

TECHBOND GROUP BERHAD

201601019667 (1190604-M)
(Incorporated in Malaysia)



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 30 JUNE 2023⁽¹⁾

	Individual quarter		Cumulative quarter	
	Current year quarter 30/06/2023 RM'000	Preceding year quarter 30/06/2022 RM'000	Current year- to-date 30/06/2023 RM'000	Preceding year-to-date 30/06/2022 RM'000
Revenue	34,117	24,447	108,947	85,125
Cost of sales	(27,053)	(19,039)	(85,899)	(65,249)
Gross profit	7,064	5,408	23,048	19,876
Other income	2,730	2,780	3,591	5,237
Finance income	309	136	1,071	555
Gain on bargain purchase ⁽²⁾	-	-	1,647	-
Administration expenses	(2,443)	(2,408)	(11,792)	(9,433)
Distribution expenses	(1,387)	(877)	(4,189)	(2,804)
Finance cost	(278)	-	(398)	-
Other expenses	(209)	(258)	(210)	(378)
Profit before tax	5,786	4,781	12,768	13,053
Tax expense	(523)	(341)	(1,760)	(1,855)
Profit for the period	5,263	4,440	11,008	11,198
Other comprehensive income, net of tax:-				
Item that may be reclassify subsequently to profit or loss				
Foreign currency translation differences	2,189	555	2,187	706
Total comprehensive income for the period	7,452	4,995	13,195	11,904
Earnings per share (Note B10)				
- Basic (sen)	0.99	0.84	2.08	2.12
- Diluted (sen)	0.93	0.77	1.96	1.91

Notes:-

- (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 financial period-to-date under review.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023 ⁽¹⁾**

	Unaudited As at 30/06/2023 RM'000	Audited As at 30/06/2022 RM'000
ASSETS		
Non-current assets		
Investment property	12,326	12,357
Property, plant and equipment	98,190	49,765
Land use rights	6,803	6,630
Other receivables	93	29
Total non-current assets	117,412	68,781
Current assets		
Inventories	38,191	44,027
Trade receivables	24,547	18,243
Other receivables	7,151	6,408
Current tax assets	980	1,246
Cash and cash equivalents	31,312	39,140
Total current assets	102,181	109,064
TOTAL ASSETS	219,593	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	9,471	7,284
Retained earnings	95,915	87,554
Total equity	170,274	159,726
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	11,054	1,534
Other payables	43	-
Term loan	21,740	-
Total non-current liabilities	32,837	1,534

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023
(cont'd)⁽¹⁾**

	Unaudited As at 30/06/2023 RM'000	Audited As at 30/06/2022 RM'000
Current liabilities		
Trade payables	9,762	14,596
Other payables	4,164	1,849
Current tax liabilities	-	140
Term loan	2,556	-
Total current liabilities	<u>16,482</u>	<u>16,585</u>
Total liabilities	<u>49,319</u>	<u>18,119</u>
TOTAL EQUITY AND LIABILITIES	<u>219,593</u>	<u>177,845</u>
Net assets per share (RM) ⁽²⁾	0.32	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 30 June 2023 and 529,395,000 as at 30 June 2022.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 30 JUNE 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	-	-	-	11,198	11,198
Other comprehensive income, net of tax	-	-	706	-	706
Total comprehensive income	-	-	706	11,198	11,904
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 30 June 2022	143,826	(78,938)	7,284	87,554	159,726

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 30 JUNE 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	-	-	-	11,008	11,008
Other comprehensive expense, net of tax	-	-	2,187	-	2,187
Total comprehensive income	-	-	2,187	11,008	13,195
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 30 June 2023	143,826	(78,938)	9,471	95,915	170,274

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 FOURTH QUARTER ENDED 30 JUNE 2023⁽¹⁾

	Current year- to-date 30/06/2023 RM'000	Preceding year-to-date 30/06/2022 RM'000
OPERATING ACTIVITIES		
Profit before taxation	12,768	13,053
Adjustments for:-		
Amortisation of land use rights	215	193
Depreciation of investment property	31	31
Depreciation of property, plant and equipment	3,885	2,987
Finance cost	398	-
Fair value gain on short-term demand deposits	(566)	(258)
Gain on disposal of property, plant and equipment	(44)	(1,250)
Gain on bargain purchase	(1,647)	-
Interest income	(505)	(297)
Net impairment loss on trade receivables	(3)	133
Net unrealised gain on foreign exchange	(1,410)	(3,124)
Operating profit before working capital changes	13,122	11,468
Changes in working capital:-		
Inventories	15,151	(12,923)
Receivables	1,789	1,881
Payables	(7,442)	6,051
Cash generated from operations	22,620	6,477
Tax paid	(574)	(2,366)
Finance income received	1,071	555
Net cash flows from operating activities	23,117	4,666
INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(51,311)	-
Purchase of property, plant and equipment	(1,804)	(2,691)
Proceeds from disposal of property, plant and equipment	127	1,379
Net cash flows used in investing activities	(52,988)	(1,312)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 30 JUNE 2023 (cont'd)⁽¹⁾

	Current year- to-date 30/06/2023 RM'000	Preceding year-to-date 30/06/2022 RM'000
FINANCING ACTIVITIES		
Proceeds from conversion of warrants into ordinary shares	-	5
Dividend paid	(2,647)	(2,647)
Interest paid	(398)	-
Repayment of term loan	(3,204)	-
Drawdown of term loan	27,500	-
Net cash flows from/(used in) financing activities	<u>21,251</u>	<u>(2,642)</u>
CASH AND CASH EQUIVALENTS		
Net changes	(8,620)	712
Effect of foreign currency translation differences	792	406
At beginning of financial period	<u>39,140</u>	<u>38,022</u>
At end of financial period	<u>31,312</u>	<u>39,140</u>
Cash and cash equivalents at the end of the financial period comprises:-		
Cash and bank balances	11,599	12,630
Fixed deposits with licensed banks	11,467	-
Short-term demand deposits	<u>8,246</u>	<u>26,510</u>
	<u>31,312</u>	<u>39,140</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:-

MFRSs and Amendments to MFRSs effective 1 January 2023:

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 - 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
Amendments to MFRS 112*#	Income Taxes – International Tax Reform: Pillar Two Model Rules

Amendments to MFRSs effective 1 January 2024:-

Amendments to MFRS 16	Leases: Lease Liability in a Sale and Leaseback
Amendments to MFRS 101	Presentation of Financial Statements: Non-current Liabilities with Covenants
Amendments to MFRS 101	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

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

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 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 30/06/2023 RM'000	Preceding year quarter 30/06/2022 RM'000	Current year- to-date 30/06/2023 RM'000	Preceding year- to-date 30/06/2022 RM'000
Revenue				
Adhesives and sealants	32,966	23,716	104,273	81,376
Supporting products and services	1,151	731	4,674	3,749
	<u>34,117</u>	<u>24,447</u>	<u>108,947</u>	<u>85,125</u>
Profit before tax				
Adhesives and sealants	5,593	4,625	12,273	12,482
Supporting products and services	193	156	495	571
	<u>5,786</u>	<u>4,781</u>	<u>12,768</u>	<u>13,053</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.

On 4 July 2023, the Company completed the acquisition of the remaining of 60,666 ordinary shares in MAC, representing 0.43% equity interest in MAC for a total consideration of approximately RM248,000 to be fully satisfied in cash.

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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)**

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

	As at 28/02/2023
	RM'000
(i) Fair Value of Purchase Consideration	
Cash	57,248
Total purchase consideration	<u>57,248</u>

	As at 28/02/2023
	RM'000
(ii) Identifiable Assets Acquired and Liabilities Assumed	
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>78</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 30/06/2023 RM'000	Current period- to-date 30/06/2023 RM'000
Rental expenses charged by a company in which the Directors have interests	34	114
Rental income charged to a company in which the Directors have interests	(*)	2

*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 30 June 2023 (“Current Quarter”), the Group’s revenue jumped 39.55% year-on-year (“YoY”) to RM34.12 million from RM24.45 million a year ago. The double-digit improvement was chiefly driven by healthy orders across the markets we serve as well as contribution from the recently acquired adhesives and chemicals specialist, Malayan Adhesives And Chemicals Sdn. Bhd. (“MAC”). In terms of revenue contribution by segment, the industrial adhesives and sealants continued to be the primary revenue contributor, accounting for 96.63% or RM32.97 million of total revenue for the Current Quarter.

In tandem with the top-line improvement, the Group’s gross profit (“GP”) increased 30.50% YoY to RM7.06 million for the Current Quarter under review versus RM5.41 million in the previous year corresponding quarter.

This positive trend was also reflected at the profit after tax and non-controlling interest (“PATNCI” or “net profit”) level where the Group registered a YoY growth of 18.47% to RM5.26 million for the Current Quarter versus RM4.44 million last year.

(b) Comparison with the corresponding financial period-to-date in the previous financial year (12 months)

For the financial year ended 30 June 2023 (“FY2023”), the Group delivered its highest-ever top-line performance, which surpassed the RM100 million-mark for the first time. FY2023 revenue surged 27.98% YoY to RM108.95 million as compared to RM85.13 million in the prior year. The record high results were predominantly owing to the aforementioned factors. Meanwhile, industrial adhesives and sealants accounted for the lion’s share of total revenue at 95.70% or RM104.27 million.

Nevertheless, the top-line growth was not reflected at the bottom-line as a result of i) absence of gain on disposal of property, plant and equipment (that was incurred last year); ii) lower gain on foreign exchange (“forex”); iii) one-off non-recurring expenses related acquisition exercise; offset by one-off accounting gain on bargain arising from acquisition; iv) higher input cost and administrative expenses relating to increase in headcount as we grow the business. FY2023 net profit stood at RM11.01 million, which was broadly similar to RM11.20 million last year.

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 %
	30/06/2023 RM'000	31/03/2023 RM'000		
Revenue	34,117	26,582	7,535	28.35%
Profit/(Loss) before tax	5,786	3,321	2,465	74.22%
Profit/(Loss) for the period	5,263	2,927	2,336	79.81%

Sequentially, the Group's turnover was higher at RM34.12 million from RM26.58 million in the immediate preceding quarter. This translates to a quarter-on-quarter ("QoQ") growth of 28.35%, largely attributed to increased contribution from MAC as well as sustained demand from our customers.

Similarly, net profit experienced a double-digit rise of 79.81% QoQ to RM5.26 million as compared RM2.93 million in the immediate preceding quarter, stemming from the abovementioned factors, coupled with higher forex gain.

B3. Prospects

Looking ahead, while global economic ambiguities are expected to persist, we do see pockets of opportunities that we can leverage. Our main focus remains on executing our growth strategy.

The demand outlook from our customers across different industries continue to gain positive traction. Simultaneously, our team is proactive in fostering relationships with prospective customers, both on the local and global front, with the aim of broadening and expanding our clientele. Furthermore, we are ready to ride on the recovery of certain sectors that we serve.

Separately, we continue to be excited by the potential of MAC, of which we have been putting new measures and initiatives in place. Meanwhile, over in Vietnam, we achieved encouraging progress in our discussions with prospective customers regarding the supply of polymer from our upstream polymerization plant.

All in all, we are upbeat on the long-term prospects of the Group supported by our growth strategy, prudent management approach and robust financial position. Additionally, in FY2023, we made new breakthroughs on the environmental, social, and governance ("ESG") front with various initiatives implemented, in addition to heightening staff awareness on this aspect. The Group remains committed to channelling more efforts and resources on this as we move further forward on our journey to sustainability, alongside business growth. 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 30/06/2023 RM'000	Preceding year quarter 30/06/2022 RM'000	Current year- to-date 30/06/2023 RM'000	Preceding year- to-date 30/06/2022 RM'000
Current tax	456	374	1,677	1,809
Deferred tax	67	(33)	83	46
Total	523	341	1,760	1,855

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.

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.

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

B6. Status of corporate proposals (cont'd)

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.

On 4 July 2023, Kenanga IB announced that the Company has completed the acquisition of the 0.43% equity interest in MAC from the minority shareholders and MAC has become a wholly-owned subsidiary of Techbond Group Berhad.

B7. Borrowings

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

	As at 30 June 2023		
	Long-term	Short-term	Total Borrowing
	RM'000	RM'000	RM'000
<u>Secured</u>			
Denominated in RM			
Term loan	21,740	2,556	24,296

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 30/06/2023	Preceding year quarter 30/06/2022	Current year- to-date 30/06/2023	Preceding year-to-date 30/06/2022
Profit after tax attributable to the owners of the Company (RM'000)	5,263	4,440	11,008	11,198
Weighted average number of ordinary shares in issue ('000)	529,397	529,395	529,397	529,395
Basic EPS (sen) ⁽¹⁾	0.99	0.84	2.08	2.12
Diluted EPS (sen) ⁽²⁾	0.93	0.77	1.96	1.91

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 30/06/2023 RM'000	Preceding year quarter 30/06/2022 RM'000	Current year- to-date 30/06/2023 RM'000	Preceding year-to-date 30/06/2022 RM'000
Amortisation of land use rights	59	49	215	193
Depreciation of investment property	8	8	31	31
Depreciation of property, plant and equipment	1,347	778	3,885	2,987
Fair value gain on short-term demand deposits	(59)	(126)	(566)	(258)
Finance cost	278	-	398	-
Gain on disposal of property, plant and equipment	(44)	(240)	(44)	(1,250)
Gain on bargain purchase	-	-	(1,647)	-
Interest income	(250)	(10)	(505)	(297)
Net realised (gain)/loss on foreign exchange	(1,097)	46	(1,198)	(45)
Net unrealised gain on foreign exchange	(1,239)	(2,382)	(1,410)	(3,124)
Rental income	(194)	(176)	(724)	(706)
Rental expenses	51	39	178	147
Net impairment loss on trade receivables	17	28	(3)	133

* 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