

TECHBOND GROUP BERHAD

201601019667 (1190604-M)

(Incorporated in Malaysia)


UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 30 JUNE 2021⁽¹⁾

	Individual quarter		Cumulative quarter	
	Current year quarter 30/06/2021 RM'000	Preceding year quarter 30/06/2020 RM'000	Current year- to-date 30/06/2021 RM'000	Preceding year-to-date 30/06/2020 RM'000
Revenue	22,529	13,966	89,839	71,281
Cost of sales	(16,374)	(9,345)	(61,860)	(49,501)
Gross profit	6,155	4,621	27,979	21,780
Other income	718	623	1,563	3,509
Administration expenses	(2,394)	(1,725)	(10,208)	(8,246)
Distribution expenses	(572)	(409)	(2,171)	(1,922)
Other expenses	(174)	(31)	(1,855)	(1,276)
Profit before tax	3,733	3,079	15,308	13,845
Tax expense	(1,105)	(606)	(3,797)	(3,122)
Profit for the period	2,628	2,473	11,511	10,723
Other comprehensive income/(loss), net of tax:-				
Item that may be reclassify subsequently to profit or loss				
Foreign currency translation differences	18	(218)	(745)	1,302
Total comprehensive income for the period	2,646	2,255	10,766	12,025
Earnings per share (Note B11)				
- Basic (sen)	0.50	1.08	2.20	4.66
- Diluted (sen)	0.48	1.08	2.10	4.66

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.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021⁽¹⁾**

	Unaudited As at 30/06/2021 RM'000	Audited As at 30/06/2020 RM'000
ASSETS		
Non-current assets		
Investment Property	12,388	-
Property, plant and equipment	48,333	44,288
Land use rights	6,489	6,808
Other receivables	123	150
Total non-current assets	67,333	51,246
Current assets		
Inventories	30,111	21,599
Trade receivables	18,665	12,228
Other receivables	7,234	3,841
Tax recoverable	1,086	701
Cash and cash equivalents	38,022	56,991
Total current assets	95,118	95,360
TOTAL ASSETS	162,451	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	6,578	7,323
Retained earnings	79,003	69,829
Total equity	150,464	138,021
LIABILITIES		
Non-current liability		
Deferred tax liabilities	1,341	1,235
Total non-current liability	1,341	1,235

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021
(cont'd)⁽¹⁾**

	Unaudited As at 30/06/2021 RM'000	Audited As at 30/06/2020 RM'000
Current liabilities		
Trade payables	7,349	4,454
Other payables	1,933	1,553
Tax payable	1,364	1,313
Deferred income	-	30
Total current liabilities	<u>10,646</u>	<u>7,350</u>
Total liabilities	<u>11,987</u>	<u>8,585</u>
TOTAL EQUITY AND LIABILITIES	<u>162,451</u>	<u>146,606</u>
Net assets per share (RM) ⁽²⁾	0.29	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) The net assets per share is calculated based on the weighted average number of shares in issue of 524,734,000 as at 30 June 2021 and 230,000,000 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 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

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 30 JUNE 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	-	-	-	11,511	11,511
Other comprehensive income, net of tax	-	-	(745)	-	(745)
Total comprehensive income	-	-	(745)	11,511	10,766
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 30 June 2021	143,821	(78,938)	6,578	79,003	150,464

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.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE FOURTH QUARTER ENDED 30 JUNE 2021⁽¹⁾

	Current year- to-date 30/06/2021 RM'000	Preceding year-to-date 30/06/2020 RM'000
OPERATING ACTIVITIES		
Profit before taxation	15,308	13,845
Adjustments for:-		
Amortisation of deferred income	(30)	(45)
Amortisation of land use rights	164	96
Depreciation of investment property	8	-
Depreciation of property, plant and equipment	1,938	1,360
Gain on disposal of property, plant and equipment	(225)	(10)
Interest income	(770)	(1,608)
Impairment loss on trade receivables	-	723
Reversal of impairment loss on trade receivables	(260)	(6)
Net unrealised loss/(gain) on foreign exchange	1,449	(1,026)
Operating profit before working capital changes	17,582	13,329
Changes in working capital:-		
Inventories	(8,407)	4,058
Receivables	(9,524)	1,879
Payables	2,579	(336)
Cash generated from operations	2,230	18,930
Tax paid	(4,696)	(2,886)
Interest received	770	1,608
Net cash flows (used in)/from operating activities	(1,696)	17,652
INVESTING ACTIVITIES		
Purchase of investment property	(12,396)	-
Purchase of property, plant and equipment	(6,796)	(23,267)
Proceeds from disposal of property, plant and equipment	225	10
Net cash flows used in investing activities	(18,967)	(23,257)
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)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE FOURTH QUARTER ENDED 30 JUNE 2021 (cont'd)⁽¹⁾

	Current year- to-date 30/06/2021 RM'000	Preceding year- to-date 30/06/2020 RM'000
CASH AND CASH EQUIVALENTS		
Net changes	(18,986)	(10,205)
Effect of foreign currency translation differences	17	1,061
At beginning of financial period	56,991	66,135
At end of financial period	38,022	56,991
Cash and cash equivalents at the end of the financial period comprises:-		
Cash and bank balances	12,228	23,241
Fixed deposits with licensed banks	7,617	4,612
Short-term demand deposits	18,177	29,138
	38,022	56,991

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

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:-

MFRS and Amendments to MFRS effective 1 January 2023:

Amendments to MFRS 4*#	Insurance Contracts - Extension of the Temporary Exemption from Applying MFRS 9
MFRS 17*# and Amendments to MFRS 17*#	Insurance Contracts and amendment to MFRS 17 Insurance Contracts
Amendments to MFRS 101	Presentation of Financial Statements - Classification of Liabilities as Current or Non-current
Amendments to MFRS 101	Presentation of Financial Statements - Disclosure of Accounting Policies
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

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:

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
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* Not applicable to the Company's operation

Not applicable to the Group's operation

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 5,281,900 new ordinary shares for the financial period-to-date pursuant to the exercise of warrants at RM0.76 per warrant. The total cash proceeds arising from the exercise of warrants during the financial period under review amounted to RM4,014,244.

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**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (cont'd)****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 ended 30 June 2021 has been 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 30/06/2021 RM'000	Preceding year quarter 30/06/2020 RM'000	Current year- to-date 30/06/2021 RM'000	Preceding year- to-date 30/06/2020 RM'000
Revenue				
Adhesives and sealants	20,867	13,018	82,870	67,000
Supporting products and services	1,662	948	6,969	4,281
	<u>22,529</u>	<u>13,966</u>	<u>89,839</u>	<u>71,281</u>
Profit before tax				
Adhesives and sealants	3,499	2,864	14,644	13,127
Supporting products and services	234	215	664	718
	<u>3,733</u>	<u>3,079</u>	<u>15,308</u>	<u>13,845</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.

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	<u>820</u>

A15. Significant related party transactions

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

	Current year quarter 30/06/2021 RM'000	Current period- to-date 30/06/2021 RM'000
Rental expenses charged by a company in which the Directors have interests	22	84
Rental income charged to a company in which the Directors have interests	(*)	(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 recorded a revenue of RM22.53 million for the three months period ended 30 June 2021 (“Current Quarter”). This represented an increase of RM8.56 million or 61.27% year-on-year (“YoY”) as compared to RM13.97 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. To recap, the country was in Movement Control Order 1.0 during the preceding year corresponding quarter where there were disruptions to manufacturing activities. For the quarter under review, industrial adhesives and sealants remained our primary revenue contributor, accounting for 92.63% or RM20.87million 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 21.10% YoY to RM3.73 million in the Current Quarter versus RM3.08 million a year ago. The increase was primarily due to the aforementioned factors.

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

For the cumulative financial period-to-date, the Group recorded a revenue of RM89.84 million, an increase of RM18.56 million or 26.04% YoY from RM71.28 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 92.24% or RM82.87 million to total turnover for the period under review.

Meanwhile, the Group’s gross profit (“GP”) margin improved to 31.14% in the current financial period-to-date versus 30.56% a year ago, due to lower raw material costs as well as better product mix.

The Group’s PBT rose 10.54% YoY to RM15.31 million in the current financial year from RM13.85 million a year ago. This was the Group’s best-ever annual PBT as a listed entity. The record-breaking PBT included an unrealised foreign exchange loss amounting to RM1.45 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 RM16.76 million.

The record PBT was also reflected in the Group’s profit after tax and non-controlling interest (“PATNCI” or “net profit”). For the period under review, net profit increased 7.3% YoY to RM11.51 million, which was the Group’s highest bottom-line performance since its listing.

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 %
	30/06/2021 RM'000	31/03/2021 RM'000		
Revenue	22,529	21,593	936	4.33
Profit before tax	3,733	4,382	(649)	(14.81)

Revenue for the Current Quarter increased 4.33% quarter-on-quarter (“QoQ”) or RM0.94 million to RM22.53 million versus RM21.59 million in the immediate preceding quarter. The rise was primarily due to higher demand and order replenishment from our customers.

On the other hand, whilst PBT slipped 14.81% QoQ or RM0.65 million to RM3.73 million from RM4.38 million in the immediate preceding quarter, it was chiefly due to high-base effect where the immediate preceding quarter had included a favourable unrealized foreign exchange gain amounting to RM1.37 million (versus a much smaller gain of RM83,000 in Current Quarter). Excluding these foreign exchange gains, PBT for the Current Quarter would have jumped 21.2% QoQ or RM0.64 million.

B3. Prospects

Looking ahead, while we anticipate the business operating environment to remain challenging, we are keeping an upbeat view on our prospects. We are excited by the growth strategies the Group has in place to keep up the positive momentum gained.

Our new game-changing upstream polymerization plant in Vietnam has recently commenced production of base material, polyvinyl acetate (“PVAc”) polymer, which is a raw material used by the Group to manufacture its industrial adhesives. With the capability to produce our own raw material, it greatly enhances our competitive advantages. This would improve our profit margin going forward, and coupled with the tax incentives, it will elevate Techbond’s earnings to the next level. The production has been picking up pace and we expect utilization to increase further in the coming months. Currently, our plan is to meet our own polymer needs for existing industrial adhesives. Subsequently, the excess capacity will be used to produce new types of adhesives to be sold to customers.

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

At the same time, we are also pleased to share that orders from our customers remain robust, from both the domestic and overseas markets, thus, providing us healthy earnings visibility. At the same time, we are also penetrating new markets while expanding our presence in existing markets simultaneously.

Operationally, the Group continued to operate at reduced capacity during the full movement control order (“FMCO”) and enhanced movement control order (“EMCO”) in accordance with stringent standard operating procedures (“SOPs”). Over in Vietnam, our production was not affected and is running as usual. The safety and welfare of our employees are of utmost importance to us. As such, the Group is taking extra precautionary measures to protect our employees, and ensuring the production goes on smoothly and uninterrupted.

The Group also took a big step forward in becoming a pioneer in non-toxic palm oil-based industrial adhesives as Techbond, together with Malaysian Palm Oil Board (“MPOB”), have successfully filed a patent application for the improved production process of palm-based polyol. We were able to significantly reduce the production process of the polyol, which is key in enabling commercialization. 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. Currently, we are undergoing testing with our customers and potential customers.

On balance, the outlook of the Group continues to be bright premised upon the abovementioned factors backed by our strong balance sheet and prudent management. Barring unforeseen circumstances, the Board opines that the financial performance of the Group in the upcoming financial year to be satisfactory.

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 30/06/2021 RM'000	Preceding year quarter 30/06/2020 RM'000	Current year- to-date 30/06/2021 RM'000	Preceding year- to-date 30/06/2020 RM'000
Current tax	1,155	557	3,877	3,121
Deferred tax	(50)	49	(80)	1
Total	<u>1,105</u>	<u>606</u>	<u>3,797</u>	<u>3,122</u>

The effective tax rate of the Group for the current year quarter and current year-to-date was higher than the Malaysia statutory rate of 24% due to certain expenses being disallowed for taxation purposes and losses incurred by certain subsidiaries were not utilized during current year quarter and period-to-date under review respectively.

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	6,036	100.00	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	39,669		

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.

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.

On 30 July 2021, the Solicitor of the Company had informed that the High Court had fixed the next case management date on 17 September 2021 and 23 September 2021 to file the extension of Bankruptcy Notice, which had expired in July 2021 and file the fair order of substitute service against Low Yang Cheok and Ong Tai Chin @ Wong Tai Chin respectively. The Proof of Debt against Fabina Properties was filed by Techbond Manufacturing the following week.

B10. Dividend

During the quarter under review, the Board of Directors has declared a second interim single-tier dividend of 0.5 sen per ordinary share amounting to approximately RM2.65 million in respect of the financial year ended 30 June 2021. The dividend will be paid on 30 September 2021 to the holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 13 September 2021.

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 30/06/2021	Preceding year quarter 30/06/2020	Current year- to-date 30/06/2021	Preceding year-to-date 30/06/2020
Profit after tax attributable to the owners of the Company (RM '000)	2,628	2,473	11,511	10,723
Weighted average number of ordinary shares in issue ('000)	529,384	230,000	524,734	230,000
Basic EPS (sen) ⁽¹⁾	0.50	1.08	2.20	4.66
Diluted EPS (sen) ⁽²⁾	0.48	1.08	2.10	4.66

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.

TECHBOND GROUP BERHAD

201601019667 (1190604-M)

(Incorporated in Malaysia)

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)****B11. Earnings per share ("EPS") (cont'd)**

Notes:-

- (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.

B12. Profit before tax

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

	Individual quarter		Cumulative quarter	
	Current year quarter 30/06/2021 RM'000	Preceding year quarter 30/06/2020 RM'000	Current year- to-date 30/06/2021 RM'000	Preceding year-to-date 30/06/2020 RM'000
Amortisation of deferred income	-	(11)	(30)	(45)
Amortisation of land use rights	47	25	164	96
Depreciation of investment property	8	-	8	-
Depreciation of property, plant and equipment	619	367	1,938	1,360
Gain on disposal of property, plant and equipment	(210)	(10)	(225)	(10)
Interest income	(160)	(268)	(770)	(1,608)
Net realised loss on foreign exchange	110	2	424	159
Net unrealised (gain)/loss on foreign exchange	(83)	67	1,449	(1,026)
Impairment loss on trade receivable	-	-	-	723
Reversal of impairment loss on trade receivables	(35)	(279)	(260)	(6)
Rental income	(177)	(*)	(178)	(2)
Rental expenses	45	36	152	106

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