

Magni-Tech Industries Berhad

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

Unaudited Interim Financial Report

Condensed Consolidated Statement of Comprehensive Income

For the Second Quarter Ended 31 October 2020 ("Q2-FYR 2021")

	Q2-FYR 2021	Q2-FYR 2020	Financial Period - first 6 Months	
	RM'000	RM'000	to 31-10-2020	to 31-10-2019
			RM'000	RM'000
Revenue	269,104	301,330	561,091	628,659
Operating Expenses	(241,592)	(268,118)	(500,048)	(559,372)
Other Operating Income/(expenses)				
Gain/(Loss) on Foreign Exchange	(2,060)	2,713	(1,825)	2,756
Others	459	119	524	186
Profit from Operations	25,911	36,044	59,742	72,229
Investment Related Income	1,339	2,256	2,856	6,435
Finance Costs	(143)	(159)	(296)	(330)
Profit before Tax	27,107	38,141	62,302	78,334
Tax Expense	(6,272)	(8,271)	(14,711)	(17,957)
Profit for the period	20,835	29,870	47,591	60,377
(Representing total comprehensive income for the period)				
Total Comprehensive Income attributable to :				
Owners of the Company	20,835	29,870	47,591	60,377
Non-controlling interests	-	-	-	-
	20,835	29,870	47,591	60,377
Basic / Diluted Earnings per share (Sen)	4.81	6.89	10.98	13.92
Interim Dividends per share (Sen)				
- Interim	N/A	N/A	2.00	2.63
- 2nd Interim	1.80	2.50	1.80	2.50
	1.80	2.50	3.80	5.13

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Condensed Consolidated Statement of Financial Position as at 31 October 2020

	Unaudited @ 31-10-2020	Audited @ 30-4-2020
ASSETS		
Non-current Assets	RM'000	RM'000
Property, Plant and Equipment	56,408	58,147
Investment Properties	1,088	1,098
Investment Securities - Unquoted Shares	17,820	17,820
	<u>75,316</u>	<u>77,065</u>
Current Assets		
Inventories	237,947	228,268
Receivables	105,685	119,399
Investment Securities - Money Market Unit Trusts	233,063	199,191
Bank Deposits and Cash Balances	104,497	76,886
	<u>681,192</u>	<u>623,744</u>
Non-Current Asset held for sale	7,747	1,427
	<u>688,939</u>	<u>625,171</u>
TOTAL ASSETS	<u>764,255</u>	<u>702,236</u>
EQUITY AND LIABILITIES		
Equity attributable to Owners of the Company		
Share Capital	216,975	216,975
Reserves	424,614	392,194
Treasury Shares	(686)	(686)
Net Equity Funds	<u>640,903</u>	<u>608,483</u>
Non-controlling Interests	<u>25</u>	<u>25</u>
Total Equity	<u>640,928</u>	<u>608,508</u>
Non-current Liability		
Deferred Tax Liabilities	<u>6,130</u>	<u>6,011</u>
Current Liabilities		
Payables	110,939	81,755
Current Tax Liabilities	6,258	5,962
	<u>117,197</u>	<u>87,717</u>
Total Liabilities	<u>123,327</u>	<u>93,728</u>
TOTAL EQUITY AND LIABILITIES	<u>764,255</u>	<u>702,236</u>
Net Assets per share (RM)	1.48	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 Second Quarter Ended 31 October 2020 ("Q2-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 October 2020</u>							
Balance as at 1 May 2020	216,975	(686)	392,194	392,194	608,483	25	608,508
Profit for the period	-	-	47,591	47,591	47,591	-	47,591
Other comprehensive income, net of tax	-	-	-	-	-	-	-
Total comprehensive Income	-	-	47,591	47,591	47,591	-	47,591
<u>Transaction with Owners</u>							
Dividend in respect of FYR 2020	-	-	(6,502)	(6,502)	(6,502)	-	(6,502)
Dividend in respect of FYR 2021	-	-	(8,669)	(8,669)	(8,669)	-	(8,669)
Balance as at 31 October 2020	<u>216,975</u>	<u>(686)</u>	<u>424,614</u>	<u>424,614</u>	<u>640,903</u>	<u>25</u>	<u>640,928</u>

(^) Available-for-sale

For the financial period to 31 October 2019

Balance as at 1 May 2019	162,732	(301)	367,129	367,129	529,560	25	529,585
Profit for the period	-	-	60,377	60,377	60,377	-	60,377
Other comprehensive income, net of tax	-	-	-	-	-	-	-
Amount capitalised for Bonus Issue	54,243	-	(54,243)	(54,243)	-	-	-
Total comprehensive Income	216,975	(301)	373,263	373,263	589,937	25	589,962
<u>Transactions with Owners</u>							
Dividend in respect of FYR 2019	-	-	(8,133)	(8,133)	(8,133)	-	(8,133)
Dividend in respect of FYR 2020	-	-	(11,386)	(11,386)	(11,386)	-	(11,386)
Balance as at 31 October 2019	<u>216,975</u>	<u>(301)</u>	<u>353,744</u>	<u>353,744</u>	<u>570,418</u>	<u>25</u>	<u>570,443</u>

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

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Condensed Consolidated Statement of Cash Flows For the Second Quarter Ended 31 October 2020 ("Q2-FYR 2021")

	Unaudited 31-10-2020 RM'000	Unaudited 31-10-2019 RM'000 (Restated)
<u>Cash flows from operating activities</u>		
Profit before tax	62,302	78,334
Adjustments for :		
Depreciation	3,161	3,324
Dividend income	(2,201)	(4,886)
Gain on disposal of plant and equipment	(389)	(59)
Interest income	(717)	(1,107)
Property, plant and equipment written off	9	12
Net unrealised loss on foreign exchange	(407)	(1,560)
Operating profit before working capital changes	61,758	74,058
Increase in inventories	(9,680)	(20,835)
Decrease in receivables	11,053	12,687
Increase in payables	33,209	21,792
Cash generated from operations	96,340	87,702
Net Income tax paid	(14,208)	(13,809)
Net cash from operating activities	82,132	73,893
<u>Cash flows from investing activities</u>		
Net dividends received	2,201	4,886
Interest received	717	1,107
Proceeds from disposal of property, plant and equipment	510	105
Purchase of plant and equipment	(7,861)	(2,146)
Placement of fixed deposits	(5,500)	-
Net cash (used in) / from investing activities	(9,933)	3,952
<u>Cash flows from financing activities</u>		
Dividends paid	(15,171)	(19,519)
Net cash used in financial activities	(15,171)	(19,519)
Net increase in cash and cash equivalents	57,028	58,326
Effects of changes in exchange rates on cash and cash equivalents	(1,046)	1,983
Cash and cash equivalents at beginning	255,706	188,258
Cash and cash equivalents at end	311,688	248,567
Cash & Cash Equivalents comprise the followings :-		
Cash and bank balances	3,067	5,541
Fixed deposits with licensed banks	101,430	73,000
Investment in money market funds	233,063	193,209
	337,560	271,750
Less : Fixed deposits with maturity more than three months	(25,872)	(23,183)
	311,688	248,567

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.

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

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Notes to the Financial Report

For the Second Quarter Ended 31 October 2020 ("Q2-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 six months ended 31 October 2020 (or "financial period").

5) Material Changes in Estimates

There were no material changes in the estimates of amounts reported in Q2-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 October 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 October 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.

9) Subsequent Events

On 25 November 2020, the 99.64% subsidiary of the Company, South Island Packaging (Penang) Sdn Bhd completed the disposal of its vacant leasehold land and property at No. 2406 Jalan Perusahaan, Kawasan Perusahaan Perai, 13600 Perai, Pulau Pinang measuring 8,027 square meters in land area to the Purchaser, Pan Manufacturing Sdn Bhd for a total cash consideration of RM8.5 million via the Sale and Purchase Agreement dated 31 January 2020.

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The disposal is expected to give rise to a net gain on disposal of approximately RM6.387 million in Q3-FYR 2021 after taking into consideration carrying amount of the property RM1.427 million, costs of disposal RM0.552 million and estimated real property gain tax RM0.134 million.

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	512,764	91.4%
Packaging	48,327	8.6%
Total Revenue - external	<u>561,091</u>	<u>100.0%</u>
<u>Results</u>	RM'000	
Garment manufacturing	56,269	
Packaging manufacturing and miscellaneous	3,641	
	<u>59,910</u>	
Unallocated corporate expenses	(168)	
Profit from operations	59,742	
Investment related Income :		
Dividend income	2,201	
Interest income	717	
Fair value loss on investment securities	(63)	
Gain on disposal of investment securities	1	
	2,856	
Finance costs (Non-interest)	(296)	
Profit before tax	62,302	
Tax expense	(14,711)	
Net profit after tax	<u>47,591</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 91.4% and 93.9% 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 :

	Q2-FYR 2021	Q2-FYR 2020	%	Financial period	Financial period	%
	RM'000	RM'000		to 31-10-2020	to 31-10-2019	
Revenue	<u>269,104</u>	<u>301,330</u>	-10.7%	<u>561,091</u>	<u>628,659</u>	-10.7%
Profit from operations	<u>25,911</u>	<u>36,044</u>	-28.1%	<u>59,742</u>	<u>72,229</u>	-17.3%
Profit before Tax	<u>27,107</u>	<u>38,141</u>	-28.9%	<u>62,302</u>	<u>78,334</u>	-20.5%
Net Profit after Tax	<u>20,835</u>	<u>29,870</u>	-30.2%	<u>47,591</u>	<u>60,377</u>	-21.2%

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Q2-FYR 2021 vs Preceding Year Corresponding Quarter (Q2-FYR 2020)

Revenue of the Group for Q2-FYR 2021 decreased by 10.7% to RM269.104 million over Q2-FYR 2020 mainly due to the negative impacts of Covid-19 including related multiple lockdowns and border restrictions which have dampened consumer sentiments and reduced consumer spending.

Segment wise, garment revenue for Q2-FYR 2021 dropped by 11.8% to RM244.630 million mainly due to lower sale orders received whilst packaging revenue increased by 1.5% to RM24.474 million vs Q2-FYR 2020 mainly due to higher orders of flexible packaging products received.

PBT of the Group for Q2-FYR 2021 has decreased by 28.9% to RM27.107 million versus Q2-FYR 2020.

Garment PBT for Q2-FYR 2021 decreased by 32.6% to RM25.006 million versus Q2-FYR 2020 mainly due to lower revenue, and higher loss on foreign exchange by RM4.791 million (ie. from a gain RM2.631 million in Q2-FYR 2020 to a loss of RM2.160 million in Q2-FYR 2021).

However, packaging PBT for Q2-FYR 2021 spiked 62.7% mainly due to higher revenue, lower raw material costs of flexible packaging and lower administration costs incurred.

Financial Period vs Last Year to date (Last YTD)

Revenue of the Group for the financial period decreased by 10.7% to RM561.091 million as compared to Last YTD mainly due to the negative impacts of Covid-19 including related lockdowns and border restrictions which have dampened consumer sentiment and crippled spending power.

Both garment and packaging revenue decreased by 11.6% to RM512.764 million and 0.7% to RM48.327 million respectively mainly due to lower sale orders of garment and corrugated packaging products received.

PBT of the Group for the financial period dropped by 20.5% to RM62.302 million as compared to Last YTD.

Garment PBT decreased by 23.1% to RM58.337 million as compared to Last YTD mainly due to lower revenue, lower investment related income and higher forex loss by RM4.580 million (ie. from a gain of RM1.96 million in last YTD to a loss of RM2.620 million in the financial period).

Packaging PBT surged by 47.2% mainly due to lower raw material costs of flexible packaging and lower administration costs incurred.

12) Variation of Results of Q2-FYR 2021 vs Preceding Quarter (Q1-FYR 2021)

	Q2-FYR 2021 RM'000	Q1-FYR 2021 RM'000	%
Revenue	269,104	291,987	-7.8%
Profit from operations	25,911	33,831	-23.4%
Profit before Tax	27,107	35,195	-23.0%
Net Profit after Tax	20,835	26,756	-22.1%

Revenue of the Group for Q2-FYR 2021 dropped by 7.8% whilst PBT decreased by 23.0% as compared to Q1-FYR 2021 mainly due to the negative impact of the climbing new cases of Covid-19.

Garment revenue dropped by 8.8% to RM244.630 million mainly due to lower sale orders received. However, packaging revenue increased by 2.6% mainly due to higher sale orders received.

PBT of the Group for Q2-FYR 2021 dropped by 23% to RM27.107 million as compared to Q1-FYR 2021.

Garment PBT dropped by 25.0% to RM25.006 million mainly due to lower revenue and higher loss of foreign exchange by RM2.360 million (ie. from a gain of RM0.200 million in Q1-FYR 2021 to a loss of RM2.160 million in Q2-FYR 2021).

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However, there was a 20.1% hike in packaging PBT mainly due to higher revenue and lower raw material costs of flexible packaging.

13) Future Prospects

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

Despite the positive development on Covid-19 vaccines, the Group's operating environments for the remaining quarters are expected to remain challenging due to the negative impact caused by the Covid-19 pandemic including multiple lockdowns and border restrictions in many countries which stifle consumer spending.

The Group will continue to implement proactive measure to control costs, capital expenditure and streamlined its operations to mitigate the protracted impact of Covid-19 on the group's businesses.

14) Tax Expense

	Q2-FYR 2021	Financial period
	RM'000	RM'000
The tax expenses for Q2-FYR 2021 or financial period are made up as follows :		
Provision for current tax	6,250	14,582
Deferred Tax	13	120
Real Property Gain Tax	9	9
	<u>6,272</u>	<u>14,711</u>

The Group's effective tax rate for Q2-FYR 2021 and financial period were lower than the Malaysian statutory tax rate of 24% mainly due to certain tax-exempt income earned.

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

On 9 September 2020 the Company announced that its wholly-owned subsidiary, South Island Garment Sdn Bhd had on even date entered into the Sale and Purchase Agreement ("SPA") with the Purchaser, Hallmark Equity Sdn Bhd for the disposal of the vacant freehold land and building at No. 1488 Jalan Besar Valdor, Kaw Perindustrian Valdor, 14200 Sg Jawi, Pulau Pinang measuring 31,378.11 square meters in land area for a total cash consideration of RM22 million.

The disposal is expected to be completed within 4 months from the SPA date (ie. by Q3-FYR 2021), if the Purchaser will not opt for the 2 months extension at an interest charge of 8% p.a. on the outstanding balance as provided in in the SPA.

Upon completion, the disposal is expected to give rise to a net gain on disposal of approximately RM15.444 million after taking into consideration the carrying amount of the property RM6.119 million, estimated costs of disposal RM0.258 million and estimated real property gain tax RM0.179 million.

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

Capital commitments not provided for in the interim financial statements as at 31 October 2020 amounted to RM3.343 million which are mainly in respect of the acquisition of plant and equipments (last annual reportin date : RM0.994 million).

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	Dividend per share	Payout Ratio	Dividend for FYR 2021 RM'000	Dividend paid in FYR 2021 RM'000
21) Dividends paid and payable				
(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	8,669
2nd single tier interim dividend in respect of FYR 2021 declared on 3 December 2020 (Q2-FYR 2020 : 2.50 Sen)	1.8 Sen	37.4%	7,802	-
Total			16,471	15,171

Total dividends paid and payable in respect of the financial period are 3.8 Sen per share totaling RM16.471 million (Last YTD : 5.13 Sen - adjusted* totaling RM22.230 million) and representing 34.6% payout ratio (Last YTD : 36.8%). 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 :

		Q2-FYR 2021	Q2-FYR 2020	Financial period to 31-10-2020	Financial period to 31-10-2019
Profit attributable to owners of the Company	(RM'000)	20,835	29,870	47,591	60,377
Weighted average of no. of issued shares with voting rights at end		433,451	433,751	433,451	433,751
Basic EPS	(Sen)	4.81	6.89	10.98	13.92

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

23) Profit Before Tax

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

	Q2-FYR 2021 RM'000	Q2-FYR 2020 RM'000	Financial period to 31-10-2020 RM'000	Financial period to 31-10-2019 RM'000
Interest income	(372)	(567)	(717)	(1,107)
Dividend income	(989)	(1,250)	(2,201)	(4,886)
Fair value loss/(gain) on investment securities	22	(430)	63	(430)
(Gain)/loss on disposal of investment securities	-	(9)	(1)	(12)
Depreciation and amortisation	1,583	1,626	3,161	3,324
Net unrealised (gain)/loss on foreign exchange	(539)	(2,190)	(407)	(1,560)
Net realised (gain)/loss on foreign exchange	2,599	(523)	2,232	(1,196)
Net (gain)/loss on foreign exchange - all segments	2,060	(2,713)	1,825	(2,756)
Gain on disposal of property, plant and equipment	(389)	(51)	(389)	(59)
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

3 December 2020