

MTAG GROUP BERHAD

(Company No. 201801000029 (1262041-V))

(Incorporated in Malaysia)

Unaudited Financial Statements

For the Financial Period Ended

31 December 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND (2ND) QUARTER ENDED 31 DECEMBER 2020⁽¹⁾

	Note	3-MONTH ENDED		PERIOD-TO-DATE	
		31.12.2020 RM'000	31.12.2019 ⁽²⁾ RM'000	31.12.2020 RM'000	31.12.2019 ⁽²⁾ RM'000
Revenue	A9	53,921	45,811	109,186	94,890
Cost of sales		(38,503)	(30,581)	(77,447)	(64,831)
Gross profit ("GP")		15,418	15,230	31,739	30,059
Other income		2,061	1,762	3,489	1,986
Selling and distribution expense		(571)	(630)	(1,120)	(1,189)
Administrative expenses		(3,286)	(2,877)	(6,073)	(8,242)
Finance costs		(9)	(4)	(19)	(44)
Profit before tax ("PBT")	B12	13,613	13,481	28,016	22,570
Tax expenses	B6	(3,181)	(2,941)	(6,788)	(5,531)
Profit after tax ("PAT")		10,432	10,540	21,228	17,039
Profit for the financial period attributable to:					
Owners of the Company		10,432	10,540	21,228	17,039
		10,432	10,540	21,228	17,039
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		30	41	59	82
Transfer of revaluation reserve to unappropriated profit		(30)	(41)	(59)	(82)
		-	-	-	-
Total comprehensive income for the financial period attributable to:					
Owners of the Company		10,432	10,540	21,228	17,039
		10,432	10,540	21,228	17,039
Earnings per share attributable to owners of the Company					
Basic (sen) ⁽³⁾	B11	1.53	1.55	3.11	2.50
Diluted (sen) ⁽⁴⁾	B11	1.53	1.55	3.11	2.50

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income are disclosed in Note A1 and the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with accompanying explanatory notes attached to this financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER (2ND) ENDED 31 DECEMBER 2020⁽¹⁾ (CONT'D)

Notes:

- (2) This interim financial report for the second (2nd) quarter ended 31 December 2020 is announced in compliance with the ACE Market Listing Requirements (“**Listing Requirements**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”).
- (3) Basic earnings per share (“**EPS**”) is calculated based on the enlarged share capital of 681,617,400 shares as at 31 December 2020.
- (4) Diluted EPS of the Company for the individual quarter ended 31 December 2020 and period-to-date ended 31 December 2020 is equivalent to the basic EPS as the Company does not have any convertible securities as at the end of the reporting period.

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

	As at 31.12.2020 RM'000	As at 30.06.2020 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment ⁽²⁾	23,569	24,251
Total non-current assets	23,569	24,251
Current assets		
Inventories	23,080	25,802
Trade receivables	56,682	39,143
Other receivables	1,290	2,582
Tax recoverable	-	89
Fixed deposits with licensed banks	98,058	77,436
Cash and bank balances	23,349	32,289
Total current assets	202,459	177,341
TOTAL ASSETS	226,028	201,592
EQUITY AND LIABILITIES		
Equity		
Share capital	146,566	146,566
Merger deficit	(73,775)	(73,775)
Revaluation reserve	5,727	5,786
Retained earnings	115,630	101,159
Total equity	194,148	179,736
Liabilities		
Non-current liabilities		
Borrowings	-	-
Finance lease creditors	-	-
Lease Liability	43	53
Deferred tax liabilities	2,658	2,658
Total non-current liabilities	2,701	2,711
Current liabilities		
Trade payables	21,574	11,827
Other payables	4,420	4,924
Borrowings	-	-
Finance lease creditors	-	-
Lease Liability	41	58
Tax payable	3,144	2,336
Total current liabilities	29,179	19,145
TOTAL LIABILITIES	31,880	21,856
TOTAL EQUITY AND LIABILITIES	226,028	201,592
Number of issued shares ('000)	681,617	681,617
NET ASSETS PER SHARE (RM)⁽³⁾	0.28	0.26

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS
AT 31 DECEMBER 2020⁽¹⁾ (CONT'D)**

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Financial Position are disclosed in Note A1 and the Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes attached to this financial report.
- (2) Included in the property, plant and equipment as at 31 December 2020 is right-of-use assets amounting to RM8.15 million for leasehold land and buildings.
- (3) Based on the share capital of 681,617,400 shares in issue as at 30 June 2020 and 31 December 2020.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND (2ND) QUARTER ENDED 31 DECEMBER 2020⁽¹⁾⁽²⁾

	Share capital RM'000	Merger deficit RM'000	Revaluation reserve RM'000	Unappropriated profit RM'000	Total equity RM'000
As at 1 July 2020	146,566	(73,775)	5,786	101,159	179,736
Profit for the financial period	-	-	-	21,228	21,228
Other comprehensive income for the financial period	-	-	(59)	59	-
	146,566	(73,775)	5,727	122,446	200,964
Transactions with owners					
Issued of ordinary shares	-	-	-	-	-
Share issuance expense	-	-	-	-	-
Interim dividend	-	-	-	(6,816)	(6,816)
	-	-	-	-	-
As at 31 December 2020	146,566	(73,775)	5,727	115,630	194,148

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity are disclosed in Note A1 and should be read in conjunction with accompanying explanatory notes attached to this financial report.
- (2) This interim financial report for the second (2nd) quarter ended 31 December 2020 is announced in compliance with the Listing Requirements of Bursa Securities.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND (2ND) QUARTER ENDED 31 DECEMBER 2020^{(1) (2)}

	PERIOD-TO-DATE	
	31.12.2020	31.12.2019
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	28,016	22,570
Adjustments for:		
Bad debts written off	-	-
Depreciation of right-of-use assets	29	-
Depreciation of property, plant and equipment	1,462	1,399
Property, plant and equipment written off	-	-
(Gain)/Loss on disposal of property, plant and equipment	(56)	-
Interest Expense	19	40
Interest income	(1,334)	(342)
Unrealised (Gain) /Loss on foreign exchange	(507)	12
Operating profit before working capital changes	<u>27,629</u>	<u>23,679</u>
Change in working capital		
Inventories	2,721	(2,962)
Receivables	(16,251)	8,665
Payables	9,826	(7,413)
	<u>(3,704)</u>	<u>(1,710)</u>
Cash generated from operations	23,925	21,969
Tax paid	(5,892)	(4,216)
Tax refunded	-	-
Net cash from operating activities	<u>18,033</u>	<u>17,753</u>
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	185	-
Purchase of property, plant and equipment	(938)	(3,681)
Placement of fixed deposits with a licensed bank	(20,621)	(83,328)
Interest received	1,334	342
Net cash used in investing activities	<u>(20,040)</u>	<u>(86,667)</u>
Cash Flows From Financing Activities		
Interest paid	(19)	(40)
Proceeds from issuance of shares	-	72,251
Payment of share issuance expense	-	(2,026)
Dividend paid	(6,816)	(6,816)
Repayment of lease liabilities	(27)	(704)
Repayment of term loans	-	(6,139)
Repayment of short-term borrowings	-	(4,831)
Net cash from financing activities	<u>(6,862)</u>	<u>51,695</u>
Net decrease in cash and cash equivalents	(8,869)	(17,219)
Cash and cash equivalents at the beginning of the financial period	32,289	28,290
Effect of exchange translation differences on cash and cash equivalents	(71)	(9)
Cash and cash equivalents at the end of the financial period	<u>23,349</u>	<u>11,062</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND (2ND) QUARTER ENDED 31 DECEMBER 2020⁽¹⁾⁽²⁾ (CONT'D)

Cash and cash equivalents in the condensed consolidated statement of cash flows comprise:

	PERIOD-TO-DATE	
	31.12.2020	31.12.2019
	RM'000	RM'000
Fixed deposits with licensed banks	98,058	86,393
Cash and bank balances	23,349	11,062
	<hr/>	<hr/>
	121,407	97,455
Less: Fixed deposits with licensed banks	(98,058)	(86,393)
Cash and cash equivalents at the end of the financial period	23,349	11,062
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Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Cash Flows are disclosed in Note A1 and should be read in conjunction with the accompanying explanatory notes attached to this financial report.
- (2) This interim financial report for the second (2nd) quarter ended 31 December 2020 is announced in compliance with the Listing Requirements of Bursa Securities.

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A. NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of preparation

The interim financial report of MTAG Group Berhad (“MTAG” or “the Company”) and its subsidiaries (collectively “the Group”) are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) No. 134: Interim Financial Reporting and Rule 9.22 of Listing Requirements of Bursa Securities.

This financial report should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020 and the accompanying notes attached to this financial report. These explanatory notes attached to the financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2020.

A2. Summary of Significant Accounting Policies

The significant accounting policies and methods of computation adopted by the Group in this financial report are consistent with those adopted as disclosed in the audited financial statements for the financial year ended 30 June 2020 except for the adoption of the following MFRSs, Amendments to MFRSs and new interpretations.

Adoption of new and amended standard and interpretations	Effective dates for financial periods beginning on or after
• Amendments to MFRS 2 <i>Share-Based Payment</i>	1 January 2020
• Amendments to MFRS 3 <i>Business Combination</i>	1 January 2020
• Amendments to MFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i>	1 January 2020
• Amendments to MFRS 9 <i>Financial Instruments</i> , MFRS 139 <i>Financial Instruments: Recognition and Measurement</i> and MFRS 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
• Amendments to MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2020
• Amendments to MFRS 101 <i>Presentation of Financial Statements</i>	1 January 2020
• Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2020
• Amendments to MFRS 134 <i>Interim Financial Reporting</i>	1 January 2020
• Amendments to MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 January 2020
• Amendments to MFRS 138 <i>Intangible Assets</i>	1 January 2020
• Amendments to IC Interpretation 12 <i>Service Concession Arrangements</i>	1 January 2020
• Amendments to IC Interpretation 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 January 2020
• Amendments to IC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2020
• Amendments to IC Interpretation 22 <i>Foreign Currency Transactions and Advances Consideration</i>	1 January 2020
• Amendments to IC Interpretation 123 <i>Intangible Assets – Website Costs</i>	1 January 2020
• Amendments to MFRS 16- <i>Leases for Covid 19-Related Rent concessions</i>	1 June 2020

A. NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A2. Summary of Significant Accounting Policies (cont'd)

Adoption of new and amended standard and interpretations (cont'd)

Adoption of the above standards and interpretations whichever applicable did not have any material impact to the financial statements of the Group.

Standards and interpretations issued but not yet effective

At the date of authorisation of these financial statements, the followings standards and interpretations were issued but not yet effective and have not been applied by the Group:

Standards and interpretations issued but not yet effective	Effective dates for financial periods beginning on or after
• Amendments to MFRS 4 Insurance Contracts- Extension of the Temporary Exemption from Applying MFRS 9	17 August 2020
• Amendments to MFRS 101- Classification of Liabilities as Current or Non-current—Deferral of Effective Date	17 August 2020
• Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts and MFRS 16 Leases – Interest Rate Benchmark Reform – Phase 2	1 January 2021
• Amendments to MFRS 3 Business Combinations- Reference to the Conceptual Framework	1 January 2022
• Amendments to MFRS 116- Property, Plant and Equipment-Proceeds before Intended Use	1 January 2022
• Amendments to MFRS 137- Provisions, Contingent Liabilities and Contingent Assets-Onerous Contract-Cost of Fulfilling a Contract	1 January 2022
• Annual Improvements to MFRS Standards 2018-2020	1 January 2022
• MFRS 17- Insurance Contracts	1 January 2023
• Amendments to MFRS 17- Insurance Contracts	1 January 2023
• Amendments to MFRS 101- Classification of Liabilities as Current or Non-current	1 January 2023
• Amendments to MFRS 10 and MFRS 128- Sale of Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The initial application of these MFRSs, amendments to the published standards and interpretations is not expected to have any material impact on the financial statements of the Group.

A3. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements of the Group for the financial year ended 30 June 2020 was not subject to any qualification.

A4. Seasonal or cyclical factors

The business operations of the Group were not materially affected by seasonal and cyclical effects.

A. NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A5. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter and financial period-to-date.

A6. Material changes in estimates

There were no material changes in the estimates in the current financial quarter under review.

A7. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayment of debts and equity for the current financial period under review.

A8. Dividends paid

During the financial period ended 31 December 2020, the Company has paid a single tier interim dividend of 1 Sen per ordinary share in respect of financial year ending 30 June 2021, amounting to RM6.816 million on 21 December 2020.

A9. Segmental information

The Group's segmental information for the current financial period ended 31 December 2020 is as follows:

(a) Analysis of revenue by business segments

	3-MONTH ENDED		PERIOD-TO-DATE	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Converting	44,425	38,296	89,178	82,120
Distribution	9,496	7,515	20,008	12,770
Total	53,921	45,811	109,186	94,890

(b) Analysis of revenue by geographical markets

	3-MONTH ENDED		PERIOD-TO-DATE	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Northern region	-	1	-	2
Central region	-	75	-	123
Southern region	52,593	44,243	105,935	92,344
Overseas (outside Malaysia)	1,328	1,492	3,251	2,421
Total	53,921	45,811	109,186	94,890

A. NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A10. Valuation of property, plant and equipment

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

A11. Material events subsequent to the end of the current financial quarter

Pursuant to the announcements dated 9 December 2019 and 12 December 2019, MTAG had announced the proposal to undertake the acquisition of 2 pieces of vacant freehold industrial land held under title documents GM 372 Lot 291 and GM 373 Lot 292, both at Mukim Plentong, District of Johor Bahru, Johor ("Land") from Brilliant Propel Sdn Bhd ("Defendant") for a cash consideration of RM24,559,567 ("Proposed Acquisition") and paid RM491,191.34, being the earnest deposit.

Due to the material changes in the condition in the said properties, MTAG had demanded for a full refund of the deposit from the Defendant, informing that the said properties had been prejudiced due to the earthworks on Lot 292, causing part of the said properties unsuitable for use and had restricted MTAG's intended development on the said properties. The Defendant however via its email dated 17 March 2020 informed that they will only refund RM245,595.67 to MTAG.

As such, MTAG issued a Writ of Summons and Statement of Claim ("SOC") to the Defendant through its Solicitors on 23 October 2020. The Defendant has entered appearance on 3.11.2020. The Court has fixed the Case Management date on 3.12.2020 which was conducted by way of E-review.

The Company in the SOC has made the following claims: -

1. The outstanding sum of RM245,595.67 being the balance of the deposit (equivalent to 1% of the purchase price);
2. Interest at the rate of 5% per annum on the outstanding sum of RM245,595.67 from the date of judgment until the date of full settlement;
3. Costs of this action; and
4. Any other reliefs which this Court thinks fit to grant.

The Court has initially fixed the hearing date on 14 January 2021 at 9 am for Summary Judgement Application and was subsequently fixed on 29 March 2021 for decision. In the meantime, the parties are required to file their submissions prior to the decision date and the hearing will be conducted by E-review. In the absence of an award of summary judgment (or pre-trial issues), the lawsuit would proceed to trial, which has been fixed by the Court on 21 June 2021. MTAG received the Affidavit in Reply for the Summary Judgment from the Defendant on 12 January 2021. MTAG filed reply to the Affidavit in Reply on 11 February 2021.

As at the date of this announcement, there is no material financial impact arising from this SOC on the Company.

A12. Changes in the composition of the Group

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

A. NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A13. Contingent assets and contingent liabilities

Save as disclosed below, there were no other contingent assets and contingent liabilities as at the date of this financial report.

	As at 31.12.2020 RM'000	As at 30.6.2020 RM'000
Secured		
Bank guarantee given to		
-Royal Malaysian Customs Department	560	560
-Tenaga Nasional Berhad	20	20
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A14. Capital commitments

Capital commitments during the current financial quarter under review are as follows: -

	31.12.2020 RM'000	30.6.2020 RM'000
Authorised and contracted for: -		
-Motor Vehicles	-	235
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A15. Corporate Guarantee

MTAG has provided corporate guarantees for banking facilities granted to its subsidiaries by financial institution amounting to RM11.8 million, of which RM580,000 have been utilised to issue bank guarantees.

A16. Related party transactions

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

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Performance

(a) Results for current quarter

	FINANCIAL QUARTER (Second Quarter) Ended		CHANGES Increase/ (Decrease)	
	31.12.2020	31.12.2019		
	RM'000	RM'000	RM'000	%
Revenue	53,921	45,811	8,110	17.70
Profit Before Tax (PBT)	13,613	13,481	132	0.98

The Group recorded revenue of RM53.92 million for the current financial quarter ended 31 December 2020 compared with RM45.81 million for the same financial quarter in the preceding year ended 31 December 2019, an increase of RM8.11 million or 17.7%.

The Group's revenue was principally derived from the converting business segment, accounting for approximately 82.39% of the total revenue for the current financial quarter ended 31 December 2020.

The Group's revenue from the converting business and distribution business segments increased from RM38.30 million and RM7.51 million respectively for the same financial quarter in the preceding year ended 31 December 2019 to RM44.43 million and RM9.49 million respectively in the current financial quarter ended 31 December 2020. The increase in revenue was mainly attributed to increase in revenue from mesh and distribution of adhesive tapes.

The Malaysian market remains the largest market contributing to the Group's revenue, accounting for approximately 97.54% of the total revenue for the current financial quarter ended 31 December 2020.

The Group registered a PBT of RM13.61 million in the current financial quarter under review compared with RM13.48 million for the same financial quarter in the preceding year ended 31 December 2019, an increase of RM0.13 million or 0.98%. The increase in PBT was mainly attributed to the increase in revenue.

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B1. Review of Performance (cont'd)

(b) Results for financial period-to-date

	FINANCIAL PERIOD		CHANGES	
	Ended		Increase/ (Decrease)	
	31.12.2020	31.12.2019	RM'000	%
	RM'000	RM'000		
Revenue	109,186	94,890	14,296	15.07
Profit Before Tax ("PBT") ⁽¹⁾	28,016	22,570	5,446	24.13
Listing Expense	-	1,874	(1,874)	100.00
Adjusted PBT ⁽²⁾	28,016	24,444	3,572	14.61

Notes:

- (1) Included in the **Profit Before Tax ("PBT")** for the preceding financial period ended 31 December 2019 was a one-off listing expenses of RM1.87 million.
- (2) For illustration purposes only, the Company's normalised financial performance in the preceding financial period after adjusting for the one-off listing expense

The Group recorded revenue of RM109.19 million for the current financial period ended 31 December 2020 compared with RM94.89 million for the preceding financial period ended 31 December 2019, an increase of RM14.30 million or 15.07%.

The Group's revenue was principally derived from the converting business segment, accounting for approximately 81.67% of the total revenue for the current financial period ended 31 December 2020.

The Group's revenue from the converting business and distribution business segments increased from RM82.12 million and RM12.77 million respectively for the preceding financial period ended 31 December 2019 to RM89.18 million and RM20.01 million respectively in the current financial period ended 31 December 2020. The increase in revenue was mainly attributed to increase in revenue from mesh and distribution of adhesive tapes.

The Malaysian market remains the largest market contributing to the Group's revenue, accounting for approximately 97.02% of the total revenue for the current financial period ended 31 December 2020.

The Group registered a PBT of RM28.02 million in the current financial period under review compared with RM22.57 million for the preceding financial period ended 31 December 2019, an increase of RM5.45 million or 24.13%. The increase in PBT was mainly attributed to the increase in revenue and higher expenses incurred in the last financial period due to MTAG's listing in ACE market on 25 September 2019.

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B2. Comparison with immediately preceding quarter's results

	3-MONTH ENDED		CHANGES	
	31.12.2020	30.9.2020	Increase/ (Decrease)	
	RM'000	RM'000	RM'000	%
Revenue	53,921	55,265	(1,344)	2.43
PBT	13,613	14,403	(790)	5.48

The Group recorded revenue of RM53.92 million for the current quarter ended 31 December 2020 compared with RM55.27 million for the preceding quarter ended 30 September 2020, a decrease of RM1.34 million (or 2.43%). This was mainly due to higher revenue in the preceding financial quarter ended 30 September 2020 as customer ramped up demand after they recovered from operational and supply chain disruptions during the movement control order (“MCO”).

The Group's PBT decreased by RM0.79 million (or 5.48%) from RM14.40 million in the preceding quarter ended 30 September 2020 to RM13.61 million in the current quarter ended 31 December 2020. The decrease in profit was mainly attributed to the decrease in revenue.

B3. Prospects and outlook

The uncertain factor affecting the Group would be the unprecedented coronavirus disease (Covid-19) pandemic which is felt worldwide causing disruption to global supply chains, businesses, manpower and society.

During the MCO 2.0 period which commenced with effect from 13 January 2021, the Group continued to abide to Ministry of International Trade and Industry (MITI)'s directives to ensure regular sanitization of premises and employees are strictly required to adhere to the standard operating procedures to mitigate the risk of contamination of its plant from Covid-19 disease. The Group experienced business disruption in January 2021 as some of our customers were affected by Covid-19 outbreak at their work place.

The Group has maintained a healthy balance sheet and liquidity position facing the challenges ahead. The Group has cash and bank balances and fixed deposits amounting to RM121.4 million and zero borrowings as at 31 December 2020. The Group is confident of having sufficient liquidity to meet the needs throughout the fiscal year 2021 and to weather through the challenging future should the pandemic continue in 2021.

The Board and management expect the situation to remain challenging for year 2021 depending on the scale and length of the Covid-19 pandemic and government policy in managing the pandemic. Despite all uncertainties arising from the current Covid-19 pandemic, the Group is confident that it will continue to be profitable.

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B4. Profit forecast or profit guarantee

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

B5. Status of corporate proposals

Save as disclosed in A11, there were no other corporate proposals announced but not completed as at the date of this interim report.

B6. Income tax expenses

	3-MONTH ENDED		PERIOD-TO-DATE	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Current tax expense	3,181	2,941	6,788	5,531
Deferred tax expense	-	-	-	-
Total tax expense	3,181	2,941	6,788	5,531
Effective tax rate (%)	23.4%	21.8%	24.2%	24.5%

Notes:

- (1) The Group's effective tax rate of 23.4% for the current financial quarter ended 31 December 2020 is lower than statutory income tax rate of 24% is mainly due to allowance from additions of machineries.
- (2) Income tax expense is recognised based on management's best estimate.

B7. Utilisation of proceeds from the IPO

The gross proceeds raised from the Public issue amounting to RM72.251 million is intended to be utilised in the following manner and status of utilisation as at 31 December 2020 are disclosed as below: -

Details of utilisation	Proposed utilisation	Actual utilisation	Estimated timeframe for utilisation upon listing
	RM'000	RM'000	
Land acquisition and construction of manufacturing plant	33,000	264	36 months
Capital expenditure	13,000	2,810	36 months
Repayment of bank borrowings	10,000	10,000	12 months
Working capital	12,451	12,451	18 months
Listing expenses	3,800	3,800	1 month
	72,251	29,325	

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 19 August 2019.

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B8. Bank borrowings

The Group's bank borrowings were fully settled since 30 June 2020.

B9. Material litigation

Save as disclosed in Section A11, there were no material litigation involving the Group as at 31 December 2020.

B10. Dividend

The Board of Directors had declared a single tier interim dividend of 1 sen per ordinary share each for financial year ending 30 June 2021 (30 June 2020: 3 sen per ordinary share each).

The interim dividend was paid on 21 December 2020 to depositors registered in the Register of Depositors at the close of business on 8 December 2020.

As at the date of this report, the total dividend declared for the current financial year ending 30 June 2021 is 1 sen per ordinary share amounting to RM6,816,174.

B11. Earnings per share

The basic EPS are calculated by dividing the profit for the period attributable to owners of the Company by weighted average number of ordinary shares of the Company during the financial period as follows:

	3-MONTH ENDED		PERIOD-TO-DATE	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Profit attributable to ordinary owners of the Company (RM'000)	10,432	10,540	21,228	17,039
Number of ordinary shares ('000)	681,617	681,617	681,617	681,617
Basic EPS (sen) ⁽¹⁾	1.53	1.55	3.11	2.50
Diluted EPS (sen) ⁽²⁾	1.53	1.55	3.11	2.50

Notes:

- (1) Basic EPS is calculated based on the share capital of 681,617,400 shares in issue after IPO.
- (2) Diluted EPS of the Company for the individual quarter ended 31 December 2020 and period-to-date ended 31 December 2020 is equivalent to the basic EPS as the Company does not have any convertible securities as at the end of the reporting period.

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B12. Disclosure on selected expense/income items as required by the Listing Requirements

Profit before tax is arrived after charging/(crediting):

	3-MONTH ENDED		PERIOD-TO-DATE	
	31.12.2020	31.12.2019⁽¹⁾	31.12.2020	31.12.2019⁽¹⁾
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	719	765	1,462	1,399
Depreciation of right-of-use assets	14	-	29	-
Foreign exchange				
Realised (Gain)/Loss	(691)	(816)	(1,568)	(870)
Unrealised (Gain)/Loss	(450)	(112)	(507)	12
Rental expenses	-	4	-	8
(Gain)/ Loss on disposal of property, plant and equipment	(60)	-	(56)	-
Interest income	(896)	(864)	(1,334)	(1,027)
Interest expense	9	3	19	40

Notes:

Other disclosure items pursuant to Appendix 9B, Note 16 of the Listing Requirements of Bursa Securities are not applicable.