

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 2022

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		30.06.2022 RM'000	30.06.2021 RM'000	30.06.2022 RM'000	30.06.2021 RM'000
Revenue	A9	53,123	54,303	119,458	106,914
Cost of sales		(40,191)	(41,863)	(89,658)	(79,795)
Gross profit		12,932	12,440	29,800	27,119
Other income		1,532	277	2,288	1,729
Marketing and distribution expenses		(1,564)	(1,189)	(3,033)	(2,353)
Administrative expenses		(4,963)	(4,463)	(9,520)	(8,396)
Other operating expenses		(1,142)	(1,324)	(2,784)	(3,139)
Profits from operation		6,795	5,741	16,751	14,960
Finance costs		(300)	(310)	(506)	(567)
Share of result of an associate, net of tax		(231)	-	(559)	-
Profit before tax		6,264	5,431	15,686	14,393
Tax expense	B6	(1,444)	(1,552)	(4,042)	(3,099)
Profit for the financial period		4,820	3,879	11,644	11,294
Other comprehensive income, net of tax					
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Remeasurement of defined benefit plan		18	-	35	-
<i>Item that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences for foreign subsidiaries		179	(152)	216	(125)
Total other comprehensive income		197	(152)	251	(125)
Total comprehensive income for the financial period		5,017	3,727	11,895	11,169
Profit for the financial period attributable to:					
Owners of the Company		4,726	3,856	11,444	10,793
Non-controlling interest		94	23	200	501
Profit for the financial period		4,820	3,879	11,644	11,294

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2022 (cont'd)

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		30.06.2022 RM'000	30.06.2021 RM'000	30.06.2022 RM'000	30.06.2021 RM'000
Comprehensive income for the financial period attributable to:					
Owners of the Company		4,892	3,704	11,653	10,663
Non-controlling interest		125	23	242	506
Total comprehensive income for the financial period		5,017	3,727	11,895	11,169
Earnings per share					
Basic and diluted (sen)	B11	0.57	0.46	1.37	1.29

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 2021 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 2022

	UNAUDITED	AUDITED
	As at	As at
	30.06.2022	31.12.2021
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	44,039	34,033
Right-of-use assets	2,118	1,812
Intangible assets	8,184	7,638
Investment in associates	471	1,030
Deferred tax assets	939	986
	<u>55,751</u>	<u>45,499</u>
Current assets		
Inventories	32,751	20,738
Trade receivables	43,119	52,590
Other receivables	11,823	9,068
Tax recoverable	307	1,112
Short-term investments	24,858	40,101
Fixed deposits with financial institutions	19,316	19,174
Short-term deposits	700	16,350
Cash and bank balances	50,805	25,508
	<u>183,679</u>	<u>184,641</u>
TOTAL ASSETS	<u><u>239,430</u></u>	<u><u>230,140</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	80,775	80,775
Legal reserve	25	25
Translation reserve	(1,003)	(1,193)
Merger deficit	(20,228)	(20,228)
Retained earnings	84,455	76,329
	<u>144,024</u>	<u>135,708</u>
Total equity attributable to Owners of the Company	144,024	135,708
Non-controlling interests	2,216	2,171
	<u>146,240</u>	<u>137,879</u>
Total Equity	<u>146,240</u>	<u>137,879</u>
Non-current liabilities		
Borrowings	16,319	16,660
Lease liabilities	860	670
Deferred tax liabilities	759	471
Provision for post-employment benefits	1,424	1,301
	<u>19,362</u>	<u>19,102</u>

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022 (cont'd)

	UNAUDITED	AUDITED
	As at	As at
	30.06.2022	31.12.2021
	RM'000	RM'000
Current liabilities		
Trade payables	22,358	26,573
Other payables	16,701	19,098
Borrowings	19,806	10,261
Lease liabilities	771	738
Contract liabilities	12,648	15,189
Tax payable	1,544	1,300
	<u>73,828</u>	<u>73,159</u>
Total liabilities	<u>93,190</u>	<u>92,261</u>
TOTAL EQUITY AND LIABILITIES	<u>239,430</u>	<u>230,140</u>
Net assets per share attributable to owners of the Company (RM)	0.17	0.16

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 2021 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 2022

	← Attributable to owners of the Group →				→	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 2022	80,775	(20,228)	25	(1,193)	76,329	135,708	2,171	137,879
Profit for the financial period	-	-	-	-	11,444	11,444	200	11,644
Other comprehensive income								
- Foreign currency translation differences	-	-	-	190	-	190	26	216
- Remeasurement of defined benefit plan	-	-	-	-	19	19	16	35
	-	-	-	190	19	209	42	251
Total comprehensive income for the financial period	-	-	-	190	11,463	11,653	242	11,895
Transactions with Owners of the Company								
Dividends	-	-	-	-	(3,337)	(3,337)	(197)	(3,534)
At 30 June 2022	80,775	(20,228)	25	(1,003)	84,455	144,024	2,216	146,240

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2022 (cont'd)

	← 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

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 2021 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 2022

	30.06.2022	30.06.2021
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before tax	15,686	14,393
Adjustments for:		
Amortisation of intangible assets	170	253
Bad debts written off	46	-
Depreciation of property, plant and equipment	1,588	1,346
Depreciation of right-of-use assets	510	717
Gain on disposal of property, plant and equipment	(561)	(616)
Gain on lease modification	(22)	-
Loss on unrealised foreign exchange	447	287
Interest expenses	506	567
Interest income	(422)	(493)
Inventories written down/(back)	111	(209)
(Reversal)/Addition of loss allowance on trade receivables	(544)	844
Property, plant and equipment written off	313	-
Provision for post-employment benefits	165	142
Share of result of an associate, net of tax	559	-
Operating profit before working capital changes	18,552	17,231
Inventories	(12,124)	(2,417)
Receivables	6,994	(22,229)
Payables	(9,233)	10,386
Cash from operations	4,189	2,971
Income tax paid	(2,707)	(1,246)
Interest paid	(285)	(207)
Net cash from operating activities	1,197	1,518
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(12,094)	(24,253)
Addition in intangible assets	(717)	(696)
Interest received	422	493
Placement of fixed deposits with financial institutions	(142)	(111)
Proceeds from disposal of property, plant and equipment	763	1,013
Net cash used in investing activities	(11,768)	(23,554)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2022 (cont'd)

	30.06.2022	30.06.2021
	RM'000	RM'000
Cash Flows from Financing Activities		
Dividend paid	(3,534)	-
Net drawdown of borrowings	12,183	12,637
Interest paid	(221)	(360)
Repayment of lease liabilities	(587)	(694)
Repayment of term loan	(331)	(233)
Net cash from financing activities	<u>7,510</u>	<u>11,350</u>
Net decrease in cash and cash equivalents	(3,061)	(10,686)
Foreign currency translation differences	(44)	(441)
Cash and cash equivalents at beginning of the financial period	<u>79,393</u>	<u>85,359</u>
Cash and cash equivalents at end of the financial period	<u><u>76,288</u></u>	<u><u>74,232</u></u>
Cash and cash equivalents comprise the following:		
Short-term investments	24,858	35,113
Short term deposits	700	-
Fixed deposits with financial institutions	19,316	18,744
Cash and bank balances	50,805	43,683
Bank overdrafts	(76)	(4,564)
	<u>95,603</u>	<u>92,976</u>
Less: Fixed deposits pledged	(19,315)	(18,744)
	<u><u>76,288</u></u>	<u><u>74,232</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 2021 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 2022

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 2021 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 2021.

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 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 17: Initial application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101 and MFRS Practice Statement 2: 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 2021 was not subject to any qualification.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2022 (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 2022 (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 30.06.2022

	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	-	40,688	5,902	6,533	-	53,123
Intra segment revenue	-	16,379	-	-	(16,379)	-
Inter segment revenue	-	872	162	-	(1,034)	-
Total revenue	-	57,939	6,064	6,533	(17,413)	53,123

Results

Depreciation and amortisation	-	833	57	291	(13)	1,168
Other non-cash expenses/(income)	-	(474)	18	95	-	(361)
Segment profit/(loss) before tax	(90)	5,419	578	345	12	6,264

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
Intra segment revenue	-	18,064	245	-	(18,309)	-
Inter segment revenue	1,500	113	2	-	(1,615)	-
Total revenue	1,500	60,455	8,319	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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2022 (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 30.06.2022

	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	-	90,692	16,325	12,441	-	119,458
Intra segment revenue	-	40,647	-	-	(40,647)	-
Inter segment revenue	-	1,141	291	-	(1,432)	-
Total revenue	-	132,480	16,616	12,441	(42,079)	119,458

Results

Depreciation and amortisation	-	1,648	115	529	(24)	2,268
Other non-cash expenses	-	157	81	276	-	514
Segment profit/(loss) before tax	(207)	13,619	1,485	1,008	(219)	15,686

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
Intra segment revenue	-	41,347	245	-	(41,592)	-
Inter segment revenue	1,500	230	108	-	(1,838)	-
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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2022 (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			
	30.06.2022		30.06.2021		30.06.2022		30.06.2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Distribution Division								
Product distribution								
Equipment	29,257	55.1	31,126	57.3	69,917	58.5	60,594	56.7
Materials & Engineering Solutions	4,739	8.9	6,655	12.3	14,107	11.8	12,384	11.6
Services & supply of spare parts								
Equipment	11,431	21.5	11,400	21.0	20,775	17.4	20,600	19.3
Materials & Engineering Solutions	1,164	2.2	1,169	2.1	2,219	1.9	2,081	1.9
Sub-total	46,591	87.7	50,350	92.7	107,018	89.6	95,659	89.5
Manufacturing Division								
Manufacturing	6,532	12.3	3,953	7.3	12,440	10.4	11,255	10.5
Sub-total	6,532	12.3	3,953	7.3	12,440	10.4	11,255	10.5
Total	53,123	100.0	54,303	100.0	119,458	100.0	106,914	100.0

(b) Analysis of revenue by geographical location

	INDIVIDUAL QUARTER				CUMULATIVE QUARTER			
	30.06.2022		30.06.2021		30.06.2022		30.06.2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	18,136	34.1	26,107	48.1	49,772	41.7	41,541	38.8
ASEAN (excluding Malaysia)								
Singapore	6,219	11.7	6,757	12.4	15,414	12.9	17,558	16.4
Vietnam	7,564	14.2	3,609	6.6	14,028	11.7	8,586	8.0
Philippines	4,529	8.6	5,598	10.3	10,351	8.7	9,471	8.9
Thailand	6,054	11.4	4,717	8.7	10,290	8.6	10,999	10.3
Indonesia	3,404	6.4	3,041	5.6	5,362	4.5	7,026	6.6
Other ASEAN	118	0.2	644	1.2	524	0.4	1,082	1.0
China	3,071	5.8	2,982	5.5	9,620	8.1	7,616	7.1
Others	4,028	7.6	848	1.6	4,097	3.4	3,035	2.9
Total	53,123	100.0	54,303	100.0	119,458	100.0	106,914	100.0

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2022 (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 2022 (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 %
	30.06.2022 RM'000	30.06.2021 RM'000		
Revenue	53,123	54,303	(1,180)	(2.2)
Profit before tax	6,264	5,431	833	15.3

The Group recorded a revenue of RM53.12 million for the current quarter under review compared to RM54.30 million in the corresponding quarter last year, representing a minor decrease of 2.2% or RM1.18 million. The decrease of revenue was mainly attributed by lower sales from the distribution division by RM3.76 million notwithstanding an increase of sales from the manufacturing division by RM2.58 million.

The decrease in sales from the distribution division is mainly due to lower deliveries of equipment in the current quarter. The increase in sales of manufacturing division was mainly due to the higher sales of inspection and handling equipment to semiconductor customers which partially offsets the lower deliveries of measurement equipment.

The profit before tax ("PBT") of RM6.26 million as compared to RM5.43 million in the corresponding quarter last year, was higher by 15.3% or RM0.83 million. The higher PBT recorded was due to better gross profit margin generated from both the manufacturing and distribution division despite the lower revenue attributable by the different product mix.

(ii) Results for financial year-to-date

	CUMULATIVE QUARTER		Changes RM'000	Changes %
	30.06.2022 RM'000	30.06.2021 RM'000		
Revenue	119,458	106,914	12,544	11.7
Profit before tax	15,686	14,393	1,293	9.0

The Group recorded a revenue of RM119.46 million for the current cumulative quarter under review compared to RM106.91 million in the cumulative quarter last year, representing a growth of 11.7% or RM12.55 million. The increase was mainly due to higher sales of products from both distribution and manufacturing division by RM11.36 million and RM1.19 million respectively.

The profit before tax ("PBT") of RM15.69 million as compared to RM14.39 million in the cumulative quarter last year, was higher by 9.0% or RM1.30 million. The higher PBT recorded was in tandem with the revenue growth.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2022 (cont'd)

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

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

	Current Quarter 30.06.2022 RM'000	Preceding Quarter 31.03.2022 RM'000	Changes RM'000	Changes %
Revenue	53,123	66,335	(13,212)	(19.9)
Profit before tax	6,264	9,422	(3,158)	(33.5)

The Group's revenue decreased from RM66.33 million in the preceding quarter to RM53.12 million in the quarter under review, representing a decrease of 19.9% or RM13.21 million. The decrease in revenue was mainly due to the lower revenue generated from the distribution division by RM13.83 million notwithstanding an increase of sales from manufacturing division by RM0.62 million.

The decrease in the distribution division was mainly due to a decrease in deliveries of equipment in the current quarter. The increase of revenue from the manufacturing division was mainly due to higher sales of inspection and handling equipment to semiconductor customers as compared to the preceding quarter and partially offset with lower sales of measurement equipment.

The decrease in PBT by RM3.16 million was in tandem with lower revenue and gross profit in current quarter as compared to preceding quarter.

B3. Prospects and outlook

The Group is cautiously optimistic on achieving a healthy business growth for the second half of 2022 despite the macro-economic uncertainties, rising inflation and ongoing global supply chain disruption. Barring any unforeseen circumstances, the Board expects the Group's performance for FY2022 to be satisfactory at the back of a healthy order book.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2022 (cont'd)

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

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

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

On 1 June 2022, the Group proposed to undertake the proposed transfer of the listing of and quotation for the entire issued share capital of QES from the ACE Market to the Main Market of Bursa Securities ("Proposed Transfer").

The Proposed Transfer had been submitted to Securities Commission on 7 July 2022.

B6. Income tax expenses

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Current tax	1,337	1,483	3,722	2,902
Deferred tax	107	69	320	197
Total tax expense	1,444	1,552	4,042	3,099

Notes:-

- (1) The Group's effective tax rate for cumulative quarter was higher than the statutory income tax rate of 24% mainly due to impact from the adjustment of deferred tax liability on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. This is coupled with the adjustment on certain expenses not deductible for tax purposes such as depreciation, amortisation of intangible assets and allowance for inventories.
- (2) Tax expenses is recognised based on management's best estimate.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2022 (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 4 March 2022, the Company announced its intentions to vary the utilisation of proceeds raised from the private placement ("PP") on 30 October 2020. The Company has raised total gross proceeds of RM20.095 million from its private placement.

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

Purposes	Revised Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000	Revised Expected Timeframe for Utilisation
(i) Factory capacity expansion	8,200	8,200	-	Within 18 months from 30 Oct 2020
(ii) R&D on future product expansion	5,300	625	4,675	Within 36 months from 30 Oct 2020
(iii) Market expansion to China	97	97	-	Within 18 months from 30 Oct 2020
(iv) Future working capital and acquisition related investment	5,998	5,456	542	Within 36 months from 30 Oct 2020
(v) Estimated expenses in relation to the proposed private placement	500	500	-	Immediately
	<u>20,095</u>	<u>14,878</u>	<u>5,217</u>	

Save for approximately RM14.88 million that has been utilised for various purposes as disclosed above, the remaining PP proceeds has not been utilised as at 30 June 2022.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2022 (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
	30.06.2022	31.12.2021
	RM'000	RM'000
Current:		
Bank overdrafts	76	2,566
Bankers acceptance	2,095	1,664
Trust receipts	16,663	4,869
Revolving loan	300	500
Term loan	673	662
	<u>19,807</u>	<u>10,261</u>
Non-current:		
Term loan	<u>16,319</u>	<u>16,660</u>
Total		
Bank overdrafts	76	2,566
Bankers acceptance	2,095	1,664
Trust receipts	16,663	4,869
Revolving loan	300	500
Term loan	16,992	17,322
	<u>36,126</u>	<u>26,921</u>

The Group's borrowings were denominated in MYR, except for approximately RM8.52 million (USD1.94 million), RM4.44 million (JPY136.94 million), RM0.06 million (SGD0.02 million), RM1.68 million (GBP0.31 million) and RM1.96 million (EUR0.42 million) of the above borrowings were denominated in USD, JPY, SGD, 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 2022 (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	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
Profit for the period attributable to owners of the Company (RM'000)	4,726	3,856	11,444	10,793
Weighted average number of shares ('000)	834,139	834,139	834,139	834,139
Basic and diluted EPS (sen)	0.57	0.46	1.37	1.29

Notes:-

Diluted earnings per share of the Company for the individual quarter and year-to-date ended 30 June 2022 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 2022 (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	
	30.06.2022 RM'000	30.06.2021 RM'000	30.06.2022 RM'000	30.06.2021 RM'000
Amortisation of intangible assets	102	127	170	253
Bad debts written off	38	-	46	-
Depreciation of property, plant and equipment	881	672	1,588	1,346
Depreciation of right-of-use assets	185	359	510	717
Gain on disposal of property, plant and equipment	(284)	(182)	(561)	(616)
Gain on lease modification	-	-	(22)	-
(Gain)/Loss on foreign exchange				
- realised	(517)	305	(871)	(367)
- unrealised	150	(147)	447	287
(Reversal)/Addition of loss allowance on trade receivables	(529)	173	(544)	844
Interest expenses	300	310	506	567
Interest income	(190)	(251)	(422)	(493)
Inventories written down/(back)	64	140	111	(209)
Property, plant and equipment written off	-	-	313	-
Provision for post-employment benefits	99	78	165	142
Rental of premises	118	76	217	177

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
23 August 2022