

ARTRONIQ BERHAD

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

(Incorporated in Malaysia)

SIXTH QUARTERLY REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2023**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER (18 Months Ended)	
	CURRENT YEAR QUARTER 30/6/2023 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/6/2022 RM'000	CURRENT YEAR TO DATE 30/6/2023 RM'000	PRECEDING YEAR TO DATE 30/6/2022 RM'000
<u>Continuing operations</u>				
Revenue	71	-	153,378	-
Cost of sales	2,899	-	(131,361)	-
Gross profit	2,970	-	22,017	-
Other income	102	-	2,333	-
Administrative expenses	(3,187)	-	(16,005)	-
Selling and distribution expenses	(116)	-	(1,461)	-
Other operating expenses	(15,632)	-	(15,632)	-
Profit/(Loss) from operations	(15,863)	-	(8,748)	-
Finance costs	(104)	-	(616)	-
Profit/(Loss) before tax	19 (15,967)	-	(9,364)	-
Tax expenses	20 572	-	(3,553)	-
Profit/(Loss) from continuing operations, net of tax	(15,395)	-	(12,917)	-
<u>Discontinued operations</u>				
Profit/(Loss) from discontinued operations, net of tax	2,475	-	1,803	-
Profit/(Loss) and total comprehensive income/(expense) for the period	(12,920)	-	(11,114)	-
Profit/(Loss) attributable to:				
Equity holder of the Company	(13,120)	-	(11,157)	-
Non-controlling interest	200	-	43	-
	(12,920)	-	(11,114)	-
Earning/(Loss) per share attributable to equity holders of the Company (sen):				
Basic and dilute	28			
- continuing operations	(4.75)	-	(3.95)	-
- discontinued operations	0.75	-	0.55	-
	(4.00)	-	(3.40)	-

Notes :

- The financial year end of the Group has been changed from 31 December to 30 June. As such, the next set of audited financial statements shall be for a period of eighteen (18) months from 1 January 2022 to 30 June 2023. There will be no comparative financial information available for the financial period ended 30 June 2023.
- 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 2023

	(UNAUDITED) AS AT 30/6/2023 RM'000	(AUDITED) AS AT 31/12/2021 RM'000
	Note	
ASSETS		
Non-Current Assets		
Property, plant and equipment	7,436	1,872
Other investment	56	-
Right of use asset	2,053	2,762
Goodwill	8,658	15,413
	<u>18,203</u>	<u>20,047</u>
Current Assets		
Inventories	2,018	1,345
Trade receivables	50,410	7,900
Other receivables, deposits and prepayments	13,326	14,018
Income tax assets	1,172	404
Fixed deposits with licensed banks	23 748	805
Cash and bank balances	23 4,898	6,362
	<u>72,572</u>	<u>30,834</u>
Assets held for sales	-	2,836
TOTAL ASSETS	<u>90,775</u>	<u>53,717</u>

(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.)

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023
(CONT'D)**

	(UNAUDITED) AS AT 30/6/2023 RM'000	(AUDITED) AS AT 31/12/2021 RM'000
Note		
EQUITY AND LIABILITIES		
Equity		
Share capital	58,643	39,642
(Accumulated loss)	(17,810)	(5,977)
Total equity attributable to Owners of the Company	40,833	33,665
Non-controlling interests	447	649
Total equity	41,280	34,314
Non-Current Liabilities		
Hire purchase payables	25 519	145
Long term borrowing	25 1,004	-
Lease liabilities	1,869	2,463
Deferred tax liabilities	124	3
	<u>3,516</u>	<u>2,611</u>
Current Liabilities		
Trade payables	36,829	5,849
Other payables and accruals	4,345	8,780
Contingent consideration	-	1,374
Hire purchase payables	25 949	136
Short term borrowing	25 1,001	-
Lease liabilities	463	314
Income tax liabilities	2,392	339
	<u>45,979</u>	<u>16,792</u>
Total liabilities	49,495	19,403
TOTAL EQUITY AND LIABILITIES	90,775	53,717
Net assets per share (sen) attributable to owner of the Company	<u>12.44</u>	<u>11.65</u>

(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

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

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIXTH QUARTER ENDED 30 JUNE 2023

	-----Attributable to owner of the Company-----				
	Non-Distributable	Distributable (ACCUMULATED LOSSES)/ RETAINED PROFITS	TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
	SHARE CAPITAL RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2022, previously stated	39,642	(5,977)	33,665	649	34,314
Prior year adjustment	-	8	8	-	8
Balance at 1 January 2022, restated	39,642	(5,969)	33,673	649	34,322
Profit/(Loss) and total comprehensive (expenses)/income for the period	-	(11,157)	(11,157)	43	(11,114)
Acquisition of new subsidiary	-	(27)	(27)	(245)	(272)
Contribution by and distributions to owner of the Company					
- Issuance of shares	19,001	-	19,001	-	19,001
Dividend	-	(657)	(657)	-	(657)
Balance as 30 June 2023	58,643	(17,810)	40,833	447	41,280
Balance at 1 January 2021	-	-	-	-	-
Profit/(Loss) and total comprehensive income/(expenses) for the period	-	-	-	-	-
Changes in composition of the Group					
- Issuance of shares	-	-	-	-	-
Balance at 30 June 2022	-	-	-	-	-

Notes :

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- 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

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(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIXTH QUARTER ENDED 30 JUNE 2023

	18 MONTHS ENDED	
	CURRENT PERIOD TO DATE 30/6/2023 RM'000	PRECEDING PERIOD TO DATE 30/6/2022 RM'000
Note		
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES		
Profit/(Loss) before tax		
- continuing operations	(9,363)	-
- discontinued operations	1,810	-
	<u>(7,553)</u>	<u>-</u>
Adjustments for :-		
Depreciation of property, plant and equipment	579	-
Net depreciation of right of use asset	581	-
Gain on disposal of property, plant and equipment	(2,705)	-
Impairment loss on property, plant and equipment	3	-
Impairment loss on goodwill	15,406	-
Interest expense	198	-
Interest income	(63)	-
Unrealised (gain)/loss on foreign exchange	(980)	-
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	<u>5,466</u>	<u>-</u>
Inventories	(559)	-
Receivables	(37,284)	-
Payables	23,650	-
CASH FLOWS (USED IN) OPERATIONS	<u>(8,727)</u>	<u>-</u>
Tax refund	194	-
Tax paid	(1,092)	-
NET CASH FLOWS (FOR) OPERATING ACTIVITIES	<u>(9,625)</u>	<u>-</u>
CASH FLOWS (FOR) INVESTING ACTIVITIES		
Increased in fixed deposits pledged to licensed banks	(488)	-
Purchase of property, plant and equipment	(876)	-
Acquisition of subsidiary, net cash and cash equivalents acquired	(7,040)	-
Interest received	59	-
Proceeds from sales of property, plant and equipment	5,674	-
NET CASH FLOWS (USED IN)/INVESTING ACTIVITIES	<u>(2,671)</u>	<u>-</u>

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIXTH QUARTER ENDED 30 JUNE 2023 (CONT'D)

	Note	18 MONTHS ENDED CURRENT PERIOD TO DATE 30/6/2023 RM'000	PRECEDING PERIOD TO DATE 31/3/2022 RM'000
CASH FLOWS GENERATED FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from issuance of ordinary shares		13,002	-
Interest paid		(198)	-
Dividends paid to shareholders		(657)	-
Repayment of term loans		(1,001)	-
Repayment of hire purchase payables		(364)	-
Repayment of lease liability		(499)	-
NET CASH FLOWS GENERATED FROM/(USED IN) FINANCING ACTIVITIES		10,283	-
NET CHANGES IN CASH AND CASH EQUIVALENTS		(2,013)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		6,911	-
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	24	4,898	-

Notes :

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- ii. 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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2023

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 2023**

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

During the current period ended 30 June 2023 and up to the date of this report, the Company paid and distributed the following dividends:

- (a) First interim single tier dividend of 0.2 sen per ordinary share amounting to RM0.66 million for the financial year ending 30 June 2023 paid on 7 April 2023.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED **30 JUNE 2023****9. Segmental Information**

18 Months Ended 30 June 2023	<u>Continuing operations</u>						<u>Discontinued operations</u>			
	Investment Holding RM'000	ICT products RM'000	Loan Financing RM'000	Semi Conductor 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	-	147,432	2,158	3,788	-	153,378	-	-	-	-
Inter-segment revenue	420	2,742	-	-	(3,162)	-	-	-	-	-
Total revenue	420	150,174	2,158	3,788	(3,162)	153,378	-	-	-	-
Segment result	(6,365)	(5,475)	1,745	1,524	(177)	(8,748)	1,173	569	76	1,818
Finance cost	(131)	(377)	(2)	(102)	(3)	(615)	(8)	(104)	104	(8)
(Loss)/Profit before tax	(6,496)	(5,852)	1,743	1,422	(180)	(9,363)	1,165	465	180	1,810
Segment assets	50,219	68,924	5,034	9,008	(47,300)	85,885	11,789	7,695	(14,594)	4,890
Segment liabilities	12,627	60,872	2,176	4,702	(31,249)	49,128	298	4,190	(4,121)	367

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED **30 JUNE** 2023**9. Segmental Information (Cont'd)**

18 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	-	-	-	-	-	-	-	-
Inter-segment revenue	-	-	-	-	-	-	-	-
Total revenue	-	-	-	-	-	-	-	-
Segment result	-	-	-	-	-	-	-	-
Finance cost	-	-	-	-	-	-	-	-
(Loss)/Profit before tax	-	-	-	-	-	-	-	-
Segment assets	-	-	-	-	-	-	-	-
Segment liabilities	-	-	-	-	-	-	-	-

Geographical reporting:

<u>Continuing operations</u>	Quarter Ended			18 Months Ended		
	30/6/2023 RM'000	30/6/2022 RM'000	Changes %	30/6/2023 RM'000	30/6/2022 RM'000	Changes %
Malaysia	(9,644)	-	-	24,682	-	-
Asia	9,253	-	-	85,729	-	-
Middle East	-	-	-	7,934	-	-
America	462	-	-	35,033	-	-
Others	-	-	-	-	-	-
	71	-	-	153,378	-	-

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED **30 JUNE 2023**

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

Other than those disclosed in Note 24 and Note 26, there were no events materially affecting the results of the Group for the financial period-to-date, which might have occurred between 30 June 2023 and the date of this announcement.

11. 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.

12. Capital Commitments

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

13. Comparatives

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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED **30 JUNE 2023****14. 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 30/6/2023 RM'000	18 Months Ended 30/6/2023 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	-	<u>3</u>

ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS FOR THE ACE MARKET OF THE BURSA MALAYSIA SECURITIES BERHAD**15. Review of Group Performance****Current Financial Quarter****Continuing operations**

The Group recorded a revenue of RM0.071 million for the current quarter ended 30 June 2023. The Group incurred a loss before tax of RM15.967 million for Qtr 6.

The decline in income and adverse cost of goods sold stems from product returns initiated by customers encountering manufacturing defects in the IT equipment. Consequently, these items were sent back to the supplier to avail the warranty.

SemiConductor:

Revenue of RM2.707 million for the current quarter ended 30 June 2023. This business segment recorded a profit before tax of RM0.816 million for 6Q2022.

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 2023

16. Comparison with Previous Quarter's Results

<u>Continuing operations</u>	Current Quarter 30/6/2023 RM'000	Revenue		Changes %	Profit/(Loss) before tax		
		Preceding Quarter 31/3/2023 RM'000	Preceding Quarter 31/3/2023 RM'000		Current Quarter 30/6/2023 RM'000	Preceding Quarter 31/3/2023 RM'000	Changes %
Investment holding	-	-	-	0.00%	(1,008)	(1,316)	-23.40%
ICT products	(4,667)	8,907	-	-152.39%	(17,518)	3,813	-559.43%
Loan Financing	2,031	98	-	1,972.44%	1,743	21	8200.00%
Semi Conductor	2,707	1,080	-	150.64%	816	605	34.88%
Total	71	10,085	-	-99.29%	(15,967)	3,123	-611.27%

<u>Discontinuing operations</u>	Current Quarter 30/6/2023 RM'000	Revenue		Changes %	Profit/(Loss) before tax		
		Preceding Quarter 31/3/2023 RM'000	Preceding Quarter 31/3/2023 RM'000		Current Quarter 30/6/2023 RM'000	Preceding Quarter 31/3/2023 RM'000	Changes %
Resin compound for wire and cable	-	-	-	0.00%	(21)	(58)	-63.79%
Resin compound for other industries	-	-	-	0.00%	1	(23)	-108.69%
Total	-	-	-	0.00%	(20)	(81)	-76.54%

Continuing operations

For 6Q2022, the Group achieved revenue of RM0.071 million, representing a decrease of approximately 99.29% as compared to the previous quarter ended 31 March 2023 ("5Q2022") of RM10.085 million. The Group loss before tax of RM15.967 million in 6Q2022 as compared to 5Q2022 profit before tax of RM3.123 million. The increase in loss was due to an impairment of goodwill for the current quarter.

The decline in income and adverse cost of goods sold stems from product returns initiated by customers encountering manufacturing defects in the IT equipment. Consequently, these items were sent back to the supplier to avail the warranty.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED **30 JUNE 2023**

17. Prospects

Malaysia has been a significant player in the semiconductor industry for several decades and has shown promising prospects in this sector. Malaysia has actively pursued strategies to attract semiconductor companies, develop its local semiconductor ecosystem, and strengthen its position as a global semiconductor hub. Here are some key factors that contribute to Malaysia's prospects in the semiconductor industry:

1. **Established Semiconductor Ecosystem:** Malaysia has developed a robust semiconductor ecosystem comprising semiconductor manufacturers, assembly and testing companies, research and development centers, and supporting industries. This ecosystem offers a wide range of capabilities and services, making it an attractive destination for semiconductor companies.
2. **Strong Government Support:** The Malaysian government has been proactive in supporting the growth of the semiconductor industry. It has implemented various initiatives such as tax incentives, grants, and infrastructure development programs to attract foreign direct investments and encourage local companies to participate in the industry.
3. **Strategic Location:** Malaysia's strategic location in Southeast Asia provides easy access to major markets, including Asia-Pacific and the Middle East. This geographical advantage allows semiconductor companies in Malaysia to serve a wide customer base efficiently.

The Group anticipates the challenges may face in the Malaysian semiconductor industry in 2023, including that the semiconductor industry is highly dynamic, influenced by various global factors, technological advancements, and market conditions. While Malaysia has favorable prospects, it will need to continue adapting and evolving to remain competitive in the rapidly changing semiconductor landscape.

18. 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** 2023**19. Profit/(Loss) Before Tax**

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

	Quarter Ended		18 Months Ended	
	30/6/2023	30/6/2022	30/6/2023	30/6/2022
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	248	-	791	-
Depreciation of right of use asset	75	-	451	-
Interest expense	69	-	421	-
Gain on disposal of property, plant and equipment	(248)	-	(124)	-
Interest income	(6)	-	(79)	-
Unrealised loss/(gain) on foreign exchange	(538)	-	(976)	-
Realised loss/(gain) on foreign exchange	(13)	-	(573)	-

20. Tax Expense

Tax expense comprise of the following:

	Quarter Ended		18 Months Ended	
	30/6/2023	30/6/2022	30/6/2023	30/6/2022
	RM'000	RM'000	RM'000	RM'000
Income tax				
Current year				
continuing operations	(572)	-	3,553	-
	(572)	-	3,553	-

The Group's effective tax rate for the financial period ended 30 June 2023 is higher than the statutory tax rate of 24% principally due to losses incurred by the investment holding operation.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED **30 JUNE 2023****21. 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 30/6/2023 RM'000	As At 31/12/2021 RM'000
Financial Assets		
<i><u>Fair value through profit or loss</u></i>		
Investment in unquoted share	-	-
At amortised cost		
Trade receivables	50,410	7,900
Other receivables and deposits	13,326	13,755
Fixed deposits with licensed banks	748	805
Cash and bank balances	4,898	6,362
Total financial assets	69,382	28,822
Financial Liabilities		
<i><u>At amortised cost</u></i>		
Trade payables	36,829	5,849
Other payables and accruals	4,345	8,780
Contingent consideration	-	1,374
Bank borrowings	3,473	281
Lease liability	2,333	2,777
Total financial liabilities	46,980	19,061

22. Fair Value Information

At the end of the reporting period, except for disclosed in Note 21 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 2023****23. Cash and Cash Equivalents**

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

	As At 30/6/2023 RM'000	As At 31/12/2021 RM'000
Fixed deposits with licensed banks		
- continuing operations	748	255
- discontinued operations	-	550
Cash and bank balances		
- continuing operations	4,828	6,092
- discontinued operations	70	270
Less: Fixed deposits pledged to licensed banks	<u>5,646</u>	<u>7,167</u>
- continuing operations	<u>(748)</u>	<u>(255)</u>
	<u>4,898</u>	<u>6,912</u>

Fixed deposits of the Group totaling of RM0.748 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.

24. 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	(11,631)	(329)	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>(13,002)</u>	<u>-</u>	

Note: -

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

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24. Status of Corporate Proposals Announced (Cont'd)**(ii) Proposed Acquisition of Artroniq Innovation Sdn. Bhd.**

The Company has on 15 February 2023 entered into a sales and purchase agreement with Mr. Heng Chip Hian and Seniq Kinetic Sdn Bhd (“Vendors”) to acquire the remaining 49% equity interest in AISB for a purchase consideration of RM245,000.00 with the view to fully consolidate the financial result of AISB. The said acquisition was completed on 10 March 2023.

(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).

As of 31st March 2023, the company has yet to allot any ESOS options or shares to any directors or employees.

(iv) Proposed Disposal of MHT Manufacturing Sdn. Bhd. and Plascable Polymer Sdn. Bhd.

The Company had on 5 July 2022 entered into a conditional sale and purchase agreement with Plastrade Materials Technology Sdn. Bhd. (“PMSB”) to proposed disposal of a freehold land held by MHT Manufacturing Sdn. Bhd. (“MHT”) under H.S.(D) 177841, PTD 52064, Mukim of Tebrau, District of Johor Bahru, State of Johor Darul Ta’zim together with all the fixed assets, buildings and structures thereon refer to (“Property 1”) for a cash consideration of RM3.25 million.

The same agreement with PMSB to proposed disposal of unexpired term of the lease granted over all the parcel of land held by Plascable Polymer Sdn. Bhd. (“PCP”) under GRN 459974, Lot 44892, Mukim of Tebrau, District of Johor Bahru, State of Johor Darul Ta’zim together with all the fixed assets, buildings and structures hereby refer to (“Property 2”) for a cash consideration of RM2.25 million.

The following Plascable Polymer Sdn. Bhd. (“PCP”) receipt of the supplemental letter regard to SPA 2 on 7th November 2022 hence forth all conditions precedent for the SPA 2 have been fulfilled accordingly and has become unconditional on 2nd December 2022. Following the payment of the Balance Disposal Consideration for SPA 2 to PCP by the Purchaser on 24 February 2023, the proposed disposal of Property 2 has been completed.

The proposed disposal of MHT and the Purchaser had on 30th December 2022 mutually agreed to extend the Conditional Period for the SPA 1 to 30th April 2023 to fulfill the conditional precedent for the SPA1. On 28th April 2023, all conditions precedent for SPA 1 have been fulfilled and accordingly, SPA 1 has become unconditional. Following the payment of the Balance Disposal Consideration for SPA 1 to MHT by the Purchaser on 7 July 2023, the proposed disposal of Property 1 has been completed.

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24. Status of Corporate Proposals Announced (Cont'd)**(v) Proposed Acquisition of Fujim Digital Sdn. Bhd.**

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 company had on 6th January 2023 completed the proposed acquisition following the completion of all deliverables by TBT to Artroniq's solicitors on the even date. On 3rd January 2023, the consideration of shares were listed and RM6.0 million cash consideration was paid by Artroniq to TBT's solicitors on the same date.

(vi) 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 Chern 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 Company on 7 November 2022 for proposed acquisition of PVCSB had paid the Purchase Consideration to the vendors and accordingly, the proposed acquisition has been completed on even date.

(vii) Proposed Private Placement 2023

On 13 February 2023, the Company submitted its application to Bursa Securities for Proposed Placement of up to 20% of total number of issued shares. Bursa Securities has vide its letter dated 18 April 2023 to approve listing of up to 65,659,400 new Shares to be issued pursuant to the Proposed Private Placement.

The Placement has been completed on 6 July 2023 following the listing of 65,659,400 Placement Shares on the ACE Market of Bursa Securities on even date.

(viii) Bonus Issue of Warrants

The Company had proposed to undertake a bonus issue of warrants on a basis of one (1) Warrant for every two (2) ordinary shares in the Company held by the entitled shareholders on 14 July 2023. The listing application in respect of the Proposed Bonus Issue of Warrants has been submitted to Bursa Securities on 13 February 2023 and Bursa Securities has approved listing up to 196,978,202 new Shares to be issued pursuant to the exercise of the Warrants.

The Proposed Bonus Issue of Warrants has been completed on 26 July 2023 following the listing of 196,978,200 Warrants on the ACE Market of Bursa Securities on even date.

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The Group borrowings as of 30 June 2023 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Non-current			
Hire purchase payables	519	-	519
Term Loan	1,004	-	1,004
	<u>1,523</u>	<u>-</u>	<u>1,523</u>
Current			
Hire purchase payables	945	-	945
Term Loan	1,001	-	1,001
	<u>1,946</u>	<u>-</u>	<u>1,946</u>
Total borrowings			
Hire purchase payables	1,464	-	1,464
Term Loan	2,005	-	2,005
	<u>3,469</u>	<u>-</u>	<u>3,469</u>

No borrowing in foreign currency.

26. 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.

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27. Material Litigation (Cont'd)

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.

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.

Ravago had filed the Notice of Discontinuance on 30 March 2023 and the matter has been withdrawn without liberty to file afresh and with no order as to costs.

The above litigation case has since been deemed resolved

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED **30 JUNE 2023****28. Earning/(Loss) Per Share**

	Quarter Ended		18 Months Ended	
	30/6/2023	30/6/2022	30/6/2023	30/6/2022
Profit/(Loss)				
Net profit/(loss) attributable to equity holders of the Company (RM'000)				
- continuing operations	(15,595)	-	(12,960)	-
- discontinued operations	2,475	-	1,803	-
	<u>(13,120)</u>	<u>-</u>	<u>(11,157)</u>	<u>-</u>
Basic				
Weighted average number of the ordinary shares in issue ('000)	328,297	-	328,297	-
Basic earning/(loss) per ordinary share (sen)				
- continuing operations	(4.75)	-	(3.95)	-
- discontinued operations	0.75	-	0.55	-
	<u>(4.00)</u>	<u>-</u>	<u>(3.40)</u>	<u>-</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. Effects of a Business Combination

On 6th January 2023, the company acquired a controlling 60% interest in the equity shares of Fujim Digital Sdn Bhd. Fujim Digital Sdn Bhd operates in the semiconductor industry, with trading, manufacturing and design of jig and fixture, precision tooling component, machinery parts and related products. By combining the semiconductor operations of Fujim Digital Sdn Bhd, the Group expects to extract synergies for the combined operations, which would lead to cost reductions and other economies of scale.

The cost of the combination amounted to RM12,000,000.00 and this consisted of the following components:

	RM
(i) Cash consideration	6,000,000
(ii) 10,471,204 ordinary shares of the Company	<u>6,000,000</u>
	<u>12,000,000</u>

The fair value of the 10,471,204 ordinary shares issued as part of the consideration paid for Fujim Digital Sdn Bhd was determined on the basis of the estimated fair value of the company's ordinary shares of RM0.573 per share on the acquisition date.

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29. Effects of a Business Combination (Cont'd)

The recognised amounts of classes of assets , and liabilities of Fujim Digital Sdn Bhd at the acquisition date were as follows:

	As at 30 June 2023 RM '000
Property, plant and equipment	4,843
Other Investment	133
Inventories	112
Trade and other receivables	2,365
Cash and cash equivalents	920
Total Assets	<u>8,373</u>
Trade and other payables	(338)
Term Loan	(2,652)
Hire purchase payables	(1,159)
Tax liabilities	(429)
Total Identifiable net assets acquired	<u>3,795</u>
Non-controlling interest share of net assets	<u>(1,564)</u>
Parent's share of net assets	2,231
Goodwill on combination	8,658
Minority interest	<u>1,111</u>
Cost of combination	<u>12,000</u>

Net cash outflows, net of cash acquired, presented as investing activities in the Group statement of cash flows

Fujim- investing activities	(5,080)
Fujim- non -controlling interest share of net assets	(1,564)
Fujim-Minority interest	(396)
	<u>(7,040)</u>

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30. Proposed Dividend

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

31. 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 30 August 2023.

BY ORDER OF THE BOARD OF
ARTRONIQ BERHAD