

# **MTAG GROUP BERHAD**

**(Company No. 201801000029 (1262041-V))**

**(Incorporated in Malaysia)**

**Unaudited Financial Statements**

**For the Financial Period Ended**

**31 December 2022**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 31 DECEMBER 2022<sup>(1)</sup>**

	Note	3-MONTH ENDED		PERIOD-TO-DATE	
		31.12.2022 RM'000	31.12.2021 <sup>(2)</sup> RM'000	31.12.2022 RM'000	31.12.2021 <sup>(2)</sup> RM'000
Revenue	A9	47,480	42,886	104,167	80,835
Cost of sales		(35,024)	(28,768)	(71,574)	(56,873)
<b>Gross profit ("GP")</b>		<b>12,456</b>	<b>14,118</b>	<b>32,593</b>	<b>23,962</b>
Other income		945	187	1,346	1,451
Write back/ (Allowance) for impairment loss of trade receivables		-	-	-	-
Selling and distribution expense		(821)	(520)	(1,656)	(982)
Administrative expenses		(3,579)	(2,895)	(6,365)	(5,818)
Finance costs		(19)	(5)	(26)	(11)
<b>Profit before tax ("PBT")</b>	B12	<b>8,982</b>	<b>10,885</b>	<b>25,893</b>	<b>18,602</b>
Tax expenses	B6	(2,270)	(2,539)	(6,655)	(4,523)
<b>Profit after tax ("PAT")</b>		<b>6,712</b>	<b>8,346</b>	<b>19,238</b>	<b>14,079</b>
<b>Profit for the financial period attributable to:</b>					
Owners of the Company		6,712	8,346	19,238	14,079
		6,712	8,346	19,238	14,079
<b>Other comprehensive income, net of tax: -</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Realisation of revaluation reserve upon depreciation of revalued assets		30	30	59	59
Transfer of revaluation reserve to unappropriated profit		(30)	(30)	(59)	(59)
		-	-	-	-
<b>Total comprehensive income for the financial period attributable to:</b>					
Owners of the Company		6,712	8,346	19,238	14,079
		6,712	8,346	19,238	14,079
<b>Earnings per share attributable to owners of the Company</b>					
Basic (sen) <sup>(3)</sup>	B11	0.98	1.22	2.82	2.07
Diluted (sen) <sup>(4)</sup>	B11	0.98	1.22	2.82	2.07

**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 (2<sup>ND</sup>) ENDED 31 DECEMBER 2022<sup>(1)</sup> (CONT'D)**

**Notes:**

- (2) This interim financial report for the second (2<sup>nd</sup>) quarter ended 31 December 2022 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 2022.
- (4) Diluted EPS of the Company for the individual quarter ended 31 December 2022 and period-to-date ended 31 December 2022 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 2022<sup>(1)</sup>

	Note	As at 31.12.2022 RM'000	As at 30.06.2022 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property plant and equipment <sup>(2)</sup>		24,063	23,978
<b>Total non-current assets</b>		<b>24,063</b>	<b>23,978</b>
<b>Intangible Assets</b>	A17	100	-
<b>Current assets</b>			
Inventories		33,867	27,430
Trade receivables		53,058	53,473
Other receivables		551	1,437
Current tax assets		18	18
Other investment		33,577	22,770
Fixed deposits with licensed banks		81,003	84,831
Cash and bank balances		10,625	19,972
<b>Total current assets</b>		<b>212,699</b>	<b>209,931</b>
<b>TOTAL ASSETS</b>		<b>236,862</b>	<b>233,909</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		146,566	146,566
Merger deficit		(73,775)	(73,775)
Revaluation reserve		5,489	5,548
Retained earnings		136,683	124,202
<b>Total equity</b>		<b>214,963</b>	<b>202,541</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	B8	82	-
Finance lease creditors		231	-
Lease liability		233	269
Deferred tax liabilities		2,438	2,438
<b>Total non-current liabilities</b>		<b>2,984</b>	<b>2,707</b>
<b>Current liabilities</b>			
Trade payables		12,041	23,708
Other payables		4,810	3,405
Amount due to related party		-	1
Borrowings	B8	45	-
Finance lease creditors		165	-
Lease liability		119	141
Tax payable		1,735	1,406
<b>Total current liabilities</b>		<b>18,915</b>	<b>28,661</b>
<b>TOTAL LIABILITIES</b>		<b>21,899</b>	<b>31,368</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>236,862</b>	<b>233,909</b>
<b>Number of issued shares ('000)</b>		681,617	681,617
<b>NET ASSETS PER SHARE (RM)<sup>(3)</sup></b>		0.32	0.30

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS  
AT 31 DECEMBER 2022<sup>(1)</sup> (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 2022 is right-of-use assets amounting to RM8.1 million for leasehold land and buildings.
- (3) Based on the share capital of 681,617,400 shares in issue as at 31 December 2022 and 30 June 2022.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 31 DECEMBER 2022<sup>(1)(2)</sup>**

	Share capital RM'000	Merger deficit RM'000	Revaluation reserve RM'000	Unappropriated profit RM'000	Total equity RM'000
As at 1 July 2022	146,566	(73,775)	5,548	124,202	202,541
Profit for the financial period	-	-	-	19,238	19,238
Other comprehensive income for the financial period	-	-	(59)	59	-
	<b>146,566</b>	<b>(73,775)</b>	<b>5,489</b>	<b>143,499</b>	<b>221,779</b>
<b>Transactions with owners</b>					
Issued of ordinary shares	-	-	-	-	-
Share issuance expense	-	-	-	-	-
Interim dividend	-	-	-	(6,816)	(6,816)
	-	-	-	(6,816)	(6,816)
<b>As at 31 December 2022</b>	<b>146,566</b>	<b>(73,775)</b>	<b>5,489</b>	<b>136,683</b>	<b>214,963</b>

**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 (2<sup>nd</sup>) quarter ended 31 December 2022 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 (2<sup>ND</sup>) QUARTER ENDED 31 DECEMBER 2022<sup>(1) (2)</sup>**

	<b>PERIOD-TO-DATE</b>	
	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flows From Operating Activities</b>		
<b>Profit before tax</b>	<b>25,893</b>	<b>18,602</b>
<b>Adjustments for:</b>		
Bad Debts written off	-	-
Allowance for impairment loss of trade receivables	-	-
Depreciation of right-of-use assets	71	59
Depreciation of property, plant and equipment	1,480	1,488
(Gain)/ loss on disposal of property, plant and equipment	-	(16)
Interest expense	26	11
Interest income	(1,164)	(1,236)
Fair value (gain)/Loss on other investment	(392)	-
(Gain)/ Loss on disposal of other investment	(10)	-
Unrealised (gain)/ loss on foreign exchange	666	144
Operating profit/ (loss) before working capital changes	<u>26,570</u>	<u>19,052</u>
<b>Change in working capital</b>		
Inventories	(6,437)	(9,566)
Receivables	577	614
Payables	(9,020)	(2,564)
Related Party	(2)	-
	<u>(14,882)</u>	<u>(11,516)</u>
Cash generated from operations	11,688	7,536
Tax paid	(6,326)	(4,983)
Tax refunded	-	-
<b>Net cash from/ (used in) operating activities</b>	<b><u>5,362</u></b>	<b><u>2,553</u></b>
<b>Cash Flows From Investing Activities</b>		
Acquisition of subsidiary company	(1,300)	-
Proceeds from disposal of property, plant and equipment	-	16
Purchase of property, plant and equipment	(1,636)	(4,144)
Addition to right-of-use assets in exchange for increased lease liabilities	-	29
Withdrawal/ (Placement) of fixed deposits with a licensed bank	3,828	(7,692)
Withdrawal/ (Placement) of other short-term investment	(10,404)	-
Proceeds from disposal of other investment	-	-
Interest received	1,164	1,236
<b>Net cash from/ (used in) investing activities</b>	<b><u>(8,348)</u></b>	<b><u>(10,555)</u></b>
<b>Cash Flows From Financing Activities</b>		
Interest paid	(26)	(11)
Proceeds from issuance of shares	-	-
Payment of share issuance expense	-	-
Dividend paid	(6,816)	(6,816)
Repayment of lease liabilities	(58)	(17)
Proceeds/(Repayment) of finance lease creditors	396	-
Repayment of short-term borrowings	127	-
<b>Net cash from/ (used in) financing activities</b>	<b><u>(27)</u></b>	<b><u>(6,844)</u></b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 31 DECEMBER 2022<sup>(1)(2)</sup> (CONT'D)**

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

	<b>PERIOD-TO-DATE</b>	
	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Net increase/ (decrease) in cash and cash equivalents	(9,362)	(14,846)
Cash and cash equivalents at beginning of the financial period	19,972	27,159
Effect of exchange translation differences on cash and cash equivalents	15	-
Cash and cash equivalents at the end of the financial period	<u>10,625</u>	<u>12,313</u>
Other Investment in unit trust	33,577	-
Fixed deposits with licensed banks	81,003	100,546
Cash and bank balances	10,625	12,313
	<u>125,205</u>	<u>112,859</u>
Less: Other Investment in unit trust	(33,577)	-
Less: Fixed deposits with licensed banks	(81,003)	(100,546)
Cash and cash equivalents at the end of the financial period	<u>10,625</u>	<u>12,313</u>

**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 (2<sup>nd</sup>) quarter ended 31 December 2022 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 2022 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 2022.

**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 2022 except for the adoption of the following MFRSs, Amendments to MFRSs and new interpretations.

<b>Adoption of new and amended standard and interpretations</b>	<b>Effective dates for financial periods beginning on or after</b>
• 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

\* Not applicable to the Group’s operations.

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:

**A. NOTES TO THE INTERIM FINANCIAL REPORT**

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

<b>Standards and interpretations issued but not yet effective (cont'd)</b>	<b>Effective dates for financial periods beginning on or after</b>
• 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 17 – Initial Application of MFRS 17 and MFRS 9 – Comparative Information *	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 16 Leases – Lease Liability in a Sale and Leaseback	1 January 2024
• Amendments to MFRS 101 Presentation of Financial Statements – Non-current Liabilities with Covenants	1 January 2024
• 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

\* Not applicable to the Group's operations.

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 2022 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.

**A. NOTES TO THE INTERIM FINANCIAL REPORT**

**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 2022, the Company has paid a single tier interim dividend of 1 sen per ordinary share in respect of financial year ending 30 June 2023, amounting to RM6.8 million on 20 December 2022.

**A9. Segmental information**

The Group's segmental information for the current financial period ended 31 December 2022 is as follows:

(a) Analysis of revenue by business segments

	3-MONTH ENDED		PERIOD-TO-DATE	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Converting	38,950	35,515	81,921	64,947
Distribution	8,530	7,371	22,246	15,888
<b>Total</b>	<b>47,480</b>	<b>42,886</b>	<b>104,167</b>	<b>80,835</b>

(b) Analysis of revenue by geographical markets

	3-MONTH ENDED		PERIOD-TO-DATE	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Northern region	67	-	137	-
Central region	2	-	3	1
Southern region	42,011	40,019	90,650	74,338
Overseas (Outside Malaysia)	5,400	2,867	13,377	6,496
<b>Total</b>	<b>47,480</b>	<b>42,886</b>	<b>104,167</b>	<b>80,835</b>

**A10. Valuation of property, plant and equipment**

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

**A. NOTES TO THE INTERIM FINANCIAL REPORT**

**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 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.

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

**A12. Material events subsequent to the end of the current financial quarter (cont'd)**

The case management was held on 24 August 2021 whereby the Court has fixed the hearing date for the appeal on 28 October 2021. The Court has extended the hearing dates several times from 28 October 2021 to 30 November 2021, 23 February 2022, 27 April 2022 and 23 June 2022 respectively. During the hearing held on 23 June 2022, the Court has fixed the case for Decision on 5 September 2022 via Zoom. In view of the Decision for the Appeal is revised on 27 October 2022, the Court has postponed the full trial from 27 September 2022 to 13 March 2023.

The Decision date for the Appeal has been postponed by the Court several times from 5 September 2022 to 27 October 2022, 9 November 2022 and 24 November 2022 respectively.

On 15 December 2022, the High Court Judge dismissed the Company's appeal for summary judgment with cost of RM3,000.00 to be paid to the Defendant. In line with this decision, witnesses are required to appear before the Sessions Court Judge to give their evidence during the full hearing on 13 March 2023. The grounds of decision stated by the High Court Judge are, amongst others, both parties have given conflicting facts.

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

**A13. Changes in the composition of the Group**

Save as disclosed in A17, there were no material changes in the composition of the Group for the current financial quarter under review.

**A14. 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.

<b>Secured</b>	<b>As at 30.09.2022 RM'000</b>	<b>As at 30.06.2022 RM'000</b>
<b>Bank guarantee given to</b>		
-Royal Malaysian Customs Department	765	560
-Tenaga Nasional Berhad	20	20
	<hr/>	<hr/>

**A15. Capital commitments**

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

	<b>30.09.2022 RM'000</b>	<b>30.06.2022 RM'000</b>
<b>Authorised and contracted for: -</b>		
-Plant and machineries	-	-
-Office Equipment	14	-
	<hr/>	<hr/>

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

**A16. Corporate guarantee**

MTAG has provided corporate guarantees for banking facilities granted to its subsidiaries by financial institution amounting to RM20.6 million, of which RM785,000 have been utilised to issue bank guarantees.

**A17. Related party transactions**

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

**A18. Intangible assets**

**Goodwill**

	<b>31.12.2022</b>
	<b>RM'000</b>
Cost	
Beginning of financial year	-
Acquisition of subsidiary	100
<b>Total</b>	<b>100</b>

On 1 November 2022, MTAG acquired 100% of the issued share capital of Super Gold Industrial Sdn. Bhd. ("SGI") [Registration No. 201501026492 (1151816-A)] for a cash consideration of RM1.5 million ("Acquisition").

The principal activities of SGI are manufacturing of labels, stickers and tapes and trading of hardware.

SGI, is a non-Licensed Manufacturing warehouse ("LMW") label sticker company, The acquisition enables MTAG Group to broaden its customer base by penetrating non-LMW companies. Our group current LMW license has restricted the demand from non-LMW customers.

The percentage ratio application to the aforesaid Acquisition is 1.1% as per Chapter 10 of the ACE Market Listing Requirements of Bursa Securities ("AMLR") as defined under Rule 10.02(g) of the AMLR calculated based on the total assets of SGI over the latest audited consolidated total assets of MTAG as at 30 June 2022.

The acquisition is funded by MTAG's internal generated fund.

The goodwill is attributable to synergies expected to arise after the acquisition.

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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)	
	31.12.2022 RM'000	31.12.2021 RM'000	RM'000	%
Revenue	47,480	42,886	4,594	10.7
Profit Before Tax (PBT)	8,982	10,885	(1,903)	(17.5)

The Group recorded revenue of RM47.5 million for the current financial quarter ended 31 December 2022 compared with RM42.9 million for the same financial quarter in the preceding year ended 31 December 2021, an increase of RM4.6 million or 10.7%.

The Group's revenue was principally derived from the converting business segment, accounting for approximately 82.0% of the total revenue for the current financial quarter ended 31 December 2022.

The Group's revenue from the converting business and distribution business segments increased from RM35.5 million and RM7.4 million respectively for the same financial quarter in the preceding year ended 31 December 2021 to RM39.0 million and RM8.5 million respectively in the current financial quarter ended 31 December 2022. The increase in revenue was mainly attributed to increase in revenue from label stickers and distribution of adhesive tapes.

The Malaysian market remains the largest market contributing to the Group's revenue, accounting for approximately 88.6% of the total revenue for the current financial quarter ended 31 December 2022.

The Group registered a PBT of RM9.0 million in the current financial quarter under review compared with RM10.9 million in the preceding quarter ended 31 December 2021, a decrease of RM1.9 million or 17.5%. The decrease in PBT was mainly attributed to higher material cost, logistics and foreign exchange rate in the current quarter.

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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 (SECOND QUARTER) ENDED		CHANGES Increase/ (Decrease)	
	31.12.2022	31.12.2021	RM'000	%
	RM'000	RM'000		
Revenue	104,167	80,835	23,332	28.9
Profit Before Tax (PBT)	25,893	18,602	7,291	39.2

The Group recorded revenue of RM104.2 million for the current financial period ended 31 December 2022 compared with RM80.8 million for the same financial period in the preceding period ended 31 December 2021, an increase of RM23.3 million or 28.9%.

The Group's revenue was principally derived from the converting business segment, accounting for approximately 78.6% of the total revenue for the current financial period ended 31 December 2022.

The Group's revenue from the converting business and distribution business segments increased from RM64.9 million and RM15.9 million respectively for the same financial quarter in the preceding period ended 31 December 2021 to RM81.9 million and RM22.2 million respectively in the current financial period ended 31 December 2022, an increase of RM23.3 million or 28.9%. The increase in revenue was mainly attributed to increase in revenue from mesh, label stickers and distribution of adhesive tapes from increased customer orders.

The Malaysian market remains the largest market contributing to the Group's revenue, accounting for approximately 87.2% of the total revenue for the current financial period ended 31 December 2022.

The Group registered a PBT of RM25.9 million in the current financial period under review compared with RM18.6 million for the same financial period in the preceding period ended 31 December 2021, an increase of RM7.3 million or 39.2%. The increase in PBT was mainly due to the increase in revenue and favourable margins from different product sales mix.

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**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	
	31.12.2022	30.09.2022	Increase/ (Decrease)	
	RM'000	RM'000	RM'000	%
Revenue	47,480	56,687	(9,207)	(16.2)
PBT	8,982	16,910	(7,928)	(46.9)

The Group recorded revenue of RM47.5 million for the current quarter ended 31 December 2022 as compared with RM56.7 million for the preceding quarter ended 30 September 2022, a decrease of RM9.2 million (or 16.2%). This was mainly due to decreased in revenue from mesh, label stickers and distribution of adhesive tapes.

The Group's PBT decreased by RM7.9 million (or 46.9%) from RM16.9 million in the preceding quarter ended 30 September 2022 to RM9.0 million in the current quarter ended 31 December 2022. The decrease in PBT was mainly attributed to decrease in revenue due to decreased customer orders and lower margins from different product sales mix.

**B3. Prospects and outlook**

The Board of Directors of MTAG Group wishes to inform that Jabco Filter System Sdn Bhd ("JABCO") and Winsheng Plastic Industry Sdn Bhd ("WSP") (collectively, "Customers") had both received the notices of termination dated 12 December 2022 on 22 December 2022 from their major customers with the termination date to be effective on 31 March 2023 (in reference to ATA IMS Berhad's announcement dated 23 December 2022 in Bursa Securities' website for further details on the notices of termination).

As at to date, MTAG Group has not received any notice of termination from the Customers. However, following various rounds of discussion and assessments with the Customers, the Board is of the view that the termination will present significant impact to MTAG Group's revenue. To mitigate this issue, MTAG Group is seeking for other prospective customers and other potential new business opportunities in response to the potential termination by the Customers.

MTAG Group has net assets amounting to RM214.9 million, and cash and cash equivalents of RM125.2 million as at 31 December 2022, and will be able to meet its financial obligations when they become due. However, MTAG Group will need to undertake further cost measures and step-up efforts to secure new customers and explore potential new business opportunities in response to the potential termination by the Customers to ensure sustainability.

**B4. Profit forecast or profit guarantee**

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

**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	
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Current tax expense	2,270	2,539	6,655	4,523
<b>Total tax expense</b>	<b>2,270</b>	<b>2,539</b>	<b>6,655</b>	<b>4,523</b>
Effective tax rate (%)	25.3%	23.3%	25.7%	24.3%

**Notes:**

- (1) The Group's effective tax rate for the current financial period ended 30 September 2022 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.

**B7. Utilisation of proceeds from the IPO**

The gross proceeds raised from the Public Issue amounting to RM72.3 million is intended to be utilised in the following manner and status of utilisation as at 31 December 2022 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>	<u>Revised timeframe for utilisation from 25 Aug</u>
Land acquisition and construction of manufacturing plant	33,000	264	36 months	12 months
Capital expenditure	13,000	7,150	36 months	12 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>33,665</u>		

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 borrowings as at the end of the reporting quarter are as below

	<b>31.12.2022</b>	<b>30.06.2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Current (secured)		
- Term Loan	45	-
Non-Current (secured)		
- Term Loan	82	-
<b>Total</b>	<u>127</u>	<u>-</u>

All borrowings are denominated in Ringgit Malaysia.

The Term loan is obtained for working capital by a subsidiary company. The Term Loan is with the limit of RM200,000 and is repayable by 60 monthly instalments of RM3,780 per month.

Interest is charged at the rate of 4.75% above the bank's funding cost per annum.

The Term Loan is secured by way of 70% guaranteed by the Government of Malaysia under Bank Negara Malaysia's Fund for Small & Medium Enterprises-All Economic Sectors Facility and jointly and severally guaranteed by the director of the subsidiary company for RM200,000 present and future.

**B9. Material litigation**

Save as disclosed in Section A11, there were no material litigation involving the Group as at 31 December 2022.

**B10. Dividend**

The Board of Directors had declared a single tier interim dividend of 1 sen per ordinary share each for the current financial quarter ending 31 December 2022 (FYE2022: 3 sen per ordinary share each at 30 June 2022).

The dividend was paid on 20 December 2022 in respect of deposited securities as at 8 December 2022.

As at the date of this report, the total dividend declared for the current financial year ending 30 Jun 2023 is 1 sen per ordinary share amounting to RM6,816,174.

**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:

	<u>3-MONTH ENDED</u>		<u>PERIOD-TO-DATE</u>	
	<u>31.12.2022</u>	<u>31.12.2021</u>	<u>31.12.2022</u>	<u>31.12.2021</u>
Profit attributable to ordinary owners of the Company (RM'000)	6,712	8,346	19,238	14,079
Number of ordinary shares ('000)	681,617	681,617	681,617	681,617
Basic EPS (sen) <sup>(1)</sup>	0.98	1.22	2.82	2.07
Diluted EPS (sen) <sup>(2)</sup>	0.98	1.22	2.82	2.07

**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 2022 and period-to-date ended 31 December 2022 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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**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):

	<b>3-MONTH ENDED</b>		<b>PERIOD-TO-DATE</b>	
	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Bad Debts written off	-	-	-	-
Allowance/(write back) for impairment loss of trade receivables	-	-	-	-
Depreciation of property, plant and equipment	774	836	1,480	1,488
Depreciation of right-of-use assets	36	9	71	59
Foreign exchange				
Realised (gain)/ loss	(657)	83	(445)	(131)
Unrealised (gain)/ loss	567	355	666	144
Rental expenses	-	-	-	-
(Gain)/ Loss on disposal of property, plant and equipment	-	-	-	(16)
Property, plant and equipment written off	-	-	-	-
Interest income	(614)	(618)	(1,164)	(1,236)
Interest expense	19	6	26	11
Fair value gain on other investment	(240)	-	(392)	-
Gain on disposal of other investment	-	-	(10)	-

**Notes:**

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