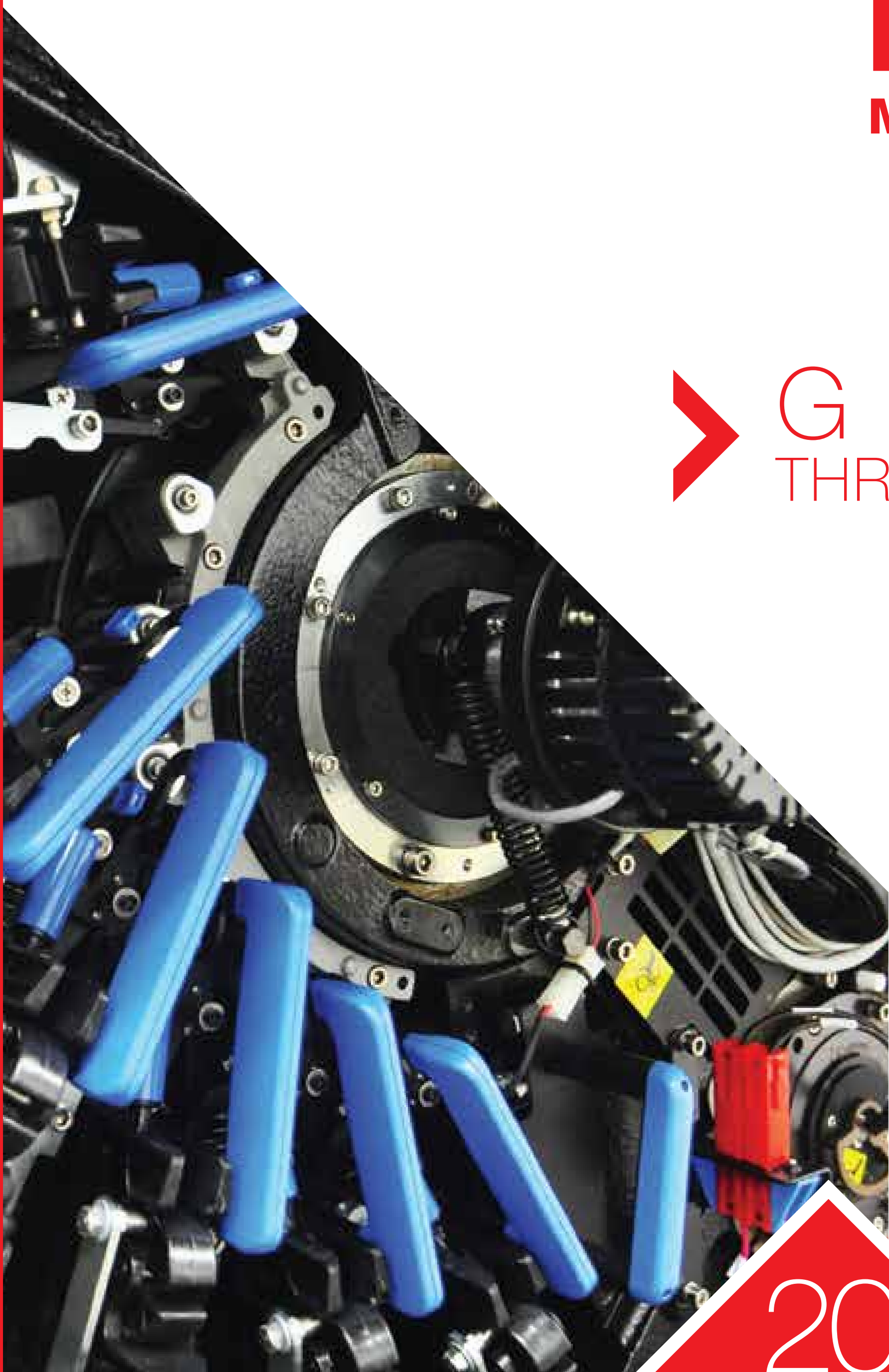
# MTAG

## MTAG GROUP BERHAD

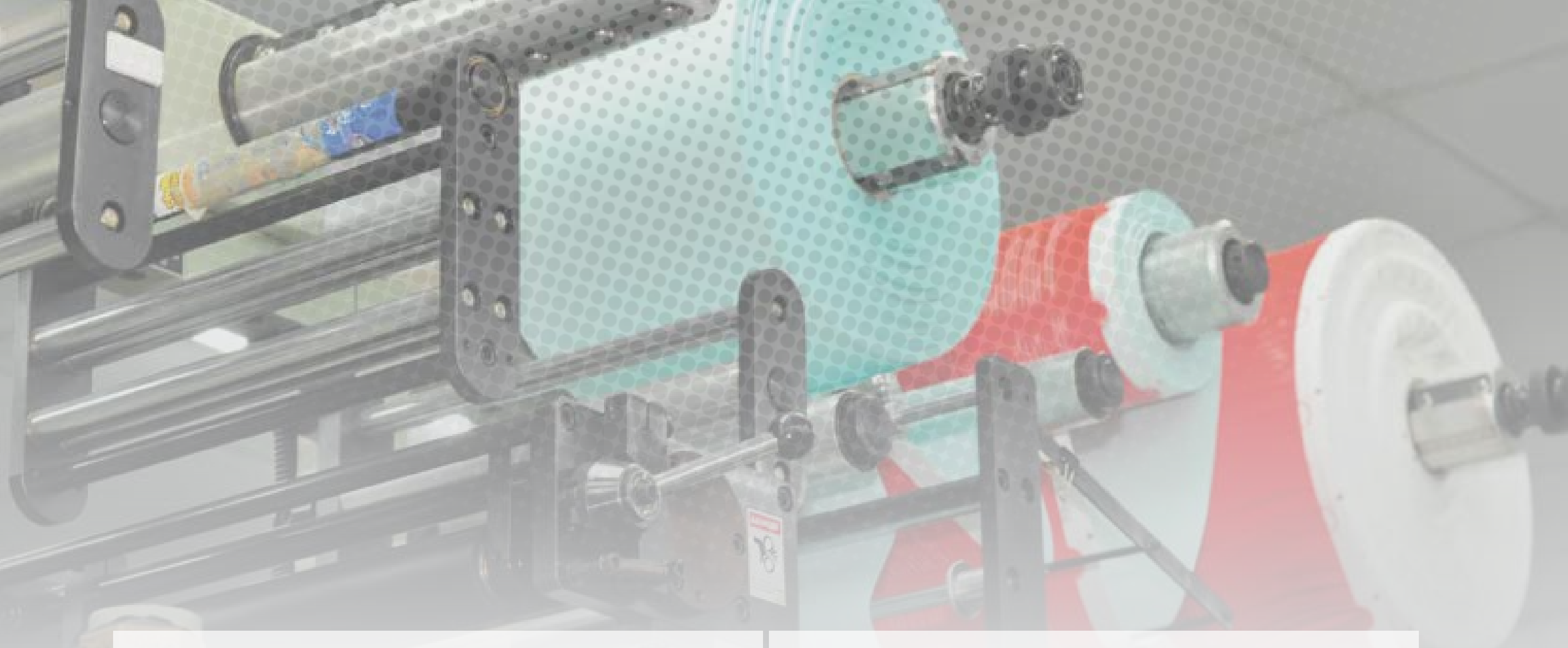
Registration No.: 201801000029 (1262041-V)

# GROWING THROUGH RESILIENCE




2021

ANNUAL REPORT 2021



## OUR VISION

We strive to be a company that customers can fully depend on for quality products and services.

## OUR MISSION

To provide a comprehensive range of products and services while meeting customers' specifications.

## OUR CORE VALUES

| | | |
|---|---|---|
| **MAKE** | – | **Make It Happen** |
| **THINK** | – | **Think Ahead of the Curve** |
| **ACCOMPLISHED** | – | **Accomplished in the Industry** |
| **GROWTH** | – | **Growth and Expansion** |

## CONTENTS



## COVER RATIONALE

In an unprecedented year, MTAG Group Berhad ("MTAG" or "the Group") has continued to remain agile and resilient against external headwinds. With a robust business model and unwavering commitment to serve, MTAG has focused on converting challenges to opportunities, as the Group strives to create sustainable value for shareholders. The cover design infuses the colour red, representing MTAG's corporate colour, as well as blue. MTAG's products are displayed on the cover in the shape of a forward arrow to give a clear picture of MTAG's offerings to the reader. The forward arrow symbolises MTAG's direction to grow and move forward.

# ABOUT MTAG

MTAG Group is a group of companies that encompasses **MTAG Group Berhad, Toyo Sho Industrial Products Sdn. Bhd., Intag Industrial Supplies Sdn. Bhd., Intag Steel Hardware Sdn. Bhd.** and **MTAG Land Sdn. Bhd.**


## CORPORATE PROFILE

MTAG Group Berhad ("MTAG" or the "Company") is an investment holding company, and through its subsidiaries ("MTAG Group" or "the Group"), is one of the leading labels and stickers printing and materials converting specialists in the country. In addition, we are the authorised distributor of industrial tape and adhesive products for two world-renowned brands – 3M and Henkel.

Established since 1995, MTAG Group currently serves a diversified clientele of approximately 600 customers including multinational corporations from various industries such as electrical & electronics ("E&E"), automotive, precision tooling, mechanical & engineering and construction. Operating from MTAG Group's headquarters in Johor Bahru, we have advanced manufacturing capabilities with a lean and skilled workforce of about 180 employees.

## OUR COMPETITIVE STRENGTHS

- Ability to provide flexible, innovative and customised solutions to meet customers' specifications;
- Capability to convert a wide variety of materials such as, among others, adhesive tapes and papers, mesh materials, metal, polyethylene plastics, foams and cardboards;
- Competency in providing high-quality printing of labels and stickers in terms of colour sharpness and uniformity within a short lead time;
- Solid track record of 25 years with an established client base;
- Authorised distributor of industrial tapes and adhesives for reputable brands;
- Sound leadership led by experienced and dedicated Board and management team; and
- Strong emphasis on customer satisfaction based on the quality of our services and products.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**LEE TING KIAT**
*Independent Non-Executive Chairman*

**CHAW KAM SHIANG**
*Managing Director*

**LAU CHER LIANG**
*Executive Director*

**JASON TAN KIM SONG**
*Independent Non-Executive Director*

**DYANA SOFYA BINTI MOHD DAUD**
*Independent Non-Executive Director*

## AUDIT COMMITTEE

**Jason Tan Kim Song**
*(Chairman)*

**Lee Ting Kiat**

**Dyana Sofya Binti Mohd Daud**

## NOMINATING COMMITTEE

**Dyana Sofya Binti Mohd Daud**
*(Chairman)*

**Lee Ting Kiat**

**Jason Tan Kim Song**

## REMUNERATION COMMITTEE

**Lee Ting Kiat**
*(Chairman)*

**Jason Tan Kim Song**

**Dyana Sofya Binti Mohd Daud**

## RISK MANAGEMENT COMMITTEE

**Jason Tan Kim Song**
*(Chairman)*

**Lee Ting Kiat**

**Dyana Sofya Binti Mohd Daud**

**Chaw Kam Shiang**

## COMPANY SECRETARIES

**Yong May Li** (f) (LS 0000295)
(SSM PC No. 202008000285)

**Wong Chee Yin** (f) (MAICSA 7023530)
(SSM PC No. 202008001953)

## HEAD OFFICE

PLO 226, Jalan Kencana Mas
Kawasan Perindustrian Tebrau III
81100 Johor Bahru
Tel no : 07 – 351 3333
Fax no : 07 – 353 5555
Website : www.mtaggroup.com
E-mail : ir@mtaggroup.com

## REGISTERED OFFICE

Suite 1301, 13th Floor
City Plaza, Jalan Tebrau
80300 Johor Bahru
Tel no : 07 – 335 4988
Fax no : 07 – 332 8096

## PRINCIPAL BANKERS

RHB Bank Berhad
Public Bank Berhad
CIMB Bank Berhad

## SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
No.8, Jalan Kerinchi
59200 Kuala Lumpur
Tel no : 03 – 2783 9299
Fax no : 03 – 2783 9222

## AUDITORS

Grant Thornton Malaysia PLT
Suite 28.01,
28th Floor, Menara Zurich
No.15, Jalan Dato' Abdullah Tahir
80300 Johor Bahru
Tel no : 07 – 332 8335

## STOCK EXCHANGE LISTING

ACE Market, Bursa Malaysia Securities Berhad
Stock Name : MTAG
Stock Code : 0213
Listed on 25 September 2019

# AWARDS AND ACCREDITATIONS

## 2020
- **Outstanding Improvement Award by Henkel**

## 2018
- **3M Strategic Channel Partner Industrial & Filtration Products**

## 2017
- **3M Strategic Channel Partner Industrial & Filtration Products**
- **Henkel Best Sales Performance Award**
- **3M Channel Achiever**

## 2016
- **Best Supplier Award by Panasonic**

## 2013
- **Designated Fabrication Certification by INOAC**

## 2010
- **Regional Henkel distributor**
- **Accredited with ISO 14001:2015 EMS Certification**

## 2007
- **Outstanding Sales Achievement Award by Henkel**
- **100% Achievement in Quality and Delivery by HONDA**


## 2006
- **100% Achievement in Quality and Delivery by HONDA**
- **Accredited with ISO 9001:2015 QMS Certification**

## 2005
- **100% Achievement in Quality and Delivery by HONDA**

## 2004
- **Official 3M Distributor**
- **Accredited with Underwriters Laboratories Inc. (“UL”)**

## 2003
- **Best Supplier Quality Performance Award by HITACHI**

## 2002
- **Best Supplier Quality Performance Award by HITACHI**
- **Best Supplier Award in Quality and Delivery by HONDA**

## 2001
- **Best Supplier Quality Improvement Award by HITACHI Official 3M Converter**
- **Best Supplier Award in Quality and Delivery by HONDA**

## 2000
- **Appreciation Recognition by NITTO DENKO**

# KEY MILESTONES

## 1995
Founded Toyo Sho Industrial Products to provide printing of labels and stickers and converting of tapes to E&E manufacturers.

## 1996
Started supplying printed labels and stickers to **Hitachi.**

## 2001
Set up Intag Industrial Supplies to distribute industrial tapes, adhesives and other products.

Appointed as **3M** converter.

## 2004
Selected by Underwriters Laboratories Inc. to print its registered marks.

Appointed as **3M** distributor.

## 2005
Established Intag Steel Hardware to provide metal converting services.

## 2010
Begun to distribute **Henkel** products.

Obtained ISO 14001:2004 EMS certification.

## 2011
Relocated to current premise in Tebrau, JB to facilitate growth and business expansion.

## 2012
Invested in ultrasonic technology to enhance converting capabilities.

## 2019
Listed on the ACE Market of Bursa Malaysia.

## 2020
The 25th Anniversary of MTAG.

## 2021
***Achieved record high revenue of RM193.6 million.***

# CORPORATE STRUCTURE

MTAG Group Berhad was incorporated in Malaysia under the Companies Act, 2016 on 2 January 2018 as a private limited company under the name MTAG Group Sdn. Bhd. and was subsequently converted to a public limited company on 23 October 2018, assuming the name MTAG Group Berhad. The Group was formed following the completion of acquisitions of the entire equity interest in Toyo Sho Industrial Products, Intag Industrial Supplies and Intag Steel Hardware on 28 June 2019. Thereafter, the Group established a new wholly-owned subsidiary, MTAG Land Sdn. Bhd. on 22 March 2020.

**MTAG**

**MTAG GROUP BERHAD**

Registration No.: 201801000029 (1262041-V)

**100%**
INTAG INDUSTRIAL SUPPLIES SDN. BHD.
*Reg. No.: 200101015251 (551008-A)*

**100%**
INTAG STEEL HARDWARE SDN. BHD.
*Reg. No.: 200501026680 (708814-P)*

**100%**
TOYO SHO INDUSTRIAL PRODUCTS SDN. BHD.
*Reg. No.: 199501000058 (329252-T)*

**100%**
MTAG LAND SDN. BHD.
*Reg. No.: 202001009182 (1365502-H)*

# FINANCIAL HIGHLIGHTS

| Financial Year Ended 30 June (RM million) | 2017[1] | 2018[1] | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| **Financial Results** | | | | | |
| Revenue | 186.6 | 187.5 | 190.0 | 166.1 | **193.6** |
| Profit Before Tax | 30.0 | 58.3 | 43.8 | 40.3 | **44.8** |
| Net Profit | 22.6 | 47.5 | 33.0 | 30.2 | **33.6** |
| **Financial Position** | | | | | |
| Shareholders' Fund | 57.7 | 76.3 | 99.8 | 179.7 | **192.9** |
| Total Assets | 127.6 | 113.8 | 137.8 | 201.6 | **214.3** |
| Net Current Assets | 42.4 | 61.2 | 85.1 | 158.2 | **173.0** |
| Total Borrowings | 25.0 | 17.1 | 11.7 | - | **-** |
| Cash and Cash Equivalents | 8.0 | 22.3 | 31.4 | 109.7 | **120.0** |
| **Financial Ratio** | | | | | |
| Basic Earnings per Share[2] (sen) | 3.3 | 7.0 | 4.8 | 4.4 | **4.9** |
| Net Profit Margin (%) | 12.1% | 25.3% | 17.3% | 18.2% | **17.4%** |
| Net Gearing Ratio (times) | 0.29 | Net cash | Net cash | Net cash | **Net cash** |
| Return on Equity (ROE) | 39.2% | 62.2%[4] | 33.0% | 16.8%[5] | **17.4%** |
| Dividend per Share[3] (sen) | - | - | - | 3.0 | **3.0** |

*Note:*

*(1) We completed the acquisitions of the entire equity interest of Toyo Sho Industrial Products, Intag Industrial Supplies and Intag Steel Hardware on 28 June 2019. Toyo Sho Industrial Products and Intag Steel Hardware are assumed to be under common control with our Group since their incorporation and prior to completion of the Acquisitions. As such, the historical financial information of our Group for FYE 2017 to 2018 are presented based on the combined audited financial statments of MTAG Group.*

*(2) Based on the enlarged share capital of 681,617,400 shares in issue as at 30 June 2021.*

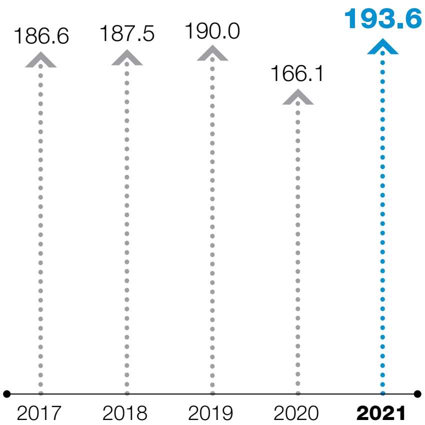
*(3) Upon MTAG's listing on the ACE Market on 25 September 2019, and based on the enlarged share capital of 681,617,400 shares.*

*(4) Included gain on disposal of properties.*

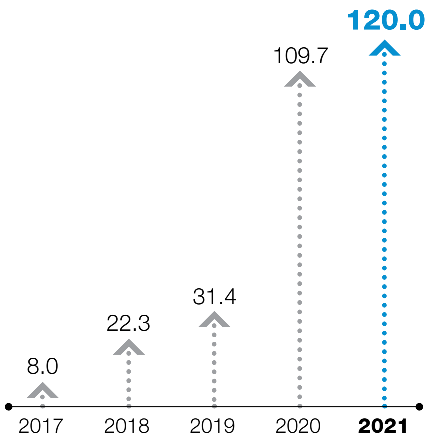
*(5) Upon completion of public issue after MTAG listing on the ACE Market on 25 September 2019, new ordinary shares increased from RM76,341,152 to RM148,592,607 comprising 681,617,400 shares.*

# FINANCIAL HIGHLIGHTS

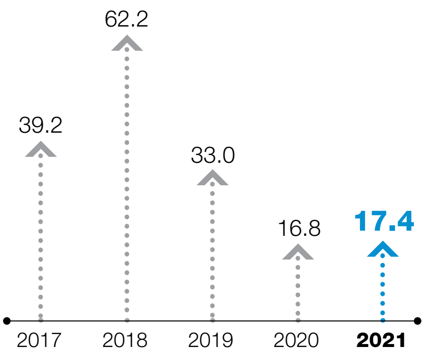
## REVENUE
**(RM'million)**



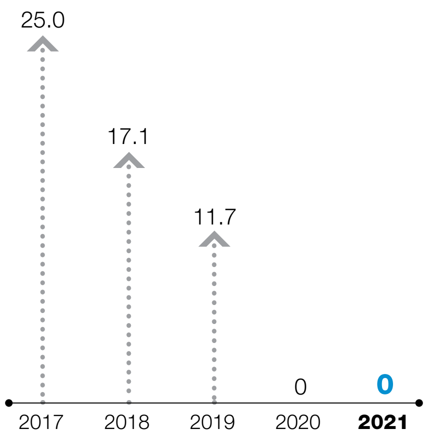

## CASH AND CASH EQUIVALENTS
**(RM'million)**



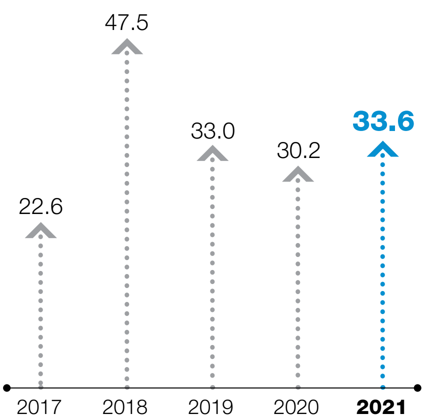

## RETURN ON EQUITY (ROE)
**(%)**



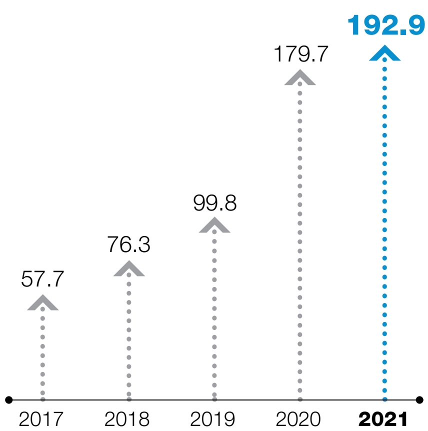

## TOTAL BORROWINGS
**(RM'million)**




## NET PROFIT
**(RM'million)**




## SHAREHOLDERS' FUND
**(RM'million)**



# DIRECTORS' PROFILE

## LEE TING KIAT

Independent Non-Executive Chairman
Age 53, Male
Malaysian

Mr. Lee Ting Kiat was appointed to the Board on 19 October 2018 as MTAG Group Berhad's ("MTAG Group" or "the Group") Independent Non-Executive Chairman. He is the Chairman of the Remuneration Committee and a member of the Audit Committee, Risk Management Committee and Nominating Committee.

Mr. Lee graduated with a Bachelor of Laws from University of Malaya, Malaysia, in 1991 and was admitted as an advocate and solicitor of the High Court of Malaya in 1992. He has been a General Committee Member of the Malaysian International Chamber of Commerce and Industry ("MICCI") since 2018 and is a Vice-President of the MICCI (Southern Region).

Upon his graduation, Mr. Lee started his pupillage in 1991 and subsequently commenced his legal practice in 1992. He has continued to practice law ever since, having served as a partner at Messrs Andrew Wong & Co and Messrs Zaid Ibrahim & Co respectively over the course of his professional career. In 2005, he co-founded Messrs Lee & Tengku Azrina where he presently serves as the managing partner and practising lawyer specialising in corporate, commercial, finance, and property matters.

Mr. Lee does not have any family relationship with any Director or Major Shareholder of MTAG Group Berhad, and does not have any conflict of interest with the Group. He has not been convicted of any offences within the past five (5) years.

## CHAW KAM SHIANG

Group Managing Director
Age 60, Male
Malaysian

Mr. Chaw Kam Shiang was appointed to the Board on 2 January 2018 as the Group's Managing Director. He is also the Group's first Director and a member of the Risk Management Committee.

Equipped with more than 25 years of experience in the label printing and converting industry, he currently spearheads the Group's business direction, overall strategies and policies as the Managing Director.

Mr. Chaw graduated from Kochi University, Japan with a Bachelor of Economics in 1991. Since then, he had worked at various local manufacturing companies, amassing knowledge and experience in the areas of strategy, sales and procurement.

In 1995, with his entrepreneurial spirit and sharp business acumen, Mr. Chaw established Toyo Sho Industrial Products Sdn. Bhd. ("Toyo Sho") to specialise in providing printing of labels and stickers and converting of double-sided tapes, polyethylene plastics, foams and cardboard to electrical and electronic ("E&E") manufacturers. In 2001, he seized the opportunity to establish Intag Industrial Supplies Sdn. Bhd. ("Intag Industrial") with Lau Cher Liang after seeing increased demand from Toyo Sho's existing E&E customers for other products such as cleanroom products, disposable products, wipers and gloves. During this time, Mr. Chaw provided business directions and strategies, as well as financial support for the introduction of various converting services of Intag Industrial. In 2005, he set up Intag Steel Hardware Sdn. Bhd. ("Intag Steel") to further expand the Group's converting capabilities to include metal products.

Under Mr. Chaw's leadership, MTAG Group has grown in size and stature, increasing the Group's range of services, securing world-renowned consumer electronic brands as key customers as well as clinching distributorship with multinational corporations ("MNCs") in adhesives. Today, he continues to actively steer the Group in its long-term growth and towards commercial success. His leadership and entrepreneurial skills have greatly contributed to the advancement of the Group since its inception.

Mr. Chaw is the spouse of Ms. Ang Yam Fung, a substantial shareholder and the Chief Human Resource Officer ("CHRO") of MTAG Group Berhad. He does not have any conflict of interest with the Group. He has not been convicted of any offences within the past five (5) years.

# DIRECTORS' PROFILE

## LAU CHER LIANG

Executive Director
Age 45, Male
Malaysian

Mr. Lau Cher Liang was appointed to the Board on 2 January 2018 as the Group's Executive Director. He is also the Group's first Director and the Business Unit Head of Intag Industrial Supplies Sdn. Bhd. ("Intag Industrial"), a wholly-owned subsidiary of the Group, where he is responsible for formulating and implementing its business strategies, business development and daily management of operations.

Mr. Lau holds the Chartered Institute of Marketing's Advanced Certificate in Marketing. He brings with him a wealth of experience in the areas of business development as well as sales and marketing, having served at various companies where he was responsible for marketing activities and client relationship management.

In 2001, Mr. Lau established Intag Industrial with Chaw Kam Shiang to capitalise on the opportunity to fulfil the demand for, among others, cleanroom and disposable products, and wipers and gloves for E&E customers. Since then, he has played a pivotal role in the business development activities of the Group and has been instrumental in managing the Group's strategic initiatives to accelerate growth.

Mr. Lau has deep industry understanding and proven management experience across commercial and marketing roles and boasts a strong track record of delivering tangible business results with a firm emphasis on quality and customer satisfaction. Under his stewardship, the Group secured distributorship from leading global brands such as 3M and Henkel, enabling MTAG to further solidify its market position in the industry. Furthermore, he also led the Group in expanding its capabilities to convert mesh using ultrasonic technology. Equipped with strong business acumen and more than 20 years of experience in business development as well as sales and marketing, he has played a key role in the Group's advancement and expansion to where it is today.

Mr. Lau does not have any family relationship with any Director or Major Shareholder of MTAG Group Berhad, and does not have any conflict of interest with the Group. He has not been convicted of any offences within the past five (5) years.

## JASON TAN KIM SONG

Independent Non-Executive Director
Age 43, Male
Malaysian

Mr. Jason Tan was appointed to the Board on 19 October 2018 as the Group's Independent Non-Executive Director. He is the Chairman of the Audit Committee and Risk Management Committee. He is also a member of the Remuneration Committee and Nominating Committee.

Mr. Tan has more than 15 years of experience in the fields of accounting and auditing as well as business and financial advisory. He had worked in commercial and accounting firms in Singapore and Malaysia between 2001 and early 2009. He has since been managing his own business and financial consulting firm. Presently, he is the Director of the Creative group of companies and is in charge of overseeing its daily operations. The Creative group of companies is involved in the provision of corporate secretarial and management, accountancy, audit and assurance, company tax, and personal tax planning services in Malaysia and Singapore.

Mr. Tan is a registered company secretary for several private companies.

Mr. Tan holds a Bachelor of Commerce and Administration in Commercial Law from Victoria University of Wellington, New Zealand. He is a fellow member of the Association of Chartered Certified Accountants, United Kingdom, a member of Malaysian Institute of Accountants, Malaysia Institute of Taxation, Institute of Singapore Chartered Accountants and Singapore Institute of Directors.

Mr. Tan does not have any family relationship with any Director or Major Shareholder of MTAG Group Berhad, and does not have any conflict of interest with the Group. He has not been convicted of any offences within the past five (5) years.

# DIRECTORS' PROFILE

## DYANA SOFYA BINTI MOHD DAUD

Independent Non-Executive Director
Age 34, Female
Malaysian

Ms. Dyana Sofya Binti Mohd Daud was appointed to the Board on 19 October 2018 as the Group's Independent Non-Executive Director. She is the Chairman of the Nominating Committee and a member of the Audit Committee, Risk Management Committee and Remuneration Committee.

Ms. Dyana graduated with a Bachelor of Laws with Honours from Universiti Teknologi MARA, Malaysia in 2010. She was admitted as an advocate and solicitor of the High Court of Malaya in the following year. She subsequently obtained a Master of Arts in International Studies and Diplomacy from the School of Oriental and African Studies University of London, UK, in 2016.

Ms. Dyana is the Non-Independent Non-Executive Director of Impiana Hotels Berhad, a listed company on Bursa Malaysia Securities Berhad. She is presently a partner in her own legal practice Messrs. Ayub, Dyana, Zainal & Zakaria.

Ms. Dyana does not have any family relationship with any Director or Major Shareholder of MTAG Group Berhad, and does not have any conflict of interest with the Group. She has not been convicted of any offences within the past five (5) years.

# KEY SENIOR MANAGEMENT'S PROFILE

## LIEW FEI SHANE

Chief Financial Officer
Age 50, Female
Malaysian

Ms. Liew Fei Shane joined MTAG Group Berhad ("MTAG Group" or "the Group") as its Chief Financial Officer since February 2018, responsible for managing the Group's finance and accounting functions.

Ms. Liew started her career with KPMG Malaysia in 1991, assuming various roles in areas such as audit, secretarial and tax. Since leaving KPMG Malaysia in January 1998, she has served at several private and public listed entities in numerous capacities. She has more than 25 years of experience in finance, accounting, cost management and auditing.

Ms. Liew obtained her professional accounting qualification in 1997 under an Articleship Programme jointly offered by KPMG Malaysia and the Professional Advancement Achievement Centre Sdn Bhd Malaysia. She is a Chartered Accountant of Malaysian Institute of Accountants, a Certified Financial Planner of the Financial Planning Association of Malaysia and an ASEAN Chartered Professional Accountant. She is also a member of the Malaysian Institute of Certified Public Accountants.

Ms. Liew does not have any family relationship with any Director or Major Shareholder of MTAG Group Berhad and does not have any conflict of interest with the Group. She has not been convicted of any offences within the past five (5) years.

## CHOO JACK KIE

Business Unit Head of Toyo Sho
Age 49, Male
Malaysian

Mr. Choo Jack Kie is the Business Unit Head of Toyo Sho Industrial Products Sdn. Bhd. ("Toyo Sho"), a wholly-owned subsidiary of the Group, where he oversees its daily production operations. He joined Toyo Sho in 1995 and currently holds directorship in Toyo Sho.

Mr. Choo has over 25 years of experience in the label printing and converting industry, having served for a number of companies, including overseas exposure in Taiwan and Japan. His area of expertise relates to the operation and technical aspects of a wide range of printing and converting machines.

Mr. Choo does not have any family relationship with any Director or Major Shareholder of MTAG Group Berhad and does not have any conflict of interest with the Group. He has not been convicted of any offences within the past five (5) years.

## ANG YAM FUNG

Chief Human Resource Officer
Age 51, Female
Malaysian

Ms. Ang Yam Fung is the Group's Chief Human Resource Officer since 2018. She is responsible for managing the Group's human resource functions. She holds directorship in Toyo Sho.

Ms. Ang brings with her more than 25 years of experience in production planning, procurement and administration. She began her career as a planner for Sharp-Roxy Electronics Corporation (M) Sdn Bhd in 1990. She worked closely with the Production team to manage production planning as well as coordinate the required raw materials and production schedules. In 1994, she joined Aiwa Electronics (M) Sdn Bhd, a company involved in the manufacturing of audio and video products as a Procurement Officer, where she was in charge of liaising with suppliers to procure materials for the company's operations.

Ms. Ang obtained her Diploma in Computer Science offered by the National Computing Centre Education (UK) from Systematic Computer Centre Sdn. Bhd. Kuala Lumpur in 1990. She subsequently completed the Manufacturing Management Assistant Programme from The SANNO Institute of Management Japan in 1993.

Ms. Ang is the spouse of Mr. Chaw Kam Shiang, Managing Director of MTAG Group Berhad. She does not have any conflict of interest with the Group. She has not been convicted of any offences within the past five (5) years.

# CHAIRMAN'S STATEMENT

## Dear Esteemed Shareholders,

On behalf of the Board of Directors of MTAG Group Berhad ("MTAG" or the "Group"), it is my pleasure to present to you MTAG's Annual Report for the financial year ended 30 June 2021 ("FY2021").

# CHAIRMAN'S STATEMENT

## ECONOMIC LANDSCAPE

The impact of the Coronavirus disease 2019 ("Covid-19") pandemic has been felt, literally, in all quarters of the world. Very swiftly, the health crisis has evolved into a global economic crisis, plunging the world economy at an unforeseen rate and magnitude. The operating landscape in FY2021, as a result, was one of the most challenging years, if not the most, in the history of the Group. Compounding to the monstrosity of an obstacle was the geopolitical conflict between the United States ("US") and China. Inevitably, the events that transpired have heightened global uncertainties to an unprecedented scale, causing adverse ripple effects on businesses, commodity markets, as well as financial markets.

Back home, Malaysia grappled with the pandemic and was not spared from the economic turbulence. Various versions of movement control orders were imposed nationwide and in targeted regions to curb the spread of the pandemic, causing operational disruptions to businesses. Consequently, Malaysia's gross domestic product ("GDP") shrunk 5.6% in 2020 as compared to a growth of 4.3% in 2019 according to Bank Negara Malaysia ("BNM"). This was the steepest contraction since the 1997 Asian Financial Crisis. Going into 2021, Malaysia's GDP contracted a further 0.5% in the first quarter before rebounding strongly by 16.1% in the second quarter of 2021, on a year-on-year basis.

## BUSINESS OVERVIEW

Against the aforementioned backdrop, FY2021 had been an arduous year for MTAG, to say the least. Nonetheless, under the stewardship of the Board, the team at MTAG rose to the challenge and navigated through uncharted waters rather successfully. Our extensive experience, business acumen and robust fundamentals that were backed by a solid balance sheet proved to be valuable as witnessed in the commendable financial performance achieved. This year, MTAG has once again lived up to its reputation as a leading labels and stickers printing and materials converting specialist in Malaysia.

Operationally, we had been and continue to be fully compliant with the stringent standard operating procedures ("SOPs") and various capacity restrictions imposed by the Government. On top of that, we have implemented extra precautionary measures to protect the safety and welfare of all our employees while ensuring operations run as smoothly as possible with minimal interruption.

Notwithstanding the pandemic, we remained focused on strategizing our way forward and executing our expansion plans, albeit at a more measured pace. With the sustained healthy demand for our products, we are constantly enhancing our competencies and production efficiencies in response. This would, in turn, enable us to retain our competitive advantages and deliver value to our shareholders.


# CHAIRMAN'S STATEMENT

## FINANCIAL HIGHLIGHTS

For the financial year under review, we recorded a solid set of results despite the difficult environment with both our top and bottom lines achieving double-digit growth. FY2021 revenue jumped 16.6% year-on-year ("YoY") to RM193.6 million, which was the highest ever in our corporate history. Meanwhile, FY2021 profit after tax and non-controlling interest ("PATNCI" or "net profit") rose healthily by 11.3% YoY to RM33.6 million.

**FY2021 REVENUE:**
**RM193.6 million**
+16.6% year-on-year

**FY2021 NET PROFIT:**
**RM33.6 million**
+11.1% year-on-year

## PROSPECTS FOR FY2022

Moving into FY2022, we anticipate the economic situation and business operating landscape to remain demanding as a result of the prolonged pandemic and market uncertainties. The Group is mindful of the challenges ahead of us such as fluctuations of raw material prices, disruptions in the supply chain as well as external factors that are beyond our control.

On a brighter note, Malaysia's GDP growth is expected to rebound underpinned by the improvement in global demand, the recovery in public and private sector consumption, implementation of various government measures and stimulus packages. Against this backdrop, BNM has forecasted Malaysia's GDP to expand between 3.0% to 4.0% in 2021. However, this was lower than the initial projection of 6.0% to 7.5% growth owing to the reimposition of nationwide Covid-19 containment measures in 2021.

At MTAG, we shall continue to march forward to expand our market footprint and further solidify our strong position in the local label printing and converting industry. Premised upon our strengths, capabilities and experienced management, we are confident in executing our expansion strategies while overcoming any obstacles ahead.

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to convey my deepest appreciation to our team at MTAG for their unrelenting efforts and resolute commitment, especially during these trying times. It would not have been possible for us to achieve what we did this year without their dedication and contributions.

My heartfelt gratitude also goes out to our external stakeholders, including but not limited to our valued shareholders, customers, business partners, bankers, and suppliers for their continuous support in MTAG.

Last but not least, I would like to acknowledge my fellow Board members for their unwavering support and precious advice. I have the utmost conviction that under the stewardship of our Board, the team will continue to shape a greater future for MTAG.

**Lee Ting Kiat**
Independent Non-Executive Chairman

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

The past financial year had been a litmus test for us at MTAG Group Berhad ("MTAG" or the "Group") as a resilient entity. The prolonged Coronavirus disease 2019 ("Covid-19") pandemic has rendered the business operating environment to be unprecedentedly demanding. Yet, we dug deep and prevailed by leveraging on our vast experience, established track record and capabilities as a printing and materials converting specialist. These factors, coupled with our robust balance sheet have enabled us to go from strength to strength, overcoming challenges we faced during the year under review. Going into the new financial year, we have a firm belief in our ability to tackle the awaiting obstacles while at the same time, continue to push forward and implement our expansion plans.

## BUSINESS & OPERATIONAL REVIEW

MTAG is a leading printing and material converting specialist in Malaysia. We print labels and stickers as well as convert a variety of materials such as adhesive tapes, papers, mesh, plastics, foams, and metal, to name just a few, into predefined shapes and sizes catering to customers' specific requirements. We offer our customers with flexible, innovative and customised solutions in a timely manner. Our wide-range and tailor-made machinery enables us to offer diverse and flexible solutions from simple to complex converting services, which include, among others, printing, laminating, varnishing, slitting, cutting, welding and die-cutting to fit our customers' needs and requirements.

We are also the authorized distributor for two leading global brands, 3M and Henkel, in supplying a wide range of industrial tapes and adhesives products. Currently, the Group is serving more than 600 customers from various industries including electrical & electronics ("E&E"), automotive, precision tooling, construction, and mechanical & engineering.

For the financial year ended 30 June 2021 ("FY2021"), we continued to operate in accordance with the stringent standard operating procedures ("SOPs") and the capacity limit enforced by the Government. The safety and welfare of our employees are of the utmost importance to us. The Group had undertaken the necessary precautionary measures to safeguard our employees, including but not limited to practising social distancing, use of personal protection equipment ("PPE"), conducting periodical screenings, frequent sanitisation and participating in the vaccination programme. Apart from protecting the safety of our workforce, these initiatives were crucial to minimise disruptions to operations.

The pandemic did not derail our focus on expanding the business as delivering growth and value to our shareholders remained our priority. In FY2021, we acquired new machines to expand our capacity and enhance our capabilities. One of the new capabilities is silkscreen printing. Silkscreen printing is a screen-printing process that transfers a design onto a substrate such as textile fabric, product label, decal, etc., through a fine screen or mesh. It produces some of the most vivid and colourful images that provides excellent durability as the inks are designed to be used on a wide range of different surfaces including semiconducting material. With this, it would enable us to broaden the industries that we can serve.

# MANAGEMENT DISCUSSION AND ANALYSIS

**Latest Utilization of Proceeds from the Initial Public Offering ("IPO")**

| Details | Proposed Utilisation (RM million) | Actual Utilisation (RM million) as of 30 June 2021 | Estimated Timeframe For Utilisation From Listing Date |
|---|---|---|---|
| Land acquisition and construction of manufacturing plant | 33.0 | 0.2 | 36 months |
| Capital expenditure | 13.0 | 2.8 | 36 months |
| Repayment of bank borrowings | 10.0 | 10.0 | 12 months |
| Working capital | 12.5 | 12.5 | 18 months |
| Listing Expenses | 3.8 | 3.8 | 1 month |
| **Total** | **72.3** | **29.3** | |

To recap, we had successfully raised RM72.3 million from our IPO exercise back in September 2019 to facilitate our expansion plans. The bulk of the proceeds, RM33.0 million or 45.6% is allocated for the acquisition of an approximate 10-acre land for the construction of our new manufacturing plant. Besides, we also set aside RM13.0 million or 18.0% of the IPO proceeds for capital expenditure for the purchase of new machines. As at 30 June 2021, a total of RM29.3 million of the RM72.3 million has been utilized.

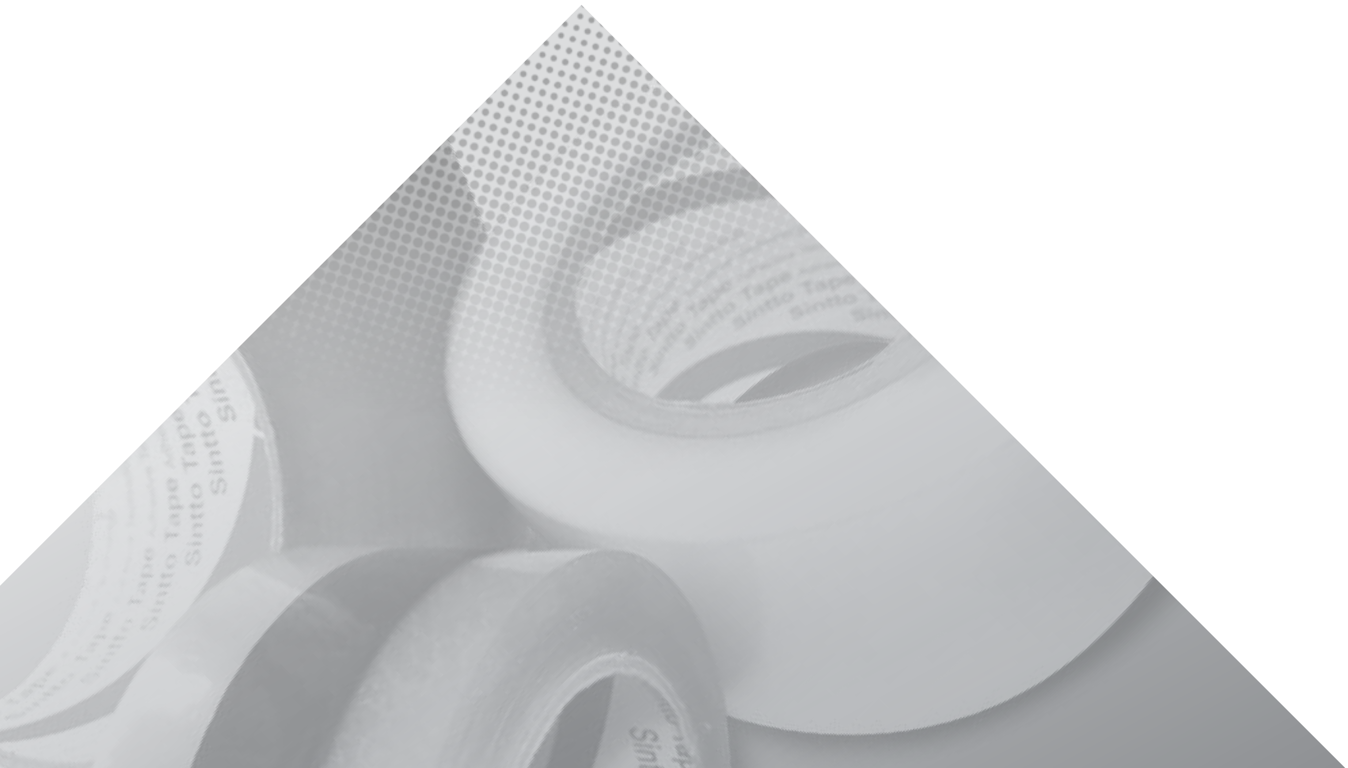
Given the prolonged pandemic and movement restrictions, we have yet to be able to identify a suitable parcel of land for our new plant. Notwithstanding this, our stakeholders can be rest assured that our existing facility is capable of fulfilling the current and foreseeable demand as we adjusted and adapted to the situation by freeing up warehousing space at our existing plant and turned it into production floor area for additional capacity.

## FINANCIAL REVIEW

### Revenue

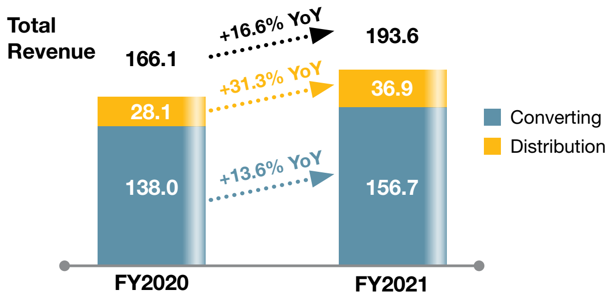
In FY2021, MTAG reached yet another milestone by posting a record high revenue in the Group's history of RM193.6 million despite the challenging pandemic. The record-breaking revenue was a 16.6% or RM27.5 million year-on-year ("YoY") increment from RM166.1 million recorded in FY2020. The double-digit hike was primarily attributed to strong demand from both our key business segments – converting and distribution.

Revenue from the converting business rose 13.6% or RM18.7 million YoY to RM156.7 million in FY2021 from RM138.0 million in the previous year. Our distribution business contributed RM36.9 million to the total revenue in FY2021 which was a jump of 31.3% or RM8.8 million YoY. The converting business remained our anchor revenue contributor, accounting for 80.9% of our FY2021 revenue. The remainder came from the distribution segment.



# MANAGEMENT DISCUSSION AND ANALYSIS

**Segmental Revenue Breakdown (RM million)**

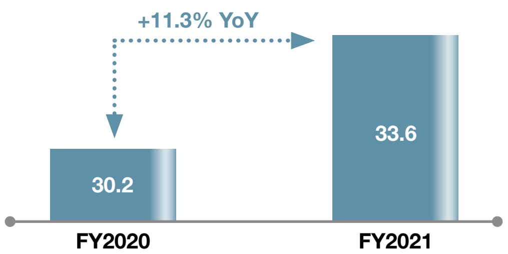



In terms of revenue breakdown by geographical market, local sales were the chief top-line driver, putting in RM187.7 million or 97.0% to the total revenue in FY2021 with the balance coming from overseas sales.

**Profit After Tax and Non-Controlling Interest ("PATNCI" or "net profit")**

The Group's FY2021 net profit increased 11.3% or RM3.4 million YoY to RM33.6 million as compared to RM30.2 million in FY2020. The rise was in tandem with the revenue improvement. However, the quantum was smaller due to different product sales mix.

**Net Profit (RM million)**




Interest income for the financial year under review remained relatively stable at RM2.7 million versus RM2.8 million in FY2020. The interest income was generated from our internal surplus funds as well as proceeds from the IPO.

**Return On Assets ("ROA") and Return On Equity ("ROE")**

In tandem with the improved bottom-line performance, the Group delivered double-digit ROA and ROE for FY2021. MTAG's ROA rose to 15.7% in FY2021 as compared to 15.0% a year ago while ROE increased to 17.4% for the financial year under review versus 16.8% in FY2020.

**Capital Structure & Capital Resources**

As at 30 June 2021, the Group's total assets stood at RM214.3 million, an increase of RM12.7 million over RM201.6 million a year ago. The improvement was primarily due to higher cash and cash equivalents, in addition to increase in trade receivables. At the close of the financial year, we recorded RM120.0 million in total cash and bank balances and fixed deposits.

On the other hand, shareholders' equity rose 7.3% or RM13.2 million YoY to RM192.9 million on higher retained earnings. Total liabilities, meanwhile, were at RM21.4 million versus RM21.9 million a year ago. We continued to have zero borrowings following the repayment of all our borrowings last year.

**Net Gearing & Cash Per Share**

At the end of FY2021, MTAG has no borrowings and is at a net cash position with net cash per share of 17.6 sen.

**Net Operating Cash Flow ("NOCF")**

The Group generated a positive NOCF of RM30.5 million in FY2021. We have consistently been reporting positive NOCF over the last six financial years.

**Balance Sheet Highlights as at 30 June 2021**

TOTAL ASSETS
**RM214.3**
million

TOTAL EQUITY
**RM192.9**
million

NET ASSETS
**RM0.28**
per Share

NET CASH
**17.6 sen**
per Share

RETURN ON ASSETS
**15.7%**

RETURN ON EQUITY
**17.4%**

# MANAGEMENT DISCUSSION AND ANALYSIS

## ANTICIPATED OR KNOWN RISKS

### Dependence on Our Major Customers

Over the past financial years, we have been generating a considerable portion of our revenue from a few major customers. It is also in the nature of our business that we do not have long term contracts with them. As such, we may be materially and adversely affected if we were to lose one or more of our major customers without securing new customers to replace the loss of business, or if we were to encounter difficulties in collecting payments from these customers.

That being said, we have proven to be a reliable supplier to them over the years as witnessed by the long-standing relationships we have with some of these major customers. We believe the appointment and long working relationship is a testament to our technical know-how and capabilities of our wide range tailor-made machinery that enables the offering of diverse and flexible solutions to fit customers' needs and requirements. These factors, coupled with our strong emphasis on customer satisfaction, provide us with strong competitive advantages with our major customers.

At the same time, we are also constantly on the lookout to expand and diversify our customer base. Meanwhile, our collection risk is low given the fact that most of our major customers are public-listed or multinational companies with strong financial standings. Furthermore, we have an experienced and capable credit control team that consistently monitors the Group's exposure and progress of payment collections.

### Fluctuation in Foreign Currency Exchange Rates

We engage in financial transactions denominated in currencies such as the United States Dollar ("USD"), Singapore Dollar ("SGD") and Euro. As such, we are exposed to foreign currency risks. Any unfavourable movements in the concerned currencies could ultimately impact our financial results. To protect against undesirable foreign exchange ("forex") fluctuations, we actively monitor the movement of the concerned forex rates with the possibility of entering into hedging contracts if or when necessary.

### Supply Chain Disruptions

The Covid-19 pandemic, in particular, has magnified the risk of supply chain interruptions over the globe. Operational disruptions faced by our suppliers resulting in raw material shortages could cascade to operational stoppages at our end. As part of our risk mitigation measures, we regularly communicate with our key suppliers to keep tabs on any potential disruptions. Apart from that, we also pay close attention to our inventory management to ensure we have sufficient buffer should there be any unforeseen interruptions.

### Operational Disruptions

As a manufacturing firm, we rely heavily on the smooth function of our production plant. Therefore, any disruptions to our manufacturing facilities arising from events such as lockdowns and accidents could have a negative impact on our operations and subsequently affect our financial performance.

The risks are partially alleviated with the Group's insurance policies which provide coverage against the risk of fire, burglary, and workplace accidents. However, certain events such as natural disasters, pandemics, riots, and strikes are beyond our control.

## LOOKING AHEAD

As we head into FY2022, we expect the business operating landscape to remain highly taxing owing to the uncertainties from the prolonged Covid-19 pandemic and the ensuing lockdowns. In the latest development, the full movement control order ("FMCO") enforced in June 2021 has caused disruptions to our supply chain as well as operations, and in turn, is expected to have an impact on our upcoming first quarterly performance in FY2022. In response, the Group has kept cost structure lean while optimising production output, without compromising on the strict adherence to SOPs. However, factors such as rising raw material costs remain an ongoing industry-wide issue.

Not resting on our laurels, we have been preparing ourselves for better days ahead by utilizing available time to bring forward and perform scheduled maintenance of our machines, which would not only ensure continued smooth running but also reduces downtime from the required scheduled maintenance in the future as and when we could operate at full capacity. Our discipline in conducting machine upkeep is something we take pride in, as evident in the fact that the very first machine we purchased continues to be in use without any issues to this day.

Meanwhile, the execution of our growth plans remains our topmost priority. All this while, we have adopted a prudent approach by progressively adding new machines to avoid sudden substantial increase in depreciation and overhead cost in the absence of corresponding rise in revenue. After careful assessment, we believe the time is right for us to acquire the fully digital press printing machine, which we did in August 2021.

The digital press provides high-quality colour output at high-speed printing. It is ideal for both high-volume printing and on-demand short print, as well as great customisation ability. Its versatility and superb efficiency reduce our turnaround time and boost our cost efficiency. Furthermore, the machine is powered by innovate machine learning algorithm that would optimise our productivity. This would ultimately enhance our value proposition for our customers as well.

# MANAGEMENT DISCUSSION AND ANALYSIS

This next-generation digital press printing machine broadens the scope of packaging applications, boosts productivity and offers sustainability advantages. With this digital printing options and capabilities, we can provide customer with more production flexibility, packaging personalization, faster time-to-market capability and wider usage of different media types such as substrates that are thinner or thicker, heat-sensitive, metallized, stretchable, and transparent.

*Digital printing machine*

Besides, this machine is also highly automated, which was in line with our strategy to increase the automation level of our manufacturing processes. This is part of the transformation we are embarking on as we gear towards Industry 4.0. We believe these efforts would allow MTAG to grow continuously and sustainably over the long term and reducing our labour dependency as well.

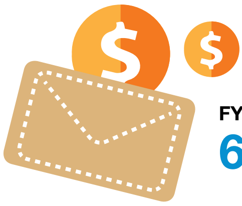
Elsewhere, the quest to identify a suitable parcel of land for the construction of our new manufacturing plant continues and we plan to step up the search efforts once movement restrictions are fully lifted.

On a brighter note, with the National Covid-19 Immunisation Programme making great progress, the Government has adopted an endemic approach towards the virus control and pushes ahead with the National Recovery Plan to gradually re-open the economy. Against this backdrop, we opine the economic activities would once again pick up pace from the second quarter of our FY2022. It is heartening to note that thus far, the demand for our products and services remained robust underpinned by the sustained sales growth experienced by our customers.

With regards to workforce vaccination, all our employees were fully inoculated in early October 2021. Since then, we have been ramping up our capacity in tandem with our customers' demand whilst abiding by the strict SOPs enforced.

In closing, the long-term prospects of the Group remain promising despite the near-term challenges ahead of us and we shall continue to adopt a cautious approach in deploying and utilising our resources.

## DIVIDENDS



**FY2021 DIVIDEND PAYOUT:**
**60.7%**

For FY2021, the Board of Directors had declared and paid a total dividend of 3.0 sen per ordinary share, amounting to RM20.4 million. This represented a 60.7% dividend payout of FY2021 net profit, far exceeding our dividend policy of distributing 20% of net profit.

**Chaw Kam Shiang**
Group Managing Director

# SUSTAINABILITY STATEMENT

# SUSTAINABILITY STATEMENT

At MTAG Group Berhad ("MTAG" or "the Group"), sustainability forms the core guiding principle for all our decision-making activities, having recognised its importance and the role it plays in maintaining our competitiveness and business continuity. Being a strategic priority, we embed sustainability considerations in everything that we do across the Group's business operations and in the delivery of our products and services to customers.

MTAG's Sustainability Statement for FY2021 ("the Statement") outlines the Group's commitments to manage our economic, environmental and social ("EES") risks, as well as opportunities. This statement should be read alongside our FY2021 Annual Report, which provides a more comprehensive disclosure on our financial and operational performance.


*MTAG is committed to managing its economic, environmental and social risks and opportunities*

## Reporting Scope and Period

The scope of this Statement focuses on MTAG's sustainability performance and initiatives covering the Group's manufacturing operations and head office in Tebrau, Johor, encompassing the Group's subsidiaries, namely Toyo Sho Industrial Products Sdn. Bhd. ("Toyo Sho"), Intag Industrial Supplies Sdn. Bhd. ("Intag Industrial"), Intag Steel Hardware Sdn. Bhd. ("Intag Steel") and MTAG Land Sdn. Bhd. ("MTAG Land").

The reporting period corresponds with MTAG's financial year from 1 July 2020 to 30 June 2021, unless otherwise stated. We strive to continuously improve the integrity and accuracy of our Sustainability Statement as we work towards enhancing the monitoring and reporting of relevant data, with the aim of providing our stakeholders with better insights into our sustainability management and performance.

## Reporting Framework

This Statement was prepared in accordance with Bursa Malaysia Securities Berhad ("Bursa Securities")'s ACE Market Listing Requirements ("Listing Requirements") and in reference to the Sustainability Reporting Guide and Toolkits (2nd Edition) ("Sustainability Reporting Guide"). We have employed the themes and indicators recommended by Bursa Securities' Sustainability Reporting Guide to expound and disclose MTAG's sustainability efforts within the pillars mentioned above.

## MTAG's Sustainability Policy

Following this framework, MTAG endeavours to present a holistic view of the Group's sustainability initiatives to our stakeholders. It is our goal to conduct the Group's activities such that they create lasting value for people and mitigate the impact to the environment, while considering economic factors.

To ensure the effectiveness of our efforts, we have developed key indicators that we continually monitor to assess our EES performance and identify areas of opportunities. Our commitment to upholding sustainable practices across our operations is defined in MTAG's Sustainability Policy.

## COMMITMENT TO SUSTAINABILITY

"At MTAG, we strive to promote health and well-being, sustainable economic growth and practice responsible consumption and production. Through our efforts, we aim to deliver long-term value to our stakeholders including shareholders, employees, customers and suppliers for the benefit of our organization as well as the local and national communities we operate in."

# SUSTAINABILITY STATEMENT

## Sustainability Governance

Effective implementation and adoption of sustainability efforts at MTAG require a sound sustainability governance framework.

Our approach to sustainability is spearheaded by MTAG's Board of Directors ("the Board"), who assumes the ultimate responsibility as the driver of the Group's sustainability initiatives. They are accountable for defining and setting the Group's sustainability agenda, while ensuring accountability and oversight in the identification and management of sustainability matters.

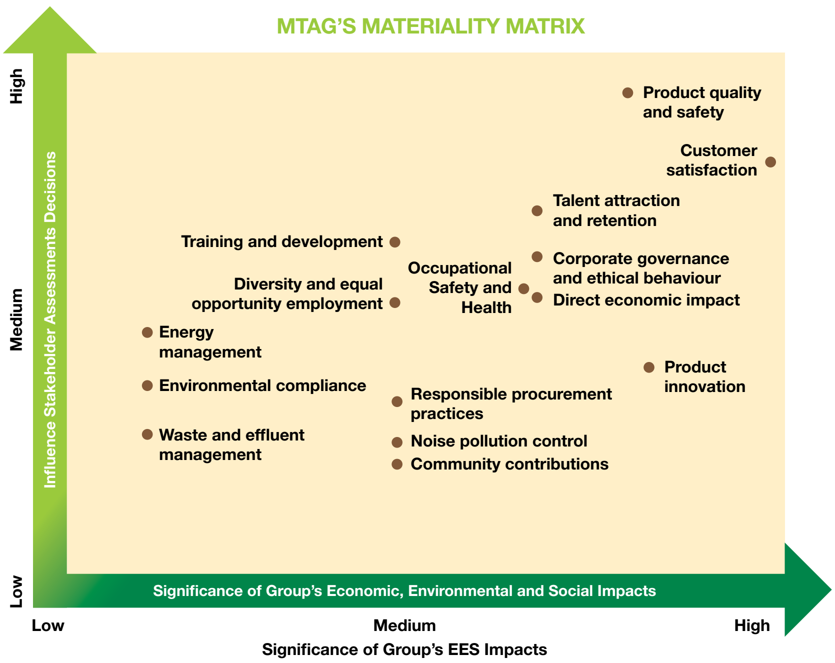
The Board is supported by MTAG's Senior Management ("SM") team, headed by the Managing Director and assisted by the Chief Financial Officer, Chief Human Resources Officer and the Group Financial Controller. Together, they undertake the responsibility of overseeing, monitoring and implementing the Group's sustainability initiatives and actions to align with its long-term strategic plans and business processes.

Meanwhile, MTAG's Sustainability Working Group ("SWG") assists the SM team in implementing the sustainability strategies and is accountable for ensuring proper execution, monitoring and reporting of all sustainability-related initiatives Groupwide. The SWG consists of Business Unit Heads and Managers from across different business units such as Planning, Marketing, Supply Chain, Production, Quality and Human Resources of MTAG's subsidiaries.


*MTAG's Sustainability Governance Structure*

## Materiality Assessment

Understanding our EES topics is crucial in developing sustainability plans that are aligned to the Group's goals. In FY2021, MTAG retained its 15 material topics and the materiality matrix as per the previous year, deemed as still relevant in the current operating climate.




*MTAG's Materiality Matrix*

# SUSTAINABILITY STATEMENT

## Stakeholder Engagement

MTAG's stakeholders comprise a diverse set of individuals and different groups. We remain committed to maintain open dialogue and establish strong partnerships with our external and internal stakeholders through various channels. By proactively engaging our stakeholders, we are able to develop inclusive and responsive course of actions to respond to their expectations and concerns, thereby contributing towards operational excellence and sustainability of the Group.

| Stakeholder Group | Type of Engagement | Sustainability Concerns |
|---|---|---|
| Shareholders/Investors | • Annual General Meeting<br>• Bursa Malaysia announcements<br>• Meetings and briefings<br>• Corporate website | • Business continuity<br>• Economic performance<br>• Shareholders' return<br>• Corporate governance |
| Customers | • Regular engagements<br>• Products and services briefings<br>• Customer satisfaction surveys<br>• Media announcements | • Customer satisfaction<br>• Product quality and safety<br>• Quality assurance |
| Suppliers | • Regular interactions<br>• Procurement agreements<br>• Business reviews<br>• Meetings | • Supply chain management<br>• Ethical and transparent procurement policies |
| Employees | • Daily interactions<br>• Annual performance reviews<br>• Trainings and development sessions<br>• Office events | • Fair HR policies and practices<br>• Health and safety<br>• Covid-19 precautionary measures<br>• Workplace satisfaction<br>• Professional growth<br>• Key Performance Indicators |
| Industry Peers | • Conferences<br>• Corporate Website | • Fair and ethical practices |
| Government / Regulatory agencies | • Periodic site visits and meetings<br>• Consultation on regulatory matters | • Compliance to regulations |
| Media | • Regular interactions<br>• Q&A sessions<br>• Feature interviews | • Continuous and meaningful communication<br>• Avoidance of bad publicity |

*Key Stakeholders Table*

# SUSTAINABILITY STATEMENT

## ECONOMIC IMPACT

### Direct Economic Impact

We view MTAG's economic performance as an integral part towards achieving sustainability. As one of the leading integrated labels and stickers printing and materials converting specialists in Malaysia, we are cognisant that success is not just reflected in our profits, but also in the economic value that is distributed to our stakeholders, which include shareholders, employees, suppliers and bankers, inter alia. In FY2021, we continued to maintain resilient economic performance and distribute economic value as shown in the following diagram.

**EMPLOYEES' WAGES AND BENEFITS**
**RM15.2 million**

**OPERATING COSTS**
**RM14.6 million**

**DIVIDEND TO SHAREHOLDERS**
**RM20.4 million**

**PAYMENTS TO GOVERNMENT TAXES**
**RM11.2 million**

*MTAG's Economic Value Distribution for FY2021*

Amid the Covid-19 pandemic, we adapted swiftly in an evolving business environment, to ensure smooth operations and mitigate potential disruptions to our business. During this time, we took proactive measures and maintained business continuity in adherence to regulatory authorities' standard operating procedures ("SOP"), as displayed below:

### WHAT WE DID TO MAINTAIN SMOOTH OPERATIONS DURING COVID-19 PANDEMIC

- Obtained authorities' approval to continue operating during the various phases of the Movement Control Orders ("MCO").
- Maintained regular communication with suppliers and customers to manage through supply chain risk and disruption.
- Continuously monitored MTAG's financial performance to ensure appropriate measures are in place.
- Prioritised and allocated financial resources prudently to maintain financial resilience.
- Applied for vaccination for our employees, including foreign workers, under the Ministry of International Trade and Industry ("MITI")'s Program Imunisasi Industri Covid-19 Kerjasama Awam-Swasta ("PIKAS") — Phase 4 of the National Covid-19 Immunisation Programme ("PICK").
- Arranged Covid-19 test screening for all employees. Close contacts are required to undergo the quarantine period in adherence to the Ministry of Health's recommendation.
- Established a designated quarantine facility in preparation of emergency situations, if any.
- Provided employees with a safe working environment, including sufficient supply of Personal Protection Equipment ("PPE").
- Conducted daily disinfection and sanitisation of workplace.
- Maintained the remote work and Work-From-Home ("WFH") arrangements for employees.
- Undertook staff planning and rotation of skilled workers.

*Covid-19 vaccination for employees*

*Quarantine facility*

With the measures instituted, MTAG has continued to operate throughout the Covid-19 pandemic with minimal disruptions. There was no retrenchment nor salary deduction due to Covid-19 during this challenging period.

# SUSTAINABILITY STATEMENT

### Product Quality and Safety

Our goal at MTAG is to be the preferred and leading labels and stickers printing solutions and materials converting specialist. As such, we place great emphasis on the quality of our products and services that we offer. We serve a diversified clientele and work hard to offer our customers flexible, innovative and customised solutions in a timely manner.

Our commitment to the quality and safety of our products are outlined in MTAG's Quality Policy, reflecting on MTAG's quest for quality excellence across the entire offerings. MTAG's Quality Policy seeks a continual process of quality improvement towards highest customer satisfaction.

## QUALITY POLICY

- **To achieve utmost customer satisfaction through excellence in products' quality and timely delivery.**
- **To address and fulfil customers' needs, requirements and concerns.**
- **To comply with the requirements of ISO 9001:2015 standards and other regulatory requirements.**
- **To educate and train all employees to enhance technical knowledge and efficiency.**

We have established QC procedures to ensure MTAG's products meet the highest standards of quality. Our QC team manages the system and oversees the quality of output throughout our procurement and operating processes. This includes visual and machine inspections of incoming and finished goods.

### 1 IN-COMING QC

The Group adopts and maintains strict procedures in the selection of suppliers based on criteria such as track record and market reputation, stability of supply and reasonableness of price, to ensure the quality of the incoming goods and finished products procured. A visual inspection of goods and finished products delivered to the manufacturing plant is also conducted.

### 2 IN-PROCESS QC

In order to minimise defective and rejected products, the Group conducts pilot production to ensure that defects are identified and corrected before mass production. For printing of labels and stickers and customised converting services, the defects that are generally identified include inconsistent colour output, incorrect positioning of roll sticks and die-cutter units. On the other hand, defects that generally occur in the converting of metal products are non-conformity of dimensional tolerances.

### 3 OUTGOING QC

Outgoing QC is carried out to ensure the finished products meet customers' specifications. A final inspection is conducted before the finished products are delivered to customers.

*MTAG's Quality Control Procedures*

Our commitment to quality excellence is reflected by our subsidiary, Toyo Sho, being accredited with the Quality Management System ("QMS"), namely International Organization for Standardization ("ISO") 9001:2015. This accreditation was accorded by the Alberk QA International Technical Control and Certification Ltd., for the manufacturing of printed labels, die-cut double-sized tapes and polyester tapes. With our strong Quality Management System in place, MTAG has built its reputation as a trustworthy and reliable partner in printing and converting services.

As for our distribution segment, our products are sourced from reputable brands of industrial tapes and adhesives, 3M and Henkel, and sample checks are carried out for every batch of purchase to guarantee high quality standards are met.

# SUSTAINABILITY STATEMENT

## Product Innovation

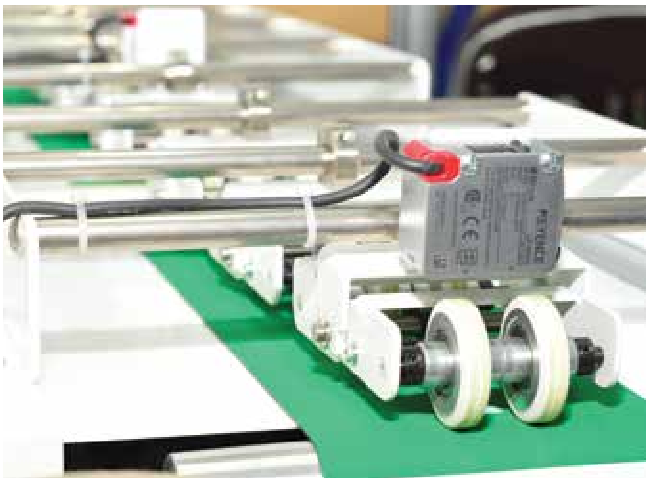
As MTAG operates in a niche market, product innovation is vital in differentiating our offerings from other providers. Keeping this in mind, we continuously strive to achieve sustainability-driven innovation, enabling us to provide customised converting services that fulfil our customers' specific requirements.

Equipped with our suite of advanced and tailor-made machinery, MTAG offers diverse and flexible converting solutions for a broad array of materials such as adhesive tapes and papers, mesh materials, metal, polyethylene plastics, as well as foams and cardboards. Our printing capabilities enable us to convert these materials to predefined shapes and sizes according to customers' needs.

We apply various converting methods in our processes in order to fulfil specified criteria, which may include ultrasonic technology for mesh; rewind slitting for adhesive tapes, papers and plastics; die-cutting for foams and cardboards; on top of bandsaw cutting, plasma cutting and oxy-gas cutting for metals, among others. With our wide array of capabilities, we can serve customers across various industries, including inter alia, electrical and electronics, automotive, precision tooling, mechanical and engineering as well as construction sectors.

At the same time, we are also involved in the current and future development of customers' products, as we consult and provide input on the selection of materials and converting processes.

Apart from that, MTAG also delivers high-quality printing of labels and stickers with colour sharpness and uniformity, in addition to various finishing choices on different types of paper, all within short turnaround time.

# SUSTAINABILITY STATEMENT

### Customer Satisfaction

Our customers are one of our most important stakeholder groups. As part of MTAG's commitment to give the highest quality of offerings and services to customers, we have taken meticulous steps to better understand their expectations by soliciting for feedback. We do this by maintaining regular communications with our client base, allowing us to identify areas of improvement and monitor customer satisfaction level.

Our customer satisfaction level can be measured through the feedback received from the circulation of Customer Satisfaction Survey forms. In FY2021, we received lower customer complaints totalling to 6, as compared to 7 in the previous year. The feedback was mainly in relation to product quality.

We develop action plans for continued improvement to maintain a high level of customer satisfaction. Upon receiving feedback, our team acted promptly following the stipulated response process by setting up meetings with the affected customers to gain insights into their concerns, in addition to reviewing the product specifications. From thereon, our team took the necessary actions to scrutinise the concerns and identify the root cause, in order to resolve the specified issues. Subsequently, we followed up with the respective customers to ascertain the improvement and satisfaction through a repeat of the Customer Satisfaction Survey. The feedback we received revealed that a high level of satisfaction was maintained among customers in FY2021. As we move forward, we endeavour to uphold our level of service and quality by continually learning and improving from insights we received from customers' reviews.

### Responsible Procurement Practices

At MTAG, we view our suppliers as strategic partners who share a mutual interest in building and delivering high-quality products to our clientele base. Together with them, we aim to build a sustainable supply chain to minimise and mitigate business interruptions to our processes. Throughout the years, we have established strong relationships with vendors and suppliers, that are built on years of mutual trust and respect through transparent business transactions.

When choosing suppliers to be part of our value chain, MTAG follows a strict selection process that require all participants to be evaluated based on various factors, such as work track record, market reputation, product and service quality, supply and pricing, to name a few. A majority of the Group's major suppliers are determined and approved by our customers following a stringent selection process. As our businesses grow, we shall continually review and enhance the Group's vendor management to ensure our supply chain is operating optimally.

We strongly advocate in supporting the local economy by procuring domestically, where feasible. Apart from creating added value in the nearby communities, the practice of sourcing locally has many other benefits which include flexible and quick delivery arrangements, higher cost savings, as well as better control and monitoring over supplied goods. In FY2021, 75% of our suppliers are made up of local vendors.

**75%**
of MTAG's Suppliers are Locals

### Corporate Governance and Ethical Behaviour

MTAG pledges to follow the principles and best practices of corporate governance as laid out in the Bursa Securities' Listing Requirements and the Malaysian Code on Corporate Governance 2017 ("MCCG"). To that end, it is imperative for the Group to endorse and practise accountability and transparency in respect of its operations. In line with our commitment, MTAG has established and formalised a framework as outlined by several of our policies below to uphold and fortify our governance practices throughout the organisation.

#### CODE OF CONDUCT & ETHICS

We communicate and institutionalise our Code of Conduct & Ethics to all directors and employees across business divisions, outlining clear guidance on the standards of behaviour, value, principles and practices on conducting business and general workplace behaviour, comprising issues on, among others, conflicts of interest, confidentiality, protection of assets and money laundering.

#### WHISTLEBLOWING POLICY

A Whistleblowing Policy is enforced Groupwide to uphold high standards of ethical conduct and has established platform for whistleblowing. We encourage employees or external parties to raise genuine concerns of suspected misconduct, should there be any, without fear of victimisation, harassment, discrimination or intimidation while ensuring the protection accorded to the whistleblower.

#### ANTI-CORRUPTION & ANTI-BRIBERY POLICY

MTAG's Anti-Corruption & Anti-Bribery Policy defines the Group's responsibilities in observing and upholding MTAG's position on bribery and corruption, as well as sets out the guidance and procedures for employees on how to recognise and deal with bribery and corruption matters. We remain resolute in our commitment to conducting a business free from acts of bribery and corruption. All employees are required to adhere to all anti-bribery and anti-corruption legislations.

# SUSTAINABILITY STATEMENT

### Investor Relations

We believe that good corporate governance involves transparent and prompt communication with all shareholders. As such, the role of investor relations is considered important in heightening the awareness and understanding of the Group among our investors. In FY2021, we continued to make timely reporting of the Group's quarterly financial results.

### Release of MTAG's Quarterly Financial Results

| Quartely Results | Date of Issue / Release | Bursa Securities Deadline for the Issue / Release |
|---|---|---|
| 2021 | | |
| 1st Quarter | 23 November 2020 | 30 November 2020 |
| 2nd Quarter | 22 February 2021 | 28 February 2021 |
| 3rd Quarter | 28 May 2021 | 31 May 2021 |
| 4th Quarter | 27 August 2021 | 31 August 2021 |

### MTAG's AGM went virtual for the first time

On 23 November 2020, MTAG held its 3rd Annual General Meeting ("AGM") via live streaming and online voting services, which was broadcasted from our headquarter at PLO 226, Jalan Kencana Mas, Kawasan Perindustrian Tebrau III, 81100 Johor Bahru, Johor. All the registered shareholders who participated were able to vote and ask questions remotely using the available remote participation and voting facilities.

During the AGM, MTAG's Chairman, Executive Director and Chief Financial Officer responded to the questions from shareholders mainly on the Group's performance, initiatives and strategy moving forward in light of current economic conditions and the impact of Covid-19 to its business. All the proposed resolutions were approved at the AGM respectively.

This marks MTAG's maiden virtual AGM, demonstrating our continued commitment to engage with shareholders in a timely manner, while taking every precaution to safeguard their safety and wellbeing. The virtual proceedings are also in line with Practice 12.3 of the Malaysian Code of Corporate Governance ("MCCG") 2017, where companies are called upon to have transparent and regular communication with shareholders, including deploying technology to promote shareholder participation.

## ENVIRONMENTAL IMPACT

### Environmental Compliance

We are committed to operate in compliance with the applicable environmental laws and regulations on a national level, with the aim of minimising the Group's ecological footprint. To this end, MTAG has put in place proper controls and systems in our operations with the maintenance of an Environmental Management System ("EMS"). Our pledges are outlined in the Group's Environmental Policy as shown below.

### ENVIRONMENTAL POLICY

- **To prevent environmental pollution and continually improve environmental performance.**
- **To observe and seek compliance with environmental laws and related requirements.**
- **To launch measurable environmental objectives and targets.**
- **To ensure that the environmental policy is communicated to all personnel.**
- **To harmonise environmental awareness through daily activities.**

Our EMS is certified with internationally recognised standard, the ISO 14001:2015, which provides a framework and systematic approach to environmental management and continuous improvement. The accreditation gives MTAG and stakeholders assurance of the Group's commitment in protecting the environment.

Throughout the year, MTAG adhered to regulations relating to environmental protection with zero cases of environmental non-compliance.

**ZERO**
Cases of Environmental Non-Compliance

# SUSTAINABILITY STATEMENT

### Energy Management

MTAG endeavours to reduce our carbon footprint, and as such, we seek to effectively manage the use of natural resources in the Group's processes. We do this by employing operational controls across the Group to drive efficient energy management with lower production cost.

Our measures include the monitoring of energy utilisation, in the form of electricity powered by the national grid, at our premises using an Energy Measuring Meter. In FY2021, MTAG successfully adjusted its electricity tariff to industrial rate from commercial rate. We expect this initiative to yield cost savings of up to 13%. During the year, MTAG consumed a total of approximately 1.1 million kilowatt-hours ("kWh").

Other initiatives at MTAG encompass adhering to an annual target of electricity usage and performing regular scheduled maintenance of equipment to enhance efficiencies and reduce the risk of downtime. As part of our ongoing efforts, we also continuously educate our people and promote the responsible use of electricity among employees.

### Waste and Effluents Management

At MTAG, waste management forms part of the Group's EMS, as we are responsible for the proper treatment of the waste materials our processes generate. Therefore, we seek to minimise ecological footprint by reducing the impact of our waste disposal activities on the environment. To this end, we have established waste disposal practices that are governed by the Group's Environmental Policy and SOPs to prevent any mishandling of the waste materials and adherence to the relevant laws and regulations, including the Environmental Quality Act ("EQA") 1974.

Our processes produce waste materials or by-products in the form of scheduled and non-scheduled wastes. The Group generates non-scheduled wastes in various forms such as, among others, paper carton, kraft paper and plastic. These are collected by approved waste collectors for recycling purposes, with approval from the Malaysia Custom Industries Department ("Custom"). Other non-scheduled wastes, including adhesive papers and tapes, are disposed at a specified waste disposal area, following Custom's approval, which are then collected by authorised waste contractors to be sent to authorised landfills. Meanwhile, MTAG's scheduled waste materials come in the form of contaminated containers, rags, papers and gloves. We have established proper SOPs to ensure careful handling of the by-products in compliance with the Environmental Quality (Scheduled Wastes) Regulations 2005 of the EQA 1974. The scheduled waste materials are separated accordingly from the non-scheduled waste prior to collection by a licensed waste contractor authorised by the Department of Environment ("DOE"). All works are monitored by a Certified Environmental Professional in Scheduled Waste Management ("CePSWaM") registered under the DOE.

Throughout FY2021, MTAG was in adherence to all national regulations and procedures in respect to waste management.

### Noise Pollution Control

Our processes generate noise as an inevitable side effect at the areas of where we operate. As a response, the Group's environmental strategy includes implementing internal controls within the organisation to mitigate the impact on the surrounding area and to remain within permissible sound levels as determined by the DOE. Our measures to control noise pollution involve conducting periodic assessment on operating sites, employing noise-reducing specifications in our machineries, equipping workers with appropriate hearing protection and conducting hearing tests for machine operators, to name a few.

In FY2021, all 3 MTAG's operating sites, namely at Toyo Sho, Intag Industrial and Intag Steel's premises, underwent noise assessment and achieved 100% compliance.

**100%**
Compliance to Noise Regulatory Limits

## SOCIAL IMPACT

As a responsible corporate citizen, we aim to make a lasting positive impact not only on our customers, but also on the Group's employees and the broader society. We do this by building a competent and motivated workforce who understands and accepts diverse values, protecting the safety and health of our people, as well as participating in Corporate Social Responsibility ("CSR") programmes to contribute back to the local communities.

### Talent Attraction and Retention

Our employees are pivotal to MTAG's success and are what differentiate us from our peers. Talent remains a core strategic focus at MTAG as the Group's ability to create value is dependent on the professional competencies and experience of our people. Having a motivated and capable workforce enables us to continuously deliver the Group's suite of high quality of products and services to our customers.

For this reason, the Group maintains an effective human capital development strategy, which involves the hiring and retaining of the right talent who aligns with MTAG's culture and goals. When building MTAG's workforce, we rely on various methods to attract competent candidates, such as via employees' referrals and vetting through job applicants from the "Career" section of MTAG's corporate website. We recruit on a transparent basis with new hires selected through interviews based on their qualification, job experience and potential.

# SUSTAINABILITY STATEMENT

### Talent Attraction and Retention (cont'd)

At the same time, we aim to create conducive working conditions and ensure that our employees' welfare and development are taken care of. In order to achieve this, we provide competitive remuneration packages that are in line with the market. Our packages include fair monetary remuneration, with the payment of bonus two times a year based on work performance, in addition to non-monetary benefits. The benefits we offer to employees include annual leave, sick leave, maternity leave, group personal accident coverage for foreign workers, and phone allowances for selected employees, among others.

We are pleased to state that there were no retrenchments nor salary deductions due to Covid-19, despite the challenges brought about by the pandemic in FY2021. In fact, we continued to reward our talents with bonus payments during this period.

### Training and Development

We believe talent development is an essential component to the Group's continued success in this rapidly changing operating backdrop. As we grow the business, we are committed to empowering and developing our employees' competencies.

Training programmes and resources are constantly made available to all employees to equip them with the relevant skills and knowledge in order to perform their functions effectively and contribute towards achieving MTAG's objectives. Every year, we review the development and performance of employees to identify their training needs, in line with our workforce requirements.

Amid the Covid-19 pandemic, MTAG did not compromise on staff training and instead, continued to invest in our employees' professional growth. In FY2021, we remained focused on developing the professional capabilities of our people through internal and external training programmes. Due to the pandemic, we also utilised digital-learning platforms for our staff to attend virtual courses, in addition to conducting the sessions in person.

The topics covered are centred on expanding the technical knowledge and skills of our people, along with strengthening safety at the workplace. Some of the notable courses that were organised in-house and attended virtually in FY2021 included the following:

- 7QC Tools
- UMW Forklift
- Emergency Response Team
- Webinar on Transfer Pricing
- Webinar on Budget 2021

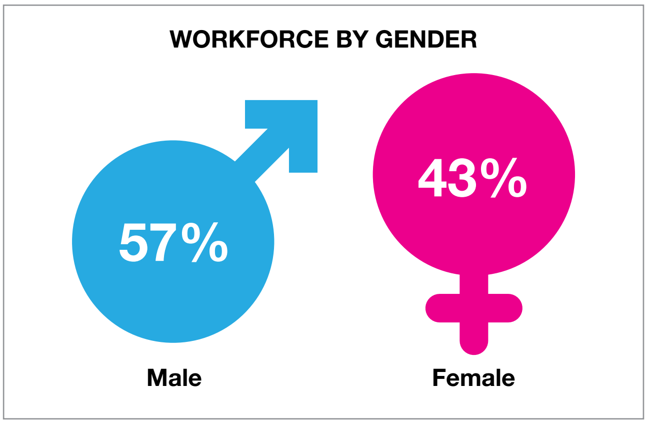
Furthermore, we also offer our employees the opportunities to take on new roles based on their respective strengths and relevance to the position. By providing our people with the right prospects, we seek to enable them to develop their abilities through on-the-job training and to perform well within the Group.

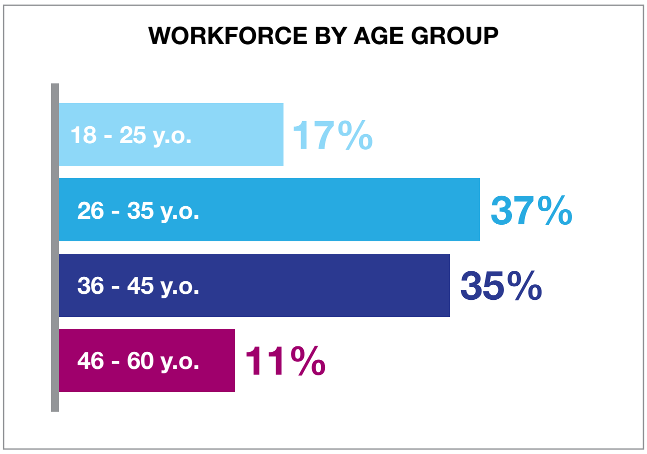
### Diversity and Equal Employment Opportunity

We are dedicated not only to recruiting and nurturing skilled talent, but also in ensuring diversity and inclusivity in the workplace. A diverse and inclusive workforce provides MTAG with access to a multitude of fresh and varying perspectives, which are crucial to innovation and in reaching our organisational goals. Hence, it is our practice to offer equal opportunities for all, irrespective of gender, race, creed or religion, among others.

In FY2021, we continued to operate with a headcount of 180 employees, with 57% of our employees being men and the balance 43% women. This year, there was an increase in female employees, as compared to 40% in FY2020, thanks to our internal efforts in providing tools and resources that empower and support women in the workplace.

Meanwhile, we also have a large young talent pool, with 54% of our workforce below the age of 35 years old. This allows us to build a robust succession pipeline by providing development opportunities for leadership continuity.




*MTAG's workforce composition in FY2021*

# SUSTAINABILITY STATEMENT

### Fair Employment Practices

As a responsible and fair employer, we pledge to uphold the human rights of workers with zero-tolerance towards unfair and unethical practices. We comply to all laws and labour standards, including the Employment Act 1955 that prohibits exploitive labour practices. The fair employment practices at MTAG are displayed below:

- ADHERENCE TO MINIMUM WAGE
- NO FORCED LABOUR
- PREVENTION OF CHILD LABOUR
- FAIR DISCIPLINARY PRACTICES
- PROHIBITION OF HARRASSMENT

During the year under review, MTAG paid remuneration to employees that comply with all applicable wage laws, including those that relate to minimum wages. In addition, the Group has zero tolerance towards sexual harassment in the workplace and does not condone any forms of sexual harassment. In FY2021, the Group did not receive any reports pertaining to any sexual harassment incidents.

### Occupational Safety and Health

At MTAG, occupational safety and health ("OSH") is an essential consideration in the Group's sustainability initiatives and in creating an optimal workplace. Our goal is to construct a safety culture and workplace that mitigates work-related injuries and prevents fatalities by identifying risk factors and hazards, as well as enforcing various controls across our operations to mitigate the safety risks.

The Group's commitment towards continual enhancement of safety is outlined in MTAG's OSH Policy, ensuring our compliance with relevant safety and health legislations, including the Occupational Safety Health Act 1994. The OSH Policy is reviewed periodically to maintain its effectiveness and relevance to current operating climate.

## OUR OSH POLICY

- **Providing a healthy and safe environment for our employees and visitors.**
- **Ensuring personnel are properly trained and equipped with the appropriate safety gear and emergency equipment.**
- **Ensuring the work environment is free from hazards and pollution, and waste management is properly implemented.**
- **Complying with relevant environmental, health and safety laws for controlling hazardous chemical substances in products and materials.**
- **Reviewing and revising the policy as and when necessary at regular intervals.**

Our OSH initiatives are enforced through the Group's OSH Committee, which consists of 12 employees as representatives from various departments across the Group. The committee plays an important role in overseeing Group's OSH performance and in implementing the OHS Policy Groupwide.

In the case of emergencies, we have defined roles and responsibilities for members of the Emergency Response Team ("ERT") to manage and handle such situations. The ERT is made up of 23 members who are divided to 4 section teams based on the different hazards that may be encountered during an emergency, namely Chemical, Fire Fighting, Fire Wardens and First Aid Rescue.

We seek to foster a strong safety culture at MTAG by communicating with employees on the Group's OSH Policy and approach. In FY2021, we continued to enhance OSH competencies by organising safety programmes and training, such as, among others, fire evacuation drill, first aid training and ISO 14001:2015 awareness course.

We are pleased to report that MTAG achieved zero Loss Time Injury and fatalities in FY2021, resulting from our continuous efforts in the care of the Group's employees' security.

# SUSTAINABILITY STATEMENT

## OUR RESPONSE TO THE COVID-19 PANDEMIC

In FY2021, the Covid-19 pandemic continues to impact lives and livelihoods around the world. This is why we have continued to strengthen MTAG's OSH initiatives to curb the virus spread in the workplace and protect the well-being of our people, visitors and community. Our measures include the following:

- Established a Covid-19 Emergency Response Team and Management Guideline for Workplaces, to ensure compliance with national directives.
- Applied for vaccination for our employees, including foreign workers under MITI's PIKAS.
- Facilitated and subsidised provision of food to foreign workers during the various phases of MCO to mitigate the risk of infection.
- Provided Covid-19 test screening for all employees, including foreign workers, who are categorised as close contacts of suspected cases. Close contacts are required to undergo quarantine in adherence to the Ministry of Health's recommendation.
- Communicated regularly with employees to heighten awareness on Covid-19, the SOPs and preventive measures through briefings and internal announcements.
- Instituted remote work arrangements, whenever possible.
- Distributed sufficient PPE to employees, including face masks.
- Provided hand sanitisers at production, office and common areas which is easily accessible.
- Instituted checking of temperature on a daily basis for employees and visitors at the entrances of the Group's premises. Any persons with a body temperature of 37.5 degrees Celsius will not be allowed to enter MTAG's compound.
- Visitors are also required to measure blood oxygen levels using a pulse oximeter before entering premises.
- Implemented travel restrictions for employees, subject to medical screening and quarantine.
- Developed health declaration measures for employees and visitors. Visitors from other states outside of Johor are required to provide Covid-19 PCR test results before visiting MTAG's premises.
- Gloves are made available to visitors at the entrance. A designated bin for glove disposal is provided at the exit of the premises.
- Sanitised all production, office and common areas of the workplace on a regular basis.
- Re-arranged working and break areas, such as the canteen, to adhere to social distancing requirements.
- Established a designated quarantine facility in preparation for emergency situations, if any.

*Guard check-in procedure*

*Daily Covid-19 briefing*

*Sanitisation of MTAG's premises*

# SUSTAINABILITY STATEMENT

## COMMUNITY CONTRIBUTIONS

MTAG attributes part of the Group's success to the society in which the Group operates. We understand that fostering lasting relationships is vital in elevating socioeconomic status of the community, and in turn, for our business to grow sustainably. Recognising our role in enabling development and progress in the local community, we make an active effort to give back in meaningful ways. In FY2021, we continued to practise social responsibility by organising a number of CSR activities.

### DONATION OF ESSENTIAL HOUSEHOLD ITEMS TO OLD FOLKS HOME

MTAG also reached out to an old folks home in Skudai, Johor to contribute essential household items, such as groceries and cleaning products, in order to help reduce the financial burden and in addressing the shortage of supplies during the Covid-19 pandemic.

### DONATION OF FOOD AND GROCERIES TO WELFARE HOMES


As part of our CSR drive to relieve the hardship of less privileged families, MTAG donated food and groceries to several charitable and welfare homes, namely Pertubuhan Kebajikan Cheng En Johor Bahru, Pertubuhan Kebajikan Shan De Johor Bahru and Persatuan Kebajikan Mesra Megah Ria Johor Bahru. We hope to provide support and assistance to the charity homes to maintain operations during the pandemic.

# SUSTAINABILITY STATEMENT

## COMMUNITY CONTRIBUTIONS

### CONTRIBUTION OF GROCERIES TO HANDICAPPED AND MENTALLY DISABLED CENTRE

During the year, we also distributed necessities and groceries to handicapped and mentally disabled centre located in Skudai, Johor. This is part of our ongoing community service efforts to support the disabled communities in the state.

### CASH DONATION TO JOHOR CEREBRAL PALSY ASSOCIATION


In May 2021, the Group donated RM100,000 to Johor Cerebral Palsy Association ("JCPA") to help defray its operating expenses. JCPA is a Johor non-governmental organisation which has been running a school that rehabilitates and treats children and young adults with cerebral palsy for more than 50 years.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of MTAG Group Berhad ("MTAG" or "the Group") remains fully committed to promoting greater internalisation of corporate governance culture and transparency across the Group, with the aim of enhancing the long-term value of the Group and maintaining shareholders' confidence.

This Corporate Governance Overview Statement ("CG Overview Statement") provides shareholders with an overview of the Board's commitment towards a high standard of corporate governance practices and ethical business conducts for the financial year ended 30 June 2021 ("FY2021"), in line with the principles and best practices as set out in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017"), where possible.

This Statement is prepared in accordance with Rule 15.25 of the ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and is to be read together with the FY2021 Corporate Governance Report of the Group ("CG Report") which is available on the Group's website at www.mtaggroup.com.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### I. Board Responsibilities

The Board is responsible for governing, guiding and overseeing the overall management, performance and strategic direction of the Group, retaining full and effective control of the Group. As the steward of the Group, the Board is entrusted to discharge its fiduciary duties, provide vigilant leadership as well as uphold good governance and ethical practices in order to safeguard stakeholders' interests and enhance long-term shareholder value.

The Board's duties among others include overseeing the proper conduct of business, risk management and internal control, succession planning, management performance, stakeholders' communication and corporate reporting.

In order to assist in the oversight function, the Board has delegated specific duties to four (4) subcommittees, namely the Audit Committee ("AC"), Nominating Committee ("NC"), Remuneration Committee ("RC") and Risk Management Committee ("RMC"). The Board is regularly updated on the proceedings and deliberations of the Board Committees and recommendations would be highlighted and reported to the Board. However, the ultimate responsibility for the final decision on all matters lies with the Board.

**Board Charter**

The Board is guided by the Board Charter which outlines the Board's composition, duties and responsibilities, as well as matters reserved for the Board. To ensure effectiveness and relevance to the Board's strategic intent as well as relevant standards of corporate governance, the Board Charter is reviewed annually to ensure its consistency with the Board's strategic intent and updates in the corporate laws and regulations that may arise from time to time. The Board Charter serves as primary guidance, detailing the roles and responsibilities of the Board in accordance with the principles of good corporate governance set out by regulatory authorities.

As defined in the Board Charter, the Board is accountable to the shareholders for the management and performance of the Group, including the following matters:

- Provides leadership and oversees overall conduct of the Group's businesses;
- Reviews and adopts strategic initiatives, and to ensure these initiatives and the risk, performance and sustainability are effectively integrated and appropriately balanced;
- Reviews and adopts corporate governance best practices in the areas of risk management, legal and compliance management and internal control systems;
- Ensures the effectiveness of Board committees;
- Reviews and approves Annual Business Plans, Financial Statements and Annual Reports;
- Monitors relationship between the Board and the management, shareholders and stakeholders;
- Develops and implements an effective Investor Relations programme or Shareholders' Communication policy;
- Appoints the Board committees and delegate powers, as well as reviews the composition, performance and effectiveness of the committees with its reports and recommendations; and
- Ensures the strategy and anti-corruption and anti-bribery policy are aligned.

Aside from the core responsibilities listed above, significant matters requiring deliberation and approval from the Board are defined in the Board Charter as "Matters Reserved for the Board" for consideration and approval during Board meetings.

The full Board Charter is available on the Group's website at www.mtaggroup.com.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**I. Board Responsibilities (cont'd)**

**Code of Conduct and Ethics**

The Board is aware that its leadership and stewardship are vital in creating an ethical corporate culture. The Board has formalised and adopted the Code of Conduct & Ethics that serves as primary guidance on ethical and behavioural conduct of the Group.

The Code of Conduct & Ethics outlines the policies and procedures which includes, amongst others, the following:-

- Conflict of interest;
- Confidential and proprietary information;
- Anti-bribery and anti-corruption;
- Accepting/providing gifts, entertainment and other benefits;
- Money laundering; and
- Occupational safety and health.

The Board will review the Code of Conduct & Ethics Policy from time to time to ensure it remains relevant and appropriate. The Code of Conduct & Ethics is available on the Group's website at www.mtaggroup.com.

**Whistleblowing Policy**

The Board has adopted a Whistleblowing Policy, in line with the Group's commitment to upholding values and highest standards of work ethics for all Directors, managers and employees. It provides an avenue for employees and members of the public to disclose any improper conduct committed or about to be committed in accordance with the procedures provided under the policy.

The Whistleblowing Policy sets out the protection to the whistleblower, the confidentiality and safeguarding in dealing with such disclosure or report, the communication channel and the procedurals flow of making the disclosure or report. The whistleblower can provide details on the suspected misconduct or breach of law by filling up the Whistleblowing Policy Report Form, which can be downloaded from the Group's website.

The Board shall review the Whistleblowing Policy on an annual basis to ensure its effectiveness in meeting the best practice standards and needs of the Group. The Whistleblowing Policy is available on the Group's website at www.mtaggroup.com.

**Anti-Corruption and Anti-Bribery Policy**

In compliance with the requirement of Section 17A of the Malaysian Anti-Corruption Commission Act 2009, an Anti-Corruption and Anti-Bribery Policy was adopted on 28 May 2020 to set out the Group's guidelines and procedures for all Directors and employees to protect against bribery and corrupt acts in order to safeguard the integrity of the Group.

The Board shall review the Anti-Corruption and Anti-Bribery Policy from time to time to ensure it remains relevant and appropriate. The Anti-Corruption and Anti-Bribery Policy is available on the Group's website at www.mtaggroup.com.

**Board Committees**

The four (4) Board Committees, namely, the Audit Committee, the Nominating Committee, the Remuneration Committee and the Risk Management Committee operate within the respective Terms of Reference ("TOR") approved by the Board.

The TOR of the respective Board Committees are periodically reviewed and assessed to ensure that the TOR remain relevant and sufficient in governing the functions and responsibilities of the Committee concerned. Notwithstanding the above, all Board Committees do not have executive powers but only the power to make recommendations to the Board. The ultimate responsibility for the final decision lies with the entire Board.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**I. Board Responsibilities (cont'd)**

**Board Committees (cont'd)**

The following Board Committees with the respective functions have been set up to assist the Board in discharging its responsibilities:

| Board Committee | Principal Functions |
|---|---|
| Audit Committee | • Provides oversight on the Group's financial reporting<br>• Reviews and approves quarterly and annual financial statements<br>• Appoints and monitors the standard and quality of the internal and external auditor's service |
| Nominating Committee | • Nominates new Directors<br>• Evaluates effectiveness of the Board and Board Committees<br>• Ensures appropriate framework and succession planning for the Board |
| Remuneration Committee | • Establishes policy and framework for remuneration of Directors and certain key senior management personnel<br>• Ensures the Group's remuneration and incentive policies are appropriately established<br>• Assesses, reviews and recommends to the Board the remuneration and benefits package of the Directors |
| Risk Management Committee | • Reviews the effectiveness of risk management<br>• Sets up risk appetite of the Group<br>• Reviews the risk management framework, processes and reports |

**Separation of Roles of Chairman and Managing Director**

In order to ensure continual effective supervision and accountability of the Board and management, there is a clear division of responsibilities between the Chairman and the Managing Director ("MD"). The roles of the Chairman and the MD are separated and clearly defined to ensure that there is a balance in power and authority in the Board. The Board is led by an Independent Non-Executive Chairman, who acts independently in the best interest of the Group and is accountable for the stewardship and smooth functioning of the Board and its effectiveness on all aspects of its role.

Meanwhile, the MD is responsible for the overall operations and managing the daily conduct of business, supervision and management of the Group in line with the Board's direction and instructions, and effective implementation of the Group's strategies as well as policies set by the Board.

**Company Secretaries**

The Board is assisted by two (2) qualified and competent Company Secretaries who possess valid Practising Certificates issued by the Companies Commission of Malaysia ("CCM") and are also members of professional bodies, the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). They have the requisite credentials and are qualified to act as company secretary under Section 235 of the Companies Act 2016.

The Company Secretaries are present for all Board and Board Committee meetings and act as an advisory role to the Board, particularly in regard to the Group's Constitution, Board policies and procedures as well as compliance with regulatory requirements, codes, guidance and legislations.

The Company Secretaries also serve as the main point of contact for stakeholders and matters relating to corporate governance. The Board is updated by the Company Secretaries on new statutory and regulatory requirements concerning their duties and responsibilities from time to time.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

## I. Board Responsibilities (cont'd)

### Board Meetings and Access to Information

The Board members have direct and unrestricted access to all the relevant Group's information and the senior key management team to assist in the discharge of the Board's duties and responsibilities.

The Board meets at least four (4) times a year or at least once (1) every three (3) months to facilitate the discharge of its responsibilities. At least seven (7) days before a Board or Board Committee meeting, every Director is given an agenda and a comprehensive set of Board papers, together with relevant proposal papers, if any. This enables the Directors to have sufficient time to peruse the papers and seek further clarification before each meeting.

Meeting papers deemed urgent may still be submitted to the Company Secretaries to be tabled to the Board and/or Board Committees at the respective meetings.

Apart from the Board members, senior key management personnel as well as other external professionals may be invited to attend the meetings to furnish the Board with views and explanations on relevant agenda items tabled to the Board and to provide clarification on issues that may be raised by any Director.

In FY2021, a total of five (5) Board meetings were conducted, with full attendance from the Directors. Following the implementation of the Covid-19 containment measures in 2020, one (1) out of the five (5) Board meetings was conducted via online remote participation in FY2021.

The proceedings and resolutions of all Board meetings will be minuted by the Secretary of the Board. After obtaining approval from the Board, the minutes of the meeting shall be circulated to all Board members in a timely manner.

## II. Board Composition

Throughout FY2021, the Board composition complies with Rule 15.02 of the Listing Requirements, whereby at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, are Independent Directors, as well as Practice 4.1 of MCCG 2017, which stipulates that at least 50% of the Board comprises Independent Directors.

As at 30 June 2021, the Board comprised five (5) members, with two (2) Executive Directors ("EDs") and three (3) Independent Non-Executive Directors ("INEDs"), as set out below:

| No. | Board of Directors | Directorship |
|---|---|---|
| 1. | Lee Ting Kiat | Independent Non-Executive Chairman |
| 2. | Chaw Kam Shiang | Managing Director |
| 3. | Lau Cher Liang | Executive Director |
| 4. | Jason Tan Kim Song | Independent Non-Executive Director |
| 5. | Dyana Sofya Binti Mohd Daud | Independent Non-Executive Director |

As stipulated in the Board Charter, the Board shall consist of qualified individuals with diverse experience, backgrounds and perspectives. The Board believes its present composition constitutes an optimal size for the MTAG's business profile facilitates the making of informed and critical decisions, reflecting a balanced mix of qualified, skilled and experienced professionals from the field of legal and accounting, among others. The Directors have diverse backgrounds equipped with industry-specific knowledge and experience. The Board's spectrum of skills and experience provide the strength needed to lead the Group forward to meet its goals. The Board is of the opinion that the Directors, with their various backgrounds and specializations, collectively bring with them the required expertise and experience to discharge the Board's duties and responsibilities. As such, the Group is led and guided by a skilled and capable Board.

The brief profile of each Director is presented under Directors' Profile on pages 8 to 10 of this FY2021 Annual Report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**II. Board Composition (cont'd)**

All the INEDs have exercised their independent judgement, where all issues were fully discussed and examined after taking into account the long-term interest of shareholders as well as other stakeholders such as the employees, customers and business associates.

The INEDs do not participate in the daily operations and management of the Group and there are no relationships or circumstances which are likely to affect, or could appear to affect, the Independent Directors' judgment. They are pivotal in bringing impartiality and scrutiny to the Board's deliberation and decision-making process, providing effective check and balance in the functioning of the Board to safeguard the interests of all stakeholders.

The Board is mindful of the recommendation in Practice 4.2 of the MCCG 2017 stating that the tenure of an Independent Director does not exceed a cumulative term limit of nine (9) years. Currently, all members of the Board have served for less than four (4) years on the Board.

Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board as a Non-Independent Director. If the Board intends to retain an Independent Director beyond nine (9) years, the Board should justify and seek annual shareholders' approval. Additionally, if the Board continues to retain the Independent Director after the twelfth (12th) year, the Board should seek annual shareholders' approval through a two-tier voting process. Bursa is currently looking into the limitation on the tenure of Independent Directors to not more than 12 years.

The Board is responsible for the appointment and re-election of the Directors to the Board. In accordance with the Company's Constitution, one-third (1/3) of the Directors are subject to retirement by rotation such that each Director shall retire from office once (1) in every three (3) years at the Annual General Meeting ("AGM"), but shall be eligible for re-election. The details of the Director(s) seeking re-election at the forthcoming Fourth ($4^{th}$) AGM are disclosed in the Notice of AGM on page 117 of this FY2021 Annual Report.

There were five (5) Board meetings held during the financial year ended 30 June 2021, and details of Directors' attendance were set out below:

| No. | Board of Directors | Attendance |
|---|---|---|
| 1. | Lee Ting Kiat | 5/5 |
| 2. | Chaw Kam Shiang | 5/5 |
| 3. | Lau Cher Liang | 5/5 |
| 4. | Jason Tan Kim Song | 5/5 |
| 5. | Dyana Sofya Binti Mohd Daud | 5/5 |

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Group. This was reflected in the attendance record of the Directors at Board meetings.

The Board is mindful of the importance for its members to undergo continuous training to ensure they are equipped to carry out their duties effectively and the need to keep abreast of changes in the regulatory and business environments, as well as new developments within the industry in which the Group operates.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**II. Board Composition (cont'd)**

All Directors have attended and successfully completed the Mandatory Accreditation Training Programme as required by Bursa Securities. During the financial year ended 30 June 2021, the Directors have attended various external training programmes and seminars as follows:

| Director | Training / Conference / Forum / Seminar / Webinar / Workshop | Date |
|---|---|---|
| Lee Ting Kiat | KPMG Tax and Business Summit 2020 | 18 – 19 November 2020 |
| | Briefing on The Malaysian Code on Corporate Governance 2021 | 28 May 2021 |
| Chaw Kam Shiang | Briefing on The Malaysian Code on Corporate Governance 2021 | 28 May 2021 |
| Lau Cher Liang | Briefing on The Malaysian Code on Corporate Governance 2021 | 28 May 2021 |
| Jason Tan Kim Song | National Tax Conference 2020 | 25 – 26 August 2020 |
| | 2021 Budget Seminar | 3 December 2020 |
| | Preparation of Transfer Pricing Documentation | 24 February 2021 |
| | Briefing on The Malaysian Code on Corporate Governance 2021 | 28 May 2021 |
| Dyana Sofya Binti Mohd Daud | Bursa Malaysia's Thematic Workshop on Corporate Liability Provision | 16 July 2020 |
| | Briefing on The Malaysian Code on Corporate Governance 2021 | 28 May 2021 |

The Board, through the Nominating Committee ("NC"), undertakes to assess the effectiveness and performances of the Board, including reviewing the required mix of skills and experience of the Board, on an annual basis.

The NC currently comprises three (3) members, all of whom are INEDs:

| No. | Board of Directors | Designation | Directorship |
|---|---|---|---|
| 1. | Dyana Sofya Binti Mohd Daud | Chairman | Independent Non-Executive Director |
| 2. | Lee Ting Kiat | Member | Independent Non-Executive Chairman |
| 3. | Jason Tan Kim Song | Member | Independent Non-Executive Director |

During the year under review, one (1) meeting of NC was held and attended by all members. The TOR of the NC is available on the Group's website at www.mtaggroup.com.

With regards to the Board evaluation for FY2021, the NC conducted annual assessments in the following aspects:
(i) Contribution of each individual Director
(ii) Performance of each individual Director on the Board
(iii) Performance of Independent Director on the Board Committees
(iv) Independence of the Independent Directors

The assessments are based on various criteria including the individual Director's contribution to the Group's performance, roles and responsibilities, participation and attendance at meetings and independence, among others.

The responses are then collated by the Company Secretaries and a summary of the findings are submitted to the NC for deliberation. The NC will then review the findings and make recommendations to the Board.

The annual review of the Board as a whole, the Board Committees and the individual Directors for FY2021 concluded that the Individual Directors, the Board as a whole and its Committees had continued to operate effectively towards fulfilling their duties and responsibilities throughout the year under review.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### II. Board Composition (cont'd)

The Board has stipulated specific TOR for the NC, covering inter-alia, overseeing the selection and assessment of Directors to ensure Board composition meets the needs of the Group. While the Board considers that its composition and size remain balanced and able to reinforce effective oversight and independent review function, the Board, through the NC, continues to identify suitable and qualified individuals in meeting the Company's future needs, taking into consideration of diverse perspectives and insights. The Board will utilise a variety of approaches and sources available to identify suitable candidates, which may include sourcing from existing Board members, the management or major shareholders, as well as independent sources.

In recommending a suitable candidate for directorships and Board Committees to the Board, the NC assesses the suitability of a candidate based on criteria which include, amongst others, experience, skill, competency, time commitment, diversity, professionalism and potential contribution to the Group.

At the moment, the Board does not have a formal policy on gender diversity. The evaluation and selection criteria of a Director are very much dependent on the effective blend of knowledge, skills, competencies, experiences and time commitment of the Board member. Despite not having a written policy on gender diversity, the Board is supportive of diversity in gender, ethnicity and age, as it enlarges the pool of talents, skills and ideas within the Board. Out of the five (5) Directors on the Board, one (1) is a female director.

### III. Remuneration

The Board believes in a remuneration package that fairly supports the Directors' responsibilities and fiduciary duties in steering and growing the Group to achieve its long-term goals and to enhance its shareholders' value.

The Board's objective, in this respect, is to offer competitive remuneration packages in order to attract, develop and retain directors of such calibre to provide the necessary skills and experience to commensurate with the responsibilities of an effective Board.

To this end, the Board delegates to the Remuneration Committee ("RC") the responsibility to set the principles, parameters and framework relating to the Group's remuneration matters. Each Director is to be fairly remunerated for his or her contribution, taking into account corporate and individual performance.

The RC currently comprises three (3) members, all of whom are INEDs:

| No. | Board of Directors | Designation | Directorship |
|---|---|---|---|
| 1. | Lee Ting Kiat | Chairman | Independent Non-Executive Chairman |
| 2. | Jason Tan Kim Song | Member | Independent Non-Executive Director |
| 3. | Dyana Sofya Binti Mohd Daud | Member | Independent Non-Executive Director |

The TOR of the RC is available on the Group's website at www.mtaggroup.com.

During the year under review, one (1) meeting of RC was held and attended by all RC members, where the RC had reviewed and recommended the remunerations packages of Directors and Key Senior Management for the financial year ending 30 June 2022.

The remuneration package of the Executive Directors ("ED") comprises fixed salaries and other emoluments which include bonus, EPF, SOCSO and EIS. The EDs do not play a part in deciding the remuneration package and shall refrain from discussions relating to their remuneration. The RC will recommend the remuneration package to the Board for its review.

The Board as a whole, with the assistance of the RC, determines the fees and allowances for INEDs, with each independent non-executive director concerned abstaining from any decision with regards to his or her own remuneration. The INEDs' annual fees reflect the diverse experience, skillsets and roles and responsibilities of the INEDs concerned.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**III. Remuneration (cont'd)**

The Directors' Remuneration for the financial year ended 30 June 2021 are set out below:

**The Group**

| Director | Fees RM'000 | Salaries and other emoluments[(1)] RM'000 | Benefits-in-kind[(2)] RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Executive Directors** | | | | |
| Chaw Kam Shiang | - | 3,050 | - | **3,050** |
| Lau Cher Liang | - | 3,269 | - | **3,269** |
| **Non-Executive Directors** | | | | |
| Lee Ting Kiat | 60 | - | 10 | **70** |
| Jason Tan Kim Song | 48 | - | 10 | **58** |
| Dyana Sofya Binti Mohd Daud | 48 | - | 10 | **58** |

**The Company**

| Director | Fees RM'000 | Salaries and other emoluments[(1)] RM'000 | Benefits-in-kind[(2)] RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Executive Directors** | | | | |
| Chaw Kam Shiang | - | 3,050 | - | **3,050** |
| Lau Cher Liang | - | 3,269 | - | **3,269** |
| **Non-Executive Directors** | | | | |
| Lee Ting Kiat | 60 | - | 10 | **70** |
| Jason Tan Kim Song | 48 | - | 10 | **58** |
| Dyana Sofya Binti Mohd Daud | 48 | - | 10 | **58** |

*Note:*
*(1) Salaries and other emoluments include bonus, EPF, SOCSO and EIS;*
*(2) Benefits-in-kind comprises of meeting allowances for Non-Executive Directors' attendance in Board and Board Committee meetings.*

The Directors have abstained from the deliberation and voting on the agenda item in relation to their individual remuneration.

The remunerations of the top 2 Key Senior Management of the Group during the financial year ended 30 June 2021 are as follows:

| Key Senior Management | Salaries and other emoluments[(1)] RM '000 | Total RM '000 |
|---|---|---|
| Liew Fei Shane | 212.6 | 212.6 |
| Ang Yam Fung | 251.2 | 251.2 |

*Note:*
*(1) Salaries and other emoluments include bonus, EPF, SOCSO and EIS.*

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT**

**I. Audit Committee ("AC")**

The Board has established an Audit Committee ("AC"), which assists and supports the Board in fulfilling its fiduciary responsibilities in reviewing the audit, recurring audit-related and non-audit services provided by the external auditor.

The AC currently comprises three (3) members, all of whom are INEDs:

| No. | Board of Directors | Designation | Directorship |
|---|---|---|---|
| 1. | Jason Tan Kim Song | Chairman | Independent Non-Executive Director |
| 2. | Lee Ting Kiat | Member | Independent Non-Executive Chairman |
| 4. | Dyana Sofya Binti Mohd Daud | Member | Independent Non-Executive Director |

During the year under review, five (5) meetings were held and attended by all members. The TOR of the AC is available on the Group's website at www.mtaggroup.com.

To ensure the overall effectiveness and independence of the AC, the positions of the Chairman of the Board and Chairman of the AC are held by different Board members.

Collectively, the AC members possess a wide range of necessary skills to discharge their duties and responsibilities. All members of the AC are financially literate and have carried out their duties in accordance with the TOR of the AC.

The AC members are expected to update their knowledge and enhance their skillsets continuously by attending training programmes from time to time, to keep themselves abreast of the latest developments in accounting and auditing standards, practices and Rules and Regulations.

None of the AC members were former partners of the Group's existing auditing firm within the previous two (2) years. This is outlined in the TOR of the AC.

Under the TOR of AC, the AC is accountable for the evaluation of the capabilities and independence of the external auditors and their conduct of the annual statutory audit of financial statements, as well as the engagement of the external auditors for other related services.

The external auditors report to the AC in respect of their audit on each year's statutory financial statements on matters that require the attention of the AC. At least once a year, the AC will have a separate session with the external auditors without the presence of the ED or management.

During FY2021, the external auditors had confirmed to the AC members of their independence throughout the conduct of the audit engagement for FY2021 with the Company in accordance with the independence criteria set out under the *By Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants and the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants.*

The AC had assessed the objectivity, independence and service quality of the external auditors for the financial year ended 30 June 2021, and was satisfied that they were sufficiently resourced and had demonstrated their objectivity, independence and proficiency in carrying out the audit according to the audit scope and plan. With the recommendation from the AC, the Board is agreeable and satisfied with the suitability and independence of the external auditors.

Further information on the AC are detailed in the AC Report on pages 47 to 52 of this FY2021 Annual Report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)**

**II. Risk Management and Internal Control Framework**

The Board, through the AC and Risk Management Committee ("RMC"), has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment and regulatory requirements. The process is reviewed by the Board, the AC and RMC on a periodic basis.

The RMC currently comprises four (4) members, of whom three (3) are INEDs:

| No. | Board of Directors | Designation | Directorship |
|---|---|---|---|
| 1. | Jason Tan Kim Song | Chairman | Independent Non-Executive Director |
| 2. | Lee Ting Kiat | Member | Independent Non-Executive Chairman |
| 3. | Chaw Kam Shiang | Member | Managing Director |
| 4. | Dyana Sofya Binti Mohd Daud | Member | Independent Non-Executive Director |

During the year under review, one (1) meeting was held and attended by all RMC members. The TOR of the RMC is available on the Group's website at www.mtaggroup.com.

To maintain total independence in the management of internal control environment and to remain in compliance with the Listing Requirements, the Group has outsourced its internal audit function to a professional consulting firm, which assists the AC in the discharge of its duties.

The internal auditors report directly to the AC and are given full access to documents relating to the Company and the Group's governance, financial statements and operational assessments. The internal auditors are free from any relationships or conflicts of interest, which could impair their objectivity and independence of the internal audit function, and do not have any direct operational responsibility or authority over any of the activities audited.

The Statement on Risk Management and Internal Control is set out on pages 53 to 56 of this FY2021 Annual Report, providing an overview of the state of risk management and internal controls within the Group.

**PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**

**I. Communication with Stakeholders**

The Board recognises the importance of effective dialogue with its stakeholders and is committed to utilise various channels to provide transparent and regular communication with shareholders and other stakeholders on various matters regarding the business, operations and financial performance of the Group.

In line with best practices, the Board strives to disclose relevant information to stakeholders while being mindful of the legal and regulatory framework governing the release of material and price-sensitive information. The Board abides by the Corporate Disclosure Guide as issued by Bursa Securities, which is calibrated in line with the disclosure requirements stipulated in the ACE Market Listing Requirements of Bursa Securities.

The Group maintains various methods of communication with its stakeholders through the following channels:

Bursa Malaysia Securities Berhad

The Group strives to provide all material information publicly through Bursa Securities' website on a timely basis, which include quarterly results and full year financial results announcements, Annual Report and other relevant material transactions undertaken by the Group.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

### I. Communication with Stakeholders (cont'd)

Corporate website

Information of the Group is also accessible through the Group's corporate website at www.mtaggroup.com, which has a dedicated Investor Relations section, providing updates on the Group, that is easily accessible by stakeholders.

Annual General Meeting

The AGM also serves as a platform and principal forum for dialogue with shareholders, where they will be given the opportunity to clarify any matters on the proposed resolutions. Status of all resolutions tabled at the AGM shall be made public and announced to Bursa Securities at the end of the meeting day. The key matters discussed will be summarised and published on the corporate website at www.mtaggroup.com.

### II. Conduct of General Meetings

The Company conducted its first virtual third (3rd) AGM at PLO 226, Jalan Kencana Mas, Kawasan Perindustrian Tebrau III, 81100 Johor Bahru, Johor (Broadcast Venue) on 23 November 2020 by leveraging technology, following the enforcement of the Conditional Movement Control Order ("CMCO") from 9 November 2020 to 6 December 2020. Save for the few essential individuals, attendance to the 3rd AGM was all done remotely via live streaming using the Remote Participation and Voting ("RPV") facilities. During the AGM, all Directors were present to answer questions pertaining to the resolutions being proposed, financial performance, business operations, corporate governance matters and other matters that are of shareholders' concerns.

The AGM is the principal forum for dialogue and interaction with shareholders. Shareholders are able to participate, engage with the Board and Key Senior Management effectively and make informed voting decisions at general meetings.

The Group endeavours to circulate the Notice of AGM at least twenty-eight (28) days before the AGM to enable shareholders make adequate preparation to attend and participate in the AGM. In addition, the Notice of AGM will be advertised in the newspapers. The Board encourages shareholders to attend the forthcoming AGM and undertakes to answer questions raised by shareholders.

The date of the Group's AGM has been fixed in advance to enable the Directors to make necessary arrangements in order to attend the AGM. Barring unforeseen circumstances, all Directors will be present to attend and participate at the forthcoming AGM and are prepared to engage with shareholders and provide insights into the Group and its businesses.

The Board always ensures the general meetings be held at an easily accessible venue to facilitate high shareholders' attendance. As such, there is no concern over voting in absentia and/or remote shareholders' participation at AGM. In the event that shareholders are unable to physically attend the AGM in person, they are encouraged to appoint one (1) or up to two (2) proxies to attend and vote in his or her stead. The outcome of the meeting is announced to Bursa Securities after 5.00 pm of the AGM date upon being reviewed by the Board, and is also accessible on the Group's corporate website.

## STATEMENT BY THE BOARD ON CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Group shall continue to refine and seek to build upon the enhanced corporate governance practices and procedures in the best interest of our stakeholders. The Group has in all material aspects satisfactorily complied with the principles and practices set out in the MCCG 2017, except for the departures set out in the Corporate Governance Report.

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board dated 24 September 2021.

# ADDITIONAL COMPLIANCE INFORMATION

## 1. STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 to prepare the financial statements for each financial year, which give a true and fair view of the state of affairs, the results and cash flows of the Group and the Company.

The Directors are satisfied that in preparing the financial statements of the Company and of the Group for the financial year ended 30 June 2021 ("FY2021"), the Company and the Group have used the appropriate accounting policies and applied them consistently and prudently. The Directors also consider that all relevant approved accounting standards have been followed in the preparation of these financial statements.

## 2. UTILISATION OF PROCEEDS RAISED FROM THE LISTING EXERCISE

The Company was listed on the ACE Market of Bursa Malaysia Securities Berhad ("Listing") on 25 September 2019. In conjunction with the Listing, the Company undertook a public issue of 136,323,500 new ordinary shares at an issue price of RM0.53 per share, raising gross proceeds of RM72.3 million ("IPO Proceeds"). The status of the utilisation of the gross proceeds for the financial period/year ended 30 June 2021 is as follows:

| Details of utilisation | Proposed utilisation RM '000 | Actual utilisation RM '000 | Estimated timeframe for utilisation upon listing |
|---|---|---|---|
| Land acquisition and construction of manufacturing plant | 33,000 | 264 | 36 months |
| Capital expenditure | 13,000 | 2,810 | 36 months |
| Repayment of bank borrowings | 10,000 | 10,000 | 12 months |
| Working capital | 12,451 | 12,451 | 18 months |
| Listing expenses | 3,800 | 3,800 | 1 month |
| **Total** | **72,251** | **29,325** | |

The utilisation of the proceeds as disclosed above should be read in conjunction with the prospectus of the Company dated 19 August 2019.

## 3. AUDIT AND NON-AUDIT FEES

The amount of audit fees and non-audit fees payable to the external auditors by the Group and the Company for the financial year ended 30 June 2021 are as follows:

| | The Company RM | The Group RM |
|---|---|---|
| Audit fees | 28,000 | 112,000 |
| Non-audit fees | 13,000 | 38,000 |
| **Total** | **41,000** | **150,000** |

## 4. MATERIAL CONTRACTS OR LOANS INVOLVING DIRECTORS AND/OR MAJOR SHAREHOLDERS

Save as disclosed in Note 23 of the audited financial statements for the year ended 30 June 2021, there were no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interest of the directors, chief executive or major shareholders, either still subsisting at the end of the financial year ended 30 June 2021 or entered into since the end of the previous period.

## 5. RECURRENT RELATED PARTY TRANSACTIONS

There were no recurrent related party transactions entered by the Company and its subsidiaries during the financial period/year ended 30 June 2021.

## 6. EMPLOYEES SHARE SCHEME

The Company did not issue any Employees Share Scheme during the financial period ended 30 June 2021.

# AUDIT COMMITTEE REPORT

**MEMBERSHIP AND MEETINGS**

The Audit Committee ("AC" or "the Committee") comprises the following Directors during the financial year ended 30 June 2021 and as at the date of this report. The attendance details of each member at the AC meetings held during the year are as follows:-

| Composition of Committee | Designation | Directorship |
|---|---|---|
| Jason Tan Kim Song | Chairman | Independent Non-Executive Director |
| Lee Ting Kiat | Member | Independent Non-Executive Chairman |
| Dyana Sofya Binti Mohd Daud | Member | Independent Non-Executive Director |

During the financial year, a total of five (5) meetings were held on the following dates:-

| Meeting No. | Date | Time |
|---|---|---|
| 1/2021 | 25 August 2020 | 9.30 a.m. |
| 2/2021 | 22 September 2020 | 9.30 a.m. |
| 3/2021 | 23 November 2020 | 12.35 p.m. |
| 4/2021 | 22 February 2021 | 9.50 a.m. |
| 5/2021 | 28 May 2021 | 10.40 a.m. |

The details of attendance for each member at the Audit Committee meetings for the financial year ended 30 June 2021 are as follows: -

| Composition of Committee | No. of Meeting Held | Attendance |
|---|---|---|
| Jason Tan Kim Song | 5 | 5 |
| Lee Ting Kiat | 5 | 5 |
| Dyana Sofya Binti Mohd Daud | 5 | 5 |

The meetings were appropriately structured through the use of agendas and board papers containing information relevant to the matters for deliberation, which were distributed to members with sufficient notification.

The AC was established on 24 October 2018 and its Terms of Reference are set out below:-

**TERMS OF REFERENCE**

**I. PURPOSE**

The AC was established by the Board known to assist the Board in discharging its roles and responsibilities as set out below in its Terms of Reference, which is a requirement under the Malaysian Code on Corporate Governance 2017 ("MCCG") and Paragraphs 15.11 and 15.12 of the ACE Market Listing Requirement ("AMLR").

The Terms of Reference will not only help the AC members to focus on their roles and responsibilities but the disclosure of such will also enable shareholders to be apprised of the roles and responsibilities of the Committee.

# AUDIT COMMITTEE REPORT

**TERMS OF REFERENCE (CONT'D)**

## II. ROLES AND RESPONSIBILITIES

The roles and responsibilities of the Audit Committee shall be: -

(i) To consider the appointment of the external auditors and any questions of resignation or dismissal. To discuss with the External Auditors before the audit commences, the nature and scope of the audit, and the assistance given by the Company's officers to the auditors and ensure coordination where more than one audit firm is involved.

(ii) To assess the performance, suitability, objectivity and independence of External Auditors and to recommend to the Board for their re-appointments.

(iii) To observe a cooling-off period of at least 2 years for a former key audit partner prior to the appointment as a member of AC.

(iv) To discuss on the Audit Plan and on the problems and reservations arising from the interim and final audits, and any matter the External Auditors may wish to discuss in the absence of management.

(v) To review the External Auditors' management letter and management responses.

(vi) To review the quarterly results and financial statements before submission to the Board, focusing particulars on:

- any changes in accounting policies and practice;
- major judgmental areas;
- significant adjustments resulting from the audit;
- any significant transactions which are outside the ordinary and usual course of the Group's business;
- the going concern assumptions;
- compliance with the accounting standards;
- compliance with stock exchange and legal requirements;
- assess the quality and effectiveness of the internal control system and the efficiency of the Company operations;
- the quality and effectiveness of the entire accounting, management information and internal control systems; and
- the adequacy of the disclosure of information essential to a fair and full presentation of the financial affairs of the Group.

(vii) To assist the Board to review the Statement of Risk Management and Internal Control.

(viii) To review any related party transactions entered into by the Company and its subsidiaries (collectively, "MTAG Group") and any conflict of interest situations that may arise within MTAG Group.

(ix) To do the following, in relation to the Internal audit and risk management's functions:

- establish an internal audit function which is independent of the activities it audits and to ensure its internal audit function reports directly to the AC.
- review the adequacy of the scope, competency and resources of the internal audit functions and with the necessary authority to carry out the work.
- review the internal audit programmes and results of the internal audit processes, and where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit and risk management functions.
- review any appraisal or assessment of the performance of members of the internal audit functions.
- ensure that the internal audit and risk management functions are reported directly to the AC.
- discuss any matters and reservations arising from the internal audits, that the internal auditor may wish to discuss with or without prior knowledge of Management.

(x) To consider any related party transaction that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.

(xi) To establish an internal audit function which is independent of the activities it audits and to ensure its internal audit function reports directly to the AC.

# AUDIT COMMITTEE REPORT

**TERMS OF REFERENCE (CONT'D)**

## II. ROLES AND RESPONSIBILITIES (CONT'D)

The roles and responsibilities of the Audit Committee shall be: - (cont'd)

(xii) To review and consider major findings of internal audit investigations and management's responses, areas requiring improvements for internal control procedures and workflow processes deficiencies and including follow-up actions and ensure that appropriate actions are taken on the recommendations of the internal audit functions.

(xiii) To review on the scope and results of internal audit addressing internal controls over operations, financial, compliance and information technology processes relating to the Group based on the approved Internal Audit Plan.

(xiv) To discuss and review the overall adequacy and effectiveness of system of internal controls and to ensure adequacy of resources, competencies and coverage of auditable entities with significant high risks.

(xv) To ensure the Management has adequate procedures and appropriate resources needed for effective operations as required under the Malaysian Anti-Corruption Commission Act ("MACC Act") 2009 and to maintain up to date or with relevant changes to be made as and when needed for the procedures.

(xvi) To discuss any matters and reservations arising from the internal audits, that the internal auditor may wish to discuss with or without prior knowledge of Management.

(xvii) To review and receive Reporting of Internal Auditor in regards to Enterprise Risk Management matters of MTAG Group.

## III. MEMBERS AND CHAIRMAN

1. The AC shall consist of at least three (3) members, all of whom shall be appointed by the Board amongst its Directors. The AC shall comprise exclusively Non-Executive Directors, with a majority being Independent Directors.

2. a) The AC shall have at least one (1) member of the Malaysian Institute of Accountants ("MIA"); or

   b) If the member of the AC is not a member of the MIA, he must have at least three (3) years' working experience and:

      i) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or

      ii) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

      iii) he fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").

3 A former key audit engagement partner of the external auditors of the Company must first observe a cooling-off period of at least two (2) years before he/she being appointed as a member of the AC (as defined in Note 5 to Practice 8.2 of the MCCG).

4. The Chairman of the AC shall be appointed by the Board and shall be an Independent Non-Executive Director and shall not be the Chairman of the Board. In the absence of the Chairman and/or a deputy appointed by the Board in any meeting, the remaining members present shall elect one (1) of themselves to chair the meeting.

5. All members of the AC, including the Chairman, will hold office only so long as they serve as Directors of the Company. Should any member of the AC ceases to be a Director of the Company, his membership in the AC will cease forthwith.

6. No Alternate Director of the Board shall be appointed as a member of the AC.

7. The terms of office and performance of the AC and each of its members shall be reviewed by the Nominating Committee annually.

8. All members of the AC should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

# AUDIT COMMITTEE REPORT

**TERMS OF REFERENCE (CONT'D)**

## IV. MEETINGS

1. The AC shall meet regularly and hold at least four (4) meetings in a year. In addition, the Chairman of the AC may call for additional meetings at any time at his/her discretion.

2. To form a quorum in respect of a meeting, the majority of the AC members present must be Independent Non-Executive Directors.

3. The Chairman of the AC shall chair the AC's meetings. If he is not present at any meeting within fifteen (15) minutes of the time appointed for holding the same, the members of the AC present shall choose one among them who shall be an Independent Non-Executive Director to be the Chairman of the meeting.

4. Other Directors and employees may attend any particular meetings upon the invitation of the AC. The AC shall convene meetings with the External Auditors ("EA") or the Internal Auditors ("IA") or both, without the attendance of Executive Board members or employees, whenever deemed necessary and such meetings shall be held at least once a year.

5. The minutes of the AC meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

6. A resolution in writing, signed by all members of the Committee, shall be as effectual as if it has been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more Committee members.

## V. REPORTING

The AC, through its Chairman, shall report a summary of significant matters to the Board at the next Board meeting after each Committee meeting. When presenting any recommendation to the Board, the Committee will provide such background and supporting information as may be necessary for the Board to make an informed decision.

## VI. SECRETARY

The Company Secretary shall act as Secretary of the AC and shall be responsible, with the concurrence of the Chairman of the Committee, for drawing up and circulating the agendas and the notices of meetings together with the supporting explanatory documentation to members prior to each meeting and shall be entrusted to record all proceedings and minutes of all meetings of the Committee.

The minutes of the AC, when approved and signed by the Chairman of the Committee, should be circulated to the Board.

## VII. REVIEW

The Terms of Reference of the Audit Committee shall be reviewed as and when necessary, at least once every year and to be recommended to the Board for approval.

**SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE**

During the financial year ended 30 June 2021, the Audit Committee held a total of five (5) meetings. The principal activities undertaken by the Audit Committee were summarised as follows:-

a) <u>Financial Reporting</u>

Reviewed and approved the quarterly unaudited financial results for the 4th quarter of 2020, 1st, 2nd and 3rd quarters of 2021 at its meetings held on 25 August 2020, 23 November 2020, 22 February 2021 and 28 May 2021 respectively together with the Management before recommending them for the Board's consideration and approval and for their announcements to the public through Bursa Link.

# AUDIT COMMITTEE REPORT

**SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE (CONT'D)**

b) External Auditors

1. Reviewed the audited financial statements for financial year ended 30 June 2020 to ensure the financial reports presented a true and fair view;
2. Reviewed and recommended to the Board the reappointment of external auditor and reviewed their audit plan;
3. Reviewed and approved the external auditors' reports, audit timetable and audit fees in relation to the financial year ended 30 June 2021 and had recommended to the Board for approval; and
4. Reviewed the results and issues arising from the external audit and discussed the areas of concern with the External Auditors in the absence of management.

c) Internal Auditors

Reviewed and approved the Internal Audit Report in relation to the Audit scope as below and had recommended to the Board for approval:

1. Sales and Contract presented by the Internal Auditors in August 2020 in respect of the subsidiary companies, Toyo Sho Industrial Products Sdn. Bhd., Intag Industrial Supplies Sdn. Bhd. and Intag Steel Hardware Sdn. Bhd.;
2. Business Contingency Management with regard to Covid-19 management presented by the Internal Auditors in August 2020 in respect of the subsidiary companies, Toyo Sho Industrial Products Sdn. Bhd., Intag Industrial Supplies Sdn. Bhd. and Intag Steel Hardware Sdn. Bhd.;
3. Internal Audit Plan for financial year ended 30 June 2021 and Internal Audit follow up review presented by the Internal Auditors in November 2020;
4. Finance and Accounting presented by the Internal Auditors in February 2021 in respect of MTAG Group Berhad and its subsidiary companies, Toyo Sho Industrial Products Sdn. Bhd., Intag Industrial Supplies Sdn. Bhd., Intag Steel Hardware Sdn. and MTAG Land Sdn. Bhd.; and
5. Human Resources presented by the Internal Auditors in May 2021 in respect of MTAG Goup Berhad and its subsidiary companies, Toyo Sho Industrial Products Sdn. Bhd., Intag Industrial Supplies Sdn. Bhd., Intag Steel Hardware Sdn. Bhd. and MTAG Land Sdn. Bhd.

d) Reviewed the suitability and independence of External Auditors

Audit Committee conducted the evaluation of the performance and independence of the External Auditors to determine and confirm their suitability and competency and made recommendation to the Board for their reappointment as the statutory auditor of the Group and for shareholders' approval at the forthcoming Annual General Meeting.

e) Engagement of Independent Professional Consultant - Sterling Business Alignment Consulting Sdn. Bhd. ("Sterling")

Reviewed and approved the following presentation in May 2021 by Sterling and had recommended to the Board for approval: -

1. Anti-Corruption and Anti-Bribery Management System: Status Update
2. Enterprise Risk Management System

f) Related Party Transaction

Reviewed and discussed on any Related Party Transaction of the company and had reported and recommended to the Board for approval.

g) Review of Statements to be Made in Annual Report

Reviewed the Audit Committee Report, Corporate Governance Overview Statement, Corporate Governance Report and Statement on Risk Management and Internal Control to be disclosed in Annual Report for the financial year ended 30 June 2021.

# AUDIT COMMITTEE REPORT

## RISK MANAGEMENT AND INTERNAL AUDIT ACTIVITIES AND FUNCTIONS

The Company has outsourced its internal audit functions, risk management review and Anti-Corruption and Anti-Bribery Management System review to Sterling Business Alignment Consulting Sdn. Bhd. [Registration No. 200401015607 (654110-P)] which was tasked with the aim of providing assurance and assistance to the Audit Committee and the Board in reviewing the adequacy and effectiveness of the risk management and internal control systems of the Company. The internal auditors also act as a source to assist the Audit Committee and the Board to strengthen and improve current management and operating procedures in pursuit of best practices.

The risk management and internal audit activities carried out during the financial year ended 30 June 2021 are stated in the Statement of Risk Management and Internal Control and also the following:

- Prepared the annual internal audit plan for review by the AC;
- Prepared and presented the internal audit report with the concerned areas, comments, recommendations and responses of management to the AC for review;
- Updated internal audit follow-up status report for the attention, consideration and improvement of the management and AC;
- Reviewed and presented the Anti-Corruption and Anti-Bribery Management System Reporting status update to the AC for review;
- Reviewed and presented the Enterprise Risk Management System Reporting to the Risk Management Committee and AC for review.

The cost incurred for the internal audit function in respect of the financial year ended 30 June 2021 was RM79,200.

**This Report was reviewed and approved by the AC and the Board on 24 September 2021.**

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

**Introduction**

Pursuant to Rule 15.26(b) of the Bursa Malaysia Securities Berhad ACE Market Listing Requirements, the Board of Directors ("the Board") of MTAG Group Berhad ("MTAG" or "the Company") is pleased to report on its Statement on Risk Management and Internal Control, which provides an overview of the nature and state of risk management and internal controls of the Company and its group of companies ("the Group") for the financial year ended 30 June 2021. This statement is guided by the latest Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers issued by the Taskforce on Internal Control with the support and endorsement of the Bursa Malaysia Securities Berhad and Malaysian Code on Corporate Governance 2017 ("MCCG").

**Board Responsibility**

The Board recognises that it is ultimately responsible for MTAG's maintenance of good risk management practices and sound internal controls as a platform for good corporate governance. The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal control, and for reviewing its adequacy and effectiveness to ensure shareholder's interest and the Group assets are safeguarded. In addition, the Board has also received assurance from the Managing Director ("MD"), Executive Director ("ED") and Senior Management that the Group's risk management and internal control not only covers the financial aspects of the Group, but also operational and compliance aspects of the Group system are operating adequately and effectively.

Due to inherent limitations in any risk management and internal control system, such a system is designed to manage the risk that may impede the achievement of the Group's business objectives rather than eliminating these risks. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against fraud, material misstatement, losses or errors.

The Board through its Audit Committee ("AC") and Risk Management Committee ("RMC") have established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment and regulatory requirements. The process is reviewed by the Board, the AC and RMC on a periodic basis.

The effectiveness of internal controls was reviewed by the AC in relation to the audits conducted by internal auditors ("IA") during the financial year. Audit issues and actions taken by Management to address the issues tabled by IA were deliberated during the AC meetings. Minutes of the AC meetings which recorded these deliberations were presented to the Board.

**Risk Management**

The Board has an established ongoing process for identifying, evaluating and managing the significant risks encountered by the Company in accordance with the Guidance for Directors of Public Listed Companies on Statement on Risk Management and Internal Control. Risk Management is an integral part of the business operations and this process goes through a review process by the Board. Discussions have been conducted during the year involving different levels of management to identify and address risks faced by the Group. These risks were summarised and included in the Group's risk registry. The Group has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group throughout the financial year under review and up to the date of approval of this statement for inclusion in the annual report by the Management. This is to ensure that all high risks are adequately addressed at various levels within the Group.

The roles and responsibilities of the RMC in relation to risk management are as follows:

1. To oversee and recommend the risk management policies and procedures;

2. To review and recommend changes as needed to ensure that the Group has in place at all times a risk management policy which addresses the strategic, operational, financial and compliance risks;

3. To implement and maintain a sound risk management framework which identifies, assesses, manages and monitors the business risks;

4. To set reporting guidelines for management to report to the RMC on the effectiveness of management of its business risks;

5. To review the risk profile of the Group including all subsidiaries and to evaluate the measures taken to mitigate the business risks;

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

**Risk Management (cont'd)**

The roles and responsibilities of the RMC in relation to risk management are as follows: (cont'd)

6. To review the adequacy of management response to issues identified in risk registers, ensuring that the risks are managed within the Group's risk appetite;

7. To identify corporate liability risks including bribery risks, corruption risks and compliance risks with the Malaysian Anti-Corruption Commission Act ("MACC Act") 2009;

8. To monitor the risk control measures of corporate liabilities risks identified;

9. To review the operational effectiveness and efficiency in protecting MTAG Group Berhad and its Subsidiaries from bribery risks and encourage legal and regulatory compliance; and

10. To ensure that adequate and appropriate resources needed for the effective operation of the Anti-Corruption and Anti-Bribery Management System ("ABMS") are allocated with the dedicated person in charge who should have the necessary status and authority to fulfil their responsibilities.

The Board recognises that risk management is an integral part of the Group's culture and is embedded into day to day management of operations, processes and structures. Thus, it should be extensively applied in all decision-making and strategic planning. The Management team is responsible for managing risks related to their functions or departments. The RMC relies on the Senior Management team to support in terms of:

1. Managing the inherent risk of business processes under his/her control;

2. Identifying risks, evaluating and executing risk control measures;

3. Reporting significant risks to the RMC and the Board at scheduled meetings in a proactive, responsible and accountable manner; and

4. Providing oversight on the establishment, implementation and review of the effectiveness of the risk management framework and internal control systems to the RMC and the Board.

The Board adopted a Risk Management Handbook which entails the following chapters: -

1) Risk Management – Objectives and Type of Risks;

2) Principles and Reporting Structure;

3) Roles and Responsibilities;

4) Risk Management Framework; and

5) Risk Measurement Criteria.

The Board regards risk management as an integral part of the Group's business operations and has oversight over the critical areas. The RMC, supported by the IA, provides an independent assessment of the effectiveness of the Group's Risk Management framework and reports to the Board. This helps to reduce the uncertainties surrounding the Group's internal and external environment, thus allowing it to maximise opportunities and minimise adverse incidences that may arise. The risk categories of which the Group considered include possible business risks, financial risks, corporate liabilities risks, compliance risks, operational risks, reputation risks and sustainability risks. During the Financial Year ended 30 June 2021, the RMC deliberated and reviewed the Risk Profile presented by the Management on 28 May 2021.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

**Internal Audit**

The Board is fully aware of the importance of the internal audit function. The Group has engaged an independent professional consulting firm namely Sterling Business Alignment Consulting Sdn Bhd ("IA Firm") to provide independent assurance to the Board and AC in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

The firm acts as Internal Auditors and reports directly to the AC during the AC quarterly meetings. The firm is free from any relationships or conflicts of interest, which could impair its objectivity and independence of the internal audit function. The firm does not have any direct operational responsibility or authority over any of the activities audited. The AC is of the opinion that the internal audit functions are effective and able to function independently.

Scheduled internal audits are carried out based on the annual audit plan approved by the AC. The internal auditors align their current internal audit practices with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal Controls – Integrated Framework. Using this framework, all internal control assessments performed by IA are based on the internal control elements, scope and coverage. On a quarterly basis, the IA Firm presents the AC with the internal audit reports. During the year under review, internal audit reviews were carried out by the internal audit team to address the related internal control improvement required. Concerned areas identified during the reviews together with the improvement measures to strengthen the internal controls were reported accordingly.

The internal audit function assists the Board and Senior Management team in providing an independent assessment of the effectiveness and adequacy of the Group's system of internal controls. The assessment of the adequacy and effectiveness of internal controls established in mitigating risks is carried out through interviews and discussion with the Management team, a reviewing of relevant established policies and procedures and authority limits, and observing and testing of the internal controls on a sample basis. The internal audit reviews have resulted in an improvement action plan to be taken by the Group to address the concerned areas noted. Identified enhancement opportunities are then reported to be taken by the Group to address the concerned areas noted. Identified enhancement opportunities are reported to the AC, who in turn reports these matters to the Board. Any highlighted concerned areas are followed up closely to determine the extent of the recommendations that need to be improved and implemented by the Senior Management.

For the financial period ended 30 June 2021, two (2) internal audit reviews and two (2) follow-up internal audit reviews had been carried out and reported by Internal Auditors:

| Audit Period | Reporting Month | Name of Entity Audited | Audit Areas |
|---|---|---|---|
| July – September 2020 | November 2020 | Toyo Sho Industrial Products Sdn Bhd<br>Intag Industrial Supplies Sdn Bhd<br>Intag Steel Hardware Sdn Bhd | • Follow up actions on previously reported internal audit findings |
| October – December 2020 | February 2021 | MTAG Group Berhad<br>MTAG Land Sdn Bhd<br>Toyo Sho Industrial Products Sdn Bhd<br>Intag Industrial Supplies Sdn Bhd<br>Intag Steel Hardware Sdn Bhd | • Finance and Accounts |
| January – March 2021 | May 2021 | MTAG Group Berhad<br>MTAG Land Sdn Bhd<br>Toyo Sho Industrial Products Sdn Bhd<br>Intag Industrial Supplies Sdn Bhd<br>Intag Steel Hardware Sdn Bhd | • Human Resources |
| | | MTAG Group Berhad and its subsidiaries | • Enterprise Risk Management Review<br>• Anti-Corruption and Anti-Bribery Management System Review |
| April – June 2021 | August 2021 | MTAG Group Berhad<br>Toyo Sho Industrial Products Sdn Bhd<br>Intag Industrial Supplies Sdn Bhd<br>Intag Steel Hardware Sdn Bhd | • Follow up actions on previously reported internal audit findings |

All reports from the internal audit reviews carried out were submitted and presented to the AC with the feedback and agreed corrective actions to be undertaken by Management. Subsequently, the progress of these corrective actions was monitored and verified by IA on a regular basis and submitted to the AC. The IA firm is committed to equip the internal auditors with sufficient knowledge, skills and competencies to discharge their duties and responsibilities.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

**Internal Control**

The Board acknowledges that a sound system of internal control reduces, but cannot eliminate the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees, management overriding controls, and the occurrence of unforeseeable circumstances.

The Management receives and reviews regular reports on key financial data, performance indicators and regulatory matters. This is to ensure that matters requiring the Board's attention are highlighted for review, deliberation and decision making on a timely basis. The Board will approve the appropriate responses or amendments to the Group's policies.

The internal control matters are reviewed and the Board is updated on significant control gaps, if any, for the Board's attention and action. Issues relating to the business operations are also highlighted to the Board's attention during Board meetings and any significant fluctuation or exception noted will be acted in a timely manner.

Other key elements of the Group's internal control systems are as follows:

- An organisational structure in the Group with formally defined reporting, lines of responsibility and delegation of authority;
- Clearly defined terms of reference, authorities and responsibilities of the various Board Committees which include the Audit Committee, Risk Management Committee, Nominating Committee and Remuneration Committee;
- Well-defined organizational structure with clear lines of authority, accountability and responsibilities of the Management team;
- Clearly defined and formalized internal policies and procedures are in place to support the Group in achieving its business objectives. These policies and procedures provide a basis for ensuring compliance with applicable laws and regulations, and also internal controls with respect to the conduct of business;
- Quarterly review of financial results by the Board and the AC;
- Active participation and involvement by the MD and ED in the day-to-day running of the major businesses and regular discussions with the Senior Management of smaller business units on operational issues;
- Review of internal audit reports and findings by the AC; and
- Quarterly review of Group management accounts by the MD, ED and Management.

The Group will continue to foster a risk-awareness culture in all decision-making and manage all risks in a proactive and effective manner. This is to enable the Group to respond effectively to the changing business and competitive environment.

**Assurance**

The Board regularly receives and reviews the report on the effectiveness of the risk management and internal control, and is of the view that it is adequate to safeguard the shareholders' interest and the Group's assets. The role of the Management is to implement the Board's policies and guidelines on risks and controls, to identify and evaluate the risks faced and to operate a suitable system of internal controls to manage these risks.

The Board has obtained assurances from the MD, ED and Senior Management that the Group's system of Risk Management and Internal Control is operating adequately and effectively for the financial year under review and up to date as of this Statement.

**Review of the Statement by External Auditors**

Pursuant to Rule 15.23 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, this Statement has been reviewed by the external auditors for inclusion in the Annual Report for the financial year ended 30 June 2021. The review was conducted in accordance with the Audit and Assurance Practice Guide 3 ("AAPG 3"): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing had come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the risk management and internal control processes implemented by the Group.

**Conclusion**

For the financial year under review, based on our samples there were no significant internal control deficiencies or material weaknesses resulting in material losses or contingencies requiring separate disclosure in the Annual Report. The Board is of the view that the Group's system of internal control and risk management is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognisant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the Group's system of internal control and risk management framework.

This Statement on Risk Management and Internal Control was approved by the Board on 24 September 2021.

# FINANCIAL STATEMENTS

# DIRECTORS' REPORT

The Directors of MTAG Group Berhad have the pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2021.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities.

The principal activities of the subsidiary companies are disclosed in Note 5 to the Financial Statements.

There are no changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

## RESULTS

| | GROUP<br>RM | COMPANY<br>RM |
|---|---|---|
| Profit for the financial year | 33,621,486 | 20,933,284 |
| Attributable to:- | | |
| Owners of the Company | 33,621,486 | 20,933,284 |

## DIVIDENDS

The amount of dividends paid and declared since the end of the last financial year were as follows:-

| | RM |
|---|---|
| First interim single tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 30 June 2021 and paid on 21 December 2020 | 6,816,174 |
| Second interim single tier dividend of 2.0 sen per ordinary share in respect of the financial year ended 30 June 2021 and paid on 25 June 2021 | 13,632,348 |
| | 20,448,522 |

The Directors did not proposed, declared or paid any final dividend in respect of the financial year ended 30 June 2021.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in financial statements.

## DIRECTORS

The Directors who held office during the financial year and up to the date of this report are as follows:-

Lee Ting Kiat (Independent Non-Executive Chairman)
Chaw Kam Shiang* (Managing Director)
Lau Cher Liang* (Executive Director)
Jason Tan Kim Song (Independent Non-Executive Director)
Dyana Sofya Binti Mohd Daud (Independent Non-Executive Director)

** Directors of the Company and its subsidiary companies.*

The Directors of the subsidiary companies who held office during the financial year and up to the date of this report, not including those Directors listed above are as follows:-

Ang Yam Fung
Choo Jack Kie

# DIRECTORS' REPORT (CONT'D)

## DIRECTORS' INTEREST

According to the Register of Directors' Shareholdings, the beneficial interests of those who were Directors at the end of the financial year in shares of the Company are as follows:-

| | NUMBER OF ORDINARY SHARES | | | |
|---|---|---|---|---|
| | AS AT 1 JULY 2020 | BOUGHT | SOLD | AS AT 30 JUNE 2021 |
| *Direct interest* | | | | |
| Lee Ting Kiat | 1,000,000 | 100,000 | (211,400) | 888,600 |
| Chaw Kam Shiang | 344,151,970 | 2,000,000 | - | 346,151,970 |
| Lau Cher Liang | 113,831,544 | - | (14,549,300) | 99,282,244 |
| Jason Tan Kim Song | 500,000 | - | (500,000) | - |
| *Indirect interest* | | | | |
| Chaw Kam Shiang* | 13,393,310 | 1,492,800 | (440,000) | 14,446,110 |

** Deemed interest by virtue of his spouse's interest pursuant to Section 8 of the Companies Act, 2016.*

Except as disclosed above, none of the Directors of the Company, who were Directors at the end of the financial year, held any interest in shares of the Company or its related corporations during the financial year.

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling the Directors of the Company to acquire any benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than as disclosed in Note 23 to the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## DIRECTORS' REMUNERATION

The Directors' remuneration is disclosed in Notes 20 and 22 to the Financial Statements.

The Company maintains Directors' and Officers' liability insurance for purposes of Section 289 of the Companies Act, 2016, throughout the financial year, which provides appropriate insurance cover for the Directors and Officers of the Company. During the financial year, the Directors and Officers of the Company are covered for a total amount of indemnity coverage of RM5,000,000 and insurance premium paid for the Directors and Officers of the Company is RM20,150.

## ISSUE OF SHARES AND DEBENTURES

There were no issuance of new shares or debentures during the financial year.

## OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-

(a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate provision had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise their values in the ordinary course of business as shown in the accounting records had been written down to an amount which they might be expected so to realise.

# DIRECTORS' REPORT (CONT'D)

**OTHER STATUTORY INFORMATION (CONT'D)**

At the date of this report, the Directors are not aware of any circumstances:-

(a) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:-

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

In the opinion of the Directors:-

(a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

(b) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the of the Group and of the Company for the current financial year in which this report is made.

**SIGNIFICANT EVENTS**

The significant events are disclosed in Note 28 to the Financial Statements.

**AUDITORS' REMUNERATION**

The total amount of fees paid to or receivable by the Auditors, Grant Thornton Malaysia PLT, as remuneration for their services as auditors of the Company and its subsidiaries for the financial year ended 30 June 2021 are disclosed in Note 20 to the Financial Statements.

There was no indemnity given to or insurance effected for the Auditors of the Company.

**AUDITORS**

The Auditors, Grant Thornton Malaysia PLT have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

**CHAW KAM SHIANG**
*Director*

**LAU CHER LIANG**
*Director*

Johor Bahru
24 September 2021

# STATEMENT BY DIRECTORS AND STATURORY DECLARATION

## STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 65 to 112 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2021 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

**CHAW KAM SHIANG**

**LAU CHER LIANG**

Johor Bahru
24 September 2021

## STATUTORY DECLARATION

I, Liew Fei Shane, being the Officer primarily responsible for the financial management of MTAG Group Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 65 to 112 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed at Johor Bahru in the State of Johor this day of 24 September 2021.

**LIEW FEI SHANE**
(MIA No. 14073)

Before me:

Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MTAG GROUP BERHAD

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinion**

We have audited the financial statements of MTAG Group Berhad ("the Company"), which comprise the statements of financial position as at 30 June 2021, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 65 to 112.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Company Act, 2016 in Malaysia.

**Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence and Other Ethical Responsibilities**

We are independent of the Group and the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*Allowance for impairment of trade receivables*

**The risk**
Refer to Notes 7 and 25 (c) to the Financial Statements. We focused on this area because the Group has trade receivables that are past due but not impaired. The key associate risk was the recoverability of billed trade receivables as management judgement is required in estimating the expected credit losses. The Group applies a simplified approach in calculating provision for expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognises a loss provision based on lifetime ECLs at the reporting date. The Group considers amongst others, its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

**Our response**
We have obtained an understanding of the Group's policy on impairment of trade receivables and evaluated management's judgement in calculating the expected credit losses for impairment of trade receivables. This includes reviewing the ageing of receivables and testing the integrity of ageing by calculating the due date for a sample of invoices. We also checked the recoverability of outstanding receivables through examination of subsequent cash receipts and tested the operating effectiveness of the relevant control procedures that management has in place.

The basis of management's judgement over the recoverability of billed trade receivables are disclosed in Notes 3.10.1.5 and 25 (c) to the Financial Statements.

*Inventory valuation*

**The risk**
Refer to Note 6 to the Financial Statements. The Group's inventories are subject to a risk that the inventories become slow-moving or obsolete and rendering it not saleable or can only be sold for selling prices that are less than the carrying value. There is inherent subjectivity and estimation involved in determining the accuracy of inventory obsolescence provision and in making an assessment of its adequacy due to risks of inventory prices not valid and inventory not stated at the lower of cost or market.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MTAG GROUP BERHAD (CONT'D)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

**Key Audit Matters (cont'd)**

*Inventory valuation (cont'd)*

**Our response**
We have obtained an understanding on the Group's accounting policy in making the accounting estimates for inventories write-down which is in line with its business environment. We have also attended the year-end physical inventories count to validate counts performed by the Group. Besides that, we also tested a sample of inventories to ensure that they were held at the lower of cost and net realisable value. We have also evaluated management judgement and Group's accounting policy with regards to the application of provision to the inventories.

We have determined that there is no key audit matter to communicate in our report in relation to our audit of the financial statements of the Company.

**Information Other than the Financial Statements and Auditors' Report Thereon**

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs and the requirement of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MTAG GROUP BERHAD (CONT'D)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)**

**Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)**

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicated with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Directors, we determined those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We described these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**GRANT THORNTON MALAYSIA PLT**
(201906003682 & LLP0022494-LCA)
CHARTERED ACCOUNTANTS (AF 0737)

**MOHAMAD HEIZRIN BIN SUKIMAN**
(NO: 03046/05/2023 J)
CHARTERED ACCOUNTANT

Johor Bahru
24 September 2021

# STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2021

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2021 | 2020 | 2021 | 2020 |
| | NOTE | RM | RM | RM | RM |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 4 | **22,397,911** | 24,251,471 | **-** | - |
| Investment in subsidiary companies | 5 | **-** | - | **101,901,148** | 89,451,148 |
| Total non-current assets | | **22,397,911** | 24,251,471 | **101,901,148** | 89,451,148 |
| **Current assets** | | | | | |
| Inventories | 6 | **25,168,409** | 25,801,829 | **-** | - |
| Trade receivables | 7 | **43,857,840** | 39,143,067 | **-** | - |
| Other receivables | 8 | **2,829,669** | 2,581,352 | **869,266** | 1,792,542 |
| Amount due from subsidiary companies | 5 | **-** | - | **10,182** | 2,788,902 |
| Tax recoverable | | **-** | 88,776 | **-** | - |
| Fixed deposits with licensed banks | 9 | **92,854,244** | 77,436,368 | **43,880,000** | 52,160,127 |
| Cash and bank balances | 10 | **27,158,882** | 32,288,720 | **1,730,448** | 1,698,981 |
| Total current assets | | **191,869,044** | 177,340,112 | **46,489,896** | 58,440,552 |
| **Total assets** | | **214,266,955** | 201,591,583 | **148,391,044** | 147,891,700 |
| **EQUITY AND LIABILITIES** | | | | | |
| **EQUITY** | | | | | |
| Share capital | 11 | **146,565,776** | 146,565,776 | **146,565,776** | 146,565,776 |
| Merger deficit | 12 | **(73,775,201)** | (73,775,201) | **-** | - |
| Revaluation reserve | 13 | **5,667,497** | 5,786,310 | **-** | - |
| Unappropriated profit | 14 | **114,450,364** | 101,158,587 | **1,454,247** | 969,485 |
| **Total equity** | | **192,908,436** | 179,735,472 | **148,020,023** | 147,535,261 |
| **LIABILITIES** | | | | | |
| **Non-current lilibilities** | | | | | |
| Deferred tax liabilities | 15 | **2,443,021** | 2,658,210 | **-** | - |
| Lease liabilities | 16 | **30,311** | 52,830 | **-** | - |
| Total non-current liabilities | | **2,473,332** | 2,711,040 | **-** | - |
| **Current liabilities** | | | | | |
| Trade payables | 17 | **13,366,288** | 11,826,589 | **-** | - |
| Other payables | 18 | **3,751,094** | 4,924,512 | **313,686** | 249,311 |
| Amount due to a subsidiary company | 5 | **-** | - | **2** | 2 |
| Lease liabilities | 16 | **22,519** | 57,844 | **-** | - |
| Tax payable | | **1,745,286** | 2,336,126 | **57,333** | 107,126 |
| Total current liabilities | | **18,885,187** | 19,145,071 | **371,021** | 356,439 |
| **Total liabilities** | | **21,358,519** | 21,856,111 | **371,021** | 356,439 |
| **Total equity and liabilities** | | **214,266,955** | 201,591,583 | **148,391,044** | 147,891,700 |

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2021 | 2020 | 2021 | 2020 |
| | NOTE | RM | RM | RM | RM |
| Revenue | 19 | **193,636,510** | 166,128,593 | **20,583,721** | 23,237,571 |
| Cost of sales | | **(139,766,450)** | (113,170,804) | **-** | - |
| Gross profit | | **53,870,060** | 52,957,789 | **20,583,721** | 23,237,571 |
| Other income | | **3,024,642** | 1,210,547 | **-** | - |
| Finance income | | **2,705,693** | 2,773,124 | **1,515,470** | 1,820,277 |
| Allowance for impairment loss of trade receivables | | **(120,450)** | - | **-** | - |
| Selling and distribution expenses | | **(2,113,063)** | (2,252,734) | **-** | - |
| Administrative expenses | | **(12,500,973)** | (14,309,907) | **(809,453)** | (3,004,978) |
| Finance costs | | **(33,356)** | (77,789) | **-** | - |
| Profit before tax | 20 | **44,832,553** | 40,301,030 | **21,289,738** | 22,052,870 |
| Tax expense | 21 | **(11,211,067)** | (10,112,067) | **(356,454)** | (444,626) |
| Profit for the financial year | | **33,621,486** | 30,188,963 | **20,933,284** | 21,608,244 |
| **Other comprehensive income, net of tax :-** | | | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | | | |
| Realisation of revaluation reserve upon depreciation of revalued assets | | **118,813** | 118,398 | **-** | - |
| Transfer of revaluation reserve to unappropriated profit | | **(118,813)** | (118,398) | **-** | - |
| | | **-** | - | **-** | - |
| **Total comprehensive income for the financial year** | | **33,621,486** | 30,188,963 | 20,933,284 | 21,608,244 |
| **Profit attributable to:-** | | | | | |
| Owners of the Company | | **33,621,486** | 30,188,963 | **20,933,284** | 21,608,244 |
| Profit for the financial year | | **33,621,486** | 30,188,963 | **20,933,284** | 21,608,244 |
| **Total comprehensive income attributable to:-** | | | | | |
| Owners of the Company | | **33,621,486** | 30,188,963 | **20,933,284** | 21,608,244 |
| Total comprehensive income for the financial year | | **33,621,486** | 30,188,963 | **20,933,284** | 21,608,244 |
| **Earnings per share attributable to owners of the Company** | | | | | |
| Earnings per ordinary share | | | | | |
| - Basic (RM) | 30 | **0.05** | 0.05 | **-** | - |
| - Diluted (RM) | 30 | **-** | - | **-** | - |

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

| | SHARE CAPITAL RM | MERGER DEFICIT RM | REVALUATION RESERVE RM | UNAPPROPRIATED PROFIT RM | TOTAL EQUITY RM |
|---|---|---|---|---|---|
| **Group** | | | | | |
| Balance at 1 July 2019 | 76,341,148 | (73,775,201) | 5,904,708 | 91,299,748 | 99,770,403 |
| **Transactions with owners:** | | | | | |
| Issuance of ordinary shares | 72,251,455 | - | - | - | 72,251,455 |
| Share issuance expenses | (2,026,827) | - | - | - | (2,026,827) |
| First interim single tier dividend of 1.0 sen per ordinary share for the financial year ended 30 June 2020 | - | - | - | (6,816,174) | (6,816,174) |
| Second interim single tier dividend of 2.0 sen per ordinary share for the financial year ended 30 June 2020 | - | - | - | (13,632,348) | (13,632,348) |
| Total transactions with owners | 70,224,628 | - | - | (20,448,522) | 49,776,106 |
| Profit for the financial year | - | - | - | 30,188,963 | 30,188,963 |
| Other comprehensive income for the financial year | - | - | (118,398) | 118,398 | - |
| Total comprehensive income for the financial year | - | - | (118,398) | 30,307,361 | 30,188,963 |
| Balance at 30 June 2020 | 146,565,776 | (73,775,201) | 5,786,310 | 101,158,587 | 179,735,472 |
| **Transactions with owners:** | | | | | |
| First interim single tier dividend of 1.0 sen per ordinary share for the financial year ended 30 June 2021 | - | - | - | (6,816,174) | (6,816,174) |
| Second interim single tier dividend of 2.0 sen per ordinary share for the financial year ended 30 June 2021 | - | - | - | (13,632,348) | (13,632,348) |
| Total transactions with owners | - | - | - | (20,448,522) | (20,448,522) |
| Profit for the financial year | - | - | - | 33,621,486 | 33,621,486 |
| Other comprehensive income for the financial year | - | - | (118,813) | 118,813 | - |
| Total comprehensive income for the financial year | - | - | (118,813) | 33,740,299 | 33,621,486 |
| Balance at 30 June 2021 | **146,565,776** | **(73,775,201)** | **5,667,497** | **114,450,364** | **192,908,436** |

# STATEMENTS OF CHANGES IN EQUITY (CONT'D)
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

| | SHARE CAPITAL RM | (ACCUMULATED LOSSES)/ UNAPPROPRIATED PROFIT RM | TOTAL EQUITY RM |
|---|---|---|---|
| **Company** | | | |
| Balance at 1 July 2019 | 76,341,148 | (190,237) | 76,150,911 |
| **Transactions with owners:** | | | |
| Issuance of ordinary shares | 72,251,455 | - | 72,251,455 |
| Share issuance expenses | (2,026,827) | - | (2,026,827) |
| First interim single tier dividend of 1.0 sen per ordinary share for the financial year ended 30 June 2020 | - | (6,816,174) | (6,816,174) |
| Second interim single tier dividend of 2.0 sen per ordinary share for the financial year ended 30 June 2020 | - | (13,632,348) | (13,632,348) |
| Total transactions with owners | 70,224,628 | (20,448,522) | 49,776,106 |
| Profit for the financial year | - | 21,608,244 | 21,608,244 |
| Other comprehensive income for the financial year | - | - | - |
| Total comprehensive income for the financial year | - | 21,608,244 | 21,608,244 |
| Balance at 30 June 2020 | 146,565,776 | 969,485 | 147,535,261 |
| **Transactions with owners:** | | | |
| First interim single tier dividend of 1.0 sen per ordinary share for the financial year ended 30 June 2021 | - | (6,816,174) | (6,816,174) |
| Second interim single tier dividend of 2.0 sen per ordinary share for the financial year ended 30 June 2021 | - | (13,632,348) | (13,632,348) |
| Total transactions with owners | - | (20,448,522) | (20,448,522) |
| Profit for the financial year | - | 20,933,284 | 20,933,284 |
| Other comprehensive income for the financial year | - | - | - |
| Total comprehensive income for the financial year | - | 20,933,284 | 20,933,284 |
| Balance at 30 June 2021 | **146,565,776** | **1,454,247** | **148,020,023** |

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| **OPERATING ACTIVITIES** | | | | |
| Profit before tax | **44,832,553** | 40,301,030 | **21,289,738** | 22,052,870 |
| **Adjustments for:-** | | | | |
| Allowance for impairment loss of trade receivables | **120,450** | - | **-** | - |
| Bad debt written off | **4,000** | 3,268 | **-** | - |
| Depreciation of property, plant and equipment | **2,730,159** | 2,795,144 | **-** | - |
| Depreciation of right-of-use assets | **224,216** | 224,217 | **-** | - |
| Lease liability interest expense | **33,356** | 60,542 | **-** | - |
| Interest expense | **-** | 17,247 | **-** | - |
| Gain on disposal of property, plant and equipment | **(56,257)** | (4,600) | **-** | - |
| Property, plant and equipment written off | **-** | 6,317 | **-** | - |
| Interest income | **(2,705,693)** | (2,773,124) | **(1,515,470)** | (1,820,277) |
| Dividend income | **-** | - | **(20,583,721)** | (23,237,571) |
| Share issuance expenses | **-** | 1,873,500 | **-** | 1,873,500 |
| Unrealised loss/(gain) on foreign exchange | **203,834** | (136,389) | **-** | - |
| Operating profit/(loss) before working capital changes | **45,386,618** | 42,367,152 | **(809,453)** | (1,131,478) |
| Changes in working capital:- | | | | |
| Inventories | **633,420** | (900,081) | **-** | - |
| Receivables | **(3,745,426)** | 17,436,992 | **1,663,905** | (621,444) |
| Payables | **179,630** | (6,240,843) | **64,375** | 107,046 |
| Cash generated from/(used in) operations | **42,454,242** | 52,663,220 | **918,827** | (1,645,876) |
| Tax refunded | **97,305** | 1,405,532 | **-** | - |
| Tax paid | **(12,025,625)** | (8,967,530) | **(406,247)** | (337,500) |
| Net cash flows from/(used in) operating activities | **30,525,922** | 45,101,222 | **512,580** | (1,983,376) |
| **INVESTING ACTIVITIES** | | | | |
| Purchase of property, plant and equipment | **(1,307,758)** | (3,944,340) | **-** | - |
| Proceeds from disposal of property, plant and equipment | **263,200** | 4,600 | **-** | - |
| (Placement of)/Withdrawal from fixed deposits with licensed banks | **(15,417,876)** | (74,370,910) | **8,280,127** | (52,160,127) |
| Interest received | **1,446,079** | 1,154,611 | **774,841** | 649,181 |
| Dividend received | **-** | - | **23,372,623** | 20,448,669 |
| Invesment in subsidiary companies | **-** | - | **(12,450,000)** | (13,110,002) |
| Net cash flows (used in)/from investing activities | **(15,016,355)** | (77,156,039) | **19,977,591** | (44,172,279) |
| **FINANCING ACTIVITIES** | | | | |
| Proceeds from issuance of share capital | **-** | 72,251,455 | **-** | 72,251,455 |
| Dividend paid | **(20,448,522)** | (20,448,522) | **(20,448,522)** | (20,448,522) |
| Interest paid | **-** | (17,247) | **-** | - |
| Lease interest paid | **(33,356)** | (60,542) | **-** | - |
| Repayment of short-term borrowings | **-** | (4,831,000) | **-** | - |
| Repayment of principal portion of lease liabilities | **(57,844)** | (747,093) | **-** | - |
| Repayment of term loans | **-** | (6,138,609) | **-** | - |
| Advance to/Repayment to subsidiary companies | **-** | - | **(10,182)** | (49,998) |
| Share issuance expenses paid | **-** | (3,900,327) | **-** | (3,900,327) |
| Net cash flows (used in)/from financing activities | **(20,539,722)** | 36,108,115 | **(20,458,704)** | 47,852,608 |
| **CASH AND CASH EQUIVALENTS** | | | | |
| Net changes | **(5,030,155)** | 4,053,298 | **31,467** | 1,696,953 |
| Effect of exchange rate changes | **(99,683)** | (55,022) | **-** | - |
| At beginning of financial year | **32,288,720** | 28,290,444 | **1,698,981** | 2,028 |
| At end of financial year | **27,158,882** | 32,288,720 | **1,730,448** | 1,698,981 |

# STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

## NOTES TO THE STATEMENTS OF CASH FLOWS

### A. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

**Group**

| | AT 1 JULY 2020 RM | CASH FLOWS RM | AT 30 JUNE 2021 RM |
|---|---|---|---|
| Lease liabilities | 110,674 | (57,844) | **52,830** |

| | AT 1 JULY 2019 RM | CASH FLOWS RM | AT 30 JUNE 2020 RM |
|---|---|---|---|
| Lease liabilities | 857,767 | (747,093) | 110,674 |
| Term loans | 6,138,609 | (6,138,609) | - |
| Short-term borrowings | 4,831,000 | (4,831,000) | - |
| | 11,827,376 | (11,716,702) | 110,674 |

### B. CASH OUTFLOWS FOR LEASES AS A LESSEE

| | GROUP | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Included in net cash from/(used in) operating activities | | |
| - Payment relating to variable leases | **4,343** | 3,229 |
| Included in net cash (used in)/from financing activities | | |
| - Interest paid in relation to lease liabilities | **33,356** | 60,542 |
| - Payment of principal portion of lease liabilities | **57,844** | 747,093 |
| | **95,543** | 810,864 |

# NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

## 1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the ACE Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor Darul Takzim. The principal place of business of the Company is located at PLO 226, Jalan Kencana Mas, Kawasan Perindustrian Tebrau III, 81100 Johor Bahru, Johor Darul Takzim.

The Company is principally engaged in investment holding activities.

The principal activities of the subsidiary companies are disclosed in Note 5 to the Financial Statements. There are no change in the nature of these activities of the Company and its subsidiary companies during the financial year.

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

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

### 2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

### 2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under historical cost convention, except for a building and a leasehold land that are measured at revalued amount at the end of each reporting period as indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and its measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:-

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting period.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

### 2.2 Basis of Measurement (cont'd)

The Group and the Company have established control framework in respect of measurement of fair values of financial instruments. The Board of Directors has overall responsibility for overseeing all significant fair value measurements. The Board of Directors regularly reviews significant unobservable inputs and valuation adjustments.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

### 2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Group's and the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

### 2.4 MFRSs

#### 2.4.1 Adoption of New Standards/Amendments/Improvements to MFRSs

The Group and the Company have applied the following amendments to published standards and IC Interpretations approved by the Malaysian Accounting Standards Board ("MASB") for the first time for the financial year beginning on 1 July 2020:-

- Amendments to MFRS 3 *Business Combinations - Definition of a Business*
- Amendments to MFRS 9 *Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, and MFRS 7 Financial Instruments: Disclosures - Interest Rate Benchmark Reform*
- Amendments to MFRS 101 *Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*
- Revised Conceptual Framework for Financial Reporting
- Amendments to MFRS 16 Leases - Covid-19-Related Rent Concessions

The adoption of the above amendments to MFRSs does not have any material impact on the financial statements of the Group and the Company in the priod of initial application.

During the financial year, the Group and the Company have early adopted the following amendment:-

- Amendment to MFRS 16 Leases - Covid-19-Related Rent Concessions and Covid-19-Related Concessions beyond 30 June 2021

<u>Amendment to MFRS 16 Leases - Covid-19-Related Rent Concessions and Covid-19-Related Concessions beyond 30 June 2021</u>

On 28 May 2020, the MASB issued COVID-19-Related Rent Concessions - amendment to MFRS 16 Leases. The amendments provide relief to lessees from applying MFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession the same way it would account for the change under MFRS 16, if the change were not a lease modification.

On 6 April 2021, the MASB further issued amendment that extends the availability of the practical expedient provided in 2020 so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

### 2.4 MFRSs (cont'd)

#### 2.4.2 Standards Issued But Not Yet Effective

The following are MFRSs, Amendments to MFRSs and IC Interpretations with effective date on or after 1 January 2021 issued by MASB and they have not been early adopted by the Group. The Group intends to adopt these MFRSs, amendments to the published standards and interpretations, if applicable, when they become effective in the respective financial period.

(a) **<u>Effective for financial period beginning on or after 1 January 2021</u>**

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4* and MFRS 16 - *Interest Rate Benchmark Reform - Phase 2*

(b) **<u>Effective for financial period beginning on or after 1 January 2022</u>**

- Amendments to MFRS 3 Business Combinations - *Reference to the Conceptual Framework*
- Amendments to MFRS 116 Property, Plant and Equipment - *Proceeds before Intended Use*
- Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets - *Onerous Contract-Cost of Fulfilling a Contract*
- Annual improvements to MFRS Standards 2018 - 2020

(c) **<u>Effective for financial period beginning on or after 1 January 2023</u>**

- MFRS 17 Insurance Contracts*
- Amendments to MFRS 4 Insurance Contracts - *Extension of the Temporary Exemption from Applying MFRS 9**
- Amendments to MFRS 17 Insurance Contracts*
- Amendment to MFRS 101 Presentation of Financial Statements - *Classification of Liabilities as Current or Non-current*
- Amendment to MFRS 101 Presentation of Financial Statements - *Disclosure of Accounting Policies*
- Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Error - *Definition of Accounting Estimates*
- Amendments to MFRS 112 - Deferred Tax Related to Assets and Liabilities arising from a Single Transaction

(d) **<u>Amendments effective for a date yet to be confirmed</u>**

- Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Venture - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

* *Not applicable to the Group's operations.*

The initial application of these MFRSs, amendments to the published standards and interpretations is not expected to have any material impact on the financial statements of the Group and the Company.

### 2.5 Significant Accounting Estimates and Judgements

The preparation of financial statements for the Group and the Company requires the use of certain judgements, estimates and assumptions. Accounting estimates and judgements are being constantly reviewed against historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances. However, because of uncertainty in determining future events and its impact, actual results could differ from these estimates.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

### 2.5 Significant Accounting Estimates and Judgements (cont'd)

#### 2.5.1 Estimation uncertainty

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

**Useful lives of depreciable assets other than right-of-use assets**

The management estimates the useful lives of the property, plant and equipment other than right-of-use assets to be within 3 to 50 years and reviews the useful lives of depreciable assets at each reporting date. At each reporting periods, the management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analysed in Note 4 to the Financial Statements. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting adjustment to the Group's assets.

Management anticipates that the expected useful lives of the property, plant and equipment other than right-of-use assets would not have material difference from their estimates and hence it would not result in material variance in the Group's profit for the financial year.

**Impairment of property, plant and equipment including right-of-use assets**

The Group carries out impairment tests based on a variety of estimation including value-in-use of cash-generating unit to which the property, plant and equipment and right-of-use assets are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

**Impairment of inventories**

The management reviews inventories to identify damaged, obsolete and slow-moving inventories which require judgement and changes in such estimates could result in revision to valuation of inventories.

The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 6 to the Financial Statements.

**Provision for expected credit losses ("ECL") for trade receivables**

The Group undergoes a specific review of its trade receivables through an analysis of the customers' credit risk and the ageing of the trade receivables balances. Further details of how the credit risk is determined and managed is described in Note 25(c) to the Financial Statements.

The information about the ECL on the Group's trade receivables is disclosed in Note 7 to the Financial Statements.

**Income taxes/Deferred tax liabilities**

Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

### 2.5 Significant Accounting Estimates and Judgements (cont'd)

#### 2.5.1 Estimation uncertainty (cont'd)

**Leases - Estimating the incremental borrowing rate**

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for Group that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the Group's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Group's stand-alone credit rating).

#### 2.5.2 Significant management judgements

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

**Deferred tax assets**

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies, as summarised below, consistently throughout all periods presented in the financial statements, unless otherwise stated.

### 3.1 Consolidation

#### 3.1.1 Subsidiary companies

Subsidiary companies are entities, including structured entities, controlled by the Company. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiary companies is stated at cost in the Company's statement of financial position. Where an indication of impairment exists, the carrying amount of the subsidiary companies is assessed and written down immediately to their recoverable amount.

Upon the disposal of investment in a subsidiary company, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.1 Consolidation (cont'd)

#### 3.1.2 Basis of consolidation

The Group's financial statements consolidate the audited financial statements of the Company and all of its subsidiary companies, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiary companies have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiary companies are all drawn up to the same reporting period.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Intra-group losses may indicate an impairment that requires recognition in the consolidated financial statements.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary company. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

#### 3.1.3 Common control business combination outside the scope of MFRS 3

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. A business combination involving common control entities, and accordingly the accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the financial statements.

In applying merger accounting, financial statement items of the combining entities or businesses for the reporting periods in which the common control combination occurs, and for any comparative periods disclosed, are included in the financial statements of the combined entity as if the combination had occurred from the date when the combining entities first came under the control of the controlling party or parties prior to the common control combination.

A single uniform set of accounting policies is adopted by the combined entity. Therefore, the combined entity recognised the assets, liabilities and equity of the combining entities or business at the carrying amounts in the financial statements of the controlling party or parties to the common control combination.

The carrying amounts are included as if such financial statements had been prepared by the controlling party, including adjustments required for conforming the combined entity's accounting policies and applying those policies to all periods presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the financial statements of the combined entity.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The combined assets and liabilities are accounted for based on the carrying amounts from the perspective of the common control shareholders at the date of transfer. On combination, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.1 Consolidation (cont'd)

#### 3.1.4 Loss of control

Upon the loss of control of a subsidiary company, the Group derecognises the assets and liabilities of the subsidiary company, any non-controlling interests and the other components of the equity related to the subsidiary company. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary company, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as the equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### 3.1.5 Changes in ownership interests in subsidiaries without change of control

All changes in the parent's ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

### 3.2 Property, plant and equipment other than right-of-use assets

Property, plant and equipment are initially stated at cost. Building is subsequently shown at market value, based on valuations by external valuers, less subsequent depreciation and any impairment losses. All other property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses.

Revaluation is made at least once in every five years based on valuation by an independent valuer on an open market value basis. Any revaluation increase is credited to equity as a revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case, the increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation decrease is first offset against an increase on unutilised revaluation surplus in respect of the same asset and is thereafter recognised as an expense. Upon the disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to unappropriated profit.

Depreciation is provided on the straight-line method in order to write-off the cost of each asset over its estimated useful life.

The principal annual depreciation rates used are as follows:-

| | |
|---|---|
| Building | 2% |
| Equipment, furniture and fittings | 10% - 33% |
| Plant and machineries | 20% |
| Renovation and electrical installation | 10% |
| Forklift and motor vehicles | 20% |

Restoration cost relating to an item of property, plant and equipment is capitalised only if such expenditure is expected to increase the future benefits from the existing property, plant and equipment beyond its previously assessed standard of performance.

Property, plant and equipment are written down to recoverable amount if, in the opinion of the Directors, it is less than their carrying value. Recoverable amount is the net selling price of the property, plant and equipment i.e. the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss in the financial year in which the asset is derecognised.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.3 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and short-term demand deposits which are readily convertible to known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the statements of financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the reporting date are classified as non-current asset.

### 3.4 Leased assets

<u>The Group as lessee</u>

The Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:-

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.
- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- The Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

**Measurement and recognition of leases as a lessee**

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the statements of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Leasehold land is subsequently shown at market value, based on valuations by external valuers, less subsequent depreciation and any impairment losses.

Revaluation is made at least once in every five years based on valuation by an independent valuer on an open market value basis. Any revaluation increase is credited to equity as a revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case, the increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation decrease is first offset against an increase on unutilised revaluation surplus in respect of the same asset and is thereafter recognised as an expense. Upon the disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to unappropriated profit.

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:-

| | Estimated useful lives |
|---|---|
| Leasehold land | 51 years |
| Buildings | 1 - 2 years |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.4 Leased assets (cont'd)

The Group as lessee (cont'd)

**Measurement and recognition of leases as a lessee (Cont'd)**

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, amortisation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Section 3.9 Impairment of non-fnancial assets.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Grouop's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statements of financial position, right-of-use assets have been included in property, plant and equipment.

The Group as lessor

The accounting policy under MFRS 16 has not changed from the previous accounting policy under MFRS 117 for lessor accounting.

Where the Group acts as lessor in an operating lease arrangement, rental income from operating leases is accounted for on a straight-line basis over the period of the lease. Lease incentives provided are recognised over the lease term on a straight-line basis.

### 3.5 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provisions due to the passage of time is recognised as a finance cost.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Taxes

Income tax on the profit or loss for the year comprises current tax expense and deferred tax. Current tax expense is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities and assets are provided for under the liability method at the current tax rate in respect of all temporary differences at the reporting date between the carrying amount of an asset or liability in the statement of financial position and its tax base including unused tax losses and capital allowances.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each reporting date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or that entire deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

Current tax expense and deferred tax are recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

**Indirect taxes**

Sales and Services Tax ("SST") was imposed effective from 1 September 2018. The rate for sales tax is fixed at 5% or 10% while the rate for services tax is fixed at 6%.

Revenue, expenses, assets and liabilities are recognised net of the amount of SST except:-

(i) where the SST incurred in a purchase of assets or services is not recoverable from the authority, in which case the SST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
(ii) receivables and payables that are stated with the amount of SST included.

The net amount of SST recoverable or payable to the taxation authority is included as part of receivables or payables in the statements of financial position.

### 3.7 Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial period.

Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, the Group makes contribution to the Employees Provident Fund ("EPF").

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.8 Revenue recognition

The Group and the Company apply five-step model revenue recognition under MFRS 15 *Revenue from Contracts with Customers*.

The Group and the Company recognise revenue from contracts with customers for goods or services based on the five-step model as set out in this Standards:-

i. Identify contracts with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

ii. Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer goods or services to the customer that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

iii. Determine the transaction price. The transaction price is the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

iv. Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group and the Company allocate transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group and the Company expect to be entitled in exchange for satisfying each performance obligation.

v. Recognise revenue when (or as) the Group and the Company satisfy a performance obligation. An asset is transferred when (or as) the customer obtains control of the asset.

The Group and the Company satisfy a performance obligation and recognise revenue over time if the Group's and the Company's performance:-

i. Do not create an asset with an alternative use to the Group and the Company and have an enforceable right to payment for performance completed to-date; or

ii. Create or enhance an asset that the customer controls as the asset is created or enhanced; or

iii. Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform.

For performance obligations where none of the above conditions are met, revenue is recognised at a point in time at which the performance obligation is satisfied.

When the Group and the Company satisfy a performance obligation by delivering the promised goods or services, it creates a contract based on asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this give rise to a contract liability.

#### 3.8.1 Sales of goods

All revenue is recognised at a point in time, which is typically on delivery. An asset is transferred when (or as) the customer obtains control of the asset. All the contracts are completed at the adoption date. The revenue is recognised net of any related rebates, discounts and tax. The Group shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.8 Revenue recognition (cont'd)

#### 3.8.2 Rendering of services

Revenue from the rendering of services is recognised at a point in time, when the services are rendered. The revenue is recognised net of any related rebates, discounts and tax.

#### 3.8.3 Interest income

Interest income is accounted for on accrual basis.

#### 3.8.4 Rental income

Rental income is recognised when the rent is due.

#### 3.8.5 Dividend income

Dividend income is recognised when the Group's right to receive payments is established.

### 3.9 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of non-financial assets to determine whether there is any indication of impairment.

If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount of the asset or a cash-generating unit is less than its carrying amount. Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

In assessing value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

An impairment loss is recognised as an expense in profit or loss immediately unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

All reversals of impairment losses are recognised as income immediately in profit or loss unless the asset is carried at revalued amount, in which case, the reversal in excess of impairment loss previously recognised through profit or loss is treated as revaluation increase. After such a reversal, depreciation charge is adjusted in future periods to allocate the revised carrying amount of the asset, less any residual value, on a systematic basis over its remaining useful life.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.10 Financial instruments

#### 3.10.1 Financial assets

##### 3.10.1.1 Classification

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

The Group and the Company classify their financial assets in the following measurement category:-

- Those to be measured at amortised cost

##### 3.10.1.2 Recognition and derecognition

A financial asset is recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

##### 3.10.1.3 Initial measurement

With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

##### 3.10.1.4 Subsequent measurement

Financial assets are subsequently classified into the following category:-

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortised cost.

Financial assets at amortised cost are subsequently measured using effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost include amount due from subsidiary companies, cash and bank balances, fixed deposits with licensed banks, trade and most of the other receivables.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.10 Financial instruments (cont'd)

#### 3.10.1 Financial assets (cont'd)

##### 3.10.1.5 Impairment of financial assets

The Group and the Company assess on a forward-looking basis the expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs represent probability-weighted estimate of the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECL reflects:-

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following basis:-

- 12-month ECLs: the portion of lifetime expected credit loss that result from possible default events on a financial instrument within the 12 months after the reporting date; and
- Lifetime ECLs: the expected credit loss that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group and the Company are exposed to credit risk.

For trade receivables, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a process to monitor the recoverability of trade receivables based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and economic environment.

For all other financial instruments, the Group and the Company recognise a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are re-measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Group and the Company recognise an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at fair value through other comprehensive income ("FVTOCI") (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have any assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.10 Financial instruments (cont'd)

#### 3.10.2 Financial liabilities

##### 3.10.2.1 Classification

The Group and the Company classify their financial liabilities in the following measurement categories:-

- Those to be measured at amortised cost.

##### 3.10.2.2 Recognition and derecognition

A financial liability is recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

A financial liability (or a part of a financial liability) from its statements of financial position when, and only when, the obligation specified in the contract is discharged or cancelled or expired. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

##### 3.10.2.3 Initial measurement

The Group and the Company initially measure a financial liability at its fair value plus, in the case of a financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial liability.

##### 3.10.2.4 Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as described below:-

Amortised cost

Other financial liabilities not categorised as FVTPL are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

The Group's and the Company's financial liabilities at amortised cost include amount due to a subsidiary company, trade and most of the other payables. Borrowings are classified as current liabilities unless the Group has unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

#### 3.10.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.11 Equity instruments and reserve

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

The revaluation reserve within equity comprises gains and losses due to the revaluation of property, plant and equipment and right-of-use assets.

Unappropriated profit includes all current and prior period unappropriated profit.

All transactions with owners of the Company are recorded separately within equity.

### 3.12 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and its existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

### 3.13 Related parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the Group if that person:-

- (i) Has control or joint control over the Group;
- (ii) Has significant influence over the Group; or
- (iii) Is a member of the key management personnel of the Group

(b) An entity is related to the Group if any of the following conditions applies:-

- (i) The entity and the Group are members of the same group.
- (ii) The entity is an associate or joint venture of the Group.
- (iii) Both the Group and the entity are joint ventures of the same third party.
- (iv) The Group is a joint venture of a third entity and the other entity is an associate of the same third entity.
- (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity.
- (viii) The entity, or any other member of a group which it is a party, provides key management personnel services to the Group.

### 3.14 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.15 Inventories

Inventories consist of raw materials, finished goods and trading goods and are stated at the lower of cost and net realisable value.

Cost of raw materials, finished goods and trading goods are determined on first-in-first-out method.

Cost of trading goods and raw materials refers to invoiced cost of goods purchased plus incidental handling and freight charges.

Cost of finished goods include raw materials, direct labour, other direct costs and an appropriate proportion of manufacturing overheads.

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

### 3.16 Interest-bearing borrowings

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs incurred. Borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred. However, borrowing costs incurred to finance the construction of property, plant and equipment are capitalised as part of the cost of those assets during the period of time that is required to complete and prepare the assets for its intended use.

### 3.17 Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising in translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

### 3.18 Dividends

Interim dividends are simultaneously proposed and declared, because the Constitution of the Company grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Final dividends proposed by the Directors are not accounted for in shareholders' equity as an appropriation of retained profits until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

### 3.19 Government grant

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are recognised in profit or loss over the periods to match the related costs for which the grants are intended to compensate.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 4. PROPERTY, PLANT AND EQUIPMENT

**Group**

| | LONG LEASEHOLD LAND RM | BUILDINGS RM | EQUIPMENT, FURNITURE AND FITTINGS RM | PLANT AND MACHINERIES RM | RENOVATION AND ELECTRICAL INSTALLATION RM | FORKLIFT AND MOTOR VEHICLES RM | TOTAL RM |
|---|---|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | | | |
| At 1 July 2019 | 8,500,000 | 9,652,949 | 1,740,664 | 16,664,322 | 1,510,368 | 3,205,272 | 41,273,575 |
| Additions | - | - | 84,041 | 3,643,589 | 42,500 | 174,210 | 3,944,340 |
| Disposal | - | - | (9,613) | - | - | (29,500) | (39,113) |
| Written off | - | - | (12,095) | - | - | - | (12,095) |
| At 30 June 2020 | 8,500,000 | 9,652,949 | 1,802,997 | 20,307,911 | 1,552,868 | 3,349,982 | 45,166,707 |
| **Representing:-** | | | | | | | |
| At cost | - | 152,949 | 1,802,997 | 20,307,911 | 1,552,868 | 3,349,982 | 27,166,707 |
| At valuation: 2018 | 8,500,000 | 9,500,000 | - | - | - | - | 18,000,000 |
| At 1 July 2020 | 8,500,000 | 9,652,949 | 1,802,997 | 20,307,911 | 1,552,868 | 3,349,982 | 45,166,707 |
| Additions | - | - | 46,058 | 645,500 | - | 616,200 | 1,307,758 |
| Disposal | - | - | (3,000) | - | - | (829,290) | (832,290) |
| Written off | - | - | (25,559) | - | - | (26,000) | (51,559) |
| Termination of lease | - | (48,074) | - | - | - | - | (48,074) |
| At 30 June 2021 | **8,500,000** | **9,604,875** | **1,820,496** | **20,953,411** | **1,552,868** | **3,110,892** | **45,542,542** |
| **Representing:-** | | | | | | | |
| At cost | - | 104,875 | 1,820,496 | 20,953,411 | 1,552,868 | 3,110,892 | 27,542,542 |
| At valuation: 2018 | 8,500,000 | 9,500,000 | - | - | - | - | 18,000,000 |
| At 30 June 2021 | **8,500,000** | **9,604,875** | **1,820,496** | **20,953,411** | **1,552,868** | **3,110,892** | **45,542,542** |

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

**Group (cont'd)**

| | LONG LEASEHOLD LAND RM | BUILDINGS RM | EQUIPMENT, FURNITURE AND FITTINGS RM | PLANT AND MACHINERIES RM | RENOVATION AND ELECTRICAL INSTALLATION RM | FORKLIFT AND MOTOR VEHICLES RM | TOTAL RM |
|---|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | | |
| At 1 July 2019 | 166,667 | 190,000 | 1,176,762 | 13,412,176 | 854,935 | 2,140,226 | 17,940,766 |
| Charge for the financial year | 166,666 | 247,551 | 184,911 | 1,815,221 | 153,697 | 451,315 | 3,019,361 |
| Disposal | - | - | (9,613) | - | - | (29,500) | (39,113) |
| Written off | - | - | (5,778) | - | - | - | (5,778) |
| At 30 June 2020 | 333,333 | 437,551 | 1,346,282 | 15,227,397 | 1,008,632 | 2,562,041 | 20,915,236 |
| Charge for the financial year | 166,666 | 247,550 | 118,455 | 1,883,486 | 130,929 | 407,289 | 2,954,375 |
| Disposal | - | - | (3,000) | - | - | (622,347) | (625,347) |
| Written off | - | - | (25,559) | - | - | (26,000) | (51,559) |
| Termination of lease | - | (48,074) | - | - | - | - | (48,074) |
| At 30 June 2021 | **499,999** | **637,027** | **1,436,178** | **17,110,883** | **1,139,561** | **2,320,983** | **23,144,631** |
| **Net carrying amount** | | | | | | | |
| At 30 June 2021 | **8,000,001** | **8,967,848** | **384,318** | **3,842,528** | **413,307** | **789,909** | **22,397,911** |
| At 30 June 2020 | 8,166,667 | 9,215,398 | 456,715 | 5,080,514 | 544,236 | 787,941 | 24,251,471 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The leasehold land and building erected on it were pledged to the bank for borrowing facility granted to the Group during the previous financial year.

On 30 June 2018, the Directors revalued the leasehold land and building erected on it based on professional revaluation made by Cheston International (Johor) Sdn. Bhd. on the market value basis.

The market value is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeable, prudently and without compulsion. The market value of the leasehold land and building was determined based on the comparison approach.

Leasehold land and building at valuation are categorised at Level 2 fair value.

Level 2 Fair Value

Level 2 fair value of leasehold land and building have been generally derived using the comparison method approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

At the reporting date, had the revalued leasehold land and building of the Group been carried under the cost model, the net carrying amount would have been as follows:-

| | LONG LEASEHOLD LAND RM | BUILDING RM |
|---|---|---|
| 2021 | | |
| Cost | **3,367,418** | **8,539,940** |
| Accumulated depreciation | **(622,038)** | **(1,892,322)** |
| Net carrying amount | **2,745,380** | **6,647,618** |
| 2020 | | |
| Cost | 3,367,418 | 8,539,940 |
| Accumulated depreciation | (565,914) | (1,721,523) |
| Net carrying amount | 2,801,504 | 6,818,417 |

Included in the property, plant and equipment is right-of-use assets as follows:-

**Group**

| | LONG LEASEHOLD LAND RM | BUILDINGS RM | MOTOR VEHICLES RM | TOTAL RM |
|---|---|---|---|---|
| **Net carrying amount** | | | | |
| At 1 July 2019 | 8,333,333 | 152,949 | 693,286 | 9,179,568 |
| Depreciation charges | (166,666) | (57,551) | - | (224,217) |
| Fully repaid* | - | - | (693,286) | (693,286) |
| At 30 June 2020 | 8,166,667 | 95,398 | - | 8,262,065 |
| Depreciation charges | (166,666) | (57,550) | - | (224,216) |
| At 30 June 2021 | **8,000,001** | **37,848** | **-** | **8,037,849** |

* *The motor vehicles are not right-of-use assets as at 30 June 2020 since its lease liabilities are fully repaid during the previous financial year.*

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 5. SUBSIDIARY COMPANIES

(a) Investment in subsidiary companies

| | COMPANY 2021 RM | COMPANY 2020 RM |
|---|---|---|
| Unquoted shares - At cost:- | | |
| At beginning of financial year | **89,451,148** | 76,341,146 |
| Additional investments made | **12,450,000** | 13,110,002 |
| At end of financial year | **101,901,148** | 89,451,148 |

The particulars of the subsidiary companies are as follows:-

| NAME OF COMPANY | PRINCIPAL PLACE OF BUSINESS | EFFECTIVE EQUITY INTEREST 2021 % | EFFECTIVE EQUITY INTEREST 2020 % | PRINCIPAL ACTIVITIES |
|---|---|---|---|---|
| 1. Intag Industrial Supplies Sdn. Bhd. | Malaysia | **100** | 100 | Converting and distribution of industrial tapes, adhesives and other products |
| 2. Intag Steel Hardware Sdn. Bhd. | Malaysia | **100** | 100 | Converting and distribution of metal products |
| 3. Toyo Sho Industrial Products Sdn. Bhd. | Malaysia | **100** | 100 | Printing of label and stickers and die-cutting services |
| 4. MTAG Land Sdn. Bhd. | Malaysia | **100** | 100 | Not yet commence its business operation |

(b) Amount due from/to subsidiary companies

The amounts due from/to subsidiary companies are non-trade in-nature, unsecured, bear no interest and repayable upon demand.

The entire amounts due from/to subsidiary companies are denominated in Ringgit Malaysia.

| | COMPANY 2021 RM | COMPANY 2020 RM |
|---|---|---|
| **Amount due from subsidiary companies** | | |
| Non-trade | **10,182** | 2,788,902 |
| **Amount due to a subsidiary company** | | |
| Non-trade | **2** | 2 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 6. INVENTORIES

| | GROUP | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Raw materials | **22,649,647** | 23,622,607 |
| Finished goods | **570,838** | 726,022 |
| Trading goods | **1,947,924** | 1,453,200 |
| Total inventories | **25,168,409** | 25,801,829 |

A total of RM129,741,389 (2020: RM103,002,206) of inventories was included in profit or loss as expense.

## 7. TRADE RECEIVABLES

| | GROUP | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Trade receivables | **43,978,290** | 39,143,067 |
| Less: Allowance for impairment loss of trade receivables | **(120,450)** | - |
| | **43,857,840** | 39,143,067 |

Movement in allowance for impairment loss of trade receivables:-

| | 2021 RM | 2020 RM |
|---|---|---|
| At beginning of financial year | **-** | - |
| Charge for the financial year | **(120,450)** | - |
| At end of financial year | **(120,450)** | - |

The currency exposure profile of the trade receivables is as follows (foreign currency balances are unhedged):-

| | GROUP | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Ringgit Malaysia | **41,942,113** | 34,898,301 |
| Singapore Dollar | **-** | 21,363 |
| US Dollar | **1,915,727** | 4,223,403 |
| | **43,857,840** | 39,143,067 |

Trade receivables comprise amounts receivable from sales of goods. The credit terms granted to the customers ranged from 30 days to 90 days (2020: 30 days to 90 days). Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition.

An impairment analysis is performed at each reporting date to measure ECLs. Information regarding the Group's and the Company's exposure to the credit risk and ECLs for trade receivables is disclosed in Note 25(c) to the Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 8. OTHER RECEIVABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Non-trade receivables | **1,450** | 1,220 | **-** | 2 |
| Advance payment to suppliers | **68,284** | - | **-** | - |
| Deposits for purchase of property, plant and equipment | **1,122,001** | 110,000 | **-** | - |
| Deposits | **144,984** | 138,696 | **3,000** | - |
| Interest receivables | **1,259,614** | 1,618,513 | **740,629** | 1,171,096 |
| Prepayments | **127,670** | 142,575 | **19,971** | 51,096 |
| Prepayment - Stamp duty | **105,666** | 570,348 | **105,666** | 570,348 |
| | **2,829,669** | 2,581,352 | **869,266** | 1,792,542 |

The currency exposure profile of the other receivables is as follows (foreign currency balances is unhedged):-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Ringgit Malaysia | **2,807,602** | 2,581,352 | **869,266** | 1,792,542 |
| US Dollar | **22,067** | - | **-** | - |
| | **2,829,669** | 2,581,352 | **869,266** | 1,792,542 |

## 9. FIXED DEPOSITS WITH LICENSED BANKS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Current | **92,854,244** | 77,436,368 | **43,880,000** | 52,160,127 |

The fixed deposits with licensed banks of the Group and of the Company are on fixed rate basis and will mature ranging from 6 months to 12 months (2020: 6 months to 12 months) period.

The effective interest rate on fixed deposits with licensed banks of the Group and of the Company ranged from 1.95% to 2.35% and 2.20% to 2.35% (2020: 2.20% to 4.00% and 2.20% to 4.00%) per annum respectively.

A fixed deposit with a licensed bank amounting to RM600,000 (2020: RM600,000) is pledged to licensed bank as security for bank guarantee facilities granted to a subsidiary company.

The entire fixed deposits with licensed banks are denominated in Ringgit Malaysia.

## 10. CASH AND BANK BALANCES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Cash in hand and at banks | **23,847,316** | 29,388,720 | **1,730,448** | 398,981 |
| Short term deposits with licensed banks | **3,311,566** | 2,900,000 | **-** | 1,300,000 |
| | **27,158,882** | 32,288,720 | **1,730,448** | 1,698,981 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 10. CASH AND BANK BALANCES (CONT'D)

As at the reporting date, the interest rate and the maturity of short term deposits were as follows:-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Interest rate (%) | **1.20 to 1.90** | 1.85 to 3.85 | **-** | 1.85 to 2.20 |
| Maturity (days) | **18 - 90** | 90 | **-** | 90 |

The currency exposure profile of the cash and bank balances is as follows (foreign currency balances are unhedged):-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Ringgit Malaysia | **26,720,561** | 32,078,375 | **1,730,448** | 1,698,981 |
| Singapore Dollar | **7,874** | 7,670 | **-** | - |
| US Dollar | **430,447** | 202,675 | **-** | - |
| | **27,158,882** | 32,288,720 | **1,730,448** | 1,698,981 |

## 11. SHARE CAPITAL

| | 2021 UNIT | 2021 RM | 2020 UNIT | 2020 RM |
|---|---|---|---|---|
| **Group and Company** | | | | |
| Issued and fully paid-up with no par value:- | | | | |
| Ordinary shares: | | | | |
| At beginning of financial year | **681,617,400** | **146,565,776** | 545,293,900 | 76,341,148 |
| Issuance of shares | **-** | **-** | 136,323,500 | 72,251,455 |
| Share issuance expenses | **-** | **-** | - | (2,026,827) |
| At end of financial year | **681,617,400** | **146,565,776** | 681,617,400 | 146,565,776 |

New ordinary shares issued ranked pari passu in all respect with the existing ordinary shares of the Company.

## 12. MERGER DEFICIT

The merger deficit arose from the acquisition of subsidiary companies.

## 13. REVALUATION RESERVE

The revaluation reserve arose from the revaluation of land and building and is not available for distribution as dividends.

## 14. UNAPPROPRIATED PROFIT

Effective from 1 January 2014, the Company is required by the Income Tax Act 1967 to pay dividend under single tier income tax system. As such, the Company may frank the payment of dividends out of its entire unappropriated profit.

## 15. DEFERRED TAX LIABILITIES

| | GROUP | |
|---|---|---|
| | 2021 RM | 2020 RM |
| At beginning of financial year | **2,658,210** | 2,353,000 |
| Transferred (from)/to profit or loss (Note 21) | **(177,669)** | 342,860 |
| Realisation of deferred tax liabilities upon depreciation of revalued assets (Note 21) | **(37,520)** | (37,650) |
| At end of financial year | **2,443,021** | 2,658,210 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 15. DEFERRED TAX LIABILITIES (CONT'D)

The balance in the deferred tax liabilities is made up of temporary differences arising from:-

| | GROUP | |
|---|---|---|
| | 2021 | 2020 |
| | RM | RM |
| Carrying amount of qualifying property, plant and equipment in excess of their tax base | **608,133** | 785,397 |
| Unrealised gain on foreign exchange | **45,152** | 45,557 |
| Revaluation of land and building | **1,789,736** | 1,827,256 |
| | **2,443,021** | 2,658,210 |

15.1 Deferred tax assets not recognised

Deferred tax assets have not been recognised in respect of deductible temporary differences as they may not used to offset taxable profit of a subsidiary company in the foreseeable future.

As at financial year end, the estimated amount of deferred taxation benefits which has not been recognised in the financial statement are as follows (stated at gross amount):-

| | GROUP | |
|---|---|---|
| | 2021 | 2020 |
| | RM | RM |
| Tax base of qualifying property, plant and equipment in excess of their carrying amount | **74,011** | - |
| Allowance for impairment of receivables | **120,450** | - |
| | **194,461** | - |

## 16. LEASE LIABILITIES

### 16.1 Group as lessee

The Group has lease contracts for various items of land and buildings used in its operations. Leases of buildings generally have lease terms of 1 to 2 years with extension options of 1 to 3 years and leasehold land has remaining lease term of 51 years. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has lease of office equipment which is under variable lease payments type.

16.1.1 Lease liabilities are presented in the statements of financial position as follows:-

**Group**

| | 2021 | 2020 |
|---|---|---|
| | RM | RM |
| Current | **22,519** | 57,844 |
| Non-current | **30,311** | 52,830 |
| | **52,830** | 110,674 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 16. LEASE LIABILITIES (CONT'D)

### 16.1 Group as lessee (cont'd)

16.1.2 Set out below are the carrying amounts of lease liabilities and the movements during the year:-

**Group**

| | 2021<br>RM | 2020<br>RM |
|---|---|---|
| At beginning of financial year | **110,674** | 857,767 |
| Accretion of interest | **33,356** | 60,542 |
| Lease payments | | |
| - principal portion | **(57,844)** | (747,093) |
| - interest portion | **(33,356)** | (60,542) |
| At end of financial year | **52,830** | 110,674 |

16.1.3 Future minimum lease payments at 30 June 2021 and 30 June 2020 were as follows:-

**Group**

| | MINIMUM LEASE PAYMENT DUE | | |
|---|---|---|---|
| | Within 1 year<br>RM | 1 to 5 years<br>RM | Total<br>RM |
| **30 June 2021** | | | |
| Lease payment | **40,800** | **37,200** | **78,000** |
| Less: Finance charges | **(18,281)** | **(6,889)** | **(25,170)** |
| Net present values | **22,519** | **30,311** | **52,830** |
| **30 June 2020** | | | |
| Lease payment | 91,200 | 78,000 | 169,200 |
| Less: Finance charges | (33,356) | (25,170) | (58,526) |
| Net present values | 57,844 | 52,830 | 110,674 |

16.1.4 Lease payments not recognised as a liability

The Group has elected not to recognise lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred including excess use charges on photocopier machine. Variable payment terms are used for a variety of reasons, including minimising costs for equipment with infrequent use. Variable lease payments are expensed in the period they are incurred.

The expense relating to payments not included in the measurement of the lease liabilities is as follows:-

| GROUP | 2021<br>RM | 2020<br>RM |
|---|---|---|
| Lease payments not recognised as liability: | | |
| - Variable lease payments | **4,343** | 3,229 |
| Total amount recognised in profit or loss | **4,343** | 3,229 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 16. LEASE LIABILITIES (CONT'D)

### 16.1 Group as lessee (cont'd)

16.1.4 Lease payments not recognised as a liability (cont'd)

Each lease generally imposes a restriction that the right-of-use asset can only be used by the Group. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over hostel, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

The table below describes the nature of the Group's leasing activities by type of right-of-use assets recognised on statements of financial position as at the reporting date:-

**30 June 2021**

| TYPE | NUMBER OF RIGHT-OF-USE ASSETS LEASED | RANGE OF REMAINING TERM | NUMBER OF LEASE WITH EXTENSION OPTIONS |
|---|---|---|---|
| Leasehold land | **1** | **51 years** | **-** |
| Buildings | **2** | **20 - 24 months** | **2** |

**30 June 2020**

| TYPE | NUMBER OF RIGHT-OF-USE ASSETS LEASED | RANGE OF REMAINING TERM | NUMBER OF LEASE WITH EXTENSION OPTIONS |
|---|---|---|---|
| Leasehold land | 1 | 51 years | - |
| Buildings | 3 | 12 - 36 months | 3 |

## 17. TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases. The credit terms granted to the Group ranged from 30 days to 120 days (2020: 30 days to 120 days).

The currency exposure profile of the trade payables is as follows (foreign currency balances are unhedged):-

| | GROUP | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Ringgit Malaysia | **5,742,832** | 4,164,272 |
| US Dollar | **6,243,826** | 6,949,886 |
| Singapore Dollar | **1,102,225** | 533,881 |
| Swiss Franc | **277,405** | 178,550 |
| | **13,366,288** | 11,826,589 |

## 18. OTHER PAYABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Non-trade payables | **430,632** | 985,876 | **60,926** | 33,284 |
| Accrual of expenses | **3,320,462** | 3,938,636 | **252,760** | 216,027 |
| | **3,751,094** | 4,924,512 | **313,686** | 249,311 |

The entire other payables balances is denominated in Ringgit Malaysia.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 19. REVENUE

Revenue for the Group comprise of revenue from contract with customers.

19.1 Disaggregation of revenue from contract with customers

Revenue from contracts with customers is disaggregated by major products, primary geographical markets and timing of revenue recognition as follows:-

| GROUP | 2021 RM | 2020 RM |
|---|---|---|
| **Major products** | | |
| Filter media and mesh | **112,999,599** | 90,268,183 |
| General merchandise goods | **36,947,629** | 28,112,743 |
| Hardware products | **9,394,275** | 11,747,836 |
| Printing of labels and stickers and customised converting services | **34,295,007** | 35,999,831 |
| | **193,636,510** | 166,128,593 |
| **Primary geographical markets of the customers** | | |
| Northern region | **-** | 15,902 |
| Central region | **2,010** | 1,775 |
| Southern region | **187,744,067** | 158,811,640 |
| Overseas (outside Malaysia) | **5,890,433** | 7,299,276 |
| | **193,636,510** | 166,128,593 |
| **Timing of revenue recognition** | | |
| Products transferred at a point in time | **193,636,510** | 166,128,593 |

| COMPANY | 2021 RM | 2020 RM |
|---|---|---|
| Dividend income | **20,583,721** | 23,237,571 |

## 20. PROFIT BEFORE TAX

Profit before tax has been determined after charging/(crediting), amongst others, the following items:-

| | GROUP 2021 RM | GROUP 2020 RM | COMPANY 2021 RM | COMPANY 2020 RM |
|---|---|---|---|---|
| Auditors' remuneration | | | | |
| - statutory | **112,000** | 112,000 | **28,000** | 28,000 |
| - non-statutory | **38,000** | 35,500 | **13,000** | 12,000 |
| - (Over)/under provision of non-statutory fee in prior year | **(1,200)** | 2,000 | **-** | - |
| Directors' fee to Independent Non-Executive Directors | **156,000** | 156,000 | **156,000** | 156,000 |
| Share issuance expenses | **-** | 1,873,500 | **-** | 1,873,500 |
| Variable lease payment | **4,343** | 3,229 | **-** | - |
| Realised gain on foreign exchange | **(2,776,753)** | (963,807) | **-** | - |
| Wage subsidies received * | **(189,000)** | (105,600) | **-** | - |

* *During the financial year, the Group received financial assistance from Wage Subsidy Program (PSU) and Wage Subsidy Program 2.0 (PSU 2.0) which are implemented by Malaysia Social Security Organisation (SOCSO).*

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 21. TAX EXPENSE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Current year's tax expense | **11,345,996** | 9,843,626 | **368,996** | 444,626 |
| Under/(over) provision of tax expense in prior financial year | **80,260** | (36,769) | **(12,542)** | - |
| Transferred (to)/from deferred tax liabilities (Note 15) | **(177,669)** | 342,860 | **-** | - |
| Realisation of deferred tax liabilities upon depreciation of revalued assets (Note 15) | **(37,520)** | (37,650) | **-** | - |
| | **11,211,067** | 10,112,067 | **356,454** | 444,626 |

Malaysian income tax is calculated at the statutory tax rate of 24% (2020: 24%) of the estimated taxable profits for the financial year.

A reconciliation of income tax expense applicable to profit before tax at the statutory tax rate to the income tax expense at the effective tax rate of the Group and of the Company are as follows:-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Profit before tax | **44,832,553** | 40,301,030 | **21,289,738** | 22,052,870 |
| Tax expense at Malaysian statutory tax rate of 24% (2020: 24%) | **10,759,813** | 9,672,247 | **5,109,537** | 5,292,689 |
| Tax effects in respect of:- | | | | |
| Expenses not deductible for tax purposes | **542,277** | 992,542 | **199,552** | 728,954 |
| Income not subject to tax | **(19,152)** | - | **(4,940,093)** | (5,577,017) |
| Deferred tax assets not recognised | **46,670** | - | **-** | - |
| Realisation of deferred tax liabilities upon depreciation of revalued assets | **(37,520)** | (37,650) | **-** | - |
| Under/(over) provision of tax expense in prior financial year | **80,260** | (36,769) | **(12,542)** | - |
| Over provision of deferred tax liabilities in prior financial year | **(161,281)** | (69,875) | **-** | - |
| Utilisation of automation capital allowance | **-** | (408,428) | **-** | - |
| | **11,211,067** | 10,112,067 | **356,454** | 444,626 |

## 22. EMPLOYEE BENEFITS EXPENSE

| | GROUP | |
|---|---|---|
| | 2021 | 2020 |
| | RM | RM |
| Staff costs | **15,168,770** | 14,500,320 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 22. EMPLOYEE BENEFITS EXPENSE (CONT'D)

Employee benefits expense of the Group consists of, amongst others, the following items:-

| | GROUP | |
|---|---|---|
| | 2021 | 2020 |
| | RM | RM |
| Directors' remuneration | | |
| - Salary | **1,680,000** | 1,788,000 |
| - EPF | **688,724** | 670,430 |
| - EIS | **312** | 327 |
| - Bonus | **3,946,657** | 3,611,293 |
| - SOCSO | **3,557** | 3,509 |
| - HRDF | **-** | 1,316 |
| - Other emoluments | **-** | 151,952 |
| Defined contribution plan - Staff EPF | **685,875** | 604,023 |
| Other key management personnel remuneration | | |
| - Salary, allowance and commission | **872,040** | 793,167 |
| - EPF, SOCSO and EIS | **121,993** | 116,216 |
| - Bonus | **126,650** | 132,800 |

The remuneration paid to the Directors of the Company analysed into bands are as follows:-

| NUMBER OF DIRECTORS | < RM1,000,000 | RM1,000,001 TO RM3,000,000 | RM3,000,001 AND ABOVE |
|---|---|---|---|
| 2021 | | | |
| Executive Directors | - | - | 2 |
| Non-Executive Directors | 3 | - | - |
| 2020 | | | |
| Executive Directors | 1 | 1 | 1 |
| Non-Executive Directors | 3 | - | - |

## 23. RELATED PARTY DISCLOSURES

(a) The transactions of the Group and of the Company with the related parties were as follows:-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Transactions with Directors' related companies:- | | | | |
| - sales of goods | **860** | 900 | **-** | - |
| - services received | **-** | 424 | **-** | 424 |
| - purchase of goods | **-** | 2,026 | **-** | - |
| - purchase of property, plant and equipment | **-** | 36,500 | **-** | - |
| Transactions with subsidiary companies:- | | | | |
| - expenses paid on behalf by | **-** | - | **-** | 2,843,333 |
| - expenses paid on behalf for | **-** | - | **10,182** | 318,911 |
| - dividend income | **-** | - | **20,583,721** | 23,237,571 |
| - addition in cost of investments | **-** | - | **12,450,000** | 13,110,002 |
| Transactions with Directors:- | | | | |
| - rental of hostel charged by | **-** | 14,400 | **-** | - |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 23. RELATED PARTY DISCLOSURES (CONT'D)

(b) The outstanding balances arising from related party transactions as at the reporting date are disclosed in Note 5 to the Financial Statements.

(c) The remuneration of key management personnel is disclosed in Notes 20 and 22 to the Financial Statements. Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly and entity that provides key management personnel services to the Group and the Company. Other key management personnel comprise persons other than the Directors of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

## 24. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments in respect of the following is not provided for in the Financial Statements:-

| | GROUP | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Authorised and contracted for:- | | |
| - Plant and machineries | **2,567,000** | - |
| - Motor vehicles | **-** | 235,000 |

(b) The contingent liabilities are as follows:-

| | GROUP | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Secured:- | | |
| Bank guarantee given by the bank to:- | | |
| - Royal Custom Department Malaysia | **160,000** | 160,000 |
| - Tenaga Nasional Berhad | **20,000** | 20,000 |
| Unsecured:- | | |
| Bank guarantee given by the bank to:- | | |
| - Royal Custom Department Malaysia | **400,000** | 400,000 |

(c) The corporate guarantees are as follows:-

| | GROUP | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Unsecured:- | | |
| Corporate guarantees given to licensed financial institutions for credit facilities granted to subsidiary companies - limit | **20,600,000** | 20,600,000 |

The corporate guarantees do not have determinable effect on the terms of the credit facilities due to the banks requiring guarantee as a pre-condition for approving the credit facilities granted to the subsidiary companies. The actual terms of the credit facilities are likely to be the best indicator of "at market" terms and hence the fair value of the credit facilities are equal to the credit facilities and contract bond amount received by the subsidiary companies. As such, there is no value on the corporate guarantee to be recognised in the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 25. FINANCIAL INSTRUMENTS

**Categories of financial instruments**

The following table analyses the financial instruments in the statements of financial position by classes of financial instruments to which they are assigned:-

a) Financial assets and financial liabilities are measured on amortised cost ("AC")

| | CARRYING AMOUNT<br>RM | AC<br>RM |
|---|---|---|
| **Group** | | |
| **2021** | | |
| **Financial assets** | | |
| Trade receivables | **43,857,840** | **43,857,840** |
| Other receivables | **2,829,669** | **1,406,048** |
| Fixed deposits with licensed banks | **92,854,244** | **92,854,244** |
| Cash and bank balances | **27,158,882** | **27,158,882** |
| | **166,700,635** | **165,277,014** |
| **Financial liabilities** | | |
| Trade payables | **13,366,288** | **13,366,288** |
| Other payables | **3,751,094** | **3,751,094** |
| | **17,117,382** | **17,117,382** |
| **2020** | | |
| **Financial assets** | | |
| Trade receivables | 39,143,067 | 39,143,067 |
| Other receivables | 2,581,352 | 1,758,429 |
| Fixed deposits with licensed banks | 77,436,368 | 77,436,368 |
| Cash and bank balances | 32,288,720 | 32,288,720 |
| | 151,449,507 | 150,626,584 |
| **Financial liabilities** | | |
| Trade payables | 11,826,589 | 11,826,589 |
| Other payables | 4,924,512 | 4,924,512 |
| | 16,751,101 | 16,751,101 |
| **Company** | | |
| **2021** | | |
| **Financial assets** | | |
| Other receivables | **869,266** | **743,629** |
| Amount due from subsidiary companies | **10,182** | **10,182** |
| Fixed deposits with licensed banks | **43,880,000** | **43,880,000** |
| Cash and bank balances | **1,730,448** | **1,730,448** |
| | **46,489,896** | **46,364,259** |
| **Financial liabilities** | | |
| Other payables | **313,686** | **313,686** |
| Amount due to subsidiary company | **2** | **2** |
| | **313,688** | **313,688** |
| **2020** | | |
| **Financial assets** | | |
| Other receivables | 1,792,542 | 1,171,098 |
| Amount due from subsidiary companies | 2,788,902 | 2,788,902 |
| Fixed deposits with licensed banks | 52,160,127 | 52,160,127 |
| Cash and bank balances | 1,698,981 | 1,698,981 |
| | 58,440,552 | 57,819,108 |
| **Financial liabilities** | | |
| Other payables | 249,311 | 249,311 |
| Amount due to a subsidiary company | 2 | 2 |
| | 249,313 | 249,313 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 25. FINANCIAL INSTRUMENTS (CONT'D)

**Net gains and losses arising from financial instruments**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **RM** | **RM** | **RM** | **RM** |
| Net gains/(losses) on:- | | | | |
| - Financial assets categorised as AC | **5,395,956** | 3,630,586 | **1,515,470** | 1,820,277 |
| - Financial liabilities categorised as AC | **(195,112)** | 222,219 | **-** | - |
| | **5,200,844** | 3,852,805 | **1,515,470** | 1,820,277 |

**Included in gains/(losses) on financial instruments categorised as amortised cost are:-**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **RM** | **RM** | **RM** | **RM** |
| Total interest income for financial assets at AC | **2,705,693** | 2,773,124 | **1,515,470** | 1,820,277 |
| Total interest expenses for financial liability at AC | **-** | (17,247) | **-** | - |

**Risk management objectives and policies**

The Group is exposed to various risks in relation to financial instruments. The main types of risks are foreign currency risk, interest rate risk, credit risk and liquidity risk.

Financial risk management policy is established to ensure that adequate resources are available for the development of the Group's business whilst managing its foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group operates within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

(a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on those transactions that are denominated in a currency other than the functional currency of the Group. The currencies giving rise to this risk are primarily US Dollar ("USD"), Singapore Dollar ("SGD") and Swiss Franc ("CHF").

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 25. FINANCIAL INSTRUMENTS (CONT'D)

**Risk management objectives and policies (cont'd)**

(a) Foreign currency risk (cont'd)

Based on carrying amounts as at the reporting date, foreign currency denominated financial assets and financial liabilities which expose the Group and the Company to currency risk are disclosed below:-

| | USD RM | SGD RM | CHF RM |
|---|---|---|---|
| **Group** | | | |
| 2021 | | | |
| **Financial assets** | | | |
| Trade receivables | **1,915,727** | **-** | **-** |
| Other receivables | **22,067** | **-** | **-** |
| Cash and bank balances | **430,447** | **7,874** | **-** |
| | **2,368,241** | **7,874** | **-** |
| **Financial liability** | | | |
| Trade payables | **(6,243,826)** | **(1,102,225)** | **(277,405)** |
| Net exposure | **(3,875,585)** | **(1,094,351)** | **(277,405)** |
| 2020 | | | |
| **Financial assets** | | | |
| Trade receivables | 4,223,403 | 21,363 | - |
| Cash and bank balances | 202,675 | 7,670 | - |
| | 4,426,078 | 29,033 | - |
| **Financial liability** | | | |
| Trade payables | (6,949,886) | (533,881) | (178,550) |
| Net exposure | (2,523,808) | (504,848) | (178,550) |

The Company has no foreign currency risk as at 30 June 2021 and 30 June 2020 as all its financial instruments are denominated in Ringgit Malaysia.

*Foreign currency sensitivity analysis*

The following table illustrates the sensitivity of profit in regards to the Group's and the Company's financial assets and financial liabilities and the RM/USD exchange rate, RM/SGD exchange rate and RM/CHF exchange rate with 'all other things are being equal'.

It assumes a +/- 5% (2020: 3%) change of the RM/USD, RM/SGD and RM/CHF exchange rates respectively. The percentage has been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's and the Company's foreign currency denominated financial instruments held at each reporting date.

If the RM had strengthened against the USD, SGD and CHF by 5% (2020: 3%) respectively, this would have the following impact:-

| | INCREASE ON PROFIT FOR THE FINANCIAL YEAR | | | |
|---|---|---|---|---|
| | USD RM | SGD RM | CHF RM | TOTAL RM |
| **Group** | | | | |
| 2021 | **193,779** | **54,718** | **13,870** | **262,367** |
| 2020 | 75,714 | 15,145 | 5,357 | 96,216 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 25. FINANCIAL INSTRUMENTS (CONT'D)

**Risk management objectives and policies (cont'd)**

(a) Foreign currency risk (cont'd)

*Foreign currency sensitivity analysis (cont'd)*

If the RM had weakened against the USD, SGD and CHF by 5% (2020: 3%) respectively, then the impact to profit for the financial year would be the opposite effect.

Exposures to foreign exchange rates vary during the financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's and the Company's exposures to foreign currency risk.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's fixed rate borrowings are exposed to a risk of change in their fair values due to changes in interest rates. The Group's variable rate borrowing is exposed to the risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

The Group's interest rate management objective is to manage interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation.

*Interest rate sensitivity*

The Group and the Company are exposed to changes in market interest rates through borrowings at variable interest rates. Other borrowings are at fixed interest rates. The exposure to interest rates for the Group's short term placement is considered immaterial.

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period is as follows:-

| | GROUP<br>RM | COMPANY<br>RM |
|---|---|---|
| 2021 | | |
| **Fixed rate instruments** | | |
| Financial assets | | |
| Fixed deposits with licensed banks | **92,854,244** | **43,880,000** |
| Short term deposits with licensed banks | **3,311,566** | **-** |
| | **96,165,810** | **43,880,000** |
| Financial liability | | |
| Lease liabilities | **(52,830)** | **-** |
| 2020 | | |
| **Fixed rate instruments** | | |
| Financial assets | | |
| Fixed deposits with licensed banks | 77,436,368 | 52,160,127 |
| Short term deposits with licensed banks | 2,900,000 | 1,300,000 |
| | 80,336,368 | 53,460,127 |
| Financial liability | | |
| Lease liabilities | (110,674) | - |

There is no interest rate sensitivity analysis presented as the Group's and the Company's financial instruments held at reporting date are not sensitive to changes in interest rate.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 25. FINANCIAL INSTRUMENTS (CONT'D)

**Risk management objectives and policies (cont'd)**

(c) Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group and the Company. The Group's and the Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Classes of financial assets:- | | | | |
| Cash and bank balances | **27,158,882** | 32,288,720 | **1,730,448** | 1,698,981 |
| Fixed deposits with licensed banks | **92,854,244** | 77,436,368 | **43,880,000** | 52,160,127 |
| Trade receivables | **43,857,840** | 39,143,067 | **-** | - |
| Other receivables | **1,406,048** | 1,758,429 | **743,629** | 1,171,098 |
| Amount due from subsidiary companies | **-** | - | **10,182** | 2,788,902 |
| Carrying amount | **165,277,014** | 150,626,584 | **46,364,259** | 57,819,108 |

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements and none of the carrying amount of financial assets whose terms have been renegotiated that would otherwise be past due or impaired.

The ageing analysis of trade receivables of the Group is as follows:-

| | | ALLOWANCE FOR IMPAIRMENT LOSS | | | |
|---|---|---|---|---|---|
| | GROSS RM | EXPECTED CREDIT LOSS (INDIVIDUALLY IMPAIRED) RM | EXPECTED CREDIT LOSS (COLLECTIVELY IMPAIRED) RM | TOTAL RM | NET RM |
| **2021** | | | | | |
| Within terms | **20,737,638** | **-** | **-** | **-** | **20,737,638** |
| Past due 1 to 30 days | **17,066,744** | **-** | **-** | **-** | **17,066,744** |
| Past due 31 to 60 days | **4,641,268** | **-** | **-** | **-** | **4,641,268** |
| Past due 61 to 90 days | **1,244,641** | **-** | **-** | **-** | **1,244,641** |
| Past due 91 to 120 days | **163,979** | **-** | **-** | **-** | **163,979** |
| Past due more than 120 days | **124,020** | **(120,450)** | **-** | **(120,450)** | **3,570** |
| | **43,978,290** | **(120,450)** | **-** | **(120,450)** | **43,857,840** |
| **2020** | | | | | |
| Within terms | 21,771,399 | - | - | - | 21,771,399 |
| Past due 1 to 30 days | 7,192,798 | - | - | - | 7,192,798 |
| Past due 31 to 60 days | 6,853,447 | - | - | - | 6,853,447 |
| Past due 61 to 90 days | 2,750,799 | - | - | - | 2,750,799 |
| Past due 91 to 120 days | 372,101 | - | - | - | 372,101 |
| Past due more than 120 days | 202,523 | - | - | - | 202,523 |
| | 39,143,067 | - | - | - | 39,143,067 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 25. FINANCIAL INSTRUMENTS (CONT'D)

**Risk management objectives and policies (cont'd)**

(c) Credit risk (cont'd)

The credit risk concentration profile of the Group's trade receivables as at the reporting date are as follows:-

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | RM | % | RM | % |
| Top 5 customers | **33,116,979** | **76** | 27,610,976 | 71 |

In respect of other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates, the management consider the credit quality of trade receivables that are not past due or impaired to be good.

For other receivables, intercompany loans and advances, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. The Company provides unsecured loans and advances to subsidiary companies and monitors the results of the subsidiary companies regularly. As at the end of the reporting period, there was no indication that the loans and advances to the subsidiary companies are not recoverable.

The credit risk for cash and bank balances and fixed deposits with licensed banks are considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Financial guarantee contracts

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowance was identified based on 12 months ECL.

| | COMPANY | |
|---|---|---|
| | 2021 | 2020 |
| | RM | RM |
| Corporate guarantee given to licensed financial institution for the credit facilities granted to subsidiary companies | **20,600,000** | 20,600,000 |

The Company is exposed to credit risk arising from financial guarantee contracts given to banks for bank guarantee where the maximum credit risk exposure is the amount of bank guarantee utilised by the subsidiary companies. As at the end of the reporting period, there was no indication that the subsidiary companies would default in payment.

(d) Liquidity risk

Liquidity risk is the risk arising from the Group and the Company not being able to meet their financial obligations due to shortage of funds.

In managing their exposures to liquidity risk, the Group and the Company maintain a level of cash and cash equivalents and bank credit facilities deemed adequate by the management to ensure that they will have sufficient liquidity to meet their liabilities as and when they fall due.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 25. FINANCIAL INSTRUMENTS (CONT'D)

**Risk management objectives and policies (cont'd)**

(d) Liquidity risk (cont'd)

The following table shows the areas where the Group and the Company are exposed to liquidity risk:-

| | GROUP | | COMPANY |
|---|---|---|---|
| | CURRENT | NON-CURRENT | CURRENT |
| | LESS THAN 1 YEAR | BETWEEN 1 TO 5 YEARS | LESS THAN 1 YEAR |
| | RM | RM | RM |
| **2021** | | | |
| Non-derivative financial liabilities | | | |
| Lease liabilities | **40,800** | **37,200** | **-** |
| Trade payables | **13,366,288** | **-** | **-** |
| Other payables | **3,751,094** | **-** | **313,686** |
| Amount due to a subsidiary company | **-** | **-** | **2** |
| Total undiscounted financial liabilities | **17,158,182** | **37,200** | **313,688** |
| Financial guarantees* | **20,600,000** | **-** | **20,600,000** |
| **2020** | | | |
| Non-derivative financial liabilities | | | |
| Lease liabilities | 91,200 | 78,000 | - |
| Trade payables | 11,826,589 | - | - |
| Other payables | 4,924,512 | - | 249,311 |
| Amount due to a subsidiary company | - | - | 2 |
| Total undiscounted financial liabilities | 16,842,301 | 78,000 | 249,313 |
| Financial guarantees* | 20,600,000 | - | 20,600,000 |

* This exposure is included in liquidity risk for illustration only. No financial guarantee was called upon by the holders as at the end of the reporting period.

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the financial liabilities at the reporting date.

## 26. CAPITAL MANAGEMENT OBJECTIVE

The primary capital management objective of the Group is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to sustain future development of the business. There is no change to the objectives in financial years ended 2021 and 2020.

The Group manages its capital by regularly monitoring its current and expected liquidity requirement and modify the combination of equity and borrowings from time to time to meet the needs. Shareholders' equity and gearing ratio of the Group and of the Company are as follows:-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Total equity | **192,908,436** | 179,735,472 | **148,020,023** | 147,535,261 |
| Lease liabilities (excluding lease liabilities from right-of-use) | **-** | - | **-** | - |
| Debt-to-equity ratio | **-** | - | **-** | - |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 27. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and financial liabilities of the Group and of the Company as at the reporting date are approximately at their fair values due to their short term nature, insignificant impact of discounting or they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

**Fair value hierarchy**

As at the end of the reporting date, the Group and the Company have no financial instruments that are measured subsequent to initial recognition at fair value and hence fair value hierarchy is not presented.

## 28. SIGNIFICANT EVENTS

On 11 March 2020, the World Health Organization declared the COVID-19 outbreak as global pandemic. Following the declaration, the Malaysian Government imposed the Movement Control Order ("MCO") on 18 March 2020 and subsequently entered into various phases of the MCO to curb the spread of the COVID-19 pandemic in Malaysia.

On 12 January 2021, the state of emergency was declared for the country until 1 August 2021 to curb the spread of COVID-19. Since 12 May 2021, Malaysia was once again placed under MCO which was expanded to a total lockdown from 1 June 2021.

The COVID-19 pandemic which is felt worldwide causing disruption to global supply chains, businesses, manpower and society. The Group took proactive measures and maintained business continuity in adherence to regulatory authorities' standard operating procedures, which included obtaining authorities' approval to continue operating during the various phases of the MCO. The Group will continue to abide by the Ministry of International Trade and Industry's directives and recommendations by Ministry of Health from time to time.

The Group's operations have been disrupted by a series of precautionary and control measures taken by the government and private corporations in response to the emergency of the COVID-19 pandemic. Although the Group's operations have been disrupted, its financial performance and cash flows for the current financial year ended 30 June 2021 had not been materially impacted by the COVID-19 pandemic.

The Group expects the situation to remain challenging depending on the scale and length of the COVID-19 pandemic and government policy in managing the pandemic. The Group is closely monitoring the evolving situation of the COVID-19 pandemic and its related financial effects, if any, to be reflected in the financial statements of the Group for the financial year ending 30 June 2022.

## 29. OPERATING SEGMENT - GROUP

For management purpose, the Group is organised into business units based on its products and has 3 reportable segments, as follows:-

| Operating segments | Business activities |
|---|---|
| Converting | Printing of labels and stickers and customised converting services |
| Distribution | Distribution of industrial tapes, adhesives and other products |
| Investment holding | Investment holding |

Directors monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated Financial Statements.

Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation. Transfer prices between business segments are established on terms and conditions that are mutually agreed upon.

The Group has aggregated certain operating segments to form a reportable segment due to the similar nature and operational characteristics of the products.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 29. OPERATING SEGMENT - GROUP (CONT'D)

### Business segments

| | CONVERTING | | DISTRIBUTION | | INVESTMENT HOLDING | | CONSOLIDATION ADJUSTMENTS | | NOTES | CONSOLIDATED | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM | 2021 RM | 2020 RM | 2021 RM | 2020 RM | | 2021 RM | 2020 RM |
| **Revenue:-** | | | | | | | | | | | |
| External customers | **156,688,881** | 138,015,850 | **36,947,629** | 28,112,743 | **-** | - | **-** | - | | **193,636,510** | 166,128,593 |
| Inter-companies | **2,725,014** | 2,208,883 | **-** | - | **-** | - | **(2,725,014)** | (2,208,883) | A | **-** | - |
| | **159,413,895** | 140,224,733 | **36,947,629** | 28,112,743 | **-** | - | **(2,725,014)** | (2,208,883) | | **193,636,510** | 166,128,593 |
| **Results:-** | | | | | | | | | | | |
| Interest income | **1,031,628** | 829,687 | **158,595** | 123,160 | **1,515,470** | 1,820,277 | **-** | - | | **2,705,693** | 2,773,124 |
| Interest expense | **(153,618)** | (76,544) | **(20,215)** | (1,245) | **-** | - | **140,477** | - | | **(33,356)** | (77,789) |
| Depreciation of property, plant and equipment | **(2,638,761)** | (2,672,300) | **(91,398)** | (122,844) | **-** | - | **-** | - | | **(2,730,159)** | (2,795,144) |
| Depreciation of right-of-use assets | **(480,714)** | (224,217) | **(201,626)** | - | **-** | - | **458,124** | - | | **(224,216)** | (224,217) |
| Tax expense | **(9,114,597)** | (8,161,535) | **(1,740,016)** | (1,505,906) | **(356,454)** | (444,626) | **-** | - | | **(11,211,067)** | (10,112,067) |
| Other non-cash (expenses)/income | **1,820,937** | 887,431 | **683,789** | 207,780 | **-** | - | **-** | - | B | **2,504,726** | 1,095,211 |
| Segment profit | **27,784,351** | 27,137,572 | **5,437,593** | 4,681,718 | **20,922,102** | 21,607,244 | **(20,522,560)** | (23,237,571) | | **33,621,486** | 30,188,963 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 29. OPERATING SEGMENT - GROUP (CONT'D)

**Business segments (cont'd)**

| | CONVERTING RM | DISTRIBUTION RM | INVESTMENT HOLDING RM | CONSOLIDATION ADJUSTMENTS RM | NOTES | CONSOLIDATED RM |
|---|---|---|---|---|---|---|
| **2021** | | | | | | |
| **Assets** | | | | | | |
| Segment assets | **145,277,371** | **24,980,652** | **148,391,044** | **(104,382,112)** | **C** | **214,266,955** |
| Additions to non-current assets other than financial instruments | **3,624,181** | **432,316** | **-** | **(2,748,739)** | **D** | **1,307,758** |
| **Liabilities** | | | | | | |
| Segment liabilities | **14,902,936** | **2,060,125** | **324,870** | **(170,549)** | **E** | **17,117,382** |
| **2020** | | | | | | |
| **Assets** | | | | | | |
| Segment assets | 125,722,596 | 20,369,518 | 147,891,702 | (92,481,009) | C | 201,502,807 |
| Additions to non-current assets other than financial instruments | 3,865,893 | 78,447 | - | - | D | 3,944,340 |
| **Liabilities** | | | | | | |
| Segment liabilities | 16,652,810 | 2,858,039 | 250,313 | (3,010,061) | E | 16,751,101 |

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:-

A. Inter-segment revenues are eliminated on consolidation.

B. Other material non-cash (expenses)/income consist of the following items:-

| | 2021 RM | 2020 RM |
|---|---|---|
| Allowance for impairment loss of trade receivables | **(120,450)** | - |
| Bad debt written off | **(4,000)** | (3,268) |
| Gain on disposal of property, plant and equipment | **56,257** | 4,600 |
| Property, plant and equipment written off | **-** | (6,317) |
| Realised gain on foreign exchange | **2,776,753** | 963,807 |
| Unrealised (loss)/gain on foreign exchange | **(203,834)** | 136,389 |
| | **2,504,726** | 1,095,211 |

C. The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:-

| | 2021 RM | 2020 RM |
|---|---|---|
| Segment assets | **214,266,955** | 201,502,807 |
| Tax recoverable | **-** | 88,776 |
| Total assets | **214,266,955** | 201,591,583 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
30 JUNE 2021

## 29. OPERATING SEGMENT - GROUP (CONT'D)

**Business segments (cont'd)**

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (cont'd):-

D. Additions to non-current assets other than financial instruments consist of:-

| | 2021<br>RM | 2020<br>RM |
|---|---|---|
| Property, plant and equipment | **1,307,758** | 3,944,340 |

E. The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:-

| | 2021<br>RM | 2020<br>RM |
|---|---|---|
| Segment liabilities | **17,117,382** | 16,751,101 |
| Lease liabilities | **52,830** | 110,674 |
| Tax payable | **1,745,286** | 2,336,126 |
| Deferred tax liabilities | **2,443,021** | 2,658,210 |
| Total liabilities | **21,358,519** | 21,856,111 |

**Geographical information**

The Group's operation is predominantly carried out in Malaysia as disclosed in Note 19 to the Financial Statements.

**Information about major customers**

The following is major customers with revenue equal or more than 10% of the Group's total revenue:-

| | SEGMENT | REVENUE<br>2021<br>RM | <br>2020<br>RM |
|---|---|---|---|
| Customer A | Converting | **102,638,114** | 81,152,623 |
| Customer B | Converting | **19,409,846** | - |

## 30. EARNINGS PER ORDINARY SHARE

**Group**

**Basic earnings per ordinary share**

The calculation of basic earnings per ordinary share was based on Group's profit for the financial year attributable to owners of the Company and weighted average number of ordinary shares calculated as follows:-

| | GROUP<br>2021 | <br>2020 |
|---|---|---|
| Profit after tax for the financial year attributable to owners of the Company (RM) | **33,621,486** | 30,188,963 |
| Weighted average number of ordinary shares in issue | **681,617,400** | 651,364,788 |
| Basic earnings per ordinary share (RM) | **0.05** | 0.05 |

**Diluted earnings per ordinary share**

There is no diluted earnings per ordinary share as there is no potential dilutive ordinary share.

# LIST OF PROPERTIES
AS AT 30 JUNE 2021

| NO. | LOCATION | LAND AREA (SQ.M.) | BUILT-UP AREA (SQ. M.) | EXISTING USE | TENURE | YEAR OF EXPIRY (FOR LEASEHOLD) | APPROXIMATE AGE OF BUILDING | NET BOOK VALUE AS AT 30 JUNE 2021 RM'000 | DATE OF LAST REVALUATION(R)/ ACQUISITION (A) |
|---|---|---|---|---|---|---|---|---|---|
| 1 | PLO 226, Jalan Kencana Mas, Kawasan Perindustrian Tebrau III, 81100, Johor Bahru, Johor Darul Takzim | 10,000 | 7,757 | Head office, warehouse and manufacturing activities (1-storey detached factory with a 2-storey office annexed) | Leasehold | 31 May 2069 | 11 years | 16,968 | 30-Jun-18 |

# ANALYSIS OF SHAREHOLDINGS
## AS AT 14 SEPTEMBER 2021

| | |
|---|---|
| Total Number of Issued Shares | : 681,617,400 |
| Class of Shares | : Ordinary Shares |
| Voting Rights | : One vote for each ordinary share held |
| Number of Holders | : 6,848 |

### DISTRIBUTION OF SHAREHOLDING AS AT 14 SEPTEMBER 2021

| SIZE OF HOLDINGS | NO. OF HOLDINGS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 - 99 | 4 | 0.058 | 200 | 0.000 |
| 100 - 1,000 | 758 | 11.068 | 487,800 | 0.071 |
| 1,001 - 10,000 | 3,632 | 53.037 | 20,855,900 | 3.059 |
| 10,001 - 100,000 | 2,188 | 31.950 | 68,886,069 | 10.106 |
| 100,001 - 34,080,869* | 264 | 3.855 | 145,953,217 | 21.412 |
| 34,080,870 and above** | 2 | 0.029 | 445,434,214 | 65.349 |
| **TOTAL** | **6,848** | **100.000** | **681,617,400** | **100.000** |

Remarks: * - *Less than 5% of issued shares*
** - *5% And above of issued shares*

### DIRECTORS' INTERESTS IN SHARES AS AT 14 SEPTEMBER 2021

| NAME OF DIRECTORS | HOLDINGS | % |
|---|---|---|
| CHAW KAM SHIANG | 346,151,970 | 50.783 |
| DYANA SOFYA BINTI MOHD DAUD | 0 | 0.000 |
| JASON TAN KIM SONG | 0 | 0.000 |
| LAU CHER LIANG | 99,282,244 | 14.565 |
| LEE TING KIAT | 0 | 0.000 |
| CIMSEC NOMINEES (TEMPATAN) SDN. BHD. CIMB FOR LEE TING KIAT (PB) | 888,600 | 0.130 |
| **TOTAL** | **446,322,814** | **65.479** |

### SUBSTANTIAL SHAREHOLDERS AS AT 14 SEPTEMBER 2021

| NAME OF DIRECTORS | HOLDINGS | % |
|---|---|---|
| CHAW KAM SHIANG | 346,151,970 | 50.783 |
| LAU CHER LIANG | 99,282,244 | 14.565 |
| **TOTAL** | **445,434,214** | **65.349** |

# ANALYSIS OF SHAREHOLDINGS
AS AT 14 SEPTEMBER 2021

## LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS

| NO. | NAME OF SHAREHOLDERS | NO. OF SHARES HELD | % |
|---|---|---|---|
| 1 | CHAW KAM SHIANG | 346,151,970 | 50.783 |
| 2 | LAU CHER LIANG | 99,282,244 | 14.565 |
| 3 | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND | 16,663,300 | 2.444 |
| 4 | ANG YAM FUNG | 14,446,110 | 2.119 |
| 5 | CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR NORGES BANK (FI 17) | 7,476,200 | 1.096 |
| 6 | CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR LIM KA KIAN (PB) | 6,200,000 | 0.909 |
| 7 | CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND 0MK4 FOR TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS | 3,674,600 | 0.539 |
| 8 | HUANG TIONG SII | 3,466,400 | 0.508 |
| 9 | NG YIN CHEN | 2,927,076 | 0.429 |
| 10 | ONG KENG SENG | 2,681,100 | 0.393 |
| 11 | NG BOON SIANG | 2,626,000 | 0.385 |
| 12 | HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR BUMA-UNIVERSAL-FONDS I | 2,075,600 | 0.304 |
| 13 | TAN KIM SUN | 2,000,000 | 0.293 |
| 14 | SEOW KIAN ANG | 1,883,000 | 0.276 |
| 15 | TOH SIEW PAT | 1,760,000 | 0.258 |
| 16 | KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN VERN TACT | 1,655,000 | 0.242 |
| 17 | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSGROWTH FUND | 1,500,000 | 0.220 |
| 18 | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSDANA DINAMIK | 1,473,000 | 0.216 |
| 19 | PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM KHEK KENG (E-TAI) | 1,412,600 | 0.207 |
| 20 | HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WAH KEIN CHOONG | 1,369,200 | 0.200 |

# ANALYSIS OF SHAREHOLDINGS
AS AT 14 SEPTEMBER 2021

**LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (CONT'D)**

| NO. | NAME OF SHAREHOLDERS | NO. OF SHARES HELD | % |
|---|---|---|---|
| 21 | LIM KA KIAN | 1,300,000 | 0.190 |
| 22 | LAU WAI KOK | 1,234,100 | 0.181 |
| 23 | NYEOW CHIN HOCK | 1,194,100 | 0.175 |
| 24 | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR TAN KIM SENG<br>(7003782) | 1,152,300 | 0.169 |
| 25 | KENANGA NOMINEES (ASING) SDN BHD<br>RAKUTEN TRADE SDN BHD FOR TOSHIMASA ISHIDA | 1,132,600 | 0.166 |
| 26 | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR ANG WING FAH | 1,100,000 | 0.161 |
| 27 | TAI CHECK PING | 1,100,000 | 0.161 |
| 28 | CH'NG BENG KIAN | 1,032,900 | 0.151 |
| 29 | KENANGA NOMINEES (TEMPATAN) SDN BHD<br>EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENT ACCOUNT) | 912,000 | 0.133 |
| 30 | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>CIMB FOR LEE TING KIAT (PB) | 888,600 | 0.130 |
| | **TOTAL** | **531,770,000** | **78.015** |

# NOTICE OF FOURTH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the 4th Annual General Meeting ("4th AGM") of MTAG Group Berhad will be conducted fully virtual through live streaming and online meeting platform of TIIH Online provided by Tricor Investor & Issuing House Services Sdn. Bhd. in Malaysia via its website at https://tiih.online on **Wednesday, 24 November 2021** at 10.00 a.m. or any adjournment thereof, for the following businesses:

## AGENDA

**ORDINARY BUSINESSES** — **Resolution on Proxy Form**

1. To receive the Audited Financial Statements of the Company and of the Group for the financial year ended 30 June 2021 and the Reports of the Directors and Auditors thereon. *(Please refer Explanatory Note 1)*
2. To approve the payment of Directors' fees of RM168,480 for the financial year ending 30 June 2022. **Ordinary Resolution 1** *(Please refer Explanatory Note 2)*
3. To approve the payment of Directors' benefits up to an amount of RM40,000 from 4th Annual General Meeting until the conclusion of the 5th Annual General Meeting in year 2022. **Ordinary Resolution 2** *(Please refer Explanatory Note 2)*
4. To re-elect the following Directors who retire pursuant to Clause 128 of the Company's Constitution: -

   4.1 Mr. Chaw Kam Shiang **Ordinary Resolution 3** *(Please refer Explanatory Note 3)*

   4.2 Ms. Dyana Sofya Binti Mohd Daud **Ordinary Resolution 4** *(Please refer Explanatory Note 3)*
5. To re-appoint Messrs. Grant Thornton Malaysia PLT as Auditors of the Company for the financial year ending 30 June 2022 and to authorise the Board of Directors to fix their remuneration. **Ordinary Resolution 5** *(Please refer Explanatory Note 4)*

**SPECIAL BUSINESS:**

To consider and if thought fit, to pass the following Ordinary Resolution with or without modifications:-

6. **AUTHORITY TO DIRECTORS TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** **Ordinary Resolution 6** *(Please refer Explanatory Note 5)*

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016, and subject to the approval of the relevant governmental/regulatory authorities (if any), the Directors be and are hereby authorised to allot shares in the Company, from time to time, at such price, upon such terms and conditions and for such purpose and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be allotted during the preceding 12 months does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being AND THAT the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so allotted from Bursa Malaysia Securities Berhad AND THAT such authority shall continue to be in force until conclusion of the next annual general meeting of the Company after the approval was given or at the expiry of the period within which the next annual general meeting is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by a resolution of the Company at a general meeting."
7. To transact any other business of which due notice shall have been given.

By order of the Board
**MTAG GROUP BERHAD**

Yong May Li (f) (LS 0000295)
(SSM Practicing Certificate No 202008000285)

Wong Chee Yin (f) (MAICSA 7023530)
(SSM Practicing Certificate No. 202008001953)
Company Secretaries

Johor Bahru
26 October 2021

# NOTICE OF FOURTH ANNUAL GENERAL MEETING

**NOTES:**

1. The 4th AGM will be conducted via fully virtual through live streaming and online meeting platform provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") in Malaysia via its TIIH Online website at https://tiih.online. Members are to participate, speak (including posing questions to the Board of Directors via real time submission of typed texts) and vote (collectively, "Participate") remotely at this 4th AGM via Remote Participation and Voting ("RPV") facilities provided by Tricor. Members are advised to follow the procedures of RPV as stated in the Administrative Guide.

2. According to the Revised Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 16 July 2021, an online meeting platform located in Malaysia is recognised as the meeting venue and all meeting participants of a fully virtual general meeting are required to participate in the meeting online.

3. For the purpose of determining who shall be entitled to Participate this 4th AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a Record of Depositors as at 17 November 2021. Only a member whose name appears on this Record of Depositors shall be entitled to Participate this 4th AGM via RPV or appoint a proxy to Participate on his/her/its behalf.

4. A member entitled to attend and vote at this 4th AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to Participate in his place. A proxy may but need not be a member of the Company.

5. A member of the Company who is entitled to attend and vote at the 4th AGM of the Company may appoint not more than two (2) proxies to Participate instead of the member at the Annual General Meeting.

6. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of Section 25A(1) of the SICDA.

8. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.

9. The appointment of a proxy may be made in a hard copy form or by electronic form. In the case of an appointment made in hard copy form, the proxy form must be deposited with the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. In the case of electronic appointment, the proxy form must be deposited via TIIH Online at https://tiih.online. Please refer to the Administrative Guide for further information on electronic submission. All proxy form submitted must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting or adjourned Annual General Meeting at which the person named in the appointment proposes to vote.

10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or via TIIH Online at https://tiih.online not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting or adjourned Annual General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

11. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.

12. Last date and time for lodging the proxy form is Monday, 22 November 2021 at 10.00 a.m.

13. For a corporate member who has appointed a representative instead of a proxy to participate in this meeting must request authorised representative to register himself/herself for RPV via TIIH Online website at https://tiih.online. Procedures for RPV can be found in the Administrative Guide for the AGM.

# NOTICE OF FOURTH ANNUAL GENERAL MEETING

**EXPLANATORY NOTES:**

**Ordinary Business:-**

1. **Agenda Item No. 1 - Audited Financial Statements for the year ended 30 June 2021**
   This Audited Financial Statements is meant for discussion only as the provision of Section 340(1) of the Act does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.

2. **Agenda Item No. 2 and 3**
   **Ordinary Resolution 1: Payment of Directors' Fees**
   **Ordinary Resolution 2: Payment of Directors' Benefits**

   Pursuant to Section 230(1) of the Act, the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

   The Proposed Ordinary Resolution 1 is to facilitate the payment of Directors' fees on a current year basis.
   The Proposed Ordinary Resolution 2 is for the Directors' benefits payable to Directors and for meeting allowances.

   In this respect, the Board agreed that the shareholders' approval on the above two (2) separate resolutions shall be sought at the 4th Annual General Meeting:

   The estimated amount of Directors' Benefits payable to the Directors from the 4th Annual General Meeting and until the conclusion of the 5th Annual General Meeting, amounting to RM40,000 comprises the following:

   The estimated amount of Directors' benefits comprises of meeting allowances for Non-Executive Directors which was calculated based on the number of scheduled Board's and Board Committees' meetings from the 4th Annual General Meeting until the 5th Annual General Meeting in year 2022.

3. **Agenda Item No. 4.1 and 4.2**
   **Ordinary Resolutions 3 And 4: Re-Election of Directors**

   Mr. Chaw Kam Shiang and Ms. Dyana Sofya Binti Mohd Daud are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 4th Annual General Meeting.

   The Board has through the Nominating Committee, considered the assessment of the retiring Directors and agreed that they meet the qualification of Directors as prescribed by Rule 2.20A of the Ace Market Listing Requirements of Bursa Malaysia Securities Berhad and have the character, experience, integrity, competence and skill to effectively discharge their roles as Directors.

4. **Agenda Item No. 5**
   **Ordinary Resolution 5: Re-Appointment of Auditors**

   The Board has through the Audit Committee, considered the re-appointment of Messrs. Grant Thornton Malaysia PLT as the Auditors of the Company. The factors considered by the Audit Committee in making the recommendation to the Board to table their re-appointment at the 4th Annual General Meeting are disclosed in the Audit Committee Report of the 2021 Annual Report.

**Special Business:-**

5. **Agenda Item No. 6**
   **Ordinary Resolution 6 : Authority to Directors to Allot Shares of the Company pursuant to Sections 75 and 76 of the Companies Act 2016**

   Ordinary Resolution 6 proposed under item 6 of the Agenda is for the purpose of granting a renewal of the general mandate and if passed, will provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration. This authority will commence from the date of this Annual General Meeting and unless earlier revoked or varied by the shareholders of the Company at a subsequent general meeting, shall expire at the conclusion of the next Annual General Meeting of the Company.

   As at the date of this Notice, no new shares of the Company have been issued pursuant to the general mandate obtained at the 3rd AGM of the Company held on 23 November 2020, and which will lapse at the conclusion of the 4th AGM.

# STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO RULE 8.29(2) OF THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Further details of individuals who are standing for election as directors (excluding directors standing for re-election):

   **No individual is seeking election as a Director at the 4th Annual General Meeting of the Company.**

2. A statement relating to general mandate for issue of securities in accordance with Rule 6.04(3) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad:

   **The general mandate for issue of shares is for the renewal of the general mandate obtained from the members at the 3rd Annual General Meeting held on 23 November 2020 and no new shares of the Company have been issued pursuant to the said general mandate.**

   **The purpose of this general mandate is for possible fundraising exercises including but not limited to further placement of shares for the purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration.**

# MTAG

**MTAG GROUP BERHAD**

Registration No.: 201801000029 (1262041-V)

# PROXY FORM

| CDS Account No. | |
|---|---|
| No. of Shares Held | |

*I / We* ________________________________________

(FULL NAME IN BLOCK LETTERS)

*NRIC No./Passport No./Registration No.* ____________________________

of ________________________________________

(FULL ADDRESS)

being a member of **MTAG GROUP BERHAD Registration No. 201801000029 (1262041-V)** hereby appoint:

| *Full Name* | NRIC No./Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | **No. of Shares** | **%** |
| **Address:** | | | |

and

| *Full Name* | NRIC No./Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | **No. of Shares** | **%** |
| **Address:** | | | |

or failing him, the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the 4th Annual General Meeting ("4th AGM") of MTAG Group Berhad will be conducted fully virtual through live streaming and online meeting platform of TIIH Online provided by Tricor Investor & Issuing House Services Sdn. Bhd. in Malaysia via its website at https://tiih.online on Wednesday, 24 November 2021 at 10.00 a.m. or any adjournment thereof, and to vote as indicated below:

| Item | Agenda | Ordinary Resolution | For* | Against* |
|---|---|---|---|---|
| 1. | To receive the Audited Financial Statements for the financial year ended 30 June 2021 and the Reports of the Directors and Auditors thereon. | | | |
| **Ordinary Business** | | | | |
| 2. | Payment of Directors' fees of RM168,480 for the financial year ending 30 June 2022. | 1 | | |
| 3. | Payment of Directors' benefits up to an amount of RM40,000 from 4th Annual General Meeting until the conclusion of the 5th Annual General Meeting of the Company. | 2 | | |
| 4. | Re-election of the following Directors who retire by rotation in accordance with Clause 128 of the Company's Constitution:- | | | |
| | 4.1 Mr. Chaw Kam Shiang | 3 | | |
| | 4.2 Ms. Dyana Sofya Binti Mohd Daud | 4 | | |
| 5. | Re-appointment of Messrs. Grant Thornton Malaysia PLT as Auditors of the Company for the financial year ending 30 June 2022 and to authorise the Directors to fix their remuneration. | 5 | | |
| **Special Business** | | | | |
| 6. | Authority for Directors to allot and issue shares pursuant to Section 75 and 76 of the Companies Act 2016. | 6 | | |

**Please indicate with an "**X**" in the space provided how you wish your votes to be cast on the resolutions specified in the notice of meeting. If you do not do so, the *proxy/proxies will vote, or abstain from voting on the resolutions as he/she/they may think fit.*

Signed this __________ day of __________ 2021

____________________________

Signature of member (s)/Common Seal**

Contact Number: ____________________

*** Manner of execution:*

(a) *If you are an individual member, please sign where indicated.*

(b) *If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.*

(c) *If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:*

  (i) *at least two (2) authorised officers, of whom one shall be a director; or*

  (ii) *any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.*

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5. *A member of the Company who is entitled to attend and vote at the 4th AGM of the Company may appoint not more than two (2) proxies to participate instead of the member at the Annual General Meeting.*

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**MTAG**
**MTAG GROUP BERHAD**

AFFIX
POSTAGE
STAMP

The Share Registrar

**MTAG GROUP BERHAD**
**Registration No.: 201801000029 (1262041-V)**

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

*Fold here*

6. *Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*

7. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of Section 25A(1) of the SICDA.*

8. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.*

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11. *Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.*

12. *Last date and time for lodging the proxy form is Monday, 22 November 2021 at 10.00 a.m.*

13. *For a corporate member who has appointed a representative instead of a proxy to participate this meeting must request authorised representative to register himself/herself for RPV via TIIH Online website at https://tiih.online. Procedures for RPV can be found in the Administrative Guide for the AGM.*

MTAG

**MTAG GROUP BERHAD**

Registration No.: 201801000029 (1262041-V)

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81100 Johor Bahru, Johor, Malaysia.

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