

QES GROUP BERHAD

Company Registration No.: 201401042911 (1119086-U)

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		UNAUDITED 31.12.2020 RM'000	UNAUDITED 31.12.2019 RM'000	UNAUDITED 31.12.2020 RM'000	AUDITED 31.12.2019 RM'000
Revenue	A9	40,599	41,444	155,224	161,373
Cost of sales		(30,194)	(34,637)	(118,982)	(129,085)
Gross profit		10,405	6,807	36,242	32,288
Other income		651	375	3,296	2,393
Marketing and distribution expenses		(3,007)	(1,873)	(7,058)	(7,294)
Administrative expenses		(4,678)	(4,313)	(15,004)	(15,762)
Other operating expenses		(666)	377	(5,013)	(5,078)
Profits from operation		2,705	1,373	12,463	6,547
Finance costs		(165)	(249)	(737)	(947)
Profit before tax		2,540	1,124	11,726	5,600
Tax expense	B6	(574)	633	(3,063)	(2,146)
Profit for the financial year		1,966	1,757	8,663	3,454
Other comprehensive income, net of tax					
Actuarial gain on provision for post-employment benefits		65	(47)	65	(47)
Foreign currency translation differences for foreign subsidiaries		79	(35)	(114)	403
Total other comprehensive income/(expense)		144	(82)	(49)	356
Total comprehensive income for the financial year		2,110	1,675	8,614	3,810
Profit for the financial year attributable to:					
Owners of the Company		1,968	1,654	8,660	3,307
Non-controlling interest		(2)	103	3	147
Profit for the financial year		1,966	1,757	8,663	3,454
Comprehensive income for the financial year attributable to:					
Owners of the Company		2,073	1,605	8,608	3,640
Non-controlling interest		37	70	6	170
Total comprehensive income for the financial year		2,110	1,675	8,614	3,810
Earnings per share					
Basic and diluted (sen)	B11	0.24	0.22	1.12	0.44

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**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020 (cont'd)**

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	UNAUDITED	AUDITED
	As at	As at
	31.12.2020	31.12.2019
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	10,362	9,971
Right-of-use assets	4,914	6,087
Intangible assets	6,921	6,574
Other investments	-	60
Deferred tax assets	1,139	1,686
	<u>23,336</u>	<u>24,378</u>
Current assets		
Inventories	18,852	20,178
Trade receivables	32,220	31,552
Other receivables	6,602	3,459
Tax recoverable	1,708	2,028
Short-term investments	34,233	18,202
Fixed deposits with financial institutions	18,633	18,244
Cash and bank balances	54,995	32,204
	<u>167,243</u>	<u>125,867</u>
TOTAL ASSETS	<u><u>190,579</u></u>	<u><u>150,245</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	80,775	61,180
Legal reserve	25	25
Translation reserve	(931)	(831)
Merger deficit	(20,228)	(20,228)
Retained earnings	57,640	48,932
	<u>117,281</u>	<u>89,078</u>
Total equity attributable to Owners of the Company	117,281	89,078
Non-controlling interests	1,421	1,415
	<u>118,702</u>	<u>90,493</u>
Non-current liabilities		
Borrowings	17,205	-
Lease liabilities	3,099	4,175
Deferred tax liabilities	31	304
Provision for post-employment benefits	1,068	831
	<u>21,403</u>	<u>5,310</u>

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 (cont'd)

	UNAUDITED As at 31.12.2020 RM'000	AUDITED As at 31.12.2019 RM'000
Current liabilities		
Trade payables	17,196	25,956
Other payables	12,060	9,168
Borrowings	11,546	11,454
Lease liabilities	1,411	1,331
Contract liabilities	7,380	5,883
Tax payable	881	650
	<u>50,474</u>	<u>54,442</u>
Total liabilities	<u>71,877</u>	<u>59,752</u>
TOTAL EQUITY AND LIABILITIES	<u>190,579</u>	<u>150,245</u>
Net assets per share attributable to owners of the Company (RM)	0.14	0.12

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 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 FOURTH QUARTER ENDED 31 DECEMBER 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			
At 1 January 2020	61,180	(20,228)	25	(831)	48,932	89,078	1,415	90,493
Profit for the financial year	-	-	-	-	8,660	8,660	3	8,663
Other comprehensive income								
- Foreign currency translation differences	-	-	-	(100)	-	(100)	(14)	(114)
- Remeasurement of defined benefit plan	-	-	-	-	48	48	17	65
	-	-	-	(100)	48	(52)	3	(49)
Total comprehensive income for the financial year	-	-	-	(100)	8,708	8,608	6	8,614
Transactions with Owners of the Company								
Issuance of shares pursuant to Private Placement	19,595	-	-	-	-	19,595	-	19,595
At 31 December 2020	80,775	(20,228)	25	(931)	57,640	117,281	1,421	118,702

QES GROUP BERHAD

Company Registration No.: 201401042911 (1119086-U)

AUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 year	-	-	-	-	3,307	3,307	147	3,454
Other comprehensive income								
- Foreign currency translation differences	-	-	-	367	-	367	36	403
- Remeasurement of defined benefit plan	-	-	-	-	(34)	(34)	(13)	(47)
	-	-	-	367	(34)	333	23	356
Total comprehensive income for the financial year	-	-	-	367	3,273	3,640	170	3,810
Transactions with Owners of the Company								
Dividends	-	-	-	-	(3,033)	(3,033)	(249)	(3,282)
Additional investment in a subsidiary	-	-	-	-	683	683	(639)	44
Total transaction with Owners of the Company	-	-	-	-	(2,350)	(2,350)	(888)	(3,238)
At 31 December 2019	61,180	(20,228)	25	(831)	48,932	89,078	1,415	90,493

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020 ⁽ⁱ⁾

	UNAUDITED 31.12.2020	AUDITED 31.12.2019
Note	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before tax	11,726	5,600
Adjustments for:		
Actuarial gain on provision for post-employment benefits written off	36	-
Addition/(Reversal) of loss allowance on trade receivables	418	(210)
Amortisation of intangible assets	371	178
Bad debts written off	87	2
Depreciation of property, plant and equipment	2,115	2,157
Depreciation of right-of-use assets	1,466	1,426
Gain on disposal of property, plant and equipment	(965)	(316)
Gain on lease modification	(2)	-
Gain on unrealised foreign exchange	(11)	(187)
Interest expenses	737	947
Interest income	(995)	(1,418)
Inventories written down/(back)	162	(115)
Inventories written off	16	997
Other investments written off	60	-
Property, plant and equipment written off	8	3
Provision for post-employment benefits	296	145
	15,525	9,209
Operating profit before working capital changes	15,525	9,209
Inventories	1,148	(5,281)
Receivables	(4,785)	14,377
Payables	(3,942)	(5,594)
	7,946	12,711
Cash from operations	7,946	12,711
Income tax refund	98	644
Income tax paid	(2,337)	(4,659)
Interest paid	(490)	(661)
Post-employment benefits paid	(5)	(24)
Net cash from operating activities	5,212	8,011
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(3,360)	(3,972)
Addition in intangible assets	(718)	(1,135)
Interest received	995	1,418
Proceed from issuance of ordinary shares	19,595	-
Subscription of shares by NCI in a subsidiary	-	44
Placement of fixed deposits with financial institutions	(389)	(461)
Proceeds from disposals of property, plant and equipment	1,811	786
Net cash from/(used in) investing activities	17,934	(3,320)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020 ⁽ⁱ⁾ (cont'd)

	UNAUDITED 31.12.2020 RM'000	AUDITED 31.12.2019 RM'000
Cash Flows from Financing Activities		
Dividend paid	-	(3,282)
Drawdown of term loan	17,850	-
Net drawdown/(repayment) of borrowings	379	(5,578)
Interest paid	(247)	(286)
Repayment of lease liabilities	(1,287)	(1,450)
Net cash from/(used in) financing activities	<u>16,695</u>	<u>(10,596)</u>
Net increase/(decrease) in cash and cash equivalents	39,841	(5,905)
Foreign currency translation differences	(141)	267
Cash and cash equivalents at beginning of the financial year	45,659	51,297
Cash and cash equivalents at end of the financial year	<u><u>85,359</u></u>	<u><u>45,659</u></u>
Cash and cash equivalents comprise the following:		
Short-term investments	34,233	18,202
Fixed deposits with financial institutions	18,633	18,244
Cash and bank balances	54,995	32,204
Bank overdrafts	(3,869)	(4,747)
	<u>103,992</u>	<u>63,903</u>
Less: Fixed deposits pledged	(18,633)	(18,244)
	<u><u>85,359</u></u>	<u><u>45,659</u></u>

Notes:-

- (i) 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 2019 and the accompanying explanatory notes attached to this interim financial report.
- (ii) Included in the Cash and Bank Balances is RM17,850,000 being monies placed to vendor's financier in respect of the 5 storey detached factory property acquisition as part of the redemption sum due by the vendor to the vendor's financier. The property acquisition was completed on vacant possession being obtained on 4 January 2021.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 FOURTH QUARTER ENDED 31 DECEMBER 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 FOURTH QUARTER ENDED 31 DECEMBER 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 31.12.2020

	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	-	27,134	4,002	9,463	-	40,599
Inter segment revenue	-	14,757	12	-	(14,769)	-
Total revenue	-	41,891	4,014	9,463	(14,769)	40,599

Results

Depreciation and amortisation	-	740	38	245	(7)	1,016
Other non-cash expenses/(income)	-	(352)	6	(125)	-	(471)
Segment profit/(loss) before tax	(46)	1,104	(421)	1,896	7	2,540

Results for individual quarter ended 31.12.2019

	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	-	36,198	5,097	149	-	41,444
Inter segment revenue	-	16,103	20	-	(16,123)	-
Total revenue	-	52,301	5,117	149	(16,123)	41,444

Results

Depreciation and amortisation	-	796	46	185	(5)	1,022
Other non-cash expenses/(income)	-	173	(17)	(1,545)	-	(1,389)
Segment profit/(loss) before tax	(137)	1,750	(196)	(298)	5	1,124

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 31.12.2020

	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	-	109,109	21,044	25,071	-	155,224
Inter segment revenue	-	53,421	562	180	(54,163)	-
Total revenue	-	162,530	21,606	25,251	(54,163)	155,224

Results

Depreciation and amortisation	-	3,059	147	773	(27)	3,952
Other non-cash expenses/(income)	-	216	(64)	(83)	-	69
Segment profit/(loss) before tax	(178)	8,542	(719)	4,054	27	11,726

Results for cumulative quarter ended 31.12.2019

	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	-	124,598	29,709	7,066	-	161,373
Inter segment revenue	3,300	45,024	498	-	(48,822)	-
Total revenue	3,300	169,622	30,207	7,066	(48,822)	161,373

Results

Depreciation and amortisation	-	3,041	182	560	(22)	3,761
Other non-cash expenses/(income)	-	1	14	304	-	319
Segment profit/(loss) before tax	3,100	9,196	1,392	(4,322)	(3,766)	5,600

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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			
	UNAUDITED		UNAUDITED		UNAUDITED		AUDITED	
	31.12.2020		31.12.2019		31.12.2020		31.12.2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Distribution Division								
Product distribution								
Equipment	17,558	43.2	26,820	64.7	72,662	46.8	85,407	52.9
Materials & Engineering Solutions	3,006	7.4	4,294	10.4	17,391	11.2	26,096	16.2
Services & supply of spare parts								
Equipment	9,577	23.6	9,378	22.6	36,448	23.5	39,191	24.3
Materials & Engineering Solutions	995	2.5	803	1.9	3,652	2.4	3,613	2.2
Sub-total	31,136	76.7	41,295	99.6	130,153	83.9	154,307	95.6
Manufacturing Division								
Manufacturing	9,463	23.3	149	0.4	25,071	16.1	7,066	4.4
Sub-total	9,463	23.3	149	0.4	25,071	16.1	7,066	4.4
Total	40,599	100.0	41,444	100.0	155,224	100.0	161,373	100.0

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020
(cont'd)

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

A9. Segmental information (cont'd)

(b) Analysis of revenue by geographical location

	INDIVIDUAL QUARTER				CUMULATIVE QUARTER			
	UNAUDITED		UNAUDITED		UNAUDITED		AUDITED	
	31.12.2020		31.12.2019		31.12.2020		31.12.2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	17,949	44.2	12,926	31.2	56,414	36.3	60,412	37.4
ASEAN (excluding Malaysia)								
Singapore	7,468	18.4	10,153	24.5	24,659	15.9	22,894	14.2
Vietnam	5,325	13.1	6,355	15.3	24,428	15.7	22,523	14.0
Thailand	3,404	8.4	4,151	10.0	14,610	9.4	20,503	12.7
Philippines	2,262	5.6	(729)	(1.7)	11,904	7.7	13,757	8.5
Indonesia	1,826	4.5	4,455	10.7	7,157	4.6	12,539	7.8
China	1,101	2.7	2,268	5.5	8,522	5.5	3,490	2.1
Others	1,264	3.1	1,865	4.5	7,530	4.9	5,255	3.3
Total	40,599	100.0	41,444	100.0	155,224	100.0	161,373	100.0

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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020

(cont'd)

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

A14. Capital commitments

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

On 21 September 2020, 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.

As disclosed in the Condensed Consolidated Statements of Cash Flows, the monies was placed to the vendor's financier as part of the redemption sum due by the vendor to the vendor's financier and that the proposed acquisition was completed on vacant possession being obtained on 4 January 2021.

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 FOURTH QUARTER ENDED 31 DECEMBER 2020
(cont'd)

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

B1. Review of performance

(i) Results for current quarter

	INDIVIDUAL QUARTER		Changes RM'000	Changes %
	UNAUDITED	UNAUDITED		
	31.12.2020 RM'000	31.12.2019 RM'000		
Revenue	40,599	41,444	(845)	(2.0)
Profit before tax	2,540	1,124	1,416	126.0

The Group recorded a revenue of RM40.60 million as compared to the RM41.44 million generated in the corresponding quarter last year, a drop of 2.0%. The decrease was mainly due to a drop in sales by RM10.16 million from the distribution division notwithstanding an increase in sales of RM9.32 million from the manufacturing division.

The decrease in revenue from the distribution division was mainly due to a slowdown in sales of all major QES distribution equipment. The increased of revenue from the manufacturing division was due to better sales of inspection and measurement equipment to our semiconductor customers.

The Group registered a profit before tax ("PBT") of RM2.54 million against PBT of RM1.12 million in the corresponding quarter last year. The increase PBT recorded was mainly due to higher revenue and gross profit margin generated by the manufacturing division for the current financial quarter under review.

(ii) Results for financial year-to-date

	CUMULATIVE QUARTER		Changes RM'000	Changes %
	UNAUDITED	AUDITED		
	31.12.2020 RM'000	31.12.2019 RM'000		
Revenue	155,224	161,373	(6,149)	(3.8)
Profit before tax	11,726	5,600	6,126	109.4

The Group recorded revenue of RM155.22 million for the current cumulative quarter under review, marking a marginal decrease of 3.8%. The decrease was mainly due to a drop in sales by RM24.15 million from the distribution division notwithstanding an increase of RM18.00 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 affected shipments as well as travel restrictions for our staff. 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 RM6.13 million mainly due to higher revenue and gross profit margin generated by the manufacturing division and better overall costs management as compared to the corresponding cumulative quarter last year.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 31.12.2020 RM'000	Preceding Quarter 30.09.2020 RM'000	Changes RM'000	Changes %
Revenue	40,599	35,969	4,630	12.9
Profit before tax	2,540	2,328	212	9.1

The Group posted a revenue of RM40.60 million for the current quarter under review as compared to RM35.97 million in the immediate preceding quarter, representing an increase of 12.9%. The increase in revenue of RM4.63 million was mainly due to the increase in revenue from both the distribution division and manufacturing division by RM2.33 million and RM2.30 million respectively.

The increase in revenue from the distribution division was mainly due to an increase in delivery and sales of equipment. The increased of revenue from the manufacturing division was due to better sales of inspection, measurement and automated handling equipment to semiconductor customers as compared to the immediate preceding quarter.

Our PBT increased marginally by RM0.21 million mainly due to increase in revenue and gross profit margin generated by both manufacturing and distribution division despite higher cost for the current financial quarter under review.

B3. Prospects and outlook

The Malaysian economy is expected to face continued uncertainties and challenges throughout FY 2021 especially into the first half of 2021, arising from the Covid-19 pandemic. However, the Group is cautiously optimistic that it will fare much better in FY 2021 as compared to FY 2020 as it anticipates that the various business segments which the Group partakes in will gradually recover in tandem with better sentiment, governmental interventions and confidence in the recovery post Covid-19 pandemic.

The Group expects the semiconductor market segment to show record growth ahead due to the encouraging positive signals with the uptake of 5G, Internet of Things (IoT), electric vehicle and Cloud/Edge Computing. The Group is hopeful to capture the demand upswing which could likely be a sharp rebound post-pandemic.

B4. Profit forecast and profit guarantee

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

B5. Status of corporate proposals

There were no other corporate proposals announced but not completed as at the date of this report.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Current tax	353	578	2,796	3,286
Deferred tax	221	(1,211)	267	(1,140)
Total tax expense	574	(633)	3,063	2,146

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

- (i) Initial public offering ("IPO")

On 28 February 2020, the Company announced its intention to vary the utilisation of proceeds raised from the 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	Revised	Actual	Balance	Revised
	Proposed Utilisation RM'000	Utilisation RM'000		Expected Timeframe for Utilisation
(i) Development of 3 key products	4,850	3,448	1,402	Within 36 months from 8 March 2018
(ii) General working capital requirements	3,250	3,250	-	Within 36 months from 8 March 2018
(iii) Repayment of bank borrowings	10,200	10,200	-	Within 3 months from 28 February 2020
(iv) Capital expenditure	7,516	6,755	761	Within 36 months from 8 March 2018
(v) Estimated listing expenses	3,000	3,000	-	Within 1 month
	28,816	26,653	2,163	

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020
 (cont'd)

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

B7. Utilisation of proceeds (cont'd)

(i) Initial public offering (“IPO”) (cont'd)

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, the IPO proceeds has been fully utilised.

(ii) Private Placement (“PP”)

On 30 October 2020, the Company raised total gross proceed of RM20.47 million from the private placement of 75,830,800 new ordinary shares.

The details of proposed utilisation are as 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	-	8,200	Within 18 months from 30 Oct 2020
(ii) R&D on future product expansion	5,300	27	5,273	Within 24 months from 30 Oct 2020
(iii) Market expansion to China	1,500	-	1,500	Within 18 months from 30 Oct 2020
(iv) Future working capital and acquisition related investment	4,974	-	4,974	Within 24 months from 30 Oct 2020
(v) Estimated expenses in relation to the proposed private placement	500	500	-	Immediately
	<u>20,474</u>	<u>527</u>	<u>19,947</u>	

Save for approximately RM0.53 million that has been utilised for various purposes as disclosed above, the remaining PP proceeds has not been utilised as at 31 December 2020.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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
	31.12.2020	31.12.2019
	RM'000	RM'000
Current:		
Bank overdrafts	3,869	4,747
Bankers acceptance	864	583
Trust receipts	5,368	5,324
Revolving loan	800	800
Term loans	645	-
	<u>11,546</u>	<u>11,454</u>
Non-current:		
Term loans	<u>17,205</u>	<u>-</u>
Total		
Bank overdrafts	3,869	4,747
Bankers acceptance	864	583
Trust receipts	5,368	5,324
Revolving loan	800	800
Term loans	17,850	-
	<u>28,751</u>	<u>11,454</u>

The Group's borrowings are denominated in MYR, except for approximately RM3.04 million (USD 0.75 million), RM1.56 million (JPY40.04 million) and RM0.71 million (GBP 0.13 million) of the above borrowings which are denominated in USD, JPY 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.

QES GROUP BERHAD

Company Registration No.: 201401042911 (1119086-U)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020
(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	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Profit for the year attributable to owners of the Company (RM'000)	1,968	1,654	8,660	3,307
Weighted average number of shares ('000)	834,139	758,308	771,361	758,308
Basic and diluted EPS (sen)	0.24	0.22	1.12	0.44

Notes:-

Diluted earnings per share of the Company for the individual quarter and year-to-date ended 31 December 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 year.

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QES GROUP BERHAD

Company Registration No.: 201401042911 (1119086-U)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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	
	UNAUDITED 31.12.2020 RM'000	UNAUDITED 31.12.2019 RM'000	UNAUDITED 31.12.2020 RM'000	AUDITED 31.12.2019 RM'000
Amortisation of intangible assets	131	88	371	178
Bad debts written off	26	2	87	2
Depreciation of property, plant and equipment	524	262	2,115	2,157
Depreciation of right-of-use assets	361	672	1,466	1,426
Gain on disposal of property, plant and equipment	(28)	(2)	(965)	(316)
Gain on lease modification	-	-	(2)	-
Interest expenses	165	249	737	947
Interest income	(224)	(306)	(995)	(1,418)
Inventories written down/(back)	38	322	162	(115)
Inventories written off	-	11	16	997
Loss/(Gain) on foreign exchange				
- realised	290	229	445	569
- unrealised	(126)	222	(11)	(187)
Other investments written off	-	-	60	-
Property, plant and equipment written off	8	-	8	3
Provision for post-employment benefits	177	36	296	145
Rental of premises	86	79	333	400
(Reversal)/Addition of loss allowance on trade receivables	(566)	(1,980)	418	(210)

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 BOARDAndrea Huang Jia Mei
Company Secretary
23 February 2021