

Magni-Tech Industries Berhad

Registration No. 199701007089 (422585-V)
Incorporated in Malaysia

Unaudited Interim Financial Report

Condensed Consolidated Statement of Comprehensive Income For the First Quarter Ended 31 July 2020 ("Q1-FYR 2021")

	Q1-FYR 2021	Q1-FYR 2020	Financial Period - first 3 Months	
	RM'000	RM'000	to 31-7-2020	to 31-7-2019
			RM'000	RM'000
Revenue	291,987	327,329	291,987	327,329
Operating Expenses	(258,456)	(291,254)	(258,456)	(291,254)
Other Operating Income/(expenses)				
Gain on Foreign Exchange	235	43	235	43
Others	65	67	65	67
Profit from Operations	33,831	36,185	33,831	36,185
Investment Related Income	1,517	4,179	1,517	4,179
Finance Costs	(153)	(171)	(153)	(171)
Profit before Tax	35,195	40,193	35,195	40,193
Tax Expense	(8,439)	(9,686)	(8,439)	(9,686)
Profit for the period	26,756	30,507	26,756	30,507
(Representing total comprehensive income for the period)				
Total Comprehensive Income attributable to :				
Owners of the Company	26,756	30,507	26,756	30,507
Non-controlling interests	-	-	-	-
	26,756	30,507	26,756	30,507
Basic / Diluted Earnings per share (Sen)	6.17	7.03	6.17	7.03
Dividend per share (Sen)				
- Interim (Declared/Paid)	2.00	2.63	2.00	2.63

The annexed notes form an integral part of this interim financial report.

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Condensed Consolidated Statement of Financial Position as at 31 July 2020

	Unaudited @ 31-7-2020	Audited @ 30-4-2020
	RM'000	RM'000
ASSETS		
Non-current Assets		
Property, Plant and Equipment	50,642	58,147
Investment Properties	1,093	1,098
Investment Securities - Unquoted Shares	17,820	17,820
	<u>69,555</u>	<u>77,065</u>
Current Assets		
Inventories	210,512	228,268
Receivables	111,746	119,399
Investment Securities - Money Market Unit Trusts	233,974	199,191
Bank Deposits and Cash Balances	86,139	76,886
	<u>642,371</u>	<u>623,744</u>
Non-Current Asset held for sale	7,857	1,427
	<u>650,228</u>	<u>625,171</u>
TOTAL ASSETS	<u>719,783</u>	<u>702,236</u>
EQUITY AND LIABILITIES		
Equity attributable to Owners of the Company		
Share Capital	216,975	216,975
Reserves	412,448	392,194
Treasury Shares	(686)	(686)
Net Equity Funds	<u>628,737</u>	<u>608,483</u>
Non-controlling Interests	<u>25</u>	<u>25</u>
Total Equity	<u>628,762</u>	<u>608,508</u>
Non-current Liability		
Deferred Tax Liabilities	6,117	6,011
Current Liabilities		
Payables	78,930	81,755
Current Tax Liabilities	5,974	5,962
	<u>84,904</u>	<u>87,717</u>
Total Liabilities	<u>91,021</u>	<u>93,728</u>
TOTAL EQUITY AND LIABILITIES	<u>719,783</u>	<u>702,236</u>
Net Assets per share (RM)	1.45	1.40

Notes :

- (1) The net assets per share is calculated based on the net equity funds divided by 433,450,579 being the no. of shares in issue with voting rights.
- (2) The annexed notes form an integral part of this interim financial report.

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Condensed Consolidated Statement of Changes in Equity

For the First Quarter Ended 31 July 2020 ("Q1-FYR 2021")

	- - - - Attributable to Owners of the Parent Company - - -						
	Share Capital	Treasury Shares	Distributable Retained Profits	Total Reserves	Net Equity Funds	Non controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>For the financial period to 31 July 2020</u>							
Balance as at 1 May 2020	216,975	(686)	392,194	392,194	608,483	25	608,508
Profit for the period	-	-	26,756	26,756	26,756	-	26,756
Other comprehensive income, net of tax			-	-	-	-	-
Total comprehensive Income	-	-	26,756	26,756	26,756	-	26,756
<u>Transaction with Owners</u>							
Dividend in respect of FYR 2020	-	-	(6,502)	(6,502)	(6,502)	-	(6,502)
Balance as at 31 July 2020	<u>216,975</u>	<u>(686)</u>	<u>412,448</u>	<u>412,448</u>	<u>628,737</u>	<u>25</u>	<u>628,762</u>
(^) Available-for-sale							
<u>For the financial period to 31 July 2019</u>							
Balance as at 1 May 2018	162,732	(301)	367,129	367,129	529,560	25	529,585
Other comprehensive income, net of tax	-	-	30,507	30,507	30,507	-	30,507
Balance as at 31 July 2019	<u>162,732</u>	<u>(301)</u>	<u>428,143</u>	<u>428,143</u>	<u>590,574</u>	<u>25</u>	<u>590,599</u>

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Condensed Consolidated Statement of Cash Flows For the First Quarter Ended 31 July 2020 ("Q1-FYR 2021")

	Unaudited 31-7-2020 RM'000	Unaudited 31-7-2019 RM'000 (Restated)
<u>Cash flows from operating activities</u>		
Profit before tax	35,195	40,193
Adjustments for :		
Depreciation	1,578	1,698
Dividend income	(1,212)	(3,605)
Gain on disposal of plant and equipment	-	(8)
Interest income	(345)	(540)
Property, plant and equipment written off	9	12
Net unrealised loss on foreign exchange	132	630
Operating profit before working capital changes	35,357	38,380
Decrease/(Increase) in inventories	17,756	(22,391)
Decrease/(Increase) in receivables	7,677	(37,818)
(Decrease)/Increase in payables	(2,825)	41,619
Cash generated from operations	57,965	19,790
Net Income tax paid	(8,320)	(8,088)
Net cash from operating activities	49,645	11,702
<u>Cash flows from investing activities</u>		
Net dividend received	1,212	3,605
Interest received	345	540
Proceeds from disposal of plant and equipment	-	54
Purchase of plant and equipment	(507)	(1,493)
Placement of fixed deposits	(4,000)	-
Withdrawal of fixed deposits	500	-
Net cash (used in) / from investing activities	(2,450)	2,706
<u>Cash flows from financing activities</u>		
Dividends paid	(6,502)	-
Net cash used in financial activities	(6,502)	-
Net increase in cash and cash equivalents	40,693	14,408
Effects of changes in exchange rates on cash and cash equivalents	(158)	-
Cash and cash equivalents at beginning	255,706	188,258
Cash and cash equivalents at end	296,241	202,666
Cash & Cash Equivalents comprise the followings :-		
Cash and bank balances	3,738	3,497
Fixed deposits with licensed banks	82,401	70,386
Investment in money market funds	233,974	151,966
	320,113	225,849
Less : Fixed deposits with maturity more than three months	(23,872)	(23,183)
	296,241	202,666

Notes :

(1) Investment in money market funds is classified as part of cash and cash equivalents as these investments are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

(2) Fixed deposits with maturity of more than three months be deemed as cash flows from investing activities.

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Notes to the Financial Report

For the First Quarter Ended 31 July 2020 ("Q1-FYR 2021")

1) Basis of Preparation

The condensed consolidated interim financial report is unaudited and has been prepared in accordance with Malaysian Financial reporting Standards ("MFRS") 134 - Interim Financial Reporting Standards in Malaysia and International Accounting Standards ("IAS") 34 - Interim Financial Reporting, the Companies Act 2016 in Malaysia and applicable provision of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 April 2020 ("FYR 2020"). These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the change in the financial position and performance of the Group since FYR 2020.

Changes in Accounting Policies

The accounting policies and methods of computations used in the preparation of the financial statements are consistent with those adopted in the audited financial statements for FYR 2020. The Group has neither early adopted nor applied any new MFRSs, Amendments to MFRSs, IC Interpretations and annual Improvements to MFRSs that are issued but not yet effective for the Group's accounting period beginning 1 May 2020.

The adoption of newly effective MFRSs, Amendments to MFRSs, IC Interpretations and Annual Improvements to MFRSs are expected to have no significant financial impacts to the financial statements of the Group upon their initial application except for changes in presentation and additional disclosures of financial information.

2) Audit Report of Preceding Annual Financial Statements

The auditors' report of the Company's most recent annual financial statements for FYR 2020 was not subject to any qualification.

3) Seasonal or Cyclical Factors

The operations of the Group were not materially affected by seasonal or cyclical factors.

4) Unusual Items

There were no other unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the first three months ended 31 July 2020 (or "financial period").

5) Material Changes in Estimates

There were no material changes in the estimates of amounts reported in Q1-FYR 2021.

6) Change in Composition of the Group

There were no changes in the composition of the Group during the financial period.

7) Share capital and Treasury shares

There were no issuances and repayment of debts and equity securities, share buy-backs, share cancellation, shares held as treasury shares and resale of treasury shares for the financial period except for the following :

	No. of shares ('000)	Average price per share (RM)	Amount RM'000
Total treasury shares as at 1 May 2020 / 31 July 2020	500	1.37	686

The cumulative shares bought back are being held as treasury shares with none of the shares being cancelled or resold during the financial period.

As at 31 July 2020, the Company's no. of outstanding shares in issue with voting rights was 433,450,579 ordinary share excluding 500,000 treasury shares (30 April 2020 : 433,450,579 ordinary shares).

8) Dividend Paid

As disclosed in the last column of note 21.

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For the First Quarter Ended 31 July 2020 ("Q1-FYR 2021")

9) Subsequent Events

There were no material subsequent events occurred from the end of the reporting period up to the date of this announcement which require disclosure.

10) Segment Information

The segmental analysis of the Group's operations for the financial period is as follows :

	Financial period	
	RM'000	%
<u>Revenue</u>		
Garment Manufacturing	268,134	91.8%
Packaging	23,853	8.2%
Total Revenue - external	<u>291,987</u>	<u>100.0%</u>
<u>Results</u>	RM'000	
Garment manufacturing	32,252	
Packaging manufacturing and miscellaneous	1,625	
	<u>33,877</u>	
Unallocated corporate expenses	(46)	
Profit from operations	33,831	
Investment related Income :		
Dividend income	1,212	
Interest income	345	
Fair value loss on investment securities	(41)	
Gain on disposal of investment securities	1	
	<u>1,517</u>	
Finance costs (Non-interest)	(153)	
Profit before tax	35,195	
Tax expense	(8,439)	
Net profit after tax	<u>26,756</u>	

11) Analysis of Performance

The Group's businesses are principally divided into two business segments, namely the manufacturing and sale of (i) garments, and (ii) flexible plastic packaging goods and corrugated cartons.

The Garment segment accounted for about 91.8% and 95.2% of the Group's revenue and profit from operations (before unallocated corporate expenses) respectively for the financial period.

The key factors that affect the performance of garment business include mainly the labour costs, other operating costs, foreign currency exchange differences, demand for the garments and the ability of management to cope with change.

For the Packaging segment, the key factors that affect its performance include mainly raw material costs, operating costs, demand for the packaging products and the ability of management to cope with change. Raw materials consist of kraft liner, test liner, medium papers, white papers, polyethylene resins and etc.

Summary of the Group's results :

	Q1-FYR 2021	Q1-FYR 2020	%
	RM'000	RM'000	
Revenue	<u>291,987</u>	<u>327,329</u>	-10.8%
Profit from operations	<u>33,831</u>	<u>36,185</u>	-6.5%
Profit before Tax	<u>35,195</u>	<u>40,193</u>	-12.4%
Net Profit after Tax	<u>26,756</u>	<u>30,507</u>	-12.3%

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Q1-FYR 2021 vs Preceding Year Corresponding Quarter (Q1-FYR 2020)

Both revenue and PBT of the Group for Q1-FYR 2021 decreased by 10.8% to RM291.987 million and by 12.4% to RM35.195 million respectively over Q1-FYR 2020.

The above group results for Q1-FYR 2020 are considered fairly satisfactory in light of the sharp economic contraction amidst the Covid-19 Pandemic, which has significantly impacted practically all business sectors across the globe.

Segment wise, garment revenue for Q1-FYR 2021 dropped by 11.4% to RM268.134 million whilst packaging revenue slipped moderately by 2.9% to RM23.853 million vs Q1-FYR 2020 mainly due to lower sale orders received.

Garment PBT for Q1-FYR 2021 decreased by 14.1% to RM33.331 million versus Q1-FYR 2020 mainly due to lower revenue, and lower investment income due to the receipt of dividend income from unquoted investment of RM2.484 million in Q1-FYR 2020 but for Q1-FYR 2021 the investee has not yet distributed such dividend.

However, in spite of lower revenue, packaging PBT for Q1-FYR 2021 surged by 32% mainly due to lower raw material costs incurred.

12) Variation of Results of Q1-FYR 2021 vs Preceding Quarter (Q4-FYR 2020)

	Q1-FYR 2021 RM'000	Q4-FYR 2020 RM'000	%
Revenue	291,987	263,384	10.9%
Profit from operations	33,831	34,859	-2.9%
Profit before Tax	35,195	36,737	-4.2%
Net Profit after Tax	26,756	28,766	-7.0%

Revenue of the Group for Q1-FYR 2021 grew by 10.9% whilst PBT decreased by 4.2% as compared to Q4-FYR 2020.

Both garment and packaging revenue increased by 10.3% and 17% respectively mainly due to higher sale orders received.

Garment PBT dropped by 5.2% mainly due to lower foreign exchange gain by RM2.559 million (ie. RM0.2 million vs RM2.765 million in Q4-FYR 2020) and higher operating expenses.

However, there was a 35.1% hike in packaging PBT mainly due to higher revenue and lower raw material costs incurred.

13) Future Prospects

The manufacturing and sale of garment will still be the Group's major revenue contributor.

The Group's operating environments for the remaining quarters are expected to be challenging given the uncertainty surrounding the depth and duration of Covid-19 pandemic, and the pace of economic and business recovery.

The Group will continue to implement proactive measure to control costs, capital expenditure and streamlined its operations to mitigate the deep consequences of Covid-19 bearing in mind the possibility that the situation may be prolonged.

14) Tax Expense

The tax expenses for Q1-FYR 2021 or financial period are made up as follows :

	Q1-FYR 2021 RM'000	Financial period RM'000
Provision for current tax	8,332	8,332
Deferred Tax	107	107
	<u>8,439</u>	<u>8,439</u>

The Group's effective tax rates for Q1-FYR 2021 or financial period under review approximates the Malaysian statutory tax.

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15) Profit Forecast or Profit Guarantee

There was no profit forecast made in any public document and no profit guarantee was received during the financial period.

16) Corporate Proposals

There were no corporate proposals announced but not completed as at the date of this announcement.

17) Group Borrowings and Debts Securities

The Group has no borrowings and debt securities as at the end of the financial period.

18) Material Litigation

There were no material litigations during the financial period.

19) Contingent Liabilities

There were no material changes in contingent liabilities since the end of the last annual reporting date as at 30 April 2020.

20) Capital Commitments

There were capital expenditure of RM5.261 million mainly in respect of the acquisition of plant and equipments (last annual reporting date : RM5.100 million).

21) Dividends paid and payable

	Dividend per share	Payout Ratio	In respect of FYR 2021 RM'000	Already Paid in FYR 2021 RM'000
(a) In respect of FYR 2020 :				
Single tier 4th interim dividend in respect of Q4-FYR 2020 paid on 23 July 2020 (Q4-FYR 2019 : 1.87 Sen-adjusted*)	1.5 Sen	22.6%	-	6,502
(b) In respect of FYR 2021 :				
Single tier interim dividend in respect of FYR 2021 declared on 8 Sept 2020 (Q1-FYR 2020 : 2.63 Sen-adjusted*)	2.0 Sen	32.4%	8,669	-
Total			<u>8,669</u>	<u>6,502</u>

Total dividend payable in respect of the financial period is 2.0 Sen per share totalling RM8.669 million (Q1-FYR 2020 : 2.63 Sen - adjusted* totalling RM11.386 million) and representing 32.4% payout ratio (Q1-FYR 2020 : 37.3%). The entitlement and payment dates will be separately announced today.

* Adjusted to reflect the subdivision of shares and bonus issue, ie. 1 share became 2.666 shares on 15 October 2019.

22) Earnings Per Share (EPS)

The basic EPS has been calculated by dividing the Group's profit attributable to owners of the Company by the weighted average no. of ordinary shares in issue with voting rights :

		Q1-FYR 2021	Q1-FYR 2020	Financial period to 31-7-2020	Financial period to 31-7-2019
Profit attributable to owners of the Company	(RM'000)	<u>26,756</u>	<u>30,507</u>	<u>26,756</u>	<u>30,507</u>
Weighted average of no. of issued shares with voting rights at end		<u>433,451</u>	<u>433,751</u>	<u>433,451</u>	<u>433,751</u>
Basic EPS	(Sen)	6.17	7.03	6.17	7.03

There is no diluted EPS as the Company does not have any convertible financial instruments as at the end of the financial period.

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23) Profit Before Tax

PBT is arrived at after charging/(crediting) the following items :-

	Q1-FYR 2021 RM'000	Q1-FYR 2020 RM'000
Interest income	(345)	(540)
Dividend income	(1,212)	(3,636)
Fair value loss/(gain) on investment securities	41	-
(Gain)/loss on disposal of investment securities	(1)	(3)
Depreciation and amortisation	1,578	1,698
Net unrealised (gain)/loss on foreign exchange	132	630
Net realised (gain)/loss on foreign exchange	(367)	(673)
Net (gain)/loss on foreign exchange - all segments	(235)	(43)
Gain on disposal of plant and equipment	-	(8)
Property, Plant and equipment written off	9	12
(Gain)/loss on derivatives/Exceptional items	-	-

By Order of the Board

Tan Sri Dato' Seri Tan Kok Ping

Chairman

8 September 2020