

ARTRONIQ BERHAD

[Company No.: 200201023414 (591077-X)]

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2021

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31/12/2021 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2020 RM'000	CURRENT YEAR TO DATE 31/12/2021 RM'000	PRECEDING YEAR TO DATE 31/12/2020 RM'000
<u>Continuing operations</u>					
Revenue		78,706	58,252	267,566	167,583
Cost of sales		(75,500)	(56,122)	(259,506)	(162,626)
Gross profit		3,206	2,130	8,060	4,957
Other income		33	12	255	18
Administrative expenses		(1,183)	(1,378)	(4,362)	(3,477)
Selling and distribution expenses		(418)	(426)	(1,471)	(1,636)
Other operating expenses		(1,000)	(1,400)	(1,000)	(3,000)
Profit/(Loss) from operations		638	(1,062)	1,482	(3,138)
Finance costs		(30)	(17)	(154)	(151)
Profit/(Loss) before tax	20	608	(1,079)	1,328	(3,289)
Tax expenses	21	(332)	(315)	(1,049)	(519)
Profit/(Loss) from continuing operations, net of tax		276	(1,394)	279	(3,808)
<u>Discontinued operations</u>					
Profit/(Loss) from discontinued operations, net of tax		(69)	(4,849)	4,943	(8,018)
Profit/(Loss) and total comprehensive income/ (expense) for the period		207	(6,243)	5,222	(11,826)
Profit/(Loss) attributable to:					
Equity holder of the Company		(293)	(6,243)	4,818	(11,826)
Non-controlling interest		500	-	404	-
		207	(6,243)	5,222	(11,826)
Earning/(Loss) per share attributable to equity holders of the Company (sen):					
Basic and diluted	28				
- continuing operations		(0.08)	(0.40)	(0.04)	(1.32)
- discontinued operations		(0.02)	(1.57)	1.71	(2.78)
		(0.10)	(1.97)	1.67	(4.10)

(The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2020 and the accompanying explanatory notes attached to the Quarterly Report.)

ARTRONIQ BERHAD

[Company No.: 200201023414 (591077-X)]

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	(UNAUDITED) AS AT 31/12/2021 RM'000	(AUDITED) AS AT 31/12/2020 RM'000
	Note	
ASSETS		
Non-Current Assets		
Property, plant and equipment	1,872	246
Right of use asset	2,762	33
Investment in unquoted share	-	1,000
Goodwill	15,413	15,413
	<u>20,047</u>	<u>16,692</u>
Current Assets		
Inventories	1,345	-
Trade receivables	7,900	3,987
Other receivables, deposits and prepayments	14,018	6,701
Income tax assets	404	270
Fixed deposits with licensed banks	805	1,234
Cash and bank balances	6,362	6,401
	<u>30,834</u>	<u>18,593</u>
Assets held for sales	<u>2,836</u>	<u>7,612</u>
TOTAL ASSETS	<u>53,717</u>	<u>42,897</u>

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(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 (CONT'D)

	(UNAUDITED) AS AT 31/12/2021 RM'000	(AUDITED) AS AT 31/12/2020 RM'000
Note		
EQUITY AND LIABILITIES		
Equity		
Share capital	39,642	39,642
Accumulated losses	(5,977)	(10,795)
Total equity attributable to Owners of the Company	<u>33,665</u>	<u>28,847</u>
Non-controlling interests	649	-
Total equity	<u>34,314</u>	<u>28,847</u>
Non-Current Liabilities		
Contingent consideration	-	1,374
Hire purchase payables	26 145	189
Lease liabilities	2,463	-
Deferred tax liabilities	3	3
	<u>2,611</u>	<u>1,566</u>
Current Liabilities		
Trade payables	5,849	726
Other payables and accruals	8,780	9,950
Contingent consideration	1,374	1,435
Hire purchase payables	26 136	112
Lease liability	314	36
Income tax liabilities	339	225
	<u>16,792</u>	<u>12,484</u>
Total liabilities	<u>19,403</u>	<u>14,050</u>
TOTAL EQUITY AND LIABILITIES	<u>53,717</u>	<u>42,897</u>
Net assets per share (sen) attributable to equity holders of the Company	<u>11.65</u>	<u>9.98</u>

(The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2020 and the accompanying explanatory notes attached to the Quarterly Report.)

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(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 DECEMBER 2021

----- Attributable to equity holders of the Company -----

	Non- Distributable	Distributable	TOTAL	NON- CONTROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL	ACCUMULATED (LOSSES)/ RETAINED PROFITS	TOTAL	NON- CONTROLLING INTERESTS	TOTAL EQUITY
	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 Jan 2021	39,642	(10,795)	28,847	-	28,847
Profit and total comprehensive income for the period	-	4,818	4,818	404	5,222
Changes in composition of the Group	-	-	-	245	245
Balance at 31 Dec 2021	<u>39,642</u>	<u>(5,977)</u>	<u>33,665</u>	<u>649</u>	<u>34,314</u>
Balance at 1 Jan 2020	27,722	1,031	28,753	-	28,753
Profit and total comprehensive expenses for the period	-	(11,826)	(11,826)	-	(11,826)
Contribution by and distributions to owner of the Company:					
- Issuance of shares	11,920	-	11,920	-	11,920
Balance at 31 Dec 2020	<u>39,642</u>	<u>(10,795)</u>	<u>28,847</u>	<u>-</u>	<u>28,847</u>

(The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2020 and the accompanying explanatory notes attached to the Quarterly Report.)

ARTRONIQ BERHAD

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 31 DECEMBER 2021

	12 MONTHS ENDED	
	CURRENT	PRECEDING
	PERIOD TO DATE	PERIOD TO DATE
	31/12/2021	31/12/2020
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax		
- continuing operations	1,328	(3,289)
- discontinued operations	4,943	(8,041)
	<u>6,271</u>	<u>(11,330)</u>
Adjustments for :-		
Depreciation of property, plant and equipment	133	589
Net depreciation of right of use asset	213	98
Amortisation of intangible asset	-	4
Intangible assets Written off		45
Gain on disposal of property, plant and equipment	(5,383)	-
Impairment loss on trade receivables	3	4
Impairment loss on property, plant and equipment	-	744
Changes in fair value of investment in unquoted share	1,000	3,000
Reversal of impairment loss on trade receivables	-	(601)
Inventories written down to net realisable value	-	3,973
Interest expense	108	107
Interest income	(37)	(32)
Debt written off	-	8
Property, plant and equipment written off	13	-
Unrealised loss on foreign exchange	106	21
	<u>2,427</u>	<u>(3,370)</u>
OPERATING LOSS BEFORE WORKING CAPITAL CHANGES		
Inventories	(1,345)	994
Receivables	(11,256)	(6,915)
Payables	3,870	842
	<u>(6,304)</u>	<u>(8,449)</u>
CASH FLOWS FOR OPERATIONS		
Interest income received	37	32
Tax paid	(1,069)	(416)
	<u>(7,336)</u>	<u>(8,833)</u>
NET CASH FLOWS FOR OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Decreased/(increased) in fixed deposits pledged to licensed banks	979	(1,070)
Purchase of property, plant and equipment	(1,670)	(33)
Net proceeds from disposal of property, plant and equipment	10,160	-
Acquisition of subsidiary, net cash and cash equivalents acquired	245	-
Payment of contingent consideration	(1,435)	(1,000)
Acquisition of business undertaking, net of cash and cash equivalents	-	(92)
	<u>8,279</u>	<u>(3,095)</u>
NET CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES		

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(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 31 DECEMBER 2021 (CONT'D)

	12 MONTHS ENDED	
	CURRENT PERIOD TO DATE 31/12/2021 RM'000	PRECEDING PERIOD TO DATE 31/12/2020 RM'000
CASH FLOWS FOR FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	-	11,919
Interest paid	(108)	(23)
Repayment of hire purchase payables	(123)	(107)
Repayment of lease liability	(201)	(105)
NET CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES	(432)	11,684
NET CHANGES IN CASH AND CASH EQUIVALENTS	511	(244)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	6,401	6,645
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	6,912	6,401

(The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 December 2020 and the accompanying explanatory notes attached to the Quarterly Report.)

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(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2021

1. Basis of Preparation

The condensed consolidated interim financial statements have been prepared in accordance with MFRS 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 December 2020. The explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2020.

2. Significant Accounting Policies

The significant accounting policies and methods of computation applied in the interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2020 except for the adoption of the following Amendments to MFRSs during the current financial period:

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform-Phase 2
- Amendments to MFRS 16 Leases: Covid-19 Related Rent Concessions beyond 30 June 2021

The initial application of the above Amendments to MFRSs does not have any significant financial impact to the Group’s results.

3. Auditors' Report of Preceding Annual Financial Statements

The auditors' report of the preceding annual financial statements was not subject to any qualification.

4. Seasonal or Cyclical Factors

There were no seasonal or cyclical factors affecting the results of the Group for the current financial quarter.

5. Unusual Items

There were no other items which were unusual because of their nature, size, or incidence that has affected the assets, liabilities, equity, net income or cash flows of the Group for the current financial quarter.

6. Material Changes in Estimates

There were no changes in estimates of amounts reported in prior interim periods that have a material effect on the current financial quarter.

7. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial quarter.

8. Dividend Paid

There was no dividend paid during the current financial quarter.

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(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2021

9. Segmental Information

Quarter Ended 31 Dec 2021	<u>Continuing operations</u>				<u>Discontinued operations</u>			
	Investment Holding	ICT products	Inter- company elimination	Total	Resin compound for wire and cable	Resin compound for other industries	Inter- company elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	-	78,706	0	78,706	-	-	-	-
Inter-segment revenue	60	1,204	(1,264)	-	-	-	-	-
Total revenue	60	79,910	(1,264)	78,706	-	-	-	-
Segment result	(1,383)	2,054	(33)	638	(15)	(68)	14	(69)
Finance cost	(1)	(29)	-	(30)	-	(20)	20	0
(Loss)/Profit before tax	(1,384)	2,025	(33)	608	(15)	(88)	34	(69)
Quarter Ended 31 Dec 2020	Investment Holding	ICT products	Inter- company elimination	Total	Resin compound for wire and cable	Resin compound for other industries	Inter- company elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	-	58,252	-	58,252	10	10	-	20
Inter-segment revenue	90	-	(90)	-	-	-	-	-
Total revenue	90	58,252	(90)	58,252	10	10	0	20
Segment result	(2,169)	1,147	(40)	(1,062)	(1,882)	(2,974)	9	(4,847)
Finance cost	(3)	(14)	-	(17)	0	(33)	31	(2)
(Loss)/Profit before tax	(2,172)	1,133	(40)	(1,079)	(1,882)	(3,007)	40	(4,849)

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(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2021

9. Segmental Information (Cont'd)

12 Months Ended 31 Dec 2021	<u>Continuing operations</u>				<u>Discontinued operations</u>			
	Investment Holding	ICT products	Inter- company elimination	Total	Resin compound for wire and cable	Resin compound for other industries	Inter- company elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	-	267,566	-	267,566	-	-	-	-
Inter-segment revenue	240	1,462	(1,702)	-	-	-	-	-
Total revenue	240	269,028	(1,702)	267,566	-	-	-	-
Segment result	(3,285)	4,900	(133)	1,482	(189)	5,093	41	4,945
Finance cost	(71)	(83)	-	(154)	(1)	(94)	93	(2)
(Loss)/Profit before tax	(3,356)	4,817	(133)	1,328	(190)	4,999	134	4,943
Segment assets	38,686	49,911	(38,871)	49,726	10,956	7,301	(14,266)	3,991
Segment liabilities	12,174	38,651	(32,290)	18,535	630	4,255	(4,017)	868
12 Months Ended 31 Dec 2020	Investment Holding	ICT products	Inter- company elimination	Total	Resin compound for wire and cable	Resin compound for other industries	Inter- company elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	-	167,583	-	167,583	2,096	225	-	2,321
Inter-segment revenue	180	1	(181)	-	13	283	(296)	-
Total revenue	180	167,584	(181)	167,583	2,109	508	(296)	2,321
Segment result	(4,964)	1,983	(157)	(3,138)	(3,275)	(4,768)	32	(8,011)
Finance cost	(96)	(55)	-	(151)	(15)	(140)	125	(30)
(Loss)/Profit before tax	(5,060)	1,928	(157)	(3,289)	(3,290)	(4,908)	157	(8,041)
Segment assets	37,068	26,018	(29,279)	33,807	10,918	6,159	(7,987)	9,090
Segment liabilities	7,199	21,027	(15,653)	12,573	403	8,112	(7,038)	1,477

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2021

9. Segmental Information (Cont'd)**Geographical reporting:**

	Quarter Ended			12 Months Ended		
	31/12/2021	31/12/2020	Changes	31/12/2021	31/12/2020	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
<u>Continuing operations</u>						
Malaysia	14,679	3,685	298.34%	33,373	8,559	289.92%
Asia	56,496	37,722	49.77%	212,593	103,214	105.97%
Middle East	4,461	7,190	-37.96%	9,877	14,076	-29.83%
America	3,070	7,660	-59.92%	11,680	38,659	-69.79%
Others	-	1,995	-100.00%	43	3,075	-98.60%
	78,706	58,252	35.11%	267,566	167,583	59.66%
<u>Discontinued operations</u>						
Malaysia	-	20	-100.00%	-	1,178	-100.00%
Asia	-	-	100.00%	-	1,143	-100.00%
Middle East	-	-	0.00%	-	-	100.00%
Others	-	-	0.00%	-	-	100.00%
	-	20	-100.00%	-	2,321	-100.00%

10. Material Events Subsequent to the End of the Current Quarter

On 26 January 2022, the total issued ordinary share capital of the Company was increased from RM39,641,480 comprising 288,932,600 ordinary shares to RM52,643,420 comprising 317,825,800 ordinary shares by way of an issuance of 28,893,200 new ordinary shares at an issue price of RM0.45 per share from the private placement.

The new ordinary shares issued rank pari passu in all respects with the existing issued ordinary shares of the Company.

Other than above, save for those disclosed in Note 25 and Note 27, there were no events materially affecting the results of the Group for the financial period-to-date, which might have occurred between 31 December 2021 and the date of this announcement.

11. Changes in Composition of the Group

There were no changes in the composition of the Group during the current financial quarter except the following under financial period-to-date:

On 6 January 2021, the Group has incorporated a wholly owned subsidiary for one (1) ordinary share of RM1, Artroniq Innovation Sdn Bhd ("AISB") and its principal activity is involved in provision of point of sales ("POS") solution and distribution of POS hardware, peripherals and related services.

On 3 May 2021, AISB has increased its issue and paid-up share capital from 1 to 500,000 ordinary shares of RM1 each. The Company has subscribed for an additional of 254,999 ordinary shares of RM1 each in AISB by way of cash. Consequently, AISB became a 51% owned subsidiary of the Company.

12. Changes in Contingent Liabilities and Contingent Assets

There were no changes in the material contingent liabilities or assets of the Group as at the date of this announcement.

13. Capital Commitments

There were no material capital commitments as at the date of this announcement.

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(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2021

14. Comparatives

The comparatives for the Consolidated Statement of Profit or Loss and Other Comprehensive Income have been re-presented to show the discontinued operations pursuant to the cessation of manufacturing business of resin compound for wire and cable and resin compound for other industries since 3rd quarter 2020.

15. Significant Related Party Transaction

The related party transactions are taken under normal course of business and on terms that are not more favourable than those available to other third parties.

Save as disclosed in the below, there were no significant related party transactions of the Group for the financial period-to-date:

	Quarter Ended 31/12/2021 RM'000	12 Months Ended 31/12/2021 RM'000
<u>Continuing operations</u>		
Transaction with a Company which a former director and major shareholder has interest:		
<i>Artroniq Innovation Sdn Bhd ("AISB")</i>		
- Provision of Financial Assistance from the Company	198	510
- Purchase of ICT products from the Group	1,202	1,209
- Sales of ICT products to the Group	(3)	(3)
- Office rental charge to the Group	(120)	(120)
- Services provide by former director's company	3	3

ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS FOR THE ACE MARKET OF THE BURSA MALAYSIA SECURITIES BERHAD

16. Review of Group Performance

Current Financial Quarter

Continuing operations

The Group recorded a revenue of RM78.706 million for the current quarter ended 31 December 2021 ("4Q2021"), representing an increase of approximately 35.1% as compared to the preceding year corresponding quarter ended 31 December 2020 ("4Q2020") of RM58.252 million. The Group recorded a profit before tax of RM0.608 million for 4Q2021 as compared to a loss before tax of RM1.079 million for 4Q2020.

ICT products:

Revenue increased by 35.1% to RM78.706 million in 4Q2021 as compared to RM58.252 million in 4Q2020 was mainly contribution from local and Asia market. This business segment recorded a profit before tax of RM2.025 million for 4Q2021 as compared with a profit before tax of RM1.133 million for 4Q2020. The increase in profit was due to higher revenue achieved for the current quarter.

Discontinued operations

Manufacturing business of resin compound for wire and cable and resin compound for other industries had ceased its operations on 22 September 2020.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2021

16. Review of Group Performance (Cont'd)**Cumulative Financial Quarter: 12 months ended 31 December 2021 compared to 12 months ended 31 December 2020****Continuing operations**

The Group's revenue had increased by 59.7% to RM267.566 million from RM167.583 million as compared to the preceding period ended 31 December 2020. The Group achieved a profit before tax of RM1.328 million for YTD 4Q2021 as compared to a loss before tax of RM3.289 million for YTD 4Q2020. The increase in profit was mainly due to higher revenue achieved for YTD 4Q2021 and lower net changes in fair value of investment in unquoted share by RM2.000 million as compared to YTD 4Q2020.

17. Comparison with Previous Quarter's Results

Continuing operations	Revenue			Profit/(Loss) before tax		
	Current Quarter	Preceding Quarter		Current Quarter	Preceding Quarter	
Segment	31/12/2021	30/09/2021	Changes	31/12/2021	30/09/2021	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Investment holding	-	-	0.00%	(1,417)	(470)	-201.49%
ICT products	78,706	85,913	-8.39%	2,025	1,168	73.37%
Total	78,706	85,913	-8.39%	608	698	12.89%

Discontinued operations	Revenue			Profit/(Loss) before tax		
	Current Quarter	Preceding Quarter		Current Quarter	Preceding Quarter	
Segment	31/12/2021	30/09/2021	Changes	31/12/2021	30/09/2021	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Resin compound for wire and cable	-	-	0.00%	(16)	(45)	64.44%
Resin compound for other industries	-	-	0.00%	(53)	(34)	-55.88%
Total	-	-	0.00%	(69)	(79)	12.66%

Continuing operations

For 4Q2021, the Group recorded a revenue of RM78.706 million, representing a decrease of approximately 8.4% as compared to the previous quarter ended 30 September 2021 ("3Q2021") of RM85.913 million. The Group recorded a profit before tax of RM0.608 million in 4Q2021 as compared to 3Q2021 of RM0.698 million. The decrease in profit was mainly due to lower revenue and the other operating expenses of the changes in fair value of investment in unquoted share of RM1.000 million.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2021

18. Prospects

The global economy enters 2022 in a weaker position than previously expected. As the new Omicron COVID-19 variant spreads, many countries have reimposed mobility restrictions. Rising energy prices and supply disruptions have resulted in higher and more broad-based inflation than anticipated, notably in the United States and many emerging market and developing economies. The ongoing retrenchment of China's real estate sector and slower-than-expected recovery of private consumption also have limited growth prospects.

The Group is continue striving to rectify the situation by reviewing, revisiting and realigning our next steps and strategies to ensure the continuity of the business. Besides, the Group will also work to seek more opportunities beyond these businesses to mitigate the risks and find a way to overcome this hurdle together. The Board of Directors will continuously assess the impact of COVID-19 on its operations and financial performance of the Group for the financial year 2022.

19. Variance of Profit Forecast

Not applicable as no profit forecast has been issued.

20. Loss Before Tax

Profit before tax is arrived at after charging/(crediting):

	Quarter Ended		12 Months Ended	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	49	96	133	589
Depreciation of right of use asset	83	25	213	98
Property, plant and equipment written off	13	-	13	-
Amortisation of intangible assets	-	-	-	49
Impairment loss on trade receivables	(7)	-	3	4
Provision of litigation claim [Note (a)]	-	-	-	286
Interest expense	16	4	108	107
Property, plant and equipment written off	-	-	-	-
Impairment loss on property, plant and equipment	-	-	-	744
Change in fair value of investment in unquoted share	1,000	1,400	1,000	3,000
Reversal of impairment loss on trade receivables	-	(8)	-	(601)
Debt written off	-	8	-	8
Inventories written down	-	3,975	-	3,975
Reversal of inventories previously written down	-	(2)	-	(39)
Gain on disposal of property, plant and equipment	-	-	(5,383)	-
Interest income	(10)	(14)	(37)	(32)
Unrealised loss on foreign exchange	100	-	106	-
Realised gain on foreign exchange	(8)	182	(226)	202

Note (a): Provision amount is arising from disclosure in Note 27.

ARTRONIQ BERHAD

[Company No.: 200201023414 (591077-X)]

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2021

21. Tax Expense

Tax expense comprise of the following:

	Quarter Ended		12 Months Ended	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RM'000	RM'000	RM'000	RM'000
<u>Income tax</u>				
Current year				
- continuing operations	387	315	1,104	514
Prior year				
- continuing operations	(55)	-	(55)	5
<u>Deferred tax</u>				
Prior year				
- discontinued operations	-	-	-	(23)
	<u>332</u>	<u>315</u>	<u>1,049</u>	<u>496</u>

The Group's effective tax rate for the financial period ended 31 December 2021 is higher than the statutory tax rate of 24% principally due to losses incurred by the investment holding operation.

22. Financial instruments**Classification**

The following table analyses the financial assets and financial liabilities of the Group in the condensed consolidated statement of financial position by the classes and categories of financial instruments to which they are assigned by their measurement basis.

	As At 31/12/2021 RM'000	As At 31/12/2020 RM'000
Financial Assets		
<u>Fair value through profit or loss</u>		
Investment in unquoted share	-	1,000
<u>At amortised cost</u>		
Trade receivables	7,900	3,987
Other receivables and deposits	13,755	6,636
Fixed deposits with licensed banks	805	1,234
Cash and bank balances	6,362	6,401
	<u>28,822</u>	<u>18,258</u>
Total financial assets	<u>28,822</u>	<u>19,258</u>
Financial Liabilities		
<u>At amortised cost</u>		
Trade payables	5,849	726
Other payables and accruals	8,780	9,950
Contingent consideration	1,374	2,809
Bank borrowings	281	301
Lease liability	2,777	36
	<u>19,061</u>	<u>13,822</u>
Total financial liabilities	<u>19,061</u>	<u>13,822</u>

ARTRONIQ BERHAD

[Company No.: 200201023414 (591077-X)]

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2021

23. Fair Value Information

At the end of the reporting period, except for disclosed in Note 22 there were no financial instruments carried at fair values in the statement of financial position.

The carrying amount of financial assets and financial liabilities at amortised cost are reasonable approximation of their fair values.

24. Cash and Cash Equivalents

Cash and cash equivalents included in the statement of cash flows comprise of the following:

	As At 31/12/2021 RM'000	As At 31/12/2020 RM'000
Fixed deposits with licensed banks		
- continuing operations	255	1,234
- discontinued operations	550	-
Cash and bank balances		
- continuing operations	6,092	5,181
- discontinued operations	270	1,220
Bank overdrafts		
- discontinued operations	-	-
	<u>7,167</u>	<u>7,635</u>
Less: Fixed deposits pledged to licensed banks		
- continuing operations	(255)	(1,234)
	<u>6,912</u>	<u>6,401</u>

Fixed deposits of the Group totaling of RM0.255 million, which have been pledged to banks for banking facilities granted to subsidiaries are not available for general use by the Group other than to meet the obligations under the banking facilities.

25. Status of Corporate Proposals Announced

On 23 July 2020, Plascable Polymer Sdn Bhd, a wholly owned subsidiary of the Company, has entered into a conditional sale and purchase agreement (“SPA”) with Actgen Industry Sdn Bhd for the proposed disposal of the Property held under H.S.(D) 493851, Lot PTD 76050, Mukim Tebrau, Daerah Johor Bahru, for a cash consideration of RM10.65 million. The proposed disposal has obtained shareholders’ approval at the Extraordinary General Meeting held on 30 October 2020. The SPA has been made unconditional on 19 November 2020 (“unconditional date”). Pursuant to the provisions of the SPA, the extended completion date shall fall on 18 April 2021. The transaction has been completed on 12 March 2021.

The status of the utilisation of the proceeds raised from the disposal of the Property amounting to RM10,650,000 is as follows:

Purposes:	Amount Raised RM'000	Amount Utilised RM'000	Balance Unutilise RM'000	Timeframe for Utilisation
Purchase of inventories for				
ICT business	9,523	(9,523)	-	Within 3 years
Estimated expenses	1,127	(1,127)	-	Immediately
	<u>10,650</u>	<u>(10,650)</u>	<u>-</u>	

ARTRONIQ BERHAD

[Company No.: 200201023414 (591077-X)]

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2021

25. Status of Corporate Proposals Announced (Cont'd)

On 30 July 2020, the Company proposed to undertake a private placement of up to 26,266,600 new ordinary shares, representing not more than 10% of its issued ordinary shares of the Company. The proceeds from the private placement will be utilised in the manner of purchase inventories for the expansion of ICT business. The proposed private placement has been completed following the listing of and quotation for 26,266,600 placement shares on the ACE Market of Bursa Securities on 12 October 2020.

The status of the utilisation of the proceeds raised from the private placement of 26,266,600 shares at an issue price of RM0.1489 per share amounting to RM3,911,097 is as follows:

Purposes:	Amount Raised RM'000	Amount Utilised RM'000	Balance Unutilise RM'000	Timeframe for Utilisation
Purchase of inventories for				
ICT business	3,738	(3,738)	-	Within 3 years
Private placement costs	173	(173)	-	Immediately
	<u>3,911</u>	<u>(3,911)</u>	<u>-</u>	

On 29 December 2020, the Company proposed private placement of up to 86,679,000 new ordinary shares, representing not more than 30% of the issued ordinary shares of the Company. The proceeds raised are expected to be utilised for future viable investment and working capital for the Group. The proposed private placement is expected to be completed by the second quarter of 2021. Bursa Securities had, vide its letter dated 19 February 2021, approved the listing of and quotation for up to 86,679,000 placement shares to be issued pursuant to the proposed private placement subject to the conditions as provided under the ACE Market Listing Requirements. The Proposals was duly rejected by the shareholders at the Extraordinary General Meeting held on 18 March 2021.

On 8 January 2021, the Company intends to seek its shareholders' approval for the proposed amendment to the Constitution of the Company and proposed additional 10% general mandate in relation to the authority to issue shares pursuant to sections 75 and 76 of the Companies Act, 2016. The Proposals have obtained shareholders' approval at the Extraordinary General Meeting held on 3 February 2021.

On 10 February 2021, the Company and its wholly owned subsidiary, Artroniq Innovation Sdn Bhd ("AISB") (incorporated as a private limited company in Malaysia on 6 January 2021 and its principal activities are the provision of point of sales ("POS") solutions and distributions of POS hardware, peripherals and related services) has entered into a Collaboration Agreement with Heng Chip Hian ("HCH") to establish the manner in which the Collaboration Company, namely AISB ("CC") and the intended business to be carried out by CC. The proposed shareholding structure of the CC shall be 51% held by the Company and 49% held by HCH. The proposed Collaboration is intended to enable the parties to combine their skills, expertise, experience and capabilities collectively with regard to the business and will strengthen the Group's core competencies in the information and communication technology industry. Such Collaboration is not expected to have any material effect to the Group and it does not require approval from the shareholders of the Company or any relevant authorities.

On 25 March 2021, the Company submitted its application to Bursa Securities for Proposed Placement of up to 10% of total number of issued shares ("Proposal"). Subsequently on 30 March 2021, an Injunction Application has been filed by Tee Yen Chong and Fortune Biotech Supply Sdn Bhd to restrain the Proposal from proceeding. The details are disclosed in Note 27(b). Bursa Securities vide its letter dated 3 November 2021, approved the listing of and quotation for up to 28,893,200 new Shares to be issued pursuant to the Proposed Placement.

On 9 November 2021, the Company announced that intends to seek shareholders approval for the proposed shareholders' mandate for new recurrent related party transactions of a revenue or trading nature and provision of financial assistance at the forthcoming Extraordinary General Meeting ("EGM"). Shareholder approval obtained on via EGM held on 30 November 2021.

ARTRONIQ BERHAD

[Company No.: 200201023414 (591077-X)]

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2021

25. Status of Corporate Proposals Announced (Cont'd)

On 28 January 2022, the Company announced the Placement has been completed on the same day following the listing of quotation for 28,893,200 shares at price of RM0.45 per Placement Share fixed on 17 January 2022, represents a discount of approximately 9.4% to the 5-day VWAMP of the Shares up to and including 14 January 2022.

26. Group Borrowings and Debt Securities

The Group borrowings as of 31 December 2021 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Non-current			
Hire purchase payables	145	-	145
Current			
Hire purchase payables	136	-	136
Total borrowings	281	-	281

No borrowing in foreign currency.

27. Material Litigation

- a) On 29 June 2020, the Board of Directors wishes to inform that the Company had received a legal opinion from Company's solicitors, K.S. Ong & Co., informing that a sealed copy of Writ of Summons and Statement of Claim via Johor Bahru Sessions Court Civil Suit No: JA-A52NCC-134-06/2020 was served to MHT Manufacturing Sdn Bhd ("MHT" or "the Defendant"), a wholly owned subsidiary, by Messrs Lee & Tengku Azrina, the Advocates & Solicitors ("the Plaintiff's solicitors) for Ravago Hong Kong Limited ("Ravago" or "the Plaintiff"). The Plaintiff claims damages and losses on rejection of the goods against the Defendant for sum of USD66,825.55 (equivalent of RM286,347 at rate USD 1 = RM4.285).

Subsequent to the Writ of Summons and Statement of Claim filed by the Plaintiff, K.S. Ong & Co. have filed the Memorandum of Appearance on 6 July 2020, filed the Defence on 16 July 2020 and filed the Notice of Application of Security for Costs together with the Affidavit in Support on 20 July 2020. On 11 September 2020, Plaintiff's solicitors received a sum of RM12,000 from the Plaintiff being the Security Cost and they act as a stakeholder who will then hold the monies for the Defendant till the decision of the main suit. The sum had been deposited to Plaintiff's solicitors account on 18 September 2020. The Plaintiff's solicitors have filed the Notice of Application together with the Affidavit On Application Under Order 14 Rule 2 Rules Of Court 2012 and fixed for Hearing of Notice Application on 5 November 2020. On the same day 5 November 2020, K.S. Ong & Co. have received the Plaintiff's Application for Summary Judgment and the Court has given the Defendant to file Affidavit Jawapan by 3 December 2020. Subsequent to the Notice of Application for Summary Judgment dated 4 November 2020 together with the Affidavit Sokongan filed by the Plaintiff, K.S. Ong & Co. have filed the Affidavit Jawapan Defendan on 1 December 2020, received the Affidavit Balasan Plaintiff on 13 January 2021 and filed the Affidavit Balasan Defendan on 27 January 2021. The Parties are required to file the Written Submission by 24 February 2021 and Written Submission in Reply by 17 March 2021.

The Court decision on 1 April 2021, that the Plaintiff's application for summary judgement was dismissed with cost of RM2,000. The Plaintiff has file the notice of Appeal on 12 April 2021.

On 19 May 2021, the Court has fixed a further case management on 22 June 2021 for the Appellant to file Supplementary Record of Appeal pending Grounds of Judgement from the Learned Session Court Judge.

ARTRONIQ BERHAD

[Company No.: 200201023414 (591077-X)]

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2021

27. Material Litigation (Cont'd)

a) (Cont'd)

On 13 October 2021, after the hearing oral submission from both Counsel for the Appellant and Respondent, the Court has given the parties to file Executive Summary in English before 5 November 2021 and fixed 23 November 2021 for decision further vacated to 25 January 2022.

The decision on 25 January 2022 that the Plaintiff's appeal has been dismissed with cost of RM3,000.00 subject to payment of Allocator. Full trial was fixed on 16 February 2022 has been vacated to 15 November 2022 and 16 November 2022.

b) On 14 April 2021, the Board of Directors wishes to announce that the Company had on 13 April 2021 received the following documents from Messrs Chee Yuen & Co, solicitors for Tee Yen Chong and Fortune Biotech Supply Sdn Bhd ("Plaintiffs"):-

- i) Originating Summons dated 30 March 2021 ("Originating Summons");
- ii) Affidavit in Support affirmed by Tee Yen Chong on 30 March 2021;
- iii) Supplemental Affidavit affirmed by Tee Yen Chong on 2 April 2021;
- iv) Notice of Application (Ex-parte) dated 30 March 2021 ("Notice of Application");
- v) Affidavit in Support affirmed by Tee Yen Chong on 30 March 2021;
- vi) Supplemental Affidavit affirmed by Tee Yen Chong on 2 April 2021; and
- vii) Certificate of Urgency dated 30 March 2021.

The Company is named as the 5th Defendant in the Suit.

Pursuant to the Originating Summons, the Plaintiffs allege that:-

- i) the 1st to 4th Defendants have exercised their powers in a manner oppressive to the Plaintiffs;
- ii) the Plaintiffs' interests as members of the Company have been disregarded;
- iii) the 1st to 4th Defendants have acted in a manner which was and is unfairly unprejudicial and oppressive to the Plaintiffs' interests as members of the Company; and
- iv) the affairs of the Company are being conducted and/or the powers of the directors are being exercised in disregard of the interests of the Company.

Pursuant to the Notice of Application, the Plaintiffs seek, among others, an injunction to restrain the 1st to 4th Defendants jointly and severally, by themselves, their servants, agents, nominees, employees, trustees or howsoever from proceeding with the proposed placement of up to 28,893,200 ordinary shares representing not more than 10% of the total number of issued shares of the Company until the final disposal of the Originating Summons and/or further order of Court.

The plaintiffs have on 31 May 2021 filed an application ("Encl. 25") to withdraw/ discontinue the Originating Summons and their Ex-Parte Notice of application for injunction.

The hearing of the Originating Summons and Ex-Parte Notice of Application which was initially fixed on 17 June 2021 was vacated in view of Encl. 25. Encl. 25 is fixed for Hearing on 30 September 2021.

The Company had on 7 October 2021 received a copy of the Sealed Order dated 30 September 2021 on the following decisions made by the High Court:

1. The Plaintiff's had withdrawn the Originating Summons against the Defendants;
2. The Plaintiff had withdrawn the Notice of Application against the Defendants;
3. A cost of RM20,000.00 to be paid by the Plaintiff to the Defendants.

In view of the above, the Suit has been withdrawn by the Plaintiff.

The above litigation cases have no material impact to the Group.

ARTRONIQ BERHAD

[Company No.: 200201023414 (591077-X)]

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2021

28. Earning/(Loss) Per Share

	Quarter Ended		12 Months Ended	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Profit/(Loss)				
Net profit/(loss) attributable to equity holders of the Company (RM'000)				
- continuing operations	(224)	(1,394)	(125)	(3,808)
- discontinued operations	(69)	(4,849)	4,943	(8,018)
	<u>(293)</u>	<u>(6,243)</u>	<u>4,818</u>	<u>(11,826)</u>
Basic				
Weighted average number of the ordinary shares in issue ('000)	<u>288,933</u>	<u>288,933</u>	<u>288,933</u>	<u>288,933</u>
Basic earning/(loss) per ordinary share (sen)				
- continuing operations	(0.08)	(0.40)	(0.04)	(1.32)
- discontinued operations	(0.02)	(1.57)	1.71	(2.78)
	<u>(0.10)</u>	<u>(1.97)</u>	<u>1.67</u>	<u>(4.10)</u>

Diluted earnings per share is equal to the basic earnings per share as there were no potential ordinary shares outstanding in both the previous and current period.

29. Proposed Dividend

No dividend was declared or proposed during the current financial quarter.

30. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 February 2022.

BY ORDER OF THE BOARD OF
ARTRONIQ BERHAD