

TECHBASE INDUSTRIES BERHAD
(FORMERLY KNOWN AS PROLEXUS BERHAD)
Registration No. 199201019353 (250857-T)

(Incorporated in Malaysia)

Interim Financial Report
31 July 2024

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(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited 31 July 2024 RM'000	Audited 31 July 2023 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		155,023	166,793
Right-of-use assets		15,926	14,399
Investment properties		12,250	-
Intangible assets		-	3,286
Other investments		573	638
Deferred tax assets		37	-
Goodwill on consolidation		2,712	2,712
		<u>186,521</u>	<u>187,828</u>
Current Assets			
Inventories		25,141	28,772
Trade receivables		26,695	54,172
Other receivables		4,275	4,440
Current tax assets		3,424	1,817
Other investments		80,204	72,495
Deposits with financial institutions		15,887	8,985
Cash and bank balances		65,720	58,369
		<u>221,346</u>	<u>229,050</u>
TOTAL ASSETS		<u>407,867</u>	<u>416,878</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent			
Share capital		130,699	126,071
ICULS equity		35,635	-
Treasury shares		(128)	(128)
Reserves		11,016	9,446
Retained profits		140,431	166,638
		<u>317,653</u>	<u>302,027</u>
Non-controlling interests		22,834	29,519
Total equity		<u>340,487</u>	<u>331,546</u>
Non-Current Liabilities			
Deferred tax liabilities		1,621	95
Lease liabilities		420	900
ICULS liabilities		138	-
Borrowings	22	27,552	36,724
		<u>29,731</u>	<u>37,719</u>
Current Liabilities			
Trade payables		5,468	7,474
Other payables		11,857	13,729
Contract liabilities	13	439	1,028
Lease liabilities		2,019	586
ICULS liabilities		18	-
Borrowings	22	17,787	24,545
Current tax liabilities		61	251
		<u>37,649</u>	<u>47,613</u>
Total liabilities		<u>67,380</u>	<u>85,332</u>
TOTAL EQUITY AND LIABILITIES		<u>407,867</u>	<u>416,878</u>
Net assets per share attributable to owners of the parent (RM)		1.06	1.09

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Group's Audited Consolidated Financial Statements for the financial year ended 31 July 2023 and the accompanying notes attached to this interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Individual Quarter 31 July		Cumulative 12 Months 31 July	
		2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Revenue	8	36,085	54,494	183,066	223,227
Cost of sales		(32,565)	(47,894)	(162,322)	(191,252)
Gross profit		<u>3,520</u>	<u>6,600</u>	<u>20,744</u>	<u>31,975</u>
Other operating income		14,443	4,864	19,059	30,191
Administrative expenses		(37,345)	(7,316)	(54,199)	(23,201)
Selling and distribution expenses		(3,880)	(2,789)	(12,992)	(10,151)
Other operating expenses		(984)	(405)	(1,229)	(736)
Operating (loss)/profit		<u>(24,246)</u>	<u>954</u>	<u>(28,617)</u>	<u>28,078</u>
Finance cost	19	(870)	(1,018)	(3,647)	(3,999)
Share of result of a joint venture		-	-	-	(27)
(Loss)/Profit before taxation		<u>(25,116)</u>	<u>(64)</u>	<u>(32,264)</u>	<u>24,052</u>
Taxation	20	(805)	(1,270)	(3,112)	(4,134)
(Loss)/Profit for the period		<u>(25,921)</u>	<u>(1,334)</u>	<u>(35,376)</u>	<u>19,918</u>
Other comprehensive (loss)/income, net of tax					
Foreign currency translation differences for foreign operations		(2,519)	2,044	1,701	1,929
Fair value adjustment on unquoted investments		(65)	(63)	(65)	(63)
Total comprehensive (loss)/income for the period		<u>(28,505)</u>	<u>647</u>	<u>(33,740)</u>	<u>21,784</u>
(Loss)/Profit attributable to:					
Owners of the parent		(22,952)	97	(29,439)	20,880
Non-controlling interests		(2,969)	(1,431)	(5,937)	(962)
		<u>(25,921)</u>	<u>(1,334)</u>	<u>(35,376)</u>	<u>19,918</u>
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(24,135)	1,676	(27,210)	22,427
Non-controlling interests		(4,370)	(1,029)	(6,530)	(643)
		<u>(28,505)</u>	<u>647</u>	<u>(33,740)</u>	<u>21,784</u>
(Loss)/Earnings per share attributable to owners of the parent (sen):					
- Basic	25	(8.22)	0.04	(10.55)	7.59
- Diluted	25	(5.01)	0.04	(6.43)	7.59

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Group's Audited Consolidated Financial Statements for the financial year ended 31 July 2023 and the accompanying notes attached to this interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to Owners of the Parent →								Total	Non-controlling Interests	Total Equity
	← Non-distributable →				Distributable						
	Share Capital	ICULS Equity	Treasury Shares	Exchange Translation Reserve	Statutory Reserve	ESOS Reserve	Fair Value Reserve	Retained Profits			
At 1 August 2023 (Restated)	126,071	-	(128)	9,243	927	284	(1,383)	169,587	304,601	29,363	333,964
Loss for the year	-	-	-	-	-	-	-	(29,439)	(29,439)	(5,937)	(35,376)
Exchange translation differences for foreign operations	-	-	-	2,294	-	-	-	-	2,294	(593)	1,701
Other comprehensive loss for the financial year	-	-	-	-	-	-	(65)	-	(65)	-	(65)
Total comprehensive income/(loss) for the period	-	-	-	2,294	-	-	(65)	(29,439)	(27,210)	(6,530)	(33,740)
Transactions with owners:											
Share options lapsed	-	-	-	-	-	(284)	-	284	-	-	-
Issuance of shares arising from conversion of ICULS	4,628	(3,266)	-	-	-	-	-	-	1,362	-	1,362
Right Issue of ICULS	-	38,901	-	-	-	-	-	-	38,901	-	38,901
Total transactions with owners	4,628	35,635	-	-	-	(284)	-	284	40,263	-	40,263
At 31 July 2024	130,699	35,635	(128)	11,537	927	-	(1,448)	140,431	317,653	22,834	340,487
At 1 August 2022	126,071	-	(737)	7,994	941	287	(1,320)	144,549	277,785	30,162	307,947
Profit for the year	-	-	-	-	-	-	-	20,880	20,880	(962)	19,918
Exchange translation differences for foreign operations	-	-	-	1,610	-	-	-	-	1,610	319	1,929
Other comprehensive loss for the financial year	-	-	-	-	-	-	(63)	-	(63)	-	(63)
Total comprehensive income/(loss) for the period	-	-	-	1,610	-	-	(63)	20,880	22,427	(643)	21,784
Transactions with owners:											
Share options lapsed	-	-	-	-	-	(3)	-	3	-	-	-
Resales for the vesting of treasury shares	-	-	609	-	-	-	-	1,206	1,815	-	1,815
Total transactions with owners	-	-	609	-	-	(3)	-	1,209	1,815	-	1,815
At 31 July 2023	126,071	-	(128)	9,604	941	284	(1,383)	166,638	302,027	29,519	331,546

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's Audited Consolidated Financial Statements for the financial year ended 31 July 2023 and the accompanying notes attached to this interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	12 months ended 31 July 2024 RM'000	12 months ended 31 July 2023 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(32,264)	24,052
Adjustments for:		
Amortisation of intangible assets	5	8
Amortisation of right-of-use assets	1,377	1,290
Depreciation of property, plant and equipment	8,804	11,570
Fair value loss/(gain) on other investments	27,310	(11,731)
Loss/(Gain) on disposal of property, plant and equipment	359	(90)
Gain on lease modification	-	(1)
Loss/(Gain) on termination of lease contract	673	(11)
Income distribution from other investments	(185)	(161)
Impairment loss on receivable	-	421
Inventories written down/write off	885	172
Interest expense	3,647	3,999
Interest income	(1,211)	(1,002)
Intangible assets written off	3,260	-
Property, plant and equipment written off	446	13
Share of result of a joint venture	-	27
Gain on other investment	(16,262)	(17,305)
Unrealised loss on foreign exchange	37	1,287
Operating (loss)/profit before working capital changes	(3,119)	12,538
Changes in working capital:		
Change in inventories	2,761	4,080
Change in receivables	28,424	19,931
Change in payables	(3,567)	(8,127)
Change in contract liabilities	(589)	(510)
Cash generated from operations	23,910	27,912
Tax paid	(4,548)	(5,098)
Dividend paid to non-controlling interests of subsidiaries	(1,682)	-
Interest received	1,321	1,106
Interest paid	(3,613)	(3,946)
Net cash generated from operating activities	15,388	19,974
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	731	90
Purchase of property, plant and equipment	(10,285)	(6,403)
Purchase of other investment	(18,573)	(6,123)
Purchase of intangible assets	-	(3,260)
Purchase of right-of-use assets	(1,842)	(249)
Net cash used in investing activities	(29,969)	(15,945)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-	(53)
Increase in fixed deposits pledged	(36)	(36)
Drawdown/(Repayment) of lease liabilities	945	(686)
Repayment of term loans	(15,261)	(11,256)
Change in other borrowing	2,567	(5,219)
Proceeds from issuance of ICULS	40,262	-
Proceeds from resale of treasury shares	-	1,815
Net cash generated from/(used in) financing activities	28,477	(15,435)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

	12 months ended 31 July 2024 RM'000	12 months ended 31 July 2023 RM'000
NET CHANGES IN CASH AND CASH EQUIVALENTS	13,896	(11,406)
Effects of foreign exchange rate changes on cash and cash equivalents	467	564
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	65,068	75,910
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	79,431	65,068
Cash and cash equivalents comprise:		
Fixed deposits with financial institutions	15,887	8,985
Cash and bank balances	65,720	58,369
	81,607	67,354
Less: Deposits pledged	(2,176)	(2,286)
Cash and cash equivalents	79,431	65,068

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Group's Audited Consolidated Financial Statements for the financial year ended 31 July 2023 and the accompanying notes attached to this interim financial report.

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EXPLANATORY NOTES

1. Basis of preparation

The interim condensed consolidated financial statements (“Report”) are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134: ‘Interim Financial Reporting’ and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. For the period up to and including the financial year ended 31 July 2024, the Group prepared its financial statements in accordance with MFRS, International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act, 2016 in Malaysia.

The accounting policies and presentation adopted by the Group in this Report are consistent with those adopted in the audited financial statements for the financial year ended 31 July 2023.

2. Significant accounting policies

The accounting policies and methods of computation adopted in this Report are consistent with those adopted in the audited financial statements for the financial year ended 31 July 2023 except for the adoption of the following amendments to MFRSs which are applicable to the Group:

MFRS 17 - Insurance Contracts	Effective 1 January 2023
Amendments to MFRS 17 - Insurance Contracts	Effective 1 January 2023
Amendments to MFRS 17 - Initial Application of MFRS 17 and MFRS 9 - Comparative Information	Effective 1 January 2023
Amendments to MFRS 101 - Classification of Liabilities as Current or Non-current	Effective 1 January 2023
Amendments to MFRS 101 - Disclosure of Accounting Policies	Effective 1 January 2023
Amendments to MFRS 108 - Definition of Accounting Estimates	Effective 1 January 2023
Amendments to MFRS 112- Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Effective 1 January 2023
Amendments to MFRS 112 - International Tax Reform- Pillar Two Model Rules	Effective 1 January 2023

The adoption of the amendments to MFRSs did not have any significant impact on the financial statements of the Group.

Standards issued but not yet effective

The Group has not applied the following new MFRSs and amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective for the Group:

Amendments to MFRS 16 - Lease Liability in a Sale and Leaseback	Effective 1 January 2024
Amendments to MFRS 101 - Non-current Liabilities with Covenants	Effective 1 January 2024
Amendments to MFRS 107 and MFRS 7 - Supplier Finance Arrangements	Effective 1 January 2024
Amendments to MFRS 121 - Lack of Exchangeability	Effective 1 January 2025
Amendments to MFRS 7 and MFRS 9 – Amendments to the Classification and Measurement of Financial Instruments	Effective 1 January 2026
MFRS 16 - Presentation and Disclosure in Financial Statements	Effective 1 January 2027
MFRS 19 – Subsidiaries without Public Accountability: Disclosures	Effective 1 January 2027
Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

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EXPLANATORY NOTES (CONT'D.)

2. Significant accounting policies (Cont'd)

Standards issued but not yet effective (Cont'd)

The Group intends to adopt the above MFRSs when they become effective.

The initial application of the above-mentioned MFRSs are not expected to have any significant impacts on the financial statements of the Group.

3. Seasonality or cyclical operations

The Group is not materially affected by seasonality or cyclicity of operation.

4. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income and cash flows for the current quarter.

5. Material changes in estimates of amounts reported

There were no changes in estimates of amounts reported in prior interim period or financial year that have a material effect in the current quarter.

During the financial year, the management conducted a review of the useful lives of the properties in accordance with paragraph 51 of MFRS 16. Accordingly, the useful lives of the buildings was revised from 20 years to 50 years to reflect more accurately the buildings' expected economic benefits over time. The change will impact future depreciation expenses, resulting in lower annual depreciation charges and extending the assets' depreciation period.

6. Debt and equity securities

Save as disclosed below, there were no issuance and repayment of debt and equity securities, share buy backs, share cancellations and resale of treasury shares for the current quarter.

(a) Irredeemable Convertible Unsecured Loan Stocks ("**ICULS**")

On 5 April 2024, the Company had completed the Renounceable Rights Issue of up to RM102,578,353 nominal value of 2,051,567,055 five (5)-year, 0.10% ICULS at 100.0% of its nominal value of RM0.05 each ("**Rights ICULS**") on the basis of five (5) Rights ICULS for every one (1) existing ordinary share of Techbase Industries Berhad ("**Shares**") held ("**Rights Issue**") on the entitlement date.

Pursuant to the Rights Issue, the Company allotted and issued 780,342,595 ICULS (nominal value of RM39,017,129.75) which was granted listing on the Main Market of Bursa Malaysia Securities Berhad on 5 April 2024.

As at 31 July 2024, a total of 65,326,100 ICULS at nominal value of RM0.05 each were converted into 23,137,475 new ordinary shares of RM0.20 each via a combination of cash option and non-cash option. The outstanding ICULS in issue as at 31 July 2024 was 715,016,495.

7. Dividend paid

No dividend was paid for the current quarter.

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EXPLANATORY NOTES (CONT'D)

8. Segmental reporting

Segment information is presented in respect of the Group's business segments:

	<u>Apparels</u>	<u>Textile</u>	<u>Advertising</u>	<u>Others</u>	<u>Elimination</u>	<u>Consolidated</u> <u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Period ended 31 July 2024						
REVENUE						
External sales	166,922	6,698	9,321	125	-	183,066
Inter-segment sales	-	205	-	4,848	(5,053)	-
Total revenue	<u>166,922</u>	<u>6,903</u>	<u>9,321</u>	<u>4,973</u>	<u>(5,053)</u>	<u>183,066</u>
RESULTS						
Segment results	(8,768)	(13,280)	2,516	(11,763)	1,467	(29,828)
Interest expense	(333)	(3,359)	(19)	(592)	656	(3,647)
Interest income	1,020	23	72	752	(656)	1,211
(Loss)/Profit before taxation	<u>(8,081)</u>	<u>(16,616)</u>	<u>2,569</u>	<u>(11,603)</u>	<u>1,467</u>	<u>(32,264)</u>
Taxation	(1,189)	-	(806)	(287)	(830)	(3,112)
(Loss)/Profit for the financial year	<u>(9,270)</u>	<u>(16,616)</u>	<u>1,763</u>	<u>(11,890)</u>	<u>637</u>	<u>(35,376)</u>

	<u>Apparels</u>	<u>Textile</u>	<u>Advertising</u>	<u>Others</u>	<u>Elimination</u>	<u>Consolidated</u> <u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Period ended 31 July 2023						
REVENUE						
External sales	199,761	10,590	12,600	276	-	223,227
Inter-segment sales	-	2,735	-	4,913	(7,648)	-
Total revenue	<u>199,761</u>	<u>13,325</u>	<u>12,600</u>	<u>5,189</u>	<u>(7,648)</u>	<u>223,227</u>
RESULTS						
Segment results	5,977	(13,032)	4,743	26,299	3,089	27,076
Share of result of a joint venture	-	(27)	-	-	-	(27)
Interest expense	(1,249)	(3,659)	(14)	(426)	1,349	(3,999)
Interest income	1,408	23	255	665	(1,349)	1,002
Profit/(Loss) for the period	<u>6,136</u>	<u>(16,695)</u>	<u>4,984</u>	<u>26,538</u>	<u>3,089</u>	<u>24,052</u>
Taxation	(3,544)	-	(183)	(407)	-	(4,134)
Profit/(Loss) for the financial year	<u>2,592</u>	<u>(16,695)</u>	<u>4,801</u>	<u>26,131</u>	<u>3,089</u>	<u>19,918</u>

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and the terms of which have been established on a negotiated basis that are not materially different from that obtainable in transactions with unrelated parties. Those transactions are eliminated on consolidation.

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EXPLANATORY NOTES (CONT'D)

Geographical Segments

The Group's geographical revenue for the financial period-to-date is as follows:

	Period-to-date	
	31 July 2024	31 July 2023
	RM'000	RM'000
Malaysia	23,024	31,572
United States of America	71,728	111,188
European countries	26,128	33,330
Asia	52,119	33,204
Other countries	10,067	13,933
	<u>183,066</u>	<u>223,227</u>

9. Event subsequent to the end of reporting period

As at 30 September 2024, there were no material events subsequent to the end of the current financial period-to-date that have not been reflected in the financial statements.

10. Changes in composition of the Group

There were no changes in the composition of the Group during the period.

11. Contingent liabilities

There were no significant changes in contingent liabilities since the last reporting period.

12. Capital commitments

As at the reporting date, the capital commitment of the Group is as follows:

Property, plant and equipment:	RM'000
- Authorised and contracted for	<u>351</u>
	<u>351</u>

13. Contract liabilities

Balance at 1 August 2023 as per MFRS 15	RM'000
	1,028
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at beginning	(1,028)
Increase in contract liabilities as a result of receiving deposits from customers upon placing sales orders as at 31 July 2024	<u>439</u>
Balance at 31 July 2024	<u>439</u>

Contract liabilities comprised of advances received from customers for rendering services.

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EXPLANATORY NOTES (CONT'D)

14. Authorisation for issue

On 30 September 2024, the Board of Directors authorised the issuance of this interim report.

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ADDITIONAL INFORMATION AS REQUIRED BY APPENDIX 9B OF BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS

15. Review of Group's performance

Comparison with corresponding quarter of the preceding financial year

	Individual Quarter		Cumulative 12 Months	
	31 July		31 July	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Revenue	36,085	54,494	183,066	223,227
(Loss)/Profit before taxation	<u>(25,116)</u>	<u>(64)</u>	<u>(32,264)</u>	<u>24,052</u>

The Group's revenue decreased by RM18.4 million to RM36.1 million for the current quarter from RM54.5 million for the corresponding quarter of the preceding financial year. This was primarily due to the lower sales contributed by all business divisions.

The Group recorded a loss before taxation of RM25.1 million in the current quarter compared to a loss before taxation of RM0.06 million in the corresponding quarter of the preceding financial year. This was mainly due to the decrease in revenue for all business divisions, stock written down, intangible assets written off and fair value loss on other investments.

Comparison with preceding quarter

	3 months ended	3 months ended
	31 July 2024	30 April 2024
	RM'000	RM'000
Revenue	36,085	38,936
(Loss)/Profit before taxation	<u>(25,116)</u>	<u>10,820</u>

Revenue of the Group in the current quarter decreased to RM36.1 million from RM38.9 million for the 3 months financial period ended 31 July 2024. This was mainly due to the lower sales contributed by all business divisions.

The Group recorded a loss before taxation of RM25.1 million as compared to a profit before tax of RM10.8 million for the preceding quarter. This was mainly due to higher operating expenses, lower other operating income and intangible assets write off.

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16. Current year prospects

The global economy is expected to be sustained in the remaining months of 2024, supported by moderating inflation and monetary policy easing by the advanced economies. According to a report issued by Bank Negara Malaysia, the growth outlook faces downside risks from, amongst others, weaker-than-expected external demand and further escalation of geopolitical conflicts. Going forward, upside risks to the outlook would be dependent on the extent of spillover effects of further domestic policy measures on subsidies and price controls to broader price trends, as well as global commodity prices and financial market developments. The Group's business is largely dependent on all these factors and it will continue to monitor prevailing market conditions and adopt appropriate strategies to enhance its financial performance.

17. Profit forecast

The Group did not make any profit forecast or profit guarantee during the current financial period.

18. Variance of actual profit from forecast results or profit guarantee

Not applicable.

19. (Loss)/Profit for the period

Included in (loss)/profit for the period are the following:

	Individual Quarter		Cumulative 12 Months	
	31 July		31 July	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	29	2,866	8,804	11,570
Amortisation of right-of-use assets	694	632	1,377	1,290
Amortisation of intangible assets	1	2	5	8
Fair value loss/(gain) on other investment	30,712	2,421	27,310	(11,731)
(Gain)/Loss on disposal of property, plant and equipment	(25)	(41)	359	(90)
Income distribution from other investments	(69)	(11)	(185)	(161)
Interest expense	870	1,018	3,647	3,999
Interest income	(661)	(247)	(1,211)	(1,002)
Intangible assets written off	3,260	-	3,260	-
Property, plant and equipment written off	67	9	446	13
Loss/(Gain) termination of lease term	1	(11)	673	(11)
Gain on modification of lease term	-	(1)	-	(1)
Gain on other investment	(15,577)	(6,277)	(16,262)	(17,305)
Unrealised (gain)/loss on foreign exchange	(2)	226	37	1,287
Inventories written down/write off	30	427	885	172

Other than the above items, there were no gain or loss on disposal of quoted or unquoted investments, write off of receivable, as well as exceptional items.

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20. Taxation

	3 months ended		12 months ended	
	31 July		31 July	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Tax expenses	(193)	1,270	2,114	4,134
Deferred tax expenses	998	-	998	-
	<u>805</u>	<u>1,270</u>	<u>3,112</u>	<u>4,134</u>

The effective tax rate of the Group is lower than statutory tax rate mainly due to tax losses in company's subsidiaries and some other operating income is not taxable.

21. Status of corporate proposal

a) **Irredeemable Convertible Unsecured Loan Stock ("ICULS")**

The proceeds from Right Issue of ICULS were utilised as follows:

	Proposed utilisation RM'000	Actual utilisation RM'000	Expected timeframe for utilisation
Installation of roof-top solar PV systems	10,000	8,000	Within 24 months
Working Capital	28,217	14,456	Within 24 months
Estimated expenses in relation to the Rights Issue of ICULS	800	800	Immediate
	<u>39,017</u>	<u>23,256</u>	

Save as disclosed above, there is no other corporate proposal which has been announced by the Company but yet to be completed

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22. Group borrowings and debts securities

Details of the Group's borrowings as at 31 July 2024 and 31 July 2023 are presented as follows:

	31 July 2024 RM'000	31 July 2023 RM'000
Long Term Borrowings		
Secured:-		
Term Loans	<u>27,552</u>	<u>36,724</u>
Short Term Borrowings		
Secured:-		
Term Loans	12,460	18,226
Bank Overdraft	2,007	-
Share margin financing	3,202	3,515
Invoice financing	<u>118</u>	<u>2,804</u>
	<u>17,787</u>	<u>24,545</u>
Total	<u>45,339</u>	<u>61,269</u>

Borrowings denominated in foreign currency as at 31 July 2024 are as follows:

	Short Term RM'000
Borrowings denominated in RMB	<u>3,200</u>
	<u>3,200</u>

23. Material litigations

(i) Legal claim against Trans Pacific Textile (M) Sdn Bhd ("TPTM")

A subsidiary of the Company, TPTM received a Notice of Arbitration from Pembinaan Thong Lian Sdn Bhd ("PTLSB"). TPTM had engaged PTLSB for the construction of a textile factory and waste water treatment plant ("Project") via its Letter of Acceptance dated 24 January 2017 and Letter of Supplemental Agreement dated 2 May 2017. As the completion of the Project was behind the original schedule, TPTM was awarded liquidated ascertained damages ("LAD") of RM6.52 million following an adjudication proceeding.

Following the decision of the Adjudicator, PTLSB initiated an arbitration to claim the following:-

- (i) LAD of RM6.52 million;
- (ii) Retention sum of RM1.51 million;
- (iii) Damages suffered for alleged breach of contract by TPTM and the architect;
- (iv) Interest on any sums awarded in the Arbitral tribunal from such date as the Arbitrator deems fit and proper;
- (v) Cost of the arbitration; and
- (vi) Such other or further reliefs as the Arbitral Tribunal shall deem fit.

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TPTM has engaged a legal firm to represent it to defend the claim brought by PTLNB. The parties have agreed on the appointment of the sole arbitrator and the first preliminary meeting was conducted on 25 August 2022.

All pleadings have been filed by both parties detailing out the position of both parties in this arbitration as well as the common bundles of documents, agreed facts and list of witnesses.

On 22 January 2024, PTLNB had delivered an application to amend their statement of case which was allowed by the Arbitral Tribunal on 31 January 2024. Further, the Arbitral Tribunal had also fixed new deadlines for the parties to exchange the expert reports, witness statements and joint expert report on 23 February 2024, 29 February 2024 and 12 April 2024 respectively.

Following the ruling of the Arbitral Tribunal, TPTM had on 23 February 2024 filed an application under Section 18 of the Arbitration Act 2005 at the High Court to appeal against the said ruling allowing PTLNB to amend its statement of case. In addition, on 18 March 2024, the Arbitral Tribunal had confirmed that the arbitration proceedings are stayed pending the disposal of the application filed by TPTM at the High Court and consequently vacated all hearing dates.

The completion of exchange of Affidavits and filing of Written Submissions took place from April 2024 until end June 2024. The High Court then heard TPTM's application on 1 July 2024 whereby after the Hearing, the High Court had directed parties to produce further legal authorities on or before 12 August 2024 to support their respective arguments and/or positions taken in this proceeding and fixed 21 August 2024 to deliver its Decision. TPTM had produced the said further legal authorities to the High Court on 16 August 2024 (pursuant to an extension of time agreed by the parties and allowed by the High Court).

On 21 August 2024, the High Court had allowed TPTM's application with no order as to costs and further ordered that the ruling of the Arbitral Tribunal dated 31 January 2024 in allowing PTLNB to amend their statement of case be set aside. The High Court also ordered that PTLNB's application be remitted back to the Arbitral Tribunal to be reheard on merits and for both parties to be provided with the right to file full and proper legal submissions before any ruling is given by the Arbitral Tribunal.

The sealed High Court Order was duly served on the Arbitral Tribunal on 3 September 2024 upon its extraction from the High Court's registry to which the Arbitral Tribunal was notified of the Court's directions for the application to be reheard on merits. In this regard, TPTM through its solicitors had also requested from the Arbitral Tribunal for a preliminary meeting to be fixed and/or for new directions to be given in respect of the amendment application. So far, the Arbitral Tribunal has not responded nor issue new directions on the amendment application.

The Directors of the Company do not expect the outcome of the action to have a material effect on our Group's financial position. Furthermore, the solicitors having conduct of the matter are of the opinion that there is a more than equal chance for success on the primary defenses and the heads of TPTM's claims in the counterclaim.

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(ii) Writ of Summons and Statement of Claim (Suit No.: JA-22NCC-48-07/2024) (“**Suit 48**”)

Techbase Industries Berhad (“**Company**”) and its subsidiaries, namely Honsin Apparel Sdn Bhd, HiQ Media (Malaysia) Sdn Bhd and Laser Capital Holdings Sdn Bhd were served on 12 July 2024 with a Writ of Summons and a Statement of Claim both dated 4 July 2024. The Company was named as the 4th Defendant, Honsin Apparel Sdn Bhd was named as the 2nd Defendant, HiQ Media (Malaysia) Sdn Bhd was named as the 3rd Defendant, and Laser Capital Holdings Sdn Bhd was named as the 14th Defendant. The action was commenced by Mah Sau Cheong (“**Plaintiff**”) through his solicitors, Messrs. Alfred Lai & Partners.

Based on the Statement of Claim, it was alleged that the 2nd, 3rd, 4th and 14th Defendants together with others are persons acting in concert pursuant to section 216 of the Capital Markets and Services Act 2007 (“**CMSA**”) and Rule 4.03 of the Rules on Take-Overs, Mergers and Compulsory Acquisitions and they have allegedly conspired with others to breach section 176 of CMSA and section 202 of CMSA and to injure and cause harm to all the other shareholders of South Malaysia Industries Berhad, the 1st Defendant, including the Plaintiff.

The relief claimed by the Plaintiff are as below: -

1. The 2nd to 30th Defendants jointly and severally pay to the Plaintiff a sum of RM24,084,036.00 for the deprivation of the Plaintiff’s opportunity to receive a mandatory general offer for the Plaintiff’s shares in the 1st Defendant (16,056,024 ordinary shares) at the price of RM1.500 per share.
2. Alternatively, the 2nd to 30th Defendants jointly and severally pay for the Plaintiff a sum of RM17,019,385.44 for the deprivation of the Plaintiff’s opportunity to receive a mandatory general offer for the Plaintiff’s shares in the 1st Defendant (16,056,024 ordinary shares) at the price of RM1.060 per share.
3. Alternatively, the 2nd to 30th Defendants jointly and severally pay to the Plaintiff general damages to be assessed by the High Court of Malaya at Johor Bahru (“**Court**”) for the deprivation of the Plaintiff’s opportunity to receive a mandatory general offer for the Plaintiff’s shares in the 1st Defendant (16,056,024 ordinary shares).
4. Alternatively, the 2nd to 30th Defendants jointly and severally pay to the Plaintiff general damages to be assessed by the Court for the losses suffered by the Plaintiff due to the depressed mandatory general offer price in the event that the 2nd to 30th Defendants were ordered to make a mandatory general offer to all the other remaining shareholders of the 1st Defendant, including the Plaintiff.
5. Costs to be paid by the 2nd to 30th Defendants jointly and severally to the Plaintiff.
6. Such further and/or other relief or reliefs that the Court deems fit and proper.

The action is fixed for case management on 10 December 2024.

On 26 August 2024, the Plaintiff filed a Notice of Application dated 26 August 2024 (**Injunction Application**) with a certificate of urgency for, among others, the following orders:

- (a) an Order that the 2nd Defendant, the 3rd Defendant, 16th Defendant, 28th Defendant, 29th Defendant and/or 30th Defendant, either by themselves, their directors, officers, employees and/or agents, be restrained and an injunction be granted to restrain them from taking any further step under the Notice of Unconditional Mandatory Take-over Offer dated 20 August 2024 to acquire shares in the 1st Defendant until Suit 48 is disposed or until further order; and
- (b) an Order that the 1st Defendant, either by itself, its directors, officers, employees and/or agents, be restrained and an injunction be granted to restrain them from taking any further step under the Notice of Unconditional Mandatory Take-over Offer dated 20 August 2024 until Suit 48 is disposed or until further order.

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On 5 September 2024, the matter was mentioned before the learned Judicial Commissioner, Tuan Noor Hisham bin Ismail (“**JC**”). Counsel for the Plaintiff objected to the request by Counsel for the Securities Commission Malaysia (“**SC**”) to appear as amicus curiae. After hearing parties, the learned JC allowed Counsel for the SC to participate in the proceedings as amicus curiae. After hearing oral arguments of Counsel, the learned JC refused to grant an ad interim injunction order sought by the Plaintiff.

The Injunction Application is fixed for hearing on 27.10.2024.

On 8 September 2024, the 1st Defendant filed a Notice of Application dated 8 September 2024 (“**Application for Consequential Orders/Further Directions**”) seeking for the following consequential Orders and/or directions from the Court:

- (a) whether arising from the Order or decision dated 5 September 2024, the 1st Defendant is not to proceed and/or take any further steps as set out in the Notice of Unconditional Mandatory Take-Over Offer dated 20 August 2024 until the full and final disposal of Suit 48 or the Injunction Application whichever is appropriate; and
- (b) in the alternative, that the 1st Defendant is to proceed with and/or take any further steps as set out in the Notice of Unconditional Mandatory Take-Over Offer dated 20 August 2024 until full and final disposal of Suit 48 or the Injunction Application, whichever is appropriate.

The Application for Consequential Orders/Further Directions is fixed for case management on 9 October 2024.

24. Proposed dividend

No dividend was proposed during the current and previous corresponding quarter.

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25. (Loss)/Earnings per share

	Individual Quarter 31 July		Cumulative 12 Months 31 July	
	2024	2023	2024	2023
(a) Basic (loss)/earnings per share				
(Loss)/Profit for the period attributable to parent (RM'000)	(22,952)	97	(29,439)	20,880
Weighted average number of ordinary shares in issue ('000)	279,149	275,199	279,149	275,199
Basic (loss)/earnings per share (in sen)	<u>(8.22)</u>	<u>0.04</u>	<u>(10.55)</u>	<u>7.59</u>

	Individual Quarter 31 July		Cumulative 12 Months 31 July	
	2024	2023	2024	2023
(b) Diluted (loss)/earnings per share				
(Loss)/Profit for the period attributable to parent (RM'000)	(22,952)	97	(29,439)	20,880
Weighted average number of ordinary shares in issue ('000)	279,149	275,199	279,149	275,199
Effect of dilution of ICULS ('000)	178,754	-	178,754	-
Adjustment for dilutive effect of convertible instruments	-	21	-	21
	<u>457,903</u>	<u>275,220</u>	<u>457,903</u>	<u>275,220</u>
Diluted (loss)/earning per share (in sen)	<u>(5.01)</u>	<u>0.04</u>	<u>(6.43)</u>	<u>7.59</u>

26. Audit qualification

The audit report of the Group's preceding year financial statements is not qualified.

By Order of the Board

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Tan Tong Lang (MAICSA 7045482 / SSM PC No. 202208000250)
Tan Lay Khoon (MAICSA 7077867 / SSM PC No. 202208000544)

Company Secretaries
30 September 2024