

Magni-Tech Industries Berhad

(Q1-FYR 2022)

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 2021 ("Q1-FYR 2021")

	Q1-FYR 2022 RM'000	Q1-FYR 2021 RM'000	Financial Period - first 3 Months to 31-7-2021 RM'000	to 31-7-2020 RM'000
Revenue	305,566	291,987	305,566	291,987
Operating expenses	(280,297)	(258,456)	(280,297)	(258,456)
Other operating income/(expenses)				
Gain on foreign exchange	805	235	805	235
Others	61	65	61	65
Profit from operations	26,135	33,831	26,135	33,831
Investment related income	1,867	1,517	1,867	1,517
Finance costs	(138)	(153)	(138)	(153)
Profit before tax	27,864	35,195	27,864	35,195
Tax expense	(6,818)	(8,439)	(6,818)	(8,439)
Profit for the period	21,046	26,756	21,046	26,756
(Representing total comprehensive income for the period)				
Total comprehensive income attributable to :				
Owners of the Company	21,046	26,756	21,046	26,756
Non-controlling interests	-	-	-	-
	21,046	26,756	21,046	26,756
Basic / diluted earnings per share (Sen)	4.86	6.17	4.86	6.17
Dividends per share (Sen)				
- Interim dividend (Q1)	-	2.000	-	2.000

Condensed Consolidated Statement of Financial Position as at 31 July 2021

	Unaudited @ 31-7-2021	Audited @ 30-4-2021
ASSETS		
Non-current assets	RM'000	RM'000
Property, plant and equipment	57,115	58,295
Investment properties	1,073	1,078
Investment securities - Unquoted shares	17,820	17,820
	<u>76,008</u>	<u>77,193</u>
Current assets		
Inventories	251,279	249,482
Receivables	87,820	115,495
Investment securities - Money market unit trusts	123,646	257,803
Bank deposits and cash balances	268,961	83,139
	<u>731,706</u>	<u>705,919</u>
Non-current asset held for sale	6,119	6,119
	<u>737,825</u>	<u>712,038</u>
TOTAL ASSETS	<u><u>813,833</u></u>	<u><u>789,231</u></u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	216,975	216,975
Reserves	485,790	476,881
Treasury shares	(686)	(686)
Net equity funds	<u>702,079</u>	<u>693,170</u>
Non-controlling Interests	<u>26</u>	<u>26</u>
Total equity	<u><u>702,105</u></u>	<u><u>693,196</u></u>
Non-current liability		
Deferred tax liabilities	<u>6,143</u>	<u>5,918</u>
Current liabilities		
Payables	95,659	79,685
Current tax liabilities	9,926	10,432
	<u>105,585</u>	<u>90,117</u>
Total liabilities	<u><u>111,728</u></u>	<u><u>96,035</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>813,833</u></u>	<u><u>789,231</u></u>
Net assets per share (RM)	1.62	1.60

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.

Condensed Consolidated Statement of Changes in Equity
For the First Quarter Ended 31 July 2021 ("Q1-FYR 2022")

	- - - - 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 2021</u>							
Balance as at 1 May 2021	216,975	(686)	476,881	476,881	693,170	26	693,196
Total Comprehensive Income for the period	-	-	21,046	21,046	21,046	-	21,046
<u>Transaction with owners</u>							
Dividend in respect of FYR 2021	-	-	(12,137)	(12,137)	(12,137)	-	(12,137)
Balance as at 31 July 2021	<u>216,975</u>	<u>(686)</u>	<u>485,790</u>	<u>485,790</u>	<u>702,079</u>	<u>26</u>	<u>702,105</u>
(^) Available-for-sale							
<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>

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

Condensed Consolidated Statement of Cash Flows
For the First Quarter Ended 31 July 2021 ("Q1-FYR 2022")

	Unaudited 31-7-2021 RM'000	Unaudited 31-7-2020 RM'000
<u>Cash flows from operating activities</u>		
Profit before tax	27,864	35,195
Adjustments for :		
Depreciation	1,394	1,578
Dividend income	(996)	(1,212)
Interest income	(609)	(345)
Property, plant and equipment written off	1	9
Unrealised loss on foreign exchange	749	131
Operating profit before working capital changes	28,403	35,356
(Increase)/Decrease in inventories	(1,798)	17,756
Decrease in receivables	26,892	7,677
Increase/(Decrease) in payables	16,012	(2,825)
Cash generated from operations	69,509	57,964
Net Income tax paid	(7,099)	(8,319)
Net cash from operating activities	62,410	49,645
<u>Cash flows from investing activities</u>		
Net dividends received	996	1,212
Interest received	609	345
Purchase of plant and equipment	(212)	(507)
Placement of fixed deposits	(132,650)	(4,000)
Withdrawal of fixed deposits	-	500
Net cash used in investing activities	(131,257)	(2,450)
<u>Cash flows from financing activities</u>		
Dividends paid to shareholders of the Company	(12,137)	(6,502)
Net cash used in financial activities	(12,137)	(6,502)
Net increase in cash and cash equivalents	(80,984)	40,693
Effects of changes in exchange rates on cash and cash equivalents	(1)	(158)
Cash and cash equivalents at beginning	308,953	255,706
Cash and cash equivalents at end	227,968	296,241
Cash and cash equivalents comprise the followings :-		
Investment in money market funds	123,646	233,974
Fixed deposits with licensed banks	264,106	82,401
Cash and bank balances	4,856	3,738
	392,608	320,113
Less : Fixed deposits with maturity more than three months	(164,640)	(23,872)
	227,968	296,241

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.

For the First Quarter Ended 31 July 2021 ("Q1-FYR 2022")

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 and the requirements of paragraph 9.22 of Main Market 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 2021 ("FYR 2021"). 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 2021.

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 2021. 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 2021.

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 2021 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 unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the first three months ended 31 July 2021 ("Q1-FYR 2022" or "financial period").

5) Material changes in estimates

There were no material changes in the estimates of amounts reported in Q1-FYR 2022.

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 2021 / 31 July 2021	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 2021, the Company's no. of outstanding shares in issue with voting rights was 433,450,579 ordinary shares excluding 500,000 treasury shares (30 April 2021 : 433,450,579 ordinary shares).

8) Dividend paid

The 4th interim dividend of 2.8 Sen per share for Q4-FYR 2021 of RM12.137 million was paid on 28 July 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.

For the First Quarter Ended 31 July 2021 ("Q1-FYR 2022")

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	283,018	92.6%
Packaging	22,548	7.4%
Total revenue - external	<u>305,566</u>	<u>100.0%</u>
<u>Results</u>	RM'000	
Garment manufacturing	25,746	
Packaging manufacturing and miscellaneous	513	
	<u>26,259</u>	
Unallocated corporate expenses	(124)	
Profit from operations	26,135	
Investment related Income :		
Dividend income	996	
Interest income	609	
Fair value loss on investment securities	(3)	
Gain on disposal of investment securities	265	
	<u>1,867</u>	
Finance costs (Non-interest)	(138)	
Profit before tax ("PBT")	27,864	
Taxation expenses	(6,818)	
Net profit after tax ("PAT")	<u>21,046</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 92.6% and 98.0% of the Group's revenue and profit from operations (before gain on disposal of properties and 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 2022	Q1-FYR 2021	%
	RM'000	RM'000	
Revenue	<u>305,566</u>	<u>291,987</u>	4.7%
Profit from operations	<u>26,135</u>	<u>33,831</u>	-22.7%
PBT	<u>27,864</u>	<u>35,195</u>	-20.8%
PAT	21,046	26,756	-21.3%

Q1-FYR 2022 vs Preceding Year Corresponding Quarter (Q1-FYR 2021)

Revenue for Q1-FYR 2022 increased by 4.7% to RM305.566 million over Q1-FYR 2021 despite the ongoing operational constraints posed by the Covid-19 pandemic.

Segment wise, garment revenue for Q1-FYR 2022 increased by 5.6% to RM 283.018 million mainly due to higher sale orders received. However, packaging revenue decreased by 5.5% to RM22.548 million vs Q1-FYR 2021 mainly due to lower sale orders received.

For the First Quarter Ended 31 July 2021 ("Q1-FYR 2022")

Profit before tax ("PBT") for Q1-FYR 2022 decreased by 20.8% to RM27.864 million as compared to Q1-FYR 2021 due to the factors as stated below coupled with the adverse effects of the total lockdown in Malaysia from 1 June 2021 to 4 July 2021, and the lockdown restrictions in Vietnam as stated in Note 13.

Garment PBT for Q1-FYR 2022 dropped by 18.4% RM27.209 million mainly due to higher cost of sales.

Packaging PBT for Q1-FYR 2022 decreased by 66.2% mainly due to lower revenue and higher paper and plastic raw materials costs.

12) Variation of Results of Q1-FYR 2022 vs Preceding Quarter (Q4-FYR 2021)

	Q1-FYR 2022	Q4-FYR 2021	
	RM'000	RM'000	%
Revenue	305,566	297,538	2.7%
Profit from operations	26,135	39,833	-34.4%
PBT	27,864	41,628	-33.1%
PAT	21,046	30,619	-31.3%

Revenue for Q1-FYR 2022 increased by 2.7% as compared to Q4-FYR 2021.

Garment revenue for Q1-FYR 2022 increased by 4.5% to RM283.018 million mainly due to higher sale orders received. However, packaging revenue for Q1-FYR 2021 decreased by 15.3% RM22.548 million mainly due to lower sale orders received.

Profit before tax ("PBT") for Q1-FYR 2022 decreased by 33.1% to RM27.864 million as compared to Q4-FYR 2021 due to the factors as stated below coupled with the adverse effects of the total lockdown in Malaysia from 1 June 2021 to 4 July 2021, and the lockdown restrictions in Vietnam effective 19 June 2021 as stated in Note 13.

Garment PBT decreased by 31.1% to RM27.209 million mainly due to lower revenue, higher cost of sales, lower gain on foreign exchange by RM1.121 million, and lower dividend received from unquoted share investments by RM0.594 million.

Likewise, there was a 70.0% drop in packaging PBT mainly due to lower revenue and higher raw material costs.

13) Future prospects

Further to our announcement to Bursa Securities on 22 July 2021, our production facilities in Ho Chi Minh ("HCM") and south of HCM remain suspended due to the extension of lockdowns in accordance with Vietnam Central Government Directive No 16. The lockdowns have been extended to 15 September 2021.

However, there is a positive change in Vietnamese Government strategy to emerge from a strict and prolonged lockdowns and resume economic activities after September 15, shifting from its Zero Covid 19 strategy to living with viruses. Vietnam Prime Minister warned that Vietnam could be facing a lengthy covid -19 battle and could not rely on lockdown and quarantines indefinitely.

Vietnam has one of the lowest coronavirus vaccination rates in the region with only 3.3% of the 98 million people fully vaccinated and 15.4% with one shot. The Vietnamese government is aggressively pursuing Covid 19 vaccines to speed up vaccination drives to ultimately achieve herd immunity while opening the economy in a sustainable manner.

In anticipation of gradual reopening of Vietnam's economy from strict lockdowns, the management is proactively working with various local authorities for the reopening of production facilities while establishing SOPs for the factory management, systematic and regular Covid-19 test for all workers, and most crucially to procure Covid 19 vaccines for our workers to safeguard the health and safety of all our workers.

We are engaging with our customers very closely on our order status, our mitigation and ramp up plans.

With the solid financial position, we are confident that we will be able to overcome these unprecedented challenges and hopefully emerge stronger.

The Group is not in a position to quantify the potential financial impact of the above unforeseen disruptions as the the pandemic in Vietnam is highly volatile while facing with Covid 19 Delta variant.

For the First Quarter Ended 31 July 2021 ("Q1-FYR 2022")

14) Tax expense

The tax expenses for Q1-FYR 2022 or financial period are made up as follows :

	Q1-FYR 2022 RM'000	Financial period RM'000
Provision for current tax	6,890	6,890
Deferred tax	(72)	(72)
	<u>6,818</u>	<u>6,818</u>

The Group's effective tax rates for both Q1-FYR 2022 under review are slightly higher than the Malaysia statutory tax rate of 24% mainly due to certain expenses being disallowed for tax deduction.

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

The disposal of the freehold land and vacant building by our garment subsidiary as per the Sale and Purchase Agreement dated 16 June 2021 (and our announcement to Bursa Securities on the said date) is expected to complete in the second quarter of FYR 2022. Upon completion, the disposal is expected to generate a net gain of approximately RM14.081 million.

17) Group borrowings and debts securities

The Group has no borrowings and debt securities as at 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 2021

20) Capital commitments

There were capital expenditure of RM1.376 million mainly in respect of the acquisition of machine and equipments (last annual reporting date : RM5.261).

21) 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 :

		Financial periods			
		Q1-FYR 2022	Q1-FYR 2021	to 31-7-2021	to 31-7-2020
Profit attributable to owners of the Company	(RM'000)	21,046	26,756	21,046	26,756
Weighted average of no. of issued shares with voting rights at end		433,451	433,751	433,451	433,751
Basic EPS	(Sen)	4.86	6.17	4.86	6.17

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

22) Dividend Declared

	Dividend Per Share		Payout Ratio		Dividend Amount	
	FYR 2022	FYR 2021	FYR 2022	FYR 2021	FYR 2022 RM'000	FYR 2021 RM'000
Q1 - Single tier interim dividend	-	2.0 Sen	-	32.4%	-	8,669

In light of the ongoing operational disruptions in Vietnam's garment production facilities and the expected significant impact on the financial results for at least the next quarter as stated in Note 13 above, the lower profit attributable to shareholders for Q1-FYR 2022, and the management's prudent approach to conserve cash, no dividend is declared for Q1-FYR 2022.

For the First Quarter Ended 31 July 2021 ("Q1-FYR 2022")

23) Profit before tax

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

	Q1-FYR 2022 RM'000	Q1-FYR 2021 RM'000
Interest income	(609)	(345)
Dividend income	(996)	(1,212)
Fair value loss/(gain) on investment securities	3	41
(Gain)/loss on disposal of investment securities	(265)	(1)
Depreciation and amortisation	1,394	1,578
Net unrealised (gain)/loss on foreign exchange	748	(132)
Net realised (gain)/loss on foreign exchange	(1,553)	367
Net (gain)/loss on foreign exchange - all segments	(805)	235
Gain on disposal of properties, plant and equipment	-	-
Bad debts written off	-	-
Reversal of impairment loss on trade receivables	-	9
Property, plant and equipment written off	1	-
(Gain)/loss on derivatives/exceptional items	-	-

By Order of the Board

Tan Sri Dato' Seri Tan Kok Ping

Chairman

14 September 2021