

TECHBOND GROUP BERHAD

201601019667 (1190604-M)

(Incorporated in Malaysia)


UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 31 MARCH 2021⁽¹⁾

| | Individual quarter | | Cumulative quarter | |
|---|---|---|--|---|
| | Current year quarter 31/03/2021 RM'000 | Preceding year quarter 31/03/2020 RM'000 | Current year- to-date 31/03/2021 RM'000 | Preceding year-to-date 31/03/2020 RM'000 |
| Revenue | 21,593 | 17,113 | 67,310 | 57,315 |
| Cost of sales | (14,968) | (11,919) | (45,486) | (40,156) |
| Gross profit | 6,625 | 5,194 | 21,824 | 17,159 |
| Other income | 1,579 | 2,536 | 993 | 4,151 |
| Administration expenses | (3,158) | (2,368) | (7,814) | (6,521) |
| Distribution expenses | (629) | (465) | (1,599) | (1,513) |
| Other expenses | (35) | (1,520) | (1,829) | (2,510) |
| Profit before tax | 4,382 | 3,377 | 11,575 | 10,766 |
| Tax expense | (559) | (854) | (2,692) | (2,516) |
| Profit for the period | 3,823 | 2,523 | 8,883 | 8,250 |
| Other comprehensive income/(loss), net of tax:- | | | | |
| Item that may be reclassify subsequently to profit or loss | | | | |
| Foreign currency translation differences | 774 | 1,700 | (763) | 1,520 |
| Total comprehensive income for the period | 4,597 | 4,223 | 8,120 | 9,770 |
| Earnings per share (Note B11) | | | | |
| - Basic (sen) | 0.73 | 1.10 | 1.70 | 3.59 |
| - Diluted (sen) | 0.69 | 1.10 | 1.62 | 3.59 |

Note:-

- (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 2020 and the accompanying explanatory notes attached to the interim financial report.

TECHBOND GROUP BERHAD

201601019667 (1190604-M)
(Incorporated in Malaysia)

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

| | Unaudited As at 31/03/2021 RM'000 | Audited As at 30/06/2020 RM'000 |
|--|--|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 47,698 | 44,288 |
| Land use rights | 6,472 | 6,808 |
| Other receivables | 111 | 150 |
| Total non-current assets | 54,281 | 51,246 |
| Current assets | | |
| Inventories | 24,564 | 21,599 |
| Trade receivables | 17,542 | 12,228 |
| Other receivables ⁽²⁾ | 17,175 | 3,841 |
| Tax recoverable | 745 | 701 |
| Cash and cash equivalents | 45,030 | 56,991 |
| Total current assets | 105,056 | 95,360 |
| TOTAL ASSETS | 159,337 | 146,606 |
| EQUITY AND LIABILITIES | | |
| EQUITY | | |
| Equity attributable to the owners of the company:- | | |
| Share capital | 143,821 | 139,807 |
| Merger deficits | (78,938) | (78,938) |
| Exchange translation reserve | 6,560 | 7,323 |
| Retained earnings | 76,375 | 69,829 |
| Total equity | 147,818 | 138,021 |
| LIABILITIES | | |
| Non-current liability | | |
| Deferred tax liabilities | 1,204 | 1,235 |
| Total non-current liability | 1,204 | 1,235 |

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021
(cont'd)⁽¹⁾**

| | Unaudited As at 31/03/2021 RM'000 | Audited As at 30/06/2020 RM'000 |
|--|--|--|
| Current liabilities | | |
| Trade payables | 7,020 | 4,454 |
| Other payables | 2,522 | 1,553 |
| Tax payable | 773 | 1,313 |
| Deferred income | - | 30 |
| Total current liabilities | <u>10,315</u> | <u>7,350</u> |
| Total liabilities | <u>11,519</u> | <u>8,585</u> |
| TOTAL EQUITY AND LIABILITIES | <u><u>159,337</u></u> | <u><u>146,606</u></u> |
| Net assets per share (RM) ⁽³⁾ | 0.28 | 0.60 |

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 2020 and the accompanying explanatory notes attached to the interim financial report.
- (2) Included in other receivables is an amount of RM11,900,000 (30/06/2020 – RM Nil) in respect of deposits paid in advance for acquisition of a freehold property.
- (3) The net assets per share is calculated based on the weighted average number of shares in issue of 521,771,000 as at 31 March 2021 and 230,000,000 as at 30 June 2020.

TECHBOND GROUP BERHAD

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 31 MARCH 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 2019 | 139,807 | (78,938) | 6,021 | 63,706 | 130,596 |
| Profit of the financial period | - | - | - | 8,250 | 8,250 |
| Other comprehensive income, net of tax | - | - | 1,520 | - | 1,520 |
| Total comprehensive income | - | - | 1,520 | 8,250 | 9,770 |
| Transactions with owners:- | | | | | |
| Dividends to owners of the company | - | - | - | (4,600) | (4,600) |
| Total transactions with owners | - | - | - | (4,600) | (4,600) |
| Balance as at 31 March 2020 | 139,807 | (78,938) | 7,541 | 67,356 | 135,766 |

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 31 MARCH 2021 (cont'd)⁽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 2020 | 139,807 | (78,938) | 7,323 | 69,829 | 138,021 |
| Profit of the financial period | - | - | - | 8,883 | 8,883 |
| Other comprehensive income, net of tax | - | - | (763) | - | (763) |
| Total comprehensive income | - | - | (763) | 8,883 | 8,120 |
| Transactions with owners:- | | | | | |
| Dividends to owners of the company | - | - | - | (2,337) | (2,337) |
| Exercise of warrants conversion | 4,014 | - | - | - | 4,014 |
| Total transactions with owners | 4,014 | - | - | (2,337) | 1,677 |
| Balance as at 31 March 2021 | 143,821 | (78,938) | 6,560 | 76,375 | 147,818 |

Note:-

- (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 2020 and the accompanying explanatory notes attached to the interim financial report.

TECHBOND GROUP BERHAD

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE THIRD QUARTER ENDED
31 MARCH 2021⁽¹⁾**

| | Current year- to-date 31/03/2021 RM'000 | Preceding year-to-date 31/03/2020 RM'000 |
|---|--|---|
| OPERATING ACTIVITIES | | |
| Profit before taxation | 11,575 | 10,766 |
| Adjustments for:- | | |
| Amortisation of deferred income | (30) | (33) |
| Amortisation of land use rights | 117 | 72 |
| Depreciation of property, plant and equipment | 1,319 | 993 |
| Gain on disposal of property, plant and equipment | (15) | - |
| Interest income | (610) | (1,340) |
| Impairment loss on trade receivables | - | 996 |
| Reversal of impairment loss on trade receivables | (225) | - |
| Unrealised loss/(gain) on foreign exchange | 1,532 | (1,098) |
| Operating profit before working capital changes | 13,663 | 10,356 |
| Changes in working capital:- | | |
| Inventories | (2,997) | 5,046 |
| Receivables ⁽²⁾ | (18,354) | (44) |
| Payables | 2,328 | 1,083 |
| Cash generated (for)/from operations | (5,360) | 16,441 |
| Tax paid | (3,387) | (2,426) |
| Interest received | 610 | 1,340 |
| Net cash flows (for)/from operating activities | (8,137) | 15,355 |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (5,538) | (19,169) |
| Proceeds from disposal of property, plant and equipment | 15 | - |
| Net cash flows used in investing activities | (5,523) | (19,169) |
| FINANCING ACTIVITIES | | |
| Proceeds from conversion of warrants into ordinary shares | 4,014 | - |
| Dividend paid | (2,337) | (4,600) |
| Net cash flows from/(used in) financing activities | 1,677 | (4,600) |

TECHBOND GROUP BERHAD

201601019667 (1190604-M)

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE THIRD QUARTER ENDED
31 MARCH 2021 (cont'd)⁽¹⁾**

| | Current year- to-date 31/03/2021 RM'000 | Preceding year- to-date 31/03/2020 RM'000 |
|---|--|--|
| CASH AND CASH EQUIVALENTS | | |
| Net changes | (11,983) | (8,414) |
| Effect of foreign currency translation differences | 22 | 591 |
| At beginning of financial period | 56,991 | 66,135 |
| At end of financial period | 45,030 | 58,312 |
| Cash and cash equivalents at the end of the financial period comprises:- | | |
| Cash and bank balances | 18,189 | 21,782 |
| Fixed deposits with licensed banks | 8,066 | 7,104 |
| Short-term demand deposits | 18,775 | 29,426 |
| | 45,030 | 58,312 |

Note:-

- (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 2020 and the accompanying explanatory notes attached to the interim financial report
- (2) Included in other receivables is an amount of RM11,900,000 (Preceding year-to-date 31/03/2020 – RM Nil) in respect of deposits paid in advance for acquisition of a freehold property.

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 2020 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 |
|-----------------------|-----------------------------------|

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 |
|-----------------------------------|--|

*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 2020.

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 except for the issuance of 1,629,400 and 5,281,900 new ordinary shares respectively pursuant to the exercise of warrants at RM0.76 per warrant. The total cash proceeds arising from the exercise of warrants during the current quarter and financial period under review amounted to RM1,238,344 and RM4,014,244 respectively.

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

A7. Debt and equity securities (cont'd)

On 26 March 2021, the Company announced that 294,102,373 Bonus Shares have been issued pursuant to the Bonus Issue (after disregarding the fractional entitlements). Consequently, pursuant to the provisions of the Deed Poll, 137,147,562 Additional Warrants have been issued (after disregarding the fractional entitlements) and the exercise price of the Warrants was adjusted from RM0.76 to RM0.33 with effect from 29 March 2021.

A8. Dividend paid

A first single-tier interim dividend of 1 sen per ordinary share amounting to RM2,336,525 in respect of financial year ending 30 June 2021 was paid on 18 January 2021.

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 31/03/2021 RM'000 | Preceding year quarter 31/03/2020 RM'000 | Current year- to-date 31/03/2021 RM'000 | Preceding year- to-date 31/03/2020 RM'000 |
| Revenue | | | | |
| Adhesives and sealants | 19,759 | 16,185 | 62,003 | 53,982 |
| Supporting products and services | 1,834 | 928 | 5,307 | 3,333 |
| | <u>21,593</u> | <u>17,113</u> | <u>67,310</u> | <u>57,315</u> |
| Profit before tax | | | | |
| Adhesives and sealants | 4,289 | 3,295 | 11,145 | 10,263 |
| Supporting products and services | 93 | 82 | 430 | 503 |
| | <u>4,382</u> | <u>3,377</u> | <u>11,575</u> | <u>10,766</u> |

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 |
|--|---------------|
| Authorised and contracted for:- | |
| Setting up the VSIP2 factory complex | 1,570 |

A15. Significant related party transactions

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

| | Current year quarter 31/03/2021 RM'000 | Current period- to-date 31/03/2021 RM'000 |
|--|---|--|
| Rental expenses charged by a company in which the Directors have interests | 22 | 62 |
| Rental income charged to a company in which the Directors have interests | (*) | (1) |

*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 recorded a revenue of RM21.59 million for the three months period ended 31 March 2021 (“Current Quarter”). This represented an increase of RM4.48 million or 26.18% year-on-year (“YoY”) as compared to RM17.11 million posted in the previous year corresponding quarter. This was mainly attributed to higher demand and recovery of sales orders from both the domestic and overseas markets. Industrial adhesives and sealants remained our primary revenue contributor, accounting for 91.52% or RM19.76 million of the total revenue for the current quarter under review.

In tandem with the top-line improvement, the Group’s profit before tax (“PBT”) jumped 29.59% YoY to RM4.38 million in the Current Quarter versus RM3.38 million a year ago. The increase was primarily due to the aforementioned factors, which boosted the Group’s quarterly PBT to an all-time high as a listed entity. This was also reflected in the Group’s profit after tax and non-controlling interest (“PATNCI” or “net profit”) for the current quarter under review. The Group recorded its highest-ever net profit of RM3.82 million as a public listed company as compared to RM2.52 million in the preceding year corresponding quarter.

(b) Comparison with the corresponding financial period-to-date in the previous financial year (9 months)

For the cumulative financial period-to-date, the Group recorded a revenue of RM67.31 million, an increase of RM9.99 million or 17.43% YoY from RM57.32 million in the previous year corresponding period. The top-line improvement primarily stemmed from higher demand and recovery of sales orders from both the domestic and overseas markets. Industrial adhesives and sealants continued to be the Group’s anchor revenue driver, contributing 92.11% or RM62.00 million to total turnover for the period under review.

Meanwhile, the Group’s gross profit (“GP”) margin improved to 32.42% in the current financial period-to-date versus 29.94% a year ago, stemming from lower raw material costs as well as better product mix.

The Group’s PBT rose 7.52% YoY to RM11.58 million in the current financial period-to-date from RM10.77 million a year ago. This was the Group’s best-ever cumulative nine-month PBT as a listed entity. The record-breaking PBT included an unrealised foreign exchange loss amounting to RM1.53 million, which is a non-cash item and has no impact on our cash flow. For illustration purposes, in the absence of the non-cash item, the adjusted PBT would have been even higher at RM13.11 million.

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 | | RM'000 | Changes % |
|-------------------|--------------------------------------|----------------------|---------|--------------|
| | 31/03/2021 RM'000 | 31/12/2020 RM'000 | | |
| Revenue | 21,593 | 23,711 | (2,118) | (8.94) |
| Profit before tax | 4,382 | 3,680 | 702 | 19.08 |

Revenue for the Current Quarter declined RM2.12 million or 8.94% quarter-on-quarter (“QoQ”) to RM21.59 million versus RM23.71 million posted in the immediate preceding quarter. The decrease was primarily due to softer demand from overseas customers as well as fewer working days during the quarter arising from the festive season.

On the other hand, PBT increased by RM0.70 million or 19.08% QoQ from RM3.68 million in the immediate preceding quarter to RM4.38 million in the Current Quarter. This was chiefly due to favourable foreign exchange in the quarter under review.

B3. Prospects

The Group anticipates the business operating conditions to remain challenging with the persistence of uncertainties clouding the global and local markets stemming from the COVID-19 pandemic. Nevertheless, we remain steadfast as we continue to focus on our expansion plans.

We are pleased to share that orders from our customers remain robust, from both the domestic and overseas markets. We are seeing sustained strong demand from the woodworking industry, with healthy growth in other areas as well, such as automotive and packaging sectors.

The production of our new manufacturing lines, which is part of our Shah Alam Phase 2 Expansion, has been picking up since it commenced operations in the first quarter of 2020. Part of this new capacity is catered for the production of a new range of low viscosity hot melt adhesives. Thus, this widens our range of products and enables us to capture a larger market share.

The Group had voluntarily conducted COVID-19 screening for all our employees and discovered several positive cases among our factory workers in Kota Kemuning, Shah Alam factories. In immediate response, we had voluntarily closed the said factories from 20 May 2021 to 26 May 2021, and carried out deep cleaning and disinfecting exercise. The Group has been in close communication with our customers and is proactively managing the situation. The temporary closure of the factories is not expected to have any significant impact to the Group’s operations

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

and financial performance at this juncture. We expect to resume our operations on 27 May 2021. The Group will continue to cooperate and work closely with the relevant authorities to ensure the safety and well-being of all our employees. Meanwhile, our operations in Johor and Sabah, Malaysia as well as Vietnam are unaffected and operating as usual.

Over in Vietnam, the construction of our new 30,000 square meters factory complex was completed in June 2020, and subsequently handed over to the Group in October 2020 following the issuance of the relevant certifications by the Vietnamese authority. The new factory complex comprises our new upstream polymerization plant as well as 2 new water-based adhesives production lines.

We are charting good progress at our new factory complex in Vietnam. Trial run for our machineries at our VSIP2 factory complex is currently being conducted. The Group expects to commence mass production once the trial run has been completed and pass the plant acceptance test. We will be producing polyvinyl acetate (“PVAc”) polymer at our new polymerization plant and the manufacturing of new variations of water-based adhesives using our own manufactured PVAc polymer. The capability to produce our own raw material provides us greater control over the quality, properties and characteristics, allow us to better meet the requirements of our customers, reduce our reliance on external suppliers and ultimately potentially improve our profit margins.

Our collaboration with the Malaysian Palm Oil Board (“MPOB”) in pioneering palm oil-based industrial adhesives using locally source and sustainable palm oil continued to make headway. Our ultimate aim is to commercialize the product as we see great potential in demand for this non-toxic palm oil-based industrial adhesives as consumers worldwide are increasingly more health- and environmentally-conscious when making purchase decision. The prototype has passed the stringent industry tests and we are currently in the design for manufacturability stage and are in discussions with potential partners at the same time.

We are cognizant of the challenges ahead and we will continue to monitor the situation closely and take necessary precaution to manage it. Our strong balance sheet plays a pivotal role as we navigate through the demanding times. All in all, the prospects for the Group remain promising underpinned by our expansion plans. Barring unforeseen circumstances, the Board opines that the financial performance of the Group in the current financial year to be satisfactory.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)**B4. Profit forecast**

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

B5. Tax expense

| | Individual quarter | | Cumulative quarter | |
|--------------|---|---|--|--|
| | Current year quarter 31/03/2021 RM'000 | Preceding year quarter 31/03/2020 RM'000 | Current year- to-date 31/03/2021 RM'000 | Preceding year- to-date 31/03/2020 RM'000 |
| Current tax | 598 | 917 | 2,722 | 2,564 |
| Deferred tax | (39) | (63) | (30) | (48) |
| Total | 559 | 854 | 2,692 | 2,516 |

The effective tax rate of the Group for the current year quarter and current year-to-date was lower than the Malaysia statutory rate of 24%. This is mainly due to adjustment of overprovision of previous year tax in both current year quarter and the financial period-to-date under review.

B6. Status of corporate proposals

On 5 February 2021, the Company proposed to undertake a bonus issue of up to 431,249,998 new ordinary shares in Techbond ("Techbond Shares") ("Bonus Shares") on the basis of 5 bonus shares for every 4 existing Techbond Shares held on an entitlement date to be determined and announced later ("Proposed Bonus Issue").

On 19 February 2021, the Company announced that Bursa Malaysia had, vide its letter dated 19 February 2021, approved the listing and quotation of the Proposed Bonus Issue on the Main Market of Bursa Malaysia.

On 26 March 2021, the Company announced that 294,102,373 Bonus Shares have been issued pursuant to the Bonus Issue (after disregarding the fractional entitlements). Consequently, pursuant to the provisions of the Deed Poll, 137,147,562 Additional Warrants have been issued (after disregarding the fractional entitlements) and the exercise price of the Warrants was adjusted from RM0.76 to RM0.33 with effect from 29 March 2021.

The bonus issue has been listed on 29 March 2021.

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 | 1,054 | 17.46 | Within 36 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 | 34,687 | | |

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 Owning**”), 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 Owning 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.

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.*

- (ii) 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”)

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.

Subsequent to the full trial held on 29 and 30 April 2019 and status update received on 7 May 2019 from the Plaintiff’s solicitors, Messrs Hifdzi Salmiah Kee Hanisah & Co, the Board of Directors of the Company wishes to announce as follows:-

- (i) The 1st Defendant had not entered their appearance through-out the entire case managements and full trial even having been served a subpoena. The Plaintiff’s solicitors have proceeded to file an application to record a judgment in default against the 1st Defendant accordingly due to their non-appearance. However, as the Honourable Court was of the view that the judgment in default involves a declaration on the legality of the transaction between 1st and 2nd Defendants and between 2nd and 3rd Defendants, the Court had postponed its decision on the application until full hearing of the Parties’ submissions; and
- (ii) The 2nd Defendant’s solicitors managed to produce relevant documents to prove that the sale and purchase between 2nd Defendant and 1st Defendant was made with lawful consideration.

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

On 2 August 2019, Techbond Manufacturing filed a fresh lawsuit against Fabina Properties, Ong Tai Chin @ Wong Tai Chin (being the shareholder of Fabina Properties) and Low Yang Cheok (being the director and shareholder of Fabina Properties) at the High Court ("Suit No. 2"). On 30 September 2019, the High Court had ordered Fabina Properties, Ong Tai Chin @ Wong Tai Chin and Low Yang Cheok to settle the following to Techbond Manufacturing:-

- (a) total claim amounting to RM4,242,079.00 ("Claim");
- (b) interest of 5% of the Claim from the date of filing of the writ summon on 2 August 2019 until the Claim is fully settled; and
- (c) cost of the proceeding amounting to RM1,436.00,

(collectively referred to as the "Debt Owed").

Subsequently, Techbond Manufacturing's solicitors had on 19 November 2019, served the sealed copy of the judgement and the notice of demand dated 23 October 2019 on Fabina Properties pursuant to Section 466 of the Act to demand Fabina Properties to pay the Debt Owed within 21 days from the date of receipt of the said notice. However, Fabina Properties failed to settle the Debt Owed within the stipulated timeframe and Techbond Manufacturing's solicitors had on 10 January 2020 filed a winding-up petition against Fabina Properties in the High Court of Malaya. The first case management was fixed on 27 February 2020 while the hearing was held on 12 August 2020.

Further to the hearing held on 12 August 2020, it was informed that a separate winding-up order was obtained against Fabina Properties on 23 January 2020 by another petition. Therefore, the winding-up petition filed by Techbond Manufacturing was withdrawn on 12 August 2020 with a liberty to file afresh. The solicitors of Techbond Manufacturing are in the midst of preparing the proof of debts against Fabina Properties, and will file it to the Malaysian Insolvency Department.

Techbond Manufacturing had also on 20 November 2019, filed bankruptcy notices against Ong Tai Chin @ Wong Tai Chin and Low Yang Cheok with the High Court. However, Techbond Manufacturing was not able to locate both Ong Tai Chin @ Wong Tai Chin and Low Yang Cheok to serve the bankruptcy notices on them by hand. Given this, the bankruptcy notices had been duly served by way of substitute service through the advertisement at Berita Harian on 22 July 2020. The solicitors of Techbond Manufacturing had on 9 February 2021 filed the creditor's petition against both Ong Tai Chin @ Wong Tai Chin and Low Yang Cheok. In view that the statutory period to file the creditor's petition

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

has lapsed, the High Court had on 9 February 2021 advised the solicitors of Techbond Manufacturing to file new bankruptcy notices against both Ong Tai Chin @ Wong Tai Chin and Low Yang Cheok with the High Court (“**New Bankruptcy Notices**”). The solicitors of Techbond Manufacturing had on 15 February 2021 filed the New Bankruptcy Notices and the next case management has been fixed on 15 July 2021.

B10. Dividend

Save as disclosed in Note A8, 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 31/03/2021 | Preceding year quarter 31/03/2020 | Current year- to-date 31/03/2021 | Preceding year-to-date 31/03/2020 |
| Profit after tax attributable to the owners of the Company (RM '000) | 3,823 | 2,523 | 8,883 | 8,250 |
| Weighted average number of ordinary shares in issue ('000) | 526,168 | 230,000 | 521,771 | 230,000 |
| Basic EPS (sen) ⁽¹⁾ | 0.73 | 1.10 | 1.70 | 3.59 |
| Diluted EPS (sen) ⁽²⁾ | 0.69 | 1.10 | 1.62 | 3.59 |

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 calculated by dividing the profit attributable to owners of the company by the weighted average diluted number of ordinary shares outstanding during the period and after accounting for the effect of all dilutive potential ordinary shares arising from the exercising of outstanding warrants.

TECHBOND GROUP BERHAD

201601019667 (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 31/03/2021 RM'000 | Preceding year quarter 31/03/2020 RM'000 | Current year- to-date 31/03/2021 RM'000 | Preceding year-to-date 31/03/2020 RM'000 |
| Amortisation of deferred income | (8) | (11) | (30) | (33) |
| Amortisation of land use rights | 46 | 24 | 117 | 72 |
| Depreciation of property, plant and equipment | 481 | 383 | 1,319 | 993 |
| Gain on disposal of property, plant and equipment | (8) | - | (15) | - |
| Interest income | (183) | (360) | (610) | (1,340) |
| Net realised loss on foreign exchange | 64 | 45 | 314 | 148 |
| Net unrealised (gain)/loss on foreign exchange | (1,369) | (1,636) | 1,532 | (1,098) |
| Impairment loss on trade receivable | - | 996 | - | 996 |
| Reversal of impairment loss on trade receivables | - | - | (225) | - |
| Rental income | (*) | (*) | (1) | (1) |
| Rental expenses | 34 | 23 | 107 | 67 |

* 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;
- (iii) gain or loss on derivatives; and
- (iv) impairment of assets