

QES GROUP BERHAD

Company Registration No.: 201401042911 (1119086-U)

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2021

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Revenue	A9	54,303	38,884	106,914	78,656
Cost of sales		(41,659)	(30,822)	(79,413)	(60,822)
Gross profit		12,644	8,062	27,501	17,834
Other income		277	1,715	1,729	2,023
Marketing and distribution expenses		(1,402)	(1,030)	(2,750)	(2,057)
Administrative expenses		(4,464)	(3,832)	(8,396)	(7,475)
Other operating expenses		(1,314)	(1,168)	(3,124)	(3,063)
Profits from operation		5,741	3,747	14,960	7,262
Finance costs		(310)	(223)	(567)	(404)
Profit before tax		5,431	3,524	14,393	6,858
Tax expense	B6	(1,552)	(871)	(3,099)	(1,762)
Profit for the financial period		3,879	2,653	11,294	5,096
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign subsidiaries		(152)	456	(125)	300
Total comprehensive income for the financial period		3,727	3,109	11,169	5,396
Profit for the financial period attributable to:					
Owners of the Company		3,856	2,572	10,793	5,066
Non-controlling interest		23	81	501	30
Profit for the financial period		3,879	2,653	11,294	5,096
Comprehensive income for the financial period attributable to:					
Owners of the Company		3,244	2,933	10,663	5,340
Non-controlling interest		483	176	506	56
Total comprehensive income for the financial period		3,727	3,109	11,169	5,396
Earnings per share					
Basic and diluted (sen)	B11	0.46	0.34	1.29	0.67

Notes:-

The basis of preparation of the 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 2020 and the accompanying explanatory notes attached to this interim financial report.

QES GROUP BERHAD

Company Registration No.: 201401042911 (1119086-U)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2021

	UNAUDITED As at 30.06.2021 RM'000	AUDITED As at 31.12.2020 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	32,791	10,384
Right-of-use assets	4,177	4,892
Intangible assets	7,364	6,921
Deferred tax assets	1,023	1,139
	<u>45,355</u>	<u>23,336</u>
Current assets		
Inventories	21,479	18,852
Trade receivables	51,976	32,665
Other receivables	9,259	6,920
Tax recoverable	964	1,708
Short-term investments	35,113	34,233
Fixed deposits with financial institutions	18,744	18,633
Cash and bank balances	43,683	54,995
	<u>181,218</u>	<u>168,006</u>
TOTAL ASSETS	<u><u>226,573</u></u>	<u><u>191,342</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	80,775	80,775
Legal reserve	25	25
Translation reserve	(1,061)	(931)
Merger deficit	(20,228)	(20,228)
Retained earnings	68,433	57,640
	<u>127,944</u>	<u>117,281</u>
Total equity attributable to Owners of the Company	127,944	117,281
Non-controlling interests	1,927	1,421
	<u>129,871</u>	<u>118,702</u>
Total Equity	<u>129,871</u>	<u>118,702</u>
Non-current liabilities		
Borrowings	16,965	17,259
Lease liabilities	2,472	3,099
Deferred tax liabilities	110	31
Provision for post-employment benefits	1,215	1,068
	<u>20,762</u>	<u>21,457</u>

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2021 (cont'd)

	UNAUDITED As at 30.06.2021 RM'000	AUDITED As at 31.12.2020 RM'000
Current liabilities		
Trade payables	22,300	17,514
Other payables	11,845	11,721
Borrowings	24,914	11,492
Lease liabilities	1,343	1,411
Contract liabilities	13,771	8,164
Tax payable	1,767	881
	<u>75,940</u>	<u>51,183</u>
Total liabilities	<u>96,702</u>	<u>72,640</u>
TOTAL EQUITY AND LIABILITIES	<u>226,573</u>	<u>191,342</u>
Net assets per share attributable to owners of the Company (RM)	0.15	0.14

Notes:-

The basis of preparation of the 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 2020 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 2021

	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 2021	80,775	(20,228)	25	(931)	57,640	117,281	1,421	118,702
Profit for the financial period	-	-	-	-	10,793	10,793	501	11,294
Other comprehensive income - Foreign currency translation differences	-	-	-	(130)	-	(130)	5	(125)
Total comprehensive income for the financial period	-	-	-	(130)	10,793	10,663	506	11,169
At 30 June 2021	80,775	(20,228)	25	(1,061)	68,433	127,944	1,927	129,871
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

Notes:-

The basis of preparation of the 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 2020 and the accompanying explanatory notes attached to this interim financial report.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2021

	30.06.2021	30.06.2020
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before tax	14,393	6,858
Adjustments for:		
Amortisation of intangible assets	253	160
Depreciation of property, plant and equipment	1,346	1,077
Depreciation of right-of-use assets	717	743
Gain on disposal of property, plant and equipment	(616)	(635)
Gain on lease modification	-	(2)
Loss/(Gain) on unrealised foreign exchange	287	(197)
Interest expenses	567	404
Interest income	(493)	(555)
Inventories written (back)/down	(209)	111
Inventories written off	-	16
Loss allowance on trade receivables	844	1,026
Provision for post-employment benefits	142	80
Operating profit before working capital changes	17,231	9,086
Inventories	(2,417)	(2,859)
Receivables	(22,229)	(6,891)
Payables	10,386	(6,754)
Cash from/(used in) operations	2,971	(7,418)
Income tax refund	-	100
Income tax paid	(1,246)	(609)
Interest paid	(207)	(280)
Post-employee benefits paid	-	(2)
Net cash from/(used in) operating activities	1,518	(8,209)
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(24,253)	(853)
Addition in intangible assets	(696)	(281)
Interest received	493	555
Placement of fixed deposits with financial institutions	(111)	(236)
Proceeds from disposal of property, plant and equipment	1,013	959
Net cash (used in)/from investing activities	(23,554)	144

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2021 (cont'd)

	30.06.2021	30.06.2020
	RM'000	RM'000
Cash Flows from Financing Activities		
Net drawdown of borrowings	12,637	9,014
Interest paid	(360)	(124)
Repayment of lease liabilities	(694)	(661)
Repayment of term loan	(233)	-
Net cash from financing activities	<u>11,350</u>	<u>8,229</u>
Net (decrease)/increase in cash and cash equivalents	(10,686)	164
Foreign currency translation differences	(441)	319
Cash and cash equivalents at beginning of the financial period	85,359	45,659
Cash and cash equivalents at end of the financial period	<u><u>74,232</u></u>	<u><u>46,142</u></u>
Cash and cash equivalents comprise the following:		
Short-term investments	35,113	17,208
Fixed deposits with financial institutions	18,744	18,479
Cash and bank balances	43,683	33,314
Bank overdrafts	(4,564)	(4,380)
	<u>92,976</u>	<u>64,621</u>
Less: Fixed deposits pledged	(18,744)	(18,479)
	<u><u>74,232</u></u>	<u><u>46,142</u></u>

Notes:-

The basis of preparation of the 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 2020 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 2021

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 2020 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 2020.

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 16: Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 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
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 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definitions of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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 2020 was not subject to any qualification.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2021 (cont'd)

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

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 SECOND QUARTER ENDED 30 JUNE 2021 (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 30.06.2021

	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	-	42,278	8,072	3,953	-	54,303
Inter segment revenue	1,500	18,424	-	-	(19,924)	-
Total revenue	1,500	60,702	8,072	3,953	(19,924)	54,303
Results						
Depreciation and amortisation	-	864	49	252	(7)	1,158
Other non-cash expenses/(income)	-	(46)	33	75	-	62
Segment profit/(loss) before tax	1,495	4,851	901	(323)	(1,493)	5,431

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2021 (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 30.06.2021

	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	-	80,946	14,713	11,255	-	106,914
Inter segment revenue	1,500	41,824	106	-	(43,430)	-
Total revenue	1,500	122,770	14,819	11,255	(43,430)	106,914
Results						
Depreciation and amortisation	-	1,719	93	519	(15)	2,316
Other non-cash expenses/(income)	-	826	89	(467)	-	448
Segment profit/(loss) before tax	1,494	10,876	1,319	2,189	(1,485)	14,393

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/(income)	-	71	86	242	-	399
Segment profit/(loss) before tax	(82)	6,311	(156)	772	13	6,858

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2021 (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			
	30.06.2021		30.06.2020		30.06.2021		30.06.2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Distribution Division								
Product distribution								
Equipment	31,126	57.3	18,737	48.2	60,594	56.7	39,776	50.6
Materials & Engineering Solutions	6,655	12.3	6,090	15.7	12,384	11.6	11,390	14.5
Services & supply of spare parts								
Equipment	11,400	21.0	8,961	23.0	20,600	19.3	17,428	22.1
Materials & Engineering Solutions	1,169	2.1	860	2.2	2,081	1.9	1,619	2.1
Sub-total	50,350	92.7	34,648	89.1	95,659	89.5	70,213	89.3
Manufacturing Division								
Manufacturing	3,953	7.3	4,236	10.9	11,255	10.5	8,443	10.7
Sub-total	3,953	7.3	4,236	10.9	11,255	10.5	8,443	10.7
Total	54,303	100.0	38,884	100.0	106,914	100.0	78,656	100.0

(b) Analysis of revenue by geographical location

	INDIVIDUAL QUARTER				CUMULATIVE QUARTER			
	30.06.2021		30.06.2020		30.06.2021		30.06.2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	26,107	48.1	15,507	39.9	41,541	38.8	28,283	36.0
ASEAN (excluding Malaysia)								
Singapore	6,757	12.4	4,534	11.7	17,558	16.4	12,229	15.5
Thailand	4,717	8.7	3,476	8.9	10,999	10.3	7,511	9.5
Philippines	5,598	10.3	3,813	9.8	9,471	8.9	7,368	9.4
Vietnam	3,609	6.7	5,633	14.5	8,586	8.0	13,639	17.3
Indonesia	3,041	5.6	2,619	6.7	7,026	6.6	4,134	5.3
China	2,982	5.5	1,655	4.3	7,616	7.1	1,834	2.3
Others	1,492	2.7	1,647	4.2	4,117	3.9	3,658	4.7
Total	54,303	100.0	38,884	100.0	106,914	100.0	78,656	100.0

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2021 (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 2021 (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 %
	30.06.2021 RM'000	30.06.2020 RM'000		
Revenue	54,303	38,884	15,419	39.7
Profit before tax	5,431	3,524	1,907	54.1

The Group recorded a revenue of RM54.30 million for the current quarter under review compared to RM38.88 million in the corresponding quarter last year, representing a growth of 39.7% or RM15.42 million. The increase was mainly due to a higher sale of products from distribution division by RM15.70 million notwithstanding lower sales from manufacturing division by RM0.28 million.

The favourable market conditions led to an increase in sales and deliveries from the distribution division. The decreased of revenue from the manufacturing division was mainly due to a decline in customer demand of automated handling equipment despite higher inspection equipment sales as compared to the corresponding quarter last year.

The profit before tax ("PBT") of RM5.43 million as compared to RM3.52 million in the corresponding quarter last year, was higher by 54.1% or RM1.91 million. The higher PBT recorded was in tandem with the revenue growth, and a better gross profit margin generated from the distribution division.

(ii) Results for financial year-to-date

	CUMULATIVE QUARTER		Changes RM'000	Changes %
	30.06.2021 RM'000	30.06.2020 RM'000		
Revenue	106,914	78,656	28,258	35.9
Profit before tax	14,393	6,858	7,535	109.9

The Group recorded a revenue of RM106.91 million for the current cumulative quarter under review compared to RM78.66 million in the cumulative quarter last year, representing a growth of 35.9% or RM28.26 million. The increase was mainly due to higher sales of products from both distribution and manufacturing division by RM25.45 million and RM2.81 million respectively.

The profit before tax ("PBT") of RM14.39 million as compared to RM6.86 million in the cumulative quarter last year, was higher by 109.9% or RM7.53 million. The higher PBT recorded was in tandem with the revenue growth, and a better gross profit margin generated from both the distribution and manufacturing division.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2021 (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 30.06.2021 RM'000	Preceding Quarter 31.03.2021 RM'000	Changes RM'000	Changes %
Revenue	54,303	52,611	1,692	3.2
Profit before tax	5,431	8,962	(3,531)	(39.4)

The Group's revenue increased from RM52.61 million in the immediate preceding quarter to RM54.30 million in the quarter under review, representing an increase of 3.2% or RM1.69 million. The increased in revenue was mainly due to the higher revenue generated from the distribution division by RM5.04 million notwithstanding a decrease of RM3.35 million from the manufacturing division.

The favourable market condition led to an increase in sales and deliveries from the distribution division. The decrease of revenue from the manufacturing division was mainly due to lower sales of automated measuring and handling equipment as compared to the immediate preceding quarter.

The decrease in PBT by RM3.53 million was mainly due to lower gross profit generated by the manufacturing division in tandem of its decrease in sales. This is coupled with different product mix from distribution division which consist of higher sales with lower margin.

B3. Prospects and outlook

Despite the COVID-19 pandemic, the semiconductor industry continues to grow, illustrating the world's reliance and adoption of advanced technologies. The Group continues to be cautiously optimistic on the business prospects for the financial year 2021 with the expectation that the semiconductor market segment is forecasting high growth due to the proliferation of 5G, Internet of Things (IoT), personal computing, electric vehicle and Cloud/Edge Computing. The Group is confident that its operating subsidiaries across ASEAN will gradually resume to normalcy towards the end of the year as the global economy recovers from the increasing vaccination programs worldwide. The Group maintains its cautious position due to the potential emergence of vaccine resistant variants of the Covid-19 and various governmental lockdowns.

B4. Profit forecast and profit guarantee

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2021 (cont'd)

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

B5. Status of corporate proposals

Saved as disclosed below, there were no other corporate proposals announced but not completed as at the date of this report.

With reference to the announcement dated 4 May 2021 in relation to the Memorandum of Understanding (“MOU”) entered between the Group’s wholly-owned subsidiary, QES Manufacturing Sdn Bhd (“QMG”) with Electronic Interface Company, Inc. doing business as (“dba”) Applied Engineering, Inc. (“AE”), QMG had on 13 July 2021 entered into a Joint Venture Agreement (“Agreement”) with AE.

The Agreement expresses the intention of QMG and AE for a business collaboration or work through a joint venture company in the state of Penang, Malaysia to provide high tech electromechanical manufacturing services, from prototype to high volume production through its New Product Introduction (NPI) process and advance custom solution that is tailored to meet the specific needs of its clients in semiconductor equipment manufacturing, life science & medical devices, defense and aerospace market segments.

B6. Income tax expenses

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000
Current tax	1,483	893	2,902	1,855
Deferred tax	69	(22)	197	(93)
Total tax expense	1,552	871	3,099	1,762

Notes:-

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2021 (cont'd)

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

B7. Utilisation of proceeds from Private Placements

On 30 October 2020, the Company raised total gross proceed of RM20.095 million from the private placement of 75,830,800 new ordinary shares.

The details of proposed utilisation are set out below:

Purposes	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000	Expected Timeframe for Utilisation
(i) Factory capacity expansion	8,200	7	8,193	Within 18 months from 30 Oct 2020
(ii) R&D on future product expansion	5,300	241	5,059	Within 24 months from 30 Oct 2020
(iii) Market expansion to China	1,500	97	1,403	Within 18 months from 30 Oct 2020
(iv) Future working capital and acquisition related investment	4,595	94	4,501	Within 24 months from 30 Oct 2020
(v) Estimated expenses in relation to the proposed private placement	500	500	-	Immediately
	<u>20,095</u>	<u>939</u>	<u>19,156</u>	

Save for approximately RM0.94 million that has been utilised for various purposes as disclosed above, the remaining PP proceeds has not been utilised as at 30 June 2021.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2021 (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
	30.06.2021	31.12.2020
	RM'000	RM'000
Current:		
Bank overdrafts	4,563	3,869
Bankers acceptance	983	864
Trust receipts	18,516	5,368
Revolving loan	200	800
Term loans	652	591
	<u>24,914</u>	<u>11,492</u>
Non-current:		
Term loans	<u>16,965</u>	<u>17,259</u>
Total		
Bank overdrafts	4,563	3,869
Bankers acceptance	983	864
Trust receipts	18,516	5,368
Revolving loan	200	800
Term loans	17,617	17,850
	<u>41,879</u>	<u>28,751</u>

The Group's borrowings were denominated in MYR, except for approximately RM9.20 million (USD2.22 million), RM7.39 million (JPY196.73 million), RM1.84 million (GBP0.32 million) and RM0.08 million (EUR0.02 million) of the above borrowings were denominated in USD, JPY, GBP and EUR respectively.

B9. Material litigation

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

B10. Dividend

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2021 (cont'd)

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

B11. Earnings per share ("EPS")

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>30.06.2021</u>	<u>30.06.2020</u>	<u>30.06.2021</u>	<u>30.06.2020</u>
Profit for the period attributable to owners of the Company (RM'000)	<u>3,856</u>	<u>2,572</u>	<u>10,793</u>	<u>5,066</u>
Weighted average number of shares ('000)	<u>834,139</u>	<u>758,308</u>	<u>834,139</u>	<u>758,308</u>
Basic and diluted EPS (sen)	<u>0.46</u>	<u>0.34</u>	<u>1.29</u>	<u>0.67</u>

Notes:-

Diluted earnings per share of the Company for the individual quarter and year-to-date ended 30 June 2021 is equivalent to the basic earnings per share as the Company does not have any outstanding convertible securities at the end of the reporting year.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2021 (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	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Amortisation of intangible assets	127	80	253	160
Depreciation of property, plant and equipment	672	530	1,346	1,077
Depreciation of right-of-use assets	359	384	717	743
Gain on disposal of property, plant and equipment	(182)	(635)	(616)	(635)
Gain on lease modification	-	(2)	-	(2)
Loss allowance on trade receivables	173	420	844	1,026
Interest expenses	310	223	567	404
Interest income	(251)	(264)	(493)	(555)
Inventories written down/(back)	140	(45)	(209)	111
Inventories written off	-	16	-	16
Loss/(Gain) on foreign exchange				
- realised	305	600	(367)	(79)
- unrealised	(147)	(1,057)	287	(197)
Provision for post-employment benefits	78	39	142	80
Rental of premises	76	79	177	151

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
 20 August 2021