Rules, any Member may transfer all or any of its securities by instrument in writing in the form prescribed and approved by the Exchange and the Registrar (as the case may be). Subject to this Constitution, there shall be no restriction on the transfer of fully paid-up shares except where required by law. The instruments shall be executed by or on behalf of the transferor and the transferor shall remain the holder of the shares transferred until the transfer is registered and the name of the transferee is entered in the Register and/or Record of Depositors as the case may be, in respect thereof. All transfers of deposited securities shall be effected by way of book entry by the Depository in accordance with the Rules of the Depository and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the listed securities.

15.3.4 Rights, preferences and restrictions attached to each class of shares relating to voting, dividend, liquidation and any special rights

The provisions in our Constitution in respect of the rights, preferences and restrictions attached to each class of shares relating to voting, dividend, liquidation and any special rights are as follows:

(i) Clause 7 - Classes of shares

The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred or other special rights, privilege, conditions or restriction as to dividends, capital, voting or otherwise.

(ii) Clause 8 - Variation of class rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may (subject to Section 90 of the Act and whether or not the Company is being wound up) be varied or abrogated in accordance with Section 91 of the Act.

(iii) Clause 11 - No deemed variation

Subject to Section 91 of the Act, the rights attached to any class shall not (unless otherwise provided by the terms of issue of such shares) be deemed to be varied by the creation or issue of further shares ranking in any respect equally with that class.

(iv) Clause 14 - Rights attached to shares

Subject to the Act and without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or as the Directors (subject to them being duly authorised to do so by an ordinary resolution of the Company) may determine.

(v) Clause 21 - Redeemable preference shares

Subject to the Act and this Constitution, any preference shares may with the sanction of an ordinary resolution of shareholders in general meeting be issued on terms that they are, or at the option of the Company are liable to be redeemed on such terms and in such manner as may be provided for by this Constitution as the Board may think fit.

(vi) Clause 23 – Rights of preference shares

Preference shareholders shall have:

(1) the same rights as ordinary shareholders as regards:

- (a) receiving notices, reports and audited accounts; and
- (b) attending general meetings of the Company; and

(2) the right to vote at any meeting convened for the purposes of reducing the capital, or to wind up the Company and during the winding up of the Company, or disposing the whole of the Company's property, business and undertaking or on a proposal directly affecting the rights and privileges attached to the preference shares or when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months.

(vii) Clause 24 – Repayment of preference capital

The repayment of any preference capital other than redeemable preference capital or any other alteration of preference shareholders' rights, may only be made pursuant to a special resolution of the preference shareholders concerned provided always that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing if obtained from the holders of three-fourths of the preference capital concerned within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.

(viii) Clause 95 – Vote

Subject to Clause 74 or to any special rights or restrictions for the time being attached to any class or classes of shares, at meetings of Members or classes of Members, on a show of hands, every Member or a holder of preference shares who:

(1) being an individual, is present in person or by proxy or attorney; or

(2) being a corporation, is present by a duly authorised representative or by proxy or attorney,

and on a show of hands every eligible Member or a holder of preference shares shall have one (1) vote except where he has been appointed by more than one member entitled to vote on the resolution and he has been instructed:-

(a) by one or more of those Members to vote for the motion and by one or more of those members to vote against the motion; or

(b) by one or more of those Members to vote in the same way on the motion (whether for or against) and one or more of those Members has given him the discretion as to how to vote

in which case, he shall have one (1) vote for and one (1) vote against the motion and on a poll every Member shall have one (1) vote for every share of which he is the holder. On a poll, votes may be given either personally or by proxy or by attorney or by a duly authorised representative of a corporate Member. A proxy shall be entitled to vote on a show of hands on any question at any general meeting.

(ix) Clause 97 – No vote unless calls paid

No Member shall vote at any general meeting or at any separate meeting of the holders of any class of shares in the Company, either in person or by proxy or attorney, in respect of any share held by him unless all calls and other moneys presently payable by him in respect of that share have been paid.

(x) Clause 169 –Proportionality

Unless otherwise provided by the rights attached to shares or the terms of their issue, all dividends shall be declared and paid proportionately to the capital paid up on the shares on which the dividend is paid, but if any shares are issued on terms providing that they shall rank for dividend as from a specified date or to a specified extent, they shall rank for dividend accordingly. Any dividend may be expressed to be payable on a specified date to persons registered on some earlier date as the holders of the shares in respect of which the dividend is declared, notwithstanding that such persons may not be so registered on the date of the declaration or payment.

(xi) Clause 197 –Application of balance of assets

On a winding up of the Company, the balance of the assets available for distribution among the Members shall (subject to any special rights attaching to any class of shares) be applied in repaying to the Members the amounts of any surplus assets belonging to the holders of any issued ordinary shares according to the respective numbers of shares held by them or, if there are no issued ordinary shares, to the holders of any issued unclassified shares according to the respective numbers of shares held by them.

(xii) Clause 198 –Division in specie

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, divide among the Members in specie the whole or any part of the assets of the Company (whether they consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees on such trusts for the benefit of the Members as he with the like sanction determines, but no Member shall be compelled to accept any assets on which there is a liability.

15.4 GENERAL INFORMATION

(i) Save for the dividend paid to the shareholders of Toyo Sho, Intag Industrial and Intag Steel in FYE 2016 to 2018, FPE 2019 and up to LPD, purchase consideration paid to the Toyo Sho Vendors, Intag Industrial Vendors and Intag Steel Vendors under the Acquisitions as disclosed in Section 6.2 and Directors' remuneration as disclosed in Section 5.2.4, no other amount or benefit has been paid or given within the past 2 years immediately preceding the date of this Prospectus, nor is it intended to be paid or given, to any of our Promoter, Director or substantial shareholder.

(ii) Save as disclosed in Section 10.1, none of our Directors or substantial shareholders has any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus and which is significant in relation to the business of our Group.

(iii) The manner in which copies of this Prospectus together with the official application forms and envelopes may be obtained and the summarised details of the procedures for application of our Shares are set out in Section 16.

(iv) There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

15.5 CONSENTS

(i) The written consents of our Adviser, Sponsor, Underwriter and Placement Agent, Solicitors, Share Registrar, Company Secretaries and Issuing House for the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issuance of this Prospectus and have not subsequently been withdrawn.

(ii) The written consents of our Auditors and Reporting Accountants for the inclusion in this Prospectus of their names, Accountants' Report and report relating to the pro forma consolidated financial information of our Company in the form and context in which they are contained in this Prospectus have been given before the issuance of this Prospectus and have not subsequently been withdrawn.

(iii) The written consents of our IMR to the inclusion in this Prospectus of its name and the IMR Report and the extracts of the said report in the form and context in which they are contained in this Prospectus have been given before the issuance of this Prospectus and have not subsequently been withdrawn.

15.6 DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of our Company during normal business hours for a period of 6 months from the date of this Prospectus:

(i) Constitution;

(ii) Audited financial statements of MTAG from the date of incorporation up to 30 June 2018 and FPE 2019;

(iii) Audited financial statements of Toyo Sho, Intag Industrial and Intag Steel for FYE 2018 and FPE 2019;

(iv) Accountants' Report as set out in Section 13;

(v) Reporting Accountants' report relating to our pro forma consolidated financial information as set out in Section 14;

(vi) IMR Report as set out in Section 8;

(vii) Material contracts as set out in Section 6.4; and

(viii) Letters of consent as set out in Section 15.5.

15.7 RESPONSIBILITY STATEMENTS

Our Directors and Promoters have seen and approved this Prospectus, and they collectively and individually accept full responsibility for the accuracy of the information contained herein, and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted, would make any statement in this Prospectus false or misleading.

M&A Securities acknowledge that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

16.1 OPENING AND CLOSING OF APPLICATION PERIOD

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 19 August 2019

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 6 September 2019

In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

Late Applications will not be accepted.

16.2 METHODS OF APPLICATIONS

16.2.1 Retail Offering

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application and category of investors	Application Method
Applications by our eligible Directors, employees and business associates/persons who have contributed to the success of our Group	Pink Application Form only
Applications by the Malaysian Public:	
(i) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(ii) Non-Individuals	White Application Form only

16.2.2 Placement

Types of Application	Application Method
Applications by:	
(i) Selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
(ii) Bumiputera investors approved by MITI	MITI will contact the Bumiputera Investors directly. They should follow MITI's instructions.

16.3 ELIGIBILITY

16.3.1 General

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs set out in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS Account must be in your own name. Invalid, nominee or third party CDS Accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

16.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

(i) You must be one of the following:

(a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or

(b) a corporation / institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors / trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

(c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

(iii) You must submit Applications by using only one of the following methods:

(a) White Application Form; or

(b) Electronic Share Application; or

(c) Internet Share Application.

16.3.3 Application by eligible Directors, employees and persons who have contributed to the success of our Group

The eligible Directors, employees and persons (including any entities, wherever established) who have contributed to the success of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation.

16.4 APPLICATION BY WAY OF APPLICATION FORM

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform STRICTLY to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.53 for each IPO Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NO.687"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

(i) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

(ii) **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at their Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 6 September 2019 or by such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

16.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATION

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, HSBC Bank Malaysia Berhad, Malayan Banking Berhad, Public Bank Berhad, RHB Bank Berhad and Standard Chartered Bank Malaysia Berhad (at selected branches only). A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

16.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATION

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CIMB Investment Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

16.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:

(i) reject Applications which:

  (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

  (b) are illegible, incomplete or inaccurate; or

  (c) are accompanied by an improperly drawn up, or improper form of, remittance; or

(ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(iii) bank in all Application monies (including those from unsuccessful / partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 8 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at anytime within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

16.8 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful / partially successful in your Application, your Application Monies (without interest) will be refunded to you in the following manner.

16.8.1 For applications by way of Application Forms

(i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

(ii) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).

(iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

16.8.2 For applications by way of Electronic Share Application and Internet Share Application

(i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.

(ii) You may check your account on the 5th Market Day from the balloting date.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

16.9 SUCCESSFUL APPLICANTS

If you are successful in your application:

(i) Our IPO Shares allotted to you will be credited into your CDS Account.

(ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued / offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.

(iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

16.10 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services Telephone at 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at https://tiih.online, **one Market Day** after the balloting date.

You may also check the status of your Application at the above website, **five Market Days** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.