

MTAG GROUP BERHAD

(Company No. 201801000029 (1262041-V))

(Incorporated in Malaysia)

Unaudited Financial Statements

For the Financial Period Ended

30 June 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH (4TH) QUARTER ENDED 30 JUNE 2021⁽¹⁾

	Note	3-MONTH ENDED		PERIOD-TO-DATE	
		30.6.2021 RM'000	30.6.2020 ⁽²⁾ RM'000	30.6.2021 RM'000	30.6.2020 ⁽²⁾ RM'000
Revenue	A9	40,989	29,657	193,637	166,128
Cost of sales		(29,270)	(20,533)	(139,767)	(113,171)
Gross profit ("GP")		11,719	9,124	53,870	52,957
Other income		1,455	546	5,729	3,984
Allowance for impairment loss of trade receivables		(120)	-	(120)	-
Selling and distribution expense		(504)	(496)	(2,113)	(2,280)
Administrative expenses		(3,585)	(2,571)	(12,506)	(14,282)
Finance costs		(7)	(29)	(33)	(78)
Profit before tax ("PBT")	B12	8,958	6,574	44,827	40,301
Tax expenses	B6	(1,868)	(1,552)	(11,211)	(10,112)
Profit after tax ("PAT")		7,090	5,022	33,616	30,189
Profit for the financial period attributable to:					
Owners of the Company		7,090	5,022	33,616	30,189
		7,090	5,022	33,616	30,189
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	4	119	119
Transfer of revaluation reserve to unappropriated profit		(30)	(4)	(119)	(119)
		-	-	-	-
Total comprehensive income for the financial period attributable to:					
Owners of the Company		7,090	5,022	33,616	30,189
		7,090	5,022	33,616	30,189
Earnings per share attributable to owners of the Company					
Basic (sen) ⁽³⁾	B11	1.04	0.74	4.93	4.43
Diluted (sen) ⁽⁴⁾	B11	1.04	0.74	4.93	4.43

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 FOURTH QUARTER (4TH) ENDED 30 JUNE 2021⁽¹⁾ (CONT'D)

Notes:

- (2) This interim financial report for the fourth (4th) quarter ended 30 June 2021 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 30 June 2021.
- (4) Diluted EPS of the Company for the individual quarter ended 30 June 2021 and period-to-date ended 30 June 2021 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 30 JUNE 2021⁽¹⁾

	As at 30.6.2021 RM'000	As at 30.06.2020 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment ⁽²⁾	22,398	24,251
Total non-current assets	22,398	24,251
Current assets		
Inventories	25,168	25,802
Trade receivables	43,857	39,143
Other receivables	2,830	2,582
Tax recoverable	-	89
Fixed deposits with licensed banks	92,854	77,436
Cash and bank balances	27,159	32,289
Total current assets	191,868	177,341
TOTAL ASSETS	214,266	201,592
EQUITY AND LIABILITIES		
Equity		
Share capital	146,566	146,566
Merger deficit	(73,775)	(73,775)
Revaluation reserve	5,667	5,786
Retained earnings	114,445	101,159
Total equity	192,903	179,736
Liabilities		
Non-current liabilities		
Borrowings	-	-
Finance lease creditors	-	-
Lease Liability	30	53
Deferred tax liabilities	2,443	2,658
Total non-current liabilities	2,473	2,711
Current liabilities		
Trade payables	13,366	11,827
Other payables	3,756	4,924
Borrowings	-	-
Finance lease creditors	-	-
Lease Liability	23	58
Tax payable	1,745	2,336
Total current liabilities	18,890	19,145
TOTAL LIABILITIES	21,363	21,856
TOTAL EQUITY AND LIABILITIES	214,266	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 30 JUNE 2021⁽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 30 June 2021 is right-of-use assets amounting to RM8.04 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 30 June 2021.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR
THE FOURTH (4TH) QUARTER ENDED 30 JUNE 2021⁽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	-	-	-	33,616	33,616
Other comprehensive income for the financial period	-	-	(119)	119	-
	146,566	(73,775)	5,667	134,894	213,352
Transactions with owners					
Issued of ordinary shares	-	-	-	-	-
Share issuance expense	-	-	-	-	-
Interim dividend	-	-	-	(20,449)	(20,449)
	-	-	-	-	-
As at 30 June 2021	146,566	(73,775)	5,667	114,445	192,903

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 fourth (4th) quarter ended 30 June 2021 is announced in compliance with the Listing Requirements of Bursa Securities.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4TH) QUARTER ENDED 30 JUNE 2021^{(1) (2)}

	PERIOD-TO-DATE	
	30.6.2021	30.6.2020
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	44,827	40,301
Adjustments for:		
Bad debts written off	4	3
Allowance for impairment loss of trade receivables	120	-
Depreciation of right-of-use assets	224	224
Depreciation of property, plant and equipment	2,730	2,796
Property, plant and equipment written off	-	6
(Gain)/Loss on disposal of property, plant and equipment	(56)	(5)
Interest Expense	33	78
Interest income	(2,706)	(2,773)
Unrealised (Gain) /Loss on foreign exchange	204	(136)
Operating profit before working capital changes	45,380	40,494
Change in working capital		
Inventories	633	(900)
Receivables	(3,745)	17,437
Payables	185	(6,241)
	(2,927)	10,296
Cash generated from operations	42,453	50,790
Tax paid	(12,025)	(8,968)
Tax refunded	97	1,406
Net cash from operating activities	30,525	43,228
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	263	5
Purchase of property, plant and equipment	(1,308)	(3,944)
Placement of fixed deposits with a licensed bank	(12,952)	(74,371)
Interest received	(1,019)	1,155
Net cash used in investing activities	(15,016)	(77,155)
Cash Flows From Financing Activities		
Interest paid	(33)	(78)
Proceeds from issuance of shares	-	72,251
Payment of share issuance expense	-	(2,026)
Dividend paid	(20,449)	(20,449)
Repayment of lease liabilities	(58)	(747)
Repayment of term loans	-	(6,139)
Repayment of short-term borrowings	-	(4,831)
Net cash from financing activities	(20,540)	37,981
Net decrease in cash and cash equivalents	(5,031)	4,054
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	(99)	(55)
Cash and cash equivalents at the end of the financial period	27,159	32,289

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4TH) QUARTER ENDED 30 JUNE 2021⁽¹⁾⁽²⁾ (CONT'D)

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

	PERIOD-TO-DATE	
	30.6.2021	30.6.2020
	RM'000	RM'000
Fixed deposits with licensed banks	92,854	77,436
Cash and bank balances	27,159	32,289
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	120,013	109,725
Less: Fixed deposits with licensed banks	(92,854)	(77,436)
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Cash and cash equivalents at the end of the financial period	27,159	32,289
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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 fourth (4th) quarter ended 30 June 2021 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	<u>Effective dates for financial periods beginning on or after</u>
• 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 4 Insurance Contracts – Extension of the Temporary Exemption from Applying MFRS 9	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 101 – Presentation of Financial Statements – Disclosure of Accounting Policies	1 January 2023
• Amendments to MFRS 108 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
• Amendments to MFRS 112 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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.

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

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.

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

A single tier second interim dividend of 2 sen per share was paid on 25 June 2021.

Single Tier (Tax Exempt) Second Interim Dividend	
For the financial year	30 June 2021
Approved and declared on	28 May 2021
Dividend per share	RM0.02
Paid on	25 June 2021
Entitlement to dividend based on Record of Depositors as at	15 June 2021
Total Dividends Amount	RM13.632 million

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

A9. Segmental information

The Group's segmental information for the current financial period ended 30 June 2021 is as follows:

(a) Analysis of revenue by business segments

	3-MONTH ENDED		PERIOD-TO-DATE	
	30.6.2021	30.6.2020	30.6.2021	30.6.2020
	RM'000	RM'000	RM'000	RM'000
Converting	32,702	22,601	156,689	138,015
Distribution	8,287	7,056	36,948	28,113
Total	40,989	29,657	193,637	166,128

(b) Analysis of revenue by geographical markets

	3-MONTH ENDED		PERIOD-TO-DATE	
	30.6.2021	30.6.2020	30.6.2021	30.6.2020
	RM'000	RM'000	RM'000	RM'000
Northern region	-	2	-	14
Central region	1	2	2	4
Southern region	39,506	27,559	187,745	158,811
Overseas (outside Malaysia)	1,482	2,094	5,890	7,299
Total	40,989	29,657	193,637	166,128

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.

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

A11. Material events subsequent to the end of the current financial quarter (cont'd)

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 November 2020. The Court has fixed the Case Management date on 3 December 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 which was subsequently adjourned to 29 March 2021 for decision. In the meantime, the parties were 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. However, the Court has postponed the trial to 21 February 2022. 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.

On 29 March 2021, the Sessions Court Judge dismissed MTAG's summary judgement application with cost of RM2,000.00 to be paid to the Defendant. The Court has fixed the full hearing on 21 February 2022 requiring witnesses to appear before the Court to give their evidence. The Court also directed the parties to file the Agreed Bundle of Documents within 1 month before the hearing (i.e. 21 January 2022) and Witness Statements within 2 weeks before the hearing (i.e. 7 February 2022).

On 6 April 2021, MTAG filed appeal to the High Court against the Sessions Court's decision for the Summary Judgement. High Court fixed case management on 16 June 2021 for MTAG to file an additional record of appeal upon receipt of the grounds of judgment from the Sessions Court. The additional record of appeal was filed on 31 May 2021. During the case management on 16 June 2021, the High Court directed parties to file written submission by 23 July 2021 and reply to submission by 16 August 2021. The case management was held on 24 August 2021 whereby the Court has fixed the hearing date for the appeal on 28 October 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 30.6.2021 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: -

	30.6.2021 RM'000	30.6.2020 RM'000
Authorised and contracted for: -		
-Motor Vehicles	-	235
-Plant and machineries	2,567	-
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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)	
	30.6.2021	30.6.2020	RM'000	%
	RM'000	RM'000		
Revenue	40,989	29,657	11,332	38.2
Profit Before Tax (PBT)	8,958	6,574	2,384	36.3

The Group recorded revenue of RM41.0 million for the current financial quarter ended 30 June 2021 compared with RM29.7 million for the same financial quarter in the preceding year ended 30 June 2020, an increase of RM11.3 million or 38.2%.

The Group's revenue was principally derived from the converting business segment, accounting for approximately 79.8% of the total revenue for the current financial quarter ended 30 June 2021.

The Group's revenue from the converting business and distribution business segments increased from RM22.6 million and RM7.1 million respectively for the same financial quarter in the preceding year ended 30 June 2020 to RM32.8 million and RM8.2 million respectively in the current financial quarter ended 30 June 2021. 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 96.3% of the total revenue for the current financial quarter ended 30 June 2021.

The Group registered a PBT of RM9.0 million in the current financial quarter under review compared with RM6.6 million for the same financial quarter in the preceding year ended 30 June 2020, an increase of RM2.4 million or 36.3%. The increase in PBT was mainly due to the increased in revenue. On top of that, in the preceding year corresponding quarter, our manufacturing plants operated at a much-reduced level of workforce arising from government enforcements on Movement Control Order (MCO).

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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)	
	30.6.2021	30.6.2020	RM'000	%
	RM'000	RM'000		
Revenue	193,637	166,128	27,509	16.6
Profit Before Tax ("PBT") ⁽¹⁾	44,827	40,301	4,526	11.2
Listing Expense	-	1,874	(1,874)	100.0
Adjusted PBT ⁽²⁾	44,827	42,175	2,652	6.3

Notes:

- (1) Included in the **Profit Before Tax ("PBT")** for the preceding financial period ended 30 June 2020 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's revenue was RM193.6 million for the current financial period ended 30 June 2021 as compared with RM166.1 million for the preceding financial period ended 30 June 2020, an increase of RM27.5 million or 16.6%. The Group has achieved a record high of revenue since 2018.

The Group's revenue was principally derived from the converting business segment, accounting for approximately 80.9% of the total revenue for the current financial period ended 30 June 2021.

The Group's revenue from the converting business and distribution business segments increased from RM138.0 million and RM28.1 million respectively for the preceding financial period ended 30 June 2020 to RM156.7 million and RM36.9 million respectively in the current financial period ended 30 June 2021. 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 97.0% of the total revenue for the current financial period ended 30 June 2021.

The Group registered a PBT of RM44.8 million in the current financial period under review compared with RM42.2 million for the preceding financial period ended 30 June 2020, normalised PBT after adjusted one-off listing expenses of RM1.87 million incurred in the last financial period due to MTAG's listing in ACE market on 25 September 2019. The increase in PBT for the current financial period ended 30 June 2021 was in line with the increase in revenue and offset by lower margin of different product sales mix.

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	
	30.6.2021	31.3.2021	Increase/ (Decrease)	
	RM'000	RM'000	RM'000	%
Revenue	40,989	43,461	(2,472)	-5.7
PBT	8,958	7,854	1,104	14.1

The Group recorded revenue of RM41.0 million for the current quarter ended 30 June 2021 compared with RM43.5 million for the preceding quarter ended 31 March 2021, a decrease of RM2.5 million (or 5.7%). This was mainly due to lower revenue in the current financial quarter ended 30 June 2021. The decrease was mainly due to the government announced the implementation of the Movement Control Order (“MCO”) 3.0 on 7 May 2021 and subsequently the Full MCO (FMCO) on 28 May 2021 which was further extended till present. During the FMCO, our factory was allowed to operate at 60% capacity only.

Despite the decrease in revenue, the Group's PBT increased by RM1.1 million (or 14.1%) from RM7.9 million in the preceding quarter ended 31 March 2021 to RM9.0 million in the current quarter ended 30 June 2021. The increase in profit was mainly attributed to higher margin of products mix, higher gain from foreign currency translation and interest income from placement of surplus funds but was offset by higher administrative expenses and provision for impairment of trade receivable.

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

B3. Prospects and outlook

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

Amid the Covid-19 pandemic, we adapted swiftly in an evolving business environment, to ensure smooth operations and mitigate potential disruptions to our business. During this time, we took proactive measures and maintained business continuity in adherence to regulatory authorities' standard operating procedures ("SOP"), which included obtaining authorities' approval to continue operating during the various phases of the Movement Control Order ("MCO"). During the Full MCO (FMCO), our factory was allowed to operate at 60% capacity. The Group continued to abide by Ministry of International Trade and Industry (MITI)'s directives to ensure regular sanitization of premises, Covid-19 test screening and shall adhere to the quarantine period recommended by MOH if required, established a designated quarantine facility prepared ahead for emergency, applied for vaccination for our employees under the Ministry of International Trade and Industry (MITI)'s PIKAS programme 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.

Despite the challenging pandemic, the Group accomplished another revenue milestone of RM193.6 million since 2018.

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 RM120.0 million and zero borrowings as at 30 June 2021. 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.

B4. Profit forecast or profit guarantee

The Group did not issue any profit forecast or profit guarantee 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 (CONT'D)

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	
	30.6.2021	30.6.2020	30.6.2021	30.6.2020
	RM'000	RM'000	RM'000	RM'000
Current tax expense	2,003	1,275	11,346	9,835
Over/(under) provision of tax expense in prior financial year	80	(29)	80	(29)
Deferred tax expense	(178)	355	(178)	355
Over/(under) provision of deferred tax liabilities in prior financial year	-	(12)	-	(12)
Realised of deferred tax liabilities upon depreciation of revalued assets	(37)	(37)	(37)	(37)
Total tax expense	1,868	1,552	11,211	10,112
Effective tax rate (%)	20.9%	23.6%	25.0%	25.1%

Notes:

- (1) The Group's effective tax rate for the current financial period ended 30 June 2021 is higher than statutory income tax rate of 24% is mainly due to certain expenses not allowed for tax deduction purposes.
- (2) Income tax expense is recognised based on management's best estimate.

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

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 30 June 2021 are disclosed as below:

<u>Details of utilisation</u>	<u>Proposed utilisation</u> RM'000	<u>Actual utilisation</u> RM'000	<u>Estimated timeframe for utilisation upon listing</u>
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
	<u>72,251</u>	<u>29,325</u>	

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

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 30 June 2021.

B10. Dividend

Saved as disclosed in Section A8, the Board of Directors does not recommend any dividend for the current financial quarter under review.

As at the date of this report, the total dividend declared for the current financial year ending 30 June 2021 is 3 sen per ordinary share amounting to RM 20,449,000.

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

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	
	30.6.2021	30.6.2020	30.6.2021	30.6.2020
Profit attributable to ordinary owners of the Company (RM'000)	7,090	5,022	33,616	30,189
Number of ordinary shares ('000)	681,617	681,617	681,617	681,617
Basic EPS (sen) ⁽¹⁾	1.04	0.74	4.93	4.43
Diluted EPS (sen) ⁽²⁾	1.04	0.74	4.93	4.43

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 30 June 2021 and period-to-date ended 30 June 2021 is equivalent to the basic EPS as the Company does not have any convertible securities as at the end of the reporting period.

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	
	30.6.2021	30.6.2020⁽¹⁾	30.6.2021	30.6.2020⁽¹⁾
	RM'000	RM'000	RM'000	RM'000
Bad Debts written off	4	3	4	3
Allowance for impairment loss of trade receivables	120	-	120	-
Depreciation of property, plant and equipment	542	609	2,730	2,796
Depreciation of right-of-use assets	181	224	224	224
Foreign exchange				
Realised (Gain)/Loss	(242)	407	(2,776)	(964)
Unrealised (Gain)/Loss	(83)	(442)	204	(136)
Rental expenses	-	4	-	14
(Gain)/ Loss on disposal of property, plant and equipment	-	(5)	(56)	(5)
Property, plant and equipment written off	-	6	-	6
Interest income	(849)	(1,663)	(2,706)	(2,773)
Interest expense	7	36	33	78

Notes:

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