

QES GROUP BERHAD

Company Registration No.: 201401042911 (1119086-U)

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		UNAUDITED	UNAUDITED	UNAUDITED	AUDITED
		31.12.2023	31.12.2022	31.12.2023	31.12.2022
		RM'000	RM'000	RM'000	RM'000
Revenue	A9	62,295	72,967	240,669	264,407
Cost of sales		(49,214)	(53,849)	(179,751)	(193,556)
Gross profit		13,081	19,118	60,918	70,851
Other income		253	(239)	4,111	2,756
Marketing and distribution expenses		(2,561)	(3,919)	(9,674)	(8,948)
Administrative expenses		(5,580)	(7,377)	(21,615)	(22,633)
Other expenses		(741)	(1,457)	(6,260)	(5,639)
Profit from operation		4,452	6,126	27,480	36,387
Finance costs		(416)	(388)	(1,680)	(1,366)
Share of result of an associate, net of tax		(195)	(128)	(237)	(632)
Profit before tax		3,841	5,610	25,563	34,389
Tax expense	B6	(1,388)	298	(6,402)	(6,629)
Profit for the financial year		2,453	5,908	19,161	27,760
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		177	(48)	1,050	150
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Remeasurement of defined benefit plan		(112)	(29)	(59)	25
Total other comprehensive income		65	(77)	991	175
Total comprehensive income for the financial year		2,518	5,831	20,152	27,935
Profit for the financial year attributable to:					
Owners of the Company		2,516	5,462	18,468	26,421
Non-controlling interests		(63)	446	693	1,339
Profit for the financial year		2,453	5,908	19,161	27,760

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CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023 (cont'd)

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		UNAUDITED	UNAUDITED	UNAUDITED	AUDITED
		31.12.2023	31.12.2022	31.12.2023	31.12.2022
		RM'000	RM'000	RM'000	RM'000
Comprehensive income for the financial year attributable to:					
Owners of the Company		2,624	5,465	19,269	26,604
Non-controlling interests		(106)	366	883	1,331
Total comprehensive income for the financial year		2,518	5,831	20,152	27,935
Earnings per share					
Basic and Diluted (sen)	B11	0.30	0.65	2.21	3.17

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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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	UNAUDITED	AUDITED
	As at	As at
	31.12.2023	31.12.2022
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	44,998	43,516
Right-of-use assets	8,437	2,910
Intangible assets	10,464	9,538
Investment in an associate	1,961	1,898
Deferred tax assets	1,060	578
	<u>66,920</u>	<u>58,440</u>
Current assets		
Inventories	35,200	27,260
Trade receivables	60,825	59,957
Other receivables	8,443	10,001
Tax recoverable	2,389	3,378
Short-term investments	31,921	23,651
Fixed deposits with financial institutions	21,237	20,507
Short-term deposits	12,260	14,380
Cash and bank balances	36,590	33,318
	<u>208,865</u>	<u>192,452</u>
TOTAL ASSETS	<u><u>275,785</u></u>	<u><u>250,892</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	80,775	80,775
Legal reserve	25	25
Translation reserve	(191)	(1,024)
Merger deficit	(20,228)	(20,228)
Retained earnings	113,692	99,427
Total equity attributable to Owners of the Company	174,073	158,975
Non-controlling interests	4,289	3,659
TOTAL EQUITY	<u>178,362</u>	<u>162,634</u>
Non-current liabilities		
Borrowings	17,723	16,041
Lease liabilities	1,220	1,064
Deferred tax liabilities	1,098	932
Provision for post-employment benefits	1,912	1,458
	<u>21,953</u>	<u>19,495</u>

QES GROUP BERHAD

Company Registration No.: 201401042911 (1119086-U)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (cont'd)

	UNAUDITED	AUDITED
	As at	As at
	31.12.2023	31.12.2022
	RM'000	RM'000
Current liabilities		
Trade payables	20,623	24,007
Other payables	22,669	24,343
Borrowings	16,657	7,004
Lease liabilities	936	879
Contract liabilities	12,563	10,471
Tax payable	2,022	2,059
	<u>75,470</u>	<u>68,763</u>
TOTAL LIABILITIES	<u>97,423</u>	<u>88,258</u>
TOTAL EQUITY AND LIABILITIES	<u>275,785</u>	<u>250,892</u>
Net assets per share attributable to owners of the Company (RM)	0.21	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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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 year	-	-	-	-	18,468	18,468	693	19,161
Other comprehensive income								
- Foreign currency translation differences	-	-	-	833	-	833	217	1,050
- Remeasurement of defined benefit plan	-	-	-	-	(32)	(32)	(27)	(59)
	-	-	-	833	(32)	801	190	991
Total comprehensive income for the financial year	-	-	-	833	18,436	19,269	883	20,152
Transactions with Owners of the Company								
Dividend paid	-	-	-	-	(4,171)	(4,171)	(253)	(4,424)
At 31 December 2023	80,775	(20,228)	25	(191)	113,692	174,073	4,289	178,362

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 year	-	-	-	-	26,421	26,421	1,339	27,760
Other comprehensive income								
- Foreign currency translation differences	-	-	-	169	-	169	(19)	150
- Remeasurement of defined benefit plan	-	-	-	-	14	14	11	25
	-	-	-	169	14	183	(8)	175
Total comprehensive income for the financial year	-	-	-	169	26,435	26,604	1,331	27,935
Transactions with Owners of the Company								
Dividends	-	-	-	-	(3,337)	(3,337)	(1,016)	(4,353)
Subscription of shares by NCI in subsidiaries	-	-	-	-	-	-	1,173	1,173
Total transaction with Owners of the Company	-	-	-	-	(3,337)	(3,337)	157	(3,180)
At 31 December 2022	80,775	(20,228)	25	(1,024)	99,427	158,975	3,659	162,634

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.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023

	UNAUDITED	AUDITED
	31.12.2023	31.12.2022
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before tax	25,563	34,389
Adjustments for:		
Amortisation of intangible assets	797	417
Bad debts written off	8	79
Depreciation of property, plant and equipment	4,236	3,563
Depreciation of right-of-use assets	987	906
Gain on disposal of property, plant and equipment	(1,510)	(865)
Gain on lease modification	-	(22)
Interest expenses	1,680	1,366
Interest income	(832)	(678)
Inventories written down	60	170
Inventories written off	33	20
Loss on unrealised foreign exchange	288	58
Net addition/(reversal) of loss allowance on trade receivables	39	(115)
Property, plant and equipment written off	2	313
Provision for post-employment benefits	372	290
Realised/unrealised gain on short-term investments	(1,033)	(478)
Share of result of an associate, net of tax	237	632
	<hr/>	<hr/>
Operating profit before working capital changes	30,927	40,045
Inventories	(8,032)	(6,712)
Receivables	225	(8,548)
Payables	(5,770)	2,668
Contract liabilities	1,757	(4,744)
	<hr/>	<hr/>
Cash generated from operations	19,107	22,709
Income tax refunded	2,328	129
Income tax paid	(8,095)	(7,453)
Interest paid	(825)	(690)
	<hr/>	<hr/>
Net cash from operating activities	12,515	14,695
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(6,857)	(13,641)
Addition in right-of-use assets	(5,012)	(345)
Addition in intangible assets	(1,723)	(2,317)
Subscription of shares in an associates	(300)	(1,500)
Increase in short-term investments	1,033	478
Interest received	832	678
Placement of pledged fixed deposits with financial institutions	(730)	(1,333)
Proceeds from disposal of property, plant and equipment	3,021	1,150
Proceeds from subscription of shares by NCI in a subsidiary	-	1,173
	<hr/>	<hr/>
Net cash used in investing activities	(9,736)	(15,657)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023 (cont'd)

	UNAUDITED	AUDITED
	31.12.2023	31.12.2022
	RM'000	RM'000
Cash Flows from Financing Activities		
Dividend paid	(4,424)	(4,353)
Net drawdown of borrowings	11,680	(1,493)
Interest paid	(855)	(676)
Repayment of lease liabilities	(270)	(1,126)
Net cash from/ (used in) financing activities	<u>6,131</u>	<u>(7,648)</u>
Net increase/(decrease) in cash and cash equivalents	8,910	(8,610)
Foreign currency translation differences	868	145
Cash and cash equivalents at beginning of the financial year	70,928	79,393
Cash and cash equivalents at end of the financial year	<u><u>80,706</u></u>	<u><u>70,928</u></u>
Cash and cash equivalents comprise the following:		
Short-term investments	31,921	23,651
Short-term deposits	12,260	14,380
Fixed deposits with financial institutions	21,237	20,507
Cash and bank balances	36,590	33,318
Bank overdrafts	(65)	(421)
	<u>101,943</u>	<u>91,435</u>
Less: Fixed deposits pledged	<u>(21,237)</u>	<u>(20,507)</u>
	<u><u>80,706</u></u>	<u><u>70,928</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 FOURTH QUARTER ENDED 31 DECEMBER 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
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 121: Lack of Exchangeability	1 January 2025
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 FOURTH QUARTER ENDED 31 DECEMBER 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 FOURTH QUARTER ENDED 31 DECEMBER 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 31.12.2023

	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	-	48,539	7,237	6,519	-	62,295
Intra segment revenue	-	13,077	-	96	(13,173)	-
Inter segment revenue	6,091	1,139	115	-	(7,345)	-
Total revenue	6,091	62,755	7,352	6,615	(20,518)	62,295
Results						
Depreciation and amortisation	-	1,097	40	537	(16)	1,658
Other non-cash expenses/(income)	195	(756)	39	781	-	259
Segment profit/(loss) before tax	5,621	5,403	514	(1,029)	(6,668)	3,841

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	-	16,394	-	739	(17,133)	-
Inter segment revenue	4,000	930	1,105	-	(6,035)	-
Total revenue	4,000	69,291	9,236	13,608	(23,168)	72,967
Results						
Depreciation and amortisation	-	952	59	313	(9)	1,315
Other non-cash expenses/(income)	128	253	(20)	233	-	594
Segment profit/(loss) before tax	2,883	2,412	1,381	2,926	(3,992)	5,610

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 31.12.2023**

	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	-	184,605	23,510	32,554	-	240,669
Intra segment revenue	-	80,037	-	102	(80,139)	-
Inter segment revenue	8,091	2,784	444	-	(11,319)	-
Total revenue	<u>8,091</u>	<u>267,426</u>	<u>23,954</u>	<u>32,656</u>	<u>(91,458)</u>	<u>240,669</u>

Results

Depreciation and amortisation	-	4,127	207	1,729	(43)	6,020
Other non-cash expenses/(income)	237	(673)	(112)	78	-	(470)
Segment profit before tax	<u>7,371</u>	<u>24,162</u>	<u>1,495</u>	<u>1,538</u>	<u>(9,003)</u>	<u>25,563</u>

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	-	83,688	-	739	(84,427)	-
Inter segment revenue	4,000	5,657	1,485	-	(11,142)	-
Total revenue	<u>4,000</u>	<u>282,951</u>	<u>35,523</u>	<u>37,502</u>	<u>(95,569)</u>	<u>264,407</u>

Results

Depreciation and amortisation	-	3,517	232	1,162	(25)	4,886
Other non-cash expenses/(income)	632	246	(28)	(290)	-	560
Segment profit before tax	<u>1,150</u>	<u>26,368</u>	<u>3,679</u>	<u>8,409</u>	<u>(5,217)</u>	<u>34,389</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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			
	31.12.2023		31.12.2022		31.12.2023		31.12.2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Distribution Division								
Product distribution								
Equipment	33,397	53.6	38,715	53.1	130,171	54.1	147,909	55.9
Materials & Engineering Solutions	5,431	8.7	6,571	9.0	16,671	6.9	28,792	10.9
Services & supply of spare parts								
Equipment	15,142	24.3	13,252	18.2	54,434	22.6	45,697	17.3
Materials & Engineering Solutions	1,806	2.9	1,560	2.1	6,839	2.9	5,246	2.0
Sub-total	55,776	89.5	60,098	82.4	208,115	86.5	227,644	86.1
Manufacturing Division								
Manufacturing	6,519	10.5	12,869	17.6	32,554	13.5	36,763	13.9
Sub-total	6,519	10.5	12,869	17.6	32,554	13.5	36,763	13.9
Total	62,295	100.0	72,967	100.0	240,669	100.0	264,407	100.0

(b) Analysis of revenue by geographical location

	INDIVIDUAL QUARTER				CUMULATIVE QUARTER			
	31.12.2023		31.12.2022		31.12.2023		31.12.2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	27,318	43.9	33,217	45.5	97,628	40.6	114,834	43.4
ASEAN (excluding Malaysia)								
Singapore	8,175	13.1	8,235	11.3	37,275	15.5	41,831	15.8
Philippines	6,760	10.9	7,545	10.3	28,812	12.0	22,157	8.4
Vietnam	9,486	15.2	6,684	9.2	27,383	11.4	28,226	10.7
Thailand	4,318	6.9	4,876	6.7	22,272	9.2	20,674	7.8
Indonesia	3,620	5.8	4,528	6.2	11,531	4.8	11,417	4.3
Other ASEAN	57	0.1	711	1.0	1,111	0.4	1,404	0.5
China	476	0.8	392	0.5	3,549	1.5	10,840	4.1
Others	2,085	3.3	6,779	9.3	11,108	4.6	13,024	5.0
Total	62,295	100.0	72,967	100.0	240,669	100.0	264,407	100.0

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

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

31.12.2023
RM'000
(Unaudited)

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

Capital expenditure commitment

- authorised and contracted for

37,979

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 31 December 2023.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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	Changes
	31.12.2023	31.12.2022		
	RM'000	RM'000	RM'000	%
Revenue	62,295	72,967	(10,672)	(14.6)
Profit before tax	3,841	5,610	(1,769)	(31.5)

The Group's quarterly revenue decreased by 14.6% to RM62.30 million compared to RM72.97 million in the corresponding quarter last year. The decrease in revenue was mainly attributed to a softer demand from both distribution and manufacturing division by RM4.32 million and RM6.35 million respectively.

The decrease in revenue from the distribution division is mainly due to lower deliveries of equipment in the current quarter. The decrease in revenue of the manufacturing division was primarily due to softer customer demand this quarter and lower sales of advanced wafer metrology system (AMS) series.

The profit before tax ("PBT") of RM3.84 million as compared to RM5.61 million in the corresponding quarter last year, was lower by 31.5% or RM1.77 million. The decrease in revenue and PBT was primarily attributable to lower sales volume in line with softer market demand.

(ii) Results for financial year-to-date

	CUMULATIVE QUARTER		Changes	Changes
	31.12.2023	31.12.2022		
	RM'000	RM'000	RM'000	%
Revenue	240,669	264,407	(23,738)	(9.0)
Profit before tax	25,563	34,389	(8,826)	(25.7)

The Group recorded a revenue of RM240.67 million for the current cumulative quarter under review compared to RM264.41 million in the cumulative quarter last year, representing a decrease of 9.0% or RM23.74 million. The decrease in revenue was mainly attributed by the decrease in sales from both distribution and manufacturing division by RM19.53 million and RM4.21 million respectively.

The decrease in sales from the distribution division is mainly due to lower deliveries of equipment in the current cumulative quarter. The decrease in revenue of the manufacturing division was primarily due to lower sales of optical inspection system (OIS) series and AMS.

The PBT of RM25.56 million as compared to RM34.39 million in the cumulative quarter last year, was lower by 25.7% or RM8.83 million. The lower PBT recorded was mainly due to a decline in revenue and gross profit.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 31.12.2023 RM'000	Preceding Quarter 30.09.2023 RM'000	Changes RM'000	Changes %
Revenue	62,295	54,165	8,130	15.0
Profit before tax	3,841	5,476	(1,635)	(29.9)

The Group's revenue increased from RM54.17 million in the preceding quarter to RM62.30 million in the quarter under review, representing an increased of 15.0% or RM8.13 million. The increase was mainly due to higher sales of products from the distribution division by RM11.70 million notwithstanding a lower sales recorded from the manufacturing division by RM3.57 million.

The increase in the distribution division was mainly due to higher deliveries of equipment as compared to last quarter. The decrease in revenue from the manufacturing division was mainly due to the lower sales of AMS.

The PBT of RM3.84 million as compared to RM5.48 million in the preceding quarter, was lower by 29.9% or RM1.64 million. The lower PBT recorded was mainly due to a decline in gross profit.

B3. Prospects and outlook

The Group still maintains a positive outlook towards both its business and the market segments in which it operates in for the coming years to come. The Group will continue to focus on its business strategies in expanding during the slowdown to be well-positioned to harness opportunities at the signs of the semiconductor industry recovery. Following various optimistic outlook reports on the semiconductor industry for FY 2024, the Group is confident for a better growth prospect for FY 2024.

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

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>UNAUDITED</u> <u>31.12.2023</u> <u>RM'000</u>	<u>UNAUDITED</u> <u>31.12.2022</u> <u>RM'000</u>	<u>UNAUDITED</u> <u>31.12.2023</u> <u>RM'000</u>	<u>AUDITED</u> <u>31.12.2022</u> <u>RM'000</u>
Current tax	1,247	(545)	6,677	5,782
Deferred tax	141	247	(275)	847
Total tax expense	<u>1,388</u>	<u>(298)</u>	<u>6,402</u>	<u>6,629</u>

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, amortization of intangible assets, allowance for inventories and impairment losses on trade receivables; notwithstanding adjustment on certain non-taxable income and double deduction allowance .
- (2) Tax expenses is recognized based on management's best estimate.

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QES GROUP BERHAD

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023
(cont'd)**B. EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (cont'd)****B7. Group borrowings**

	UNAUDITED As at 31.12.2023 RM'000	AUDITED As at 31.12.2022 RM'000
Current:		
Bankers acceptance	1,388	2,048
Bank overdrafts	65	421
Trust receipts	14,182	3,296
Revolving loan	300	600
Term loan	722	639
	<u>16,657</u>	<u>7,004</u>
Non-current:		
Term loan	<u>17,723</u>	<u>16,041</u>
Total		
Bankers acceptance	1,388	2,048
Bank overdrafts	65	421
Trust receipts	14,182	3,296
Revolving loan	300	600
Term loan	18,445	16,680
	<u>34,380</u>	<u>23,045</u>

The Group's borrowings were denominated in MYR, except for approximately RM7.10 million (USD1.54 million), RM5.75 million (JPY176.49 million), RM1.02 million (GBP0.17 million) and RM0.31 million (EUR0.06 million) of the above borrowings were denominated in USD, JPY, GBP and EUR respectively.

B8. Material litigation

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

B9. Dividend

On 23 February 2024, the Board declared a final 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 15 March 2024 whilst the payment date to be fixed on 29 March 2024.

QES GROUP BERHAD

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023
(cont'd)**B. EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD** (cont'd)**B10. Earnings per share ("EPS")**

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>31.12.2023</u>	<u>31.12.2022</u>	<u>31.12.2023</u>	<u>31.12.2022</u>
Profit for the period attributable to owners of the Company (RM'000)	<u>2,516</u>	<u>5,462</u>	<u>18,468</u>	<u>26,421</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>0.30</u>	<u>0.65</u>	<u>2.21</u>	<u>3.17</u>

Notes:-

Diluted earnings per share of the Company for the individual quarter and year-to-date ended 31 December 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 FOURTH QUARTER ENDED 31 DECEMBER 2023
(cont'd)

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

B11. Notes to the Statements of Other Comprehensive Income

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	UNAUDITED 31.12.2023 RM'000	UNAUDITED 31.12.2022 RM'000	UNAUDITED 31.12.2023 RM'000	AUDITED 31.12.2022 RM'000
Amortisation of intangible assets	290	124	797	417
Bad debts written off	8	33	8	79
Depreciation of property, plant and equipment	1,105	1,020	4,236	3,563
Depreciation of right-of-use assets	263	171	987	906
Gain on disposal of property, plant and equipment	(51)	(365)	(1,510)	(865)
Gain on lease modification	-	-	-	(22)
(Gain)/Loss on foreign exchange				
- realised	(248)	490	(403)	(164)
- unrealised	1,023	216	288	58
Interest expenses	416	388	1,680	1,366
Interest income	(274)	(145)	(832)	(678)
Inventories written down	(395)	40	60	170
Inventories written off	23	20	33	20
Net addition/(reversal) of loss allowance on trade receivables	(655)	452	39	(115)
Property, plant and equipment written off	-	-	2	313
Provision for post-employment benefits	110	70	372	290
Realised/unrealised gain on short-term investments	(277)	(210)	(1,033)	(478)

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 2024