

ARTRONIQ BERHAD

(Formerly known as PLASTRADE TECHNOLOGY 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 SEPTEMBER 2020

| | Note | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|------|--|---|--|--|
| | | CURRENT YEAR QUARTER 30/09/2020 RM'000 | PRECEDING YEAR CORRESPONDING QUARTER 30/09/2019 RM'000 | CURRENT YEAR TO DATE 30/09/2020 RM'000 | PRECEDING YEAR TO DATE 30/09/2019 RM'000 |
| <u>Continuing operations</u> | | | | | |
| Revenue | | 57,762 | 33,987 | 109,331 | 73,344 |
| Cost of sales | | (56,011) | (33,129) | (106,504) | (71,602) |
| Gross profit | | 1,751 | 858 | 2,827 | 1,742 |
| Other income | | 1 | (188) | 6 | 100 |
| Administrative expenses | | (804) | (340) | (2,099) | (1,542) |
| Selling and distribution expenses | | (1,066) | (34) | (1,210) | (125) |
| Other operating expenses | | (1,600) | - | (1,600) | - |
| Finance costs | | (99) | (99) | (134) | (111) |
| (Loss)/Profit before tax | 20 | (1,817) | 197 | (2,210) | 64 |
| Tax (expense)/income | 21 | (90) | 7 | (204) | (240) |
| (Loss)/Profit from continuing operations, net of tax | | (1,907) | 204 | (2,414) | (176) |
| <u>Discontinued operations</u> | | | | | |
| Loss from discontinued operations, net of tax | | (2,346) | (527) | (3,169) | (1,298) |
| Loss and total comprehensive loss for the period | | (4,253) | (323) | (5,583) | (1,474) |
| Loss attributable to: | | | | | |
| Equity holder of the Company | | (4,253) | (323) | (5,583) | (1,474) |
| Non-controlling interest | | - | - | - | - |
| (Loss)/Earnings per share attributable to equity holders of the Company (sen): | | | | | |
| Basic and diluted | 28 | | | | |
| - continuing operations | | (0.73) | 0.11 | (0.92) | (0.09) |
| - discontinued operations | | (0.89) | (0.28) | (1.21) | (0.70) |
| | | (1.62) | (0.17) | (2.13) | (0.79) |

(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 2019 and the accompanying explanatory notes attached to the Quarterly Report.)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

| | (UNAUDITED) AS AT 30/09/2020 RM'000 | (AUDITED) AS AT 31/12/2019 RM'000 |
|--|--|--|
| Note | | |
| ASSETS | | |
| Non-Current Assets | | |
| Property, plant and equipment | 7,941 | 9,157 |
| Investment in unquoted share | 2,400 | 4,000 |
| Goodwill on consolidation | 15,413 | 5,275 |
| Right of use asset | 59 | 139 |
| Intangible assets | - | 49 |
| | <u>25,813</u> | <u>18,620</u> |
| Current Assets | | |
| Inventories | 3,994 | 4,966 |
| Trade receivables | 3,484 | 2,255 |
| Other receivables, deposit and prepayments | 4,387 | 1,037 |
| Income tax assets | 300 | 195 |
| Fixed deposits with licensed banks | 344 | 164 |
| Cash and bank balances | 2,603 | 6,769 |
| | <u>15,112</u> | <u>15,386</u> |
| TOTAL ASSETS | <u>40,925</u> | <u>34,006</u> |
| EQUITY AND LIABILITIES | | |
| Equity Attributable to Equity Holders of the Company | | |
| Share capital | 35,731 | 27,722 |
| Retained (loss)/profits | (4,552) | 1,031 |
| Total equity | <u>31,179</u> | <u>28,753</u> |
| Non-Current Liabilities | | |
| Contingent consideration | 1,374 | - |
| Lease liability | - | 36 |
| Long term borrowings | 26 217 | 300 |
| Deferred tax liabilities | 4 | 27 |
| | <u>1,595</u> | <u>363</u> |
| Current Liabilities | | |
| Trade payables | 2,808 | 1,426 |
| Other payables and accruals | 3,633 | 2,165 |
| Contingent consideration | 1,435 | 916 |
| Income tax liabilities | 77 | 47 |
| Lease liability | 62 | 105 |
| Short term borrowings | 26 136 | 231 |
| | <u>8,151</u> | <u>4,890</u> |
| Total liabilities | <u>9,746</u> | <u>5,253</u> |
| TOTAL EQUITY AND LIABILITIES | <u>40,925</u> | <u>34,006</u> |
| Net assets per share (sen) attributable to equity holders of the Company | <u>11.87</u> | <u>15.43</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 2019 and the accompanying explanatory notes attached to the Quarterly Report.)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 30 SEPTEMBER 2020

| | < ----- Attributable to equity holders of the Company ----- > | | |
|--|---|---|-------------------------|
| | Non-Distributable | Distributable | |
| | SHARE CAPITAL RM'000 | RETAINED (LOSS)/PROFITS RM'000 | TOTAL RM'000 |
| Balance at 01 January 2020 | 27,722 | 1,031 | 28,753 |
| Loss and total comprehensive loss for the period | - | (5,583) | (5,583) |
| Contribution by and distributions to owner of the Company: | | | |
| - Issuance of shares | 8,009 | - | 8,009 |
| Balance at 30 September 2020 | 35,731 | (4,552) | 31,179 |
| | | | |
| Balance at 01 January 2019 | 27,722 | 3,262 | 30,984 |
| Loss and total comprehensive loss for the period | - | (1,474) | (1,474) |
| Balance at 30 September 2019 | 27,722 | 1,788 | 29,510 |

(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 2019 and the accompanying explanatory notes attached to the Quarterly Report.)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 30 SEPTEMBER 2020

| | 9 MONTHS ENDED | |
|--|---|---|
| | CURRENT YEAR TO DATE 30/09/2020 RM'000 | PRECEDING YEAR TO DATE 30/09/2019 RM'000 |
| CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES | | |
| (Loss)/Profit before tax | | |
| - continuing operations | (2,210) | 64 |
| - discontinued operations | (3,192) | (1,302) |
| | (5,402) | (1,238) |
| Adjustments for :- | | |
| Depreciation of property, plant and equipment | 493 | 535 |
| Depreciation of right of use asset | 73 | 44 |
| Amortisation of intangible assets | 49 | - |
| Gain on disposal of property, plant and equipment | - | (20) |
| Impairment loss on property, plant and equipment | 745 | - |
| Impairment loss on investment in unquoted share | 1,600 | - |
| Impairment loss on trade receivables | 4 | - |
| Reversal of impairment loss on trade receivables | (593) | (429) |
| Reversal of inventories previously written down | (37) | - |
| Interest expense | 103 | 343 |
| Interest income | (18) | (63) |
| Inventories written down | - | 97 |
| Property, plant and equipment written off | - | 5 |
| Unrealised gain on foreign exchange | (18) | (25) |
| | (3,001) | (751) |
| OPERATING LOSS BEFORE WORKING CAPITAL CHANGES | | |
| Inventories | 1,009 | 2,476 |
| Trade and other receivables | (3,995) | 5,256 |
| Trade and other payables | 2,874 | (144) |
| | (3,113) | 6,837 |
| CASH (FOR)/FROM OPERATIONS | | |
| Interest received | 18 | 63 |
| Tax refund | - | 612 |
| Tax paid | (280) | (470) |
| | (3,375) | 7,042 |
| NET CASH (FOR)/FROM OPERATING ACTIVITIES | | |
| CASH FLOWS FOR INVESTING ACTIVITIES | | |
| Fixed deposits pledged to licensed banks | (180) | 1,169 |
| Purchase of property, plant and equipment | (22) | (101) |
| Proceeds from disposal of plant and equipment | - | 310 |
| Payment of contingent consideration | (1,000) | (2,010) |
| Acquisition of business undertaking, net of cash and cash equivalents acquired | 679 | - |
| | (523) | (632) |
| NET CASH FOR INVESTING ACTIVITIES | | |
| CASH FLOWS FOR FINANCING ACTIVITIES | | |
| Interest paid | (19) | (232) |
| Repayment of hire purchase payables | (80) | (367) |
| Repayment of lease liability | (70) | (45) |
| Net repayment of bankers' acceptance | - | (6,125) |
| | (169) | (6,769) |
| NET CASH FOR FINANCING ACTIVITIES | | |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (4,067) | (359) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 6,645 | 2,858 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 2,578 | 2,499 |

(The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 December 2019 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 SEPTEMBER 2020

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”), IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board and Paragraph 9.22 of the Main 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 2019. 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 2019.

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 2019 except for the adoption of the following Amendments to MFRSs during the current financial period:

- Amendments to References to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 3: Definition of a Business
- Amendments to MFRS 101 and MFRS 108: Definition of Material
- Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform
- Amendments to MFRS 16: Covid-19-Related Rent Concessions

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 except the following under financial period-to-date:

On 18 March 2020, the Company issued 76,266,000 new ordinary shares at RM0.105 per share for a total consideration of RM8.009 million as part of purchase consideration for acquisition of the business undertakings in EA Comtronix Sdn Bhd (“EAC”) as disclosed in Note 25.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2020

8. Dividend Paid

There was no dividend paid during the current financial quarter.

9. Segmental Information

| Quarter Ended 30 September 2020 | <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 | - | 57,762 | - | 57,762 | - | 69 | - | 69 |
| Inter-segment revenue | 30 | - | (30) | - | 2 | - | (2) | - |
| Total revenue | 30 | 57,762 | (30) | 57,762 | 2 | 69 | (2) | 69 |
| Segment result | (2,026) | 347 | (39) | (1,718) | (1,265) | (1,086) | 8 | (2,343) |
| Finance cost | (87) | (12) | - | (99) | - | (34) | 31 | (3) |
| (Loss)/Profit before tax | (2,113) | 335 | (39) | (1,817) | (1,265) | (1,120) | 39 | (2,346) |
| | | | | | | | | |
| Quarter Ended 30 September 2019 | 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 | - | 33,987 | - | 33,987 | 3,023 | 1,107 | - | 4,130 |
| Inter-segment revenue | 30 | - | (30) | - | 8 | 200 | (208) | - |
| Total revenue | 30 | 33,987 | (30) | 33,987 | 3,031 | 1,307 | (208) | 4,130 |
| Segment result | (293) | 636 | (47) | 296 | (201) | (305) | 9 | (497) |
| Finance cost | (92) | (7) | - | (99) | (11) | (51) | 28 | (34) |
| (Loss)/Profit before tax | (385) | 629 | (47) | 197 | (212) | (356) | 37 | (531) |

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2020

9. Segmental Information (cont'd)

| 9 Months Ended 30 September 2020 | <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 | - | 109,331 | - | 109,331 | 2,086 | 215 | - | 2,301 |
| Inter-segment revenue | 90 | 1 | (91) | - | 13 | 283 | (296) | - |
| Total revenue | 90 | 109,332 | (91) | 109,331 | 2,099 | 498 | (296) | 2,301 |
| Segment result | (2,795) | 836 | (117) | (2,076) | (1,393) | (1,794) | 23 | (3,164) |
| Finance cost | (93) | (41) | - | (134) | (15) | (107) | 94 | (28) |
| (Loss)/Profit before tax | (2,888) | 795 | (117) | (2,210) | (1,408) | (1,901) | 117 | (3,192) |
| Segment assets | 36,732 | 19,554 | (28,798) | 27,488 | 13,815 | 8,578 | (8,956) | 13,437 |
| Segment liabilities | 8,603 | 15,380 | (16,249) | 7,734 | 1,418 | 7,525 | (6,931) | 2,012 |
| | | | | | | | | |
| 9 Months Ended 30 September 2019 | 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 | - | 73,344 | - | 73,344 | 15,833 | 2,924 | - | 18,757 |
| Inter-segment revenue | 90 | - | (90) | - | 27 | 1,691 | (1,718) | - |
| Total revenue | 90 | 73,344 | (90) | 73,344 | 15,860 | 4,615 | (1,718) | 18,757 |
| Segment result | (792) | 1,101 | (134) | 175 | (523) | (600) | 19 | (1,104) |
| Finance cost | (101) | (10) | - | (111) | (138) | (165) | 105 | (198) |
| (Loss)/Profit before tax | (893) | 1,091 | (134) | 64 | (661) | (765) | 124 | (1,302) |
| Segment assets | 26,707 | 3,678 | (15,472) | 14,913 | 16,871 | 10,911 | (5,349) | 22,433 |
| Segment liabilities | 3,272 | 25 | 800 | 4,097 | 3,060 | 7,467 | (6,788) | 3,739 |

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2020

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

| | Quarter Ended | | | 9 Months Ended | | |
|---------------------------------------|---------------|---------------|----------------|----------------|---------------|----------------|
| | 30/09/2020 | 30/09/2019 | Changes | 30/09/2020 | 30/09/2019 | Changes |
| | RM'000 | RM'000 | % | RM'000 | RM'000 | % |
| <u>Continuing operations</u> | | | | | | |
| Malaysia | 1,550 | 6,697 | -76.86% | 4,874 | 18,487 | -73.64% |
| ASEAN countries | 21,303 | 17,823 | 19.53% | 43,361 | 43,441 | -0.18% |
| China (including Hong Kong) | 10,037 | 8,274 | 21.31% | 22,131 | 9,426 | 134.79% |
| United Arab Emirates | 3,402 | 1,193 | 185.16% | 6,886 | 1,940 | 254.95% |
| USA | 20,689 | - | 100.00% | 30,999 | - | 100.00% |
| Others | 781 | - | 100.00% | 1,080 | 50 | 2060.00% |
| | 57,762 | 33,987 | 69.95% | 109,331 | 73,344 | 49.07% |
| <u>Discontinued operations</u> | | | | | | |
| Malaysia | 69 | 3,114 | -97.78% | 1,157 | 14,101 | -91.79% |
| ASEAN countries | - | 1,016 | -100.00% | 280 | 3,697 | -92.43% |
| Others | - | - | 100.00% | 864 | 959 | -9.91% |
| | 69 | 4,130 | -98.33% | 2,301 | 18,757 | -87.73% |

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

Save for those disclosed in Note 25, there were no events materially affecting the results of the Group for the financial period-to-date, which might have occurred between 30 September 2020 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 18 March 2020, the Company and its new wholly owned subsidiary, Artronix Sdn Bhd ("Artronix") have completed its acquisition of the business undertakings in EAC as disclosed in Note 25. Artronix commenced its business in 2nd quarter of 2020 and its principal activity is involved in importer and exporter of information and communication technology ("ICT") products.

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.

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 in current financial quarter.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2020

15. Significant Related Party Transactions

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 30/09/2020 RM'000 | 9 Months Ended 30/09/2020 RM'000 |
|--|---------------------------------------|--|
| <u>Discontinued operations</u> | | |
| Transaction in which the Major shareholder, Mr. Pua Kong Hoi, of the Company has interest: | | |
| <i>Plastrade Materials Technology Sdn Bhd</i> | | |
| - Purchase of goods | - | (150) |
| - Handling fees | 1 | 10 |
| | <hr/> | <hr/> |

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 RM57.762 million for the current quarter ended 30 September 2020 (3Q2020), representing an increase of approximately 70% as compared to the preceding year corresponding quarter ended 30 September 2019 (3Q2019) of RM33.987 million. The Group also recorded a loss before tax of RM1.817 million for 3Q2020 as compared to a profit before tax of RM0.197 million for 3Q2019.

ICT products:

Revenue increased by 70% to RM57.762 million in 3Q2020 as compared to 3Q2019 was due to contribution from new subsidiary, Artronix. This business recorded a profit before tax of RM0.335 million for 3Q2020 as compared with a profit before tax of RM0.629 million for 3Q2019. The decrease in profit was mainly due to change in geographical sales mix with supply chain disruption and lesser margin from product mix.

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.

Cumulative Quarter: 9 months ended 30 September 2020 compared to 9 months ended 30 September 2019**Continuing operations**

The Group's revenue had increased by 49% to RM109.331 million from RM73.344 million as compared to the preceding year ended 30 September 2019. The Group also recorded a loss before tax of RM2.21 million for 3Q2020 as compared to a profit before tax of RM0.064 million for 3Q2019. The increase in loss was mainly due to impairment loss on investment in unquoted share, corporate exercise expenses and lesser margin from product mix of ICT business.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2020

17. Comparison with Previous Quarter's Results

| Continuing operations | Revenue | | | (Loss)/Profit before tax | | |
|-----------------------|-----------------|-------------------|---------------|--------------------------|-------------------|-----------------|
| | Current Quarter | Preceding Quarter | | Current Quarter | Preceding Quarter | |
| Segment | 30/09/2020 | 30/06/2020 | Changes | 30/09/2020 | 30/06/2020 | Changes |
| | RM'000 | RM'000 | % | RM'000 | RM'000 | % |
| Investment holding | - | - | 0.00% | (2,152) | (371) | -480.05% |
| ICT products | 57,762 | 29,873 | 93.36% | 335 | 152 | 120.39% |
| Total | 57,762 | 29,873 | 93.36% | (1,817) | (219) | -729.68% |

| Discontinued operations | Revenue | | | Loss before tax | | |
|-------------------------------------|-----------------|-------------------|----------------|-----------------|-------------------|-----------------|
| | Current Quarter | Preceding Quarter | | Current Quarter | Preceding Quarter | |
| Segment | 30/09/2020 | 30/06/2020 | Changes | 30/09/2020 | 30/06/2020 | Changes |
| | RM'000 | RM'000 | % | RM'000 | RM'000 | % |
| Resin compound for wire and cable | - | 862 | -100.00% | (1,272) | (112) | -1035.71% |
| Resin compound for other industries | 69 | 102 | -32.35% | (1,074) | (416) | -158.17% |
| Total | 69 | 964 | -92.84% | (2,346) | (528) | -344.32% |

Continuing operations

For 3Q2020, the Group recorded a revenue of RM57.762 million, representing an increase of approximately 93% as compared to the previous quarter ended 30 June 2020 (2Q2020) of RM29.873 million. However, the Group recorded a loss before tax of RM1.817 million in 3Q2020 as compared to 2Q2020 of loss before tax of RM0.219 million. The increase in loss for 3Q2020 was mainly due to impairment loss on investment in unquoted share of RM1.6 million incurred in current financial quarter.

18. Prospects

The global economy has been in uncharted territory with the fallout from the COVID-19 pandemic. The Group is 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 2020.

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 SEPTEMBER 2020

20. (Loss)/Profit Before Tax

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

| | Quarter Ended | | 9 Months Ended | |
|---|---------------|------------|----------------|------------|
| | 30/09/2020 | 30/09/2019 | 30/09/2020 | 30/09/2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Depreciation of property, plant and equipment | 158 | 175 | 493 | 535 |
| Depreciation of right of use asset | 25 | 44 | 73 | 44 |
| Amortisation of intangible assets | 46 | - | 49 | - |
| Gain on disposal of property, plant and equipment | - | - | - | (20) |
| Property, plant and equipment written off | - | - | - | 5 |
| Impairment loss on property, plant and equipment | 745 | - | 745 | - |
| Impairment loss on investment in unquoted share | 1,600 | - | 1,600 | - |
| Impairment loss on trade receivables | - | - | 4 | 67 |
| Provision of litigation claim (Note 1) | - | - | 286 | - |
| Reversal of impairment loss on trade receivables | (166) | (293) | (593) | (429) |
| Inventories written down | - | 97 | - | 97 |
| Reversal of inventories previously written down | - | - | (37) | - |
| Interest expense | 90 | 94 | 103 | 211 |
| Interest income | (5) | (1) | (18) | (54) |
| Net loss/(gain) on foreign exchange | 117 | (18) | 20 | (24) |

*Note 1: Provision amount is arising from disclosure in Note 27.***21. Tax Expense/(Income)**

Tax expense/(income) comprise of the following:

| | Quarter Ended | | 9 Months Ended | |
|----------------------------|---------------|-------------|----------------|------------|
| | 30/09/2020 | 30/09/2019 | 30/09/2020 | 30/09/2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Income tax</u> | | | | |
| Current year | | | | |
| - continuing operations | 90 | 116 | 199 | 240 |
| - discontinued operations | - | - | - | - |
| Prior year | | | | |
| - continuing operations | - | (123) | 5 | - |
| - discontinued operations | - | (4) | - | (4) |
| <u>Deferred tax</u> | | | | |
| Prior year | | | | |
| - continuing operations | - | - | - | - |
| - discontinued operations | - | - | (23) | - |
| | 90 | (11) | 181 | 236 |

The Group's effective tax rate for financial period ended 30 September 2020 is within the range of statutory tax rate of 24%. Income tax expense is recognised based on management's best estimation.

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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 30/09/2020 RM'000 | As At 31/12/2019 RM'000 |
|---|-------------------------------|-------------------------------|
| Financial Assets | | |
| <i><u>Fair value through profit or loss</u></i> | | |
| Investment in unquoted share | 2,400 | 4,000 |
| <i><u>At amortised cost</u></i> | | |
| Trade receivables | 3,484 | 2,255 |
| Other receivables and deposits | 4,254 | 772 |
| Fixed deposits with licensed banks | 344 | 164 |
| Cash and bank balances | 2,603 | 6,769 |
| | <u>10,685</u> | <u>9,960</u> |
| Total financial assets | <u>13,085</u> | <u>13,960</u> |
| Financial Liabilities | | |
| <i><u>At amortised cost</u></i> | | |
| Trade payables | 2,808 | 1,426 |
| Other payables and accruals | 3,633 | 2,142 |
| Contingent consideration | 2,809 | 916 |
| Lease liability | 62 | 141 |
| Bank borrowings | 353 | 531 |
| | <u>9,665</u> | <u>5,156</u> |
| Total financial liabilities | <u>9,665</u> | <u>5,156</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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24. Cash and Cash Equivalents

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

| | As At 30/09/2020 RM'000 | As At 30/09/2019 RM'000 |
|---|-------------------------------|-------------------------------|
| Fixed deposits with licensed banks | | |
| - continuing operations | 344 | 155 |
| - discontinued operations | - | 760 |
| Cash and bank balances | | |
| - continuing operations | 1,101 | 642 |
| - discontinued operations | 1,502 | 2,080 |
| Bank overdrafts | | |
| - discontinued operations | (25) | (223) |
| | 2,922 | 3,414 |
| Less: Fixed deposits pledged to licensed banks | | |
| - continuing operations | (344) | (155) |
| - discontinued operations | - | (760) |
| | 2,578 | 2,499 |

Fixed deposits of the Group totaling of RM0.344 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 6 January 2020, the Company and its wholly owned subsidiary, Artronix have entered into a sale of business agreement (“SBA”) with EAC for the proposed acquisition of the business undertakings of EAC including the identified assets and liabilities for a purchase consideration of RM12 million, to be satisfied via a combination of new ordinary shares and cash. The cash consideration will only be fully satisfied provided Artronix shall achieve a profit after tax of RM1.5 million for the financial year ended 31 December 2020 and 31 December 2021 respectively. The acquisition has been completed on 18 March 2020 in accordance with the terms of the SBA.

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 is expected to be completed by the end of the 4th quarter of 2020. 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, Actgen Industry Sdn Bhd will pay the balance deposit within five (5) business days from the unconditional date and the balance purchase price will be paid within four (4) months from the unconditional date.

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.

On 28 August 2020, the Board of Directors had announced that the Company proposed to change its name from “Plastrade Technology Berhad” to “Artroniq Berhad” of which shareholders’ approval at the Extraordinary General Meeting held on 30 October 2020 had been obtained. The name of the Company has been changed to Artroniq Berhad with effect from 30 October 2020.

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26. Group Borrowings and Debt Securities

The Group borrowings as of 30 September 2020 are as follows:

| | Secured RM'000 | Unsecured RM'000 | Total RM'000 |
|------------------------------|-------------------|---------------------|-----------------|
| Long term borrowings | | | |
| Hire purchase payables | 217 | - | 217 |
| Short term borrowings | | | |
| Hire purchase payables | 111 | - | 111 |
| Bank overdrafts | 25 | - | 25 |
| | 136 | - | 136 |
| Total borrowings | | | |
| Hire purchase payables | 328 | - | 328 |
| Bank overdrafts | 25 | - | 25 |
| | 353 | - | 353 |

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 and fixed for Decision on 18 February 2021.

The above litigation case has no material impact to the Group.

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28. (Loss)/Earnings Per Share

| | Quarter Ended | | 9 Months Ended | |
|--|----------------|----------------|----------------|----------------|
| | 30/09/2020 | 30/09/2019 | 30/09/2020 | 30/09/2019 |
| (Loss)/Earnings | | | | |
| Net (loss)/profit attributable to equity holders of the Company (RM'000) | | | | |
| - continuing operations | (1,907) | 204 | (2,414) | (176) |
| - discontinued operations | (2,346) | (527) | (3,169) | (1,298) |
| | <u>(4,253)</u> | <u>(323)</u> | <u>(5,583)</u> | <u>(1,474)</u> |
| Basic | | | | |
| Weighted average number of the ordinary shares in issue ('000) | <u>262,666</u> | <u>186,400</u> | <u>262,666</u> | <u>186,400</u> |
| Basic (Loss)/Earnings per ordinary share (sen) | | | | |
| - continuing operations | (0.73) | 0.11 | (0.92) | (0.09) |
| - discontinued operations | (0.89) | (0.28) | (1.21) | (0.70) |
| | <u>(1.62)</u> | <u>(0.17)</u> | <u>(2.13)</u> | <u>(0.79)</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 26 November 2020.

BY ORDER OF THE BOARD OF
ARTRONIQ BERHAD