

TECHBOND GROUP BERHAD

(Company No. 1190604-M)
(Incorporated in Malaysia)



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018 ⁽¹⁾

	Individual quarter		Cumulative quarter	
	Current year quarter 31/12/2018 RM'000	Preceding year quarter 31/12/2017 ⁽²⁾ RM'000	Current year- to-date 31/12/2018 RM'000	Preceding year-to-date 31/12/2017 ⁽²⁾ RM'000
Revenue	20,879	N/A	44,100	N/A
Cost of sales	(15,681)	N/A	(32,509)	N/A
Gross profit	5,198	N/A	11,591	N/A
Other income	357	N/A	1,540	N/A
Administration expenses ⁽³⁾	(4,094)	N/A	(5,650)	N/A
Distribution expenses	(498)	N/A	(860)	N/A
Other expenses	(251)	N/A	(850)	N/A
Finance costs	-	N/A	-	N/A
Profit before tax	712	N/A	5,771	N/A
Tax expense	(654)	N/A	(1,830)	N/A
Profit for the period	58	N/A	3,941	N/A
Other comprehensive income, net of tax:				
Item that may be reclassify subsequently to profit or loss				
Foreign currency translation differences	(20)	N/A	889	N/A
Total comprehensive income for the period	38	N/A	4,830	N/A
Earnings per share				
- Basic (sen)	0.03	N/A	3.34	N/A
- Diluted (sen) ⁽⁴⁾	0.03	N/A	3.34	N/A

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018 (continued) ⁽¹⁾

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Accountant's Report as disclosed in the Prospectus of the Company dated 13 November 2018 and the accompanying explanatory notes attached to the interim financial report.
- (2) No comparative figures for the preceding year as the Group was only formed on 7 September 2018.
- (3) Administration expenses included one-off non-recurring listing expenses of RM2.30 million. For illustration purposes only, the Group's normalized financial performance after adjusting for the one-off non-recurring listing expenses is as follow:

	Individual quarter		Cumulative quarter	
	Current year- to-date 31/12/2018 RM'000	Preceding year- to-date 31/12/2017(2) RM'000	Current year- to-date 31/12/2018 RM'000	Preceding year-to-date 31/12/2017(2) RM'000
Profit before tax	712	N/A	5,771	N/A
Add: Listing expenses	2,303	N/A	2,303	N/A
Adjusted Profit before tax	<u>3,015</u>	<u>N/A</u>	<u>8,074</u>	<u>N/A</u>

- (4) Diluted EPS is equivalent to the basic EPS as the Company does not have any convertible securities as at the end of the financial period under review.
- N/A Not applicable

TECHBOND GROUP BERHAD

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018⁽¹⁾

	Unaudited As at 31/12/2018 RM'000	Audited As at 30/06/2018 ⁽²⁾ RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	17,643	N/A
Land use rights	6,719	N/A
Other receivables	214	N/A
Total non-current assets	24,576	N/A
Current assets		
Inventories	27,075	N/A
Trade receivables	16,877	N/A
Other receivables	1,961	N/A
Fixed deposits with licensed banks	21,877	N/A
Cash and bank balances	45,625	N/A
Total current assets	113,415	N/A
TOTAL ASSETS	137,991	N/A
EQUITY AND LIABILITIES		
EQUITY		
Share capital	139,893	N/A
Merger deficits	(78,938)	N/A
Exchange translation reserve	5,688	N/A
Retained earnings	60,921	N/A
Total equity	127,564	N/A
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	716	N/A
Deferred income	53	N/A
Total non-current liabilities	769	N/A

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 (continued) ⁽¹⁾**

	Unaudited As at 31/12/2018 RM'000	Audited As at 30/06/2018⁽²⁾ RM'000
Current liabilities		
Trade payables	7,126	N/A
Other payables	1,553	N/A
Tax payables	934	N/A
Deferred income	45	N/A
Total current liabilities	<u>9,658</u>	<u>N/A</u>
Total liabilities	<u>10,427</u>	<u>N/A</u>
TOTAL EQUITY AND LIABILITIES	<u>137,991</u>	<u>N/A</u>
Net assets per share (RM) ⁽³⁾	0.55	N/A

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Accountant's Report as disclosed in the Prospectus of the Company dated 13 November 2018 and the accompanying explanatory notes attached to the interim financial report.
- (2) No comparative figures for the preceding year and preceding quarter as the Group was only formed on 7 September 2018.
- (3) Based on the issued and paid up share capital of 230,000,000 ordinary shares as at 31 December 2018.

TECHBOND GROUP BERHAD

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018⁽¹⁾

	← Non-distributable →			Distributable	
	Share capital RM'000	Merger deficit RM'000	Exchange translation reserve RM'000	Retained Earnings RM'000	Total equity RM'000
Balance as at 1 July 2018	_(2)	-	-	(231)	(231)
Adjustment pursuant to acquisitions	22,999	-	4,799	57,211	85,009
Profit of the financial period	-	-	-	3,941	3,941
Other comprehensive loss, net of tax	-	-	889	-	889
Total comprehensive income	22,999	-	5,688	61,152	89,839
Transactions with owners:					
Issuance of new ordinary shares	141,606	-	-	-	141,606
Share issuance expenses	(1,713)	-	-	-	(1,713)
Acquisition of subsidiaries	(22,999)	(78,938)	-	-	(101,937)
Total transactions with owners	116,894	(78,938)	-	-	37,956
Balance as at 31 December 2018	139,893	(78,938)	5,688	60,921	127,564

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Accountant's Report as disclosed in the Prospectus of the Company dated 13 November 2018 and the accompanying explanatory notes attached to the interim financial report.
- (2) Represents an amount of RM2.

TECHBOND GROUP BERHAD

(Company No. 1190604-M)
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018⁽¹⁾

	Current year- to-date 31/12/2018 RM'000	Preceding year-to-date 31/12/2017 ⁽²⁾ RM'000
OPERATING ACTIVITIES		
Profit before taxation	5,771	N/A
Adjustments for:-		
Amortisation of deferred income	(22)	N/A
Amortisation of land use rights	48	N/A
Depreciation of property, plant and equipment	586	N/A
Interest income	(597)	N/A
Inventories written off	1	N/A
Unrealised loss on foreign exchange	490	N/A
Operating profit before working capital changes	6,277	N/A
Changes in working capital:-		
Inventories	(2,012)	N/A
Receivables	1,715	N/A
Payables	(1,867)	N/A
Cash generated from operations	4,113	N/A
Tax paid	(1,466)	N/A
Interest received	597	N/A
Net cash from operating activities	3,244	N/A
INVESTING ACTIVITIES		
Proceeds from issuance of shares	37,956	N/A
Purchase of property, plant and equipment	(1,311)	N/A
Net cash used in investing activity	36,645	N/A
CASH AND CASH EQUIVALENTS		
Net changes	39,889	N/A
Effect of foreign currency translation differences	(63)	N/A
At beginning of financial period ⁽³⁾	27,676	N/A
At end of financial period	67,502	N/A

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018 (continued)⁽¹⁾**

	Current year- to-date 31/12/2018 RM'000	Preceding year-to-date 31/12/2017⁽²⁾ RM'000
Cash and cash equivalents at the end of the financial period comprises:		
Cash and bank balances	45,625	N/A
Fixed deposits with licensed banks	<u>21,877</u>	<u>N/A</u>
	<u>67,502</u>	<u>N/A</u>

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Accountant's Report as disclosed in the Prospectus of the Company dated 13 November 2018 and the accompanying explanatory notes attached to the interim financial report.
- (2) No comparative figures for the preceding year as the Group was only formed on 7 September 2018.
- (3) Kindly refer to cash and cash equivalents as at 30 June 2018, as disclosed in the Combined Statements of Financial Position of the Accountant's Report as disclosed in the Prospectus of the Company dated 13 November 2018.
- N/A Not applicable

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING**A1. Basis of Preparation**

The interim financial report of the Group is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Listing Requirements.

This is the second interim financial report on the Company’s consolidated results for the second quarter ended 31 December 2018 announced in compliance with the Listing Requirements and as such, there are no comparative figures for the preceding year’s corresponding period.

This interim financial report should be read in conjunction with the Accountants’ Report as disclosed in the Prospectus of the Company dated 13 November 2018 and the accompanying explanatory notes attached to this interim financial report.

A2. Significant Accounting Policies

The accounting policies adopted by the Group in the interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2018, except for the adoption of the following new and revised MFRSs, Amendments to MFRSs and IC interpretations.

MFRS, Amendments to MFRSs and IC Interpretation effective 1 January 2019:-

MFRS 16	Leases
Amendments to MFRS 9*	Financial Instruments: Prepayment Features with Negative Compensation
Amendments to MFRS 119*	Post-employment Benefits: Defined Benefits Plans
Amendments to MFRS 128*	Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
IC Interpretation 23*	Uncertainty Over Income Tax Treatments
Annual improvements to MFRS Standards 2015 – 2017 Cycle*	

Amendments to References to the Conceptual Framework on MFRS Standards effective 1 January 2020:-

Amendments to MFRS 3*	Business Combinations
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to Reference to the Conceptual Framework on MFRS Standards (MFRS 2*, 3*, 6*, 14*, 101, 108, 134*, 137, 138* and IC Interpretation 12*, 19*, 20*, 22 and 132*)	

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (cont'd)**A2. Significant Accounting Policies (cont'd)**MFRS effective 1 January 2021:-

MFRS 17* Insurance Contracts

Amendments to MFRSs - effective date deferred indefinitely:-

MFRS 10 and 128* Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

* Not applicable to Group's operation

The Group is in the process of assessing the impact of implementing these Standards and Amendments to the Standards, since the effects would only be observable for the future financial years.

A3. Auditors' Report

There was no qualification on the audited financial statements of the Group for the financial year ended 30 June 2018.

A4. Seasonal or Cyclical Factors

The business operations of the Group were not materially affected by any seasonal and cyclical factors during the current quarter and financial year-to-date under review.

A5. Material Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter and financial year-to-date under review except for the one-off cost related to listing expenses amounting to approximately RM4.01 million where approximately RM1.71 million was written off against the share premium account and the balance of approximately RM2.30 million was charged to the statement of profit or loss of the Group.

A6. Material Changes in Estimates

There were no changes in estimates that have a material effect in the current quarter and financial period under review.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (cont'd)

A7. Debt and equity securities

There were no issuance, cancellation, repurchase, resale or repayment of debt and equity securities for the current quarter and financial year-to-date under review except for those disclosed in Note B6.

A8. Dividend Paid

No dividend was paid during the current quarter and financial period under review.

A9. Segmental information

The Group's operating segments are adhesives, sealants and supporting products and services. These operating segments are required to be organised and managed for the purpose of making decisions about resource allocation and performance assessment. The segmental results are as follows:

	Individual quarter		Cumulative quarter	
	Current year quarter 31/12/2018 RM'000	Preceding year quarter 31/12/2017 ⁽¹⁾ RM'000	Current year- to-date 31/12/2018 RM'000	Preceding year- to-date 31/12/2017 ⁽¹⁾ RM'000
Revenue				
Adhesives	19,853	N/A	41,517	N/A
Sealants	159	N/A	968	N/A
Supporting products and services	867	N/A	1,615	N/A
	20,879	N/A	44,100	N/A
Profit before tax				
Adhesives	2,894	N/A	7,770	N/A
Sealants	26	N/A	105	N/A
Supporting products and services	95	N/A	199	N/A
Others ⁽²⁾	(2,303)	N/A	(2,303)	N/A
	712	N/A	5,771	N/A

Notes:.

(1) No comparative figures for the preceding year as the Group was only formed on 7 September 2018.

(2) One-off non-recurring listing expenses

N/A Not applicable

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (cont'd)

A10. Property, plant and equipment

(i) Acquisitions and disposals

There were no material acquisitions and disposals during the current quarter and financial year-to-date under review.

(ii) Impairment losses

There were no impairment losses during the current quarter and financial year-to-date under review.

(iii) Valuation

The Group has not carried out any valuation on its property, plant and equipment during the current quarter and financial year-to-date under review.

A11. Material Events Subsequent to the end of the Quarter

Saved as disclosed in Note B6 “Status of Corporate Proposals”, there were no other material events subsequent to the end of the current quarter and financial period under review that have not been reflected in the interim financial report.

A12. Changes in the Composition of the Group

Saved as disclosed in Note B6 “Status of Corporate Proposals”, there were no changes in the composition of the Group during the current quarter and financial period under review.

A13. Contingent liabilities and contingent assets

There were no material contingent liabilities or contingent assets to be disclosed as at the date of this interim financial report.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (cont'd)

A14. Material Capital Commitment

The capital commitments of the Group as at the end of the quarter under review were as follows:

	RM'000
Setting up the VSIP2 factory complex	
- Authorised but not contracted for	14,518
- Authorised and contracted for	7,973
Expansion of facilities in Shah Alam factory complex	
- Authorised but not contracted for	1,203
- Authorised and contracted for	3,309
	<u>27,003</u>

A15. Significant related party transactions

Significant related party transactions in the current quarter and current year-to-date are as follows:

	Current year quarter 31/12/2018 RM'000	Current year- to-date 31/12/2018 RM'000
Rental charged by a company in which the Directors have interests	21	42
	<u>21</u>	<u>42</u>

A16. Fair Value of Financial Liabilities

There were no gains or losses arising from fair value changes of the Group's financial liabilities for the current quarter and financial period under review.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS**B1. Review of Performance**

The Group recorded revenue of RM20.88 million and profit before tax (“PBT”) of RM0.71 million for the current quarter after a one-off charge of the listing expenses amounting to approximately RM2.30 million. The Group’s revenue comprised mainly from development and manufacture of industrial adhesives that comprised water-based adhesives and hot melt adhesives, which accounted for RM13.66 million and RM6.19 million of the total revenue. The main contributor of water-based adhesives was woodworking application whereas the main driver of hot melt adhesives was paper and packaging application. The total industrial adhesives contributed RM19.85 million of the Group’s total revenue and RM2.89 million of the Group’s PBT for the current quarter. The Group’s remaining revenue was derived from sealants and supporting products and services.

For the financial year under review, the Group recorded revenue of approximately RM44.1 million and profit before tax of approximately of RM5.77 million after a one-off charge of the listing expenses amounting to approximately RM2.30 million. The Group’s revenue comprised mainly from development and manufacture of industrial adhesives that comprised water-based adhesives and hot melt adhesives, which accounted for RM28.57 million and RM12.94 million of the total revenue. The main contributor of water-based adhesives was woodworking application whereas the main driver of hot melt adhesives was paper and packaging application. The total industrial adhesives contributed RM41.51 million of the Group’s total revenue and RM7.77 million of the Group’s PBT for the current quarter. The Group’s remaining revenue was derived from sealants and supporting products and services.

There are no comparative figures for the preceding year’s corresponding quarter as these are the second interim financial statements on the consolidated results for the second quarter ended 31 December 2018 being announced by the Company in compliance with the Listing Requirements.

B2. Comparison with Immediate Preceding Quarter

	Individual quarter		Changes	
	Current year quarter 31/12/2018 RM’000	Preceding year quarter 30/09/2018 RM’000		%
Revenue	20,879	23,221	(2,342)	(10.09)
Profit before tax	712	5,059	(4,347)	(85.93)

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)

B2. Comparison with Immediate Preceding Quarter (cont'd)

The Group's revenue of approximately RM20.88 million for the current quarter was approximately RM2.34 million lower as compared to the revenue reported for the preceding quarter of approximately RM23.22 million. The decrease was primarily due to decrease of waterbased adhesives and sealant.

The Group's reported profit before tax of approximately RM0.71 million for the current year was approximately RM4.35 million lower as compared to the profit before tax reported for the preceding quarter of approximately RM5.06 million. This was mainly due to the one-off charge of the listing expenses amounting to approximately RM2.30 million during the current quarter.

B3. Prospects for the Current Financial Year

As disclosed in the prospectus of the Company dated 13 November 2018, the Group has in place a business expansion plan moving forward, focused on the following:

- Vietnam operations

- (i) Construction of a new factory in Vietnam

We intend to commence construction on the VSIP2 Factory Complex by April 2019 and expect to be completed by the first quarter of 2020.

- (ii) Manufacture of new products in Vietnam

We expect to commence production of PVAc polymer by the second quarter of 2020 and also intend to commence the manufacturing of the new types of water-based adhesives using our own manufactured PVAc polymer by the second quarter of 2020.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)

B3. Prospects for the Current Financial Year (cont'd)

- Malaysia operations

- (i) Expansion of production capacity in Malaysia

We commenced the installation of manufacturing lines of Shah Alam Phase 1 Expansion at our Shah Alam Factory Complex in November 2017. The Shah Alam Phase 1 Expansion was completed on fourth quarter of 2018, and we expect to commence manufacturing operations by the first quarter of 2019. The Shah Alam Phase 2 Expansion is expected to commence by the first quarter of 2019, and is expected to complete by the second quarter of 2019. We expect to commence the manufacturing operations by the third quarter of 2019.

- (ii) Develop and manufacture of new types of adhesives

We expect to commence manufacturing the new range of high viscosity hot melt adhesives by the first quarter of 2019 upon completion of the Shah Alam Phase 1 Expansion; and we also expect to commence manufacturing the new range of low viscosity hot melt adhesives by the third quarter of 2019 upon completion of the Shah Alam Phase 2 Expansion.

Barring any unforeseen circumstances, the Board is optimistic about the Group's performance for the current financial year

B4. Profit forecast

The Group did not issue any profit forecast in any form of public documentation and announcement.

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PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)

B5. Tax expense

	Individual quarter		Cumulative quarter	
	Current year quarter 31/12/2018 RM'000	Preceding year quarter 31/12/2017 ⁽¹⁾ RM'000	Current year- to-date 31/12/2018 RM'000	Preceding year- to-date 31/12/2017 ⁽¹⁾ RM'000
Tax expenses				
- Malaysia operation	178	N/A	903	N/A
- Vietnam operation	488	N/A	901	N/A
Deferred tax	(12)	N/A	26	N/A
Total	654	N/A	1,830	N/A

Notes:

- (1) No comparative figures for the preceding year as the Group was only formed on 7 September 2018.
N/A Not applicable

The tax expenses for current quarter amounting to RM0.65 million is higher than the statutory tax rate of 24.0%. This was due mainly to one-off charge of the listing expenses amounting to approximately RM2.30 million which is non-tax deductible.

For the financial year under review, the effective tax rate of the Group of 31.7% was higher than the statutory tax rate of 24.0% due mainly to one-off charge of the listing expenses amounting to approximately RM2.30 million which is non-tax deductible.

B6. Status of corporate proposals

In conjunction with and as an integral part of our Company's listing on the Main Market of Bursa Securities, the following listing scheme was undertaken by the Company:

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)

B6. Status of corporate proposals (cont'd)

(i) Acquisitions

We have entered into 4 conditional SPAs in relation to the Acquisitions on 20 December 2017. Further details of the Acquisitions are set out in the ensuing paragraphs.

(a) Acquisition of Techbond International Sdn Bhd and its subsidiary (“Techbond International Group”)

The Acquisition of Techbond International Group involves the acquisition by Techbond Group Berhad of the entire issued share capital of Techbond International comprising 2,000,000 Techbond International shares for a purchase consideration of RM2,125,170 satisfied by the issuance of 3,541,952 new shares.

The Acquisition of Techbond International Group was completed on 3 September 2018.

(b) Acquisition of Techbond Manufacturing Sdn Bhd (“Techbond Manufacturing”)

The Acquisition of Techbond Manufacturing involves the acquisition by Techbond Group Berhad of the entire issued share capital of Techbond Manufacturing comprising 20,000,000 Techbond Manufacturing shares for a purchase consideration of RM70,245,320 satisfied by the issuance of 117,075,530 new shares.

The Acquisition of Techbond Manufacturing was completed on 3 September 2018.

(c) Acquisition of Techbond Sabah Sdn Bhd (“Techbond Sabah”)

The Acquisition of Techbond Sabah involves the acquisition by Techbond Group Berhad of the entire issued share capital of Techbond Sabah comprising 50,000 Techbond Sabah shares for a purchase consideration of RM993,144 satisfied by the issuance of 1,655,242 new shares.

The Acquisition of Techbond Sabah was completed on 3 September 2018.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)

B6. Status of corporate proposals (cont'd)

(d) Acquisition of Techbond Vietnam Co., Ltd. ("**Techbond Vietnam**")

The Acquisition of Techbond Vietnam involves the acquisition by Techbond Group Berhad of the entire paid-in capital of Techbond Vietnam of USD300,000 for a purchase consideration of RM28,573,365 satisfied by the issuance of 47,622,274 new shares.

The Acquisition of Techbond Vietnam was completed on 7 September 2018.

(ii) Initial Public Offering

On 13 November 2018, the Company issued its prospectus and undertook a public issue of 60,105,000 new ordinary shares of RM0.66 each ("**Public Issue Shares**"), representing approximately 26.13% of the Company's enlarged issued share capital to be allocated in the following manner:

- (a) 11,500,000 Public Issue Shares available for application by Malaysian citizens, companies, societies, co-operatives and institutions;
- (b) 6,000,000 Public Issue Shares available for application by the eligible directors and employees of the Group and other persons who have contributed to the success of the Group;
- (c) 23,000,000 Public Issue Shares available for application by way of private placement to Bumiputera investors approved by the Ministry of International Trade and Industry, Malaysia; and
- (d) 19,605,000 Public Issue Shares available for application by way of private placement to selected investors.

(iii) Listing

The Company's entire enlarged issued share capital of RM141,606,300.80 comprising of 230,000,000 ordinary shares was listed on the Main Market of Bursa Securities on 5 December 2018.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)

B7. Utilisation of Proceeds from the Public issue

The total gross proceeds of approximately RM39.67 million from the Public Issue will be utilized by our Group in the following manner:

Details of the utilisation of proceeds	Amount	Actual utilisation	Percentage utilised	Estimated utilisation timeframe upon Listing
	RM'000	RM'000		
<u>Expansion of Vietnam operations</u>				
(a) Construction of the VSIP2 Factory Complex	10,000	91	0.91	Within 24 months
(b) Purchase of machineries and equipment for the VSIP2 Factory Complex	12,740	158	1.24	Within 24 months
(c) Working capital	6,036	-	0.00	Within 24 months
<u>Expansion of Malaysia operations</u>				
(d) Purchase of machineries and equipment for the Shah Alam Factory Complex	4,500	144	3.20	Within 24 months
(e) Working capital	1,393	-	0.00	Within 24 months
(f) Estimated listing expenses	5,000	4,016	80.32	Within 3 months
Total	39,669	4,409		

The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 13 November 2018.

B8. Borrowings

The Group does not have any bank borrowings, trade facilities and hire purchase loans outstanding.

B9. Material Litigation

Save as disclosed below, there were no material litigation pending or changes to the status of material litigations since the last annual balance sheet date up to the date of this report.

Suit in the Shah Alam High Court (“Court”) (Suit No. BA-22NCvC-217-05/2018) filed by Techbond Manufacturing (“Plaintiff”) against Fabina Properties Sdn Bhd (“1st Defendant”), Peng Hai Chai (“2nd Defendant”), Cemerlang Emas Sdn Bhd (“3rd Defendant”) and Pendaftar Hakmilik Negeri Selangor (“4th Defendant”)

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PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)

B9. Material Litigation (cont'd)

Detail of the law suit should be read in conjunction with the Prospectus of the Company dated 13 November 2018.

As Lee Seng Thye had issued a letter of indemnity to the Plaintiff, indemnifying Techbond Manufacturing against the possibility of a counter-claim by any of the Defendants. As such, the outcome of the suit will not have any financial impact to Techbond Group Berhad.

The court has fixed the trial date from 29 to 30 April 2019.

B10. Dividend

No dividend has been declared or recommended for payment by the Company during the current quarter and financial year-to-date under review.

B11. Earnings per share ("EPS")

The basic and diluted EPS for the current quarter and financial period is computed as below:

	Individual quarter		Cumulative quarter	
	Current year quarter 31/12/2018	Preceding year quarter 31/12/2017 ⁽¹⁾	Current year- to-date 31/12/2018	Preceding year-to-date 31/12/2017 ⁽¹⁾
Profit after tax attributable to the owners of the Company (RM,000)	58	N/A	3,941	N/A
Weighted average number of ordinary shares in issue ('000)	187,036	N/A	117,977	N/A
Basic EPS (sen) ⁽²⁾	0.03	N/A	3.34	N/A
Diluted EPS (sen) ⁽³⁾	0.03	N/A	3.34	N/A

Notes:

- (1) No comparative figures for the preceding year and preceding quarter as the Group was only formed on 7 September 2018.
 - (2) Basic EPS is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period under review
 - (3) The Company does not have any convertible securities as at the end of the financial period under review.
- N/A Not applicable

TECHBOND GROUP BERHAD

(Company No. 1190604-M)
(Incorporated in Malaysia)

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)****B12. Profit Before Tax**

Profit before tax is arrived at after charging/(crediting):

	Individual quarter		Cumulative quarter	
	Current year	Preceding	Current year-	Preceding
	quarter	year quarter	to-date	year-to-date
	31/12/2018	31/12/2017 ⁽¹⁾	31/12/2018	31/12/2017 ⁽¹⁾
	RM'000	RM'000	RM'000	RM'000
Amortisation of deferred income	(11)	N/A	(22)	N/A
Amortisation of land use right	24	N/A	48	N/A
Depreciation of property, plant and equipment	293	N/A	586	N/A
Interest income	(277)	N/A	(597)	N/A
Inventory written off	-	N/A	1	N/A
Net realised loss/(gain) on foreign exchange	42	N/A	(540)	N/A
Net unrealised loss on foreign exchange	124	N/A	490	N/A

Notes:

(1) No comparative figures for the preceding year and preceding quarter as the Group was only formed on 7 September 2018.

Save as disclosed above, the other disclosure items pursuant to Paragraph 16, Part A of Appendix 9B of the Listing Requirements are not applicable.

The Group does not have the following items for the financial period under review:

- (i) interest expense;
- (ii) provision for and write off of receivables;
- (iii) gain or loss on disposal of quoted or unquoted investments or properties;
- (iv) impairment of assets; and
- (v) gain or loss on derivatives.