

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 2021

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		UNAUDITED 31.12.2021 RM'000	UNAUDITED 31.12.2020 RM'000	UNAUDITED 31.12.2021 RM'000	RESTATED 31.12.2020 RM'000
Revenue	A9	64,257	40,599	222,842	155,224
Cost of sales		(51,723)	(30,538)	(171,226)	(119,820)
Gross profit		12,534	10,061	51,616	35,404
Other income		1,751	651	3,766	3,296
Marketing and distribution expenses		(1,741)	(2,413)	(5,847)	(5,109)
Administrative expenses		(4,805)	(4,918)	(17,223)	(16,077)
Other operating expenses		(1,695)	(676)	(6,095)	(5,051)
Profits from operation		6,044	2,705	26,217	12,463
Finance costs		(170)	(165)	(662)	(737)
Shares of profit of associates, net of tax		(170)	-	(170)	-
Profit before tax		5,704	2,540	25,385	11,726
Tax expense	B6	(1,114)	(574)	(5,791)	(3,063)
Profit for the financial year		4,590	1,966	19,594	8,663
Other comprehensive income, net of tax					
Actuarial gain on provision for post-employment benefits		(35)	65	(35)	65
Foreign currency translation differences for foreign subsidiaries		99	79	(240)	(114)
Total other comprehensive income/(expense)		64	144	(275)	(49)
Total comprehensive income for the financial year		4,654	2,110	19,319	8,614
Profit for the financial year attributable to:					
Owners of the Company		4,418	1,968	18,985	8,660
Non-controlling interest		172	(2)	609	3
Profit for the financial year		4,590	1,966	19,594	8,663
Comprehensive income for the financial year attributable to:					
Owners of the Company		4,494	2,073	18,704	8,608
Non-controlling interest		160	37	615	6
Total comprehensive income for the financial year		4,654	2,110	19,319	8,614
Earnings per share					
Basic and diluted (sen)	B11	0.53	0.24	2.28	1.12

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 31 DECEMBER 2021

	UNAUDITED	AUDITED
	As at	As at
	31.12.2021	31.12.2020
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	34,033	10,384
Right-of-use assets	1,812	4,892
Intangible assets	7,638	6,921
Investment in associates	1,030	-
Deferred tax assets	986	1,139
	<u>45,499</u>	<u>23,336</u>
Current assets		
Inventories	20,738	18,852
Trade receivables	52,590	32,665
Other receivables	9,803	6,920
Tax recoverable	1,112	1,708
Short-term investments	40,101	34,233
Fixed deposits with financial institutions	19,174	18,633
Cash and bank balances	41,858	54,995
	<u>185,376</u>	<u>168,006</u>
TOTAL ASSETS	<u><u>230,875</u></u>	<u><u>191,342</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	80,775	80,775
Legal reserve	25	25
Translation reserve	(1,193)	(931)
Merger deficit	(20,228)	(20,228)
Retained earnings	76,329	57,640
Total equity attributable to Owners of the Company	135,708	117,281
Non-controlling interests	2,171	1,421
Total Equity	<u>137,879</u>	<u>118,702</u>
Non-current liabilities		
Borrowings	16,660	17,259
Lease liabilities	670	3,099
Deferred tax liabilities	471	31
Provision for post-employment benefits	1,301	1,068
	<u>19,102</u>	<u>21,457</u>

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 (cont'd)

	UNAUDITED As at 31.12.2021 RM'000	AUDITED As at 31.12.2020 RM'000
Current liabilities		
Trade payables	26,573	17,514
Other payables	19,098	11,721
Borrowings	10,261	11,492
Lease liabilities	738	1,411
Contract liabilities	15,924	8,164
Tax payable	1,300	881
	<u>73,894</u>	<u>51,183</u>
Total liabilities	<u>92,996</u>	<u>72,640</u>
TOTAL EQUITY AND LIABILITIES	<u>230,875</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 FOURTH QUARTER ENDED 31 DECEMBER 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 year	-	-	-	-	18,985	18,985	609	19,594
Other comprehensive income								
- Foreign currency translation differences	-	-	-	(262)	-	(262)	22	(240)
- Remeasurement of defined benefit plan	-	-	-	-	(19)	(19)	(16)	(35)
	-	-	-	(262)	(19)	(281)	6	(275)
Total comprehensive income for the financial year	-	-	-	(262)	18,966	18,704	615	19,319
Transactions with Owners of the Company								
Dividends	-	-	-	-	-	-	(142)	(142)
Changes in ownership interests in a subsidiary	-	-	-	-	(277)	(277)	277	-
Total transaction with Owners	-	-	-	-	(277)	(277)	135	(142)
At 31 December 2021	80,775	(20,228)	25	(1,193)	76,329	135,708	2,171	137,879

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Company Registration No.: 201401042911 (1119086-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021 (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 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

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.

QES GROUP BERHAD

Company Registration No.: 201401042911 (1119086-U)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

	UNAUDITED 31.12.2021 RM'000	AUDITED 31.12.2020 RM'000
Cash Flows from Operating Activities		
Profit before tax	25,385	11,726
Adjustments for:		
Amortisation of intangible assets	471	371
Bad debts written off	-	87
Depreciation of property, plant and equipment	2,514	2,115
Depreciation of right-of-use assets	1,465	1,466
Gain on disposal of property, plant and equipment	(1,401)	(965)
Gain on lease modification	-	(2)
Loss/(Gain) on unrealised foreign exchange	512	(11)
Interest expenses	662	737
Interest income	(1,036)	(995)
Inventories written (back)/down	(653)	162
Inventories written off	757	16
Loss allowance on trade receivables	766	418
Other investments written off	-	60
Property, plant and equipment written off	3	8
Provision for post-employment benefits	272	296
Shares of profit of associates, net of tax	170	-
Operating profit before working capital changes	29,887	15,489
Inventories	(1,990)	1,148
Receivables	(24,298)	(5,547)
Payables	25,014	(3,131)
Cash from operations	28,613	7,959
Income tax refund	-	98
Income tax paid	(4,170)	(2,337)
Interest paid	(485)	(491)
Post-employee benefits paid	(11)	(5)
Net cash from operating activities	23,947	5,224
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(28,125)	(3,374)
Addition in intangible assets	(1,188)	(718)
Interest received	1,036	995
Issuance of share capital	-	19,595
Subscription of shares in associates company	(1,200)	-
Placement of fixed deposits with financial institutions	(541)	(389)
Proceeds from disposal of property, plant and equipment	3,139	1,811
Net cash (used in)/from investing activities	(26,879)	17,920

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021 (cont'd)

	UNAUDITED 31.12.2021 RM'000	AUDITED 31.12.2020 RM'000
Cash Flows from Financing Activities		
Net (repayment)/drawdown of borrowings	(14)	18,229
Interest paid	(177)	(246)
Repayment of lease liabilities	(1,483)	(1,286)
Repayment of term loan	(528)	-
Net cash (used in)/from financing activities	<u>(2,202)</u>	<u>16,697</u>
Net (decrease)/increase in cash and cash equivalents	(5,134)	39,841
Foreign currency translation differences	(832)	(141)
Cash and cash equivalents at beginning of the financial year	85,359	45,659
Cash and cash equivalents at end of the financial year	<u><u>79,393</u></u>	<u><u>85,359</u></u>
Cash and cash equivalents comprise the following:		
Short-term investments	40,101	34,233
Fixed deposits with financial institutions	19,174	18,633
Cash and bank balances	41,858	54,995
Bank overdrafts	<u>(2,566)</u>	<u>(3,869)</u>
	98,567	103,992
Less: Fixed deposits pledged	<u>(19,174)</u>	<u>(18,633)</u>
	<u><u>79,393</u></u>	<u><u>85,359</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 FOURTH QUARTER ENDED 31 DECEMBER 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 17: Initial application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: 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 FOURTH QUARTER ENDED 31 DECEMBER 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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QES GROUP BERHAD

Company Registration No.: 201401042911 (1119086-U)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 31.12.2021**

	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	-	44,773	10,309	9,175	-	64,257
Inter segment revenue	1,452	14,155	237	-	(15,844)	-
Total revenue	1,452	58,928	10,546	9,175	(15,844)	64,257

Results

Depreciation and amortisation	-	806	57	244	(8)	1,099
Other non-cash expenses/(income)	-	(756)	29	145	-	(582)
Segment profit/(loss) before tax	1,364	5,161	292	807	(1,920)	5,704

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 31.12.2021

	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	-	166,894	30,490	25,458	-	222,842
Inter segment revenue	2,952	79,097	639	-	(82,688)	-
Total revenue	2,952	245,991	31,129	25,458	(82,688)	222,842
Results						
Depreciation and amortisation	-	3,206	222	1,053	(31)	4,450
Other non-cash expenses/(income)	-	417	162	(323)	-	256
Segment profit/(loss) before tax	2,763	22,239	1,339	2,389	(3,345)	25,385

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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			
	31.12.2021		31.12.2020		31.12.2021		31.12.2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Distribution Division								
Product distribution								
Equipment	32,326	50.3	17,558	43.2	124,181	55.7	72,662	46.8
Materials & Engineering Solutions	9,235	14.4	3,006	7.4	26,082	11.7	17,391	11.2
Services & supply of spare parts								
Equipment	12,447	19.3	9,577	23.6	42,713	19.2	36,448	23.5
Materials & Engineering Solutions	1,074	1.7	995	2.5	4,408	2.0	3,652	2.4
Sub-total	55,082	85.7	31,136	76.7	197,384	88.6	130,153	83.9
Manufacturing Division								
Manufacturing	9,175	14.3	9,463	23.3	25,458	11.4	25,071	16.1
Sub-total	9,175	14.3	9,463	23.3	25,458	11.4	25,071	16.1
Total	64,257	100.0	40,599	100.0	222,842	100.0	155,224	100.0

(b) Analysis of revenue by geographical location

	INDIVIDUAL QUARTER				CUMULATIVE QUARTER			
	31.12.2021		31.12.2020		31.12.2021		31.12.2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia*	28,764	44.8	17,949	44.2	92,044	41.3	59,480	38.3
ASEAN (excluding Malaysia)								
Singapore	7,371	11.5	7,468	18.4	34,282	15.4	24,659	15.9
Vietnam	9,852	15.3	5,325	13.1	25,963	11.7	24,428	15.7
Thailand	4,073	6.3	3,404	8.4	19,925	8.9	14,610	9.4
Philippines	4,208	6.5	2,262	5.6	16,377	7.3	11,904	7.7
Indonesia	3,125	4.9	1,826	4.5	12,957	5.8	7,157	4.6
Other ASEAN	519	0.8	40	0.1	2,351	1.1	136	0.1
China*	243	0.4	1,101	2.7	8,086	3.6	5,456	3.5
Others	6,102	9.5	1,224	3.0	10,857	4.9	7,394	4.8
Total	64,257	100.0	40,599	100.0	222,842	100.0	155,224	100.0

- Omitted elimination for inter-companies' revenue in cumulative quarter last year which is now corrected.

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

31.12.2021
RM'000
(Unaudited)

10,458

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 2021
(cont'd)

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

B1. Review of performance

(i) Results for current quarter

	INDIVIDUAL QUARTER		Changes RM'000	Changes %
	UNAUDITED	UNAUDITED		
	31.12.2021 RM'000	31.12.2020 RM'000		
Revenue	64,257	40,599	23,658	58.3
Profit before tax	5,704	2,540	3,164	124.6

The Group recorded a revenue of RM64.26 million for the current quarter under review compared to RM40.60 million in the corresponding quarter last year, representing a growth of 58.3% or RM23.66 million. The increase of revenue was mainly contributed by higher sales from the distribution division by RM23.95 million notwithstanding a slight decrease of sales from the manufacturing division by RM0.29 million.

The increase in sales and deliveries from the distribution division is attributed to the continued strong global demand in the semiconductor, automotive and electrical and electronic industries.

The profit before tax ("PBT") of RM5.70 million as compared to RM2.54 million in the corresponding quarter last year, was higher by 124.6% or RM3.16 million. The higher PBT recorded was in tandem with the revenue growth, and a better gross profit generated from the distribution division.

(ii) Results for financial year-to-date

	CUMULATIVE QUARTER		Changes RM'000	Changes %
	31.12.2021	31.12.2020		
	RM'000	RM'000		
Revenue	222,842	155,224	67,618	43.6
Profit before tax	25,385	11,726	13,659	116.5

The Group recorded a higher revenue of RM222.84 million for the current cumulative quarter under review compared to RM155.22 million in the cumulative quarter last year, representing a growth of 43.6% or RM67.62 million. The increase was mainly due to higher sales of products from both distribution and manufacturing division by RM67.23 million and RM0.39 million respectively.

The PBT of RM25.39 million as compared to RM11.73 million in the cumulative quarter last year, was higher by 116.5% or RM13.66 million. The higher PBT recorded was in tandem with the revenue growth, better gross profit generated from the distribution division.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021
 (cont'd)

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

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

	Current Quarter 31.12.2021 RM'000	Preceding Quarter 30.09.2021 RM'000	Changes RM'000	Changes %
Revenue	64,257	51,671	12,586	24.4
Profit before tax	5,704	5,288	416	7.9

The Group's revenue increased from RM51.67 million in the preceding quarter to RM64.26 million in the quarter under review, representing an increase of 24.4% or RM12.59 million. The increase in revenue was mainly due to the higher revenue generated from both the distribution division and manufacturing division by RM8.44 million and RM4.15 million respectively.

The increase in the distribution division was mainly due to an increase in deliveries and sales of equipment. The increase of revenue from the manufacturing division was mainly due to higher sales of inspection and measurement equipment and automated handling system to semiconductor customers as compared to the preceding quarter.

The increase in PBT by RM0.42 million was in tandem with the revenue growth, and a better gross profit generated from both the distribution and manufacturing division.

B3. Prospects and outlook

In spite of the current semiconductor super cycle growth which has been ongoing for more than two years, the Board remains confident that the Group will see growth for FY 2022 at the back of a healthy order book. The Group anticipates a more stable and favorable operating environment as global economies lifting the various level of restrictions related to the Covid-19 pandemic. Barring any unforeseen circumstances, the Board expects the Group's performance for FY 2022 to be satisfactory.

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 FOURTH QUARTER ENDED 31 DECEMBER 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 and balance of 80% payments to PDC will be as per the terms of the Agreement.

B6. Income tax expenses

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	UNAUDITED 31.12.2021 RM'000	UNAUDITED 31.12.2020 RM'000	UNAUDITED 31.12.2021 RM'000	AUDITED 31.12.2020 RM'000
Current tax	681	353	5,193	2,796
Deferred tax	433	221	598	267
Total tax expense	1,114	574	5,791	3,063

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 FOURTH QUARTER ENDED 31 DECEMBER 2021
(cont'd)

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

B7. Utilization 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.

On 26 November 2021, the Company announced further details on the utilization of the proceed raised for future working capital and/or other investments that RM0.8 million shall be used to supplement the Group's working capital through the purchase of inventories and consumables, RM1.2 million shall be used for investment in its joint venture with Applied Engineering, details of which were announced on 15 July 2021, and RM2.4 million is to be used towards the acquisition of a parcel of land in Batu Kawan Industrial Land, Penang, which was announced on 15 September 2021.

The details of proposed utilization are set out below:

		Proposed Utilisation	Actual Utilisation	Balance	Expected Timeframe for Utilisation
Purposes		RM'000	RM'000	RM'000	
(i)	Factory capacity expansion	8,200	1,641	6,559	Within 18 months from 30 Oct 2020
(ii)	R&D on future product expansion	5,300	440	4,860	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	3,816	779	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>6,494</u>	<u>13,601</u>	

Save for approximately RM6.49 million that has been utilized for various purposes as disclosed above, the remaining PP proceeds has not been utilized as at 31 December 2021.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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
	31.12.2021	31.12.2020
	RM'000	RM'000
Current:		
Bank overdrafts	2,566	3,869
Bankers acceptance	1,664	864
Trust receipts	4,869	5,368
Revolving loan	500	800
Term loans	662	591
	<u>10,261</u>	<u>11,492</u>
Non-current:		
Term loans	<u>16,660</u>	<u>17,259</u>
Total		
Bank overdrafts	2,566	3,869
Bankers acceptance	1,664	864
Trust receipts	4,869	5,368
Revolving loan	500	800
Term loans	17,322	17,850
	<u>26,921</u>	<u>28,751</u>

The Group's borrowings were denominated in MYR, except for approximately RM3.20 million (USD0.77 million), RM1.35 million (JPY37.29 million), RM0.17 million (SGD0.05 million) and RM0.15 million (EUR0.03 million) of the above borrowings were denominated in USD, JPY, SGD and EUR respectively.

B9. Material litigation

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

B10. Dividend

On 23 February 2022, the Board declared a final dividend of 0.40 sen per ordinary share in respect of the financial year ended 31 December 2021. The entitlement to dividend to be determined based on the record of depositors as at 10 March 2022 whilst the payment date to be fixed on 31 March 2022.

QES GROUP BERHAD

Company Registration No.: 201401042911 (1119086-U)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021
(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	
	UNAUDITED 31.12.2021	UNAUDITED 31.12.2020	UNAUDITED 31.12.2021	AUDITED 31.12.2020
Profit for the period attributable to owners of the Company (RM'000)	4,418	1,968	18,985	8,660
Weighted average number of shares ('000)	834,139	834,139	834,139	771,361
Basic and diluted EPS (sen)	0.53	0.24	2.28	1.12

Notes:-

Diluted earnings per share of the Company for the individual quarter and year-to-date ended 31 December 2021 is equivalent to the basic earnings per share as the Company does not have any outstanding convertible securities at the end of the reporting year.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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	
	UNAUDITED 31.12.2021 RM'000	UNAUDITED 31.12.2020 RM'000	UNAUDITED 31.12.2021 RM'000	AUDITED 31.12.2020 RM'000
Amortisation of intangible assets	92	131	471	371
Bad debts written off	-	26	-	87
Depreciation of property, plant and equipment	618	524	2,514	2,115
Depreciation of right-of-use assets	389	361	1,465	1,466
Gain on disposal of property, plant and equipment	(663)	(28)	(1,401)	(965)
Gain on lease modification	-	-	-	(2)
(Gain)/Loss on foreign exchange				
- realised	(93)	290	(471)	445
- unrealised	227	(126)	512	(11)
Loss allowance on trade receivables	(274)	(566)	766	418
Interest expenses	170	165	662	737
Interest income	(281)	(224)	(1,036)	(995)
Inventories written (back)/down	(696)	38	(653)	162
Inventories written off	757	-	757	16
Other investments written off	-	-	-	60
Property, plant and equipment written off	3	8	3	8
Provision for post-employment benefits	64	177	272	296
Rental of premises	88	109	357	382

Save as disclosed above, other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Securities are not applicable.

BY ORDER OF THE BOARD

Andrea Huong Jia Mei
Company Secretary
23 February 2022