

QES GROUP BERHAD

Company Registration No.: 201401042911 (1119086-U)

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

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Revenue	A9	35,969	39,536	114,625	119,929
Cost of sales		(27,966)	(31,201)	(88,788)	(94,448)
Gross profit		8,003	8,335	25,837	25,481
Other income		622	360	2,645	2,018
Marketing and distribution expenses		(1,440)	(1,548)	(4,051)	(5,421)
Administrative expenses		(3,405)	(3,788)	(10,326)	(11,449)
Other operating expenses		(1,284)	(479)	(4,347)	(5,455)
Profits from operation		2,496	2,880	9,758	5,174
Finance costs		(168)	(267)	(572)	(698)
Profit before tax		2,328	2,613	9,186	4,476
Tax expense	B6	(727)	(1,225)	(2,489)	(2,779)
Profit for the financial period		1,601	1,388	6,697	1,697
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign subsidiaries		(493)	113	(193)	438
Total comprehensive income for the financial period		1,108	1,501	6,504	2,135
Profit for the financial period attributable to:					
Owners of the Company		1,626	1,348	6,692	1,653
Non-controlling interest		(25)	40	5	44
Profit for the financial period		1,601	1,388	6,697	1,697
Comprehensive income for the financial period attributable to:					
Owners of the Company		1,195	1,455	6,535	2,035
Non-controlling interest		(87)	46	(31)	100
Total comprehensive income for the financial period		1,108	1,501	6,504	2,135
Earnings per share					
Basic and diluted (sen)	B11	0.21	0.18	0.88	0.22

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.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

	UNAUDITED	AUDITED
	As at	As at
	30.09.2020	31.12.2019
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	8,795	9,971
Right-of-use assets	5,271	6,087
Intangible assets	6,832	6,574
Other investments	-	60
Deferred tax assets	1,370	1,686
	<u>22,268</u>	<u>24,378</u>
Current assets		
Inventories	22,455	20,178
Trade receivables	33,802	31,552
Other receivables	4,536	3,459
Tax recoverable	1,658	2,028
Short-term investments	16,197	18,202
Fixed deposits with financial institutions	18,540	18,244
Cash and bank balances	31,225	32,204
	<u>128,413</u>	<u>125,867</u>
TOTAL ASSETS	<u><u>150,681</u></u>	<u><u>150,245</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	61,180	61,180
Legal reserve	25	25
Translation reserve	(988)	(831)
Merger deficit	(20,228)	(20,228)
Retained earnings	55,624	48,932
Total equity attributable to Owners of the Company	<u>95,613</u>	<u>89,078</u>
Non-controlling interests	<u>1,384</u>	<u>1,415</u>
Total Equity	<u><u>96,997</u></u>	<u><u>90,493</u></u>
Non-current liabilities		
Lease liabilities	3,467	4,175
Deferred tax liabilities	37	304
Provision for post-employment benefits	909	831
	<u>4,413</u>	<u>5,310</u>

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

	UNAUDITED	AUDITED
	As at	As at
	30.09.2020	31.12.2019
	RM'000	RM'000
Current liabilities		
Trade payables	15,793	25,956
Other payables	7,571	9,168
Borrowings	14,623	11,454
Lease liabilities	1,383	1,331
Contract liabilities	7,916	5,883
Tax payable	1,985	650
	<u>49,271</u>	<u>54,442</u>
Total liabilities	<u>53,684</u>	<u>59,752</u>
TOTAL EQUITY AND LIABILITIES	<u>150,681</u>	<u>150,245</u>
Net assets per share attributable to owners of the Company (RM)	0.13	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 THIRD QUARTER ENDED 30 SEPTEMBER 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	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	-	-	-	-	6,692	6,692	5	6,697
Other comprehensive income								
- Foreign currency translation differences	-	-	-	(157)	-	(157)	(36)	(193)
Total comprehensive income for the financial period	-	-	-	(157)	6,692	6,535	(31)	6,504
At 30 September 2020	61,180	(20,228)	25	(988)	55,624	95,613	1,384	96,997

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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 2020 (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	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

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 THIRD QUARTER ENDED
 30 SEPTEMBER 2020**

	30.09.2020	30.09.2019
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before tax	9,186	4,476
Adjustments for:		
Amortisation of intangible assets	240	90
Bad debts written off	61	-
Depreciation of property, plant and equipment	1,591	1,895
Depreciation of right-of-use assets	1,105	754
Gain on disposal of property, plant and equipment	(937)	(314)
Gain on lease modification	(2)	-
Interest expenses	572	698
Interest income	(771)	(1,112)
Inventories written down/(back)	124	(437)
Inventories written off	16	986
Loss/(Gain) on unrealised foreign exchange	115	(409)
Loss allowance on trade receivables	984	1,770
Other investments written off	60	-
Property, plant and equipment written off	-	3
Provision for post-employment benefits	119	109
	<hr/>	<hr/>
Operating profit before working capital changes	12,463	8,509
Inventories	(2,417)	(4,030)
Receivables	(4,560)	7,656
Payables	(9,692)	(17,284)
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Cash used in operations	(4,206)	(5,149)
Income tax refund	95	79
Income tax paid	(830)	(3,663)
Interest paid	(396)	(480)
Employee benefits paid	(2)	-
Net cash used in operating activities	(5,339)	(9,213)
	<hr/>	<hr/>
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(1,210)	(3,784)
Addition in intangible assets	(498)	(912)
Interest received	771	1,112
Placement of fixed deposits with financial institutions	(296)	(453)
Proceeds from disposal of property, plant and equipment	1,732	783
Net cash from/(used in) investing activities	499	(3,254)

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THIRD QUARTER ENDED
 30 SEPTEMBER 2020 (cont'd)**

	30.09.2020	30.09.2019
	RM'000	RM'000
Cash Flows from Financing Activities		
Dividend paid	-	(3,282)
Net drawdown/(repayment) of borrowings	3,979	(3,639)
Interest paid	(176)	(218)
Repayment of finance lease liabilities	(943)	(809)
Repayment of lease liabilities	-	(308)
Net cash from/(used in) financing activities	<u>2,860</u>	<u>(8,256)</u>
Net decrease in cash and cash equivalents	(1,980)	(20,723)
Foreign currency translation differences	(233)	464
Cash and cash equivalents at beginning of the financial period	<u>45,659</u>	<u>51,297</u>
Cash and cash equivalents at end of the financial period	<u><u>43,446</u></u>	<u><u>31,038</u></u>
Cash and cash equivalents comprise the following:		
Short-term investments	16,197	19,060
Fixed deposits with financial institutions	18,540	18,235
Cash and bank balances	31,225	16,304
Bank overdrafts	<u>(3,976)</u>	<u>(4,326)</u>
	61,986	49,273
Less: Fixed deposits pledged	<u>(18,540)</u>	<u>(18,235)</u>
	<u><u>43,446</u></u>	<u><u>31,038</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 THIRD QUARTER ENDED 30 SEPTEMBER 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 authorization 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
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase 2	1 January 2021
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 4: Insurance Contracts (Extension of the Temporary Exemption from Applying MFRS 9)	1 January 2023
MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
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 THIRD QUARTER ENDED 30 SEPTEMBER 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

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

On 30 October 2020, the Company increased its issued and paid up share capital from 758,308,000 to 834,138,800 by way of issuance of 75,830,800 new ordinary shares pursuant to the Private Placement that was announced on 11 September 2020 at an issue price of RM0.265 per ordinary 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 THIRD QUARTER ENDED 30 SEPTEMBER 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 30.09.2020

	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	-	24,771	4,033	7,165	-	35,969
Inter segment revenue	-	14,185	236	-	(14,421)	-
Total revenue	-	38,956	4,269	7,165	(14,421)	35,969

Results

Depreciation and amortisation	-	750	36	177	(7)	956
Other non-cash expenses/(income)	-	497	(156)	(200)	-	141
Segment profit/(loss) before tax	(50)	1,127	(142)	1,386	7	2,328

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	-	31,668	13,408	2,760	(8,300)	39,536

Results

Depreciation and amortisation	-	815	40	111	(6)	960
Other non-cash expenses/(income)	-	(369)	21	21	-	(327)
Segment profit/(loss) before tax	(51)	1,744	1,205	(291)	6	2,613

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 30.09.2020

	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	-	81,975	17,042	15,608	-	114,625
Inter segment revenue	-	38,664	550	180	(39,394)	-
Total revenue	-	120,639	17,592	15,788	(39,394)	114,625

Results

Depreciation and amortisation	-	2,319	109	528	(20)	2,936
Other non-cash expenses/(income)	-	568	(70)	42	-	540
Segment profit/(loss) before tax	(132)	7,438	(298)	2,158	20	9,186

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	3,300	28,921	478	-	(32,699)	-
Total revenue	3,300	117,321	25,090	6,917	(32,699)	119,929

Results

Depreciation and amortisation	-	2,245	136	375	(17)	2,739
Other non-cash expenses/(income)	-	(172)	31	1,849	-	1,708
Segment profit/(loss) before tax	3,237	7,446	1,588	(4,024)	(3,771)	4,476

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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			
	30.09.2020		30.09.2019		30.09.2020		30.09.2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Distribution Division								
Product distribution								
Equipment	15,328	42.6	13,148	33.2	55,104	48.1	58,587	48.8
Materials & Engineering Solutions	2,995	8.3	11,922	30.2	14,385	12.6	21,802	18.2
Services & supply of spare parts								
Equipment	9,443	26.3	10,683	27.0	26,871	23.4	29,813	24.9
Materials & Engineering Solutions	1,038	2.9	1,023	2.6	2,657	2.3	2,810	2.3
Sub-total	28,804	80.1	36,776	93.0	99,017	86.4	113,012	94.2
Manufacturing Division								
Manufacturing	7,165	19.9	2,760	7.0	15,608	13.6	6,917	5.8
Sub-total	7,165	19.9	2,760	7.0	15,608	13.6	6,917	5.8
Total	35,969	100.0	39,536	100.0	114,625	100.0	119,929	100.0

(b) Analysis of revenue by geographical location

	INDIVIDUAL QUARTER				CUMULATIVE QUARTER			
	30.09.2020		30.09.2019		30.09.2020		30.09.2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	10,182	28.3	19,355	49.0	38,465	33.5	47,486	39.6
ASEAN (excluding Malaysia)								
Vietnam	5,464	15.2	5,496	13.9	19,103	16.7	16,168	13.5
Singapore	4,962	13.8	2,377	6.0	17,191	15.0	12,741	10.6
Thailand	3,695	10.3	5,252	13.3	11,206	9.8	16,352	13.6
Philippines	2,274	6.3	3,221	8.2	9,642	8.4	14,486	12.1
Indonesia	1,197	3.3	2,066	5.2	5,331	4.6	8,084	6.8
China	5,587	15.5	453	1.1	7,421	6.5	1,222	1.0
Others	2,608	7.3	1,316	3.3	6,266	5.5	3,390	2.8
Total	35,969	100.0	39,536	100.0	114,625	100.0	119,929	100.0

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

Saved as disclosed below, there were no subsequent material events as at the date of this report.

On 30 October 2020, the Company increased its issued and paid up share capital from 758,308,000 to 834,138,800 ordinary shares via a private placement of 75,830,800 new ordinary shares at an issue price of RM0.265 per ordinary share.

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

Saved as disclosed below, the Group has no material capital commitments as at the date of this report.

On 21 September, QES (Asia-Pacific) Sdn. Bhd., a wholly-owned subsidiary of QES entered into a Sale and Purchase Agreement with Astronautic Technology Sdn. Bhd. for the proposed acquisition of five (5) storey detached factory erected on land held under Individual Title H.S.(D) 225962, PT No. 114, Bandar Glenmarie, Daerah Petaling, Negeri Selangor bearing the address of No. 2, Jalan Jururancang U1/21, Seksyen U1, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor for a total cash consideration of RM21,000,000.

The proposed acquisition is pending completion.

A15. Related party transactions

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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	Changes
	30.09.2020	30.09.2019		
	RM'000	RM'000	RM'000	%
Revenue	35,969	39,536	(3,567)	(9.0)
Profit/(Loss) before tax	2,328	2,613	(285)	(10.9)

The Group revenue for the current quarter was RM35.97 million, representing a marginal decrease of 9% as compared to RM39.54 million generated in the corresponding quarter last year. The decrease was mainly due to a drop in sales by RM7.97 million from the distribution division notwithstanding an increase of RM4.40 million from the manufacturing division.

The decrease in revenue from the distribution division was mainly due to less deliveries of engineering solutions. The increased of revenue from the manufacturing division was due to better sales of inspection and measurement equipment to semiconductor customers as compared to the corresponding quarter last year.

The Group registered a profit before tax ("PBT") of RM2.33 million against PBT of RM2.61 million in the corresponding quarter last year. The decrease PBT recorded was mainly due to lower revenue and gross profit margin generated by distribution division for the current financial quarter under review.

(ii) Results for financial year-to-date

	CUMULATIVE QUARTER		Changes	Changes
	30.09.2020	30.09.2019		
	RM'000	RM'000	RM'000	%
Revenue	114,625	119,929	(5,304)	(4.4)
Profit before tax	9,186	4,476	4,710	105.2

The Group recorded revenue of RM114.63 million for the current cumulative quarter under review, a marginal decrease of 4.4%. The decrease was mainly due to a drop in sales by RM13.99 million from the distribution division notwithstanding an increase of RM8.69 million from the manufacturing division.

The decrease in revenue from the distribution division was mainly due to a slowdown in sales of equipment. The primary reason for the slowdown was due to measures imposed arising from the Covid-19 pandemic during the first half of 2020 which affects shipments as well as travel restrictions for the engineers. The increased revenue from the manufacturing division was due to better sales of inspection, measurement and automated handling equipment to semiconductor customers as compared to the corresponding cumulative quarter last year.

PBT increased by RM4.71 million mainly due to higher revenue and gross profit margin generated by the manufacturing division and lower operating cost due to restricted traveling as compared to the corresponding cumulative quarter last year.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 30.09.2020 RM'000	Preceding Quarter 30.06.2020 RM'000	Changes RM'000	Changes %
Revenue	35,969	38,884	(2,915)	(7.5)
Profit before tax	2,328	3,524	(1,196)	(33.9)

The Group posted a revenue of RM35.97 million for the current quarter under review compared to RM38.88 million in the immediate preceding quarter, representing a decrease of 7.5%. The decrease in revenue by RM2.91 million was mainly due to the decreased in revenue from the distribution division by RM5.84 million while the manufacturing division showed an increase of RM2.93 million.

The decrease in revenue from the distribution division was mainly due to a continuous slowdown in sales of equipment arising from the Covid-19 pandemic. The increased of revenue from the manufacturing division was due to better sales of inspection and measurement equipment to semiconductor customers as compared to the immediate preceding quarter.

PBT decreased by RM1.20 million mainly due to different product mix from distribution division which consists of lower sales with higher margin coupled with a decrease in other income for the current financial quarter under review.

B3. Prospects and outlook

The Group is hopeful that it will remain profitable for the rest of the financial year. Despite the global Covid-19 pandemic and trade tensions, the Group remains cautiously optimistic on its prospect.

The semiconductor market segment shows an encouraging positive signal in the next 3 to 5 years with the coming of 5G, Internet of Things (IoT), Electric Vehicle (EV) and Cloud/Edge Computing. The Group is prepared to participate in this upcoming proliferation of 5G related expansion focusing on developing new equipment and integrated solutions for the anticipated growth of semiconductor manufacturing and Industry 4.0 applications.

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

Save as disclosed in A11, 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 THIRD QUARTER ENDED 30 SEPTEMBER 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	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Current tax expense	588	1,201	2,443	2,708
Deferred tax expense	139	24	46	71
Total tax expense	<u>727</u>	<u>1,225</u>	<u>2,489</u>	<u>2,779</u>

Notes:-

- (1) The Group's effective tax rate for the individual and cumulative quarter was 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	3,231	1,619	Within 36 months from 8 March 2018
(ii) General working capital requirements	3,250	3,250	3,250	-	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	6,532	984	Within 36 months from 8 March 2018
(v) Estimated listing expenses	3,000	3,000	3,000	-	Within 1 month
	<u>28,816</u>	<u>28,816</u>	<u>26,213</u>	<u>2,603</u>	

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 RM26.21 million that has been utilised for various purposes as disclosed above, the remaining IPO proceeds has not been utilised as at 30 September 2020.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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
	30.09.2020	31.12.2019
	RM'000	RM'000
Current:		
Bank overdrafts	3,976	4,747
Bankers acceptance	1,264	583
Trust receipts	8,582	5,324
Revolving loan	800	800
	<u>14,622</u>	<u>11,454</u>

The Group's borrowings were denominated in MYR, except for approximately RM3.85 million (USD0.93 million), RM2.26million (JPY57.58 million) and RM0.96 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 per share ("EPS")

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
Profit for the period attributable to owners of the Company (RM'000)	<u>1,626</u>	<u>1,348</u>	<u>6,692</u>	<u>1,653</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>0.21</u>	<u>0.18</u>	<u>0.88</u>	<u>0.22</u>

Notes:-

Diluted earnings per share of the Company for the individual quarter and year-to-date ended 30 September 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 THIRD QUARTER ENDED 30 SEPTEMBER 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	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	80	30	240	90
Bad debts written off	61	-	61	-
Depreciation of property, plant and equipment	514	583	1,591	1,895
Depreciation of right-of-use assets	362	347	1,105	754
Gain on disposal of property, plant and equipment	(302)	(38)	(937)	(314)
Gain on lease modification	-	-	(2)	-
Interest expenses	168	267	572	698
Interest income	(216)	(330)	(771)	(1,112)
Inventories written (back)/down	13	91	124	(437)
Inventories written off	-	13	16	986
Loss/(Gain) on foreign exchange				
- realised	235	(124)	155	339
- unrealised	312	(260)	115	(409)
Other investments written off	60	-	60	-
Property, plant and equipment written off	-	-	-	3
Provision for post-employment benefits	39	37	119	109
Rental of premises	95	71	247	320
(Reversal)/Loss allowance on trade receivables	(42)	(170)	984	1,770

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
19 November 2020