

QES GROUP BERHAD

Company Registration No.: 201401042911 (1119086-U)

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

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		30.09.2021 RM'000	30.09.2020 RM'000	30.09.2021 RM'000	30.09.2020 RM'000
Revenue	A9	51,671	35,969	158,585	114,625
Cost of sales		(39,708)	(28,179)	(119,503)	(89,282)
Gross profit		11,963	7,790	39,082	25,343
Other income		545	622	2,274	2,645
Marketing and distribution expenses		(1,753)	(940)	(4,106)	(2,696)
Administrative expenses		(4,022)	(3,684)	(12,418)	(11,159)
Other operating expenses		(1,261)	(1,292)	(4,400)	(4,375)
Profits from operation		5,472	2,496	20,432	9,758
Finance costs		(184)	(168)	(751)	(572)
Profit before tax		5,288	2,328	19,681	9,186
Tax expense	B6	(1,578)	(727)	(4,677)	(2,489)
Profit for the financial period		3,710	1,601	15,004	6,697
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign subsidiaries		(214)	(493)	(339)	(193)
Total comprehensive income for the financial period		3,496	1,108	14,665	6,504
Profit for the financial period attributable to:					
Owners of the Company		3,774	1,626	14,567	6,692
Non-controlling interest		(64)	(25)	437	5
Profit for the financial period		3,710	1,601	15,004	6,697
Comprehensive income for the financial period attributable to:					
Owners of the Company		3,547	1,195	14,210	6,535
Non-controlling interest		(51)	(87)	455	(31)
Total comprehensive income for the financial period		3,496	1,108	14,665	6,504
Earnings per share					
Basic and diluted (sen)	B11	0.45	0.21	1.75	0.88

Notes:-

The basis of preparation of the Condensed Consolidated Statements of Profit Or Loss and Other Comprehensive Income are detailed in Note A1 and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to this interim financial report.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

	UNAUDITED	AUDITED
	As at	As at
	30.09.2021	31.12.2020
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	33,424	10,384
Right-of-use assets	3,819	4,892
Intangible assets	7,531	6,921
Deferred tax assets	1,086	1,139
	<u>45,860</u>	<u>23,336</u>
Current assets		
Inventories	25,302	18,852
Trade receivables	51,171	32,665
Other receivables	11,576	6,920
Tax recoverable	119	1,708
Short-term investments	40,359	34,233
Fixed deposits with financial institutions	18,785	18,633
Cash and bank balances	36,043	54,995
	<u>183,355</u>	<u>168,006</u>
TOTAL ASSETS	<u>229,215</u>	<u>191,342</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	80,775	80,775
Legal reserve	25	25
Translation reserve	(1,288)	(931)
Merger deficit	(20,228)	(20,228)
Retained earnings	72,207	57,640
	<u>131,491</u>	<u>117,281</u>
Total equity attributable to Owners of the Company	131,491	117,281
Non-controlling interests	1,876	1,421
Total Equity	<u>133,367</u>	<u>118,702</u>
Non-current liabilities		
Borrowings	16,789	17,259
Lease liabilities	2,223	3,099
Deferred tax liabilities	147	31
Provision for post-employment benefits	1,287	1,068
	<u>20,446</u>	<u>21,457</u>

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

	UNAUDITED As at 30.09.2021 RM'000	AUDITED As at 31.12.2020 RM'000
Current liabilities		
Trade payables	17,036	17,514
Other payables	15,410	11,721
Borrowings	22,594	11,492
Lease liabilities	1,236	1,411
Contract liabilities	17,007	8,164
Tax payable	2,119	881
	<u>75,402</u>	<u>51,183</u>
Total liabilities	<u>95,848</u>	<u>72,640</u>
TOTAL EQUITY AND LIABILITIES	<u>229,215</u>	<u>191,342</u>
Net assets per share attributable to owners of the Company (RM)	0.16	0.14

Notes:-

The basis of preparation of the Condensed Consolidated Statements of Financial Position are detailed in Note A1 and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to this interim financial report.

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QES GROUP BERHAD

Company Registration No.: 201401042911 (1119086-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021

	Attributable to owners of the Group				Distributable Retained earnings	Total	Non-controlling interests	Total equity
	Share capital	Non-distributable Merger deficit	Legal reserve	Translation reserve				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2021	80,775	(20,228)	25	(931)	57,640	117,281	1,421	118,702
Profit for the financial period	-	-	-	-	14,567	14,567	437	15,004
Other comprehensive income - Foreign currency translation differences	-	-	-	(357)	-	(357)	18	(339)
Total comprehensive income for the financial period	-	-	-	(357)	14,567	14,210	455	14,665
At 30 September 2021	80,775	(20,228)	25	(1,288)	72,207	131,491	1,876	133,367
At 1 January 2020	61,180	(20,228)	25	(831)	48,932	89,078	1,415	90,493
Profit for the financial period	-	-	-	-	6,692	6,692	5	6,697
Other comprehensive income - Foreign currency translation differences	-	-	-	(157)	-	(157)	(36)	(193)
Total comprehensive income for the financial period	-	-	-	(157)	6,692	6,535	(31)	6,504
At 30 September 2020	61,180	(20,228)	25	(988)	55,624	95,613	1,384	96,997

Notes:-

The basis of preparation of the Condensed Consolidated Statements of Changes in Equity are detailed in Note A1 and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to this interim financial report.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021

	30.09.2021	30.09.2020
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before tax	19,681	9,186
Adjustments for:		
Amortisation of intangible assets	379	240
Bad debts written off	-	61
Depreciation of property, plant and equipment	1,896	1,591
Depreciation of right-of-use assets	1,076	1,105
Gain on disposal of property, plant and equipment	(738)	(937)
Gain on lease modification	-	(2)
Loss on unrealised foreign exchange	285	115
Interest expenses	751	572
Interest income	(1,014)	(771)
Inventories written down	43	124
Inventories written off	-	16
Loss allowance on trade receivables	1,040	984
Other investments written off	-	60
Provision for post-employment benefits	208	119
	<hr/>	<hr/>
Operating profit before working capital changes	23,607	12,463
Inventories	(6,493)	(2,417)
Receivables	(24,125)	(4,560)
Payables	12,154	(9,692)
	<hr/>	<hr/>
Cash from/(used in) operations	5,143	(4,206)
Income tax refund	-	95
Income tax paid	(1,630)	(830)
Interest paid	(348)	(396)
Post-employee benefits paid	-	(2)
	<hr/>	<hr/>
Net cash from/(used in) operating activities	3,165	(5,339)
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(26,166)	(1,210)
Addition in intangible assets	(988)	(498)
Interest received	1,014	771
Placement of fixed deposits with financial institutions	(152)	(296)
Proceeds from disposal of property, plant and equipment	1,810	1,732
	<hr/>	<hr/>
Net cash (used in)/from investing activities	(24,482)	499

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

	30.09.2021 RM'000	30.09.2020 RM'000
Cash Flows from Financing Activities		
Net drawdown of borrowings	9,986	3,979
Interest paid	(403)	(176)
Repayment of lease liabilities	(1,050)	(943)
Repayment of term loan	(404)	-
Net cash from financing activities	<u>8,129</u>	<u>2,860</u>
Net decrease in cash and cash equivalents	(13,188)	(1,980)
Foreign currency translation differences	(670)	(233)
Cash and cash equivalents at beginning of the financial period	85,359	45,659
Cash and cash equivalents at end of the financial period	<u><u>71,501</u></u>	<u><u>43,446</u></u>
Cash and cash equivalents comprise the following:		
Short-term investments	40,359	16,197
Fixed deposits with financial institutions	18,785	18,540
Cash and bank balances	36,043	31,225
Bank overdrafts	(4,901)	(3,976)
	<u>90,286</u>	<u>61,986</u>
Less: Fixed deposits pledged	(18,785)	(18,540)
	<u><u>71,501</u></u>	<u><u>43,446</u></u>

Notes:-

The basis of preparation of the Condensed Consolidated Statements of Cash Flows are detailed in Note A1 and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to this interim financial report.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134, INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with MFRS 134, Interim Financial Reporting and Rule 9.22 of the ACE Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial report should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to this interim financial report.

A2. Summary of Significant Accounting Policies

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2020.

At the date of authorization of these interim financial statements, the followings MFRS, IC Interpretations and Amendments to IC Interpretations were issued but not yet effective and have not been applied by the Group:

MFRSs and Interpretations	Effective for financial periods beginning on or after
Amendments to MFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts–Cost of Fulfilling a Contract	1 January 2022
MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definitions of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The above pronouncements are either not relevant or do not have any material impact on the financial statements of the Group.

A3. Auditors' report on preceding annual financial statements

The report of the auditors on the Group's financial statements for the financial year ended 31 December 2020 was not subject to any qualification.

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

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

A4. Seasonal or cyclical factors

The Group's business operations have not been affected by seasonal or cyclical factors.

A5. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no material unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter and current year-to-date under review.

A6. Material changes in estimates

There was no material change in financial estimates that could materially affect the current financial quarter under review.

A7. Debt and equity securities

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

A8. Dividend paid

There was no dividend paid during the current financial quarter under review.

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

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

A9. Segmental information

Results for individual quarter ended 30.09.2021

	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	-	41,175	5,468	5,028	-	51,671
Inter segment revenue	-	23,118	296	-	(23,414)	-
Total revenue	-	64,293	5,764	5,028	(23,414)	51,671
Results						
Depreciation and amortisation	-	681	72	290	(8)	1,035
Other non-cash expenses/(income)	-	347	44	(1)	-	390
Segment profit/(loss) before tax	(95)	6,254	(272)	(607)	8	5,288

Results for individual quarter ended 30.09.2020

	Investment Holding RM'000	Equipment RM'000	Materials & Engineering Solutions RM'000	Manufacturing RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
External revenue	-	24,771	4,033	7,165	-	35,969
Inter segment revenue	-	14,185	236	-	(14,421)	-
Total revenue	-	38,956	4,269	7,165	(14,421)	35,969
Results						
Depreciation and amortisation	-	750	36	177	(7)	956
Other non-cash expenses/(income)	-	497	(156)	(200)	-	141
Segment profit/(loss) before tax	(50)	1,127	(142)	1,386	7	2,328

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021
(cont'd)**A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134, INTERIM FINANCIAL REPORTING (cont'd)****A9. Segmental information (cont'd)****Results for cumulative quarter ended 30.09.2021**

	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	-	122,121	20,181	16,283	-	158,585
Inter segment revenue	1,500	64,942	402	-	(66,844)	-
Total revenue	1,500	187,063	20,583	16,283	(66,844)	158,585

Results

Depreciation and amortisation	-	2,400	165	809	(23)	3,351
Other non-cash expenses/(income)	-	1,173	133	(468)	-	838
Segment profit/(loss) before tax	1,399	17,130	1,047	1,582	(1,477)	19,681

Results for cumulative quarter ended 30.09.2020

	Investment Holding RM'000	Equipment RM'000	Materials & Engineering Solutions RM'000	Manufacturing RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
External revenue	-	81,975	17,042	15,608	-	114,625
Inter segment revenue	-	38,664	550	180	(39,394)	-
Total revenue	-	120,639	17,592	15,788	(39,394)	114,625

Results

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

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

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

A9. Segmental information (cont'd)

(a) Analysis of revenue by divisions

	INDIVIDUAL QUARTER				CUMULATIVE QUARTER			
	30.09.2021		30.09.2020		30.09.2021		30.09.2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Distribution Division								
Product distribution								
Equipment	31,261	60.5	15,328	42.6	91,855	57.9	55,104	48.1
Materials & Engineering Solutions	4,463	8.7	2,995	8.3	16,847	10.6	14,385	12.6
Services & supply of spare parts								
Equipment	9,666	18.7	9,443	26.3	30,266	19.1	26,871	23.4
Materials & Engineering Solutions	1,253	2.4	1,038	2.9	3,334	2.1	2,657	2.3
Sub-total	46,643	90.3	28,804	80.1	142,302	89.7	99,017	86.4
Manufacturing Division								
Manufacturing	5,028	9.7	7,165	19.9	16,283	10.3	15,608	13.6
Sub-total	5,028	9.7	7,165	19.9	16,283	10.3	15,608	13.6
Total	51,671	100.0	35,969	100.0	158,585	100.0	114,625	100.0

(b) Analysis of revenue by geographical location

	INDIVIDUAL QUARTER				CUMULATIVE QUARTER			
	30.09.2021		30.09.2020		30.09.2021		30.09.2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	21,739	42.1	10,182	28.3	63,280	39.9	38,465	33.5
ASEAN (excluding Malaysia)								
Singapore	9,353	18.1	4,962	13.8	26,911	17.0	17,191	15.0
Vietnam	7,525	14.6	5,464	15.2	16,111	10.2	19,103	16.7
Thailand	4,853	9.4	3,695	10.3	15,852	10.0	11,206	9.8
Philippines	2,698	5.2	2,274	6.3	12,169	7.7	9,642	8.4
Indonesia	2,806	5.4	1,197	3.3	9,832	6.2	5,331	4.6
Other ASEAN	750	1.5	87	0.3	1,832	1.1	96	0.1
China	227	0.4	5,587	15.5	7,843	4.9	7,421	6.5
Others	1,720	3.3	2,521	7.0	4,755	3.0	6,170	5.4
Total	51,671	100.0	35,969	100.0	158,585	100.0	114,625	100.0

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

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

A10. Valuation of property, plant and equipment

There was no valuation of the property, plant and equipment in the current financial quarter under review.

A11. Subsequent events

There were no subsequent material events as at the date of this report.

A12. Changes in the composition of the Group

There were no material changes in the composition of the Group for the current financial quarter under review.

A13. Contingent assets or contingent liabilities

The Group has no contingent assets and contingent liabilities as at the date of this report.

A14. Capital commitments

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

Capital expenditure commitment

- authorised and contracted for

30.09.2021
RM'000
(Unaudited)

10,871

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 THIRD QUARTER ENDED 30 SEPTEMBER 2021
 (cont'd)

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

B1. Review of performance

(i) Results for current quarter

	INDIVIDUAL QUARTER		Changes	Changes
	30.09.2021	30.09.2020		
	RM'000	RM'000	RM'000	%
Revenue	51,671	35,969	15,702	43.7
Profit before tax	5,288	2,328	2,960	127.1

The Group recorded a revenue of RM51.67 million for the current quarter under review compared to RM35.97 million in the corresponding quarter last year, representing a growth of 43.7% or RM15.70 million. The increase was mainly due to higher sales from distribution division by RM17.84 million notwithstanding lower sales from manufacturing division by RM2.14 million.

The favourable market conditions led to an increase in sales and deliveries from the distribution division. The decreased of revenue from the manufacturing division was mainly due to a decline in sales of inspection and measurement equipment despite higher sales in automated handling equipment as compared to the corresponding quarter last year. The deliveries of our manufacturing equipment were affected primarily due to a combination of long delivery lead time, shortage of critical components and factory operated at 60% capacity during the last government imposed Full Movement Control Order ("FMCO").

The profit before tax ("PBT") of RM5.29 million as compared to RM2.33 million in the corresponding quarter last year, was higher by 127.1% or RM2.96 million. The higher PBT recorded was in tandem with the revenue growth, and a better gross profit margin generated from the distribution division.

(ii) Results for financial year-to-date

	CUMULATIVE QUARTER		Changes	Changes
	30.09.2021	30.09.2020		
	RM'000	RM'000	RM'000	%
Revenue	158,585	114,625	43,960	38.4
Profit before tax	19,681	9,186	10,495	114.2

The Group recorded a revenue of RM158.59 million for the current cumulative quarter under review compared to RM114.63 million in the cumulative quarter last year, representing a growth of 38.4% or RM43.96 million. The increase was mainly due to higher sales of products from both distribution and manufacturing division by RM43.29 million and RM0.67 million respectively.

The PBT of RM19.68 million as compared to RM9.19 million in the cumulative quarter last year, was higher by 114.2% or RM10.49 million. The higher PBT recorded was in tandem with the revenue growth, and a better gross profit margin generated from both the distribution and manufacturing division.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021
(cont'd)**B. EXPLANATORY NOTES PURSUANT TO ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (cont'd)****B2. Comparison with immediate preceding quarter's results and comments on material changes in PBT**

	Current Quarter 30.09.2021 RM'000	Preceding Quarter 30.06.2021 RM'000	Changes RM'000	Changes %
Revenue	51,671	54,303	(2,632)	(4.8)
Profit before tax	5,288	5,431	(143)	(2.6)

The Group's revenue decreased from RM54.30 million in the immediate preceding quarter to RM51.67 million in the quarter under review, representing a decrease of 4.8% or RM2.63 million. The decreased in revenue was mainly due to the lower revenue generated from the distribution division by RM3.71 million notwithstanding an increase of RM1.08 million from the manufacturing division.

The decrease in distribution division was mainly due to lower sales of materials and engineering solutions coupled with a drop of spare parts sales compared with the immediate preceding quarter. The increase of revenue from the manufacturing division was mainly due to higher sales of automated handling equipment as compared to the immediate preceding quarter.

The decrease in PBT by RM0.14 million was mainly due to the drop in revenue and lower gross profit from the distribution division.

B3. Prospects and outlook

The outlook of the semiconductor industry for the remaining 2021 remains positive as the demand for chips across all end segments remains robust. Despite the current global supply chain disruptions, the looming energy crisis, shipment delays and critical components' longer delivery lead time, the Board is cautiously optimistic in meeting its double-digit growth target compared to the year 2020. The continuation of high demand for electric vehicles, sensors, 5G devices and Internet of Things will also provide a strong base for QES to remain profitable for the rest of the financial year and into the year 2022.

B4. Profit forecast and profit guarantee

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

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

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

B5. Status of corporate proposals

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

On 15 September 2021, QES Mechatronic Sdn. Bhd. ("QMC"), a subsidiary of the Group had entered into a Sale and Purchase Agreement ("the Agreement") with The Penang Development Corporation ("the Vendor" or "PDC") for the proposed acquisition of all that piece of land situated in Daerah Seberang Perai Selatan and forming part of Mukim 13, the site whereof is marked SV 64, Batu Kawan Industrial Park ("the Land") for a total cash consideration of RM4,791,600.

On 24 August 2021, QMC paid a sum of RM958,320 amounting to twenty percent (20%) of the purchase price as the first payment to PDC as per the terms of the Agreement.

B6. Income tax expenses

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Current tax	1,610	588	4,512	2,443
Deferred tax	(32)	139	165	46
Total tax expense	1,578	727	4,677	2,489

Notes:-

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

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

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

B7. Utilisation of proceeds from Private Placements

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

The details of proposed utilisation are set out below:

Purposes	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000	Expected Timeframe for Utilisation
(i) Factory capacity expansion	8,200	165	8,035	Within 18 months from 30 Oct 2020
(ii) R&D on future product expansion	5,300	359	4,941	Within 24 months from 30 Oct 2020
(iii) Market expansion to China	1,500	97	1,403	Within 18 months from 30 Oct 2020
(iv) Future working capital and acquisition related investment	4,595	221	4,374	Within 24 months from 30 Oct 2020
(v) Estimated expenses in relation to the proposed private placement	500	500	-	Immediately
	<u>20,095</u>	<u>1,342</u>	<u>18,753</u>	

Save for approximately RM1.34 million that has been utilised for various purposes as disclosed above, the remaining PP proceeds has not been utilised as at 30 September 2021.

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

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

B8. Group borrowings

	UNAUDITED	AUDITED
	As at	As at
	30.09.2021	31.12.2020
	RM'000	RM'000
Current:		
Bank overdrafts	4,901	3,869
Bankers acceptance	1,362	864
Trust receipts	15,473	5,368
Revolving loan	200	800
Term loans	658	591
	<u>22,594</u>	<u>11,492</u>
Non-current:		
Term loans	<u>16,789</u>	<u>17,259</u>
Total		
Bank overdrafts	4,901	3,869
Bankers acceptance	1,362	864
Trust receipts	15,473	5,368
Revolving loan	200	800
Term loans	17,447	17,850
	<u>39,383</u>	<u>28,751</u>

The Group's borrowings were denominated in MYR, except for approximately RM11.37 million (USD2.72 million), RM3.55 million (JPY95.09 million) and RM0.55 million (GBP0.10 million) of the above borrowings were 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 THIRD QUARTER ENDED 30 SEPTEMBER 2021
(cont'd)**B. EXPLANATORY NOTES PURSUANT TO ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD** (cont'd)**B11. Earnings per share ("EPS")**

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>30.09.2021</u>	<u>30.09.2020</u>	<u>30.09.2021</u>	<u>30.09.2020</u>
Profit for the period attributable to owners of the Company (RM'000)	<u>3,774</u>	<u>1,626</u>	<u>14,567</u>	<u>6,692</u>
Weighted average number of shares ('000)	<u>834,139</u>	<u>758,308</u>	<u>834,139</u>	<u>758,308</u>
Basic and diluted EPS (sen)	<u>0.45</u>	<u>0.21</u>	<u>1.75</u>	<u>0.88</u>

Notes:-

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

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QES GROUP BERHAD

Company Registration No.: 201401042911 (1119086-U)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021
(cont'd)**B. EXPLANATORY NOTES PURSUANT TO ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (cont'd)****B12. Notes to the Statements of Profit Or Loss and Other Comprehensive Income**

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30.09.2021 RM'000	30.09.2020 RM'000	30.09.2021 RM'000	30.09.2020 RM'000
Amortisation of intangible assets	126	80	379	240
Bad debts written off	-	61	-	61
Depreciation of property, plant and equipment	550	514	1,896	1,591
Depreciation of right-of-use assets	359	362	1,076	1,105
Gain on disposal of property, plant and equipment	(122)	(302)	(738)	(937)
Gain on lease modification	-	-	-	(2)
Loss allowance on trade receivables	196	(42)	1,040	984
Interest expenses	184	168	751	572
Interest income	(521)	(216)	(1,014)	(771)
Inventories written down	252	13	43	124
Inventories written off	-	-	-	16
Loss/(Gain) on foreign exchange				
- realised	(12)	235	(378)	155
- unrealised	(2)	312	285	115
Other investments written off	-	60	-	60
Provision for post-employment benefits	66	39	208	119
Rental of premises	92	109	269	289

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 Huong Jia Mei
Company Secretary
18 November 2021