

MTAG GROUP BERHAD

(Company No. 201801000029 (1262041-V))

(Incorporated in Malaysia)

Unaudited Financial Statements

For the Financial Period Ended

30 June 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH (4TH) QUARTER ENDED 30 JUNE 2023⁽¹⁾

	Note	3-MONTH ENDED		PERIOD-TO-DATE	
		30.6.2023 RM'000	30.6.2022 ⁽²⁾ RM'000	30.6.2023 RM'000	30.6.2022 ⁽²⁾ RM'000
Revenue	A9	24,969	50,615	153,912	180,163
Cost of sales		(15,277)	(36,555)	(103,484)	(129,219)
Gross profit ("GP")		9,692	14,060	50,428	50,944
Other income		2,479	857	5,447	3,108
Write back/ (Allowance) for impairment loss of trade receivables		50	45	50	45
Selling and distribution expense		(505)	(679)	(2,793)	(2,230)
Administrative expenses		(4,108)	(3,336)	(13,491)	(12,065)
Finance costs		(12)	(13)	(59)	(29)
Profit before tax ("PBT")	B12	7,596	10,934	39,582	39,773
Tax expenses	B6	(1,305)	(3,222)	(9,511)	(9,691)
Profit after tax ("PAT")		6,291	7,712	30,071	30,082
Profit for the financial period attributable to:					
Owners of the Company		6,291	7,712	30,071	30,082
		6,291	7,712	30,071	30,082
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		66	30	156	119
Transfer of revaluation reserve to unappropriated profit		(66)	(30)	(156)	(119)
		-	-	-	-
Total comprehensive income for the financial period attributable to:					
Owners of the Company		6,291	7,712	30,071	30,082
		6,291	7,712	30,071	30,082
Earnings per share attributable to owners of the Company					
Basic (sen) ⁽³⁾	B11	0.92	1.13	4.41	4.41
Diluted (sen) ⁽⁴⁾	B11	0.92	1.13	4.41	4.41

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 2023⁽¹⁾ (CONT'D)

Notes:

- (2) This interim financial report for the fourth (4th) quarter ended 30 June 2023 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 2023.
- (4) Diluted EPS of the Company for the individual quarter ended 30 June 2023 and period-to-date ended 30 June 2023 is equivalent to the basic EPS as the Company does not have any convertible securities as at the end of the reporting period.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023⁽¹⁾

	Note	As at 30.6.2023 RM'000	As at 30.06.2022 RM'000
ASSETS			
Non-current assets			
Property plant and equipment ⁽²⁾		31,206	23,978
Total non-current assets		31,206	23,978
Current assets			
Inventories		26,049	27,430
Trade receivables		24,951	53,473
Other receivables		2,269	1,437
Current Tax Assets		76	18
Other investment		51,004	22,770
Fixed deposits with licensed banks		70,277	84,831
Cash and bank balances		23,139	19,972
Total current assets		197,765	209,931
TOTAL ASSETS		228,971	233,909
EQUITY AND LIABILITIES			
Equity			
Share capital		146,566	146,566
Merger deficit		(73,775)	(73,775)
Revaluation reserve		6,748	5,548
Retained earnings		133,980	124,202
Total equity		213,519	202,541
Liabilities			
Non-current liabilities			
Other Payable		200	-
Borrowings	B8	67	-
Finance Lease Creditors		186	-
Lease Liability		278	269
Deferred tax liabilities		3,813	2,438
Total non-current liabilities		4,544	2,707
Current liabilities			
Trade payables		5,504	23,708
Other payables		4,357	3,405
Amount due to related party		6	1
Borrowings	B8	41	-
Finance Lease Creditors		142	-
Lease Liability		150	141
Tax payable		708	1,406
Total current liabilities		10,908	28,661
TOTAL LIABILITIES		15,452	31,368
TOTAL EQUITY AND LIABILITIES		228,971	233,909
Number of issued shares ('000)		681,617	681,617
NET ASSETS PER SHARE (RM)⁽³⁾		0.31	0.30

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS
AT 30 JUNE 2023⁽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 2023 is right-of-use assets amounting to RM7.9 million for leasehold land and buildings.
- (3) Based on the share capital of 681,617,400 shares in issue as at 30 June 2023 and 30 June 2022.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH (4TH) QUARTER ENDED 30 JUNE 2023⁽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 2022	146,566	(73,775)	5,548	124,202	202,541
Profit for the financial period	-	-	-	30,071	30,071
Other comprehensive income for the financial period	-	-	(156)	156	-
Surplus in the revaluation for the financial period			1,356	-	1,356
	146,566	(73,775)	6,748	154,429	233,968
Transactions with owners					
Issued of ordinary shares	-	-	-	-	-
Share issuance expense	-	-	-	-	-
Interim dividend	-	-	-	(20,449)	(20,449)
	-	-	-	(20,449)	(20,449)
As at 30 June 2023	146,566	(73,775)	6,748	133,980	213,519

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 2023 is announced in compliance with the Listing Requirements of Bursa Securities.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4TH) QUARTER ENDED 30 JUNE 2023^{(1) (2)}

	PERIOD-TO-DATE	
	30.6.2023	30.6.2022
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	39,582	39,773
Adjustments for:		
Bad Debts written off	-	1
(Gain)/ loss on disposal of property, plant and equipment	(137)	(17)
Depreciation of right-of-use assets	153	201
Depreciation of property, plant and equipment	2,907	2,869
Interest income	(2,997)	(2,377)
Interest expense	59	20
Write back for impairment loss of trade receivables	(50)	(45)
Allowance for impairment loss of inventories	1,280	-
Fair value (gain)/Loss on other investment	(1,012)	(20)
(Gain)/ Loss on disposal of other investment	(94)	(45)
Unrealised (gain)/ loss on foreign exchange	(347)	(359)
Operating profit before working capital changes	39,344	40,001
Change in working capital		
Inventories	101	(2,261)
Receivables	27,599	(8,140)
Payables	(15,630)	10,073
Related Party	(1)	1
	12,069	(327)
Cash generated from operations	51,413	39,674
Tax paid	(8,892)	(10,053)
Tax refunded	-	-
Net cash from/ (used in) operating activities	42,521	29,621
Cash Flows From Investing Activities		
Acquisition of subsidiary company	(1,300)	-
Proceeds from disposal of property, plant and equipment	722	17
Purchase of property, plant and equipment	(9,518)	(4,182)
Addition to right-of-use assets in exchange for increased lease liabilities		-
Withdrawal/ (Placement) of fixed deposits with a licensed bank	14,554	8,024
Withdrawal/ (Placement) of other short-term investment	(27,127)	(30,125)
Proceeds from disposal of other investment	-	7,420
Interest received	2,997	2,377
Net cash from/ (used in) investing activities	(19,672)	(16,469)
Cash Flows From Financing Activities		
Interest paid	(59)	(20)
Proceeds from issuance of shares	-	-
Payment of share issuance expense	-	-
Dividend paid	(20,449)	(20,449)
Proceeds/(Repayment) of lease liabilities	18	(112)
Proceeds/(Repayment) of finance lease creditors	328	-
Proceeds/(Repayment) of short-term borrowings	108	-
Net cash from/ (used in) financing activities	(20,054)	(20,581)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4TH) QUARTER ENDED 30 JUNE 2023⁽¹⁾⁽²⁾ (CONT'D)

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

	PERIOD-TO-DATE	
	30.6.2023	30.6.2022
	RM'000	RM'000
Net increase/ (decrease) in cash and cash equivalents	2,795	(7,429)
Cash and cash equivalents at beginning of the financial period	19,972	27,159
Effect of exchange translation differences on cash and cash equivalents	372	242
Cash and cash equivalents at the end of the financial period	<u>23,139</u>	<u>19,972</u>
Other Investment in unit trust	51,004	22,770
Fixed deposits with licensed banks	70,277	84,831
Cash and bank balances	23,139	19,972
	<u>144,420</u>	<u>127,573</u>
Less: Other Investment in unit trust	(51,004)	(22,770)
Less: Fixed deposits with licensed banks	(70,277)	(84,831)
Cash and cash equivalents at the end of the financial period	<u>23,139</u>	<u>19,972</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 fourth (4th) quarter ended 30 June 2023 is announced in compliance with the Listing Requirements of Bursa Securities.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

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.

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

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)

Standards and interpretations issued but not yet effective (cont'd)	Effective dates for financial periods beginning on or after
• MFRS 17- Insurance Contracts and Amendments to 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 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 112 Income Taxes: International Tax Reform - Pillar Two Model Rules	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 – Classification of Liabilities as Current or Non-current	1 January 2024
• Amendments to MFRS 101 Presentation of Financial Statements – Non-current Liabilities with Covenants	1 January 2024
• Amendments to MFRS 107 and MFRS 7 Financial Instruments – Supplier Finance Arrangements	1 January 2024
• Amendments to MFRS 10 Consolidated Financial Statement and MFRS 128 Investments in Associates and Joint Ventures - Sale or 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.

A. NOTES TO THE INTERIM FINANCIAL REPORT

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 30 June 2023, the Company has paid a single tier second interim dividend of 2 sen per ordinary share in respect of financial year ending 30 June 2023, amounting to RM13.6 million on 22 June 2023.

A9. Segmental information

The Group's segmental information for the current financial period ended 30 June 2023 is as follows:

(a) Analysis of revenue by business segments

	3-MONTH ENDED		PERIOD-TO-DATE	
	30.6.2023	30.6.2022	30.6.2023	30.6.2022
	RM'000	RM'000	RM'000	RM'000
Converting	15,223	40,606	115,774	146,707
Distribution	9,746	10,009	38,138	33,456
Total	24,969	50,615	153,912	180,163

(b) Analysis of revenue by geographical markets

	3-MONTH ENDED		PERIOD-TO-DATE	
	30.6.2023	30.6.2022	30.6.2023	30.6.2022
	RM'000	RM'000	RM'000	RM'000
Northern region	77	9	250	9
Central region	173	2	402	4
Southern region	19,278	44,126	130,839	163,601
Overseas (Outside Malaysia)	5,441	6,478	22,421	16,549
Total	24,969	50,615	153,912	180,163

A. NOTES TO THE INTERIM FINANCIAL REPORT

A10. Valuation of property, plant and equipment

On 30 June 2023, the Group revalued the leasehold land and building erected on it based on professional revaluation made by Cheston International (Johor) Sdn Bhd on the market value basis. The valuation will be incorporated in the financial statements for the financial year ended 30 June 2023

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

(a) Claim filed against Brilliant Propel Sdn Bhd

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).

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

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

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. 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.

The Board of Directors wishes to update that the Court had converted the full hearing scheduled on 13 March 2023 to Case Management. During the case management held on 13 March 2023, the Court had fixed the case management on 10 April 2023 and hearing dates on 12 September 2023 and 14 September 2023. The case management has been postponed by the Court from 10 April 2023 to 18 April 2023. During the case management held on 18 April 2023, the Court had given a next day on 22 May 2023 for parties to file common bundle of documents, agreed facts and issues to be tried for trial on 12 September 2023 and 14 September 2023. On 22.5.2023 case management, this matter is fixed for hearing on 12 and 14 September 2023.

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

(b) Claim filed against Jabco Filter System Sdn Bhd

The Board of Directors of MTAG wishes to inform that its wholly-owned subsidiary, Intag Industrial Supplies Sdn. Bhd. [Registration No. 200101015251 (551008-A)] ("Intag"), had on 18 May 2023 filed a Writ of Summons with the Statement of Claim, dated 18 May 2023, at the High Court of Malaya in Johor Bahru against Jabco Filter System Sdn. Bhd. [Registration No. 200901004163 (847090-W)] ("Jabco").

Intag is a company incorporated in Malaysia, with principal activities in converting and distribution of industrial tapes, adhesives, and other products. Jabco is a company incorporated in Malaysia, with principal activities manufacturer of general industrial machinery.

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

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

(b) Claim filed against Jabco Filter System Sdn Bhd (cont'd)

Jabco is a wholly-owned subsidiary of Integrated Manufacturing Solutions Sdn. Bhd. [Registration No. 200901004164 (847091-K)] and its ultimate holding company is ATA IMS Berhad [Registration No. 198901012846 (190155-M)] (the “ATA Group”). The Principal Customer for the ATA Group is part of the multinational group (the “Principal Customer”). The ATA Group manufactures products for the Principal Customer primarily.

Jabco has had talks with the Principal Customer regarding the balance stock purchased but to date, Jabco still fails to take delivery of the said stock which has caused Intag to continue to incur storage costs and Jabco has also failed to settle the balance amounting to RM27,551,305.59.

The claims against Jabco are as follows: -

- (i) RM27,551,305.59;
- (ii) Interest on the sum of RM27,551,305.59 at the rate of 5% per annum in accordance with Section 11(1) of the Civil Law Act 1956 from 9 February 2023 until the date of full settlement;
- (iii) Damages to be assessed for the storage costs of the said stock for the period commencing 19 April 2023 until Jabco takes delivery of the said stock;
- (iv) Costs; and
- (v) Any further or other relief deemed fit by the court

The claims are expected to have material financial impact on the Group for the financial year ending 30 June 2023.

A12. Changes in the composition of the Group

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

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.

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.

Secured	As at 30.06.2023 RM'000	As at 30.06.2022 RM'000
Bank guarantee given to		
-Royal Malaysian Customs Department	765	560
-Tenaga Nasional Berhad	20	20
	<hr/>	<hr/>

A14. Capital commitments

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

	30.06.2023 RM'000	30.06.2022 RM'000
Authorised and contracted for: -		
-Property, plant and equipment	10,000	-
	<hr/>	<hr/>

A15. Corporate Guarantee

MTAG has provided corporate guarantees for banking facilities granted to its subsidiaries by financial institution amounting to RM21.3 million, of which RM785,000 have been utilised to issue bank guarantees and RM715,000 for equipment financing-i facility.

A16. Related party transactions

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

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 (FOURTH QUARTER) ENDED		CHANGES Increase/ (Decrease)	
	30.6.2023	30.6.2022		
	RM'000	RM'000	RM'000	%
Revenue	24,969	50,615	(25,646)	(50.7)
Profit Before Tax (PBT)	7,596	10,934	(3,338)	(30.5)

The Group recorded revenue of RM25.0 million for the current financial quarter ended 30 June 2023 compared with RM50.6 million for the same financial quarter in the preceding year ended 30 June 2022, a decrease of RM25.6 million or 50.7%.

The Group's revenue was principally derived from the converting business segment, accounting for approximately 61.0% of the total revenue for the current financial quarter ended 30 June 2023.

Based on the financial results for the current financial quarter ended 30 June 2023, the Group's revenue from the converting business and distribution business segments has decreased significantly compared to the same period in the preceding year. Specifically, the revenue from the converting business segment decreased from RM40.6 million to RM15.2 million, while the revenue from the distribution business segment decreased from RM10.0 million to RM9.7 million.

The decrease in revenue was mainly attributed to decrease in revenue from the sales of mesh. This decrease in revenue was due to decreased customer orders from the Group's major customers resulting in a decrease in overall revenue for the Group.

The Malaysian market remains the largest market contributing to the Group's revenue, accounting for approximately 78.0% of the total revenue for the current financial quarter ended 30 June 2023.

The Group registered a PBT of RM7.6 million in the current financial quarter under review compared with RM10.9 million in the preceding quarter ended 30 June 2022, a decrease of RM3.3 million or 30.5%. The decreased in PBT was mainly attributed to the decreased in revenue.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

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 (FOURTH QUARTER) ENDED		CHANGES Increase/ (Decrease)	
	30.6.2023	30.6.2022	RM'000	%
	RM'000	RM'000		
Revenue	153,912	180,163	(26,251)	(14.6)
Profit Before Tax (PBT)	39,582	39,773	(191)	(0.5)

The Group recorded revenue of RM153.9 million for the current financial period ended 30 June 2023 compared with RM180.2 million for the same financial period in the preceding period ended 30 June 2022, a decrease of RM26.3 million or 14.6%.

The Group's revenue was principally derived from the converting business segment, accounting for approximately 75.2% of the total revenue for the current financial period ended 30 June 2023.

During the current financial period ended 30 June 2023, the Group's revenue from the converting business and distribution business segments experienced a decrease of RM26.3 million or 14.6% compared to the preceding period ended 30 June 2022, with revenue decrease from RM146.7 million to RM115.8 million in the converting business segments and increased from RM33.5 million to RM38.1 million in the distribution business segments.

This decrease in revenue was mainly attributed to a decrease in sales of mesh which was due to lower orders received from customers in the third quarter. This was mainly due to decreased customer orders from the Group's major customers.

The Malaysian market remains the largest market contributing to the Group's revenue, accounting for approximately 85.4% of the total revenue for the current financial period ended 30 June 2023.

The Group registered a PBT of RM39.6 million in the current financial period under review compared with RM39.8 million for the same financial period in the preceding period ended 30 June 2022, recording a decrease of RM0.2 million or 0.5% as compared to the same period in the preceding year. The decrease in PBT was attributed by the decrease in revenue and the recognition of an RM1.3 million impairment loss of inventories. However, this decrease was partially mitigated by favourable gains in foreign currency exchanges and more favourable margins from our diversified range of products.

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	
	30.6.2023	31.3.2023	Increase/ (Decrease)	
	RM'000	RM'000	RM'000	%
Revenue	24,969	24,776	193	0.8
PBT	7,596	6,093	1,503	24.7

The Group recorded revenue of RM25.0 million for the current quarter ended 30 June 2023 as compared with RM24.8 million for the preceding quarter ended 31 March 2023, an increase of RM0.2 million (or 0.8%). This was mainly due to increase in revenue from distribution segment.

The Group's PBT increased by RM1.5 million (or 24.7%) from RM6.1 million in the preceding quarter ended 31 March 2023 to RM7.6 million in the current quarter ended 30 June 2023. The increase in PBT was mainly attributed to increase in revenue and favourable margins from our diversified range of products.

B3. Prospects and outlook

Heading into the new financial year, MTAG Group is looking forward to closely working together with newly-appointed contract manufacturers to continue supporting our customers' steady demand. In addition, with the inflow of local and foreign investment into Malaysia, the Group is looking to expand its business development and investment activities to support increased manufacturing activities across all related sectors in the region.

Coupled with our prudent financial strategy of maintaining a healthy balance sheet, MTAG Group is optimistic about the way forward to ensure sustainable growth.

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.

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

B6. Income tax expenses

	3-MONTH ENDED		PERIOD-TO-DATE	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Current tax expense	1,397	3,471	9,603	9,940
(Over)/ under provision of tax expense in prior financial year	(1,038)	(244)	(1,038)	(244)
Deferred tax expense	995	33	995	33
(Over)/under provision of deferred tax liabilities in prior financial year	-	-	-	-
Realised of deferred tax liabilities upon depreciation of revalued assets	(49)	(38)	(49)	(38)
Total tax expense	1,305	3,222	9,511	9,691
Effective tax rate (%)	17.2%	29.5%	24.0%	24.4%

Notes:

- (1) The Group's effective tax rate for the current financial period ended 30 June 2023 aligns with the statutory income tax rate of 24%. Management continues to monitor changes in tax laws and regulations to ensure accurate provisioning and reporting of income taxes.
- (2) Income tax expense is recognised based on management's best estimate.

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 RM72.3 million is intended to be utilised in the following manner and status of utilisation as at 30 June 2023 are disclosed as below:

Details of utilisation	Proposed utilisation	Actual utilisation	Estimated timeframe for utilisation upon listing	Revised timeframe for utilisation from 25 Aug 2023
	RM'000	RM'000		
Land acquisition and construction of manufacturing plant	33,000	5,443	36 months	12 months
Capital expenditure	13,000	7,539	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	-
	72,251	39,233		

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

	30.6.2023	30.06.2022
	RM'000	RM'000
Current (secured)		
- Term Loan	41	-
Non-Current (secured)		
- Term Loan	67	-
Total	108	-

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.

The Term Loan has been fully settled in July 2023.

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

B9. Material litigation

Save as disclosed in Section A11, there were no material litigation involving the Group as at 30 June 2023.

B10. Dividend

Save 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 Jun 2023 is 3 sen per ordinary share amounting to RM20,449,000.

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	
	30.6.2023	30.6.2022	30.6.2023	30.6.2022
Profit attributable to ordinary owners of the Company (RM'000)	6,291	7,712	30,071	30,082
Number of ordinary shares ('000)	681,617	681,617	681,617	681,617
Basic EPS (sen) ⁽¹⁾	0.92	1.13	4.41	4.41
Diluted EPS (sen) ⁽²⁾	0.92	1.13	4.41	4.41

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 2023 and period-to-date ended 30 June 2023 is equivalent to the basic EPS as the Company does not have any convertible securities as at the end of the reporting period.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

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	
	30.6.2023	30.6.2022	30.6.2023	30.6.2022
	RM'000	RM'000	RM'000	RM'000
Bad Debts written off	-	1	-	1
Allowance/ (write back) for impairment loss of trade receivables	(50)	(45)	(50)	(45)
Allowance/ (write back) for impairment loss of inventories	1,280	-	1,280	-
Depreciation of property, plant and equipment	762	697	2,907	2,869
Depreciation of right-of-use assets	47	50	153	201
Foreign exchange				
Realised (gain)/ loss	(17)	131	(851)	92
Unrealised (gain)/ loss	(939)	(218)	(347)	(359)
Rental expenses	-	-	-	-
(Gain)/ Loss on disposal of property, plant and equipment	(133)	(1)	(137)	(17)
Property, plant and equipment written off	-	-	-	-
Interest income	(988)	(546)	(2,997)	(2,377)
Interest expense	12	4	59	20
Fair value gain on other investment	(312)	(20)	(1,012)	(20)
Gain on disposal of other investment	(84)	(45)	(94)	(45)

Notes:

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