

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The notes to the condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the financial year ended (“FYE”) 30 June 2020.

1. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with MFRS 134 Interim Financial Reporting issued by the Malaysia Accounting Standards Board and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

These financial statements have also been prepared on a historical cost basis except as disclosed in the audited consolidated financial statements for the FYE 30 June 2020.

2. Significant accounting policies

The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited consolidated financial statements for the FYE 30 June 2020 except for standards effective for financial periods beginning on or after 1 January 2020 below:

	Effective for annual periods beginning on or after
Amendments to MFRS 3: Business Combination - Definition of Business	1 January 2020
Amendments to MFRS 9: Financial Instruments	1 January 2020
Amendments to MFRS 139: Financial Instruments, Recognition and Measurement, and	1 January 2020
Amendments to MFRS 7: Financial Instruments: Disclosures - Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101: Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

The adoption of the above does not have any significant impact on the Group.

The standards that are issued but not yet effective up to the date of authorisation of these financial statements are disclosed below. The Group intends to adopt these standards if applicable when they become effective.

	Effective for annual periods beginning on or after
Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures - Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendment to MFRS 1, First-time Adoption of Malaysia Financial Reporting Standards (Annual Improvements to MFRS Standards 2018 - 2020)	1 January 2022
Amendments to MFRS 3, Business Combinations - Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 9, Financial Instruments (Annual Improvements to MFRS Standards 2018 - 2020)	1 January 2022
Amendment to Illustrative Example accompanying MFRS 16, Leases (Annual Improvements to MFRS Standards 2018 - 2020)	1 January 2022
Amendment to MFRS 116, Property, Plant and Equipment - Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendment to MFRS 137, Provision, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Amendment to MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018 - 2020)	1 January 2022
Amendments to MFRS 17, Insurance Contracts and Amendments to MFRS 17, Insurance Contracts	1 January 2023
Amendments to MFRS 101, Presentation of Financial Statements - Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be confirmed

These standards are not expected to significantly impact the financial statements in the period of initial application.

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MFRS 9 Financial Instrument (Cash Flow Hedge)

A cash flow hedge is a hedge of the exposure to variability in cash flows attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in the fair value of the hedged item, determined on a present value basis, from the inception of the hedge.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedged item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, the loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss immediately.

The Group designates only the change in fair value of forward contracts' spot element as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ("forward points") and/or the foreign currency basis spread are separately accounted for as cost of hedging and recognised in a cost of hedging reserve within equity.

3. Audit report of preceding annual financial statements

There was no qualified audit report issued by the auditors in the annual financial statements for the FYE 30 June 2020.

4. Seasonal or cyclical factors

The Group's operations are not materially affected by any seasonal or cyclical factors.

5. Exceptional items

There were no exceptional items during the quarter under review.

6. Material changes in estimates used

There were no material changes in estimates of the amounts reported in the most recent annual financial statements of the Group for the FYE 30 June 2020 that may have a material effect on the current quarter results.

7. Debt and equity securities

The Group did not undertake any issuance and/or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial period ended 31 December 2020 except as follows:

During the financial period ended 31 December 2020, the Company's issued share capital increased from RM102,089,964 comprising 440,895,320 shares to RM105,559,224 comprising 475,587,920 shares as a result of the conversion of 34,692,600 ICPS into 34,692,600 new ordinary shares in Ta Win at the conversion price of RM0.10 by a combination of surrendering 1 ICPS and paying the difference between the issue price of the ICPS surrendered and the conversion price in cash (i.e., RM0.075) for 1 new Share.

8. Dividend

No dividend was paid in the current financial year under review.

9. Carrying Amount of Revalued Assets

The valuation of property, plant and equipment had been revalued and amended from the financial statements for the FYE 30 June 2020.

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10. Operating Segments

Operating segment information for the financial period ended 31 December 2020 is as follows:

	<u>Manufacturing</u> RM'000	<u>Trading</u> RM'000	<u>Others</u> RM'000	<u>Elimination</u> RM'000	<u>Others</u> RM'000
Revenue					
External sales	103,210	20,827	23	-	124,060
Inter-segment sales	2,887	-	179	(3,066)	-
Total revenue	<u>106,097</u>	<u>20,827</u>	<u>202</u>	<u>(3,066)</u>	<u>124,060</u>
Results					
Operating profit/(loss)	508	43	(1,243)	(92)	(784)
Finance costs	(835)	-	(1)	129	(707)
Profit/(loss) before tax	<u>(327)</u>	<u>43</u>	<u>(1,244)</u>	<u>37</u>	<u>(1,491)</u>

In the financial period ended 31 December 2019, no operating segment information has been prepared as the Group has only one reportable segment.

11. Material events subsequent to the end of the current financial period

In the opinion of the Directors, there are no items, transactions or events of a material and unusual nature that have arisen since 31 December 2020 to the date of this announcement which would substantially affect the financial results of the Group for the period ended 31 December 2020 that have not been reflected in the condensed financial statements.

12. Changes in the composition of the Group

Save as disclosed below, there were no significant changes in the composition of the Group including business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructuring or discontinued operations for the current period:

- (i) on 17 September 2020, Ta Win incorporated a private limited company in Malaysia under the Companies Act 2016, Ta Win Copper Biohealth Sdn Bhd ("TWCBiohealth") whose principal activities will be the business of design, R&D, production, marketing, investment and venture capital of healthcare and pharmaceutical products, devices and services which include application of antimicrobial copper, copper additives, biochemistry and chemistry of copper and copper proteins; and
- (ii) on 24 December 2020, the share sale agreement and subscription agreement to acquire and subscribe in aggregate 3,897,197 ordinary shares in Royce Pharma Manufacturing Sdn Bhd ("Royce Pharma") at the aggregate sum of RM20,670,000.00 have been completed. Pursuant thereto, Royce Pharma is a 32.5%-owned associate company of Ta Win through its wholly-owned subsidiary TWCBiohealth.

13. Capital commitments

There are no material capital commitments except as disclosed below:

	<u>As at 31 Dec 2020</u> RM'000	<u>As at 30 Jun 2020</u> RM'000
Approved and contracted for	15,778	7,837
Approved but not contracted for	-	-

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14. Income tax

	Individual quarter ended 31 December		Cumulative quarter ended 31 December	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Income Tax				
Current period	(153)	(111)	(153)	(41)
Deferred Tax				
Current Period	-	-	-	-
	(153)	(111)	(153)	(41)

15. Status of corporate proposals announced but not completed as at the date of this announcement

Save as disclosed below, there is no corporate proposal announced by Ta Win but not completed as at the date of this announcement:

- (i) on 29 July 2020, Ta Win had entered into a joint venture agreement (“**JVA**”) with Perbadanan Memajukan Iktisad Negeri Terengganu (“**PMINT**”) to formalise the terms of the parties’ proposed joint venture in the development of the Terengganu Ecocycle Park on a piece of leasehold industrial land located at Kawasan Lembah Perasing, Mukim Hulu Jabor, Daerah Kemaman, Terengganu Darul Iman measuring approximately 500 acres (“**Terengganu Ecocycle Park**”).

On 14 September 2020, Ta Win also proposes to diversify the Group’s principal activities to include the undertakings to design, develop, financing, build to operate, sell and market the Terengganu Ecocycle Park as well as other related activities in conjunction with the JVA (“**Proposed Diversification**”).

On 29 December 2020, Ta Win announced that Ta Win and PMINT are in the midst of discussion to enter into a supplemental agreement to vary certain terms of the JVA (“**Supplemental JVA**”). Given the extended time required for Ta Win and PMINT to enter into the Supplemental JVA, Mercury Securities Sdn Bhd had, on behalf of the Board, announced that the Board had on even date resolved to seek Ta Win’s shareholders’ approval for the Proposed Diversification on a later date, i.e., after Ta Win and PMINT have entered into the Supplemental JVA.

On 11 February 2021, Ta Win had entered into a supplemental JVA with PMINT to amend certain provision of the JVA and insert new clauses in the JVA; and

- (ii) on 14 September 2020, Mercury Securities Sdn Bhd had, on behalf of the Board, announced that Ta Win proposed to undertake the renounceable rights issue of up to 3,106,101,171 Rights Shares at an Issue Price of RM0.06 per Rights Share on the basis of 3 Rights Shares for every 1 existing Ta Win Share held on the Entitlement Date (“**Rights Issue**”). On 2 February 2021, Bursa Malaysia Securities Berhad had vide its letter dated 2 February 2021 approved the listing of and quotation for the securities to be issued under the Rights Issue. On 23 February 2021, our shareholders have approved the Rights Issue at our EGM.

16. Borrowings and debt securities

Details of Group borrowings and debt securities as at 31 December 2020 are as follows:

	As at 31 Dec 2020	As at 30 Jun 2020
	RM'000	RM'000
Secured Short-Term Borrowings		
Trade finance	79,228	64,905
Lease payables	828	100
	80,056	65,005
Secured Long-Term Borrowings		
Lease payables	2,731	300
	82,787	65,305

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17. Derivatives

(i) Disclosure of derivative liability

As at 31 December 2020, the Group has the following derivative financial instrument:

	Contract value	Fair value
	RM'000	RM'000
Commodity Swap		
Less than 1 year	24,369	22,221

A commodity swap is used to mitigate copper commodity price risk arising from volatile market prices. There are no cash requirement risks as the Group only uses commodity swap contract as a hedging instrument.

There have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial year. Since the previous financial year, there have been no changes to the Group's management objectives, accounting policies and processes.

(ii) Fair value changes of derivative liability

The Group determines the gains or losses from fair value changes of the derivative financial instruments (commodity swap contracts) using the difference between the contracted value and market price.

18. Fair value hierarchy

There were no transfers between any levels of the fair value hierarchy during the current interim period and the comparative period. There were also no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

19. Material litigation

Saved as disclosed in Section 20 below, there are no material litigations as at this report's date.

20. Contingent liabilities

Save for the following, there are no other material changes in contingent assets or contingent liabilities for the financial period ended 31 December 2020.

The Royal Malaysian Customs Department ("RMCD") has issued two letters, both dated 16 June 2020, to TWI, our wholly-owned subsidiary claiming for alleged unpaid import duty and import sales tax of RM1,588,390.30 and RM141,966.42, respectively, which TWI strongly denies.

TWI does not agree with the basis on which RMCD is making their claims and to oppose the claims, TWI has vide its solicitors on 14 September 2020 filed an application to the High Court in Melaka for a judicial review on the said claims made by RMCD. The said application was filed in the High Court in Melaka bearing application no. MA-25-5-09/2020 and was heard on 4 November 2020 before the Honourable High Court Judge of Melaka. The application for leave to commence judicial review was not granted. The solicitors representing TWI had on 16 November 2020 filed an appeal bearing Appeal No. M-01(IM)-614-11/2020 to the Court of Appeal, Putrajaya against the Honourable High Court Judge of Melaka's decision to set aside TWI's application for leave to commence the judicial review. The case management for the said appeal has been fixed on 2 February 2021 by way of e-review. During the case management for the said appeal on 2 February 2021, TWI's solicitors informed the Court of Appeal, Putrajaya, that the Honourable High Court Judge of Melaka who set aside TWI's application to seek leave to commence judicial review has yet to provide his grounds of judgement. The Court of Appeal, Putrajaya has fixed a further date for case management on 16 March 2021.

During the case management at the Court of Appeal, Putrajaya on 16 March 2021. TWI's solicitors informed the Court of Appeal, Putrajaya that TWI wishes to write a representation letter to the Director General of Customs Putrajaya with a view to settle the matter out of the Court. The Court of Appeal, Putrajaya has fixed a further date for case management on 27 May 2021.

The estimated maximum liability to our Group should RMCD succeeds in their claims is RM1,730,356.72. The solicitors representing TWI is unable to provide its opinion on the probable outcome of the appeal at this juncture as the High Court Judge who set aside TWI's application to seek leave to commence judicial review has yet to provide his grounds of judgement.

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21. Detailed analysis of the performance between the current quarter and the immediate preceding quarter

	Current quarter 31 Dec 2020	Immediate preceding quarter 30 Sep 2020	Variance	Variance
	RM'000	RM'000	RM'000	%
Revenue				
Manufacturing	103,210	74,148	29,062	39.2%
Trading	20,827	10,835	9,992	92.2%
Others	23	25	(2)	-6.6%
	124,060	85,008	39,052	45.9%
Profit/(Loss) before tax				
Manufacturing	(290)	(2,150)	1,860	86.5%
Trading	43	235	(192)	-81.8%
Others	(1,244)	(1,137)	(107)	-9.4%
	(1,491)	(3,051)	1,561	51.1%

Revenue for the current quarter under review had increased by approximately RM39.1 million or 45.9% compared to the immediately preceding quarter, mainly attributable to the increase in the revenue from the manufacturing segment due to the higher copper price and higher production output. Revenue from the trading segment also improved by approximately RM10.0 million or 92.2%, as the Group recorded higher trading activities in the current quarter under review compared to the immediately preceding quarter as the trading activities were only commenced since August 2020.

Overall, the Group recorded a narrower loss before tax of approximately RM1.5 million compared to a loss before tax of approximately RM3.1 million in the immediately preceding quarter. The improvement achieved during the current quarter under review is mainly attributable to higher revenue recorded by the manufacturing segment, albeit partially offset by higher finance costs, transportation costs and unrealised foreign currency translation losses in the current quarter under review as compared to the immediately preceding quarter.

22. Detailed analysis of the performance for the current quarter and year

	Individual quarter ended 31 December				Cumulative quarter ended 31 December			
	2020	2019	Variance	Variance	2020	2019	Variance	Variance
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue								
Manufacturing	103,210	87,117	16,092	18.5%	177,357	154,005	23,352	15.2%
Trading	20,827	-	20,827	N/A	31,662	-	31,662	N/A
Others	23	35	(12)	-33.5%	48	65	(16)	-24.8%
	124,060	87,153	36,908	42.3%	209,068	154,070	54,998	35.7%
Profit/(Loss) before tax								
Manufacturing	(290)	(1,091)	801	73.4%	(2,440)	(873)	(1,567)	-179.5%
Trading	43	-	43	N/A	278	-	278	N/A
Others	(1,244)	(895)	(349)	-38.9%	(2,380)	(3,222)	842	26.1%
	(1,491)	(1,986)	495	24.9%	(4,542)	(4,095)	(447)	-10.9%

In the FPE 31 December 2020, the Group's revenue increased from approximately RM87.2 million from the previous financial year corresponding quarter to approximately RM124.1 million, representing an increase of approximately RM36.9 million or 42.3%. The higher revenue recorded is mainly attributable to the increase in copper price and the Group has only commenced trading activities since August 2020.

In tandem with the higher revenue recorded in the FPE 31 December 2020, the Group's loss before tax narrowed from approximately RM2.0 million from the previous financial year corresponding quarter to approximately RM1.5 million. The improvement is mainly attributable to higher revenue from the manufacturing segment and the additional revenue from the trading segment, albeit partially offset by the realised loss from derivative contract, unrealised foreign currency translation losses and higher finance costs in the current quarter under review as compared to the immediately preceding quarter previous financial year corresponding quarter.

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In the 6-month FPE 31 December 2020, the Group's revenue increased from approximately RM154.0 million from the previous financial year corresponding period to approximately RM177.4 million, representing an increase of approximately RM23.4 million or 15.2%. The higher revenue recorded is mainly attributable to the increase in copper price and the Group's trading activities since August 2020.

Despite the higher revenue recorded by the Group in the 6-month FPE 31 December 2020, the Group recorded a higher loss before tax of approximately RM4.5 million compared to approximately RM4.1 million in the previous financial year corresponding period. The higher loss before tax recorded was mainly due to the realised loss from derivative contracts and unrealised foreign currency translation loss.

23. Commentary on prospects

During the Recovery Movement Control Order (RMCO) phase, Ta Win took the opportunity to execute some of the long-term strategic plans. On 24 December 2020, Ta Win completed the investment of 32.5% equity interest in Royce Pharma. The vendor of Royce Pharma guarantees the Group a total profit after taxation of RM20.0 million for two financial years starting from 1 July 2021. Subsequently, the Group completed the investment in Sin Line Tek Electronic Co Sdn Bhd ("**Sin Line Tek**") on 8 March 2021 as part of the Group's ventures into downstream activities to strengthen the Group's core business and financial performance. In the investment in Sin Line Tek, the Group received a profit guarantee of RM2.6 million and RM3.0 million profit after taxation for the FYE 30 June 2022 and 30 June 2023. The abovementioned profit guarantees are expected to provide cushions to the Group's financial performance in the next 2 financial years.

Besides the business prospects and profit guarantees from Sin Line Tek and Royce Pharma, as well as Ta Win's efforts in the vertical integration to downstream copper business in manufacturing wire and cable products, the Group is focusing on the prospects of Cyprium Wire Technology Sdn Bhd ("**CWT**"). On 21 January 2021, Cyprium Wire Technology Sdn Bhd received the IATF 16949:2016 and ISO 9001:2015 certifications for implementing quality management systems in manufacturing wire and cables for automotive production and relevant service part organisations. With that, CWT completed its readiness to be the first and only Malaysian company in South East Asia's automotive supply chain with the capability of commercialising the patented cross-linking treatment of electron beam irradiation technology for polymer insulating and sheathing wire, cable, electrical and electronic products. These milestones further foster CWT's competitive advantage in manufacturing wire/cable and wire harness for the automotive supply chain. The Board believes the Group is well positioned to capture the soaring demand and interest for automotive solutions amid the electric vehicle and autonomous vehicle.

24. Profit forecast

Not applicable as the Group does not publish any profit forecast.

25. Earnings per share ("EPS")

	Individual quarter ended 31 December		Cumulative quarter ended 31 December	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Loss for the period attributable to equity holders of the parent	(1,503)	(1,867)	(4,256)	(3,962)
Weighted average number of ordinary shares in issue ('000)	475,588	357,391	475,588	357,391
Assuming full conversion of ICPS	320,551	438,748	320,551	357,391
Assuming full exercise of Warrants	<u>159,228</u>	<u>159,228</u>	<u>158,229</u>	<u>158,229</u>
Diluted weighted average number of ordinary shares in issue ('000)	955,367	955,367	955,367	955,367
Basic loss per share (sen)	(0.157)	(0.195)	(0.445)	(0.415)
Diluted earnings/(loss) per share (sen)	Anti-dilutive	Anti-dilutive	Anti-dilutive	Anti-dilutive

The diluted earnings per share are not presented as the effects are anti-dilutive.

26. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 March 2021.