

MTAG GROUP BERHAD

(Company No. 201801000029 (1262041-V))

(Incorporated in Malaysia)

Unaudited Financial Statements

For the Financial Period Ended

31 December 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND (2ND) QUARTER ENDED 31 DECEMBER 2023⁽¹⁾

	Note	3-MONTH ENDED		PERIOD-TO-DATE	
		31.12.2023	31.12.2022⁽²⁾	31.12.2023	31.12.2022⁽²⁾
		RM'000	RM'000	RM'000	RM'000
Revenue	A9	22,361	47,480	53,420	104,167
Cost of sales		(13,619)	(35,024)	(32,428)	(71,574)
Gross profit ("GP")		8,742	12,456	20,992	53,593
Other income		1,302	945	2,653	1,346
Selling and distribution expense		(296)	(821)	(1,268)	(1,656)
Administrative expenses		(3,365)	(3,579)	(6,387)	(6,365)
Finance costs		(21)	(19)	(40)	(26)
Profit before tax ("PBT")	B12	6,362	8,982	15,950	25,893
Tax expenses	B6	(1,244)	(2,270)	(3,665)	(6,655)
Profit after tax ("PAT")		5,118	6,712	12,285	19,238
Profit for the financial period attributable to:					
Owners of the Company		5,118	6,712	12,285	19,238
		<u>5,118</u>	<u>6,712</u>	<u>12,285</u>	<u>19,238</u>
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		58	30	94	59
Transfer of revaluation reserve to unappropriated profit		(58)	(30)	(94)	(59)
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the financial period attributable to:					
Owners of the Company		5,118	6,712	12,285	19,238
		<u>5,118</u>	<u>6,712</u>	<u>12,285</u>	<u>19,238</u>
Earnings per share attributable to owners of the Company					
Basic (sen) ⁽³⁾	B11	0.75	0.98	1.80	2.82
Diluted (sen) ⁽⁴⁾	B11	0.75	0.98	1.80	2.82

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 (2ND) QUARTER ENDED 31 DECEMBER 2023⁽¹⁾ (CONT'D)

Notes:

- (2) This interim financial report for the second (2nd) quarter ended 31 December 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 31 December 2023.
- (4) Diluted EPS of the Company for the individual quarter ended 31 December 2023 and period-to-date ended 31 December 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 31 DECEMBER 2023⁽¹⁾

	Note	31.12.2023 RM'000	30.06.2023 RM'000
ASSETS			
Non-current assets			
Property plant and equipment ⁽²⁾		35,454	31,206
Total non-current assets		35,454	31,206
Intangible assets	A12	3,120	-
Current assets			
Inventories		23,675	26,049
Trade receivables		22,100	24,951
Other receivables		1,661	2,269
Current tax Assets		6	76
Other investment		105,120	51,004
Fixed deposits with licensed banks		26,168	70,277
Cash and bank balances		17,242	23,139
Total current assets		195,972	197,765
TOTAL ASSETS		234,546	228,971
EQUITY AND LIABILITIES			
Equity			
Share capital		146,566	146,566
Merger deficit		(73,775)	(73,775)
Revaluation reserve		6,691	6,785
Retained earnings		139,507	133,944
Total equity		218,989	213,520
Liabilities			
Non-current liabilities			
Other payable		200	200
Borrowings	B8	-	67
Finance lease creditors		207	186
Lease liability		201	278
Deferred tax liabilities		3,813	3,813
Total non-current liabilities		4,421	4,544
Current liabilities			
Trade payables		5,742	5,503
Other payables		2,738	4,363
Amount due to related party		-	-
Borrowings	B8	1,105	41
Finance lease creditors		193	142
Lease liability		153	150
Tax payable		1,205	708
Total current liabilities		11,136	10,907
TOTAL LIABILITIES		15,557	15,451
TOTAL EQUITY AND LIABILITIES		234,546	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 31 DECEMBER 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 31 December 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 31 December 2023 and 30 June 2023.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND (2ND) QUARTER ENDED 31 DECEMBER 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	-	-	-	12,285	12,285
Other comprehensive income for the financial period	-	-	(94)	94	-
Surplus in the revaluation for the financial period			-	-	-
	146,566	(73,775)	6,691	146,323	225,805
Transactions with owners					
Issued of ordinary shares	-	-	-	-	-
Share issuance expense	-	-	-	-	-
Interim dividend	-	-	-	(6,816)	(6,816)
	-	-	-	-	-
As at 31 December 2023	146,566	(73,775)	6,691	139,507	218,989

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity are disclosed in Note A1 and should be read in conjunction with accompanying explanatory notes attached to this financial report.
- (2) This interim financial report for the second (2nd) quarter ended 31 December 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 SECOND (2ND) QUARTER ENDED 31 DECEMBER 2023^{(1) (2)}

	PERIOD-TO-DATE	
	31.12.2023	31.12.2022
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	15,950	25,893
Adjustments for:		
(Gain)/ loss on disposal of property, plant and equipment	(156)	-
Depreciation of right-of-use assets	75	71
Depreciation of property, plant and equipment	1,580	1,480
Interest income	(1,039)	(1,164)
Interest expense	40	26
Fair value (gain)/loss on other investment	(1,495)	(392)
(Gain)/ loss on disposal of other investment	(1)	(10)
Dividend income from other investment	(2)	-
Unrealised (gain)/ loss on foreign exchange	(71)	666
Operating profit before working capital changes	14,881	26,570
Change in working capital		
Inventories	2,374	(6,437)
Receivables	3,642	577
Payables	3,874	(9,020)
Related party	-	(2)
	9,890	(14,882)
Cash generated from operations	24,771	11,688
Tax paid	(3,099)	(6,326)
Tax refunded	-	-
Net cash from/ (used in) operating activities	21,672	5,362
Cash Flows From Investing Activities		
Acquisition of subsidiary company	(8,500)	(1,300)
Proceeds from disposal of property, plant and equipment	156	-
Purchase of property, plant and equipment	(5,903)	(1,636)
Addition to right-of-use assets in exchange for increased lease liabilities	-	-
Withdrawal/ (placement) of fixed deposits with a licensed bank	44,109	3,828
Withdrawal/ (placement) of other short-term investment	(52,617)	(10,404)
Proceeds from disposal of other investment	-	-
Interest received	1,039	1,164
Net cash from/ (used in) investing activities	(21,716)	(8,348)
Cash Flows From Financing Activities		
Interest paid	(40)	(26)
Proceeds from issuance of shares	-	-
Payment of share issuance expense	-	-
Dividend paid	(6,816)	(6,816)
Proceeds/(repayment) of lease liabilities	(74)	(58)
Proceeds/(repayment) of finance lease creditors	73	396
Proceeds/(repayment) of short-term borrowings	997	127
Net cash from/ (used in) financing activities	(5,860)	(27)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND (2ND) QUARTER ENDED 31 DECEMBER 2023⁽¹⁾⁽²⁾ (CONT'D)

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

	PERIOD-TO-DATE	
	31.12.2023	31.12.2022
	RM'000	RM'000
Net increase/ (decrease) in cash and cash equivalents	(5,904)	(9,362)
Cash and cash equivalents at beginning of the financial period	23,139	19,972
Effect of exchange translation differences on cash and cash equivalents	7	15
Cash and cash equivalents at the end of the financial period	<u>17,242</u>	<u>10,625</u>
Other investment in unit trust	105,120	33,577
Fixed deposits with licensed banks	26,168	81,003
Cash and bank balances	17,242	10,625
	<u>148,530</u>	<u>125,205</u>
Less: Other investment in unit trust	(105,120)	(33,577)
Less: Fixed deposits with licensed banks	(26,168)	(81,003)
Cash and cash equivalents at the end of the financial period	<u>17,242</u>	<u>10,625</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 (2nd) quarter ended 31 December 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 2023 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 2023, the Company has paid a single tier interim dividend of 1 sen per ordinary share in respect of financial year ending 30 June 2024, amounting RM6.8 million on 21 December 2023.

A9. Segmental information

The Group's segmental information for the current financial period ended 31 December 2023 is as follows:

(a) Analysis of revenue by business segments

	3-MONTH ENDED		PERIOD-TO-DATE	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Converting	16,721	38,950	37,178	81,921
Distribution	5,640	8,530	16,242	22,246
Total	22,361	47,480	53,420	104,167

(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	464	67	1,102	137
Central region	1,027	2	1,027	3
Southern region	18,802	42,011	43,221	90,650
Overseas (Outside Malaysia)	2,068	5,400	8,070	13,377
Total	22,361	47,480	53,420	104,167

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) 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 would like to notify that the Court has further adjourned the hearing date to 27 June 2024 from 27 September 2023, 16 November 2023 and 19 February 2024. The original size of the claim has been reduced to RM7,383,122.66 as a result of the defendant having instructed to sell part of the stocks to its nominated buyers. The Board of Directors of MTAG foresees a further reduction to the size of the claim if the defendant uses the interim period before the hearing on 27 June 2024 to deplete further outstanding stocks with the Plaintiff by selling balance of the stocks available to the Defendant’s nominated buyers.

(b) 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.

A. NOTES TO THE INTERIM FINANCIAL REPORT

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

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

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.

The Court initially adjourned the hearing date set for 25 October 2023, due to the transfer of Sessions Court Judge Tuan Ahmad Zaki from Johor Bahru Session Court, effective 2 October 2023. Consequently, a Case Management session was scheduled for 14 November 2023, to plan a new hearing date. However, during this session, the Court rescheduled the Case Management to 20 December 2023, without setting a hearing date, as there were no directives received from the Palace of Justice regarding Judges for part-heard cases, including MTAG's. Moreover, it's worth noting that the presiding judge has been relocated to another state. The Court has scheduled the next Case Management for 28 December 2023, to determine a date for the continuation of the hearing.

The Board of Directors of MTAG would like to inform that the matter was then scheduled for Case Management on 5 February 2024 and now slated for continued hearing on 12 June 2024 and 13 June 2024.

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

A. NOTES TO THE INTERIM FINANCIAL REPORT

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.

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 Acquisition marks a strategic expansion for MTAG Group, as it brings a new dimension to the Group's product portfolio. Jostar's specialised in offset printing which are distinct from what MTAG 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 Acquisition is 4.0% calculated based on the value of assets of Jostar over the latest audited consolidated net assets of MTAG as at 30 June 2023. This is below the 5% threshold as per Chapter 10 of the ACE Market Listing Requirements of Bursa Securities (“AMLR”) as defined under Rule 10.02(g) of the AMLR.

The Acquisition is funded by utilizing RM8 million from MTAG's IPO proceeds and the remaining balance by internally generated fund.

Summary of effects of the Proposed Acquisition on the statement of financial position of the Group is illustrated as follows:

The provisional fair values of the identifiable assets and liabilities relating to acquisition:	Total fair value recognised on acquisition of Jostar RM'000
Assets	
Property, plant and equipment	5,216
Inventories	1,192
Trade and other receivables	567
Cash and bank balances	<u>19</u>
Total assets	<u>6,994</u>
Liabilities	
Trade and other payables	595
Lease liabilities	25
Borrowing	<u>994</u>
Total liabilities	<u>1,614</u>
Total identifiable net assets acquired	5,380
Goodwill on acquisition	<u>3,120</u>
Purchase consideration	<u>8,500</u>

The allocation of purchase price was based upon a preliminary valuation, and the estimates and assumptions used are subject to change within the one-year measurement period.

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 31.12.2023	As at 30.06.2023
Bank guarantee given to	RM'000	RM'000
-Royal Malaysian Customs Department	765	765
-Tenaga Nasional Berhad	80	20
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A14. Capital commitments

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

	31.12.2023	30.06.2023
	RM'000	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.

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 performance

	FINANCIAL QUARTER (SECOND QUARTER) ENDED		CHANGES Increase/ (Decrease)	
	31.12.2023	31.12.2022		
	RM'000	RM'000	RM'000	%
Revenue	22,361	47,480	(25,119)	(52.9)
Profit Before Tax (PBT)	6,362	8,982	(2,620)	(29.2)

The Group recorded revenue of RM22.4 million for the current financial quarter ended 31 December 2023 compared with RM47.5 million for the same financial quarter in the preceding year ended 30 September 2022, a decrease of RM25.1 million or 52.9%.

The Group's revenue was principally derived from the converting business segment, accounting for approximately 74.8% of the total revenue for the current financial quarter ended 31 December 2023.

Based on the financial results for the current financial quarter ended 31 December 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 RM39.0 million to RM16.8 million, while the revenue from the distribution business segment decreased from RM8.5 million to RM5.6 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 91.0% of the total revenue for the current financial quarter ended 31 December 2023.

The Group registered a PBT of RM6.4 million in the current financial quarter under review compared with RM9.0 million in the preceding quarter ended 31 December 2022, a decrease of RM2.6 million or 29.2%. 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

B1. Review of performance

(b) Results for current financial period-to-date performance

	FINANCIAL QUARTER (SECOND QUARTER) ENDED		CHANGES Increase/ (Decrease)	
	31.12.2023	31.12.2022	RM'000	%
	RM'000	RM'000		
Revenue	53,420	104,167	(50,747)	(48.7)
Profit Before Tax (PBT)	15,950	25,893	(9,943)	(38.4)

The Group recorded revenue of RM53.4 million for the current financial period ended 31 December 2023 compared with RM104.2 million for the same financial period in the preceding period ended 31 December 2022, a decrease of RM50.7 million or 48.7%.

The Group's revenue was principally derived from the converting business segment, accounting for approximately 69.6% of the total revenue for the current financial period ended 31 December 2023.

Based on the financial results for the current financial period ended 31 December 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 RM81.9 million to RM37.2 million, while the revenue from the distribution business segment decreased from RM22.3 million to RM16.2 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 85.0% of the total revenue for the current financial period ended 31 December 2023.

The Group registered a PBT of RM15.9 million in the current financial period under review compared with RM25.9 million in the preceding period ended 31 December 2022, a decrease of RM9.9 million or 38.4%. 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	
	31.12.2023	30.9.2023	Increase/ (Decrease)	
	RM'000	RM'000	RM'000	%
Revenue	22,361	31,059	(8,698)	(28.0)
PBT	6,362	9,587	(3,225)	(33.6)

The Group recorded revenue of RM22.4 million for the current quarter ended 31 December 2023 as compared with RM31.1 million for the preceding quarter ended 30 September 2023, a decrease of RM8.7 million (or 28.0%). This was mainly due to decrease in revenue from mesh, label stickers and distribution of adhesive tapes.

The Group's PBT decreased by RM3.2 million (or 33.6%) from RM9.6 million in the preceding quarter ended 30 September 2023 to RM6.4 million in the current quarter ended 31 December 2023. The decrease in PBT was mainly attributed to decrease in revenue.

B3. Prospects and outlook

The recent news of Singapore and Malaysia's firm commitment to develop the Johor Singapore Special Economic Zone (JSSEZ) is expected to attract more multinational investments into the Southern region. Potential investments will vary across various sectors including medical equipment, electrical and electronics and data centres.

MTAG Group is closely following the progression of JSSEZ events, given our strategic location and close proximity to Singapore. The foreseeable boost of economic activity in the region is a driving force for the Group to steadily advance our manufacturing capabilities and capacities, alongside strong efforts in our outreach to potential local and multinational investors.

At the same time, the ongoing integration of our two newly-acquired subsidiaries Super Gold Industrial Sdn. Bhd. and Jostar Sdn. Bhd. will further cement our position in the converting market, as the Group penetrates into large commercial sectors like Food & Beverage and Personal Care & Cosmetics.

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

B4. Profit forecast or profit guarantee

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

B5. Status of corporate proposals

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

B6. Income tax expenses

	3-MONTH ENDED		PERIOD-TO-DATE	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Current tax expense	1,244	2,270	3,665	6,655
Total tax expense	1,244	2,270	3,665	6,655
Effective tax rate (%)	19.6%	25.3%	23.0%	25.7%

Notes:

- (1) The Group's effective tax rate for the current financial period ended 31 December 2023 lower than statutory income tax rate of 24% is mainly due to tax allowance from additions of machineries and solar system.
- (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 31 December 2023 are disclosed as below:

Details of Utilisation	Proposed Utilisation (RM'000)	Revision of Utilisation (RM'000)	Actual Utilisation (RM'000) @ 31.12.23	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	-	48,233	24,018		

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

	31.12.2023	30.06.2022
	RM'000	RM'000
Current (secured)		
- Overdraft	970	41
- Banker Acceptance	135	
- Term Loan	-	67
Non-current (secured)		
- Term Loan		
Total	<u>1,105</u>	<u>108</u>

All borrowings are denominated in Ringgit Malaysia.

The subsidiary company has secured working capital through credit facilities extended by UOB and OCBC, amounting to RM1,693,000 and RM2,334,975 respectively. The Overdraft facility, with a limit of RM600,000 from UOB, is repayable on demand. Concurrently, the Banker Acceptance, with a limit of RM1,100,000 for 120 days, is obtained from OCBC.

As of December 31, 2023, outstanding credit facilities comprise RM970,000 for Overdraft and RM135,000 for Banker Acceptance (BA).

Interest for the Overdraft is levied at a rate ranging from 0.4% to 1.25% above the bank's Base Lending Rate, computed on a daily rest basis. The interest rate applicable to the Banker Acceptance is currently levied at a rate of 5.1%.

These credit facilities, from both UOB and OCBC, are secured by the company's factory buildings and by joint and several guarantees provided by Mr. Lim Who Wah and Mr. Loh Nguk Yoong, the ex-shareholders of Jostar. It is noteworthy that the Sales and Purchase Agreement (SPA) stipulates a condition for the discharge of the joint guarantee within a period of 6 months from 30 October 2023.

B9. Material litigation

Save as disclosed in Section A11, there were no material litigation involving the Group as at 31 December 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 31 December 2023 (FY2023: 3 sen per ordinary share each @ 30 June 2023).

The dividend was 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	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Profit attributable to ordinary owners of the Company (RM'000)	5,118	6,712	12,285	19,238
Number of ordinary shares ('000)	681,617	681,617	681,617	681,617
Basic EPS (sen) ⁽¹⁾	0.75	0.98	1.80	2.82
Diluted EPS (sen) ⁽²⁾	0.75	0.98	1.80	2.82

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 2023 and period-to-date ended 31 December 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	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	870	774	1,580	1,480
Depreciation of right-of-use assets	38	36	75	71
Foreign exchange				
Realised (gain)/ loss	(226)	(657)	116	(445)
Unrealised (gain)/ loss	325	567	(71)	666
(Gain)/ Loss on disposal of property, plant and equipment	(151)	-	(156)	-
Interest income	(383)	(614)	(1,039)	(1,164)
Interest expense	21	19	40	26
Fair value gain on other investment	(862)	(240)	(1,495)	(392)
Gain on disposal of other investment	-	-	(1)	(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.