

TECHBOND GROUP BERHAD

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



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 30 JUNE 2020⁽¹⁾

	Individual quarter		Cumulative quarter	
	Current year quarter 30/06/2020 RM'000	Preceding year quarter 30/06/2019 RM'000	Current year- to-date 30/06/2020 RM'000	Preceding year-to-date 30/06/2019 RM'000
Revenue	13,966	20,162	71,281	81,379
Cost of sales	(9,345)	(14,986)	(49,501)	(60,331)
Gross profit	4,621	5,176	21,780	21,048
Other income	623	680	4,774	2,357
Administration expenses	(1,725)	(2,042)	(8,246)	(9,941)
Distribution expenses	(409)	(545)	(1,922)	(2,000)
Other expenses	(31)	(276)	(2,541)	(1,306)
Profit before tax	3,079	2,993	13,845	10,158
Tax expense	(606)	(900)	(3,122)	(3,085)
Profit for the period	2,473	2,093	10,723	7,073
Other comprehensive (loss)/income, net of tax:-				
Item that may be reclassify subsequently to profit or loss				
Foreign currency translation differences	(218)	490	1,302	875
Total comprehensive income for the period	2,255	2,583	12,025	7,948
Earnings per share				
- Basic (sen)	1.08	0.91	4.66	4.07
- Diluted (sen) ⁽²⁾	1.08	0.91	4.66	4.07

Notes:-

- (1) The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial report.
- (2) Diluted EPS is equivalent to basic EPS. The number of shares under warrants was not taken into account in the computation of diluted EPS as the warrants do not have any dilutive effects on the weighted average number of ordinary shares.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020⁽¹⁾**

	Unaudited As at 30/06/2020 RM'000	Audited As at 30/06/2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	44,288	21,822
Land use rights	6,808	6,667
Other receivables	150	191
Total non-current assets	51,246	28,680
Current assets		
Inventories	21,599	25,363
Trade receivables	12,228	14,204
Other receivables	3,841	4,050
Tax recoverable	701	341
Cash and cash equivalents	56,991	66,135
Total current assets	95,360	110,093
TOTAL ASSETS	146,606	138,773
EQUITY AND LIABILITIES		
EQUITY		
Equity attributable to the owners of the company:-		
Share capital	139,807	139,807
Merger deficits	(78,938)	(78,938)
Exchange translation reserve	7,323	6,021
Retained earnings	69,829	63,706
Total equity	138,021	130,596
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	1,235	879
Deferred income	-	30
Total non-current liabilities	1,235	909

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020
(continued)⁽¹⁾**

	Unaudited As at 30/06/2020 RM'000	Audited As at 30/06/2019 RM'000
Current liabilities		
Trade payables	4,454	4,850
Other payables	1,553	1,341
Tax payable	1,313	1,032
Deferred income	30	45
Total current liabilities	<u>7,350</u>	<u>7,268</u>
Total liabilities	<u>8,585</u>	<u>8,177</u>
TOTAL EQUITY AND LIABILITIES	<u>146,606</u>	<u>138,773</u>
Net assets per share (RM) ⁽²⁾	0.60	0.57

Notes:-

- (1) The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial report.
- (2) Based on the issued and paid up share capital of 230,000,000 ordinary shares as at 30 June 2020.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 30 JUNE 2020⁽¹⁾

	← Non-distributable →			Distributable	
	Share capital RM'000	Merger deficits 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	-	5,146	56,864	85,009
Profit of the financial period	-	-	-	7,073	7,073
Other comprehensive income, net of tax	-	-	875	-	875
Total comprehensive income	22,999	-	6,021	63,937	92,957
Transactions with owners:-					
Issuance of new ordinary shares	141,606	-	-	-	141,606
Share issuance expenses	(1,799)	-	-	-	(1,799)
Acquisition of subsidiaries	(22,999)	(78,938)	-	-	(101,937)
Total transactions with owners	116,808	(78,938)	-	-	37,870
Balance as at 30 June 2019	139,807	(78,938)	6,021	63,706	130,596

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 30 JUNE 2020 (continued)⁽¹⁾

	← Non-distributable →			Distributable	
	Share capital RM'000	Merger deficits RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
Balance as at 1 July 2019	139,807	(78,938)	6,021	63,706	130,596
Profit of the financial period	-	-	-	10,723	10,723
Other comprehensive income, net of tax	-	-	1,302	-	1,302
Total comprehensive income	-	-	1,302	10,723	12,025
Transactions with owners:-					
Dividends to owners of the company	-	-	-	(4,600)	(4,600)
Total transactions with owners	-	-	-	(4,600)	(4,600)
Balance as at 30 June 2020	139,807	(78,938)	7,323	69,829	138,021

Notes:-

- (1) The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial report.
- (2) Represents an amount of RM2.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE FOURTH QUARTER ENDED 30 JUNE 2020⁽¹⁾

	Current year- to-date 30/06/2020 RM'000	Preceding year-to-date 30/06/2019 RM'000
OPERATING ACTIVITIES		
Profit before taxation	13,845	10,158
Adjustments for:-		
Amortisation of deferred income	(44)	(45)
Amortisation of land use rights	97	96
Depreciation of property, plant and equipment	1,360	1,298
Gain on disposal of property, plant and equipment	(10)	-
Interest income	(1,608)	(1,679)
Inventories written off	-	1
Unrealised gain on foreign exchange	(1,031)	(2)
Written off of trade receivables	-	70
Net impairment loss on trade receivables	717	513
Operating profit before working capital changes	13,326	10,410
Changes in working capital:-		
Inventories	4,120	(316)
Receivables	1,686	1,243
Payables	287	(3,648)
Cash generated from operations	19,419	7,689
Tax paid	(3,079)	(2,906)
Tax refunded	14	23
Interest received	1,608	1,679
Net cash flows from operating activities	17,962	6,485
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(23,388)	(6,203)
Proceeds from disposal of property, plant and equipment	10	-
Net cash flows used in investing activities	(23,378)	(6,203)
FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	37,870
Dividend paid	(4,600)	-
Net cash flows (used in)/from financing activities	(4,600)	37,870

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE FOURTH QUARTER ENDED 30 JUNE 2020 (continued)⁽¹⁾**

	Current year- to-date 30/06/2020 RM'000	Preceding year-to-date 30/06/2019 RM'000
CASH AND CASH EQUIVALENTS		
Net changes	(10,016)	38,152
Effect of foreign currency translation differences	872	307
At beginning of financial period	66,135	27,676
At end of financial period	56,991	66,135
Cash and cash equivalents at the end of the financial period comprises:-		
Cash and bank balances	23,241	13,687
Fixed deposits with licensed banks	4,612	17,746
Short-term demand deposits	29,138	34,702
	56,991	66,135

Notes:-

- (1) The Unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial report.

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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) (“Listing Requirements”).

This interim financial report should be read in conjunction with the Group audited financial statements for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to this interim financial report.

A2. Standards issued but not yet effective

The Group and the Company have not applied the following MFRSs and amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective for the Group and the Company:-

Amendments to MFRSs and IC Interpretations effective 1 January 2020:

Amendments to MFRS 3*	Definition of a Business
Amendments to MFRS 7*, 9* and 139*	Interest Rate Benchmark Reform
Amendments to MFRS 101 and 108	Definition of Material
Amendments to References to the Conceptual Framework in MFRS Standards	

MFRS effective 1 June 2020:

Amendments to MFRS 16	Covid-19-Related Rent Concessions
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Amendments to MFRS effective 1 January 2022:

Amendments to MFRS 3*	Reference to Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment – Proceed before Intended Use
Amendments to MFRS 137*	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018 – 2020 (MFRS 1*, 9, 16* and 141*)	

MFRS and Amendments to MFRS effective 1 January 2023:

MFRS 17*	Insurance Contracts and Amendments to MFRS 17 Insurance Contracts
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current

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

A2. Standards issued but not yet effective (cont'd)

Amendments to MFRSs – effective date deferred indefinitely:

Amendments to MFRS 10 and 128*	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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* Not applicable to the Company's and/or the subsidiary companies' existing operations

A3. Auditors' report

There was no qualification on the audited financial statements of the Group for the financial year ended 30 June 2019.

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 period-to-date under review.

A5. Material unusual items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the current quarter under review.

A6. Material changes in estimates

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

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 period-to-date under review.

A8. Dividend paid

There was no dividend paid in the current quarter ended 30 June 2020.

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**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (cont'd)****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 30/06/2020 RM'000	Preceding year quarter 30/06/2019 RM'000	Current year- to-date 30/06/2020 RM'000	Preceding year- to-date 30/06/2019 RM'000
Revenue				
Adhesives	12,978	18,220	66,578	76,130
Sealants	40	135	422	1,195
Supporting products and services	948	1,807	4,281	4,054
	<u>13,966</u>	<u>20,162</u>	<u>71,281</u>	<u>81,379</u>
Profit before tax				
Adhesives	2,856	2,752	13,072	12,140
Sealants	8	15	55	128
Supporting products and services	215	226	718	491
Others ⁽¹⁾	-	-	-	(2,601)
	<u>3,079</u>	<u>2,993</u>	<u>13,845</u>	<u>10,158</u>

Notes:-

(1) One-off non-recurring listing expenses

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

A10. Property, plant and equipment

(i) Acquisitions and disposals

There were additions of property, plant and equipment during the current quarter and financial period-to-date under review.

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

(ii) Impairment losses

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

A11. Material events subsequent to the end of the quarter

There were no material events subsequent to the end of the current quarter and financial period-to-date under review that have not been reflected in the interim financial report.

A12. Changes in the composition of the group

There were no changes in the composition of the Group during the current quarter 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	1,376
- Authorised and contracted for	4,950
Expansion of facilities in Shah Alam factory complex	
- Authorised but not contracted for	214
- Authorised and contracted for	-
	6,540

A15. Significant related party transactions

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

	Current year quarter 30/06/2020 RM'000	Current period- to-date 30/06/2020 RM'000
Rental expenses charged by a company in which the Directors have interests	21	85
Rental income charged to a company in which the Directors have interests	(*)	(2)
	(*)	(2)

*Amount below RM1,000

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-to-date under review.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS**B1. Review of Performance****(a) Comparison with the corresponding quarter in the previous financial year**

The Group's total revenue for the three months period ended 30 June 2020 ("Current Quarter") was RM13.97 million versus RM20.16 million posted in the preceding corresponding quarter. This was mainly attributed to softer demand from both local and overseas markets as a result of Movement Control Order ("MCO") was implemented in Malaysia, Social Distancing Order ("SDO") or any form of partial or fully locked down Covid-19 precaution measures were implemented in overseas. Industrial adhesives remained our main revenue contributor, accounting for 92.93% or RM12.98 million of the current period revenue. Despite the Group registered lower revenue in Current Quarter, the Group's gross profit ("GP") margin improved to 33.09% for the period under review compared to 25.67% posted in preceding corresponding quarter. This was mainly due to lower material costs incurred which led to higher profitability margin was able to be achieved by the Group in the Current Quarter.

Our profit before tax ("PBT") of RM3.08 million remained largely similar on a year-on-year ("YoY") basis compared to RM2.99 million in preceding year. The was primarily driven by higher GP margin achieved in the Current Quarter.

(b) Comparison with the corresponding financial period-to-date in the previous financial year (12 months)

For the current financial year under review ("Current Financial Year"), the Group recorded revenue of RM71.28 million versus RM81.38 million posted in the preceding year. This was mainly attributed to softer demand from the overseas markets. Industrial adhesives amounting to RM66.58 million or 93.40% remained as the main revenue contributor for our current year revenue. Meanwhile, the Group's GP margin increased to 30.56% for the financial year under review compared to 25.86% posted in preceding year. This was mainly due to material costs generally was lower for the entire 12 months financial period under review as compared to preceding year. This led to higher profitability margin was able to be achieved by the Group in the Current Financial Year.

Techbond's PBT soared 36.30% to RM13.85 million as compared to RM10.16 million in preceding year. The surge was primarily due to the absence of listing expenses and higher GP margin achieved.

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

B2. Comparison with Immediate preceding quarter

	Individual quarter 3 months ended		Changes	
	30/06/2020 RM'000	31/03/2020 RM'000	RM'000	%
Revenue	13,966	17,113	(3,147)	(18.39)
Profit before tax	<u>3,079</u>	<u>3,377</u>	<u>(298)</u>	<u>(8.82)</u>

The Group's revenue for current quarter ended 30 June 2020 was RM13.97 million versus RM17.11 million posted in the immediate preceding quarter. This was mainly attributed to softer demand from both local and overseas markets as a result of MCO was implemented in Malaysia, SDO and some form of partial or fully locked down measures were implemented in overseas as explained earlier. The Group's GP margin on the other hand improved marginally to 33.09% for the period under review compared to 30.35% posted in immediate preceding quarter.

Despite the Group revenue was affected by MCO, SDO and any other form of locked down measures, the group PBT stood at RM3.08 million on the back of RM13.97 million revenue. The bottom-line remained largely similar on a quarter-on-quarter ("Q-o-Q") basis. This was mainly driven by higher GP margin was achieved in the Current Quarter.

Techbond remains in a net cash position, with net cash per share of 25 sen as at 30 June 2020, backed by net assets of 60 sen per share.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)**B3. Prospects**

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 commence construction on the VSIP2 factory complex in May 2019 and expect to be completed by the second quarter of 2020. However, the Board of Directors wish to announce that the VSIP2 factory complex has yet to be handed over to Techbond MFG Vietnam Co Ltd. due to the pending issuance of the relevant certifications by the respective departments of Vietnamese authority. The delay in the issuance of the certifications was due to Coronavirus diseases (“COVID-19”) outbreak, where government of Vietnam has announced the implementation of Social Distancing Order throughout the nation. Following thereto, the installation of machineries in VSIP2 factory complex is also expected to be delayed.

- (ii) Manufacture of new products in Vietnam

We expect to commence production of PVAc polymer by the fourth 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 fourth quarter of 2020.

- Malaysia operations

- (i) Expansion of production capacity in Malaysia

The Shah Alam Phase 2 Expansion commenced installation in March 2019 and commenced production trial run in December 2019. We commence the manufacturing operations at first quarter of 2020.

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

With the completion of Shah Alam Phase 1 Expansion, we have commenced the manufacturing of high viscosity hot melt adhesives for commercial trial run. We had commenced manufacturing the new range of low viscosity hot melt adhesives following the completion of the Shah Alam Phase 2 Expansion.

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

B3. Prospects (cont'd)

The unpredicted COVID-19 pandemic that the world is facing now has setback the global economic situation. Global growth is projected to be negative for 2020 due to most major economies implemented various measures to prevent the spread of virus.

Several major economics have begun relaxing measures to contain the spread of COVID-19 leading to resumption of economic activity. On the other hand, threats to the global outlook remain, especially if a resurgence in the pandemic necessitates the reintroduction of containment measures.

Bank Negara Malaysia recently announced that the economy contracted by 17.1% in the second quarter of 2020 due to weak external demand and strict containment measures imposed. Despite this, economics activities have begun to recover following gradual and progressive reopening of the economic since early May 2020.

Recovery of sales for Company's adhesive products is seen in both domestic and foreign markets to replenish stock shortage available in the market. The Group is cautiously optimistic that sales will improve in the following quarter as economic activities move back to normal.

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 30/06/2020 RM'000	Preceding year quarter 30/06/2019 RM'000	Current year- to-date 30/06/2020 RM'000	Preceding year- to-date 30/06/2019 RM'000
Current tax	557	744	3,121	2,896
Deferred tax	49	156	1	189
Total	606	900	3,122	3,085

The effective tax rate of the Group for the current year-to-date is lower than the Malaysia statutory rate of 24%. This is mainly due to the tax rate difference in foreign jurisdiction. The statutory tax rate in Vietnam is 20%.

B6. Status of corporate proposals

On 10 December 2019, the Company proposed to undertake a bonus issue of 115,000,000 warrants on a basis of one warrant for every two existing Techbond shares held by the shareholders.

On 8 January 2020, the Company announced that Bursa Securities had, vide its letter dated 7 January 2020, resolved to approve the proposed bonus issue of warrants.

On 6 February 2020, the Board had resolved to fix the exercise price for the warrants to be issued pursuant to proposed bonus issue of warrants at RM0.76 per Warrant ("Exercise Price"), representing a discount of approximately 12.9% to 5-day volume weight average market price of Techbond share up to and including 5 February 2020 of approximately RM0.8723 per Techbond Share.

The warrants have been listed on 2 March 2020.

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 utilised by our Group in the following manner:-

Details of the utilisation of proceeds	Original Utilisation Proceeds	Revised Utilisation Proceeds	Actual utilisation	Percentage utilised	Estimated utilisation timeframe upon Listing
	RM'000	RM'000	RM'000	%	
<u>Expansion of Vietnam operations</u>					
(a) Construction of the VSIP2 Factory Complex	10,000	10,000	10,000	100.00	Within 24 months
(b) Purchase of machineries and equipment for the VSIP2 Factory Complex	12,740	12,740	12,740	100.00	Within 24 months
(c) Working capital	6,036	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	4,500	4,500	100.00	Within 24 months
(e) Working capital	1,393	1,993	1,993	100.00	Within 24 months
(f) Estimated listing expenses	5,000	4,400	4,400	100.00	Within 3 months
Total	39,669	39,669	33,633		

The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 13 November 2018 and the announcement made on 15 May 2019 on reallocation of the utilisation of IPO Proceeds.

B8. Borrowings

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

B9. Material litigation

Save as disclosed below, our Group is not involved in any material litigation, claim and/or arbitration, either as plaintiff or defendant and our Board is not aware of any proceeding, pending or threatened against our Group, or of any fact which is likely to give rise to a proceeding which might materially affect the business or financial position of our Group:-

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

B9. Material litigation (cont'd)

- (i) Techbond (Vietnam) Co. Ltd (“**Techbond Vietnam**”), a wholly-owned subsidiary of our Company, had on 10 October 2019 filed a lawsuit against Innopack Vietnam Co. Ltd (“**Defendant**”) at the People’s Court of District 7, Ho Chi Minh City (“**Vietnam Court**”), for a sum of VND5,342,920,000 (equivalent to approximately RM945,697*) (“**Amount Owing**”), of which VND5,170,000,000 (equivalent to approximately RM915,090*) (“**Sales Amount**” or “**Principal**”) represents the amount due and owing by the Defendant in relation to the goods sold and delivered by Techbond Vietnam to the Defendant pursuant to the sales contract dated 2 January 2019 entered into between Techbond Vietnam and the Defendant (collectively referred to as the “**Parties**”) while the remaining VND172,920,000 (equivalent to approximately RM30,607*) represents the late interest payment for the Sales Amount accumulated up to September 2019.

Subsequently, on 29 November 2019, the Parties had reached an agreement that the Amount Owing shall be paid by the Defendant in six (6) instalments as follows:-

Instalment	Period	Amount (VND'million)			Total amount equivalent to RM*
		Principal	Interest	Total	
First	20 to 30 December 2019	1,000.00	-	1,000.00	177,000
Second	20 to 29 February 2020	170.00	172.92	342.92	60,697
Third	20 to 30 March 2020	1,000.00	-	1,000.00	177,000
Fourth	20 to 30 April 2020	1,000.00	-	1,000.00	177,000
Fifth	20 to 30 May 2020	1,000.00	-	1,000.00	177,000
Sixth	20 to 30 June 2020	1,000.00	-	1,000.00	177,000
	Total	5,170.00	172.92	5,342.92	945,697

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)**B9. Material litigation (cont'd)**

The Parties have also agreed that in the event the Defendant fails to pay any of the instalments as set out above, the Defendant shall pay all the outstanding amount in one lump sum payment to Techbond Vietnam. In such event, such outstanding amount will be subject to interest calculated using the rate as prescribed under Clause 2, Article 468 of the 2015 Civil Code of Vietnam from the date when Techbond Vietnam submits the request for judgment enforcement for such default until all such outstanding amount have been fully settled by the Defendant ("**Late Payment Interest**").

In addition, the court fee for this trade dispute case of VND56,671,460 (equivalent to approximately RM10,031*) ("**Court Fee**") paid by Techbond Vietnam, shall be payable by the Defendant.

The Vietnam Court had then on 9 December 2019 issued a decision to recognise the abovementioned agreements between the Parties.

Notwithstanding the above, the Defendant has failed to settle its first instalment payment of VND1,000,000,000 (equivalent to RM177,000*) by 30 December 2019 to Techbond Vietnam. Accordingly, Techbond Vietnam had on even date instructed its lawyers to file a request for judgement enforcement with the Vietnam Court to recover the full Amount Owing from the Defendant. The Vietnam Court had on 6 January 2020 issued a decision allowing the judgment enforcement against the Defendant ("**Decision**"). In the Decision, the Vietnam Court asserted that the Defendant is liable to pay the Amount Owing in one lump sum, the Court Fee and the Late Payment Interest to Techbond Vietnam and these amounts shall be paid by the Defendant within ten (10) days from the date of receipt of the Decision. However, the Defendant has failed to make the said payment within the stipulated timeframe.

Refer to the announcements made by our Company on 5 June 2020, Techbond Vietnam has received a total of VND 1,408,000,000 (approximately equivalent to RM 253,440.00) outstanding amount from the Defendant. In view that the Defendant had made several payments, the Board has decided to temporarily suspend the Decision on Judgement Enforcement dated 6 January 2020 until the outstanding amount is fully settled. Should the Defendant default in the balance of the outstanding amount, the Board has the right to withdraw the suspension and serve the Enforcement on the Defendant.

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

B9. Material litigation (cont'd)

Note:-

- * Translated to RM based on the exchange rate of VND100 : RM0.0177, being the 5:00 p.m. middle rate as set forth in the statistical release of Bank Negara Malaysia as at 31 December 2019.

B10. Dividend

On 3 September 2019, the Board of Directors declared a first single-tier interim dividend of 2 sen per ordinary share amounting to RM4,600,000 in respect of financial year ended 30 June 2020, which was paid on 10 October 2019.

Save for the above, there were no other dividends proposed, declared or paid by the Company for current financial quarter and financial year-to-date.

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 30/06/2020	Preceding year quarter 30/06/2019	Current year- to-date 30/06/2020	Preceding year-to-date 30/06/2019
Profit after tax attributable to the owners of the Company (RM '000)	2,473	2,039	10,723	7,073
Weighted average number of ordinary shares in issue ('000)	230,000	230,000	230,000	173,680
Basic EPS (sen) ⁽¹⁾	1.08	0.91	4.66	4.07
Diluted EPS (sen) ⁽²⁾	1.08	0.91	4.66	4.07

Notes:-

- (1) Basic EPS is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the period under review.
- (2) Diluted EPS is equivalent to basic EPS. The number of shares under warrants was not taken into account in the computation of diluted EPS as the warrants do not have any dilutive effects on the weighted average number of ordinary shares.

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 quarter 30/06/2020 RM'000	Preceding year quarter 30/06/2019 RM'000	Current year- to-date 30/06/2020 RM'000	Preceding year-to-date 30/06/2019 RM'000
Amortisation of deferred income	(11)	(12)	(44)	(45)
Amortisation of land use rights	25	24	97	96
Depreciation of property, plant and equipment	367	358	1,360	1,298
Gain on disposal of property, plant and equipment	(10)	(*)	(10)	(*)
Interest income	(268)	(689)	(1,608)	(1,679)
Inventories written off	-	-	-	1
Net realised loss on foreign exchange	2	616	146	160
Net unrealised loss/ (gain) on foreign exchange	67	(593)	(1,031)	(2)
Rental income	(*)	(*)	(2)	(2)
Rental expenses	36	23	103	103
Written off of trade receivables	-	70	-	70
Net impairment loss on trade receivables	(279)	206	717	513

* Amount below RM1,000

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) gain or loss on disposal of quoted or unquoted investments or properties; and
- (iii) gain or loss on derivatives.