

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2020

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Revenue	A9	38,884	40,510	78,656	80,393
Cost of sales		(30,822)	(32,453)	(60,822)	(63,247)
Gross profit		8,062	8,057	17,834	17,146
Other income		1,715	182	2,023	1,658
Marketing and distribution expenses		(1,313)	(2,356)	(2,611)	(3,873)
Administrative expenses		(3,549)	(4,063)	(6,921)	(7,661)
Other operating expenses		(1,168)	(2,616)	(3,063)	(4,976)
Profits/(Loss) from operation		3,747	(796)	7,262	2,294
Finance costs		(223)	(224)	(404)	(431)
Profit/(Loss) before tax		3,524	(1,020)	6,858	1,863
Tax expense	B6	(871)	(542)	(1,762)	(1,554)
Profit/(Loss) for the financial period		2,653	(1,562)	5,096	309
Other comprehensive income/ (expense), net of tax					
Foreign currency translation differences for foreign subsidiaries		456	343	300	325
Total comprehensive income/ (expense) for the financial period		3,109	(1,219)	5,396	634
Profit/(Loss) for the financial period attributable to:					
Owners of the Company		2,572	(1,528)	5,066	305
Non-controlling interest		81	(34)	30	4
Profit/(Loss) for the financial period		2,653	(1,562)	5,096	309
Comprehensive income/(expense) for the financial period attributable to:					
Owners of the Company		2,933	(1,249)	5,340	580
Non-controlling interest		176	30	56	54
Total comprehensive income/ (expense) for the financial period		3,109	(1,219)	5,396	634
Earnings/(Loss) per share					
Basic and diluted (sen)	B11	0.34	(0.20)	0.67	0.04

QES GROUP BERHAD

Company Registration No.: 201401042911 (1119086-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2020 (cont'd)

Notes:-

The basis of preparation of the Unaudited Condensed Consolidated Statements of Profit Or Loss and Other 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 2019 and the accompanying explanatory notes attached to this interim financial report.

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2020

	UNAUDITED	AUDITED
	As at	As at
	30.06.2020	31.12.2019
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	9,423	9,971
Right-of-use assets	5,643	6,087
Intangible assets	6,695	6,574
Other investments	60	60
Deferred tax assets	1,609	1,686
	<u>23,430</u>	<u>24,378</u>
Current assets		
Inventories	22,911	20,178
Trade receivables	38,243	31,552
Other receivables	2,934	3,459
Tax recoverable	1,621	2,028
Short-term investments	17,208	18,202
Fixed deposits with financial institutions	18,479	18,244
Cash and bank balances	33,314	32,204
	<u>134,710</u>	<u>125,867</u>
TOTAL ASSETS	<u><u>158,140</u></u>	<u><u>150,245</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	61,180	61,180
Legal reserve	25	25
Translation reserve	(557)	(831)
Merger deficit	(20,228)	(20,228)
Retained earnings	53,998	48,932
	<u>94,418</u>	<u>89,078</u>
Total equity attributable to Owners of the Company	94,418	89,078
Non-controlling interests	1,471	1,415
	<u>95,889</u>	<u>90,493</u>
Non-current liabilities		
Lease liabilities	3,928	4,175
Deferred tax liabilities	113	304
Provision for post-employment benefits	927	831
	<u>4,968</u>	<u>5,310</u>

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2020 (cont'd)

	UNAUDITED	AUDITED
	As at	As at
	30.06.2020	31.12.2019
	RM'000	RM'000
Current liabilities		
Trade payables	16,959	25,956
Other payables	9,353	9,168
Borrowings	20,185	11,454
Lease liabilities	1,215	1,331
Contract liabilities	7,961	5,883
Tax payable	1,610	650
	<u>57,283</u>	<u>54,442</u>
Total liabilities	<u>62,251</u>	<u>59,752</u>
TOTAL EQUITY AND LIABILITIES	<u>158,140</u>	<u>150,245</u>
Net assets per share attributable to owners of the Company (RM)	0.12	0.12

Notes:-

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 2019 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 SECOND QUARTER ENDED 30 JUNE 2020

	← 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	RM'000	RM'000	
At 1 January 2020	61,180	(20,228)	25	(831)	48,932	89,078	1,415	90,493
Profit for the financial period	-	-	-	-	5,066	5,066	30	5,096
Other comprehensive income								
- Foreign currency translation differences	-	-	-	274	-	274	26	300
Total comprehensive income for the financial period	-	-	-	274	5,066	5,340	56	5,396
At 30 June 2020	61,180	(20,228)	25	(557)	53,998	94,418	1,471	95,889

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QES GROUP BERHAD

Company Registration No.: 201401042911 (1119086-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2020 (cont'd)

	← Attributable to owners of the Group →					→	Non-controlling interests	Total equity	
	Share capital	Non-distributable Merger deficit	Legal reserve	Translation reserve	Distributable Retained earnings				Total
	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	-	-	-	-	305	305	4	309	
Other comprehensive income									
- Foreign currency translation differences	-	-	-	275	-	275	50	325	
Total comprehensive income for the financial period	-	-	-	275	305	580	54	634	
Contributions by and distribution to owners of the Company:									
Dividends	-	-	-	-	(3,033)	(3,033)	(249)	(3,282)	
At 30 June 2019	61,180	(20,228)	25	(923)	45,281	85,335	1,938	87,273	

Notes:-

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 2019 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

	30.06.2020	30.06.2019
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before tax	6,858	1,863
Adjustments for:		
Amortisation of intangible assets	160	60
Depreciation of property, plant and equipment	1,077	1,312
Depreciation of right-of-use assets	743	407
Gain on disposal of property, plant and equipment	(635)	(276)
Gain on lease modification	(2)	-
Gain on unrealised foreign exchange	(197)	(149)
Loss allowance on trade receivables	1,026	1,940
Interest expenses	404	431
Interest income	(555)	(782)
Inventories written down/(back)	111	(528)
Inventories written off	16	973
Property, plant and equipment written off	-	3
Provision for post-employment benefits	80	72
	<hr/>	<hr/>
Operating profit before working capital changes	9,086	5,326
Inventories	(2,859)	(6,183)
Receivables	(6,891)	13,188
Payables	(6,754)	(12,947)
	<hr/>	<hr/>
Cash used in operations	(7,418)	(616)
Income tax refund	100	37
Income tax paid	(609)	(1,899)
Interest paid	(280)	(285)
Employee benefits paid	(2)	-
	<hr/>	<hr/>
Net cash used in operating activities	(8,209)	(2,763)
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(853)	(2,097)
Addition in intangible assets	(281)	(295)
Interest received	555	782
Placement of fixed deposits with financial institutions	(236)	(297)
Proceeds from disposal of property, plant and equipment	959	556
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Net cash from/(used in) investing activities	144	(1,351)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2020 (cont'd)

	30.06.2020	30.06.2019
	RM'000	RM'000
Cash Flows from Financing Activities		
Dividend paid	-	(3,282)
Net drawdown of borrowings	9,014	315
Interest paid	(124)	(146)
Repayment of finance lease liabilities	(661)	(567)
Repayment of lease liabilities	-	(197)
Net cash from/(used in) financing activities	<u>8,229</u>	<u>(3,877)</u>
Net increase/(decrease) in cash and cash equivalents	164	(7,991)
Foreign currency translation differences	319	343
Cash and cash equivalents at beginning of the financial period	45,659	51,297
Cash and cash equivalents at end of the financial period	<u><u>46,142</u></u>	<u><u>43,649</u></u>
Cash and cash equivalents comprise the following:		
Short-term investments	17,208	22,245
Fixed deposits with financial institutions	18,479	20,354
Cash and bank balances	33,314	24,082
Bank overdraft	(4,380)	(4,952)
	<u>64,621</u>	<u>61,729</u>
Less: Fixed deposits pledged	(18,479)	(18,080)
	<u><u>46,142</u></u>	<u><u>43,649</u></u>

Notes:-

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 2019 and the accompanying explanatory notes attached to this interim financial report.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

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 2019 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 2019.

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:

MFRSs and Interpretations	Effective for financial periods beginning on or after
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to Annual Improvements to MFRS Standards 2018–2020	1 January 2022
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment—Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts—Cost of Fulfilling a Contract	1 January 2022
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

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 2019 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020 (cont'd)

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

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 SECOND QUARTER ENDED 30 JUNE 2020 (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 30.06.2020

	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	-	27,698	6,950	4,236	-	38,884
Inter segment revenue	-	12,131	103	-	(12,234)	-
Total revenue	-	39,829	7,053	4,236	(12,234)	38,884

Results

Depreciation and amortisation	-	789	36	176	(7)	994
Other non-cash expenses/(income)	-	(1,356)	11	81	-	(1,264)
Segment profit/(loss) before tax	(35)	3,371	(118)	299	7	3,524

Results for individual quarter ended 30.06.2019

	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	-	33,187	5,624	1,699	-	40,510
Inter segment revenue	3,300	12,667	-	-	(15,967)	-
Total revenue	3,300	45,854	5,624	1,699	(15,967)	40,510

Results

Depreciation and amortisation	-	738	50	139	(26)	901
Other non-cash expenses	-	316	81	1,904	-	2,301
Segment profit/(loss) before tax	3,251	2,246	116	(2,871)	(3,762)	(1,020)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020 (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 30.06.2020

	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	-	57,204	13,009	8,443	-	78,656
Inter segment revenue	-	24,479	314	180	(24,973)	-
Total revenue	-	81,683	13,323	8,623	(24,973)	78,656

Results

Depreciation and amortisation	-	1,569	73	351	(13)	1,980
Other non-cash expenses	-	71	86	242	-	399
Segment profit/(loss) before tax	(82)	6,311	(156)	772	13	6,858

Results for cumulative quarter ended 30.06.2019

	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	-	64,569	11,667	4,157	-	80,393
Inter segment revenue	3,300	21,084	15	-	(24,399)	-
Total revenue	3,300	85,653	11,682	4,157	(24,399)	80,393

Results

Depreciation and amortisation	-	1,430	96	264	(11)	1,779
Other non-cash expenses	-	197	10	1,828	-	2,035
Segment profit/(loss) before tax	3,288	5,702	383	(3,733)	(3,777)	1,863

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020 (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			
	30.06.2020		30.06.2019		30.06.2020		30.06.2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Distribution Division								
Product distribution								
Equipment	18,737	48.2	24,720	61.0	39,776	50.6	46,214	57.5
Materials & Engineering Solutions	6,090	15.7	4,702	11.6	11,390	14.5	9,880	12.3
Services & supply of spare parts								
Equipment	8,961	23.0	8,466	20.9	17,428	22.1	18,355	22.8
Materials & Engineering Solutions	860	2.2	923	2.3	1,619	2.1	1,787	2.2
Sub-total	34,648	89.1	38,811	95.8	70,213	89.3	76,236	94.8
Manufacturing Division								
Manufacturing	4,236	10.9	1,699	4.2	8,443	10.7	4,157	5.2
Sub-total	4,236	10.9	1,699	4.2	8,443	10.7	4,157	5.2
Total	38,884	100.0	40,510	100.0	78,656	100.0	80,393	100.0

(b) Analysis of revenue by geographical location

	INDIVIDUAL QUARTER				CUMULATIVE QUARTER			
	30.06.2020		30.06.2019		30.06.2020		30.06.2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	15,507	39.9	12,061	29.8	28,283	36.0	28,131	35.0
ASEAN (excluding Malaysia)								
Vietnam	5,633	14.5	5,883	14.5	13,639	17.3	10,672	13.2
Singapore	4,534	11.7	7,130	17.6	12,229	15.5	10,364	12.9
Thailand	3,476	8.9	6,137	15.1	7,511	9.5	11,100	13.8
Philippines	3,813	9.8	4,600	11.4	7,368	9.4	11,265	14.0
Indonesia	2,619	6.7	3,359	8.3	4,134	5.3	6,018	7.5
Others	1,647	4.2	625	1.5	3,658	4.7	2,074	2.6
China	1,655	4.3	715	1.8	1,834	2.3	769	1.0
Total	38,884	100.0	40,510	100.0	78,656	100.0	80,393	100.0

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020 (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. Subsequent events

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

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.

A14. Capital commitments

The Group has no material capital commitments as at the date of this report.

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 SECOND QUARTER ENDED 30 JUNE 2020 (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 %
	30.06.2020 RM'000	30.06.2019 RM'000		
Revenue	38,884	40,510	(1,626)	(4.0)
Profit/(Loss) before tax	3,524	(1,020)	4,544	445.5

The Group recorded revenue of RM38.88 million for the current quarter under review against RM40.51 million in the corresponding quarter last year, representing a marginal decrease of 4.0%. The decrease was mainly due to a drop in sales by RM4.16 million from the distribution division notwithstanding an increase of RM2.53 million from the manufacturing division.

The decrease in revenue from the distribution division was mainly due to a slowdown in sales of all major QES distribution equipment. The primary reason for the slowdown in the second quarter was due to the lockdown arising from the Covid-19 pandemic which affects shipments as well as travelling by our engineers. The increased of revenue from the manufacturing division was due to better sales of inspection and automated handling equipment from semiconductor customers as compared to the corresponding quarter last year.

The Group registered a profit before tax ("PBT") of RM3.52 million against a loss before tax of RM1.02 million in the corresponding quarter last year. The much improved PBT recorded was due to higher revenue and gross profit margin generated by the manufacturing division and lower operating cost due to restricted traveling and government subsidies of wages for Malaysia and Singapore. This is coupled with an absence of impairment recognised on one of the trade receivables amounting to RM1.80 million in the corresponding quarter last year.

(ii) Results for financial year-to-date

	CUMULATIVE QUARTER		Changes RM'000	Changes %
	30.06.2020 RM'000	30.06.2019 RM'000		
Revenue	78,656	80,393	(1,737)	(2.2)
Profit before tax	6,858	1,863	4,995	268.1

The Group recorded revenue of RM78.66 million for the current cumulative quarter under review, a marginal decrease of 2.2%. The decrease was mainly due to a drop in sales by RM6.02 million from the distribution division notwithstanding an increase of RM4.28 million from the manufacturing division.

The decrease in revenue from the distribution division was mainly due to a slowdown in sales of all major QES distribution equipment. The primary reason for the slowdown in the first half of 2020 was due to the lockdown arising from the Covid-19 pandemic which affects shipments as well as travelling by our engineers. The increased of revenue from the manufacturing division was due to better sales of inspection and automated handling equipment from semiconductor customers as compared to the cumulative quarter last year.

PBT increased by RM5.00 million mainly due to higher revenue and gross profit margin generated by the manufacturing division and lower operating cost due to restricted traveling and government subsidies of wages for Malaysia and Singapore as compared to the cumulative quarter last year.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020 (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 30.06.2020 RM'000	Preceding Quarter 31.03.2020 RM'000	Changes RM'000	Changes %
Revenue	38,884	39,772	(888)	(2.2)
Profit before tax	3,524	3,334	190	5.7

The Group recorded revenue of RM38.88 million for the current quarter under review against RM39.77 million in the immediate preceding quarter, representing a marginal decrease of 2.2%. The decrease in revenue by RM0.89 million was mainly due to the decrease in revenue from the distribution division by RM0.92 million while the manufacturing division shows a minor increase of RM0.03 million.

The Group registered a PBT of RM3.52 million against RM3.33 million in the immediate preceding quarter.

B3. Prospects and outlook

The Group is cautiously optimistic that the second half of 2020 will improve as the business segments that the Group partakes in will gradually move uptrend in tandem with better sentiment and confidence of the Covid-19 pandemic being mitigated at large by the respective countries we operate in. Semiconductor market segment shows an encouraging positive signal as both the manufacturing and distribution division receives orders even during the lockdown period. As the Group is part of the supply chain in both front end wafer fabrication and back end test assembly of integrated circuit manufacturing, we are confident this segment will grow positively over the second half of 2020 onwards. This is barring all unforeseen circumstances that there will be a possible chance of recurring lockdowns in Malaysia and ASEAN due to the 2nd or 3rd wave of Covid-19 infections. Hence, the Management remains conservatively guarded but should there be an effective vaccine ready by early 2021, the Group should be on the way to normalcy with positive growth forecast.

The Group will continue to focus on market and business expansion activities to grow the business further. The Group is also in the midst of fully digitalising the operations to ensure increase levels of productivity and efficiency can be achieved amid the Covid-19 pandemic. This is also part of our business continuity program activated to mitigate future issues similar to the Covid-19 pandemic.

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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020 (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	
	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Current tax expense	893	524	1,855	1,507
Deferred tax expense	(22)	18	(93)	47
Total tax expense	871	542	1,762	1,554

Notes:-

- (1) The Group's effective tax rate for the individual and cumulative quarter was slightly higher than the statutory income tax rate of 24% mainly due to adjustment on certain expenses not deductible for tax purposes such as depreciation, amortisation of intangible assets, allowance for inventories and loss allowance on trade receivables notwithstanding adjustment for non-taxable and tax exempted income in place.
- (2) Tax expenses is recognised based on management's best estimate.

B7. Utilisation of proceeds from the IPO

On 28 February 2020, the Company announced its intention to vary the utilisation of proceeds raised from the initial public offering ("IPO") exercise in conjunction with the listing of and the quotation of its entire share capital on the ACE Market of Bursa Malaysia Securities Berhad on 8 March 2018. The Company has raised gross proceeds of approximately RM28.82 million from its IPO proceeds.

The details of utilisation following the variations of the IPO Proceeds are as set out below:

Purposes	Proposed	Revised	Actual	Balance	Revised Expected Timeframe for Utilisation
	Utilisation	Proposed Utilisation	Utilisation		
	RM'000	RM'000	RM'000	RM'000	
(i) Development of 3 key products	4,850	4,850	2,828	2,022	Within 36 months from 8 March 2018
(ii) General working capital requirements	3,250	3,250	3,237	13	Within 36 months from 8 March 2018
(iii) Repayment of bank borrowings	7,000	10,200	10,200	-	Within 3 months from 28 February 2020
(iv) Capital expenditure	10,716	7,516	6,336	1,180	Within 36 months from 8 March 2018
(v) Estimated listing expenses	3,000	3,000	3,000	-	Within 1 month
	28,816	28,816	25,601	3,215	

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 RM25.60 million that has been utilised for various purposes as disclosed above, the remaining IPO proceeds has not been utilised as at 30 June 2020.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020 (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
	30.06.2020	31.12.2019
	RM'000	RM'000
Current:		
Bank overdrafts	4,380	4,747
Bankers acceptance	612	583
Trust receipts	15,193	5,324
Revolving loan	-	800
	<u>20,185</u>	<u>11,454</u>

The Group's borrowings were denominated in MYR, except for approximately RM8.92 million (USD2.08 million), RM3.81 million (JPY95.72 million) and RM0.95 million (EUR0.2 million) of the above borrowings were denominated in USD, JPY 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.

B11. Earnings/(Loss) per share ("EPS")

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>30.06.2020</u>	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2019</u>
Profit/(Loss) for the period attributable to owners of the Company (RM'000)	<u>2,572</u>	<u>(1,528)</u>	<u>5,066</u>	<u>305</u>
Weighted average number of shares ('000)	<u>758,308</u>	<u>758,308</u>	<u>758,308</u>	<u>758,308</u>
Basic and diluted EPS (sen)	<u>0.34</u>	<u>(0.20)</u>	<u>0.67</u>	<u>0.04</u>

Notes:-

Diluted earnings per share of the Company for the individual quarter and year-to-date ended 30 June 2020 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020 (cont'd)

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

B12. Notes to the Statements of Profit Or Loss and Other Comprehensive Income

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Amortisation of intangible assets	80	30	160	60
Depreciation of property, plant and equipment	530	677	1,077	1,312
Depreciation of right-of-use assets	384	194	743	407
Gain on disposal of property, plant and equipment	(635)	(136)	(635)	(276)
Gain on lease modification	(2)	-	(2)	-
Loss allowance on trade receivables	420	1,867	1,026	1,940
Interest expenses	223	224	404	431
Interest income	(264)	(383)	(555)	(782)
Inventories written (back)/down	(45)	336	111	(528)
Inventories written off	16	1	16	973
Loss/(Gain) on foreign exchange				
- realised	600	(343)	(79)	463
- unrealised	(1,057)	197	(197)	(149)
Property, plant and equipment written off	-	-	-	3
Provision for post-employment benefits	39	36	80	72
Rental of premises	79	97	151	249

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 Huang Jia Mei
Company Secretary
27 August 2020