No 9, Jalan Juruukur U1/19,
HICOM Glenmarie Industrial Park,
Seksyen U1, 40150, Shah Alam,
Selangor, Malaysia

(603) 5882 6668
(603) 5567 0811
investor.relations@qesnet.com
www.qesnet.com

QES GROUP BERHAD
Company Registration No. 201401042911 (1119086-U)
(Incorporated in Malaysia under the Companies Act, 1965)

QES GROUP BERHAD ANNUAL REPORT 2020

QES GROUP BERHAD

Company Registration No. 201401042911 (1119086-U)
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ANNUAL REPORT 2020

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

VALUE

PASSION

RESPECT

GROWTH

CUSTOMER

ACCOUNTABILITY

CHANGE

ABOUT QES®

Assuring You **Our Best, Always!**

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
12,000
equipment installed

Revenue
~USD 39
million

350+
employees

7 countries

29 years
operating

CORPORATE INFORMATION

BOARD OF DIRECTORS

1. **ADNAN BIN ZAINOL**
   Independent Non-Executive Chairman
2. **CHEW NE WENG**
   Managing Director/President
3. **LIEW SOO KEANG**
   Executive Director
4. **CHIA GEK LIANG**
   Independent Non-Executive Director
5. **HOH CHEE MUN**
   Independent Non-Executive Director
6. **MAZNIDA BINTI MOKHTAR**
   Independent Non-Executive Director

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: 03-2161 8895

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

AUDIT COMMITTEE
Hoh Chee Mun (Chairman)
Adnan Bin Zainol
Chia Gek Liang
Maznida Binti Mokhtar

NOMINATION COMMITTEE
Chia Gek Liang (Chairman)
Adnan Bin Zainol
Hoh Chee Mun

REMUNERATION COMMITTEE
Chia Gek Liang (Chairman)
Adnan Bin Zainol
Chew Ne Weng
Hoh Chee Mun

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

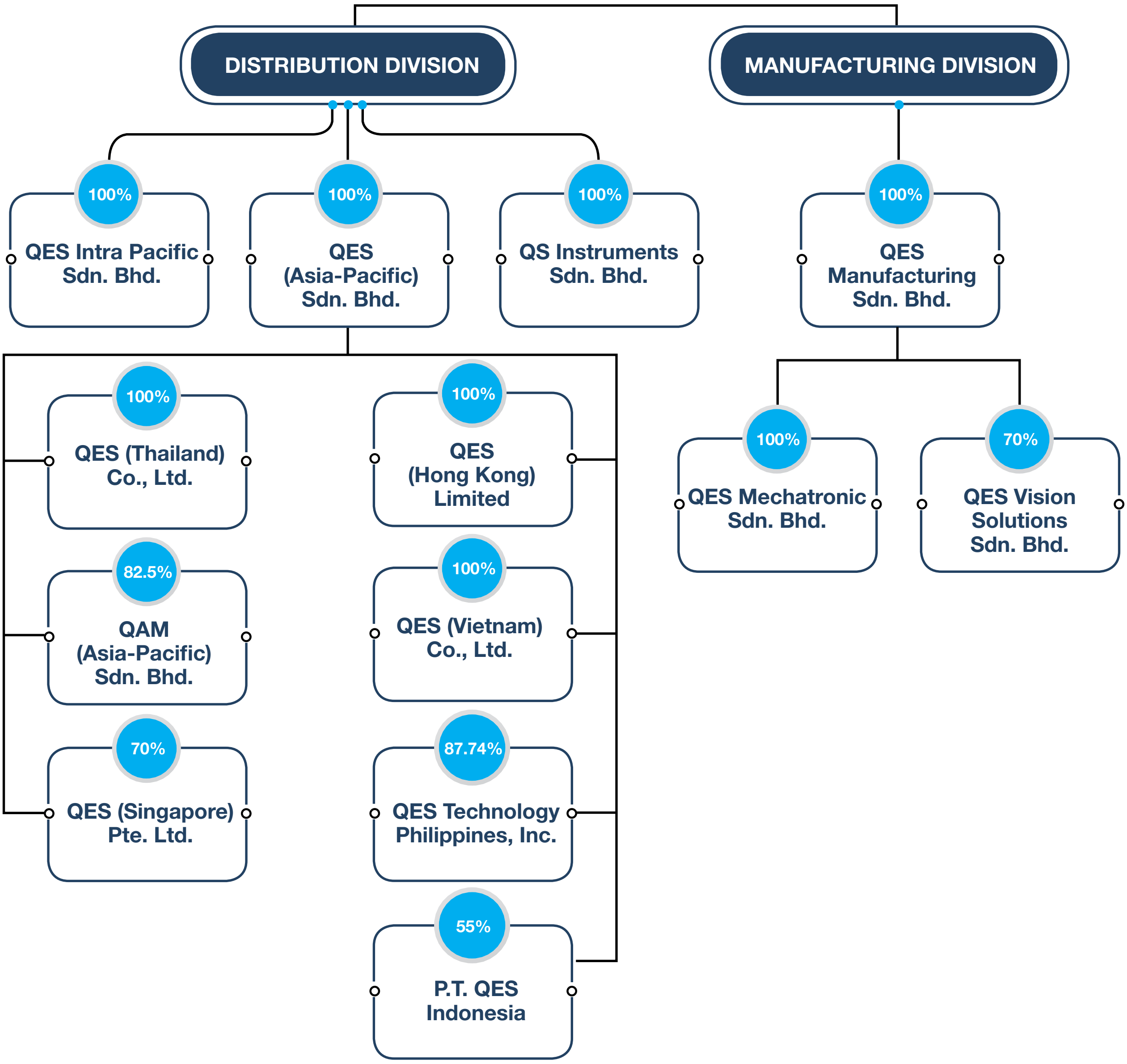
CORPORATE WEBSITE
www.qesnet.com

CORPORATE STRUCTURE

QES GROUP BERHAD

("Group" or "QES") as at 31 December 2020

Incorporation & Subsidiaries



- 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.

CORPORATE MILESTONES

QES Malaysia was founded on the 4th **October 1991**

OCT 1991
QES Malaysia was founded on the 4th Oct 1991

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

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

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

MAY 1996
Expanded to Philippines via QES (Manila), Inc.

DEC 1996
New subsidiaries QES (Kuala Lumpur) Sdn. Bhd. & QES (Penang) Sdn. Bhd were setup

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

APR 1997
Moved into new three-storey Corporate HQ building in USJ9, UEP, Subang Jaya

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

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

DEC 2001
Invested in Creden (Asia-Pacific) Sdn. Bhd. to diversify into manufacturing and trading of industrial equipment and systems

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

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

APR 2005
Expanded to Chengdu, China via QES China

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

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

MAY 2007
Creden Mechatronic Sdn. Bhd. gained QMS ISO 9001: 2000 recognition

MAY 2008
Expanded coverage to Clark, Philippines via QES (Manila), Inc.

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

JUN 2013
Official launch of SPECTRO SEA Centre of Excellence

AUG 2014
Implementation of Business Fulfilment System within QES Group

AUG 2014
Creden Intra Pacific Sdn. Bhd. gained QMS ISO 9001:2015 recognition for their Service Operation

FEB 2015
Official Launch of new QES Logo

DEC 2016
QES (Singapore) Pte. Ltd. & QES (Thailand) Co., Ltd. Becomes subsidiaries of QES Group

MAR 2018
QES Group listed on the ACE Market on 8th March 2018

APR 2018
Incorporation of QES Vision Solutions Sdn. Bhd. to diversify into providing vision software solution for automated equipment

MAY 2020
Implementation of Oracle Netsuite ERP System within QES Distribution Division

JAN 2021
QES acquired new Corporate HQ & manufacturing facility in Glenmarie, Shah Alam

MAR 2021
QES (Asia-Pacific) Sdn. Bhd gained QMS ISO 9001:2015 recognition for Sales & Service Operations

MAR 2021
Implementation of Oracle Netsuite ERP System within QES Manufacturing Division

PROFILE OF DIRECTORS

Adnan Bin Zainol

Independent Non-Executive Chairman
Malaysian I Male I 68

Appointed to our Board: 11 May 2015
Meeting Attendance: 5/6 (83%)

Qualification(s):
- Bachelor of Economics in 1978, University Malaya.

Relevant Working Experience:
- Accumulated over 20 years of working experience in the banking industry.
- He started his career in 1978 serving various positions in Malayan Banking Berhad and CIMB Investment Bank Berhad 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.

Member of the Remuneration, Nomination and Audit Committees.

Present Directorship(s) with Other Public Listed Companies:
- Independent Non-Executive Director of Orion Group Berhad

Chew Ne Weng

Managing Director/President
Malaysian I Male I 58 I Co-founder

Appointed to our Board: 11 May 2015
Meeting Attendance: 6/6 (100%)

Qualification(s):
- Bachelor of Mechanical Engineering in 1987, National University of Singapore

Relevant Working Experience:
- Accumulated over 30 years of experience within the engineering industry.
- He started his career in 1987 as an Engineer at Cairnhill Precision Private Limited, Singapore and Co-founded QES Group on 4 October 1991
- As Managing Director/President, he is responsible for the overall strategic direction and management of the Company and its subsidiaries ("the Group") such as the implementation of policies on technical and financial operations, business plans for operating units as well as the execution of quality management system.

Member of the Remuneration Committee

Liew Soo Keang

Executive Director
Malaysian I Male I 59

Appointed to our Board: 11 May 2015
Meeting Attendance: 6/6 (100%)

Qualification(s):
- Bachelor of Electrical Engineering (Honours) (First Class) from University Malaya in 1987.

Relevant Working Experience:
- Accumulated over 30 years of experience in the engineering industry.
- He began his career in 1987 with Intel Technology Sdn. Bhd. where he was tasked with various roles including semiconductor test equipment maintenance, services and overseeing testing operations.
- He joined QES (Penang) Sdn. Bhd. in 1997 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.

Profile of Directors (Cont'd)

Chia Gek Liang

Independent Non-Executive Director
Malaysian I Male I 59

Appointed to our Board: 11 May 2015
Meeting Attendance: 6/6 (100%)

Qualification(s):

- Bachelor of Electrical Engineering and a Master of Business Administration from the National University of Singapore, in 1985 and 1993.
- Bachelor of Laws Hons (2nd Upper) from the University of London in 2010.
- Obtained his Certificate in Legal Practice in 2011 and was admitted as Advocate & Solicitor of the High Court of Malaya in 2012.

Relevant Working Experience:

- He began his career in 1985 in the engineering industry with SGS-Thomson Microelectronics Pte. Ltd. In Singapore for 6 years.
- In 1992, he joined CIMB Investment Bank Berhad in the corporate finance division. 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.
- In 2013, he started practising law as an Associate where he was primarily involved in providing corporate legal services.
- Since January 2019, he has resumed doing general consulting works.

Chairman of the Remuneration and Nomination Committees - Member of the Audit Committee.

Hoh Chee Mun

Independent Non-Executive Director
Malaysian I Male I 56

Appointed to our Board: 11 May 2015
Meeting Attendance: 5/6 (83%)

Qualification(s):

- Certified Public Accountants, Malaysian Institute of Certified Public Accountant ("MICPA"), in 1993.
- Admitted as a Certified Public Accountant of MICPA on 29 January 1994.
- Admitted as a Chartered Accountant of Malaysia Institute of Accountants ("MIA") on 24 October 1994.

Relevant Working Experience:

- Commenced his accountancy career in 1985 with BDO and furthered his career with Ernst & Young in 1990.
- In 1996, he joined Fella Design Group of Companies as the Group Accountant, overseeing the accounts, finance, internal audit, human resources, and information technology.
- In 2005, he became the Finance Director of VHQ Group of Companies, overseeing the accounts, finance and corporate secretarial matters in Malaysia, Singapore, Indonesia, Thailand, Vietnam, and China.
- From 2012 to 2017, he provided general management consultancy and GST services.
- Since 2017, he was appointed as the Financial Controller of Straits Inter Logistics Berhad.

Chairman of the Audit Committee - Member of the Remuneration and Nomination Committees.

Profile of Directors (Cont'd)

Maznida Binti Mokhtar

Independent Non-Executive Director
Malaysian I Female I 54

Appointed to our Board: 1 August 2019
Meeting Attendance: 6/6 (100%)

Qualification(s):

- Bachelor of Science in Economics (Honours) from London School of Economics and Political Science in 1990.
- She completed her professional articleship as a Chartered Accountant at Ernst & Young in London in 1993.
- She is currently a member of the Institute of Chartered Accountants of England and Wales, and the MIA.

Relevant Working Experience:

- She started her career at AmMerchant Bank Berhad in the Privatisation and Project Advisory Unit in 1994.
- In 1997, she co-founded Skali Group of Companies and was the Chief Financial Officer for 23 years. She and the management team provided the strategic direction and led the operations of the Group.
- She has accumulated over 25 years of working experience in the accounting firm, merchant banking industry and the IT industry.

Member of the Audit Committee.

Notes:

1. All the Directors above have no family relationship with any Directors and/or major shareholders of the Group and have never been charged for any offence against the law other than traffic offences (if any) within the past five (5) years.

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

3. Other than En. Adnan Bin Zainol, all the Directors of QES Group Berhad does not hold directorship in any other public listed companies as at 31st December 2020.

PROFILE OF KEY MANAGEMENT

Lee Hock Chin

Vice President of Distribution Division
Malaysian I Male I 47

- Responsible for all regional sales, marketing and technical support activities.
- Appointed since 1 January 2011

Qualification(s):
- Diploma in Technology (Electronic Engineering) in 1978, Tunku Abdul Rahman College

Relevant Working Experience:
- Accumulated more than 20 years of experience in the test and measurement equipment industry.
- Over 20 years in QES where he was responsible for the after-sales technical support services, sales and marketing activities within the Business Unit of QS Instruments Sdn.Bhd.

Lim Chee Keong

Vice President of Manufacturing Division
Malaysian I Male I 54

- 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.
- Appointed since 1 January 2009

Qualification(s):
- Diploma in Computer Studies in 1993, Informatics Institute, Penang.

Relevant Working Experience:
- More than 30 years of engineering and sales experiences.
- Joined QES in 1994 and has since been in charge of technical support operations, managing the technical and service department, overall management of the operations.

Chin Guat Eem

General Manager of Human Resources & Admin
Malaysian I Female I 54

- 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.
- Appointed since 16 April 2005

Qualification(s):
- Diploma in Purchasing and Materials Management in 2001, Malaysian Institute of Purchasing and Materials Management.
- Foundation studies for Graduate Diploma in Purchasing and Supply Programme in 2001, Chartered Institute of Purchasing and Supply, United Kingdom.

Relevant Working Experience:
- Began her career in 1989 and since joining QES in 1992, she has accumulated over 30 years of experience in various roles ranging from office management, procurement, logistics, warehouse and management of human capital.

Profile of Key Management (Cont'd)

Yeoh Cheong Yeow

General Manager of Finance
Malaysian I Male I 52

- 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.
- Appointed since 1 September 2004

Qualification(s):
- Diploma in Commerce (Financial Accounting) in 1993, Tunku Abdul Rahman College.
- Diploma in Investment Analysis in 1996, Research Institute of Investment Analysts Malaysia.
- Fellow member of the Association of Chartered Certified Accountants, United Kingdom and a Chartered Accountant of the Malaysian Institute of Accountants.

Relevant Working Experience:
- More than 25 years of experience in accounting and finance functions.
- He began his career in 1993 as an auditor and subsequently held various finance and accounting roles prior to joining QES in 2004 assuming his present role.

Notes:

1. All the Key Management above have no family relationship with any Directors or major shareholders of the Group and have never been charged for any offence against the law other than traffic offences (if any) within the past five (5) years.

2. All the Key Management above does not hold directorship in any other public listed companies and has no conflict of interest with the Company.

LETTER TO SHAREHOLDERS

Dear Shareholders,

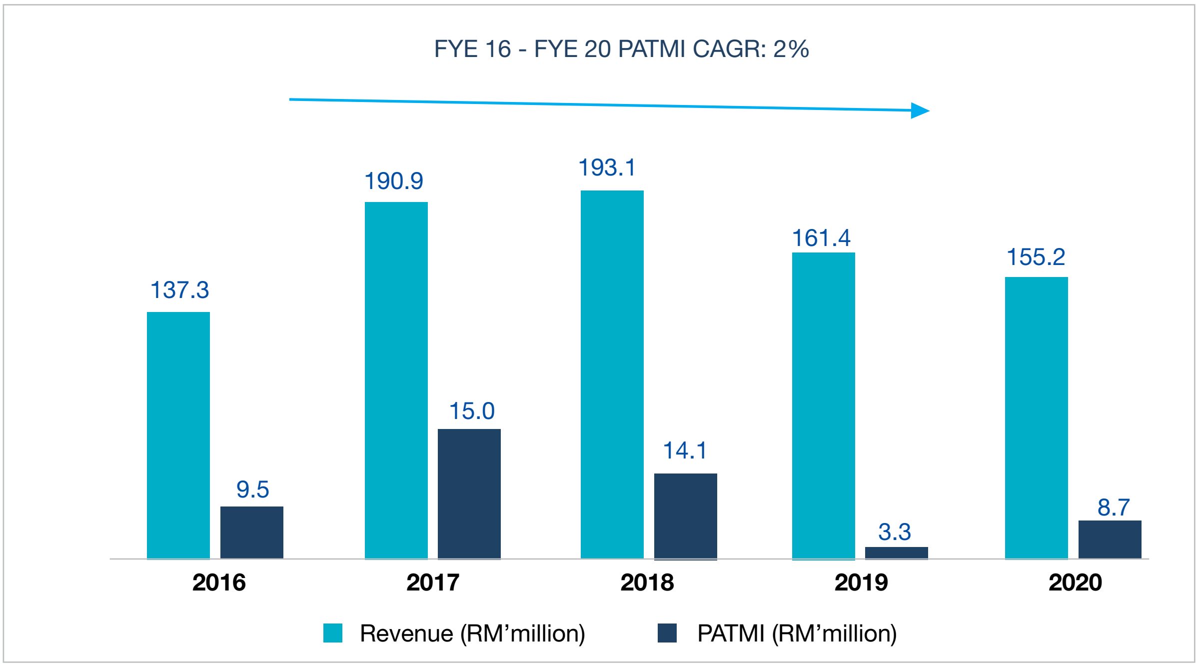
2020 has been an unprecedented year which saw almost 116 million people around the world infected with the COVID-19 virus. COVID-19 was not only a global pandemic and a public health crisis, it also severely affected the global economy, financial markets, and caused major disruptions in the transportation, service, and the supply chain for many industries. Despite that, amid the shadow of the pandemic, the Group managed to record a profit for the FYE 2020. On behalf of the Board of Directors ("Board"), we are pleased to present the Annual Report and the Financial Statements of the Group for FYE 2020.

FINANCIAL PERFORMANCE

(i) Analysis of financial results

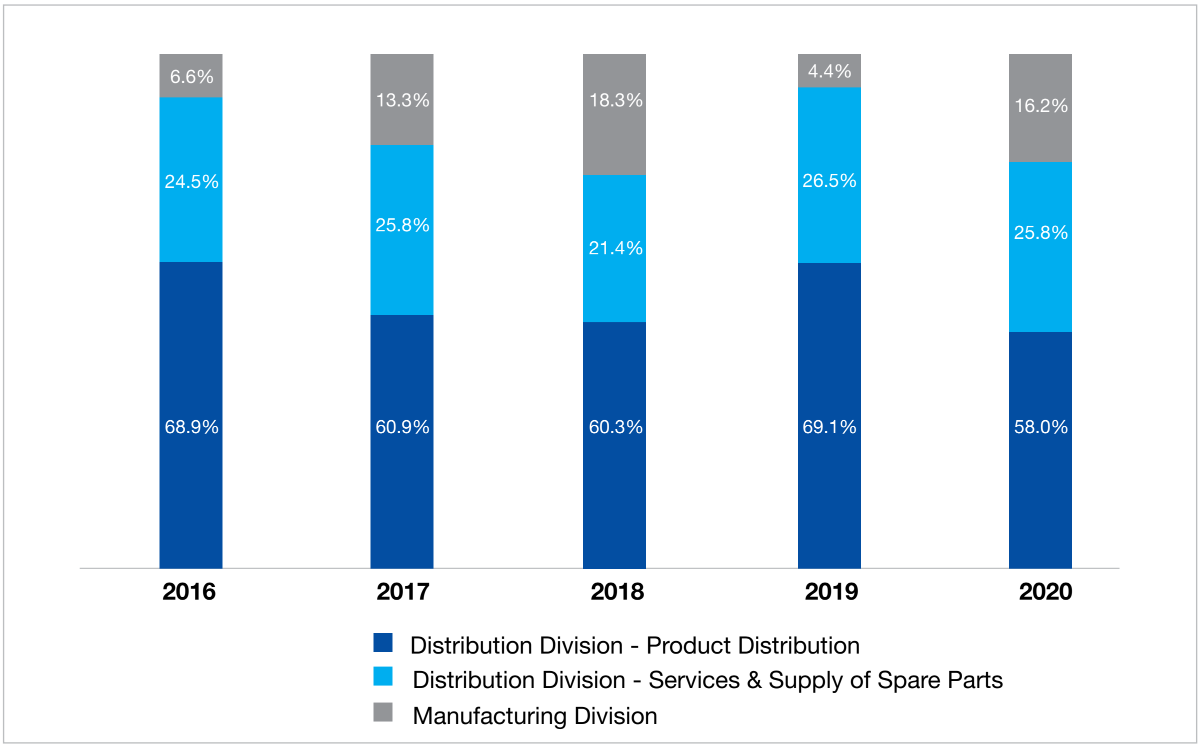
The Group ended the financial year with RM155.2million in revenue and RM8.7 million in profit after tax attributable to the owners of the company ("PATMI"). Revenue declined by RM6.2 million from RM161.4 million while our PATMI increased by RM5.4 million from RM3.3 million as compared to FYE 2019. The decrease in revenue but increase in PATMI year-on-year ("YoY") were mainly attributed by a minor drop in sales from the Distribution Division whereas there was a significant increase in sales generated from the Manufacturing Division, which performed well due to the uptick in the semiconductor industry. The primary reason for the increased in PATMI despite a decrease in revenue is attributable to the increased in sales by the Manufacturing Division which generates a higher profit margin.

Revenue & PATMI



Letter to Shareholders (Cont'd)

Manufacturing & Distribution Division Revenue Breakdown



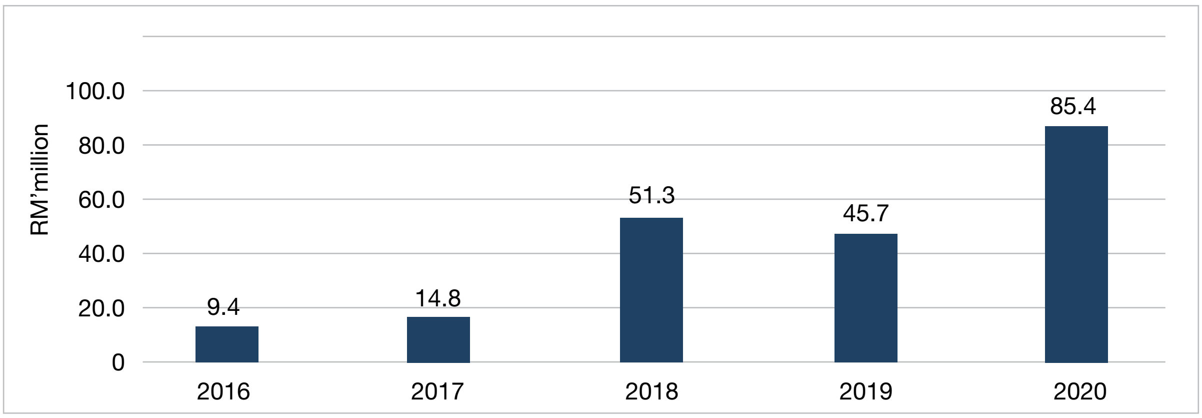
(ii) Recovery in the Manufacturing Division

During FYE 2020, revenue attributable to the Manufacturing Division had increased by approximately RM18.0 million, marking an increase of approximately 253.5% on year-on-year growth compared to FYE 2019. Contributions from the Manufacturing Division shows an increasing rising trend in the semiconductor industry which bodes well and in line with the Group's strategic direction to expand the Manufacturing Division in the future.

(iii) Maintaining a strong balance sheet

As at 31st December 2020, the Group has cash and cash equivalents of RM85.4 million. In view of the continued downcast economic climate in FY 2021 due to the slow resolve of the COVID-19 pandemic, the Group is committed to optimise usage of our cash reserves over the next 12 months, in ensuring the sustainability of the Group.

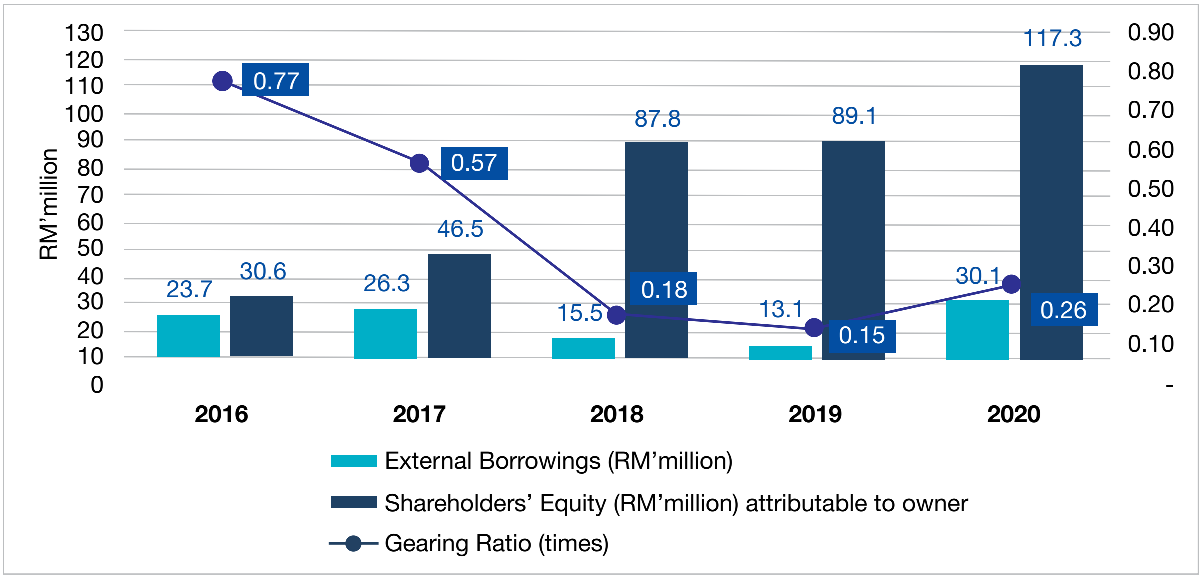
Cash & Cash Equivalents Trend



Letter to Shareholders (Cont'd)

(iv) Shareholders' equity growth

Our shareholders' equity increased from RM89.1 million in FYE 2019 to RM117.3 million mainly due to the proceeds from the issuance of new shares of RM19.6 million in respect of our private placement in October 2020 and higher PATMI of RM8.7 million generated in FYE 2020. Gearing ratio increased from 0.15 times in FYE 2019 to 0.26 times in FYE 2020 mainly from the new term loan obtained to finance the new property that the Group acquired. Current ratio had improved from 2.31 times in FYE 2019 to 3.28 times in FYE 2020.



BUSINESS SUSTAINABILITY AND DEVELOPMENT

(i) Corporate Highlights

During FYE 2020, the Group has successfully implemented the Oracle NetSuite as our digitalisation project partner. With this successful implementation, we can 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.

The Group had also successfully acquired on 4th January 2021, via its wholly owned subsidiary, QES (Asia-Pacific) Sdn Bhd ("QAP") a freehold Five (5) Storey detached factory erected on land held under Individual Title H.S.(D) 225962, PT No. 114, Bandar Glenmarie, Daerah Petaling, Negeri Selangor and measuring approximately 5,833 square metre in size at the price of RM 21,000,000. This acquisition will expand the physical operating space to support the future growth and expansion plans for the Manufacturing and Distribution Division.

On 1st January 2021, QAP was appointed as Nikon Corporation's authorised distributor and will be responsible for managing the marketing, sales and aftersales services of Nikon Corporation's industrial metrology products in Malaysia

(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, even during the troubling times in FYE 2020 due to the COVID-19 pandemic, the Group continued to pay all its employees full salaries and bonuses without cutting any jobs.

Letter to Shareholders (Cont'd)

(iii) Manufacturing product development

For FY 2021, utilising the proceeds raised from our private placement of new shares in FYE 2020, our Manufacturing Division is expected to double its capacity in the new factory as well as to develop new products. Our Manufacturing Division will be expanding their products and solutions such as contactless warehouse management system, production electronic travelling system and vending bunny suit system, which will capitalise on the semiconductor growth and Industry 4.0 related projects.

(iv) Factors affecting business

As the vaccination for COVID-19 are beginning to roll out worldwide, the Group anticipates a positive shift to a recovery in the economy. We remain hopeful that our customers will embark on capital expenditure spending in FY 2021 due to the semiconductor industry growth and with our strong cash balance sheet, we are well positioned to strategize and capitalize on this recovery.

MARKET OUTLOOK AND FUTURE PROSPECT

The economic recovery is expected to be gradual and uneven amid the pandemic containment measures pending the ongoing rollout of COVID-19 vaccines. While there are expected challenges given the tentative operating landscape, the Group remains focus on driving productivity by utilizing digitalization as much as we can and managing cost in line with the revenue growth. The Group's long-term business objectives are to generate sustainable earnings supported by positive cash flows, maintain a positive and healthy financial position.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, we would like to express our sincere appreciation and gratitude to our shareholders, the management and employees, for their dedicated work, commitment and loyalty. Finally, 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.

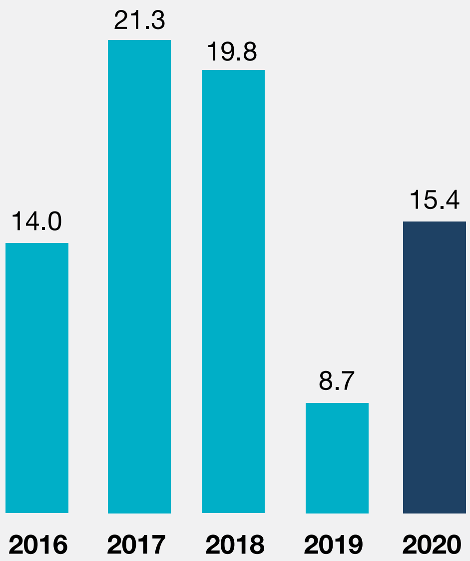
Rest assured, we will continue to work together and forge ahead to achieve the highest growth and success for QES.

Adnan Bin Zainol
Independent Non-Executive Chairman

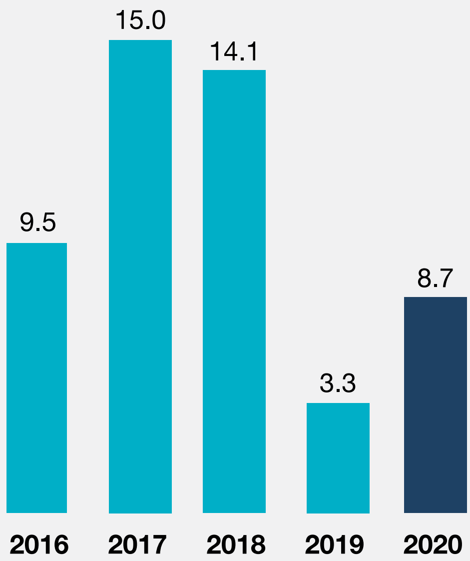
Chew Ne Weng
Managing Director/President

GROUP FINANCIAL HIGHLIGHTS

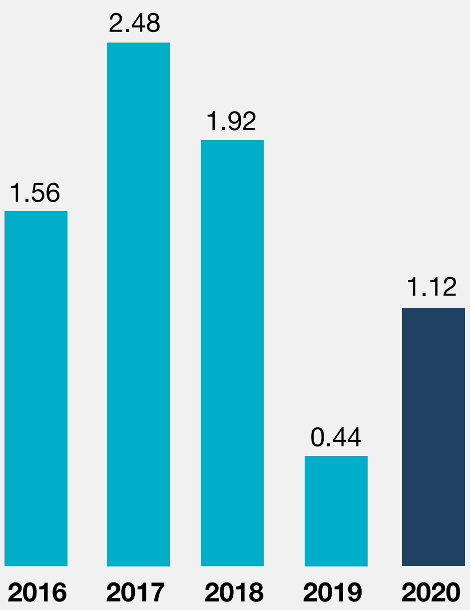
Earnings before Interest, Taxes, Depreciation and Amortisation (RM'million)



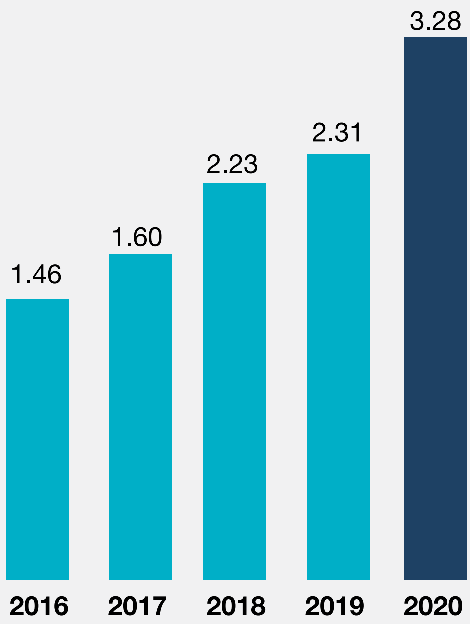
Profit attributable to Owners of the Company (RM'million)



Basic Earnings per Share (sen)



Current Ratio (times)



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE REVIEW

Revenue and gross profit

The Group recorded a lower revenue of RM155.2 million in FYE 2020, a decrease of RM6.2 million or 3.8% as compared to FYE 2019. The decline of revenue was mainly due to a drop in sales generated from the Distribution Division by RM24.2 million notwithstanding an increase of revenue from the Manufacturing Division of RM18.0 million.

The Group recorded a higher gross profit ("GP") of RM36.2 million, a 12.1% increase over last year's RM32.3 million primarily due to higher GP contribution by the Manufacturing Division, in tandem with its increase in revenue. Overall GP margin for the current financial year stood at 23.3% as compared to 20.0% in FYE 2019.

Geographically, Malaysia remains as the biggest revenue contributing country, at approximately 36.3% of our total revenue in FYE 2020. 53.3% of our revenue is derived from other ASEAN countries, and the remaining 10.4% is contributed by other countries. Despite the various versions of governmental lockdowns due to the COVID-19 pandemic which affected most of our ASEAN operations, Malaysia, Singapore and Vietnam still saw growth whereas countries like Indonesia and Philippines managed to break-even. This well-balanced geographical composition shows the Group's diversity and strength of our core businesses in which there is no heavy reliance on a single country to drive the continuous growth of the Group.

Operating expenses

Administrative expenses decreased to RM15.0 million in FYE 2020 from RM15.8 million in FYE 2019 due to cost saving measures and a decrease from travelling expenses due to the COVID-19 pandemic.

Marketing and distribution cost decreased marginally to RM7.1 million from RM7.3 million as the Management had postponed all corporate exhibitions and events due to the COVID-19 pandemic despite an increased in performance bonuses and incentives.

Other operating expenses increased marginally to 3.2% of our revenue in FYE 2020 compared to 3.1% in FYE 2019 on account of loss allowance in trade receivables and inventories written down as well as higher amortisation of intangible assets, bad debts written off and unrealised loss on foreign exchange. This is despite the reduction in inventories written off in FYE 2020.

The Group's finance costs decreased to RM0.7 million from RM0.9 million mainly attributable to the reduction in interest from short term bank borrowings.

Profit

The Group's profit before tax ("PBT") increased by 108.9% to RM11.7 million in FYE 2020 from RM5.6 million in FYE 2019 mainly due to higher revenue and gross profit margin generated by the Manufacturing Division. Profit after tax further increased by 148.6% to RM8.7 million in FYE 2020 from RM3.5 million in FYE 2019 in line with higher PBT.

The Group's effective tax rate in FYE 2020 was 26.1% which is lower compared to 38.3% in FYE 2019 but higher compared to the statutory income tax rate of 24.0% mainly due to adjustments on certain non-deductible expenses notwithstanding the adjustment for non-taxable and tax exempted income in place.

FINANCIAL POSITIONS REVIEW

Non-current assets

The Group's total non-current assets decreased by RM1.0 million, mainly due to the disposal of demonstration equipment amounting to RM0.8 million at net book value and total depreciation of RM2.1 million and RM1.5 million charged for property, plant and equipment ("PPE") and right-of-use ("ROU") asset respectively during FYE 2020. This is partially offset with the increase from purchase of demonstration equipment and other office equipment and fittings of RM3.4 million and additional recognition of ROU asset of RM0.4 million. Despite the amortisation of RM0.4 million of intangible assets, the overall total intangible assets registered an increase due to an additional RM0.7 million cost for future product development incurred and capitalized by Manufacturing Division. Deferred tax assets ("DTA") decreased by RM0.5 million mainly due to the reversal of recognition of tax losses from the Manufacturing Division from last financial year. DTA is recognised as the Group considers it probable that future taxable profits will be available against which it can be utilised.

Current assets

Total current assets for FYE 2020 stood at RM168.0 million, an increase by RM42.1 million mainly attributable to an increase in cash and bank balances of RM22.8 million, short-term investments of RM16.0 million and also fixed deposits with financial institutions of RM0.4 million. The increase is mainly due to cash flow generated from the issuance of new share and the drawdown of term loan in FYE 2020. Trade receivables and other receivables increased by RM1.1 million and RM3.5 million respectively as a result from the higher deposit paid and prepayments in relation to the new property that the Group acquired. The increase was partially offset by the decrease in inventories and tax recoverable of RM1.3 million and RM0.3 million respectively.

Management Discussion and Analysis (Cont'd)

Current and non-current liabilities

The Group's non-current liabilities increased by RM16.1 million in FYE 2020. This is mainly due to an increase in non-current borrowings from the drawdown of term loan of RM17.3 million. Total current liabilities decreased by RM3.3 million in FYE 2020, mainly attributable to the decrease in trade payables of RM8.4 million as a result of decrease in trade purchase. This is notwithstanding the increase in other payables by RM2.6 million due to higher accrued expenses and contract liabilities of RM2.3 million from deposit received from customers.

Gearing ratios

In spite of our increase in shareholders' equity from the issuance of new shares and higher PATMI during FYE 2020, our gearing ratio increased from 0.15 times in FYE 2019 to 0.26 times in FYE 2020 mainly due to the new term loan secured to finance the new property that the Group acquired.

LIQUIDITY AND CAPITAL RESERVES

The net cash inflow of the Group for FYE 2020 was RM39.8 million. This can be accounted by:-

a) Cash inflow of RM5.2 million from operating activities;

b) Cash inflow of RM17.9 million from investing activities; and

c) Cash inflow of RM16.7 million for financing activities.

Cash inflow of RM5.2 million was mainly attributable to favourable outcome from operating activities in place during the year.

Cash inflow of RM17.9 million from investing activities was mainly attributable to the proceeds from the issuance of new share of RM19.6 million in October 2020, disposal of PPE of RM1.8 million and interest on income received amounting to RM1.0 million. This is mitigated by the acquisition of PPE of RM3.4 million and addition in intangible assets of RM0.7 million.

The drawdown of term loan of RM17.9 million despite repayment of lease liabilities of RM1.3 million constituted the main cash inflow of RM16.7 million for financing activities.

As at 31 December 2020, the Group's cash and cash equivalents stood at RM85.4 million.

Operational and Financial Risks

Operational Risks

During FYE 2020, the Group has successfully implemented the Oracle NetSuite as our digitalisation project partner. With this successful implementation, we can run a more efficient operation 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. Our ultimate objective is to create optimum operational efficiencies while enhancing the customer experience. This will enable us to minimize any prospect of loss resulting from inadequate information while implementing policies, procedures or systems in place. This has been especially beneficial during the COVID-19 pandemic, as it has underlined the absolute necessity of fully embracing digitalisation in order to support new ways of working from home and connecting with our customers.

The Group is actively and continuously pursuing new product and technology innovations to address the increasingly sophisticated needs of our customers such as adopting the use of computerized maintenance management system to enhance our service support to our customers.

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 finance, 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.

Management Discussion and Analysis (Cont'd)

COVID-19 Risks

The COVID-19 pandemic has impacted the economy, companies and people's livelihood globally. It has also highlighted the potential risks and vulnerability in the sustainability of even the most resilient companies. However, the upside is the changes in consumers' needs and behaviour, in that more application and consumption of semiconductors are seen during this unprecedented time and greater demand for virtualising large sections of the economy and society, such as working from home, which increased the demand in electronic devices such as computers, laptop, smart phones, servers and other ways of virtualisation. These trends are likely to increase demand for data servers, cloud usage, contactless and automated solutions and Internet of Things.

Our topmost priorities during this pandemic have been to safeguard the well-being of our employees and customers. Hence, the Group has also taken all appropriate measures and adhered strictly to all the recommended standard operating procedures as laid out by all the local government rules and regulations. We are pleased that we had zero reported cases of any of our employees contracting the virus, and we intend to maintain it this way until the pandemic has been fully curbed.

DIVIDEND

The Board did not recommend or paid any dividend in respect for the FYE 2020.

SUSTAINABILITY STATEMENT

ASSURING YOU OUR BEST, ALWAYS!

The Group prides itself in our tagline, "Assuring you our best, always!", which highlights our efforts to constantly seek the best solution to suit our customers' requirements to help us continuously move towards a sustainable future.

The Group aims to continue our sustainability journey in achieving operational profitability whilst simultaneously focusing on the economic, environment and social ("EES") criteria as essential elements in enabling the Group to achieve success now as well as into the future.

Our Sustainability Statement ("SS") was prepared in pursuant to Bursa Malaysia Securities Berhad's ("Bursa Securities") ACE Market Listing Requirements ("AMLR") and Sustainability Reporting Guide issued. In preparing this Statement, the Group also considered the Sustainability Reporting Guide - 2nd Edition and its accompanying Toolkits, issued by Bursa Securities.

The Group is committed towards ensuring that our business operations are carried out in a sustainable and responsible manner, taking into consideration of the EES implications the Group is exposed to. This sustainability statement outlines our endeavours throughout FYE 2020 in areas where our expertise and resources can make a positive impact.

IMPLEMENTATION

The Group has in place a Sustainability Committee with a clear organisation chart for the implementation of its sustainability activities. The Managing Director is the Chairman and the main driver of the sustainability measures and initiatives. He is supported by the team of key management personnel in implementing strategies towards achieving sustainable performance for the Group.

Board of Directors

Chairman : Group Managing Director

Sustainability Steering Committee

Executive Director
VP of Distribution Division
VP of Manufacturing Division
GM of HR & SCM
GM of Finance

Sustainability Working Committee

Sustainability Statement (Cont'd)

The Group operates in more than 10 industries. Therefore, aligning and taking a genuine interest in the wellbeing of all our respective stakeholders remains as one of our main corporate mission. The Group has various channels of communication available whereby effective communication with our stakeholders can be ensured.

In adopting specific channels to specific stakeholders, we are able to ensure that these stakeholder's expectations and requirements are met. The summary below shows our key stakeholders, their areas of interests and the platforms we use to engage them in.

Key Stakeholders	Areas of Interests	Platforms Used
Directors	• Financial Performance • Corporate Governance Practices • Business Strategy	• Quarterly Board Meetings • On-Going Interactions
Management	• Financial Performance • Corporate Governance Practices • Product & Technical Support Services Quality • Business Strategy • Human Capital Management	• Monthly Management Meetings • On-Going Interactions • Key Management Meetings
Employees	• Employee Health & Well-Being • Occupational Safety • Compensation & Benefits • Career Development	• Employee Manual Handbook • Emails Memo • Intranet • Performance Appraisal • Learning & Development Programmes
Shareholders/ Investors	• Financial Performance • Corporate Governance Practices • Business Strategy	• Annual General Meetings • Quarterly Financial Reports • Investors Briefings
Customers	• Technologies & Innovation • Product Reliability & Quality • Technical Support Services • Competitive Pricing • Manufacturing Capacity • On – Time Delivery • Compliance with Regulations • Corporate Governance Practices	• On - Site Visit • Exhibitions • Customer Training & Support • Customer Complaint Form • Customer Satisfaction Survey • Webinar/Conference • Corporate Website • Social Media (LinkedIn)
Suppliers/Vendors	• Compliance with Regulations • Corporate Governance Practices • Agreeable Contracts • Terms of Payment	• Email Correspondence • On - Site Visit • Daily Interactions • Vendor Assessment & Evaluation Procedure • Annual Performance Evaluation
Communities/ Societies	• Corporate Governance Practices • Community Involvement • Environmental Management	• Community Involvement Programmes • Career Fairs • Corporate Website • Social Media (LinkedIn)
Media	• Regulatory Compliance • Community Involvement	• Corporate Website • Social Media (LinkedIn)

Sustainability Statement (Cont'd)

With the pandemic crisis in 2020, we undertook a structured risk assessment exercise within all department's process to help us identify and prioritise sustainability issues, risks & opportunities unique to our business operations and stakeholders.

Among the known risks associated with the Group, we have also included some other emerging risks which includes but not limited to, technological change, business continuity plans and employee wellness. In assessing the risk and opportunities, several sustainability issues arise that helps us to identify and prioritise some sustainability matters that are relevant to the Group.

Risk	Mitigation Techniques
Loss of product agency	To actively engage with supplier and continuously keep customers satisfaction
Discontinuation of support from supplier	Work closely with supplier/sales department to upgrade/replace old machine
Change of Market/AELB/ Industry regulation	To keep regulation up-to-date
Pandemic/Disaster – Not able to promote products effectively via product demo	Working on online marketing, LinkedIn marketing, conducting webinars
End of product life cycle	Aggressively work on alternative/replacement products
Lack of trained engineer's knowledge on software/ technology/industry changes	Constantly provide trainings to related areas to enhance engineer's knowledge/ expertise
Poor aftersales support	Provide necessary soft skills training to all related personnel
Production delayed due to : - pandemic/disaster - supplier lack of on-hand stock - customs restrictions - increased freight charges	- Ensure adequate stock-on hand - Maintain good relationship with suppliers - Keep up-to-date with customs regulations and changes in freight regulations for export/import issues - Maintain good relationship with several freight/cargo provider

In performing this prioritisation exercise, we were assisted by an independent consultant. This year, we engaged with three internal stakeholder groups – Directors, Management and employees. The Group's sustainability risks and opportunities are grouped under Innovation-led Growth and Ethical & Social Responsible Operations.

The first theme summarises our intention to grow our business by actively innovating and improving our capabilities in technological development to remain competitive in the dynamic business environment. The second theme encapsulates our efforts to operate ethically by upholding our integrity, and managing our responsibility towards our supply chain, employees, environment and community while pursuing our business strategy.

Sustainability Statement (Cont'd)

THEMES	Our Sustainability Matters	Our Initiatives	Our Outcomes
INNOVATION-LED GROWTH	Business Growth & Continuity	• Technological Advancement Industry 4.0 • Diversification of product portfolio • Sales & Service Recurring Revenue • Industry Networking and Collaboration	• Broaden customer base • Launch of new products
	Product Quality & Customer Relationships	• Quality related standard operating procedures	• Achieve high customer satisfaction rate • Avoid loss of customer confidence or customer cancel PO
ETHICAL & SOCIAL RESPONSIBLE OPERATIONS	Ethics & Compliance	• Code of Conduct and ethics related policies	Zero ethical breaches
	Supply Chain Management	• Supply chain related policies • Purchase of materials and supplies from local vendors/suppliers • Engagement with suppliers from the Approved Vendor List ("AVL")	Strong relationship with suppliers
	Occupational Health & Safety	• Health and Safety Committee • Health and Safety Training • Health and Wellness benefits	Zero cases of safety accidents
	Fair Employment Practices & Talent Development	• Participation in Career Fairs • Investment in technical skills training and career development programmes	Increased in employee satisfaction rate

Sustainability Statement (Cont'd)

ECONOMIC: INNOVATION-LED GROWTH

Business Growth & Continuity

Technological Advancement Industry 4.0

With the advancement and requirement of Industry 4.0, the semiconductor industry will be taken to new heights as it would be the main driving forces for technological development and progress. The Group aspires to provide manufacturing products and solutions that is fully automated complete with big data stored in a cloud-based platform for artificial intelligence ("AI") analytics to be performed on a real time basis. This would include developing products such as the automated wafer stocker with automated guided vehicle.

Diversification of Product Portfolio

Amongst these products, we are also developing RFID Warehouse Management System (that provides real-time and accurate stock management), RFID Bunny Suit Management System and Production E-travelling System that streamline workflow with digitalisation processes to enable operational efficiency improvements.

Sales & Service Recurring Revenue

During FYE 2020, to manoeuvre around the COVID-19 pandemic, the Group had endeavoured to use various digital platforms to maintain a closer working relationship with our key suppliers and customers to ensure that our sales and service team are able to cater to our customers' needs amidst all the travelling restrictions imposed through the various Movement Control Orders.

On 4th January 2021, we acquired a new corporate headquarter and manufacturing facility to cater for our expanding physical space requirements particularly for our manufacturing. This new office and factory will also be equipped with a full fledge technical seminar and equipment application demo area and also a Cleanroom Class ISO 4/5.

Industry Networking and Collaboration

We recognise that our relationships with external stakeholders is an equally important element to achieving innovation excellence. We continually seek out new opportunities by building collaborative relationships, listening to the needs of our customers, and ultimately, maintaining and strengthening our relationships with key industry players. For FYE 2020, due to restrictions on movements, we have not been able to participate in any physical exhibitions. To facilitate this opportunity for us, we have launched a series of webinars to help us reach out to our customers for technical product sharing.

Webinar: Tribology as A Basis in Condition Based Monitoring	27th Aug 2020	Microsoft Teams
Discover New Spectro Icp-Oes Advanced Technology for Soils & Environmental Analysis	20th Oct 2020	Microsoft Teams
Live Webinar: The Benefit of On-Site Lubricant Analysis	26th Nov 2020	Microsoft Teams

Product Quality & Customer Relationships

As our mission is to keep our customers satisfied over a long-term period, we have implemented a customer satisfaction form to be sent out to our customers periodically to ensure that all customers are satisfied with the products that we offer, the attitude of our sales and service personnel, ensuring timely product delivery and also to assess the overall customer satisfaction towards our products and services.

Sustainability Statement (Cont'd)

ETHICAL & SOCIAL RESPONSIBLE OPERATIONS

Ethics & Compliance

Given the increasing regulatory requirements to operate a business domestically and across borders, businesses are under immense pressure to demonstrate compliance, accountability and transparency. At the same time, the call for good corporate governance has put the spotlight on businesses to act ethically and with integrity to foster confidence among customers, financial markets and investors.

In this regard, we place close attention to all regulations that are applicable to us and make every effort to meet them, and ensure our international subsidiaries are also meeting respective local governmental regulations. Our Group is guided by the Code of Conduct, which details the standards of professional behaviour expected of all employees and directors in conducting business. The Code of Conduct also states explicitly that all forms of insider information and securities trading, bribery and corruption are prohibited. The Code also forbids employees and directors from offering and accepting gifts or any form of benefits from third parties.

We have also established a Whistle Blowing policy for employees to report any misconduct, criminal offence or malpractices. Under this policy, complaints are reported to the Management, and where it is warranted, an Investigating Officer will conduct an investigation and subsequently recommend disciplinary or remedial action. For further information, documents on our policies are published on our corporate website at https://www.qesnet.com/corporate-governance

Supply Chain Management

The success of our business is closely linked to the performance of our supply chain. In other words, the operational performance of our supply chain will impact customer's perception of the business and the service they receive from it.

In selecting new suppliers, we evaluate their capabilities in terms of financial performance, production capabilities, and ability to deliver products in a timely manner and at specific quality standards. To further heighten efficiency and productivity, we only collaborate with trustable and credible suppliers from our Approved Vendor List ("AVL"). In this manner, we are able to speed up the procurement process by eliminating the supplier evaluation and selection phase.

SOCIAL: Occupational Health & Safety

Health and Safety Training

As a demonstration of our commitment to upholding the highest standards of safety, we rely on comprehensive preventive measures, and the cooperation of our employees to adhere to the best practices in their day-to-day operations. We inspect emergency preparedness equipment such as the firefighting system, fire extinguisher, medical equipment and facility, emergency exit signage and light to ensure they are available, well maintained and functioning in the event of emergencies.

The inspections are carried out on a monthly and quarterly basis. In conducting these inspections, we aim to prevent, if not eliminate incidents, injuries and illnesses arising from unsafe or unhealthy work conditions and processes.

Our emphasis on employee's health and safety well-being can be witnessed through the establishment of our in-house Health and Safety Committee which comprises the: -

- Atomic Energy Licensing Board (AELB) Emergency Response Training Team
- Emergency Response Team
- Monthly Fire System Maintenance Team
- Health & Safety Team.

The aim of these teams is to ensure that we provide an accident-free workplace environment across our workstations to all our employees. We ensure all employees are familiar and well-versed with the plan to minimise safety incidents in the event of emergencies. As the below table shows a list Occupational Health & Safety training that was conducted for the FYE 2020.

Sustainability Statement (Cont'd)

- ALM102 - Radiation Safety and Emergency Management Training
- Initial ergonomics risk assessment method for OSH practitioners (Based on DOSH 2017 new guideline)
- Contractor Safety Passport System - Low Risk Work
- Contractor Safety Passport System - High Risk Work
- Fire Drill Demonstration – Theory and Practical training
- New Hires Orientation

We are pleased to report that there were no cases of occupational health and safety accidents and fatality reported in 2020.

Health and Wellness

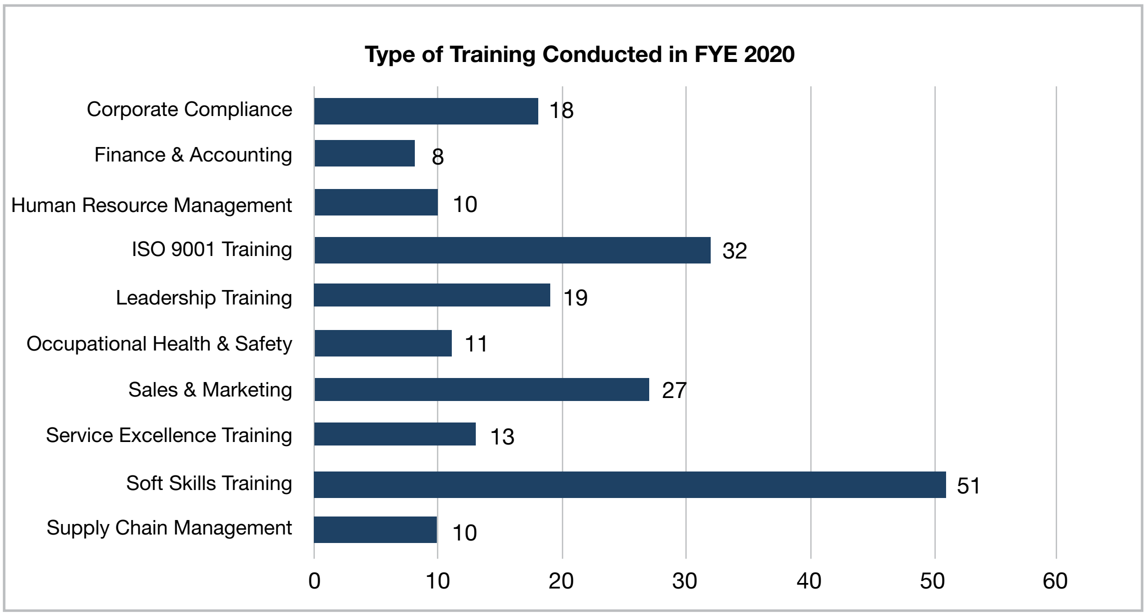
The well-being of our employees matters to us. We equally emphasise on work-life balance among our employees by providing healthcare and wellness benefits. On top of that, we organise health screenings and seminars to promote healthy lifestyle habits. Our efforts extend further to organising sports activities such as weekly badminton and monthly futsal sessions. Due to the pandemic in 2020, we have decided to stop all activities to minimize the risks of all our employees. We also provide monthly masks supply to all our staffs, COVID-19 swab tests, care kits provided to all sales and service engineers that are required to visit customer sites, individual thermometers provided to all staffs for temperature recording, daily office sanitization and most importantly a safe, working environment for all our employees during the pandemic crisis.

SOCIAL: Fair Employment Practices & Talent Development

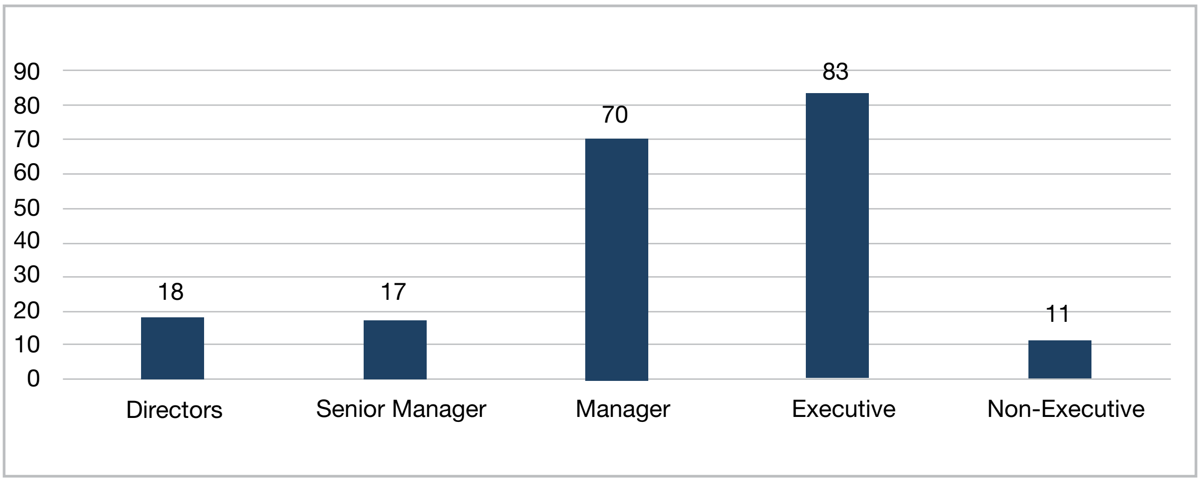
We see our employees as one of our major stakeholders and we understand the value of investing in them as an important step to ensure continuous growth for the Group. Our support to our employees is extended not only to their career, but also to their personal development through trainings, workshops and non-work-related activities organised by the Management.

Various training and talent development programmes were conducted throughout FYE 2020 to ingrain an on-going learning culture in our team. We place great emphasis in ensuring that our workforce is professionally fulfilled and appropriately skilled, as this will ultimately translate to the long-term success of the Group. The Management has arranged for a series of soft-skill trainings for all employees in different job scope to enable them to "think outside the box" both creatively and critically.

In FYE 2020, the Group conducted a total of 199 on-line trainings in embracing the new normal.



Sustainability Statement (Cont'd)



ENVIRONMENT: Reduce, Reuse, Recycle & Rethink

Environmental sustainability forms an integral part of the Group's sustainability philosophy. We work to integrate the best sustainability practices across our operations to reduce adverse environmental impact on the ecosystem.

In our daily operations, we are committed to recycling, energy-saving practices and undertaking measures to reduce wastage, pollution and harmful emissions. We are committed to improve the efficiency of our resources and reduce our environmental impact by encouraging our employees: -

- To recycle old documents
- To distribute all memos via email
- To disseminate all company information such as handbooks, SOP, forms using internal electronic network
- To reuse delivery boxes when necessary
- To reuse shipping, packing material when necessary
- To switch off all electrical appliances when not in use

During the reporting period, there were no incidents of non-compliance and penalties pertaining to environmental-related issues. To maintain the highest standard of environmental compliance and to prevent future occurrence of incidence, the management will continue to review and improve current environmental management system and practices and ensure that all our activities and operations comply with existing regulatory requirements.

GROUP HIGHLIGHTS OF 2020

Due to the pandemic, the Management postponed all corporate exhibitions, events, and office gatherings in order to ensure the safety of all our employees.

Chinese New Year 2020 –
Lion Dance Celebration before the Movement Control Order in March 2020.

Daily sanitization at all office work space and manufacturing facility

Free masks are distributed to all employees monthly. Sanitization care kits are also provided to all high-risk employees such as drivers and engineers that are required to visit customer site for scheduled service maintenance.

All employees are required to check their temperature daily, check-in on their My Sejahtera App and submit the Employee Health Declaration Form before entering the office building daily.

Free lunch was also provided for all employees during the 1st phase of MCO when we are allowed to operate at 50% capacity.

Group Highlights of 2020 (Cont'd)

The Group had arranged two COVID-19 swab tests during FYE 2020, the second one was conducted in office during the RMCO period for all employees at the Glenmarie headquarters.

Besides the standard operating procedures implemented throughout to ensure the safety of all our employees, we also conducted our routine monthly fire system maintenance.

With the restrictions due to COVID-19, we implemented a series of webinars for our existing customers and potential target markets.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of QES Group Berhad are pleased to present the Group's Corporate Governance ("CG") Overview Statement for the FYE 2020, which 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. Our CG Overview Statement are premised on the Malaysian Code On Corporate Governance's three principles, namely Leadership and Effectiveness, Effective Audit and Risk Management, Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

This CG Overview 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 2020 which is available on the Group's corporate website at www.qesnet.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

SECTION I: BOARD RESPONSIBILITIES

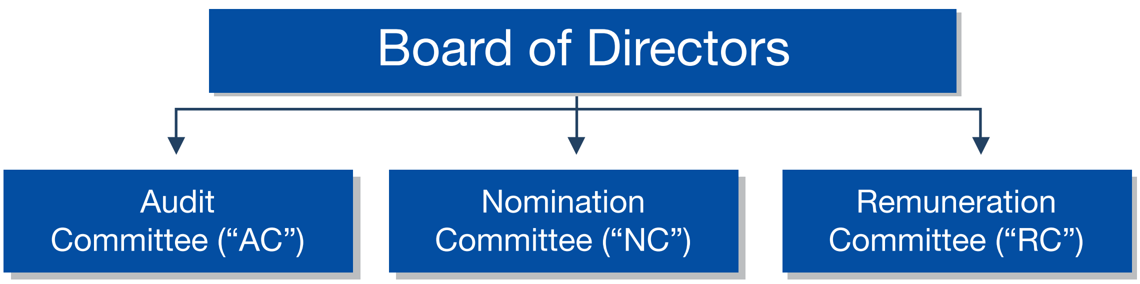
STRATEGIC AIMS, VALUES AND STANDARDS

The Board is responsible for leading the Group and is accountable to the shareholders and stakeholders to create long term sustainability within the Group. The Group's CG framework embeds the right values and standards throughout the Group.

The Board deliberates on the strategies proposed by the Management in a supportive and collaborative manner in order to stimulate careful consideration of issues and to minimise undue risks. 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. The Group's review strategy is an integral part of matters reserved for the Board. The Board has delegated certain matters, such as the day-to-day management of the Group to the Managing Director. The distinct roles played by the Board and the Management create a healthy eco-system of checks and balances in the Group's pursuit of its interests.

The Non-Executive Directors including the Chairman are responsible for bringing independent judgment and scrutiny to decisions taken by the Board and providing objective challenges to Management. The Non-Executive Directors do not participate in the day-to-day management of the Group and do not engage in any business dealing or other relationship with the Group. In this manner, the Non-Executive Directors fulfil a crucial corporate accountability role as they provide independent and objective views, opinions and judgement on issues being deliberated and act in the best interest of the Group, its stakeholders and shareholders, including minority shareholders.

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:



Although specific powers are delegated to the Board Committees, the Board continues to keep itself abreast of the actions and decisions taken by each Board Committee, including key issues via reports by the Chairman and/or Chairperson of each of the Board Committees, as well as the tabling of minutes of all Board Committee meetings, to the Board at Board meetings. The Board reviews the respective Board Committees' authority and Terms of Reference ("TOR(s)") from time to time to ensure their relevance and enhance its efficiency. The ultimate responsibility for the final decision on all matters, however, lies with the Board of Directors as a whole.

Corporate Governance Overview Statement (Cont'd)

The TOR of each of the Board Committees as approved by the Board is available on the Company's corporate website www.qesnet.com.

The delegation of authority for Board Committees are stipulated in their respective Terms of Reference ("TOR(s)"). The Board Charter and 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.

A Board and Board Committee evaluation is conducted annually to evaluate the Board's performance and to identify opportunities to increase its effectiveness. The evaluation was done internally through questionnaires based on the MCCG 2017 Code and the Board was satisfied with the overall results of the evaluation.

THE CHAIRMAN

Encik Adnan Bin Zainol ("Encik Adnan") 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 works closely with the Executive Directors to plan meeting agendas to keep abreast of the latest market and Group developments. He also 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.

NON-EXECUTIVE CHAIRMAN AND THE MANAGING DIRECTOR

The positions of the Non-Executive 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.

In order to foster a strong governance culture in the Group and to ensure a balance of power and authority, the roles of Non-Executive Chairman and Managing Director are strictly separated. The Company practises a division of responsibilities between the Non-Executive Chairman and the Managing Director. This is also to maintain effective supervision and accountability of the Board and Executive Management. The Non-Executive Chairman is responsible for Board effectiveness and to ensure that the conduct and working of the Board is in an orderly and effective manner while the Managing Director and Executive Director take on the primary responsibility of managing the Group's businesses and resources as well as overseeing and managing the day-to-day operations of the Group.

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.

The Company Secretary play an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretary support the Board by ensuring that all Board meetings are properly conducted and adhered to board policies and procedures, rules, relevant laws and best practices on CG and deliberations at the Board and Board Committee meetings as well as follow-up on matters arising are well captured and recorded. The Company Secretary also keep the Board updated on changes in the Listing Requirements of Bursa Securities and directives issued by the regulatory authorities, and the resultant implications to the Company and the Directors in relation to their duties and responsibilities.

Corporate Governance Overview Statement (Cont'd)

ACCESS TO INFORMATION AND ADVICE

The Chairman, with the assistance of the Group's Company Secretary, ensures appropriate information flows to the Board and Board Committees.

The Board received copies of meeting minutes of the Board and Board Committee meetings 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 2020, a total of 6 Board meetings were held.

To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated in advance. 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 Officers based on the targeted dates of announcement of the Group's quarterly financial 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 2020, as reflected below: -

	Attendance At Meetings of (Attended/Held)			
Name of Director	**Board**	**AC**	**NC**	**RC**
Adnan Bin Zainol	5/6	5/6	1/1	1/1
Chew Ne Weng	6/6	–	–	1/1
Liew Soo Keang	6/6	–	–	–
Chia Gek Liang	6/6	6/6	1/1	1/1
Hoh Chee Mun	5/6	5/6	1/1	1/1
Maznida Binti Mokhtar	6/6	6/6	–	–

The Board is satisfied that each Director had devoted sufficient time to effectively discharge their responsibility.

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.

Corporate Governance Overview Statement (Cont'd)

SUMMARY OF KEY BOARD RESERVED MATTERS

Approval of financial results and budgets	Business continuity & Corporate Plan	Acquisitions, disposals and transactions above a certain pre-determined limit	Disposal and/or acquisition of significant fixed assets and/or companies within the Company.

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 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 is 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 6 members comprising 2 Executive Directors and 4 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.

Corporate Governance Overview Statement (Cont'd)

For this purpose, a Board Competency Matrix has been developed and used as reference for the Board's succession planning. Presently, the members of the Board include 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 2020.

On 23 February 2021, 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.

The appointment of Puan Maznida binti Mokhtar on 1 August 2019 as an Independent Non-Executive Director was a clear indication of the Group's commitment on their gender diversity which prioritise women candidate in their appointment of Directors to the Board.

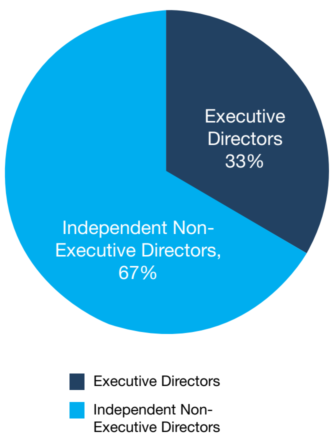
The NC will continue to recommend appointments to the Board based on diversity measured against meritocracy and other objective criteria such as skills and experience the individual offers.

TENURE OF INDEPENDENT DIRECTOR

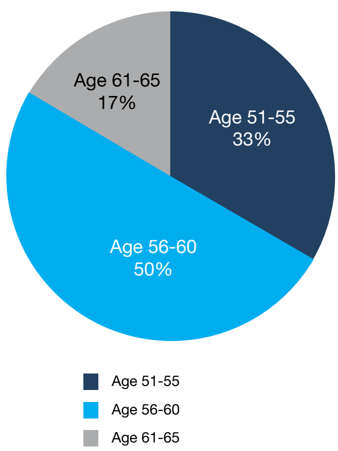
Currently, none of our Independent Non-Executive Directors had served the Group for a cumulative term of 9 years. The Group similarly did not adopt a policy which limits the tenure of our Independent Non-Executive Directors to a maximum of 9 years. Notwithstanding the recommendation of MCCG, the Board 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 2020 are set out as below:-

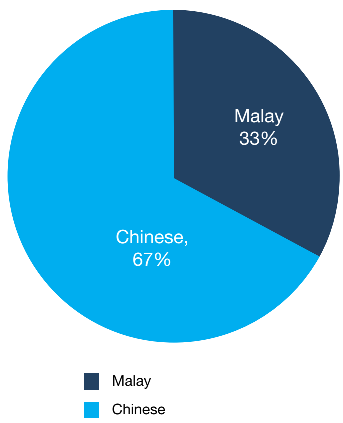
Board Composition



Age Group



Ethnicity



Corporate Governance Overview Statement (Cont'd)

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 to 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.

Corporate Governance Overview Statement (Cont'd)

(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, the Constitution of the Group 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 Constitution to retire and seek re-election by shareholders at the following Annual General Meeting immediately after his/her appointment.

DIRECTORS TRAINING

The training programmes attended by the Directors during the FYE 2020 are as follows:

Name	Course Title	Date	Training Provider
Adnan Bin Zainol	Stakeholder Capitalism: A Vital Pandemic Agenda?	25 November 2020	ICDM
Chew Ne Weng	Crowe Practical Approach To Transfer Pricing	12 May 2020	Crowe Malaysia PLT
Chew Ne Weng	Workshop On Corporate Liability Provision (Section 17A) Of The MACC Act 2009: The Essential Steps	9 July 2020	Bursa
Chew Ne Weng	Crowe Transfer Pricing Webinar	15 July 2020	Crowe Malaysia PLT
Chew Ne Weng	Crowe Tax Challenges In Digital World	21 July 2020	Crowe Malaysia PLT
Chew Ne Weng	COVID-19: A Practical Approach To Transfer Pricing On Intra-Group Services ("Igs") Amid Global Economic Uncertainty	12 May 2020	Crowe CPE Sdn Bhd
Liew Soo Keang	The Day after Tomorrow - Leadership Practices During a Time of Crisis	30 March 2020	Asia School of Business
Liew Soo Keang	Digitalisation - Review Competitive Strategies using AI: A Board's Perspective	7 April 2020	ICDM
Liew Soo Keang	Authentic Leadership - Leadership Today: Authentic, Open & Transparent	9 April 2020	ICDM
Liew Soo Keang	Digitalisation - Cybersecurity Considerations Amid A Global Pandemic	13 April 2020	ICDM
Liew Soo Keang	Crisis Management - Managing HR for the Long Haul: Road to Recovery	15 April	ICDM
Liew Soo Keang	COVID-19: Leveraging on Tax Measures to Maximise Cashflow	27 April 2020	Crowe CPE Sdn Bhd
Liew Soo Keang	COVID-19: A Practical Approach To Transfer Pricing On Intra-Group Services ("IGS") Amid Global Economic Uncertainty	12 May 2020	Crowe CPE Sdn Bhd
Liew Soo Keang	Virtual Board Meetings : In An Era of Social Distancing Boards	26 June 2020	ICDM

Corporate Governance Overview Statement (Cont'd)

Name	Course Title	Date	Training Provider
Liew Soo Keang	Workshop On Corporate Liability Provision (Section 17A) Of The MACC Act 2009: The Essential Steps	9 July 2020	Bursa
Maznida Binti Mokhtar	CHK005: The Legend of Huawei	30 September 2020	CHK Consultancy Sdn Bhd
Maznida Binti Mokhtar	On Board: The Insider's Guide To Surviving Life In The Boardroom	10 December 2020	ICDM
Maznida Binti Mokhtar	Vision 2020 – The Pandemic Digital Tipping Point And What To Expect In 2021	11 December 2020	ICDM

NC'S ACTIVITIES DURING THE FYE 2020

Below is a summary of the activities undertaken by the NC for the FYE 2020: -

(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. The remuneration packages are regularly evaluated against the Group's performance and market related surveys.

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.

Periodic reviews are performed by the RC on the remuneration structure to ensure that the compensation of the Non-Executive Directors is competitive, appropriate and aligned with prevalent market trends and practices. The reviews takes into account the level of responsibility undertaken by the Non-Executive Directors and the complexity of the Group's operations.

The Executive Directors remuneration are structured to link rewards to corporate and individual performance. The RC reviews the performance of the Executive Directors annually and submits their views and recommendations to the Board on any adjustments to the remuneration packages.

The present composition of the RC consists of 4 members of the Board, majority of whom are Independent Non-Executive Directors.

During the FYE 2020, the RC together with the assistance of the Group's GM of Human Resource and Admin reviewed and recommended the remuneration of Directors for FY 2021.

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

Corporate Governance Overview Statement (Cont'd)

DETAILS OF DIRECTORS REMUNERATION

The details of the total remuneration of the Directors, in aggregate with categorisation into appropriate components for FYE 2020 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
Maznida Binti Mokhtar	48,000	–	–	48,000
The Group				
Executive Directors				
Chew Ne Weng	113,477	907,597	35,200	1,056,274
Liew Soo Keang	88,280	781,423	35,200	904,903
Non-Executive Directors				
Adnan Bin Zainol	48,000	–	–	48,000
Chia Gek Liang	48,000	–	–	48,000
Hoh Chee Mun	48,000	–	–	48,000
Maznida Binti Mokhtar	48,000	–	–	48,000

The Director's fees of the Non-Executive Directors 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 4 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.

Corporate Governance Overview Statement (Cont'd)

EXTERNAL AUDITORS

Moore Stephens Associates PLT was appointed as the Group's External Auditors for the FYE 2020 to provide relevant and transparent reports to the shareholders. The AC met once during the FYE 2020 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 2021, 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 2021.

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. An annual assessment on the performance of the Internal Auditor was also conducted by the AC in February 2021. Based on the annual evaluation conducted, the AC was satisfied with the performance of the Internal Auditor for the FYE 2020.

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 2020. The adequacy and effectiveness of this process have been continually reviewed by the Board.

The Statement on Risk Management and Internal Control as set out in the Annual Report 2020 provides an overview on the state of risk management and internal controls within the Group.

This year, in alignment with the Guidelines on Adequate Procedures pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018) the Company had implemented the policies which constitutes the Group's Anti Bribery Management System.

The Anti-Corruption and Bribery Policy is available at the Group's corporate website at www.qesnet.com.

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.

Corporate Governance Overview Statement (Cont'd)

SECTION 2: CONDUCT OF GENERAL MEETING

Shareholders will receive notices of Annual General Meetings, 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 7th 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 2020.

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.

CORPORATE WEBSITE

The Group maintain a comprehensive and up to date website which includes an Investor Relation Section and complete contact details and information. Regular news, announcements and other relevant information are also posted on the website at www.qesnet.com.

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 ensure that 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 15 April 2021.

ADDITIONAL COMPLIANCE INFORMATION

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

UTILISATION OF PROCEEDS

(i) Initial public offering ("IPO")

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, raising gross proceeds of RM28.82 million ("IPO Proceeds").

On 28 February 2020, the Company had announced its intention to vary the utilisation and extension of time frame of the IPO proceeds. The details of the utilisation following the variations are set out below:

Utilisation of proceeds	Revised Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance as at 31/12/2020 RM'000	Revised Expected Timeframe for Utilisation
Development of 3 key products	4,850	3,448	1,402	Within 36 months from 8 March 2018
General working capital requirements	3,250	3,250	–	Within 36 months from 8 March 2018
Repayment of bank borrowings	10,200	10,200	–	Within 3 months from 28 February 2020
Capital expenditure	7,516	6,755	761	Within 36 months from 8 March 2018
Estimated listing expenses	3,000	3,000	–	Within 1 month
	28,816	**26,653**	**2,163**	

As at the date of this report, the IPO proceeds have been fully utilised.

(ii) Private Placement ("PP")

On 30 October 2020, the Company raised total gross proceeds of RM20.47 million from the private placement of 75,830,800 new ordinary shares.

The details of proposed utilisation are as set out below:

Utilisation of proceeds	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance as at 31/12/2020 RM'000	Expected Timeframe for Utilisation
Factory expansion	8,200	–	8,200	Within 18 months from 30 October 2020
Research and development on future product expansion	5,300	27	5,273	Within 24 months from 30 October 2020
Market expansion to China	1,500	–	1,500	Within 18 months from 30 October 2020
Future working capital and/or other investments	4,974	–	4,974	Within 24 months from 30 October 2020
Estimated expenses in relation to PP	500	500	–	Immediately
	20,474	**527**	**19,947**	

Save for approximately RM0.527 million that has been utilised for various purposes as disclosed above, the remaining PP proceeds have not been utilised as at 31 December 2020.

Additional Compliance Information (Cont'd)

Audit and Non-Audit Fees

The amount of audit and non-audit fees paid/payable to the External Auditors for the services rendered to the Group and the Company for the financial year ended 31 December 2020 are as follows:-

	Group RM'000	Company RM'000
Audit fee	280	35
Non-audit fee	5	5
	285	40

Material Contracts

There were no material contracts entered into by the Group involving Directors' and major shareholders' interests which were still subsisting as at the end of the financial year or which were entered into since the end of the previous financial year.

Employee Share Option Scheme

The Employees' Share Option Scheme of the Company ("ESOS") was established and implemented on 1 July 2019 and the ESOS is governed by its ESOS By-Laws approved by the shareholders at an Extraordinary General Meeting held on 25 June 2019.

The ESOS became effective for a period of five (5) years from 1 July 2019 in accordance with the terms of the ESOS By-Laws.

There were no ESOS options granted since implementation.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board is responsible for the formation as well as oversight of the Group's risk management and internal control systems that are designed to manage the Group's risk appetite within acceptable levels of tolerance as set by the Board and Management in order to achieve the Group's goals and objectives in generating value to the shareholders. The Board periodically reviews the effectiveness and adequacy of the framework and system by identifying, assessing, monitoring and communicating key business risks to safeguard shareholder's investment's and Group's assets.

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. Pursuant to Rule 15.26(b) of the AMLR, the Board of Directors ("the Board") of QES is pleased to report on its Statement on Risk Management and Internal Control ("SORMIC"), which provides an overview of the nature and state of risk management and internal controls of the Company and its group of companies ("the Group") during the financial year under review and up to the date of approval of this statement by the Board. This statement is guided by the latest Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers issued by the Taskforce on Internal Control with the support and endorsement of the Bursa Malaysia Securities Berhad and Malaysian Code on Corporate Governance ("MCCG").

BOARD RESPONSIBILITY AND ACCOUNTABILITY

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 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. Internal control and risk-related matters which warranted the attention of the Board were recommended by the Audit Committee ("AC") to the Board for its deliberation and approval and matters or decisions made within the AC's purview were referred to the Board for its notation.

MANAGEMENT'S RESPONSIBILITIES

The Senior Management is accountable to the Board for the risk management and internal control system and for the implementation of processes to identify, evaluate, monitor and report the relevant risks. The implementation of the risk management process for the Group is the responsibility of QES's Senior Management. The Senior Management institutionalise our risk management practices by:

- Reviewing and ensuring the effectiveness of the risk management policies and processes.
- Managing the relevant risks that may impede the achievement of objectives are identified and appropriate mitigating actions have been implemented.
- Identifying significant changes to QES risks including emerging risks and take actions as appropriate to communicate to QES Group's AC and the Board.

The Senior Management, meets on a half-yearly basis with the Managing Director and Executive Director with other management level employees to ensure the continual effectiveness, adequacy and integrity of the risk management system and that key risk matters would be recommended for escalation to the AC and the Board for deliberation and approval. The Senior Management of the principal subsidiary companies are tasked to identify and manage the significant risks that are affecting their respective business units. The risk management practices adopted by the Group's principal subsidiary companies are aligned to the Group's risk management practices.

The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of issuance of the annual report is adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators, employees and the Group's assets.

Statement on Risk Management and Internal Control (Cont'd)

INTERNAL CONTROL SYSTEM AND 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 AC 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 AC. On a quarterly basis the internal audit firm presents to the AC 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 AC 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 AC;
- Monthly review of Group management accounts by Managing Director, Executive Director and Key Management; and
- External audit review on the financial segment.

The internal auditor also periodically reports on the activities performed, key strategic and control issues observed to the AC. The AC reviews and approves the internal 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 in its current 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 auditor 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 2020, either full audit or follow-up audit reviews were conducted in various areas. There were total three (3) reports issued, two (2) Internal Audit and one (1) Risk Management profiling report. Internal Audit reviews were conducted to establish the state of internal control based on the information provided by the Management.

Statement on Risk Management and Internal Control (Cont'd)

The following areas were covered in the Internal Audit coverage during 2020:

- Finance & Accounts
- Human Resource & Admin
- Procurement
- 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 AC 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.

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 summarised 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 AC. The AC, 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

Statement on Risk Management and Internal Control (Cont'd)

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

As evidenced from the various activities mentioned above, the Board has obtained 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.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

In line with the listing requirements of ACE market Pursuant to Paragraph 15.23, the External Auditors have reviewed this Statement pursuant to the scope set out in Recommended Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report of the Company for the financial year ended 31 December 2020, and has reported to the Board that nothing has come to their attention that causes them to believe that the SORMIC is inconsistent, nor factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The External Auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

Statement on Risk Management and Internal Control (Cont'd)

CONCLUSION

For the financial year under review, there were no significant internal control deficiencies or material weaknesses resulting in material losses or contingences requiring separate disclosure in the Annual Report. The Board is of the view that the Group's system of internal control and risk management is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognisant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the Group's system of internal control and risk management framework. This statement is also 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 ("AC") 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 AC comprises of 4 members, all of whom are Independent Non-Executive Directors. This is in line with the listing requirement of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Malaysian Code of Corporate Governance, which stipulates that the composition of AC must be composed of not fewer than 3 members and all the AC members must be non-executive with a majority of them being independent directors.

The AC 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 AC met 6 times for FYE 2020. The details of the AC's meetings held for the financial year are as follows:-

Name	Designation	Membership	Appointment Date	Attendance / Held
Hoh Chee Mun	Chairman	Independent Non-Executive	11 October 2017	5/6
Adnan Bin Zainol	Member	Independent Non-Executive	11 October 2017	5/6
Chia Gek Liang	Member	Independent Non-Executive	11 October 2017	6/6
Maznida Binti Mokhtar	Member	Independent Non-Executive	1 August 2019	6/6

Mr. Chew Ne Weng (Managing Director) and Mr. Liew Soo Keang (Executive Director) are invitees to the meeting and attend the AC meeting to brief and provide clarification to the AC on their areas of responsibility.

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 2020;

(c) Reviewed the audited financial statements for the FYE 2020; and

(d) Reviewed the Corporate Governance Overview Statement, Corporate Governance Report 2020 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 2020

Audit Committee Report (Cont'd)

3. SUMMARY OF ACTIVITIES (CONT'D)

EXTERNAL AUDIT

(a) During the FYE 2020, 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) Audit and Risk Management and Closing Presentation for the FYE 2020 which update the current status of the audit, highlights and explains the disposition of the salient accounting and audit issues, the Key Audit Matters identified during the audit, any significant deficiencies in internal control and highlighted MSA's assessment of the risks or material misstatements and communicate with the Audit Committee on other matters required under ISA 260 Communication with those charged with Government.

(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 AC were:-

(i) Impairment of property, plant and equipment, development costs and right-of-use assets;

(ii) Impairment of goodwill;

(iii) Recoverability of amount owing by subsidiaries and fellow related companies; and

(iv) Recognition of deferred tax assets.

(c) The AC had undertaken an annual assessment of the suitability and independence of the External Auditor and based on the results of the assessment, the AC 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 AC met with the External Auditors without the presence of the Executive Directors and management on 23 February 2021 to discuss audit findings and assistance given by the management. There were no major concerns raised by the External Auditor during the session.

Audit Committee Report (Cont'd)

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 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 2020, the Internal Auditors conducted the followings:-

Date	Report
19 November 2020	Internal Audit Review on QS Instruments Sdn. Bhd.
19 November 2020	a) Internal Audit Follow up Review on QES Intra Pacific Sdn. Bhd. b) Presented the Internal Audit Plan for the FYE 2021
19 November 2020	a) Enterprise Risk Management Report 2020.

The final audit reports containing findings and recommendations together with management's responses thereto were reviewed by the Audit Committee and discussed at AC 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 cost incurred for the internal audit function in respect of the FYE 2020 was RM25,000.

FINANCIAL STATEMENTS

FINANCIAL

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 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 13 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Profit/(loss) for the financial year	8,663	(183)
Attributable to:-		
Owners of the Company	8,660	(183)
Non-controlling interests	3	–
	8,663	(183)

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

On 30 October 2020, the Company increased its issued and paid-up share capital from 758,308,000 to 834,138,800 by way of issuance of 75,830,800 new ordinary shares pursuant to the Private Placement that was announced on 11 September 2020 at an issue price of RM0.265 per ordinary share.

The Company has not issued any debentures 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 the previous financial year.

The Directors do not recommend any dividend in respect of the current financial year.

Directors' Report (Cont'd)

DIRECTORS OF THE COMPANY

The Directors in office since the beginning of the financial year to the date of this report are:-

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

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 since the beginning of the financial year to the date of this report:

Benjamin Santos
Joey T Guyo
Lee Hock Chin
Leong Kook Weng
Lim Chee Keong
Michael Maestrado
Pang See Chian
Ratchata Udomsirimas
Sakda Ruangsant
Tan Meow Shong
Tan Soon Huat
Thersya Lukito

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 ("Act"), the interest of Directors in office at the end of financial year in shares of the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares			
	At 01.01.2020 Unit	**Bought Unit**	**Sold Unit**	**At 31.12.2020 Unit**
The Company				
Direct interests:				
- Chew Ne Weng	255,270,895	2,000,000	–	257,270,895
- Liew Soo Keang	197,856,805	894,300	–	198,751,105
- Adnan Bin Zainol	40,000	–	–	40,000
- Chia Gek Liang	40,000	–	–	40,000
- Hoh Chee Mun	90,000	–	–	90,000

By virtue of their interest in the Company, Chew Ne Weng, Liew Soo Keang, Adnan Bin Zainol, Chia Gek Liang and Hoh Chee Mun are deemed to be interested in the Company and its subsidiaries, to the extent of their interests in the Company.

The other Director in the office at the end of the financial year did not have any interest in the shares of the Company or of its related corporations during the financial year.

Directors' Report (Cont'd)

DIRECTORS' REMUNERATION

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 subsidiaries for their services to the Company and its subsidiaries were as follows:

	Company RM'000	Subsidiaries RM'000
Salaries, bonus and allowances	–	4,082
Fees	192	219
Defined contribution plan	–	788
Social security contributions	–	13
Estimated monetary value of benefits-in-kind	–	129
Others	–	1,267
Total fees and other benefits	192	6,498

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 corporations 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 32 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 all known bad debts had been written off 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 render the amount of written off for bad debts or 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; or

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

Directors' Report (Cont'd)

OTHER STATUTORY INFORMATION (CONT'D)

(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;

(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 Group and 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 are RM40,000 and RM245,000 respectively.

(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 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 26 March 2021.

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 59 to 133 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 2020 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 26 March 2021.

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 59 to 133 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 26 March 2021

YEOH CHEONG YEOW

Before me,

TAN KIM CHOOI (No. W 661)
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 statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 59 to 133.

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 2020, and of their financial performance and their cash flows for the 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' *International Code of Ethics for Professional Accountants* (including International Independence Standards) ("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.

Impairment review of intangible assets

As disclosed in Note 12 to the financial statements, the total carrying amount of goodwill of approximately RM3.4 million arose from the Group's acquisition of a subsidiary in previous years and is subject to an annual impairment review.

Also included within the intangible assets is development costs amounting to approximately RM1.6 million, which had indicators of impairment and was subjected to an impairment review.

For both the above identified intangible assets, the Group determined the recoverable amount of the goodwill and development costs based on value-in-use ("VIU") method using discounted cash flow projections from approved financial budgets covering a five years period, respectively.

We have identified the impairment review of the above identified intangible assets as a key audit matter as the impairment test involves significant management judgement in estimating the underlying assumptions to be applied in the discounted cash flow projections in arriving at the recoverable amount.

Independent Auditors' Report (Cont'd)

Key Audit Matters (Cont'd)

Impairment review of intangible assets (Cont'd)

Our audit procedures performed and responses thereon

We have performed the following audit procedures to evaluate management's methodology and assumptions used in their impairment review: -

- Reviewed the cash flow projections covering a period of 5 years;
- Evaluated and challenged the appropriateness and reasonableness of the assumptions applied to key inputs such as profit margin, future revenue and discount rate applied, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the client and the industry;
- Tested the mathematical accuracy of the cash flow projections; and
- Performed sensitivity analysis for a range of reasonably possible scenarios.

Recoverability of amounts due from subsidiaries

Included within the amounts due from subsidiaries of the Company, as disclosed in Note 29 to the financial statements, is approximately RM2.8 million which was subject to a higher credit and/or impairment risk as the said subsidiary was not performing well during the financial year.

We have identified the recoverability of amounts due from subsidiaries as a key audit matter due to the judgements by management as to the likelihood of the recoverability of the amount due from the loss-making subsidiary, which is based on a number of factors, including whether there will be sufficient cash flows in the future to repay the outstanding amounts.

Our audit procedures performed and responses thereon

We have performed the following audit procedures to evaluate the management's assessment about the recoverability of amounts due from subsidiaries:

- Evaluating management's assessment on the sufficiency of future cash flow by comparing management's forecast of future cash flows to historical results and evaluating the assumptions used in those forecasts;
- Tested the mathematical accuracy of the cash flow forecast and projections; and
- Performed a sensitivity analysis by changing certain key assumptions used in the forecast of future cash flows calculations and assessed the impact to the future cash flows.

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 information included in 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 (Cont'd)

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 or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism 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.

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.

Independent Auditors' Report (Cont'd)

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

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 13 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
201304000972 (LLP0000963-LCA)
Chartered Accountants (AF002096)

CHUAH SOO HUAT
03002/07/2022 J
Chartered Accountant

Petaling Jaya, Selangor
Date: 26 March 2021

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	4	155,224	161,373	–	3,300
Cost of sales		(118,982)	(129,085)	–	–
Gross profit		36,242	32,288	–	3,300
Other income		3,296	2,393	316	453
Marketing and distribution expenses		(7,058)	(7,294)	(6)	–
Administrative expenses		(15,004)	(15,762)	(489)	(653)
Other operating expenses		(5,013)	(5,078)	–	–
Profit/(loss) from operations		12,463	6,547	(179)	3,100
Finance costs	5	(737)	(947)	–	–
Profit/(loss) before tax	6	11,726	5,600	(179)	3,100
Tax expense	8	(3,063)	(2,146)	(4)	(52)
Profit/(loss) for the financial year		8,663	3,454	(183)	3,048
Other comprehensive income, net of tax					
Actuarial loss/(gain) on provision for post-employment benefits		65	(47)	–	–
Foreign currency translation differences for foreign subsidiaries		(114)	403	–	–
Total other comprehensive income for the financial year		(49)	356	–	–
Total comprehensive income for the financial year		8,614	3,810	(183)	3,048
Profit for the financial year attributable to:					
Owners of the Company		8,660	3,307		
Non-controlling interests		3	147		
		8,663	3,454		
Total comprehensive income for the financial year attributable to:					
Owners of the Company		8,608	3,640		
Non-controlling interests		6	170		
		8,614	3,810		
Earnings per share					
Basic (sen)	9	1.12	0.44		

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 2020

		Group		Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	10,384	9,971	–	–
Right-of-use assets	11	4,892	6,087	–	–
Intangible assets	12	6,921	6,574	–	–
Investment in subsidiaries	13	–	–	46,358	46,358
Other investments	14	–	60	–	–
Deferred tax assets	15	1,139	1,686	–	–
		23,336	24,378	46,358	46,358
Current assets					
Inventories	16	18,852	20,178	–	–
Trade receivables	17	32,665	31,552	–	–
Other receivables	18	6,920	3,459	12	17
Tax recoverable		1,708	2,028	–	–
Amounts due from subsidiaries	29	–	–	6,227	5,929
Short-term investments	19	34,233	18,202	28,950	9,877
Fixed deposits with financial institutions	20	18,633	18,244	–	–
Cash and bank balances		54,995	32,204	53	140
		168,006	125,867	35,242	15,963
TOTAL ASSETS		191,342	150,245	81,600	62,321

Statements of Financial Position (Cont'd)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
EQUITY AND LIABILITIES					
Equity					
Share capital	21	80,775	61,180	80,775	61,180
Legal reserve	22	25	25	–	–
Translation reserve	22	(931)	(831)	–	–
Merger deficit	23	(20,228)	(20,228)	–	–
Retained earnings		57,640	48,932	612	795
Total equity attributable to Owners of the Company		117,281	89,078	81,387	61,975
Non-controlling interests		1,421	1,415	–	–
TOTAL EQUITY		118,702	90,493	81,387	61,975
Non-current liabilities					
Borrowings	24	17,259	–	–	–
Lease liabilities	25	3,099	4,175	–	–
Deferred tax liabilities	15	31	304	–	–
Provision for post-employment benefits	26	1,068	831	–	–
		21,457	5,310	–	–
Current liabilities					
Trade payables	27	17,514	25,956	–	–
Other payables	28	11,721	9,168	212	343
Borrowings	24	11,492	11,454	–	–
Lease liabilities	25	1,411	1,331	–	–
Contract liabilities	30	8,164	5,883	–	–
Tax payable		881	650	1	3
		51,183	54,442	213	346
TOTAL LIABILITIES		72,640	59,752	213	346
TOTAL EQUITY AND LIABILITIES		191,342	150,245	81,600	62,321

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 2020

	< ---------- Attributable to Owners of the Company ---------- >							
	Non-distributable				Distributable			
	Share capital	Merger deficit	Legal reserve Note 22 (i)	Translation reserve Note 22 (ii)	Retained earnings	Total	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
As at 1 January 2020	61,180	(20,228)	25	(831)	48,932	89,078	1,415	90,493
Profit for the financial year	–	–	–	–	8,660	8,660	3	8,663
Other comprehensive income								
- Foreign currency translation differences	–	–	–	(100)	–	(100)	(14)	(114)
- Remeasurement of defined benefit plan	–	–	–	–	48	48	17	65
	–	–	–	(100)	48	(52)	3	(49)
Total comprehensive income for the financial year	–	–	–	(100)	8,708	8,608	6	8,614
Transactions with Owners of the Company								
Issuance of shares pursuant to Private Placement (Note 21)	19,595	–	–	–	–	19,595	–	19,595
At 31 December 2020	80,775	(20,228)	25	(931)	57,640	117,281	1,421	118,702

Statements of Changes In Equity (Cont'd)

	< ---- Attributable to Owners of the Company ---- >							
	Non-distributable				Distributable			
	Share capital	Merger deficit	Legal reserve Note 22 (i)	Translation reserve Note 22 (ii)	Retained earnings	Total	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
At 1 January 2019	61,180	(20,228)	25	(1,198)	48,009	87,788	2,133	89,921
Profit for the financial year	–	–	–	–	3,307	3,307	147	3,454
Other comprehensive income								
- Foreign currency translation differences	–	–	–	367	–	367	36	403
- Remeasurement of defined benefit plan	–	–	–	–	(34)	(34)	(13)	(47)
	–	–	–	367	(34)	333	23	356
Total comprehensive income for the financial year	–	–	–	367	3,273	3,640	170	3,810
Transactions with Owners of the Company								
Dividends (Note 31)	–	–	–	–	(3,033)	(3,033)	(249)	(3,282)
Additional investment in a subsidiary (Note 13)	–	–	–	–	683	683	(639)	44
Total transaction with Owners of the Company	–	–	–	–	(2,350)	(2,350)	(888)	(3,238)
At 31 December 2019	61,180	(20,228)	25	(831)	48,932	89,078	1,415	90,493

Statements of Changes In Equity (Cont'd)

	Note	Share capital RM'000	Retained earnings RM'000	Total equity RM'000
Company				
At 1 January 2019		61,180	780	61,960
Profit for the financial year, representing total comprehensive income for the financial year		–	3,048	3,048
Transaction with Owners of the Company				
Dividends	31		(3,033)	(3,033)
At 31 December 2019/1 January 2020		61,180	795	61,975
Profit for the financial year, representing total comprehensive income for the financial year		–	(183)	(183)
Transaction with Owners of the Company				
Issuance of shares pursuant to Private Placement	21	19,595	–	19,595
At 31 December 2020		80,775	612	81,387

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 2020

		Group		Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Cash Flows from Operating Activities					
Profit before tax		11,726	5,600	(179)	3,100
Adjustments for:-					
Amortisation of intangible assets		371	178	–	–
Bad debts written off		87	2	–	–
Depreciation of property, plant and equipment		2,115	2,157	–	–
Depreciation of right-of-use assets		1,466	1,426	–	–
Gain on disposal of property, plant and equipment		(965)	(316)	–	–
Gain on lease modification		(2)	–	–	–
Gain on unrealised foreign exchange		(11)	(187)	–	–
Loss allowance on trade receivables		418	–	–	–
Interest expense		737	947	–	–
Interest income		(995)	(1,418)	(316)	(453)
Inventories written back		–	(115)	–	–
Inventories written down		162	–	–	–
Inventories written off		16	997	–	–
Other investments written off		60	–	–	–
Property, plant and equipment written off		8	3	–	–
Provision for post-employment benefits		296	145	–	–
Reversal of loss allowance on trade receivables		–	(210)	–	–
Operating profit/(loss) before working capital changes		15,489	9,209	(495)	2,647
Inventories		1,148	(5,281)	–	–
Receivables		(5,547)	14,377	5	6
Payables		(3,131)	(5,594)	(131)	200
Cash generated from/(used in) operations		7,959	12,711	(621)	2,853
Post-employee benefits paid		(5)	(24)	–	–
Income tax refund		98	644	–	–
Income tax paid		(2,337)	(4,659)	(6)	(49)
Interest paid		(491)	(661)	–	–
Net cash from/(used in) operating activities		5,224	8,011	(627)	2,804

Statements of Cash Flows (Cont'd)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash Flows from Investing Activities					
Acquisition of property, plant and equipment		(3,374)	(3,972)	–	–
Addition in intangible assets		(718)	(1,135)	–	–
Interest received		995	1,418	316	453
Issuance of share capital	21	19,595	–	19,595	–
Advances to subsidiaries		–	–	(298)	(4,336)
Subscription of shares by NCI in a subsidiary		–	44	–	–
Placement of fixed deposits with financial institutions		(389)	(461)	–	–
Proceeds from disposal of property, plant and equipment		1,811	786	–	–
Net cash from/(used in) investing activities		17,920	(3,320)	19,613	(3,883)
Cash Flows from Financing Activities					
Dividends paid	31	–	(3,282)	–	(3,033)
Net drawndown/(repayment) of borrowings	(iii)	18,229	(5,578)	–	–
Interest paid		(246)	(286)	–	–
Repayment of lease liabilities	(iii)	(1,286)	(1,450)	–	–
Net cash from/(used in) financing activities		16,697	(10,596)	–	(3,033)
Net increase/(decrease) in cash and cash equivalents		39,841	(5,905)	18,986	(4,112)
Foreign currency translation differences		(141)	267	–	–
Cash and cash equivalents at beginning of year		45,659	51,297	10,017	14,129
Cash and cash equivalents at end of year	(i)	85,359	45,659	29,003	10,017

Statements of Cash Flows (Cont'd)

Note:

(i) *The cash and cash equivalents of the Group and the Company comprise the following:*

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Short-term investments	34,233	18,202	28,950	9,877
Fixed deposits with financial institutions (Note 20)	18,633	18,244	–	–
Cash and bank balances*	54,995	32,204	53	140
Bank overdrafts (Note 24)	(3,869)	(4,747)	–	–
	103,992	63,903	29,003	10,017
Less: Fixed deposits pledged	(18,633)	(18,244)	–	–
	85,359	45,659	29,003	10,017

* Included in the Cash and Bank Balances is RM17,850,000 being monies placed to vendor's financier in respect of the 5-storey detached factory property acquisition as part of the redemption sum due by the vendor to the vendor's financier. The property acquisition was completed on vacant possession being obtained on 4 January 2021.

(ii) *Cash outflows for leases as a lessee:*

	Group	
	2020 RM'000	**2019 RM'000**
Included in net cash used during the operating activites		
Payment relating to short term leases	(333)	(400)
Included in net cash used in financing activities		
Interest paid in relation to lease liabilites	(232)	(286)
Repayment of lease liabilites	(1,286)	(1,450)
Total cash outflows for leases	(1,851)	(2,136)

Statements of Cash Flows (Cont'd)

Note: (cont'd)

(iii) Reconciliation of movements of liabilities to cash flows arising from financing activities:

	< ------------ Group----------- >	
	Borrowings* RM'000	**Lease liabilities RM'000**
2020		
At beginning of the financial year	6,707	5,506
Net drawdown/(repayment to), representing net changes in cash flows from financing activities	18,229	(1,286)
Acquisition of new leases	–	434
Reversal due to lease modification	–	(144)
Gain on unrealised foreign exchange	(54)	–
At the end of the financial year	24,882	4,510
2019		
At the beginning of the financial year	14,466	–
Adjustment on initial application of MFRS 16	(1,976)	6,222
At the beginning of the financial year, as restated	12,490	6,222
Net repayment to, representing net changes in cash flows from financing actilities	(5,578)	(1,450)
Acquisition of new leases	–	734
Gain on unrealised foreign exchange	(205)	–
At the end of the financial year	6,707	5,506

* Bank overdrafts are excluded from the reconciliation of movements of liabilities as it is presented in cash and cash equivalents

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 2020

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 activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 13.

There have been no significant changes in the nature of these activities of the Group and of the Company 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 26 March 2021.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The Group and the Company have also considered the new accounting pronouncements in the preparation of the financial statements.

(i) Accounting pronouncements that are effective and adopted during the financial year

Amendments to MFRS 3	Business Combinations – Definition of a Business
Amendments to MFRS 9 and MFRS 7	Interest rate Benchmark Reform
Amendments to MFRS 101	Presentation of Financial Statements – Definition of Material
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
Amendments to References to the Conceptual Framework in MFRS Standards	

The adoption of the above did not have any significant effect on the financial statements of the Group and of the Company.

(ii) Accounting pronouncements that are issued but not yet effective and have not been early adopted

The Group and the Company has not adopted the following accounting pronouncements 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 periods beginning on or after 1 June 2020

Amendments to MFRS 16	Covid-19 – Related Rent Concessions

Effective for financial periods beginning on or after 1 January 2021

Amendments to MFRS 4, MFRS 7, MFRS 9 and MFRS 16	Interest Rate Benchmark Perform – (Phase 2)

Notes to the Financial Statements (Cont'd)

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

(ii) Accounting pronouncements that are issued but not yet effective and have not been early adopted (Cont'd)

Effective for financial periods beginning on or after 1 January 2022

Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract

Annual Improvements to MFRS Standards 2018 – 2020

Effective for financial periods beginning on or after 1 January 2023

Amendments to MFRS 4	Insurance Contracts (Extension of the Temporary Exemption from Applying MFRS 9)
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current
MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 101 and MFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates

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 accounting pronouncements when they become effective in the respective financial periods. These accounting pronouncements are not expected to have any effect to the financial statements of the Group and of the Company upon their initial application.

(b) Functional and presentation currency

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

(c) Basis of measurement

The financial statements of the Group and of the Company 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.

Notes to the Financial Statements (Cont'd)

2. BASIS OF PREPARATION (CONT'D)

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

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.

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 Financial Assets

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 trade receivables, the Group applies the simplified approach permitted by MFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables.

For other receivables and amounts due from subsidiaries, the Group and the Company applies the approach permitted by MFRS 9, which requires the Group and the Company to measure the allowance for impairment loss for that financial asset at an amount based on the probability of default occurring within the next 12 months considering the loss given default of that financial asset.

(ii) 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.

(iii) Deferred Tax Assets and Liabilities

Deferred tax implications 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.

(iv) 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.

Notes to the Financial Statements (Cont'd)

2. BASIS OF PREPARATION (CONT'D)

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

(v) Leases

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Group considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applies judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Group first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been consistently by the Group and the Company, unless otherwise stated.

(a) Basis of consolidation

<u>Consolidation</u>

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances. The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant power activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(ii) Potential voting rights held by the Company, other vote holders or other parties;
(iii) Rights arising from other contractual arrangements; and
(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

When control ceases, the disposal proceeds and the fair value of any retained investment are compared to the Group's share of the net assets disposed. The difference together with the carrying amount of allocated goodwill and the exchange reserve that relate to the subsidiary is recognised as gain or loss on disposal.

Notes to the Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

Business combination

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction cost incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 9 either in profit or loss or a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured.

Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Business combinations under common control are accounted using the predecessor method of merger accounting where the profit or loss and other comprehensive income include the results of each of the combining entities from the earliest date presented or from the date when these entities came under the control of the common controlling party (if later).

The assets and liabilities of the combining entities are accounted for based on the carrying amounts from the perspective of the common controlling party, or the combining entities if the common controlling party does not prepare consolidated financial statements.

Notes to the Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

Business combination (Cont'd)

The difference in cost of acquisition over the aggregate carrying value of the assets and liabilities of the combining entities as of the date of the combination is taken to equity. Transaction cost for the combination is recognised in the profit or loss.

Similar treatment applies in the Company's separate financial statements when assets and liabilities representing the underlying businesses under common control are directly acquired by the Company. In accounting for business combinations in the Company's separate financial statements, the excess of the cost of acquisition over the aggregate carrying amounts of assets and liabilities as of the date of the combination is taken to equity.

Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investment in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the profit or loss.

Non-controlling Interests

Non-controlling interests represents the equity in subsidiaries not attributable directly or indirectly, to owners of the Company, and is presented separately in the consolidated profit or loss and within equity in the consolidated financial position, separately from equity attributable to Owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary company. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to Owners of the Company.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions between subsidiaries in the Group, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currencies

(i) 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.

(ii) 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.

(c) Revenue and other revenue 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 expects 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. 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.

Notes to the Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Revenue and other revenue recognition (Cont'd)

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) *Revenue from contracts with customers*

Sale of goods

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

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.

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.

(ii) *Dividend income*

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

(iii) *Interest income*

Interest income is recognised using the effective interest method.

(iv) *Other revenue*

Other income is recognised on an accrual basis that reflects the effective yield on asset.

Notes to the Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 plan

The Group participates 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.

(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 statements of financial position 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.

Notes to the Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Income taxes

(i) Current tax

Tax expense represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the financial year, using tax rates enacted or substantively enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

Deferred tax assets relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

(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.

Notes to the Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment

(i) Financial assets

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

At each reporting date, the Group 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 measured 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 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 historical experience and informed credit assessment and including forward looking information, where available.

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.

Notes to the Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment (Cont'd)

(i) Financial assets (Cont'd)

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

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

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 Company to actions such as realising security (if any is held). 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 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 on terms that the Group 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.

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 of amounts due. Any recoveries made are recognised in profit or loss.

Notes to the Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment (Cont'd)

(ii) Non-financial assets

The carrying amounts of non-financial assets (except for inventories and intangible 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 property, 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.

Notes to the Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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.

The principal annual rates used for this purpose are:-

Moulds, plant and equipment	12.5% - 20%
Office equipment, furniture, fittings, computer and telecommunication equipment	15% - 30%
Equipment for demonstration	15%
Motor vehicles	12.5% - 20%
Office renovation, electrical and fittings, and signboard	10%

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.

Notes to the Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Intangible assets (Cont'd)

(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 except goodwill on consolidation 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 asset is derecognised.

(iv) Amortisation

The amount subject to amortisation is calculated based on the cost of the asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

Development costs	5 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Notes to the Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Inventories

Inventories 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.

(l) Financial instruments

(i) Initial recognition and measurement

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

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.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categories financial instruments as follows:

Financial assets

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 as disclosed in Note 3(h)(i).

Notes to the Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Financial instruments (Cont'd)

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

The Group and the Company categories financial instruments as follows: (Cont'd)

Financial assets (Cont'd)

(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 as disclosed in Note 3(h)(i).

Financial liabilities

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

(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 recognised 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.

Notes to the Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Financial instruments (Cont'd)

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

The Group and the Company categories financial instruments as follows: (Cont'd)

Financial liabilities (Cont'd)

(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.

(iii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements 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.

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Financial instruments (Cont'd)

(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.

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.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, short-term investments 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 statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(n) Leases

(i) Definition of lease

A contract is, or contain, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control for the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Group has the right to direct the use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases, where the decision about how and what purpose the asset is used is predetermined, the Group has the right to direct use of the asset if either the customer has the right to operate the asset; or the Group designed the asset in a way that predetermines how and what purpose it will be used.

Notes to the Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Leases (Cont'd)

(ii) Recognition and initial measurement

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less the lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate.

The Group has elected not to recognise right-to-use assets and liabilities for short term leases that have a lease terms of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Subsequent measurement

The right-of-use assets is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

The principal annual depreciation rates are as follows:

Leasehold land	80 years
Leasehold building	50 years
Lease of buildings	2 to 3 years or over the lease term
Motor vehicles	5 to 6 years

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

(o) 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 their liabilities. Ordinary shares are equity instruments.

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

Notes to the Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) 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.

(q) 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.

(r) 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 uses observable market data as far as possible. Fair value is 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.

Level 3: Unobservable inputs for the asset or liability.

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

Notes to the Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Contract assets and liabilities

Contract assets and liabilities in services contract represent the timing differences in revenue recognition and the milestone billings. The milestone billings are structured and/or negotiated with customers to reflect physical completion of the contracts.

Contract assets are transferred to receivables when the rights to economic benefits become unconditional. This usually occurs when the Group issues billing to the customer. Contract assets are recognised as revenue when performance obligations are satisfied.

When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract liabilities are the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customer. In the case of services contract, contract liabilities are the excess of the billings to-date over the cumulative revenue earned. Contract liabilities include down payments received from customers and other deferred income where the Group has billed or has collected the payment before the goods are delivered or services are provided to the customers.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors of the Company, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(u) Other investments

Club membership

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

Notes to the Financial Statements (Cont'd)

4. REVENUE

		Group		Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Dividend income	(i)	–	–	–	3,300
Sales of goods	(ii)	115,124	118,569	–	–
Service income	(iii)	40,100	42,804	–	–
		155,224	161,373	–	3,300

Except for dividend income, these represent the invoiced value of goods sold and services rendered less discounts, return and net of taxes.

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

The Group's revenue encompass sales of goods from the Distribution division, which principally involved in the distribution of inspection, test and measurement equipment, materials and engineering solutions and the Manufacturing division, which includes manufacturing of optical inspection equipment, automated handling equipment and advanced wafer measurement systems and the provision of vision software solutions for automated equipment, mechanical and electrical engineering consultancy and interface software for industrial equipment.

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 at point in time when a billing is raised, evidencing the transfer of control over the goods to customer. The distinct POs of delivery, service and installation are not material to be considered separately. Payment is generally due within 30 – 120 days from the date the PO is satisfied.

(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.

	2020	2019
	RM'000	RM'000
Group		
Revenue expected to be recognised on service contracts on the next 12 months	2,919	2,020

Notes to the Financial Statements (Cont'd)

5. FINANCE COSTS

	Group 2020 RM'000	Group 2019 RM'000
Bank overdrafts	112	193
Bankers' acceptances	37	39
Lease liabilities	232	286
Letter of credit	53	71
Revolving loan	32	68
Term loans	14	–
Trust receipts	257	290
	737	947

6. PROFIT BEFORE TAX

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

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Amortisation of intangible assets	371	178	–	–
Auditors' remuneration				
- current year	280	278	35	35
- other services	5	11	5	11
Bad debts written off	87	2	–	–
Depreciation of property, plant and equipment	2,115	2,157	–	–
Depreciation of right-of-use assets	1,466	1,426	–	–
Employee benefits (Note 7)	41,142	39,064	192	164
Gain on disposal of property, plant and equipment	(965)	(316)	–	–
Gain on lease modification	(2)	–	–	–
(Gain)/loss on foreign exchange				
- realised	445	569	–	–
- unrealised	(11)	(187)	–	–
Loss allowance on trade receivables	418	–	–	–
Interest income	(995)	(1,418)	(316)	(453)
Inventories written back	–	(115)	–	–
Inventories written down	162	–	–	–
Inventories written off	16	997	–	–
Other investments written off	60	–	–	–
Property, plant and equipment written off	8	3	–	–
Provision for post employment benefits	296	145	–	–
Short-term leases	333	400	–	–
Reversal of loss allowance on trade receivables	–	(210)	–	–

Notes to the Financial Statements (Cont'd)

7. EMPLOYEE BENEFITS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Staff cost				
Salaries, bonus, wages, allowances and overtime	27,565	26,263	–	–
Defined contribution plan	3,193	2,927	–	–
Social security contributions	199	204	–	–
Others	3,624	4,093	–	–
	34,581	33,487	–	–
Directors' remuneration				
Salaries, bonus and allowances	4,082	3,955	–	–
Directors' fee	411	363	192	164
Defined contribution plan	788	714	–	–
Social security contributions	13	13	–	–
Others	1,267	532	–	–
	6,561	5,577	192	164
Total staff costs	41,142	39,064	192	164
Analysis of estimated benefits-in kind:				
- Directors	129	129	–	–

8. TAX EXPENSE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current tax:				
- current year	2,815	2,703	4	13
- (over)/underprovision in prior year	(19)	583	-	39
	2,796	3,286	4	52
Deferred tax (Note 15)				
- origination and reversal of temporary differences	204	(820)	–	–
- under/(over)provision in prior year	63	(320)	–	–
	267	(1,140)	–	–
Tax expense for the financial year	3,063	2,146	4	52

Notes to the Financial Statements (Cont'd)

8. TAX EXPENSE (CONT'D)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before tax	11,726	5,600	(179)	3,100
Tax at Malaysian tax rate of 24% (2019: 24%)	2,814	1,344	(43)	744
Effect of tax in foreign jurisdictions	(170)	(83)	–	–
Non-deductible expenses	1,120	898	105	155
Non-taxable income	(880)	(405)	(58)	(886)
Double deductible expenses	(1)	(23)	–	–
Utilisation of previously unrecognised tax losses	(32)	–	–	–
Deferred tax assets not recognised	168	152	–	–
	3,019	1,883	4	13
(Over)/underprovision in prior year:				
- income tax	(19)	583	–	39
- deferred tax	63	(320)	–	–
Tax expense for the financial year	3,063	2,146	4	52

Subject to agreement with the Inland Revenue Board, the Group has the following items available for set off against future taxable profits as follows:

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.

	Group	
	2020 RM'000	2019 RM'000
Unabsorbed capital allowances	247	126
Unutilised tax losses	1,762	1,230
	2,009	1,356

Notes to the Financial Statements (Cont'd)

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 Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2020 RM'000	**2019 RM'000**
Profit after tax attributable to the Owners of the Company (RM'000)	8,660	3,307
Number of ordinary shares at the beginning of the year (unit'000)	758,308	758,308
Effects of ordinary share issue (unit'000)	13,053	–
Weighted average number of ordinary shares at end of the year (unit'000)	771,361	758,308
Basic earnings per ordinary share (sen)	1.12	0.44

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

Notes to the Financial Statements (Cont'd)

10. PROPERTY, PLANT AND EQUIPMENT

	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
Group						
2020						
Cost						
At 1 January	4,598	8,267	14,377	536	1,400	29,178
Transfer from right-of-use assets	–	–	–	92	–	92
Additions	46	1,210	2,118	–	–	3,374
Disposals	–	(15)	(1,155)	–	–	(1,170)
Written off	(55)	(1,310)	–	–	(88)	(1,453)
Exchange differences	(11)	(8)	(10)	(3)	(4)	(36)
At 31 December	4,578	8,144	15,330	625	1,308	29,985
Accumulated depreciation						
At 1 January	4,181	5,407	8,375	337	907	19,207
Transfer from right-of-use assets	–	–	–	70	–	70
Charge for the financial year	168	382	1,422	35	108	2,115
Disposals	–	(11)	(313)	–	–	(324)
Written off	(55)	(1,302)	–	–	(88)	(1,445)
Exchange differences	(7)	(6)	(3)	(4)	(2)	(22)
At 31 December	4,287	4,470	9,481	438	925	19,601
Net book value						
At 31 December	291	3,674	5,849	187	383	10,384

Notes to the Financial Statements (Cont'd)

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold land RM'000	Leasehold 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
Group								
2019								
Cost								
At 1 January (previously reported)	118	500	4,578	6,815	13,112	3,099	1,366	29,588
Effect of MFRS 16 adoption (Note 11)	(118)	(500)	–	–	–	(2,554)	–	(3,172)
At 1 January (restated)	–	–	4,578	6,815	13,112	545	1,366	26,416
Additions	–	–	14	1,677	2,260	–	21	3,972
Disposals	–	–	–	(65)	(664)	(19)	–	(748)
Written off	–	–	–	(184)	(433)	–	–	(617)
Reclassification	–	–	–	3	(3)	–	–	–
Exchange differences	–	–	6	21	105	10	13	155
At 31 December	–	–	4,598	8,267	14,377	536	1,400	29,178

Notes to the Financial Statements (Cont'd)

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold land RM'000	Leasehold 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
Group								
2019								
Accumulated depreciation								
At 1 January (previously reported)	5	190	4,005	5,174	7,580	769	789	18,512
Effect of MFRS 16 adoption (Note 11)	(5)	(190)	–	–	–	(444)	–	(639)
At 1 January (restated)	–	–	4,005	5,174	7,580	325	789	17,873
Charge for the financial year	–	–	174	464	1,383	26	110	2,157
Disposals	–	–	–	(60)	(199)	(19)	–	(278)
Written off	–	–	–	(181)	(433)	–	–	(614)
Reclassification	–	–	–	3	(3)	–	–	–
Exchange differences	–	–	2	7	47	5	8	69
At 31 December	–	–	4,181	5,407	8,375	337	907	19,207
Net book value								
At 31 December	–	–	417	2,860	6,002	199	493	9,971

(a) In the previous financial year, the leasehold land of the Group had a remaining lease period of more than 50 years.

(b) In the previous financial year, the leasehold land and building of the Group were pledged for borrowings of the Group as disclosed in Note 24.

Notes to the Financial Statements (Cont'd)

11. RIGHT-OF-USE ASSETS

	Leasehold land RM'000	Leasehold building RM'000	Lease of buildings RM'000	Motor vehicles RM'000	Total RM'000
Group					
2020					
Cost					
At 1 January	118	500	4,980	2,554	8,152
Transfer to property, plant and equipment	–	–	–	(92)	(92)
Addition	–	–	434	–	434
Reversal due to lease modification	–	–	(280)	–	(280)
Exchange differences	–	–	1	–	1
At 31 December	118	500	5,135	2,462	8,215
Accumulated depreciation					
At 1 January	7	200	1,028	830	2,065
Transfer to property, plant and equipment	–	–	–	(70)	(70)
Charge for the financial year	2	10	1,127	327	1,466
Reversal due to lease modification	–	–	(138)	–	(138)
At 31 December	9	210	2,017	1,087	3,323
Net book value					
At 31 December	109	290	3,118	1,375	4,892
2019					
Cost					
At 1 January (previously stated)	–	–	–	–	–
Effect of adoption MFRS 16	118	500	4,246	2,554	7,418
At 1 January (restated)	118	500	4,246	2,554	7,418
Addition	–	–	734	–	734
At 31 December	118	500	4,980	2,554	8,152
Accumulated depreciation					
At 1 January (previously stated)	–	–	–	–	–
Effect of adoption MFRS 16	5	190	–	444	639
At 1 January (restated)	5	190	–	444	639
Charge for the financial year	2	10	1,028	386	1,426
At 31 December	7	200	1,028	830	2,065
Net book value					
At 31 December	111	300	3,952	1,724	6,087

Notes to the Financial Statements (Cont'd)

11. RIGHT-OF-USE ASSETS (CONT'D)

The Group leases various office buildings that run between 2 years and 5 years, with an option to review the lease after the expiring date.

(a) The expenses charged to profit and loss as per below:

	Group	
	2020 RM'000	2019 RM'000
Depreciation of right-of-use assets	1,466	1,426
Interest expense on lease liabilities	232	286
Expenses relating to short-term leases	333	400

(b) The leasehold land of the Group has a remaining lease period of more than 50 years.

(c) The leasehold land and building of the Group were pledged for borrowings of the Group as disclosed in Note 24.

12. INTANGIBLE ASSETS

	Trademark RM'000	Development costs RM'000	Goodwill RM'000	Total RM'000
Group				
2020				
Cost				
At 1 January	26	3,744	3,381	7,151
Addition	–	718	–	718
At 31 December	26	4,462	3,381	7,869
Accumulated amortisation				
At 1 January	–	577	–	577
Charge for the financial year	–	371	–	371
At 31 December	–	948	–	948
Carrying value	26	3,514	3,381	6,921
2019				
Cost				
At 1 January	26	2,609	3,381	6,016
Addition	–	1,135	–	1,135
At 31 December	26	3,744	3,381	7,151
Accumulated amortisation				
At 1 January	–	399	–	399
Charge for the financial year	–	178	–	178
At 31 December	–	577	–	577
Carrying value	26	3,167	3,381	6,574

Notes to the Financial Statements (Cont'd)

12. INTANGIBLE ASSETS (CONT'D)

Additions for the year include the following:

	Group	
	2020 **RM'000**	**2019** **RM'000**
Capitalised from profit or loss:		
Employee benefits expenses	718	1,135

Goodwill

The goodwill arose from the Group's acquisition of a subsidiary, QES (Hong Kong) Limited, and has been wholly allocated to this cash generating unit.

Impairment testing of goodwill

(a) Key assumptions used

The recoverable amount of the CGU has been determined based on value-in-use ("VIU") method using discounted cash flow projections from financial budgets approved by the management covering a five-years period.

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 10.5% (2019: 11.2%) per annum applied to cash flows was in determined the recoverable amount of the CGU. The discount rated used is based on the weighted average cost of capital the Company.

(iii) Growth assumptions

Revenue growth assumptions of 2% (2019: 2%) for each of the projection years was based on the approved business plan and reflect the expectation of revenue to be generated and current assessment of market condition with the terminal value assessed using perpetual model without a perpetual growth rate.

(b) Sensitivity to changes in assumptions

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount of goodwill is based on would not cause the carrying amount to exceed its recoverable amount.

Notes to the Financial Statements (Cont'd)

13. INVESTMENT IN SUBSIDIARIES

	Company 2020 RM'000	Company 2019 RM'000
Unquoted shares, at cost		
At 1 January/31 December	46,358	46,358

The details of the subsidiaries are as follows:

Name of companies	Country of Incorporation	Percentage equity held 2020	Percentage equity held 2019	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")	Malaysia	100%	100%	Trading and servicing of industrial parts and equipment
QES Manufacturing Sdn. Bhd. ("QMG")	Malaysia	100%	100%	Investment holding
Subsidiaries of QAP:				
QAM (Asia-Pacific) Sdn. Bhd. ("QAM")	Malaysia	82.5%	82.5%	Marketing and servicing of scientific instruments and industrial materials
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	87.74%	87.74%	Wholesale, technical testing and analysis of machinery, equipment and supplies

Notes to the Financial Statements (Cont'd)

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows: (Cont'd)

Name of companies	Country of Incorporation	Percentage equity held 2020	2019	Principal activities
Subsidiaries of QMG:				
QES Mechatronic Sdn. Bhd. ("QMC")	Malaysia	100%	100%	Manufacturing and trading of industrial equipment and systems
QES Vision Solutions Sdn. Bhd. ("QVS")	Malaysia	70%	70%	Providing vision software solution for automated equipment

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

(a) Additional investments/incorporation of subsidiaries

2019

QTP

On 5 December 2019, a wholly-owned subsidiary of the Company, QAP had subscribed for an additional 880,000 new ordinary shares in QTP for a consideration of RM702,260 by way of cash. Consequent to the subscription, the effective interest in QTP increased from 40% to 87.74%.

(b) Strike-off of subsidiaries

In the previous financial year, QES (Kuala Lumpur) Sdn. Bhd., QES (Penang) Sdn. Bhd., QES (Sarawak) Sdn. Bhd. and VMX Technology Sdn. Bhd. had been struck-off. The results of de-recognition of these subsidiaries are insignificant.

Notes to the Financial Statements (Cont'd)

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) The subsidiaries of the Group that have material non-controlling interests ("NCI") are as follows:

	QAM	QID	QTP	QVS	QSG	QBK*	Other adjustments	Total RM'000
2020								
NCI percentage of ownership interest and voting interest	17.50%	45.00%	12.26%	30.00%	30.00%	0.00%		
Carrying amount of NCI (RM'000)	334	899	165	(208)	151	80	–	1,421
Other comprehensive income	–	(12)	15	–	–	–	–	3
Profit/(loss) allocated to NCI (RM'000)	(39)	(57)	(98)	(57)	191	–	63	3
2019								
NCI percentage of ownership interest and voting interest	17.50%	45.00%	12.26%	30.00%	30.00%	0.00%		
Carrying amount of NCI (RM'000)	373	968	248	(151)	(40)	80	(63)	1,415
Dividends paid to NCI	(53)	(196)	–	–	–	–	–	(249)
Additional subscription by NCI	–	–	(639)	–	–	–	–	(639)
Other comprehensive income	–	22	1	–	–	–	–	23
Profit/(loss) allocated to NCI (RM'000)	175	236	(33)	(158)	(103)	–	30	147

Notes to the Financial Statements (Cont'd)

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) The subsidiaries of the Group that have material non-controlling interests ("NCI") are as follows: (Cont'd)

* NCI of QBK is local shareholder whom holds the preference shares of the Company. According to the QBK's articles of association, the holder of preference shares shall have a priority right to receive dividends before ordinary shareholders in any year, when dividends are declared by the Company, QBK at the rate not over 38% of the paid-up value of each share and shall have no further right to receive any other dividends or other profits left over after deducting the dividends amount entitled by the preference shareholder.

(d) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting year are as follows:

	QAM RM'000	QID RM'000	QTP RM'000	QVS RM'000	QSG RM'000
2020					
Assets and liabilities					
Non-current assets	238	726	736	1,845	285
Current assets	2,496	3,095	3,221	470	7,078
Non-current liabilities	(165)	(789)	(251)	(14)	(58)
Current liabilities	(663)	(1,036)	(2,365)	(2,993)	(6,801)
Net assets/(liabilities)	1,906	1,996	1,341	(692)	504
Results					
Revenue	3,590	6,006	4,896	1,331	23,754
Profit/(loss) for the year	(224)	(128)	(806)	(189)	636
Total comprehensive income	(224)	(155)	(680)	(189)	636
Cash flows from/(used in):					
Operating activities	191	(37)	364	(15)	1,052
Investing activities	–	(178)	(161)	(561)	(8)
Financing activities	(26)	–	–	578	(203)
Foreign currency translation differences	–	(44)	14	–	6
	165	(259)	217	2	847

Notes to the Financial Statements (Cont'd)

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

(d) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting year are as follows: (Cont'd)

	QAM RM'000	QID RM'000	QTP RM'000	QVS RM'000	QSG RM'000
2019					
Assets and liabilities					
Non-current assets	291	584	461	1,361	494
Current assets	5,454	4,142	3,369	489	5,704
Non-current liabilities	(193)	(712)	(102)	(14)	(248)
Current liabilities	(3,422)	(1,991)	(1,679)	(2,339)	(6,083)
Net assets/(liabilities)	2,130	2,023	2,049	(503)	(133)
Results					
Revenue	8,931	9,525	6,774	523	21,148
Profit/(loss) for the year	999	397	(238)	(525)	(342)
Total comprehensive income	999	445	(224)	(525)	(342)
Cash flows from/(used in):					
Operating activities	1,079	(1,779)	(481)	(753)	470
Investing activities	(7)	101	(85)	(597)	(9)
Financing activities	(345)	(437)	746	1,294	(124)
Foreign currency translation differences	–	69	40	–	(97)
	727	(2,046)	220	(56)	240
Dividends paid to NCI	53	196	–	–	–

14. OTHER INVESTMENTS

	Group 2020 RM'000	Group 2019 RM'000
Golf membership in Malaysia		
At cost		
At 1 January	60	60
Written off	(60)	–
At 31 December	–	60

Notes to the Financial Statements (Cont'd)

15. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2020 RM'000	2019 RM'000
At 1 January	1,382	204
Recognised in profit or loss (Note 8)	(267)	1,140
Exchange difference	(7)	38
At 31 December	1,108	1,382

Presented after appropriate offsetting:

	Group	
	2020 RM'000	2019 RM'000
Deferred tax assets	1,139	1,686
Deferred tax liabilities	(31)	(304)
	1,108	1,382

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

	Group	
	2020 RM'000	2019 RM'000
Deferred tax assets		
Provisions*	705	637
Unabsorbed capital allowances	12	41
Unutilised pioneer losses	–	10
Unutilised tax losses	3	647
Contract liabilities	419	351
	1,139	1,686
Deferred tax liabilities		
Difference between carrying amounts of plant and equipment and their tax base	(30)	(293)
Net right-of-use assets	(1)	(11)
	(31)	(304)
	1,108	1,382

* Provisions made up of allowance for inventories written down and loss allowance on trade receivables.

Notes to the Financial Statements (Cont'd)

15. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

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	
	2020 RM'000	2019 RM'000
Unabsorbed capital allowances	196	93
Unutilised tax losses	1,748	1,230
Other deductible timing differences	–	61
	1,944	1,384

16. INVENTORIES

	Group	
	2020 RM'000	2019 RM'000
At cost:		
Raw material	1,957	1,658
Work in progress	3,861	3,889
Finished goods	12,643	14,233
	18,461	19,780
At net realisable value:		
Finished goods	391	398
	18,852	20,178
Recognised in profit or loss:		
Inventories recognised as cost of sales	86,601	96,284

During the financial year:

(a) The Group has written down inventories of RM162,000 (2019: NIL) which was recognised an expense under other operating expenses.

(b) The Group has written back inventories of NIL (2019: RM115,000) which was recognised as other income due to sales during the year.

(c) The Group has written off inventories of RM16,000 (2019: RM997,000) which was recognised as an expense under other operating expenses due to stocks obsolescence.

Notes to the Financial Statements (Cont'd)

17. TRADE RECEIVABLES

	Group	
	2020 RM'000	2019 RM'000
Trade receivables	33,320	31,789
Less : Loss allowance	(655)	(237)
	32,665	31,552

Included in trade receivables of the Group is retention sum amounting to RM50,283 (2019: RM132,989). The Group's normal trade credit terms range from 30 - 120 days (2019: 30 - 120 days). Other credit terms are assessed and approved on a case-by-case basis.

18. OTHER RECEIVABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other receivables	947	1,113	–	–
Advances to suppliers	318	928	–	–
Deposits	3,739	511	–	–
Prepayments	1,916	907	12	17
	6,920	3,459	12	17

Include in deposits and prepayments balances are deposits and prepayments in relation to the acquisition of factory amounted to RM3,150,000 (2019: Nil) and RM1,294,316 (2019: Nil) respectively. Details on the acquisition of the factory is disclosed in Note 37.

19. SHORT TERM INVESTMENTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Investments in cash management funds in Malaysia at fair value through profit or loss	34,233	18,202	28,950	9,877

Investments in unit trust funds represent investments in highly liquid money market instrument and deposits with a financial institution in Malaysia. The distribution income from these funds is tax exempted.

The Group and the Company classified these short-term funds as cash and cash equivalents, as the redemption period is 1 day (2019: 1 day) and are subject to an insignificant risk of changes in value.

Notes to the Financial Statements (Cont'd)

20. FIXED DEPOSITS WITH FINANCIAL INSTITUTIONS

Fixed deposits with financial institutions have effective interest rates which range from 0.25% to 3.25% (2019: 1% to 4.00%) per annum with an average maturity period ranging from 30 to 365 days (2019: 30 to 365 days). The carrying amount of the fixed deposits with financial institutions amounted to RM18,633,000 (2018: RM18,244,000) pledged to secure bank borrowings as disclosed in Note 24.

21. SHARE CAPITAL

	Group/Company			
	Number of ordinary shares		Amount	
	2020 Unit'000	2019 Unit'000	2020 RM'000	2019 RM'000
Issued and fully paid:				
At 1 January	758,308	758,308	61,180	61,180
Issuance of new shares	75,831	–	19,595	–
At 31 December	834,139	758,308	80,775	61,180

On 6 October 2020, Bursa Malaysia Securities Berhad approved the Company's private placement of up to 75,830,800 new ordinary shares. In pursuance thereof, the Company's issued share capital was increased from RM61,179,724 to RM80,774,547 by placement of 75,830,800 at an issue price of RM0.265 per share on 30 October 2020 and offset with share issuance expenses amounting RM500,339.

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.

22. 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.

23. MERGER DEFICIT

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

Notes to the Financial Statements (Cont'd)

24. BORROWINGS

		Group 2020 RM'000	Group 2019 RM'000
Secured			
Current liabilities			
Bank overdrafts		3,869	4,747
Bankers' acceptance		864	583
Trust receipts		5,368	5,324
Revolving loan		800	800
Term loan	(a)	591	–
		11,492	11,454
Non current liabilities			
Term loan	(a)	17,259	–
Total borrowings		28,751	11,454

(a) Term Loan

	Group 2020 RM'000
Current liabilities	
Repayable within one year	591
Non-current liabilities	
Repayable between one and two years	664
Repayable between two and five years	2,126
Repayable above five years	14,469
	17,259
	17,850

The interest rates for borrowings per annum were as follows:

	Group 2020 %	Group 2019 %
Bank overdrafts	6.90 - 7.20	8.24 - 8.57
Bankers' acceptance	3.99 - 4.14	5.33 - 5.82
Term loan	3.25	–
Trust receipts	1.52 - 7.32	1.04 - 8.32
Revolving loan	8.10	8.30

Notes to the Financial Statements (Cont'd)

24. BORROWINGS (CONT'D)

The Group's bank borrowings are secured as follows:

- Fixed deposits placed with licensed financial institutions of the Group as disclosed in Note 20;
- Joint and several guarantee by certain Directors of the Company;
- Fresh facility agreement of a subsidiary;
- Corporate guarantee and indemnity of a subsidiary; and
- Legal charge on leasehold land and buildings of the Group as disclosed in Note 11.

25. LEASE LIABILITIES

	Group	
	2020 RM'000	**2019 RM'000**
Minimum lease payments:		
Repayable within one year	1,593	1,561
Repayable between one and five years	3,310	4,488
Repayable above five years	–	43
	4,903	6,092
Less: Future lease charges	(393)	(586)
Total present value of minimum lease payments	4,510	5,506
Repayable within one year	1,411	1,331
Repayable between one and five years	3,099	4,132
Repayable above five years	–	43
Present value of minimum lease payments	4,510	5,506
Representing:		
Current	1,411	1,331
Non-current	3,099	4,175
	4,510	5,506

The lease liabilities of the Group bear interest at rates ranging from 2.31% to 9.00% (2019: 2.31% to 10.00%) per annum.

Notes to the Financial Statements (Cont'd)

26. PROVISION FOR POST- EMPLOYMENT BENEFITS

	Group	
	2020 RM'000	2019 RM'000
At 1 January	831	621
Current service cost and interest (Note 6)	296	145
Payment	(5)	(24)
Actuarial (gain)/loss on remeasurement of defined benefit plan	(36)	47
Exchange differences	(18)	42
At 31 December	1,068	831

The principal actuarial assumptions used were as follows:

	Group	
	2020	2019
Discount rate	7.11%	5.21% - 7.74%
Annual salary rate increase	6.00%	4.00% - 6.00%

Sensitivity analysis

Reasonably possible changes at the reporting date to two of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts show below:

	Defined benefit obligation	
	Increase RM'000	Decrease RM'000
2020		
Discount rate (1% movement)	(1)	1
Annual salary rate increase (1% movement)	–	–
	(1)	1
2019		
Discount rate (1% movement)	9	(9)
Annual salary rate increase (1% movement)	11	(11)
	20	(20)

27. TRADE PAYABLES

The Group's and the Company's normal trade credit terms are within 30-120 days (2019: 30-120 days). Other credit terms are assessed and approved on a case-by-case basis.

Notes to the Financial Statements (Cont'd)

28. OTHER PAYABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other payables	1,378	2,296	101	187
Deposit	–	21	–	–
Accruals	10,343	6,851	111	156
	11,721	9,168	212	343

29. AMOUNTS DUE FROM SUBSIDIARIES

These amounts are non-trade in nature, unsecured, interest-free advances except for an amount owing by a subsidiary of RM1,403,700 (2019: RM2,304,400) which is subject to interest being charged at a rate of 3.22% (2019: 3.46%) per annum and all these amounts are repayable on demand.

The significant related party transactions are disclosed in Note 32.

30. CONTRACT LIABILITIES

	Group	
	2020 RM'000	2019 RM'000
Contract liabilities	2,919	2,020
Deposit received from customers	5,245	3,863
	8,164	5,883

The contract liabilities represent 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.

The deposit received from customers represents the down payments received from customers, where the Group has billed or collected the payments before the goods are delivered or services are provided to the customers.

Notes to the Financial Statements (Cont'd)

31. DIVIDENDS

	Per ordinary share sen	Total amount RM'000	Date of payment
2019			
Attributable to Owner of the Company:			
Interim single tier dividend for the financial year ended 31 December 2019	0.36	3,033	24 May 2019
Attributable to non-controlling interests:			
Dividend for the financial year ended 31 December 2019		196	10 May 2019
Dividend for the financial year ended 31 December 2019		53	30 May 2019
		249	

32. 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:

		Transaction value	
Company	**Type of transactions**	**2020 RM'000**	**2019 RM'000**
With subsidiaries			
QES (Asia-Pacific) Sdn. Bhd.	Advances from	2,134	3,520
	Repayment to	(2,134)	(3,520)
QS Instruments Sdn. Bhd.	Advances from	122	279
	Repayment to	(122)	(279)
QES Vision Solutions Sdn. Bhd.	Loan interest income	(40)	(8)
	Advances to	(637)	(1,687)
QES Mechatronic Sdn. Bhd.	Loan interest income	(33)	(2)
	Repayment from/(Advances to)	412	(2,639)

Information regarding outstanding balances arising from related party transactions as at 31 December 2020 are disclosed in Note 29.

Notes to the Financial Statements (Cont'd)

32. 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 key management personnel of the Group.

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Short-term employee benefits expense	4,780	4,163	192	164
Post employment benefits expense	763	707	–	–
	5,543	4,870	192	164

33. SEGMENT INFORMATION

(a) Reporting format

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 equipment and scientific instruments.
Manufacturing division	Manufacturing, trading and servicing of industrial parts and equipment and providing vision software solution for automated equipment.

Segment revenue and results

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment results represent profit or loss before finance costs and tax of the segment. Inter-segment transactions are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

Segment assets

Segment assets are measured based on all assets of the segment, excluding deferred tax assets and tax assets.

Segment liabilities

Segment liabilities are measured based on all liabilities of the segment, excluding deferred tax liabilities and tax liabilities.

Notes to the Financial Statements (Cont'd)

33. SEGMENT INFORMATION (CONT'D)

(b) Allocation basis and transfers

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

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.

Notes to the Financial Statements (Cont'd)

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
2020							
External revenue		–	109,109	21,044	25,071	–	155,224
Inter segment revenue	(a)	–	53,421	562	180	(54,163)	–
Total revenue		–	162,530	21,606	25,251	(54,163)	155,224
Results							
Depreciation and amortisation		–	3,059	147	773	(27)	3,952
Other non-cash expenses		–	216	(64)	(83)	–	69
Segment profit/(loss) before tax	(b)	(178)	8,542	(719)	4,054	27	11,726
Assets							
Additions to non-current assets	(c)	–	1,974	285	2,267	–	4,526
Segment assets	(d)	81,600	136,078	14,135	35,587	(76,058)	191,342
Segment liabilities	(e)	213	69,944	6,196	17,184	(20,897)	72,640

Notes to the Financial Statements (Cont'd)

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
2019							
External revenue		–	124,598	29,709	7,066	–	161,373
Inter segment revenue	(a)	–	44,536	498	–	(45,034)	–
Total revenue		–	169,134	30,207	7,066	(45,034)	161,373
Results							
Depreciation and amortisation		–	3,041	182	560	(22)	3,761
Other non-cash expenses		–	1	14	304	–	319
Segment profit/(loss) before tax	(b)	3,100	9,196	1,392	(4,322)	(3,766)	5,600
Assets							
Additions to non-current assets	(c)	–	11,129	95	1,396	–	12,620
Segment assets	(d)	62,321	111,025	18,300	28,668	(70,069)	150,245
Segment liabilities	(e)	346	50,961	9,662	17,178	(18,395)	59,752

Notes to the Financial Statements (Cont'd)

33. SEGMENT INFORMATION (CONT'D)

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

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

	2020 RM'000	2019 RM'000
Segment profit/(loss)	11,699	9,366
Profit from inter-segment sales	(242)	245
Dividend	–	(3,787)
Other income	(863)	(1,864)
Unallocated corporate expenses	1,132	1,640
Profit before tax	11,726	5,600

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

	2020 RM'000	2019 RM'000
Property, plant and equipment	3,374	3,972
Intangible assets	718	1,135
Right-of-use assets:		
- First time adoption of MFRS 16	–	6,779
- Addition during the year	434	734
	434	7,513
	4,526	12,620

(d) Reconciliation of assets:

	2020 RM'000	2019 RM'000
Segment assets	267,400	220,314
Adjustment on consolidation of subsidiaries	(51,206)	(43,036)
Deferred tax assets	53	93
Inter-segment balances	(24,905)	(27,126)
Total assets	191,342	150,245

Notes to the Financial Statements (Cont'd)

33. SEGMENT INFORMATION (CONT'D)

(e) Reconciliation of liabilities:

	2020 RM'000	2019 RM'000
Segment liabilities	93,537	78,147
Adjustment on consolidation of subsidiaries	3,744	4,801
Current tax payable	140	10
Deferred tax liabilities	–	(10)
Inter-segment balances	(24,781)	(23,196)
Total liabilities	72,640	59,752

Geographical Information

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

	2020 RM'000	2019 RM'000
Malaysia	56,414	60,412
Singapore	24,659	22,894
Vietnam	24,428	22,523
Thailand	14,610	20,503
Philippines	11,904	13,757
China	8,522	3,490
Indonesia	7,157	12,539
Morocco	3,517	2,326
Taiwan	1,803	742
Others	1,581	1,451
Germany	629	736
	155,224	161,373

Major customers' information

The Group has five customers which contributes approximately RM30.7 million or 19.8% (2019: five customers, RM32.1 million or 19.9%) of the Group's revenue during the financial year.

Notes to the Financial Statements (Cont'd)

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
2020								
Property, plant and equipment	8,414	484	129	28	912	43	374	10,384
Right-of-use assets	4,396	68	186	–	–	242	–	4,892
Intangible assets	3,540	–	–	3,381	–	–	–	6,921
	16,350	552	315	3,409	912	285	374	22,197
2019								
Property, plant and equipment	8,176	406	166	7	861	60	295	9,971
Right-of-use assets	5,344	–	284	–	25	434	–	6,087
Intangible assets	3,193	–	–	3,381	–	–	–	6,574
Other investments	60	–	–	–	–	–	–	60
	16,773	406	450	3,388	886	494	295	22,692

Notes to the Financial Statements (Cont'd)

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group's and the Company's financial assets and financial liabilities are all categorised as amortised costs except for short-term investments are categorised as fair value through profit or loss.

Financial risks management objectives and policies

The Group's and the Company's activities are exposed to a variety of financial risks which include credit risk, liquidity risk and foreign currency risk. The Group's and the Company's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Company's financial performance.

Risk management is integral to the whole business of the Group and of the Company. Management continually monitors the Group's and the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Group's and the Company's activities.

There have been no changes to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risk.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from their receivables (which consist of trade receivables and other receivables). For other financial assets (including cash and bank balances, deposits placed with licensed banks and short-term fund), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's and the Company's objective are to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group and the Company trade only with recognised and creditworthy third parties. It is the Group's and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's and the Company's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating units, the Group and the Company do not offer credit terms without the approval of the executive Directors.

Trade receivables

<u>Exposure to credit risk, credit quality and collateral</u>

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

<u>Concentration of credit risk</u>

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 37% (2019: 6 customers amounting to 26%) of the Group's gross trade receivables.

Notes to the Financial Statements (Cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

Credit risk (Cont'd)

<u>Recognition and measurement of impairment loss</u>

The Group and the Company apply the MFRS 9 simplified approach to measure Expected Credit Losses ("ECL") which uses a lifetime expected loss allowance for trade receivables.

The Group and the Company assess impairment of trade receivables on individual and collective basis.

For individual assessment, it is due to the number of debtors is minimal and these debtors can be individually managed by the Group in an effective and efficient manner. The Group has reasonable and supportable information available to assess the impairment individually. All these customers have low risk of default.

For collective assessment, the Group and the Company used an allowance matrix to measure ECL of collective assessed receivables as they are grouped based on shared credit risk characteristics, the days past due and similar types of contracts which have similar risk characteristics.

Loss rates under collective assessment are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due. Loss rates are based on actual credit loss experienced over the past years. The Group and Company also consider differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's and Company's view of economic conditions over the expected lives of the receivables.

Consistent with the debt recovery process, the Group and the Company have set an observation period of 90 days from the date of invoices, balances which are past due after the observation period will be considered as credit impaired.

	2020 RM'000	2019 RM'000
Group		
Current (not past due)	19,423	25,472
Past due from 1 to 30 days	4,009	3,593
Past due from 31 to 60 days	3,258	750
Past due from 61 to 90 days	746	348
Past due more than 91 days	5,884	1,626
Gross amount	33,320	31,789
Less: Loss allowances		
Collectively impaired	(114)	(151)
Individually impaired	(541)	(86)
	(655)	(237)
Net amount	32,665	31,552

34. FINANCIAL INSTRUMENTS (CONT'D)

Credit risk (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

The movements in the loss allowance on trade receivables are shown below.

	2020 RM	2019 RM
Group		
At 1 January	237	442
Addition/(Reversal)	418	(210)
Exchange difference	–	5
At 31 December	655	237

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

Expected credit loss of other receivable is determined individually after considering the financial strength of the other receivable. As at the end of the reporting period, the maximum exposure to credit risks is represented by their carrying amounts in the statement of financial position. The Group believes that generally no loss allowance 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.

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 amounting to RM28,751,000 (2019: RM11,454,000) 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.

Notes to the Financial Statements (Cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

Credit risk (Cont'd)

Financial guarantees (Cont'd)

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when subsidiaries' 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 have a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

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 provides unsecured loans and advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the loans and advances 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. Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment loss

Intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date.

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded.

The Company determines the probability of default for these loans and advances individually using internal information available.

As at the year end, there was impairment loss required in respect of amounts due from subsidiaries.

Notes to the Financial Statements (Cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables and lease liabilities.

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

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

	Carrying amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000
Group					
2020					
Trade payables	17,514	17,514	17,514	–	–
Other payables	11,721	11,721	11,721	–	–
Borrowings:					
- Bank overdrafts	3,869	4,143	4,143	–	–
- Bankers' acceptances	864	864	864	–	–
- Trust receipts	5,368	5,391	5,391	–	–
- Revolving loan	800	800	800	–	–
- Term loan	17,850	24,295	1,114	4,860	18,321
Lease liabilities	4,510	4,903	1,593	3,310	–
Contract liabilities	8,164	8,164	8,164	–	–
	70,660	77,795	51,304	8,170	18,321
2019					
Trade payables	25,956	25,956	25,956	–	–
Other payables	9,168	9,168	9,168	–	–
Borrowings:					
- Bank overdrafts	4,747	5,149	5,149	–	–
- Bankers' acceptances	583	583	583	–	–
- Trust receipts	5,324	5,364	5,364	–	–
- Revolving loan	800	800	800	–	–
Lease liabilities	5,506	6,092	1,561	4,488	43
Contract liabilities	5,883	5,883	5,883	–	–
	57,967	58,995	54,464	4,488	43
Company					
2020					
Other payables	212	212	212	–	–
2019					
Other payables	343	343	343	–	–

Notes to the Financial Statements (Cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures that are denominated in a currency other than respective functional currencies of Group entities, primarily Ringgit Malaysia ("RM"), United States Dollar ("USD"), Thai Baht ("THB"), Vietnam Dong ("VND"), Philippine Peso ("Peso"), Indonesia Rupiah ("IDR") and Singapore Dollar ("SGD"). The foreign currencies in which these transactions are denominated are mainly USD, Euro Dollar ("EUR"), Japanese Yen ("YEN"), Hong Kong Dollar ("HKD") and Great Britain Pound ("GBP").

The Group does not have any formal hedging policy for its foreign exchange exposure and did not actively engage in activities to hedge its foreign currency exposures during the financial year. The Group seeks to manage the foreign currency risk by constructing natural hedges where it matches revenue and expenses in any single currency.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group's net investment in Philippine, Thailand, Singapore, Vietnam, Hong Kong and Indonesia are not hedged as currency position in Peso, THB, SGD, VND, USD and IDR are considered to be long-term in nature.

The Group's exposure to foreign currency (a currency which is other than functional currency of the Group entities) risk, based on carrying amounts as at end of the reporting period was:

	USD RM'000	EUR RM'000	YEN RM'000	GBP RM'000	Total RM'000
Group					
2020					
Financial assets					
Trade receivables	13,099	1,473	40	–	14,612
Other receivables	3	–	–	–	3
Cash and bank balances	11,959	152	1,346	251	13,708
	25,061	1,625	1,386	251	28,323
Financial liabilities					
Trade payables	(10,465)	(1,352)	(1,825)	(776)	(14,418)
Other payables	(147)	–	–	–	(147)
	(10,612)	(1,352)	(1,825)	(776)	(14,565)
Net exposure	14,449	273	(439)	(525)	13,758
2019					
Financial assets					
Trade receivables	15,072	537	765	–	16,374
Cash and bank balances	7,075	2,413	6,449	–	15,937
	22,147	2,950	7,214	–	32,311
Financial liabilities					
Trade payables	(12,757)	(2,308)	(6,985)	(1,056)	(23,106)
Other payables	(81)	–	–	–	(81)
	(12,838)	(2,308)	(6,985)	(1,056)	(23,187)
Net exposure	9,309	642	229	(1,056)	9,124

34. FINANCIAL INSTRUMENTS (CONT'D)

Foreign exchange risk (Cont'd)

Foreign currency risk sensitivity analysis

The sensitivities of the Group's profit after tax and equity to the possible change in the following foreign currencies against the respective functional currencies of the Group entities are shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

A 10% strengthening of the foreign currencies of the Group entities against the functional currency at the end of the reporting period would have increased/(decreased) profit after tax and equity by the amounts shown below:

	2020		2019	
	Profit after tax RM'000	Equity RM'000	Profit after tax RM'000	Equity RM'000
Group				
Foreign currencies/Functional currency				
USD/RM	1,098	1,098	707	707
EUR/RM	21	21	49	49
YEN/RM	(33)	(33)	17	17
GBP/RM	(40)	(40)	(80)	(80)

A 10% weakening of the foreign currencies of the Group entities against the functional currency at the end of the reporting period would have equal but opposite effect on profit after tax and equity.

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 rates.

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 and of the Company 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:

Notes to the Financial Statements (Cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

Interest rate risk (Cont'd)

Exposure in interest rate risk

The interest rate profile of the Group's and the Company significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Floating rate instruments				
Financial assets				
Fixed deposits with financial institutions	18,633	18,244	–	–
Short-term investments	34,233	18,202	28,950	9,877
	52,866	36,446	28,950	9,877
Financial liabilities				
Borrowings				
- Bank overdrafts	(3,869)	(4,747)	–	–
- Bankers' acceptances	(864)	(583)	–	–
- Trust receipts	(5,368)	(5,324)	–	–
- Revolving loan	(800)	(800)	–	–
- Term loan	(17,850)	–	–	–
	(28,751)	(11,454)	–	–
Net exposure	24,115	24,992	28,950	9,877

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates as the reporting period would not affect profit or loss.

Notes to the Financial Statements (Cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis (Cont'd)

Cash flow analysis for variable rate instruments

A change of 10 basis points ("bp") in interest rates at the end of the reporting period would have increased/ (decrease) equity and profit after tax by amount shown below.

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		Company	
	2020 Increase/ (Decrease) RM'000	**2019 Increase/ (Decrease) RM'000**	**2020 Increase/ (Decrease) RM'000**	**2019 Increase/ (Decrease) RM'000**
Effect on profit after tax				
Increase of 10 basis points	18	19	22	8
Decrease of 10 basis points	(18)	(19)	(22)	(8)
Effect on equity				
Increase of 10 basis points	18	19	22	8
Decrease of 10 basis points	(18)	(19)	(22)	(8)

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:

Financial instrument other than those carried at fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of short-term receivables and payable, cash and cash equivalents and short-term borrowings approximate their fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

The fair values of borrowings are determined by discounting the relevant cashflows using current interest rates for similar instruments as at the end of the reporting year. At the reporting date, the carrying value as compared to fair value of the borrowings are not materially different.

Table below analyses assets carried at fair value and those not carried at fair value for which fair value is disclosed together with the carrying amounts shown in the statements of financial position.

Notes to the Financial Statements (Cont'd)

35. FAIR VALUES (CONT'D)

	2020		2019	
	Carrying amount RM'000	**Fair value Level 2 RM'000**	**Carrying amount RM'000**	**Fair value Level 2 RM'000**
Group				
Financial asset				
Short term investments	34,233	34,233	18,202	18,202
Company				
Financial asset				
Short term investments	28,950	28,950	9,877	9,877

Level 2:

The fair values of other investments are valued using the net asset value of the investment funds.

There was 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 is in compliance with all externally imposed capital requirements.

The Group monitors capital using debt-to-equity ratio which is the total debt divided by total capital. Total debts includes borrowings and lease liabilities whilst total capital is defined as equity attributable to Owners of the Company.

The debt-to-equity ratios at end of the reporting period are as follows:

	Group	
	2020 RM'000	**2019 RM'000**
Borrowings	28,751	11,454
Lease liabilities	1,321	1,580
Total debts	30,072	13,034
Total equity attributable to the Owners of the Company	117,281	89,078
Gearing ratio (times)	0.26	0.15

37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Acquisition of factory

On 21 September 2020, the Company entered into a Sale and Purchase Agreement with Astronautic Technology Sdn. Bhd. for the proposed acquisition of five (5) storey detached factory erected on land held under Individual Title H.S.(D) 225962, PT No. 114, Bandar Glenmarie, Daerah Petaling, Negeri Selangor bearing the address of No. 2, Jalan Jururancang U1/21, Seksyen U1, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor for a total cash consideration of RM21,000,000.

The purchase consideration of RM17,850,000 was placed to the vendor's financier as part of the redemption sum due by the vendor to the vendor's financier is included in the Cash and Bank Balances as at 31 December 2020. The proposed acquisition was completed on 4 January 2021 upon receiving the vacant possession.

Covid-19

The emergence and spread of the coronavirus (Covid-19) in early 2020 has affected businesses and economic activities in Malaysia and beyond. The Group and the Company have not been adversely affected as at the date of this report. No adjustments are required to the financial position and operating results for the current financial year. The Group and the Company shall continue to monitor the developments of the Covid-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group and the Company for the financial year ending 31 December 2021. This includes continuous special attention to be given towards ensuring all standard operating procedures set by the government are complied with to minimise the risk of Covid-19 occurrences and addressing the acute labour shortages, which may impact the operations of the Group and the Company negatively. The Group continues to monitor the impact of Covid-19 pandemic and its impact on the Group, the Company and its shareholders.

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)	22
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	RM399,150.00

Description / Address	Five (5) Storey detached factory erected on land held under Individual Title H.S.(D) 225962, PT No. 114, Bandar Glenmarie, Daerah Petaling, Negeri Selangor bearing the address of No. 2, Jalan Jururancang U1/21, Seksyen U1, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor
Owner	QES (Asia-Pacific) Sdn. Bhd.
Age of building (years)	25
Tenure / Expiry	Freehold
Existing Use	To be utilised by QES (Asia-Pacific) Sdn. Bhd. as its new headquarters
Land Area	62,786 sq. ft.
Built Up Area	86,806 sq. ft.
Audited Net Book Value	RM22,294,316.00

ANALYSIS OF SHAREHOLDINGS

As at 31 March 2021

SHARE CAPITAL

Total Number of Issued shares	:	834,138,800 ordinary shares
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of shares held	%
Less than 100 shares	6	0.07	124	0.00
100 – 1,000 shares	983	10.92	585,376	0.07
1,001 – 10,000 shares	4,406	48.94	26,311,100	3.15
10,001 – 100,000 shares	3,087	34.29	109,998,400	13.19
100,001 to less than 5% of issued shares	517	5.74	259,984,100	31.17
5% and above of issued shares	3	0.03	437,259,700	52.42
Total	9,002	100.00	834,138,800	100.00

LIST OF THIRTY LARGEST SHAREHOLDERS

	Name	No. of shares held	%
1.	LIEW SOO KEANG	187,988,805	22.54
2.	CHEW NE WENG	147,270,895	17.66
3.	CHEW NE WENG	102,000,000	12.23
4.	AMANAHRAYA TRUSTEES BERHAD *PUBLIC STRATEGIC SMALLCAP FUND*	14,000,000	1.68
5.	LIEW SOO KEANG	10,762,300	1.29
6.	KEOH BENG HUAT	8,500,000	1.02
7.	CHEW NE WENG	8,000,000	0.96
8.	HLIB NOMINEES (TEMPATAN) SDN BHD *HONG LEONG BANK BHD FOR SIN KET HIN*	7,470,000	0.90
9.	KUAK JUAN CHEE	4,230,500	0.51
10.	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD *TA ISLAMIC FUND*	4,066,700	0.49
11.	RHB NOMINEES (TEMPATAN) SDN BHD *OSK CAPITAL SDN BHD FOR YAYASAN ISLAM TERENGGANU*	4,000,000	0.48
12.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TEOH KIAT KIONG (MY1847)*	3,010,000	0.36

Analysis of Shareholdings (Cont'd)

LIST OF THIRTY LARGEST SHAREHOLDERS (CONT'D)

	Name	No. of shares held	%
13.	CHONG TOH WEE	2,800,000	0.34
14.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KHOO CHAI PEK (MY1030)*	2,600,000	0.31
15.	TAN POH CHYE @ TAN POH SAI	2,480,000	0.30
16.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD *CIMB COMMERCE TRUSTEE BERHAD FOR TA DANA OPTIMIX*	2,345,000	0.28
17.	HELMI SIN BIN ABDULLAH	2,250,000	0.27
18.	KHOO BOON TIONG	2,200,000	0.26
19.	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC OPTIMAL EQUITY FUND*	2,200,000	0.26
20.	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHAN HIN YEE (KLC/UOB)*	2,090,000	0.25
21.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR PHUA SIN MO*	2,000,000	0.24
22.	APRECINIA MATIAS PABLO	2,000,000	0.24
23.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR FOONG WEI KUONG*	2,000,000	0.24
24.	HSBC NOMINEES (ASING) SDN BHD *CREDIT SUISSE (HONG KONG) LIMITED*	1,948,700	0.23
25.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KEK LIAN LYE*	1,890,000	0.23
26.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM HUNG THIAM (7000997)*	1,869,000	0.22
27.	LAI LENG LEAN	1,560,000	0.19
28.	EE KIM MOI @ EE PEE YO KE	1,520,000	0.18
29.	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM CHEE KIAT (C)*	1,350,000	0.16
30.	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ADRIAN LIM KENG YEAN*	1,335,000	0.16
	Total	**537,736,900**	**64.48**

Analysis of Shareholdings (Cont'd)

SUBSTANTIAL SHAREHOLDERS (AS SHOWN IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

Name of substantial shareholders	No. of ordinary shares			
	Direct	%	Indirect	%
1) Chew Ne Weng	257,270,895	30.84	–	–
2) Liew Soo Keang	198,751,105	23.83	–	–

DIRECTORS' SHAREHOLDINGS

Directors' name	No. of ordinary shares			
	Direct	%	Indirect	%
1) Chew Ne Weng	257,270,895	30.84	–	–
2) Liew Soo Keang	198,751,105	23.83	–	–
3) Adnan bin Zainol	40,000	0.00	–	–
4) Chia Gek Liang	40,000	0.00	–	–
5) Hoh Chee Mun	90,000	0.01	–	–
6) Maznida binti Mokhtar	–	–	–	–

NOTICE OF 7TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 7th Annual General Meeting ("AGM") of QES Group Berhad ("QES" or "the Company") will be held on a fully virtual basis at the Broadcast Venue QES Conference Room, No. 9 Jalan Juruukur U1/19, Hicom-Glenmarie Industrial Park, Seksyen U1, 40150 Shah Alam, Selangor, Malaysia, on Wednesday, 23 June 2021 at 10.00 a.m. or any adjournment thereof via Remote Participation and Voting facilities ("RPV"), for the following businesses:

AS ORDINARY BUSINESSES

1. To receive the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2020 together with the Reports of the Directors and the Auditors thereon. **Refer Notes No. 1(a)**

2. To approve the payment of Directors' fees to the Non-Executive Directors up to an amount of RM228,000 from 24 June 2021 till the next AGM of the Company or any adjournment. **(Ordinary Resolution 1)**

3. To re-elect the following Directors who retire by rotation pursuant to Clause 115 of the Company's Constitution and, being eligible, offer themselves for re-election:

   (a) Mr. Chia Gek Liang **(Ordinary Resolution 2)**
   (b) Mr. Liew Soo Keang **(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: -

5. **Authority to issue and allot shares** **(Ordinary Resolution 5)**

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016, ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and the approval of the relevant regulatory authorities, where such approval is required, the Directors of the Company be and are hereby authorised to issue and allot shares in the capital of the Company, grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer ("New Shares") from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed 20% of the total number of issued shares (excluding any treasury shares) of the Company for the time being ("Proposed 20% General Mandate").

   THAT such approval on the Proposed 20% General Mandate shall continue to be in force until 31 December 2021.

   THAT with effect from 1 January 2022, the general mandate shall be reinstated from a 20% limit to a 10% limit pursuant to Rule 6.04 of the Listing Requirements provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer by the Company from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares (excluding any treasury shares) of the Company for the time being ("Proposed 10% General Mandate").

Notice of 7th Annual General Meeting (Cont'd)

THAT such approval on the Proposed 10% General Mandate shall continue to be in force until:

a. the conclusion of the next Annual General Meeting of the Company held after the approval was given;

b. the expiration of the period within which the next Annual General Meeting of the Company is required to be held after the approval was given; or

c. revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

(The Proposed 20% General Mandate and Proposed 10% General Mandate shall hereinafter refer to as "Proposed General Mandate")

THAT the Directors of the Company be and are hereby also empowered to obtain the approval from Bursa Securities for the listing of and quotation for such New Shares on the ACE Market of Bursa Securities.

THAT authority be and is hereby given to the Directors of the Company, to give effect to the Proposed General Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of the Company and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Company, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed General Mandate."

6. 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
30 April 2021

MODE OF MEETING

In light of the COVID-19 outbreak and as part of our safety measures, the 7th AGM of QES Group Berhad ("Company") will be conducted on a fully virtual basis via live streaming and online voting from the Broadcast Venue. This is in line with the Guidance and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020 (subsequently revised on 5th March 2021).

The Broadcast Venue is strictly to comply with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue of the Meeting. No shareholders/proxies should be physically present at the Broadcast Venue on the day of the 7th AGM.

Notice of 7th Annual General Meeting (Cont'd)

Kindly ensure that you are connected to the internet at all times to participate and vote when our virtual 7th AGM has commenced. Therefore, it is your responsibility to ensure that connectivity for the duration of the meeting is maintained. Kindly note that the quality of the live webcast is dependent on the bandwidth and stability of the internet connection of the participants.

You may email your questions, in relation to the matters of discussion of the AGM, in advance to the Company.

REGISTRATION AND DIGITAL BALLOT FORM ("DBF") VOTING PROCEDURES

As no shareholder/proxies should be physically present at the Broadcast Venue, shareholders/proxies who wish to participate in the 7th AGM will have to register online and participate remotely. Kindly follow the steps below to ensure that you can obtain your DBF and details to log in to the Webinar session to participate at the 7th AGM online:

1. Open this link https://vps.megacorp.com.my/R2tmY0 or scan the QR code on page 138 and submit all the details requested not less than forty-eight (48) hours before the time of the 7th AGM.

2. Only shareholders are allowed to register their details online. Shareholders can also appoint proxy/Chairman via online, as in Step 1 above. Please ensure that your details are accurate as any non-compliance may result in you not being able to receive your DBF.

3. Alternatively, you may deposit your Form of Proxy at the office of Poll Administrator, Mega Corporate Services Sdn Bhd ("MegaCorp") at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur or email agm-support.QESG@megacorp.com.my not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote or, and in default the instrument of proxy shall not be treated as valid.

4. For corporate shareholders / Nominee Accounts, please follow Step 3 above.

5. The Poll Administrator will e-mail a copy of your DBF to you to participate and vote at the meeting once they have verified your details.

6. Registered shareholders/proxies would receive two (2) emails:

   i. Webinar session link (to join the virtual meeting); and
   ii. DBF (for remote voting purposes).

POLL VOTING

The voting will be conducted by a poll in accordance with Rule 8.31A of ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company has appointed MegaCorp as Poll Administrator to conduct the poll by way of electronic voting and Cygnus Technology Solutions Sdn Bhd as Scrutineers to verify the poll results.

For the purpose of the 7th AGM, e-voting will be carried out via your digital devices (e.g., Computer/Mobile Phone/ Tablets). The DBF itself is self-explanatory. Please carefully read the instructions on the e-mail from Webinar Master to familiarise yourself with the steps needed to exercise your rights at the 7th AGM.

Shareholders/proxies can proceed to vote on the resolutions and submit your votes during the voting period as stipulated on the DBF. Upon completion of the voting session at the 7th AGM, the Scrutineers will verify the poll results after which the Chairman of the 7th AGM will announce the results of the resolutions.

RECORD OF DEPOSITORS FOR THE AGM

The date of Record of Depositors for the 7th AGM is 17 June 2021. As such, only members whose names appear in the Record of Depositors as at 17 June 2021 shall be eligible to participate, speak and vote at the 7th AGM.

Notice of 7th Annual General Meeting (Cont'd)

NO REFRESHMENTS AND NO DOOR GIFTS

There will be no distribution of refreshments and door gifts for the 7th AGM of the Company.

NOTES ON THE APPOINTMENT OF PROXY

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 Constitution, and the instrument appointing a proxy shall be the Company's Common Seal or signed by the officer or attorney so authorised.

1. Explanatory Notes on Ordinary Resolutions:

(a) Audited Financial Statements for financial year ended 31 December 2020

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 Resolution 1

Section 230(1) of the Companies Act, 2016 provides amongst others, that "the fees" of the Directors and "any benefits" payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the 7th AGM on the Directors fees.

(c) Ordinary Resolutions 2 and 3

Clause 115 of the Company's Constitution provides that 1/3 of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company. With the current Board size, 2 Directors are to retire pursuant to Clause 115 of the Company's Constitution.

Notice of 7th Annual General Meeting (Cont'd)

Explanatory Notes to Special Business

(d) Ordinary Resolution 5 - Authority to issue and allot shares

The proposed ordinary resolution, if passed, will empower the Directors of the Company to issue and allot ordinary shares of the Company from time to time and to grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer, provided that the aggregate number of shares allotted pursuant to this resolution does not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company for the time being ("Proposed 20% General Mandate") up to 31 December 2021. With effect from 1 January 2022, the Proposed 20% General Mandate will be reinstated to a 10% limit ("Proposed 10% General Mandate") according to Rule 6.04 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

The authority for the Proposed 10% General Mandate will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting ("AGM") or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

This proposed Resolution is a renewal of the previous year's mandate. The mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional costs and time.

The purpose of this general mandate, if passed, will enable the Directors to take swift action in case of a need to issue and allot new shares in the Company for fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, acquisitions and/or for issuance of shares as settlement of purchase consideration, or other circumstances arise which involve grant of rights to subscribe for shares, conversion of any securities into shares, or allotment of shares under an agreement or option or offer, or such other application as the Directors may deem fit in the best interest of the Company.

As at the date of this Notice, the Company had allotted 75,830,800 new ordinary shares via private placement under the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 which was approved by the shareholders at the Sixth Annual General Meeting of the Company held on 30 July 2020 and the 20% General Mandate, unless revoked or varied by the Company in general meeting, will expire at the end of the Extended Utilisation Period, i.e. by 31 December 2021.

STATEMENT ACCOMPANYING THE NOTICE OF THE 7TH AGM

(Pursuant to Appendix 8A of the AMLR)

1. No individual is standing for election as a Director at the 7th AGM of the Company.

2. The detailed information relating to the general mandate for the issue of securities pursuant to Rule 6.04 of the AMLR are set out under Explanatory Notes on Special Businesses for Ordinary Resolution 5 of the Notice of the 7th AGM of the Company.

FORM OF PROXY

QES GROUP BERHAD
201401042911 (1119086-U)
(Incorporated in Malaysia)

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:

Name	Email Address	Mobile No.	NRIC/Passport
*And/or failing him/her (delete as appropriate)			

or failing him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the 7th Annual General Meeting ("AGM") of the Company to be held on a fully virtual basis at the Broadcast Venue: QES Conference Room, No. 9 Jalan Juruukur U1/19, Hicom-Glenmarie Industrial Park, Seksyen U1, 40150 Shah Alam, Selangor, Malaysia on Wednesday, 23 June 2021 at 10.00 a.m. or 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/her discretion.)

NO.	RESOLUTIONS	FOR	AGAINST
1)	Ordinary Resolution 1 – To approve the payment of Directors' fees to the Non-Executive Directors		
2)	Ordinary Resolution 2 – Re-election of Mr. Chia Gek Liang as Director		
3)	Ordinary Resolution 3 – Re-election of Mr. Liew Soo Keang 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		

Signed this .... day of 2021

No. of shares held:	
CDS Account No.:	
Tel No. (during office hours):	

....
Signature/Common Seal of Member(s)

Notes :-

1. In light of the COVID-19 outbreak and as part of our safety measures, the 7th AGM of QES Group Berhad ("Company") will be conducted on a fully virtual basis via live streaming and online voting from the Broadcast Venue.
2. The Broadcast Venue is strictly to comply with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue of the Meeting.
3. No shareholders/proxies should be physically present at the Broadcast Venue on the day of the 7th AGM.
4. Kindly ensure that you are connected to the internet at all times to participate and vote when our virtual 7th AGM has commenced.
5. You may email your questions in relate to matters of discussion in the AGM in advance to the Company.
6. 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.
7. 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.
8. 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.
9. 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.
10. In the case of a corporate body, the proxy appointed must be in accordance with the Company's Constitution, and the instrument appointing a proxy shall be the Company's Common Seal or signed by the officer or attorney so authorised.
11. The voting will be conducted by a poll in accordance with Rule 8.31A of ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.
12. The instrument appointing a proxy must be deposited online or at the Poll Administrator office, Mega Corporate Services Sdn. Bhd. at Level 15-2, Bangunan 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.
13. The date of Record of Depositors for the 7th AGM is 17 June 2021. As such, only members whose names appear in the Record of Depositors as at 17 June 2021 shall be eligible to participate, speak and vote at the 7th AGM.

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AFFIX
STAMP

SHARE REGISTRAR

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

Then fold here