

**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 2022**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		UNAUDITED	UNAUDITED	UNAUDITED	AUDITED
		31.12.2022	31.12.2021	31.12.2022	31.12.2021
		RM'000	RM'000	RM'000	RM'000
Revenue	A9	72,967	64,257	264,407	222,842
Cost of sales		(53,849)	(51,723)	(193,556)	(171,226)
<b>Gross profit</b>		19,118	12,534	70,851	51,616
Other income		213	1,751	2,641	3,766
Marketing and distribution expenses		(3,955)	(1,741)	(9,092)	(5,847)
Administrative expenses		(7,341)	(4,805)	(22,489)	(17,223)
Other expenses		(1,909)	(1,695)	(5,524)	(6,095)
<b>Profit from operation</b>		6,126	6,044	36,387	26,217
Finance costs		(388)	(170)	(1,366)	(662)
Share of result of an associate, net of tax		(128)	(170)	(632)	(170)
<b>Profit before tax</b>		5,610	5,704	34,389	25,385
Tax expense	B6	298	(1,114)	(6,629)	(5,791)
<b>Profit for the financial year</b>		5,908	4,590	27,760	19,594
<b>Other comprehensive income, net of tax</b>					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences for foreign subsidiaries		(48)	99	150	(240)
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Remeasurement of defined benefit plan		(29)	(35)	25	(35)
Total other comprehensive income		(77)	64	175	(275)
<b>Total comprehensive income for the financial year</b>		5,831	4,654	27,935	19,319
<b>Profit for the financial year attributable to:</b>					
Owners of the Company		5,462	4,418	26,421	18,985
Non-controlling interests		446	172	1,339	609
<b>Profit for the financial year</b>		5,908	4,590	27,760	19,594

**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 2022 (cont'd)**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		UNAUDITED	UNAUDITED	UNAUDITED	AUDITED
		31.12.2022	31.12.2021	31.12.2022	31.12.2021
		RM'000	RM'000	RM'000	RM'000
<b>Comprehensive income for the financial year attributable to:</b>					
Owners of the Company		5,466	4,494	26,605	18,704
Non-controlling interests		365	160	1,330	615
<b>Total comprehensive income for the financial year</b>		<b>5,831</b>	<b>4,654</b>	<b>27,935</b>	<b>19,319</b>
<b>Earnings per share</b>					
Basic and Diluted (sen)	B11	0.65	0.53	3.17	2.28

**Notes:-**

The basis of preparation of the Condensed Consolidated Statements of Profit Or Loss and Other Comprehensive Income are detailed in Note A1 and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

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**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022**

	<b>UNAUDITED</b>	<b>AUDITED</b>
	<b>As at</b>	<b>As at</b>
	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	43,582	34,033
Right-of-use assets	2,844	1,812
Intangible assets	9,538	7,638
Investment in an associate	1,898	1,030
Deferred tax assets	578	986
	<u>58,440</u>	<u>45,499</u>
<b>Current assets</b>		
Inventories	27,260	20,738
Trade receivables	59,957	52,590
Other receivables	9,894	9,068
Tax recoverable	3,378	1,112
Short-term investments	23,651	40,101
Fixed deposits with financial institutions	20,507	19,174
Short-term deposits	14,380	16,350
Cash and bank balances	33,318	25,508
	<u>192,345</u>	<u>184,641</u>
<b>TOTAL ASSETS</b>	<u><u>250,785</u></u>	<u><u>230,140</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	80,775	80,775
Legal reserve	25	25
Translation reserve	(1,023)	(1,193)
Merger deficit	(20,228)	(20,228)
Retained earnings	99,427	76,329
	<u>158,976</u>	<u>135,708</u>
Total equity attributable to Owners of the Company	158,976	135,708
Non-controlling interests	3,658	2,171
	<u>162,634</u>	<u>137,879</u>
<b>Total Equity</b>	<u>162,634</u>	<u>137,879</u>
<b>Non-current liabilities</b>		
Borrowings	16,041	16,660
Lease liabilities	1,065	670
Deferred tax liabilities	932	471
Provision for post-employment benefits	1,458	1,301
	<u>19,496</u>	<u>19,102</u>

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (cont'd)**

	<b>UNAUDITED</b>	<b>AUDITED</b>
	<b>As at</b>	<b>As at</b>
	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Current liabilities</b>		
Trade payables	24,007	26,573
Other payables	24,313	19,098
Borrowings	7,004	10,261
Lease liabilities	878	738
Contract liabilities	10,501	15,189
Tax payable	1,952	1,300
	<u>68,655</u>	<u>73,159</u>
<b>Total liabilities</b>	<u>88,151</u>	<u>92,261</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>250,785</u>	<u>230,140</u>
<b>Net assets per share attributable to owners of the Company (RM)</b>	0.19	0.16

**Notes:-**

The basis of preparation of the Condensed Consolidated Statements of Financial Position are detailed in Note A1 and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

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**QES GROUP BERHAD**

Company Registration No.: 201401042911 (1119086-U)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022**

	← Attributable to Owners of the Company →					Total	Non-controlling interests ("NCI")	Total equity
	Share capital	Non-distributable Merger deficit	Legal reserve	Translation reserve	Distributable Retained earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2022</b>	80,775	(20,228)	25	(1,193)	76,329	135,708	2,171	137,879
Profit for the financial year	-	-	-	-	26,421	26,421	1,339	27,760
<b>Other comprehensive income</b>								
- Foreign currency translation differences	-	-	-	170	-	170	(20)	150
- Remeasurement of defined benefit plan	-	-	-	-	14	14	11	25
	-	-	-	170	14	184	(9)	175
<b>Total comprehensive income for the financial year</b>	-	-	-	170	26,435	26,605	1,330	27,935
<b>Transactions with Owners of the Company</b>								
Dividends	-	-	-	-	(3,337)	(3,337)	(1,016)	(4,353)
Subscription of shares by NCI in subsidiaries	-	-	-	-	-	-	1,173	1,173
<b>Total transaction with Owners of the Company</b>	-	-	-	-	(3,337)	(3,337)	157	(3,180)
<b>At 31 December 2022</b>	80,775	(20,228)	25	(1,023)	99,427	158,976	3,658	162,634

**QES GROUP BERHAD**

Company Registration No.: 201401042911 (1119086-U)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022 (cont'd)**

	Attributable to Owners of the Company					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
<b>At 1 January 2021</b>	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
<b>Other comprehensive income</b>								
- Foreign currency translation differences	-	-	-	(262)	-	(262)	22	(240)
- Remeasurement of defined benefit plan	-	-	-	-	(19)	(19)	(16)	(35)
	-	-	-	(262)	(19)	(281)	6	(275)
<b>Total comprehensive income for the financial year</b>	-	-	-	(262)	18,966	18,704	615	19,319
<b>Transactions with Owners of the Company</b>								
Dividends	-	-	-	-	-	-	(142)	(142)
Changes in ownership interests in a subsidiary	-	-	-	-	(277)	(277)	277	-
<b>Total transaction with Owners of the Company</b>	-	-	-	-	(277)	(277)	135	(142)
<b>At 31 December 2021</b>	<b>80,775</b>	<b>(20,228)</b>	<b>25</b>	<b>(1,193)</b>	<b>76,329</b>	<b>135,708</b>	<b>2,171</b>	<b>137,879</b>

**Notes:-**

The basis of preparation of the Condensed Consolidated Statements of Changes in Equity are detailed in Note A1 and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022**

	<b>UNAUDITED</b> <b>31.12.2022</b> <b>RM'000</b>	<b>AUDITED</b> <b>31.12.2021</b> <b>RM'000</b>
<b>Cash Flows from Operating Activities</b>		
Profit before tax	34,389	25,385
Adjustments for:		
Amortisation of intangible assets	417	471
Bad debts written off	79	-
Depreciation of property, plant and equipment	3,497	2,514
Depreciation of right-of-use assets	972	1,465
Fair value gain on short term investment	(478)	-
Gain on disposal of property, plant and equipment	(865)	(1,401)
Gain on lease modification	(22)	-
Interest expenses	1,366	662
Interest income	(678)	(1,036)
Inventories written down	170	(653)
Inventories written off	20	757
Loss on unrealised foreign exchange	58	446
(Reversal)/Addition of loss allowance on trade receivables	(115)	766
Property, plant and equipment written off	313	3
Provision for post-employment benefits	290	272
Share of result of an associate, net of tax	632	170
<b>Operating profit before working capital changes</b>	<b>40,045</b>	<b>29,821</b>
Inventories	(6,712)	(1,990)
Receivables	(8,442)	(23,060)
Payables	2,438	16,435
Contract liabilities	(4,714)	7,055
<b>Cash from operations</b>	<b>22,615</b>	<b>28,261</b>
Income tax refund	129	-
Income tax paid	(7,335)	(4,182)
Interest paid	(690)	(485)
Post-employee benefits paid	-	(11)
<b>Net cash from operating activities</b>	<b>14,719</b>	<b>23,583</b>
<b>Cash Flows from Investing Activities</b>		
Acquisition of property, plant and equipment	(13,641)	(28,061)
Addition in intangible assets	(2,318)	(1,188)
Capital contribution to an associate	(1,500)	-
Fair value gain realised on short term investment	478	-
Increase in right-of-use assets	(853)	-
Interest received	678	1,036
Subscription of shares by NCI in subsidiaries	1,173	-
Subscription of shares in an associate	-	(1,200)
Placement of pledged fixed deposits with financial institutions	(1,333)	(541)
Proceeds from disposal of property, plant and equipment	1,150	3,245
<b>Net cash used in investing activities</b>	<b>(16,166)</b>	<b>(26,709)</b>

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022** (cont'd)

	<b>UNAUDITED</b> <b>31.12.2022</b> <b>RM'000</b>	<b>AUDITED</b> <b>31.12.2021</b> <b>RM'000</b>
<b>Cash Flows from Financing Activities</b>		
Dividend paid	(4,353)	(142)
Net repayment of borrowings	(1,493)	(477)
Interest paid	(676)	(177)
Repayment of lease liabilities	(641)	(1,483)
<b>Net cash used in financing activities</b>	<u>(7,163)</u>	<u>(2,279)</u>
<b>Net decrease in cash and cash equivalents</b>	(8,610)	(5,405)
Foreign currency translation differences	145	(561)
Cash and cash equivalents at beginning of the financial year	79,393	85,359
<b>Cash and cash equivalents at end of the financial year</b>	<u>70,928</u>	<u>79,393</u>
<b>Cash and cash equivalents comprise the following:</b>		
Short-term investments	23,651	40,101
Short-term deposits	14,380	16,350
Fixed deposits with financial institutions	20,507	19,174
Cash and bank balances	33,318	25,508
Bank overdrafts	(421)	(2,566)
	<u>91,435</u>	<u>98,567</u>
Less: Fixed deposits pledged	<u>(20,507)</u>	<u>(19,174)</u>
	<u>70,928</u>	<u>79,393</u>

**Notes:-**

The basis of preparation of the Condensed Consolidated Statements of Cash Flows are detailed in Note A1 and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022**

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

**A1. Basis of Preparation**

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

The interim financial report should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

**A2. Summary of Significant Accounting Policies**

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2021.

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

<b>MFRSs and Interpretations</b>	<b>Effective for financial periods beginning on or after</b>
Amendments to Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts–Cost of Fulfilling a Contract	1 January 2022
MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 17: Initial application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101 and MFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

**A3. Auditors' report on preceding annual financial statements**

The report of the auditors on the Group's financial statements for the financial year ended 31 December 2021 was not subject to any qualification.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022**  
(cont'd)

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

**A4. Seasonal or cyclical factors**

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

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

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

**A6. Material changes in estimates**

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

**A7. Debt and equity securities**

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

**A8. Dividend paid**

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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022  
(cont'd)

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

A9. Segmental information

**Results for individual quarter ended 31.12.2022**

	Investment Holding RM'000	Equipment RM'000	Materials & Engineering Solutions RM'000	Manufacturing RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
External revenue	-	51,967	8,131	12,869	-	72,967
Intra segment revenue	-	17,133	-	739	(17,872)	-
Inter segment revenue	4,000	191	1,105	-	(5,296)	-
Total revenue	4,000	69,291	9,236	13,608	(23,168)	72,967
<b>Results</b>						
Depreciation and amortisation	-	952	59	313	(9)	1,315
Other non-cash income	-	253	(20)	361	-	594
Segment profit before tax	3,816	2,412	1,381	1,993	(3,992)	5,610

**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
Intra segment revenue	-	13,892	-	-	(13,892)	-
Inter segment revenue	1,452	263	237	-	(1,952)	-
Total revenue	1,452	58,928	10,546	9,175	(15,844)	64,257
<b>Results</b>						
Depreciation and amortisation	-	806	57	244	(8)	1,099
Other non-cash expenses/(income)	-	(822)	29	315	-	(478)
Segment profit before tax	1,364	5,109	292	637	(1,698)	5,704

**QES GROUP BERHAD**

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022**  
(cont'd)**A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134, INTERIM FINANCIAL REPORTING (cont'd)****A9. Segmental information (cont'd)****Results for cumulative quarter ended 31.12.2022**

	Investment Holding RM'000	Equipment RM'000	Materials & Engineering Solutions RM'000	Manufacturing RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
External revenue	-	193,606	34,038	36,763	-	264,407
Intra segment revenue	-	84,427	-	739	(85,166)	-
Inter segment revenue	4,000	4,918	1,485	-	(10,403)	-
Total revenue	4,000	282,951	35,523	37,502	(95,569)	264,407

**Results**

Depreciation and amortisation	-	3,517	232	1,162	(25)	4,886
Other non-cash income	-	246	(28)	342	-	560
Segment profit before tax	2,594	26,369	3,679	6,965	(5,217)	34,389

**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
Intra segment revenue	-	78,051	286	-	(78,337)	-
Inter segment revenue	2,952	1,046	353	-	(4,351)	-
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)	-	351	162	(153)	-	360
Segment profit before tax	2,763	22,239	1,339	2,219	(3,175)	25,385

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022**  
(cont'd)

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

**A9. Segmental information (cont'd)**

(a) Analysis of revenue by divisions

	INDIVIDUAL QUARTER				CUMULATIVE QUARTER			
	31.12.2022		31.12.2021		31.12.2022		31.12.2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Distribution Division</b>								
<b>Product distribution</b>								
Equipment	38,715	53.1	32,326	50.3	147,909	55.9	124,181	55.7
Materials & Engineering Solutions	6,571	9.0	9,235	14.4	28,792	10.9	26,082	11.7
<b>Services &amp; supply of spare parts</b>								
Equipment	13,252	18.2	12,447	19.3	45,697	17.3	42,713	19.2
Materials & Engineering Solutions	1,560	2.1	1,074	1.7	5,246	2.0	4,408	2.0
<b>Sub-total</b>	<b>60,098</b>	<b>82.4</b>	<b>55,082</b>	<b>85.7</b>	<b>227,644</b>	<b>86.1</b>	<b>197,384</b>	<b>88.6</b>
<b>Manufacturing Division</b>								
Manufacturing	12,869	17.6	9,175	14.3	36,763	13.9	25,458	11.4
<b>Sub-total</b>	<b>12,869</b>	<b>17.6</b>	<b>9,175</b>	<b>14.3</b>	<b>36,763</b>	<b>13.9</b>	<b>25,458</b>	<b>11.4</b>
<b>Total</b>	<b>72,967</b>	<b>100.0</b>	<b>64,257</b>	<b>100.0</b>	<b>264,407</b>	<b>100.0</b>	<b>222,842</b>	<b>100.0</b>

(b) Analysis of revenue by geographical location

	INDIVIDUAL QUARTER				CUMULATIVE QUARTER			
	31.12.2022		31.12.2021		31.12.2022		31.12.2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	33,217	45.5	28,764	44.8	114,834	43.4	92,044	41.3
<b>ASEAN (excluding Malaysia)</b>								
Singapore	8,235	11.3	7,371	11.5	41,831	15.8	34,282	15.4
Vietnam	6,684	9.2	9,852	15.3	28,226	10.7	25,963	11.7
Philippines	7,545	10.3	4,208	6.5	22,157	8.4	16,377	7.3
Thailand	4,876	6.7	4,073	6.3	20,674	7.8	19,925	8.9
Indonesia	4,528	6.2	3,125	4.9	11,417	4.3	12,957	5.8
Other ASEAN	711	1.0	519	0.8	1,404	0.5	2,351	1.1
China	392	0.5	243	0.4	10,840	4.1	8,086	3.6
Others	6,779	9.3	6,102	9.5	13,024	5.0	10,857	4.9
<b>Total</b>	<b>72,967</b>	<b>100.0</b>	<b>64,257</b>	<b>100.0</b>	<b>264,407</b>	<b>100.0</b>	<b>222,842</b>	<b>100.0</b>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022**  
(cont'd)

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

**A10. Valuation of property, plant and equipment**

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

**A11. Subsequent events**

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

**A12. Changes in the composition of the Group**

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

QES (Hong Kong) Limited ("QHK"), a subsidiary of the Company had on 10 January 2023 incorporated a wholly-owned subsidiary known as QES Technology (Shanghai) Co., Ltd. ("QTS"). QHK had subscribed 100% of the issued share capital of QTS for a total cash consideration of RMB500,000.

**A13. Contingent assets or contingent liabilities**

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

**A14. Capital commitments**

The Group has no material capital commitments as at the date of this report.

**A15. Related party transactions**

There were no related party transactions during the current financial quarter under review.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022**  
(cont'd)

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

**B1. Review of performance**

**(i) Results for current quarter**

	<b>INDIVIDUAL QUARTER</b>		<b>Changes RM'000</b>	<b>Changes %</b>
	<b>UNAUDITED</b>	<b>UNAUDITED</b>		
	<b>31.12.2022 RM'000</b>	<b>31.12.2021 RM'000</b>		
Revenue	72,967	64,257	8,710	13.6
Profit before tax	5,610	5,704	(94)	(1.6)

The Group recorded a revenue of RM72.97 million for the current quarter under review compared to RM64.26 million in the corresponding quarter last year, representing an increase of 13.6% or RM8.71 million. The increase of revenue was mainly attributed by higher sales from both distribution and manufacturing division by RM5.02 million and RM3.69 million respectively.

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

The profit before tax ("PBT") of RM5.61 million as compared to RM5.70 million in the corresponding quarter last year, was lower by 1.6% or RM0.09 million. Despite the growth in revenue generated from both distribution and manufacturing division for the current financial quarter under review, the lower PBT recorded was mainly due to the decrease in other income, higher operating expenses incurred for conducting trainings for the employees, participation in exhibitions, and accrual for performance bonuses and incentives as well as corporate events such as teambuilding.

**(ii) Results for financial year-to-date**

	<b>CUMULATIVE QUARTER</b>		<b>Changes RM'000</b>	<b>Changes %</b>
	<b>31.12.2022</b>	<b>31.12.2021</b>		
	<b>RM'000</b>	<b>RM'000</b>		
Revenue	264,407	222,842	41,565	18.7
Profit before tax	34,389	25,385	9,004	35.5

The Group recorded a revenue of RM264.41 million for the current cumulative quarter under review compared to RM222.84 million in the cumulative quarter last year, representing a growth of 18.7% or RM41.57 million. The increase was mainly due to growth recorded from both distribution and manufacturing division by RM30.26 million and RM11.31 million respectively.

The profit before tax ("PBT") of RM34.39 million as compared to RM25.39 million in the cumulative quarter last year, was higher by 35.5% or RM9.00 million. The higher PBT recorded was in tandem with the revenue growth, and a better gross profit generated from both the distribution and manufacturing division.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022**  
 (cont'd)

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

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

	<b>Current Quarter 31.12.2022 RM'000</b>	<b>Preceding Quarter 30.09.2022 RM'000</b>	<b>Changes RM'000</b>	<b>Changes %</b>
Revenue	72,967	71,982	985	1.4
Profit before tax	5,610	13,093	(7,483)	(57.2)

The Group's revenue increased from RM71.98 million in the preceding quarter to RM72.97 million in the quarter under review, representing a slight increase of 1.4% or RM0.99 million. The increase in revenue was mainly due to the higher revenue generated from manufacturing division by RM1.42 million despite lower revenue from distribution division by RM0.43 million.

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

The decrease in PBT by RM7.48 million was mainly due to lower gross profit generated from the sales products mix of both distribution and manufacturing division coupled with higher operating expenses incurred for conducting trainings for the employees and accrual for performance bonuses and incentives as well as corporate events such as teambuilding.

**B3. Prospects and outlook**

The Board is cautiously optimistic on the business prospects for FYE 2023 with macroeconomic pressures such as rising inflation and the growing risk of a potential recession. Despite these challenges, the Group remains confident in managing risks and seizing opportunities stemming from the Group's well diversified revenue streams coming from different countries and industries. For FYE 2023, the Group will continue to execute long term strategic expansion plans by building a new factory in Batu Kawan, Penang, set up office in Shanghai, China and continue to invest and retain talent. At the same time, we will be very focus on operational efficiencies, costs control and execute clear business strategies to ensure long term commitment to ESG.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022**  
 (cont'd)

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

**B4. Profit forecast and profit guarantee**

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

**B5. Status of corporate proposals**

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

On 1 June 2022, the Group proposed to undertake the proposed transfer of the listing of and quotation for the entire issued share capital of QES from the ACE Market to the Main Market of Bursa Securities ("Proposed Transfer"). The Proposed Transfer has been completed on 23 December 2022.

**B6. Income tax expenses**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Current tax	(545)	681	5,782	5,193
Deferred tax	247	433	847	598
Total tax expense	(298)	1,114	6,629	5,791

**Notes:-**

- (1) The Group's effective tax rate for cumulative quarter was lower than the statutory income tax rate of 24% mainly due to impact from recognition of prior year tax exempt pioneer income coupled with current year adjustment for non-taxable and tax exempted income. This is notwithstanding adjustment on certain expenses not deductible for tax purposes such as depreciation, amortisation of intangible assets and allowance for inventories.
- (2) Tax expenses is recognised based on management's best estimate.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022**  
 (cont'd)

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

**B7. Utilisation of proceeds from Private Placements**

On 4 March 2022, the Company announced its intentions to vary the utilisation of proceeds raised from the private placement ("PP") on 30 October 2020. The Company has raised total gross proceeds of RM20.095 million from its private placement.

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

<b>Purposes</b>	<b>Revised Proposed Utilisation RM'000</b>	<b>Actual Utilisation RM'000</b>	<b>Balance RM'000</b>	<b>Revised Expected Timeframe for Utilisation</b>
(i) Factory capacity expansion	8,200	8,200	-	Within 18 months from 30 Oct 2020
(ii) R&D on future product expansion	5,300	789	4,511	Within 36 months from 30 Oct 2020
(iii) Market expansion to China	97	97	-	Within 18 months from 30 Oct 2020
(iv) Future working capital and acquisition related investment	5,998	5,998	-	Within 36 months from 30 Oct 2020
(v) Estimated expenses in relation to the proposed private placement	500	500	-	Immediately
	<u>20,095</u>	<u>15,584</u>	<u>4,511</u>	

Save for approximately RM15.58 million that has been utilised for various purposes as disclosed above, the remaining PP proceeds has not been utilised as at 31 December 2022.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022**  
(cont'd)

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

**B8. Group borrowings**

	<b>UNAUDITED</b>	<b>AUDITED</b>
	<b>As at</b>	<b>As at</b>
	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Current:</b>		
Bank overdrafts	421	2,566
Bankers acceptance	2,048	1,664
Trust receipts	3,296	4,869
Revolving loan	600	500
Term loan	639	662
	<u>7,004</u>	<u>10,261</u>
<b>Non-current:</b>		
Term loan	16,041	16,660
	<u>16,041</u>	<u>16,660</u>
<b>Total</b>		
Bank overdrafts	421	2,566
Bankers acceptance	2,048	1,664
Trust receipts	3,296	4,869
Revolving loan	600	500
Term loan	16,680	17,322
	<u>23,045</u>	<u>26,921</u>

The Group's borrowings were denominated in MYR, except for approximately RM1.32 million (USD0.30 million), RM0.70 million (GBP0.13 million), RM0.63 million (EUR0.13 million), RM0.61 million (JPY18.10 million) and RM0.04 million (SGD0.01 million) of the above borrowings were denominated in USD, GBP, EUR, JPY and SGD respectively.

**B9. Material litigation**

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

**B10. Dividend**

On 23 February 2023, the Board declared an interim dividend of 0.50 sen per ordinary share in respect of the financial year ending 31 December 2023. The entitlement to dividend to be determined based on the record of depositors as at 10 March 2023 whilst the payment date to be fixed on 31 March 2023.

**QES GROUP BERHAD**

Company Registration No.: 201401042911 (1119086-U)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022**  
(cont'd)**B. EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (cont'd)****B11. Earnings per share ("EPS")**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Profit for the period attributable to owners of the Company (RM'000)	5,462	4,418	26,421	18,985
Weighted average number of shares ('000)	834,139	834,139	834,139	834,139
Basic and diluted EPS (sen)	0.65	0.53	3.17	2.28

**Notes:-**

Diluted earnings per share of the Company for the individual quarter and year-to-date ended 31 December 2022 is equivalent to the basic earnings per share as the Company does not have any outstanding convertible securities at the end of the reporting year.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022**  
(cont'd)

**B. EXPLANATORY NOTES PURSUANT TO MAIN 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	UNAUDITED	UNAUDITED	AUDITED
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	124	92	417	471
Bad debts written off	33	-	79	-
Depreciation of property, plant and equipment	954	618	3,497	2,514
Depreciation of right-of-use assets	237	389	972	1,465
Fair value gain on short term investment	(210)	-	(478)	-
Gain on disposal of property, plant and equipment	(365)	(663)	(865)	(1,401)
Gain on lease modification	-	-	(22)	-
(Gain)/Loss on foreign exchange				
- realised	490	(27)	(164)	(405)
- unrealised	216	161	58	446
(Reversal)/Addition of loss allowance on trade receivables	452	(274)	(115)	766
Interest expenses	388	170	1,366	662
Interest income	(145)	(281)	(678)	(1,036)
Inventories written down/(back)	40	(696)	170	(653)
Inventories written off	20	757	20	757
Property, plant and equipment written off	-	3	313	3
Provision for post-employment benefits	70	64	290	272

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 2023