

MTAG GROUP BERHAD

(Company No. 201801000029 (1262041-V))

(Incorporated in Malaysia)

Unaudited Financial Statements

For the Financial Period Ended

30 September 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST (1ST) QUARTER ENDED 30 SEPTEMBER 2023⁽¹⁾

	Note	3-MONTH ENDED		PERIOD-TO-DATE	
		30.9.2023 RM'000	30.9.2022 ⁽²⁾ RM'000	30.9.2023 RM'000	30.9.2022 ⁽²⁾ RM'000
Revenue	A9	31,059	56,687	31,059	56,687
Cost of sales		(18,809)	(36,550)	(18,809)	(36,550)
Gross profit ("GP")		12,250	20,137	12,250	20,137
Other income		1,350	401	1,350	401
Selling and distribution expense		(972)	(835)	(972)	(835)
Administrative expenses		(3,022)	(2,787)	(3,022)	(2,787)
Finance costs		(19)	(6)	(19)	(6)
Profit before tax ("PBT")	B12	9,587	16,910	9,587	16,910
Tax expenses	B6	(2,421)	(4,385)	(2,421)	(4,385)
Profit after tax ("PAT")		7,166	12,525	7,166	12,525
Profit for the financial period attributable to:					
Owners of the Company		7,166	12,525	7,166	12,525
		7,166	12,525	7,166	12,525
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		36	30	36	30
Transfer of revaluation reserve to unappropriated profit		(36)	(30)	(36)	(30)
		-	-	-	-
Total comprehensive income for the financial period attributable to:					
Owners of the Company		7,166	12,525	7,166	12,525
		7,166	12,525	7,166	12,525
Earnings per share attributable to owners of the Company					
Basic (sen) ⁽³⁾	B11	1.05	1.84	1.05	1.84
Diluted (sen) ⁽⁴⁾	B11	1.05	1.84	1.05	1.84

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 FIRST (1ST) QUARTER ENDED 30 SEPTEMBER 2023⁽¹⁾ (CONT'D)

Notes:

- (2) This interim financial report for the first (1st) quarter ended 30 September 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 September 2023.
- (4) Diluted EPS of the Company for the individual quarter ended 30 September 2023 and period-to-date ended 30 September 2023 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 SEPTEMBER 2023⁽¹⁾

	Note	As at 30.9.2023 RM'000	As at 30.06.2023 RM'000
ASSETS			
Non-current assets			
Property plant and equipment ⁽²⁾		30,532	31,206
Total non-current assets		30,532	31,206
Current assets			
Inventories		21,345	26,049
Trade receivables		31,412	24,951
Other receivables		2,280	2,269
Current tax Assets		6	76
Other investment		88,527	51,004
Fixed deposits with licensed banks		35,899	70,277
Cash and bank balances		25,043	23,139
Total current assets		204,512	197,765
TOTAL ASSETS		235,044	228,971
EQUITY AND LIABILITIES			
Equity			
Share capital		146,566	146,566
Merger deficit		(73,775)	(73,775)
Revaluation reserve		6,749	6,785
Retained earnings		141,146	133,944
Total equity		220,686	213,520
Liabilities			
Non-current liabilities			
Other payable		200	200
Borrowings	B8	-	67
Finance lease creditors		254	186
Lease liability		239	278
Deferred tax liabilities		3,813	3,813
Total non-current liabilities		4,506	4,544
Current liabilities			
Trade payables		4,499	5,503
Other payables		3,050	4,363
Amount due to related party		23	-
Borrowings	B8	-	41
Finance lease creditors		167	142
Lease liability		151	150
Tax payable		1,962	708
Total current liabilities		9,852	10,907
TOTAL LIABILITIES		14,358	15,451
TOTAL EQUITY AND LIABILITIES		235,044	228,971
Number of issued shares ('000)		681,617	681,617
NET ASSETS PER SHARE (RM)⁽³⁾		0.32	0.31

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS
AT 30 SEPTEMBER 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 September 2023 is right-of-use assets amounting to RM7.8 million for leasehold land and buildings.
- (3) Based on the share capital of 681,617,400 shares in issue as at 30 September 2023 and 30 June 2023.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST (1ST) QUARTER ENDED 30 SEPTEMBER 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 2023	146,566	(73,775)	6,785	133,944	213,520
Profit for the financial period	-	-	-	7,166	7,166
Other comprehensive income for the financial period	-	-	(36)	36	-
Surplus in the revaluation for the financial period			-	-	-
	146,566	(73,775)	6,749	141,146	220,686
Transactions with owners					
Issued of ordinary shares	-	-	-	-	-
Share issuance expense	-	-	-	-	-
Interim dividend	-	-	-	-	-
	-	-	-	-	-
As at 30 September 2023	146,566	(73,775)	6,749	141,146	220,686

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 first (1st) quarter ended 30 September 2023 is announced in compliance with the Listing Requirements of Bursa Securities.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST (1ST) QUARTER ENDED 30 SEPTEMBER 2023^{(1) (2)}

	PERIOD-TO-DATE	
	30.9.2023	30.9.2022
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	9,587	16,910
Adjustments for:		
(Gain)/ loss on disposal of property, plant and equipment	(5)	-
Depreciation of right-of-use assets	38	36
Depreciation of property, plant and equipment	710	705
Interest income	(656)	(550)
Interest expense	19	6
Fair value (gain)/loss on other investment	(633)	(151)
(Gain)/ loss on disposal of other investment	-	(10)
Dividend income from other investment	(2)	-
Unrealised (gain)/ loss on foreign exchange	(396)	99
Operating profit before working capital changes	8,662	17,045
Change in working capital		
Inventories	4,704	(1,351)
Receivables	(6,057)	(6,325)
Payables	(2,292)	(5,925)
Related party	-	(2)
	(3,645)	(13,603)
Cash generated from operations	5,017	3,442
Tax paid	(1,098)	(2,691)
Tax refunded	-	-
Net cash from/ (used in) operating activities	3,919	751
Cash Flows From Investing Activities		
Acquisition of subsidiary company	-	-
Proceeds from disposal of property, plant and equipment	5	-
Purchase of property, plant and equipment	(74)	(213)
Addition to right-of-use assets in exchange for increased lease liabilities	-	-
Withdrawal/ (placement) of fixed deposits with a licensed bank	34,378	3,568
Withdrawal/ (placement) of other short-term investment	(36,888)	(9,354)
Proceeds from disposal of other investment	-	-
Interest received	656	550
Net cash from/ (used in) investing activities	(1,923)	(5,449)
Cash Flows From Financing Activities		
Interest paid	(19)	(6)
Proceeds from issuance of shares	-	-
Payment of share issuance expense	-	-
Dividend paid	-	-
Proceeds/(repayment) of lease liabilities	(37)	(21)
Proceeds/(repayment) of finance lease creditors	93	-
Proceeds/(repayment) of short-term borrowings	(108)	-
Net cash from/ (used in) financing activities	(71)	(27)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST (1ST) QUARTER ENDED 30 SEPTEMBER 2023⁽¹⁾⁽²⁾ (CONT'D)

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

	PERIOD-TO-DATE	
	30.9.2023	30.9.2022
	RM'000	RM'000
Net increase/ (decrease) in cash and cash equivalents	1,925	(4,725)
Cash and cash equivalents at beginning of the financial period	23,139	19,972
Effect of exchange translation differences on cash and cash equivalents	(21)	15
Cash and cash equivalents at the end of the financial period	<u>25,043</u>	<u>15,262</u>
Other investment in unit trust	88,527	32,287
Fixed deposits with licensed banks	35,899	81,263
Cash and bank balances	25,043	15,262
	<u>149,469</u>	<u>128,812</u>
Less: Other investment in unit trust	(88,527)	(32,287)
Less: Fixed deposits with licensed banks	(35,899)	(81,263)
Cash and cash equivalents at the end of the financial period	<u>25,043</u>	<u>15,262</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 first (1st) quarter ended 30 September 2023 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 2023 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 2023.

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 2023 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
• 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

* 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.

A. NOTES TO THE INTERIM FINANCIAL REPORT

A2. Summary of significant accounting policies (cont'd)

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

Standards and interpretations issued but not yet effective	Effective dates for financial periods beginning on or after
• Amendments to MFRS 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 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements	1 January 2024
• Amendments to MFRS 121 The effects of Changes in Foreign Exchange Rates- Lack of Exchangeability	1 January 2025
• 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

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

There was no dividend paid during the current financial quarter under review.

A9. Segmental information

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

(a) Analysis of revenue by business segments

	3-MONTH ENDED		PERIOD-TO-DATE	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	RM'000	RM'000	RM'000	RM'000
Converting	20,457	42,971	20,457	42,971
Distribution	10,602	13,716	10,602	13,716
Total	31,059	56,687	31,059	56,687

(b) Analysis of revenue by geographical markets

	3-MONTH ENDED		PERIOD-TO-DATE	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	RM'000	RM'000	RM'000	RM'000
Northern region	638	71	638	71
Central region	-	1	-	1
Southern region	24,419	48,639	24,419	48,639
Overseas (Outside Malaysia)	6,002	7,976	6,002	7,976
Total	31,059	56,687	31,059	56,687

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

(a) Acquired a new subsidiary

On 31 October 2023, MTAG completed the acquisition of 100% of the issued share capital of Jostar Sdn. Bhd. (“Jostar”) [Registration No. 198201007787 (87545-H)] for a cash consideration of RM8.5 million (“Acquisition”). Jostar is principally engaged in the operation of a printing factory. This strategic acquisition marks a significant expansion for MTAG, as it brings a new dimension to the Group's product portfolio. Jostar specialises in offset printing which is distinct from what the Group currently offers, further enhancing the Group's ability to provide comprehensive packaging and branding solutions to its clients.

The percentage ratio application to the aforesaid Acquisition is 4.2% 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 value of assets of Jostar over the latest audited consolidated net assets of MTAG as at 30 June 2022.

The acquisition is funded by utilizing RM8 million from MTAG's IPO proceeds and remaining by internal generated fund.

(b) Claim filed against Jabco Filter System Sdn Bhd

On 23 December 2022, ATA IMS Berhad (“ATA Group”) announced that two of its subsidiaries, Jabco Filter System Sdn. Bhd. (“Jabco”) and Winsheng Plastic Industry Sdn. Bhd. (“WPI”) received notices of termination from their major customers. Jabco is a major customer of the Group. As a result, Jabco were unable to take delivery and pay for purchase orders they had previously issued to the Group. Therefore, the Group proceeded to file claims against Jabco.

On 11 April 2023, the Group through its wholly-owned subsidiary, Intag Industrial Supplies Sdn. Bhd. (“Intag”), represented by its solicitors, issued and served a notice of demand to Jabco, amounting to RM27,551,305.59 for purchase orders that have not yet been delivered and paid for.

On 18 May 2023, Intag represented by its solicitors, filed a writ of summons with the statement of claim (“SOC”), at the High Court of Malaya in Johor Bahru against Jabco Filter System Sdn. Bhd.

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 2024.

The Board of Directors of MTAG wishes to inform that on 27 September 2023, the Court adjourned the hearing date initially fixed on 27 September 2023 to 16 November 2023 and further adjourned to 19 February 2024.

A. NOTES TO THE INTERIM FINANCIAL REPORT

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

(c) Claim filed against Brilliant Propel Sdn Bhd for deposit refund of RM245,595.67

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 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 for Summary Judgement Application which was subsequently adjourned to 29 March 2021 for decision. 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.

On 6 April 2021, MTAG filed appeal to the High Court against the Sessions Court’s decision for the Summary Judgement. 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 Court had converted the full hearing scheduled on 13 March 2023 to Case Management. The case management has been postponed by the Courts several times. On 22.5.2023 Case Management, this matter is fixed for hearing on 12 and 14 September 2023. On 12 September 2023, the Court adjourned the case initially fixed on 14 September 2023 to 25 October 2023.

B. NOTES TO THE INTERIM FINANCIAL REPORT

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

(c) Claim filed against Brilliant Propel Sdn Bhd deposit refund of RM245,595.67 (cont'd)

The Board of Directors of MTAG wishes to inform that the Court has adjourned the hearing date initially fixed on 25 October 2023 to a date to be informed later. This is due to the transfer of the Sessions Court Judge, Tuan Ahmad Zaki from the Johor Bahru Session Court with effect from 2 October 2023. Hence, the Court has fixed a Case Management on 14 November 2023 to schedule a new hearing date. During the Case Management held on November 14, 2023, the Court rescheduled the Case Management session to December 20, 2023, instead of fixing a hearing date. However, as of now, no directives received from the Palace of Justice in regards to the Judges who will be hearing part-heard cases, including MTAG's case, which is currently part-heard. Additionally, it is noteworthy that the presiding judge has been relocated to another state.

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.

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 30.09.2023 RM'000	As at 30.06.2023 RM'000
Bank guarantee given to		
-Royal Malaysian Customs Department	765	765
-Tenaga Nasional Berhad	20	20
	<hr/>	<hr/>

A14. Capital commitments

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

	30.09.2023 RM'000	30.06.2023 RM'000
Authorised and contracted for: -		
-Property, plant and equipment	9,000	10,000
	<hr/>	<hr/>

On June 24, 2023, the Group entered into a sale and purchase agreement for the acquisition of a factory building and paid a deposit of RM1 million in July 2023, pending the fulfilment of specific conditions. The acquisition will result in an increase in property, plant and equipment for the year ending 30 June 2024.

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

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.

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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 and financial period-to-date performance

	FINANCIAL QUARTER (FIRST QUARTER) ENDED		CHANGES Increase/ (Decrease)	
	30.9.2023	30.9.2022		
	RM'000	RM'000	RM'000	%
Revenue	31,059	56,687	(25,628)	(45.2)
Profit Before Tax (PBT)	9,587	16,910	(7,323)	(43.3)

The Group recorded revenue of RM31.1 million for the current financial quarter ended 30 September 2023 compared with RM56.7 million for the same financial quarter in the preceding year ended 30 September 2022, a decrease of RM25.6 million or 45.2%.

The Group's revenue was principally derived from the converting business segment, accounting for approximately 65.9% of the total revenue for the current financial quarter ended 30 September 2023.

Based on the financial results for the current financial quarter ended 30 September 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 RM43.0 million to RM20.5 million, while the revenue from the distribution business segment decreased from RM13.7 million to RM10.6 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 80.7% of the total revenue for the current financial quarter ended 30 June 2023.

The Group registered a PBT of RM9.6 million in the current financial quarter under review compared with RM16.9 million in the preceding quarter ended 30 September 2022, a decrease of RM7.3 million or 43.3%. The decreased in PBT was mainly attributed to the decreased in revenue.

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

B2. Comparison with immediately preceding quarter's results

	3-MONTH ENDED		CHANGES	
	30.9.2023	30.6.2023	Increase/ (Decrease)	
	RM'000	RM'000	RM'000	%
Revenue	31,059	24,969	6,090	24.4
PBT	9,587	7,596	1,991	26.2

The Group recorded revenue of RM31.1 million for the current quarter ended 30 September 2023 as compared with RM25.0 million for the preceding quarter ended 30 June 2023, an increase of RM6.0 million (or 24.4%). This was mainly due to increase in revenue from mesh, label stickers and distribution of adhesive tapes.

The Group's PBT increased by RM1.9 million (or 26.2%) from RM7.6 million in the preceding quarter ended 30 June 2023 to RM9.6 million in the current quarter ended 30 September 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.

With the strategic incorporation of Jostar Sdn Bhd ("Jostar") as a new subsidiary, MTAG Group embarks on a significant expansion, adding a fresh dimension to the Group's product portfolio. Jostar specialises in offset printing within a distinct industrial segment, complementing MTAG's existing offerings. This strategic acquisition substantially enhances the Group's capability to provide comprehensive packaging and branding solutions, extending its reach to a broader spectrum of clients.

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

B4. Profit forecast or profit guarantee

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

B5. Status of corporate proposals

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

B6. Income tax expenses

	3-MONTH ENDED		PERIOD-TO-DATE	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
Current tax expense	2,421	4,385	2,421	4,385
Total tax expense	2,421	4,385	2,421	4,385
Effective tax rate (%)	25.3%	25.9%	25.3%	25.9%

Notes:

- (1) The Group's effective tax rate for the current financial period ended 30 September 2023 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 RM72.3 million is intended to be utilised in the following manner and status of utilisation as at 30 September 2023 are disclosed as below:

Details of Utilisation	Proposed Utilisation (RM'000)	Revision of Utilisation (RM'000)	Actual Utilisation (RM'000) @ 30.09.23	Balance Unutilised (RM'000)	Est. Time Frame for Utilisation upon listing 25.09.19	Revised Time Frame for Utilisation from 25.08.23
Land acquisition and construction of manufacturing plant	33,000	(18,000)	5,443	9,557	36 months	12 months
Capital expenditure	13,000	-	7,539	5,461	36 months	12 months
Factory acquisition		10,000	1,000	9,000		12 months
Merger and Acquisition		8,000	-	8,000		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	
Total	72,251	-	40,233	32,018		

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

	30.9.2023	30.06.2022
	RM'000	RM'000
Current (secured)		
- Term Loan	-	41
Non-current (secured)		
- Term Loan	-	67
Total	<u>-</u>	<u>108</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.

The Term Loan has been fully settled in July 2023.

B9. Material litigation

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

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 30 September 2023 (FY2023: 1 sen per ordinary share each @ 30 September 2022).

The dividend will be paid on 21 December 2023 in respect of deposited securities as at 11 December 2023.

As at the date of this report, the total dividend declared for the current financial year ending 30 Jun 2024 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:

	3-MONTH ENDED		PERIOD-TO-DATE	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
Profit attributable to ordinary owners of the Company (RM'000)	7,166	12,525	7,166	12,525
Number of ordinary shares ('000)	681,617	681,617	681,617	681,617
Basic EPS (sen) ⁽¹⁾	1.05	1.84	1.05	1.84
Diluted EPS (sen) ⁽²⁾	1.05	1.84	1.05	1.84

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 September 2023 and period-to-date ended 30 September 2023 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):

	3-MONTH ENDED		PERIOD-TO-DATE	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	710	705	710	705
Depreciation of right-of-use assets	38	36	38	36
Foreign exchange				
Realised (gain)/ loss	(342)	212	(342)	212
Unrealised (gain)/ loss	396	99	396	99
(Gain)/ Loss on disposal of property, plant and equipment	(5)	-	(5)	-
Interest income	(656)	(550)	(656)	(550)
Interest expense	19	6	19	6
Fair value gain on other investment	(633)	(151)	(633)	(151)
Gain on disposal of other investment	-	(10)	-	(10)
Dividend income from other investment	(2)	-	(2)	-

Notes:

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