

QES GROUP BERHAD

Company Registration No.: 201401042911 (1119086-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2023

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		31.03.2023 RM'000	31.03.2022 RM'000	31.03.2023 RM'000	31.03.2022 RM'000
Revenue	A9	57,255	66,335	57,255	66,335
Cost of sales		(42,499)	(49,467)	(42,499)	(49,467)
Gross profit		14,756	16,868	14,756	16,868
Other income		1,154	756	1,154	756
Marketing and distribution expenses		(1,720)	(1,469)	(1,720)	(1,469)
Administrative expenses		(5,046)	(4,557)	(5,046)	(4,557)
Other expenses		(1,978)	(1,642)	(1,978)	(1,642)
Profit from operation		7,166	9,956	7,166	9,956
Finance costs		(396)	(206)	(396)	(206)
Share of result of an associate, net of tax		(268)	(328)	(268)	(328)
Profit before tax		6,502	9,422	6,502	9,422
Tax expense	B6	(1,693)	(2,598)	(1,693)	(2,598)
Profit for the financial period		4,809	6,824	4,809	6,824
Other comprehensive income, net of tax					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences for foreign subsidiaries		320	37	320	37
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Remeasurement of defined benefit plan		18	17	18	17
Total other comprehensive income		338	54	338	54
Total comprehensive income for the financial period		5,147	6,878	5,147	6,878
Profit for the financial period attributable to:					
Owners of the Company		4,762	6,718	4,762	6,718
Non-controlling interests		47	106	47	106
Profit for the financial period		4,809	6,824	4,809	6,824

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2023 (cont'd)

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		31.03.2023 RM'000	31.03.2022 RM'000	31.03.2023 RM'000	31.03.2022 RM'000
Comprehensive income for the financial period attributable to:					
Owners of the Company		5,019	6,761	5,019	6,761
Non-controlling interests		128	117	128	117
Total comprehensive income for the financial period		5,147	6,878	5,147	6,878
Earnings per share					
Basic and Diluted (sen)	B11	0.57	0.81	0.57	0.81

Notes:-

The basis of preparation of the Condensed Consolidated Statements of 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 2022 and the accompanying explanatory notes attached to this interim financial report.

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2023

	UNAUDITED As at 31.03.2023 RM'000	AUDITED As at 31.12.2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	43,094	43,516
Right-of-use assets	7,723	2,910
Intangible assets	9,787	9,538
Investment in an associate	1,930	1,898
Deferred tax assets	760	578
	<u>63,294</u>	<u>58,440</u>
Current assets		
Inventories	33,372	27,260
Trade receivables	58,420	59,957
Other receivables	6,096	10,001
Tax recoverable	3,518	3,378
Short-term investments	17,389	23,651
Fixed deposits with financial institutions	20,612	20,507
Short-term deposits	14,112	14,380
Cash and bank balances	38,846	33,318
	<u>192,365</u>	<u>192,452</u>
TOTAL ASSETS	<u><u>255,659</u></u>	<u><u>250,892</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	80,775	80,775
Legal reserve	25	25
Translation reserve	(776)	(1,024)
Merger deficit	(20,228)	(20,228)
Retained earnings	100,027	99,427
	<u>159,823</u>	<u>158,975</u>
Total equity attributable to Owners of the Company	159,823	158,975
Non-controlling interests	3,787	3,659
	<u>163,610</u>	<u>162,634</u>
TOTAL EQUITY	<u><u>163,610</u></u>	<u><u>162,634</u></u>
Non-current liabilities		
Borrowings	15,912	16,041
Lease liabilities	974	1,064
Deferred tax liabilities	689	932
Provision for post-employment benefits	1,555	1,458
	<u>19,130</u>	<u>19,495</u>

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2023 (cont'd)

	UNAUDITED As at 31.03.2023 RM'000	AUDITED As at 31.12.2022 RM'000
Current liabilities		
Trade payables	26,992	24,007
Other payables	19,789	24,343
Borrowings	13,757	7,004
Lease liabilities	772	879
Contract liabilities	9,130	10,471
Tax payable	2,479	2,059
	<u>72,919</u>	<u>68,763</u>
TOTAL LIABILITIES	<u>92,049</u>	<u>88,258</u>
TOTAL EQUITY AND LIABILITIES	<u>255,659</u>	<u>250,892</u>
Net assets per share attributable to owners of the Company (RM)	0.19	0.19

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 2022 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 FIRST QUARTER ENDED 31 MARCH 2023

	Attributable to Owners of the Company					Total	Non-controlling interests ("NCI")	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 2023	80,775	(20,228)	25	(1,024)	99,427	158,975	3,659	162,634
Profit for the financial period	-	-	-	-	4,762	4,762	47	4,809
Other comprehensive income								
- Foreign currency translation differences	-	-	-	248	-	248	72	320
- Remeasurement of defined benefit plan	-	-	-	-	9	9	9	18
	-	-	-	248	9	257	81	338
Total comprehensive income for the financial period	-	-	-	248	4,771	5,019	128	5,147
Transactions with Owners of the Company								
Dividend paid	-	-	-	-	(4,171)	(4,171)	-	(4,171)
At 31 March 2023	80,775	(20,228)	25	(776)	100,027	159,823	3,787	163,610

QES GROUP BERHAD

Company Registration No.: 201401042911 (1119086-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2023(cont'd)

	Attributable to Owners of the Company					Total	Non-controlling interests ("NCI")	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 2022	80,775	(20,228)	25	(1,193)	76,329	135,708	2,171	137,879
Profit for the financial period	-	-	-	-	6,718	6,718	106	6,824
Other comprehensive income								
- Foreign currency translation differences	-	-	-	34	-	34	3	37
- Remeasurement of defined benefit plan	-	-	-	-	9	9	8	17
	-	-	-	34	9	43	11	54
Total comprehensive income for the financial period	-	-	-	34	6,727	6,761	117	6,878
Transactions with Owners of the Company								
Dividend to NCI	-	-	-	-	-	-	(197)	(197)
Dividend paid	-	-	-	-	(3,337)	(3,337)	-	(3,337)
Total transaction with Owners of the Company	-	-	-	-	(3,337)	(3,337)	(197)	(3,534)
At 31 March 2022	80,775	(20,228)	25	(1,159)	79,719	139,132	2,091	141,223

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 2022 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2023

	31.03.2023	31.03.2022
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before tax	6,502	9,422
Adjustments for:		
Amortisation of intangible assets	130	68
Bad debts written off	-	8
Depreciation of property, plant and equipment	1,007	707
Depreciation of right-of-use assets	217	325
Gain on disposal of property, plant and equipment	(706)	(277)
Gain on lease modification	-	(22)
Interest expenses	396	206
Interest income	(140)	(232)
Inventories written down	402	47
Loss on unrealised foreign exchange	233	297
Net addition/(reversal) of loss allowance on trade receivables	24	(15)
Property, plant and equipment written off	-	443
Provision for post-employment benefits	74	66
Realised/unrealised gain on short-term investments	(263)	-
Share of result of an associate, net of tax	268	328
Operating profit before working capital changes	8,144	11,371
Inventories	(6,514)	(9,835)
Receivables	5,394	(11,977)
Payables	(1,499)	12,751
Contract liabilities	(1,456)	(3,741)
Cash generated from/(used in) operations	4,069	(1,431)
Income tax refunded	772	-
Income tax paid	(2,613)	(1,443)
Interest paid	(185)	(140)
Net cash from/(used) in operating activities	2,043	(3,014)
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(1,538)	(8,925)
Addition in right-of-use assets	(5,012)	-
Addition in intangible assets	(378)	(371)
Capital contribution to an associate	(300)	-
Increase in short-term investments	263	-
Interest received	140	232
Placement of pledged fixed deposits with financial institutions	(105)	(66)
Proceeds from disposal of property, plant and equipment	1,720	333
Net cash used in investing activities	(5,210)	(8,797)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2023 (cont'd)

	31.03.2023 RM'000	31.03.2022 RM'000
Cash Flows from Financing Activities		
Dividend paid	(4,171)	(3,534)
Net drawdown of borrowings	6,943	8,277
Interest paid	(211)	(66)
Repayment of lease liabilities	(197)	(411)
Net cash from financing activities	<u>2,364</u>	<u>4,266</u>
Net decrease in cash and cash equivalents	(803)	(7,545)
Foreign currency translation differences	130	(462)
Cash and cash equivalents at beginning of the financial period	<u>70,928</u>	<u>79,393</u>
Cash and cash equivalents at end of the financial period	<u><u>70,255</u></u>	<u><u>71,386</u></u>
Cash and cash equivalents comprise the following:		
Short-term investments	17,389	25,486
Short-term deposits	14,112	400
Fixed deposits with financial institutions	20,612	19,239
Cash and bank balances	38,847	48,226
Bank overdrafts	(93)	(2,726)
	<u>90,867</u>	<u>90,625</u>
Less: Fixed deposits pledged	(20,612)	(19,239)
	<u><u>70,255</u></u>	<u><u>71,386</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 2022 and the accompanying explanatory notes attached to this interim financial report.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2023

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 Main 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 2022 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 2022.

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
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 and MFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition 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 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
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 2022 was not subject to any qualification.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2023 (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

On 23 February 2023, the Board declared an interim single-tier dividend of 0.50 sen per ordinary share in respect of the financial year ending 31 December 2023 amounting to RM4,170,694 which was paid on 31 March 2023. The entitlement to the dividend was determined based on the record of depositors as at 10 March 2023.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2023 (cont'd)

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

A9. Segmental information

Results for individual and cumulative quarter ended 31.03.2023

	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	-	46,656	4,842	5,757	-	57,255
Intra segment revenue	-	16,386	-	-	(16,386)	-
Inter segment revenue	2,000	553	3	-	(2,556)	-
Total revenue	2,000	63,595	4,845	5,757	(18,942)	57,255

Results

Depreciation and amortisation	-	960	59	344	(9)	1,354
Other non-cash expenses/(income)	-	222	(14)	87	-	295
Segment profit/(loss) before tax	1,945	7,270	242	(964)	(1,991)	6,502

Results for individual and cumulative quarter ended 31.03.2022

	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	-	50,004	10,423	5,908	-	66,335
Intra segment revenue	-	24,268	-	-	(24,268)	-
Inter segment revenue	-	269	129	-	(398)	-
Total revenue	-	74,541	10,552	5,908	(24,666)	66,335

Results

Depreciation and amortisation	-	815	58	238	(11)	1,100
Other non-cash expenses	-	631	63	181	-	875
Segment profit/(loss) before tax	(117)	8,200	907	663	(231)	9,422

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2023 (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			
	31.03.2023		31.03.2022		31.03.2023		31.03.2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Distribution Division								
Product distribution								
Equipment	34,968	61.1	40,660	61.3	34,968	61.1	40,660	61.3
Materials & Engineering Solutions	3,150	5.4	9,368	14.1	3,150	5.4	9,368	14.1
Services & supply of spare parts								
Equipment	11,688	20.4	9,344	14.1	11,688	20.4	9,344	14.1
Materials & Engineering Solutions	1,692	3.0	1,055	1.6	1,692	3.0	1,055	1.6
Sub-total	51,498	89.9	60,427	91.1	51,498	89.9	60,427	91.1
Manufacturing Division								
Manufacturing	5,757	10.1	5,908	8.9	5,757	10.1	5,908	8.9
Sub-total	5,757	10.1	5,908	8.9	5,757	10.1	5,908	8.9
Total	57,255	100.0	66,335	100.0	57,255	100.0	66,335	100.0

(b) Analysis of revenue by geographical location

	INDIVIDUAL QUARTER				CUMULATIVE QUARTER			
	31.03.2023		31.03.2022		31.03.2023		31.03.2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	28,095	49.1	31,636	47.7	28,095	49.1	31,636	47.7
ASEAN (excluding Malaysia)								
Philippines	9,564	16.7	5,822	8.8	9,564	16.7	5,822	8.8
Thailand	5,299	9.3	4,236	6.4	5,299	9.3	4,236	6.4
Singapore	4,939	8.6	9,195	13.9	4,939	8.6	9,195	13.9
Vietnam	4,443	7.8	6,464	9.6	4,443	7.8	6,464	9.6
Indonesia	2,943	5.1	1,958	3.0	2,943	5.1	1,958	3.0
Other ASEAN	298	0.5	406	0.6	298	0.5	406	0.6
China	110	0.2	6,549	9.9	110	0.2	6,549	9.9
Others	1,564	2.7	69	0.1	1,564	2.7	69	0.1
Total	57,255	100.0	66,335	100.0	57,255	100.0	66,335	100.0

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2023 (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

Save as disclosed below, there were no material changes in the composition of the Group for the current financial quarter under review.

QES (Hong Kong) Limited ("QHK"), a wholly-owned subsidiary of QES (Asia-Pacific) Sdn. Bhd., had on 10 January 2023 incorporated a wholly-owned subsidiary in the People's Republic of China ("PRC") known as QES Technology (Shanghai) Co., Ltd. ("QTS"). QHK had subscribed 100% of the issued share capital of QTS for a total cash consideration of RMB500,000.

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

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

Capital expenditure commitment
- authorised and contracted for

31.03.2023
RM'000
(Unaudited)

565

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 FIRST QUARTER ENDED 31 MARCH 2023 (cont'd)

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

B1. Review of performance

(i) Results for current quarter

	INDIVIDUAL AND CUMULATIVE QUARTER		Changes RM'000	Changes %
	31.03.2023 RM'000	31.03.2022 RM'000		
Revenue	57,255	66,335	(9,080)	(13.7)
Profit before tax	6,502	9,422	(2,920)	(31.0)

The Group recorded a revenue of RM57.26 million for the current quarter under review compared to RM66.34 million in the corresponding quarter last year, representing a decrease of 13.7% or RM9.08 million. The decrease of revenue was mainly attributed by the decrease in sales from both distribution and manufacturing division by RM8.93 million and RM0.15 million respectively.

The decrease in sales from the distribution division is mainly due to lower deliveries of equipment in the current quarter. The decrease in sales of the manufacturing division was mainly due to the lower sales recorded, caused by the delayed delivery of advanced metrology system (AMS) equipment to a semiconductor customer.

The profit before tax ("PBT") of RM6.50 million as compared to RM9.42 million in the corresponding quarter last year, was lower by 31.0% or RM2.92 million. The lower PBT recorded was mainly due to the current quarter decline in revenue.

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

	Current Quarter 31.03.2023 RM'000	Preceding Quarter 31.12.2022 RM'000	Changes RM'000	Changes %
	Revenue	57,255		
Profit before tax	6,502	5,610	892	15.9

The Group's revenue decreased from RM72.97 million in the preceding quarter to RM57.26 million in the quarter under review, representing a decrease of 21.5% or RM15.71 million. The decrease in revenue was mainly due to the lower revenue generated from both distribution and manufacturing division by RM8.60 million and RM7.11 million respectively.

The decrease in the distribution division was mainly due to a drop in deliveries of equipment in the current quarter. The decrease of revenue from the manufacturing division was mainly due to lower sales recorded, caused by the delayed delivery of advanced metrology system (AMS) equipment to a semiconductor customer.

The increase in PBT by RM0.89 million was mainly due to a combination of higher product mix gross profit, lower operating expenses incurred and higher other income during current quarter under review.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2023 (cont'd)

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

B3. Prospects and outlook

The Group considers 2023 will remain a challenging year as the semiconductor market outlook remains soft. We are cautiously optimistic to see a slight growth from the second half of FY2023 onwards due to the existing order book on hand to be delivered. The Group's strategy is to continue investing capital expenditures during this season of slowdown so that we may capitalize when the global economic headwinds start to ease. At the same time, the Group will focus on operational efficiencies, costs control and execute clear business strategies to ensure long term commitment to ESG.

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 30 March 2023, the Board announced that the Company intends to seek its shareholders' approval on the proposed share buy-back of up to ten percent (10%) of the total number of issued shares of the Company at the forthcoming ninth ("9th") Annual General Meeting ("AGM") to be convened.

On 28 April 2023, the Company issued a notice for its 9th AGM to be held on 16 June 2023.

B6. Income tax expenses

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM'000	RM'000	RM'000	RM'000
Current tax	2,110	2,385	2,110	2,385
Deferred tax	(417)	213	(417)	213
Total tax expense	1,693	2,598	1,693	2,598

Notes:-

- (1) The Group's effective tax rate for 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, amortization of intangible assets, allowance for inventories and impairment losses on trade receivables.
- (2) Tax expenses is recognized based on management's best estimate.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2023 (cont'd)

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

B7. Utilization of proceeds from Private Placements

On 4 March 2022, the Company announced its intentions to vary the utilization 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.

During the current financial quarter under review, PP Proceeds for the research and development ("R&D") on future products expansion to develop a wafer stocker with automated guided vehicle was relocated. RM3.5 million was transferred for development of post probing wafer inspection system and RM0.5 million for smart manufacturing solutions development.

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

Utilisation of proceeds from the Private Placement ("PP")

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	4,149	1,151	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	5,998	-	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>18,944</u>	<u>1,151</u>	

Save for approximately RM18.94 million that has been utilized for various purposes as disclosed above, the remaining PP proceeds has not been utilized as at 31 March 2023.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2023 (cont'd)

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

B8. Group borrowings

	UNAUDITED	AUDITED
	As at	As at
	31.03.2023	31.12.2022
	RM'000	RM'000
Current:		
Bankers acceptance	1,420	2,048
Bank overdrafts	93	421
Trust receipts	10,916	3,296
Revolving loan	700	600
Term loan	628	639
	<u>13,757</u>	<u>7,004</u>
Non-current:		
Term loan	<u>15,912</u>	<u>16,041</u>
Total		
Bankers acceptance	1,420	2,048
Bank overdrafts	93	421
Trust receipts	10,916	3,296
Revolving loan	700	600
Term loan	16,540	16,680
	<u>28,249</u>	<u>20,997</u>

The Group's borrowings were denominated in MYR, except for approximately RM4.68 million (USD1.06 million), RM3.29 million (JPY99.04 million), RM2.62 million (EUR0.55 million), RM0.26 million (SGD0.08 million) and RM0.07 million (GBP0.01 million) of the above borrowings were denominated in USD, JPY, EUR, SGD and GBP 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 FIRST QUARTER ENDED 31 MARCH 2023 (cont'd)

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

B11. Earnings per share ("EPS")

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>31.03.2023</u>	<u>31.03.2022</u>	<u>31.03.2023</u>	<u>31.03.2022</u>
Profit for the period attributable to owners of the Company (RM'000)	<u>4,762</u>	<u>6,718</u>	<u>4,762</u>	<u>6,718</u>
Weighted average number of shares ('000)	<u>834,139</u>	<u>834,139</u>	<u>834,139</u>	<u>834,139</u>
Basic and diluted EPS (sen)	<u>0.57</u>	<u>0.81</u>	<u>0.57</u>	<u>0.81</u>

Notes:-

Diluted earnings per share of the Company for the individual quarter and year-to-date ended 31 March 2023 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 FIRST QUARTER ENDED 31 MARCH 2023 (cont'd)

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

B12. Notes to the Statements of Other Comprehensive Income

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	31.03.2023 RM'000	31.03.2022 RM'000	31.03.2023 RM'000	31.03.2022 RM'000
Amortisation of intangible assets	130	68	130	68
Bad debts written off	-	8	-	8
Depreciation of property, plant and equipment	1,007	707	1,007	707
Depreciation of right-of-use assets	217	325	217	325
Gain on disposal of property, plant and equipment	(706)	(277)	(706)	(277)
Gain on lease modification	-	(22)	-	(22)
(Gain)/Loss on foreign exchange				
- realised	(18)	(354)	(18)	(354)
- unrealised	233	297	233	297
Interest expenses	396	206	396	206
Interest income	(140)	(232)	(140)	(232)
Inventories written down	402	47	402	47
Net addition/(reversal) of loss allowance on trade receivables	24	(15)	24	(15)
Property, plant and equipment written off	-	443	-	443
Provision for post-employment benefits	74	66	74	66
Realised/unrealised gain on short-term investments	(263)	-	(263)	-

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
19 May 2023