
# DIRECTING OUR COMPASS

Annual Report 2022

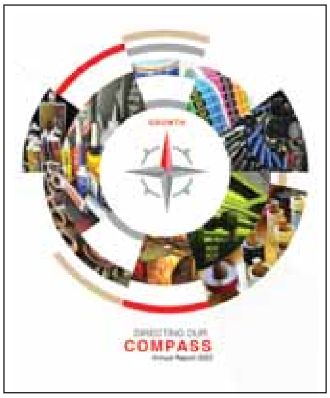
MTAG

MTAG GROUP BERHAD

Registration No. : 201801000029 (1262041-V)


# WHAT'S INSIDE THIS REPORT






## About the Cover

The cover of MTAG Group Berhad's Annual Report 2022 is inspired by the company's clear and astute strategic direction towards growth.

The key visual symbol of the design is a compass, with the arrow pointing to the North indicating that the company is advancing forward. The cover design also incorporates the colour red, representing MTAG's corporate colour.

Undoubtedly, the company's determination to sustain its growth trajectory is strongly emphasized by the headline, "**Directing Our Compass**".

# 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 **164** 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 more than 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.

# OUR VISION

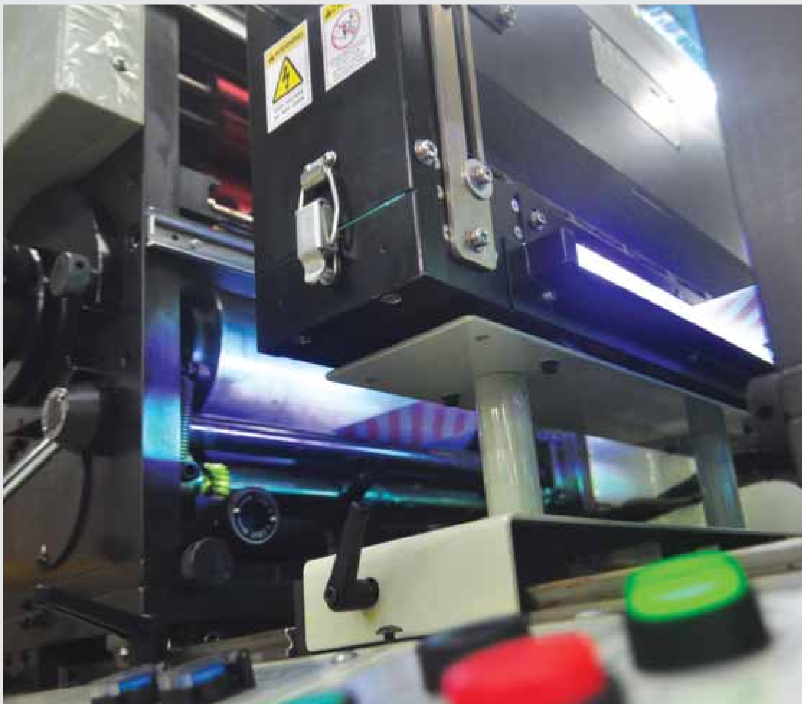
**We strive to be a company that customers can fully depend on for quality products and services.**

# OUR MISSION

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

# CORE VALUES

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

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

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

**Jason Tan Kim Song**
Independent Non-Executive Director

**Chaw Kam Shiang**
Managing Director

**Dyana Sofya Binti Mohd Daud**
Independent Non-Executive Director

**Lau Cher Liang**
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** (LS 0000295)
(MAICSA Affiliate - AF 000019)
(SSM PC No. 202008000285)

**Wong Chee Yin** (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
Public Bank
CIMB Bank
CIMB Islamic Bank

## 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, Johor Bahru to facilitate growth and business expansion.

**2012**

Invested in ultrasonic technology to enhance converting capabilities.

**2019**

Listed on the ACE Market of Bursa Malaysia Securities Berhad.

**2020**

The $25^{th}$ Anniversary of MTAG.

**2021**

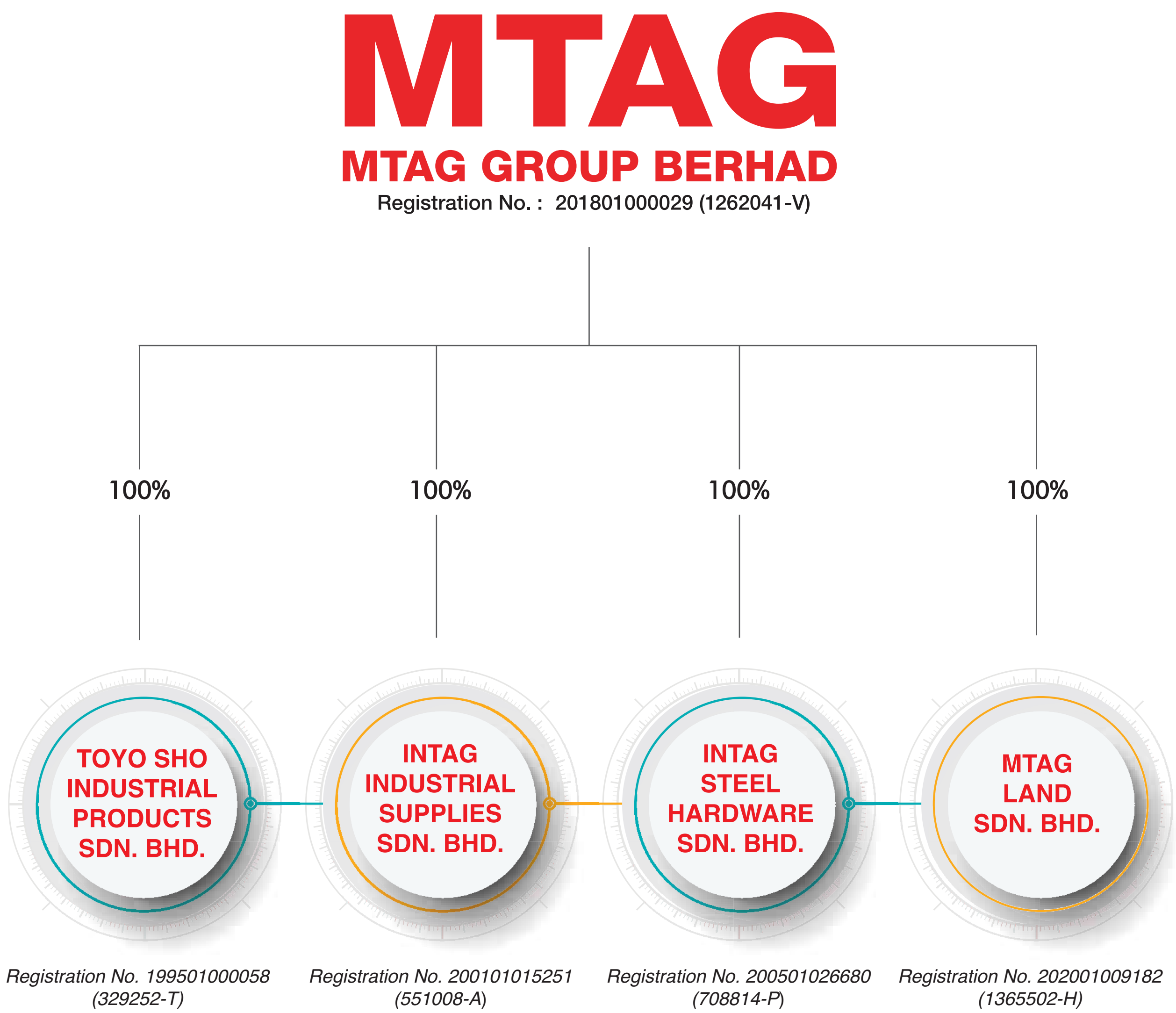
Achieved record high revenue of RM193.6 million.

**2022**

Invested in digital press printing and silkscreen technology to enhance converting capabilities and automation of manufacturing processes as part of the Group's transformation towards Industry 4.0.

# 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.



# FINANCIAL HIGHLIGHTS

| Financial Year Ended 30 June (RM million) | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| **Financial Results** | | | | | |
| Revenue | 187.5 | 190.0 | 166.1 | 193.6 | 180.2 |
| Profit Before Tax | 58.3 | 43.8 | 40.3 | 44.8 | 39.8 |
| Net Profit | 47.5 | 33.0 | 30.2 | 33.6 | 30.1 |
| **Financial Position** | | | | | |
| Shareholders' Funds | 76.3 | 99.8 | 179.7 | 192.9 | 202.5 |
| Total Assets | 113.8 | 137.8 | 201.6 | 214.3 | 233.9 |
| Net Current Assets | 61.2 | 85.1 | 158.2 | 173.0 | 181.2 |
| Total Borrowings | 17.1 | 11.7 | - | - | - |
| Cash and Cash Equivalents[5] | 22.3 | 31.4 | 109.7 | 120.0 | 127.6 |
| **Financial Ratio** | | | | | |
| Basic Earnings per Share[1] (sen) | 7.0 | 4.8 | 4.4 | 4.9 | 4.4 |
| Net Profit Margin (%) | 25.3% | 17.3% | 18.2% | 17.4% | 16.7% |
| Net Gearing Ratio (times) | Net cash | Net cash | Net cash | Net cash | Net cash |
| Return on Equity (ROE) | 62.2%[3] | 33.0% | 16.8%[4] | 17.4% | 14.9% |
| Dividend per Share[2] (sen) | - | - | 3.0 | 3.0 | 3.0 |

*Note:*

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

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

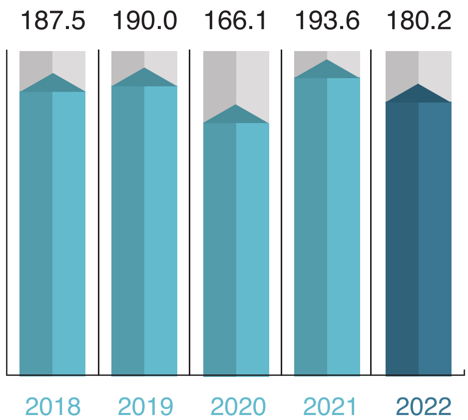
*(3) Include gain on disposal of properties.*

*(4) 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.*

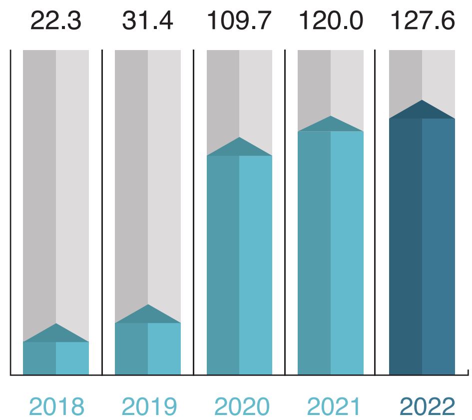
*(5) Cash & Cash Equivalents consist of cash and bank balances, fixed deposits with licensed banks and other investment in unit trust.*

# FINANCIAL HIGHLIGHTS

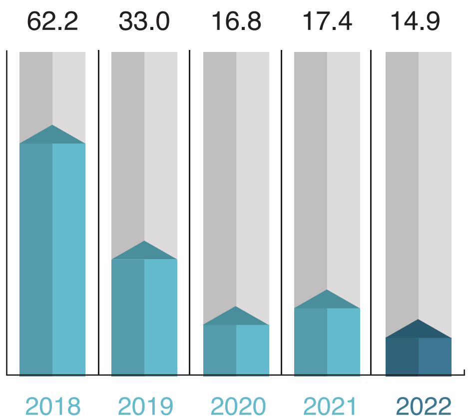
**REVENUE**
(RM million)



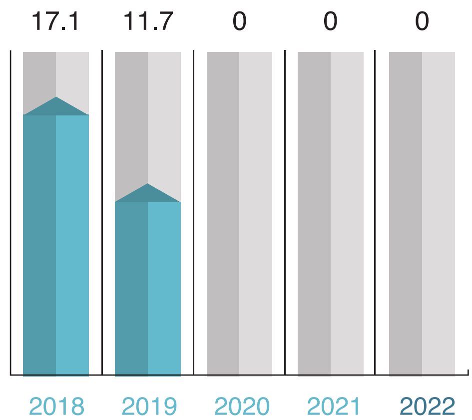

**CASH AND CASH EQUIVALENTS**
(RM million)



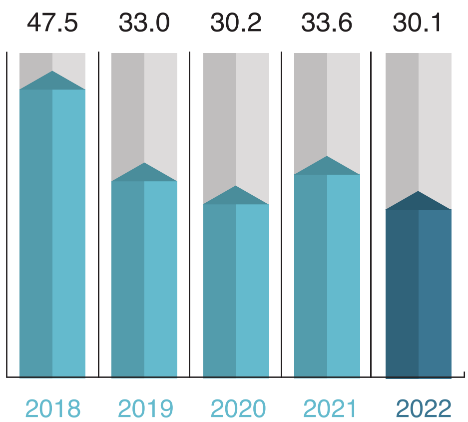

**RETURN ON EQUITY (ROE)**
(%)



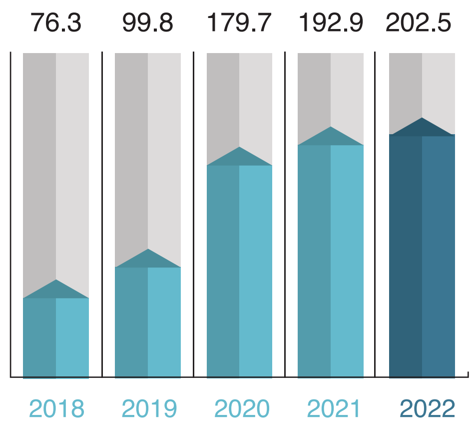

**TOTAL BORROWINGS**
(RM million)




**NET PROFIT**
(RM million)




**SHAREHOLDERS' FUNDS**
(RM million)



# DIRECTORS' PROFILE

## LEE TING KIAT

Age 54

**Independent Non-Executive Chairman**

Age 54, 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 the Chairman 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 nor any public sanction or penalty imposed by regulatory bodies during the financial year.

## CHAW KAM SHIANG

Age 61

**Group Managing Director**

Age 61, 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, Mr. Chaw 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 nor any public sanction or penalty imposed by regulatory bodies during the financial year.

# DIRECTORS' PROFILE

## LAU CHER LIANG

Age 46

**Executive Director**

Age 46, 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, 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 nor any public sanction or penalty imposed by regulatory bodies during the financial year.

## JASON TAN KIM SONG

Age 44

**Independent Non-Executive Director**

Age 44, 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 nor any public sanction or penalty imposed by regulatory bodies during the financial year.

# DIRECTORS' PROFILE

## DYANA SOFYA BINTI MOHD DAUD

Age 35

**Independent Non-Executive Director**

Age 35, 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 nor any public sanction or penalty imposed by regulatory bodies during the financial year.

# KEY SENIOR MANAGEMENT'S PROFILE

## NG BOON SIANG

**Chief Financial Officer**

Age 40

**Mr. Ng Boon Siang was appointed as the Group's Chief Financial Officer ("CFO") in January 2022. As the CFO, he is responsible for managing the Group's financial reporting, mergers and acquisitions, tax planning, corporate treasury and any other corporate activities.**

Mr. Ng brings with him more than 15 years of experience in various finance-related areas including auditing, initial public offerings, international tax, accounting and finance. He started his career with Ernst & Young Malaysia in January 2006, before joining KPMG LLP Singapore. Thereafter, he served several multinational corporations in Singapore such as Verigy Limited, Advantest Corporation and Sea Limited, in different capacities.

Mr. Ng holds a Bachelor of Arts degree in Accountancy and Finance from Heriot-Watt University, Scotland and a Master of Business Administration degree in Finance from University of Derby, England. He obtained his professional qualification with the Chartered Institute of Management Accountants ("CIMA"), United Kingdom, with the designations of Associate Chartered Management Accountant ("ACMA"), Chartered Global Management Accountant ("CGMA"), ASEAN Chartered Professional Accountant ("CPA") and as well as Chartered Accountant ("CA") of the Malaysian Institute of Accountants ("MIA").

Mr. Ng 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 nor any public sanction or penalty imposed by regulatory bodies during the financial year.

## CHOO JACK KIE

**Business Unit Head of Toyo Sho**

Age 50

**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 since 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 nor any public sanction or penalty imposed by regulatory bodies during the financial year.

## ANG YAM FUNG

**Chief Human Resource Officer**

Age 52

**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 nor any public sanction or penalty imposed by regulatory bodies during the financial year.

# CHAIRMAN'S STATEMENT

## DEAR VALUED SHAREHOLDERS,

**ON BEHALF OF THE BOARD OF DIRECTORS ("BOARD") OF MTAG GROUP BERHAD ("MTAG" OR THE "GROUP"), I AM PLEASED TO PRESENT TO YOU MTAG'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 ("FY2022").**

### ECONOMIC LANDSCAPE

The Coronavirus disease 2019 ("COVID-19") pandemic continued to hog the limelight for most of 2021 as the world entered into the second year of the pandemic. Market uncertainties remained elevated and were exacerbated by the emergence of new variants such as Delta and Omicron, which led to a major spike in COVID-19 cases. Coupled with geopolitical tensions, the pandemic had shaken the very fabric of the global economy. The world economy continues to be in a myriad of stumbling blocks, which among others, included logistical and supply chain disruptions as multiple lockdowns in Malaysia and overseas dampened the flow of raw materials and finished goods. In turn, this resulted in a shortage of numerous raw materials and commodities, causing a surge in prices of various goods worldwide, giving rise to raging inflation.

Locally, it was also a bumpy ride for Malaysia as the healthy recovery momentum gained in the first half of 2021 was disrupted by the introduction of the Full Movement Control Order ("FMCO") in the second half to address the acute spike in COVID-19 cases. Various restrictions were imposed including international and interstate travel bans, closure of non-essential services, limited operating hours, and workforce constraints. Many businesses in different industries were brought to a halt, which ultimately derailed our country's economic recovery progress.

# CHAIRMAN'S STATEMENT

On a positive note, the successful National COVID-19 Immunisation Programme and the implementation of the National Recovery Plan have put Malaysia back on the recovery path. This, along with the fact that our country is transitioning into endemicity has enabled the recovery to continue into the first half of 2022. According to Bank Negara Malaysia ("BNM"), our country's 2022 first quarter gross domestic product ("GDP") grew by 5.0%, followed by 8.9% expansion in the second quarter. This was primarily driven by improved domestic demand and labour conditions, in addition to continued resilience to external demands as the country transitions towards endemicity.

## BUSINESS OVERVIEW

Likewise, MTAG encountered hurdles far greater than the prior year when the COVID-19 pandemic first broke out. On top of supply chain and operational disruptions, labour shortage was also yet another prevailing issue faced by our customers in the electronics manufacturing services ("EMS") industry. Hence, the business operating conditions were onerous to say the least.

During the FMCO period, the Group's production was running at reduced capacity in accordance with Ministry of International Trade and Industry ("MITI")'s guidelines. Nevertheless, operations subsequently resumed with full workforce and capacity since the 4th quarter of 2021 in-line with the reopening of the economy while complying with the strict standard operating procedures ("SOPs") enforced by the authorities.

As MTAG emerged from the effects of the pandemic and lockdowns with relatively minor brunt, full credit goes to the hands-on and experienced management team and our resilient business model. More importantly, we placed emphasis on taking care of our most important asset, that is our people, and did not undertake retrenchment or salary adjustments during this period - a feat that we are proud of. In fact, despite the difficult times, we continued to channel our resources to enhance our capabilities by investing in new machines in the financial year under review, which ultimately boosted our value proposition to our customers.

## FINANCIAL HIGHLIGHTS

For FY2022, the Group delivered a commendable set of results against the backdrop of a demanding landscape. Our profit after tax and non-controlling interest ("PATNCI" or "net profit") for the financial year under review stood at RM30.1 million on the back of RM180.2 million revenue.

**FY2022 Revenue:**
**RM180.2 million**

**FY2022 Net Profit:**
**RM30.1 million**

## PROSPECTS FOR FY2023

Heading into the new financial year (FY2023), we expect the road ahead to remain a winding one fraught with uncertainties. Globally, curveballs are aplenty with many central banks raising interest rates to tame inflationary pressures, not to mention the geopolitical tensions, fluctuations in raw material prices and supply chain disruptions that could dampen growth.

Back home, we are facing similar challenges as well. BNM has raised the overnight policy rate ("OPR") several times in 2022 to tame rising inflation. On the flip side, BNM kept its 2022 economic growth forecast at between 5.3% to 6.3% supported by continued expansion in the global and domestic demand.

MTAG is cognisant of the challenges ahead and will continue to undertake a prudent and cautious approach in growing the business. With this in mind, we are also exploring mergers and acquisitions ("M&A") prospects that are earnings and value-accretive, as well as complementary to our business, as part of our strategic initiatives.

Overall, the Group's long-term prospects remain intact and we are laser-focused on the execution of our measured expansion plans. On balance, the Board opines that the performance of the Group in FY2023 to be satisfactory barring any unforeseen circumstances.

## APPRECIATION

In closing, I would like to extend my utmost gratitude to our management and staff at MTAG for their unrelentless dedication and hard work. Your contribution is especially crucial in helping the Group navigate through these challenging times.

A huge thank you to all our external stakeholders, including but not limited to our valued customers, business partners, bankers, and suppliers. To our shareholders, my deepest appreciation goes to you for your patience through this difficult period and for your confidence in us as we execute our growth strategies.

Meanwhile, we are delighted to have Mr. Ng Boon Siang taking on the role as Chief Financial Officer ("CFO"). He has more than 15 years of experience in auditing, initial public offerings, international tax, accounting and finance. Meanwhile, Ms. Liew Fei Shane was redesignated as General Manager from CFO. This change is part of our management succession plan and we are confident that they will continue to contribute positively and create value for MTAG.

Lastly, I would like to express my profound gratitude to my fellow members of the Board for their invaluable guidance, counsel and advice. It is my belief that under the leadership and collective wisdom of our Board, MTAG will sail past the obstacles ahead and guide the Group towards an even brighter future.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

The world began 2021 on a better footing and higher optimism as global inoculation campaigns sparked hopes of a return to pre-Coronavirus disease 2019 ("COVID-19") normalcy, but enthusiasm dwindled over the course of the year as new variants, geopolitical tensions and global supply chain woes popped up. This presented a new host of challenges to businesses and communities worldwide. Like the rest of the world, we experienced our fair share of difficulties in Malaysia arising from various forms of movement control orders ("MCO") implemented to curb the pandemic. Here at MTAG, we persevered and worked tirelessly to manoeuvre through these demanding conditions and managed to deliver a satisfactory set of results for the financial year ended 30 June 2022 ("FY2022").

## BUSINESS & OPERATIONAL REVIEW

MTAG is a leading printing and material converting specialist in Malaysia. Our capabilities include labels and stickers printing as well as conversion of 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 take pride in providing our customers with flexible, innovative and customised solutions in a timely manner. Possessing a wide range of machineries, some of which are custom-made, 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

Besides, the Group is the authorised distributor for two leading global brands, 3M and Henkel, in supplying an extensive selection of industrial tapes and adhesives products. Presently, we serve more than 600 customers from various industries including electrical & electronics ("E&E"), automotive, precision tooling, construction, and mechanical & engineering.

As mentioned earlier, the operating environment has been taxing due to the pandemic. The imposition of the Full MCO ("FMCO") affected our production as we had to operate at reduced capacity in line with the guidelines enforced by the authorities. The Group complied with the strict standard operating procedures ("SOPs") at all times to minimise operational disruptions and ensure the health and safety of our employees. On that note, we swiftly inoculated the entire workforce and gradually ramped up our production in tandem with the reopening of the economy. More importantly, we are heartened to share that despite the onerous landscape arising from the pandemic, the Board of Directors (the "Board") and management had deliberately chosen not to undertake any pay reduction or workforce redundancy exercise.

Meanwhile, our customers in the electronics manufacturing services ("EMS") industry have been plagued by labour shortage issue as well as raw material shortage and rising input cost. This, along with the operational disruptions have impacted the Group's performance to a certain extent.

On a brighter note, our growth strategies remain intact notwithstanding the prudent and cautious stance we adopted given the underlying market conditions. The Group is committed to continuously enhancing our capabilities, in which we acquired and commissioned the fully digital press printing machine in FY2022.

*Digital Press Printing Machine*

This next-generation machine enables us to provide customers with more production flexibility, packaging personalisation, 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. Its versatility and superb efficiency reduced our turnaround time and boosted our cost efficiency. More excitingly, it is powered by an innovative machine learning algorithm that optimises our productivity. With a broadened scope of packaging applications that offers sustainability advantages, this new addition further cements our position as a leading printing and material converting specialist.

# MANAGEMENT DISCUSSION AND ANALYSIS

At the same time, our silkscreen printing machine that was acquired in FY2021 has been running smoothly and undertaking new projects. 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 with excellent durability as the inks are designed to be used on a wide range of different surfaces including semiconducting material. With this, it broadens the industries that we can serve.

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

| Details | Proposed Utilisation (RM million) | Actual Utilisation (RM million) *as of 30 June 2022* | Balance of IPO Proceeds unutilised (RM million) | Initial Timeframe for Utilisation from Listing Date | Revised Timeframe for Utilisation |
|---|---|---|---|---|---|
| Land acquisition and construction of manufacturing plant | 33.0 | 0.3 | 32.7 | 36 months | Within 12 months from 25 August 2022 |
| Capital expenditure | 13.0 | 7.1 | 5.9 | 36 months | Within 12 months from 25 August 2022 |
| Repayment of bank borrowings | 10.0 | 10.0 | - | 12 months | - |
| Working capital | 12.5 | 12.5 | - | 18 months | - |
| Listing expenses | 3.8 | 3.8 | - | Within 1 month | - |
| **Total** | **72.3** | **33.7** | **38.6** | **-** | **-** |

Back in September 2019, the Group successfully raised RM72.3 million from our initial public offering ("IPO") exercise to facilitate our expansion plans. The bulk of the proceeds (RM33.0 million of 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 end-June 2022, a total of RM33.7 million of the RM72.3 million has been utilised.

In August 2022, the Board, after due consideration and having taken into account the current operating environment, resolved to extend the timeframe for the utilisation of IPO proceeds ("Extension of Time"). The timeframe to utilise the balance RM38.6 million IPO proceeds has been extended for 12 months from 25 August 2022.

In essence, management was unable to properly scout and thoroughly assess the suitability of land parcels available due to movement restrictions and hence, an extension of time for the proceeds utilisation was required. We remain on the lookout for an ideal plot of land. However, we strive to be dynamic in the meantime and will adapt to the situation by converting certain spaces in our existing facility into a production area.

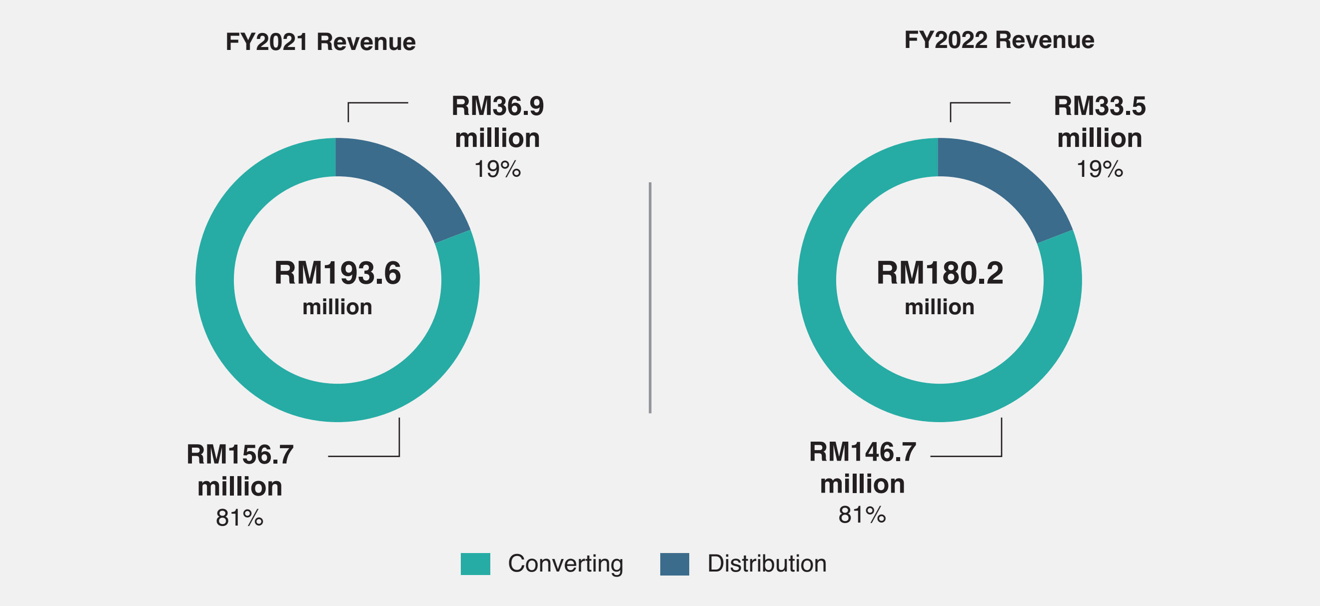
As for the IPO proceeds allocated for capital expenditure, the Group sought for an extension of time to continue upscaling our technical capabilities in light of the ever-changing technology and industry innovations.

## FINANCIAL REVIEW

### Revenue

For the financial year ended 30 June 2022, the Group recorded a revenue of RM180.2 million. This was a decline of 7.0% or RM13.5 million year-on-year ("YoY") from RM193.6 million in FY2021, chiefly attributed to the impact arising from the COVID-19 pandemic and the resultant operational disruptions. Nevertheless, we regard this as a commendable performance for FY2022 given the circumstances and taxing operating climate.

# MANAGEMENT DISCUSSION AND ANALYSIS




In terms of revenue breakdown by business segment, our converting business continued to be the primary revenue driver, accounting for 81.4% or RM146.7 million of FY2022 revenue. The balance was contributed by the distribution segment at 18.6% or RM33.5 million of FY2022 revenue.

Meanwhile, revenue from the domestic market remained the largest contributor in FY2022, having contributed 90.8% or RM163.6 million to total turnover while the remainder came from overseas sales.

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

MTAG's FY2022 net profit stood at RM30.1 million versus RM33.6 million achieved in the previous year. This was predominantly in line with the decline in revenue, in addition to lower foreign exchange gain recorded due to the strengthening of US Dollar, as well as provision for slow-moving stocks.

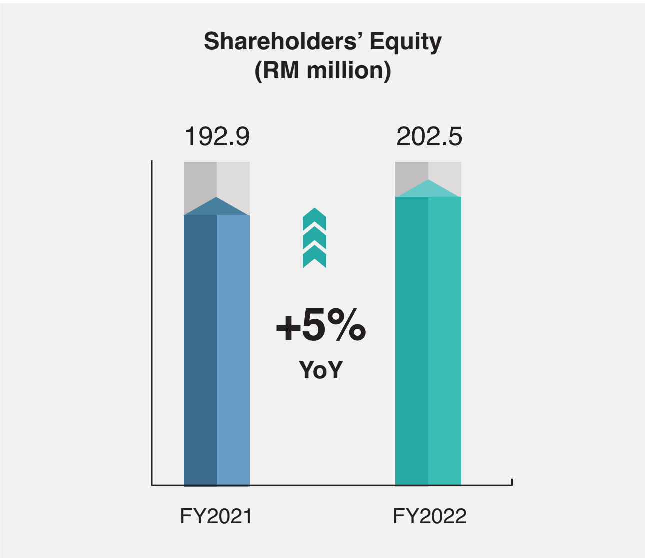
### Return On Assets ("ROA") and Return On Equity ("ROE")

MTAG's FY2022 ROA and ROE continued to be healthy despite the softer YoY financial performance. We managed to sustain double-digit ROE and ROA for the financial year under review at 14.9% and 12.9% respectively.

### Capital Structure & Capital Resources

As at end-FY2022, our total assets stood at RM233.9 million, which was higher than RM214.3 million a year ago. The increment stemmed from higher trade receivables and cash and cash equivalents and other investments. MTAG's total cash and bank balances, fixed deposits and other investments as at 30 June 2022 amounted to RM127.6 million.

The Group's shareholders' equity also maintained its uptrend from the previous years. At the close of the financial year under review, shareholders' equity grew 5.0% YoY or RM9.6 million to RM202.5 million on higher retained earnings. On the other hand, our total liabilities increased on a YoY basis at RM31.4 million at end-FY2022 as compared to RM21.4 million in the previous year due to higher trade payables. Similar to FY2021, we continued to have zero borrowings at the end of FY2022.



# MANAGEMENT DISCUSSION AND ANALYSIS

### Net Gearing & Cash Per Share

With zero borrowings, we remain in a net cash position with a net cash per share of 18.7 sen as at 30 June 2022. The Group has been in net cash position for the last five years.

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

In FY2022, MTAG generated a positive NOCF of RM30.0 million, continuing the consistent trend of reporting positive NOCF over the last seven financial years.

## ANTICIPATED OR KNOWN RISKS

### Dependency on Major Customers

The Group's revenue contribution in recent years was derived from a few major customers. Besides, it is in the nature of our business that we do not have long-term contracts with them. Therefore, MTAG may be 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.

Nevertheless, we have long and established relationships with some of these major customers. This is a testament to our proven track record, 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. Additionally, the Group also prioritises on customer satisfaction as it provides us with strong competitive advantages with our major customers.

At the same time, we also continue to channel more efforts to expand and diversify our customer base. With regards to payment collection, the risk is low given the fact that most of our major customers are public-listed or multinational companies with strong financial positions. This risk is also managed by our 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 are exposed to risks associated with foreign exchange as we have transactions in, amongst others, the United States Dollar ("USD"), Singapore Dollar ("SGD") and Euro. Hence, any unfavourable fluctuations in foreign exchange rates may have a negative impact on our financial performance. As part of our risk mitigation efforts, we diligently monitor the volatility of foreign exchange rates and shall consider entering into foreign currency hedging contracts if or when necessary.

**Balance Sheet and Key Ratio Highlights as at 30 June 2022**

**TOTAL ASSETS**
**RM233.9**
million

**TOTAL EQUITY**
**RM202.5**
million

**NET ASSETS**
**34.0 sen**
per share

**NET CASH**
**18.7 sen**
per share

**FY2022**
**RETURN ON ASSETS**
**12.9%**

**FY2022**
**RETURN ON EQUITY**
**14.9%**

### Supply Chain Disruptions

Like many other businesses, we are susceptible to the risk of interruptions to our supply chain, which could disrupt our operations and adversely impact our financial performance. The Group manages this risk by keeping constant contact with our suppliers to monitor the possibility of supply disruptions and paying close attention to our inventory management. To this end, we have been stocking up on certain raw materials to ensure we have sufficient buffer for our production to run smoothly and uninterrupted.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Operational Disruptions

Predominantly involved in the manufacturing business, the Group is highly reliant on the smooth running of our production facility. Any unplanned shutdowns or operational disruptions would have an unfavourable impact on our performance. In mitigation, we have taken up 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.

## FORGING AHEAD

Given the heightened volatilities in the world economy, and coupled with the lingering effects of the pandemic, we anticipate uncertainties to prevail in FY2023. These market ambiguities are compounded by other developing factors such as the ongoing geopolitical conflicts and fluctuations in commodity prices, to name a few.

Notwithstanding the above, the Group continues to forge ahead with our expansion plans albeit on a measured basis. We have established ourselves in the southern region of Malaysia and we target to expand our geographical footprint in the central and northern regions going forward. At the same time, MTAG also aims to diversify our clientele base to include other industries such as food and beverage ("F&B") and technology. With our technical expertise, proven track record and new capabilities, we are optimistic on this front.

Separately, we are also on the lookout for any potential mergers and acquisitions ("M&A") that would provide synergies to MTAG. The pandemic has hindered our efforts in exploring potential M&A due to the movement restrictions imposed. However, now that the nation is transitioning into endemicity, we will step up our efforts and be more aggressive on this end.

Apart from that, the Group is also channelling more efforts towards sustainability. This is part of MTAG's journey of being a responsible corporate citizen as we strive to enhance our ESG (Environmental, Social, Governance) initiatives. The Group is currently exploring the feasibility of installing solar panels at our factory. Moving forward, we want to further embed sustainability into our growth strategy and operations as we believe a business with good ESG practices is one that will flourish and sustain over the long-term.

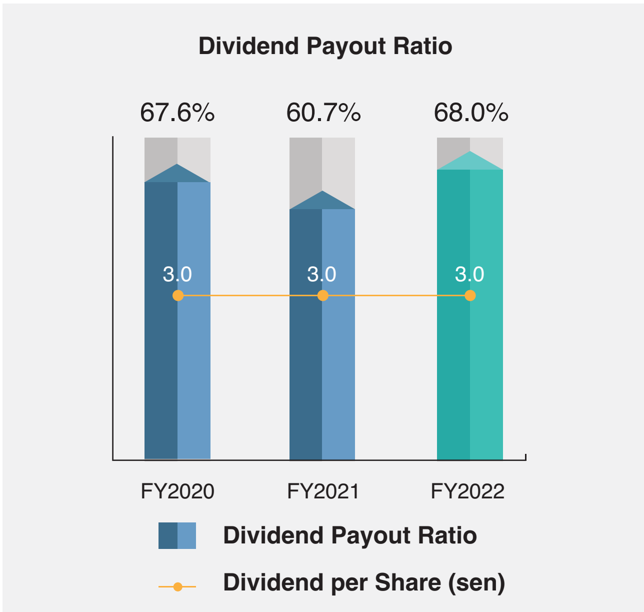
In the meantime, we are mindful of the ongoing industry-wide challenges such as, among others, rising input cost, supply chain disruptions and labour shortages. We are monitoring these issues closely and the situation is manageable at the moment. Constant enhancement on our operational efficiency and productivity, as well as streamlining our procurement process remain high on our priority.

On a related note, MTAG remains committed on our efforts to increase the automation level of our manufacturing processes in order to grow sustainably over the long-term and minimize our dependency on labour. This is evident in our focus in acquiring new machines that are highly automated such as the fully digital press printing machine purchased in FY2022, which is part of our transformation journey towards Industry 4.0. We are delighted to share that we have secured several new projects for our fully digital press printing machine and continue to be in active discussions with potential customers as the Group is ready to take up more orders with our new capabilities.

By and large, the long-term outlook of MTAG continues to be positive as we journey on with our expansion strategies while being vigilant and prudent at the same time. We will build on the solid foundation of the Group and leverage on our strengths, supported by our robust balance sheet to deliver greater value for our shareholders. Premised on the above, we expect to deliver a satisfactory set of results in FY2023, barring any unforeseen circumstances.

## DIVIDENDS

For the financial under review, 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 68.0% dividend payout of FY2022 net profit, far exceeding our dividend policy of distributing 20% of net profit, a consistent trend in the past three financial years.




**Chaw Kam Shiang**
*Group Managing Director*

# SUSTAINABILITY STATEMENT

## ABOUT THIS STATEMENT

MTAG Group Berhad ("MTAG" or "the Group") holds the concept of sustainability as one of the key guiding principles of its decision-making activities in establishing both financial and non-financial value for the Group's stakeholders. With sustainability as a strategic priority, MTAG is confident of building a resilient entity that delivers meaningful gains to all our stakeholders, including but not limited to shareholders, employees, customers and suppliers.

In order to demonstrate MTAG's commitments in the aspects of economic, environmental and social ("EES"), the Group has set forth the Sustainability Statement ("the Statement") for the financial year ended 30 June 2022 ("FY2022").


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

### Reporting Scope and Period

This report outlines the sustainability initiatives and performances of MTAG's manufacturing operations and head office in Tebrau, Johor, comprising our 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 is in line with MTAG's financial year from 1 July 2021 to 30 June 2022, unless otherwise stated. Where possible, information from previous years have been included to provide comparative data for a more meaningful read. Moving forward, we shall work to enhance the monitoring and reporting of relevant data to provide better insights for our stakeholders.

### Reporting Framework

This Statement was prepared in accordance with Bursa Malaysia Securities Berhad ("Bursa Securities")'s ACE Market Listing Requirements ("Listing Requirements"), and guided by the Sustainability Reporting Guide and Toolkits (2nd Edition) ("Sustainability Reporting Guide"). MTAG has adopted the themes and indicators recommended in Bursa Securities' Sustainability Reporting Guide to better disclose our sustainability efforts in EES terms.

## OUR SUSTAINABILITY COMMITMENT

At MTAG, we aim to provide sustainable returns as well as lasting positive influence to our stakeholders. We regard EES matters as critical to our growth and have formulated a Sustainability Policy that expounds our pledge in this respect.

### 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 GOVERNANCE

A robust governance framework is vital in embedding sustainability practices into our business strategy. For effective integration, the Board, Senior Management team and Sustainability Working Group ("SWG") work hand-in-hand to identify and manage the sustainability risks and opportunities of the Group. Clear definition of roles and responsibilities are shown in the following diagram.

# SUSTAINABILITY STATEMENT

### MTAG's Sustainability Governance Structure

| Board of Directors | Senior Management | Sustainability Working Group |
|---|---|---|
| • Accountable for defining and setting the Group's sustainability agenda.<br>• Responsible for setting sustainability goals and strategy.<br>• Ensures accountability and oversight in identification and management of sustainability matters. | • Managing Director, Executive Director, Chief Financial Officer, Chief Human Resource Officer & General Manager<br>• Responsible for overseeing, monitoring and implementing sustainability-related initiatives and actions to align with the Group's long-term strategic plans and business processes. | • Business Unit Head / Planning / Marketing Manager / Supply Chain / Production / Quality / Human Resource Managers of Toyo Sho / Intag Industrial / Intag Steel<br>• Responsible for executing, monitoring and reporting of sustainability-related initiatives. |

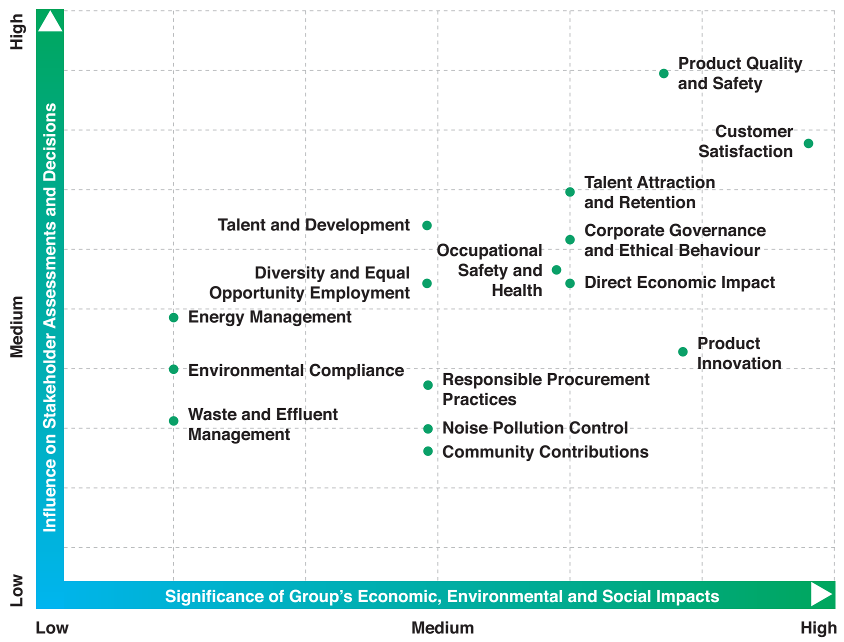
## MATERIALITY ASSESSMENT

Understanding the Group's material matters is essential to the sustainability of MTAG. We apply the materiality assessment in identifying and assessing the significance of sustainability matters to the Group, as well as to our stakeholders. Our analysis is conducted in accordance with the structure below:

| Identification | Assessment | Prioritisation |
|---|---|---|
| Identify key topics that are relevant to MTAG's business operations. | Assess material topics from business and stakeholder perspectives. | Rank each material topic by prioritising according to the analysis of impact to business and stakeholder. |

For FY2022, we continue to consider the 15 material topics as per prior year as they are still relevant in the current operating landscape. The identified material matters are illustrated in the materiality matrix below.

### MTAG'S Materiality Matrix



# SUSTAINABILITY STATEMENT

## STAKEHOLDER ENGAGEMENT

We believe that consistent engagement with our internal and external stakeholders is critical in our pursuit of sustainability. By understanding the expectations and concerns of our stakeholders, we are better able to shape the Group in line with our aim to grow as a responsible corporate citizen.

MTAG's stakeholder groups encompass a diverse set of individuals, groups, or organisations that may be impacted by our Group's business model and operations. As each group is unique, we have adopted various communication channels tailored to suit each stakeholder group effectively.

| Stakeholder Group | Type of Engagement | Areas of Interest |
|---|---|---|
| **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<br>• Payment arrangements |
| **Employees** | • Daily interactions<br>• Memos and intranet<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<br>• Press releases | • Continuous and meaningful communication<br>• Avoidance of bad publicity<br>• Business plans and developments |

*Key Stakeholders Table*

# SUSTAINABILITY STATEMENT

## ECONOMIC

### Direct Economic Impact

MTAG's financial performance is vital to the sustainability of the Group, along with our ability to meet our commitments. The Group's economic value distribution to stakeholders is tied to our capacity to generate healthy returns. As such, we are committed to enhance the Group's commercial and financial strength, enabling us to create greater value for our wide range of stakeholders. In FY2022, MTAG continued to deliver economic returns on the back of resilient earnings, notwithstanding the taxing operating environment.

**MTAG's Economic Value Distribution for FY2022**

| Employees' Wages and Benefits | Operating Costs | Dividend to Shareholders | Payments to Government Taxes |
|---|---|---|---|
| RM15.4 million | RM14.3 million | RM20.4 million | RM9.7 million |

Despite the challenges presented by the COVID-19 pandemic, the Group's business continuity plan and efficient supply chain management ensured business continuity.

### Product Quality and Safety

As one of the leading integrated labels and stickers printing and materials converting specialists in Malaysia, our mission is to provide innovative, cost-effective and customised solutions to our diversified clientele base. At all times, MTAG strives to uphold the high standards of quality and safety of our products and services. With our customers' satisfaction as our utmost priority, we have enforced a Quality Policy which outlines the Group's pledge to quality excellence and improvement.

At the same time, the Group's Quality Control Procedures govern our quality assurance system. We have a Quality Control team that supervises and oversees the quality of output during the procurement and operating processes, which includes visual and machine inspections of incoming and finished goods.

**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.**

**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.

**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-cutting units. On the other hand, defects that generally occur in the converting of metal products are non-conformity of dimensional tolerances.
- QC personnel also conduct continuous inspections throughout the production processes to maintain process consistency.

**OUTGOING QC**

- Outgoing QC is carried out to ensure the finished products are compliant with sales orders. A final inspection is conducted before the finished products are delivered to customers.

*Quality Control Procedures*

# SUSTAINABILITY STATEMENT

Meanwhile, we continuously seek to improve the Group's Quality Management System ("QMS"), allowing us to deliver consistent quality offerings in line with international standards. This is reflected in the Group's subsidiary, Toyo Sho, being accredited with the International Organization for Standardization ("ISO") 9001:2015, for its manufacturing of printed labels, die-cut double-sized tapes and polyester tapes process. With our QMS in place, we endeavour to maintain our reputation as a trusted and reliable partner in printing and converting services.

For our distribution business, we procure from reputable brands of industrial tapes and adhesives, namely 3M and Henkel. We also carry out sample checks on our purchases to ensure they meet our high standards of quality and safety.

## Product Innovation

At MTAG, technology and innovation are fundamental to how we develop products that cater to our customers' specific needs. It gives us a competitive edge and sets us apart from other providers in this niche market.

We are well-equipped to serve customers across numerous industries, including the electrical and electronics, automotive, precision tooling, mechanical and engineering as well as construction sectors. MTAG's printing capabilities are powered by our suite of advanced and tailor-made machinery, which enables us to provide flexible converting solutions for wide-ranging materials such as adhesive tapes and papers, mesh materials, metal, polyethylene plastics, as well as foams and cardboards. We convert these materials into predefined shapes and sizes according to specified criteria.

Apart from that, we also offer other various converting methods to fulfill our customers' requirements, including ultrasonic technology for mesh, rewind slitting for adhesive tapes, papers and plastics, die-cutting for foams and cardboards, bandsaw and plasma cutting for metals, to name a few. We also apply various finishing choices on different types of papers to ensure colour sharpness and uniformity are maintained.

Beyond this, MTAG adds further value by participating in the developmental stage of our customers' new products through consultation on the appropriate and suitable material and converting methods.

In FY2022, we continued to invest in new capabilities and technology to enhance our value proposition. This includes the use of silkscreen printing as well as the purchasing of a digital press printing machine. Such investments form part of MTAG's strategy to increase automation in our manufacturing operations and reduce labour dependency, as we gear up for Industry 4.0. The newly procured technology boosts our converting capabilities to support a broader range of applications and sectors.

## Customer Satisfaction

Customer satisfaction is vital for MTAG to achieve long-term success. Our goal is to build long-lasting relationships with our customers by achieving total customer satisfaction. We do this by focusing on fulfilling their requirements and delivering solutions in a timely manner.

We engage our customers on a regular basis to gain their feedback on the products and services we render via the Customer Satisfaction Survey. This helps us to better understand their expectations and concerns, allowing us to develop action plans for continued improvement.

In FY2022, we received a total of 7 customer feedbacks in relation to product quality. Our team analysed the data gathered and responded promptly according to the stipulated response procedures. Thereafter, we set up meetings with the customers to identify areas for enhancement, while also reviewing the specifications of our products. Subsequently, we will follow up with the customers through a repeat of the Customer Satisfaction Survey to ascertain the level of satisfaction thereafter.

Moving forward, MTAG aims to further uplift the level of customer satisfaction by enhancing the quality of our offerings and services based on the input we receive from customers.

## Responsible Procurement Practices

We are committed to maintaining a sustainable supply chain and therefore, work with suppliers who share our vision and operate in an economically, environmentally and socially responsible manner. We adopt a stringent vendor selection procedure based on the evaluation of various factors, including work track record, market reputation, product and service quality, supply and pricing, among others. A majority of the Group's key suppliers are determined and approved by our customers following rigorous assessment.

Following this process, we have built solid long-term relationships with our vendors and work closely with them to mitigate any potential business interruptions or risks to MTAG. As we forge ahead, our procurement practices shall be reviewed and strengthened to ensure our supply chain is at its optimal.

At the same time, we recognise the significance of purchasing from local suppliers. Where feasible, we opt to procure locally as it increases our sourcing efficiency due to faster turnaround time, higher cost savings and accords us better control over our goods. Apart from these commercial benefits, local procurement also supports the growth of the local economy while creating work opportunities for nearby communities. In FY2022, we continued to source domestically with approximately 89% of our suppliers being local vendors.

**89%** of MTAG's Suppliers are Locals

# SUSTAINABILITY STATEMENT

## Corporate Governance and Ethical Behaviour

Good corporate governance forms the cornerstone of MTAG's operations as we seek to build a culture of integrity and trust. The Group's corporate governance framework serve as the overarching guide for our employees and business partners to uphold the highest standards of professional conduct. Our policies are reviewed from time to time to make sure they remain updated and relevant with the current operating climate. We endeavour to continuously operate in compliance with regulatory requirements, including Bursa Securities' Listing Requirements, and adopt the recommendations in Malaysian Code on Corporate Governance 2021 ("MCCG") issued by Securities Commission Malaysia, where possible.

### Code of Conduct & Ethics

MTAG establishes clear guidance on the Group's Code of Conduct & Ethics to all directors and employees 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

MTAG enforces a well-developed Whistleblowing Policy to facilitate a whistleblowing platform in ensuring the ethicality and accountability of the Group's conducts. Employees and external parties are encouraged to highlight 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 imposes Anti-Corruption & Anti-Bribery Policy to delineate the Group's responsibilities in observing and upholding MTAG's position on bribery and corruption, as well as to set out the guidance and procedures for employees on how to recognise and deal with bribery and corruption matters. We have a resolute commitment to construct a business that is free from acts of bribery and corruption. All employees are required to adhere to all anti-bribery and anti-corruption legislations.

**Since the establishment of MTAG, there has been zero (0) reported cases of policy breaches or on corruption.**

## Investor Relations

As a part of MTAG's corporate governance practices, we place strong emphasis on transparent and timely communication with our stakeholders. In this regard, the investor relations function is essential in disseminating key information and updates of the Group to shareholders. In FY2022, we continued our prompt reporting of the Group's quarterly financial results, as shown in the table below.

<u>Release of MTAG's Quarterly Financial Results</u>

| Quarterly Results | Date of Issue/ Release | Bursa Securities Deadline for the Issue/Release |
|---|---|---|
| **FY2022** | | |
| 1st Quarter | 24 November 2021 | 30 November 2021 |
| 2nd Quarter | 23 February 2022 | 28 February 2022 |
| 3rd Quarter | 24 May 2022 | 31 May 2022 |
| 4th Quarter | 25 August 2022 | 31 August 2022 |

# SUSTAINABILITY STATEMENT

**MTAG's Fourth (4th) Virtual AGM**

As part of our ongoing initiatives to engage shareholders in a timely and safe manner, we continued to leverage technology to hold our Annual General Meeting ("AGM"). On 24 November 2021, MTAG held our 4th AGM via live streaming using the Remote Participation and Voting ("RPV") facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("TIIH") via its TIIH website at https://tiih.online.

To promote effective engagement between the Board, Management and shareholders, registered attendees were able to pose questions remotely using the RPV facilities, which were addressed by the Chairman and Senior Management during the AGM.

This modality enables voting in absentia and remote participation by shareholders, demonstrating the Group's commitment in ensuring high level of shareholders' participation in the AGM, while also keeping the safety of our shareholders in mind amid the COVID-19 pandemic. The virtual proceedings are in line with Practice 13.3 of the MCCG 2021, which encourages listed issuers to adopt technology in facilitating transparent and meaningful engagement with shareholders.

## ENVIRONMENTAL

### Environmental Compliance

We are cognisant of the impact that our business activities may have on the environment and pledge to minimise the effects across the Group in the interest of future generations. The Group's environmental management practices are guided by the local laws and regulations, as well as MTAG's Environmental Policy.

### 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.**

**ZERO Cases of Environmental Non-Compliance in FY2022**

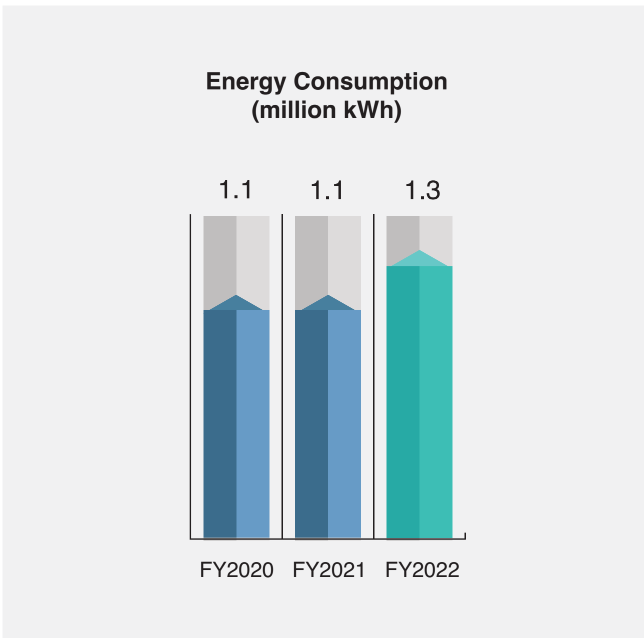
Our policy is supported by a robust Environmental Management System ("EMS") that is certified with internationally recognised standard, ISO 14001:2015. Through the EMS, we shall continually make improvements to our approach to environmental management. This accreditation is a reflection of MTAG's commitment in preserving the environment.

**Since MTAG's establishment, there has been zero (0) major incidences in fines or non-monetary sanctions for non-compliance with environmental laws and regulations.**

### Energy Management

Combating climate change remains as one of the most significant tasks in the world today. As an environmentally conscious group, we seek to reduce our carbon footprint through effective energy management. To achieve optimal energy efficiency, we employ various operational controls including proactively monitoring the Group's energy consumption using an Energy Measuring Meter. We utilise most of our energy in the form of electricity powered by the national grid. In FY2022, our energy usage increased to 1.3 million kilowatt-hours ("kWh") owing to higher utilisation of workplace and production in the absence of operational disruptions experienced during the Movement Control Order in 2021.

Our other initiatives to optimise the Group's energy consumption include adhering to an annual target of electricity usage, as well as maintaining a regular scheduled maintenance of our equipment and machineries to prevent downtime, to name a few. We also seek to raise environmental awareness among our people to promote responsible use of energy. As we move forward, we will explore the use of renewable energy sources, such as solar, for power generation in order to reduce our reliance on fossil fuels.



# SUSTAINABILITY STATEMENT

### Waste and Effluents Management

The Group's waste management activities play a crucial role in MTAG's environmental stewardship. As part of MTAG's EMS, our waste disposal process is governed by the Group's Environmental Policy and follows a set of standard operating procedures ("SOP") in line with the national standards in waste and effluents management. At all times, we practise careful treatment to prevent mishandling of the waste materials and ensure continual adherence to applicable environmental guidelines, including the Environmental Quality Act ("EQA") 1974.

We produce different types of by-products that are in the form of scheduled and non-scheduled wastes. The Group's non-scheduled wastes, such as paper carton, kraft paper and plastic, are collected by the Department of Environment ("DOE")'s authorised waste collectors for recycling, with approval from the Malaysia Custom Industries Department. Other non-scheduled wastes, namely adhesive papers and tapes are discarded at a designated waste disposal area before being collected and sent to the sanctioned landfills by the waste collector. As for our scheduled wastes, we have set in place SOPs to properly handle the by-products in compliance with the Environmental Quality (Scheduled Wastes) Regulations 2005 of the EQA 1974. These wastes, which include contaminated containers, rags, papers and gloves, are segregated from the non-scheduled wastes prior to collection by a DOE-authorised licensed waste contractor. All works are monitored by a Certified Environmental Professional in Scheduled Waste Management ("CePSWaM") registered under the DOE.

**Since our inception, MTAG has complied with all relevant regulations and procedures in relation to waste management.**

### Noise Pollution Control

Occupational noise is an inevitable side effect of our operations. We regulate this by adopting internal controls to mitigate the impact on our employees and the surrounding area where we operate in. Our noise reduction efforts include conducting voluntary 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 mention a few.

The Group also undergoes periodic assessments on noise levels by an environmental consultant approved by the department of Occupational Safety & Health ("DOSH"). In 2022, 2 of MTAG's operating sites, namely Toyo Sho and Intag Industrial, underwent the assessment and achieved 100% compliance.

**100%** Compliance to Noise Regulatory Limits

## SOCIAL

The Social pillar is anchored by our relationship with our people as well as the broader society. We strive to develop a safe and holistic workplace for our employees, while delivering value for the local communities.

### Talent Attraction and Retention

Every employee is valuable and plays an important role in the Group's growth. Our success is reliant on our ability to attract, train and retain competent and suitable talents who are aligned with MTAG's culture and goals. The performance of our employees directly affects the outcome of our products and services to customers. With this in mind, it is crucial for us to establish a robust human capital strategy and manage our talent pool effectively.

We continually build our talent pipeline to ensure continued success of the Group. In sourcing for candidates, we utilise numerous channels to attract the right candidates, including advertising job vacancies on the "Career" section of the MTAG's corporate website, as well as from employees' referrals. Our recruits are hired on a transparent basis based on the assessment of their job experience and qualifications. To fully harness the Group's workforce's collective potential, we aim to create a holistic and conducive working environment, where employees feel safe and motivated to perform. As part of our human capital initiatives, we offer competitive remuneration and benefits packages that are benchmarked against the market.

Our compensation packages include, amongst others, fair remuneration, the payment of bonus two times a year based on work performance, as well as non-monetary benefits such as annual leave, sick leave, maternity leave, group personal accident coverage for foreign workers, and phone allowances for selected employees.

### Training and Development

We adopt a structured talent development programme to enrich the employee experience with upskilling and career progression opportunities. Our people are provided with numerous training programmes and resources to empower their professional growth. These learning prospects allow our employees to remain relevant and updated on the job with the evolving business landscape, which in return, enhance our workforce's competencies and improve on service delivery to customers.

Our personnel's learning needs are assessed through the annual performance appraisal exercise. During this time, we identify the challenges and expectations of our employees, and thereafter, devise training programmes that will address the gap.

# SUSTAINABILITY STATEMENT

In FY2022, we remained steadfast in offering internal and external employee training sessions conducted in person and virtually, covering various technical and safety topics including, among others:

- Forklift Operator Safety
- Evacuation and Fire Drill
- First Aid and CPR
- Tax Seminar on Budget 2022
- Licensed Manufacturing Warehouse
- Microsoft Excel
- Business Valuation for Financial Reporting
- Equity Valuation
- Valuation on Mergers and Acquisitions
- Payroll Workshop

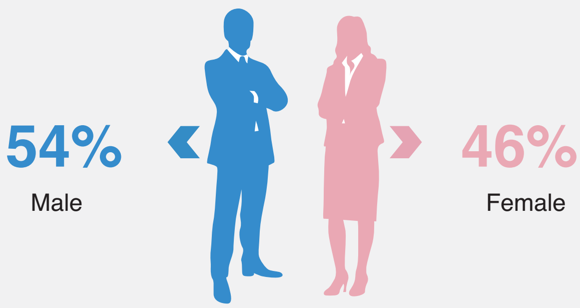
Apart from that, we encourage our employees to take on new roles that are aligned to their strengths and interests, as we seek to enable them to perform well for the mutual benefit of the employee and the Group. During the year, through the Group's sponsorship under the Employee Education and Development Program, one of our employees expanded her knowledge in finance from the human resources function and obtained qualification from London Chamber of Commerce & Industry ("LCCI"). This is part of our concerted efforts and investment in the upskilling of our workforce.

### Diversity and Equal Employment Opportunity

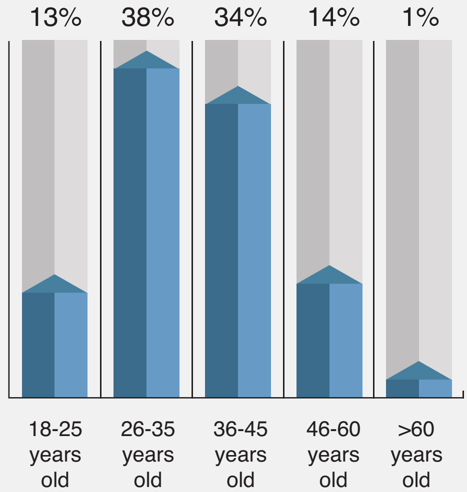
We acknowledge that diversity is a differentiating strength that can add further value to the Group. An all-inclusive workplace offers the Group varying and fresh perspectives on a multitude of topics, which are crucial to innovation and enriches the Group's decision-making process. This allows us to accelerate our organisational growth. With this in mind, we extend an equal employment opportunity for recruitment, selection and promotion, irrespective of gender, race, creed, or religion, to quote a few. To this end, we have established a Diversity Policy aimed at embracing diversity across the Group. This policy is available for reference on MTAG's corporate website.

As at 30 June 2022, we have a balanced workforce of 164 employees, with 46% women employees, while the remaining 54% are men. We are also diverse in terms of age group with a strong young workforce, where 51% of our personnel are below the age of 35 years old, providing us a talent pipeline of future leaders.

**Workforce by Gender**




**Workforce by Age Group**




### Fair Employment Practices

At MTAG, we ensure the human rights of workers are upheld across the Group. In advancing our businesses, we want to be a responsible and fair employer with a tough stance of zero-tolerance towards unfair and unethical practices. Our conviction to safeguard the rights and interests of our people enables us to attract and build a more resilient and inclusive workforce.

**ADHERENCE TO MINIMUM WAGE**

**NO FORCED LABOUR**

**PREVENTION OF CHILD LABOUR**

**FAIR DISCIPLINARY PRACTICES**

**PROHIBITION OF HARRASSMENT**

Throughout our operations, we comply with the relevant labour laws and regulations, including the Employment Act 1955 that prohibits exploitive labour practices as well as those that relate to minimum wages. We undertake fair employment practices to achieve a safe and respectful workplace. **In FY2022, the Group recorded zero (0) non-compliance in relation to employment and labour practices.**

**ZERO Non-Compliance with Employment and Labour Practices in FY2022**

# SUSTAINABILITY STATEMENT

At the same time, we highly condemn any forms of harassment, including sexual, in the workplace. **Our firm adherence to the Group's policies led to zero (0) reports filed on harassment during the year under review.**

## Occupational Safety and Health

The health and safety of our employees, contractors, visitors and customers, is a top priority at MTAG. Throughout our operations, we are committed to operating responsibly while protecting the safety of our stakeholders. In FY2022, while the COVID-19 pandemic persisted, we remained steadfast in maintaining robust safety mechanisms to ensure business continuity and a safe working environment for all.

We are governed by the Group's Occupational Safety and Health ("OSH") Policy, which lays out our pledge towards continual safety improvements and adhering to relevant safety laws and regulations, including the Occupational Safety and Health Act 1994. The OSH Policy is reviewed from time to time to maintain its relevancy to the current operating landscape.

### 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 policy acts as a guidance in enhancing the Group's OSH systems and is implemented by the Group's OSH Committee, which oversees MTAG's OSH performance. The committee consists of 12 employees representing various departments across the organisation.

Meanwhile, our Emergency Response Team ("ERT"), comprising 23 members, is accountable for managing and handling emergency situations. The team is divided into 4 section teams, according to the different type of hazard that may be encountered during an emergency, such as Chemical, Fire Fighting, Fire Wardens and First Aid Rescue.

At MTAG, we believe that each employee plays a role in ensuring a safe and injury-free working environment. Hence, we endeavour to promote a safety culture with the goal of having zero workplace accidents. In FY2022, we organised several safety programmes to enhance our OSH competencies.

*Fire Evacuation Drill Training*

One such programme is the fire evacuation drill training, where topics on emergency evacuation routes, handling of the fire extinguishers and identification of the safe zones are discussed. Our objective is to equip our employees with the required knowledge and practical skills when facing potential fire hazards.

For FY2022, MTAG once again achieved zero (0) Loss Time Injury and fatalities, as a result of our ongoing safety initiatives.

**ZERO Loss Time Injury and Fatalities in FY2022**

# SUSTAINABILITY STATEMENT

## Corporate Social Responsibility Programmes and Community Contributions

Meaningful sustainability can only be achieved through an inclusive approach that support the community around us. We recognise our social obligations to the society in order to develop shared benefits and hence, strive to give back to the people around us. We do this by contributing to the local community's socio-economic development by creating job opportunities. In FY2022, 54% of MTAG's employees are locals from Johor.

At the same time, we continued to embrace the culture of volunteerism with the following Corporate Social Responsibility ("CSR") initiatives.

### DONATION TO WELFARE ORGANISATIONS

In June 2022, MTAG provided aid to less privileged families by donating food products and groceries to several charitable homes of:

- Pertubuhan Kebajikan Cheng En Johor Bahru
- Pertubuhan Kebajikan Shan De Johor Bahru
- Persatuan Kebajikan Mesra Megah Ria Johor Bahru

In addition, MTAG also distributed computers to Pertubuhan Kebajikan Cheng En Johor Bahru to support the educational growth and technology literacy of the children.

### CHARITY DAY TRIP TO FOLO BAN FOO FARM

In FY2022, MTAG organised a charity trip to bring the children from Pertubuhan Kebajikan Cheng En Johor Bahru to visit a local organic farm, Feed Our Loved Ones ("FOLO") Farm, in Ulu Tiram, Johor. Through this initiative, we were able to bring joy to the children as they enjoyed nature and learned about farming with interesting hands-on activities, such as seed germination and harvest methods.

To watch a video on the farm trip, please scan the QR Code.

# SUSTAINABILITY STATEMENT


## DONATION TO JOHOR CEREBRAL PALSY ASSOCIATION

MTAG attended a "Majlis Serahan Sumbangan" ceremony on 30 November 2021 for the Group's monetary contribution channeled to the Johor Cerebral Palsy Association ("JCPA") in last financial year to help relieve JCPA's expenditure and elevate the children's quality of life. JCPA is a non-governmental organisation that provides training, rehabilitation, and habitation for children and young adults with cerebral palsy.

## HARI RAYA CELEBRATION WITH JOHOR CEREBRAL PALSY ASSOCIATION

In conjunction with the Hari Raya festivities, JCPA organised a Hari Raya appreciation event for all donors. MTAG contentedly attended the event to reaffirm our continuous support for the children in need. Attended by the guests of honour, DYMM Permaisuri Johor Raja Zarith Sofiah Binti Almarhum and YAM Che' Puan Besar Khaleeda, the event also showcased traditional Malay dances.

## GREENERY EFFORTS IN OUR OFFICE ENVIRONMENT

With a focus on reducing our impact on the environment, we have constructed a mini botanical garden with various tropical species of flora and fauna in our headquarters at Kawasan Perindustrian Tebrau III. Apart from promoting greenery efforts, it also inspires our employees to cultivate care and appreciation for the natural environment.

# 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 2022 ("FY2022"), in line with the principles and best practices set out in the Malaysian Code on Corporate Governance 2021 ("MCCG 2021"), 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 FY2022 Corporate Governance Report of the Group ("CG Report") which is available on the Group's website at www.mtaggroup.com.

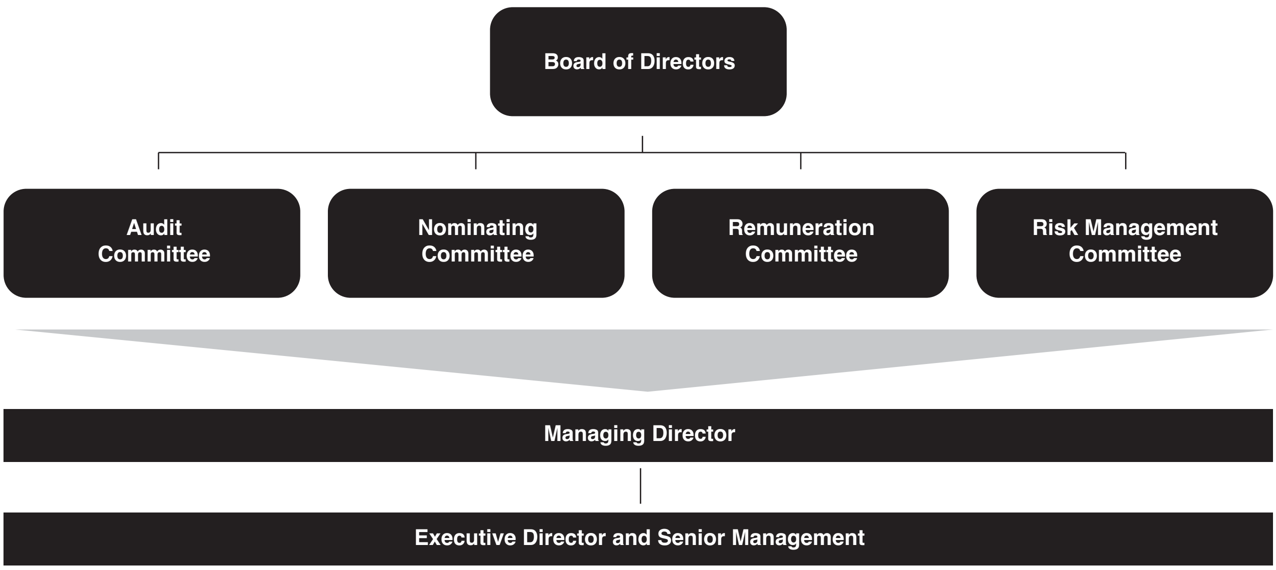
**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS**

**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 shareholders' 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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:

- To provide leadership and oversee overall conduct of the Group's businesses;
- To review and adopt strategic initiatives, and to ensure these initiatives and the risk, performance and sustainability are effectively integrated and appropriately balanced;
- To review and adopt corporate governance best practices in the areas of risk management, legal and compliance management and internal control systems;
- To ensure the effectiveness of Board committees as required by the applicable laws and recommended by the MCCG 2021;
- To review and approve Annual Business Plans, Financial Statements and Annual Reports;
- To monitor the relationship between the Board and the management, shareholders and stakeholders;
- To enhance the Group's Investor Relations programme and shareholders communication;
- To appoint the Board committees and delegate powers, as well as to review the composition, performance and effectiveness of the committees with its reports and recommendations;
- To monitor the Group's sustainability strategies and ensure that its performance are communicated to stakeholders; and
- To ensure the Group's 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. It is reviewed annually to ensure its relevance with applicable laws and regulations.

**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 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 procedural 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 Terms of Reference of the respective Board Committees are periodically reviewed and assessed to ensure the Terms of Reference 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.

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 the 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 |

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

**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. The MD is accountable to the Board for the achievement of the MTAG's goals and objectives, as well as observance of management's limits of authority.

**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 body, 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.

**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 FY2022, 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 FY2022, four (4) out of the five (5) Board meetings were conducted via online remote participation in FY2022, while one (1) meeting conducted was hybrid.

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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## II. Board Composition

Throughout FY2022, 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 5.2 of MCCG 2021, which stipulates that at least 50% of the Board comprises Independent Directors.

As at 30 June 2022, the Board comprises 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 MTAG's business profile and 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 provides 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 effectively. As such, the Group is led and guided by a skilled and capable Board.

The profile of each Director is presented under Directors' Profile on pages 9 to 11 of this FY2022 Annual Report.

All the INEDs have exercised their independent judgement, where 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.

**Tenure of Independent Directors**

Under the MCCG 2021, the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board as a Non-Independent Director upon the recommendation of NC to the Board for approval. If the Board intends to retain an Independent Director beyond nine (9) years, the Board should justify and seek annual shareholders' approval through a two-tier voting process.

**Appointment and Re-Election of Directors**

The Board is responsible for the appointment and re-election of the Directors to the Board. In accordance with the MTAG'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. This ensures that the tenure of INEDs do not exceed a cumulative term limit of nine (9) years in accordance with Practice 5.3 of MCCG 2021. Currently, all members of the Board have served for less than five (5) years on the Board.

The details of the Director(s) seeking re-election at the forthcoming Fifth ($5^{th}$) AGM are disclosed in the Notice of AGM on page 123 of this FY2022 Annual Report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

In FY2022, the Group adopted a Directors' Fit and Proper Policy for the appointment and re-election of Directors. 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. The policy has been designed as a practice guide for the appointment and re-election of Directors to assist the NC to discharge their duties and functions in Board nomination and re-election process of Directors.

**Time Commitment**

There were five (5) Board meetings held during the financial year ended 30 June 2022, 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.

**Directors' Training**

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, on sustainability-related matters, as well as new developments within the industry in which the Group operates.

During the financial year ended 30 June 2022, the Directors have attended various external training programmes and seminars as follows:

| Director | Training / Conference / Forum / Seminar / Webinar / Workshop | Date |
|---|---|---|
| Lee Ting Kiat | National AML/CFT Compliance Programme hosted by Bank Negara Malaysia | 5 July 2021 |
| | Virtual Conference on Corporate and Commercial Law by Bar Council Corporate and Commercial Law Committee, and Bar Council Continuing Professional Development Department | 6 - 10 September 2021 |
| | KPMG Tax and Business Summit 2021 by KPMG | 17 November 2021 |
| | TCFD102: Building experience in climate-related financial reporting hosted by Bursa Malaysia Berhad ("Bursa Malaysia") | 9 March 2022 |
| Chaw Kam Shiang | TCFD102: Building experience in climate-related financial reporting hosted by Bursa Malaysia | 9 March 2022 |
| Lau Cher Liang | TCFD102: Building experience in climate-related financial reporting hosted by Bursa Malaysia | 9 March 2022 |

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

| Director | Training / Conference / Forum / Seminar / Webinar / Workshop | Date |
|---|---|---|
| Jason Tan Kim Song | National Tax Conference 2021 | 27 - 28 July 2021 |
| | 2022 Budget Seminar by Malaysian Institute of Accountants (“MIA”) | 25 November 2021 |
| | TCFD102: Building experience in climate-related financial reporting hosted by Bursa Malaysia | 9 March 2022 |
| | Malaysian Tax Conference 2022 by MIA | 21 - 22 June 2022 |
| | SC Guidelines on the conduct of Directors of Listed Corporations and their Subsidiaries hosted by Malaysian Institute of Corporate Governance | 25 January 2022 |
| Dyana Sofya Binti Mohd Daud | SC Guidelines on the conduct of Directors of Listed Corporations and their Subsidiaries hosted by Malaysian Institute of Corporate Governance | 25 January 2022 |

**Effectiveness of Board, Board Committees and Individual Directors**

The Board, through the Nominating Committee ("NC"), assesses 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. | Director | 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 NC members. The Terms of Reference of the NC is available on the Group’s website at www.mtaggroup.com.

In FY2022, MTAG adopted new Board and Board Committee Evaluation forms in accordance with MCCG 2021. 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, tenure, 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 would 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 FY2022 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.

The Board has stipulated specific Terms of Reference 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

**Diversity Policy**

The Board supports gender diversity at all levels, including the Board. In this respect, the Board has adopted a Diversity Policy setting out the approach to diversity to encourage equality, diversity and inclusion throughout the organisation, including the selection of Board members and Senior Management ("SM") to eliminate unlawful discrimination. At present, the Board comprises five (5) Directors, of whom one (1) is a woman, translating to 20% of woman representation on the Board.

The Board strives to provide timely and transparent disclosures to shareholders. Any changes in the Board are communicated to shareholders via announcements to Bursa Securities' Listing Information Network ("Bursa LINK").

## 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. | Director | 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 Terms of Reference of the RC is available on the Group's website at www.mtaggroup.com.

During the year under review, two (2) meetings of RC were 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 2023.

The Board has adopted a Remuneration Policy and Procedure for Directors and SM, taking into account factors such as qualifications, skills, competency and experience of the Directors and SM, the demands and complexities of the Group's businesses, performance of the Group, market competitiveness and benchmark, to determine the remuneration of Director and SM. The policy shall be reviewed by the Board from time to time to ensure it remains relevant and appropriate. It is available on the Group's website at www.mtaggroup.com.

The remuneration package of the EDs and SM includes fixed salaries, bonuses and other emoluments. The EDs do not play a part in deciding the remuneration package and shall refrain from discussions relating to their remuneration. The RC would recommend the remuneration package to the Board for its review.

Meanwhile, Non-Executive Directors, including INEDs, shall be paid fixed fees and meeting allowances. The INEDs' annual fees reflect the diverse experience, skillsets and roles and responsibilities of the INED concerned.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Directors' Remuneration for the financial year ended 30 June 2022 are set out below:

**The Group**

| Director | Fees RM'000 | Salary RM'000 | Bonus RM'000 | Other emoluments (1) RM'000 | Benefits-in-kind (2) RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| Chaw Kam Shiang | - | 900 | 1,850 | 352 | - | 3,102 |
| Lau Cher Liang | - | 780 | 2,012 | 337 | - | 3,129 |
| **Non-Executive Directors** | | | | | | |
| Lee Ting Kiat | 64.8 | - | - | - | 10 | 74.8 |
| Jason Tan Kim Song | 51.8 | - | - | - | 10 | 61.8 |
| Dyana Sofya Binti Mohd Daud | 51.8 | - | - | - | 10 | 61.8 |

**The Company**

| Director | Fees RM'000 | Salary RM'000 | Bonus RM'000 | Other emoluments (1) RM'000 | Benefits-in-kind (2) RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| Chaw Kam Shiang | - | 900 | 1,850 | 352 | - | 3,102 |
| Lau Cher Liang | - | 780 | 2,012 | 337 | - | 3,129 |
| **Non-Executive Directors** | | | | | | |
| Lee Ting Kiat | 64.8 | - | - | - | 10 | 74.8 |
| Jason Tan Kim Song | 51.8 | - | - | - | 10 | 61.8 |
| Dyana Sofya Binti Mohd Daud | 51.8 | - | - | - | 10 | 61.8 |

*Note:*
(1) *Other emoluments include EPF, SOCSO and EIS;*
(2) *Benefits-in-kind consists 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Key Senior Management's Remuneration, who are not Directors of the Company, for the financial year ended 30 June 2022 are set out below (in the band of RM50,000):

| Remuneration Band Per Annum | No. of Key Senior Management |
|---|---|
| RM150,000 to RM200,000 | 1 |
| RM200,000 to RM250,000 | 1 |
| RM250,000 to RM300,000 | 1 |

The Board has considered the recommendation by MCCG 2021 to disclose the detailed remuneration of top five (5) SM on a named basis.

The Board is of the opinion that the disclosure of the remuneration of the MTAG's key SM shall not be on a named basis as it is imperative for the Group to maintain our employees' remuneration private and confidential and avoid discontentment among employees and to further address talent retention issues.

The Group will consider disclosing the remuneration of individual key SM in detail as and when it is deemed appropriate.

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

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

The Board has established an Audit Committee, 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 Audit Committee currently comprises three (3) members, all of whom are INEDs:

| No. | Director | Designation | Directorship |
|---|---|---|---|
| 1. | Jason Tan Kim Song | Chairman | Independent Non-Executive Director |
| 2. | Lee Ting Kiat | Member | Independent Non-Executive Chairman |
| 3. | 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 of the Audit Committee. The Terms of Reference of the Audit Committee is available on the Group's website at www.mtaggroup.com.

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

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

The Audit Committee 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 Audit Committee members were former partners of the Group's existing auditing firm within the previous three (3) years. This is outlined in the Terms of Reference of the Audit Committee.

Under the Terms of Reference, the Audit Committee 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The external auditors report to the Audit Committee in respect of their audit on each year's statutory financial statements on matters that require the attention of the Audit Committee. At least once (1) a year, the Audit Committee would have a separate session with the external auditors without the presence of the EDs or management.

During FY2022, the external auditors had confirmed to the Audit Committee members of their independence throughout the conduct of the audit engagement for FY2022 with MTAG 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 Audit Committee had assessed the objectivity, independence and service quality of the external auditors for the financial year ended 30 June 2022, 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 Audit Committee, the Board is agreeable and satisfied with the suitability and independence of the external auditors.

Further information on the Audit Committee are detailed in the Audit Committee Report on pages 46 to 51 of this FY2022 Annual Report.

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

The Board, through the Audit Committee 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 Audit Committee and Risk Management Committee on a periodic basis.

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

| No. | Director | 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 Risk Management Committee members. The Terms of Reference of the Risk Management Committee 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 Audit Committee in the discharge of its duties.

The internal auditors report directly to the Audit Committee and are given full access to documents relating to 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 52 to 56 of this FY2022 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

On 24 November 2021, MTAG conducted its fully virtual Fourth ($4^{th}$) AGM through live streaming using the Remote Participation and Voting ("RPV") facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("TIIH"), via its TIIH Online Website at https://tiih.online. The RPV facilities provided by TIIH enables voting in absentia and remote participation by shareholders. A total of ninety-four (94) shareholders and proxies logged in for the AGM.

As part of our efforts to encourage meaningful engagement, shareholders and proxies may submit questions prior to the AGM via TIIH Online Portal at https://tiih.online, or during the AGM itself using the "Query Box". Shareholders' questions are made visible on the portal for enhanced transparency. The Chairman with Key Senior Management addressed the questions raised by shareholders and proxies during the AGM, pertaining to the resolutions being proposed, financial performance, business operations, corporate governance matters and other matters that are of shareholders' concerns.

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. Notifications were sent to all shareholders by way of letter or e-mail to inform that the Notice of AGM, Proxy Form and Administrative Guide have been published on MTAG's corporate website. The Notice was also made available via an announcement to Bursa Securities.

The outcome of the AGM 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. The Minutes of the Fourth ($4^{th}$) AGM were made available on MTAG's corporate website within 30 business days after the AGM.

**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 2021, 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 23 September 2022.**

# 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 2022 ("FY2022"), 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 year ended 30 June 2022 is as follows:

| | Proposed utilisation RM '000 | Actual utilisation RM '000 | Estimated timeframe for utilisation upon listing RM '000 | Revised timeframe for utilisation from 25 August 2022 |
|---|---|---|---|---|
| Land acquisition and construction of manufacturing plant | 33,000 | 264 | 36 months | 12 months |
| Capital expenditure | 13,000 | 7,150 | 36 months | 12 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** | **33,665** | | |

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 2022 are as follows:

| | The Company RM | The Group RM |
|---|---|---|
| Audit fees | 28,000 | 117,000 |
| Non-audit fees | 13,000 | 41,000 |
| **Total** | 41,000 | 158,000 |

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

Save as disclosed in Note 25 of the audited financial statements for the year ended 30 June 2022, 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 2022 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 year ended 30 June 2022.

## 6. EMPLOYEES SHARE SCHEME

The Company did not issue any Employees Share Scheme during the financial year ended 30 June 2022.

# AUDIT COMMITTEE REPORT

This Report has been reviewed by the Audit Committee ("AC") and approved by the Board of Directors ("Board") for inclusion in this Annual Report.

The Audit Committee is guided by written Terms of Reference ("TOR") which deal with the Audit Committee's authorities and duties. The Terms of Reference of the Audit Committee are made available on the Company's website at www.mtaggroup.com.

## MEMBERSHIP AND MEETINGS

The Audit Committee comprises the following Directors during the financial year ended 30 June 2022 and as at the date of this report. The attendance details of each member at the Audit Committee meetings held during the year are as follows: -

| Composition of Committee | Designation | Directorship |
|---|---|---|
| Jason Tan Kim Song (Member of MIA) | 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 |
|---|---|---|
| 1/2022 | 27 August 2021 | 9.30 a.m. |
| 2/2022 | 24 September 2021 | 9.30 a.m. |
| 3/2022 | 24 November 2021 | 1.35 p.m. |
| 4/2022 | 23 February 2022 | 9.30 a.m. |
| 5/2022 | 24 May 2022 | 9.30 a.m. |

The details of attendance for each member at the Audit Committee meetings for the financial year ended 30 June 2022 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 Audit Committee meetings are appropriately structured through the use of agendas and board papers containing information relevant to the matters for deliberation, and are distributed to members prior to such meetings with sufficient notification.

# AUDIT COMMITTEE REPORT

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

**TERMS OF REFERENCE**

**I. PURPOSE**

The Audit Committee 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 2021 ("MCCG 2021") and Rules 15.11 and 15.12 of the ACE Market Listing Requirements ("AMLR").

The Terms of Reference will not only help the Audit Committee 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 Audit Committee.

**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 3 years for a former key audit partner prior to the appointment as a member of Audit Committee;

(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;

# AUDIT COMMITTEE REPORT

(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 Audit Committee.
- 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 Audit Committee.
- 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 Audit Committee;

(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; and

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

**III. MEMBERS AND CHAIRMAN**

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

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

   b) If the member of the Audit Committee 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) fulfil 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 three (3) years before he/she being appointed as a member of the Audit Committee (as defined in Practice 9.2 of the MCCG 2021).

# AUDIT COMMITTEE REPORT

4. The Chairman of the Audit Committee 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 Audit Committee, including the Chairman, will hold office only so long as they serve as Directors of the Company. Should any member of the Audit Committee ceases to be a Director of the Company, his membership in the Audit Committee will cease forthwith.

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

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

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

**IV. MEETINGS**

1. The Audit Committee shall meet regularly and hold at least four (4) meetings in a year. In addition, the Chairman of the Audit Committee 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 Audit Committee members present must be Independent Non-Executive Directors.

3. The Chairman of the Audit Committee shall chair the Audit Committee'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 Audit Committee present shall choose one of their number 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 Audit Committee. The Audit Committee shall convene meetings with the External Auditors or the Internal Auditors or both, without the attendance of Executive Board members or employees, whenever deemed necessary and such meetings shall be held at least once (1) a year with the EA.

5. The minutes of the Audit Committee 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 Audit Committee, shall be as effectual as if it has been passed at a meeting of the Audit 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 Audit Committee, through its Chairman, shall report a summary of significant matters to the Board at the next Board meeting after each Audit Committee meeting. When presenting any recommendation to the Board, the Audit 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 Audit Committee and shall be responsible, with the concurrence of the Chairman of the Audit Committee, for drawing up and circulating the agenda 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 Audit Committee.

The minutes of the Audit Committee, when approved and signed by the Chairman of the Audit 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 (1) every year and to be recommended to the Board for approval.

# AUDIT COMMITTEE REPORT

## SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE

During the financial year ended 30 June 2022, the Audit Committee held a total of five (5) meetings. The principal activities undertaken by the Audit Committee were summarised as follows:-

a) Financial Reporting

Reviewed and approved the quarterly unaudited financial results for the 4th quarter of 2021, 1st, 2nd and 3rd quarters of 2022 at its meetings held on 27 August 2021, 24 November 2021, 23 February 2022 and 24 May 2022 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.

b) External Auditors

1. Reviewed the audited financial statements for financial year ended 30 June 2022 to ensure the financial reports presented a true and fair view;
2. Reviewed and recommended to the Board the re-appointment 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 2022 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. Internal Audit follow up review on Human Resources and Finance and Accounts Functions presented by the Internal Auditors in August 2021;
2. Risk Based Internal Audit Plan for financial year ended 30 June 2022 presented by the Internal Auditors in August 2021;
3. Corporate Governance Review Report presented by the Internal Auditors in November 2021;
4. Internal Control Operation / Production and Maintenance Review presented by the Internal Auditors in February 2022;
5. Internal Audit follow up review on Finance and Accounts, Human Resources, Operation/ Production and Maintenance Functions and Sales and Contract and Business Contingency Management with respect to COVID-19 Management presented by the Internal Auditors in May 2022; and
6. Internal Audit Plan for financial year ending 30 June 2023 presented by the Internal Auditors in May 2022.

d) Reviewed the suitability and independence of External Auditors

Audit Committee assessed the performance of the External Auditors. In conducting the assessment, the Audit Committee had taken the following into consideration, among other criteria:-

- Independence and objectivity and professional skepticism;
- Competency, quality of service and non-audit services rendered by the External Auditors;
- Rigor and quality of the audit;
- Effectiveness and timeliness of communicating and reporting to the Audit Committee;
- Adequacy of resources used; and
- Appropriateness of audit fees to support a quality audit.

Having assessed and deliberated on the matter, the Audit Committee was satisfied that the External Auditors continued to possess the competency, objectivity, independence and experience required to fulfil their duties effectively and agreed to recommend that the Board table the re-appointment of the External Auditors at the coming Fifth (5th) Annual General Meeting.

e) Related Party Transaction

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

# AUDIT COMMITTEE REPORT

f) Review of Statements to be Made in Annual Report

Reviewed the Audit Committee Report, Statement on Corporate Governance, Corporate Governance Report and Statement on Risk Management and Internal Control to be disclosed in Annual Report financial year ended 30 June 2022.

g) Other matters considered by the Audit Committee

During the financial year ended 30 June 2022, the Audit Committee also undertook the following:-

1. Reviewed the proposed interim dividends as well as the solvency tests undertaken by Management before making a recommendation to the Board; and
2. Reviewed and recommended to the Board for approval on the amendments to the Terms of Reference of the Audit Committee and Whistleblower Policy, to be in line with the recommended practices set out in the MCCG 2021.

**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 for the financial year ended 30 June 2022 were stated in the Statement on Risk Management and Internal Control and particularly the following:-

1. Prepared the annual internal audit plan for review by the Audit Committee;

2. Prepared and presented the internal audit reports with the concerned areas, comments, recommendations and responses of management to the Audit Committee for review;

3. Updated internal audit follow-up status reports for the attention, consideration and improvement of the management and Audit Committee; and

4. Reviewed and presented the Enterprise Risk Management System Reporting to the Risk Management Committee and Audit Committee for review.

Audit Committee held one (1) private session with Internal Auditors without the presence of Management in November 2021 in connection with Internal Auditors' audit for financial year ended 30 June 2022.

The cost incurred for the internal audit function in respect of the financial year ended 30 June 2022 was RM38,100.

**This Report was reviewed and approved by the Audit Committee and Board on 23 September 2022.**

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

**Introduction**

Pursuant to Rule 15.26(b) of the Bursa Malaysia Securities Berhad's 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 2022. 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 2021 ("MCCG 2021").

**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 shareholders' 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 cover 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 Audit Committee and Risk Management Committee on a periodic basis.

The effectiveness of internal controls was reviewed by the Audit Committee 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 Audit Committee meetings. Minutes of the Audit Committee 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 Risk Management Committee 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 Risk Management Committee on the effectiveness of management of its business risks;

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

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 to 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 Risk Management Committee 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 Risk Management Committee 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 Risk Management Committee 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 Risk Management Committee, 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 2022, the Risk Management Committee deliberated and reviewed the Risk Profile presented by the Management on 24 May 2022.

# 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 Audit Committee in providing an independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control system.

The IA Firm acts as Internal Auditors and reports directly to the Audit Committee during the Audit Committee quarterly meetings. The IA 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 Audit Committee 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 Audit Committee. The internal auditors align their current internal audit practices with the Committee of Sponsoring Organisations 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 Audit Committee 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 Auditor 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, 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 Audit Committee, 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 2022, two (2) internal audit reviews and one (1) follow-up internal audit review had been carried out and reported by Internal Auditors:-

| Audit Period | Reporting Month | Name of Entity Audited | Audit Areas |
|---|---|---|---|
| July - September 2021 | November 2021 | MTAG Group Berhad | • Corporate Governance Review |
| October - December 2021 | February 2022 | Toyo Sho Industrial Products Sdn. Bhd.<br><br>Intag Industrial Supplies Sdn. Bhd.<br><br>Intag Steel Hardware Sdn. Bhd. | • Operation / Production<br>• Maintenance |
| January - March 2022 | May 2022 | MTAG Group Berhad<br><br>MTAG Land Sdn. Bhd.<br><br>Toyo Sho Industrial Products Sdn. Bhd.<br><br>Intag Industrial Supplies Sdn. Bhd.<br><br>Intag Steel Hardware Sdn. Bhd. | • Follow up actions on previously reported internal audit findings |

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

All reports from the internal audit reviews carried out were submitted and presented to the Audit Committee 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 Audit Committee. The IA firm is committed to equip the internal auditors with sufficient knowledge, skills and competencies to discharge their duties and responsibilities.

**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 organisational structure with clear lines of authority, accountability and responsibilities of the Management team;
- Clearly defined and formalised 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 Audit Committee;
- 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 Audit Committee; 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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

**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 2022. 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 23 September 2022.**


# 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 2022.

## 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 RM | Company RM |
|---|---|---|
| Profit for the financial year | 30,082,281 | 20,708,114 |
| Attributable to:- | | |
| Owners of the Company | 30,082,281 | 20,708,114 |

## 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 2022 and paid on 22 December 2021 | 6,816,174 |
| Second interim single tier dividend of 2.0 sen per ordinary share in respect of the financial year ended 30 June 2022 and paid on 21 June 2022 | 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 2022.

## RESERVES AND PROVISIONS

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

# DIRECTORS' REPORT

## 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' 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 2021** | **Bought** | **Sold** | **As at 30 June 2022** |
| Direct interest | | | | |
| Lee Ting Kiat | 888,600 | - | - | 888,600 |
| Chaw Kam Shiang | 346,151,970 | - | - | 346,151,970 |
| Lau Cher Liang | 99,282,244 | - | - | 99,282,244 |
| Indirect interest | | | | |
| Chaw Kam Shiang* | 14,446,110 | - | - | 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 25 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' REPORT

## DIRECTORS' REMUNERATION

During the financial year, the fees and other benefits received and receivable by the Directors of the Company incurred by the Company's subsidiary companies are as follows:-

| | RM |
|---|---|
| Salary | 1,680,000 |
| EPF | 685,769 |
| Bonus | 3,862,203 |
| Fee | 168,480 |
| Other benefits | 30,000 |
| SOCSO and EIS | 3,608 |
| | 6,430,060 |

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 RM20,060.

## 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.

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.

# DIRECTORS' REPORT

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

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.

**AUDITORS' REMUNERATION**

Auditors' remuneration for the Group and the Company is a follows:-

| | **Group RM** | **Company RM** |
|---|---|---|
| Grant Thornton Malaysia PLT | | |
| - current year | 117,000 | 28,000 |
| Other services | 41,000 | 13,000 |
| | 158,000 | 41,000 |

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
23 September 2022

# STATEMENT BY DIRECTORS AND STATURORY DECLARATION

## STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 66 to 118 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 2022 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
23 September 2022

## STATUTORY DECLARATION

I, Ng Boon Siang, 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 66 to 118 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 23 September 2022.

........................................................................
**NG BOON SIANG**
(MIA No. 45247)

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 2022, 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 66 to 118.

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 2022, 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 27(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 ("ECLs"). 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 27(c) to the Financial Statements.

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

**Report on the Audit of the Financial Statements (cont'd)**

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

*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.

**Our response**

We have obtained an understanding on the Group's accounting policy in making the accounting estimates for allowance for slow moving inventories 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 requirements 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

**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)

Johor Bahru
23 September 2022

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

# STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2022

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2022 RM | 2021 RM | 2022 RM | 2021 RM |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 4 | 23,978,308 | 22,397,911 | - | - |
| Investment in subsidiary companies | 5 | - | - | 101,901,148 | 101,901,148 |
| Total non-current assets | | 23,978,308 | 22,397,911 | 101,901,148 | 101,901,148 |
| **Current assets** | | | | | |
| Inventories | 6 | 27,429,603 | 25,168,409 | - | - |
| Trade receivables | 7 | 53,473,843 | 43,857,840 | - | - |
| Other receivables | 8 | 1,438,044 | 2,829,669 | 743,335 | 869,266 |
| Amount due from subsidiary companies | 5 | - | - | 16,150 | 10,182 |
| Other investments | 9 | 22,770,242 | - | 10,541,224 | - |
| Tax recoverable | | 17,913 | - | 17,913 | - |
| Fixed deposits with licensed banks | 10 | 84,830,652 | 92,854,244 | 35,150,000 | 43,880,000 |
| Cash and bank balances | 11 | 19,971,509 | 27,158,882 | 234,159 | 1,730,448 |
| Total current assets | | 209,931,806 | 191,869,044 | 46,702,781 | 46,489,896 |
| **Total assets** | | 233,910,114 | 214,266,955 | 148,603,929 | 148,391,044 |
| **EQUITY AND LIABILITIES EQUITY** | | | | | |
| Share capital | 12 | 146,565,776 | 146,565,776 | 146,565,776 | 146,565,776 |
| Merger deficit | 13 | (73,775,201) | (73,775,201) | - | - |
| Revaluation reserve | 14 | 5,548,683 | 5,667,497 | - | - |
| Unappropriated profit | 15 | 124,202,937 | 114,450,364 | 1,713,839 | 1,454,247 |
| **Total equity** | | 202,542,195 | 192,908,436 | 148,279,615 | 148,020,023 |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | 16 | 2,438,171 | 2,443,021 | - | - |
| Lease liabilities | 17 | 268,924 | 30,311 | - | - |
| Total non-current liabilities | | 2,707,095 | 2,473,332 | - | - |
| **Current liabilities** | | | | | |
| Trade payables | 18 | 23,708,368 | 13,366,288 | - | - |
| Other payables | 19 | 3,405,176 | 3,751,094 | 324,312 | 313,686 |
| Amount due to a related party | 20 | 1,072 | - | - | - |
| Amount due to a subsidiary company | 5 | - | - | 2 | 2 |
| Lease liabilities | 17 | 140,513 | 22,519 | - | - |
| Tax payable | | 1,405,695 | 1,745,286 | - | 57,333 |
| Total current liabilities | | 28,660,824 | 18,885,187 | 324,314 | 371,021 |
| **Total liabilities** | | 31,367,919 | 21,358,519 | 324,314 | 371,021 |
| **Total equity and liabilities** | | 233,910,114 | 214,266,955 | 148,603,929 | 148,391,044 |

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 2022

| | Note | Group 2022 RM | Group 2021 RM | Company 2022 RM | Company 2021 RM |
|---|---|---|---|---|---|
| Revenue | 21 | 180,162,535 | 193,636,510 | 20,448,548 | 20,583,721 |
| Cost of sales | | (129,218,393) | (139,766,450) | - | - |
| Gross profit | | 50,944,142 | 53,870,060 | 20,448,548 | 20,583,721 |
| Other income | | 730,973 | 3,024,642 | 41,239 | - |
| Finance income | | 2,376,588 | 2,705,693 | 1,005,248 | 1,515,470 |
| Reversal of/(Allowance for) impairment loss of trade receivables | | 45,000 | (120,450) | - | - |
| Selling and distribution expenses | | (2,230,421) | (2,113,063) | - | - |
| Administrative expenses | | (12,064,678) | (12,500,973) | (568,917) | (809,453) |
| Finance cost | | (28,790) | (33,356) | - | - |
| Profit before tax | 22 | 39,772,814 | 44,832,553 | 20,926,118 | 21,289,738 |
| Tax expense | 23 | (9,690,533) | (11,211,067) | (218,004) | (356,454) |
| Profit for the financial year | | 30,082,281 | 33,621,486 | 20,708,114 | 20,933,284 |
| **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 | | 118,814 | 118,813 | - | - |
| Transfer of revaluation reserve to unappropriated profit | | (118,814) | (118,813) | - | - |
| | | - | - | - | - |
| **Total comprehensive income for the financial year** | | 30,082,281 | 33,621,486 | 20,708,114 | 20,933,284 |
| **Profit attributable to:-** | | | | | |
| Owners of the Company | | 30,082,281 | 33,621,486 | 20,708,114 | 20,933,284 |
| Profit for the financial year | | 30,082,281 | 33,621,486 | 20,708,114 | 20,933,284 |
| **Total comprehensive income attributable to:-** | | | | | |
| Owners of the Company | | 30,082,281 | 33,621,486 | 20,708,114 | 20,933,284 |
| Total comprehensive income for the financial year | | 30,082,281 | 33,621,486 | 20,708,114 | 20,933,284 |
| **Earnings per share attributable to owners of the Company** | | | | | |
| Earnings per ordinary share | | | | | |
| - Basic (RM) | 31 | 0.04 | 0.05 | - | - |
| - Diluted (RM) | 31 | - | - | - | - |

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

| Group | Share capital RM | Merger deficit RM | Revaluation reserve RM | Unappropriated profit RM | Total equity RM |
|---|---|---|---|---|---|
| Balance at 1 July 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 |
| **Transactions with owners:-** | | | | | |
| First interim single tier dividend of 1.0 sen per ordinary share for the financial year ended 30 June 2022 | - | - | - | (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 2022 | - | - | - | (13,632,348) | (13,632,348) |
| Total transactions with owners | - | - | - | (20,448,522) | (20,448,522) |
| Profit for the financial year | - | - | - | 30,082,281 | 30,082,281 |
| Other comprehensive income for the financial year | - | - | (118,814) | 118,814 | - |
| Total comprehensive income for the financial year | - | - | (118,814) | 30,201,095 | 30,082,281 |
| Balance at 30 June 2022 | 146,565,776 | (73,775,201) | 5,548,683 | 124,202,937 | 202,542,195 |

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

| Company | Share capital RM | Unappropriated profit RM | Total equity RM |
|---|---|---|---|
| Balance at 1 July 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 |
| **Transactions with owners:-** | | | |
| First interim single tier dividend of 1.0 sen per ordinary share for the financial year ended 30 June 2022 | - | (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 2022 | - | (13,632,348) | (13,632,348) |
| Total transactions with owners | - | (20,448,522) | (20,448,522) |
| Profit for the financial year | - | 20,708,114 | 20,708,114 |
| Other comprehensive income for the financial year | - | - | - |
| Total comprehensive income for the financial year | - | 20,708,114 | 20,708,114 |
| Balance at 30 June 2022 | 146,565,776 | 1,713,839 | 148,279,615 |

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

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

| | Note | Group 2022 RM | Group 2021 RM | Company 2022 RM | Company 2021 RM |
|---|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | | |
| Profit before tax | | 39,772,814 | 44,832,553 | 20,926,118 | 21,289,738 |
| Adjustments for:- | | | | | |
| (Reversal of)/Allowance for impairment loss of trade receivables | | (45,000) | 120,450 | - | - |
| Bad debt written off | | 656 | 4,000 | - | - |
| Depreciation of property, plant and equipment | | 2,868,583 | 2,730,159 | - | - |
| Depreciation of right-of-use assets | | 280,615 | 224,216 | - | - |
| Lease liability interest expense | | 28,790 | 33,356 | - | - |
| Gain on disposal of property, plant and equipment | | (16,869) | (56,257) | - | - |
| Interest income | | (2,376,588) | (2,705,693) | (1,005,248) | (1,515,470) |
| Dividend income | | - | - | (20,448,548) | (20,583,721) |
| Gain on disposal of other investments | | (45,000) | - | (30,000) | - |
| Gain in fair value of other investments | | (20,242) | - | (11,224) | - |
| Allowance for slow moving inventories | | 911,845 | - | - | - |
| Unrealised (gain)/loss on foreign exchange | | (359,174) | 203,834 | - | - |
| Operating profit/(loss) before working capital changes | | 41,000,430 | 45,386,618 | (568,902) | (809,453) |
| Changes in working capital:- | | | | | |
| Inventories | | (3,173,039) | 633,420 | - | - |
| Receivables | | (7,869,149) | (3,745,426) | 125,931 | 1,663,905 |
| Payables | | 10,072,783 | 179,630 | 10,626 | 64,375 |
| Cash generated from/(used in) operations | | 40,031,025 | 42,454,242 | (432,345) | 918,827 |
| Tax refunded | | - | 97,305 | - | - |
| Tax paid | | (10,052,887) | (12,025,625) | (293,250) | (406,247) |
| Net cash flows from/(used in) operating activities | | 29,978,138 | 30,525,922 | (725,595) | 512,580 |
| **INVESTING ACTIVITIES** | | | | | |
| Purchase of property, plant and equipment | A | (4,261,509) | (1,307,758) | - | - |
| Proceeds from disposal of property, plant and equipment | | 17,600 | 263,200 | - | - |
| Withdrawal/(Placement) of fixed deposits with licensed banks | | 8,023,592 | (15,417,876) | 8,730,000 | 8,280,127 |
| Placement of other investments | | (40,655,000) | - | (21,030,000) | - |
| Proceeds from disposal of other investments | | 17,950,000 | - | 10,530,000 | - |
| Interest received | | 2,105,774 | 1,446,079 | 1,005,248 | 774,841 |
| Dividend received | | - | - | 20,448,548 | 23,372,623 |
| Invesment in subsidiary companies | | - | - | - | (12,450,000) |
| Net cash flows (used in)/from investing activities | | (16,819,543) | (15,016,355) | 19,683,796 | 19,977,591 |
| **FINANCING ACTIVITIES** | | | | | |
| Lease interest paid | | (28,790) | (33,356) | - | - |
| Dividend paid | | (20,448,522) | (20,448,522) | (20,448,522) | (20,448,522) |
| Advance from a related party | | 1,072 | - | - | - |
| Repayment of principal portion of lease liabilities | | (112,210) | (57,844) | - | - |
| Repayment to subsidiary companies | | - | - | (5,968) | (10,182) |
| Net cash flows used in financing activities | | (20,588,450) | (20,539,722) | (20,454,490) | (20,458,704) |
| **CASH AND CASH EQUIVALENTS** | | | | | |
| Net changes | | (7,429,855) | (5,030,155) | (1,496,289) | 31,467 |
| Effect of exchange rate changes | | 242,482 | (99,683) | - | - |
| At beginning of financial year | | 27,158,882 | 32,288,720 | 1,730,448 | 1,698,981 |
| At end of financial year | D | 19,971,509 | 27,158,882 | 234,159 | 1,730,448 |

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

## NOTES TO THE STATEMENTS OF CASH FLOWS

### A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

| | Group | |
|---|---|---|
| | 2022 RM | 2021 RM |
| Cash payments | 4,261,509 | 1,307,758 |
| Addition to right-of-use in exchange for increased lease liabilities | 468,817 | - |
| Total purchase of property, plant and equipment | 4,730,326 | 1,307,758 |

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

| | Group | |
|---|---|---|
| | 2022 RM | 2021 RM |
| Lease liabilities | | |
| At beginning of financial year | 52,830 | 110,674 |
| Addition | 468,817 | - |
| Repayment | (112,210) | (57,844) |
| At end of financial year | 409,437 | 52,830 |

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

| | Group | |
|---|---|---|
| | 2022 RM | 2021 RM |
| Included in net cash from/(used in) operating activities | | |
| - Payment relating to variable leases | 4,087 | 4,343 |
| Included in net cash used in financing activities | | |
| - Interest paid in relation to lease liabilities | 28,790 | 33,356 |
| - Payment of principal portion of lease liabilities | 112,210 | 57,844 |
| | 145,087 | 95,543 |

### D. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 RM | 2021 RM | 2022 RM | 2021 RM |
| Cash and bank balances | 18,553,146 | 23,847,316 | 234,159 | 1,730,448 |
| Short-term deposits with licensed banks | 1,418,363 | 3,311,566 | - | - |
| | 19,971,509 | 27,158,882 | 234,159 | 1,730,448 |

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

# NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

## 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 23 September 2022.

## 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 foridentical 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.

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

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

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.

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 approved by Malaysian Accounting Standards Board ("MASB") for the first time for the financial year beginning on 1 July 2021:-

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

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

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 period of initial application.

#### 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 2022 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) Effective for financial period beginning on or after 1 January 2022**

- 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

**(b) Effective for financial period beginning on or after 1 January 2023**

- 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 17 Insurance Contracts - *Initial Application of MFRS 17 and MFRS 9 - Comparative Information**
- Amendment to MFRS 101 Presentation of Financial Statements - *Classification of Liabilities as Current or Non-current*

# NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

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

### 2.4 MFRSs (cont'd)

#### 2.4.2 Standards Issued But Not Yet Effective (cont'd)

(b) **Effective for financial period beginning on or after 1 January 2023 (cont'd)**

- 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*

(c) **Amendments effective for a date yet to be confirmed**

- 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 and the Company'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.

#### 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.

## 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)

**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 27(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.

**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 is significant management judgement in applying the accounting policies of the Group that has 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

## 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.

#### 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 statements 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.

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

### 3.1 Consolidation (cont'd)

#### 3.1.3 Common control business combination outside the scope of MFRS 3 (cont'd)

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.

#### 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 a 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.

# NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

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

**3.2 Property, plant and equipment other than right-of-use assets (cont'd)**

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.

**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)

## 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)**

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:-

| | |
|---|---|
| Leasehold land | 51 years |
| Buildings | 1 - 5 years |

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 Group'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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

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

### 3.4 Leased assets (cont'd)

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.

### 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%.

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

**3.6 Taxes**

**Indirect taxes (cont'd)**

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").

**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.

# NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

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

### 3.8 Revenue recognition (cont'd)

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. 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.

#### 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.

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

### 3.9 Impairment of non-financial assets (cont'd)

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.

### 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 classifies its financial assets in the following measurement category:-

- Those to be measured at amortised cost;
- Those to be measured at fair value through profit or loss ("FVTPL"); and
- Those to be measured at fair value through other comprehensive income ("FVOCI").

During the financial year, the Group does not have any financial assets categorised as FVOCI.

##### 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

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

### 3.10 Financial instruments

#### 3.10.1 Financial assets (cont'd)

##### 3.10.1.4 Subsequent measurement

Financial assets are subsequently classified into the following category:-

(i) 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.

(ii) FVTPL

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group and the Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Net changes in fair value is recognised in profit or loss in the period which it arises.

This category includes other investments of which the Group and the Company had not irrevocably elected to classify as FVOCI. Dividends on listed equity investments are also recognised in the statements of profit or loss when the right of payment has been established.

##### 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.

## 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 (cont'd)

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 FVOCI (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.

#### 3.10.2 Financial liabilities

##### 3.10.2.1 Classification

The Group and the Company classify its 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

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

**3.10 Financial instruments (cont'd)**

**3.10.2 Financial liabilities (cont'd)**

**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, amount due to a related party, 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.

**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

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

### 3.13 Related parties (cont'd)

(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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

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

### 3.17 Foreign currency transactions and balances (cont'd)

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.

### 3.20 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company over the weighted average number of ordinary shares outstanding during the financial period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

# NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

## 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 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 1 July 2021 | 8,500,000 | 9,604,875 | 1,820,496 | 20,953,411 | 1,552,868 | 3,110,892 | 45,542,542 |
| Additions | - | 468,817 | 203,009 | 4,017,500 | 41,000 | - | 4,730,326 |
| Disposal | - | - | (41,721) | - | - | (82,000) | (123,721) |
| Written off | - | - | (5,149) | - | - | - | (5,149) |
| At 30 June 2022 | 8,500,000 | 10,073,692 | 1,976,635 | 24,970,911 | 1,593,868 | 3,028,892 | 50,143,998 |
| **Representing:-** | | | | | | | |
| At cost | - | 573,692 | 1,976,635 | 24,970,911 | 1,593,868 | 3,028,892 | 32,143,998 |
| At valuation: 2018 | 8,500,000 | 9,500,000 | - | - | - | - | 18,000,000 |
| At 30 June 2022 | 8,500,000 | 10,073,692 | 1,976,635 | 24,970,911 | 1,593,868 | 3,028,892 | 50,143,998 |

# NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

## 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 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 |
| Charge for the financial year | 166,667 | 303,948 | 110,696 | 2,192,319 | 98,415 | 277,153 | 3,149,198 |
| Disposal | - | - | (40,990) | - | - | (82,000) | (122,990) |
| Written off | - | - | (5,149) | - | - | - | (5,149) |
| At 30 June 2022 | 666,666 | 940,975 | 1,500,735 | 19,303,202 | 1,237,976 | 2,516,136 | 26,165,690 |
| **Net carrying amount** | | | | | | | |
| At 30 June 2022 | 7,833,334 | 9,132,717 | 475,900 | 5,667,709 | 355,892 | 512,756 | 23,978,308 |
| At 30 June 2021 | 8,000,001 | 8,967,848 | 384,318 | 3,842,528 | 413,307 | 789,909 | 22,397,911 |

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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 |
|---|---|---|
| 2022 | | |
| Cost | 3,367,418 | 8,539,940 |
| Accumulated depreciation | (678,162) | (2,063,121) |
| Net carrying amount | 2,689,256 | 6,476,819 |
| 2021 | | |
| Cost | 3,367,418 | 8,539,940 |
| Accumulated depreciation | (622,038) | (1,892,322) |
| Net carrying amount | 2,745,380 | 6,647,618 |

Included in the property, plant and equipment is right-of-use assets as follows:-

**Group**

| | Long leasehold land RM | Buildings RM | Total RM |
|---|---|---|---|
| **Net carrying amount** | | | |
| At 1 July 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 |
| Addition | - | 468,817 | 468,817 |
| Depreciation charges | (166,667) | (113,948) | (280,615) |
| At 30 June 2022 | 7,833,334 | 392,717 | 8,226,051 |

# NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

## 5. SUBSIDIARY COMPANIES

(a) Investment in subsidiary companies

| | Company 2022 RM | Company 2021 RM |
|---|---|---|
| Unquoted shares - At cost:- | | |
| At beginning of financial year | 101,901,148 | 89,451,148 |
| Additional investments made | - | 12,450,000 |
| At end of financial year | 101,901,148 | 101,901,148 |

The particulars of the subsidiary companies are as follows:-

| | Name of company | Principal place of business | Effective equity interest 2022 % | Effective equity interest 2021 % | 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 2022 RM | Company 2021 RM |
|---|---|---|
| **Amount due from subsidiary companies** | | |
| Non-trade | 16,150 | 10,182 |
| **Amount due to a subsidiary company** | | |
| Non-trade | 2 | 2 |

# NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

## 6. INVENTORIES

| | Group 2022 RM | Group 2021 RM |
|---|---|---|
| Raw materials | 25,371,652 | 22,649,647 |
| Finished goods | 320,043 | 570,838 |
| Trading goods | 1,737,908 | 1,947,924 |
| Total inventories | 27,429,603 | 25,168,409 |
| **Recognised in profit or loss:-** | | |
| Allowance for slow moving inventories | 911,845 | - |

The allowance for slow moving inventories are included in cost of sales.

A total of RM114,654,541 (2021: RM129,741,389) of inventories was included in profit or loss as expense.

## 7. TRADE RECEIVABLES

| | Group 2022 RM | Group 2021 RM |
|---|---|---|
| Trade receivables | 53,549,293 | 43,978,290 |
| Less: Allowance for impairment loss of trade receivables | (75,450) | (120,450) |
| | 53,473,843 | 43,857,840 |

Movement in allowance for impairment loss of trade receivables:-

| | Group 2022 RM | Group 2021 RM |
|---|---|---|
| At beginning of financial year | (120,450) | - |
| Charge for the financial year | - | (120,450) |
| Reversal of impairment - payment received | 45,000 | - |
| At end of financial year | (75,450) | (120,450) |

The currency exposure profile of the trade receivables is as follows (foreign currency balances are unhedged):-

| | Group 2022 RM | Group 2021 RM |
|---|---|---|
| Ringgit Malaysia | 46,377,420 | 41,942,113 |
| Singapore Dollar | 36,782 | - |
| US Dollar | 7,059,641 | 1,915,727 |
| | 53,473,843 | 43,857,840 |

Trade receivables comprise amounts receivable from sales of goods. The credit terms granted to the customers ranged from 30 days to 90 days (2021: 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 27(c) to the Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

## 8. OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2022<br>RM | 2021<br>RM | 2022<br>RM | 2021<br>RM |
| Non-trade receivables | 1,300 | 1,450 | - | - |
| Advance payment to suppliers | - | 68,284 | - | - |
| Deposits for purchase of property, plant and equipment | - | 1,122,001 | - | - |
| Deposits | 148,404 | 144,984 | 3,000 | 3,000 |
| Interest receivables | 1,062,441 | 1,259,614 | 615,621 | 740,629 |
| Prepayments | 120,233 | 127,670 | 19,048 | 19,971 |
| Prepayment - Stamp duty | 105,666 | 105,666 | 105,666 | 105,666 |
| | 1,438,044 | 2,829,669 | 743,335 | 869,266 |

The currency exposure profile of the other receivables is as follows (foreign currency balance is unhedged):-

| | Group | | Company | |
|---|---|---|---|---|
| | 2022<br>RM | 2021<br>RM | 2022<br>RM | 2021<br>RM |
| Ringgit Malaysia | 1,438,044 | 2,807,602 | 743,335 | 869,266 |
| US Dollar | - | 22,067 | - | - |
| | 1,438,044 | 2,829,669 | 743,335 | 869,266 |

## 9. OTHER INVESTMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2022<br>RM | 2021<br>RM | 2022<br>RM | 2021<br>RM |
| **At fair value through profit or loss:-** | | | | |
| Trust fund | | | | |
| At beginning of financial year | - | - | - | - |
| Addition | 40,655,000 | - | 21,030,000 | - |
| Disposal | (17,905,000) | - | (10,500,000) | - |
| Fair value gain | 20,242 | - | 11,224 | - |
| At end of financial year | 22,770,242 | - | 10,541,224 | - |
| **Recognised in profit or loss:-** | | | | |
| Gain on disposal of other investments | (45,000) | - | (30,000) | - |
| Gain in fair value of other investments | (20,242) | - | (11,224) | - |

The fair value measurement of trust fund is categorised within Level 2 of the fair value hierarchy.

## 10. FIXED DEPOSITS WITH LICENSED BANKS

| | Group | | Company | |
|---|---|---|---|---|
| | **2022 RM** | **2021 RM** | **2022 RM** | **2021 RM** |
| Current | 84,830,652 | 92,854,244 | 35,150,000 | 43,880,000 |

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 (2021: 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 1.85% to 2.45% and 2.20% to 2.35% (2021: 1.95% to 2.35% and 2.20% to 2.35%) per annum respectively.

A fixed deposit with a licensed bank amounting to RM600,000 (2021: 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.

## 11. CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | **2022 RM** | **2021 RM** | **2022 RM** | **2021 RM** |
| Cash in hand and at banks | 18,553,146 | 23,847,316 | 234,159 | 1,730,448 |
| Short term deposits with licensed banks | 1,418,363 | 3,311,566 | - | - |
| | 19,971,509 | 27,158,882 | 234,159 | 1,730,448 |

As at the reporting date, the interest rate and the maturity of short term deposits were as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Interest rate (%) | 1.20 to 1.75 | 1.20 to 1.90 | - | - |
| Maturity (days) | 8 - 92 | 18 - 90 | - | - |

The currency exposure profile of the cash and bank balances is as follows (foreign currency balances are unhedged):-

| | Group | | Company | |
|---|---|---|---|---|
| | **2022 RM** | **2021 RM** | **2022 RM** | **2021 RM** |
| Ringgit Malaysia | 16,505,577 | 26,720,561 | 234,159 | 1,730,448 |
| Singapore Dollar | 8,082 | 7,874 | - | - |
| US Dollar | 3,457,850 | 430,447 | - | - |
| | 19,971,509 | 27,158,882 | 234,159 | 1,730,448 |

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

## 12. SHARE CAPITAL

| | 2022 Unit | 2022 RM | 2021 Unit | 2021 RM |
|---|---|---|---|---|
| **Group and Company** | | | | |
| Issued and fully paid-up with no par value:- | | | | |
| Ordinary shares | | | | |
| At beginning and end of the financial year | 681,617,400 | 146,565,776 | 681,617,400 | 146,565,776 |

## 13. MERGER DEFICIT

The merger deficit arose from the acquisition of subsidiary companies.

## 14. REVALUATION RESERVE

The revaluation reserve arose from the revaluation of land and building and is not available for distribution as dividends.

## 15. 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.

## 16. DEFERRED TAX LIABILITIES

| | Group | |
|---|---|---|
| | 2022 RM | 2021 RM |
| At beginning of financial year | 2,443,021 | 2,658,210 |
| Transferred to/(from) profit or loss (Note 23) | 32,670 | (177,669) |
| Realisation of deferred tax liabilities upon depreciation of revalued assets (Note 23) | (37,520) | (37,520) |
| At end of financial year | 2,438,171 | 2,443,021 |

The balance in the deferred tax liabilities is made up of temporary differences arising from:-

| | Group | |
|---|---|---|
| | 2022 RM | 2021 RM |
| Carrying amount of qualifying property, plant and equipment in excess of their tax base | 801,417 | 608,133 |
| Unrealised gain on foreign exchange | 27,960 | 45,152 |
| Allowance for slow moving inventories | (143,422) | - |
| Revaluation of land and building | 1,752,216 | 1,789,736 |
| | 2,438,171 | 2,443,021 |

## 16. DEFERRED TAX LIABILITIES (CONT'D)

### 16.1 Deferred tax assets not recognised

Deferred tax assets have not been recognised in respect of deductible temporary differences as it is anticipated that the tax effects of such deferrals will not reverse in the foreseeable future.

As at financial year end, the estimated amount of deferred tax assets which has not been recognised in the financial statements are as follows (stated at gross amount):-

| | Group | |
|---|---|---|
| | **2022 RM** | **2021 RM** |
| (Carrying amount)/Tax base of qualifying property, plant and equipment in excess of their (tax base)/carrying amount | (65,063) | 74,011 |
| Allowance for slow moving inventories | 647,589 | - |
| Unrealised gain on foreign exchange | (162,692) | - |
| Other temporary differences | 402 | - |
| Allowance for impairment of receivables | 75,450 | 120,450 |
| | 495,686 | 194,461 |

## 17. LEASE LIABILITIES

### 17.1 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 5 years with extension options of 1 to 3 years and leasehold land has remaining lease term of 47 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.

17.1.1 Lease liabilities are presented in the statements of financial position as follows:-

| | Group | |
|---|---|---|
| | **2022 RM** | **2021 RM** |
| Current | 140,513 | 22,519 |
| Non-current | 268,924 | 30,311 |
| | 409,437 | 52,830 |

17.1.2 Set out below are the carrying amounts of lease liabilities and the movements during the year:-

| | Group | |
|---|---|---|
| | **2022 RM** | **2021 RM** |
| At beginning of financial year | 52,830 | 110,674 |
| Addition | 468,817 | - |
| Accretion of interest | 28,790 | 33,356 |
| Lease payments | | |
| - principal portion | (112,210) | (57,844) |
| - interest portion | (28,790) | (33,356) |
| At end of financial year | 409,437 | 52,830 |

# NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

## 17. LEASE LIABILITIES

### 17.1 Group as lessee

17.1.3 Future minimum lease payments were as follows:-

**Group**

| | Minimum lease payment due | | |
|---|---|---|---|
| | **Within 1 year RM** | **1 to 5 years RM** | **Total RM** |
| **30 June 2022** | | | |
| Lease payment | 159,000 | 283,500 | 442,500 |
| Less: Finance charges | (18,487) | (14,576) | (33,063) |
| Net present values | 140,513 | 268,924 | 409,437 |
| **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 |

17.1.4 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 | |
|---|---|---|
| | **2022 RM** | **2021 RM** |
| Lease payments not recognised as liability:- | | |
| - Variable lease payments | 4,087 | 4,343 |
| Total amount recognised in profit or loss | 4,087 | 4,343 |

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.

# NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

## 17. LEASE LIABILITIES (CONT'D)

### 17.1 Group as lessee (cont'd)

17.1.4 Lease payments not recognised as a liability (cont'd)

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:-

**30 June 2022**

| Type | Number of right-of-use assets leased | Range of remaining term | Number of lease with extension options |
|---|---|---|---|
| Leasehold land | 1 | 47 years | - |
| Buildings | 9 | 6 - 51 months | 5 |

**30 June 2021**

| Type | Number of right-of-use assets leased | Range of remaining term | Number of lease with extension options |
|---|---|---|---|
| Leasehold land | 1 | 48 years | - |
| Buildings | 2 | 20 - 24 months | 2 |

## 18. TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases. The credit terms granted to the Group ranged from 14 days to 120 days (2021: 30 days to 120 days).

The currency exposure profile of the trade payables is as follows (foreign currency balances are unhedged):-

| | Group | |
|---|---|---|
| | 2022 RM | 2021 RM |
| Ringgit Malaysia | 5,999,572 | 5,742,832 |
| US Dollar | 15,318,835 | 6,243,826 |
| Singapore Dollar | 1,749,401 | 1,102,225 |
| Euro | 154,641 | - |
| Swiss Franc | 485,919 | 277,405 |
| | 23,708,368 | 13,366,288 |

## 19. OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 RM | 2021 RM | 2022 RM | 2021 RM |
| Non-trade payables | 804,302 | 430,632 | 11,042 | 60,926 |
| Deposit received | 18,778 | - | - | - |
| Accrual of expenses | 2,582,096 | 3,320,462 | 313,270 | 252,760 |
| | 3,405,176 | 3,751,094 | 324,312 | 313,686 |

The entire other payables balances is denominated in Ringgit Malaysia.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

## 20. AMOUNT DUE TO A RELATED PARTY

Related party is a company in which certain Directors have substantial financial interests.

The amount due to a related party is unsecured, bears no interest and repayable upon demand.

The entire amount due to a related party is denominated in Ringgit Malaysia.

## 21. REVENUE

Revenue for the Group comprise of revenue from contract with customers.

### 21.1 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 | 2022 RM | 2021 RM |
|---|---|---|
| **Major products** | | |
| Filter media and mesh | 103,648,261 | 112,999,599 |
| General merchandise goods | 33,455,914 | 36,947,629 |
| Hardware products | 11,503,106 | 9,394,275 |
| Printing of labels and stickers and customised converting services | 31,555,254 | 34,295,007 |
| | 180,162,535 | 193,636,510 |
| **Primary geographical markets of the customers** | | |
| Northern region | 8,833 | - |
| Central region | 4,023 | 2,010 |
| Southern region | 163,600,916 | 187,744,067 |
| Overseas (outside Malaysia) | 16,548,763 | 5,890,433 |
| | 180,162,535 | 193,636,510 |
| **Timing of revenue recognition** | | |
| Products transferred at a point in time | 180,162,535 | 193,636,510 |

| Company | 2022 RM | 2021 RM |
|---|---|---|
| Dividend income | 20,448,548 | 20,583,721 |

## 22. PROFIT BEFORE TAX

Profit before tax has been determined after charging/(crediting), amongst others, the following items:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2022<br>RM | 2021<br>RM | 2022<br>RM | 2021<br>RM |
| Auditors' remuneration | | | | |
| - statutory | 117,000 | 112,000 | 28,000 | 28,000 |
| - non-statutory | 41,000 | 38,000 | 13,000 | 13,000 |
| - Over provision of non- statutory fee in prior year | - | (1,200) | - | - |
| Directors' fee to Independent Non-Executive Directors | 168,480 | 156,000 | 168,480 | 156,000 |
| Variable lease payment | 4,087 | 4,343 | - | - |
| Realised loss/(gain) on foreign exchange | 91,933 | (2,776,753) | - | - |
| Gain on disposal of property, plant and equipment | (16,869) | (56,257) | - | - |
| Gain on disposal of other investments | (45,000) | - | (30,000) | - |
| Gain in fair value of other investments | (20,242) | - | (11,224) | - |
| Unrealised (gain)/loss on foreign exchange | (359,174) | 203,834 | - | - |
| Wage subsidies received | (216,000) | (189,000) | - | - |

## 23. TAX EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | 2022<br>RM | 2021<br>RM | 2022<br>RM | 2021<br>RM |
| Current year's tax expense | 9,939,600 | 11,345,996 | 247,000 | 368,996 |
| (Over)/Under provision of tax expense in prior financial year | (244,217) | 80,260 | (28,996) | (12,542) |
| Transferred from/(to) deferred tax liabilities (Note 16) | 32,670 | (177,669) | - | - |
| Realisation of deferred tax liabilities upon depreciation of revalued assets (Note 16) | (37,520) | (37,520) | - | - |
| | 9,690,533 | 11,211,067 | 218,004 | 356,454 |

Malaysian income tax is calculated at the statutory tax rate of 24% (2021: 24%) of the estimated taxable profits for the financial year.

# NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

## 23. TAX EXPENSE (CONT'D)

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 | |
|---|---|---|---|---|
| | 2022 RM | 2021 RM | 2022 RM | 2021 RM |
| Profit before tax | 39,772,814 | 44,832,553 | 20,926,118 | 21,289,738 |
| Tax expense at Malaysian statutory tax rate of 24% (2021: 24%) | 9,545,475 | 10,759,813 | 5,022,268 | 5,109,537 |
| Tax effects in respect of:- | | | | |
| Expenses not deductible for tax purposes | 414,670 | 542,277 | 132,864 | 199,552 |
| Income not subject to tax | (56,474) | (19,152) | (4,907,652) | (4,940,093) |
| Deferred tax assets not recognised | 72,183 | 46,670 | - | - |
| Realisation of deferred tax liabilities upon depreciation of revalued assets | (37,520) | (37,520) | - | - |
| (Over)/Under provision of tax expense in prior financial year | (244,217) | 80,260 | (28,996) | (12,542) |
| Over provision of deferred tax liabilities in prior financial year | (3,584) | (161,281) | - | - |
| | 9,690,533 | 11,211,067 | 218,004 | 356,454 |

## 24. EMPLOYEE BENEFITS EXPENSE

| | Group | |
|---|---|---|
| | 2022 RM | 2021 RM |
| Staff costs | 15,429,311 | 15,168,770 |

Employee benefits expense of the Group consists of, amongst others, the following items:-

| | Group | |
|---|---|---|
| | 2022 RM | 2021 RM |
| Directors' remuneration | | |
| - Salary | 1,680,000 | 1,680,000 |
| - EPF | 685,769 | 688,724 |
| - EIS | 278 | 312 |
| - Bonus | 3,862,203 | 3,946,657 |
| - Fee | 168,480 | 156,000 |
| - Other benefits | 30,000 | 30,000 |
| - SOCSO | 3,330 | 3,557 |
| Defined contribution plan - Staff EPF | 671,171 | 685,875 |
| Other key management personnel remuneration | | |
| - Salary, allowance and commission | 885,817 | 872,040 |
| - EPF, SOCSO and EIS | 129,481 | 121,993 |
| - Bonus | 144,900 | 126,650 |

# NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

## 24. EMPLOYEE BENEFITS EXPENSE (CONT'D)

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 |
|---|---|---|---|
| 2022 | | | |
| Executive Directors | - | - | 2 |
| Non-Executive Directors | 3 | - | - |
| 2021 | | | |
| Executive Directors | - | - | 2 |
| Non-Executive Directors | 3 | - | - |

## 25. RELATED PARTY DISCLOSURES

(a) The transactions of the Group and of the Company with the related parties were as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 RM | 2021 RM | 2022 RM | 2021 RM |
| Transactions with Directors' related companies:- | | | | |
| - sales of goods | 1,470 | 860 | - | - |
| - services received | 10,278 | - | - | - |
| Transactions with subsidiary companies:- | | | | |
| - expenses paid on behalf for | - | - | 16,151 | 10,182 |
| - dividend income | - | - | 20,448,548 | 20,583,721 |
| - addition in cost of investments | - | - | - | 12,450,000 |
| Transactions with key management personnel:- | | | | |
| - rental of hostel charged by | 36,000 | - | - | - |

(b) The outstanding balances arising from related party transactions as at the reporting date are disclosed in Notes 5 and 20 to the Financial Statements.

(c) The remuneration of key management personnel is disclosed in Notes 22 and 24 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.

## 26. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments in respect of the following is not provided for in the Financial Statements:-

| | Group | |
|---|---|---|
| | 2022 RM | 2021 RM |
| Authorised and contracted for:- | | |
| - Plant and machineries | - | 2,567,000 |

# NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

## 26. COMMITMENTS AND CONTINGENT LIABILITIES (CONT'D)

(b) The contingent liabilities are as follows:-

| | Group 2022 RM | Group 2021 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:-

| | Company 2022 RM | Company 2021 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.

## 27. 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 measured at amortised cost ("AC")
b) Financial assets measured at fair value through profit or loss ("FVTPL")

| | Carrying amount RM | FVTPL RM | AC RM |
|---|---|---|---|
| **Group** | | | |
| **2022** | | | |
| **Financial assets** | | | |
| Trade receivables | 53,473,843 | - | 53,473,843 |
| Other receivables | 1,438,044 | - | 1,212,145 |
| Other investments | 22,770,242 | 22,770,242 | - |
| Fixed deposits with licensed banks | 84,830,652 | - | 84,830,652 |
| Cash and bank balances | 19,971,509 | - | 19,971,509 |
| | 182,484,290 | 22,770,242 | 159,488,149 |
| **Financial liabilities** | | | |
| Trade payables | 23,708,368 | - | 23,708,368 |
| Other payables | 3,405,176 | - | 3,405,176 |
| Amount due to a related party | 1,072 | - | 1,072 |
| | 27,114,616 | - | 27,114,616 |
| **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 |

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

## 27. FINANCIAL INSTRUMENTS (CONT'D)

**Categories of financial instruments (cont'd)**

The following table analyses the financial instruments in the statements of financial position by classes of financial instruments to which they are assigned (cont'd):-

| | Carrying amount RM | FVTPL RM | AC RM |
|---|---|---|---|
| **Company** | | | |
| **2022** | | | |
| **Financial assets** | | | |
| Other receivables | 743,335 | - | 618,621 |
| Amount due from subsidiary companies | 16,150 | - | 16,150 |
| Other investments | 10,541,224 | 10,541,224 | - |
| Fixed deposits with licensed banks | 35,150,000 | - | 35,150,000 |
| Cash and bank balances | 234,159 | - | 234,159 |
| | 46,684,868 | 10,541,224 | 36,018,930 |
| **Financial liabilities** | | | |
| Other payables | 324,312 | - | 324,312 |
| Amount due to a subsidiary company | 2 | - | 2 |
| | 324,314 | - | 324,314 |
| **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 a subsidiary company | 2 | - | 2 |
| | 313,688 | - | 313,688 |

**Net gains and losses arising from financial instruments**

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 RM | 2021 RM | 2022 RM | 2021 RM |
| Net gains/(losses) on:- | | | | |
| - Financial assets categorised as AC | 2,820,137 | 5,395,956 | 1,005,248 | 1,515,470 |
| - Financial assets categorised as FVTPL | 65,242 | - | 41,224 | - |
| - Financial liabilities categorised as AC | (131,964) | (195,112) | - | - |
| | 2,753,415 | 5,200,844 | 1,046,472 | 1,515,470 |

## 27. FINANCIAL INSTRUMENTS (CONT'D)

**Categories of financial instruments (cont'd)**

**Included in gains/(losses) on financial instruments categorised as amortised cost are:-**

| | Group | | Company | |
|---|---|---|---|---|
| | **2022 RM** | **2021 RM** | **2022 RM** | **2021 RM** |
| Total interest income for financial assets at AC | 2,376,588 | 2,705,693 | 1,005,248 | 1,515,470 |

**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"), Euro ("EUR") and Swiss Franc ("CHF").

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** | **EUR RM** | **CHF RM** |
|---|---|---|---|---|
| **Group** | | | | |
| 2022 | | | | |
| **Financial assets** | | | | |
| Trade receivables | 7,059,641 | 36,782 | - | - |
| Cash and bank balances | 3,457,850 | 8,082 | - | - |
| | 10,517,491 | 44,864 | - | - |
| Financial liability | | | | |
| Trade payables | (15,318,835) | (1,749,401) | (154,641) | (485,919) |
| Net exposure | (4,801,344) | (1,704,537) | (154,641) | (485,919) |
| 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) |

The Company has no foreign currency risk as at 30 June 2022 and 30 June 2021 as all its financial instruments are denominated in Ringgit Malaysia.

# NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

## 27. FINANCIAL INSTRUMENTS (CONT'D)

**Risk management objectives and policies (cont'd)**

(a) Foreign currency risk (cont'd)

*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, RM/EUR exchange rate and RM/CHF exchange rate with 'all other things are being equal'.

It assumes a +/- 5.89% (2021: 5%) change of the RM/USD, RM/SGD, RM/EUR 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, EUR and CHF by 5.89% (2021: 5%) respectively, this would have the following impact:-

| | Increase on profit for the financial year | | | | |
|---|---|---|---|---|---|
| | USD<br>RM | SGD<br>RM | EUR<br>RM | CHF<br>RM | Total<br>RM |
| **Group** | | | | | |
| 2022 | 282,724 | 100,370 | 9,106 | 28,613 | 420,813 |
| 2021 | 193,779 | 54,718 | - | 13,870 | 262,367 |

If the RM had weakened against the USD, SGD, EUR and CHF by 5.89% (2021: 5%) 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.

# NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

## 27. FINANCIAL INSTRUMENTS (CONT'D)

**Risk management objectives and policies (cont'd)**

(b) Interest rate risk (cont'd)

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 RM | Company RM |
|---|---|---|
| 2022 | | |
| **Fixed rate instruments** | | |
| Financial assets | | |
| Fixed deposits with licensed banks | 84,830,652 | 35,150,000 |
| Short term deposits with licensed banks | 1,418,363 | - |
| | 86,249,015 | 35,150,000 |
| Financial liability | | |
| Lease liabilities | (409,437) | - |
| 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) | - |

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

30 JUNE 2022

## 27. 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 | |
|---|---|---|---|---|
| | **2022 RM** | **2021 RM** | **2022 RM** | **2021 RM** |
| Classes of financial assets:- | | | | |
| Cash and bank balances | 19,971,509 | 27,158,882 | 234,159 | 1,730,448 |
| Fixed deposits with licensed banks | 84,830,652 | 92,854,244 | 35,150,000 | 43,880,000 |
| Trade receivables | 53,473,843 | 43,857,840 | - | - |
| Other receivables | 1,212,145 | 1,406,048 | 618,621 | 743,629 |
| Amount due from subsidiary companies | - | - | 16,150 | 10,182 |
| Carrying amount | 159,488,149 | 165,277,014 | 36,018,930 | 46,364,259 |

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** |
| **2022** | | | | | |
| Within terms | 29,040,892 | - | - | - | 29,040,892 |
| Past due 1 to 30 days | 17,134,143 | - | - | - | 17,134,143 |
| Past due 31 to 60 days | 5,115,762 | - | - | - | 5,115,762 |
| Past due 61 to 90 days | 891,684 | - | - | - | 891,684 |
| Past due 91 to 120 days | 779,639 | - | - | - | 779,639 |
| Past due more than 120 days | 587,173 | (75,450) | - | (75,450) | 511,723 |
| | 53,549,293 | (75,450) | - | (75,450) | 53,473,843 |

**27. FINANCIAL INSTRUMENTS (CONT'D)**

**Risk management objectives and policies (cont'd)**

(c) Credit risk (cont'd)

The ageing analysis of trade receivables of the Group is as follows:-(cont'd)

| | | 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 |

The credit risk concentration profile of the Group's trade receivables as at the reporting date are as follows:-

| | 2022 RM | 2022 % | 2021 RM | 2021 % |
|---|---|---|---|---|
| Top 5 customers | 40,098,415 | 75 | 33,116,979 | 76 |

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 2022 RM | Company 2021 RM |
|---|---|---|
| Corporate guarantee given to licensed financial institutions for the credit facilities granted to subsidiary companies | 20,600,000 | 20,600,000 |

# NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

## 27. FINANCIAL INSTRUMENTS (CONT'D)

**Risk management objectives and policies (cont'd)**

(c) Credit risk (cont'd)

Financial guarantee contracts (cont'd)

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.

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 RM** | **Between 1 to 5 years RM** | **Less than 1 year RM** |
| **2022** | | | |
| Non-derivative financial liabilities | | | |
| Lease liabilities | 159,000 | 283,500 | - |
| Trade payables | 23,708,368 | - | - |
| Other payables | 3,405,176 | - | 324,312 |
| Amount due to a related party | 1,072 | - | - |
| Amount due to a subsidiary company | - | - | 2 |
| Total undiscounted financial liabilities | 27,273,616 | 283,500 | 324,314 |
| Financial guarantees* | 20,600,000 | - | 20,600,000 |
| **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 |

* 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.

## 28. 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 2022 and 2021.

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 | |
|---|---|---|---|---|
| | **2022 RM** | **2021 RM** | **2022 RM** | **2021 RM** |
| Total equity | 202,542,195 | 192,908,436 | 148,279,615 | 148,020,023 |
| Lease liabilities | 409,437 | 52,830 | - | - |
| Debt-to-equity ratio | 0.002 | 0.0003 | - | - |

## 29. 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.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:-

| | **Quoted in active markets for identical instruments Level 1 RM** | **Significant other observable inputs Level 2 RM** | **Significant unobservable inputs Level 3 RM** | **Total RM** |
|---|---|---|---|---|
| **Group** | | | | |
| **2022** | | | | |
| **Financial asset** | | | | |
| Trust fund | - | 22,770,242 | - | 22,770,242 |
| | - | 22,770,242 | - | 22,770,242 |
| **Company** | | | | |
| **2022** | | | | |
| **Financial asset** | | | | |
| Trust fund | - | 10,541,224 | - | 10,541,224 |
| | - | 10,541,224 | - | 10,541,224 |

# NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

## 30. 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.

## 30. OPERATING SEGMENT - GROUP (CONT'D)

**Business segments**

| | Converting | | Distribution | | Investment holding | | Consolidation adjustments | | Notes | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 RM | 2021 RM | 2022 RM | 2021 RM | 2022 RM | 2021 RM | 2022 RM | 2021 RM | | 2022 RM | 2021 RM |
| **Revenue:-** | | | | | | | | | | | |
| External customers | 146,716,043 | 156,688,881 | 33,446,492 | 36,947,629 | - | - | - | - | | 180,162,535 | 193,636,510 |
| Inter-companies | 2,882,646 | 2,725,014 | 9,423 | - | - | - | (2,892,069) | (2,725,014) | A | - | - |
| | 149,598,689 | 159,413,895 | 33,455,915 | 36,947,629 | - | - | (2,892,069) | (2,725,014) | | 180,162,535 | 193,636,510 |
| **Results:-** | | | | | | | | | | | |
| Interest income | 1,167,459 | 1,031,628 | 203,881 | 158,595 | 1,005,248 | 1,515,470 | - | - | | 2,376,588 | 2,705,693 |
| Interest expense | (130,123) | (153,618) | (16,822) | (20,215) | - | - | 118,155 | 140,477 | | (28,790) | (33,356) |
| Depreciation of property, plant and equipment | (2,804,584) | (2,638,761) | (63,999) | (91,398) | - | - | - | - | | (2,868,583) | (2,730,159) |
| Depreciation of right-of-use assets | (673,515) | (480,714) | (65,225) | (201,626) | - | - | 458,125 | 458,124 | | (280,615) | (224,216) |
| Tax expense | (7,935,688) | (9,114,597) | (1,536,841) | (1,740,016) | (218,004) | (356,454) | - | - | | (9,690,533) | (11,211,067) |
| Other non-cash (expenses) /income | (421,620) | 1,820,937 | (137,753) | 683,789 | 41,224 | - | - | - | B | (518,149) | 2,504,726 |
| Segment profit | 25,026,330 | 27,784,351 | 4,764,513 | 5,437,593 | 20,702,146 | 20,922,102 | (20,410,708) | (20,522,560) | | 30,082,281 | 33,621,486 |

## 30. OPERATING SEGMENT - GROUP (CONT'D)

**Business segments (cont'd)**

| | Converting RM | Distribution RM | Investment holding RM | Consolidation adjustment RM | Notes | Consolidated RM |
|---|---|---|---|---|---|---|
| **2022** | | | | | | |
| **Assets** | | | | | | |
| Segment assets | 160,958,410 | 28,429,574 | 148,586,018 | (104,081,801) | C | 233,892,201 |
| Additions to non- current assets other than financial instruments | 4,725,088 | 5,238 | - | - | D | 4,730,326 |
| **Liabilities** | | | | | | |
| Segment liabilities | 22,120,133 | 4,981,382 | 341,464 | (328,363) | E | 27,114,616 |
| **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 |

Notes to the nature of adjustments and eliminations to arrive at amounts reported inthe consolidated financial statements:-

A. Inter-segment revenues are eliminated on consolidation.
B. Other material non-cash (expenses)/income consist of the following items:-

| | 2022 RM | 2021 RM |
|---|---|---|
| Reversal of/(Allowance for) impairment loss of trade receivables | 45,000 | (120,450) |
| Bad debt written off | (656) | (4,000) |
| Gain on disposal of property, plant and equipment | 16,869 | 56,257 |
| Gain on disposal of other investments | 45,000 | - |
| Gain in fair value of other investments | 20,242 | - |
| Allowance for slow moving inventories | (911,845) | - |
| Realised (loss)/gain on foreign exchange | (91,933) | 2,776,753 |
| Unrealised gain/(loss) on foreign exchange | 359,174 | (203,834) |
| | (518,149) | 2,504,726 |

## 30. OPERATING SEGMENT - GROUP (CONT'D)

**Business segments (cont'd)**

Notes to the nature of adjustments and eliminations to arrive at amounts reported inthe consolidated financial statements:- (cont'd)

C. The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:-

| | 2022 RM | 2021 RM |
|---|---|---|
| Segment assets | 233,892,201 | 214,266,955 |
| Tax recoverable | 17,913 | - |
| Total assets | 233,910,114 | 214,266,955 |

D. Additions to non-current assets other than financial instruments consist of:-

| | 2022 RM | 2021 RM |
|---|---|---|
| Property, plant and equipment | 4,730,326 | 1,307,758 |

E. The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:-

| | 2022 RM | 2021 RM |
|---|---|---|
| Segment liabilities | 27,114,616 | 17,117,382 |
| Lease liabilities | 409,437 | 52,830 |
| Tax payable | 1,405,695 | 1,745,286 |
| Deferred tax liabilities | 2,438,171 | 2,443,021 |
| Total liabilities | 31,367,919 | 21,358,519 |

**Geographical information**

The Group's operation is predominantly carried out in Malaysia as disclosed in Note 21 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 2022 RM | Revenue 2021 RM |
|---|---|---|---|
| Customer A | Converting | 94,692,391 | 102,638,114 |
| Customer B | Converting | - | 19,409,846 |

# NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

## 31. 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 | |
|---|---|---|
| | **2022** | **2021** |
| Profit after tax for the financial year attributable to owners of the Company (RM) | 30,082,281 | 33,621,486 |
| Weighted average number of ordinary shares in issue | 681,617,400 | 681,617,400 |
| Basic earnings per ordinary share (RM) | 0.04 | 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 2022

| 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 30 June 2022 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 a 2-storey office annexed) | Leasehold | 31 May 2069 | 12 years | 16,966 | 30-Jun-18 |

# ANALYSIS OF SHAREHOLDINGS

AS AT 9 SEPTEMBER 2022

| | | |
|---|---|---|
| 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 | : | 6,162 |

| SIZE OF HOLDINGS | NO. OF HOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 - 99 | 4 | 0.064 | 200 | 0.000 |
| 100 - 1,000 | 703 | 11.408 | 438,400 | 0.064 |
| 1,001 - 10,000 | 3,175 | 51.525 | 18,274,300 | 2.681 |
| 10,001 - 100,000 | 2,013 | 32.667 | 64,040,669 | 9.395 |
| 100,001 - 34,080,869 (*) | 265 | 4.300 | 153,429,617 | 22.509 |
| 34,080,870 AND ABOVE (**) | 2 | 0.032 | 445,434,214 | 65.349 |
| **TOTAL :** | **6,162** | **100.000** | **681,617,400** | **100.000** |

REMARK : ** - LESS THAN 5% OF ISSUED SHARES*
*** - 5% AND ABOVE OF ISSUED SHARES*

**DIRECTORS' INTERESTS IN SHARES AS AT 9 SEPTEMBER 2022**

| 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<br>CIMB FOR LEE TING KIAT (PB) | 888,600 | 0.130 |
| **TOTAL** | **446,322,814** | **65.479** |

**SUBSTANTIAL SHAREHOLDERS AS AT 9 SEPTEMBER 2022**

| 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 9 SEPTEMBER 2022

**LIST OF TOP 30 HOLDERS AS AT 9 SEPTEMBER 2022**

| 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<br>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND | 23,981,100 | 3.518 |
| 4 | ANG YAM FUNG | 14,446,110 | 2.119 |
| 5 | CITIGROUP NOMINEES (ASING) SDN BHD<br>CBNY FOR NORGES BANK (FI 17) | 8,146,200 | 1.195 |
| 6 | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>CIMB FOR LIM KA KIAN (PB) | 6,200,000 | 0.909 |
| 7 | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD<br>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING | 5,816,600 | 0.853 |
| 8 | HUANG TIONG SII | 3,466,400 | 0.508 |
| 9 | NG BOON SIANG | 3,000,000 | 0.440 |
| 10 | ONG KENG SENG | 2,671,100 | 0.391 |
| 11 | CARTABAN NOMINEES (ASING) SDN BHD<br>SSBT FUND 0MK4 FOR TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS | 2,364,100 | 0.346 |
| 12 | NG YIN CHEN | 2,165,276 | 0.317 |
| 13 | KENANGA NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR TAN VERN TACT | 2,105,000 | 0.308 |
| 14 | TAN KIM SUN | 2,000,000 | 0.293 |
| 15 | HSBC NOMINEES (ASING) SDN BHD<br>JPMCB NA FOR BUMA-UNIVERSAL-FONDS I | 1,972,900 | 0.289 |
| 16 | TOH SIEW PAT | 1,920,000 | 0.281 |
| 17 | SEOW KIAN ANG | 1,883,000 | 0.276 |
| 18 | HLIB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR WAH KEIN CHOONG | 1,539,200 | 0.225 |
| 19 | PUBLIC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR LIM KHEK KENG | 1,480,100 | 0.217 |
| 20 | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD<br>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS DANA DINAMIK | 1,473,000 | 0.216 |

# ANALYSIS OF SHAREHOLDINGS
AS AT 9 SEPTEMBER 2022

| NO. | NAME OF SHAREHOLDERS | NO. OF SHARES HELD | % |
|---|---|---|---|
| 21 | LIM KA KIAN | 1,300,000 | 0.190 |
| 22 | NYEOW CHIN HOCK | 1,281,600 | 0.188 |
| 23 | LAU WAI KOK | 1,234,100 | 0.181 |
| 24 | VANYONG SDN BHD | 1,174,000 | 0.172 |
| 25 | CH'NG BENG KIAN | 1,112,900 | 0.163 |
| 26 | PUBLIC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR ANG WING FAH (E-SPG) | 1,100,000 | 0.161 |
| 27 | ONG CHIN KANG | 1,000,000 | 0.146 |
| 28 | RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB) | 1,000,000 | 0.146 |
| 29 | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>CIMB FOR LEE TING KIAT (PB) | 888,600 | 0.130 |
| 30 | KENANGA NOMINEES (TEMPATAN) SDN BHD<br>EXEMPT AN FOR PHILLIP SECURITIES PTE LTD<br>(CLIENT ACCOUNT) | 868,200 | 0.127 |
| **TOTAL** | | **543,023,700** | **79.666** |

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the 5th Annual General Meeting ("5th 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, 23 November 2022** at 10.00 a.m. or any adjournment thereof, for the following businesses:

**AGENDA**

| **ORDINARY BUSINESS** | **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 2022 and the Reports of the Directors and Auditors thereon. | *(Please refer Explanatory Note 1)* |
| 2. To approve the Directors' fees of RM64,800 payable to Lee Ting Kiat, the Independent Non-Executive Chairman for the financial year ending 30 June 2023. | **Ordinary Resolution 1** *(Please refer Explanatory Note 2)* |
| 3. To approve the Directors' fees of RM51,840 payable to Jason Tan Kim Song, the Independent Non-Executive Director for the financial year ending 30 June 2023. | **Ordinary Resolution 2** *(Please refer Explanatory Note 2)* |
| 4. To approve the Directors' fees of RM51,840 payable to Dyana Sofya Binti Mohd Daud, the Independent Non-Executive Director for the financial year ending 30 June 2023. | **Ordinary Resolution 3** *(Please refer Explanatory Note 2)* |
| 5. To approve the payment of Directors' benefits up to an amount of RM40,000 from 5th Annual General Meeting until the conclusion of the 6th Annual General Meeting in year 2023. | **Ordinary Resolution 4** *(Please refer Explanatory Note 2)* |
| 6. To re-elect the following Directors who retire by rotation pursuant to Clause 128 of the Company's Constitution: - | |
| 6.1 Mr. Lau Cher Liang | **Ordinary Resolution 5** *(Please refer Explanatory Note 3)* |
| 6.2 Mr. Lee Ting Kiat | **Ordinary Resolution 6** *(Please refer Explanatory Note 3)* |
| 7. To re-appoint Messrs. Grant Thornton Malaysia PLT as Auditors of the Company for the financial year ending 30 June 2023 and to authorise the Board of Directors to fix their remuneration. | **Ordinary Resolution 7** *(Please refer Explanatory Note 4)* |

**SPECIAL BUSINESS**

To consider and if thought fit, to pass the following Ordinary Resolution with or without modifications:-

8. **AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016** — **Ordinary Resolution 8** *(Please refer Explanatory Note 5)*

   "THAT pursuant to Sections 75 and 76 of the Companies Act, 2016, ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and the approval of the relevant regulatory authorities, where such approval is required, the Directors of the Company be and are hereby authorised to issue and allot shares in the capital of the Company, grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer ("New Shares") from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed 20% of the total number of issued shares (excluding any treasury shares) of the Company for the time being ("Proposed 20% General Mandate").

# NOTICE OF ANNUAL GENERAL MEETING

THAT such approval on the Proposed 20% General Mandate shall continue to be in force until 31 December 2022.

THAT with effect from 1 January 2023, the general mandate shall be reinstated from a 20% limit to a 10% limit pursuant to Rule 6.03 of the Listing Requirements provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer by the Company from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares (excluding any treasury shares) of the Company for the time being ("Proposed 10% General Mandate").

THAT such approval on the Proposed 10% General Mandate shall continue to be in force until:

a. the conclusion of the next Annual General Meeting of the Company held after the approval was given;
b. the expiration of the period within which the next Annual General Meeting of the Company is required to be held after the approval was given; or
c. revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

(The Proposed 20% General Mandate and Proposed 10% General Mandate shall hereinafter refer to as "Proposed General Mandate".)

THAT the Directors of the Company be and are hereby also empowered to obtain the approval from Bursa Securities for the listing of and quotation for such New Shares on the ACE Market of Bursa Securities.

THAT authority be and is hereby given to the Directors of the Company, to give effect to the Proposed General Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of the Company and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Company, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed General Mandate."

9. To transact any other business of which due notice shall have been given.

By Order of the Board
**MTAG GROUP BERHAD**

YONG MAY LI (LS 0000295)
(MAICSA Affiliate - AF: 000019)
(SSM Practicing Certificate No. 202008000285)

WONG CHEE YIN (MAICSA 7023530)
(SSM Practicing Certificate No. 202008001953)
Company Secretaries

Johor Bahru
21 October 2022

# NOTICE OF ANNUAL GENERAL MEETING

NOTES:

1. An online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Companies Act 2016 if the online platform located in Malaysia and all meeting participants including Chairman of the meeting, board members, senior management and shareholders are to participate in the meeting online.

   Members are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "**participate**") remotely at the 5th AGM via the Remote Participation and Voting ("**RPV**") facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its TIIH Online website at https://tiih.online. Please follow the Procedures for RPV in the Administrative Guide for the 5th AGM and take note of procedure below in order to participate remotely via RPV.

2. For the purpose of determining who shall be entitled to participate at this 5th AGM via the RPV, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a Record of Depositors as at 16 November 2022. Only a member whose name appears on this Record of Depositors shall be entitled to Participate at this 5th AGM via RPV or appoint a proxy to participate on his/her/its behalf.

3. A member entitled to attend and vote at this 5th 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.

4. A member of the Company who is entitled to attend and vote at the 5th AGM of the Company may appoint not more than two (2) proxies to participate instead of the member at the Annual General Meeting.

5. 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.

6. 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.

7. 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.

8. 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 the 5th AGM 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.

9. 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.

10. 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 5th AGM.

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, 21 November 2022 at 10.00 a.m.

# NOTICE OF ANNUAL GENERAL MEETING

**EXPLANATORY NOTES:**

**<u>Ordinary Business:-</u>**

1. **<u>Agenda Item No. 1 - Audited Financial Statements for the year ended 30 June 2022</u>**
   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. **<u>Agenda Items No. 2 to 5 respectively</u>**
   **Ordinary Resolutions 1 to 3: Payment of Directors' Fees**
   **Ordinary Resolution 4: 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 Ordinary Resolutions 1 to 3 are proposed to seek shareholders' approval for the payment of Directors' fees for the financial year ending 30 June 2023.

   The estimated amount of Directors' Benefits under Ordinary Resolution 4 payable to the Directors from the 5th Annual General Meeting and until the conclusion of the 6th Annual General Meeting 2023, amounting to RM40,000 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 5th Annual General Meeting until the 6th Annual General Meeting in year 2023.

3. **<u>Agenda Items No. 6.1 and 6.2</u>**
   **Ordinary Resolutions 5 and 6: Re-Election of Directors**

   Please refer to the Statement Accompanying the Notice of AGM for information.

4. **<u>Agenda Item No. 7</u>**
   **Ordinary Resolution 7: 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 5th Annual General Meeting are disclosed in the Audit Committee Report of the 2022 Annual Report.

**<u>Special Business:-</u>**

5. **<u>Agenda Item No. 8</u>**
   **Ordinary Resolution 8: Authority to Directors to Allot Shares of the Company pursuant to Sections 75 and 76 of the Companies Act 2016**

   Ordinary Resolution 8 proposed under item 8 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 fundraising 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 4th AGM of the Company held on 24 November 2021, and which will lapse at the conclusion of the 5th AGM.

# STATEMENT ACCOMPANYING 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 5th AGM of the Company.

2. **Further details of individuals who are standing for re-election as directors:**

   Mr. Lau Cher Liang and Mr. Lee Ting Kiat ("Retiring Directors") are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 5th AGM. Their profiles can be found on pages 9 and 10 of the Annual Report 2022.

   The Nominating Committee ("NC") conducts a Board Evaluation once (1) a year to determine whether the Board, Board Committees and Directors are performing and discharging their duties effectively. The Board is satisfied with the overall results of the Board Evaluation conducted for the financial year ended 30 June 2022.

   The Retiring Directors have met the criteria prescribed under Rule 2.20A of the Ace Market Listing Requirement ("AMLR") of Bursa Malaysia Securities Berhad on character, experience, integrity, competence and time commitment to effectively discharge their roles as Directors. None of the Retiring Directors has any conflict of interest or potential conflict of interest, including interest in any business that is in competition with the Company or its subsidiaries.

   The NC and Board have also conducted an assessment on the independence of Mr. Lee Ting Kiat, an Independent Director of the Company and are satisfied that he has complied with the criteria prescribed by the AMLR.

   The Board believes that the contribution, commitment and performance of the Retiring Directors continue to be valuable and effective, and strongly support their re-election as Directors.

3. **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 4th Annual General Meeting held on 24 November 2021 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.

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# PROXY FORM

**MTAG**

**MTAG GROUP BERHAD**

Registration No. : 201801000029 (1262041-V)

| CDS Account No. | |
|---|---|
| No. of Shares Held | |

I/We ______________________________________________________________________________

(FULL NAME IN BLOCK LETTERS)

NRIC No/Passport No./Company 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 (if more than one (1) proxy)

| 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 5th Annual General Meeting ("5th 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, 23 November 2022 at 10.00 a.m. or any adjournment thereof, and to vote as indicated below:

| Item | Agenda | | | |
|---|---|---|---|---|
| 1 | To receive the Audited Financial Statements for the financial year ended 30 June 2022 and the Reports of the Directors and Auditors thereon. | | | |
| **Ordinary Business** | | **Ordinary Resolution** | **For*** | **Against*** |
| 2. | Payment of Directors' fees of RM64,800 to Lee Ting Kiat, the Independent Non-Executive Chairman for the financial year ending 30 June 2023. | 1 | | |
| 3. | Payment of Directors' fees of RM51,840 to Jason Tan Kim Song, the Independent Non-Executive Director for the financial year ending 30 June 2023. | 2 | | |
| 4. | Payment of Directors' fees of RM51,840 to Dyana Sofya Binti Mohd Daud, the Independent Non-Executive Director for the financial year ending 30 June 2023. | 3 | | |
| 5. | Payment of Directors' benefits up to an amount of RM40,000 from 5th Annual General Meeting until the conclusion of the 6th Annual General Meeting of the Company. | 4 | | |
| 6. | Re-election of the following Directors who retire by rotation in accordance with Clause 128 of the Company's Constitution:- | | | |
| | 6.1 Mr. Lau Cher Liang | 5 | | |
| | 6.2 Mr. Lee Ting Kiat | 6 | | |
| 7. | Re-appointment of Messrs. Grant Thornton Malaysia PLT as Auditors of the Company for the financial year ending 30 June 2023 and to authorise the Directors to fix their remuneration. | 7 | | |
| **Special Business** | | | | |
| 8. | Authority for Directors to allot and issue shares pursuant to Section 75 and 76 of the Companies Act 2016. | 8 | | |

**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 _____________ of _____________ 2022

_______________________________

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.*

*NOTES:*

1. *An online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Companies Act 2016 if the online platform located in Malaysia and all meeting participants including Chairman of the meeting, board members, senior management and shareholders are to participate in the meeting online.*

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Please fold here to seal

AFFIX
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

Please fold here to seal

6. *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.*

7. *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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10. *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 5th AGM.*

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, 21 November 2022 at 10.00 a.m.*

MTAG

**MTAG GROUP BERHAD**

Registration No. : 201801000029 (1262041-V)

**MTAG GROUP BERHAD**
PLO 226, Jalan Kencana Mas,
Kawasan Perindustrian Tebrau III,
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