

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019⁽¹⁾

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
Revenue	A9	39,536	49,719	119,929	133,903
Cost of sales		(31,201)	(39,361)	(94,448)	(102,337)
Gross profit		8,335	10,358	25,481	31,566
Other income		360	257	2,018	2,394
Marketing and distribution expenses		(1,548)	(1,355)	(5,421)	(5,163)
Administrative expenses		(3,788)	(3,921)	(11,449)	(11,080)
Other operating expenses		(479)	146	(5,455)	(2,251)
Profits from operation		2,880	5,485	5,174	15,466
Finance costs		(267)	(172)	(698)	(715)
Profit before tax		2,613	5,313	4,476	14,751
Tax expense	B6	(1,225)	(968)	(2,779)	(3,702)
Profit for the financial period		1,388	4,345	1,697	11,049
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign subsidiaries		113	184	438	(95)
Total comprehensive income for the financial period		1,501	4,529	2,135	10,954
Profit for the financial period attributable to:					
Owners of the Company		1,348	4,046	1,653	10,653
Non-controlling interest		40	299	44	396
Profit for the financial period		1,388	4,345	1,697	11,049
Comprehensive income for the financial period attributable to:					
Owners of the Company		1,455	4,225	2,035	10,655
Non-controlling interest		46	304	100	299
Total comprehensive income for the financial period		1,501	4,529	2,135	10,954
Earnings per share ("EPS")					
Basic (sen) ⁽²⁾	B11	0.18	0.53	0.22	1.47
Diluted (sen) ⁽²⁾	B11	0.18	0.53	0.22	1.47

QES GROUP BERHAD

Company Registration No. 201401042911 (1119086-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019⁽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 Group's audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.
- (2) Diluted earnings per share of the Company for the individual quarter and year-to-date ended 30 September 2019 is equivalent to the basic earnings per share as the Company does not have convertible securities at the end of the reporting period.

* *For illustration purposes, basic and diluted earnings per share as at 30 September 2018 (assuming number of shares in issue of 758,308,000) is RM0.53 and RM1.40 for individual quarter and year-to-date respectively.*

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019⁽¹⁾

	UNAUDITED	AUDITED
	As at	As at
	30.09.2019	31.12.2018
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	12,493	11,076
Right-of-use assets	4,225	-
Intangible assets	6,439	5,617
Other investments	60	60
Deferred tax assets	303	476
	<u>23,520</u>	<u>17,229</u>
Current assets		
Inventories	19,260	15,779
Trade receivables	37,625	47,147
Other receivables	3,127	2,507
Tax recoverable	1,509	649
Short-term investment	19,060	27,198
Fixed deposits with financial institutions	18,235	20,018
Cash and bank balances	16,304	22,938
	<u>115,120</u>	<u>136,236</u>
Total assets	<u><u>138,640</u></u>	<u><u>153,465</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	61,180	61,180
Legal reserve	25	25
Translation reserve	(816)	(1,198)
Merger deficit	(20,228)	(20,228)
Retained earnings	46,629	48,009
	<u>86,790</u>	<u>87,788</u>
Non-controlling interests	1,984	2,133
Total equity	<u><u>88,774</u></u>	<u><u>89,921</u></u>

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019⁽¹⁾ (cont'd)

	UNAUDITED	AUDITED
	As at	As at
	30.09.2019	31.12.2018
	RM'000	RM'000
Non-current liabilities		
Borrowings	1,321	1,580
Lease liabilities	3,184	-
Deferred tax liabilities	154	272
Provision for post-employment benefits	755	621
	<u>5,414</u>	<u>2,473</u>
Current liabilities		
Trade payables	17,906	32,585
Other payables	10,181	12,715
Borrowings	13,461	13,960
Lease liabilities	986	-
Deferred income	1,918	1,811
	<u>44,452</u>	<u>61,071</u>
Total liabilities	<u>49,866</u>	<u>63,544</u>
Total equity and liabilities	<u>138,640</u>	<u>153,465</u>
Net assets per share attributable to owners of the Company (RM)	0.11	0.12

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 Group's audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

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QES GROUP BERHAD

Company Registration No. 201401042911 (1119086-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019⁽¹⁾

	← Attributable to owners of the Group →				Distributable Retained earnings	Total	Non-controlling interests	Total equity
	Share capital	Non-distributable Merger deficit	Legal reserve	Translation reserve				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	61,180	(20,228)	25	(1,198)	48,009	87,788	2,133	89,921
Profit for the financial period	-	-	-	-	1,653	1,653	44	1,697
Other comprehensive income								
- Foreign currency translation differences	-	-	-	382	-	382	56	438
Total comprehensive income for the financial period	-	-	-	382	1,653	2,035	100	2,135
Contributions by and distribution to owners of the Company:								
Dividends	-	-	-	-	(3,033)	(3,033)	(249)	(3,282)
At 30 September 2019	61,180	(20,228)	25	(816)	46,629	86,790	1,984	88,774

QES GROUP BERHAD

Company Registration No. 201401042911 (1119086-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019⁽¹⁾ (cont'd)

	← Attributable to owners of the Group →					Total	Non-controlling interests	Total equity
	Share capital	Non-distributable Merger deficit	Legal reserve	Translation reserve	Distributable Retained earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000			
Balance as at 31 December 2017, as previously reported	32,592	(20,228)	-	(1,235)	35,397	46,526	1,772	48,298
Adjustment from adoption of MFRS 15	-	-	-	-	(1,439)	(1,439)	(183)	(1,622)
Restated as at 1 January 2018	32,592	(20,228)	-	(1,235)	33,958	45,087	1,589	46,676
Profit for the financial period	-	-	-	-	10,653	10,653	396	11,049
Other comprehensive income								
- Foreign currency translation differences	-	-	-	2	-	2	(97)	(95)
Total comprehensive income for the financial period	-	-	-	2	10,653	10,655	299	10,954
Contributions by and distribution to owners of the Company:								
Dividends	-	-	-	-	(47)	(47)	(257)	(304)
Issuance of shares	28,588	-	-	-	-	28,588	150	28,738
At 30 September 2018	61,180	(20,228)	-	(1,233)	44,564	84,283	1,781	86,064

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 Group's audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019⁽¹⁾

	30.09.2019	30.09.2018
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	4,476	14,751
Adjustments for:		
Allowance for inventories	-	289
Amortisation of intangible assets	90	104
Depreciation	2,649	1,554
Gain on disposal of property, plant and equipment	(314)	(1,080)
(Gain)/Loss on unrealised foreign exchange	(409)	213
Impairment loss on trade receivables	1,770	220
Interest expenses	698	715
Interest income	(1,112)	(860)
Inventories written off	986	-
Property, plant and equipment written off	3	5
Provision for post-employment benefits	109	87
Reversal of allowance for inventories	(437)	-
	<hr/>	<hr/>
Operating profit before working capital changes	8,509	15,998
Inventories	(4,030)	(3,246)
Receivables	7,656	(4,302)
Payables	(17,284)	1
	<hr/>	<hr/>
Cash flows (used in)/from operations	(5,149)	8,451
Income tax refund	79	9
Income tax paid	(3,663)	(3,436)
Interest paid	(480)	(599)
	<hr/>	<hr/>
Net cash (used in)/from operating activities	(9,213)	4,425
Cash flows from investing activities		
Acquisition of property, plant and equipment	(3,784)	(5,174)
Increase in intangible assets	(912)	(926)
Interest received	1,112	860
Issuance of share capital	-	28,588
Placement of fixed deposits (pledged)	(453)	3,338
Proceeds from disposal of property, plant and equipment	783	2,018
	<hr/>	<hr/>
Net cash (used in)/from investing activities	(3,254)	28,704

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019⁽¹⁾ (cont'd)

	30.09.2019	30.09.2018
	RM'000	RM'000
Cash flows from financing activities		
Dividend paid	(3,282)	(304)
Increase in bank facilities	(3,639)	(1,705)
Interest paid	(218)	(116)
Payment of lease liabilities	(809)	-
Repayment of finance lease liabilities	(308)	(476)
Repayment of term loan	-	(2,457)
Net cash used in financing activities	<u>(8,256)</u>	<u>(5,058)</u>
Net (decrease)/increase in cash and cash equivalents	(20,723)	28,071
Effect of exchange rate changes in cash and cash equivalents	464	16
Cash and cash equivalents at beginning of the financial period	51,297	14,837
Cash and cash equivalents at end of the financial period	<u><u>31,038</u></u>	<u><u>42,924</u></u>
Cash and cash equivalents comprise the following:		
Short-term investment	19,060	19,086
Fixed deposits with financial institutions (unpledged)	-	2,239
Cash and bank balances	16,304	22,868
Bank overdraft	(4,326)	(1,269)
	<u><u>31,038</u></u>	<u><u>42,924</u></u>

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 Group's audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

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 MFRS 134, Interim Financial Reporting and Rule 9.22 of the ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial report should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 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 applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2018.

At the date of authorisation of these interim financial statements, the followings MFRS, IC Interpretations and Amendments to IC Interpretations were issued but not yet effective and have not been applied by the Group:

Effective for financial period beginning on or after 1 January 2020

Amendments to MFRS 2	Share-Based Payment
Amendments to MFRS 3	Business Combinations
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources
Amendments to MFRS 7	Financial Instruments: Disclosures
Amendments to MFRS 9	Financial Instruments
Amendments to MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to MFRS 134	Interim Financial Reporting
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendments to MFRS 138	Intangible Assets
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement
Amendments to IC Interpretation 12	Service Concession Arrangements
Amendments to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to IC Interpretation 132	Intangible Assets-Web Site Costs

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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The above pronouncements are either not relevant or do not have any material impact on the financial statements of the Group.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
(cont'd)

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

A2. Summary of Significant Accounting Policies (cont'd)

The Group has adopted all the new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 January 2019. The adoption of these new and revised MFRSs and IC Interpretations have not resulted in any material impact on the financial statements of the Group, except as follows:

MFRS 16 Leases

MFRS 16, which replaces MFRS 117 Leases and other related interpretations, eliminates the distinction between finance and operating leases for lessees. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Group has elected to adopt the modified retrospective approach in which the right-of-use assets are recognised at the date of initial application (1 January 2019) at an amount equal to the lease liabilities, using the Group's current incremental borrowing rate. Therefore, there is no impact on equity at the date of initial application. Comparative figures are not restated.

The following presents the expected impact upon initial application of new MFRS Framework, MFRS 16 on the financial position of the Group.

	31.12.2018 RM'000	EFFECT OF ADOPTION OF MFRS 16 RM'000	1.1.2019 RM'000
ASSETS			
Non-current assets			
Right-of-use assets	-	4,246	4,246
Current assets			
Other receivables	155	-	155
EQUITY AND LIABILITIES			
Non-current liabilities			
Lease liabilities	-	3,358	3,358
Current liabilities			
Lease liabilities	-	733	733
Total Lease liabilities	-	4,091	4,091

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
(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 2018 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

There were no other issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial quarter under review.

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 THIRD QUARTER ENDED 30 SEPTEMBER 2019
(cont'd)

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

A9. Segmental information

Results for individual quarter ended 30.09.2019

	Investment Holding RM'000	Equipment RM'000	Materials & Engineering Solutions RM'000	Manufacturing RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
External revenue	-	23,831	12,945	2,760	-	39,536
Inter segment revenue	-	7,837	463	-	(8,300)	-
Total revenue	-	31,667	13,408	2,760	(8,300)	39,536

Results

Depreciation and amortisation	-	814	40	111	(6)	960
Other non-cash expenses/(income)	-	(83)	(21)	75	-	(29)
Segment profit/(loss)	(51)	1,750	1,205	(291)	-	2,613

Results for individual quarter ended 30.09.2018

	Investment Holding RM'000	Equipment RM'000	Materials & Engineering Solutions RM'000	Manufacturing RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
External revenue	-	34,012	8,618	7,089	-	49,719
Inter segment revenue	-	15,593	1,127	-	(16,720)	-
Total revenue	-	49,605	9,745	7,089	(16,720)	49,719

Results

Depreciation and amortisation	-	473	44	105	(5)	617
Other non-cash expenses	-	5	8	31	-	44
Segment profit	4,826	5,362	624	1,121	(6,620)	5,313

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
(cont'd)

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

A9. Segmental information (cont'd)

Results for cumulative quarter ended 30.09.2019

	Investment Holding RM'000	Equipment RM'000	Materials & Engineering Solutions RM'000	Manufacturing RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
External revenue	-	88,400	24,612	6,917	-	119,929
Inter segment revenue	-	28,433	478	-	(28,911)	-
Total revenue	-	116,833	25,090	6,917	(28,911)	119,929

Results

Depreciation and amortisation	-	2,245	136	375	(17)	2,739
Other non-cash expenses/(income)	-	391	(21)	2,061	-	2,431
Segment profit/(loss)	3,237	7,905	1,588	(4,024)	(4,230)	4,476

Results for cumulative quarter ended 30.09.2018

	Investment Holding RM'000	Equipment RM'000	Materials & Engineering Solutions RM'000	Manufacturing RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
External revenue	-	87,331	19,240	27,332	-	133,903
Inter segment revenue	-	38,216	1,179	-	(39,395)	-
Total revenue	-	125,547	20,419	27,332	(39,395)	133,903

Results

Depreciation and amortisation	-	1,259	97	311	(9)	1,658
Other non-cash expenses	-	449	64	88	-	601
Segment profit	4,155	11,140	859	5,476	(6,879)	14,751

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
(cont'd)

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

A9. Segmental information (cont'd)

(a) Analysis of revenue by divisions

	INDIVIDUAL QUARTER				CUMULATIVE QUARTER			
	30.09.2019		30.09.2018		30.09.2019		30.09.2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Distribution Division								
Product distribution								
Equipment	13,423	34.0	22,793	45.8	59,637	49.7	58,022	43.3
Materials & Engineering Solutions	11,922	30.1	7,628	15.3	21,802	18.2	16,715	12.5
Services & supply of spare parts								
Equipment	10,408	26.3	11,219	22.6	28,763	24.0	29,309	21.9
Materials & Engineering Solutions	1,023	2.6	990	2.0	2,810	2.3	2,525	1.9
Sub-total	36,776	93.0	42,630	85.7	113,012	94.2	106,571	79.6
Manufacturing Division								
Manufacturing	2,760	7.0	7,089	14.3	6,917	5.8	27,332	20.4
Sub-total	2,760	7.0	7,089	14.3	6,917	5.8	27,332	20.4
Total	39,536	100.0	49,719	100.0	119,929	100.0	133,903	100.0

(b) Analysis of revenue by geographical location

	INDIVIDUAL QUARTER				CUMULATIVE QUARTER			
	30.09.2019		30.09.2018		30.09.2019		30.09.2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	19,355	49.0	17,297	34.8	47,486	39.6	39,735	29.7
ASEAN (excluding Malaysia)								
Thailand	5,252	13.3	3,859	7.8	16,352	13.6	13,817	10.3
Vietnam	5,496	13.9	5,838	11.7	16,168	13.5	15,614	11.7
Philippines	3,221	8.2	6,862	13.8	14,486	12.1	26,689	19.9
Singapore	2,377	6.0	11,350	22.8	12,741	10.6	18,364	13.7
Indonesia	2,066	5.2	2,762	5.6	8,084	6.8	10,130	7.6
Others	1,316	3.3	1,696	3.4	3,390	2.8	8,061	6.0
China	453	1.1	55	0.1	1,222	1.0	1,493	1.1
Total	39,536	100.0	49,719	100.0	119,929	100.0	133,903	100.0

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
(cont'd)

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

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

There were no subsequent material events as at the date of this report.

A12. Changes in the composition of the Group

Save as that disclosed below, there were no other changes to the composition of the Group during the current quarter under review.

The application to Companies Commission of Malaysia ("CCM") to strike off the Group's dormant subsidiary companies namely Creden Engineering Sdn. Bhd., QES (Sarawak) Sdn. Bhd. and QES (Penang) Sdn. Bhd. from the register has been successful. This has been gazetted by CCM following the publication of the Notice of Striking Off pursuant to Section 551(3) of the Companies Act 2016 in the Gazette on 11 July 2019.

A13. Contingent assets or contingent liabilities

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

A14. Capital commitments

30.09.2019
RM'000
(Unaudited)

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

Lease commitment

- not later than one year	184
- between two to five years	<u>21</u>
Total	<u><u>205</u></u>

A15. Related party transactions

There were no related party transactions during the current financial quarter under review.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
(cont'd)

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

B1. Review of performance

(i) Results for current quarter

	INDIVIDUAL QUARTER		Changes RM'000	Changes %
	30.09.2019 RM'000	30.09.2018 RM'000		
Revenue	39,536	49,719	(10,183)	(20.5)
Profit before tax	2,613	5,313	(2,700)	(50.8)

The Group recorded revenue of RM39.54 million for the current quarter under review against RM49.72 million in the corresponding quarter last year, representing a decrease of 20.5%. The decrease was due to a drop in sales from the distribution division by RM5.85 million and from the manufacturing division by RM4.33 million.

The decrease in revenue for the distribution division was mainly due to a decline in sales volume caused by the overall market condition in the semiconductor industry this year as compared to the corresponding quarter last year. The decrease in revenue for the manufacturing division was mainly due to less deliveries of Optical Inspection System in both automated and semi-automated series. The manufacturing division was especially affected by the overall slowdown in the semiconductor industry worldwide as our manufactured products are primarily used by semiconductor companies.

The Group registered a profit before tax ("PBT") of RM2.61 million against PBT of RM5.31 million in the corresponding quarter last year. The lower PBT recorded was mainly due to overall lower revenue for the current financial period under review.

(ii) Results for financial year-to-date

	CUMULATIVE QUARTER		Changes RM'000	Changes %
	30.09.2019 RM'000	30.09.2018 RM'000		
Revenue	119,929	133,903	(13,974)	(10.4)
Profit before tax	4,476	14,751	(10,275)	(69.7)

The Group recorded revenue of RM119.93 million for the current cumulative quarter ended 30 September 2019, a decrease of 10.4% as compared to cumulative quarter last year. The decrease was mainly due to a drop in sales from the manufacturing division by RM20.41 million notwithstanding an increase in sales from distribution division by RM6.44 million.

The decrease in revenue for the manufacturing division was mainly due to less deliveries of Optical Inspection System as well as some delayed deliveries of equipment at the customers' request. The increase in revenue for the distribution division was mainly contributed by the increased deliveries of Engineering Solutions as compared to the cumulative quarter last year.

The profit before tax decreased from RM14.75 million to RM4.47 million as compared to the cumulative quarter last year. Apart from the above-mentioned decline in revenue, the Group recognised an impairment on one of its trade receivables amounting to RM1.8 million as the customer had delayed payment to the Group beyond its credit terms in the immediate preceding quarter.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
(cont'd)

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

B2. Comparison with immediate preceding quarter's results and comments on material changes in PBT

	Current Quarter 30.09.2019 RM'000	Preceding Quarter 30.06.2019 RM'000	Changes RM'000	Changes %
Revenue	39,536	40,510	(974)	(2.4)
Profit before tax	2,613	(1,020)	3,633	356.2

The Group recorded revenue of RM39.54 million for the current quarter under review against RM40.51 million in the immediate preceding quarter, representing a marginal decrease of 2.4%. The decrease in revenue by RM0.97 million against the immediate preceding quarter was mainly due to the decrease in revenue from the distribution division by RM2.03 million. However the increase was partially offset by an increase in sales from the manufacturing division by RM1.06 million.

The Group registered a PBT of RM2.61 million against a loss before tax of RM1.02 million in the immediate preceding quarter as there was no major impairment loss on trade receivables recorded.

B3. Prospects and outlook

The Group will continue to put focus on the research and development of new inspection and measuring equipment for the semiconductor and electrical & electronics market segments. The Group is also putting in more resources and effort to get more sales traction from China and Europe over the near term. We noted there has been an improvement in the semiconductor and electrical & electronics market segments towards the end of 2019 and are cautiously optimistic for better results from the fourth quarter of 2019 onwards.

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.

B5. Status of corporate proposals

There were no other corporate proposals announced but not completed as at the date of this report.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
(cont'd)

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

B6. Income tax expenses

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Current tax expense	1,201	981	2,708	3,846
Deferred tax expense/ (income)	24	(13)	71	(144)
Total tax expense	1,225	968	2,779	3,702

Notes:-

- (1) The Group's effective tax rate was higher than the statutory income tax rate of 24% due to certain deferred tax asset not recognised and adjustment on certain expenses not deductible for tax purposes such as depreciation, amortisation of intangible assets, allowance for inventories and impairment losses on trade receivables.
- (2) Tax expenses is recognised based on management's best estimate.

B7. Utilisation of proceeds from the IPO

The gross proceeds arising from the IPO amounting to RM28.82 million was intended to be utilised in the following manner:-

Purposes	Proposed Utilisation	Actual Utilisation	Balance	Deviation	Estimated timeframe for utilisation
	RM'000	RM'000	RM'000	RM'000	
(i) Development of 3 key products	4,850	2,675	2,175	-	Within 24 months
(ii) General working capital requirements	3,250	2,448	802	-	Within 24 months
(iii) Repayment of bank borrowings	7,000	7,000	-	-	Within 3 months
(iv) Capital expenditure	10,716	5,929	4,787	-	Within 24 months
(v) Estimated listing expenses	3,000	3,000	-	-	Within 1 month
	28,816	21,052	7,764	-	

The utilisation of 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, save for approximately RM21.05 million that has been utilised for various purposes as disclosed above, the remaining IPO proceeds has not been utilised as at 30 September 2019.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
 (cont'd)

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

B8. Group borrowings

	UNAUDITED	AUDITED
	As at	As at
	30.09.2019	31.12.2018
	RM'000	RM'000
Current:		
Bank overdrafts	4,326	1,074
Bankers acceptance	688	612
Trust receipts	7,300	10,886
Revolving loan	800	992
Finance lease liabilities	347	396
	<u>13,461</u>	<u>13,960</u>
Non-current:		
Finance lease liabilities	<u>1,321</u>	<u>1,580</u>
Total		
Bank overdrafts	4,326	1,074
Bankers acceptance	688	612
Trust receipts	7,300	10,886
Revolving loan	800	992
Finance lease liabilities	1,668	1,976
	<u>14,782</u>	<u>15,540</u>

The Group's borrowings were denominated in MYR, except for approximately RM6.55 million (USD1.56 million) and RM0.71 million (JPY18.25 million) of the above borrowings were denominated in USD and JPY 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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
 (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	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Profit for the period attributable to owners of the Company (RM'000)	1,348	4,046	1,653	10,653
Weighted average number of shares ('000)	758,308	758,308	758,308	723,309
Basic EPS (sen)	0.18	0.53	0.22	1.47
Diluted EPS (sen) ⁽¹⁾	0.18	0.53	0.22	1.47

Notes:-

- (1) Diluted earnings per share of the Company for the individual quarter and year-to-date ended 30 September 2019 is equivalent to the basic earnings per share as the Company does not have any outstanding convertible securities at the end of the reporting period.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
(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	
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
Allowance for inventories	-	39	-	289
Amortisation of intangible assets	30	33	90	104
Depreciation	930	584	2,649	1,554
Gain on disposal of property, plant and equipment	(38)	(235)	(314)	(1,080)
(Gain)/Loss on foreign exchange				
- realised	(124)	(396)	339	(573)
- unrealised	(260)	(101)	(409)	213
Impairment loss on trade receivables	-	-	1,770	220
Interest expenses	267	172	698	715
Interest income	(330)	(335)	(1,112)	(860)
Inventories written off	13	-	986	-
Property, plant and equipment written off	-	5	3	5
Provision for post-employment benefits	37	29	109	87
Rental of premises and motor vehicles	71	379	320	1,057
Reversal of allowance for inventories	91	-	(437)	-
Reversal of impairment loss on trade receivables	(170)	(29)	-	-

Save as disclosed above, 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
21 November 2019