

TECHBOND GROUP BERHAD

201601019667 (1190604-M)
(Incorporated in Malaysia)



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 31 MARCH 2023⁽¹⁾

	Individual quarter		Cumulative quarter	
	Current year quarter 31/03/2023 RM'000	Preceding year quarter 31/03/2022 RM'000	Current year- to-date 31/03/2023 RM'000	Preceding year-to-date 31/03/2022 RM'000
Revenue	26,582	22,810	74,830	60,678
Cost of sales	(20,511)	(17,819)	(58,846)	(46,210)
Gross profit	6,071	4,991	15,984	14,468
Other income	606	1,737	861	2,457
Finance income	328	135	762	419
Gain on bargain purchase ⁽²⁾	1,647	-	1,647	-
Administration expenses	(4,210)	(2,591)	(9,349)	(7,025)
Distribution expenses	(1,000)	(761)	(2,802)	(1,927)
Finance cost	(120)	-	(120)	-
Other expenses	(1)	(111)	(1)	(120)
Profit before tax	3,321	3,400	6,982	8,272
Tax expense	(394)	(575)	(1,237)	(1,514)
Profit for the period	2,927	2,825	5,745	6,758
Other comprehensive income/(expense), net of tax:-				
Item that may be reclassify subsequently to profit or loss				
Foreign currency translation differences	64	102	(2)	151
Total comprehensive income for the period	2,991	2,927	5,743	6,909
Earnings per share (Note B10)				
- Basic (sen)	0.56	0.54	1.09	1.28
- Diluted (sen)	0.52	0.48	1.03	1.14

Note:-

- (1) The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2022 and the accompanying explanatory notes attached to the interim financial report.
- (2) A one-time accounting gain on bargain purchase arise when the Group acquires a business under Malaysian Financial Reporting Standards ("MRFSS") 3 in the current quarter and financial period-to-date under review.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023 ⁽¹⁾**

	Unaudited As at 31/03/2023 RM'000	Audited As at 30/06/2022 RM'000
ASSETS		
Non-current assets		
Investment property	12,334	12,357
Property, plant and equipment	96,020	49,765
Land use rights	7,920	6,630
Other receivables	29	29
Total non-current assets	116,303	68,781
Current assets		
Inventories	39,741	44,027
Trade receivables	22,981	18,243
Other receivables	6,608	6,408
Current tax assets	992	1,246
Cash and cash equivalents	29,694	39,140
Total current assets	100,016	109,064
TOTAL ASSETS	216,319	177,845
EQUITY AND LIABILITIES		
EQUITY		
Equity attributable to the owners of the Company:-		
Share capital	143,826	143,826
Merger deficit	(78,938)	(78,938)
Exchange translation reserve	7,282	7,284
Retained earnings	90,652	87,554
Total equity	162,822	159,726
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	10,987	1,534
Term loan	25,107	-
Total non-current liabilities	36,094	1,534

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023
(cont'd)⁽¹⁾**

	Unaudited As at 31/03/2023 RM'000	Audited As at 30/06/2022 RM'000
Current liabilities		
Trade payables	9,506	14,596
Other payables	5,341	1,849
Current tax liabilities	-	140
Term loan	2,556	-
Total current liabilities	<u>17,403</u>	<u>16,585</u>
Total liabilities	<u>53,497</u>	<u>18,119</u>
TOTAL EQUITY AND LIABILITIES	<u>216,319</u>	<u>177,845</u>
Net assets per share (RM) ⁽²⁾	0.31	0.30

Notes:-

- (1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2022 and the accompanying explanatory notes attached to the interim financial report.
- (2) The net assets per share is calculated based on the weighted average number of shares in issue of 529,397,000 as at 31 March 2023 and 529,395,000 as at 30 June 2022.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 31 MARCH 2023⁽¹⁾

	← Non-distributable →			Distributable	
	Share capital RM'000	Merger deficit RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
Balance as at 1 July 2021	143,821	(78,938)	6,578	79,003	150,464
Profit of the financial period	-	-	-	6,758	6,758
Other comprehensive income, net of tax	-	-	151	-	151
Total comprehensive income	-	-	151	6,758	6,909
Transactions with owners:-					
Dividends to owners of the company	-	-	-	(2,647)	(2,647)
Exercise of warrants conversion	5	-	-	-	5
Total transactions with owners	5	-	-	(2,647)	(2,642)
Balance as at 31 March 2022	143,826	(78,938)	6,729	83,114	154,731

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 31 MARCH 2023 (cont'd)⁽¹⁾

	← Non-Distributable →			Distributable	
	Share capital RM'000	Merger deficits RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
Balance as at 1 July 2022	143,826	(78,938)	7,284	87,554	159,726
Profit of the financial period	-	-	-	5,745	5,745
Other comprehensive expense, net of tax	-	-	(2)	-	(2)
Total comprehensive income	-	-	(2)	5,745	5,743
Transactions with owners:-					
Dividends to owners of the company	-	-	-	(2,647)	(2,647)
Exercise of warrants conversion	-	-	-	-	-
Total transactions with owners	-	-	-	(2,647)	(2,647)
Balance as at 31 March 2023	143,826	(78,938)	7,282	90,652	162,822

Note:-

- (1) The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2022 and the accompanying explanatory notes attached to the interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE THIRD QUARTER ENDED 31 MARCH 2023⁽¹⁾

	Current year- to-date 31/03/2023 RM'000	Preceding year-to-date 31/03/2022 RM'000
OPERATING ACTIVITIES		
Profit before taxation	6,982	8,272
Adjustments for:-		
Amortisation of land use rights	156	144
Depreciation of investment property	23	23
Depreciation of property, plant and equipment	2,538	2,209
Finance cost	120	-
Fair value gain on short-term demand deposits	(507)	(132)
Gain on disposal of property, plant and equipment	-	(1,010)
Gain on bargain purchase	(1,647)	-
Interest income	(255)	(287)
Net impairment loss on trade receivables	(20)	105
Net unrealised gain on foreign exchange	(171)	(742)
Operating profit before working capital changes	7,219	8,582
Changes in working capital:-		
Inventories	12,901	(1,053)
Receivables	2,804	(410)
Payables	(5,525)	(4,194)
Cash generated from operations	17,399	2,925
Tax paid	(110)	(1,197)
Finance income received	762	419
Net cash flows from operating activities	18,051	2,147
INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(51,311)	-
Purchase of property, plant and equipment	(1,132)	(1,788)
Proceeds from disposal of property, plant and equipment	-	1,087
Net cash flows used in investing activities	(52,443)	(701)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER ENDED 31 MARCH 2023 (cont'd)⁽¹⁾

	Current year- to-date 31/03/2023 RM'000	Preceding year-to-date 31/03/2022 RM'000
FINANCING ACTIVITIES		
Proceeds from conversion of warrants into ordinary shares	-	5
Dividend paid	(2,647)	(2,647)
Interest paid	(120)	-
Repayment of term loan	(337)	-
Drawdown of term loan	28,000	-
Net cash flows from/(used in) financing activities	<u>24,896</u>	<u>(2,642)</u>
CASH AND CASH EQUIVALENTS		
Net changes	(9,496)	(1,196)
Effect of foreign currency translation differences	50	(222)
At beginning of financial period	<u>39,140</u>	<u>38,022</u>
At end of financial period	<u>29,694</u>	<u>36,604</u>
Cash and cash equivalents at the end of the financial period comprises:-		
Cash and bank balances	15,900	9,817
Fixed deposits with licensed banks	9,587	-
Short-term demand deposits	<u>4,207</u>	<u>26,787</u>
	<u>29,694</u>	<u>36,604</u>

Note:-

- (1) The Unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2022 and the accompanying explanatory notes attached to the interim financial report

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING**A1. Basis of preparation**

The interim financial report of the Group is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) (“Listing Requirements”).

This interim financial report should be read in conjunction with the Group audited financial statements for the financial year ended 30 June 2022 and the accompanying explanatory notes attached to this interim financial report.

A2. Standards issued but not yet effective

The new and amended standards that are issued but not yet effective up to the date of issuance of the Group’s and the Company’s financial statements are disclosed below. The Group and the Company intend to adopt these new and amended standards, if applicable, when they become effective:-

Amendments to MFRSs effective 1 January 2022:

Amendments to MFRS 3	References to the Conceptual Framework
Amendments to MFRS 116*	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Provision, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvement to MFRS Standards 2018 – 2020	

MFRSs and Amendments to MFRSs effective 1 January 2023:

Amendments to MFRS 4*#	Insurance Contracts - Extension of the Temporary Exemption from Applying MFRS 9
MFRS 17*# and Amendments to MFRS 17*#	Insurance Contracts and amendment to MFRS 17 Insurance Contracts
Amendments to MFRS 17*	Initial Application of MFRS 17 and MFRS 9 - Comparative Information
Amendments to MFRS 101	Presentation of Financial Statements - Classification of Liabilities as Current or Non-current
Amendments to MFRS 101	Presentation of Financial Statements - Disclosure of Accounting Policies
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates
Amendments to MFRS 112*#	Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (cont'd)

A2. Standards issued but not yet effective (cont'd)

Amendments to MFRSs – effective date deferred indefinitely:

MFRS 10*# and 128*#	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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* Not applicable to the Company's operation

Not applicable to the Group's operation

The initial application of the above applicable standards and amendments are not expected to have any significant impacts to the financial statements.

A3. Auditors' report

There was no qualification on the audited financial statements of the Group for the financial year ended 30 June 2022.

A4. Seasonal or cyclical factors

The business operations of the Group were not materially affected by any seasonal and cyclical factors during the current quarter and financial period-to-date under review.

A5. Material unusual items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the current quarter under review.

A6. Material changes in estimates

There were no changes in estimates that have a material effect in the current quarter and financial period-to-date under review.

A7. Debt and equity securities

There were no issuance, cancellation, repurchase, resale or repayment of debt and equity securities for the current quarter and financial period-to-date under review.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (cont'd)**A8. Dividend paid**

On 28 October 2022, the Directors declared a final single-tier interim dividend of 0.5 sen per ordinary share amounting to RM2,646,986 in respect of financial year ended 30 June 2022. The dividend was paid on 17 January 2023.

A9. Segmental information

The Group's operating segments are adhesives, sealants and supporting products and services. These operating segments are required to be organised and managed for the purpose of making decisions about resource allocation and performance assessment. The segmental results are as follows:-

	Individual quarter		Cumulative quarter	
	Current year quarter 31/03/2023 RM'000	Preceding year quarter 31/03/2022 RM'000	Current year- to-date 31/03/2023 RM'000	Preceding year- to-date 31/03/2022 RM'000
Revenue				
Adhesives and sealants	25,294	21,810	71,307	57,660
Supporting products and services	1,288	1,000	3,523	3,018
	<u>26,582</u>	<u>22,810</u>	<u>74,830</u>	<u>60,678</u>
Profit before tax				
Adhesives and sealants	3,180	3,246	6,680	7,857
Supporting products and services	141	154	302	415
	<u>3,321</u>	<u>3,400</u>	<u>6,982</u>	<u>8,272</u>

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (cont'd)**A10. Property, plant and equipment**

(i) Acquisitions and disposals

There were additions of property, plant and equipment during the current quarter and financial period-to-date under review.

There were no material disposals during the current quarter and financial period-to-date under review.

(ii) Impairment losses

There were no impairment losses during the current quarter and financial period-to-date under review.

(iii) Valuation

The Group has not carried out any valuation on its property, plant and equipment during the current quarter and financial period-to-date under review.

A11. Material events subsequent to the end of the quarter

There were no material events subsequent to the end of the current quarter and financial period-to-date under review that have not been reflected in the interim financial report.

A12. Changes in the composition of the group

There were no changes in the composition of the Group during the current quarter under review other than the following:-

On 28 February 2023, the Company completed the acquisition of 13,939,334 ordinary shares in Malayan Adhesives and Chemicals Sdn. Bhd. ("MAC"), representing 99.57% equity interest in MAC for a total consideration of RM57,000,000 to be fully satisfied in cash.

The following summaries the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition

(i) Fair Value of Purchase Consideration

	As at 28/02/2023
	RM'000
Cash	57,000
Total purchase consideration	<u>57,000</u>

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**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (cont'd)****A12. Changes in the composition of the group (cont'd)**

(ii) Identifiable Assets Acquired and Liabilities Assumed

	As at 28/02/2023
	RM'000
Property, plant and equipment	47,612
Land use rights	1,430
Inventories	8,460
Trade receivables	7,380
Other receivables	366
Current tax asset	857
Cash and bank balances	5,937
Deferred tax liabilities	(9,438)
Other payables	(1,670)
Trade payables	(2,028)
Contract liabilities	(11)
Fair value of net identifiable assets acquired and liabilities assumed	<u>58,895</u>

A13. Contingent liabilities and contingent assets

There were no material contingent liabilities or contingent assets to be disclosed as at the date of this interim financial report.

A14. Material capital commitments

The capital commitments of the Group as at the end of the quarter under review were as follows:-

	RM'000
Authorised and contracted for:-	
Purchase of property, plant and equipment	<u>494</u>

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**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (cont'd)****A15. Significant related party transactions**

Significant related party transactions in the current quarter and current period-to-date are as follows:-

	Current year quarter 31/03/2023 RM'000	Current period- to-date 31/03/2023 RM'000
Rental expenses charged by a company in which the Directors have interests	35	80
Rental income charged to a company in which the Directors have interests	(*)	1

*Amount below RM1,000

A16. Fair value of financial liabilities

There were no gains or losses arising from fair value changes of the Group's financial liabilities for the current quarter and financial period-to-date under review.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS**B1. Review of Performance****(a) Comparison with the corresponding quarter in the previous financial year**

For the three-month period ended 31 March 2023 (“Current Quarter”), the Group’s revenue rose 16.53% year-on-year (“YoY”) to RM26.58 million from RM22.81 million in the previous year. The double-digit improvement stemmed from healthy orders across the markets that we serve. In terms of revenue contribution by segment, the industrial adhesives and sealants continued to be the chief revenue contributor, accounting for 95.15% or RM25.29 million of the total revenue for the Current Quarter.

In tandem with the top-line improvement, the Group’s gross profit (“GP”) increased 21.64% YoY to RM6.07 million for the current quarter under review versus RM4.99 million a year ago. This translated into a GP margin of 22.84% for the Current Quarter as compared to 21.88% in the previous year corresponding quarter arising from healthier product mix and lower raw material costs.

At the profit after tax and non-controlling interest (“PATNCI” or “net profit”) level, the Group registered a YoY growth of 3.53% to RM2.93 million for the Current Quarter from RM2.83 million last year. The smaller-than-proportionate growth in net profit was largely due to i) absence of gain on disposal of property, plant and equipment (that was incurred last year); ii) lower other income; iii) one-off non-recurring expenses related acquisition exercise; offset by one-off accounting gain on bargain arising from acquisition.

(b) Comparison with the corresponding financial period-to-date in the previous financial year (9 months)

For the current period ended 31 March 2023, the Group posted a revenue of RM74.83 million vis-à-vis RM60.68 million a year ago on the back of recovery in demand for our products post pandemic. Industrial adhesives and sealants accounted for the lion’s share of the total revenue at 95.30% or RM71.31 million.

On the other hand, net profit for the cumulative financial period-to-date stood at RM5.7 million versus RM6.8 million in the previous year, predominantly owing to the abovementioned factors coupled with higher input cost and administrative expenses relating to increase in headcount as we grow the business.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)**B2. Comparison with Immediate preceding quarter**

	Individual quarter 3 months ended		RM'000	Changes %
	31/03/2023 RM'000	31/12/2022 RM'000		
Revenue	26,582	24,855	1,727	6.95%
Profit/(Loss) before tax	3,321	(1,258)	4,579	363.99%
Profit/(Loss) for the period	2,927	(1,683)	4,610	273.92%

Sequentially, the Group's turnover rose 6.95% quarter-on-quarter ("QoQ") to RM26.58 million from RM24.86 million in the immediate preceding quarter supported by sustained demand from our customers.

Meanwhile, net profit swung back to black at RM2.93 million for the quarter under review as compared to a net loss of RM1.68 million, which, to recap, was chiefly contributed by an unrealised foreign exchange loss of RM2.86 million in the immediate preceding quarter. It was a non-cash item and had no impact on cash flow. The healthy improvement was also a result of higher economies of scale attained in the Current Quarter.

B3. Prospects

Moving forward, the global market environment is expected to stay highly uncertain clouded by the ongoing macroeconomic developments. Nevertheless, we remain steadfast in the execution of our growth strategy.

The demand outlook from our customers continues to be encouraging and is gradually gaining further momentum. Orders from new customers secured from different segments are coming in healthily. In the meantime, our team is still actively engaging with prospective customers, both locally and globally, to further expand and diversify our customer base. Separately, the Group is also ready to capitalise on the recovery of certain industries that we serve.

As for our upstream polymerization plant in Vietnam, discussions with potential customers on the supply of polymer are charting good progress. Utilization for the plant is picking up progressively as the polymer produced currently are being used in-house by our plant to manufacture industrial adhesives.

On balance, the long-term outlook of the Group remains positive underpinned by our growth strategy, cautious management approach and solid balance sheet. The Board opines the financial performance for FY2023 to be satisfactory, barring any unforeseen circumstances.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)**B4. Profit forecast**

The Group did not issue any profit forecast in any form of public documentation and announcement.

B5. Tax expense

	Individual quarter		Cumulative quarter	
	Current year quarter 31/03/2023 RM'000	Preceding year quarter 31/03/2022 RM'000	Current year- to-date 31/03/2023 RM'000	Preceding year- to-date 31/03/2022 RM'000
Current tax	402	595	1,221	1,435
Deferred tax	(8)	(20)	16	79
Total	394	575	1,237	1,514

The effective tax rate of the Group for the current year quarter and current year-to-date was lower than the Malaysia statutory rate of 24% due to tax exemption granted for subsidiary in Vietnam.

B6. Status of corporate proposals

On 27 December 2022, the Company entered into a conditional Share Sale Agreement (“SSA”) with Chemquest Sdn Bhd for the proposed acquisition of 13,939,334 ordinary shares in Malayan Adhesives And Chemicals Sdn Bhd (“MAC”) (“MAC Shares”), representing approximately 99.57% equity interest in MAC for a cash consideration of RM57.00 million (approximately RM4.089 per MAC Share).

On 7 February 2023, the Company issued a Circular to Shareholders in relation to the proposed acquisition by the Company of up to 100% equity interest in MAC for a total cash consideration of up to approximately RM57.25 million (“Proposed Acquisition”) and circulate the same to the shareholders.

On 15 February 2023, Kenanga Investment Bank Berhad (“Kenanga IB”) announced that the Company had received the acceptances from both Melina Binti Mahmood and Datuk Musa @ Ayob Bin Saad in relation to the Proposed Acquisition.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)

B6. Status of corporate proposals (cont'd)

On 22 February 2023, the Extraordinary General Meeting of the Company was held and the ordinary resolution for the approval of the aforesaid Proposed Acquisition was duly approved by the shareholders and in relation thereto Kenanga IB announced that all the conditions precedent of the SSA have been fulfilled and accordingly, the SSA has become unconditional on the said date.

On 28 February 2023, Kenanga IB announced that the Proposed Acquisition from CQ has been completed on the said date in accordance with the SSA.

The transfer of shares for the remaining 60,666 ordinary shares (0.43%) are still on going. Further announcement will be made to Bursa in due course.

B7. Borrowings

All the Group's borrowings are short-term and long - term in nature, secured and denominated in Ringgit Malaysia.

	As at 31 March 2023		
	Long-term RM'000	Short-term RM'000	Total Borrowing RM'000
Secured			
Denominated in RM			
Term loan	25,107	2,556	27,663

B8. Material litigation

Save as disclosed below, our Group is not involved in any material litigation, claim and/or arbitration, either as plaintiff or defendant and our Board is not aware of any proceeding, pending or threatened against our Group, or of any fact which is likely to give rise to a proceeding which might materially affect the business or financial position of our Group:-

- (i) Techbond (Vietnam) Co. Ltd ("**Techbond Vietnam**"), a wholly-owned subsidiary of our Company, had on 10 October 2019 filed a lawsuit against Innopack Vietnam Co. Ltd ("**Defendant**") at the People's Court of District 7, Ho Chi Minh City ("**Vietnam Court**"), for a sum of VND5,342,920,000 (equivalent to approximately RM945,697*) ("**Amount Owning**"), of which VND5,170,000,000 (equivalent to approximately RM915,090*) ("**Sales Amount**" or "**Principal**") represents the amount due and owing by the Defendant in relation to the goods sold and delivered by Techbond Vietnam to the Defendant pursuant to the sales contract dated 2 January 2019 entered into between Techbond Vietnam and the Defendant (collectively referred to as the "**Parties**") while the remaining VND172,920,000 (equivalent to approximately RM30,607*) represents the late interest payment for the Sales Amount accumulated up to September 2019.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)

B8. Material litigation (cont'd)

Subsequently, on 29 November 2019, the Parties had reached an agreement that the Amount Owing shall be paid by the Defendant in six (6) instalments as follows:-

Instalment	Period	Amount (VND'million)			Total amount equivalent to RM*
		Principal	Interest	Total	
First	20 to 30 December 2019	1,000.00	-	1,000.00	177,000
Second	20 to 29 February 2020	170.00	172.92	342.92	60,697
Third	20 to 30 March 2020	1,000.00	-	1,000.00	177,000
Fourth	20 to 30 April 2020	1,000.00	-	1,000.00	177,000
Fifth	20 to 30 May 2020	1,000.00	-	1,000.00	177,000
Sixth	20 to 30 June 2020	1,000.00	-	1,000.00	177,000
	Total	5,170.00	172.92	5,342.92	945,697

The Parties have also agreed that in the event the Defendant fails to pay any of the instalments as set out above, the Defendant shall pay all the outstanding amount in one lump sum payment to Techbond Vietnam. In such event, such outstanding amount will be subject to interest calculated using the rate as prescribed under Clause 2, Article 468 of the 2015 Civil Code of Vietnam from the date when Techbond Vietnam submits the request for judgment enforcement for such default until all such outstanding amount have been fully settled by the Defendant ("**Late Payment Interest**").

In addition, the court fee for this trade dispute case of VND56,671,460 (equivalent to approximately RM10,031*) ("**Court Fee**") paid by Techbond Vietnam, shall be payable by the Defendant.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)**B8. Material litigation (cont'd)**

The Vietnam Court had then on 9 December 2019 issued a decision to recognise the abovementioned agreements between the Parties.

Notwithstanding the above, the Defendant has failed to settle its first instalment payment of VND1,000,000,000 (equivalent to RM177,000*) by 30 December 2019 to Techbond Vietnam. Accordingly, Techbond Vietnam had on even date instructed its lawyers to file a request for judgement enforcement with the Vietnam Court to recover the full Amount Owing from the Defendant. The Vietnam Court had on 6 January 2020 issued a decision allowing the judgment enforcement against the Defendant (“**Decision**”). In the Decision, the Vietnam Court asserted that the Defendant is liable to pay the Amount Owing in one lump sum, the Court Fee and the Late Payment Interest to Techbond Vietnam and these amounts shall be paid by the Defendant within ten (10) days from the date of receipt of the Decision. However, the Defendant has failed to make the said payment within the stipulated timeframe.

As at 5 June 2020, Techbond Vietnam has received a total of VND 1,408,000,000 (approximately equivalent to RM 253,440) outstanding amount from the Defendant. In view that the Defendant had made several payments, the Board has decided to temporarily suspend the Decision on Judgement Enforcement dated 6 January 2020 until the outstanding amount is fully settled. The Board reserved the right to withdraw the suspension and serve the Enforcement on the Defendant in the event the Defendant default in the balance of the outstanding amount.

The Defendant had subsequently defaulted in paying the balance outstanding amount owed to Techbond Vietnam of which Techbond Vietnam had received a total of VND2,660,000,000 (approximately equivalent to RM470,820*) from the Defendant out of the total outstanding amount of VND5,170,000,000 (approximately equivalent to RM915,090*).

In view of the above, the Board had decided to waive the suspension and decided to enforce the Enforcement on the Defendant. Bankruptcy action has been commenced unto the Defendant following the Court session held on November 25, 2021 in Vietnam which was not attended by the representative of the Defendant.

Note:-

* *Translated to RM based on the exchange rate of VND100 : RM0.0177, being the 5:00 p.m. middle rate as set forth in the statistical release of Bank Negara Malaysia as at 31 December 2019.*

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)**B9. Dividend**

Save as disclosed in Note A8, there were no other dividends proposed, declared or paid by the Company for current financial quarter and financial year-to-date.

B10. Earnings per share ("EPS")

The basic and diluted EPS for the current quarter and financial period is computed as below:-

	Individual quarter		Cumulative quarter	
	Current year quarter 31/03/2023	Preceding year quarter 31/03/2022	Current year- to-date 31/03/2023	Preceding year-to-date 31/03/2022
Profit after tax attributable to the owners of the Company (RM '000)	2,927	2,825	5,745	6,758
Weighted average number of ordinary shares in issue ('000)	529,397	529,395	529,397	529,395
Basic EPS (sen) ⁽¹⁾	0.56	0.54	1.09	1.28
Diluted EPS (sen) ⁽²⁾	0.52	0.48	1.03	1.14

Notes:-

- (1) Basic EPS is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the period under review.
- (2) Diluted EPS is calculated by dividing the profit attributable to owners of the company by the weighted average diluted number of ordinary shares outstanding during the period and after accounting for the effect of all dilutive potential ordinary shares arising from the exercising of outstanding warrants.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)

B11. Profit before tax

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

	Individual quarter		Cumulative quarter	
	Current year quarter 31/03/2023 RM'000	Preceding year quarter 31/03/2022 RM'000	Current year- to-date 31/03/2023 RM'000	Preceding year-to-date 31/03/2022 RM'000
Amortisation of land use rights	53	48	156	144
Depreciation of investment property	8	7	23	23
Depreciation of property, plant and equipment	954	752	2,538	2,209
Fair value gain on short-term demand deposits	(148)	(130)	(507)	(132)
Finance cost	120	-	120	-
Gain on disposal of property, plant and equipment	-	(1,010)	-	(1,010)
Gain on bargain purchase	(1,647)	-	(1,647)	-
Interest income	(180)	(5)	(255)	(287)
Net realised (gain)/loss on foreign exchange	(196)	27	(101)	(91)
Net unrealised gain on foreign exchange	(206)	(577)	(171)	(742)
Rental income	(177)	(177)	(530)	(530)
Rental expenses	50	38	127	108
Net impairment loss on trade receivables	(3)	117	(20)	105

* Amount below RM1,000

Save as disclosed above, the other disclosure items pursuant to Paragraph 16, Part A of Appendix 9B of the Listing Requirements are not applicable.

The Group does not have the following items for the financial period under review:-

- (i) gain or loss on disposal of quoted or unquoted investments;
- (ii) gain or loss on derivatives; and
- (iii) impairment of assets