

QES GROUP BERHAD (1119086-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017 ⁽¹⁾

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter 31.12.2017 RM'000	Preceding Year Corresponding Quarter 31.12.2016 ⁽²⁾ RM'000	Current Year-To-Date 31.12.2017 RM'000	Preceding Year Corresponding Period 31.12.2016 ⁽²⁾ RM'000
Revenue	A9	51,305	N/A	190,939	N/A
Cost of sales		(33,425)	N/A	(122,752)	N/A
Gross profit		17,880	N/A	68,187	N/A
Other income		1,084	N/A	2,631	N/A
Marketing and distribution expenses		(8,182)	N/A	(29,436)	N/A
Administrative expenses		(5,717)	N/A	(16,654)	N/A
Other operating expenses		(228)	N/A	(3,546)	N/A
Profits from operation		4,837	N/A	21,182	N/A
Finance costs		(261)	N/A	(1,057)	N/A
Profit before tax		4,576	N/A	20,125	N/A
Tax expense	B6	(962)	N/A	(3,798)	N/A
Profit for the financial period		3,614	N/A	16,327	N/A
Other comprehensive income, net of tax					
Actuarial gain on provision for post-employment benefits		7	N/A	7	N/A
Foreign currency translation differences for foreign subsidiaries		(202)	N/A	(410)	N/A
Total other comprehensive income		(195)	N/A	(403)	N/A
Total comprehensive income for the financial period		3,419	N/A	15,924	N/A
Profit for the financial period attributable to:					
Owners of the Company		3,171	N/A	15,025	N/A
Non-controlling interest		443	N/A	1,302	N/A
Profit for the financial period		3,614	N/A	16,327	N/A
Comprehensive income for the financial period attributable to:					
Owners of the Company		3,028	N/A	14,768	N/A
Non-controlling interest		391	N/A	1,156	N/A
Total comprehensive income for the financial period		3,419	N/A	15,924	N/A
Earnings per share ("EPS")					
Basic (sen) ⁽³⁾	B11	0.52	N/A	2.48	N/A
Diluted (sen) ⁽⁴⁾	B11	0.52	N/A	2.48	N/A

QES GROUP BERHAD (1119086-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017 ⁽¹⁾(cont'd)

Notes:-

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Comprehensive Income are detailed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 8 February 2018 and the accompanying explanatory notes attached to this interim financial report.
- (2) This is the first interim financial report announced in compliance with the ACE Market Listing Requirements ("**Listing Requirements**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"). There are no comparative figures for the preceding quarter available as no interim financial report was prepared for the comparative financial period concerned.
- (3) Basic earnings per share is calculated based on the share capital of 606,647,000 shares in issue as at 31 December 2017.
- (4) Diluted earnings per share of the Company for the individual quarter ended 31 December 2017 and year-to-date ended 31 December 2017 is equivalent to the basic earnings per share as the Company does not have convertible options at the end of the reporting period.

N/A - Not applicable

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QES GROUP BERHAD (1119086-U)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 ⁽¹⁾

	UNAUDITED	AUDITED
	As at	As at
	31.12.2017	31.12.2016
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	7,810	6,261
Intangible assets	4,566	4,369
Other investments	60	60
Deferred tax assets	154	113
	<u>12,590</u>	<u>10,803</u>
Current assets		
Inventories	17,178	11,087
Trade receivables	35,342	38,517
Other receivables	2,259	1,466
Tax recoverable	-	1,128
Fixed deposits with financial institutions	21,788	14,746
Cash and bank balances	24,330	14,818
	<u>100,897</u>	<u>81,762</u>
Total assets	<u><u>113,487</u></u>	<u><u>92,565</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	32,592	11,200
Translation reserve	(1,235)	(974)
Merger deficit	(20,228)	-
Retained earnings	35,397	20,368
	<u>46,526</u>	<u>30,594</u>
Non-controlling interests	<u>1,772</u>	<u>2,092</u>
Total equity	<u>48,298</u>	<u>32,686</u>
Non-current liabilities		
Borrowings	1,276	2,947
Deferred tax liabilities	384	484
Provision for post-employment benefits	502	451
	<u>2,162</u>	<u>3,882</u>
Current liabilities		
Trade payables	22,937	25,063
Other payables	14,960	9,571
Borrowings	25,000	20,727
Taxation	130	636
	<u>63,027</u>	<u>55,997</u>
Total liabilities	<u>65,189</u>	<u>59,879</u>
Total equity and liabilities	<u><u>113,487</u></u>	<u><u>92,565</u></u>
Net assets per share attributable to owners of the Company (RM) ⁽²⁾	0.08	2.73

QES GROUP BERHAD (1119086-U)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 ⁽¹⁾
(cont'd)

Notes:-

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Financial Position are detailed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 8 February 2018 and the accompanying explanatory notes attached to this interim financial report.
- (2) Based on the share capital of 606,647,000 shares in issue as at 31 December 2017 and share capital of 11,200,000 shares in issue as at 31 December 2016.

* *For illustration purposes, net assets per share as at 31 December 2016 (assuming number of shares in issue of 606,647,000) is RM0.05.*

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QES GROUP BERHAD (1119086-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017 ⁽¹⁾

	← Attributable to owners of the Group →				Total	Non-controlling interest	Total equity
	Share capital	Translation reserve	Merger deficit	Retained earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2017	11,200	(974)	-	20,368	30,594	2,092	32,686
Profit for the financial year	-	-	-	15,025	15,025	1,302	16,327
Other comprehensive income							
- Foreign currency translation difference for foreign subsidiaries	-	(261)	-	-	(261)	(149)	(410)
- Remeasurement of defined benefit plan	-	-	-	4	4	3	7
Total comprehensive income for the financial year	-	(261)	-	15,029	14,768	1,156	15,924
Contributions by and distribution to owners of the Company:							
Dividends to owners of the Company	-	-	-	-	-	(211)	(211)
Issuance of shares							
- Issuance of shares	32,592	-	-	-	32,592	-	32,592
- Issuance of shares by QES (Asia-Pacific) Sdn. Bhd. ("QAP")	1,164	-	-	-	1,164	(1,329)	(165)
- Adjustment on acquisition of subsidiaries	(12,364)	-	(20,228)	-	(32,592)	64	(32,528)
	21,392	-	(20,228)	-	1,164	(1,265)	(101)
	21,392	-	(20,228)	-	1,164	(1,476)	(312)
At 31 December 2017	32,592	(1,235)	(20,228)	35,397	46,526	1,772	48,298

QES GROUP BERHAD (1119086-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017 ⁽¹⁾(cont'd)

Notes:-

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Changes in Equity are detailed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 8 February 2018 and the accompanying explanatory notes attached to this interim financial report.
- * This is the first interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding quarter available as no interim financial report was prepared for the comparative financial period concerned.

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QES GROUP BERHAD (1119086-U)

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FOURTH QUARTER ENDED
31 DECEMBER 2017 ⁽¹⁾**

	Current Year-To- Date 31.12.2017 RM'000 (Unaudited)	Preceding Year Corresponding Period 31.12.2016 ⁽²⁾ RM'000 (Audited)
Cash flows from operating activities		
Profit before tax	20,125	N/A
Adjustments for:		
Allowance for inventories	643	N/A
Amortisation of intangible assets	103	N/A
Depreciation of property, plant and equipment	1,760	N/A
Discount on consolidation	(165)	N/A
Gain on disposal of property, plant and equipment	(957)	N/A
Impairment loss on trade receivables	79	N/A
Interest expenses	1,057	N/A
Interest income	(486)	N/A
Loss on unrealised foreign exchange	132	N/A
Provision for post-employment benefits	115	N/A
Operating profit before working capital changes	22,406	N/A
Inventories	(6,734)	N/A
Receivables	1,038	N/A
Payables	4,332	N/A
Cash generated from operations	21,042	N/A
Income tax refund	325	N/A
Income tax paid	(3,642)	N/A
Interest paid	(688)	N/A
Net cash from operating activities	17,037	N/A
Cash flows from investing activities		
Acquisition of property, plant and equipment	(2,416)	N/A
Increase in intangible assets	(300)	N/A
Interest received	486	N/A
Issuance of share capital	1,164	N/A
Net outflows in acquisition of subsidiaries	(1,164)	N/A
Placement of fixed deposits	(7,042)	N/A
Proceeds from disposal of property, plant and equipment	1,666	N/A
Net cash used in investing activities	(7,606)	N/A

QES GROUP BERHAD (1119086-U)

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FOURTH QUARTER ENDED
31 DECEMBER 2017 ⁽¹⁾ (cont'd)**

	Current Year-To- Date 31.12.2017 RM'000 (Unaudited)	Preceding Year Corresponding Period 31.12.2016 ⁽²⁾ RM'000 (Audited)
Cash flows from financing activities		
Dividend paid	(211)	N/A
Increase in bank facilities	180	N/A
Interest paid	(369)	N/A
Repayment of finance lease liabilities	(706)	N/A
Repayment of term loan	(2,543)	N/A
Net cash used in financing activities	(3,649)	N/A
Net increase in cash and cash equivalents	5,782	N/A
Effect of exchange rate changes in cash and cash equivalents	(339)	N/A
Cash and cash equivalents at beginning of the financial year	9,394	N/A
Cash and cash equivalents at end of the financial year	14,837	N/A
Cash and cash equivalents comprise :		
Cash and bank balances	24,330	N/A
Bank overdraft	(9,493)	N/A
	14,837	N/A

Notes:-

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Cash Flows are detailed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 8 February 2018 and the accompanying explanatory notes attached to this interim financial report.
- (2) This is the first interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding quarter available as no interim financial report was prepared for the comparative financial period concerned.

N/A - Not applicable

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134, INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting, paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

This is the first interim financial report on the Company's unaudited condensed consolidated financial results for the fourth (4th) quarter ended 31 December 2017 announced by the Company in compliance with the Listing Requirements of Bursa Securities and as such, there are no comparative figures for the preceding year's corresponding period.

The interim financial report should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 8 February 2018 and the accompanying explanatory notes attached to this interim financial report.

A2. Summary of Significant Accounting Policies

The significant accounting policies and methods of computation adopted by the the Company and its subsidiaries ("Group") in this interim financial report are consistent with those adopted as disclosed in the Accountants' Report in the Prospectus of the Group dated 8 February 2018, except for the adoption of the following MFRSs, Amendments to MFRSs and IC Interpretation effective for the financial year beginning on or after 1 January 2018.

Effective for financial period beginning on or after 1 January 2018

MFRS 9	Financial Instruments (IFRS 9 as issued by International Accounting Standards Board ("IASB") in July 2014
MFRS 15	Revenue from Contracts with Customers
Clarifications to MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Insurance Contracts
Amendments to MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 140	Investment Property (Transfers of Investment Property)
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

Effective for financial period beginning on or after 1 January 2019

MFRS 16	Leases
Amendments to MFRS 3	Previously Held Interest in a Joint Operation
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 11	Previously Held Interest in a Joint Operation
Amendments to MFRS 112	Income Tax Consequences of Payments on Financial Instruments Classified as Equity
Amendments to MFRS 123	Borrowing Costs Eligible for Capitalisation
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments

Effective for financial period beginning on or after 1 January 2021

MFRS 17	Insurance Contracts
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Effective date to be announced

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017 (cont'd)

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134, INTERIM FINANCIAL REPORTING (cont'd)

A3. Auditors' report on preceding annual financial statements

The report of the auditors on the Group's financial statements for the financial year ended 31 December 2016 was not subject to any qualification.

A4. Seasonal or cyclical factors

The Group's business operations have not been affected by seasonal or cyclical factors.

A5. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no material unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter and current year-to-date under review.

A6. Material changes in estimates

There was no material change in financial estimates that could materially affect the current financial quarter under review.

A7. Debt and equity securities

Save as disclosed below, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial quarter under review.

Pursuant to the sale and purchase agreement ("SPA") dated 10 April 2017, the Company had acquired the entire equity in QES (Asia-Pacific) Sdn. Bhd. for the purchase consideration of RM32,592,105 and the acquisition was completed on 1 November 2017. As such, the Company increase its issued share capital from RM100 to RM32,592,205 ordinary shares by allotment and issuance of 606,646,000 new ordinary shares at an issue price of approximately RM0.05 per share.

A8. Dividend paid

There was no dividend paid during the current financial quarter under review.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017 (cont'd)

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134, INTERIM FINANCIAL REPORTING (cont'd)

A9. Segmental information

The Group's segmental information for the current financial period ended 31 December 2017 is as follows:

(a) Analysis of revenue by divisions

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	31.12.2017 RM'000 (Unaudited)	31.12.2016 ⁽¹⁾ RM'000	31.12.2017 RM'000 (Unaudited)	31.12.2016 ⁽¹⁾ RM'000
Distribution Division				
Product distribution				
Equipment	23,766	N/A	82,619	N/A
Materials & Engineering Solutions	6,804	N/A	33,550	N/A
Services & supply of spare parts				
Equipment	10,400	N/A	44,934	N/A
Materials & Engineering Solutions	666	N/A	4,402	N/A
Sub-total	41,636	N/A	165,505	N/A
Manufacturing Division				
Manufacturing	9,669	N/A	25,434	N/A
Sub-total	9,669	N/A	25,434	N/A
Total	51,305	N/A	190,939	N/A

(b) Analysis of revenue by geographical location

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	31.12.2017 RM'000 (Unaudited)	31.12.2016 ⁽¹⁾ RM'000	31.12.2017 RM'000 (Unaudited)	31.12.2016 ⁽¹⁾ RM'000
Malaysia	15,355	N/A	81,093	N/A
ASEAN (excluding Malaysia)				
Singapore	11,914	N/A	29,102	N/A
Vietnam	7,451	N/A	26,044	N/A
Philippines	4,892	N/A	21,438	N/A
Thailand	4,537	N/A	16,025	N/A
Indonesia	5,656	N/A	12,674	N/A
Others	209	N/A	2,619	N/A
China	1,291	N/A	1,944	N/A
Total	51,305	N/A	190,939	N/A

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017 (cont'd)

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134, INTERIM FINANCIAL REPORTING (cont'd)

A9. Segmental information (cont'd)

Notes:-

- (1) This is the first interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding quarter available as no interim financial report was prepared for the comparative financial period concerned.

N/A – Not applicable

A10. Valuation of property, plant and equipment

There was no valuation of the property, plant and equipment in the current financial quarter under review.

A11. Material events subsequent to the end of the current financial quarter

Save as disclosed below, there were no other material events subsequent to the end of the current financial quarter that have not been reflected in this interim financial report.

On 8 February 2018, the Company issued its Prospectus and undertook an initial public offering in conjunction with its listing on the ACE Market of Bursa Securities comprising:-

- a) Public issue of 151,661,000 new ordinary shares at an issue price of RM0.19 per share ("IPO Price") allocated in the following manner:-
- 37,915,400 new shares made available for application by the Malaysian Public;
 - 9,265,000 new shares made available for application by the eligible directors and employees of the Group;
 - 104,480,600 new shares made available by way of private placement to selected investors; and
- b) Offer for sale of 75,831,000 existing shares made available by way of private placement to Bumiputera investors approved by the Ministry of International Trade and Industry.

Thereafter, the listing of and quotation for the Company's enlarged issued share capital comprising 758,308,000 shares on the ACE Market of Bursa Securities is expected to be on 8 March 2018.

A12. Changes in the composition of the Group

There were no material changes in the composition of the Group for the current financial quarter under review.

A13. Contingent assets or contingent liabilities

The Group has no contingent assets and contingent liabilities as at the date of this report.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017 (cont'd)

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134, INTERIM FINANCIAL REPORTING (cont'd)

A14. Capital commitments

31.12.2017
RM'000
(Unaudited)

Commitment not provided for in the financial statements is as follows:

Capital expenditure commitment

- authorised and contracted for 315

Lease commitment

- not later than one year 897

- between two to five years 51

948

Total

1,263

A15. Related party transactions

During the current financial quarter, the Board of Directors is of the opinion that there were no material related party transactions which would have a significant impact on the financial position and business of the Group.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017 (cont'd)

B. EXPLANATORY NOTES PURSUANT TO ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of performance

a) Results for current quarter

For the current financial quarter under review, the Group recorded revenue of RM51.31 million, representing revenue derived from distribution division and manufacturing division amounting to RM41.64 million and RM9.67 million respectively. Malaysia market remains the biggest market contributing to the Group's revenue. Total revenue generated in Malaysia is RM15.36 million or 29.9% of the Group's total revenue.

The Group registered a profit before taxation ("PBT") of RM4.58 million for the current quarter under review.

b) Results for financial year-to-date

For the financial year-to-date, the Group recorded revenue of RM190.94 million, representing revenue derived from distribution division and manufacturing division amounting to RM165.51 million and RM25.43 million respectively. Malaysia remains the biggest market contributing to the Group's revenue. Total revenue generated in Malaysia is RM81.09 million or 42.5% of the Group's total revenue.

The Group registered a PBT of RM20.13 million for the financial year under review.

There are no comparative figures for the preceding year available as this is the first interim financial report being announced by the Company in compliance with the Listing Requirements of Bursa Securities.

B2. Comparison with preceding quarter's results

There are no comparative figures for the preceding year available as this is the first interim financial report being announced by the Company in compliance with the Listing Requirements of Bursa Securities.

B3. Prospects and outlook

As disclosed in the Prospectus of the Company dated 8 February 2018, the Group has put in place a series of future plans that are focused in expanding its presence and market share both in distribution and manufacturing division as follows:-

- (i) The Group plans to develop 3 key products, namely the Fully Automated Vision Inspection System ("FAVIS"), Automatic Wafer Packing System ("AWPS") and Automatic Wafer ID ("AWID") under manufacturing division; and
- (ii) The Group intends to expand its distribution business by:-
 - Expanding the recurring income segment to grow the recurring revenue from repair and maintenance services and supply of spare parts.
 - Diversify into new market segments for the product line-up, particularly in higher education institutions, petrochemical and pharmaceutical industries.

Barring any unforeseen circumstances, the Board of Directors of the Group is of the opinion that the prospects for the financial year ending 31 December 2018 will remain favourable.

B4. Profit forecast and profit guarantee

The Group did not issue any profit forecast or profit guarantee during the financial quarter under review and the financial year-to-date.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017 (cont'd)

B. EXPLANATORY NOTES PURSUANT TO ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (cont'd)

B5. Status of corporate proposals

Save as disclosed in A11, there were no corporate proposals announced but not completed as at the date of this report.

B6. Income tax expenses

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2017	Preceding Year Corresponding Quarter 31.12.2016 ⁽¹⁾	Current Year-To-Date 31.12.2017	Preceding Year Corresponding Period 31.12.2016 ⁽¹⁾
Current tax expense	707	N/A	3,956	N/A
Deferred tax expense	255	N/A	(158)	N/A
Total tax expense	962	N/A	3,798	N/A
Effective tax rate (%)	21.02	N/A	18.87	N/A

Notes:-

- (1) This is the first interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding quarter available as no interim financial report was prepared for the comparative financial period concerned.
- (2) The Group's effective tax rate was lower than the statutory income tax rate due to utilisation of deferred tax assets previously not recognised.
- (3) Tax expenses is recognised based on management's best estimate.

N/A – Not applicable

B7. Utilisation of proceeds from the Initial Public Offering ("IPO")

Based on the IPO Price, the gross proceeds arising from the Public Issue amounting to RM28.82 million is intended to be utilised in the following manner:-

Purposes	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation RM'000	Estimated timeframe for utilisation
(i) Development of 3 key products	4,850	-	-	Within 24 months
(ii) General working capital requirements	3,250	-	-	Within 24 months
(iii) Repayment of bank borrowings	7,000	-	-	Within 3 months
(iv) Capital expenditure	10,716	-	-	Within 24 months
(v) Estimated listing expenses	3,000	-	-	Within 1 month
	28,816	-	-	

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017 (cont'd)

B. EXPLANATORY NOTES PURSUANT TO ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (cont'd)

B7. Utilisation of proceeds from the Initial Public Offering ("IPO") (cont'd)

The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 8 February 2018.

As at the date of this report, the IPO is pending completion and hence there was no utilisation of IPO proceeds.

B8. Group borrowings

	UNAUDITED As at 31.12.2017 RM'000	AUDITED As at 31.12.2016 RM'000
Current:		
Bank overdrafts	9,493	5,424
Bankers acceptance	780	2,547
Trust receipts	9,893	8,388
Revolving loan	1,997	1,555
Term loans	2,457	2,543
Finance lease liabilities	380	270
	<u>25,000</u>	<u>20,727</u>
Non-current:		
Term loans	-	2,457
Finance lease liabilities	1,276	490
	<u>1,276</u>	<u>2,947</u>
Total		
Bank overdrafts	9,493	5,424
Bankers acceptance	780	2,547
Trust receipts	9,893	8,388
Revolving loan	1,997	1,555
Term loans	2,457	5,000
Finance lease liabilities	1,656	760
	<u>26,276</u>	<u>23,674</u>

The Group's borrowings were denominated in MYR, except for approximately RM4.3 million (USD1.05 million), RM4.7 million (JPY131.2 million), RM0.5 million (GBP0.09 million) and RM0.4 million (EUR0.08 million) of the above borrowings were denominated in USD, JPY, GBP and EUR respectively.

B9. Material litigation

There were no material litigations pending on the date of this announcement.

B10. Dividend

The Board of Directors does not recommend any dividend for the current financial quarter under review.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017 (cont'd)

B. EXPLANATORY NOTES PURSUANT TO ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (cont'd)

B11. Earnings per share ("EPS")

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2017	Preceding Year Corresponding Quarter 31.12.2016 ⁽¹⁾	Current Year-To-Date 31.12.2017	Preceding Year Corresponding Period 31.12.2016 ⁽¹⁾
Profit for the period attributable to owners of the Company (RM'000)	3,171	N/A	15,025	N/A
Number of ordinary shares ('000)	606,647	N/A	606,647	N/A
Basic EPS (sen) ⁽²⁾	0.52	N/A	2.48	N/A
Diluted EPS (sen) ⁽³⁾	0.52	N/A	2.48	N/A

Notes:-

- (1) This is the first interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding quarter available as no interim financial report was prepared for the comparative financial period concerned.
- (2) Basic earnings per share is calculated based on the share capital of 606,647,000 shares in issue as at 31 December 2017.
- (3) Diluted earnings per share of the Company for the individual quarter 31 December 2017 and cumulative quarter 31 December 2017 is equivalent to the basic earnings per share as the Company does not have convertible options at the end of the reporting period.

N/A – Not applicable

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017 (cont'd)

B. EXPLANATORY NOTES PURSUANT TO ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (cont'd)

B12. Notes to the Statements of Comprehensive Income

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2017 RM'000	Preceding Year Corresponding Quarter 31.12.2016 ⁽¹⁾ RM'000	Current Year-To-Date 31.12.2017 RM'000	Preceding Year Corresponding Period 31.12.2016 ⁽¹⁾ RM'000
Allowance for inventories	338	N/A	643	N/A
Amortisation of intangible assets	26	N/A	103	N/A
Depreciation	458	N/A	1,760	N/A
Discount on consolidation	(165)	N/A	(165)	N/A
Gain on disposal of property, plant and equipment	(44)	N/A	(957)	N/A
(Reversal)/Impairment loss on trade receivables	(606)	N/A	79	N/A
Interest expenses	261	N/A	1,057	N/A
Interest income	(151)	N/A	(486)	N/A
(Gain)/Loss on foreign exchange	(6)	N/A	609	N/A
Provision for post employment benefits	41	N/A	115	N/A
Rental of premises and motor vehicles	230	N/A	1,404	N/A

Notes:-

- (1) This is the first interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding quarter available as no interim financial report was prepared for the comparative financial period concerned.

N/A – Not applicable

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Securities are not applicable.

BY ORDER OF THE BOARD

Andrea Huong Jia Mei
Company secretary
5 March 2018