

HPP HOLDINGS BERHAD

Registration No: 201801043588 (1305620-D)
(Incorporated in Malaysia)

Unaudited Condensed Consolidated Interim Financial Report for the Fourth Quarter Ended 31 May 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2021⁽¹⁾

	NOTE	Unaudited As at 31 May 2021 RM'000	Audited As at 31 May 2020 RM'000
ASSETS			
Non-current asset			
Property, plant and equipment		57,767	53,386
		<u>57,767</u>	<u>53,386</u>
Current assets			
Inventories		13,410	8,977
Trade receivables		27,982	17,024
Other receivables		852	522
Tax recoverable		4,041	747
Investment in financial assets		⁽²⁾ 21,181	-
Fixed deposits with licensed banks		5,801	11,033
Cash and bank balances		21,735	13,974
		<u>95,002</u>	<u>52,277</u>
TOTAL ASSETS		<u>152,769</u>	<u>105,663</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		90,208	5,500
Retained earnings		74,809	61,888
Merger deficit	A9	(54,452)	-
Total equity attributable to owners of the Group		<u>110,565</u>	<u>67,388</u>
Non-controlling interests		2,061	1,926
Total equity		<u>112,626</u>	<u>69,314</u>
Non-current liabilities			
Borrowings	B7	12,889	17,684
Lease liabilities		193	-
Deferred tax liabilities		6,773	5,499
		<u>19,855</u>	<u>23,183</u>
Current liabilities			
Borrowings	B7	3,613	4,410
Lease liabilities		201	193
Trade payables		9,334	6,659
Other payables		7,123	1,893
Amount due to directors		-	11
Amount due to ultimate holding company		13	-
Tax payable		4	-
		<u>20,288</u>	<u>13,166</u>
Total liabilities		<u>40,143</u>	<u>36,349</u>
TOTAL EQUITY AND LIABILITIES		<u>152,769</u>	<u>105,663</u>
Number of issued shares ('000)		⁽³⁾ 388,430	⁽⁴⁾ 299,761
Net asset per share attributable to owners of the Group (RM)		0.28	0.22

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Financial Position are disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the prospectus of the Company dated 15 December 2020 ("**Prospectus**") and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2021 (CONT'D)

- (2) Investment in financial assets represents investment in Maybank Money Market-I Fund (“**MMMI**”) and Affin Hwang Aiiiman Money Market Fund with a redemption notice of only one (1) business day. This forms part of the cash and cash equivalents of the Group.
- (3) Based on the enlarged number of 388,430,000 shares after the completion of the IPO.
- (4) Based on the ordinary shares in issuance of 299,761,000 shares after the completion of the Pre-IPO Exercise.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 MAY 2021⁽¹⁾

	NOTE	Individual Quarter ended 31 May		Cumulative Quarter ended 31 May	
		2021	⁽²⁾ 2020	2021	⁽²⁾ 2020
		RM'000	RM'000	RM'000	RM'000
Revenue	A13	25,188	N/A	106,682	N/A
Cost of sales		(19,265)	N/A	(78,669)	N/A
Gross profit		5,923	N/A	28,013	N/A
Other income		424	N/A	2,524	N/A
Administrative expenses		(2,869)	N/A	(10,670)	N/A
Profit from operations		3,478	N/A	19,867	N/A
Finance costs		(265)	N/A	(894)	N/A
Profit before tax	B12	3,213	N/A	18,973	N/A
Tax credit / (tax expenses)	B5	1,678	N/A	(2,033)	N/A
Profit and total comprehensive income for the financial period		4,891	N/A	16,940	N/A
Total comprehensive income for the financial period attributable to:					
- Owners of the Group		5,003	N/A	16,805	N/A
- Non-controlling interests		(112)	N/A	135	N/A
		4,891	N/A	16,940	N/A

Earnings Per Share

Basic/Diluted (Sen) ⁽³⁾	B10	⁽⁴⁾ 1.29	N/A	⁽⁴⁾ 4.33	N/A
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Notes:

- (1) The basis of preparation of the Unaudited Consolidated Statement of Comprehensive Income is disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus and the accompanying explanatory notes attached to this interim financial report.
 - (2) The condensed consolidated interim financial report announced is in compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"). There are no comparative figures for the preceding corresponding period as no interim financial report was prepared for the comparative financial period concerned.
 - (3) The diluted earnings per share is equivalent to the basic earnings per share as the Group does not have any convertible securities as at the end of the reporting period.
 - (4) Based on the enlarged number of 388,430,000 shares after the completion of the IPO.
- N/A Not applicable.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 MAY 2021⁽¹⁾

←——— **Attributable to owners of the Group** —————→
 ←——— **Non-distributable** **Distributable** —————→

	Share capital RM'000	Merger deficit RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Unaudited As at 1 June 2020	5,500	-	61,888	67,388	1,926	69,314
Profit and total comprehensive income for the financial period	-	-	16,805	16,805	135	16,940
Dividend to owners of the Company	-	-	(3,884)	(3,884)	-	(3,884)
Issuance of shares:						
- Issuance of new shares pursuant to Pre-IPO Exercise	54,452	-	-	54,452	-	54,452
- Issuance of new shares pursuant to the IPO	⁽²⁾ 31,921	-	-	31,921	-	31,921
- Expenses relating to issuance of new shares for the IPO	⁽³⁾ (1,665)	-	-	(1,665)	-	(1,665)
- Adjustment on acquisition of subsidiaries	-	(54,452)	-	(54,452)	-	(54,452)
Total transactions with owners of the Group Unaudited As at 31 May 2021	90,208	(54,452)	74,809	110,565	2,061	112,626

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity is disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus and the accompanying explanatory notes attached to this interim financial report.
- (2) Issuance of new shares pursuant to the IPO (as defined and further explained in Note B6 below).
- (3) Listing expenses incurred pursuant to the IPO (as defined and further explained in Note B6 below) that has been set-off against equity.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 MAY 2021⁽¹⁾

	Unaudited Cumulative Quarter ended 31 May 2021 RM'000	(²)2020 RM'000
Cash flows from operating activities		
Profit before tax	18,973	N/A
<i>Adjustment for:</i>		
Depreciation of property, plant and equipment	4,126	N/A
Gain on disposal of property, plant and equipment	(192)	N/A
Reversal of impairment of inventories	(66)	N/A
Bad debts written off	6	N/A
Impairment loss on trade receivables	14	N/A
Finance costs:		
- Hire purchase liabilities	11	N/A
- Term loans	876	N/A
- Lease liability	7	N/A
Interest income	(360)	N/A
Net realised loss on foreign exchange	340	N/A
Net unrealised gain on foreign exchange	(19)	N/A
Operating profit before working capital changes	23,716	N/A
Change in working capital:		
Inventories	(4,366)	N/A
Receivables	(11,546)	N/A
Payables	3,921	N/A
Amount due to directors	(11)	N/A
Amount due to ultimate holding company	13	N/A
Cash generated from operations	11,727	N/A
Interest paid	(894)	N/A
Interest received	360	N/A
Tax paid	(3,954)	N/A
Tax refunded	3	N/A
Net cash from operating activities	7,242	N/A
Cash flows from investing activities		
Sales proceeds from disposal of property, plant and equipment	1,726	N/A
Purchase of property, plant and equipment	(9,609)	N/A
Net cash used in investing activities	(7,883)	N/A
Cash flow from financing activities		
Drawdown of bank borrowing	1,556	N/A
Repayments of borrowing	(7,148)	N/A
Repayment of lease liability	(230)	N/A
Increase in share capital	30,256	N/A
Net cash from financing activities	24,434	N/A
Net increase in cash and cash equivalents	23,793	N/A
Cash and cash equivalents at the beginning of the financial period	25,007	N/A
Effect of exchange rate changes on cash and cash equivalents	(83)	N/A
Cash and cash equivalents at the end of the financial period	48,717	N/A

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Cash Flows is disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus and the accompanying explanatory notes attached to the interim financial report.
- (2) There are no comparative figures for the preceding corresponding period as no interim financial report was prepared for the comparative financial period concerned.
- N/A Not applicable.

A. NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of Preparation

The condensed consolidated interim financial report is unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”) 134 *Interim Financial Reporting* and Rule 9.22 and Appendix 9B of the Listing Requirements.

This is the fourth interim financial report on the Company’s unaudited condensed consolidated financial results for the fourth quarter ended 31 May 2021 announced by the Company in compliance with the Listing Requirements and as such, there are no comparative figures for the preceding corresponding period.

This condensed consolidated financial report should be read in conjunction with the Accountants’ Report as disclosed in the Prospectus and the accompanying notes attached to this condensed consolidated interim financial report.

A2. Significant Accounting Policies

Except as described below, the same accounting policies and methods of computation are followed in this condensed consolidated interim financial report as compared with the audited combined financial statements for the financial years ended (“FYE”) 31 May 2018, 2019 and 2020.

The Group has also considered the new accounting pronouncements in the preparation of the financial statements.

(i) Adoption of New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretation

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 4	Insurance Contracts (Extension of the Temporary Exemption from Applying MFRS 9)
Amendments to MFRS 9 and MFRS 7	Interest rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to References to the Conceptual Framework in MFRSs	

The adoption of the above accounting pronouncements did not have any significant effect on the financial statements of the Group.

(ii) New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretation that are issued but not yet effective and have not been early adopted

The Group has not adopted the following new MFRSs, Amendments/Improvements to MFRSs and New IC Interpretation that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group:

Effective for financial periods beginning on or after 1 June 2020

Amendments to MFRS 16	Covid-19 - Related Rent Concessions
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Effective for financial periods beginning on or after 1 January 2021

Amendments to MFRS 9, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform – Phase 2
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Effective for financial periods beginning on or after 1 April 2021

Amendments to MFRS 16	Covid-19 – Related Rent Concessions beyond 30 June 2021
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Effective for financial periods beginning on or after 1 January 2022

Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to MFRSs 2018 - 2020	

Effective for financial periods beginning on or after 1 January 2023

Amendments to MFRS 101	Classification of Liabilities as Current or Non-current
MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 101 and MFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Effective date to be announced

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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A3. Auditors' Report

There was no qualified audit report issued by the auditors in the audited combined financial statements for the FYE 31 May 2018, 31 May 2019 and 31 May 2020.

A4. Seasonal or Cyclical Factors

The nature of the Group's business was not subject to any significant seasonal and cyclical factors.

A5. Exceptional items

There were no material exceptional items during the current financial quarter under review.

A6. Material Changes in Accounting Estimates

There were no material changes in estimates for the current financial quarter under review.

A7. Material Events Subsequent to the Statement of Financial Position Date

Save as disclosed below, there was no material event subsequent to the end of the current financial quarter under review:

The Government has re-imposed the movement control order (“**MCO**”) from 13 January 2021 to 18 February 2021 in Wilayah Persekutuan, Sabah, Selangor, Penang, Johor and Melaka. Subsequently, the Government lifted the MCO and placed several states (including Melaka) under conditional MCO between 19 February 2021 to 4 March 2021. On 5 March 2021, Melaka, Pahang, Terengganu, Sabah, Putrajaya, Labuan, and Perlis were placed under the recovery MCO (“**RMCO**”). The implementation of RMCO in Melaka was further extended until 28 April 2021. Since then, the Government has re-imposed various forms of MCOs and a full lockdown effective 1 June 2021 following a steep climb of coronavirus 2019 (“**COVID-19**”) cases that breached the 8,000 daily mark in May 2021. During this full lockdown period, the Group has obtained approval from Ministry of International Trade and Industry (“**MITI**”) to continue its operations at 60% capacity.

As at the date of this report, the Group has 4 employees who were tested positive for COVID-19. As a precautionary measure undertaken by the Group, the Group temporarily ceased operations at one of its production factories from 14 May 2021 to 17 May 2021 for deep cleaning and sanitisation work. The Group resumed operations at the said factory on 18 May 2021.

Save as disclosed in Note B2 below, the re-imposition of various forms of MCOs did not have material impact on the operations and financial performance of the Group as at the date of this interim financial report as the Group continued to operate during these periods. However, the Board of Directors of the Company (“**Board**”) will continue to assess the impact of COVID-19 on the Group’s operations and financial performance and will make an announcement on this, if applicable.

A8. Changes in Composition of the Group

There were no changes in the composition of the Group for the current financial quarter under review.

A9. Merger Deficit

The merger deficit arose from the difference between the carrying value of the investment and the nominal value of the shares of subsidiaries upon consolidation under the merge accounting principles.

A10. Capital Commitments

Save as disclosed below, there were no other material capital commitments incurred or known to be incurred:

	Unaudited As at 31 May 2021 RM’000	Audited As at 31 May 2020 RM’000
Approved but not contracted for:		
Purchase of property, plant and equipment	6,949	-
Approved and contracted for:		
Purchase of property, plant and equipment	1,321	131
Balance committed for IPO expenses	-	2,023

A11. Debt and Equity Securities

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial quarter under review.

A12. Dividend Paid

Since the end of previous financial period, the Board declared a first single-tier interim dividend of 1 sen per ordinary share in respect of FYE 31 May 2021 on 20 April 2021, amounting to RM3,884,300, and was paid on 4 June 2021.

A13. Segmental Information

The segmental revenue based on products for the cumulative quarter ended 31 May 2021 is as follows:

Product	Unaudited Individual Quarter ended 31 May		Unaudited Cumulative Quarter ended 31 May	
	2021 RM'000	(¹)2020 RM'000	2021 RM'000	(¹)2020 RM'000
Corrugated packaging	10,774	N/A	38,725	N/A
Non-corrugated packaging	7,918	N/A	34,388	N/A
Rigid box				
– Trading	5,009	N/A	28,109	N/A
– Production	380	N/A	1,433	N/A
Others (brochure, leaflet, label, paper bag)	1,107	N/A	4,027	N/A
Total	25,188	N/A	106,682	N/A

Notes:

(1) There are no comparative figures for the preceding corresponding period available as no interim financial report was prepared for the comparative financial period concerned.

N/A Not applicable.

A14. Valuation of Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

A15. Contingent Liabilities

There were no contingent assets and contingent liabilities as at the date of this condensed consolidated interim financial report.

A16. Related Party Transactions

Transactions	Unaudited Individual Quarter ended 31 May		Unaudited Cumulative Quarter ended 31 May	
	2021 RM'000	(¹)2020 RM'000	2021 RM'000	(¹)2020 RM'000
A. Directors/ substantial shareholders				
Purchase of sub-printing, binding and folding services	10	N/A	19	N/A
Purchase of consumable machine spare part	-	N/A	1	N/A
B. Key senior management				
Insurance expenses	65	N/A	517	N/A
C. Ultimate Holding Company				
Hostel rental	14	N/A	53	N/A

Notes:

(1) There are no comparative figures for the preceding corresponding quarter and period available as no interim financial report was prepared for the comparative financial period concerned.

N/A Not applicable.

A17. Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

The carrying amounts of long-term floating rate borrowings approximate their fair value as the borrowings will be repriced to market interest rate on or near reporting date.

There was no gain or loss arising from fair value changes of the Group's financial liabilities for the current quarter and financial period under review.

A18. Ultimate Holding Company

The Directors regard Aurora Meadow Sdn Bhd, a company incorporated in Malaysia, as the ultimate holding company.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Review of Financial Performance

The Group recorded a revenue of approximately RM25.19 million and RM106.68 million in the current financial quarter and the cumulative financial quarter ended 31 May 2021 respectively. The Group's revenue is mainly attributable to sales of corrugated and non-corrugated packaging in the current financial quarter and the cumulative financial quarter ended 31 May 2021.

The Group recorded a profit before tax of approximately RM3.21 million and RM18.97 million in the current financial quarter and cumulative financial quarter ended 31 May 2021 respectively.

B2. Variation of Results Against Immediate Preceding Quarter

For the current financial quarter, the Group has registered a higher revenue of approximately RM25.19 million as compared to approximately RM23.59 million in the preceding financial quarter. The increase in revenue by approximately 6.78% in the current financial quarter against its revenue for the preceding financial quarter was mainly due to the increase in sales of paper-based packaging to its major customers mainly in the consumer electrical & electronics ("**Consumer E&E**") industry.

The overall gross profit margin decreased from approximately 27.65% in the preceding financial quarter to approximately 23.52% in the current financial quarter was mainly due to an increase in the cost of paper. Although the Group had successfully secured the negotiation with some of its major customers to pass on such increase to them, the price adjustment only took effect in the middle of the financial period under review.

The Group's profit before tax decreased from approximately RM4.58 million in the previous financial quarter to approximately RM3.21 million in the current financial quarter mainly due to higher cost of sales resulting from the increase in paper cost as well as lower other income.

With the various forms of MCOs imposed from 12 May 2021 until 28 June 2021 in Malaysia, customers have reduced their orders due to the restriction of capacity imposed by MITI and temporary closure of some of their factories as a result of confirmed COVID-19 cases in their factories.

B3. Commentary on Prospects

The new standard format printing machine that the Group acquired was delivered in March 2021. This new standard format printing machine has replaced one of the Group's existing standard format printing machines which is 11 years in age. The new standard format printing has better printing quality and colour accuracy, reduce printing defects and wastage and will automate blanket cleaning, amongst others.

The Group intends to expand its rigid box business by acquiring an additional rigid box production line during 2022, subject to the volume of orders from the customers. This will double the Group's production capacity and allow the Group to secure more rigid box production orders which would enable the Group to grow this revenue source and improve its financial performance moving forward.

Moving forward, the Group also intends to expand its reach to a wider customer base in both the local and overseas markets by participating in local and overseas tradeshows and exhibitions. As at the date of this report, the Group has not been able to participate in any tradeshows or exhibitions due to the restrictions imposed by the Government to curb the spread of COVID-19.

The demand for packaging printing globally is expected to be supported by demand for consumer goods including, amongst others, Consumer E&E, food and beverages and pharmaceuticals. This is because packaging plays a significant role in the preservation and protection of consumer products from physical damage and to provide aesthetic and branding appeal. As such, the Group sees opportunities to grow and expand its paper-based packaging printing business in these sectors overseas.

In response to the COVID-19 pandemic, the Group has and will continue to implement various precautionary measures at its factories and offices to minimise the risk of COVID-19 infections and to ensure compliance with the standard operating procedures imposed by the Government. The Group has no specific plans that are required to be implemented to ensure continuity and sustainability of its business or to address the impact of the COVID-19 pandemic. Nonetheless, the Board will continue to monitor the developments arising from the COVID-19 pandemic and will adopt the necessary strategies to mitigate any potential risks and/or seize the opportunities arising therefrom.

The Group has registered to participate in the Public-Private Partnership COVID-19 Industry Immunisation Programme (PIKAS) vaccine program organised by MITI. As at the date of this report, the Group is still awaiting MITI's further instruction on PIKAS arrangement.

Premised on the above, the Board is of the opinion that the Group's prospects for the financial year ending 31 May 2022 remains favourable.

B4. Profit Forecast

Not applicable as the Group does not publish any profit forecast.

B5. Tax Expense

	Unaudited Individual Quarter ended 31 May 2021		Unaudited Cumulative Quarter ended 31 May 2021	
	RM'000	(¹)2020 RM'000	RM'000	(¹)2020 RM'000
Recognised in profit or loss				
Current (tax credit) / tax expense				
Current financial period	41	N/A	2,591	N/A
Over provision in prior year	(2,992)	N/A	(1,831)	N/A
Deferred tax expense				
Current financial period	1,446	N/A	1,446	N/A
Over provision in prior year	(173)	N/A	(173)	N/A
Total	(1,678)	N/A	2,033	N/A
Effective tax rate (%)	(²)52.23)	N/A	(²)10.72	N/A

Notes:

- (1) There are no comparative figures for the preceding corresponding period as no interim financial report was prepared for the comparative financial period concerned.
- (2) The effective tax rate for the individual quarter and cumulative quarter ended 31 May 2021 is lower than the statutory tax rate of 24% mainly due to tax savings arising from reinvestment allowance and reversal of overprovision of taxation in prior year.

N/A Not applicable.

B6. Status of Corporate Proposal

Pre-IPO Exercise

As part of the IPO reorganisation, the Company had on 11 November 2019 entered into 2 conditional share sale agreements (“SSAs”) to acquire the entire issued share capital of Hayan Prints (M) Sdn Bhd (“Hayan Prints”) and Hayan Packaging Sdn Bhd (“Hayan Packaging”) respectively (“Acquisitions”) via issuance of shares as detailed below:

Company	Number of shares issued	Value (RM)
Hayan Prints	269,755,000	53,951,000
Hayan Packaging	30,005,000	6,001,000
Total	299,760,000	59,952,000

The SSAs were supplemented by letters dated 7 August 2020 to the vendors of Hayan Prints and Hayan Packaging, respectively to extend the conditional period to 31 January 2021 to fulfil the conditions precedent for the SSAs. Subsequently, the SSAs were completed on 30 November 2020.

IPO

On 29 November 2019, the Company submitted the relevant applications to the Securities Commission Malaysia (“SC”) and Bursa Securities in relation to the proposed initial public offering of 88,669,000 ordinary shares of the Company (“IPO”), and the proposed listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Securities (“Listing”). The total enlarged issued share capital of the Company subsequent to the IPO will be 388,430,000 ordinary shares.

Bursa Securities had, vide its letter dated 17 November 2020, approved the Company's admission to the Official List and the listing of and quotation for its entire enlarged issued share capital on the ACE Market of Bursa Securities, subject to certain conditions.

The Listing is an exempt transaction under Section 212(8) of the Capital Markets and Services Act, 2007 and is therefore not subject to the approval of the SC. The SC had, vide its letter dated 19 November 2020, approved the resultant equity structure of the Company under the equity requirement for public listed companies pursuant to the Group's Listing, subject to the Company allocating shares equivalent to at least 12.5% of its enlarged number of issued shares at the point of listing to Bumiputera investors. This includes the shares offered to Malaysian public via balloting, of which at least 50% are to be offered to Bumiputera public investors.

MITI had stated that it has taken note of and has no objection to the Listing vide its letter dated 14 January 2020.

The IPO and Listing were completed on 20 January 2021.

B7. Loans and Borrowings

The details of the Group's borrowings are as follows:

	Unaudited As at 31 May 2021 RM'000	Audited As at 31 May 2020 RM'000
Non-current		
Term loans	12,826	17,577
Hire purchase liabilities	63	107
	<u>12,889</u>	<u>17,684</u>
Current		
Term loans	3,530	4,271
Hire purchase liabilities	83	139
	<u>3,613</u>	<u>4,410</u>
Total	<u>16,502</u>	<u>22,094</u>

All the borrowings are secured and denominated in Ringgit Malaysia.

B8. Material Litigation

There is no material litigation pending as at the date of this interim financial report.

B9. Dividends

(i) Proposed final dividend

The Board of Directors had on 22 July 2021 proposed a final single-tier dividend of 1 sen per ordinary share in respect of FYE 31 May 2021 amounting to RM3,884,300.

The final single-tier dividend is subject to the approval of shareholders being obtained in the annual general meeting.

The entitlement date for the final dividend will be announced at a later date.

(ii) Total dividend

The total dividend for the FYE 31 May 2021 are as follows:

- (a) single-tier interim dividend of 1 sen per ordinary share declared on 20 April 2021 and paid on 4 June 2021; and
- (b) proposed single-tier final dividend of 1 sen per ordinary share, subject to shareholders' approval.

B10. Basic and Diluted Earnings Per Share

The calculation of earnings per ordinary share was based on the profit attributable to ordinary shareholders and weighted number of ordinary shares outstanding calculated as follows:

	Unaudited Individual Quarter ended 31 May		Unaudited Cumulative Quarter ended 31 May	
	2021	(1)2020	2021	(1)2020
Profit for the financial period attributable to owners of the Group (RM'000)	5,003	N/A	16,805	N/A
Weighted average number of ordinary shares ('000)	388,430	N/A	388,430	N/A
Basic earnings per ordinary share (sen) ⁽²⁾	1.29	N/A	4.33	N/A

There are no diluted earnings per share as the Company has no potential dilutive ordinary shares in issue as at the date of the statement of financial position.

Notes:

- (1) There are no comparative figures for the preceding corresponding period as no interim financial report was prepared for the comparative financial period concerned.
- (2) Earnings per ordinary share is calculated based on the enlarged number of 388,430,000 shares as the Pre-IPO Exercise and IPO referred to in Note B6 have been completed.

N/A Not applicable.

B11. Profit before tax

	Unaudited Individual Quarter ended 31 May		Unaudited Cumulative Quarter ended 31 May	
	2021 RM'000	(1)2020 RM'000	2021 RM'000	(1)2020 RM'000
Material expenses/(income)				
Auditor's remuneration:				
- current year	21	N/A	98	N/A
Bad debts written off	6	N/A	6	N/A
Depreciation of property, plant and equipment	1,058	N/A	4,126	N/A
Directors' remuneration:				
- Directors' fee	105	N/A	327	N/A
- Salaries, wages, allowances and bonus	179	N/A	756	N/A
- Contributions to defined contribution plan	35	N/A	143	N/A
Finance costs:				
- Hire purchase liabilities	1	N/A	11	N/A
- Term loans	262	N/A	876	N/A
- Lease liability	2	N/A	7	N/A
Impairment loss on trade receivable	14	N/A	14	N/A
Loss/(gain) on disposal of property, plant and equipment	101	N/A	(192)	N/A
Interest income	(177)	N/A	(360)	N/A
Rental expenses/Short-term lease rental:				
- Equipment	-	N/A	18	N/A
- Warehouse	-	N/A	59	N/A
- Hostel	21	N/A	85	N/A
Rental income	-	N/A	(66)	N/A
Reversal of impairment of inventories	-	N/A	(66)	N/A
Right-of-use assets:				
- Lease of low value assets	-	N/A	2	N/A

	Unaudited Individual Quarter ended 31 May		Unaudited Cumulative Quarter ended 31 May	
	2021	⁽¹⁾ 2020	2021	⁽¹⁾ 2020
	RM'000	RM'000	RM'000	RM'000
Staff costs:				
- Salaries, wages, allowances and bonus	2,327	N/A	9,256	N/A
- Contributions to defined contribution plan	216	N/A	832	N/A
- Contributions to social security	31	N/A	122	N/A
Net realised (gain)/loss on foreign exchange	(11)	N/A	340	N/A
Net unrealised loss/(gain) on foreign exchange	7	N/A	(19)	N/A

Notes:

- (1) There are no comparative figures for the preceding corresponding period as no interim financial report was prepared for the comparative financial period concerned.

N/A Not applicable.

The Group did not report any other income including investment income, provision for and write off of receivables, provision for and write off of inventories, gain or loss on disposal of quoted or unquoted investments or properties, impairment of assets and gain or loss on derivatives for the financial period under review.

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B12. Utilisation of Proceeds Raised from Public Issue

The utilisation of proceeds from the Public Issue of RM31.92 million is as follows:

Details of utilisation	Proposed utilisation RM'000	Actual utilisation RM'000	Reallocation RM'000	Unutilised amount RM'000	Intended timeframe for utilisation upon listing
Capital expenditure and expansion	13,031	5,972	-	7,059	Within 24 months
Repayment of bank borrowings	7,783	4,546	-	3,237	Within 12 months
Working capital	5,207	-	⁽¹⁾ (186)	5,021	Within 24 months
Sales and marketing expenses	2,000	-	-	2,000	Within 36 months
Estimated listing expenses	3,900	⁽¹⁾ 4,086	⁽¹⁾ 186	-	Within 3 months
Total	31,921	14,604	-	17,317	

The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus.

Note:

- (1) As the actual amount incurred for listing expenses is higher than estimated, the shortfall has been funded out of the amount allocated for working capital purposes, as set out in Section 2.7.5 of the Prospectus.

By order of the Board of Directors

22 July 2021