QES GROUP BERHAD

(Company No. 1119086-U)
(Incorporated in Malaysia under the Companies Act, 1965)

ANNUAL REPORT 2018

WHAT'S **INSIDE**

VISION

We aim to be the preferred partner of choice for our customers, suppliers and associates in the market segments we participate in.

MISSION

QES is the leading integrated solution provider specialized in distribution and service of precision equipment, material and engineering. We have design and manufacturing capability on inspection and automated handling equipment. We always work towards long-term profitability and sustainable growth by:

- Continuously training and empowering our **Employees**
- Keeping our **Customers** satisfied over long-term
- Building lasting relationships with our **Key Suppliers**
- Aligning to our **Shareholders'** vision and commitment

VALUES

CUSTOMER PASSION GROWTH RESPECT CHANGE ACCOUNTABILITY

ABOUT QES®

QES was founded in Oct 1991. We specialise in manufacturing, distribution and provision of engineering services for inspection, test, measuring, analytical and automated handling equipment. QES Group of companies has since grown into a leading integrated solution provider with manufacturing capability.

The Group has 2 core business division:

- Distribution Division
- Manufacturing Division

Our successful ingredient is always customer driven. It is vital for us to constantly seek the best solution to suit our customers' requirements.

FACTS

Exceed more than **10,000** equipment installed

Revenue **~USD 44** million

300+ employees

7 countries

27 years operating

ASSURING YOU OUR BEST, ALWAYS!

CORPORATE INFORMATION

BOARD OF DIRECTORS

ADNAN BIN ZAINOL
Independent Non-Executive Chairman

CHEW NE WENG
Managing Director/President

LIEW SOO KEANG
Executive Director

CHIA GEK LIANG
Independent Non-Executive Director

HOH CHEE MUN
Independent Non-Executive Director

AUDIT COMMITTEE
Chairman:
Hoh Chee Mun

Members:
Adnan Bin Zainol
Chia Gek Liang

NOMINATION COMMITTEE
Chairman:
Chia Gek Liang

Members:
Adnan Bin Zainol
Hoh Chee Mun

REMUNERATION COMMITTEE
Chairman:
Chia Gek Liang

Members:
Adnan Bin Zainol
Hoh Chee Mun

COMPANY SECRETARY
Andrea Huong Jia Mei (MIA 36347)

REGISTERED OFFICE
Lot 4.100, 4th Floor, Wisma Central
Jalan Ampang
50450 Kuala Lumpur

Telephone number: 03-2161 9753
Facsimile number: 03-2181 2456

SHARE REGISTRAR
Mega Corporate Services Sdn Bhd
Level 15-2, Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

Telephone number: 03-2692 4271
Facsimile number: 03-2732 5388

PRINCIPAL BANKERS
- HSBC Bank Malaysia Berhad
- RHB Bank Berhad
- United Overseas Bank (M) Berhad

STOCK EXCHANGE LISTING
ACE Market of Bursa Malaysia
Securities Berhad
Stock Name : QES
Stock Code : 0196

HEAD OFFICE
No 9, Jalan Juruukur U1/19
Hicom Glenmarie Industrial Park
Seksyen U1, 40150 Shah Alam
Selangor Darul Ehsan

Telephone number: 03-5882 6668
Facsimile number: 03-5567 0811

AUDITORS
Moore Stephens Associates PLT
Unit 3.3A, 3rd Floor, Surian Tower
No 1, Jalan PJU 7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan

Telephone number: 03-7728 1800
Facsimile number: 03-7733 1033

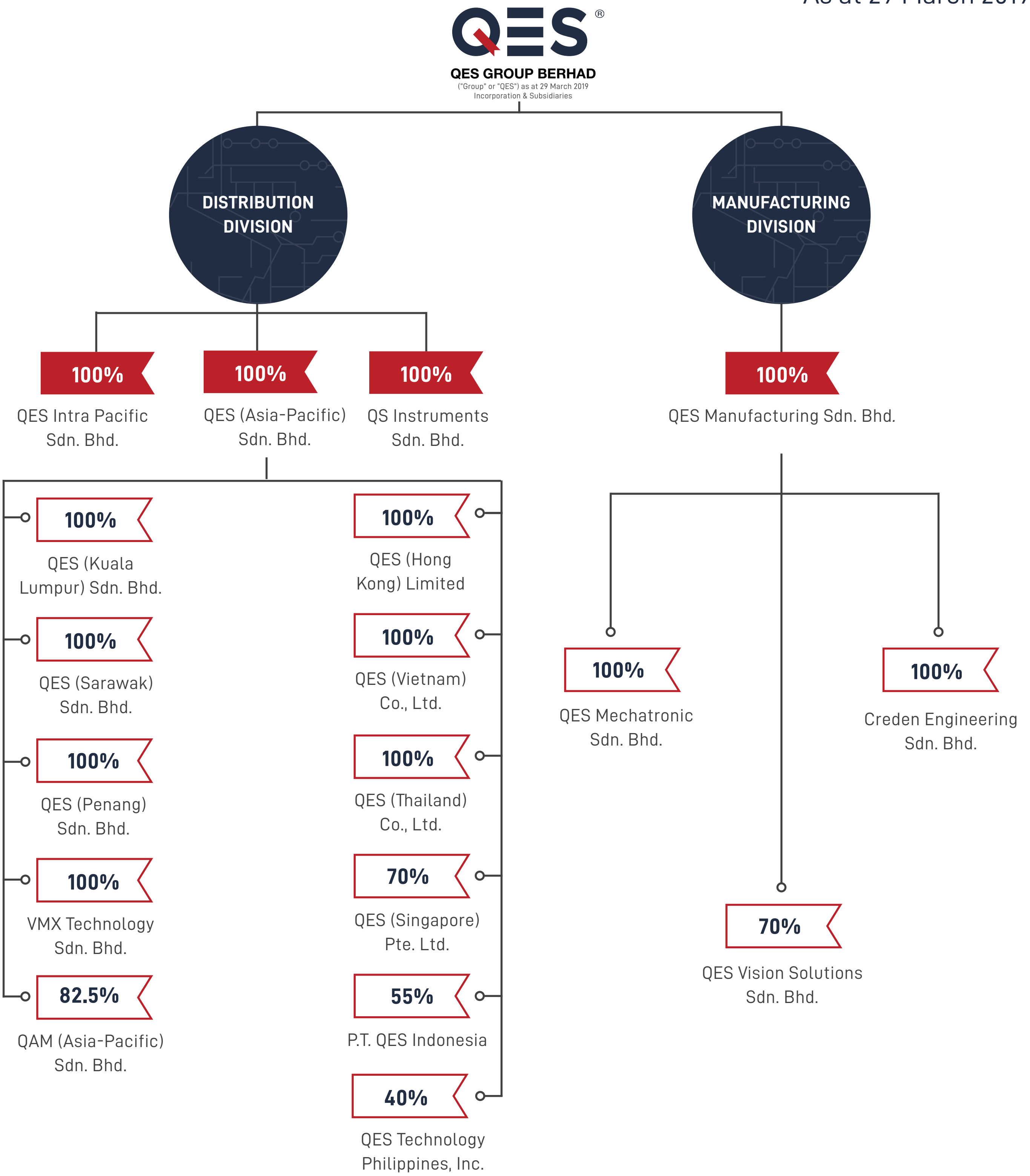
SPONSOR
M&A Securities Sdn Bhd
Level 11, No. 45 & 47, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Telephone number: 03-2284 2911
Facsimile number: 03-2284 2718

CORPORATE WEBSITE
www.qesnet.com

CORPORATE STRUCTURE

As at 29 March 2019



- The Group was incorporated in Malaysia under the Companies Act 1965 on 20 November 2014 as a public limited company under its present name and was listed on the ACE Market of Bursa Malaysia Securities Berhad in 2018. QES Group Berhad is principally an investment holding company.

- The Group had on 28 December 2018 applied to the Companies Commission of Malaysia ("CCM") to strike off QES (Penang) Sdn. Bhd. (Company No. 405487-X), QES (Sarawak) Sdn. Bhd. (Company No. 405474-W) and Creden Engineering Sdn. Bhd. (Company No. 552261-H) being dormant subsidiaries pursuant to Section 550 of the Companies Act, 2016.

CORPORATE **MILESTONES**

QES Malaysia was founded on the 4th October 1991

SEP 1992
Expanded to Singapore via QES (Singapore) Pte.Ltd.

MAY 1994
Moved into two-storey building in USJ 9, UEP Subang Jaya

OCT 1994
Expanded to Thailand via QES (Thailand) Co.,Ltd.

MAY 1996
Expanded to Philippines

DEC 1996
New subsidiaries were set up, QES (Penang) Sdn.Bhd. QES (Kuala Lumpur) Sdn.Bhd.

JAN 1997
QES (Asia-Pacific) Sdn.Bhd. was made Corporate HQ

APR 1997
Moved into new three-storey Corporate HQ Building is USJ 9, UEP Subang Jaya

OCT 2000
QAM (Asia-Pacific) Sdn.Bhd. was set up to diversify into material business of semiconductor test & assembly

JUN 2001
QES Intra Pacific Sdn.Bhd. was set up to diversify into material business of semiconductor wafer fabrication

DEC 2001
Invested in Creden Group (Diversified into manufacturing)

MAR 2002
Expanded to China through QES (Singapore) Pte.Ltd. representative office in China

DEC 2003
QS Instruments Sdn.Bhd. was set up to focus on analytical instruments

APR 2005
Expanded to Chengdu, China to cover China market

DEC 2006
Set up subsidiary, P.T QES Indonesia with main office in Jakarta to cover Indonesia market

MAY 2007
Set up subsidiary, QES (Vietnam) Co.,Ltd. with offices in Ho Chi Minh & Hanoi to cover Vietnam market

DEC 2007
Recognition QMS ISO 9001:2000 for QES Mechatronic Sdn.Bhd.

MAY 2008
Expanded coverage to Clark, Philippines

DEC 2012
Moved QES Corporate HQ office & factory into three-storey building at Glenmarie

JUN 2013
Official launch of SPECTRO SEA Centre of Excellence

AUG 2014
Implementation of ERP software within QES Group

FEB 2015
Official launch of new QES Logo

SEP 2016
QES Mechatronic Sdn.Bhd. successfully sold equipment to Germany & Taiwan

DEC 2016
QES (Singapore) Pte.Ltd. and QES (Thailand) Co.,Ltd becomes subsidiaries

MAR 2017
Setting up of QES Technology Phillippines.Inc in Manila

MAR 2018
QES successfully listed on ACE Market

PROFILE OF DIRECTORS

Adnan Bin Zainol
Independent Non-Executive Chairman

Malaysian, male, aged 66, is our Independent Non-Executive Chairman. He was appointed to our Board on 11 May 2015. He is also a member of our Remuneration, Nomination and Audit Committees.

He graduated from University Malaya with a Bachelor of Economics in 1978. Adnan Bin Zainol has accumulated over 21 years of working experience in the banking industry. He started his career in 1978 with Malayan Banking Berhad as an Operation Officer and subsequently promoted to the rank of Accountant in 1982 where he was responsible for reviewing and processing credit applications. He was attached to the bank until 1983.

He left in 1983 to join Pertanian Baring Sanwa Merchant Bankers Berhad (now known as CIMB Investment Bank Berhad) ("CIMB") as a Credit/Marketing Officer in the corporate banking department where he was responsible for the marketing of the bank's loan products and processing credit applications. At CIMB, he was subsequently promoted to Senior Manager in the corporate banking department in 1994. Thereafter, he was promoted to the Head of Credit Administration Section until his retirement in 2004. From 2004 to 2007, he did general management consulting work on a freelance basis, assisting organisations in fundraising as well as to improve their cash flow management.

He has no family relationship with any Directors or major shareholders of the Group.

Other than QES Group Berhad, he does not hold directorship in any other public listed companies.

Chew Ne Weng
Managing Director/President

Malaysian, male, aged 56, is our co-founder and Managing Director/President. He was appointed to our Board on 11 May 2015. As Managing Director/President, he is responsible for the overall strategic direction and management of the Company and its subsidiaries ("the Group"). He is in charge of the implementation of our policies on technical and financial operations, business plans for operating units as well as the implementation of quality management system. He graduated from the National University of Singapore in 1987 with a Bachelor of Mechanical Engineering.

Chew Ne Weng has accumulated 30 years of experience within the engineering industry. He started his career in 1987 as an Engineer in Cairnhill Precision Private Limited, Singapore ("Cairnhill Precision"), and was attached to the company up to 1991. During his tenure with Cairnhill Precision, he was responsible for the installation, troubleshooting and after-sales service of metrology equipment. In 1990, he also assisted Cairnhill Precision in expanding its sales to Indonesia and Malaysia. He was also involved in setting up the operations of Cairnhill Technology Sdn. Bhd. growing the business operations from one person to 25 persons when he left in 1991 as its Operations Manager. He co-founded QES (Asia-Pacific) Sdn. Bhd. in 1991.

He has no family relationship with any Directors or major shareholders of the Group.

Other than QES Group Berhad, he does not hold directorship in any other public listed companies.

PROFILE OF
DIRECTORS

Liew Soo Keang
Executive Director

Malaysian, male, aged 57, is our Executive Director. He was appointed to our Board on 11 May 2015. As Executive Director, he is mainly responsible for overseeing our Distribution Division. He graduated with a Bachelor of Electrical Engineering (Honours) (First Class) from University Malaya in 1987.

Liew Soo Keang has 30 years of experience in the engineering industry. He began his career in 1987 with Intel Technology Sdn. Bhd. as Equipment Engineer where he was responsible for semiconductor test equipment maintenance and services. He was promoted to Equipment Engineering Manager in 1996 with responsibilities in overseeing the test operations of Pentium microprocessors. He left the firm in 1997 to join QES (Penang) Sdn. Bhd. as Operations Director. He was responsible mainly for the business development activities in the northern region of Peninsular Malaysia before assuming a wider regional portfolio in 2000 when he was appointed to the board of directors of QES (Asia-Pacific) Sdn. Bhd.

He has no family relationship with any Directors or major shareholders of the Group.

Other than QES Group Berhad, he does not hold directorship in any other public listed companies.

Chia Gek Liang
Independent Non-Executive Director

Malaysian, male, aged 57, is our Independent Non-Executive Director. He was appointed to our Board on 11 May 2015. He is also the Chairman of our Remuneration and Nomination Committees and a member of our Audit Committee.

He graduated with a Bachelor of Electrical Engineering and a Master of Business Administration from the National University of Singapore, in 1985 and 1993 respectively. He also graduated with a LLB Hons (2nd Upper) from the University of London in 2010, then obtained his Certificate in Legal Practice in 2011, and was admitted as Advocate & Solicitor of the High Court of Malaya in 2012.

He began his career in 1985 as Product Engineer with SGS-Thomson Microelectronics Pte. Ltd. in Singapore where he was responsible for the product engineering and manufacturing processes of memory products. He left the engineering field in 1991 to pursue his Master of Business Administration. In 1992, he joined the corporate finance division of Commerce International Merchant Bankers Berhad (now known as CIMB Investment Bank Berhad) as Executive. During his 9 years tenure in investment banking he was involved in a wide variety of assignments which include initial public offerings, debt and equity funding raising, mergers and acquisitions, reverse take-over, corporate and debt restructuring and privatisation exercises. He left the bank in January 2001. From February to December 2001, he was the Chief Financial Officer of Intelligent Edge Technologies Berhad, a company listed on the then MESDAQ Market of Bursa Securities. He was responsible for the financial management of the company. From 2002 to 2012, he did mainly freelance consulting work such as general management, formulating long term organisation plans and performing projects evaluation in Malaysia, while pursuing his professional qualification as a lawyer. He started practising law as an Associate with Deol & Gill in 2013 where he was involved in providing legal services. He left Deol & Gill in 2014 to undertake various general management consulting works on a freelance basis. From 2015 to 2018, he was attached with Mai & Co as an Associate, where he was primarily involved in providing corporate legal services. Since January 2019, he has resumed doing general consulting works.

He has no family relationship with any Directors or major shareholders of the Group.

Other than QES Group Berhad, he does not hold directorship in any other public listed companies.

PROFILE OF **DIRECTORS**

Hoh Chee Mun
Independent Non-Executive Director

Malaysian, male, aged 54, is our Independent Non-Executive Director. He was appointed to our Board on 11 May 2015. He is also the Chairman of our Audit Committee and member of our Remuneration and Nomination Committees. He completed his Malaysian Institute of Certified Public Accountant ("MICPA") examination in 1993 (formerly known as Malaysian Association of Certified Public Accountants), and was admitted as a member of MICPA on 29 January 1994. He was subsequently admitted into the Malaysia Institute of Accountants ("MIA") as a Chartered Accountant on 24 October 1994.

He commenced his accountancy career in 1985, with a 4-year articleship with BDO Binder as Article Clerk before furthering his career in 1990 with Ernst & Young as Audit Assistant, where he had completed his MICPA examination. Thereafter, he left Ernst & Young in 1995 as Audit Senior and joined OSK Research Sdn Bhd in 1995 as Research Analyst. In 1996, he became the Group Accountant of Fella Group, a regional furniture manufacturer cum retailer. He was appointed as Group Financial Controller in January 2004 and left in August 2004 to set up his corporate secretarial practice. In March 2005, he joined VHQ Post (M) Sdn. Bhd., a regional post production house, headquartered in Singapore, as Finance Director. His corporate secretarial practice was then managed by his business partner. He left VHQ Post (M) Sdn. Bhd. in 2012 to concentrate on his corporate secretarial practice and accounting services. Since 2017, he was appointed as the Financial Controller of Straits Inter Logistics Berhad.

He is currently a member of MIA and MICPA.

He has no family relationship with any Directors or major shareholders of the Group.

Other than QES Group Berhad, he does not hold directorship in any other public listed companies.

Notes:

1. None of the Directors have any conflict of interest with the Company.

2. None of the Directors have been convicted for any offences against the law other than traffic offences (if any) within the past five (5) years.

3. Please refer to the Corporate Governance Overview Statement for the Directors' meeting attendance records.

PROFILE OF
KEY MANAGEMENT

Lee Hock Chin
VP of Distribution Division

Malaysian, male, aged 45, is our Vice-President of the Distribution Division – Inspection, Test and Measurement Equipment, where he is responsible for all regional sales, marketing and technical support activities. He obtained his Diploma in Technology (Electronic Engineering) from the Tunku Abdul Rahman College, Kuala Lumpur in 1998.

Lee Hock Chin has accumulated more than 20 years of experience in the test and measurement equipment industry. He started working as Technical Service Engineer with QES (Penang) Sdn. Bhd. in 1998 where he was responsible for after-sales technical support services. He was then promoted to Regional Sales Engineer in 2001 where he was responsible for sales and marketing activities within the ASEAN region and China. Subsequently, in 2003, he was promoted to Business Unit Manager of QS Instruments Sdn. Bhd. before being given the additional responsibility of Vice-President of the Distribution Division – Inspection, Test and Measurement Equipment in 2011 where he remained since.

He has no family relationship with any Directors or major shareholders of the Group.

He does not hold any directorship in any public listed companies.

Lim Chee Keong
VP of Manufacturing Division

Malaysian, male, aged 52, is our Vice-President of the Manufacturing Division. He is mainly responsible for overseeing the overall sales and marketing, production planning, equipment engineering, precision part machining operation, equipment assembly and supply chain management operations of the Manufacturing Division. He obtained his Diploma in Computer Studies from the Informatics Institute, Penang in 1993.

Lim Chee Keong has more than 30 years of engineering and sales experiences. He started his career in 1988 as Engineering Assistant at Dynacraft Industries Sdn. Bhd. a USA-based company specialising in semiconductor leadframe stamping and plating technology, where he was responsible for process control, troubleshooting, setting-up and maintenance of plating bath, defects analysis and investigation as well as engineering evaluation and qualification. In 1991, he left the firm as Engineering Technician to join Hitachi Semiconductor (Malaysia) Sdn. Bhd. as its Quality Assurance Supervisor where he was responsible for material quality assurance activities. He then left Hitachi Semiconductor (Malaysia) Sdn. Bhd. in 1994 to join AKN Industries Sdn. Bhd. in the same year as Quality Assurance Engineer where he was involved in the initial set-up of its leadframe plating facilities. He left the firm in 1994 to join QES (Asia-Pacific) Sdn. Bhd. in the same year as Senior Application Engineer and was in charge of the technical support operations.

During his tenure with QES (Asia-Pacific) Sdn. Bhd. he worked as a Senior Application Engineer, handling sales and applications of all QES products. He was promoted to Assistant Manager in 1995 and was responsible for managing the technical and service department. His role was the same but with increased responsibility when he was promoted to Manager in 1996 and Senior Manager in 1997. In 1999, he was promoted to General Manager, is responsible for the overall management of the operations of QES (Kuala Lumpur) Sdn. Bhd. In 2002, he was transferred to oversee the operations of QES Manufacturing Sdn. Bhd. (formerly known as Creden (Asia-Pacific) Sdn. Bhd.) as Vice-President. He is currently the Executive Director of QES Manufacturing Sdn. Bhd. Being appointed in January 2007 and was given the added responsibility of Vice-President of our Manufacturing Division in 2009.

He has no family relationship with any Directors or major shareholders of the Group.

He does not hold any directorship in any public listed companies.

PROFILE OF **KEY MANAGEMENT**

Chin Guat Eem
GM of HR & Admin

Malaysian, female, aged 52, is our General Manager for Human Resource and Administration. She obtained her Diploma in Purchasing and Materials Management from the Malaysian Institute of Purchasing and Materials Management in 2001. During the same year, she also passed her foundation studies for the Graduate Diploma in Purchasing and Supply programme conducted by the Chartered Institute of Purchasing and Supply, United Kingdom. She is responsible for overseeing the overall human resource and administration functions of our Group which include human resource planning, recruitment, payroll management and supply chain management.

She began her career in 1989 as Office Administrator with Cairnhill Technology Sdn. Bhd. before leaving in 1992 to join QES (Asia-Pacific) Sdn. Bhd. as Administration Executive. During her tenure with the Group, she had performed a number of functions ranging from office management, logistics and procurement. She was promoted to Senior Administration Executive in 1994, Assistant Manager in 1997, Manager in 1999 and Senior Manager in 2002 and to her current position in 2005.

She has no family relationship with any Directors or major shareholders of the Group.

She does not hold any directorship in any public listed companies.

Yeoh Cheong Yeow
GM of Finance

Malaysian, male, aged 50, is our General Manager for Finance. He is responsible for our Group's overall finance functions including the monitoring of business performance and results, profitability and cash flow, financial reporting, treasury management and tax compliance. He obtained his Diploma in Commerce (Financial Accounting) from Tunku Abdul Rahman College, Kuala Lumpur in 1993 and Diploma in Investment Analysis from the Research Institute of Investment Analysts Malaysia in 1996.

He is a fellow member of the Association of Chartered Certified Accountants, United Kingdom and a Chartered Accountant of the Malaysian Institute of Accountants.

Yeoh Cheong Yeow has more than 25 years of experience in accounting and finance functions. He began his career in 1993 with SCI-Neoh WM Lam and Co as an Auditor. He left the firm in 1994 to join Elba Group Sdn. Bhd. as Accounts Executive and was subsequently promoted to Accounts Manager in 1995. In 1998, he left Elba Group Sdn. Bhd. to join Luster Precision Engineering Sdn. Bhd. as Finance and Administration Manager. He rejoined Elba Holdings Berhad as its Financial Controller in 2001 before leaving to join QES (Asia-Pacific) Sdn. Bhd. in 2004 assuming his present role.

He has no family relationship with any Directors or major shareholders of the Group.

He does not hold any directorship in any public listed companies.

Notes:

1. None of the Key Management has been convicted for any offences against the law other than traffic offences (if any) within the past five (5) years.

2. None of the Key Management has any conflict of interest with the Company.

LETTER TO SHAREHOLDERS

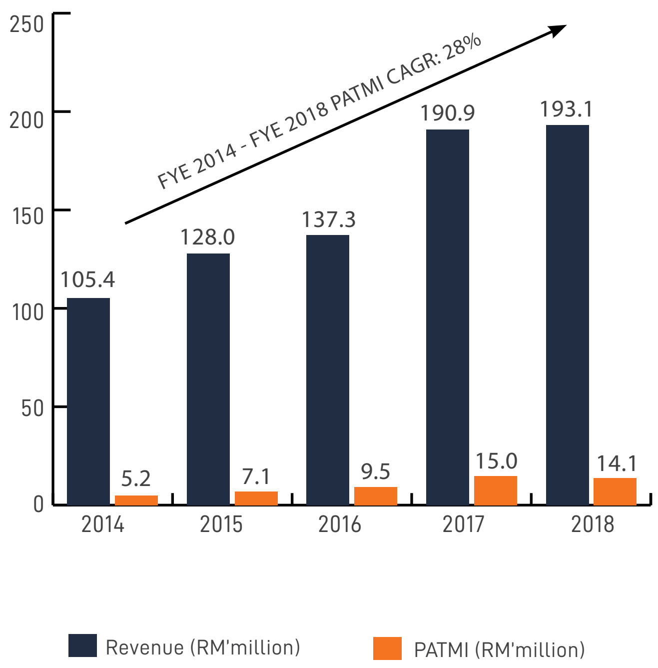
Dear shareholders, the year 2018 marked a significant milestone for all of us at QES Group Berhad as we successfully executed our listing on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa") on 8 March 2018. This will be our second Annual Report as a listed company. On behalf of the Board of Directors, we are pleased to present the Annual Report and the Financial Statements of the Group for the financial year ended 31 December 2018 ("FYE 2018").

FINANCIAL PERFORMANCE

(i) Growing revenue and profit

The Group recorded a higher revenue of RM193.1 million in FYE 2018, representing an increase of approximately RM2.2 million or 1.2% as compared to FYE 2017. In terms of revenue growth, the Group recorded revenue of RM105.4 million in FYE 2014 to RM193.1 million in FYE 2018, which translates to a compound annual growth rate ("CAGR") of approximately 16%. In terms of Profit After Tax Attributable to the Owners of the Company ("PATMI"), the Group recorded an impressive CAGR of approximately 28% albeit a marginal decline of approximately 6% in FYE 2018.

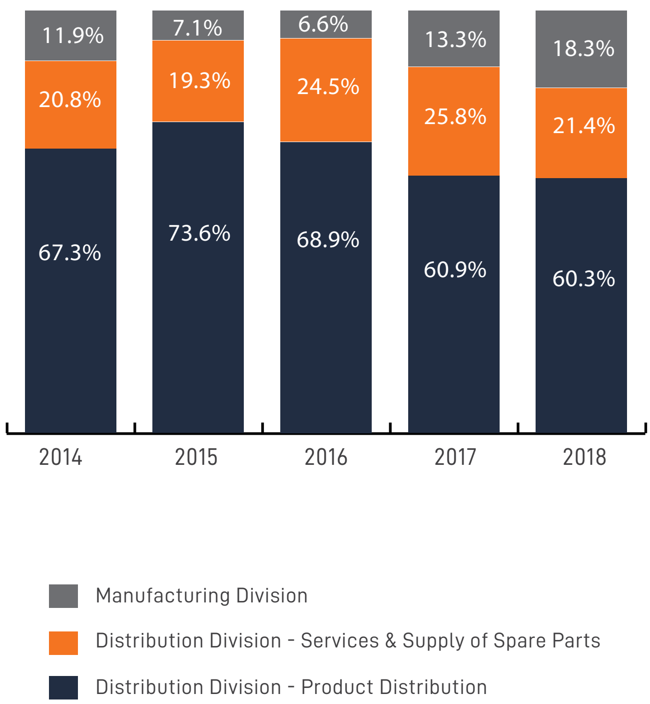
Revenue & PATMI



(ii) Expanding manufacturing

During FYE 2018, revenue attributable to the Manufacturing Division had increased by approximately RM10.0 million, an increase of approximately 39.2% on year-on-year growth compared to FYE 2017. Contributions from the Manufacturing Division showed increasing rising trends from 6.6% in the FYE 2016 to 18.3% in FYE 2018 which bodes well and in line with the Group's strategic direction to expand the Manufacturing Division in the future.

Manufacturing & Distribution Division Breakdown

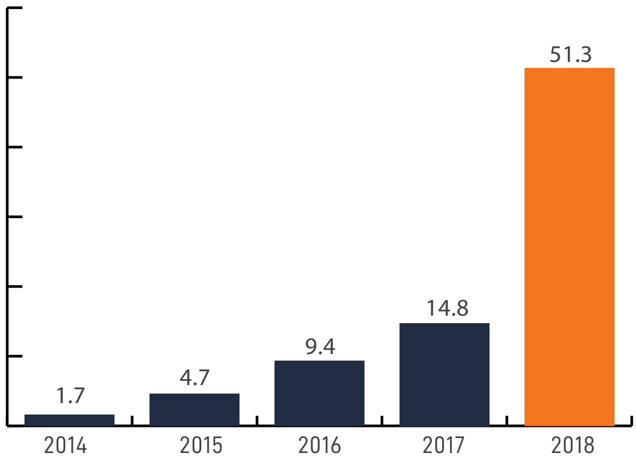


LETTER TO SHAREHOLDERS

(iii) Strong balance sheet

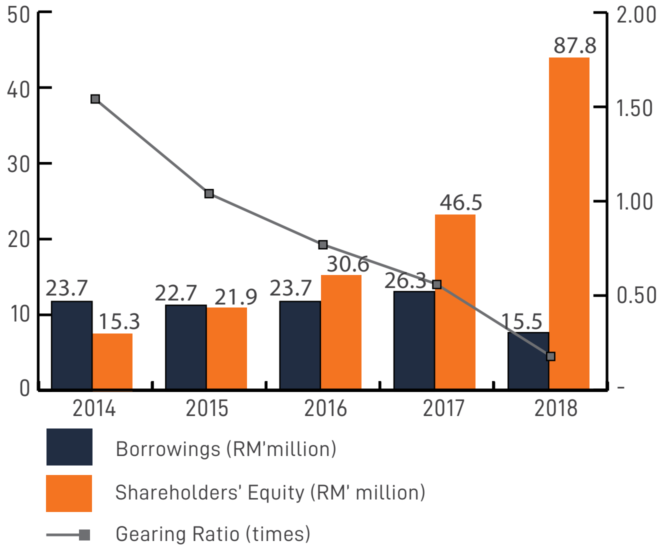
As at 31 December 2018, the Group has cash and cash equivalents of RM51.3 million. In view of the economic climate of uncertainties for the FYE 2019, the Group is committed to optimise usage of our cash over the next 12 months, in ensuring all our product development plans, digitalisation project and regional demonstration laboratory centres expansion outlined in our Prospectus are intact.

Cash & Cash Equivalents Trend (RM'million)



(iv) Shareholders' equity growth

Our shareholders' equity increased from RM46.5 million in FYE 2017 to RM87.8 million in FYE 2018. Gearing ratio improved significantly from 0.56 times in FYE 2017 to 0.18 times in FYE 2018. Current ratio had improved from 1.60 times in FYE 2017 to 2.23 times in FYE 2018. Once again, we want to emphasize the Group's cash and cash equivalents increased significantly to RM51.3 million in FYE 2018, compared to RM14.8 million a year ago indicating a stable and healthy financial position capable of withstanding any major downturn.



BUSINESS DEVELOPMENT

(i) Corporate Highlights

Since our listing, we are putting more resources to scale up our manufacturing activities. We have completed an upgraded model of post wire bond automatic inspection system, namely PWB2000V. This will be our flagship model in the post wire bond inspection series as it can be configured to meet most of our stringent customers' requirements. In addition, we have incorporated a new subsidiary, known as QES Vision Solutions Sdn. Bhd. ("QVS") based in Penang to focus on the development of automated vision inspection software solutions to support our manufacturing of automated equipment.

Our subsidiary, QES (Thailand) Co Ltd, opened a new laboratory showroom named QES THAILAND KNOWLEDGE CENTRE ("KNOWLEDGE CENTRE"). This is the Group's first full fledge laboratory outside of Malaysia and equipped with numerous types of test, measurement and analytical equipment. The KNOWLEDGE CENTRE serves to show our continuous investment into Thailand for the benefits of our customers and acts as a training centre to our employees as well.

The Group is also embarking on a digitalisation project to move the whole group to a digital operating platform. We have selected Oracle NetSuite as our digitalisation project partner. Upon such successful implementation, we will have a more efficient operations as information can be retrieved on a real time basis for us to make quick and informed decisions. With this investment, we aspire to meet our customers' requirements and expectations in terms of quality of services, speed and excellence.

(ii) People Development

QES has always been a people centric company. As cliché as it sounds, our employees are our most treasured assets. We see human capital as a vital engine to accelerate our pace in becoming a cutting-edge solutions provider for the market segments that we operate in. Hence, we will continuously focus our efforts on attracting capable fresh recruits as well as providing training to our employees. During the FYE 2018, we added 20 headcounts, representing an increase of 6% compared to FYE 2017.

LETTER TO SHAREHOLDERS

(iii) Product Development

We constantly keep up with new market trends to ensure that our Distribution Division brings in new products to the ASEAN market while at the same time strengthening our existing products' offerings through deeper and wider collaboration with our key suppliers. In expanding our presence in petrochemical and automotive market segments around ASEAN, we brought in Herzog and Huake to complement our existing range of products in this market segment.

Our Manufacturing Division will remain focused on developing products within our core competencies of automatic vision inspection and automated material handling equipment. We have completed the post wire bond (PWB series) inspection and wafer pack/unpack (WPS series) equipment. We are now putting in resources to complete the automatic post probing (PPI series) and post dicing (PDI series) inspection equipment series. We expect beta version of these series to be pushed out for evaluations towards the end of 2019.

(iv) Wider Global Market Presence

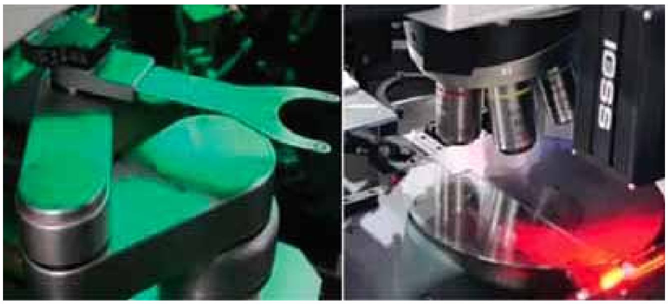
We came a long way from our humble beginning since 1991 to where we are today with significant presence within most of the ASEAN countries, via our foreign subsidiaries. For our own manufactured product lines, we market them through our own subsidiaries within the ASEAN region where QES is already a very well-established brand name. For other regions, we work with our distributors or sales channel partners. For example in Europe and Taiwan, we have achieved success during the past two years through our appointed distributors in distributing our own manufactured products. Our plans for 2019 are to explore new opportunities in other parts of the world particularly in China by seeking and appointing sales channel partners and increasing our market visibility through our participation in exhibition and trade shows such as SEMICON China. We are also working on getting new distributors to come on board to cover the Japan and Korea market.

Gross Profit
RM42.5 million

Profit Before Tax
RM18.6 million

MARKET OUTLOOK AND FUTURE PROSPECT

The semiconductor market segment had a good growth over the past 5 years but has shown a slowdown towards the end of 2018. Therefore, we expect in the first half of 2019, some of our customers in the semiconductor market segment will be pushing out deliveries or postponing capital expenditure. These are primarily due to uncertainties created by the US-China trade war issues. The diversity of other market segments that QES is strong in such as electrical & electronics and automotive will continue to give stability to our growth albeit at a slower pace for FYE 2019. As outlined earlier, we will continue to invest in developing new products and penetrate new market segments such as petrochemical, academic and aerospace.



ACKNOWLEDGEMENTS

On behalf of the Board of Directors, we would like express our utmost and sincere appreciation and gratitude to our shareholders for your unwavering support and confidence in QES. Our warmest gratitude is also extended to the management and employees, for their dedicated work and commitment in delivering good results. Last but not least, we would like to express our sincere gratitude to all our customers, suppliers, business associates, vendors, bankers and regulatory authorities for their continuous support and trust in QES.

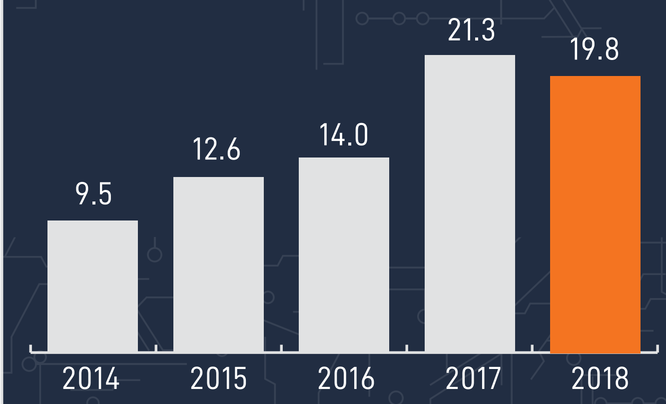
Rest assured, we will continue to work together and forge ahead to achieve unprecedented growth and success for QES.

Adnan Bin Zainol
Independent Non-Executive Chairman

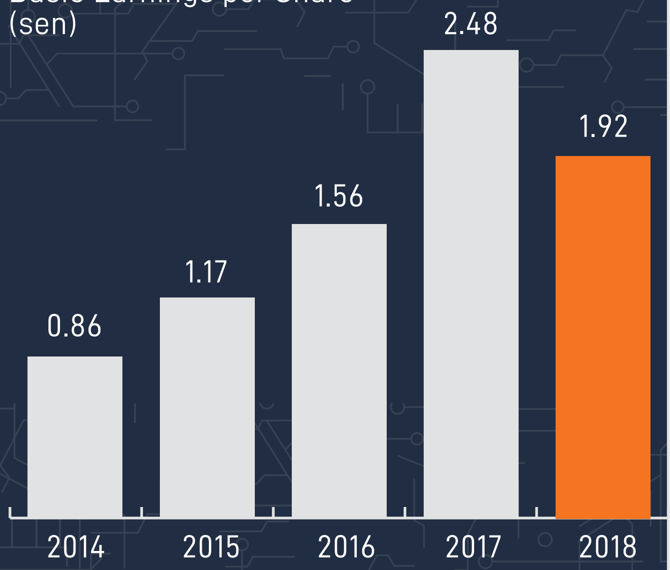
Chew Ne Weng
Managing Director/President

GROUP FINANCIAL HIGHLIGHTS

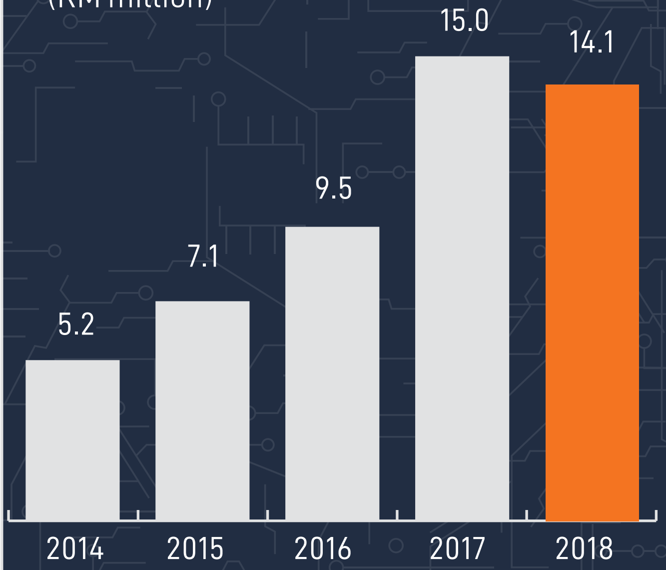
Earnings before Interest, Taxes, Depreciation and Amortisation (RM'million)



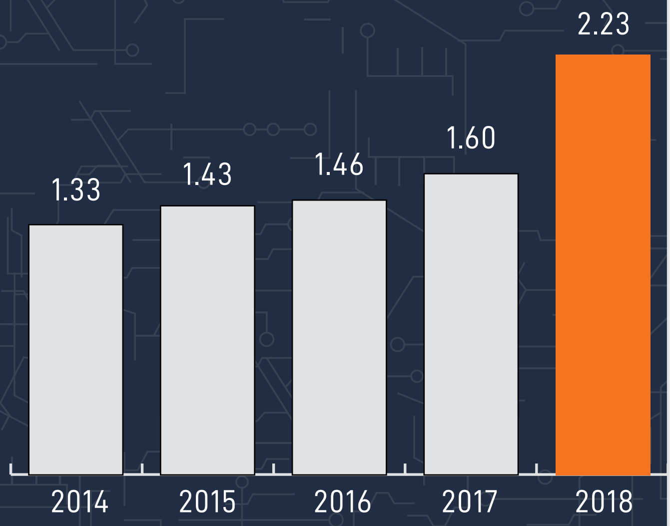
Basic Earnings per Share (sen)



Profit attributable to Owners of the Company (RM'million)



Current Ratio (times)



MANAGEMENT **DISCUSSION AND ANALYSIS**

FINANCIAL PERFORMANCE REVIEW

Revenue and gross profit

The Group recorded a higher revenue of RM193.1 million in FYE 2018, representing an increase of RM2.2 million or 1.2% as compared to FYE 2017. This growth in revenue was primarily driven by the increased sales of fully automated vision inspection machines. The decline of revenue from the Distribution Division was affected by a drop in the supply of spare parts, materials, and services whilst product revenue maintained a steady growth.

Despite the increase in total revenue in FYE 2018, the Group recorded a lower gross profit ("GP") of RM42.5 million, a 6.4% drop over last year's RM45.4 million on account of the following:

- Distribution Division revenue has a product mix variance which consists of high sales volume but with lower margin; and
- Manufacturing Division launched and sold the new Advanced Wafer Measurement System (MPS2000 series) which incurred significantly higher initial assembly and support costs.

Geographically, Malaysia maintains as the biggest revenue contributing country, at approximately 29.1% of our total revenue in FYE 2018. 59.8% of our revenue is derived from other ASEAN countries, and the remaining 11.1% is contributed by other countries. This well-balanced geographical composition shows the Group's diversity and strength of our core businesses in which there are no heavy reliance on a single country to drive the continuous growth of the Group.

Operating expenses

Administrative expenses decreased to RM16.0 million in FYE 2018 from RM16.7 million in FYE 2017 due to lower listing expenses incurred after our successful listing on 8 March 2018.

Marketing and distribution cost rose to RM7.0 million from RM6.6 million, in line with the growth of our revenue.

Other operating expenses decreased slightly at 1.5% over our revenue in FYE 2018 compared to 1.9% in FYE 2017 in the absence of loss on foreign exchange. Our finance costs reduced to RM0.9 million from RM1.1 million mainly attributable to the reduction in term loan interest as all term loans were fully settled in FYE 2018.

Profit before tax

Our profit before tax ("PBT") reduced by 7.5% to RM18.6 million in FYE 2018 from RM20.1 million in FYE 2017 in line with lower gross profit. Profit after tax further declined 9.2% to RM14.8 million in FYE 2018 from RM16.3 million in FYE 2017 in line with lower PBT.

The Group's effective tax rate was recorded at 20.3% in FYE 2018, compared to 18.9% in FYE 2017. The higher effective tax rate was mainly due to zero utilisation of deferred tax asset previously not recognised for the financial year. Nevertheless, it is lower than the statutory income tax rate of 24.0% as a result from adjustments on certain non-taxable income.

FINANCIAL POSITIONS REVIEW

Non-current assets

The Group's total non-current assets increased by RM4.6 million, mainly due to the purchase of demonstration equipment of RM4.2 million, motor vehicles of RM1.1 million and other office equipment, furniture and fittings of RM1.3 million as well as an increase in intangible assets of RM1.2 million. This was partially offset by the disposal of old demonstration equipment and motor vehicles by RM1.3 million and RM0.7 million respectively and a total depreciation of RM2.2 million charged during FYE 2018.

Current assets

Total current assets FYE 2018 was RM136.2 million, an increase by RM35.3 million mainly attributable to the additional short-term investments of RM27.2 million, a form of highly liquid money market instruments, and an increase in trade receivables of RM11.8 million as a result from the increase in revenue for FYE 2018. The increase in current assets was partially offset by the decrease in inventories of RM1.4 million due to more deliveries being made as at end of FYE 2018 and the decrease in fixed deposits with financial institutions of RM1.8 million.

Current and non-current liabilities

The Group's non-current liabilities increased by RM0.3 million in FYE 2018, mainly due to the increase in non-current borrowings as a result of additional hire purchase arrangement. However, our current liabilities decreased by RM1.9 million in FYE 2018. It is mainly attributable to the decrease in borrowings of RM11.0 million as a result of lower bank overdrafts and revolving loan in addition to the settlements for all term loans done in FYE 2018. The decrease in other payables of RM2.3 million resulted from lesser deposit received from customer and provision created. This was mitigated by the increase in trade payables by RM9.7 million and deferred income of RM1.8 million, an impact from the adoption of MFRS 15 Revenue from Contracts with Customers, which is in effect for the Group's FYE 2018.

Gearing ratios

Our gearing ratio improved significantly from 0.56 times in FYE 2017 to 0.18 times in FYE 2018 as a result of the reduced in total borrowings as well as growing profitability during the financial year under review.

LIQUIDITY AND CAPITAL RESERVES

The net cash inflow of the Group for FYE 2018 was RM36.5 million. This can be accounted by:

a) Cash inflow of RM11.4 million from operating activities;
b) Cash inflow of RM29.3 million from investing activities; and
c) Cash outflow of RM4.2 million for financing activities.

Cash inflow of RM11.4 million was mainly attributable to operating profit generated from increased in sales during the year.

Cash inflow of RM29.3 million from investing activities was mainly attributable to the issuance of share capital of RM28.6 million, withdrawal of pledged fixed deposits of RM4.0 million, proceeds from disposal of demonstration equipment and motor vehicles worth RM2.3 million and interest on income received worth RM1.2 million. It was partially offset by the outflows from the acquisition of property, plant and equipment of RM5.6 million and increase in intangible assets of RM1.2 million.

The repayment of term loans of RM2.5 million and finance lease liabilities of RM0.6 million and the decrease in trade facilities of RM0.7 million were the main reasons for the cash outflow of RM4.2 million for financing activities.

As at 31 December 2018, the Group's cash and cash equivalents stood at RM51.3 million.

Operational and Financial Risks

Operational Risks

The semiconductor growth moderated towards the end of 2018. Despite the economic slowdown due to market uncertainties from the US-China trade war, Brexit and other geopolitical events, the Group continued to achieve profitability as a result of its successful execution of its revised business strategies. The Group's diversity in other market segments such as electrical & electronics and automotive industries continued to provide a stability to the Group's growth.

The Group is actively and continuously pursuing new product and technology innovations to address the increasingly sophisticated needs of our customers. Our regular participation in local and overseas exhibitions provide the opportunities for the Group to understand the latest market requirements and keep abreast of the current technological changes.

The Group will continue to strengthen its market position and expand its customer base by penetrating new market segments.

Financial Risks

Foreign exchange risk

The Group is exposed to fluctuations in foreign exchanges rates as a major part of our sales and purchases are transacted in foreign currencies. Our accounts, purchasing and sales departments will coordinate our foreign currency sales and purchases to be in the same currency as much as possible to minimize our foreign currency exposure as a form of natural hedging. Should our exposure become substantial, the Group would consider hedging our position. However, there would remain risks arising from foreign exchange and any adverse fluctuations in the foreign exchange rates may have an adverse impact on the Group's revenue and earnings.

Dividend

The Board do not recommend or paid any dividend in respect for the FYE 2018.

QES®

SUSTAINABILITY **STATEMENT**

This is the Group's first Sustainability Statement which covers the period from 1 January to 31 December 2018 and the reporting boundary for the time being is mainly focused on the Malaysia operations. The Group strives to poise commercial focus with sustainability factors hence we believe in striking a balance between achieving operational profitability whilst simultaneously focusing on the economic, environment and social ("EES") criteria as essential elements in enabling the Group to success now as well as into the future.

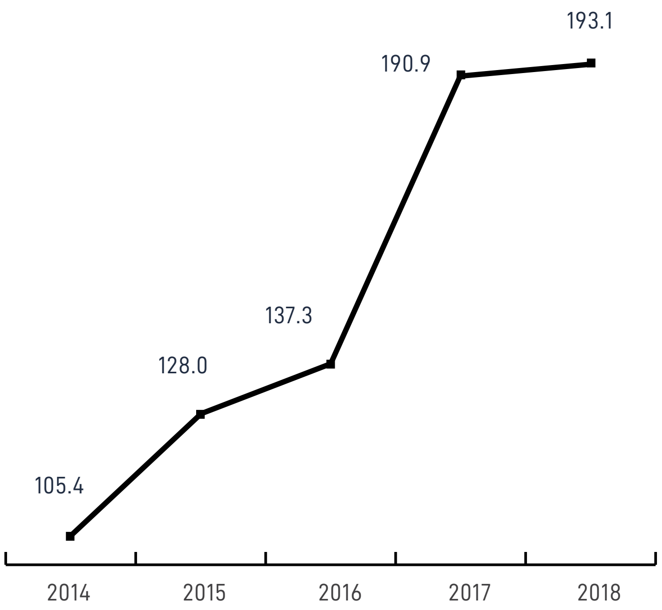
On 26 November 2018, the Board approved the establishment of a Sustainability Steering Committee ("SSC") as the Group's first step towards achieving our sustainable goals. The SSC is chaired by our Managing Director/President, Mr. Chew Ne Weng, who will sought advise and introduce operating practices that enhance the competitiveness of the Group to be approved by the Board.

Economic Values

Constant Innovation

In today's competitive world, we are subjected to rapid technological changes and new product developments. The Group addresses this by actively and continuously pursuing new products and technology innovations to add into our product portfolio thereby enabling us to cater to the sophisticated needs of our customers. The Group has a proven 27 years track-record encountering different economic situations and still maintaining a sustainable growth especially within the previous five years.

Revenue (RM'million)



Effective Engagement With Stakeholders

The Group is committed to ensure that the interests of all its important stakeholders such as shareholders, employees, customers, suppliers, bankers and authorities are communicated with and considered.

The Group maintains an online platform through its website which provides current information on the Group including any announcements, quarterly financial results, updates on the Group's performance and developments with the objective of providing timely information to foster and maintain good relations with various stakeholders of the Group. The Group recognises the importance of practicing good corporate governance, accountability and transparency as set out in the Malaysian Code on Corporate Governance and are committed to ensure such high standards of good corporate governance are practiced within the Group to enhance shareholders' value.

Digitalisation

The Group is also in the process of digitalisation by adopting a new ERP system which will be implemented by 2019. This step will enable our entire systems and processes to be digitalised so that information or data, concerning the Group will be captured on one platform to guide all our actions and decisions. Our ultimate objective is to create optimum operational efficiencies while enhancing the customer experience – by 'customer' here we do not mean only our clients, but also our employees. This implementation will also allow us to track our installed base machines more swiftly and thereby allowing us to be detect and attend to our customers' service calls quicker. We believe this will also assist in generating our recurring service income. Although the initialization of this project has begun in earnest towards the end of 2018, it will take time to complete given the extent of what we hope to achieve as we are also committed to streamline a majority of our business transactions and communications towards a paperless office to further build awareness on a green environment.

Environment Footprint

Waste Management

The Group recognises the effect of our day-to-day business on the environment. As such, the Group is committed in promoting environmentally friendly work processes while promoting awareness among our employees and business partners. The Group plans on introducing proper disposal methods of electronic waste by collecting unusable computers, printers, scanners and mobile phones throughout the Group and recycling them through proper means in FYE 2019 to minimize the environmental and health risks caused by improper disposals of these waste.

Green Products

In promoting a green environment, the Group is heavily invested in extending the green initiatives by providing various types of analytical instruments that could help provide a quick screening of hazardous substances for highly sensitive trace elements such as heavy metals in water, soil, sludge and waste using the Fluorescent X-ray Analysers and ICP Optical Emission Spectrophotometers. Bringing in these products to the ASEAN market helps us to support our customers to comply with environmental directives such as Restriction of Hazardous Substances ("RoHS") and End of Life Vehicles Directive. The aim of RoHS 3 is to restrict the use of specific hazardous substances which are commonly found in electrical and electronic equipment that has been identified to present a risk to the human health and the environment.

With the updated RoHS 3 ruling guidelines coming into effect by July 2019, the Group launched a new series of analytical instruments such as HM1000 from Hitachi High-Technologies Corporation to assist our customers in screening out those hazardous elements.

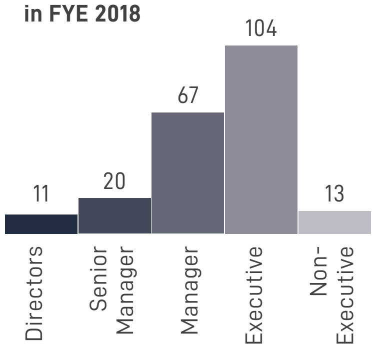
Social Factors

Talent Training & Development Program

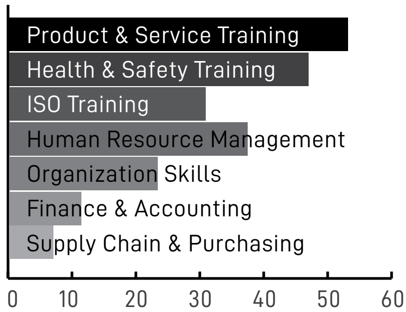
As we grow, we acknowledge that our employees grow with us, hence our training needs are constantly changing to help our employees acquire the skills which are relevant to excel in their position. This is especially true in our industry where the technology requirements are ever changing and we are required to stay on the forefront to serve the needs of our customers.

In FYE 2018, the Group conducted 215 training both internally and externally for all levels of staff.

Number of Trainings Conducted in FYE 2018



Types of Trainings Conducted in FYE 2018



Staff Welfare

The Group aims to provide a pleasant and healthy work environment to enhance our employees' quality of life. We are committed in providing a healthier work-life balance and to encourage our employees to mingle and stay healthy through organizing events for their benefits such as health talks, health checks, annual medical check-up, weekly badminton sessions, futsal sessions, movie nights, monthly birthday celebrations and festive lunches.

Health & Safety

The Group also emphasizes on our employee's health and safety well-being by providing and maintaining a safe and healthy work environment through our in-house Health & Safety committee which does monthly safety checks and maintenance to ensure the Group is in a position to handle any emergency. The committee also organises in-house health and safety talks for all employees.

GROUP
HIGHLIGHTS OF 2018

Launch of Prospectus
Date: 8th February 2018
Venue: Sheraton Hotel, Petaling Jaya, Malaysia




QES Annual Dinner 2018
Date: 9th February 2018
Venue: Sheraton Hotel, Petaling Jaya, Malaysia

CNY Lion Dance 2018
Date: 23rd February 2018
Venue: QES Corporate HQ, Shah Alam, Malaysia

Initial Listing on ACE Market
Date: 8th March 2018
Venue: Bursa Malaysia, Kuala Lumpur, Malaysia


SEMICON China 2018
Date: 14th - 16th March 2018
Venue: Shanghai New International Expo Centre, Shanghai, China

GROUP HIGHLIGHTS OF 2018

Let's Play Carnival
Date: 12th May 2018
Venue: Dewan Serbaguna, Jalan 51A/227, Seksyen 51A, 46100 Petaling Jaya , Malaysia

SEMICON SEA 2018
Date: 22nd - 24th May 2018
Venue: MITEC, Kuala Lumpur, Malaysia

MetalTech 2018
Date: 23rd – 26th May 2018
Venue: PWTC, Kuala Lumpur, Malaysia

Protect Your Eyes 2018
Date: 28th May 2018
Venue: QES Corporate HQ, Shah Alam, Malaysia

QES Technology Philippines Team-Building 2018
Date: 21st – 23rd June 2018
Venue: Vista Venice Highland Resort, Bataan, Philippines

Fire Prevention Awareness Program 2018
Date: 9th July 2018
Venue: QES Corporate HQ, Shah Alam, Malaysia

GROUP
HIGHLIGHTS OF 2018

SEMICON West 2018
Date: 10th – 12th July 2018
Venue: Moscone Center, San Francisco, California, United States of America

Blood Donation Drive 2018
Date: 7th August 2018
Venue: QES Corporate HQ, Shah Alam, Malaysia

SEMICON Taiwan 2018
Date: 5th – 7th September 2018
Venue: Taipei Nangang Exhibition Center Hall, Taipei, Taiwan

Orchid Run & Ride 2018
Date: 23rd September 2018
Venue: Plaza Persiaran KLCC, Kuala Lumpur, Malaysia

Bangkok Knowledge Centre Opening Ceremony 2018
Date: 18th September 2018
Venue: QES (Thailand) Co., Ltd, Bangkok, Thailand

MTA Hanoi 2018
Date: 16th - 18th October 2018
Venue: I.C.E, Hanoi, Vietnam

HR, SCM, IT & XRI Company Trip
Date: 4th – 7th November 2018
Venue: Halong Bay, Vietnam

MINDTCE 2018
Date: 12th & 13th November 2018
Venue: Sunway Pyramid Convention Centre, Selangor, Malaysia

Awareness & Prevention of Stroke 2018
Date: 12th November 2018
Venue: QES Corporate HQ, Shah Alam, Malaysia

Metalex Thailand 2018
Date: 21st – 24th November 2018
Venue: BITEC, Bangkok, Thailand

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of QES Group Berhad acknowledges the importance of the principles and recommendations as set out in the Malaysian Code on Corporate Governance ("MCCG"). This Corporate Governance ("CG") Overview Statement serves to provide shareholders and stakeholders with an understanding of the Group's commitment to CG and how the Group's practices support its ability to create long-term value for shareholders and stakeholders.

This statement is prepared in compliance with Bursa Malaysia Securities Berhad's ACE Market Listing Requirement ("AMLR") and it is to be read together with the CG Report 2018 which is available on the Group's corporate website at www.qesnet.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

SECTION I: BOARD RESPONSIBILITIES

STRATEGIC AIMS, VALUES AND STANDARDS

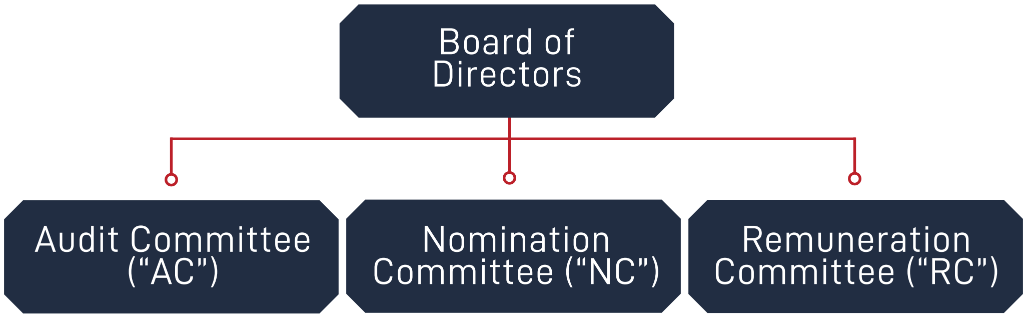
The Board is responsible for leading the Group to ensure that the interests of shareholders and stakeholders are protected by setting out the Group's values and standards.

The Board sets out the strategic directions and objectives, formulating the policies and executing the key strategic action plans of the Group. The Board regularly reviews the Group's business operations, management's performance and also ensure the necessary resources are in place.

In the Group, both the Board and the management work cohesively to successfully formulate and implement the Group's business strategy. The Group's setting and review strategy is an integral part of matters reserved for the Board.

The Board will scrutinise the sustainability, effectiveness and implementation of the strategic plans for the financial year under review and provide guidance and input to the management.

In order to ensure orderly and effective discharge of the above functions and responsibilities, the Board has also delegated certain responsibilities to the following Board Committees.



The delegation of authority for Board Committees are stipulated in their respective Terms of Reference ("TOR(s)"). The TORs are reviewed periodically to ensure effective and efficient decision making in the Group.

The Board Committees also act as a reviewing committee, evaluating and recommending matters under their purview for the Board to consider and approve. The Board receives reports at its meetings from the Chairman of each Committee on current activities and it is the general policy of the Group that all major decisions shall be considered by the Board as a whole.

THE CHAIRMAN

Encik Adnan Bin Zainol was appointed as the Independent Non-Executive Chairman of the Group. Encik Adnan acts as a facilitator to the Board in ensuring the smooth functioning of the Board in the interest of good CG practice.

Encik Adnan ensures that there is frequent interface between the Board and the management and ensures that his key responsibilities as set out in the Board Charter are adhered to.

CHAIRMAN AND THE MANAGING DIRECTOR

The positions of the Chairman and the Managing Director of the Group are held by different individuals with clear and distinct roles which are formally documented in the Board Charter.

QUALIFIED AND COMPETENT COMPANY SECRETARY

The Board had appointed a qualified secretary who is a member of the Malaysian Institute of Accountants and is qualified to act as Company Secretary under Section 235(2) of the Companies Act, 2016. The Company Secretary is responsible to, amongst other, to provide sound governance advice, adherence to the laws and regulations, as well as directives issued by the regulatory authorities.

ACCESS TO INFORMATION AND ADVICE

The Board is provided with appropriate information and comprehensive Board papers on a timely manner prior to the Board meetings to enable the Directors to discharge their duties and responsibilities competently and in a well-informed manner. The Key Management are also invited to attend the Board and Board Committees meetings, to brief and provide explanations to the Board on the operations of the Group.

BOARD MEETINGS

The Board intends to meet at least 5 times a year, with additional meetings convened where necessary. Minutes of Board meetings are duly recorded by the Company Secretary. During the FYE 2018, a total of 7 Board meetings were held.

To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated in advance of every year. The calendar provides Directors with the schedule of all Board and Board Committees meetings, as well as closed periods for dealing in securities by Directors and Principal Officer based on the targeted dates of announcement of the Group's quarterly results.

The Directors' commitment in carrying out their duties and responsibilities are affirmed by their attendance at the Board and Board Committee Meetings held during the FYE 2018, as reflected below: -

	Attendance At Meetings of (Attended/Held)			
Name of Director	**Board**	**AC**	**NC**	**RC**
Adnan Bin Zainol	7/7	6/6	4/4	4/4
Chew Ne Weng	7/7	6/6	-	-
Liew Soo Keang	7/7	6/6	-	-
Chia Gek Liang	7/7	6/6	4/4	4/4
Hoh Chee Mun	7/7	6/6	4/4	4/4

The Board is satisfied with the time commitment given by the Directors.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

BOARD CHARTER

The Board implemented its Board Charter on 11 October 2017. It sets out the roles, functions, composition, operation and processes of the Board and is to ensure all Board members acting on behalf of the Group are aware on their duties and responsibilities.

The Board will periodically review and update its Board Charter in accordance with the needs of the Group and to comply with new regulations that may have an impact on the discharge of the Board's responsibilities.

The Board Charter is available on the Group's corporate website at www.qesnet.com.

CODE OF CONDUCT AND ETHICS

The Board had established a Code of Conduct and Ethics for the Group on 20 March 2018, and together with the management, implemented its policies and procedures which governs, amongst others dealings with customers and suppliers, managing conflicts of interest, maintaining confidential information, accepting gifts, loans and entertainment, accepting directorship outside the Group, complying with laws and regulations, ensuring a healthy and safe environment, protection and use of the Group's asset, insider information and securities trading and sexual harassment.

The Code of Conduct and Ethics is periodically reviewed and is available on the Group's corporate website at www.qesnet.com.

WHISTLEBLOWING POLICY

The Board had established, reviewed and implemented the policies and procedures on whistleblowing for the Group on 20 March 2018. The Group's whistleblowing policies and procedures provide an avenue for all employees of the Group and members of the public to raise concerns or disclose any improper conduct within the Group and to take appropriate action to resolve them effectively.

The Whistleblowing Policy are periodically reviewed and is available on the Group's corporate website at www.qesnet.com.

SECTION 2: BOARD COMPOSITION

COMPOSITION OF THE BOARD

The Board has 5 members comprising 2 Executive Directors and 3 Independent Non-Executive Directors. The composition not only fulfils the requirements as set out under the AMLR of Bursa Securities which stipulates that at least 2 Directors or 1/3 of the Board, whichever is higher, must be independent and this composition also fulfils the MCCG Practice 4.1 which requires at least half of the Board to be Independent Directors.

The Group practices a division of responsibility between the Executive and Non-Executive Directors. The Executive Directors are responsible for the overall management of the Group, to oversee operations, and to coordinate the development, implementation of business and corporate strategies.

The presence of the Independent Non-Executive Directors assures an element of balance to the Board as they provide an independent view, advice and judgment to ensure that the interests of minority shareholders and the general public are given due consideration in the decision-making progress.

The Board is committed in ensuring that its composition not only reflects the diversity as recommended by the MCCG, as best as it can, but also has the right mix of skills and balance to contribute to the achievement of the Group's goals and missions.

For this purpose, a Board Matrix has been developed and used as reference for the Board's succession planning. Presently, the members of the Board includes professionals from diverse ethnicity and age, bringing with them depth, diversity of expertise, a wide range of experience and perspective in discharging their responsibilities by adding positive values to the Group. The profile of each Director is presented in pages 5 to 7 of this Annual Report 2018.

On 25 February 2019, the Board through the NC had conducted an assessment and review of the independence of the Independent Non-Executive Directors which were prepared in accordance with the definition of Independent Director under Rule 1.01 of the AMLR. The Board is satisfied that they are independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgement or the ability to act in the best interests of the Group.

GENDER DIVERSITY POLICY

The Board takes note of the gender diversity recommendations under the MCCG and will continue to prioritise women candidates in future recruitment exercise.

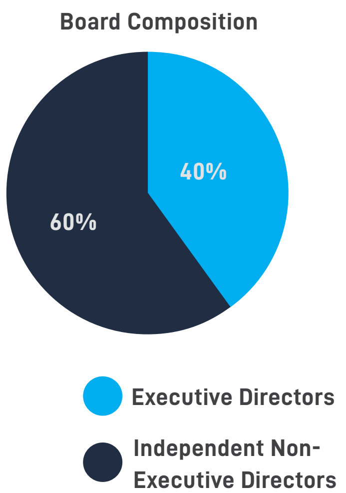
During the year, the NC had assessed and evaluated a number of women candidates, but no suitable candidate has been identified yet.

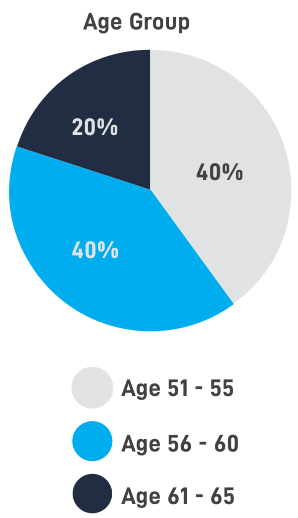
The NC will continue to recommend appointments to the Board based on diversity measured against meritocracy and other objective criteria such as skills and experience the individual offers.

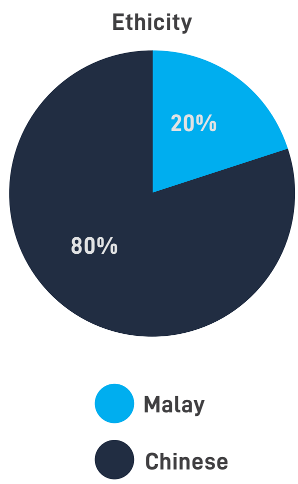
TENURE OF INDEPENDENT DIRECTOR

Currently, none of our Independent Non-Executive Directors had served the Group for a cumulative term of 9 years. The Group similarly did not adopt a policy which limits the tenure of our Independent Non-Executive Directors to a maximum of 9 years. Notwithstanding the recommendation of MCCG, the Board is presently of the view that there is no necessity to fix a maximum tenure limit for directors as there are significant advantages to be gained from long service directors who possess in-depth insights to the Group's business and affairs. The ability of a Director to serve effectively as an Independent Non-Executive Director is very much dependent on his integrity and objectivity, and has no direct connection to his tenure as an Independent Non-Executive Director.

Board Composition Summary as at 31 December 2018 are set out as below :-







NOMINATION COMMITTEE

The NC was established on 11 October 2017. The primary objective of the NC is to ensure that the Board is comprised of individuals with an optimal mix of qualifications, skills and experience.

Meetings of the NC are held as and when necessary, and at least once a year.

The present composition of the NC consists of 3 members of the Board, all of whom are Independent Non- Executive Directors.

The Terms of Reference of the NC is available at the Group's corporate website at www.qesnet.com.

The NC's key responsibilities are: -

(a) Appointment of New Director

The chart below shows the procedures on appointment of new Director

Identify Candidate → Conduct Assessment and Evaluation by NC → Recommendation by NC to the Board → Approval by the Board

The appointment of new Director to the Board is based on the recommendations of the NC.

The NC, in making a recommendation to the Board on the candidate as a new Board appointment, shall have regards to:

(i) Size, composition, diversity (including gender diversity) and other qualities of the existing Board, level of commitment, resources and time that the recommended candidate can contribute to the existing Board and the Group;

(ii) The candidate's skills, knowledge, expertise and experience, professionalism, integrity and, in the case of a candidate for the position of Independent Non-Executive Director, the independence criteria as set out in Rule 1.01 of the AMLR; and

(iii) The appropriate number of Independent Non-Executive Directors to fulfil the requirements under AMLR which requires at least 2 or 1/3 of the membership of the Board must be Independent Directors.

The final decision as to who shall be appointed as Director remains the responsibility of the full Board after considering the recommendation of the NC.

(b) Board Evaluation

The evaluation of the effectiveness of the Board, Board Committees as well as individual Directors including Independent Non-Executive Directors was conducted in-house under the purview of the NC and facilitated by the Company Secretary.

The evaluation criteria for the Board, Board Committees and individual Directors are primarily anchored on regulatory requirements and emerging best practices of MCCG as the method of evaluation.

The NC assesses the effectiveness of the Board and the Board Committees, as well as performance of the individual Directors on an annual basis. In addition to these annual assessments, the NC actively identifies the gaps in the Board composition as well as identify and select new members to the Board.

(c) Re-election of Directors

Director's re-election provides an opportunity for shareholders to renew their mandate conferred to the Directors.

The NC is responsible for making recommendation to the Board for the re-election of Directors who retire by rotation. Their recommendations are based on formal reviews on the performance of Directors, taking into consideration the Board competency matrix.

Further, Article 92 of the Articles of Association of the Company provides that all Directors shall retire by rotation once in every 3 years or at least 1/3 of the Board shall retire from office and be eligible to offer themselves for re-election at the Annual General Meeting.

Any Director appointed during the year is required under the Company's Articles to retire and seek re-election by shareholders at the following Annual General Meeting immediately after his appointment.

DIRECTORS TRAINING

The training programmes attended by the Directors during the FYE 2018 are as follows:

Name	Number of hours/days	Mode of Training	Title	Organiser	Date
Chew Ne Weng	one day	Training	MCCG and Bursa's Listing Requirements: Application, Disclosure and Reporting Expectations for Principle A (Board Leadership & Effectiveness)	SIDC	13 Feb 2018
Chew Ne Weng	one day	Training	Strategic Risk Management For Directors and Senior Management	Smart Focus	8 May 2018
Chew Ne Weng	half day	Training	Advocacy Programme On CG Assessment Using The Revised Asean CG Scorecard Methodology	Bursa	29 Aug 2018
Chew Ne Weng	one day	Training	Sustainability Engagement Series for Directors/CEO	PWC	6 Sep 2018
Liew Soo Keang	one day	Training	MCCG and Bursa's Listing Requirements: Application, Disclosure and Reporting Expectations for Principle A (Board Leadership & Effectiveness)	SIDC	13 Feb 2018
Liew Soo Keang	one day	Training	Strategic Risk Management For Directors and Senior Management	Smart Focus	8 May 2018
Liew Soo Keang	half day	Training	Advocacy Programme On CG Assessment Using The Revised Asean CG Scorecard Methodology	Bursa	29 Aug 2018
Liew Soo Keang	one day	Training	Employee Retention Planning Strategies	Crowe	4 Sep 2018
Liew Soo Keang	one day	Training	Sustainability Engagement Series for Directors/CEO	PWC	6 Sep 2018
Adnan Bin Zainol	one day	Training	International Professional Practices Framework for Audit Committee	The Institute of Internal Auditors Malaysia	28 Aug 2018
Hoh Chee Mun	one day	Training	Chapter 10 Series: Computation of Percentage Ratios	CKM	21 Jun 2018

NC'S ACTIVITIES DURING THE FYE 31 DECEMBER 2018

Below is a summary of the activities undertaken by the NC for the FYE 2018: -

(a) Assessed the overall Board and the Board Committees' performance and effectiveness as a whole;
(b) Reviewed and assessed the independence of Independent Directors and their tenure of service;
(c) Reviewed and assessed the term of office and performance of the AC and each of its members;
(d) Reviewed the succession plan for the Board members;
(e) Reviewed and assessed the performance, and made recommendations to the Board for its approval, regarding the Directors who are seeking for re-election at the upcoming AGM; and
(f) Assessed Directors' training to ensure all Directors receive appropriate continuous training programmes.

SECTION 3: REMUNERATION

REMUNERATION POLICY

The Board has in place policies and procedures to ensure the remuneration of the Directors reflect their responsibilities and commitment undertaken by them and also to attract and retain right talent in the Board.

REMUNERATION COMMITTEE

The RC was established on 11 October 2017.

The primary objective of the RC is to establish a documented, formal and transparent procedure for assessing and reviewing the remuneration packages of Executive Directors and Non-Executive Directors in order to ensure the remuneration of the Directors reflect their responsibility and commitment undertaken by them and also to attract and retain right talent in the Board to drive the Group's long term objectives.

The present composition of the RC consists of 3 members of the Board, all of whom are Independent Non-Executive Directors.

The TOR of Reference of the RC is available at the Group's corporate website at www.qesnet.com.

DETAILS OF DIRECTORS REMUNERATION

The details of the total remuneration of the Directors, in aggregate with categorisation into appropriate components for FYE 2018 are set out as follows:

Directors	# Fees (RM)	Salaries & *Other emoluments (RM)	Benefits-in-kind (RM)	Total (RM)
The Company				
Executive Directors				
Chew Ne Weng	-	-	-	-
Liew Soo Keang	-	-	-	-
Non-Executive Directors				
Adnan Bin Zainol	48,000	-	-	48,000
Chia Gek Liang	48,000	-	-	48,000
Hoh Chee Mun	48,000	-	-	48,000

Directors	# Fees (RM)	Salaries & *Other emoluments (RM)	Benefits-in-kind (RM)	Total (RM)
The Group				
Executive Directors				
Chew Ne Weng	107,578	945,674	35,200	1,088,452
Liew Soo Keang	83,446	859,761	35,200	978,407
Non-Executive Directors				
Adnan Bin Zainol	48,000	-	-	48,000
Chia Gek Liang	48,000	-	-	48,000
Hoh Chee Mun	48,000	-	-	48,000

The Director's fees and benefits are subject to the approval by the shareholders of the Group at the forthcoming Annual General Meeting
* Other emoluments include bonuses and the Group's contributions to the Employees Provident Fund, Social Security and Employment Insurance System contributions.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

SECTION 1: AUDIT COMMITTEE

The AC comprises of 3 Independent Non-Executive Directors. The AC is chaired by an Independent Non-Executive Director, Mr. Hoh Chee Mun. The TOR of the AC is available at the Group's corporate website at www.qesnet.com.

The AC is comprised of members who are financially literate and possess the appropriate level of expertise and experience.

EXTERNAL AUDITORS

Moore Stephens Associates PLT was appointed as the Group's External Auditors for the FYE 2018 to provide relevant and transparent reports to the shareholders. The AC met once during the FYE 2018 with the External Auditors without the presence of the Executive Directors and management to discuss any key area or issues that require the attention of the AC. The External Auditors confirms that they are and have been independent throughout the conduct of audit engagement in accordance with the terms of all relevant professional and regulatory requirements. An annual assessment on the External Auditors was conducted in February 2019, the AC was satisfied with the performance of the External Auditors and had made recommendation to the Board for the External Auditors re-appointment for FYE 2019.

INTERNAL AUDITOR

Smart Focus Sdn. Bhd. is in-charge of the internal audit function and assists the AC in reviewing, evaluating and monitoring the effectiveness of the Group's governance, risk management and internal control process. AC met once during the FYE 2018 with the Internal Auditor without the presence of the Executive Directors and management to deliberate any key area or issues that requires the attention of the AC. An annual assessment on the performance of the Internal Auditor was also conducted by the AC in February 2019. Based on the annual evaluation conducted, the AC was satisfied with the performance of the Internal Auditor for the FYE 2018.

SECTION 2: RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board recognises its overall responsibility for the Group's systems of internal control and for reviewing the adequacy and integrity of those systems. In view of the limitations that are inherent in any systems of internal control, the systems of internal control are designed to manage risks within tolerable levels rather than eliminate the risk of failure to achieve business objectives. Hence, such system by its nature can only provide reasonable but not absolute assurance against material misstatement, error or losses.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced, or potentially exposed to, by the Group in pursuing its business objectives. This process has been in place throughout the financial year and up to the date of approval of the Annual Report 2018. The adequacy and effectiveness of this process have been continually reviewed by the Board.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

The Statement on Risk Management and Internal Control as set out in the Annual Report 2018 provides an overview on the state of risk management and internal controls within the Group.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

SECTION 1: COMMUNICATION WITH STAKEHOLDERS

The Board recognises the importance of maintaining transparency and accountability to its shareholders and to disseminate information on the Group's performance and any significant development on a timely manner.

The Board views the Annual General Meeting as the primary forum to communicate with shareholders while the Extraordinary General Meetings are held as and when required. The Group's corporate website, www.qesnet.com incorporates an Investor Relations section which provides all relevant information about the Group and is accessible by both the shareholders and the public.

SECTION 2: CONDUCT OF GENERAL MEETING

Shareholders will receive annual reports and notices of Annual General Meeting, which are sent out at least 28 calendar days before the date of the Annual General Meeting. In addition, the Notice of Annual General Meeting or Extraordinary General Meeting will be advertised in the newspaper. The Board encourages shareholders to attend the forthcoming 5th Annual General Meeting and undertakes to answer all questions raised by the shareholders.

The proceedings of the Annual General Meeting includes a question and answer session in which the Chairman of the Annual General Meeting would invite shareholders to raise questions on the Group's Financial Statements and other items for adoption at the AGM, before putting a resolution to vote. The Chairman of the Annual General Meeting will ensure that sufficient opportunities are given for shareholders to raise issues relating to the affairs of the Group and that adequate responses are provided.

The results of all the resolutions set out in the Notice of Annual General Meeting will be announced on the same day via Bursa LINK, which is accessible on Bursa Securities' and the Group's corporate website at www.qesnet.com. The Board ensures that full information of the Directors who are retiring at the Annual General Meeting and willing to serve if re-elected are disclosed in the Annual Report 2018.

An explanatory note facilitating full understanding and evaluation of issues involved in the proposed resolutions accompanying each item of Special Business is included in the Notice of Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Group are responsible for the preparation of the Group and of the Company's financial statements to ensure a true and fair view is presented in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for the internal control as the Directors deem necessary, to determine the preparation of financial statements of the Group and of the Company are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

COMPLIANCE STATEMENT

The Board has deliberated, reviewed and approved this Corporate Governance Overview Statement. The Board considered that the Corporate Governance Overview Statement provides the information necessary to enable shareholders of the Group to evaluate how the principles and best practices as set out in the MCCG have been complied with since the Group's listing on 8 March 2018. The Board shall remain committed to attaining the highest possible standards through the continuous adoption of the principles and best practices of the MCCG and all other applicable laws and regulations.

This Corporate Governance Overview Statement was approved by the Board of Directors of QES on 11 April 2019.

ADDITIONAL COMPLIANCE INFORMATION

OTHER INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD - ACE MARKET LISTING REQUIREMENTS

UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

In conjunction with its listing on the ACE Market of Bursa Malaysia Securities Berhad, the Company issued its prospectus on the 8 February 2018 and undertook a public issue of 151,661,000 new ordinary shares at an issue price of RM0.19 per ordinary share.

The entire enlarged issued and paid-up share capital of the Company comprising 758,308,000 ordinary shares was listed on the ACE Market of Bursa Malaysia Securities Berhad on 8 March 2018.

The gross proceeds arising from public issue of RM28.82 million accrued entirely to the Company are planned to be utilised in the following manner:

Utilisation of proceeds	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000	Deviation RM'000	Estimated timeframe for utilisation from the date of listing
Development of 3 key products	4,850	1,548	3,302	-	Within 24 months
General working capital requirements	3,250	1,417	1,833	-	Within 24 months
Repayment of bank borrowings	7,000	7,000	-	-	Within 3 months
Capital expenditure	10,716	2,761	7,955	-	Within 24 months
Estimated listing expenses	3,000	3,000	-	-	Within 1 month
	28,816	**15,726**	**13,090**	**-**	

Save for approximately RM15.73 million that has been utilised for various purposes as disclosed above, the remaining IPO proceeds has not been utilised as at 31 December 2018.

Audit Fees

The audit fees to the External Auditors for the services rendered to the Company and the Group for the financial year ended 31 December 2018 amounted to RM35,000 and RM255,000 respectively.

Material Contracts

For FYE 2018, save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by our Group:

(a) The Underwriting Agreement dated 3 January 2018 entered into between our Company and M&A Securities Sdn. Bhd. for the underwriting of 47,180,400 QES Shares for an underwriting commission of 3.0%.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Introduction

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Rule 15.26(b) of the Listing Requirements requires Directors of listed companies to include a statement in their Annual Reports on the state of their internal controls. Set out below is the Board's Risk Management and Internal Control Statement.

Board Responsibility

The Board is committed to ensure the existence of an appropriate risk management framework and sound, efficient and effective system of internal control to safeguard shareholders' investment and the Group's assets. The system is designed to provide reasonable assurance of effective operations and compliance with laws and regulations. The Board ensures the effectiveness of the system through periodic reviews. As there are limitations that are inherent in any system of internal control, this system is designed to manage rather than eliminate risks that may impede the achievement of the Group's business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control covers, inter alia, financial, operational and compliance controls and risk management procedures.

Control Environment

The Group has an organisation structure that is aligned to business requirements. The internal control mechanism is embedded in the various work processes at appropriate levels in the Group. The Board is accountable for ensuring the existence and effectiveness of internal control and provides leadership and direction to senior management on the manner the Group controls its businesses, the state of internal control and its activities. In developing the internal control systems, consideration is given to the overall control environment of the Group, assessment of financial and operational risks and an effective monitoring mechanism.

Internal Audit

The Board is fully aware of the importance of the internal audit function and has engaged an independent professional firm to provide independent assurance to the Board and Audit Committee in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

The internal audit firm adopts a risk-based approach and prepares its audit plan based on the risk profiles from the risk assessment of the business units of the Group. Scheduled internal audits are carried out based on the annual audit plan approved by the Audit Committee. On a quarterly basis the internal audit firm presents to the Audit Committee with the internal audit reports.

During the year under review, internal audit reviews were carried out by the Internal Audit team to address the related internal control weaknesses. Significant weaknesses identified during the reviews together with the improvement measures to strengthen the internal controls were reported accordingly.

The main elements in the system of internal control framework included:

- An organisational structure in the Group with formally defined lines of responsibility and delegation of authority;
- Documentation of written policies and procedures for certain key operational areas;
- Quarterly review of financial results by the Audit Committee and the Board;
- Active participation and involvement by the Managing Director and the Executive Director in the day-to-day running of the major businesses and regular discussions with the Key Management of smaller business units on operational issues;
- Review of internal audit reports and findings by the Audit Committee; and
- Monthly review of Group management accounts by Managing Director, Executive Director and Key Management and
- External audit review on the financial segment.

The internal audit also periodically reports on the activities performed, key strategic and control issues observed by the internal audit firm to the Audit Committee in order to preserve its independence. The Audit Committee reviews and approves internal audit firm's annual budget, audit plan and human resources requirements to ensure the function maintains an adequate number of internal auditors with sufficient knowledge, skills and experience.

The internal audit firm in its current internal audit practices, complies with the Committee of Sponsoring Organizations of the Treadway Commission (COSO – USA Standard) and The Criteria of Control Board (COCO - Canadian Standard)'s Internal Controls – Integrated Framework. Using this framework, all internal control assessments performed by the internal auditors are based on the internal control elements, scope and coverage. The internal auditors continues to adopt the risk-based audit plan to ensure the programmes carried out are prioritised based on the Group's key risks and core or priority areas. Input from various sources inclusive of the Enterprise Risk Management Framework, business plan, past audit issues, external auditors, management and Board are gathered, assessed and prioritised to derive the annual audit plan.

In FYE 2018, reviews in various areas involving Operations, Information Technology, Finance, Procurement Human Resources, Research & Development and subsidiaries were conducted. There were four (4) reports issued, three (3) Internal Audit and one (1) Risk Management profiling reports. The Internal Auditor had reviewed the state of internal control on various operations within the Group namely Kuala Lumpur (HQ), Singapore and Thailand based on the information provided by the management. The following areas were covered in the internal audit coverage for FYE 2018:

- Finance & Accounts
- Human Resource & Admin
- Purchasing
- Information Technology
- Logistics
- Distribution
- Sales and Marketing
- IT Security management
- Service Department

All reports from the internal audit reviews carried out were submitted and presented to the Audit Committee with the feedback and agreed corrective actions to be undertaken by the management. The internal audit firm is committed to equip the internal auditors with sufficient knowledge, skills and competencies to discharge their duties and responsibilities.

Quality Assurance

The internal audit firm develops and maintains a quality assurance that covers all aspects of internal audit activities. The quality assurance programme assesses the effectiveness of internal audit processes and identifies opportunities for improvement via both internal and external assessment. It has its own peer reviewer mechanism to ensure consistently good quality output of every audit engagement. The team leader is well experience to manage the internal audit assignments.

Information and Communication

While the management has full responsibility in ensuring the effectiveness of internal control, which it establishes, the Board has the authority to assess the state of internal control as it deems necessary. In doing so, the Board has the right to enquire information and clarification from the management as well as to seek inputs from the Audit Committee, external and internal auditors, and other experts at the expense of the Group.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Risk Management

The Board has an established ongoing process for identifying, evaluating and managing the significant risks encountered by the Group in accordance to the Guidance for Directors of Public Listed Companies on Statement on Risk Management and Internal Control. Risk management is an integral part of the business operations and this process goes through a review process by the Board. Discussions have been conducted during the year involving different levels of managements to identify and address risks faced by the Group. These risks were summarized and included in the Group's risk management report. The Group has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group throughout the financial year under review and up to the date of approval of this statement for inclusion in the annual report by the management. This is to ensure that all high risks are adequately addressed at various levels within the Group.

The Board regards risk management as an integral part of the Group's business operations and has oversight over this critical area through the Audit Committee. The Audit Committee, supported by the Internal Auditor, provides an independent assessment of the effectiveness of the Group's Enterprise Risk Management ("ERM") framework and reports to the Board. The Group's ERM framework is consistent with the ERM framework and involves systematically identifying, analysing, measuring, monitoring and reporting on the risks that may affect the achievement of its business objectives. This framework helps to reduce the uncertainties surrounding the Group's internal and external environment, thus allowing it to maximise opportunities and minimise adverse incidences that may arise. The major risks to which the Group is exposed to are strategic, operational, regulatory, financial, market, technological, products and reputational risks.

The ERM process is based on the following principles:

- Consider and manage risks enterprise-wide;
- Integrate risk management into business activities;
- Manage risk in accordance with the Risk Management framework;
- Tailor responses to business circumstances; and
- Communicate risks and responses to management

All identified risks are displayed on a 1 to 3 risk matrix based on their risk ranking to assist the management in prioritising their efforts and appropriately managing the different classes of risks. The Board and management drive a pro-active risk management culture and regular risk awareness and coaching sessions are held to ensure that the Group's employees have a good understanding and application of risk management principles. There is no dedicated ERM department, however the Managing Director and Head of Finance who work closely with the Group's operational managers to continuously strengthen the risk management initiatives within the Group so that they respond effectively to the constantly changing business environment.

The Board recognises the importance of ERM in enhancing shareholders' value while upholding a high standard of corporate governance. Combining a strong and sustained commitment from the Board and Key Management with a clear direction and oversight from all levels of leadership, the Group embraces a holistic risk management approach to achieve its business targets with minimal surprises.

Risk management policies and practices form part of our overall strategies to chart positive growth in today's rapidly evolving business environment. The Board continues to ensure that risk management is effectively institutionalised and its risk maturity level is elevated. This is achieved via a multitude of ERM initiatives clustered into key strategic areas, as part of the Group's efforts to ensure smooth ERM practice on the ground coupled with continuous tracking and monitoring of risks and controls. It also strengthens its risk culture and practice, harmonise its risks and risk appetites at the operational level wherever possible.

Risk Structure/Accountability and Responsibility

Further improving our risk governance, ERM structures have been established at each department and subsidiary. The aim is for a risk culture to be internalised through risk ownership and to drive ERM implementation at the functional level. ERM Resource Persons also known as Head of Department / Risk Coordinators, are appointed at each business unit, and act as the single point of contact to liaise directly with the Head of Finance in matters relating to ERM, including the submission of reports on a periodic basis. In addition, they are responsible for assisting their Heads of Department to manage and administer the business units' risk portfolios, which include arranging, organising and coordinating ERM programmes.

Assurance From The Management

The Board has also received reasonable assurance from the Managing Director, Head of Finance, and other Department Heads that the Group's risk management and internal control system are operating adequately and effectively, in all material aspects, based on the risk management model adopted by the Group.

Conclusion

Pursuant to Paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Group for FYE 2018 and reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control.

The Board is pleased to report that there were no major internal control weaknesses identified during the year, nor have any of the reported weaknesses resulted in material losses or contingencies requiring disclosure in the Group's Annual Report. The Board is of the view that the existing system of the internal control is adequate. Nevertheless, the management continues to take measures to strengthen the control environment. This statement is based on the consideration of the audit work performed by both the External Auditors and the Internal Auditors on financial and non-financial matters.

AUDIT
COMMITTEE REPORT

The Audit Committee was established on 11 October 2017 with the primary objective to provide additional assurance to the Board of the Company by giving an objective and independent review of the financial, operational, administrative controls and procedures, establish and maintain internal controls, reinforce the independence of the Group's External Auditors, evaluate the quality of the Internal Auditors and oversee compliance with laws and regulations together with observance of a proper code of conduct.

1. COMPOSITION OF THE AUDIT COMMITTEE

The current composition of the Audit Committee are as follows: -

Chairman	:	Hoh Chee Mun	Independent Non-Executive Director
Member	:	Adnan Bin Zainol	Independent Non-Executive Chairman
		Chia Gek Liang	Independent Non-Executive Director

The Audit Committee Chairman is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants, which is in compliance with Rule 15.09(1)(c)(i) of the ACE Market Listing Requirements.

2. COMMITTEE MEETINGS

The Audit Committee met 6 times for FYE 2018. The details of the Audit Committee's meetings held for the financial year are as follows:-

Name of Member	No of Audit Committee Meetings Attended/Held
Chairman:	
Hoh Chee Mun	6/6
Members:	
Adnan Bin Zainol	6/6
Chia Gek Liang	6/6

3. SUMMARY OF ACTIVITIES

FINANCIAL REPORTING

(a) Reviewed the unaudited quarterly financial results and announcements of the Group, and recommended them to be submitted for approval by the Board, to release to Bursa Malaysia Securities Berhad ("Bursa Securities") accordingly;

(b) Reviewed any related party transactions and conflict of interest situations that may arise within the Group during the FYE 2018;

(c) Reviewed the audited financial statements for the FYE 2018;

(d) Reviewed the Corporate Governance Overview Statement, Corporate Governance Report 2018 and Statement on Risk Management and Internal Control to ensure compliance with the ACE Market Listing Requirements of Bursa Securities and recommend to the Board for inclusion in the Annual Report 2018; and

(e) Reviewed the Circular to Shareholders in relation to the proposed adoption of the new Constitution of the Company.

EXTERNAL AUDIT

(a) During the FYE 2018, the AC reviewed the External Auditor's, Moore Stephens Associates PLT ("MSA") presentation which were as follows: -

(i) Audit Planning Memorandum which outlined its engagement team, audit approach, audit timeline, the areas of audit emphasis, and their focus on Key Audit Matters with reference to the International Standard on Auditing 701; and

(ii) A Closing Presentation for the FYE 2018 which highlights and explain the disposition of the salient accounting and audit issues, the Key Audit Matters identified during the audit, any significant deficiencies in internal control and MSA's assessment of the risks or material misstatement with reference to ISA 260.

(b) Scrutinised potential Key Audit Matters raised by the External Auditors and ensured that adequate work had been done to support the audit conclusions and overall impact on the financial statements.

The Key Audit Matters vetted by the Audit Committee were:-

(i) Goodwill arising from QES Hong Kong;
(ii) The Group's impairment of receivables based on expected credit loss model which is in accordance to MFRS 9 Financial Instruments; and
(iii) The Group's revenue recognition based on MFRS 15 Revenue from Contracts with Customers.

(c) The Audit Committee had undertaken an annual assessment of the suitability and independence of the External Auditor and based on the results of the assessment, the Audit Committee is satisfied with the suitability of MSA to be reappointed as External Auditors of the Company and had made recommendation to the Board for the External Auditors re-appointment.

(d) Discussed with the External Auditor on updates or in relation to the new proposed changes in accounting standards, regulatory requirements and considered the implications to the financial statements of the new Financial Reporting System.

(e) The Audit Committee met with the External Auditors without the presence of the Executive Directors and management on 25 February 2019 to discuss audit findings and assistance given by the management. There were no major concerns raised by the External Auditor during the session.

INTERNAL AUDIT FUNCTION

The Group outsourced its internal audit function to an independent consulting firm, Smart Focus Group Sdn. Bhd. which reports directly to the Audit Committee. The internal audit function is to ensure a regular review of the adequacy and integrity of the Group's system of internal control, risk management process and compliance with the Group's established policies and procedures so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively within the Group. The Internal Auditor undertakes the internal audit function based on the audit plan that is reviewed and approved by the Audit Committee.

During the FYE 2018, the Internal Auditors conducted the followings:-

(a) Internal Audit Review on QES (Asia-Pacific) Sdn. Bhd.;
(b) Internal Audit Review on QES (Singapore) Pte. Ltd;
(c) Internal Audit Review on QES (Thailand) Co. Ltd.; and
(d) Internal Audit Plan for the FYE 2019.

The final audit reports containing findings and recommendations together with management's responses thereto were reviewed by the Audit Committee and discussed at Audit Committee Meetings. Areas of improvement identified and timelines for the outstanding matters to be resolved were communicated to the management for further actions. Follow up reviews would subsequently be performed to ascertain the extent of implementation of the recommended corrective actions for improvements.

The Audit Committee met with the Internal Auditor on 27 August 2018 in the absence of the Executive Directors and management to discuss audit issues and reservations arising from the internal audit cycles.

The cost incurred for the internal audit function in respect of the FYE 2018 was RM25,000.

FINANCIAL STATEMENTS

FINANCIAL

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company is investment holding. The principal activities of its subsidiaries are stated in Note 12 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year attributable to:-		
Owners of the Company	14,071	4,135
Non-controlling interests	741	-
Profit for the financial year	14,812	4,135

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUANCE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM32,592,205 comprising 606,647,000 ordinary shares to RM61,179,724 by way of an issuance of 151,661,000 new ordinary shares in conjunction with its Initial Public Offering ("IPO") as disclosed in Note 36 to the financial statements.

There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of previous financial year. The Directors do not recommend any dividend in respect of the current financial year.

DIRECTORS OF THE COMPANY

The Directors in office during the financial year and at the date of the last report are:-

Chew Ne Weng
Liew Soo Keang
Adnan Bin Zainol
Chia Gek Liang
Hoh Chee Mun

DIRECTORS' REPORT

DIRECTORS OF THE SUBSIDIARIES

The following is a list of Directors of the subsidiaries (excluding Directors who are also Directors of the Company) in office during the financial year and at the date of this report are:

Benjamin Santos	(Appointed on 21 May 2018)
Daniel Winston C. Tan-chi	(Resigned on 27 September 2018)
Joey T Guyo	
Lee Hock Chin	
Leong Kook Weng	(Appointed on 4 April 2018)
Lim Chee Keong	
Michael Maestrado	(Appointed on 27 September 2018)
Pang See Chian	
Ramir Castro	(Deceased on 25 January 2018)
Ratchata Udomsirimas	
Sakda Ruangsant	
Tan Meow Shong	
Tan Soon Huat	
Thersya Lukito	
Yeoh Cheong Yeow	

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interest of Directors in office at the end of financial year in shares in or debentures of the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares			
	At 01.01.2018 Unit'000	**Bought Unit'000**	**Sold Unit'000**	**At 31.12.2018 Unit'000**
Direct interest:				
- Chew Ne Weng	355,097		(99,826)	255,271
- Liew Soo Keang	251,550	-	(53,693)	197,857
- Adnan Bin Zainol	-	40	-	40
- Chia Gek Liang	-	40	-	40
- Hoh Chee Mun	-	90	-	90

By virtue of their interest in the Company, Mr Chew Ne Weng and Mr Liew Soo Keang are deemed to be interested in the Company and its subsidiaries, as disclosed in Note 12 to the financial statements, to the extent of the interests of the Company.

DIRECTORS' REMUNERATION BENEFITS

The amount of fees and other benefits paid to or receivable by the directors or past directors of the Company and the estimated monetary value of any other benefits received or receivable by them otherwise than in cash from the Company and its subsidiary companies for their services to the Company and its subsidiary companies were as follows:

	Company RM'000	**Subsidiaries RM'000**
Salaries, bonus and allowances	-	3,796
Fee	144	191
Contributions to Employees Provident Fund	-	524
Social security contributions	-	13
Benefits-in kind	-	125
Others	-	631
	144	**5,280**

DIRECTORS' REMUNERATION BENEFITS (cont'd)

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than Directors' emoluments received or due and receivable as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than as disclosed in Note 30 to the financial statements.

There were no arrangements during or at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their value as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

  (i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts inadequate to any substantial extent;

  (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading;

  (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate;

  (iv) not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements misleading.

(c) At the date of this report, there does not exist:

  (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

  (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Directors:

  (i) no contingent or other liability has become enforceable, or likely to become enforceable, within the period of twelve months after the end of the financial year, which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

OTHER STATUTORY INFORMATION (cont'd)

(d) In the opinion of the Directors (cont'd):

(ii) the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; and

(iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

(e) The total amount paid to or receivable by the auditors as remuneration for their services as auditors for the financial year from the Company and its subsidiaries is RM255,000.

(f) There was no amount paid to or receivable by any third party in respect of the services provided to the Company or any of its subsidiaries by any Director or past Director of the Company.

(g) There was no indemnity given to or insurance effected for any Director, officer or auditor of the Company.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 36 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Details of significant event subsequent to the end of the reporting period are disclosed in Note 37 to the financial statements.

AUDITORS

The auditors, Messrs. Moore Stephens Associates PLT, have expressed their willingness to continue in the office.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 29 March 2019.

CHEW NE WENG **LIEW SOO KEANG**

STATEMENT **BY DIRECTORS**

Pursuant to Section 251(2) of the Companies Act, 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying financial statements as set out on pages 48 to 117 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 29 March 2019.

CHEW NE WENG

LIEW SOO KEANG

STATUTORY **DECLARATION**

Pursuant to Section 251(1) of the Companies Act, 2016

I, Yeoh Cheong Yeow, being the officer primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 48 to 117 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed

at Kuala Lumpur in the Federal Territory on 29 March 2019.

YEOH CHEONG YEOW

Before me,
TAN KIM CHOOI W661
Commissioner of Oaths

INDEPENDENT
AUDITORS' REPORT
TO THE MEMBERS OF QES GROUP BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of QES Group Berhad, which comprise the statement of financial position as at 31 December 2018 of the Group and of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and of the Company for the financial year then ended and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 48 to 117.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of the most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	Our audit performed and responses thereon
<u>Revenue recognition</u> As described in the notes to the financial statements, the Group has adopted MFRS 15 Revenue from Contracts with Customers on 1 January 2018 using the cumulative effect method, with the cumulative effect of initially applying the standard to be adjusted to the opening equity as at 1 January 2018, and therefore the comparative information has not been restated, except for the reclassifications of service-related costs to fulfil contracts as indicated in Note 38 to the financial statements. The Group's revenue arises from several types of customer contracts utilised, including sale of machines, sale of spare parts and service contracts.	We have performed the following procedures:- • Reviewed the Group's implementation of MFRS 15, including recognition of the effect on opening equity and changes to procedures, accounting guidelines, disclosures and systems to support the revised method of revenue recognition, as applicable. We reviewed and discussed the Group accounting policy, the effect on opening equity and disclosures with management, including the key accounting estimates and judgements made by management.

Key Audit Matters (cont'd)

Key audit matters	Our audit performed and responses thereon
Revenue recognition (cont'd) The Group's revenue recognition involves certain key judgments relating to identification of distinct performance obligations, determination of transaction price of the identified performance obligations, the appropriateness of the basis used to measure revenue recognised over a period. Additionally, MFRS 15 contains disclosures which involves collation of information in respect of disaggregated revenue and periods over which the remaining performance obligations will be satisfied subsequent to the statement of financial position date.	We have performed the following procedures:- (cont'd) • Tested the relevant internal controls used to ensure the completeness, accuracy and timing of revenue recognition, including controls over the degree of completion of sale of machines, sale of spare parts and service contracts at year end. • Read samples of both sales and service contracts to assess whether the method for recognition of revenue was relevant and consistent with MFRS 15, and had been applied consistently. • Obtained the management's calculations on degree of completion of service contracts as at year end. We matched samples of service contract used in management's calculations to supporting evidence, and evaluate the judgements applied. • Assessed that the reclassification entries of service-related costs from marketing and distribution expenses to cost of sales in the statements of comprehensive income are consistent with MFRS 15.
Impairment losses on trade receivables As described in the notes to the financial statements, the impairment losses have been determined in accordance with MFRS 9 Financial Instruments. This was considered a key audit matter as MFRS 9 is a new and fairly complex accounting standard which requires significant judgement and estimation to determine the impairment losses. Key areas of judgment as follows:- - The interpretation of the requirements to determine impairment under application of MFRS 9, which is reflected in the Company's expected credit loss model. - Assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward-looking macroeconomic factors that have correlation with the loss rates.	We have performed the following procedures:- • Assessed the modeling techniques and methodology against the requirements of MFRS 9. • Assessed the design used to determine the impairment, including historical credit loss experience based on past due status of debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. • Assessed the accuracy of the disclosures in the financial statements.

INDEPENDENT **AUDITORS' REPORT** TO THE MEMBERS OF QES GROUP BERHAD

Key Audit Matters (cont'd)

Key audit matters	Our audit performed and responses thereon
Valuation of goodwill As at 31 December 2018, as shown in Note 11 to the financial statements, the Group's goodwill amounted to RM3.38 million, which represented 2% of the Group's total assets. The Group is required to perform an annual impairment test or more frequently when indication of impairment exists on goodwill which arose from the Group's acquisition of QES (Hong Kong) Limited in 2014. The Group applies the value-in-use ("VIU") method to estimate the recoverable amounts of the goodwill. We have identified the valuation of goodwill as a key audit matter as the impairment test involves significant management judgement in determining the allocation of goodwill to the cash-generating unit ("CGU") and in estimating the underlying assumptions to be applied in the discounted cash flow projections of the VIU calculation. The recoverable amount of the goodwill is highly sensitive to key assumptions applied in respect of budgeted gross margin and the pre-tax discount rate used in the cash flow projections. A small change in the assumption can have a significant impact on the estimation of the recoverable amount.	We have performed the following procedures:- • Assessed whether the recoverable amounts were prepared by management based on the approved budgets by the Directors. • Compared the key assumptions including forecasted revenue, growth rates, gross margin and discount rates against our knowledge of the Group's historical performance, business and cost management strategies based on facts and circumstances currently available. • Performed a sensitivity analysis by changing certain key assumptions used in the VIU calculations and assessed the impact of the recoverable amounts of the goodwill. • Assessed the appropriateness of the financial statements' disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the Annual Report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the Annual Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the Annual Report and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Annual Report, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT **AUDITORS' REPORT** TO THE MEMBERS OF QES GROUP BERHAD

Responsibilities of Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT **AUDITORS' REPORT** TO THE MEMBERS OF QES GROUP BERHAD

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 12 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

MOORE STEPHENS ASSOCIATES PLT
LLP0000963-LCA & AF002096
Chartered Accountants

CHUAH SOO HUAT
03002/07/2020 J
Chartered Accountant

Petaling Jaya, Selangor
Date: 29 March 2019

STATEMENTS OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000
Revenue	4	193,099	190,939	4,600	-
Cost of sales		(150,572)	(145,566)	-	-
Gross profit		42,527	45,373	4,600	-
Other income		2,810	2,631	422	-
Marketing and distribution costs		(6,970)	(6,622)	-	-
Administrative costs		(16,023)	(16,654)	(887)	(2,521)
Other operating expenses		(2,882)	(3,546)	-	-
Profit/(Loss) from operations		19,462	21,182	4,135	(2,521)
Finance costs	5	(871)	(1,057)	-	-
Profit/(Loss) before tax	6	18,591	20,125	4,135	(2,521)
Tax expense	8	(3,779)	(3,798)	-	-
Profit/(Loss) for the financial year		14,812	16,327	4,135	(2,521)
Other comprehensive income, net of tax					
Actuarial gain on provision for post-employment benefits		9	7	-	-
Foreign currency translation differences for foreign subsidiaries		(10)	(410)	-	-
Total other comprehensive income for the financial year		(1)	(403)	-	-
Total comprehensive income for the financial year		14,811	15,924	4,135	(2,521)
Profit for the financial year attributable to:					
Owners of the Company		14,071	15,025		
Non-controlling interests		741	1,302		
		14,812	16,327		
Total comprehensive income for the financial year attributable to:					
Owners of the Company		14,113	14,768		
Non-controlling interests		698	1,156		
		14,811	15,924		
Earnings per share					
Basic (sen)	9	1.92	2.48		

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	11,076	7,810	-	-
Intangible assets	11	5,617	4,566	-	-
Investment in subsidiaries	12	-	-	46,358	46,358
Other investments	13	60	60	-	-
Deferred tax assets	14	476	154	-	-
		17,229	12,590	46,358	46,358
Current assets					
Inventories	15	15,779	17,178	-	-
Trade receivables	16	47,147	35,342	-	-
Other receivables	17	2,507	2,259	23	-
Tax recoverable		649	-	-	-
Amounts due from subsidiaries	27	-	-	1,593	-
Short-term investments	18	27,198	-	11,875	-
Fixed deposits with financial institutions	19	20,018	21,788	2,235	-
Cash and bank balances		22,938	24,330	19	-
		136,236	100,897	15,745	-
TOTAL ASSETS		**153,465**	**113,487**	**62,103**	**46,358**
EQUITIES AND LIABILITIES					
Equities					
Share capital	20	61,180	32,592	61,180	32,592
Legal reserve	21	25	-	-	-
Translation reserve	21	(1,198)	(1,235)	-	-
Merger deficit	22	(20,228)	(20,228)	-	-
Retained earnings/(Accumulated losses)		48,009	35,397	780	(3,355)
		87,788	46,526	61,960	29,237
Non-controlling interests		2,133	1,772	-	-
Total equities		89,921	48,298	61,960	29,237
Non-current liabilities					
Borrowings	23	1,580	1,276	-	-
Deferred tax liabilities	14	272	384	-	-
Provision for post-employment benefits	24	621	502	-	-
		2,473	2,162	-	-
Current liabilities					
Trade payables	25	32,585	22,937	-	-
Other payables	26	12,715	14,960	143	2,258
Amount due to a subsidiary	27	-	-	-	14,863
Borrowings	23	13,960	25,000	-	-
Deferred income	28	1,811	-	-	-
Taxation		-	130	-	-
		61,071	63,027	143	17,121
Total liabilities		63,544	65,189	143	17,121
TOTAL EQUITIES AND LIABILITIES		153,465	113,487	62,103	46,358

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENTS OF **CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the Group						
	Non-Distributable			Distributable			
	Share capital RM'000	Merger deficit RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group							
At 1 January 2017	11,200	-	(974)	20,368	30,594	2,092	32,686
Profit for the financial year	-	-	-	15,025	15,025	1,302	16,327
Other comprehensive income							
- Foreign currency translation differences	-	-	(261)	-	(261)	(149)	(410)
- Remeasurement of defined benefit plan	-	-	-	4	4	3	7
Total comprehensive income for the financial year	-		(261)	15,029	14,768	1,156	15,924
Contributions by and distribution to owners of the Company:							
Dividends (Note 29)	-	-	-	-	-	(211)	(211)
- Issuance of shares (Note 20)	32,592	-	-	-	32,592	-	32,592
- Issuance of shares by QAP	1,164	-	-	-	1,164	(1,329)	(165)
- Adjustment on acquisition of subsidiaries	(12,364)	(20,228)	-	-	(32,592)	64	(32,528)
	21,392	(20,228)	-	-	1,164	(1,265)	(101)
Total transaction with owners	21,392	(20,228)	-	-	1,164	(1,476)	(312)
At 31 December 2017	**32,592**	**(20,228)**	**(1,235)**	**35,397**	**46,526**	**1,772**	**48,298**

STATEMENTS OF **CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the Group							
		Non-Distributable			Distributable			
	Share capital RM'000	**Merger deficit RM'000**	**Legal reserve RM'000**	**Translation reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
Group								
Balance as at 31 December 2017, as previously reported	32,592	(20,228)	-	(1,235)	35,397	46,526	1,772	48,298
Adjustment from adoption of MFRS 15	-	-	-	-	(1,439)	(1,439)	(183)	(1,622)
Restated as at 1 January 2018	32,592	(20,228)	-	(1,235)	33,958	45,087	1,589	46,676
Profit for the financial year	-	-	-	-	14,071	14,071	741	14,812
Other comprehensive income								
- Foreign currency translation differences	-	-	-	37	-	37	(47)	(10)
- Remeasurement of defined benefit plan	-	-	-	-	5	5	4	9
Total comprehensive income for the financial year	-	-	-	37	14,076	14,113	698	14,811
Contributions by and distribution to owners of the Company:								
Dividends (Note 29)	-	-	-	-	-	-	(304)	(304)
Legal reserve (Note 21)	-	-	25	-	(25)	-	-	-
Issuance of shares								
- Issuance of shares (Note 20)	28,588	-	-	-	-	28,588	-	28,588
- Adjustment on acquisition of a subsidiary	-	-	-	-	-	-	150	150
	28,588	-	-	-	-	28,588	150	28,738
Total transaction with owners	28,588	-	25	-	(25)	28,588	(154)	28,434
At 31 December 2018	**61,180**	**(20,228)**	**25**	**(1,198)**	**48,009**	**87,788**	**2,133**	**89,921**

STATEMENTS OF **CHANGES IN EQUITY** FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Share capital RM'000	Retained earnings/ (Accumulated losses) RM'000	Total equity RM'000
Company				
At 1 January 2017		^	(834)	(834)
Transaction with Owners				
Issuance of shares	20	32,592	-	32,592
Loss for the financial year, representing total comprehensive income for the financial year		-	(2,521)	(2,521)
At 31 December 2017/1 January 2018		32,592	(3,355)	29,237
Transaction with Owners				
Issuance of shares	20	28,588	-	28,588
Profit for the financial year, representing total comprehensive income for the financial year		-	4,135	4,135
At 31 December 2018		61,180	780	61,960

^ Denotes RM100

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash Flows from Operating Activities					
Profit/(Loss) before tax		18,591	20,125	4,135	(2,521)
Adjustments for:-					
Allowance for inventories		393	643	-	-
Amortisation of intangible assets		136	103	-	-
Depreciation of property, plant and equipment		2,154	1,760	-	-
Discount on consolidation		-	(165)	-	-
Gain on disposal of property, plant and equipment		(1,190)	(957)	-	-
Loss on unrealised foreign exchange		207	132	-	-
Impairment loss on trade receivables		147	79	-	-
Interest expense		871	1,057	-	-
Interest income		(1,194)	(486)	(422)	-
Property, plant and equipment written off		5	-	-	-
Provision for post-employment benefits		155	115	-	-
Operating profit/(loss) before working capital changes		20,275	22,406	3,713	(2,521)
Inventories		1,006	(6,734)	-	-
Receivables		(11,758)	1,038	(23)	-
Payables		7,637	4,332	(2,115)	1,454
Subsidiaries		-	-	(16,456)	14,833
Cash from/(used in) operations		17,160	21,042	(14,881)	13,766
Income tax refund		9	325	-	-
Income tax paid		(5,001)	(3,642)	-	-
Interest paid		(732)	(688)	-	-
Net cash from/(used in) operating activities		11,436	17,037	(14,881)	13,766

STATEMENTS OF
CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash Flows from Investing Activities					
Acquisition of property, plant and equipment	(i)	(5,664)	(2,416)	-	-
Acquisition of shares in subsidiaries		-	-	-	(46,358)
Increase in intangible assets		(1,187)	(300)	-	-
Interest received		1,194	486	422	-
Issuance of share capital		28,588	1,164	28,588	32,592
Net outflows in acquisition of subsidiaries	12	-	(1,164)	-	-
Withdrawal/(Placement) of fixed deposits		4,005	(7,042)	-	-
Proceeds from disposal of property, plant and equipment		2,326	1,666	-	-
Net cash from/(used in) investing activities		29,262	(7,606)	29,010	(13,766)
Cash Flows from Financing Activities					
Dividend paid		(304)	(211)	-	-
(Decrease)/Increase in bank facilities		(704)	180		-
Interest paid		(139)	(369)	-	-
Repayment of finance lease liabilities		(577)	(706)	-	-
Repayment of term loans		(2,457)	(2,543)	-	-
Net cash used in financing activities		(4,181)	(3,649)	-	-
Net increase in cash and cash equivalents		36,517	5,782	14,129	-
Foreign currency translation differences		(57)	(339)	-	-
Cash and cash equivalents at beginning of year		14,837	9,394	-	-
Cash and cash equivalents at end of year	(ii)	51,297	14,837	14,129	-

Note:

(i) *Acquisition of property, plant and equipment*

During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

Acquisition of property, plant and equipment

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Purchase of property, plant and equipment	6,583	4,042	-	-
Exchange differences	(22)	(24)	-	-
Less: Financed by finance lease arrangement	(897)	(1,602)	-	-
Cash payment on purchase of property, plant and equipment	5,664	2,416	-	-

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

(ii) *Cash and cash equivalents*

Cash and cash equivalents comprise the following:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and cash equivalents comprise the following:				
Short-term investments	27,198	-	11,875	-
Fixed deposits with financial institutions (Note 19)	20,018	21,788	2,235	-
Cash and bank balances	22,938	24,330	19	-
Bank overdraft (Note 23)	(1,074)	(9,493)	-	-
	69,080	36,625	14,129	-
Less: Fixed deposits pledged	(17,783)	(21,788)	-	-
	51,297	14,837	14,129	-

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

NOTES
TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2018

1. CORPORATE INFORMATION

The Company is a public limited company that is incorporated and domiciled in Malaysia. The Company is listed on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The principal activities of the Company is investment holding. The principal activities of its subsidiaries are stated in Note 12 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

The registered office is located at Lot 4.100, Tingkat 4, Wisma Central, Jalan Ampang, 50450 Kuala Lumpur, Malaysia.

The principal place of business is located at No. 9, Jalan Juruukur U1/19, Hicom Glenmarie Industrial Park, Seksyen U1, 40150 Shah Alam Selangor, Malaysia.

The financial statements were approved and authorised for issue by the Board of Directors on 29 March 2019.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards and complied with the provisions of the Companies Act, 2016 in Malaysia.

New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int

(i) Adoption of Amendments/Improvements to MFRSs

The Group and the Company had adopted the following amendments/improvements to MFRSs and IC Int that are mandatory as follows:

MFRS 9	Financial Instruments (IFRS 9) as issued by International Accounting Standards Board ("IASB") in July 2014
MFRS 15	Revenue from Contracts with Customers
Clarifications to MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Insurance Contracts
Amendments to MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 140	Investment Property (Transfers of Investment Property)
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

Annual Improvement to MFRSs 2014-2016 Cycle.

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

(i) Adoption of Amendments/Improvements to MFRSs (cont'd)

The adoption of the amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and the Company, except for:

	As previously reported RM'000	Remeasurement RM'000	Restated (MFRS 15) RM'000
Statement of changesin equity			
- Retained earnings	35,397	(1,439)	33,958

The above remeasurement is arisen from the revenue recognition of service income, in which the revenue is recognised over time based on the contract.

(ii) New MFRS and Amendments/Improvements to MFRSs and IC Int that are issued but not yet effective and have not been early adopted

The Group and the Company have not adopted the following new MFRSs and amendments/ improvements to MFRSs and IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:-

Effective for financial period beginning on or after 1 January 2019

MFRS 16	Leases
Amendments to MFRS 3	Business Combination
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 11	Joint Arrangements
Amendments to MFRS 112	Income Tax Consequences of Payments on Financial Instruments Classified as Equity
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 123	Borrowing Costs Eligible for Capitalisation
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments
Annual Improvements to MFRSs 2015-2017 Cycle	

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

(ii) New MFRS and Amendments/Improvements to MFRSs and IC Int that are issued but not yet effective and have not been early adopted (cont'd)

Effective for financial period beginning on or after 1 January 2020

Amendments to MFRS 2	Share-Based Payment
Amendments to MFRS 3	Business Combinations
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources
Amendments to MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to MFRS 134	Interim Financial Reporting
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendments to MFRS 138	Intangible Assets
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
IC Interpretation 132	Intangible Assets-Web Site Costs

Effective for financial period beginning on or after 1 January 2021

MFRS 17	Insurance Contracts

Effective date to be announced

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group and of the Company upon their initial application, except as described below:

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

(ii) New MFRS and Amendments/Improvements to MFRSs and IC Int that are issued but not yet effective and have not been early adopted (cont'd)

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease- Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on- balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group and the Company are currently assessing the impact of MFRS 16 and plan to adopt the new standards on the required effective date.

(b) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and the Company's functional currency. All financial information presented in RM has been rounded to the nearest RM'000, unless otherwise stated.

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in accounting policies.

(d) Significant accounting estimates and judgements

The summary of accounting policies as described in Note 3 are essential to understand the Group's and the Company's result of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. The Directors exercise their judgement in the process of applying the Group's and the Company's accounting policies.

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made.

Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

2. BASIS OF PREPARATION (cont'd)

(d) Significant accounting estimates and judgements(cont'd)

The key assumptions concerning the future and other key sources of estimation or uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

(i) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value in use of the cash generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(ii) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

(iii) Impairment of Financial Assets and Receivables

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset and receivables is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's and the Company's financial assets and receivables at the reporting date are disclosed in note to the financial statements.

In adoption of MFRS 9, the Group and the Company assess on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For receivables, the Group and the Company apply the simplified approach permitted by MFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(iv) Deferred Tax Assets and Liabilities

Deferred tax impli cations arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the profit or loss in the period in which actual realisation and settlement occurs.

2. BASIS OF PREPARATION (cont'd)

(d) Significant accounting estimates and judgements (cont'd)

(v) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(vi) Allowance for Inventories

Reviews are made periodically by management on damaged, obsolete and slow moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(vii) Revenue Recognition

Revenue is recognised as and when the control of the asset is transferred to customers and it is probable that the Group and the Company will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. Depending on the terms of the contract and the applicable laws governing the contract, control of the asset may transfer over time or at a point in time.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year.

Subsidiary is entity controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiary to ensure consistency of accounting policies with those of the Group. Investment in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses.

(i) Business Combinations

Business combination under acquisition method of accounting

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(i) Business Combinations (cont'd)

Business combination under merger method of accounting (cont'd)

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' propor tionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger has occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparative are restated.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included for the full financial year.

Non-controlling interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(ii) Changes In Ownership Interests In Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(iii) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets, and liabilities of the former subsidiary and any non-controlling interests.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(iii) Loss of Control (cont'd)

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(b) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of the Group and of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and the Company's functional currency.

(ii) Foreign currency transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Group and of the Company are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in the profit or loss except for exchange differences arising on monetary items that form part of the Group's and of the Company's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to the profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Group entities

On consolidation, the assets and liabilities of foreign operations are translated into RM at the rate of exchange prevailing at the reporting date and their profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Revenue and other income recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's and the Company's customary business practices.

Revenue is measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group and the Company estimate the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainly associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- The customer simultaneously receives and consumes the benefits provided by the Group's and the Company's performances as the Group and the Company perform;

- The Group's and the Company's performances create or enhance assets that the customer controls as the assets are created or enhanced; or

- The Group's and the Company's performances do not create assets with alternative use and the Group and the Company have enforceable rights to payment for performance completed to date.

(i) Sale of goods

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and provisions, trade discounts and volume rebates.

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Revenue and other income recognition (cont'd)

(ii) Revenue from service

Revenue from services provided is recognised net of discount, where applicable, as and when the services are performed. Revenue is recognised over time based on contract.

(iii) Interest income

Interest income is recognised using the effective interest method.

(iv) Rental income

Rental income is accounted for on a straight-line basis over the lease terms.

(v) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

(vi) Commission income

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(d) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised as a liability when they accrue to the employees. The estimated liability for paid annual leave is recognised for services rendered by employees up to the reporting date. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

The Group participate in the national pension schemes as defined by the laws of the countries in which it has operations. The Group makes contributions to Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Employee benefits (cont'd)

(iii) Provision for post-employment benefits

Certain subsidiaries of the Group operate separate defined retirement benefit schemes for certain employees. Such benefits are unfunded.

The liability recognised in the balance sheet in respect of post-employment benefit plans is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. Retirement benefits are assessed annually using the projected unit credit method; the present value of the defined benefit obligation is measured by discounting the estimated future cash outflows using a discount rate by reference to market yields of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have terms to maturity approximating to the terms of the related pension liability at the reporting date.

Actuarial gains and losses arising from experience adjustments and changes in actual assumptions are charged or credited to equity in other comprehensive income in the period when they arise. Changes in the defined benefit liability arising from service cost and net interest on the defined benefit obligation for the financial year are recognised in profit or loss.

(e) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

(f) Income taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current taxes are recognised in the profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Income taxes (cont'd)

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Income taxes (cont'd)

(ii) Deferred tax (cont'd)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

(iii) Sales and Service Tax ("SST") and Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of SST and GST except:

(i) where the SST and GST incurred in a purchase of assets or services are not recoverable from the taxation authority, in which case the SST and GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) receivables and payables that are stated with the amount of SST and GST included.

The net amount of SST and GST recoverable from, or payable to, the taxation authority is included as part of other current assets or liabilities in the statements of financial position.

(g) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own share held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(h) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, Financial Instruments, the Group and the Company have elected not to restate the comparatives.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Impairment (cont'd)

(i) Financial assets (cont'd)

Current financial year

The Group and the Company recognise loss allowances for expected credit losses ("ECL") on financial assets measured at amortised cost, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

Loss allowance of the Group and the Company are measured on either of the following bases:

(i) 12-month ECL – represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

(ii) Lifetime ECLs- represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

<u>Simplified approach-trade receivables, lease receivables and contract assets</u>

The Group and the Company applies the simplified approach to provide ECLs for all trade receivables, lease receivables and contract assets as permitted by MFRS 9. The simplified approach required expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's and the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where applicable.

<u>General approach-other financial instruments and financial guarantee contracts</u>

The Group and the Company applies the general approach to provide for ECLs on all other financial instruments and financial guarantee contracts, which requires the loss allowance to be measure at an amount equal to 12-months ECLs at initial recognition.

At each reporting date, the Group and the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measure at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group and Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward looking information, where available.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Impairment (cont'd)

(i) Financial assets (cont'd)

Current financial year (cont'd)

General approach-other financial instruments and financial guarantee contracts (cont'd)

If credit risk has not increase significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group and the Company considers an event of default for internal credit risk management purposes when the borrower is unlikely to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held).

The Group and the Company considers a financial guarantee contract to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditors and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held). The Group and the Company only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group and the Company is exposed to credit risk.

Credit Impaired financial assets

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost is credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or significant past due event
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower or a concession that the lender would not otherwise consider (e.g the restructuring of a loan or advance by the Group and the Company on terms that the Group and the Company would not consider otherwise);
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for security because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Impairment (cont'd)

(i) Financial assets (cont'd)

Current financial year (cont'd)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due. Any recoveries made are recognised in profit or loss.

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and investments in associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Impairment (cont'd)

(ii) Non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating units is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Except for goodwill, assets that were previously impaired are reviewed for possible reversal of the impairment at the end of each reporting period. Any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation reserve. Reversal of impairment loss is restricted by the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

An impairment loss recognised for goodwill is not reversed.

An impairment loss is recognised for the amount by which the carrying amount of the subsidiary, joint venture or associate exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and present value of the estimated future cash flows expected to be derived from the investment including the proceeds from its disposal. Any subsequent increase in recoverable amount is recognised in profit or loss.

(i) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

Subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such part as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

All property, plant and equipment are depreciated on the straight-line basis to write off the cost of the property, plant and equipment over their estimated useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Property, plant and equipment (cont'd)

The principal annual rates used for this purpose are:-

Leasehold land	80 years
Buildings	2%
Moulds, plant and equipment	12.5% - 20%
Office equipment, furniture, fittings, computers and telecommunication equipment	15% - 30%
Equipment for demonstration	15%
Motor vehicles	12.5% - 20%
Office renovation, electrical and fittings, and signboard	10%

Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The residual values, useful lives and depreciation method are reviewed at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

(j) Intangible assets

(i) Goodwill on consolidation

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 3(b) to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Intangible assets (cont'd)

(i) Goodwill on consolidation (cont'd)

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research finding are apply to a plan or design for the production of new or substantially improved products or processes are capitalised only if development costs can be measured reliably, the product or process is technically or commercially feasible, future economic benefits are probable and the Group intended to and has sufficient resources to complete development to use or to sell the asset.

The expenditure capitalised includes the costs of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life.

(iii) Trademark

Trademark acquired is measured on initial recognition at cost. The useful life of the trademark is assessed to be indefinite and are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of trademark is reviewed annually to determine whether the useful life assessment continues to be supportable.

Gain or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the assets is derecognised.

(k) Other investments

Club membership

Club membership acquired is measured at cost less any accumulated impairment losses.

(l) Government grant

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grant relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs they are intended to compensate.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Government grant (cont'd)

Government grants related to assets, including non-monetary grants at fair value, shall be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

(m) Inventories

Inventories, comprising raw materials and consumables, are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Costs of raw materials and consumables comprise the cost of purchase plus the cost of bringing the inventories to their present location and condition.

In the case of work in progress and manufactured inventories, cost includes materials, direct labour and an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. Where necessary, due allowance is made for all damaged, obsolete and slow moving items

(n) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, Financial Instruments, the Group and the Company have elected not to restate the comparatives.

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

Previous financial year

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Financial instruments (cont'd)

(i) Initial recognition and measurement (cont'd)

Previous financial year (cont'd)

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (note 3(h)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to impairment assessment (note 3(h)(i)).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, Financial Instruments: Recognition and Measurement as follows:

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost. Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value, through profit or loss, are subject to review for impairment (see Note 3(h)(i)).

Financial liabilities

Current financial year

The categories of financial liabilities at initial recognition are as follows:

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial liabilities (cont'd)

Current financial year (cont'd)

The categories of financial liabilities at initial recognition are as follows (cont'd):

(a) Fair value through profit or loss (cont'd)

(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Financial instruments (cont'd)

(iii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(iv) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Current financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:
- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, Revenue from Contracts with Customers.

Liabilities arising from financial guarantees are presented together with other provisions.

Previous financial year

In the previous financial year, fair value arising from financial guarantee contracts were classified as deferred income and was amortised to profit or loss using a straight-line method over the contractual period or, when there was no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract was probable, an estimate of the obligation was made. If the carrying value of the financial guarantee contract was lower than the obligation, the carrying value was adjusted to the obligation amount and accounted for as a provision.

(v) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(vi) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Financial instruments (cont'd)

(vi) Derecognition (cont'd)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and bank overdrafts that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(p) Lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

(i) Finance leases – the Group as lessee

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Operating leases – the Group as lessee

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which is in substance is an operating lease is classified as prepaid lease payments and amortised on a straight-line basis over the lease period as disclosed in the notes to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(r) Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(s) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the controls of the Group and of the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

(t) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Fair value measurement (cont'd)

Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. REVENUE

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Dividend income	(i)	-	-	4,600	-
Sales of goods	(ii)	151,532	141,603	-	-
Service income	(iii)	41,567	49,336	-	-
		193,099	190,939	4,600	-

The performance obligations and revenue recognition policies for dividend income, sales of goods and service income have been presented as below:

(i) Dividend income

Dividend income is recognised when the right to receive payment is established.

(ii) Sales of goods

(a) Distribution

The Group is principally involved in the distribution of inspection, test and measurement equipment, materials and engineering solutions to customers. Revenue is recognised when the performance obligation ("PO") is satisfied upon the delivery of the products to the customers which requires customers' acknowledgement that the goods have been accepted by the customers. Only then will the enforceable right for payment be satisfied and revenue is recognised when a billing is raised, evidencing the transfer of control over the goods to customer.

(b) Manufacturing

The Group manufactures and sells optical inspection equipment, automated handling equipment and advanced wafer measurement systems. The Group also provides vision software solutions for automated equipment, mechanical and electrical engineering consultancy and interface software for industrial equipment. Revenue is recognised when the PO is satisfied upon the delivery of the products to the customers which requires customers' acknowledgement that the goods have been accepted by the customers. Only then will the enforceable right for payment be satisfied and the revenue is recognised when a billing is raised, evidencing the transfer of control over the goods to customer.

4. REVENUE (cont'd)

(iii) Service income

The Group provides after sales services such as the training, repairing, maintenance and replacement of equipment parts for its customers, which is on an annual service contract basis or a one-time off contract basis. The contract is comprised of a single PO and is satisfied over the contract period. Revenue of the after sales services are recognised over time based on the contract, whilst revenue from the replacement of equipment parts are recognised at the point in time control of the goods is transferred. The following table shows unsatisfied performance obligations resulting from service contracts.

Group	2019 RM'000
Revenue expected to be recognised on service contract as of 31 December 2018	1,811

5. FINANCE COSTS

	Group	
	2018 RM'000	2017 RM'000
Bank overdrafts	223	258
Bankers' acceptances	103	75
Trust receipts	244	176
Letter of credit	91	74
Revolving loan interest	71	105
Term loans	47	310
Finance lease liabilities	92	59
	871	1,057

6. PROFIT/(LOSS) BEFORE TAX

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Allowance for inventories, net	393	643	-	-
Amortisation of intangible assets	136	103	-	-
Auditors' remuneration				
- current year	255	251	35	20
- over provision in prior year	(2)	-	-	-
- other services	-	140	-	140
Discount on consolidation	-	(165)	-	-
Depreciation of property, plant and equipment	2,154	1,760	-	-
Employee benefits (Note 7)	37,596	35,559	144	108
Gain on disposal of property, plant and equipment	(1,190)	(957)	-	-
Government grant received	-	(668)	-	-
(Gain)/Loss on foreign exchange				
- realised	(516)	477	-	-
- unrealised	207	132	-	-
Impairment loss on trade receivables	147	79	-	-
Interest income	(1,194)	(486)	(422)	-
Management fee	99	72	-	-
Property, plant and equipment written off	5	-	-	-
Provision for post employment benefits	155	115	-	-
Rental of premises	1,443	1,404	-	-

7. EMPLOYEE BENEFITS

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Staff cost				
Salaries, bonus, wages, allowances and overtime	25,420	24,261	-	-
Defined contribution plan	2,702	2,358	-	-
Social security contributions	192	178	-	-
Others	3,983	4,076	-	-
	32,297	30,873	-	-
Directors' remuneration				
Salaries, bonus and allowances	3,796	2,578	-	-
Directors' fee	335	620	144	108
Defined contribution plan	524	531	-	-
Social security contributions	13	8	-	-
Others	631	949	-	-
	5,299	4,686	144	108
Total staff costs	37,596	35,559	144	108

8. TAX EXPENSE

	Group	
	2018 RM'000	**2017 RM'000**
Current tax:		
- current year	4,420	4,703
- over provision in prior years	(208)	(747)
	4,212	3,956
Deferred tax (Note 14)		
- current year	(305)	(19)
- over provision in prior years	(128)	(139)
	(433)	(158)
Tax expense for the financial year	3,779	3,798

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

8. TAX EXPENSE (cont'd)

A reconciliation of income tax expenses applicable to profit before tax at the statutory tax rate to income tax expenses at the effective income tax rate of the Group and the Company are as follows:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Profit/(Loss) before tax	18,591	20,125	4,135	(2,521)
Tax at Malaysian tax rate of 24% (2017: 24%)	4,462	4,830	992	(605)
Effect of tax in foreign jurisdictions	(53)	(125)	-	-
Non-deductible expenses	1,360	1,674	-	605
Non-taxable income	(1,700)	(636)	(992)	-
Utilisation of deferred tax assets previously not recognised	-	(1,118)	-	-
Deferred tax assets not recognised	46	59	-	-
	4,115	4,684	-	-
Over provision in prior years:				
- current tax	(208)	(747)	-	-
- deferred tax	(128)	(139)	-	-
Tax expense for the financial year	3,779	3,798	-	-

Subject to agreement with the Inland Revenue Board, the Group has unabsorbed capital allowances, unabsorbed reinvestment allowances and unutilised tax losses available for set off against future taxable profits as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Unabsorbed capital allowances	2,288	2,250
Unabsorbed reinvestment allowances	1,620	1,620
Unutilised tax losses	2,156	1,736
	6,064	5,606

With effect from Year of Assessment 2019, the unutilised business losses in a year of assessment of the Malaysia incorporated entities can only be carried forward for a maximum period of 7 consecutive years of assessment to be utilised against income from any business source.

9. EARNINGS PER SHARE

Basic earnings per ordinary share for the financial year is calculated by dividing the profit after tax attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2018	**2017**
Profit after tax attributable to the owners of the Company (RM'000)	14,071	15,025
Number of ordinary shares at the beginning of the year (unit'000)	606,647	1
Effects of ordinary share issue (unit'000)	125,484	606,646
Weighted average number of ordinary shares at end of the year (unit'000)	732,131	606,647
Basic earnings per ordinary share (sen)	1.92	2.48

Diluted earnings per share is not presented as there are no dilutive potential ordinary shares outstanding during the financial year.

10. PROPERTY, PLANT AND EQUIPMENT

Group 2018	Leasehold land RM'000	Building RM'000	Moulds, plant and equipment RM'000	Office equipment, furniture, fittings, computer and telecom-munication equipment RM'000	Equipment for demonstration RM'000	Motor vehicles RM'000	Electrical fittings, office renovation and signboard RM'000	Total RM'000
Cost								
At 1 January	118	500	4,224	6,183	10,213	2,697	1,133	25,068
Additions	-	-	363	674	4,170	1,104	272	6,583
Disposals	-	-	-	(5)	(1,270)	(690)	-	(1,965)
Written off	-	-	-	(34)	-	-	(35)	(69)
Exchange differences	-	-	(9)	(3)	(1)	(12)	(4)	(29)
At 31 December	118	500	4,578	6,815	13,112	3,099	1,366	29,588
Accumulated depreciation								
At 1 January	3	180	3,851	4,779	6,735	992	718	17,258
Charge for the financial year	2	10	160	430	1,057	389	106	2,154
Disposals	-	-	-	(5)	(218)	(606)	-	(829)
Written off	-	-	-	(29)	-	-	(35)	(64)
Exchange differences	-	-	(6)	(1)	6	(6)	-	(7)
At 31 December	5	190	4,005	5,174	7,580	769	789	18,512
Net book value								
At 31 December	113	310	573	1,641	5,532	2,330	577	11,076

10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group 2017	Leasehold land RM'000	Building RM'000	Moulds, plant and equipment RM'000	Office equipment, furniture, fittings, computer and telecom-munication equipment RM'000	Equipment for demonstration RM'000	Motor vehicles RM'000	Electrical fittings, office renovation and signboard RM'000	Total RM'000
Cost								
At 1 January	118	500	4,184	5,857	9,642	1,924	1,000	23,225
Additions	-	-	63	438	1,689	1,712	140	4,042
Disposals	-	-	-	(18)	(1,090)	(923)	-	(2,031)
Written off	-	-	-	(72)	-	-	-	(72)
Exchange differences	-	-	(23)	(22)	(28)	(16)	(7)	(96)
At 31 December	118	500	4,224	6,183	10,213	2,697	1,133	25,068
Accumulated depreciation								
At 1 January	2	170	3,704	4,539	6,492	1,406	651	16,964
Charge for the financial year	1	10	162	350	801	362	74	1,760
Disposals	-	-	-	(18)	(541)	(763)	-	(1,322)
Written off	-	-	-	(72)	-	-	-	(72)
Exchange differences	-	-	(15)	(20)	(17)	(13)	(7)	(72)
At 31 December	3	180	3,851	4,779	6,735	992	718	17,258
Net book value								
At 31 December	115	320	373	1,404	3,478	1,705	415	7,810

10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) At the reporting date, property, plant and equipment of the Group acquired under finance lease arrangements are as follows:

	Group 2018 RM'000	Group 2017 RM'000
Net book value		
Motor vehicles	2,171	1,595
Office equipment, furniture, fittings, computer and telecommunication equipment	60	83
	2,231	1,678

(b) The leasehold land and building of the Group are pledged for borrowings of the Group as disclosed in Note 23 to the financial statements.

(c) The leasehold land of the Group has an unexpired lease period of more than 50 years.

11. INTANGIBLE ASSETS

Group	Trademark RM'000	Development costs RM'000	Goodwill RM'000	Total RM'000
2018				
Cost				
At 1 January	26	1,422	3,381	4,829
Addition	-	1,187	-	1,187
At 31 December	26	2,609	3,381	6,016
Accumulated amortisation				
At 1 January	-	263	-	263
Addition	-	136	-	136
At 31 December	-	399	-	399
Carrying value	26	2,210	3,381	5,617
2017				
Cost				
At 1 January	26	1,122	3,381	4,529
Addition	-	300	-	300
At 31 December	26	1,422	3,381	4,829
Accumulated amortisation				
At 1 January	-	160	-	160
Addition	-	103	-	103
At 31 December	-	263	-	263
Carrying value	26	1,159	3,381	4,566

11. INTANGIBLE ASSETS (cont'd)

Goodwill

Goodwill represents the excess of cost of acquisition over the fair value of the net assets of subsidiary acquired. Goodwill has been allocated to the cash-generating unit ("CGU") identified that is expected to benefit from the synergies of the acquisitions.

Impairment testing of goodwill

(a) Key assumptions used in value-in-use calculations

The recoverable amounts of the CGUs have been determined based on value–in–use calculations using cash flow projections based on financial budgets approved by the management.

The following describes each key assumption on which the management has based its cash flow projections to undertake impairment testing of goodwill.

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margin is the average rate achieved in the year immediately before the budgeted year, adjusted for expected efficiency improvements.

(ii) Pre–tax discount rate

The discount rates used are pre–tax of 9% and reflect specific risks relating to the relevant segments.

(iii) Weighted average growth rate

The weighted average growth rate for the business operation ranges from 3% to 10%. Pre-tax cash flows projections based on the most recent financial budgets approved by the management covering a 5 years period based on the growth rate.

(iv) Forecasted revenue

Revenue growth assumptions of 3% was based on the approved business plan and reflect the expectation of revenue growth based on past experience and current assessment of market share.

(b) Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the CGUs, the management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the unit to materially differ from its recoverable amount.

12. INVESTMENT IN SUBSIDIARIES

	Company	
	2018	**2017**
	RM'000	**RM'000**
Unquoted shares, at cost		
At 1 January	46,358	-
Addition	-	46,358
At 31 December	46,358	46,358

12. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of companies	Country of Incorporation	Percentage equity held 2018	2017	Principal activities
Held by the Company				
QES (Asia-Pacific) Sdn. Bhd. ("QAP")	Malaysia	100%	100%	Investment holding, marketing and servicing of scientific instruments
QS Instruments Sdn. Bhd. ("QSI")	Malaysia	100%	100%	Marketing and servicing of scientific instruments
QES Intra Pacific Sdn. Bhd. ("QIP") (Formerly known as Creden Intra Pacific Sdn. Bhd.)	Malaysia	100%	100%	Trading and servicing of industrial parts and equipment
QES Manufacturing Sdn. Bhd. ("QMG) (Formerly known as Creden (Asia-Pacific) Sdn. Bhd.)	Malaysia	100%	100%	Manufacturing, trading and servicing of industrial parts and equipment
Subsidiaries of QAP:				
QES (Kuala Lumpur) Sdn. Bhd. ("QKL")	Malaysia	100%	100%	Marketing and servicing of scientific instruments
QES (Penang) Sdn. Bhd. ("QPG") @	Malaysia	100%	100%	Marketing and servicing of scientific instruments
QES (Sarawak) Sdn. Bhd. ("QSR") @	Malaysia	100%	100%	Marketing and servicing of scientific instruments
QAM (Asia-Pacific) Sdn. Bhd. ("QAM")	Malaysia	82.5%	82.5%	Marketing and servicing of scientific instruments and industrial materials
VMX Technology Sdn. Bhd. ("VMX")	Malaysia	100%	100%	Trading and servicing of industrial parts and equipment
P.T. QES Indonesia ("QID") #	Indonesia	55%	55%	Marketing and servicing of scientific instruments
QES (Hong Kong) Limited ("QHK") #	Hong Kong	100%	100%	Marketing and servicing of scientific instruments
QES (Vietnam) Co. Ltd. ("QVN") #	Vietnam	100%	100%	Marketing and servicing of scientific instruments
QES (Thailand) Co., Ltd. ("QBK") #	Thailand	100%	100%	Marketing and servicing of scientific instruments
QES (Singapore) Pte. Ltd. ("QSG") #	Singapore	70%	70%	Marketing and servicing of scientific instruments
QES Technology Philippines, Inc. ("QTP") # *	Philippines	40%	40%	Wholesale, technical testing and analysis of machinery, equipment and supplies

The financial statements of these subsidiaries were audited by auditors other than the auditors of the Company.

* The Group considers QTP as their subsidiary due to their power on the existing rights that give it the current ability to direct the relevant activities that significantly affect the investee's returns. The Group will also have exposure or rights to the variable returns from its involvement in the investee and have power to affect the amount of its returns.

@ In the process of striking off pursuant to Section 550 of the Companies Act, 2016.

12. INVESTMENT IN SUBSIDIARIES (cont'd)

Acquisition of subsidiary

QES Manufacturing Sdn. Bhd. ("QMG") (formerly known as Creden (Asia-Pacific) Sdn. Bhd.), a subsidiary of the Company had on 4 April 2018 incorporated a subsidiary known as QES Vision Solutions Sdn. Bhd. ("QVS"). QMG had initially subscribed 70% of the issued share capital of QVS comprising 70 shares for a total consideration of RM70. Subsequently, the investment was increased to 350,000 ordinary shares by the subscription of additional 349,930 ordinary shares for a total cash consideration of RM349,930.

As at 31 December 2018, the total non-controlling interests are RM2,133,000 (2017: RM1,772,000), of which RM763,000 (2017: RM1,056,000) and RM923,000 (2017: RM442,000) are attributable to QID and QTP respectively. The other non-controlling interests are not significant.

Set out below are the summarised financial information for QID and QTP that has non-controlling interests that are material to the Group. The below financial information is based on amounts before inter-company eliminations.

	QID RM'000	**QTP RM'000**
2018		
Assets and liabilities		
Non-current assets	653	390
Current assets	5,219	2,527
Non-current liabilities	(557)	(55)
Current liabilities	(3,301)	(1,333)
Net assets	2,014	1,529
Results		
Revenue	13,399	6,492
Profit for the financial year	334	802
Total comprehensive income	334	802
Cash flows from operating activities	488	160
Cash flows used in investing activities	(292)	(188)
Cash flows used in financing activities	(526)	(1)
Foreign currency translation differences	(97)	(10)
	(427)	(39)
2017		
Assets and liabilities		
Non-current assets	473	127
Current assets	6,740	1,554
Non-current liabilities	(502)	-
Current liabilities	(4,365)	(944)
Net assets	2,346	737
Results		
Revenue	10,206	4,117
Profit for the financial year	769	670
Total comprehensive income	769	670
Cash flows from operating activities	3,618	168
Cash flows (used in)/from investing activities	(121)	96
Cash flows used in financing activities	(469)	-
Foreign currency translation differences	(258)	(42)
	2,770	222

13. OTHER INVESTMENTS

	Group 2018 RM'000	Group 2017 RM'000
Club membership in Malaysia		
At cost,		
At 1 January/31 December	60	60

14. DEFERRED TAX (ASSETS)/LIABILITIES

	Group 2018 RM'000	Group 2017 RM'000
Deferred tax assets		
At 1 January	(154)	(113)
Recognised in profit or loss (Note 8)	(321)	(58)
Exchange difference	(1)	17
At 31 December	(476)	(154)
Deferred tax liabilities		
At 1 January	384	484
Recognised in profit or loss (Note 8)	(112)	(100)
At 31 December	272	384

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

	Provision RM'000	Unutilised tax losses RM'000	Total RM'000
Group			
Deferred tax assets			
At 1 January 2018	(445)	(74)	(519)
Recognised in profit or loss	(356)	74	(282)
At 31 December 2018	(801)	-	(801)
At 1 January 2017	(220)	(181)	(401)
Recognised in profit or loss	(225)	107	(118)
At 31 December 2017	(445)	(74)	(519)

14. DEFERRED TAX (ASSETS)/LIABILITIES (cont'd)

	Property, plant and equipment RM'000	Unrealised gain on foreign exchange RM'000	Total RM'000
Group			
Deferred tax liabilities			
At 1 January 2018	749	-	749
Recognised in profit or loss	(152)	-	(152)
At 31 December 2018	597	-	597
At 1 January 2017	572	200	772
Recognised in profit or loss	177	(200)	(23)
At 31 December 2017	749	-	749

The estimated amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows (stated at gross):

	Group	
	2018 RM'000	2017 RM'000
Unabsorbed reinvestment allowances	1,620	1,620
Unutilised tax losses	2,156	1,736
Unabsorbed capital allowances	2,261	2,250
	6,037	5,606

15. INVENTORIES

	Group	
	2018 RM'000	2017 RM'000
At cost:		
Raw material	731	731
Work in progress	3,938	4,568
Finished goods	13,534	13,886
	18,203	19,185

15. INVENTORIES (cont'd)

	Group 2018 RM'000	Group 2017 RM'000
Less : Allowance for inventories		
Raw material		
At 1 January	54	111
Addition/(Reversal)	72	(57)
At 31 December	126	54
Finished goods		
At 1 January	1,953	1,262
Addition	321	700
Exchange difference	24	(9)
At 31 December	2,298	1,953
Total allowances	2,424	2,007
Carrying value	15,779	17,178
Recognised in profit or loss:		
Inventories recognised as cost of sales	116,477	114,755

16. TRADE RECEIVABLES

	Group 2018 RM'000	Group 2017 RM'000
Trade receivables	47,589	35,639
Less : Accumulated impairment loss		
At 1 January	297	268
Addition	147	79
Written off	(2)	(50)
At 31 December	442	297
Carrying value	**47,147**	**35,342**

The Group's normal trade credit terms range from 30 - 120 days (2017: 30 - 120 days). Other credit terms are assessed and approved on a case-by-case basis.

17. OTHER RECEIVABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other receivables	963	855	-	-
Deposits	558	583	-	-
Prepayments	986	821	23	-
	2,507	2,259	23	-

18. SHORT TERM INVESTMENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Investments in unit trust funds in Malaysia at fair value through profit or loss	27,198	-	11,875	-

Investments in unit trust funds represent investments in highly liquid money market instrument and deposits with a financial institution in Malaysia. These short term funds are subject to an insignificant risk of changes in value. The distribution income from these funds is tax exempted.

19. FIXED DEPOSITS WITH FINANCIAL INSTITUTIONS

Fixed deposits with financial institutions have effective interest rates which range from 1% to 4.25% (2017: 1% to 4.25%) per annum with an average maturity period ranging from 30 to 365 days (2017: 30 to 365 days). Included in fixed deposits with financial institutions is an amount of RM17,783,000 (2017: RM21,788,000) pledged to secure bank borrowings as disclosed in Note 23 to the financial statements.

20. SHARE CAPITAL

	Group/Company			
	Number of ordinary shares		Amount	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Authorised:				
At beginning of the financial year	-	4,000	-	400
Abolishment of authorised share capital under Companies Act, 2016	-	(4,000)	-	(400)
At end of financial year	-	-	-	-
Issued and fully paid:				
At 1 January	606,647	1	32,592	^
Issuance of new shares	151,661	606,646	28,588	32,592
At 31 December	758,308	606,647	61,180	32,592

^ *Represents RM100 of issued and fully paid up share capital*

The holders of ordinary shares are entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regards to the Company's residual assets.

Issued and paid up share capital of the Company was increased from RM32,592,100 to RM61,179,724 by way of an issuance of 151,661,000 new ordinary shares.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing issued ordinary shares of the Company.

"No Par Value" Regime

The Company's issued and fully paid-up share capital comprises ordinary shares of RM0.10 each. The new Companies Act, 2016, which came into operation on 31 January 2018, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

21 RESERVES

i) *Legal reserve*

In accordance with Thai Civil and Commercial Code ("Thai Code") and the Articles of Association of QES (Thailand) Co., Ltd. ("QBK"), 5% of QBK's profit for all time of dividend payment is required to be transferred to a legal reserve. QBK may resolve to discontinue such transfers when the reserve reaches 10% of its capital. The reserve is not normally available for distribution.

ii) *Translation reserve*

The translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items, which form part of the Group's net investment in foreign operations, whereby the monetary item is denominated in either the functional currency of the reporting entity on foreign operation.

22. MERGER DEFICIT

The merger deficit arose from the difference between the carrying value of the investment and the nominal value of the shares of subsidiaries upon consolidation under the merger accounting principles.

23. BORROWINGS

		Group	
		2018	**2017**
		RM'000	**RM'000**
Secured			
Current Liabilities			
Bank overdrafts		1,074	9,493
Bankers acceptance		612	780
Trust receipts		10,886	9,893
Revolving loan		992	1,997
Term loans	(a)	-	2,457
Finance lease liabilities	(b)	396	380
		13,960	25,000
Non Current Liabilities			
Finance lease liabilities	(b)	1,580	1,276
Total borrowings		15,540	26,276

(a) Term loans

	Group	
	2018	**2017**
	RM'000	**RM'000**
Repayable within one year	-	2,457

23. BORROWINGS (cont'd)

(b) Finance lease liabilities

	Group 2018 RM'000	Group 2017 RM'000
Minimum finance lease payments:		
Repayable within one year	477	449
Repayable between one and five years	1,587	1,116
Repayable above five years	153	297
	2,217	1,862
Less: Future finance charges	(241)	(206)
Present value of finance lease liabilities	1,976	1,656
Present value of finance lease liabilities :		
Repayable within one year	396	380
Repayable between one and five years	1,430	988
Repayable above five years	150	288
	1,976	1,656
Representing finance lease liabilities:		
Current	396	380
Non-current	1,580	1,276
	1,976	1,656

The interest rates for borrowings per annum were as follows:

	Group 2018 %	Group 2017 %
Bank overdrafts	8.34 - 9.07	8.24 - 9.12
Bankers acceptance	5.96 - 6.22	5.00 - 5.60
Trust receipts	1.06 - 4.41	1.46 - 3.66
Revolving loan	8.30	8.30
Term loans	-	8.15
Finance lease liabilities	2.31 - 3.36	2.36 - 3.91

The Group's bank borrowings are secured as follows:
- Registered legal charge on leasehold land and buildings of the Group as disclosed in Note 10 to the financial statements;
- Fixed deposits of the Group placed with licensed financial institutions as disclosed in Note 19 to the financial statements;
- Joint and several guarantee of the directors of the Company and of certain subsidiaries;
- Fresh facility agreement of a subsidiary; and
- Corporate guarantee and indemnity of a subsidiary.

24. PROVISION FOR POST-EMPLOYMENT BENEFITS

	Group	
	2018 RM'000	2017 RM'000
At 1 January	502	451
Addition	155	115
Actuarial gain on remeasurement of defined benefit plan	(9)	(7)
Exchange differences	(27)	(57)
At 31 December	621	502

Post-employment benefits expense of the Group are as follows:

	Group	
	2018 RM'000	2017 RM'000
Current service cost	153	115
Interest costs	2	-
Actuarial gain on remeasurement of defined benefit plan	(9)	(7)
Exchange differences	(27)	57)
Total	119	51

The principal actuarial assumptions used were as follows:

	Group	
	2018 RM'000	2017 RM'000
Discount rate	7.53% - 8.65%	7.34%
Annual salary rate increase	4.00% - 7.00%	6.00%

25. TRADE PAYABLES

The Group's and the Company's normal trade credit terms are within 30-120 days (2017: 30- 120 days). Other credit terms are assessed and approved on a case-by-case basis.

26. OTHER PAYABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other payables	1,785	1,790	10	-
Deposit received from customers	1,373	2,730	-	-
Accruals	9,557	10,440	133	2,258
	12,715	14,960	143	2,258

27. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The non-trade amounts represent unsecured, interest-free advances which are repayable on demand.

Significant related party transactions are disclosed in Note 30 to the financial statements.

28. DEFERRED INCOME

The deferred income represents the amount received and/or receivable from maintenance services for the customers, which was sold on an annual service contract basis. Revenue arising from the maintenance services will be recognised in the profit and loss over the duration of the service contract, typically for a duration of one year.

29. DIVIDENDS

	Per ordinary share RM'000	Total amount RM'000	Date of payment RM'000
Attributable to non-controlling interest:			
2018			
Dividend for the financial year ended 31 December 2018	133	257	5 July 2018
Dividend for the financial year ended 31 December 2018	462	47	1 August 2018
	595	304	
2017			
Dividend for the financial year ended 31 December 2017	100	211	31 October 2017

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Identity of related parties

For the purpose of this financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability to directly control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. Related parties refer to companies in which certain directors of the Company have substantial financial interest and/or are also directors of the companies.

(b) The aggregate value of transactions of the Company were as follows:

Company with subsidiaries	Type of transactions	Transaction value 2018 RM'000	2017 RM'000
QES (Asia-Pacific) Sdn. Bhd.	Advances from	3,837	-
	Acquisition of subdiaries	-	(13,766)
	Repayment to	(18,700)	(1,067)
QS Instruments Sdn. Bhd.	Advances from	2,961	-
	Repayment to	(2,961)	-
QES Intra Pacific Sdn. Bhd.	Advances from	562	-
(formerly known as Creden Intra Pacific Sdn. Bhd.)	Repayment to	(562)	-
QES Vision Solutions Sdn. Bhd.	Advances to	(453)	-
QES Mechatronic Sdn. Bhd. (formerly known as Creden Mechatronic Sdn. Bhd.)	Advances to	(1,140)	-

Information regarding outstanding balances arising from related party transactions as at 31 December 2018 are disclosed in Note 27 to the financial statements.

30. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

(c) Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel include all the Executive Directors and certain members of senior management of the Group.

	Group	
	2018 RM'000	**2017 RM'000**
Short-term employee benefits expense	4,858	4,632
Post employment benefits expense	700	587
	5,558	5,219

31. CONTINGENT LIABILITIES

	Company	
	2018 RM'000	**2017 RM'000**
Corporate guarantee in respect of banking facilities of subsidiaries - unsecured	27,100	-

32. COMMITMENTS

	Group	
	2018 RM'000	**2017 RM'000**
Commitment not provided for in the financial statements is as follows:		
Capital expenditure commitment		
- authorised and contracted for	381	315
Lease commitment		
- not later than one year	1,197	897
- between one to two years	1,532	51
	2,729	948
Total	3,110	1,263

33. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:-

Investment holding	Investment in shares
Distribution division:	
• Equipment	Marketing and servicing of scientific instruments.
• Materials & Engineering Solutions	Trading and servicing of industrial parts and equipments and scientific instruments.
Manufacturing division	Manufacturing, trading and servicing of industrial parts and equipment and providing vision software solution for automated equipment

33. SEGMENT INFORMATION (cont'd)

Except as indicated above, no other operating segments has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated statement of comprehensive income. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

		Investment holding RM'000	Equipment RM'000	Materials & Engineering Solutions RM'000	Manufacturing RM'000	Adjustments & Eliminations RM'000	Consolidated RM'000
2018							
External revenue		-	127,690	30,017	35,392	-	193,099
Inter segment revenue	(a)	-	54,759	2,145	-	(56,904)	-
Total revenue		-	182,449	32,162	35,392	(56,904)	193,099
Results							
Depreciation and amortisation		-	1,756	132	416	(14)	2,290
Other non-cash expenses	(b)	-	364	66	270	-	700
Segment profit/(loss)	(c)	4,135	12,312	1,747	6,241	(5,844)	18,591
Assets							
Additions to non-current assets	(d)	-	5,009	759	2,002	-	7,770
Segment assets	(e)	62,103	124,322	21,648	32,809	(87,417)	153,465
Segment liabilities	(f)	143	68,702	13,699	17,466	(36,466)	63,544

33. SEGMENT INFORMATION (cont'd)

		Investment holding RM'000	Equipment RM'000	Materials & Engineering Solutions RM'000	Manufacturing RM'000	Adjustments & Eliminations RM'000	Consolidated RM'000
2017							
External revenue		-	127,553	37,952	25,434	-	190,939
Inter segment revenue	(a)	-	44,957	890	-	(45,847)	-
Total revenue		-	172,510	38,842	25,434	(45,847)	190,939
Results							
Depreciation and amortisation		-	1,420	130	313	-	1,863
Other non-cash expenses/(income)	(b)	-	792	(36)	81	-	837
Segment profit/(loss)	(c)	(2,521)	23,558	1,170	5,927	(8,009)	20,125
Assets							
Additions to non-current assets	(d)	-	3,673	106	563	-	4,342
Segment assets	(e)	46,358	112,803	18,111	28,827	(92,612)	113,487
Segment liabilities	(f)	17,121	61,627	10,782	18,903	(43,244)	65,189

33. SEGMENT INFORMATION (cont'd)

(a) Inter-segment revenues are eliminated on consolidation.

(b) Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	2018 RM'000	2017 RM'000
Allowance for inventories, net	393	643
Impairment loss on trade receivables	147	79
Property, plant and equipment written off	5	-
Provision for post-employment benefits	155	115
	700	837

(c) The following items are added to/(deducted from) segment profit to arrive at profit before tax presented in the consolidated statement of comprehensive income:

	2018 RM'000	2017 RM'000
Profit from inter-segment sales	231	460
Dividend	(5,631)	(258)
Other income	(3,096)	(10,626)
Unallocated corporate expenses	2,652	2,415
	(5,844)	(8,009)

(d) Additions to non-current assets consist of:

	2018 RM'000	2017 RM'000
Property, plant and equipment	6,583	4,042
Intangible assets	1,187	300
	7,770	4,342

(e) Reconciliation of assets:

	2018 RM'000	2017 RM'000
Segment operating assets	152,340	113,333
Deferred tax assets (Note 14)	476	154
Tax recoverable	649	-
Total assets	153,465	113,487

(f) Reconciliation of liabilities:

	2018 RM'000	2017 RM'000
Segment operating liabilities	63,272	64,675
Deferred tax liabilities (Note 14)	272	384
Taxation	-	130
Total liabilities	63,544	65,189

33. SEGMENT INFORMATION (cont'd)

Geographical Information

Revenue information based on the geographical location of customers is as follows:

	2018 RM'000	2017 RM'000
Malaysia	56,160	81,093
Philippines	32,141	21,438
Singapore	27,953	29,102
Vietnam	22,869	26,044
Indonesia	15,522	12,674
Thailand	17,100	16,025
China	6,761	1,944
Morocco	6,938	1,042
Taiwan	4,624	1,517
Germany	1,478	-
Others	1,553	60
	193,099	190,939

Major customers' information

The Group has five customers which contributes approximately RM51.7 million or 26.7% (2017: five customers, RM49.7 million or 26%) of the Group's revenue during the financial year.

33. SEGMENT INFORMATION (cont'd)

The following is the analysis of non-current assets other than financial instruments and deferred tax assets analysed by the Group's geographical segment:

	Malaysia RM'000	Indonesia RM'000	Vietnam RM'000	Hong Kong RM'000	Thailand RM'000	Singapore RM'000	Philippines RM'000	Consolidated RM'000
2018								
Property, plant and equipment	9,104	513	209	3	899	77	271	11,076
Intangible assets	2,236	-	-	3,381	-	-	-	5,617
Other investments	60	-	-	-	-	-	-	60
	11,400	513	209	3,384	899	77	271	16,753
2017								
Property, plant and equipment	7,065	348	73	-	108	117	99	7,810
Intangible assets	1,185	-	-	3,381	-	-	-	4,566
Other investments	60	-	-	-	-	-	-	60
	8,310	348	73	3,381	108	117	99	12,436

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group's and the Company's financial assets and financial liabilities are all categorised asamortised cost.

Financial risks management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Group's and the Company's financial risks management policy seeks to ensure that adequate financial resources are available for the development of the Group's and the Company's businesses whilst managing their risk. There have been no changes to the Company's exposure to these financial risks or the manner in which it manages and measure the risks.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Company's exposure to credit risk arises principally from the individual characteristics of each customer. The Group's and the Company's exposure to credit risk arises principally from receivables, financial guarantees given to banks for credit facilities granted to subsidiaries and subsidiaries' balances. There are no significant changes as compared to prior periods.

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is minimised and monitored via strictly limiting the Group's associations to business partners with good credit rating.

At each reporting date, the Group assesses whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired receivables and contract assets are written off (either partially of full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-off. Nevertheless, receivables and contract assets that are written off could still be subject to enforcement activities.

There are no significant changes as compared to the previous year.

Exposure to credit risk, credit quality and collateral

As the Group does not hold any c ollateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

Concentration of credit risk

The Group determines concentration of credit risk by monitoring the profiles of its receivables on an ongoing basis.

At the end of the reporting period, there are 6 customers with balances amounting to 42% (2017: 6 customers amounting to 32%) of the Group's gross trade receivables.

34. FINANCIAL INSTRUMENTS (cont'd)

Credit risk (cont'd)

Recognition and measurement of impairment loss

The Group has applied the simplified approach in MFRS 9 to measure the loss allowance at lifetime expected credit losses. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix

The Group will initiate appropriate debt recovery procedures on past due balances which are monitored by the sales management team. Where necessary, the Group will also commence legal proceeding against the customers.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency.

Loss rates are based on actual credit loss experienced over the prior years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

	Gross amount RM'000	**Collective impairment RM'000**	**Carrying value RM'000**
Group			
2018			
Not past due	28,787	(23)	28,764
Past due :			
1 to 30 days	7,440	(17)	7,423
31 to 60 days	2,232	(28)	2,204
More than 60 days	9,130	(374)	8,756
	47,589	(442)	47,147

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

	2018 RM'000
Group	
At beginning of the financial year	297
Addition	147
Written of	(2)
At end of the financial year	442

34. FINANCIAL INSTRUMENTS (cont'd)

Credit risk (cont'd)

Comparative information under MFRS 139, Financial Instruments: Recognition and measurement

The aging of trade receivables as at 31 December 2017 was as follows:

	Gross amount RM'000	Collective impairment RM'000	Carrying value RM'000
Group			
2017			
Not past due	29,719	-	29,719
Past due :			
1 to 30 days	1,384	-	1,384
31 to 60 days	1,237	-	1,237
More than 60 days	3,299	(297)	3,002
	35,639	(297)	35,342

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	2017 RM'000
Group	
At beginning of the financial year	268
Addition	79
Written of	(50)
At end of the financial year	297

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors the ability of the subsidiaries to service their loans on an individual basis.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM27.1million (2017: RM nil) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. The financial guarantees are provided as credit enhancements to the subsidiaries' secured loans.

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary is continuously loss making and is having a deficit in shareholders' fund.

34. FINANCIAL INSTRUMENTS (cont'd)

Credit risk (cont'd)

Recognition and measurement of impairment loss (cont'd)

The Company has issued financial guarantees to banks for borrowings to its subsidiaries. These guarantees are subject to the impairment requirement under MFRS 9. The Company assessed that its subsidiaries have strong financial capacity to meet the contractual cash flows obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company has non-trade balances with subsdiaries. The Company monitors the ability of subsidiaries to repay the amounts outstanding on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. These amounts are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment loss

Generally, the Company considers receivables from subsidiaries to have low credit risk. The Company assumes that there is a significant increase in credit risk when the respective subsidiaries' financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' balances, the Company considers the outstanding amounts to be in default when subsidiaries are not able to pay when demanded.

The Company determines the probability of default for these outstanding amounts individually using internal information available.

As at the year end, there were no indications of impairment loss in respect of amounts due from subsidiaries.

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. These banks and financial institutions have low credit risks. Hence, a loss allowance is not necessary.

Other receivables and deposits

Other receivables and deposits are neither past due nor impaired. The Group and Company believes that generally no allowance for doubtful debts is necessary in respect of other receivables and deposits that are neither past due nor impaired as these receivables and deposits are mainly arising from debtors that have good records of payment in the past.

34. FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meets its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arise principally from its various payables, loans and borrowings.

The Group and the Company practise prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity analysis

The table below show the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM'000	Contractual interest rate RM'000	Contractual cash flows RM'000	Within 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000
2018						
Trade payables	32,585	-	32,585	32,585	-	-
Other payables	12,715	-	12,715	12,715	-	-
Borrowings:						
- Bank overdraft	1,074	8.34 - 9.07	1,074	1,074	-	-
- Bankers' acceptances	612	5.96 - 6.22	612	612	-	-
- Trust receipts	10,886	1.06 - 4.41	10,886	10,886	-	-
- Revolving loan	992	8.30	992	992	-	-
- Finance lease liabilities	1,976	2.31 - 3.36	2,217	477	1,587	153
	60,840		61,081	59,341	1,587	153
2017						
Trade payables	22,937	-	22,937	22,937	-	-
Other payables	14,960	-	14,960	14,960	-	-
Borrowings:						
- Bank overdraft	9,493	8.24 - 9.12	9,493	9,493	-	-
- Bankers' acceptances	780	5.00 - 5.60	780	780	-	-
- Trust receipts	9,893	1.46 - 3.66	9,893	9,893	-	-
- Revolving loan	1,997	8.30	1,997	1,997	-	-
- Term loan	2,457	8.15	2,457	2,457	-	-
- Finance lease liabilities	1,656	2.36 - 3.91	1,862	449	1,116	297
	64,173		64,379	62,966	1,116	297

34. FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk (cont'd)

Maturity analysis

The table below show the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Company	Carrying amount RM'000	Contractual interest rate RM'000	Contractual cash flows RM'000	Within 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000
2018						
Other payables	143	-	143	143	-	-
2017						
Amounts due to a subsidiary	14,863	-	14,863	14,863	-	-
Other payables	2,258	-	2,258	2,258	-	-
	17,121		17,121	17,121	-	-

34. FINANCIAL INSTRUMENTS (cont'd)

Foreign exchange risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily as analysed below. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group's exposure to foreign currency is as follows:

Group	SG Dollar RM'000	US Dollar RM'000	EURO RM'000	YEN RM'000	GBP RM'000	THB RM'000	IDR RM'000	VND RM'000	PHP RM'000	KRW RM'000	HKD RM'000
2018											
Financial assets											
Trade receivables	872	27,875	5,190	2,576	-	1,727	758	404	105	-	-
Other receivables	69	4	-	-	-	244	414	114	268	-	1
Cash and bank balances	423	10,492	480	3,964	-	1,133	3,588	214	181	-	37
	1,364	38,371	5,670	6,540	-	3,104	4,760	732	554	-	38
Financial liabilities											
Trade payables	(56)	(16,391)	(3,723)	(9,167)	(996)	(7)	(19)	(49)	(36)	(15)	-
Other payables	(1,106)	(120)	-	-	-	(1,191)	(75)	(673)	(1,036)	-	(25)
	(1,162)	(16,511)	(3,723)	(9,167)	(996)	(1,198)	(94)	(722)	(1,072)	(15)	(25)
Net exposure	202	21,860	1,947	(2,627)	(996)	1,906	4,666	10	(518)	(15)	13
2017											
Financial assets											
Trade receivables	740	21,487	508	1,323	-	1,966	1,737	488	283	-	-
Other receivables	69	4	-	-	-	190	343	120	128	-	11
Cash and bank balances	341	7,396	265	1,348	213	1,123	4,015	91	222	-	18
	1,150	28,887	773	2,671	213	3,279	6,095	699	633	-	29
Financial liabilities											
Trade payables	(10)	(14,533)	(651)	(4,878)	(728)	(48)	-	(50)	(2)	(35)	-
Other payables	(649)	(416)	-	-	-	(1,141)	(524)	(645)	(354)	-	(11)
	(659)	(14,949)	(651)	(4,878)	(728)	(1,189)	(524)	(695)	(356)	(35)	(11)
Net exposure	491	13,938	122	(2,207)	(515)	2,090	5,571	4	277	(35)	18

34. FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk sensitivity analy sis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:

	2018 Increase/ (Decrease) RM'000	2017 Increase/ (Decrease) RM'000
Effects on profit after tax:		
SGD / RM		
Strengthened by 10%	15	37
Weakened by 10%	(15)	(37)
USD / RM		
Strengthened by 10%	1,661	1,059
Weakened by 10%	(1,661)	(1,059)
EURO / RM		
Strengthened by 10%	148	9
Weakened by 10%	(148)	(9)
YEN / RM		
Strengthened by 10%	(200)	(168)
Weakened by 10%	200	168
GBP / RM		
Strengthened by 10%	(76)	(39)
Weakened by 10%	76	39
THB / RM		
Strengthened by 10%	145	159
Weakened by 10%	(145)	(159)
IDR / RM		
Strengthened by 10%	355	423
Weakened by 10%	(355)	(423)
VND / RM		
Strengthened by 10%	1	0.3
Weakened by 10%	(1)	(0.3)
PHP / RM		
Strengthened by 10%	(39)	21
Weakened by 10%	39	(21)
KRW / RM		
Strengthened by 10%	(1)	(3)
Weakened by 10%	1	3
HKD / RM		
Strengthened by 10%	1	1
Weakened by 10%	(1)	(1)

34. FINANCIAL INSTRUMENTS (cont'd)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policies are to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates its effective interest rates at the reporting date and the periods in which they reprice or mature, whichever is earlier:

Effective interest rates and repricing analysis

Group	Effective interest rate per annum %	Within 1 year RM'000	1 - 5 years RM'000	Above 5 years RM'000	Total RM'000
2018					
Financial assets					
Fixed deposits with financial institutions	1.00 - 4.25	20,018	-	-	20,018
Financial liabilities					
Borrowings					
- Bank overdrafts	8.34 - 9.07	(1,074)	-	-	(1,074)
- Bankers' acceptances	5.96 - 6.22	(612)	-	-	(612)
- Trust receipts	1.06 - 4.41	(10,886)		-	(10,886)
- Revolving loan	8.30	(992)	-	-	(992)
- Finance lease liabilities	2.31 - 3.36	(396)	(1,430)	(150)	(1,976)
		(13,960)	(1,430)	(150)	(15,540)
		6,058	(1,430)	(150)	4,478
2017					
Financial assets					
Fixed deposits with financial institutions	1.00 - 4.25	21,788	-	-	21,788
Financial liabilities					
Borrowings					
- Bank overdrafts	8.24 - 9.12	(9,493)	-	-	(9,493)
- Bankers' acceptances	5.00 - 5.60	(780)	-	-	(780)
- Trust receipts	1.46 - 3.66	(9,893)	-	-	(9,893)
- Revolving loan	8.30	(1,997)	-	-	(1,997)
- Term loans	8.15	(2,457)	-	-	(2,457)
- Finance lease liabilities	2.36 - 3.91	(380)	(988)	(288)	(1,656)
		(25,000)	(988)	(288)	(26,276)
		(3,212)	(988)	(288)	(4,488)

34. FINANCIAL INSTRUMENTS (cont'd)

Interest rate risk (cont'd)

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:

	Group	
	2018 Increase/ (Decrease) RM'000	**2017 Increase/ (Decrease) RM'000**
Effect on profit after tax		
Increase of 10 basis points	3	(3)
Decrease of 10 basis points	(3)	3
Effect on equity		
Increase of 10 basis points	3	(3)
Decrease of 10 basis points	(3)	3

35. FAIR VALUES

The aggregate fair values and the carrying amounts of other financial assets and liabilities carried on the statements of financial position as at 31 December are as below:

The following summarises the methods used to determine the fair values of the financial instruments:

(i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.

(ii) The fair values of term loan is estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

(iii) The fair value of finance lease liabilities is determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period.

	2018		2017	
Group	**Carrying amount RM'000**	**Fair value Level 3 RM'000**	**Carrying amount RM'000**	**Fair value Level 3 RM'000**
Financial liabilities				
Borrowings				
- Finance lease liabilities	1,580	1,525	1,276	1,232

Level 3:

The fair value of finance liabilities are determined by discounting the relevant cash flows using interest rates for similar instruments at the end of the reporting period. The interest rate used to discount the estimated cash flows for finance lease is between 2.92% to 3.31% (2017: 3.00%).

There were no material transfer between Level 1, Level 2 and Level 3 during the financial year.

36. CAPITAL MANAGEMENT

The Group manages their capital to ensure the Group will maintain an optimal capital structure so as to support the businesses and maximise shareholder value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages their capital based on the debt-to-equity ratio. The Group's and the Company's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as borrowings divided by total equity attributable to owners of the Group and the Company.

The debt-to-equity ratios of the Group as at the end of the reporting period are as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Borrowings	15,540	26,276
Total equity attributable to the owners	87,788	46,526
Gearing ratio (times)	0.18	0.56

37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 5 March 2018, the Company issued a total of 151,661,000 new ordinary shares at an issue price of RM0.19 per share in conjunction with its Initial Public Offering. Thereafter, the Company's entire enlarged issued and paid up share capital comprising 758,308,000 shares were listed on the ACE Market of Bursa Securities on 8 March 2018.

(b) QES Manufacturing Sdn. Bhd. ("QMG") (formerly known as Creden (Asia-Pacific) Sdn. Bhd.), a subsidiary of the Company had on 4 April 2018 incorporated a subsidiary known as QES Vision Solutions Sdn. Bhd. ("QVS"). QMG had initially subscribed 70% of the issued share capital of QVS comprising 70 shares for a total consideration of RM70. Subsequently, the investment was increased to 350,000 ordinary shares by the subscription of additional 349,930 ordinary shares for a total cash consideration of RM349,930.

38. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 28 January 2019, the Company proposed to establish an employees' share option scheme ("Proposed ESOS") involving up to 15% of the total number of issued shares of the Company (excluding treasury shares, if any) for eligible Directors and employees of the Company and its subsidiaries. The Proposed ESOS involves the granting of ESOS options to the Executive Directors, Non-Executive Directors and employees of the Group who meet the criteria of eligibility and are employed by entities that are not dormant. The Proposed ESOS, when implemented, shall be in force for a period of 5 years from the effective date.

The proceeds arising from the exercise of the ESOS will be utilised for the working capital requirements of the Group, as and when received, within the tenure of the ESOS. The exact timeframe for utilisation of the proceeds cannot be determined at this juncture.

On 28 March 2019, the listing application in relation to the Proposed ESOS has been submitted to Bursa Securities.

As of the date of this report, the Proposed ESOS is still subject to approvals by the shareholders, Bursa Malaysia Securities Berhad and any other relevant authorities or parties, if required.

39. COMPARATIVE FIGURES

Group	As previously stated RM'000	Reclassification RM'000	As stated RM'000
Statement of Comprehensive Income (Extract):			
Cost of sales	122,752	22,814	145,566
Marketing and distribution costs	29,436	(22,814)	6,622

LIST OF PROPERTIES

Particulars of the property	
Description / Address	3-storey intermediate unit shop office building situated on a piece of leasehold land held under HSD 14891, PT 2935, Mukim 11, District of Seberang Perai Tengah, Pulau Pinang, with a postal address of No 19, Tingkat Bukit Jambul, Bukit Jambul Indah, 11950 Penang
Owner	QES (Asia-Pacific) Sdn. Bhd.
Age of building (years)	20 years
Tenure / Expiry	Leasehold for 99 years Expiring on 10 April 2095
Existing Use	Utilised by QES (Asia-Pacific) Sdn. Bhd.'s Penang branch as office premises
Land Area	1,410.07 sq. ft.
Built Up Area	3,422.92 sq. ft.
Audited Net Book Value	RM422,100.00
Encumbrances	Charged to Malayan Banking Berhad

ANALYSIS OF **SHAREHOLDINGS**
AS AT 28 March 2019

SHARE CAPITAL

Issued shares	:	758,308,000 ordinary shares
Class of shares	:	Ordinary shares
Voting rights	:	1 vote per ordinary share

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of shares held	%
Less than 100 shares	4	0.10	124	0.00
100 – 1,000 shares	448	11.54	241,976	0.03
1,001 – 10,000	1,339	34.48	8,675,200	1.14
10,001 – 100,000	1,743	44.89	68,748,400	9.07
100,001 to less than 5% of issued shares	346	8.91	245,882,600	32.43
5% and above of issued shares	3	0.08	434,759,700	57
Total	**3,883**	**100.00**	**758,308,000**	**100.00**

LIST OF THIRTY LARGEST SHAREHOLDERS

	Name	No. of shares held	%
1	LIEW SOO KEANG	187,488,805	24.72
2	CHEW NE WENG	147,270,895	19.42
3	CHEW NE WENG	100,000,000	13.19
4	CIMB GROUP NOMINEES (ASING) SDN. BHD. *EXEMPT AN FOR DBS BANK LTD (SFS)*	29,088,300	3.84
5	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD *DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG GROWTH FUND*	17,000,000	2.24
6	LIEW SOO KEANG	10,368,000	1.37
7	KEOH BENG HUAT	9,505,100	1.25
8	CHEW NE WENG	8,000,000	1.06
9	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD *KENANGA ISLAMIC FUND*	6,305,000	0.83
10	CARTABAN NOMINEES (TEMPATAN) SDN BHD *RHB TRUSTEES BERHAD FOR KENANGA ASIA PACIFIC TOTAL RETURN FUND*	5,849,500	0.77
11	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD *CIMB COMMERCE TRUSTEE BERHAD - KENANGA PREMIER FUND*	5,814,400	0.77
12	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD *DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG ASIA-PACIFIC DIVIDEND FUND*	5,420,000	0.71
13	UOBM NOMINEES (TEMPATAN) SDN BHD *UOB ASSET MANAGEMENT (MALAYSIA) BERHAD FOR GIBRALTAR BSN AGGRESSIVE FUND*	4,115,000	0.54

ANALYSIS OF **SHAREHOLDINGS** AS AT 28 MARCH 2019

LIST OF THIRTY LARGEST SHAREHOLDERS (cont'd)

	Name	No. of shares held	%
14	RHB NOMINEES (TEMPATAN) SDN BHD *OSK CAPITAL SDN BHD FOR YAYASAN ISLAM TERENGGANU*	4,000,000	0.53
15	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD *PEMBANGUNAN SUMBER MANUSIA BERHAD*	3,950,000	0.52
16	LIM CHEE TING	3,500,000	0.46
17	TEH SOON LEONG	3,309,000	0.44
18	LIM CHEE KEONG	3,133,200	0.41
19	APRECINIA MATIAS PABLO	3,000,000	0.40
20	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD *CIMB COMMERCE TRUSTEE BERHAD FOR KENANGA GROWTH OPPORTUNITIES FUND (50154 TR01)*	2,802,600	0.37
21	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR PETROLIAM NASIONAL BERHAD (KIB)*	2,740,700	0.36
22	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD *DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG BALANCED FUND*	2,500,000	0.33
23	KHOO BOON TIONG	2,200,000	0.29
24	LIM BOON LENG	2,000,000	0.26
25	CHONG PAU LOONG	2,000,000	0.26
26	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TEH SOON CHENG (E-PPG)*	1,991,000	0.26
27	CHAN GIM HIN	1,976,000	0.26
28	M & A NOMINEE (TEMPATAN) SDN BHD *GENTING UTAMA SDN BHD FOR WEALTHMAX ASSETS SDN BHD*	1,966,200	0.26
29	SHAM MAY YOKE	1,500,000	0.20
30	LIM HIAN HO	1,385,000	0.18
	Total	**580,178,700**	**76.50**

SUBSTANTIAL SHAREHOLDERS (AS SHOWN IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

Name of substantial shareholders	No. of ordinary shares Direct	%	Indirect	%
1) Chew Ne Weng	255,270,895	33.66	-	-
2) Liew Soo Keang	197,856,805	26.09	-	-

STATEMENT OF DIRECTORS' SHAREHOLDINGS

Directors' name	No. of ordinary shares Direct	%	Indirect	%
1) Chew Ne Weng	255,270,895	33.66	-	-
2) Liew Soo Keang	197,856,805	26.09	-	-
3) Adnan bin Zainol	40,000	0.01	-	-
4) Chia Gek Liang	40,000	0.01	-	-
5) Hoh Chee Mun	90,000	0.01	-	-

NOTICE OF 5TH
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 5th Annual General Meeting ("AGM") of QES Group Berhad ("QES" or "Company") will be held at Mauna Lani 1 & 2 Room, Holiday Inn Kuala Lumpur Glenmarie Hotel, 1 Jalan Usahawan U1/8, Seksyen U1, 40250, Shah Alam, Selangor, Malaysia on Tuesday, 25 June 2019 at 10.00 a.m. for the transaction of the following businesses:

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2018 together with the Reports of the Directors and the Auditors thereon. **Refer Notes No. 9(a)**

2. To approve the payment of Directors' fees and benefits up to an amount of RM250,000/- for the financial year ending 31 December 2019. **(Ordinary Resolution 1)**

3. To re-elect the following Directors who retire by rotation pursuant to Article 92 of the Company's Articles of Association and, being eligible, offer themselves for re-election:

   (a) Mr. Liew Soo Keang **(Ordinary Resolution 2)**
   (b) Mr. Hoh Chee Mun **(Ordinary Resolution 3)**

4. To re-appoint Messrs. Moore Stephens Associates PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 4)**

AS SPECIAL BUSINESS
To consider and, if thought fit, to pass the following Ordinary resolution and Special resolution:

5. **Authority to issue and allot shares** **(Ordinary Resolution 5)**

   "**THAT** subject always to the Companies Act, 2016 ("the Act"), the Company's Articles of Association, the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant governmental or regulatory authorities where such approvals shall be necessary, the Directors be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act to allot and issue shares in the Company to such persons, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued does not exceed 10% of the total number of issued shares of the Company and for the time being **AND THAT** the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities **AND THAT** such authority shall continue in force until the conclusion of the next AGM of the Company after the approval was given or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier."

6. **Proposed Adoption of the New Constitution of the Company** **(Special Resolution)**

   "**THAT** approval be and is hereby given to revoke the existing Memorandum and Articles of Association ("M&A") of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in the Circular to Shareholders dated 24 April 2019 be and is hereby adopted as the Constitution of the Company **AND THAT** the Directors of the Company be and are hereby authorised to assent to any modification, variation and/or amendment as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the Proposed Adoption of the New Constitution."

7. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD,

ANDREA HUONG JIA MEI (MIA 36347)
Company Secretary
Kuala Lumpur
24 April 2019

Notes:

1. A member of the Company entitled to attend, speak and vote at this meeting is entitled to appoint any person as his/her proxy to attend, speak and vote instead of him/her. There shall be no restriction as to the qualification of proxy.

2. A member may appoint up to 2 proxies. Where 2 proxies are appointed, the member shall specify the proportion of his shareholdings to be represented by each proxy, failing which the appointment shall be invalid.

3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. The appointment of 2 or more proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.

4. Where a member of the Company is an Exempt Authorised Nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("omnibus account"), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.

5. In the case of a corporate body, the proxy appointed must be in accordance with the Company's Articles of Association, and the instrument appointing a proxy shall be given under the Company's Common Seal or signed by the officer or attorney so authorised.

6. The Proxy Form must be deposited at the Share Registrar's office, Mega Corporate Services Sdn. Bhd at Level 15-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than 48 hours before the time set for the meeting or any adjournment thereof.

7. For purposes of determining who shall be entitled to attend, speak and vote at this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 47(c) of the Company's Articles of Association and Rule 7.16(2) of the ACE Market Listing Requirements, a Record of Depositors as at 18 June 2019.

8. Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements, all the resolutions set out in the notice of general meeting will be put to vote by way of poll.

9. **Explanatory Notes on Ordinary and Special Resolution:**

   (a) Audited Financial Statements for the financial year ended 31 December 2018

   The Audited Financial Statements are for discussion only under Agenda item No. 1, as it does not require shareholders' approval under the provisions of Section 340(1)(a) of the Companies Act, 2016. Hence, this Agenda is not being put forward for voting by the shareholders of the Company.

   (b) Ordinary Resolutions 2 and 3

   Article 92 of the Company's Articles of Association provides that 1/3 of the Directors of the Company for the time being shall retire from office at each AGM of the Company. With the current Board size, 2 Directors are to retire pursuant to Article 92 of the Company's Articles of Association.

NOTICE OF 5TH
ANNUAL GENERAL MEETING

(c) Ordinary Resolution 5 - Authority to issue and allot shares

Resolution No. 5 is to seek a renewal of the general mandate for the issue of new ordinary shares pursuant to Sections 75 and 76 of the Companies Act, 2016 which was approved by shareholders at last year's AGM ("the previous mandate"). As at the date of this Notice, the Company did not allot any shares pursuant to the previous mandate. The mandate, if passed will provide flexibility for the Company and empower the Directors to issue and allot new shares in the Company up to an amount not exceeding 10% of the total number of issued shares of the Company. This would eliminate any delay arising from and eliminate costs involved in convening a general meeting to obtain approval of the shareholder for such issuance of shares. The authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next AGM of the Company or at the expiry of the period within which the next AGM is required to be held after the approval was give, whichever is earlier.

(d) Special Resolution
Proposed Adoption of the New Constitution of the Company

The Proposed Adoption of the New Constitution is primarily to bring the Constitution of the Company in line with the new provisions of the Act which came into force on 31 January 2017, amendments made to the Listing Requirements and to enhance administrative efficiency.

The Board proposes the adoption of a new Constitution as the amendments required to be made are numerous and would entail substantial amendments to the existing M&A of the Company.

As directed by Bursa Securities, all listed issuers have to amend their Constitution by 31 December 2019.

Please refer to the Circular to Shareholders dated 24 April 2019 which is circulated together with this Annual Report.

PROXY FORM

QES GROUP BERHAD
(Company No. 1119086-U)
(Incorporated in Malaysia under the Companies Act, 1965)

I/We____
(FULL NAME AS PER NRIC / CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

______________Company No./ NRIC No. (new)________________(old) ______________

of ____
(FULL ADDRESS)

being a member(s) of QES GROUP BERHAD hereby appoint_______________________________

______________________NRIC No. (new) ________________(old)______________

or failing him/her______________NRIC No. (new) ________________(old)______________

or failing him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the 5th Annual General Meeting ("AGM") of the Company to be held at Mauna Lani 1 & 2 Room, Holiday Inn Kuala Lumpur Glenmarie Hotel, 1 Jalan Usahawan U1/8, Seksyen U1, 40250, Shah Alam, Selangor, Malaysia on Tuesday, 25 June 2019 at 10.00 a.m. and at any adjournment thereof. (*Strike out whichever is not desired*)

The proportions of my/our holdings to be represented by my/our proxy(ies) are as follows:-

Proxy 1 ________%

Proxy 2 ________%

100 %

(Should you desire to direct your proxy as to how to vote on the Resolutions set out in the Notice of Meeting, please indicate an "X" in the appropriate space. Unless otherwise instructed, the proxy may vote or abstain from voting at his discretion.)

NO.	RESOLUTIONS	FOR	AGAINST
1)	Ordinary Resolution 1 – To approve the payment of Directors' fees and benefits for the financial year ending 31 December 2019		
2)	Ordinary Resolution 2 – Re-election of Mr. Liew Soo Keang as Director		
3)	Ordinary Resolution 3 – Re-election of Mr. Hoh Chee Mun as Director		
4)	Ordinary Resolution 4 – To re-appoint Messrs. Moore Stephens Associates PLT as Auditors of the Company and to authorise the Directors to fix their remuneration		
5)	Ordinary Resolution 5 – Authority to issue and allot shares		
6)	Special Resolution – Proposed Adoption of the New Constitution of the Company		

Signed this____________ day of______________2019

No. of shares held:	
CDS Account No.:	
Tel No. (during office hours):	

____
Signature/Common Seal of Member(s)

Notes:

1. A member of the Company entitled to attend, speak and vote at this meeting is entitled to appoint any person as his/her proxy to attend, speak and vote instead of him/her. There shall be no restriction as to the qualification of proxy.

2. A member may appoint up to 2 proxies. Where 2 proxies are appointed, the member shall specify the proportion of his shareholdings to be represented by each proxy, failing which the appointment shall be invalid.

3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. The appointment of 2 or more proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.

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8. Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements, all the resolutions set out in the notice of general meeting will be put to vote by way of poll.

Please fold along this line

affix stamp

SHARE REGISTRAR

Mega Corporate Services Sdn Bhd
Level 15-2, Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

Fold this flap for sealing along this line www.qesnet.com

QES GROUP BERHAD
(Company No.1119086-U)
(Incorporated in Malaysia under the Companies Act, 1965)

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