

QES GROUP BERHAD

Company Registration No.: 201401042911 (1119086-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2023

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		30.06.2023 RM'000	30.06.2022 RM'000	30.06.2023 RM'000	30.06.2022 RM'000
Revenue	A9	66,954	53,123	124,209	119,458
Cost of sales		(49,127)	(40,191)	(91,626)	(89,658)
Gross profit		17,827	12,932	32,583	29,800
Other income		2,161	1,532	3,315	2,288
Marketing and distribution expenses		(2,768)	(1,564)	(4,488)	(3,033)
Administrative expenses		(5,480)	(4,963)	(10,526)	(9,520)
Other expenses		(1,254)	(1,142)	(3,232)	(2,784)
Profit from operation		10,486	6,795	17,652	16,751
Finance costs		(480)	(300)	(876)	(506)
Share of result of an associate, net of tax		(262)	(231)	(530)	(559)
Profit before tax		9,744	6,264	16,246	15,686
Tax expense	B6	(2,278)	(1,444)	(3,971)	(4,042)
Profit for the financial period		7,466	4,820	12,275	11,644
Other comprehensive income, net of tax					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences for foreign subsidiaries		1,001	179	1,321	216
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Remeasurement of defined benefit plan		21	18	39	35
Total other comprehensive income		1,022	197	1,360	251
Total comprehensive income for the financial period		8,488	5,017	13,635	11,895
Profit for the financial period attributable to:					
Owners of the Company		6,876	4,726	11,638	11,444
Non-controlling interests		590	94	637	200
Profit for the financial period		7,466	4,820	12,275	11,644

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2023 (cont'd)

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		30.06.2023 RM'000	30.06.2022 RM'000	30.06.2023 RM'000	30.06.2022 RM'000
Comprehensive income for the financial period attributable to:					
Owners of the Company		7,698	4,892	12,717	11,653
Non-controlling interests		790	125	918	242
Total comprehensive income for the financial period		8,488	5,017	13,635	11,895
Earnings per share					
Basic and Diluted (sen)	B11	0.82	0.57	1.40	1.37

Notes:-

The basis of preparation of the Condensed Consolidated Statements of Other Comprehensive Income are detailed in Note A1 and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.

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QES GROUP BERHAD

Company Registration No.: 201401042911 (1119086-U)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023

	UNAUDITED As at 30.06.2023 RM'000	AUDITED As at 31.12.2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	44,056	43,516
Right-of-use assets	7,804	2,910
Intangible assets	10,061	9,538
Investment in an associate	1,668	1,898
Deferred tax assets	828	578
	<u>64,417</u>	<u>58,440</u>
Current assets		
Inventories	34,371	27,260
Trade receivables	66,212	59,957
Other receivables	6,957	10,001
Tax recoverable	1,670	3,378
Short-term investments	19,229	23,651
Fixed deposits with financial institutions	20,979	20,507
Short-term deposits	16,911	14,380
Cash and bank balances	42,520	33,318
	<u>208,849</u>	<u>192,452</u>
TOTAL ASSETS	<u>273,266</u>	<u>250,892</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	80,775	80,775
Legal reserve	25	25
Translation reserve	34	(1,024)
Merger deficit	(20,228)	(20,228)
Retained earnings	106,915	99,427
	<u>167,521</u>	<u>158,975</u>
Total equity attributable to Owners of the Company	167,521	158,975
Non-controlling interests	4,577	3,659
	<u>172,098</u>	<u>162,634</u>
TOTAL EQUITY	<u>172,098</u>	<u>162,634</u>
Non-current liabilities		
Borrowings	15,750	16,041
Lease liabilities	1,015	1,064
Deferred tax liabilities	671	932
Provision for post-employment benefits	1,713	1,458
	<u>19,149</u>	<u>19,495</u>

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (cont'd)

	UNAUDITED As at 30.06.2023 RM'000	AUDITED As at 31.12.2022 RM'000
Current liabilities		
Trade payables	20,857	24,007
Other payables	20,061	24,343
Borrowings	25,259	7,004
Lease liabilities	794	879
Contract liabilities	12,006	10,471
Tax payable	3,042	2,059
	<u>82,019</u>	<u>68,763</u>
TOTAL LIABILITIES	<u>101,168</u>	<u>88,258</u>
TOTAL EQUITY AND LIABILITIES	<u>273,266</u>	<u>250,892</u>
Net assets per share attributable to owners of the Company (RM)	0.20	0.19

Notes:-

The basis of preparation of the Condensed Consolidated Statements of Financial Position are detailed in Note A1 and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.

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QES GROUP BERHAD

Company Registration No.: 201401042911 (1119086-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2023

	← Attributable to Owners of the Company →					Total	Non-controlling interests ("NCI")	Total equity
	Share capital	Non-distributable Merger deficit	Legal reserve	Translation reserve	Distributable Retained earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2023	80,775	(20,228)	25	(1,024)	99,427	158,975	3,659	162,634
Profit for the financial period	-	-	-	-	11,638	11,638	637	12,275
Other comprehensive income								
- Foreign currency translation differences	-	-	-	1,058	-	1,058	263	1,321
- Remeasurement of defined benefit plan	-	-	-	-	21	21	18	39
	-	-	-	1,058	21	1,079	281	1,360
Total comprehensive income for the financial period	-	-	-	1,058	11,659	12,717	918	13,635
Transactions with Owners of the Company								
Dividend paid	-	-	-	-	(4,171)	(4,171)	-	(4,171)
At 30 June 2023	80,775	(20,228)	25	34	106,915	167,521	4,577	172,098

QES GROUP BERHAD

Company Registration No.: 201401042911 (1119086-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2023 (cont'd)

	← Attributable to Owners of the Company →					Total	Non-controlling interests ("NCI")	Total equity
	Share capital	Non-distributable Merger deficit	Legal reserve	Translation reserve	Distributable Retained earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2022	80,775	(20,228)	25	(1,193)	76,329	135,708	2,171	137,879
Profit for the financial period	-	-	-	-	11,444	11,444	200	11,644
Other comprehensive income								
- Foreign currency translation differences	-	-	-	190	-	190	26	216
- Remeasurement of defined benefit plan	-	-	-	-	19	19	16	35
	-	-	-	190	19	209	42	251
Total comprehensive income for the financial period	-	-	-	190	11,463	11,653	242	11,895
Transactions with Owners of the Company								
Dividend to NCI	-	-	-	-	-	-	(197)	(197)
Dividend paid	-	-	-	-	(3,337)	(3,337)	-	(3,337)
Total transaction with Owners of the Company	-	-	-	-	(3,337)	(3,337)	(197)	(3,534)
At 30 June 2022	80,775	(20,228)	25	(1,003)	84,455	144,024	2,216	146,240

Notes:-

The basis of preparation of the Condensed Consolidated Statements of Changes in Equity are detailed in Note A1 and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2023

	30.06.2023	30.06.2022
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before tax	16,246	15,686
Adjustments for:		
Amortisation of intangible assets	263	170
Bad debts written off	-	46
Depreciation of property, plant and equipment	2,037	1,588
Depreciation of right-of-use assets	475	510
Gain on disposal of property, plant and equipment	(1,371)	(561)
Gain on lease modification	-	(22)
(Gain)/Loss on unrealised foreign exchange	(1,316)	447
Interest expenses	876	506
Interest income	(322)	(422)
Inventories written down	335	111
Inventories written off	10	-
Net addition/(reversal) of loss allowance on trade receivables	107	(544)
Property, plant and equipment written off	2	313
Provision for post-employment benefits	178	165
Realised/unrealised gain on short-term investments	(485)	(97)
Share of result of an associate, net of tax	530	559
	<hr/>	<hr/>
Operating profit before working capital changes	17,565	18,455
Inventories	(7,456)	(12,124)
Receivables	(2,360)	6,994
Payables	(6,078)	(6,629)
Contract liabilities	1,331	(2,604)
	<hr/>	<hr/>
Cash generated from operations	3,002	4,092
Income tax refunded	2,294	-
Income tax paid	(4,155)	(2,707)
Interest paid	(468)	(285)
	<hr/>	<hr/>
Net cash from operating activities	673	1,100
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(3,571)	(12,094)
Addition in right-of-use assets	(5,012)	-
Addition in intangible assets	(786)	-
Subscription of shares in an associates	(300)	(717)
Increase in short-term investments	485	97
Interest received	322	422
Placement of pledged fixed deposits with financial institutions	(473)	(142)
Proceeds from disposal of property, plant and equipment	2,541	763
	<hr/>	<hr/>
Net cash used in investing activities	(6,794)	(11,671)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2023 (cont'd)

	30.06.2023	30.06.2022
	RM'000	RM'000
Cash Flows from Financing Activities		
Dividend paid	(4,171)	(3,534)
Net drawdown of borrowings	17,466	11,852
Interest paid	(408)	(221)
Repayment of lease liabilities	(417)	(587)
Net cash from financing activities	<u>12,470</u>	<u>7,510</u>
Net increase/(decrease) in cash and cash equivalents	6,349	(3,061)
Foreign currency translation differences	478	(44)
Cash and cash equivalents at beginning of the financial period	<u>70,928</u>	<u>79,393</u>
Cash and cash equivalents at end of the financial period	<u><u>77,755</u></u>	<u><u>76,288</u></u>
Cash and cash equivalents comprise the following:		
Short-term investments	19,229	24,858
Short-term deposits	16,911	700
Fixed deposits with financial institutions	20,979	19,316
Cash and bank balances	42,520	50,805
Bank overdrafts	(905)	(76)
	<u>98,734</u>	<u>95,603</u>
Less: Fixed deposits pledged	(20,979)	(19,315)
	<u><u>77,755</u></u>	<u><u>76,288</u></u>

Notes:-

The basis of preparation of the Condensed Consolidated Statements of Cash Flows are detailed in Note A1 and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2023

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

A1. Basis of Preparation

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

The interim financial report should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.

A2. Summary of Significant Accounting Policies

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2022.

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

MFRSs and Interpretations	Effective for financial periods beginning on or after
MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 17: Initial application of MFRS 17 and MFRS 9 - Comparative Information	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 112: International Tax Reform - Pillar Two Model Rules	1 January 2023
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 107 and MFRS 7: Disclosures: Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

A3. Auditors' report on preceding annual financial statements

The report of the auditors on the Group’s financial statements for the financial year ended 31 December 2022 was not subject to any qualification.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2023 (cont'd)

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

A4. Seasonal or cyclical factors

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

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

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

A6. Material changes in estimates

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

A7. Debt and equity securities

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

A8. Dividend paid

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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2023 (cont'd)

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

A9. Segmental information

Results for individual quarter ended 30.06.2023

	Investment Holding RM'000	Equipment RM'000	Materials & Engineering Solutions RM'000	Manufacturing RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
External revenue	-	50,122	6,638	10,194	-	66,954
Intra segment revenue	-	24,057	-	-	(24,057)	-
Inter segment revenue	-	547	242	-	(789)	-
Total revenue	-	74,726	6,880	10,194	(24,846)	66,954

Results

Depreciation and amortisation	-	1,006	59	365	(9)	1,421
Other non-cash income	262	(1,357)	(167)	(558)	-	(1,820)
Segment profit/(loss) before tax	(332)	7,542	680	1,845	9	9,744

Results for individual quarter ended 30.06.2022

	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	-	40,688	5,902	6,533	-	53,123
Intra segment revenue	-	16,379	-	-	(16,379)	-
Inter segment revenue	-	872	162	-	(1,034)	-
Total revenue	-	57,939	6,064	6,533	(17,413)	53,123

Results

Depreciation and amortisation	-	833	57	291	(13)	1,168
Other non-cash income	231	(474)	18	(136)	-	(361)
Segment profit/(loss) before tax	(324)	5,419	578	579	12	6,264

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2023 (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 30.06.2023

	Investment Holding RM'000	Equipment RM'000	Materials & Engineering Solutions RM'000	Manufacturing RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
External revenue	-	96,778	11,480	15,951	-	124,209
Intra segment revenue	-	40,443	-	-	(40,443)	-
Inter segment revenue	2,000	1,100	245	-	(3,345)	-
Total revenue	2,000	138,321	11,725	15,951	(43,788)	124,209

Results

Depreciation and amortisation	-	1,966	118	709	(18)	2,775
Other non-cash expenses/(income)	530	(1,135)	(181)	(739)	-	(1,525)
Segment profit/(loss) before tax	1,343	14,813	922	1,150	(1,982)	16,246

Results for cumulative quarter ended 30.06.2022

	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	-	90,692	16,325	12,441	-	119,458
Intra segment revenue	-	40,647	-	-	(40,647)	-
Inter segment revenue	-	1,141	291	-	(1,432)	-
Total revenue	-	132,480	16,616	12,441	(42,079)	119,458

Results

Depreciation and amortisation	-	1,648	115	529	(24)	2,268
Other non-cash income	559	157	81	(283)	-	514
Segment profit/(loss) before tax	(770)	13,619	1,485	1,571	(219)	15,686

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2023 (cont'd)

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

A9. Segmental information (cont'd)

(a) Analysis of revenue by divisions

	INDIVIDUAL QUARTER				CUMULATIVE QUARTER			
	30.06.2023		30.06.2022		30.06.2023		30.06.2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Distribution Division								
Product distribution								
Equipment	36,768	54.9	29,257	55.1	71,736	57.8	69,917	58.5
Materials & Engineering Solutions	4,960	7.4	4,739	8.9	8,110	6.5	14,107	11.8
Services & supply of spare parts								
Equipment	13,354	20.0	11,431	21.5	25,042	20.2	20,775	17.4
Materials & Engineering Solutions	1,678	2.5	1,164	2.2	3,370	2.7	2,219	1.9
Sub-total	56,760	84.8	46,591	87.7	108,258	87.2	107,018	89.6
Manufacturing Division								
Manufacturing	10,194	15.2	6,532	12.3	15,951	12.8	12,440	10.4
Sub-total	10,194	15.2	6,532	12.3	15,951	12.8	12,440	10.4
Total	66,954	100.0	53,123	100.0	124,209	100.0	119,458	100.0

(b) Analysis of revenue by geographical location

	INDIVIDUAL QUARTER				CUMULATIVE QUARTER			
	30.06.2023		30.06.2022		30.06.2023		30.06.2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	19,675	29.4	18,136	34.1	47,770	38.5	49,772	41.7
ASEAN (excluding Malaysia)								
Singapore	14,237	21.3	6,219	11.7	19,176	15.4	15,414	12.9
Philippines	8,620	12.9	4,529	8.6	18,184	14.6	10,351	8.7
Vietnam	7,567	11.3	7,564	14.2	12,010	9.7	14,028	11.7
Thailand	5,193	7.8	6,054	11.4	10,492	8.4	10,290	8.6
Indonesia	1,644	2.5	3,404	6.4	4,587	3.7	5,362	4.5
Other ASEAN	703	1.0	118	0.2	1,001	0.9	524	0.4
China	2,797	4.2	3,071	5.8	2,907	2.3	9,620	8.1
Others	6,518	9.6	4,028	7.6	8,082	6.5	4,097	3.4
Total	66,954	100.0	53,123	100.0	124,209	100.0	119,458	100.0

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2023 (cont'd)

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

A10. Valuation of property, plant and equipment

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

A11. Subsequent events

Saved as disclosed below, there were no subsequent material events as at the date of this report.

On 03 July 2023, the Board announced that the Company had received a Notice of Resignation from Messrs. Moore Stephens Associates PLT ("MSA") informing the Company of their resignation as Auditors of the Company for the financial year ending 31 December 2023. The resignation of MSA is on a voluntary basis.

On 07 July 2023, the Board announced that Messrs. KPMG PLT be and is hereby appointed as the new Auditors of the Company in place of the outgoing Auditors, MSA, for the financial year ending 31 December 2023. MSA term of office ended on 7 July 2023 upon appointment of the new auditor.

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

30.06.2023
RM'000
(Unaudited)

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

Capital expenditure commitment

- authorised and contracted for

565

A15. Related party disclosures

All related party transactions and balances within the Group had been entered into in the normal course of business and were carried out on normal commercial terms during the current quarter and year-to-date ended 30 June 2023.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2023 (cont'd)

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

B1. Review of performance

(i) Results for current quarter

	INDIVIDUAL QUARTER		Changes RM'000	Changes %
	30.06.2023 RM'000	30.06.2022 RM'000		
Revenue	66,954	53,123	13,831	26.0
Profit before tax	9,744	6,264	3,480	55.6

The Group recorded a revenue of RM66.95 million for the current quarter under review compared to RM53.12 million in the corresponding quarter last year, representing an increase of 26.0% or RM13.83 million. The increase of revenue was mainly attributed by the increase in sales from both distribution and manufacturing division by RM10.17 million and RM3.66 million respectively.

The increase in revenue from the distribution division is mainly due to higher deliveries of equipment from both Singapore and Philippines. Some of these were long delivery lead time orders received in FY2022. The increase in revenue of manufacturing division was primarily due to higher sales of automated handling system (AHS) series and software solution related to smart manufacturing series (SMS).

The profit before tax ("PBT") of RM9.74 million as compared to RM6.26 million in the corresponding quarter last year, was higher by 55.6% or RM3.48 million. The higher PBT recorded was in tandem with the revenue growth, and a better gross profit margin generated from both the manufacturing and distribution division.

(ii) Results for financial year-to-date

	CUMULATIVE QUARTER		Changes RM'000	Changes %
	30.06.2023 RM'000	30.06.2022 RM'000		
Revenue	124,209	119,458	4,751	4.0
Profit before tax	16,246	15,686	560	3.6

The Group recorded a revenue of RM124.21 million for the current cumulative quarter under review compared to RM119.46 million in the cumulative quarter last year, representing a growth of 4.0% or RM4.75 million. The increase was mainly due to higher sales of products from both distribution and manufacturing division by RM1.24 million and RM3.51 million respectively.

The increase in sales from the distribution division is mainly due to higher deliveries of equipment, services and supply of spare parts in the current cumulative quarter. Singapore and Philippines contributed higher revenue largely due to the strong orders received in FY 2022 which has been delivered due to long delivery lead time. The increase in sales of the manufacturing division was mainly due to the higher sales of automated handling system (AHS), automatic optical inspection (AOI) and sales of smart manufacturing solution (SMS).

The profit before tax ("PBT") of RM16.25 million as compared to RM15.69 million in the cumulative quarter last year, was higher by 3.6% or RM0.56 million. The higher PBT recorded was in tandem with the revenue growth, and a better gross profit margin generated from both the manufacturing and distribution division.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2023 (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

	Current Quarter 30.06.2023 RM'000	Preceding Quarter 31.03.2023 RM'000	Changes RM'000	Changes %
Revenue	66,954	57,255	9,699	16.9
Profit before tax	9,744	6,502	3,242	49.9

The Group's revenue increased from RM57.26 million in the preceding quarter to RM66.95 million in the quarter under review, representing an increase of 16.9% or RM9.70 million. The increase was mainly due to higher sales of products from both distribution and manufacturing division by RM5.26 million and RM4.44 million respectively.

The increase in the distribution division was mainly due to higher deliveries of equipment in the current quarter from both Singapore and Vietnam. The increase of revenue from the manufacturing division was mainly due to the higher sales of inspection and handling equipment to semiconductor customers.

The profit before tax ("PBT") of RM9.74 million as compared to RM6.50 million in the preceding quarter, was higher by 49.9% or RM3.24 million. The higher PBT recorded was in tandem with the revenue growth, and a better gross profit margin generated from both the manufacturing and distribution division.

B3. Prospects and outlook

The Group remains cautiously optimistic on the overall business conditions for the second half of 2023 despite the market sluggishness compared to 2022. The worldwide economy continues to be uncertain with the continuation of geopolitical tension, rising interest rates and inflationary pressure. With this uncertain backdrop, the Group remains committed to sustaining our long term pillars of growth strategies which includes strong recurring income, diversified market segment and strong geographical spread in ensuring the Group stays resilient in the coming quarters.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2023 (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

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

B6. Income tax expenses

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30.06.2023 RM'000	30.06.2022 RM'000	30.06.2023 RM'000	30.06.2022 RM'000
Current tax	2,345	1,337	4,455	3,722
Deferred tax	(67)	107	(484)	320
Total tax expense	2,278	1,444	3,971	4,042

Notes:-

- (1) The Group's effective tax rate for cumulative quarter was marginally higher as compared to the statutory income tax rate of 24% mainly due to adjustment on certain expenses not deductible for tax purposes such as depreciation, amortisation of intangible assets, allowance for inventories and impairment losses on trade receivables; notwithstanding adjustment for non-taxable income and double deduction allowance.
- (2) Tax expenses is recognized based on management's best estimate.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2023 (cont'd)

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

B7. Utilization of proceeds from Private Placements

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

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

Purposes	Revised Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000	Revised Expected Timeframe for Utilisation
(i) Factory capacity expansion	8,200	8,200	-	Within 18 months from 30 Oct 2020
(ii) R&D on future product expansion	5,300	4,537	763	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>19,332</u>	<u>763</u>	

Save for approximately RM19.33 million that has been utilized for various purposes as disclosed above, the remaining PP proceeds has not been utilized as at 30 June 2023.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2023 (cont'd)

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

B8. Group borrowings

	UNAUDITED	AUDITED
	As at	As at
	30.06.2023	31.12.2022
	RM'000	RM'000
Current:		
Bankers acceptance	1,749	2,048
Bank overdrafts	905	421
Trust receipts	20,570	3,296
Revolving loan	1,400	600
Term loan	635	639
	<u>25,259</u>	<u>7,004</u>
Non-current:		
Term loan	<u>15,750</u>	<u>16,041</u>
Total		
Bankers acceptance	1,749	2,048
Bank overdrafts	905	421
Trust receipts	20,570	3,296
Revolving loan	1,400	600
Term loan	16,385	16,680
	<u>41,009</u>	<u>23,045</u>

The Group's borrowings were denominated in MYR, except for approximately RM8.33 million (USD1.78 million), RM11.51 million (JPY354.66 million), RM0.69 million (EUR0.14 million) and RM0.04 million (SGD0.01 million) of the above borrowings were denominated in USD, JPY, EUR and SGD 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 SECOND QUARTER ENDED 30 JUNE 2023 (cont'd)**B. EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (cont'd)****B11. Earnings per share ("EPS")**

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>30.06.2023</u>	<u>30.06.2022</u>	<u>30.06.2023</u>	<u>30.06.2022</u>
Profit for the period attributable to owners of the Company (RM'000)	<u>6,876</u>	<u>4,726</u>	<u>11,638</u>	<u>11,444</u>
Weighted average number of shares ('000)	<u>834,139</u>	<u>834,139</u>	<u>834,139</u>	<u>834,139</u>
Basic and diluted EPS (sen)	<u>0.82</u>	<u>0.57</u>	<u>1.40</u>	<u>1.37</u>

Notes:-

Diluted earnings per share of the Company for the individual quarter and year-to-date ended 30 June 2023 is equivalent to the basic earnings per share as the Company does not have any outstanding convertible securities at the end of the reporting year.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2023 (cont'd)

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

B12. Notes to the Statements of Other Comprehensive Income

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30.06.2023 RM'000	30.06.2022 RM'000	30.06.2023 RM'000	30.06.2022 RM'000
Amortisation of intangible assets	133	102	263	170
Bad debts written off	-	38	-	46
Depreciation of property, plant and equipment	1,030	881	2,037	1,588
Depreciation of right-of-use assets	258	185	475	510
Gain on disposal of property, plant and equipment	(665)	(284)	(1,371)	(561)
Gain on lease modification	-	-	-	(22)
(Gain)/Loss on foreign exchange				
- realised	353	(517)	335	(871)
- unrealised	(1,549)	150	(1,316)	447
Interest expenses	480	300	876	506
Interest income	(182)	(190)	(322)	(422)
Inventories written (back)/down	(67)	64	335	111
Inventories written off	10	-	10	-
Net addition/(reversal) of loss allowance on trade receivables	83	(529)	107	(544)
Property, plant and equipment written off	2	-	2	313
Provision for post-employment benefits	104	99	178	165
Realised/unrealised gain on short-term investments	(222)	(97)	(485)	(97)

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
22 August 2023