

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 30 JUNE 2022

		INDIVIDUAL QUARTER PRECEDING		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER	YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR TO DATE
Note		30/06/2022 RM'000	30/06/2021 RM'000	30/06/2022 RM'000	30/06/2021 RM'000
<u>Continuing operations</u>					
		Revenue	61,206	96,321	102,947
		Cost of sales	(59,670)	(91,604)	(100,123)
		Gross profit	1,536	4,717	2,824
		Other income	164	491	169
		Administrative expenses	(1,361)	(3,812)	(2,237)
		Selling and distribution expenses	(236)	(920)	(640)
		Other operating expenses	-	-	-
		Profit/(Loss) from operations	103	476	116
		Finance costs	(83)	(54)	(94)
	20	Profit/(Loss) before tax	20	422	22
	21	Tax expenses	(155)	(390)	(328)
		Profit/(Loss) from continuing operations, net of tax	(135)	32	(306)
<u>Discontinued operations</u>					
		(Loss)/Profit from discontinued operations, net of tax	(85)	(178)	5,092
		Profit/(Loss) and total comprehensive income/(expense) for the period	(220)	(146)	4,786
Profit/(Loss) attributable to:					
		Equity holder of the Company	(205)	(228)	4,801
		Non-controlling interest	(15)	82	(15)
			(220)	(146)	4,786
Earning/(Loss) per share attributable to equity holders of the Company (sen):					
	28	Basic and dilute			
		- continuing operations	(0.04)	(0.01)	(0.10)
		- discontinued operations	(0.03)	(0.06)	1.76
			(0.07)	(0.07)	1.66

(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 2021 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 30 JUNE 2022

	(UNAUDITED)	(AUDITED)
	AS AT	AS AT
	30/06/2022	31/12/2021
Note	RM'000	RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	1,781	1,872
Right of use asset	2,595	2,762
Goodwill	15,413	15,413
	<u>19,789</u>	<u>20,047</u>
Current Assets		
Inventories	2,880	1,345
Trade Receivables	9,766	7,900
Other receivables, deposits and prepayments	2,804	14,018
Income tax assets	456	404
Fixed deposits with licensed banks	255	805
Cash and bank balances	22,383	6,362
	<u>38,544</u>	<u>30,834</u>
Assets held for sales	2,836	2,836
TOTAL ASSETS	<u>61,169</u>	<u>53,717</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022
(CONT'D)**

	(UNAUDITED) AS AT 30/06/2022 RM'000	(AUDITED) AS AT 31/12/2021 RM'000
Note		
EQUITY AND LIABILITIES		
Equity		
Share capital	52,643	39,642
Accumulated losses	(6,205)	(5,977)
Total equity attributable to Owners of the Company	46,438	33,665
Non-controlling interests	731	649
Total equity	47,169	34,314
Non-Current Liabilities		
Hire purchase payables	26 75	145
Lease liabilities	2,384	2,463
Deferred tax liabilities	3	3
	2,462	2,611
Current Liabilities		
Trade payables	7,022	5,849
Other payables and accruals	2,352	8,780
Contingent consideration	1,374	1,374
Hire purchase payables	26 139	136
Lease liabilities	237	314
Income tax liabilities	414	339
	11,538	16,792
Total liabilities	14,000	19,403
TOTAL EQUITY AND LIABILITIES	61,169	53,717
Net assets per share (sen) attributable to equity holders of the Company	14.61	11.65

(The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2021 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 CHANGES IN EQUITY FOR THE QUARTER ENDED 30 JUNE 2022

	-----Attributable to equity holder of the Company-----				
	Non-Distributable	Distributable		NON-CONTROLLING INTEREST	TOTAL EQUITY
	SHARE CAPITAL	ACCUMULATED (LOSSES)/ RETAINED PROFITS	TOTAL	RM'000	RM'000
	RM'000	RM'000	RM'000		
Balance at 1 January 2022	39,642	(5,977)	33,665	649	34,314
(Loss)/Profit and total comprehensive (expenses)/income for the period	-	(228)	(228)	82	(146)
Contribution by and distributions to owner of the Company					
- Issuance of shares	13,001	-	13,001	-	13,001
Balance as 30 June 2022	52,643	(6,205)	46,438	731	47,169
Balance at 1 January 2021	39,642	(10,795)	28,847	-	28,847
Profit/(Loss) and total comprehensive income/(expenses) for the period	-	4,801	4,801	(15)	4,786
Changes in composition of the Group					
- Issuance of shares	-	-	-	245	245
Balance at 30 June 2021	39,642	(5,994)	33,648	230	33,878

(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 2021 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 CASH FLOWS FOR THE QUARTER ENDED 30 JUNE 2022

	6 MONTHS ENDED	
	CURRENT PERIOD TO DATE 30/06/2022 RM'000	PRECEDING PERIOD TO DATE 30/06/2021 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES		
Profit/(Loss) before tax		
- continuing operations	422	22
- discontinued operations	(178)	5,092
	244	5,114
Adjustments for :-		
Depreciation of property, plant and equipment	148	51
Net depreciation of right of use asset	166	47
Gain on disposal of property, plant and equipment	-	(5,383)
Impairment loss on trade receivables	-	8
Interest expense	32	76
Interest income	(64)	(14)
Unrealised loss on foreign exchange	(132)	(47)
OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES	394	(148)
Inventories	(1,535)	-
Receivables	9,350	(304)
Payables	(5,126)	(6,548)
CASH FLOWS FROM/(FOR) OPERATIONS	3,083	(7,000)
Interest income received	64	14
Tax refund	195	-
Tax paid	(561)	(403)
NET CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES	2,781	(7,389)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES		
Decreased in fixed deposits pledged to licensed banks	-	981
Purchase of property, plant and equipment	(56)	(64)
Net proceeds from disposal of property, plant and equipment	-	10,159
Acquisition of subsidiary, net cash and cash equivalents acquired	-	245
Payment of contingent consideration	-	(1,435)
NET CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES	(56)	9,886
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	13,001	-
Interest paid	(32)	(76)
Repayment of hire purchase payables	(67)	(57)
Repayment of lease liability	(156)	(46)
NET CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES	12,746	(179)
NET CHANGES IN CASH AND CASH EQUIVALENTS	15,471	2,318
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	6,912	6,401
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	22,383	8,719

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(The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 December 2021 and the accompanying explanatory notes attached to the Quarterly Report.)

ARTRONIQ BERHAD

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2022

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 (“Bursa Securities”).

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 2021. 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 2021.

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 2021 except for the adoption of the following Amendments to MFRSs during the current financial period:

MFRSs and/or IC Interpretations (Including the Consequential Amendments)	Effective Date
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment—Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts—Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The initial application of the above Amendments to MFRSs and IC Int 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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2022

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.

9. Segmental Information

6 Months Ended 30 June 2022	<u>Continuing operations</u>				<u>Discontinued operations</u>			
	Investment Holding RM'000	ICT products RM'000	Inter- company elimination RM'000	Total RM'000	Resin compound for wire and cable RM'000	Resin compound for other industries RM'000	Inter- company elimination RM'000	Total RM'000
External revenue	-	96,321	-	96,321	-	-	-	-
Inter-segment revenue	120	2,567	(2,687)	-	-	-	-	-
Total revenue	120	98,888	(2,687)	96,321	-	-	-	-
Segment result	(1,523)	2,059	(60)	476	(100)	(103)	25	(178)
Finance cost	(3)	(51)	-	(54)	-	(35)	35	-
(Loss)/Profit before tax	(1,526)	2,008	(60)	422	(100)	(138)	60	(178)
Segment assets	49,123	49,353	(41,093)	57,383	10,855	7,201	(14,270)	3,786
Segment liabilities	11,905	36,477	(35,253)	13,129	630	4,292	(4,051)	871

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2022

9. Segmental Information (Cont'd)

6 Months Ended 30 June 2021	<u>Continuing operations</u>				<u>Discontinued operations</u>			
	Investment Holding RM'000	ICT products RM'000	Inter- company elimination RM'000	Total RM'000	Resin compound for wire and cable RM'000	Resin compound for other industries RM'000	Inter- company elimination RM'000	Total RM'000
External revenue	-	102,947	-	102,947	-	-	-	-
Inter-segment revenue	120	-	(120)	-	-	-	-	-
Total revenue	120	102,947	(120)	102,947	-	-	-	-
Segment result	(1,460)	1,650	(74)	116	(118)	5,190	20	5,092
Finance cost	(68)	(26)	-	(94)	-	(54)	54	-
(Loss)/Profit before tax	(1,528)	1,624	(74)	22	(118)	5,136	74	5,092
Segment assets	38,682	34,022	(38,617)	34,087	10,773	10,529	(12,547)	8,755
Segment liabilities	10,340	27,235	(29,002)	8,573	376	7,347	(7,332)	391

Geographical reporting:

<u>Continuing operations</u>	<u>Quarter Ended</u>			<u>6 Months Ended</u>		
	30/06/2022 RM'000	30/06/2021 RM'000	Changes %	30/06/2022 RM'000	30/06/2021 RM'000	Changes %
Malaysia	8,578	9,809	-12.55%	17,586	12,364	42.24%
Asia	21,020	46,388	-54.69%	70,800	81,504	-13.13%
Middle East	3,995	1,608	148.45%	7,935	2,250	252.67%
America	-	3,401	-100.00%	-	6,786	-100.00%
Others	-	-	0.00%	-	43	-100.00%
	33,593	61,206	-45.11%	96,321	102,947	-6.44%

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

Other than 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 30 June 2022 and the date of this announcement.

11. Changes in Composition of the Group

On 27 May 2022, the Company had incorporated a new wholly owned subsidiary Company namely, Artroniq iTech Sdn. Bhd. ("iTech") in Malaysia under the Companies Act 2016. The issued and paid-up share capital of iTech is RM1.00 comprising 1 ordinary share. iTech is currently a dormant 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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2022

13. Capital Commitments

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

14. Comparatives

There were no changes in the comparatives of the Group during the current financial quarter.

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 below, there were no significant related party transactions of the Group for the financial period-todate:

	Quarter Ended 30/06/2022 RM'000	6 Months Ended 30/06/2022 RM'000
<u>Continuing operations</u>		
Transaction with a Company which a former director and major shareholder have interest:		
Services provided by former director's company	-	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 RM33.593 million for the current quarter ended 30 June 2022 ("2Q2022"), representing a decrease of approximately 45.1% as compared to the preceding year corresponding quarter ended 30 June 2021 ("2Q2021") of RM61.206 million. The Group incurred a profit before tax of RM0.531 million for 2Q2022 as compared to a profit before tax of RM0.020 million for 2Q2021.

ICT products:

Revenue decreased by 45.1% to RM33.593 million in 2Q2022 as compared to RM61.206 million in 2Q2021 was due to lower revenue contributed from local and Asia market. This business segment recorded a profit before tax of RM1.281 million for 2Q2022 as compared with a profit before tax of RM0.899 million for 2Q2021. The increase in profit was due to a higher gross profit margin 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 30 JUNE 2022

17. Comparison with Previous Quarter's Results

<u>Continuing operations</u>	Current Quarter	Revenue		Changes	Profit/(Loss) before tax		
		30/06/2022	Preceding Quarter		31/03/2022	Current Quarter	Preceding Quarter
Segment	RM'000	RM'000	RM'000	%	RM'000	RM'000	%
Investment holding	-	-	-	0.00%	(750)	(773)	2.98%
ICT products	33,593	62,728	-	-46.45%	1,281	664	92.92%
Total	33,593	62,728	-	-46.45%	531	(109)	587.16%

<u>Discontinuing operations</u>	Current Quarter	Revenue		Changes	Profit/(Loss) before tax		
		30/06/2022	Preceding Quarter		31/03/2022	Current Quarter	Preceding Quarter
Segment	RM'000	RM'000	RM'000	%	RM'000	RM'000	%
Resin compound for wire and cable	-	-	-	0.00%	(36)	(69)	47.83%
Resin compound for other industries	-	-	-	0.00%	(44)	(29)	-51.72%
Total	-	-	-	0.00%	(80)	(98)	18.37%

Continuing operations

For 2Q2022, the Group achieved revenue of RM33.593 million, representing a decrease of approximately 46.5% as compared to the previous quarter ended 31 March 2022 ("1Q2021") of RM62.728 million. The Group profit before tax of RM0.531 million in 2Q2022 as compared to 1Q2022 loss before tax of RM0.109 million. The increase in profit was mainly due to a higher gross profit margin in the quarter.

18. Prospects

The global economy remains uncertain for the second quarter of the year. Higher than expected inflation, especially in the United States and major European economies, is triggering a tightening of global financial conditions. China's slowdown has been worse than anticipated amid COVID-19 outbreaks and lockdowns, and there have been further negative spillovers from the war in Ukraine.

The Group continues 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 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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2022

20. (Loss)/Profit Before Tax

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

	Quarter Ended		6 Months Ended	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	75	29	148	51
Depreciation of right of use asset	83	22	166	47
Impairment loss on trade receivables	-	1	-	8
Interest expense	-	73	32	76
Gain on disposal of property, plant and equipment	-	(50)	-	(5,383)
Interest income	(47)	(11)	(64)	(14)
Unrealised loss/(gain) on foreign exchange	-	34	(132)	(47)
Realised gain on foreign exchange	(266)	(7)	(155)	(123)

21. Tax Expense

Tax expense comprise of the following:

	Quarter Ended		6 Months Ended	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
	RM'000	RM'000	RM'000	RM'000
Income tax				
Current year				
continuing operations	231	155	390	328
	<u>231</u>	<u>155</u>	<u>390</u>	<u>328</u>

The Group's effective tax rate for the financial period ended 30 June 2022 is higher than the statutory tax rate of 24% principally due to losses incurred by the investment holding operation.

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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 30/06/2022 RM'000	As At 30/06/2021 RM'000
Financial Assets		
<i><u>Fair value through profit or loss</u></i>		
Investment in unquoted share	-	1,000
At amortised cost		
Trade receivables	9,766	304
Other receivables and deposits	2,579	10,715
Fixed deposits with licensed banks	255	5,255
Cash and bank balances	22,383	3,717
	<u>34,983</u>	<u>19,991</u>
Total financial assets	<u>34,983</u>	<u>20,991</u>
Financial Liabilities		
<i><u>At amortised cost</u></i>		
Trade payables	7,022	585
Other payables and accruals	2,352	3,647
Contingent consideration	1,374	1,374
Bank borrowings	214	347
Lease liability	2,621	2,931
Total financial liabilities	<u>13,583</u>	<u>8,884</u>

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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2022

24. Cash and Cash Equivalents

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

	As At 30/06/2022 RM'000	As At 30/06/2021 RM'000
Fixed deposits with licensed banks		
- continuing operations	255	553
- discontinued operations	-	4,702
Cash and bank balances		
- continuing operations	21,582	2,745
- discontinued operations	801	972
Less: Fixed deposits pledged to licensed banks	<u>22,638</u>	<u>8,972</u>
- continuing operations	(255)	(253)
	<u>22,383</u>	<u>8,719</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**(i) Proposed Placement**

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"). 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.

The Placement has been completed on 28 January 2022 following the listing of and quotation for 28,893,200 Shares on the ACE Market of Bursa Securities.

The status of the utilisation of the proceeds raised from the private placement of 28,893,200 shares at an issue price of RM0.45 per share amounting to RM13,001,940 is as follows:

Purposes:	Proposed utilisation of proceeds RM'000	Amount utilisation RM'000	Balance to be utilised RM'000	Utilisation timeframe
Purchase of inventories for its				
ICT Business	11,302	(3,000)	8,302	Within 36 months
Working capital	1,200	(1,200)	-	Within 36 months
Estimated expenses	500	(171)	⁽ⁱ⁾ 329	Within 1 month
	<u>13,002</u>	<u>(3,576)</u>	<u>9,426</u>	

Note: -

- (i) The surplus will be allocated to the purchases of inventories for the ICT Business.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2022

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

(ii) Proposed Acquisition of Artroniq Innovation Sdn. Bhd.

The Company had on 12 April 2022 entered into a conditional shares sale agreement with Heng Chip Hian and Seniq Kinetic Sdn Bhd for the proposed acquisition of the remaining 49% equity interest in Artroniq Innovation Sdn. Bhd. (“AISB”) for a purchase consideration of RM14.7 million, which shall be fully satisfied via the issuance and allotment of 26,068,451 ordinary shares in Artroniq at an issue price of RM0.5639 each.

An extension of time to submit the draft circular in relation to the proposed acquisition of AISB has been submitted on 10 June 2022 to Bursa Securities to comply with Rule 9.32(1)(a) of the Listing Requirements of Bursa Securities.

(iii) Proposed Establishment of an Employees’ Share Option Scheme (“ESOS”)

The Company had on 2 June 2022 proposed to undertake the establishment of an ESOS involving 30% of the Company’s total number of issued shares (excluding treasury shares, if any) at any point of time during the duration of the ESOS for eligible directors and employees of the Group (excluding dormant subsidiaries).

The listing application in respect of the proposed establishment of an ESOS has been submitted to Bursa Securities on 1 August 2022.

(iv) Proposed Acquisition of Fujim Digital Sdn. Bhd. and Proposed Diversification

The Company had on 15 July 2022 entered into a conditional shares sale agreement with Teoh Boon Thiam to acquire 156,000 ordinary shares in Fujim Digital Sdn. Bhd. (“FDSB”), representing 60.0% equity interest in FDSB, for a purchase consideration of RM12.0 million which will be satisfied via a cash consideration of RM6.0 million and RM6.0 million will be satisfied via issuance of new ordinary shares in the Company. Additionally, the Company also proposes to undertake the proposed diversification of the existing principal activities of the Company and its subsidiaries to include precision engineering, in conjunction with the Proposed Acquisition.

The listing application in respect of the proposed acquisition of FDSB and proposed diversification has been submitted to Bursa Securities on 1 August 2022.

(v) Proposed Acquisition of Paklin Venture Capital Sdn. Bhd.

The Company had on 22 July 2022 entered into a shares sale agreement with Khoo Ai Foong and Khoo Ai Chem to acquire 2,000,000 ordinary shares in Paklin Venture Capital Sdn. Bhd. (“PVCSB”) representing 100.0% equity interest in PVCSB, for a purchase consideration of RM1.6 million which will be satisfied entirely in cash.

The proposed acquisition of PVCSB is pending completion.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2022

26. Group Borrowings and Debt Securities

The Group borrowings as of 30 June 2022 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Non-current			
Hire purchase payables	75	-	75
Current			
Hire purchase payables	139	-	139
Total borrowings	214	-	214

No borrowing in foreign currency.

27. Material Litigation

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.

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27. Material Litigation (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.

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

28. Earning/(Loss) Per Share

	Quarter Ended		6 Months Ended	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
Profit/(Loss)				
Net profit/(loss) attributable to equity holders of the Company (RM'000)				
- continuing operations	407	(120)	(50)	(291)
- discontinued operations	(80)	(85)	(178)	5,092
	<u>327</u>	<u>(205)</u>	<u>(228)</u>	<u>4,801</u>
Basic				
Weighted average number of the ordinary shares in issue ('000)				
	<u>317,826</u>	<u>288,933</u>	<u>313,516</u>	<u>288,933</u>
Basic earning/(loss) per ordinary share (sen)				
- continuing operations	0.13	(0.04)	(0.01)	(0.10)
- discontinued operations	(0.03)	(0.03)	(0.06)	1.76
	<u>0.10</u>	<u>(0.07)</u>	<u>(0.07)</u>	<u>1.66</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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2022

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 19 August 2022.

BY ORDER OF THE BOARD OF
ARTRONIQ BERHAD