QES GROUP BERHAD 201401042911 (1119086-U)

No. 2, Jalan Jururancang U1/21, Hicom-Glenmarie Industrial Park, Seksyen U1
40150 Shah Alam, Selangor Darul Ehsan, Malaysia

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www.qesnet.com

QES GROUP BERHAD 201401042911 (1119086-U)

ANNUAL REPORT 2022

Assuring you our best, always!

QES GROUP BERHAD

201401042911 (1119086-U)

ANNUAL REPORT 2022

WHAT'S **INSIDE**

HIGHLIGHTS

LEADERSHIP

MANAGEMENT PERSPECTIVE

ACCOUNTABILITY

OTHERS

VISION

We aim to be the leading integrated solutions provider serving customers with world class products in analytical, inspection, test, measuring, automation, and related services.

MISSION

QES is determined to excel in every area of our technology-driven products and services and be sustainable. We achieve that by making sure we are customer-centric, continuously developing and empowering our people, building lasting relationships with our business associates, moving toward complete digitalization, and aligning with our shareholders' vision and ESG commitment.

OUR VALUE

P PASSION — Love our jobs and do it with maximum effort

R RESPECT — Atmosphere of respecting each other regardless of seniority and position

I INTEGRITY — Doing the right thing even if nobody is watching

D DISCIPLINE — Foster consistent and orderly behaviour in every day work

E EMPATHY — Be considerate and always put ourselves in the other person's shoes

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.

ABOUT QES®

Assuring You Our Best, Always!

FACTS

Exceed more than
13,800
equipment installed

Revenue
~USD 60
million

~420
employees

7 countries

More than
30 years
operating

CORPORATE INFORMATION

BOARD OF DIRECTORS

ADNAN BIN ZAINOL
Independent Non-Executive Chairman

CHEW NE WENG
Managing Director/President

LIEW SOO KEANG
Executive Director

HOH CHEE MUN
Independent Non-Executive Director

MAZNIDA BINTI MOKHTAR
Independent Non-Executive Director

WONG PEK YEE
Independent Non-Executive Director
(appointed 16 June 2022)

COMPANY SECRETARY
Andrea Huong Jia Mei
(MIA 36347/ SSM PC NO. 202008003125)

AUDIT COMMITTEE
Wong Pek Yee (Chairperson)
Hoh Chee Mun
Maznida Binti Mokhtar

NOMINATION COMMITTEE
Maznida Binti Mokhtar (Chairperson)
Hoh Chee Mun
Wong Pek Yee

REMUNERATION COMMITTEE
Hoh Chee Mun (Chairman)
Maznida Binti Mokhtar
Wong Pek Yee

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

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

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

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

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

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

HEAD OFFICE
No. 2, Jalan Jururancang U1/21
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

CORPORATE WEBSITE
www.qesnet.com

CORPORATE STRUCTURE

Assuring you our best, always!

QES GROUP BERHAD

Subsidiaries & Associate ("Group" or "QES") as at 31 March 2023

- **DISTRIBUTION DIVISION**
  - 100% QES Intra Pacific Sdn. Bhd.
  - 100% QES (Asia-Pacific) Sdn. Bhd.
    - 100% QES (Thailand) Co., Ltd.
    - 100% QES (Vietnam) Co., Ltd.
    - 100% QES (Hong Kong) Limited
      - 100% QES Technology (Shanghai) Co., Ltd.
    - 87.7% QES Technology Philippines, Inc.
    - 82.5% QAM (Asia-Pacific) Sdn. Bhd.
    - 70% QES (Singapore) Pte. Ltd.
    - 55% P.T. QES Indonesia
  - 100% QS Instruments Sdn. Bhd.
- **MANUFACTURING DIVISION**
  - 100% QES Manufacturing Sdn. Bhd.
    - 100% QES Mechatronic Sdn. Bhd.
    - 30% Applied Engineering Technology (M) Sdn. Bhd.
    - 85% QES Vision Solutions Sdn. Bhd.

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. The listing of and quotation for the entire issued share capital of QES has been transferred from the ACE Market to the Main Market of Bursa Securities with effect from 23 December 2022. QES Group Berhad is principally an investment holding company.
- The Group had on 10 January 2023, through QES (Hong Kong) Limited, a wholly owned subsidiary of QES, incorporated a wholly owned subsidiary in the People's Republic of China ("PRC") known as QES Technology (Shanghai) Co., Ltd.

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.

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

MAY 1996 Expanded to Philippines to cover Philippines market

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

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

DEC 2001 Invested in Creden Group (Diversify into manufacturing)

MAR 2002 Expanded to China through QES Singapore representative 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, PT. QES Indonesia with main office in Jakarta to cover Indonesia market

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

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

JUN 2013 Official launch of SPECTRO SEA Centre of Excellence

AUG 2014 Recognition QMS ISO 9001: 2015 for QES Intra Pacific Sdn. Bhd. Service Operation

FEB 2015 Official Launch of new QES Logo

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

MAR 2018 QES Group Berhad listed on ACE Market

APR 2018 Incorporation of QES Vision Solutions Sdn. Bhd.

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

MAR 2021 Entered into JV with US based, Applied Engineering, Inc to set up Applied Engineering Technology (M) Sdn. Bhd.

SEP 2021 Acquired 2 acres of land at Batu Kawan Industrial Park, Penang, Malaysia

MAR 2022 Moved into 5-storey Corporate HQ & Manufacturing Facility at Hicom-Glenmarie Industrial Park, Shah Alam

JUN 2022 Recognition MS ISO/IEC 17025 for QES (Asia-Pacific) Sdn. Bhd.

JUL 2022 Recognition MS ISO/IEC 17025 for QES (Vietnam) Co., Ltd.

OCT 2022 Launching of new QES Corporate Vision, Mission and Core Values

NOV 2022 Recognition MS ISO/IEC 17025 for QS Instruments Sdn. Bhd.

DEC 2022 QES Mechatronic Sdn. Bhd. won Gold Award in Export Excellence Awards 2022

DEC 2022 QES Group Berhad successfully transferred to Main Market

JAN 2023 Set up QES Technology (Shanghai) Co., Ltd. to cover China market.

PROFILE OF DIRECTORS

ADNAN BIN ZAINOL
Independent Non-Executive Chairman

Nationality	: Malaysian
Age/Gender	: 70 / Male
Appointment to Our Board	: 11 May 2015

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.

Present Directorship(s) with Other Public Listed Companies:

Independent Non-Executive Director of Aldrich Resources Berhad (formerly known as Orion IXL Berhad)

BOARD MEETINGS ATTENDANCE
7/7

CHEW NE WENG
Managing Director / President

Nationality	: Malaysian
Age/Gender	: 60 - Co-founder / Male
Appointment to Our Board	: 20 November 2014

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.

Mr Chew resigned as a member of the Remuneration Committee on 23 August 2022 in compliance with Guidance 7.2 of the Malaysian Code on Corporate Governance 2021.

BOARD MEETINGS ATTENDANCE
7/7

Profile of Directors (Cont'd)

LIEW SOO KEANG
Executive Director

Nationality : Malaysian
Age/Gender : 61 / Male
Appointment to Our Board : 20 November 2014

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.

BOARD MEETINGS ATTENDANCE
7/7

HOH CHEE MUN
Independent Non-Executive Director

Nationality : Malaysian
Age/Gender : 58 / Male
Appointment to Our Board : 11 May 2015

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 Energy Resources Berhad.
- In July 2022, he was appointed as the Group Chief Financial Officer of Straits Energy Resources Berhad.

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

BOARD MEETINGS ATTENDANCE
7/7

Profile of Directors
(Cont'd)

MAZNIDA BINTI MOKHTAR
Independent Non-Executive Director

Nationality : Malaysian
Age/Gender : 56 / Female
Appointment to Our Board : 1 August 2019

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 in 1990, at EY London (previously known as Ernst & Young London) in London, UK, where she qualified as a Chartered Accountant.
- In 1994, she joined AmMerchant Bank Berhad in the Privatisation and Project Advisory Unit.
- 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 30 years of working experience in the accounting firm, merchant banking industry and the IT industry.

Chairperson of the Nomination Committee – Member of the Audit and Remuneration Committees.

Present Directorship(s) with Other Public Listed Companies:

Independent Non-Executive Director of DS Sigma Holdings Berhad

BOARD MEETINGS ATTENDANCE
7/7

Profile of Directors (Cont'd)

WONG PEK YEE
Independent Non-Executive Director

Nationality : Malaysian
Age/Gender : 66 / Female
Appointment to Our Board : 16 June 2022

Qualification(s):

- BSc in Economics & Accounting (Hons) from University of Hull, United Kingdom in 1980.
- ACA & FCA from Institute of Chartered Accountants of England and Wales in 1983.
- She is also a member of the MIA.

Relevant Working Experience:

- Accumulated over 37 years of work experiences in London and Malaysia, covering the wide spectrum of industries which include tax consultancy, financial services and manufacturing sectors.
- Over her 37 years of work experiences, she held positions as Director, Acting CEO, Group Financial Controller, and tax & audit manager. She has acquired core skills and expertise in strategic & business planning, financial restructuring, project financing & funding, treasury & cash management, financial analysis & evaluation, operations, internal controls, risk management, organisation restructuring, human resources management and tax advisory.
- She is currently sitting on the Board of RHB Insurance Berhad as Senior Independent Non-Executive Director, which commenced in year 2018.

Relevant Working Experience: (Cont'd)

- She is currently the Chairperson of the Board Risk Committee and a member of the Board Investment Committee and Board Audit Committee of RHB Insurance Berhad.
- She was an Independent Non-Executive Director of Pengurusan Aset Air Berhad (PAAB) from 1 July 2019 to 30 August 2020. She sat as the Chairperson of the Board Audit and Risk Committee and as a member of the Board Compliance and Integrity Committee during her period with PAAB.

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

Present Directorship(s) with Other Public Companies:

Senior Independent Non-Executive Director of RHB Insurance Berhad

BOARD MEETINGS ATTENDANCE
6/6

Profile of Directors (Cont'd)

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, Pn. Maznida binti Mokhtar and Ms. Wong Pek Yee, all the Directors of QES Group Berhad does not hold directorship in any other public companies as at 31st December 2022.

PROFILE OF KEY MANAGEMENT

LEE HOCK CHIN
Vice President of Distribution Division

Nationality : Malaysian
Age/Gender : 49 / Male

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

Qualification(s):

- Diploma in Technology (Electronic Engineering) in 1998, 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

Nationality : Malaysian
Age/Gender : 56 / Male

- 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 as well as research and development activities within the manufacturing division.

Profile of Key Management (Cont'd)

CHIN GUAT EEM
Senior General Manager of Human Resources & Admin

Nationality : Malaysian
Age/Gender : 56 / Female

- 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 1 April 2021

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.

YEOH CHEONG YEOW
General Manager of Finance

Nationality : Malaysian
Age/Gender : 54 / Male

- 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
- 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 valued shareholders,

QES Group Berhad turned in a remarkable financial result for the fiscal year ending on 31 December 2022 ("FYE 2022"), with record-breaking revenue and profits that surpassed our strong performance from the previous year. The global demand for semiconductors continued to reach new heights in FYE 2022 since the catalyst in FYE 2021 driven largely by the digitalisation push during the Covid-19 pandemic and the consequential strong demand in consumer electronics, smartphones, notebooks, and data centres. The adoption and transition of 5G, smart automation, electric vehicles and industrial 4.0 also spurred a significant growth to the semiconductor industry.

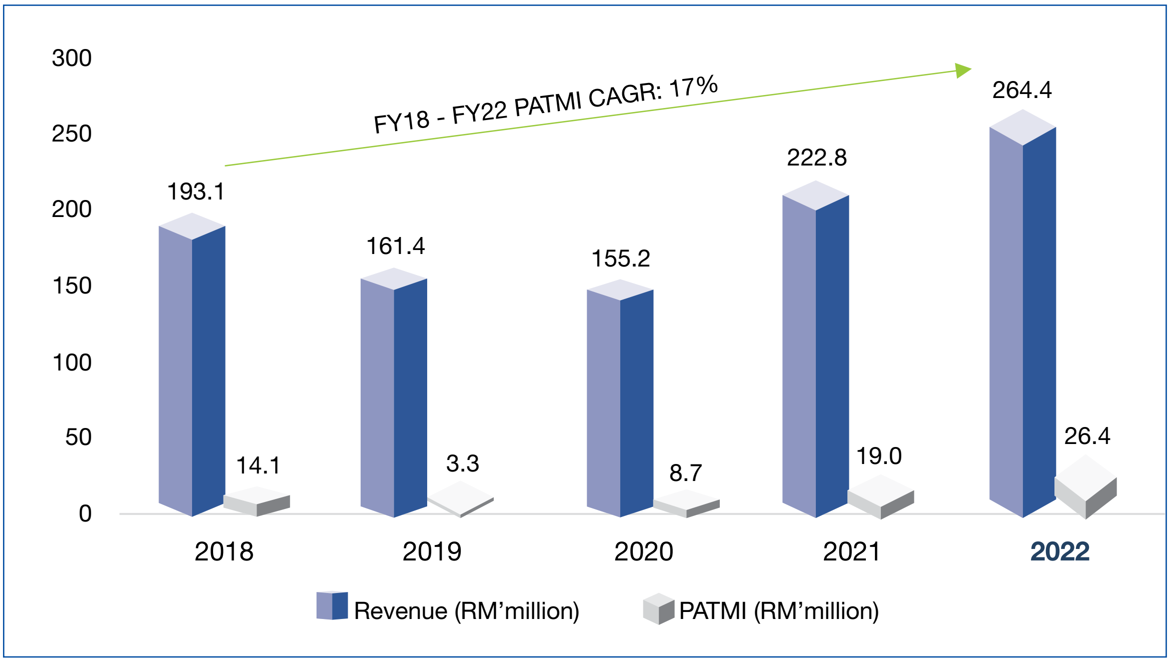
At the beginning of the FYE 2022, the Malaysian economy still faced economic headwinds due to global factors such as disruptions in supply chain, long delivery lead time, volatile commodity prices, and higher costs of doing business. Despite these headwinds, the Group has demonstrated its resilience and delivered an outstanding financial performance. We attribute our success to our proactive management approach in responding to challenges and our commitment to growth and innovation. The Group will continue to invest in technology and enhance our capabilities to better serve our customers and meet their evolving needs.

FINANCIAL PERFORMANCE

(i) Analysis of financial results

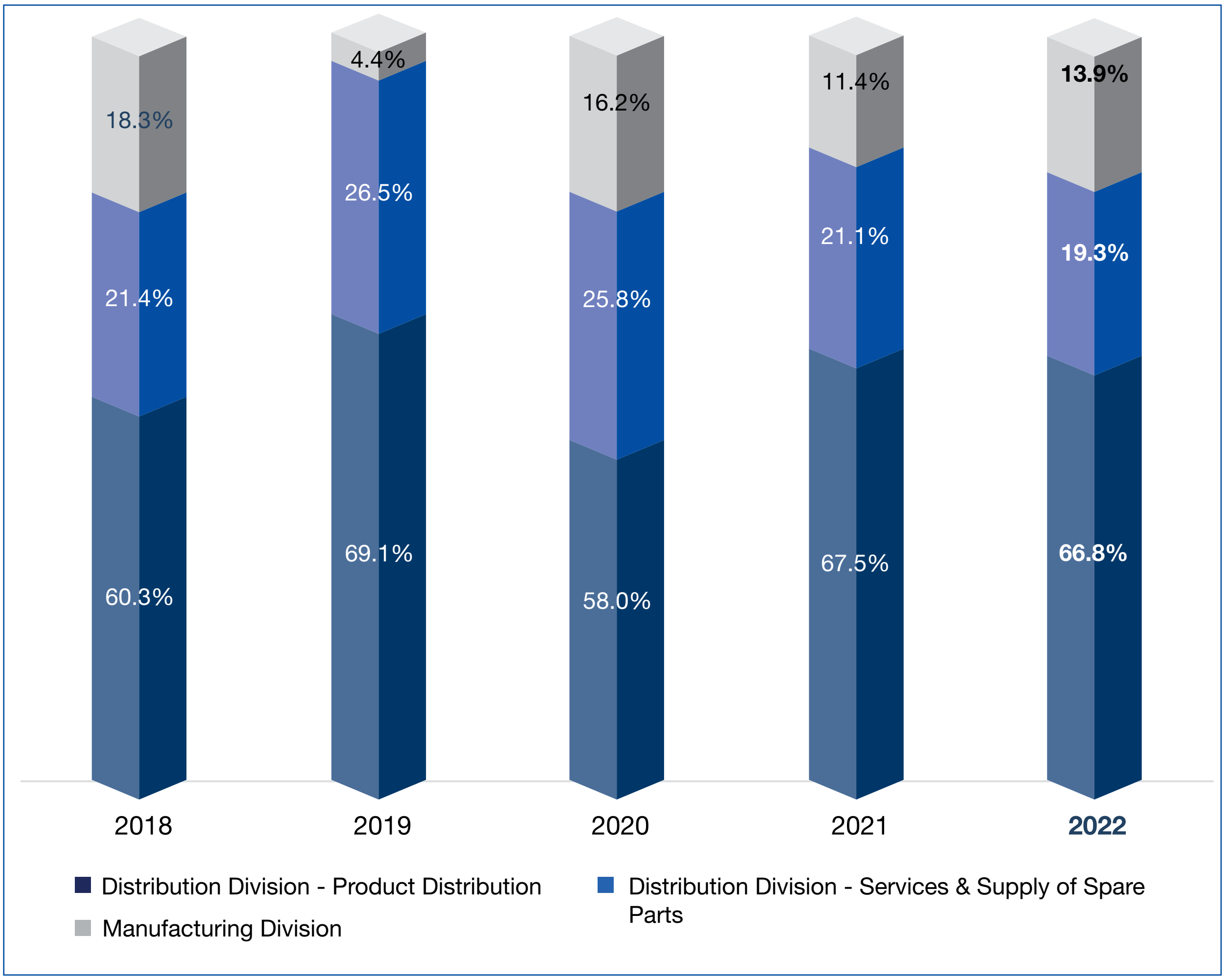
The Group ended the financial year with a record of RM264.4 million in revenue and RM26.4 million in profit after tax attributable to the owners of the company ("PATMI"). Revenue grew by 18.7% or RM41.6 million from RM222.8 million while PATMI increased by 38.9% or RM7.4 million from RM19.0 million as compared to FYE 2021. The robust growth was a result of higher sales of product from both Distribution and Manufacturing Division.

Revenue & PATMI



Letter to Shareholders
(Cont'd)

Manufacturing & Distribution Division Breakdown

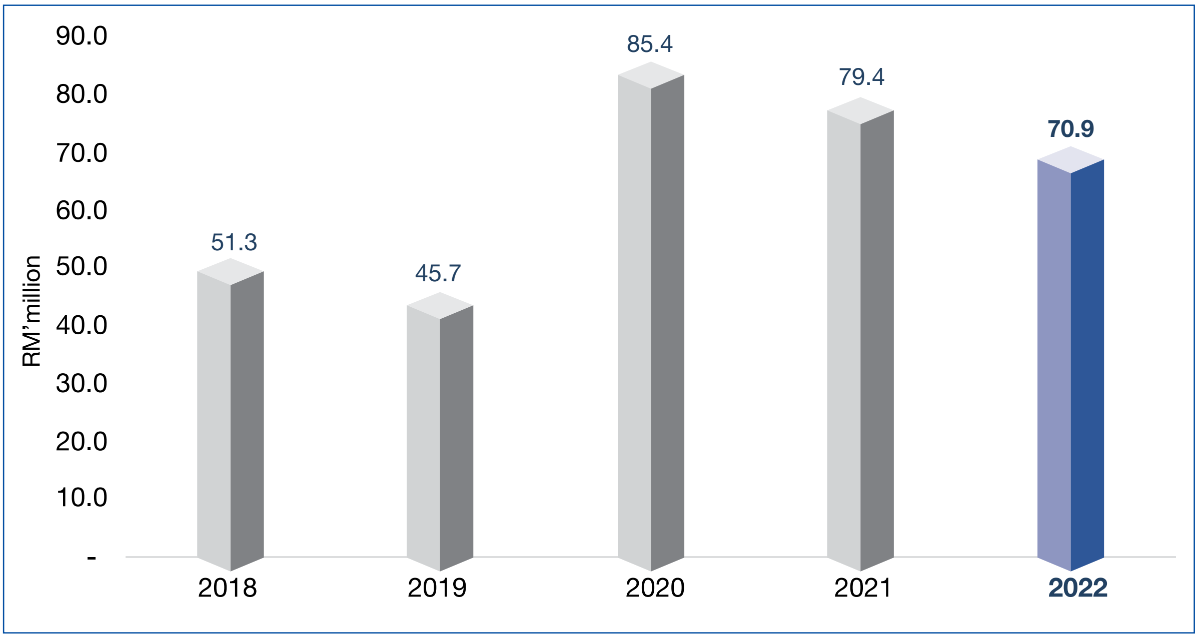


Letter to Shareholders
(Cont'd)

(ii) Maintaining a strong balance sheet

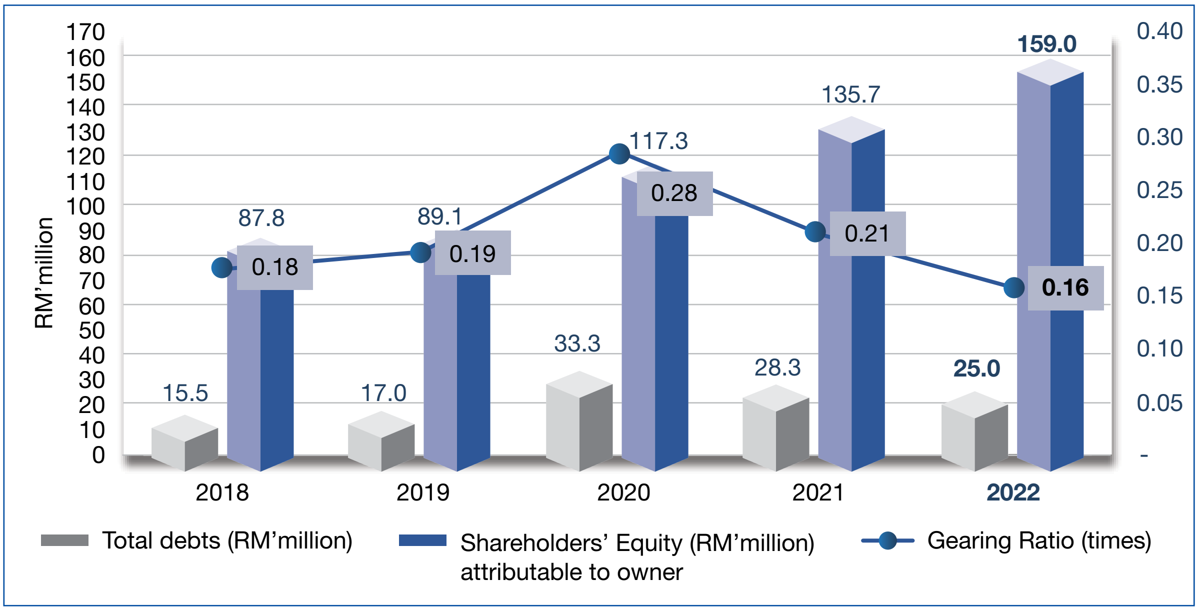
The financial position of the Group remained strong with cash and cash equivalents of RM70.9 million as at FYE 2022. The Group is committed to optimise usage of our cash reserves over the next 12 months which are earmarked for the building and construction of the new Batu Kawan plant, China market expansion, product development process and strategically position ourselves to take advantage of any merger and acquisition activities.

Cash & Cash Equivalents Trend



(iii) Shareholders' equity growth

Our shareholders' equity increased from RM135.7 million in FYE 2021 to RM159.0 million due to the growing profitability of the Group. The increase coupled with the reduce in total debts contributed to our improved gearing ratio from 0.21 times in FYE 2021 to 0.16 times in FYE 2022.



Letter to Shareholders
(Cont'd)

BUSINESS SUSTAINABILITY AND DEVELOPMENT

(i) Corporate Highlights

In March 2022, the Group completed the renovation and moved into the new 5 storey QES corporate headquarters and manufacturing facility at Glenmarie, Shah Alam which showcased our dedication to growth and innovation in the ASEAN region. This expansion has almost doubled the Group's manufacturing capacity, to enable us to meet the growing demands of our customers more efficiently.

Furthermore, we are pleased to report that QES Mechatronic Sdn Bhd, a subsidiary of our manufacturing division, was bestowed the Gold award in the category of Machinery, Electrical & Electronics for SMEs 2022 from The Star Media Group & Standard Chartered - Export Excellence Awards 2022 on November 24, 2022. This accolade is a testament to our unwavering commitment to excellence and our dedication to delivering innovative solutions to our customers, solidifying our position as a leading player in this industry worldwide.

The Group has also successfully transferred from the ACE Market to the Main Market of Bursa Malaysia for the listing of and quotation for the entire share capital of QES on December 23, 2022. This transition provides QES with better visibility among institutional funds and banks, highlighting our strong financial performance and growth prospects.

(ii) Constant Improvement

The Group had placed a significant importance to obtain International Organization for Standardization ("ISO") accreditation for all our relevant Business Units and ASEAN subsidiaries for FYE 2022. The ISO 17025 Accreditation verifies that the laboratory has an acceptable quality management system in place, and it has the ability and competence to provide testing and calibration results. As the Group maintains a consistent recurring annual income of approximately 20% to 25% of the Group's total revenue through the maintenance and service of our large equipment installed base, the ISO accreditation will allow us to leverage and provide confidence to our customers that we have the right skills, precision, accuracy, and repeatability of quality service. We are pleased to announce that our subsidiaries, QES (Vietnam) Co., Ltd, QES (Asia-Pacific) Sdn. Bhd. and QS Instruments Sdn. Bhd. were all successful in obtaining their ISO/IEC 17025 Accreditation in FYE 2022.

(iii) New product development

The Group continues to focus on our growth strategy by continuously investing in the production capacity and technological innovation by incessantly enhancing our manufacturing capabilities and processes. The Manufacturing Division launched and introduced 2 new products in FYE 2022.

- ***Boule Sorter System (AHS Series)***

  The Boule Sorter System is a specialized system, designed to address the growing demand in the semiconductor industry for silicon carbide wafers ("SiC"). Given their widespread use in photovoltaic inverters, industrial power sources, and electric vehicle charging infrastructures, the demand for SiC wafers soared. This newly developed equipment features sophisticated automation capabilities along with the simultaneous handling of 6" Boules (wafers prior to back grinding process) with six load ports. The equipment is also equipped with the ability to be operated via SECS/GEM communication, ensuring efficient and reliable communication during the sorting process. The Boule Sorter System plays a critical role in streamlining the manufacturing process of SiC wafers, ensuring high quality and minimizing errors.

- ***Chapman MPT 1000 Enhanced Optical System Design (AMS Series)***

  The former Chapman MPT 1000 system enabled users to measure structured taped wafers following back grinding or dicing processes. The tape used in this application comprises of several types of materials intended to protect the circuit surface while polishing the back side of the wafer. Some customers have reported on the poor measurement signals due to various issues related to these types of tapes. To solve these difficulties, our research and development team have made improvements to the alignment of the laser beam, increase the signal strength, correct the polarization issues, and minimize measurement errors, which ensures more accurate measurement results.

Letter to Shareholders
(Cont'd)

(iii) New product development (Cont'd)

The Group also launched a new partnership with Einnosys in FYE 2022. Einnosys' SECS/GEM system can help equipment manufacturers and semiconductor companies bring their products to market quicker by simplifying the integration of new equipment into existing production lines.

By incorporating advanced digital technologies into manufacturing processes, SECS/GEM (SEMI Equipment Communications Standard/Generic Equipment Model) is an important component of Industry 4.0 where its ability to collect, analyze and exchange data in real time is critical for optimising manufacturing processes and increasing efficiency.

(iv) Employees Development

QES 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, in FYE 2022, the Group embarked and revamped our previous policy by putting new focus on performance-oriented culture, performance rewards and recognition by appointing a new Key Performance Indicator ("KPI") Consultant to assist us on this. The Group believes the success of the business operations is grounded on having strong and skilled engineering talent coupled with strong teamwork and support from all employees. The new corporate headquarters in Shah Alam also helps promotes a clean, vibrant, and happy environment to the employees so they can enjoy a more spacious workplace with more facilities to achieve their job satisfaction and release their potential.

MARKET OUTLOOK AND FUTURE PROSPECT

The Group remains cautiously optimistic on the prospects for FYE 2023 as majority of the ASEAN economies are predicting a gradual slow down especially for the first half of 2023 due to rising inflation, continued supply chain interruption and manpower shortages. However, the Group expects to see continual growth despite the overall challenging outlook on the back of a healthy order book and for the semiconductor industry to recover by the second half of 2023. The Group's sustainable business objectives are to remain committed to improve operational efficiencies through digitalization, investment in human capital, and market expansions which would improve our sales pipeline to add value to our customer and the market segments that we participate in.

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, resilience 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. We call upon all our stakeholders to continue to support QES and we wish to convey our utmost appreciation for placing your trust upon us.

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

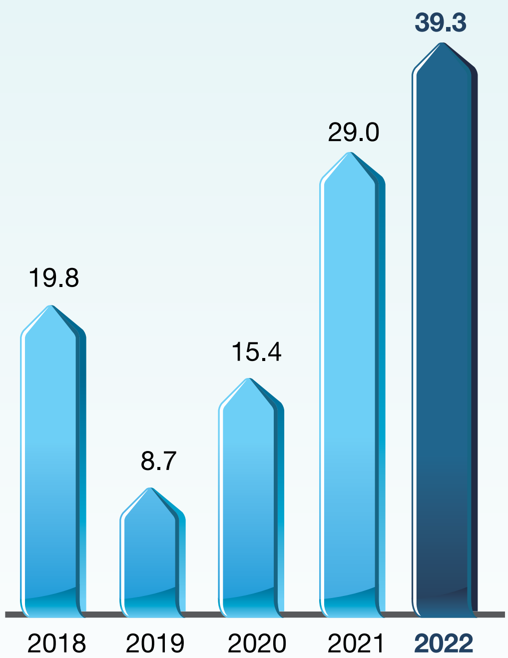
Thank you.

Adnan Bin Zainol
Independent Non-Executive Chairman

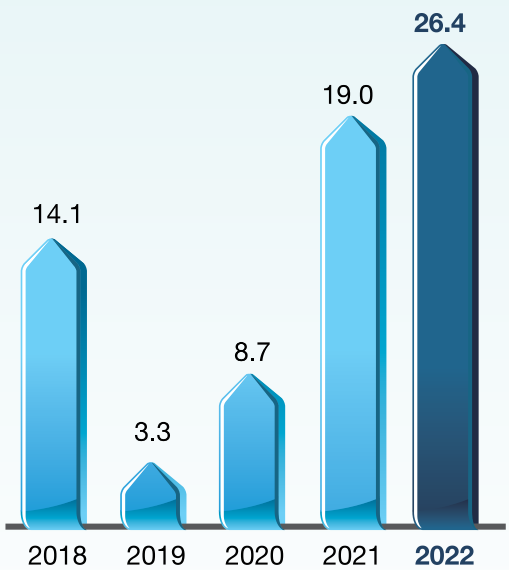
Chew Ne Weng
Managing Director/President

GROUP
FINANCIAL HIGHLIGHTS

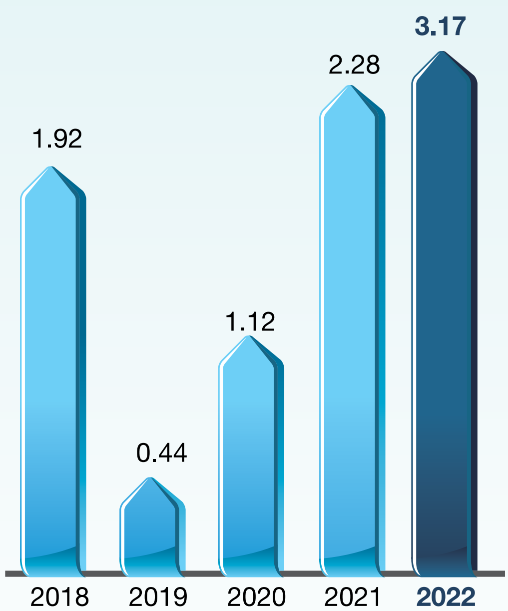
Earnings before Interest, Taxes, Depreciation and Amortisation (RM'million)



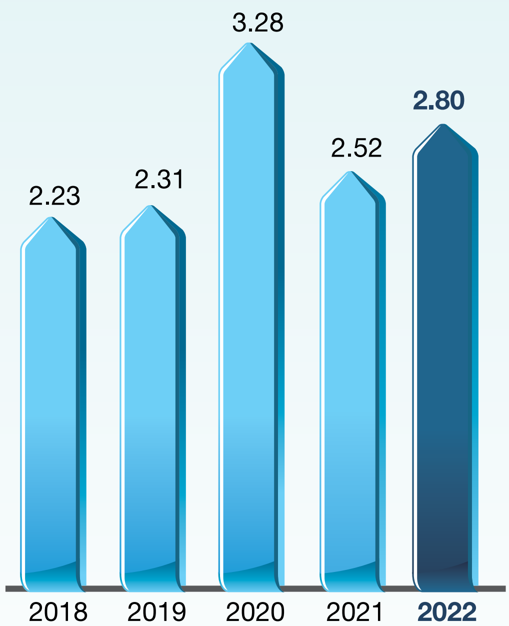
Profit attributable to Owners of the Company (RM'million)



Basic Earnings per Share (sen)

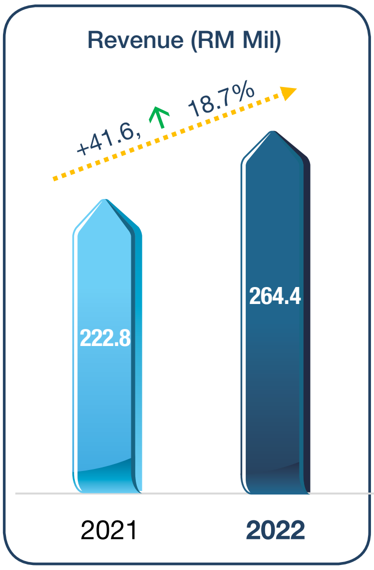


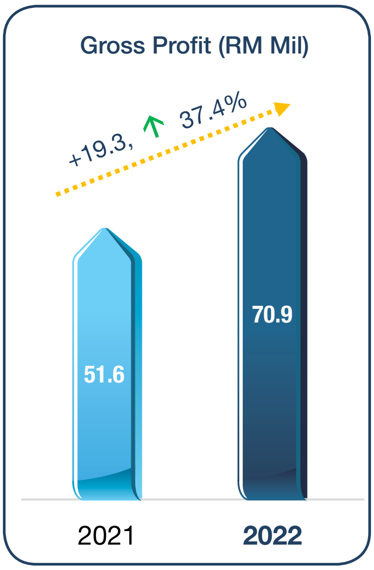
Current Ratio (times)

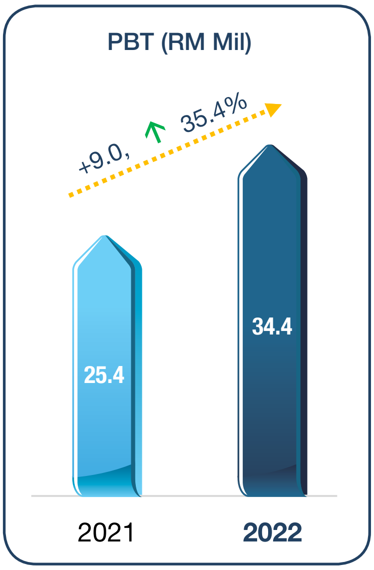


MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE REVIEW







Revenue and gross profit

The Group achieved the highest revenue of RM264.4 million in FYE 2022 since our listing on Bursa Malaysia Stock Exchange in FYE 2018. The revenue growth showed a leap of RM41.6 million or 18.7% as compared to FYE 2021. The growth of revenue was mainly due to an increase in sales generated from both Distribution and Manufacturing Division by RM30.3 million and RM11.3 million respectively.

In tandem with its increase in revenue, the Group recorded a higher gross profit ("GP") of RM70.9 million, an increase of RM19.3 million or 37.4% increase over last year's RM51.6 million primarily due to higher GP contribution by both Distribution and Manufacturing Division. Overall GP margin for the current financial year stood at 26.8% as compared to 23.2% in FYE 2021.

Geographically, Malaysia remains as the biggest revenue contributing country, at approximately 43.4% of our total revenue in FYE 2022. 47.6% of our revenue is derived from other ASEAN countries, and the remaining 9.0% is contributed by other countries. 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.

Other income

Other income of the Group decreased from RM3.8 million in FYE 2021 to RM2.8 million in FYE 2022. This is mainly due to the absence of inventories written back of RM0.7 million and lower gain on disposal of property, plant and equipment of RM0.5 million.

Operating expenses

Administrative expenses increased to RM22.5 million in FYE 2022 from RM17.2 million in FYE 2021 mainly due to an increase in staff costs, relocation costs from moving into our new corporate headquarters ("HQ") in March 2022, higher maintenance costs incurred at the new HQ and factory as well as accrual for corporate events such as teambuilding and corporate HQ opening ceremony. The increase is also due to expenses related to the transfer of listing from ACE Market to Main Market on Bursa Malaysia which was completed on 23 December 2022.

Marketing and distribution costs rose to RM9.1 million from RM5.8 million mainly due to higher expenses incurred for conducting trainings for the employees, participation in exhibitions, and accrual for performance bonuses and incentives which are in line with the Group's growth in revenue and profitability.

Other operating expenses decrease to 2.1% of our revenue in FYE 2022 compared to 2.7% in FYE 2021 on account of lower inventories written off and absence of loss allowance on trade receivables. This is despite higher depreciation and amortisation, inventories written down and property, plant and equipment written off in FYE 2022.

The Group's finance costs increased to RM1.4 million from RM0.7 million mainly due to recognition of term loan interest in year 2022 onwards.

Management Discussion and Analysis (Cont'd)

Share of results of an associate

Share of losses in Applied Engineering Technology (M) Sdn Bhd ("AETM") increased from RM0.2 million in FYE 2021 to RM0.6 million in FYE 2022. AETM began its operations in Batu Kawan, Penang in FYE 2022 to provide high-tech electromechanical contract manufacturing services, from prototype to high volume production through its New Product Introduction (NPI) process and advance custom solutions that is tailored to meet the specific needs of their clients in the semiconductor equipment manufacturing, medical technology, defence and aerospace market segments.

Taxation

The Group's effective tax rate in FYE 2022 was 19.3%. This effective tax rate is lower compared to 22.8% in FYE 2021 and the statutory income tax rate of 24.0% mainly due to the recognition of prior year tax exempt pioneer status income coupled with the current year's adjustment for non-taxable and tax exempted income. This is notwithstanding adjustments made on certain expenses not deductible for tax purposes such as depreciation, amortisation of intangible assets and allowance for inventories.

Profit

The Group's profit before tax ("PBT") increased by 35.4% from RM25.4 million in FYE 2021 to RM34.4million in FYE 2022 in line with the growth of our revenue and gross profit. Profit after tax further increased by 41.8% to RM27.8 million in FYE 2022 from RM19.6 million in FYE 2021 in line with higher PBT.

Management Discussion and Analysis
(Cont'd)

FINANCIAL POSITIONS REVIEW

As at FYE 2022, the Group's financial position remained strong with total assets expanding 9.0% to RM250.9 million as compared to RM230.1 million in FYE 2021. This was due to an increase in non-current assets by RM12.9 million and current assets by RM7.8 million.

The increase in non-current assets was mainly attributed to higher property, plant and equipment which increased by 27.9% from RM34.0 million as at FYE 2021 to RM43.5 million as at FYE 2022. This is mainly due to the purchase of demonstration equipment and costs incurred for the new headquarters and factory which also included the building cost, renovation, furniture, and fittings.

Meanwhile the growth in current assets is mainly due to an increase in inventories by 31.9% from RM20.7 million as at FYE 2021 to RM27.3 million as at FYE 2022. The increase was mainly due to a higher inventory level as the orderbook improved as compared to FYE 2021. Trade and other receivables also increased by 13.5% from RM61.7 million as at FYE 2021 to RM70.0 million as at FYE 2022 due to the higher sales generated towards the end of FYE 2022.

The Group's total liabilities dropped by 4.5% from RM92.3 million as at FYE 2021 to RM88.3 million as at FYE 2022, largely due to a decrease in loan and borrowings as well as contract liabilities. Contract liabilities decreased by 30.9% from RM15.2 million as at FYE 2021 to RM10.5 million as at FYE 2022 due to a decrease in deposits received from customers as compared to FYE 2021. This is in spite of the increase in trade and other payables by 5.9% from RM45.7 million as at FYE 2021 to RM48.4 million as at FYE 2022. The increase was due to higher accruals for corporate events such as teambuilding and performance bonuses and incentives, which is in line with the Group's growth in revenue and profitability.

Shareholders' equity attributed to the Owners of the Company climbed 17.2% to RM159.0 million in FYE 2022 from RM135.7 million in FYE 2021 on the back of an increase in retained earnings.

The Group's gearing ratio improved from 0.21 times in FYE 2021 to 0.16 times in FYE 2022 as a result of the reduced in total debts as well as growing profitability during the financial year under review.

LIQUIDITY AND CAPITAL RESOURCES

The Group's net cash and cash equivalents stood at RM70.9 million in FYE 2022 as compared with RM79.4 million in FYE 2021. The decreased in cash and cash equivalents in FYE 2022 were mainly due to the net cash used in investing activities and financing activities of RM15.7 million and RM7.6 million respectively.

Higher cash used in investing activities was mainly attributable to the acquisition of property, plant and equipment of RM13.6 million during the year. These capital expenditures were offset against the net cash from operating activities of RM14.7 million in FYE 2022.

Operational and Financial Risks

Operational Risks

During FYE 2022, the Group has successfully customised, implemented, and configured Shepherd Computerised maintenance management system ("CMMS") to the Oracle NetSuite ERP system. With this successful implementation, we are confident to provide an increase of our service organization efficiency in service tasks scheduling, maintenance record keeping, data collection and management, and overall productivity improvement. The overall system will enable us to run a more efficient operation as information can be retrieved on a real time basis for us to make quick and informed decisions. Hence with this investment, we aspire to meet our customers' requirements and expectations in terms of quality of services, speed, and excellence.

The Group is actively and continuously pursuing new product and technology innovations to address the increasingly sophisticated needs of our customers. Especially for the semiconductor industry which is highly complex due to the rapid technology changes, frequent new product introductions and enhancements, changes to customer requirements and emerging industry standards with lengthy qualifications. The Group will continue to strengthen its market position and expand its customer base by penetrating new market segments to minimise the over reliance on a single market segment.

Operational and Financial Risks (Cont'd)

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.

DIVIDEND

On 23 February 2023, the Board of Directors declared an interim single tier dividend of 0.50 sen per ordinary share in respect of the financial year ending 31 December 2023 amounting to RM4,170,694. The entitlement to dividend to be determined based on the record of depositors as at 10 March 2023 and was paid on 31 March 2023.

SUSTAINABILITY STATEMENT

QES is a strong believer in the importance of economic, environmental, and social responsibility, as well as good corporate governance, in succeeding to be a sustainable company. The Group stays committed to achieving operational profitability while focusing on the environment, social, and governance ("ESG") criteria as critical components in enabling the Group to succeed now and in the future.

Our Sustainability Statement ("SS") was produced in accordance with the Main Market Listing Requirements ("MMLR") and Sustainability Reporting Guide 2nd Edition and Toolkits by Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The Group also considered Bursa Securities' Sustainability Reporting Guide - 3rd Edition and Toolkits when writing this Statement.

The Group has also revamped and launched our new corporate vision, mission statement and core values during FYE 2022 to reflect our commitment to ensuring that our business operations are conducted in a sustainable and responsible way, and considering the ESG implications to which the Group is exposed. This sustainability statement outlines our initiatives in areas where our expertise and resources can have a positive effect throughout FYE 2022.

OUR VISION

We aim to be the leading integrated solutions provider serving customers with world class products in analytical, inspection, test, measuring, automation, and related services.

OUR MISSION

QES is determined to excel in every area of our technology-driven products and services and be sustainable. We achieve that by making sure we are customer-centric, continuously developing and empowering our people, building lasting relationships with our business associates, moving towards complete digitalization, and aligning with our shareholders' vision and ESG commitment.

OUR VALUES, OUR P.R.I.D.E

P	R	I	D	E
PASSION	**RESPECT**	**INTEGRITY**	**DISCIPLINE**	**EMPATHY**
Love our jobs and do it with maximum effort	Atmosphere of respecting each other regardless of seniority and position	Doing the right thing even if nobody is watching	Foster consistent and orderly behaviour in every day work	Be considerate and always but ourselves in the other person's shoes

Sustainability Governance

We firmly believe that a robust governance structure is vital to implement our sustainability strategy across the Group and to strengthen relationships with stakeholders and enhance overall accountability in our business operations.

The Group's Sustainability Steering Committee ("SSC") was established and chaired by the Group Managing Director since 2019 to continuously drive sustainability measures and initiatives. He is supported by a team of key management personnel in implementing strategies towards achieving sustainable performance for the Group. Thereupon, the key material matters are reviewed by our Board of Directors ("Board") and the SSC will ensure that the material matters are aligned with our sustainability ambition. Below is a snapshot of the Group's sustainability terms of reference and their respective duties as presented below: -

Board of Directors & Chairman of SSC	• The Board of Directors has oversight on sustainability. • Strategies related to sustainability are also determined at the Board level. • This includes matters such as integrity, anti-corruption, code of conduct, occupational health and safety as well as talent management and risk.
Sustainability Steering Committee Executive Director VP of Distribution Division VP of Manufacturing Division Senior GM of HR & SCM GM of Finance	• Aligns the Group's sustainability strategy to long-term business growth and goals. • Executes sustainability matters in line with strategies approved by the Board. • Evaluates and reviews sustainability strategies, policies and other matters
Sustainability Working Committee	• Comprises the various department heads within the Group. • Tasked with ensuring that strategies and plans affirmed by the SSC are implemented. • Monitors progress of sustainability initiatives, activities and targets, and reports to the Chairman of the SSC.

Sustainability Statement
(Cont'd)

OUR SUSTAINABILITY APPROACH

The Group is also committed to advancing the United Nations ("UN") Sustainable Development Goals ("SDGs") to build a sustainable future. We identify relevant and material sustainability matters through the SDGs and strive to fulfil six (6) ESG core themes to drive SDGs through our business. The information disclosed within this SS covers our primary operations in Malaysia. This SS excludes the performance information of QES's foreign subsidiaries and our associates.

This SS demonstrates that we have considered and reviewed the material matters relating to the three (3) pillars – environmental, social and governance. We identify our material sustainability matters through a materiality assessment that focuses on ESG and consider our stakeholders' interests through regular engagement. Please refer to our "Stakeholder Engagement" and "Materiality Assessment" on the Group's ESG approach.

Stakeholder Engagement

At QES, we believe that consistent communication and understanding with all internal and external stakeholders is critical in our journey to become a reputable, long-term company with good corporate governance. The Group maintains ongoing dialogues with pertinent stakeholders and shares information in a timely, effective, and transparent way. The invaluable input from our stakeholders guides our company as we strive to become a responsible corporate citizen. To accomplish meaningful engagements that meet the requirements of our stakeholders, we empower and make it our mission for the respective business units to assess the best approach to engage with our stakeholders. We communicate with our stakeholders through a variety of platforms and at varying frequencies, ranging from daily communications to weekly updates to quarterly follow-ups and annual meetings.

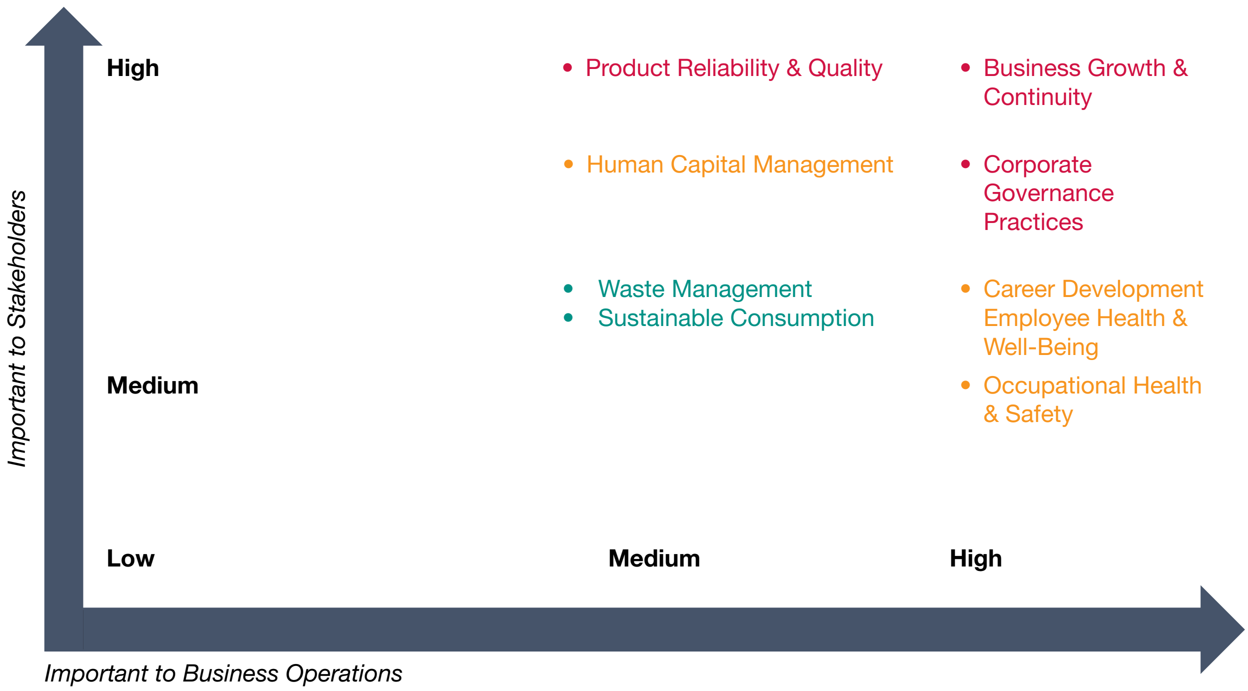
Key Stakeholders	Areas of Interests	Platforms Used
Directors	• Financial Performance • Corporate Governance Practices • Business Strategy	• Quarterly Board Meetings • On-Going Interactions
Management	• Financial Performance • Corporate Governance Practices • Business Strategy • Human Capital Management	• Monthly Management Meetings • Quarterly Key Management Meetings • Half Yearly Key Management Meetings • On-Going Interactions
Employees	• Employee Health & Well-Being • Occupational Health & Safety • Compensation & Benefits • Career Development	• Employee Corporate Handbook • Memorandum • Intranet • Performance Appraisal • Learning & Development Programmes • Virtual Townhall Meetings

Sustainability Statement (Cont'd)

Key Stakeholders	Areas of Interests	Platforms Used
Shareholders/ Investors	• Financial Performance • Corporate Governance Practices • Business Strategy • Transparency in financial reporting • Risk management	• Annual General Meetings • Quarterly Financial Reports • Investors Briefings • Annual Reports • Analyst Briefings • Corporate Website
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/Conference/Webinars • Customer Training & Support • Customer Complaint Form • Customer Satisfaction Survey • Corporate Website • Social Media (LinkedIn) • Annual Operations Audit
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)

Material Matters

As part of its efforts to improve its sustainability framework, the Group re-prioritized the materiality assessment to identify material sustainability issues and ranked them based on their significance to its business and stakeholders.



Sustainability Statement
(Cont'd)

ENVIRONMENTAL

- **Waste Management**

The Group is committed to protecting the environment in line with the United Nations' 2030 Agenda. The Group aims to substantially reduce waste generation through prevention, reduction, recycling, and reuse, in alignment with SDG 12.5 on responsible consumption and production.

The Group conducts its business sustainably with minimal adverse impact on the environment and in compliance with all applicable environmental laws and regulations. The Group also adopts the best industry practices through the management of its subcontractors.

All scheduled waste is properly disposed of by registered contractors to the approved treatment premises and disposal facilities. In the daily operations of the Group, there is a commitment and awareness to recycling, energy-saving practices, and measures to reduce wastage, pollution, and harmful emissions. The Group encourages its employees to recycle old documents, distribute all memos digitally, disseminate all company information using internal electronic networks, reuse delivery boxes, shipping and packing materials when necessary, and switch off all the electricity when not in use.

In 2022, the Group managed to recycle 2105 kg of recycled papers and stationaries, 100 kg of scrap metal and 155 kg of plastics.

During the reporting period, the Group did not incur any incidents of non-compliance or penalties related to environmental issues. To maintain the highest standard of environmental compliance and prevent future incidents, the Management will continue to review and improve current environmental management systems and practices, ensuring that all activities and operations comply with existing regulatory requirements.

- **Sustainable Consumption**

Lowering one's carbon footprint is an unavoidable development tendency in the twenty-first century. At QES, we are constantly monitoring and optimising energy usage to ensure that our facilities and production processes use energy as efficiently as possible in order to reduce the impact of global warming. We have implemented several energy efficiency measures to accomplish our goals of reducing the environmental impact of energy use and improving energy efficiency:

- ***Installation of only inverter air conditioners for new Corporate HQ.***
  Inverter air conditioners are important in energy management because they adjust their compressor speed based on the desired temperature, leading to lower energy consumption and reduced electricity bills. They also reduce peak demand on the electrical grid, come with energy-saving features, and help to minimize environmental impact. Using inverter air conditioners is a practical way to manage energy consumption and promote sustainability while saving money.

- ***Installation of only LED lighting for new Corporate HQ***
  LED lighting uses significantly less energy than traditional lighting, such as incandescent and fluorescent bulbs, while still providing the same level of brightness. LED lighting is also highly efficient, converting a higher percentage of its energy into light compared to traditional lighting. This means that less energy is wasted as heat, resulting in lower electricity bills and reduced energy consumption.

Sustainability Statement (Cont'd)

- **Sustainable Consumption (Cont'd)**

  - ***Staff awareness in energy management***
    In FYE 2021, the Group made it a goal to reduce our paper consumption by 50% out of the 1,626 reems of papers, once we embarked on our full digitalisation processes. For FYE 2022, we are pleased to announce that the Group only used 598 reems of paper hence reducing our paper consumption by 63.3%. We also ensure that our staff remained discipline in switching off all electricity points when unused.

- **Solar Panels**

  The installation of new solar panel roofs at our new Corporate HQ has been delayed to 2023 due to unforeseen circumstances but however, the Group is confident once the solar panels have been installed, we will be looking to offset 237 tonnes of carbon dioxide, which is also saving the equivalent of:-

CO2 absorbed for one year by

10,782 trees

Cars Mileage taken off the road for one year

912,209 km

Light bulbs powered for one year

2,926 lightbulbs

- **Rainwater harvesting**

  We understand that our operation has a huge impact on the environment, and we strive to minimize this impact through responsible resources management and protection of our environment. The Group has since adopted rainwater harvesting once we moved into our new Corporate HQ in March 2022.

  By adopting the rainwater harvesting system, we have in turn reduced our strain on local water resources and the environment which help us to become more self-sufficient and reduced our reliance on municipal water suppliers. The Group has demonstrated a commitment towards the Group's ESG strategy through our commitment to sustainable water management, reducing our environmental impact, contributing to the well-being of the communities in which we operate.

Sustainability Statement
(Cont'd)

SOCIAL

- **Human Capital Management**

To attract and keep the finest talent, QES offers competitive compensation and benefits. In terms of wages and benefits, QES abides by all relevant local and national laws and regulations, as well as the national minimum wage in Malaysia or the country of employment, as applicable.

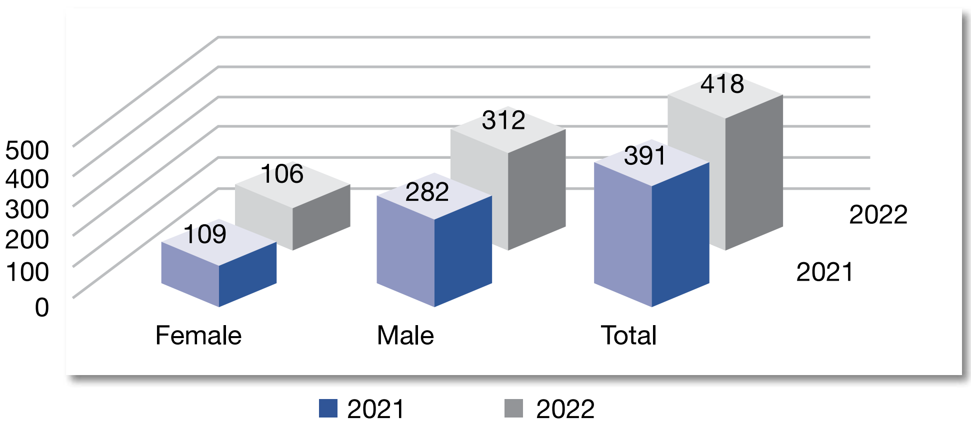
We practice equal pay for equal labor, which means paying men and women fairly for work that requires equal skills and responsibilities and is done under comparable conditions. Our compensation equity which includes both fixed and variable compensation, has become a competitive advantage in terms of retaining employees and attracting prospective talent.

To attract and retain talent, QES believes that a successful business should offer multiple variable compensation packages.

FIXED COMPENSATION	VARIABLE COMPENSATION
• Annual Leave • Medical Leave • Hospitalisation Leave • Compassionate Leave • Maternity Leave • Paternity Leave • Emergency Leave • Special Leave • Vaccination Leave • Hospitalisation and surgical insurance • Personal accident insurance • Employees' Share Option Scheme ("ESOS") • Replacement Public Holiday • Medical Check-up subsidy • Dental Subsidy • Flexible Working Hours • Mobile Phone & Monthly Data subsidy	• Relocation allowance • Corporate bonus • Performance bonus • Car allowance

In FYE 2022, QES headcount increased to 418 pax, from 391 pax in FYE 2021 The details of the employee profile are presented as follows:

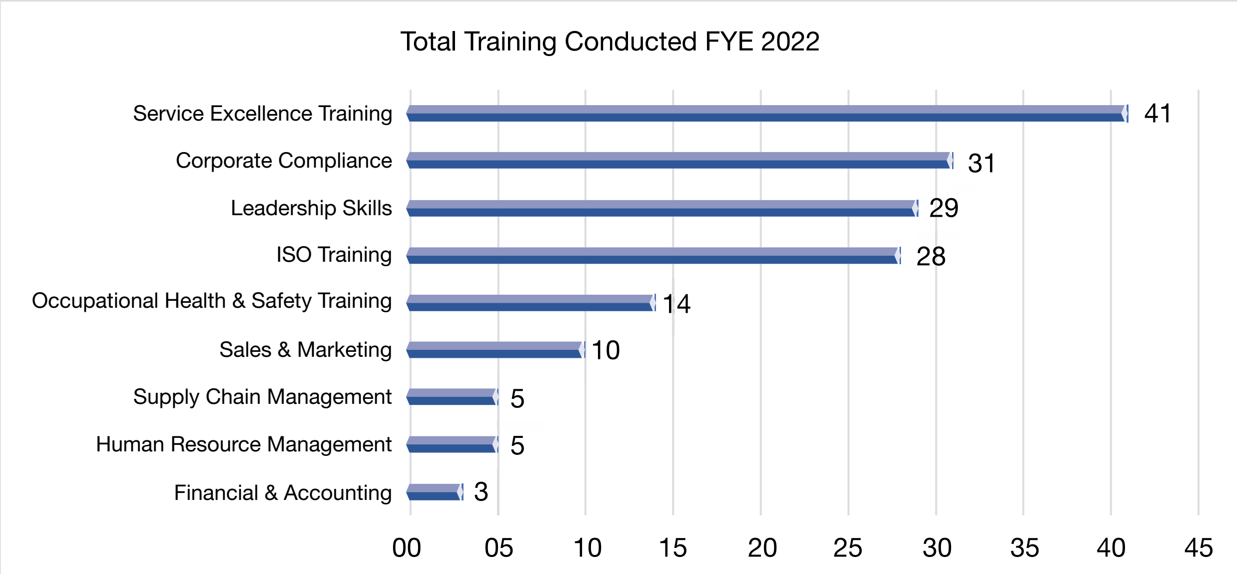
No of Total Employees 2021 vs 2022

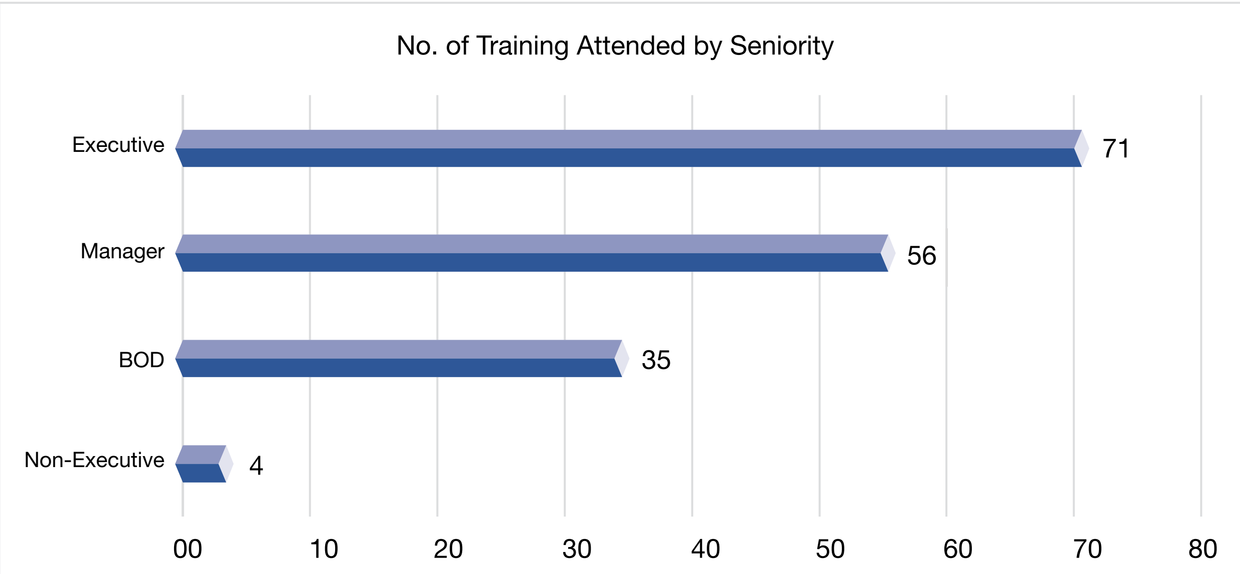


Sustainability Statement
(Cont'd)

- **Employee Career Development, Health & Well-Being**

  Training and career development are integral to the social aspect of Environmental, Social, and Governance (ESG) considerations for the Group. Socially, providing training and career development opportunities to employees can lead to increased job satisfaction, motivation, and retention. This can help to create a positive workplace culture and promote employees well-beings. In FYE 2022, the Group conducted a total of 166 trainings to all our employees.





Sustainability Statement
(Cont'd)

- **Employee Career Development, Health & Well-Being (Cont'd)**

Apart from that, the Group looks after its employees by organising various welfare activities and preparing in-house facilities such as:

- Overseas or domestic company trips
- Celebration lunch or dinner
- Indoor and outdoor recreational activities
- Long service awards
- Team building activities
- Sickbay for sick employees
- Prayer rooms
- Nursing rooms
- Zen Garden
- Birthday Celebrations

- **Occupational Health & Safety**

As part 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 on a monthly and quarterly basis. In conducting these inspections, we aim to eliminate incidents and injuries arising from emergencies, accidents, 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 Occupational Health, Safety & Environment Policy which comprises of: -

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

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 procedures to minimize safety incidents in the event of emergencies.

Our Emergency Response Team ("ERT") is always ready to respond to emergencies. In FYE 2022, QES's ERT had approximately 41 people. An updated list was required after we moved into our new 5-storey Corporate HQ. They are trained to respond to emergencies such as first aid, firefighting and building evacuation. The Group had no reported work-related ill-health incidents from FYE 2021 to FYE 2022.

Sustainability Statement
(Cont'd)

GOVERNANCE

- **Product Reliability, Quality Assurance & World Class Service**

  From a governance perspective, ensuring product reliability and quality can help to establish trust and credibility with customers, investors, and other stakeholders. It can also help to minimize risks related to product liability and recalls, which can have significant financial and reputational consequences for a company.

  A robust product reliability and quality assurance program can help to mitigate these risks by ensuring that our products meet or exceed established quality standards and comply with relevant regulations. The Group had placed a significant importance to obtain International Organization for Standardization ("ISO") accreditation for all our relevant Business Units and ASEAN subsidiaries for FYE 2022. The ISO 17025 Accreditation verifies that the laboratory has an acceptable quality management system in place, and it has the ability and competence to provide testing and calibration results. As the Group maintains a consistent recurring annual income of approximately 20% to 25% of the Group's total revenue through the maintenance and service of our large equipment installed base, the ISO accreditation will allow us to leverage and provide confidence to our customers that we have the right skills, precision, accuracy, and repeatability of quality service. We are pleased to announce that our subsidiaries, QES (Vietnam) Co., Ltd, QES (Asia-Pacific) Sdn Bhd and QS Instruments Sdn Bhd were all successful in obtaining their ISO/IEC 17025 Accreditation in FYE 2022. In most countries, ISO/IEC 17025 is the standard for which most labs must hold accreditation in order to be deemed technically competent.

  Other than that, other subsidiaries under the Group have also been accredited with ISO 9001:2008 and ISO 9001:2015 in regards to our supply and services of distribution and manufactured equipment.

- **Business Growth & Continuity**

  In FYE 2022, the Group also partners with Einnosys SECS/GEM system, which can assist equipment makers and semiconductor companies in bringing their products to market quicker by simplifying the integration of new equipment into existing production lines.

  SECS/GEM (SEMI Equipment Communications Standard/Generic Equipment Model) is an essential component of Industry 4.0, by incorporating advanced digital technologies into the manufacturing processes. The ability to gather, analyze, and share data in real time is essential for optimizing manufacturing processes and increasing efficiency in Industry 4.0. SECS/GEM is a communication protocol that allows equipment and host systems to share information in real time, making it an essential Industry 4.0 enabler.

  SECS/GEM also allows the equipment to transmit real-time data, such as production data, equipment status, and alarm notifications, to the host system. This real-time data exchange enables quicker decision-making and reaction times, which are critical for optimizing manufacturing processes and increasing efficiency. SECS/GEM also offers a framework for monitoring and tracing product and process data, which is critical for quality control and regulatory compliance.

CORPORATE GOVERNANCE

The Group recognizes that corporate governance is fundamental to its long-term business and is unreservedly committed to applying the practices necessary to ensure corporate transparency, accountability, performance, and integrity which are vital for stakeholder's trust and confidence. The Group will continue to observe high standards of corporate governance which is stated in the Corporate Governances Overview Statement in this Annual Report. The Group has also formalized and incorporated the following:

- Code of Ethics and Conduct
- Anti-Corruption and Bribery Policy
- Whistleblowing Policy
- Corporate Governance Report
- Board Charter
- Directors' Fit & Proper Policy

For further information, documents on our policies are published on our corporate website at https://www.qesnet.com/investor-relations/corporate-governance.

GROUP HIGHLIGHTS OF 2022

AETM Opening Ceremony 2022

E-Waste Recycling 2022

Export Excellence Awards 2022

Group Highlights of 2022 (Cont'd)

HEALTH TALK 2022

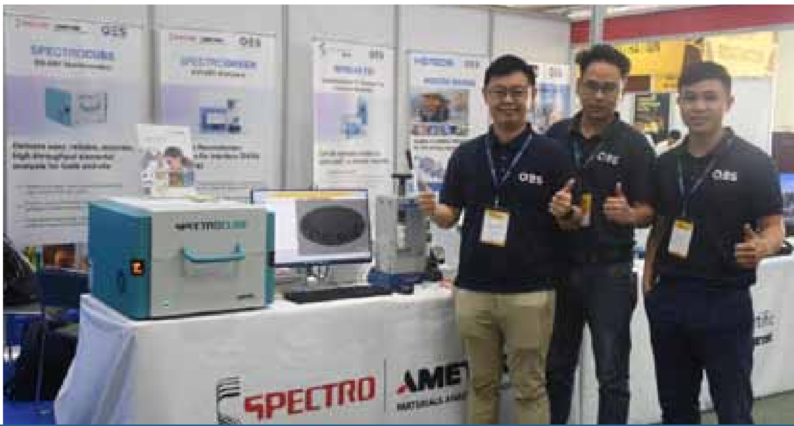
INTERNATIONAL METAL TECHNOLOGY 2022

LET'S PLAY CARNIVAL 2022

METALEX 2022

METALTECH 2022

Group Highlights of 2022 (Cont'd)



MINING VIETNAM 2022

PALMEX 2022

CERTIFICATE
OF APPRECIATION

This certificate is presented to

QES (Asia-Pasific) Sdn Bhd

For the outstanding contribution and support in
Project Innovation & eXploration in CS Education and Learning (PIXEL) 2022
As
SILVER SPONSOR

Deputy Vice Chancellor,
Student Development Affairs & Alumni,
Universiti Sains Malaysia

Dean,
School of Computer Sciences,
Universiti Sains Malaysia

Project Director,
Project Innovation & eXploration in CS Education and Learning 2022

PIXEL SPONSORSHIP

PSECE 2022

Group Highlights of 2022 (Cont'd)


RECYCLING 2022


SEAISI 2022

SEMICON SEA 2022

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 2022, 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 all our shareholders and stakeholders. Our CG Overview Statement are premised on Securities Commission Malaysia's Malaysian Code on Corporate Governance ("MCCG")'s three principles, namely Board 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 Main Market Listing Requirement ("MMLR"), and it is to be read together with the CG Report 2022 which is available on the Group's corporate website at https://www.qesnet.com/investor-relations/corporate-governance/.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

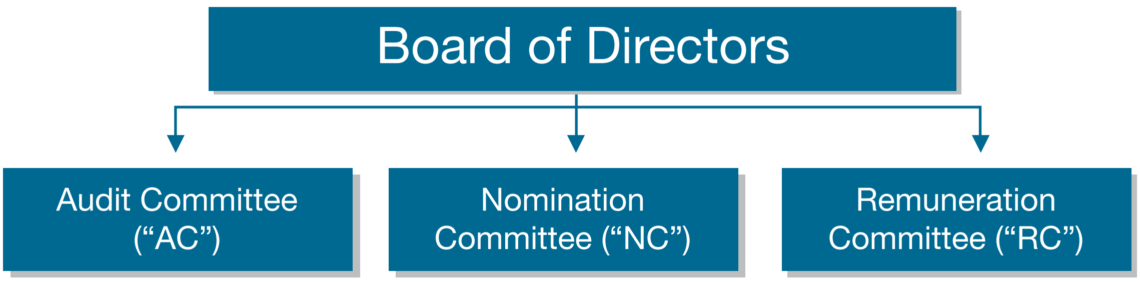
PART 1: BOARD RESPONSIBILITIES

(i) Discharging Board Responsibilities

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.

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 Chairperson of each of the Board Committees, as well as the tabling of minutes of all Board Committees 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.

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 Board Charter and TORs are reviewed periodically to ensure effective and efficient decision making in the Group.

Corporate Governance Overview Statement (Cont'd)

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 Chairperson 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 Committees 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 and the Board was satisfied with the overall results of the evaluation.

(ii) Summary Of Key Board Reserved Matters

- Approval of financial results and budgets
- Business continuity & Corporate Plan
- Acquisitions, disposals and transactions exceeding the authority limit of the Executive Directors
- Disposal or acquisition of significant fixed assets or companies within the Company.

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

(iii) Board Leadership

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.

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.

Guidance 1.4 of MCCG 2021 states that having the same person assume the positions of Chairman of the Board, and Chairman of the AC, NC or RC gives rise to the risk of self-review and may impair the objectivity of the Chairman and the Board when deliberating on the observations and recommendations put forth by the Board committees. Thus, the Chairman of the Board should not be involved in these Committees to ensure there is check and balance as well as objective review by the Board.

The Chairman of the Board is not a member of the AC or NC and RC.

Corporate Governance Overview Statement
(Cont'd)

(iv) 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 plays 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 supports the Board by ensuring that all Board meetings are properly conducted and adhered to the Board policies and procedures, rules, relevant laws and best practices on CG and deliberations at the Board and Board Committees 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.

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

The Board received copies of meeting minutes of the Board and Board Committees meetings in 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.

(v) Promoting Good Business Conduct

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 was last reviewed and updated on 14 April 2022.The Code of Conduct and Ethics is periodically reviewed and is available on the Group's corporate website at https://www.qesnet.com/investor-relations/corporate-governance/..

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 https://www.qesnet.com/investor-relations/corporate-governance/.

Anti-Corruption & Bribery Policy

The Board has in place an Anti-Corruption & Bribery Policy to prevent corrupt practices and to provide a measure of assurance, adequate procedures and defence against corporate liability for corruption under Section 17A of the Malaysian Anti-Corruption Commission Act 2009.

The Anti-Corruption & Bribery Policy is available on the Group's corporate website at https://www.qesnet.com/investor-relations/corporate-governance/.

Directors' Fit And Proper Policy

The Board has in place a Directors' Fit and Proper Policy, which was adopted on 30 June 2022, which sets out the fitness and propriety for the appointment and re-election of Directors and to ensure that each of the Director has the character, integrity, experience, competence and time commitment to effectively discharge his/her role as a Director of the Group in tandem with good CG practices.

The Directors' Fit and Proper Policy is available on the Group's corporate website at https://www.qesnet.com/investor-relations/corporate-governance/.

(vi) Governance Of Sustainability

The Board and Key Management are mindful of the importance of building a sustainable business and are determined to embed sustainability into the Group's business operations to achieve the objectives of the Group by minimising the environmental impact arising from the operations as well as improving social and economic conditions for all stakeholders. For effective monitoring and execution, the Board has established Sustainability Steering Committee ("SSC"), comprising the Managing Director, Executive Director, Key Management and the sustainability working committee.

The Board is responsible for the overall sustainability strategy and oversees the Group's sustainability framework whilst the Managing Director/Executive Directors are responsible for incorporating sustainability into the business strategies and business decisions and ensuring the implementation of the sustainability strategy by SSC.

As addressing material sustainability risks and opportunities is the responsibility of the Board and Key Management, the performance evaluation of the Board and Key Management includes the consideration of Environmental, Social and Governance ("ESG") issues or sustainability.

The NC and Board would assess the trainings attended by all Directors to ensure that the Directors are continuously kept abreast of sustainability issues and climate-related risks and opportunities.

The details of the Group's sustainability practices are set out in the Sustainability Statement in this Annual Report.

(vii) Demarcation Of Responsibilities

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 of their duties and responsibilities.

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

The Board Charter was last reviewed and updated on 14 April 2022.

Corporate Governance Overview Statement
(Cont'd)

PART 2: BOARD COMPOSITION

(i) Composition of the Board

As at 31 December 2022, the Board has 6 members comprising 2 Executive Directors and 4 Independent Non-Executive Directors ("INED"). The composition not only fulfils the requirements as set out under the MMLR 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 Practice 5.2 of the MCCG 2021 which requires at least half of the Board to be Independent Directors.

The summary of the Board Composition as at 31 December 2022 are set out below:-

Board Diversity		In numbers	Percentage
Composition	Executive Director	2	33%
	Independent Non-Executive Director	4	67%
Tenure	Up to 1 year	1	16%
	More than 1 year and up to 3 years	–	–
	More than 3 years and up to 6 years	1	17%
	More than 6 years and up to 9 years	4	67%
Age	51-55	1	17%
	56-60	3	50%
	61-and above	2	33%
Gender	Male	4	67%
	Female	2	33%
Ethnicity	Malay/Bumiputera	2	33%
	Chinese	4	67%

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

For this purpose, a Board 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 9 of this Annual Report 2022.

(ii) Gender Diversity Policy

Despite not having a Gender Diversity Policy, the Board acknowledges the importance of boardroom diversity, including gender diversity recommendations under the MCCG and will continue to prioritise women candidates in future recruitment exercise.

Currently, the Board has 2 female Directors out of 6 Directors, equivalent to 33% women representation on 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 that the individual offers.

(iii) Tenure Of Independent Director

Currently, none of our INED has served the Group for a cumulative term of 9 years.

The tenure of Independent Directors is limited to a cumulative term, of not exceeding 12 years. In the event that the Board intends to retain the Director as an Independent Director after he/she has served for a consecutive/ cumulative term of 9 years, the Board must provide justification and seek shareholders' approval through a two-tier voting process or the respective Independent Director may continue to serve on the Board as a Non-Independent Director.

The INED including the Chairman are responsible for bringing independent judgment and scrutiny to decisions taken by the Board and providing objective challenges to Management. The INED does not participate in the day-to-day management of the Group and does not engage in any business dealing or other relationship with the Group. In this manner, the INED 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.

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 INED 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 independence of each Non-Executive Director is reviewed annually. Directors with declared interests abstain from both discussion and decisions relating to those interests.

On 23 February 2023, the Board through the NC had conducted an assessment and review of the independence of the INED which were prepared in accordance with the definition of Independent Director under Paragraph 1.01 of the MMLR. Based on the recommendation of the NC, the Board is comfortable that each of the Non-Executive Directors met the requisite fit and proper requirements which includes the criteria for independence. 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. Currently the composition of 6 Board members as at 31 December 2022 was considered appropriate and adequate to effectively govern the organisation.

Corporate Governance Overview Statement (Cont'd)

(iv) 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 INED.

The TOR of the NC was updated and approved on 14 April 2022 and is available at the Group's corporate website at https://www.qesnet.com/investor-relations/corporate-governance/.

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; and

(ii) The candidate's skills, knowledge, expertise and experience, professionalism, integrity and, in the case of a candidate for the position of INED, the independence criteria as set out in Paragraph 1.01 of the MMLR; and

(iii) The appropriate number of Independent Directors to fulfil the requirements under MMLR 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.

For the FYE 2022, there was 1 new member appointed to the Board, namely Ms. Wong Pek Yee. Prior to the appointment, the NC has assessed and reviewed her profile and considered the following criteria:

(i) character, skill, knowledge, competencies, expertise and experience;
(ii) professionalism, integrity and industry standing; and
(iii) time commitment and ability to discharge her responsibility/function as Board member of the Company.

The NC then made their recommendations to the Board for its approval and subsequently, Ms. Wong Pek Yee was appointed as a Director of the Company.

Corporate Governance Overview Statement
(Cont'd)

(b) Board Evaluation

The evaluation of the effectiveness of the Board, Board Committees as well as individual Directors including INED 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 identifies and selects new members to the Board.

The questionnaires which comprised of the Board and Board Committees Effectiveness Assessments, Directors and Board Committees members' Self and Peer Assessments, were issued to the Board/ Committees members. In February 2023, the analysis of the annual assessments results and feedback from the Board/Committees members were presented by the Company Secretary for the NC/Board's consideration in developing action plans for enhancing its overall effectiveness.

(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 ("AGM").

Any Director appointed during the year is required under the Company's Constitution to retire and seek re-election by shareholders at the following AGM immediately after his/her appointment.

(d) NC's Activities During The FYE 2022

Below is a summary of the activities undertaken by the NC for the FYE 2022: -

(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 the fit and proper criteria of regarding the Directors who are seeking for re-election at the upcoming AGM, and made recommendations to the Board for its approval; and
(f) Assessed Directors' training to ensure all Directors receive appropriate continuous training programmes.

Corporate Governance Overview Statement (Cont'd)

(v) 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 2022, a total of 7 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 Committees Meetings held during the FYE 2022, as reflected below: -

Name of Director	Attendance At Meetings of (Attended/Held)			
	Board	AC	NC	RC
Adnan Bin Zainol	7/7	–	–	–
Chew Ne Weng	7/7	–	–	1/1^^
Liew Soo Keang	7/7	–	–	–
Chia Gek Liang*	1/1^	1/1^	1/1^	1/1^
Hoh Chee Mun	7/7	6/6	2/2	2/2
Maznida Binti Mokhtar	7/7	6/6	2/2	2/2
Wong Pek Yee **	6/6^	5/5^	1/1^	1/1^

* Mr. Chia Gek Liang resigned as the Chairperson of NC & RC and member of AC with effect from 16 June 2022.
** Ms. Wong Pek Yee was appointed as the Chairperson of AC and member of NC & RC with effect from 16 June 2022.
^ indicates meetings attended out of the total scheduled meetings during the tenure of office
^^ Mr. Chew Ne Weng resigned as the member of RC with effect from 23 August 2022.

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

(vi) Directors Training

The training programmes attended by the Directors during the FYE 2022 are as follows:

Name	Course Title	Date	Training Provider
Adnan Bin Zainol	Corporate Governance & Remuneration Practices for the ESG World	06 September 2022	Asia School of Business
Chew Ne Weng	Developing & Managing Key Performance Indicators	31 October - 01 November 2022	SandMerit KPI
Chew Ne Weng	Conducting a Better Annual General Meeting	29 November 2022	Minority Shareholders Watch Group
Liew Soo Keang	Amendments to the Employment Act	07 January 2022	Malaysia Semiconductor Industry Association (MSIA)
Liew Soo Keang	Hiring Challenges of Skilled Workers and Talents in the Electronics Industry and the Way Forward	14 February 2022	Pejabat Setiausaha Kerajaan Pulau Pinang (PSUKPP)

Corporate Governance Overview Statement (Cont'd)

Name	Course Title	Date	Training Provider
Liew Soo Keang	How Hyperautomation Gives Business a Head Start	07 April 2022	Adobe
Liew Soo Keang	Powertalk ESG Series #1-Plan Your ESG Journey: Lessons for the Boardroom	27 June 2022	Institute of Corporate Director Malaysia (ICDM)
Liew Soo Keang	BFM CEO Forum 2022- Doing Business in an ESG World	10 August 2022	BFM
Liew Soo Keang	Basic Occupational First Aid, CPR & AED Training Course	26 August 2022	Life Saving Professional Academy Sdn Bhd
Liew Soo Keang	Corporate Governance & Remuneration Practices for the ESG World	06 September 2022	Asia School of Business
Liew Soo Keang	Developing & Managing Key Performance Indicators	31 October - 01 November 2022	SandMerit KPI
Hoh Chee Mun	Audit Oversight Board Conversation with Audit Committees & How the Audit Committees and Auditors Can Work Together towards Reliable Audited Financial Statements	06 December 2022	Securities Commission Malaysia
Maznida Binti Mokhtar	MIA Digital Month 2022 - Week 3: Entering the 5G Era & the Future Relevance of CFOs - ESG & Sustainability Reporting	17 March 2022	Malaysian Institute of Accountants (MIA)
Maznida Binti Mokhtar	MIA Digital Month 2022 - Week 4: Developing a Technology Adoption Strategy is Crucial for SMPs and SMEs	23 March 2022	Malaysian Institute of Accountants (MIA)
Maznida Binti Mokhtar	Audit Committee Conference 2022	23 - 24 May 2022	Malaysian Institute of Accountants (MIA)
Maznida Binti Mokhtar	MIA Conference 2022	08 - 09 June 2022	Malaysian Institute of Accountants (MIA)
Maznida Binti Mokhtar	Conducting a Better Annual General Meeting	29 November 2022	Minority Shareholders Watch Group
Wong Pek Yee	MyFintech Week- Digital Transformation	27 January 2022	Bank Negara Malaysia- Financial Institution Director's Education programme (FIDE)
Wong Pek Yee	Overview on Corruption Risk Management (CRM) & Organisation Anti-Corruption Plan (OACP)	09 March 2022	RHB Banking Group
Wong Pek Yee	Exploring Nature Related Financial Risks in Malaysia	15 March 2022	Bank Negara Malaysia/ World Bank
Wong Pek Yee	Cyber Security- What Directors Need to Know	08 June 2022	Minority Shareholders Watch Group
Wong Pek Yee	Navigating through the Evolution of Corporate Governance with the Introduction of Tax Corporate Governance Framework	13 July 2022	KPMG Malaysia

Corporate Governance Overview Statement
(Cont'd)

Name	Course Title	Date	Training Provider
Wong Pek Yee	Risk Management in Technology	20 July 2022	Asia School of Business/ IDIF
Wong Pek Yee	Motor Claims Reform	11 August 2022	Bank Negara Malaysia-Financial Institution Director's Education programme (FIDE)
Wong Pek Yee	Mandatory Accreditation Programme	23 - 25 August 2022	Institute of Corporate Directors Malaysia (ICDM)
Wong Pek Yee	Audit Oversight Board Conversation with Audit Committees & How the Audit Committees and Auditors Can Work Together towards Reliable Audited Financial Statements	06 December 2022	Securities Commission Malaysia
Wong Pek Yee	AXA Investment Managers- Impact Investing Across Listed Markets	09 December 2022	Institute of Chartered Accountants in England and Wales (ICAEW)

PART 3: REMUNERATION

(i) 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 the right talent in the Board. The remuneration packages are regularly evaluated against the Group's performance and market related surveys.

(ii) 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 the 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 take 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 3 members of the Board, all of whom are INED.

During the FYE 2022, the RC together with the assistance of the Senior General Manager of Human Resources and Admin reviewed and recommended the remuneration of Directors for FYE 2023.

The TOR of the RC was updated and approved on 14 April 2022 and is available at the Group's corporate website at https://www.qesnet.com/investor-relations/corporate-governance/.

Corporate Governance Overview Statement
(Cont'd)

(iii) Details Of Directors Remuneration

The details of the total remuneration of the Directors, in aggregate with categorisation into appropriate components for FYE 2022 are set out as follows:

Directors	# Fees (RM'000)	Salaries & * Other emoluments (RM'000)	Benefits-in-kind (RM'000)	Total (RM'000)
The Company				
Executive Directors				
Chew Ne Weng	–	–	–	–
Liew Soo Keang	–	–	–	–
Non-Executive Directors				
Adnan Bin Zainol	66	–	–	66
Chia Gek Liang	28	–	–	28
Hoh Chee Mun	66	–	–	66
Maznida Binti Mokhtar	60	–	–	60
Wong Pek Yee	39	–	–	39
The Group				
Executive Directors				
Chew Ne Weng	144	949	66	1,159
Liew Soo Keang	118	819	53	990
Non-Executive Directors				
Adnan Bin Zainol	66	–	–	66
Chia Gek Liang	28	–	–	28
Hoh Chee Mun	66	–	–	66
Maznida Binti Mokhtar	60	–	–	60
Wong Pek Yee	39	–	–	39

The Director's fees and benefits are subject to the approval by the shareholders of the Group at the forthcoming Annual General Meeting.

* *Other emoluments include bonuses and the Group's contributions to the Employees Provident Fund, Social Security and Employment Insurance System contributions.*

Corporate Governance Overview Statement
(Cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

PART 1: AUDIT COMMITTEE ("AC")

The AC comprises of 3 INED. The AC is chaired by an INED, Ms. Wong Pek Yee. The TOR of the AC was updated and approved on 14 April 2022 and 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.

None of the AC members was a former partner of the external audit firm of the Company which is in line with the MCCG that stipulates that no former partner of the external audit firm of the Company could be appointed as a member of the AC before observing a cooling-off period of at least 3 years.

(i) External Auditors

Moore Stephens Associates PLT was appointed as the Group's External Auditors for the FYE 2022 to provide relevant and transparent reports to the shareholders. The AC met twice during the FYE 2022 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 2023, 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 2023.

(ii) Internal Auditor

Smart Focus Group 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. The AC met once during the FYE 2022 with the Internal Auditor without the presence of the Executive Directors and Management to deliberate any key area or issues that requires the attention of the AC. An annual assessment on the performance of the Internal Auditor was also conducted by the AC in February 2023. Based on the annual evaluation conducted, the AC was satisfied with the performance of the Internal Auditor for the FYE 2022.

PART 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 2022. 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 2022 provides an overview on the state of risk management and internal controls within the Group.

Corporate Governance Overview Statement (Cont'd)

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

PART 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 in a timely manner.

The Board views the AGM 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 to both the shareholders and the public.

(i) Corporate Website

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

PART 2: CONDUCT OF GENERAL MEETING

Shareholders will receive notices of AGMs, which are sent out at least 28 calendar days before the date of the AGM. In addition, the Notice of AGM or Extraordinary General Meeting will be advertised in the newspaper. The Board encourages shareholders to attend the forthcoming 9th Annual General Meeting and undertakes to answer all questions raised by the shareholders.

The proceedings of the AGM include a question and answer session in which the Chairperson of the AGM 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 Chairperson of the AGM 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 AGM 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 AGM and willing to serve if re-elected are disclosed in the Annual Report 2022.

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 AGM.

COMPLIANCE WITH MCCG

Although QES is not a Large Company (defined as listed on FTSE Bursa Malaysia Top 100 index or market capitalisation of RM2 billion and above) for FYE 2022, the Board is committed to ensure high standards of governance are practiced wherein the Company has adopted and complied substantially with the practices of MCCG.

The status of application of MCCG practices are summarised as follows :-

	Applied/ Adopted	Departure	Not applicable	Not-adopted	Total
Practices	40	2	1	–	43
Step-Up practices actices	1	–	–	4	5

Corporate Governance Overview Statement (Cont'd)

At the date of this Statement, QES has adopt 40 out of 48 practices including 1 step-up practices of the MCCG. The practices that have yet to be applied/adopted are as follows:-

Practice 4.5 - Step Up (Not Adopted)	The board identifies a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company.
Practice 5.4 - Step Up (Not Adopted)	The board has a policy which limits the tenure of its independent directors to nine years without further extension.
Practice 5.10 (Departure)	The board discloses in its annual report the company's policy on gender diversity for the board and senior management.
Practice 8.2 (Departure)	The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.
Practice 8.3 – Step Up (Not Adopted)	Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.
Practice 10.3 - Step Up (Not Adopted)	The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.
Practice 12.2 (Not Applicable)	Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

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. In ensuring the preparation of these financial statements, the Directors have observed the following criteria:

i. Overseeing the overall conduct of the Company's business and that of the Group;
ii. Identifying principal risks and ensuring that an appropriate system of internal control exists to manage these risks;
iii. Reviewing the adequacy and integrity of Internal Controls System and Management Information System in the Company and within the Group;
iv. Adopting suitable accounting policies and apply them consistently;
v. Making judgments and estimates that are reasonable and prudent; and
vi. Ensuring compliance with application Approved Accounting Standards in Malaysia.

The Directors are responsible for ensuring that proper accounting and other records which are closed with reasonable accuracy at any time the financial position of the Group and ensuring that the financial statements comply with the MMLR, the provisions of the Companies Act 2016 and applicable Approved Accounting Standards in Malaysia.

The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimise fraud and other irregularities.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2022, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirm that the financial statements have been prepared on a going concern basis.

COMPLIANCE STATEMENT

The Board has deliberated, reviewed and approved this CG Overview Statement. The Board considered that the CG 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 CG Overview Statement was approved by the Board of Directors of QES on 14 April 2023.

ADDITIONAL COMPLIANCE INFORMATION

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

UTILISATION OF PROCEEDS FROM PRIVATE PLACEMENT ("PP")

On 4 March 2022, the Company announced its intentions to vary the utilisation of proceeds raised from the PP on 30 October 2020. The Company has raised total gross proceeds of RM20.095 million from its private placement of 75,830,800 new ordinary shares.

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

No.	Details of utilisation	Revised Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000	Revised Expected Timeframe for Utilisation
(i)	Factory capacity expansion	8,200	8,200	–	Within 18 Months from 30 Oct 2020
(ii)	R&D on future product expansion	5,300	789	4,511	Within 36 Months from 30 Oct 2020
(iii)	Market expansion to China	97	97	–	Within 18 Months from 30 Oct 2020
(iv)	Future working capital and acquisition related investment	5,998	5,998	–	Within 36 Months from 30 Oct 2020
(v)	Estimated expenses in relation to the proposed private placement	500	500	–	Immediately
		20,095	**15,584**	**4,511**	

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

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 2022 are as follows:-

	Group RM'000	Company RM'000
Audit fee	376	60
Non-audit fee	30	30
	406	90

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 Employee's 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 out 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 shareholders' investments and Group's assets.

The Malaysian Code on Corporate Governance ("MCCG") requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Pursuant to Paragraph 15.26(b) of the MMLR, the Board of QES is pleased to report on its Statement on Risk Management and Internal Control, which provides an overview of the nature and state of risk management and internal controls of 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 Bursa Malaysia and the 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 by identifying them and ensuring that 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 subsidiary companies, business units and departments are tasked to identify and manage the significant risks that are affecting their respective companies, business units and departments. The risk management practices adopted by the Group 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.

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 FYE 2022, the 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 the Board are gathered, assessed and prioritised to derive the annual audit plan.

In 2022, either full audit or follow-up audit reviews were conducted in various subsidiaries. There was a total of six (6) reports issued, three (3) Internal Audit reviews, two (2) Follow-up reviews, and one (1) Enterprise Risk Management report. Internal Audit reviews were conducted to establish the state of internal control based on the information provided by the Management.

The following full segment audit was covered during the Year 2022 based on the 5 subsidiaries:

- Finance & Accounts
- Human Resources & Admin
- Procurement
- Logistics
- Distribution
- Sales and Marketing
- Information Technology

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.

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

QUALITY ASSURANCE

The internal audit firm develops and maintains a quality assurance programme 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 experienced 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 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;
- Intergrate risk management into business activities;
- Manage risk in accordance with the Risk Management framework;
- Tailor responses to bunisess circumstances; and
- Communicate the 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 subsidiary companies, business units and departments. 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 or department, 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 as required by Paragraph 15.23 of the MMLR of Bursa Malaysia, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Company for the FYE 2022, 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.

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/Internal Auditors and assurance from the respective Head of Department on financial and non-financial matters.

AUDIT COMMITTEE REPORT

The Audit Committee ("AC") of QES was established on 11 October 2017 with the primary objective to provide additional assurance to the Board 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 3 members, all of whom are Independent Non-Executive Directors. This is in line with Paragraph 15.09 of the MMLR 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 Chairperson and Puan Maznida Binti Mokhtar is a member of the Malaysian Institute of Accountants and the Institute of Chartered Accountants of England and Wales whereas Mr. Hoh Chee Mun is a member of the Malaysian Institute of Certified Public Accountants which is in compliance with Paragraph 15.09(1)(c)(i) and (ii) of the MMLR.

The AC Chairperson is an Independent Non-Executive Director of the Company and she is not the Chairman of the Board.

2. COMMITTEE MEETINGS

The AC met 7 times during the FYE 2022. The details of the AC meetings held are as follows:-

Director	Designation	Membership	Appointment Date	Attendance/ Held
Wong Pek Yee (Appointed on 16 June 2022)	Chairperson	Independent Non-Executive	16 June 2022	6/6^
Hoh Chee Mun	Member	Independent Non-Executive	11 October 2017	7/7
Maznida Binti Mokhtar	Member	Independent Non-Executive	1 August 2019	7/7
Chia Gek Liang (Resigned on 16 June 2022)	Member	Independent Non-Executive	Resigned	1/1

^ indicates meetings attended out of the total scheduled meetings during the tenure of office

3. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE MEMBERS

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 Securities accordingly;

(b) Reviewed any related party transactions and conflict of interest situations that may arise within the Group during the FYE 2022;

(c) Reviewed the audited financial statements for the FYE 2022; and

(d) Reviewed the Corporate Governance Overview Statement, Corporate Governance Report 2022 and Statement on Risk Management and Internal Control to ensure compliance with the MMLR of Bursa Malaysia and recommend to the Board for inclusion in the Annual Report 2022.

3. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE MEMBERS (CONT'D)

EXTERNAL AUDIT FUNCTION

(a) During the FYE 2022, 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 Committee Closing Presentation for the FYE 2022 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, audit adjustments and unadjusted differences and Auditors' confirmation in accordance with ISA 260 Communication with those charged with Governance that the auditors have complied with the requirements for independence.

(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 review of property, plant and equipment and intangible assets (goodwill and development costs); and
ii. Recoverability of amount due from a subsidiary.

(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 18 November 2022 and 30 March 2023 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 AC. 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 AC.

During the FYE 2022, the Internal Auditors conducted the following reviews:-

Reported Date	Report
23 August 2022	(a) Internal Audit Review on QES Vision Solutions Sdn. Bhd. (b) Internal Audit Review on QAM (Asia-Pacific) Sdn. Bhd. (c) Internal Audit Follow-up Review on QES Mechatronic Sdn. Bhd.
18 November 2022	(a) Internal Audit Review on QES Technology Philippines Inc. (b) Internal Audit Follow-up Review on QES (Vietnam) Co. Ltd (c) Report on Enterprise Risk Management (d) Internal Audit Strategic Plan for the FYE 2023

The final audit reports containing findings and recommendations together with Management's responses thereto were reviewed 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 AC met with the Internal Auditor once on 18 November 2022 in the absence of the Executive Directors and Management to discuss audit issues and reservations arising from the internal audit cycles. There were no major concerns raised by the Internal Auditor during the private session.

The cost incurred for the internal audit function in respect of the FYE 2022 was RM25,000.

FINANCIAL STATEMENTS

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 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The details and 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
Net profit for the financial year	27,760	2,578
Attributable to:-		
Owners of the Company	26,421	2,578
Non-controlling interests	1,339	–
	27,760	2,578

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.

DIVIDENDS

As proposed and disclosed in the last year's report, on 23 February 2022, the Directors declared a final single-tier dividend of 0.40 sen per ordinary share in respect of the financial year ended 31 December 2021 amounting to RM3,336,555 which was paid on 31 March 2022.

On 23 February 2023, the Directors declared an interim single-tier dividend of 0.50 sen per ordinary share in respect of the financial year ending 31 December 2023 amounting to RM4,170,694 and the payment date to be fixed on 31 March 2023. Such dividend is not reflected in the current year's financial statements and will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2023.

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

ISSUANCE OF SHARES AND DEBENTURES

The Company has not issued any shares or 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.

Directors' Report
(Cont'd)

DIRECTORS OF THE COMPANY

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

Chew Ne Weng *	
Liew Soo Keang *	
Adnan Bin Zainol	
Hoh Chee Mun	
Maznida Binti Mokhtar	
Wong Pek Yee	(Appointed on 16 June 2022)
Chia Gek Liang	(Resigned on 16 June 2022)

* *These Directors are also Directors of subsidiaries included in the financial statements of the Group for the financial year.*

DIRECTORS OF THE SUBSIDIARIES OF THE COMPANY

Pursuant to Section 253(2) of the Companies Act 2016, the Director who served in the subsidiaries (excluding Directors who are also Directors of the Company) since the beginning of the financial year to the date of this report is as follows: -

Benjamin T. Santos
Joselito T. Guyo
Lee Hock Chin
Leong Kook Weng
Lim Chee Keong
Michael D. 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 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 01.01.2022 Unit	**Bought Unit**	**Sold Unit**	**At 31.12.2022 Unit**
Shareholdings registered in the name of Directors:				
In the Company				
Direct interests:				
- Chew Ne Weng	33,270,895	–	–	33,270,895
- Liew Soo Keang	190,751,105	–	–	190,751,105
- Adnan Bin Zainol	40,000	–	–	40,000
- Hoh Chee Mun	90,000	–	–	90,000
Indirect interest:				
- Chew Ne Weng*	218,000,000	–	–	218,000,000

* *Indirect interest pursuant to Section 8(4) of the Companies Act 2016 via WA Capital Sdn Bhd.*

Directors' Report
(Cont'd)

DIRECTORS' INTERESTS (CONT'D)

By virtue of their interest in the Company and pursuant to Section 8 of the Act, Chew Ne Weng and Liew Soo Keang are deemed to be interested in the Company and its subsidiaries, to the extent of their interests in the Company.

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

DIRECTORS' REMUNERATION AND BENEFITS

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

	Company RM'000	**Subsidiaries RM'000**
Salaries and bonus	–	1,482
Fees	259	261
Defined contribution plan	–	279
Social security contributions	–	8
Estimated monetary value of benefits-in-kind	–	56
Others	–	63
Total fees and other benefits	259	2,149

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 Note 7 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than as disclosed in Note 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.

Directors' Report
(Cont'd)

OTHER STATUTORY INFORMATION (CONT'D)

(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.

(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 disclosed in Note 6 to the financial statements.

(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) The total amount of indemnity given to or insurance effected for the Directors and officers of the Company is RM15,400,000 with insurance premium of RM23,000. No indemnity was given to or insurance effected for auditors of the Company.

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 31 March 2023.

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 70 to 147 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 2022 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 31 March 2023.

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 70 to 147 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 31 March 2023

YEOH CHEONG YEOW
(MIA no: 16643)

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 2022 and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 70 to 147.

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 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *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.

<u>Impairment review of property, plant and equipment and intangible assets (goodwill and development costs)</u>

As at 31 December 2022, as shown in Notes 10 and 12 to the financial statements, the carrying amount of the Group's property, plant and equipment and intangible assets amounted to RM43.5 million and RM9.5 million respectively.

<u>Property, plant and equipment ("PPE") and development costs</u>

A subsidiary with significant accumulated losses position has resulted an indication that the carrying amount of the PPE and development costs of RM0.3 million and RM3.4 million respectively, totalling RM3.7 million may be impaired. Accordingly, the Group estimated the recoverable amount of the PPE and development costs based on the value-in-use ("VIU") method using cash flows projections derived from the most recent financial forecast approved by Directors covering a five-year period.

We have identified the impairment review of PPE and development costs as a key audit matter as impairment test involves significant management judgement in estimating the underlying assumptions to be applied in the discounted cash flows projections in arriving at the respective recoverable amounts.

<u>Goodwill</u>

The carrying amount of the Group's goodwill of RM3.4 million arose from the Group's acquisition of a subsidiary in previous years. The Group is required to, at least annually, perform impairment assessments of goodwill that has an indefinite useful life regardless whether there is any indication of impairment. The management assessed the recoverable amount of the goodwill by determining the cash-generating unit ("CGU") based on the VIU method using discounted cash flows projections.

Independent Auditors' Report to the Members of QES Group Berhad (Cont'd)

Key Audit Matters (cont'd)

<u>Impairment review of property, plant and equipment and intangible assets (goodwill and development costs) (cont'd)</u>

<u>Goodwill (cont'd)</u>

Due to the significance of the amount and subjectivity involved in the annual impairment test, we consider this impairment test to be an area of audit focus. Specifically, we focused on evaluation of the assumptions used by management to estimate the recoverable amount of the CGU which was based on the VIU method.

Our audit procedures performed and responses thereon

In addressing the matters above, we have performed the following audit procedures to evaluate management's basis and assumptions used in the VIU:

- Assessed whether the recoverable amounts were prepared by management based on the approved budgets by the Directors;
- Evaluated management's budgeting process by comparing actual results to historical management's estimates of profits forecast and the resulting cash flows projections;
- Reviewed management's impairment assessment including the growth rate, gross margin and discount rate against our knowledge of the Group's historical performance, business and cost management strategies based on facts and circumstances currently available; and
- Performed sensitivity analysis around the key inputs that are expected to be most sensitive to the recoverable amounts of the PPE and intangible assets.

<u>Recoverability of amount due from a subsidiary</u>

Included within the amounts due from subsidiaries of the Company, as disclosed in Note 30 to the financial statements, is an amount of RM5.1 million which was subject to a higher credit and/or impairment risk as the said subsidiary was in net current liabilities position.

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

Our audit procedures performed and responses thereon

In addressing the matters above, we have performed the following audit procedures to evaluate management's assessment about the recoverability of amount due from a subsidiary: -

- Evaluating management's assessment on the sufficiency of future cash flows of the subsidiary in support of the outstanding balance by comparing management's forecasts of future cash flows approved by the Directors against the historical results and evaluating the assumptions used in those forecasts;
- Reviewed management's impairment assessment including the growth rate, gross margin and discount rate against our knowledge of the subsidiary's historical performance, business and cost management strategies based on facts and circumstances currently available; and
- Performed 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.

Independent Auditors' Report to the Members of QES Group Berhad (Cont'd)

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.

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

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

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

Independent Auditors' Report to the Members of QES Group Berhad (Cont'd)

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

(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.

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)

TAN KEI HUI
03429/04/2023 J
Chartered Accountant

Petaling Jaya, Selangor
Date: 31 March 2023

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	4	264,407	222,842	4,000	2,952
Cost of sales		(193,556)	(171,226)	–	–
Gross profit		70,851	51,616	4,000	2,952
Other income		2,756	3,766	420	525
Marketing and distribution expenses		(9,092)	(5,847)	–	–
Administrative expenses		(22,489)	(17,223)	(1,822)	(713)
Other expenses		(5,639)	(6,095)	(4)	(1)
Profit from operations		36,387	26,217	2,594	2,763
Finance costs	5	(1,366)	(662)	–	–
Share of result of an associate, net of tax	14	(632)	(170)	–	–
Profit before tax	6	34,389	25,385	2,594	2,763
Income tax expense	8	(6,629)	(5,791)	(16)	(7)
Profit for the financial year, net of tax		27,760	19,594	2,578	2,756
Other comprehensive income, net of tax					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation		150	(240)	–	–
Item that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit plan		25	(35)	–	–
Total other comprehensive income for the financial year		175	(275)	–	–
Total comprehensive income for the financial year		27,935	19,319	2,578	2,756

	Note	2022 RM'000	2021 RM'000
Profit for the financial year, net of tax attributable to:			
Owners of the Company		26,421	18,985
Non-controlling interests		1,339	609
		27,760	19,594
Total comprehensive income for the financial year attributable to:			
Owners of the Company		26,604	18,704
Non-controlling interests		1,331	615
		27,935	19,319
Basic/Diluted earnings per ordinary share attributable to Owners of the Company (sen):	9	3.17	2.28

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 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	43,516	34,033	6	8
Right-of-use assets	11	2,910	1,812	–	–
Intangible assets	12	9,538	7,638	–	–
Investment in subsidiaries	13	–	–	51,358	51,358
Investment in an associate	14	1,898	1,030	–	–
Deferred tax assets	15	578	986	–	–
		58,440	45,499	51,364	51,366
Current assets					
Inventories	16	27,260	20,738	–	–
Trade receivables	17	59,957	52,590	–	–
Other receivables	18	10,001	9,068	1	1
Tax recoverable		3,378	1,112	28	1
Amounts due from subsidiaries	30	–	–	15,328	8,548
Short-term investments	19	23,651	40,101	17,176	24,381
Fixed deposits with financial institutions	20	20,507	19,174	–	–
Short-term deposits	21	14,380	16,350	–	–
Cash and bank balances		33,318	25,508	31	64
		192,452	184,641	32,564	32,995
TOTAL ASSETS		250,892	230,140	83,928	84,361

Statements of Financial Position (Cont'd)

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
EQUITY AND LIABILITIES					
Equity					
Share capital	22	80,775	80,775	80,775	80,775
Legal reserve	23(i)	25	25	–	–
Translation reserve	23(ii)	(1,024)	(1,193)	–	–
Merger deficit	24	(20,228)	(20,228)	–	–
Retained earnings		99,427	76,329	2,609	3,368
Total equity attributable to Owners of the Company		158,975	135,708	83,384	84,143
Non-controlling interests	13(a)	3,659	2,171	–	–
TOTAL EQUITY		162,634	137,879	83,384	84,143
Non-current liabilities					
Borrowings	25	16,041	16,660	–	–
Lease liabilities	26	1,064	670	–	–
Deferred tax liabilities	15	932	471	1	1
Provision for post-employment benefits	27	1,458	1,301	–	–
		19,495	19,102	1	1
Current liabilities					
Trade payables	28	24,007	26,573	–	–
Other payables	29	24,343	19,098	510	206
Amount due to a subsidiary	30	–	–	33	11
Borrowings	25	7,004	10,261	–	–
Lease liabilities	26	879	738	–	–
Contract liabilities	31	10,471	15,189	–	–
Tax payable		2,059	1,300	–	–
		68,763	73,159	543	217
TOTAL LIABILITIES		88,258	92,261	544	218
TOTAL EQUITY AND LIABILITIES		250,892	230,140	83,928	84,361

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 2022

	<---Attributable to Owners of the Company					--->		
	<--- Non-distributable		--->	Distributable				
	Share capital Note 22 RM'000	Merger deficit Note 24 RM'000	Legal reserve Note 23(i) RM'000	Translation reserve Note 23(ii) RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests Note 13(a) RM'000	Total equity RM'000
Group								
At 1 January 2021	80,775	(20,228)	25	(931)	57,640	117,281	1,421	118,702
Profit for the financial year	–	–	–	–	18,985	18,985	609	19,594
Other comprehensive income								
- Foreign currency translation differences	–	–	–	(262)	–	(262)	22	(240)
- Remeasurement of defined benefit plan	–	–	–	–	(19)	(19)	(16)	(35)
Total other comprehensive income	–	–	–	(262)	(19)	(281)	6	(275)
Total comprehensive income for the financial year	–	–	–	(262)	18,966	18,704	615	19,319
Transactions with Owners of the Company								
Dividends to non-controlling interest ("NCI") (Note 34)	–	–	–	–	–	–	(142)	(142)
Changes in ownership interests in a subsidiary	–	–	–	–	(277)	(277)	277	–
Total transactions with Owners of the Company	–	–	–	–	(277)	(277)	135	(142)
At 31 December 2021	80,775	(20,228)	25	(1,193)	76,329	135,708	2,171	137,879

Statements of Changes In Equity (Cont'd)

	<---Attributable to Owners of the Company					--->		
	<--- Non-distributable			--->	Distributable			
	Share capital Note 22 RM'000	Merger deficit Note 24 RM'000	Legal reserve Note 23(i) RM'000	Translation reserve Note 23(ii) RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests Note 13(a) RM'000	Total equity RM'000
Group								
At 1 January 2022	80,775	(20,228)	25	(1,193)	76,329	135,708	2,171	137,879
Profit for the financial year	–	–	–	–	26,421	26,421	1,339	27,760
Other comprehensive income								
- Foreign currency translation differences	–	–	–	169	–	169	(19)	150
- Remeasurement of defined benefit plan	–	–	–	–	14	14	11	25
Total other comprehensive income	–	–	–	169	14	183	(8)	175
Total comprehensive income for the financial year	–	–	–	169	26,435	26,604	1,331	27,935
Transactions with Owners of the Company								
Dividends to NCI (Note 34)	–	–	–	–	–	–	(1,016)	(1,016)
Dividend paid (Note 34)	–	–	–	–	(3,337)	(3,337)	–	(3,337)
Subscription of shares by NCI in a subsidiary (Note 13)	–	–	–	–	–	–	1,173	1,173
Total transactions with Owners of the Company	–	–	–	–	(3,337)	(3,337)	157	(3,180)
At 31 December 2022	80,775	(20,228)	25	(1,024)	99,427	158,975	3,659	162,634

Statements of Changes In Equity (Cont'd)

	Note	Share capital RM'000	Distributable Retained earnings RM'000	Total equity RM'000
Company				
At 1 January 2021		80,775	612	81,387
Profit for the financial year, representing total comprehensive income for the financial year		–	2,756	2,756
At 31 December 2021/1 January 2022		80,775	3,368	84,143
Profit for the financial year, representing total comprehensive income for the financial year		–	2,578	2,578
Transaction with Owners of the Company				
Dividend paid, representing total transaction with Owners of the Company	34	–	(3,337)	(3,337)
At 31 December 2022		80,775	2,609	83,384

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 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash Flows from Operating Activities					
Profit before tax		34,389	25,385	2,594	2,763
Adjustments for:-					
Amortisation of intangible assets		417	471	–	–
Bad debts written off		79	–	–	–
Depreciation of property, plant and equipment		3,563	2,514	2	1
Depreciation of right-of-use assets		906	1,465	–	–
Gain on disposal of property, plant and equipment		(865)	(1,401)	–	–
Gain on lease modification		(22)	–	–	–
Interest expense		1,366	662	–	–
Interest income		(678)	(1,036)	(200)	(525)
Inventories written down/(back)		170	(653)	–	–
Inventories written off		20	757	–	–
Loss on unrealised foreign exchange		58	446	–	–
Net (reversal)/addition of loss allowance on trade receivables		(115)	766	–	–
Property, plant and equipment written off		313	3	–	–
Provision for post-employment benefits		290	272	–	–
Realised gain on short-term investment		(478)	–	(220)	–
Share of result of an associate, net of tax		632	170	–	–
Operating profit before working capital changes		40,045	29,821	2,176	2,239
Inventories		(6,712)	(1,990)	–	–
Receivables		(8,548)	(23,060)	–	11
Payables		2,668	16,435	304	(6)
Contract liabilities		(4,744)	7,055	–	–
Cash generated from operations		22,709	28,261	2,480	2,244
Post-employee benefits paid		–	(11)	–	–
Income tax refunded		129	–	–	–
Income tax paid		(7,453)	(4,182)	(43)	(8)
Interest paid		(690)	(485)	–	–
Net cash from operating activities		14,695	23,583	2,437	2,236

Statements of Cash Flows (Cont'd)

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Cash Flows from Investing Activities					
Acquisition of property, plant and equipment	10	(13,641)	(28,061)	–	(9)
Addition in right-of-use assets	11(c)	(345)	–	–	–
Additional subscription of shares in a subsidiary	13(b)	–	–	–	(5,000)
Addition in intangible assets	12	(2,317)	(1,188)	–	–
Advances to subsidiaries		–	–	(6,780)	(2,321)
Capital contribution to an associate	14	(1,500)	–	–	–
Increase in short-term investments		478	–	220	–
Interest received		678	1,036	200	525
Placement of pledged fixed deposits with financial institutions		(1,333)	(541)	–	–
Proceeds from disposal of property, plant and equipment		1,150	3,245	–	–
Proceeds from subscription of shares by NCI in a subsidiary	13(b)	1,173	–	–	–
Subscription of shares in an associate	14	–	(1,200)	–	–
Net cash used in investing activities		(15,657)	(26,709)	(6,360)	(6,805)
Cash Flows from Financing Activities					
Advances from a subsidiary		–	–	22	11
Dividend paid	34	(3,337)	–	(3,337)	–
Dividends paid to NCI	34	(1,016)	(142)	–	–
Interest paid		(676)	(177)	–	–
Net repayment of borrowings	(iii)	(1,493)	(477)	–	–
Repayment of lease liabilities	(ii), (iii)	(1,126)	(1,483)	–	–
Net cash (used in)/from financing activities		(7,648)	(2,279)	(3,315)	11
Net decrease in cash and cash equivalents		(8,610)	(5,405)	(7,238)	(4,558)
Foreign currency translation differences		145	(561)	–	–
Cash and cash equivalents at beginning of the financial year		79,393	85,359	24,445	29,003
Cash and cash equivalents at end of the financial year	(i)	70,928	79,393	17,207	24,445

Statements of Cash Flows
(Cont'd)

Note:

(i) *Cash and cash equivalents represent:*

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Short-term investments (Note 19)	23,651	40,101	17,176	24,381
Short-term deposits (Note 21)	14,380	16,350	–	–
Fixed deposits with financial institutions (Note 20)	20,507	19,174	–	–
Cash and bank balances	33,318	25,508	31	64
Bank overdrafts (Note 25)	(421)	(2,566)	–	–
	91,435	98,567	17,207	24,445
Less: Fixed deposits pledged with financial institutions (Note 20)	(20,507)	(19,174)	–	–
	70,928	79,393	17,207	24,445

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

	Group 2022 RM'000	Group 2021 RM'000
Included in net cash from operating activities		
Payment relating to short-term leases	(416)	(357)
Included in net cash (used in)/from financing activities		
Interest paid in relation to lease liabilities	(77)	(177)
Repayment of lease liabilities	(1,126)	(1,483)
Total cash outflows for leases	(1,619)	(2,017)

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**
2022		
At beginning of the financial year	24,355	1,408
Repayment to	(2,092)	(1,203)
Interest expense	599	77
Net repayment, representing net changes in cash flows used in financing activities	(1,493)	(1,126)
Acquisition of new lease [Note 11(c)]	–	508
Adjustment due to lease modification	–	1,175
Gain on lease modification	–	(22)
Gain on unrealised foreign exchange	(238)	–
At end of the financial year	22,624	1,943
2021		
At beginning of the financial year	24,882	4,510
Repayment to	(477)	(1,660)
Interest expense	–	177
Net repayment, representing net changes in cash flows used in financing activities	(477)	(1,483)
Reversal due to lease modification	–	(1,619)
Gain on unrealised foreign exchange	(50)	–
At end of the financial year	24,355	1,408

* Bank overdrafts (Note 25) are excluded from the reconciliation of movements of liabilities as it is presented as part of 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 2022

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

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. 2, Jalan Jururancang U1/21, Hicom-Glenmarie Industrial Park, Seksyen U1, 40150 Shah Alam Selangor, Malaysia.

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 financial statements were approved and authorised for issue by the Board of Directors on 31 March 2023.

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	Reference to the Conceptual Framework
Amendments to MFRS 16	Covid-19 - Related Rent Concessions beyond 30 June 2021
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	

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

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

The Group and the Company have 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 January 2023

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 – Comparative Information
Amendments to MFRS 101 and MFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Effective for financial periods beginning on or after 1 January 2024

Amendments to MFRS 16	Lease Liability in a Sale and Leaseback
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current
Amendments to MFRS 101	Non-Current Liabilities with Covenants

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) Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost convention except for those as disclosed in the accounting policy notes.

(c) Functional and presentation currency

The 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.

Notes to the Financial Statements
(Cont'd)

2. BASIS OF PREPARATION (CONT'D)

(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 results 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. Directors exercise their judgement in the process of applying the Group's and the Company's accounting policies.

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

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 property, plant and equipment and intangible assets (other than goodwill)

The Group determines whether an item of its property, plant and equipment and intangible assets is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. Discounted cash flows is used to determine the recoverable amount of which significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amounts of property, plant and equipment and intangible assets as at the reporting date are disclosed in Notes 10 and 12.

(ii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis and at other times when such indication exists. 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. The carrying amount of goodwill as at the reporting date is disclosed within Note 12.

(iii) 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 to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses and adjusts for qualitative and quantitative reasonable and supportable forward-looking information (if any). If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables. The carrying amount of trade receivables as at the reporting date is disclosed in Note 17.

2. BASIS OF PREPARATION (CONT'D)

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

(iii) Impairment of financial assets (cont'd)

For other receivables, the Group and the Company apply 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.

For amounts due from subsidiaries, the Company determines the recoverability of its amounts due from subsidiaries based on the future discounted cash flows of the subsidiary, for which significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiary's operation. This involves uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The net carrying amount of amounts due from subsidiaries as at the reporting date is disclosed in Note 30.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

(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 subsidiaries and ceases when the Company loses control of the subsidiaries.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

Consolidation (cont'd)

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.

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 costs 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.

Notes to the Financial Statements
(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

Business combination (cont'd)

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.

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 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

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 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)

(a) Basis of consolidation (cont'd)

Associates

Associates are entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the associate's operations or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss.

Investment in associates are measured in the Company's statement of financial position at cost less any impairment losses. The cost of investment includes transaction costs. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(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 and 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 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 translation reserve in equity. The translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currencies (cont'd)

(i) Foreign currency transactions and balances (cont'd)

Exchange differences arising on the translation of non-monetary items carried at fair value are included in 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

(i) Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

The Group has identified its Performance Obligation ("PO") towards its customers as follows:

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(i) Revenue from contracts with customers (cont'd)

The Group has identified its Performance Obligation ("PO") towards its customers as follows: (cont'd)

Sales of goods (cont'd)

Sales of goods is satisfied upon delivery of goods where the control of the goods has been transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods, net of indirect taxes and discounts. Payment is generally due within 30 to 120 days from the date when PO is satisfied. Revenue is recognised at point in time when customers have acknowledged the receipt of goods sold.

Service income

The Group provides after sales services such as 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 comprised a single PO and is satisfied over the contract period. Revenue from the after sales services is recognised over time based on the contract, whilst revenue from the replacement of equipment parts is recognised at the point in time when control of the goods is transferred.

Commission income

Commission income is recognised on net basis when the Group established the right to receive payment.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Group performs its obligation under the 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 on a time proportion basis that reflects the effective yield on asset.

(iv) Other income

Wages subsidy and hiring incentive received from government are recognised on monthly basis over the qualified period under the criteria set by the government.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(v) Government grant

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions, they are then recognised in profit or loss as other income on a systematic basis over the useful life of the assets.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same period in which the expenses are recognised.

(d) Employee benefits

(i) Short term employee benefits

Wages, salaries, social security contributions and bonuses are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and of the Company. Short-term accumulating compensated absences such as paid annual leave is recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Interest incurred on borrowings costs that are directly attributable to the acquisition, construction or production of a qualifying asset related to property development activities or construction of assets are capitalised as part of the cost of the asset during the period of time required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs ceases when the assets are ready for their intended use or sale whereby the assets are no longer qualifying asset.

(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 relation 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.

Notes to the Financial Statements
(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

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 the effects of all dilutive potential ordinary shares, if any.

(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. Expected credit losses are a probability-weighted estimate of credit losses.

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

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

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

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

<u>Simplified approach - trade receivables</u>

The Group applies the simplified approach to provide ECLs for all trade receivables as permitted by MFRS 9. The simplified approach required expected lifetime losses to be recognised from initial recognition of the receivables. The ECLs 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 and the Company apply the general approach to provide for ECLs on all other financial instruments, which requires the loss allowance to be measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group and the Company assess 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 and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort.

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)

This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward looking information, where available.

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 increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

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 in full, without recourse by the Company to action 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 and the Company are 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 a concession that the lender would not otherwise consider (e.g the restructuring of a loan or advance by the Group and the Company on terms that the Group and the Company would not consider otherwise);
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for security because of financial difficulties.

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 deferred tax 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 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

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

(i) <u>Recognition and measurement</u>

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(i) Recognition and measurement (cont'd)

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and the Company and their costs can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in the profit or loss on straight line basis over its estimated useful lives of each component of an item of property, plant and equipment.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Freehold building	2%
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%
Electrical fittings, office renovation and signboard	10%

Freehold land has an indefinite useful life and therefore is not depreciated.

Capital work-in-progress are not depreciated but are tested for impairment annually and whenever there is an indication that they may be impaired.

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period and adjusted as appropriate.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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 measure 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. The impairment policy is as disclosed in Note 3(h)(ii).

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

Notes to the Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Intangible assets (cont'd)

(iv) Derecognition

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.

(v) 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.

(k) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is measured based on weighted average cost formula, and includes expenditure incurred in acquiring the inventories.

In the case of work-in-progress and manufactured finished goods, cost includes conversion costs of labour and variable production overheads. For items of inventory that are individually significant or are segregated for individual projects, cost is measured using the specific identification method. For homogeneous items of inventory, cost is determined on an item-by-item basis or on group of similar items basis.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Financial instruments (cont'd)

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

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 categorise 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 change 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.

Amortised cost

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

All financial assets are subject to impairment assessment [note 3(h)(i)].

Financial liabilities

The category of financial liabilities at initial recognition is as follows:

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.

Notes to the Financial Statements
(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Financial instruments (cont'd)

(iv) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer o 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 guarantee 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, short-term deposits, short-term investments and fixed deposits 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

As a lessee

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 any lease incentives received.

The right-of-use asset and lease liabilities are presented as a separate line in the statements of financial position.

The right-of-use asset 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 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

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 Group applies MFRS 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 3(h)(ii).

The lease liability is initially measured at the present value of the future lease payments at the commencement date, discounted using the Group's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group is reasonably certain to exercise.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if the Group changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low value assets are those assets valued at less than RM20,000 each when purchased new.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 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.

(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) 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 recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

(r) 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.

Notes to the Financial Statements
(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Operating segments

Operating segments are defined as components of the Group that:

(a) engage in business activities from which it could earn revenues and incur expenses incur expenses (including revenues and expenses relating to transactions with other components of the Group);
(b) whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and
(c) for which discrete financial information is available.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

(a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments.

(b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount of:

(i) the combined reported profit of all operating segments that did not report a loss; and
(ii) the combined reported loss of all operating segments that reported a loss.

(c) its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least 75% of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

4. REVENUE

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Revenue from contracts with customers				
Sales of goods	210,354	174,654	–	–
Service income	49,020	47,148	–	–
Commission income	5,033	1,040	–	–
	264,407	222,842	–	–
Other revenue				
Dividend income	–	–	4,000	2,952
	264,407	222,842	4,000	2,952

Notes to the Financial Statements
(Cont'd)

4. REVENUE (CONT'D)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Timing of revenue recognition				
Point in time	252,541	212,752	4,000	2,952
Over time	11,866	10,090	–	–
	264,407	222,842	4,000	2,952

The following table shows unsatisfied performance obligations resulting from service contracts.

	2022 RM'000	2021 RM'000
Group		
Revenue expected to be recognised on service contracts on the next 12 months	3,145	3,265

The accounting policy for the Group's and the Company's revenue is disclosed in Note 3(c).

5. FINANCE COSTS

	Group	
	2022 RM'000	2021 RM'000
Interest expense on:		
Bank overdrafts	63	105
Bankers' acceptances	77	47
Lease liabilities	77	177
Letter of credit	106	84
Revolving loan	52	29
Term loan	599	571
Trust receipts	392	220
	1,366	1,233
Less: Amount capitalised in property, plant and equipment	–	(571)
Amount recognised in profit or loss	1,366	662

Notes to the Financial Statements
(Cont'd)

6. PROFIT BEFORE TAX

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Amortisation of intangible assets	417	471	–	–
Auditors' remuneration				
- statutory audit	376	285	60	35
- other services	30	30	30	30
Service rendered by Auditors' affiliate				
- tax agent fee	100	100	10	14
Bad debts written off	79	–	–	–
Depreciation of property, plant and equipment	3,563	2,514	2	1
Depreciation of right-of-use assets	906	1,465	–	–
Employee benefit expenses (Note 7)	55,732	47,040	259	228
Gain on disposal of property, plant and equipment	(865)	(1,401)	–	–
Gain on lease modification	(22)	–	–	–
(Gain)/loss on foreign exchange				
- realised	(164)	(405)	2	–
- unrealised	58	446	–	–
Government grant	(50)	(37)	–	–
Hiring incentive	(92)	(106)	–	–
Interest income	(678)	(1,036)	(200)	(525)
Inventories written down/(back)	170	(653)	–	–
Inventories written off	20	757	–	–
Net (reversal)/addition of loss allowance on trade receivables	(115)	766	–	–
Property, plant and equipment written off	313	3	–	–
Realised gain on short-term investment	(478)	–	(220)	–
Short-term leases	416	357	–	–
Wages subsidy	(17)	(246)	–	–

Notes to the Financial Statements
(Cont'd)

7. EMPLOYEE BENEFIT EXPENSES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Staff cost				
Salaries, bonus, wages, allowances and overtime	36,571	31,802	–	–
Defined benefit plans (Note 27)	290	272	–	–
Defined contribution plan	4,515	3,761	–	–
Social security contributions	281	245	–	–
Others	6,580	4,800	–	–
	48,237	40,880	–	–
Less: Amount capitalised in intangible assets (Note 12)	(1,399)	(1,188)	–	–
	46,838	39,692	–	–
Directors' remuneration				
Salaries, bonus and allowances	5,290	4,835	–	–
Directors' fee	547	478	259	228
Defined contribution plan	958	875	–	–
Social security contributions	13	12	–	–
Others	2,086	1,148	–	–
	8,894	7,348	259	228
Total employee benefit expenses	55,732	47,040	259	228
Analysis of estimated benefits-in-kind:				
- Directors	115	129	–	–

8. INCOME TAX EXPENSE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Income tax:				
- current year	7,678	5,284	15	8
- (over)/underprovision in prior year	(1,895)	(91)	1	(2)
	5,783	5,193	16	6

Notes to the Financial Statements
(Cont'd)

8. INCOME TAX EXPENSE (CONT'D)

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Deferred tax (Note 15):				
- origination of temporary differences	572	370	–	1
- underprovision in prior year	274	228	–	–
	846	598	–	1
Income tax expense for the financial year	6,629	5,791	16	7

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2021: 24%) of the estimated assessable profit for the year. Taxation for other jurisdictions are calculated at the rates prevailing in the respective jurisdictions.

The reconciliation from the tax amount at statutory income tax rate to the Group's and the Company's tax expense are as follows:

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Profit before tax	34,389	25,385	2,594	2,763
Tax at the Malaysian statutory income tax rate of 24% (2021: 24%)	8,253	6,092	623	663
Effect of tax in foreign jurisdictions	(277)	(316)	–	–
Tax effect of non-taxable income	(637)	(660)	(1,044)	(824)
Tax effect of non-deductible expenses	1,519	823	436	170
Double deductible allowance	(296)	(5)	–	–
Tax exempt pioneer income *	(520)	(335)	–	–
Deferred tax assets not recognised	56	14	–	–
Tax effect on share of result of an associate	152	41	–	–
Under/(over)provision in prior year:				
- income tax	81	(91)	1	(2)
- income tax revision arising from pioneer status	(1,976)	–	–	–
- deferred tax	274	228	–	–
Income tax expense for the financial year	6,629	5,791	16	7

* A local subsidiary of the Group has been granted pioneer status incentive by the Malaysian Industrial Development Authority ("MIDA"). Under this incentive, the subsidiary enjoys full exemption from income tax on its statutory income arising from promoted activities for the production of "Advanced Wafer Measurement System and Equipment" for a period of 5 years (extendable for further 5 years) commencing from 3 December 2014. The subsidiary was granted a further extension of 5 years from 3 December 2019 to 2 December 2024.

Notes to the Financial Statements
(Cont'd)

8. INCOME TAX EXPENSE (CONT'D)

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

	Group 2022 RM'000	Group Restated 2021 RM'000
Unutilised tax losses	1,811	1,811
Unabsorbed capital allowances	150	165
	1,961	1,976

For entities incorporated in Malaysia, the comparative figures have been restated to reflect the actual tax losses and unabsorbed capital allowances carried forward available to the Group. The availability of the tax losses will be subject to Inland Revenue Board discretion and approval to offset against future taxable profit.

For entities incorporated in Malaysia, the unutilised tax losses in a year of assessment can only be carried forward for a maximum period of 10 consecutive YAs to be utilised against income from any business source with effect from Year of Assessment ("YA") 2019.

9. EARNINGS PER SHARE

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

	Group 2022	Group 2021
Basic earning per share:		
Profit after tax attributable to the Owners of the Company (RM'000)	26,421	18,985
Weighted average number of ordinary shares:		
Number of ordinary shares at beginning/end of the financial year, representing weighted average number of ordinary shares at beginning/end of the financial year (unit'000)	834,139	834,139
Basic earnings per ordinary share (sen)	3.17	2.28

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

Notes to the Financial Statements
(Cont'd)

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold land* RM'000	Freehold 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								
2022								
Cost								
At 1 January	15,563	7,408	5,633	7,967	16,615	626	1,330	55,142
Additions	–	2,725	851	4,267	3,397	–	2,401	13,641
Disposals	–	–	(948)	(40)	(757)	(34)	–	(1,779)
Written off	–	–	(110)	(775)	(4,874)	–	(776)	(6,535)
Exchange differences	–	–	–	19	(6)	(8)	8	13
At 31 December	15,563	10,133	5,426	11,438	14,375	584	2,963	60,482
Accumulated depreciation								
At 1 January	–	–	4,929	4,556	10,102	493	1,029	21,109
Charge for the financial year	–	167	268	1,141	1,720	33	234	3,563
Disposals	–	–	(948)	(36)	(476)	(34)	–	(1,494)
Written off	–	–	(110)	(765)	(4,731)	–	(616)	(6,222)
Exchange differences	–	–	(2)	17	(7)	(6)	8	10
At 31 December	–	167	4,137	4,913	6,608	486	655	16,966
Net carrying amount								
At 31 December	15,563	9,966	1,289	6,525	7,767	98	2,308	43,516

Notes to the Financial Statements
(Cont'd)

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

	Capital work-in-progress Freehold land* RM'000	Capital work-in-progress Freehold 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								
2021								
Cost								
At 1 January	–	–	4,578	8,144	15,330	625	1,308	29,985
Additions	15,563	7,408	585	919	3,556	–	30	28,061
Disposals	–	–	–	(444)	(2,326)	–	–	(2,770)
Written off	–	–	–	(8)	(49)	–	–	(57)
Reclassification	–	–	449	(624)	175	–	–	–
Exchange differences	–	–	21	(20)	(71)	1	(8)	(77)
At 31 December	15,563	7,408	5,633	7,967	16,615	626	1,330	55,142
Accumulated depreciation								
At 1 January	–	–	4,287	4,470	9,481	438	925	19,601
Charge for the financial year	–	–	117	665	1,569	53	110	2,514
Disposals	–	–	–	(4)	(922)	–	–	(926)
Written off	–	–	–	(5)	(49)	–	–	(54)
Reclassification	–	–	512	(563)	51	–	–	–
Exchange differences	–	–	13	(7)	(28)	2	(6)	(26)
At 31 December	–	–	4,929	4,556	10,102	493	1,029	21,109
Net carrying amount								
At 31 December	15,563	7,408	704	3,411	6,513	133	301	34,033

Notes to the Financial Statements
(Cont'd)

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

	Company	
	2022	**2021**
	RM'000	**RM'000**
Computers		
Cost		
At 1 January	9	–
Additions	–	9
At 31 December	9	9
Accumulated depreciation		
At 1 January	1	–
Charge for the financial year	2	1
At 31 December	3	1
Net carrying amount		
At 31 December	6	8

* *Included in the additions of freehold land and freehold building of the Group are interest expense amounted to NIL (2021: RM389,000) and NIL (2021: RM182,000) respectively as disclosed in Note 5. In current financial year, interest expense ceased to be capitalised and has been expensed off upon completion of the construction work.*

The freehold land and building of the Group are pledged as security for borrowings facilities of the Group as disclosed in Note 25.

Impairment assessment

Management has performed the impairment assessment of property, plant and equipment of a subsidiary by comparing the carrying amount of RM0.3 million with their recoverable amount. The recoverable amount of property, plant and equipment is determined based on value-in-use calculations using cash flow projections from the financial forecasts prepared by management.

The key assumptions used for impairment testing is consistent with impairment assessment of development costs as disclosed in Note 12.

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					
2022					
Cost					
At 1 January	118	500	1,585	2,462	4,665
Addition	–	–	–	853	853
Adjustment due to lease modification	–	–	1,229	–	1,229
Reversal due to lease modification	–	–	(1,469)	–	(1,469)
At 31 December	118	500	1,345	3,315	5,278
Accumulated depreciation					
At 1 January	10	220	1,223	1,400	2,853
Charge for the financial year	2	10	576	318	906
Reversal due to lease modification	–	–	(1,415)	–	(1,415)
Exchange differences	–	–	24	–	24
At 31 December	12	230	408	1,718	2,368
Net carrying amount					
At 31 December	106	270	937	1,597	2,910
2021					
Cost					
At 1 January	118	500	5,135	2,462	8,215
Reversal due to lease modification	–	–	(3,560)	–	(3,560)
Exchange differences	–	–	10	–	10
At 31 December	118	500	1,585	2,462	4,665
Accumulated depreciation					
At 1 January	9	210	2,017	1,087	3,323
Charge for the financial year	1	10	1,141	313	1,465
Reversal due to lease modification	–	–	(1,941)	–	(1,941)
Exchange differences	–	–	6	–	6
At 31 December	10	220	1,223	1,400	2,853
Net carrying amount					
At 31 December	108	280	362	1,062	1,812

The Group leases various office buildings that run between 2 years and 5 years, with an option to renew the lease after the expiry date. The leases for motor vehicles generally have lease terms between 5 to 7 years.

Notes to the Financial Statements
(Cont'd)

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

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

	Group 2022 RM'000	Group 2021 RM'000
Depreciation of right-of-use assets	906	1,465
Interest expense on lease liabilities	77	177
Expenses relating to short-term leases	416	357

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

(c) Addition of right-of-use assets:-

	Group 2022 RM'000	Group 2021 RM'000
Cash payment	345	–
Financed through lease arrangement	508	–
Total addition of right-of-use assets	853	–

12. INTANGIBLE ASSETS

	Trademark RM'000	Development costs RM'000	Goodwill RM'000	Total RM'000
Group				
2022				
Cost				
At 1 January	26	5,650	3,381	9,057
Addition	–	2,317	–	2,317
At 31 December	26	7,967	3,381	11,374
Accumulated amortisation				
At 1 January	–	1,419	–	1,419
Charge for the financial year	–	417	–	417
At 31 December	–	1,836	–	1,836
Carrying amount	26	6,131	3,381	9,538

Notes to the Financial Statements
(Cont'd)

12. INTANGIBLE ASSETS (CONT'D)

	Trademark RM'000	Development costs RM'000	Goodwill RM'000	Total RM'000
Group				
2021				
Cost				
At 1 January	26	4,462	3,381	7,869
Addition	–	1,188	–	1,188
At 31 December	26	5,650	3,381	9,057
Accumulated amortisation				
At 1 January	–	948	–	948
Charge for the financial year	–	471	–	471
At 31 December	–	1,419	–	1,419
Carrying amount	26	4,231	3,381	7,638

Additions for the year include the following:

	Group 2022 RM'000	Group 2021 RM'000
Employee benefit expenses, capitalised from profit or loss (Note 7)	1,399	1,188
Software costs	918	–
	2,317	1,188

<u>**Goodwill**</u>

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 ("CGU").

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 flows projections from financial budgets approved by the management covering a period of maximum five-year 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.

Notes to the Financial Statements
(Cont'd)

12. INTANGIBLE ASSETS (CONT'D)

Goodwill (cont'd)

Impairment testing of goodwill (cont'd)

(a) Key assumptions used (cont'd)

(ii) Pre-tax discount rate

The pre-tax discount rates of 9.38% (2021: 14.00%) per annum is applied to the cash flows in determining the recoverable amount of the CGU. The discount rate used is based on the weighted average cost of capital of the Company.

(iii) Growth assumptions

Cash flows were projected based on past experience, actual operating results and the 5-year business plan.

The anticipated sales are approximately United States Dollar ("USD") 3,360,400, equivalent to RM14,864,730 (2021: USD3,737,000, equivalent to RM15,607,581) for the first year of the business plan. The anticipated annual revenue growth for the subsequent 4 years from 2024 to 2027 (2021: 2023 to 2026) included in the cash flow projections was 25% (2021: 20%) which based on the approved business plan and reflect the expectation of revenue to be generated and assessment of current 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.

Development costs

The carrying amount of development costs represents 22 (2021: 19) development projects. The capitalised development costs consist of developing visual software solutions (internally generated) for automated equipment for the purpose of catering and meeting the demand from the market within the semiconductor industry. These development costs will be amortised over the period of 5 years upon readiness of its software. Amortisation of intangible assets of RM417,000 (2021: RM471,000) was recognised as "other expenses" line item of the statements of comprehensive income for the financial year ended 31 December 2022.

Impairment testing of development costs

(a) Key assumptions used

The recoverable amount of the development costs have been determined based on value- in-use ("VIU") method using discounted cash flows projections from financial budgets approved by the management covering a period of maximum five-year.

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

(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.

12. INTANGIBLE ASSETS (CONT'D)

Development costs (cont'd)

Impairment testing of development costs (cont'd)

(a) Key assumptions used (cont'd)

(ii) Pre-tax discount rate

The pre-tax discount rates of 9.38% (2021: 14.00%) per annum is applied to the cash flows in determining the recoverable amount of the CGU. The discount rate used is based on the weighted average cost of capital of the Company.

(iii) Growth assumptions

QVS

Cash flows were projected based on past experience, actual operating results and the 5-year business plan.

The anticipated sales are approximately RM3,402,000 (2021: RM2,821,000) for the first year of the business plan. The anticipated average revenue growth for the subsequent 4 years from 2024 to 2027 (2021: 2023 to 2026) included in the cash flow projections was 31% (2021: 54%) which based on the approved business plan and reflect the expectation of revenue to be generated and assessment of current market condition with the terminal value assessed using perpetual model without a perpetual growth rate.

QMC

Cash flows were projected based on past experience, actual operating results and the 1-year business plan.

The anticipated sales are approximately RM45,500,000 (2021: RM45,642,000) for the first year of the business plan. The anticipated revenue growth for the next financial year included in the cash flow projections was 28% (2021: 83%) which based on the approved business plan and reflect the expectation of revenue to be generated and assessment of current market condition.

(b) Sensitivity to changes in assumptions

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

The recoverable amount using VIU exceeded the carrying amounts of property, plant and equipment (Note 10) and development costs. Hence, no impairment is required at the reporting date.

13. INVESTMENT IN SUBSIDIARIES

	Company	
	2022 RM'000	**2021 RM'000**
Unquoted shares, at cost		
At beginning of the financial year	51,358	46,358
Addition	–	5,000
At end of the financial year	51,358	51,358

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:

Name of companies	Country of Incorporation	Percentage equity held 2022	Percentage equity held 2021	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
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	85%	85%	Providing vision software solution for automated equipment, mechanical and electrical engineering consultancy service, trading and servicing of industrial parts and equipment

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

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

	QAM	QID	QTP	QVS	QSG	QBK*	Total RM'000
2022							
NCI percentage of ownership interest and voting interest (%)	17.50%	45.00%	12.26%	15.00%	30.00%	0.00%	
Carrying amount of NCI (RM'000)	491	1,401	194	(161)	1,702	32	3,659
Dividends paid to NCI	–	(1,016)	–	–	–	–	(1,016)
Additional subscription of shares by NCI	–	1,173	–	–	–	–	1,173
Other comprehensive income	–	(51)	(5)	–	48	–	(8)
Profit/(loss) allocated to NCI (RM'000)	147	55	24	(2)	1,115	–	1,339
2021							
NCI percentage of ownership interest and voting interest (%)	17.50%	45.00%	12.26%	15.00%	30.00%	0.00%	
Carrying amount of NCI (RM'000)	344	1,240	175	(159)	539	32	2,171
Dividends paid to NCI	–	–	–	–	(94)	(48)	(142)
Changes in ownership interests in a subsidiary	–	–	–	277	–	–	277
Other comprehensive income	–	5	(6)	–	7	–	6
Profit/(loss) allocated to NCI (RM'000)	10	336	16	(228)	475	–	609

* NCI of QBK is a local shareholder whom holds the preference shares of the subsidiary. According to 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 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.

Notes to the Financial Statements
(Cont'd)

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Additional investment in subsidiaries

2022

(i) On 2 August 2022, the issued and paid-up ordinary share capital of QID had increased from IDR1,500,000,000 to IDR10,000,000,000 upon QAP's subscription of 46,750 additional number of new ordinary shares, representing an equity interest of 55% in QID for a total cash consideration of IDR4,675,000,000 equivalent to RM1,433,000. The remaining 45% equity interest or 38,250 ordinary shares were subscribed by NCI for a total cash consideration of IDR3,825,000 equivalent to RM1,173,000. This subscription has no dilution effect on the controlling interest of QAP in QID of 55%.

(ii) On 22 September 2022, the issued and paid-up ordinary share capital of QHK had increased from USD25,000 to USD150,000 upon QAP's subscription of the additional 1 new ordinary share in QHK for a total cash consideration of USD125,000 equivalent to RM569,000. No changes to the Group's effective equity interest of 100% in QHK.

2021

(i) On 1 June 2021, the issued and paid-up ordinary share capital of QMG had increased from RM7,500,000 to RM12,500,000 upon the Company's subscription of 5,000,000 new ordinary shares for a total cash consideration of RM5,000,000 at the issue price of RM1 per ordinary share.

(ii) On 8 October 2021, the issued and paid-up ordinary share capital of QVS had increased from RM500,000 to RM1,000,000 upon QMG's subscription of all the 500,000 additional number of new ordinary shares in QVS for a total cash consideration of RM500,000 at the issue price of RM1 per ordinary share. This subscription had increased the controlling interest of QMG in QVS from 70% to 85%.

(c) Incorporation of a subsidiary

Subsequent to current financial year, i.e. on 10 January 2023, QHK incorporated a wholly- owned subsidiary in China with the name of QES Technology (Shanghai) Co., Ltd. ("QTS"). QHK had subscribed for 100% of the issued share capital of QTS for a total cash consideration of RMB500,000.

(d) The summarised financial information before intra-group elimination after adjustment 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
2022					
Assets and liabilities					
Non-current assets	241	884	1,175	3,674	1,413
Current assets	4,204	5,132	5,580	952	12,111
Non-current liabilities	(94)	(950)	(440)	-	(678)
Current liabilities	(1,547)	(1,957)	(4,729)	(5,699)	(7,170)
Net assets/(liabilities)	2,804	3,109	1,586	(1,073)	5,676

Notes to the Financial Statements
(Cont'd)

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

(d) The summarised financial information before intra-group elimination after adjustment 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
2022 (cont'd)					
Results					
Revenue	5,716	7,449	14,037	2,106	42,256
Profit/(loss) for the financial year	840	122	199	(10)	3,716
Total comprehensive income	840	9	161	(10)	3,877
Cash flows from/(used in):					
Operating activities	1,336	1,672	(133)	592	2,750
Investing activities	(89)	2	–	(1,360)	(19)
Financing activities	6	–	–	577	–
Foreign currency translation differences	45	(2,412)	–	–	300
	1,298	(738)	(133)	(191)	3,031
Dividends paid to NCI	–	(1,016)	–	–	–
2021					
Assets and liabilities					
Non-current assets	219	630	549	1,870	80
Current assets	3,337	5,312	6,259	1,660	7,659
Non-current liabilities	(136)	(912)	(342)	-	(5)
Current liabilities	(1,456)	(2,276)	(5,042)	(4,591)	(5,935)
Net assets/(liabilities)	1,964	2,754	1,424	(1,061)	1,799
Results					
Revenue	4,788	9,390	10,572	557	31,039
Profit/(loss) for the financial year	58	747	128	(869)	1,584
Total comprehensive income	58	758	83	(869)	1,608
Cash flows (used in)/from:					
Operating activities	(312)	798	1,740	(1,050)	1,252
Investing activities	(45)	(4)	(157)	(649)	(325)
Financing activities	8	–	–	2,006	(512)
Foreign currency translation differences	–	37	(64)	(2)	(87)
	(349)	831	1,519	305	328
Dividends paid to NCI *	–	–	–	–	(94)

* *This has excluded dividend paid to QBK's NCI of RM48,000 as disclosed in Note 13(a).*

14. INVESTMENT IN AN ASSOCIATE

	Group 2022 RM'000	Group 2021 RM'000
Unquoted equity shares, at cost		
At 1 January	1,200	–
Addition	–	1,200
At 31 December	1,200	1,200
Capital contribution		
At 1 January	–	–
Addition	1,500	–
At 31 December	1,500	–
Share of post acquisition result		
At 1 January	(170)	–
Addition	(632)	(170)
At 31 December	(802)	(170)
Net carrying value	1,898	1,030

The details of the associate are as follows:

Name of companies	Country of Incorporation	Percentage equity held 2022	Percentage equity held 2021	Principal activities
Associate of QMG:				
Applied Engineering Technology (M) Sdn. Bhd. ("AETM") *	Malaysia	30%	30%	Electromechanical contract manufacturing services from prototype to high volume production for semiconductor, life science, defence, aerospace and emerging technology.

* *Not audited by Moore Stephens Associates PLT.*

(a) Incorporation of an associate

2021

On 3 May 2021, QMG entered into a Memorandum of Understanding ("MOU") with Electronic Interface Company, Inc. Dba Applied Engineering, Inc ("AE") through a proposed joint venture company ("JVC") with an agreed capital contribution proportion of RM2,800,000 by AE and RM1,200,000 by QMG, representing 70% and 30% equity interest in the JVC respectively.

On 21 May 2021, QMG had incorporated an associate, namely AETM and subscribed for the total paid-up share capital of RM100 comprising of 100 ordinary shares at price of RM1 per share, representing the entire share capital of AETM.

On 1 September 2021, QMG transferred 70 ordinary shares, representing 70% of the share capital of AETM to AE. Subsequently, QMG and AE subscribed for additional 1,199,970 and 2,799,930 new ordinary shares in AETM respectively at price of RM1 per share.

Notes to the Financial Statements
(Cont'd)

14. INVESTMENT IN AN ASSOCIATE (CONT'D)

(b) Capital contribution

2022

The capital contribution amounted to RM1,500,000 represents Share Application Money which pending the issuance of ordinary shares by the associate and is treated as additional cost of investment in the associate by the Group.

(c) The summarised financial information of the associate, not adjusted for the proportion of the ownership interest held by the Group is as follows:

	AETM	
	2022 **RM'000**	**2021** **RM'000**
Assets and liabilities:		
Non-current assets	3,719	45
Current assets	5,545	4,571
Current liabilities	(2,937)	(1,182)
Net assets	6,327	3,434

	AETM	
	01.01.2022 to 31.12.2022 RM'000	**21.05.2021 to 31.12.2021 RM'000**
Results:		
Loss for the financial year/period	(2,107)	(566)
Total comprehensive income	(2,107)	(566)

15. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2022 **RM'000**	**2021** **RM'000**	**2022** **RM'000**	**2021** **RM'000**
At 1 January	515	1,108	(1)	–
Recognised in profit or loss (Note 8)	(846)	(598)	–	(1)
Exchange differences	(23)	5	–	–
At 31 December	(354)	515	(1)	(1)

Presented after appropriate offsetting as follows:

	Group		Company	
	2022 **RM'000**	**2021** **RM'000**	**2022** **RM'000**	**2021** **RM'000**
Deferred tax assets	578	986	–	–
Deferred tax liabilities	(932)	(471)	(1)	(1)
	(354)	515	(1)	(1)

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

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

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Deferred tax assets				
Provisions*	983	1,006	–	–
Unabsorbed capital allowances	10	15	–	–
Contract liabilities	518	528	–	–
	1,511	1,549	–	–
Deferred tax liabilities				
Difference between carrying amounts of property, plant and equipment and their tax base	(1,843)	(1,026)	(1)	(1)
Net right-of-use assets	(22)	(8)	–	–
	(1,865)	(1,034)	(1)	(1)
	(354)	515	(1)	(1)

* Provisions made up of allowance for inventories written down, loss allowance on trade receivables and remeasurement of defined benefit plan.

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	
	2022 RM'000	**Restated 2021 RM'000**
Unutilised tax losses	2,595	1,811
Unabsorbed capital allowances	109	105
Other deductible timing differences	21	61
	2,725	1,977
Representing by:		
Entities incorporated in Malaysia	1,941	1,977
Entities incorporated outside Malaysia	784	–
	2,725	1,977

The comparative figures have been restated toreflect the actual unutilisedtax losses and unabsorbed capital allowance carried forwards available to the Group.

Notes to the Financial Statements
(Cont'd)

16. INVENTORIES

	Group 2022 RM'000	Group 2021 RM'000
At cost:		
Raw material	3,367	4,723
Work-in-progress	7,786	3,055
Trading goods	14,114	11,623
Manufactured finished goods	1,993	1,337
	27,260	20,738
Recognised in profit or loss:		
Inventories recognised as cost of sales	148,696	134,492

During the financial year:

(a) The Group has written down inventories amounting to RM170,000 (2021: NIL) which was recognised as an expense under other expenses.

(b) The Group has written back inventories amounting to NIL (2021: RM653,000) which was recognised as other income due to sales made in the prior financial year.

(c) The Group has written off inventories amounting to RM20,000 (2021: RM757,000) which was recognised as an expense under other expenses due to stocks obsolescence.

17. TRADE RECEIVABLES

	Note	Group 2022 RM'000	Group 2021 RM'000
Trade receivables, gross		61,238	54,005
Less : Allowance for impairment	(i)	(1,281)	(1,415)
Trade receivables, net		59,957	52,590

(i) Movement in the loss allowance for impairment loss on trade receivables during the financial year are as follows:

	Group 2022 RM'000	Group 2021 RM'000
Balance at beginning of the financial year	1,415	655
Additions	–	766
Reversal	(115)	–
Exchange differences	(19)	(6)
Balance at end of the financial year	1,281	1,415

(ii) The Group's normal trade credit terms range from 30 - 120 days (2021: 30 - 120 days). Other credit terms are assessed and approved on a case-by-case basis.

Notes to the Financial Statements
(Cont'd)

18. OTHER RECEIVABLES

		Group		Company	
		2022	2021	2022	2021
	Note	RM'000	RM'000	RM'000	RM'000
Other receivables		1,458	1,134	–	–
Advances paid to suppliers		1,821	4,156	–	–
Deposits	(i)	5,324	1,615	1	1
Prepayments	(ii)	1,398	2,163	–	–
		10,001	9,068	1	1

(i) Included in deposits of the Group are deposit paid in relation to the acquisition of land amounted to RM4,791,600 (2021: RM958,320) of which condition precedent yet to be fulfilled as at 31 December 2022. Subsequent to the financial year ended 31 December 2022, this amount has been reclassify to right-of-use assets upon obtaining State Authority's consent to transfer the Land in January 2023.

(ii) Included in prepayments of the Group are prepayment in relation to the factory renovation amounted to NIL (2021: RM1,600,000).

19. SHORT-TERM INVESTMENTS

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Investments in cash management funds in Malaysia	23,651	40,101	17,176	24,381

Investments in unit trust funds represent investments in highly liquid money market instrument and deposits with a financial institution in Malaysia. The distribution income is subject to withholding tax ("WHT") of 24%. Realised gain of the investments are tax exempted.

The Group and the Company classified these short-term funds as cash and cash equivalents, as the redemption period is 1 day (2021: 1 day) and are subject to an insignificant risk of changes in value.

20. FIXED DEPOSITS WITH FINANCIAL INSTITUTIONS

Fixed deposits with financial institutions have effective interest rates which range from 0.05% to 2.80% (2021: 0.25% to 2.85%) per annum. The fixed deposits with financial institutions are pledged as security for banking facilities granted to the Group as disclosed in Note 25.

21. SHORT-TERM DEPOSITS

Short-term deposits with licensed banks carry interest rates ranging from 1.90% to 2.39% (2021: 1.20% to 1.60%) per annum and had maturity period of 11 to 12 days (2021: 7 to 10 days).

Notes to the Financial Statements
(Cont'd)

22. SHARE CAPITAL

	Group/Company			
	Number of ordinary shares		Amount	
	2022 Unit'000	2021 Unit'000	2022 RM'000	2021 RM'000
Issued and fully paid:				
At beginning/end of the financial year	834,139	834,139	80,775	80,775

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction and rank equally with regard to the Company's residual assets.

23. 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 that 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.

24. 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.

25. BORROWINGS

		Group	
	Note	2022 RM'000	2021 RM'000
Secured			
Current liabilities			
Bankers' acceptance		2,048	1,664
Bank overdrafts		421	2,566
Trust receipts		3,296	4,869
Revolving loan		600	500
Term loan	(a)	639	662
		7,004	10,261
Non-current liabilities			
Term loan	(a)	16,041	16,660
Total borrowings		23,045	26,921

Notes to the Financial Statements
(Cont'd)

25. BORROWINGS (CONT'D)

(a) Term Loan

	Group 2022 RM'000	Group 2021 RM'000
Current liabilities		
Repayable within one year	639	662
Non-current liabilities		
Repayable between one and two years	663	684
Repayable between two and five years	2,161	2,189
Repayable above five years	13,217	13,787
	16,041	16,660
	16,680	17,322

The interest rates for borrowings per annum were as follows:

	Group 2022 %	Group 2021 %
Bankers' acceptance	3.39 - 5.30	3.39 - 4.03
Bank overdrafts	8.32	6.99 - 7.32
Term loan	3.25 - 4.00	3.25
Trust receipts	1.18 - 7.45	1.53 - 2.46
Revolving loan	7.50	8.00

The Group's bank borrowings are secured as follows:

(i) Fixed deposits placed with financial institutions of the Group as disclosed in Note 20;
(ii) Fresh facility agreement of a subsidiary;
(iii) Personal guarantee by two Directors of the Group;
(iv) Corporate guarantee and indemnity by the Company to its subsidiaries; and
(v) Legal charge on freehold land and buildings of the Group as disclosed in Note 10.

26. LEASE LIABILITIES

	Group 2022 RM'000	Group 2021 RM'000
Minimum lease payments:		
Repayable within one year	965	779
Repayable between two to five years	980	703
Repayable above five years	149	–
	2,094	1,482
Less: Future lease charges	(151)	(74)
Present value of lease liabilities	1,943	1,408

Notes to the Financial Statements
(Cont'd)

26. LEASE LIABILITIES (CONT'D)

	Group 2022 RM'000	Group 2021 RM'000
Repayable within one year	879	738
Repayable between two to five years	920	670
Repayable above five years	144	–
	1,943	1,408
Representing:		
Current liabilities	879	738
Non-current liabilities	1,064	670
	1,943	1,408

The lease liabilities of the Group bear interest at rates ranging from 1.88% to 7.90% (2021: 2.31% to 10.00%) per annum.

27. PROVISION FOR POST- EMPLOYMENT BENEFITS

	Note	Group 2022 RM'000	Group 2021 RM'000
At 1 January		1,301	1,068
Current service cost and interest (Note 7)		290	272
Opening adjustment		(59)	(78)
Payment		–	(11)
Actuarial (gain)/loss on remeasurement of defined benefit plan	(i)	(33)	46
Exchange differences		(41)	4
At 31 December		1,458	1,301

(i) Actuarial (gain)/loss on remeasurement of defined benefit plan

	Group 2022 RM'000	Group 2021 RM'000
Recognised in other comprehensive income:		
Actuarial (gain)/loss on remeasurement of defined benefit plan	(33)	46
Deferred tax impact on actuarial (gain)/loss	8	(11)
	(25)	35

Notes to the Financial Statements (Cont'd)

27. PROVISION FOR POST- EMPLOYMENT BENEFITS (CONT'D)

The principal actuarial assumptions used were as follows:

	Group	
	2022	**2021**
Discount rate	7.17%	7.05%
Annual salary rate increase	6.00%	6.00%

<u>Sensitivity analysis</u>

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**
2022		
Discount rate (1% movement)	(81)	90
2021		
Discount rate (1% movement)	(87)	99

28. TRADE PAYABLES

The Group's normal trade credit terms range from 30 - 120 days (2021: 30 - 120 days). Other credit terms are assessed and approved on a case-by-case basis.

29. OTHER PAYABLES

		Group		Company	
	Note	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Other payables	(i)	2,280	2,012	369	54
Accruals		22,063	17,086	141	152
		24,343	19,098	510	206

(i) Included in other payables is an amount of RM30,000 (2021: NIL) represents the amount received in relation to Smart Automation Grant, which was for a period of 60 months.

30. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

These amounts are non-trade in nature, unsecured, interest-free advances except for an amount owing by a subsidiary of RM4,300,000 (2021: RM2,650,000) which is subject to interest being charged at a rate ranging from 1.78% to 2.14% (2021: 1.78% to 2.41%) per annum and all these amounts are collectible/(repayable) on demand.

Notes to the Financial Statements
(Cont'd)

31. CONTRACT LIABILITIES

	Note	Group 2022 RM'000	Group 2021 RM'000
Deferred income	(a)	3,145	3,265
Deposit received from customers	(b)	7,326	11,924
		10,471	15,189

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

Movement of deferred income is as follows:

	Group 2022 RM'000	Group 2021 RM'000
At beginning of the financial year	3,265	2,919
Collection during the financial year	11,746	10,436
Service income recognised over time during the financial year (Note 4)	(11,866)	(10,090)
At end of the financial year	3,145	3,265

(b) 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. The Group expected to recognise the revenue within next 12 months upon delivery of the goods.

32. RELATED PARTY DISCLOSURES

(a) Identity of related parties

For the purpose of these 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.

The Group has a related party relationship with associate and key management personnel. The Company has related party relationship with its subsidiaries. The related party balances of the Group and of the Company are disclosed in Note 30.

Notes to the Financial Statements
(Cont'd)

32. RELATED PARTY DISCLOSURES (CONT'D)

(b) The Company has related party transactions with the following companies:

Name of companies	Type of transactions	Transaction value 2022 RM'000	2021 RM'000
Subsidiaries			
QES (Asia-Pacific) Sdn. Bhd.	Management fee paid	132	132
	Advances to	(5,000)	(1,570)
	Repayment from/(to)	4,890	1,449
	Dividend income	–	(1,452)
QS Instruments Sdn. Bhd.	Advances to	(347)	(787)
	Repayment from	347	787
	Dividend income	(4,000)	(1,500)
QES Intra Pacific Sdn. Bhd.	Advances to	(68)	(130)
	Repayment from	68	130
QAM (Asia-Pacific) Sdn. Bhd.	Advances to	(69)	(17)
	Repayment from	69	17
P.T. QES Indonesia	Advances to	(1)	–
QES Technology Philippines, Inc.	Advances to	(1)	–
QES Manufacturing Sdn. Bhd.	Advances to	(1,500)	(1,200)
QES Vision Solutions Sdn. Bhd.	Loan interest income	(50)	(45)
	Advances to	(592)	(1,564)
QES Mechatronic Sdn. Bhd.	Loan interest income	(21)	–
	(Advances to)/Repayment from	(4,615)	488

(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, including any Directors of the Company and its subsidiaries.

The remuneration of the Directors and other members of key management personnel during the financial year were as follows:-

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Short-term employee benefit expenses	5,953	4,836	259	228
Post employment benefit expenses	957	820	–	–
	6,910	5,656	259	228

Notes to the Financial Statements
(Cont'd)

33. SEGMENTAL 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, mechanical and electrical engineering consultancy service.

Segment revenue and results

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3(s). 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 recoverable.

Segment liabilities

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

(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. Income taxes are managed on a group basis and are not allocated to operating segments.

33. SEGMENT INFORMATION (CONT'D)

		Investment holding RM'000	Equipment RM'000	Materials and Engineering Solutions RM'000	Manufacturing RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
2022							
External revenue		–	193,606	34,038	36,763	–	264,407
Intra segment revenue	(a)	–	83,688	–	739	(84,427)	–
Inter segment revenue	(a)	4,000	5,657	1,485	–	(11,142)	–
Total revenue		4,000	282,951	35,523	37,502	(95,569)	264,407
Results							
Depreciation and amortisation		–	3,517	232	1,162	(25)	4,886
Other non-cash expenses/(income)	(b)	–	246	(28)	342	–	560
Segment profit before tax	(c)	2,594	26,368	3,679	6,965	(5,217)	34,389
Assets							
Additions to non-current assets	(d)	–	11,721	207	4,883	–	16,811
Investment in an associate		–	–	–	1,898	–	1,898
Segment assets	(e)	83,928	182,013	20,951	58,296	(96,194)	248,994
Segment liabilities	(f)	544	85,148	9,057	26,929	(33,420)	88,258

33. SEGMENT INFORMATION (CONT'D)

		Investment holding RM'000	Equipment RM'000	Materials and Engineering Solutions RM'000	Manufacturing RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
2021							
External revenue		–	166,894	30,490	25,458	–	222,842
Intra segment revenue		–	78,051	286	–	(78,337)	–
Inter segment revenue	(a)	2,952	1,046	353	–	(4,351)	–
Total revenue		2,952	245,991	31,129	25,458	(82,688)	222,842
Results							
Depreciation and amortisation		–	3,206	222	1,053	(31)	4,450
Other non-cash expenses/(income)	(b)	–	351	162	(153)	–	360
Segment profit before tax	(c)	2,763	22,239	1,339	2,219	(3,175)	25,385
Assets							
Additions to non-current assets	(d)	–	26,913	333	2,003	–	29,249
Investment in an associate		–	–	–	1,030	–	1,030
Segment assets	(e)	84,361	169,064	21,463	44,225	(90,003)	229,110
Segment liabilities	(f)	218	89,294	12,399	19,466	(29,116)	92,261

Notes to the Financial Statements
(Cont'd)

33. SEGMENT INFORMATION (CONT'D)

(a) Inter segment revenues and intra segment revenues are eliminated on consolidation.

(b) Other non-cash expenses/(income)

	2022 RM'000	2021 RM'000
Bad debts written off	79	–
Gain on disposal of property, plant and equipment	(865)	(1,401)
Gain on lease modification	(22)	–
Inventories written down/(back)	170	(653)
Inventories written off	20	757
Loss on unrealised foreign exchange	58	446
Net (reversal)/addition of loss allowance on trade receivables	(115)	766
Property, plant and equipment written off	313	3
Provision for post-employment benefits	290	272
Share of result of an associate, net of tax	632	170
	560	360

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

	2022 RM'000	2021 RM'000
Segment profit	39,606	28,560
Profit from inter-segment sales	(2,896)	(3,390)
Dividend	(5,242)	(4,055)
Other income	(1,284)	(572)
Unallocated corporate expenses	4,205	4,842
Profit before tax	34,389	25,385

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

	2022 RM'000	2021 RM'000
Property, plant and equipment	13,641	28,061
Intangible assets	2,317	1,188
Right-of-use assets	853	–
	16,811	29,249

33. SEGMENT INFORMATION (CONT'D)

(e) Reconciliation of assets:

	2022 RM'000	2021 RM'000
Segment assets	345,188	319,113
Adjustment on consolidation of subsidiaries	(66,622)	(63,420)
Deferred tax assets	578	986
Tax recoverable	3,378	1,112
Unrealised profit on inventories	(757)	(701)
Inter-segment balances	(32,771)	(27,980)
Total assets	248,994	229,110

(f) Reconciliation of liabilities:

	2022 RM'000	2021 RM'000
Segment liabilities	121,678	121,377
Adjustment on consolidation of subsidiaries	(3,640)	(2,907)
Tax payable	2,059	1,300
Deferred tax liabilities	932	471
Inter-segment balances	(32,771)	(27,980)
Total liabilities	88,258	92,261

Geographical Information

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

	2022 RM'000	2021 RM'000
Malaysia	114,834	92,044
Singapore	41,831	34,282
Vietnam	28,226	25,963
Philippines	22,157	16,377
Thailand	20,674	19,925
Indonesia	11,417	12,957
China	10,840	8,086
Morocco	6,128	5,345
Czech Republic	4,397	3
Others	2,705	1,237
Malta	861	2,218
Lao People's Democratic Republic	314	1,479
Taiwan	23	2,668
Germany	–	258
	264,407	222,842

33. SEGMENT INFORMATION (CONT'D)

Major customers' information

The Group has five customers which contributes approximately RM57.9 million or 21.9% (2021: five customers, RM44.1 million or 19.8%) of the Group's revenue during the financial year.

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
2022								
Property, plant and equipment	40,259	559	593	19	949	130	1,007	43,516
Right-of-use assets	1,248	115	264	–	–	1,283	–	2,910
Intangible assets	6,157	–	–	3,381	–	–	–	9,538
Investment in an associate	1,898	–	–	–	–	–	–	1,898
	49,562	674	857	3,400	949	1,413	1,007	57,862
2021								
Property, plant and equipment	32,137	404	371	23	670	31	397	34,033
Right-of-use assets	1,707	26	30	–	–	49	–	1,812
Intangible assets	4,257	–	–	3,381	–	–	–	7,638
Investment in an associate	1,030	–	–	–	–	–	–	1,030
	39,131	430	401	3,404	670	80	397	44,513

Notes to the Financial Statements
(Cont'd)

34. DIVIDENDS

	Per Ordinary share sen	Total amount RM'000	Date of payment
2022			
Group			
Attributable to Owners of the Company:			
Final single-tier dividend for the financial year ended 31 December 2021	0.40	3,337	31 March 2022
Attributable to non-controlling interests:			
Dividend for the financial year ended 31 December 2021		197	18 March 2022
Dividend for the financial year ended 31 December 2022		819	15 August 2022
		1,016	
2021			
Attributable to non-controlling interests:			
Dividend for the financial year ended 31 December 2021		142	20 December 2021

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

35. CAPITAL COMMITMENT

	Group	
	2022 RM'000	**2021 RM'000**
Commitment not provided for in the financial statements is as follows:		
Capital expenditure commitment		
Authorised and contracted for:		
Intangible assets	–	307
Property, plant and equipment	–	10,458
	–	10,765

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group's and the Company's financial assets (except for prepayment) and financial liabilities are all categorised as amortised costs.

(b) Financial risks management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing the financial risks, including credit risk, interest rate risk, liquidity risk and foreign currency risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

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

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables (which consist of trade and other receivables). The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries. There are no significant changes as compared to prior year.

Trade receivables

Risk management objectives, policies and processes for managing the risk

The Group's objective are to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group'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 exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating units, the Group does not offer credit terms without the approval of the executive Directors.

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

There is no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As the Group does not hold any collateral, the maximum exposure to credit risk from receivables is represented by the carrying amounts in the statements of financial position as at the end of the reporting period.

36. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risks management objectives and policies (cont'd)

(i) Credit risk (cont'd)

Trade receivables (cont'd)

Concentration of credit risk

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

As at 31 December 2022, the Group has significant concentration of credit risk arising from the amounts owing by 6 (2021: 6) customers constituting 36% (2021: 34%) of the Group's gross trade receivables.

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances and to ensure that receivables that are neither past due nor impaired are stated at their realisable values.

The Group has applied the simplified approach in MFRS 9 to measure the loss allowance at lifetime expected credit losses as disclosed in Note 3(h)(i). The Group assesses impairment of trade receivables on individual and collective basis.

For individual assessment, it is due to different credit risk characteristics 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.

For collective assessment, the Group determines the expected credit losses by using a provision matrix for collective assessed receivables which are grouped together based on shared credit risk characteristics and similar types of contracts which have similar risk characteristics.

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

Loss rates are based on actual credit loss experienced over the prior years and are adjusted to reflect the alternative forward-looking information. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables.

Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

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

Notes to the Financial Statements
(Cont'd)

36. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risks management objectives and policies (cont'd)

(i) Credit risk (cont'd)

Trade receivables (cont'd)

Impairment losses

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at the reporting date:

	Gross RM RM'000	Loss Allowances RM RM'000	Net RM RM'000
Group			
2022			
Not past due	41,980	(31)	41,949
Past due not impaired:			
Less than 30 days	8,495	(20)	8,475
31 to 60 days	3,038	(18)	3,020
61 to 90 days	1,906	(13)	1,893
	13,439	(51)	13,388
Credit impaired:			
More than 90 days	4,656	(36)	4,620
	60,075	(118)	59,957
Individually impaired	1,163	(1,163)	–
	61,238	(1,281)	59,957
2021			
Not past due	37,672	(32)	37,640
Past due not impaired:			
Less than 30 days	5,020	(22)	4,998
31 to 60 days	1,752	(7)	1,745
61 to 90 days	1,504	(3)	1,501
	8,276	(32)	8,244
Credit impaired:			
More than 90 days	6,765	(59)	6,706
	52,713	(123)	52,590
Individually impaired	1,292	(1,292)	–
	54,005	(1,415)	52,590

36. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risks management objectives and policies (cont'd)

(i) Credit risk (cont'd)

Trade receivables (cont'd)

Receivables that are not past due

Trade receivables that are not past due are creditworthy debtors with good payment records and mostly are regular customers that have been transacting with the Group.

Receivables that are past due but not impaired

These trade receivables relate mostly to customers with slower repayment patterns, for whom there is no history of default. The Group has not provided for impairment for these trade receivables as there has been no significant changes in their credit quality and the amounts are still considered recoverable.

Credit impaired

Trade receivables that are individually determined to be impaired at the reporting date relates to debtors that are in significant financial difficulties and have defaulted on payments after 90 days past due. Thes receivables are not secured by any collateral or credit enhancements.

Cash and cash equivalents

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

Other receivables and deposits

Other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses which reflects the low credit risk of the exposures. As at the end of the reporting period, the Group and the Company did not recognise any allowance for impairment losses.

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 RM27,019,000 (2021: RM31,717,000) representing the outstanding balance of banking facilities of the subsidiaries as at the end of the reporting period comprised of borrowings amounted to RM23,045,000 (2021: RM26,921,000), letter of credit and bank guarantee amounted to RM3,509,000 (2021: RM4,513,000) and RM465,000 (2021: RM283,000) respectively.

The financial guarantees are provided as credit enhancements to the subsidiaries' banking facilities.

36. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risks management objectives and policies (cont'd)

(i) 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 the 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' borrowings are secured by assets and its subsidiaries have strong financial capacity to meet the contractual cash flows obligations in the near future. Hence, the Company does not expect significant credit losses arising from these guarantees.

Amounts due from subsidiaries

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to its 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 statements of financial position. Loans and advances provided are not secured by any collateral.

Recognition and measurement of impairment loss

Intercompany loans between entities are repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the loans 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 subsidiaries' financial positions deteriorate 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 subsidiaries' loans or advances to be credit impaired when the subsidiaries are unlikely to repay the loans or advances to the Company in full given insufficient highly liquid resources when the loans are demanded.

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

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

36. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risks management objectives and policies (cont'd)

(ii) 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 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:

	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					
2022					
Trade payables	24,007	24,007	24,007	–	–
Other payables	24,343	24,343	24,343	–	–
Borrowings:					
- Bank overdrafts	421	421	421	–	–
- Bankers' acceptances	2,048	2,048	2,048	–	–
- Trust receipts	3,296	3,348	3,348	–	–
- Revolving loan	600	600	600	–	–
- Term loan	16,680	23,486	1,294	5,177	17,015
Lease liabilities	1,943	2,094	965	980	149
	73,338	80,347	57,026	6,157	17,164
2021					
Trade payables	26,573	26,573	26,573	–	–
Other payables	19,098	19,098	19,098	–	–
Borrowings:					
- Bank overdrafts	2,566	2,566	2,566	–	–
- Bankers' acceptances	1,664	1,664	1,664	–	–
- Trust receipts	4,869	4,892	4,892	–	–
- Revolving loan	500	500	500	–	–
- Term loan	17,322	23,297	1,215	4,860	17,222
Lease liabilities	1,408	1,482	779	703	–
	74,000	80,072	57,287	5,563	17,222

Notes to the Financial Statements
(Cont'd)

36. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risks management objectives and policies (cont'd)

(ii) Liquidity risk (cont'd)

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: (cont'd)

	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
Company					
2022					
Other payables	510	510	510	–	–
Amount due to a subsidiary	33	33	33	–	–
Financial guarantees *	27,019	33,877	11,685	5,177	17,015
	27,562	34,420	12,228	5,177	17,015
2021					
Other payables	206	206	206	–	–
Amount due to a subsidiary	11	11	11	–	–
Financial guarantees *	31,717	37,715	15,633	4,860	17,222
	31,934	37,932	15,850	4,860	17,222

* This liquidity risk exposure is included for illustration purpose only as the related financial guarantees have not crystalised.

(iii) Foreign currency 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 SGD, USD, Euro Dollar ("EUR"), Japanese Yen ("JPY") 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.

Notes to the Financial Statements (Cont'd)

36. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risks management objectives and policies (cont'd)

(iii) Foreign currency risk (cont'd)

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

	SGD RM'000	USD RM'000	EUR RM'000	JPY RM'000	GBP RM'000	Total RM'000
Group						
2022						
Financial assets						
Trade receivables	–	31,392	683	2,963	12	35,050
Cash and bank balances	–	12,264	633	5,220	352	18,469
	–	43,656	1,316	8,183	364	53,519
Financial liabilities						
Trade payables	–	(13,941)	(2,345)	(4,567)	(224)	(21,077)
Other payables	–	(119)	(2)	–	–	(121)
Borrowings	(37)	(1,320)	(630)	(611)	(698)	(3,296)
	(37)	(15,380)	(2,977)	(5,178)	(922)	(24,494)
Net exposure	(37)	28,276	(1,661)	3,005	(558)	29,025
2021						
Financial assets						
Trade receivables	–	23,371	934	3,611	297	28,213
Cash and bank balances	–	6,594	1,371	1,462	1,396	10,823
	–	29,965	2,305	5,073	1,693	39,036
Financial liabilities						
Trade payables	–	(10,379)	(1,008)	(7,360)	(2,425)	(21,172)
Other payables	–	(142)	(3)	–	–	(145)
Borrowings	(165)	(3,202)	(148)	(1,354)	–	(4,869)
	(165)	(13,723)	(1,159)	(8,714)	(2,425)	(26,186)
Net exposure	(165)	16,242	1,146	(3,641)	(732)	12,850

36. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risks management objectives and policies (cont'd)

(iii) Foreign currency 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 currency of the Group 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 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:

	2022		2021	
	Profit after tax RM'000	**Equity RM'000**	**Profit after tax RM'000**	**Equity RM'000**
Group				
Foreign currencies/ Functional currency				
SGD/RM	(3)	(3)	(13)	(13)
USD/RM	2,149	2,149	1,234	1,234
EUR/RM	(126)	(126)	87	87
JPY/RM	228	228	(277)	(277)
GBP/RM	(42)	(42)	(56)	(56)

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

(iv) 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 effective interest rates at the reporting date and the maturity periods are disclosed in Notes 19, 25 and 30 respectively.

Notes to the Financial Statements
(Cont'd)

36. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risks management objectives and policies (cont'd)

(iv) Interest rate risk (cont'd)

Exposure in interest rate risk

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Floating rate instruments				
Financial assets				
Short-term investments	23,651	40,101	17,176	24,381
Amounts due from subsidiaries	–	–	4,300	2,650
	23,651	40,101	21,476	27,031
Financial liabilities				
Borrowings				
- Bank overdrafts	(421)	(2,566)	–	–
- Bankers' acceptances	(2,048)	(1,664)	–	–
- Trust receipts	(3,296)	(4,869)	–	–
- Revolving loan	(600)	(500)	–	–
- Term loan	(16,680)	(17,322)	–	–
	(23,045)	(26,921)	–	–
Net exposure	606	13,180	21,476	27,031

The following table details the sensitivity analysis on the floating rate instruments to a reasonably possible change in the interest rate as at the end o the reporting period, with all other variables held constant:

	Group		Company	
	2022 Increase/ (Decrease) RM'000	**2021 Increase/ (Decrease) RM'000**	**2022 Increase/ (Decrease) RM'000**	**2021 Increase/ (Decrease) RM'000**
Effect on profit after taxation/equity				
Increase of 10 basis points	1	10	16	21
Decrease of 10 basis points	(1)	(10)	(16)	(21)

37. FAIR VALUES INFORMATION

Financial instrument at fair value

As the financial assets and liabilities of the Group and of the Company are not carried at fair value by any valuation method, the fair value hierarchy analysis is not presented.

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 values

The carrying amounts of financial assets and financial liabilities approximate their fair values due to relatively short-term nature of these financial instruments and the insignificant impact of discounting.

The carrying amount of long-term floating rate loans approximates its fair value as the loans will be repriced to market interest rate on or near reporting date.

38. 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 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 ratio at end of the reporting period are as follows:

	Group	
	2022	**2021**
	RM'000	**RM'000**
Borrowings (Note 25)	23,045	26,921
Lease liabilities (Note 26)	1,943	1,408
Total debts	24,988	28,329
Total equity attributable to the Owners of the Company	158,975	135,708
Gearing ratio (times)	0.16	0.21

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenant:

(i) Gearing ratio to be capped at 1.50 times.

The Group is in compliance with all externally imposed capital requirements as mentioned above. As at 31 December 2022, the gearing ratio of QAP (the subsidiary that is subject to the loan covenant) was 0.39 times (2021: 0.57 times).

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)	24
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	RM376,201.00

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, Hicom-Glenmarie Industrial Park, Seksyen U1, 40150 Shah Alam, Selangor
Owner	QES (Asia-Pacific) Sdn. Bhd.
Age of building (years)	27
Tenure Expiry	Freehold
Existing Use	Utilised by QES (Asia-Pacific) Sdn. Bhd. as its new headquarters and manufacturing facility
Land Area	62,786 sq. ft.
Built Up Area	86,806 sq. ft.
Audited Net Book Value	RM25,529,730.00

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2023

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	14	0.13	119	0.01
100 – 1,000 shares	1,269	11.64	781,581	0.09
1,001 – 10,000 shares	5,279	48.44	30,536,800	3.66
10,001 – 100,000 shares	3,747	34.38	126,476,300	15.16
100,001 to less than 5% of issued shares	588	5.39	270,355,195	32.41
5% and above of issued shares	2	0.02	405,988,805	48.67
Total	**10,899**	**100.00**	**834,138,800**	**100.00**

LIST OF THIRTY LARGEST SHAREHOLDERS

	Name	No. of shares held	%
1.	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR WA CAPITAL SDN BHD (PB)*	218,000,000	26.13
2.	LIEW SOO KEANG	187,988,805	22.54
3.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *MAYBANK PRIVATE WEALTH MANAGEMENT FOR CHEW NE WENG (12021750) (440078)*	23,000,000	2.76
4.	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR CHEW NE WENG (PB)*	10,270,895	1.23
5.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD *DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG ASIA-PACIFIC DIVIDEND FUND*	9,700,000	1.16
6.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD *DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG DANA MAKMUR*	6,100,000	0.73
7.	TAN SEOW HOE	5,000,000	0.60
8.	TAN SEOW HOE	4,230,000	0.51
9.	PAN LEE CHIN	4,000,000	0.48
10.	KEOH BENG HUAT	3,239,700	0.39

Analysis of Shareholdings
(Cont'd)

LIST OF THIRTY LARGEST SHAREHOLDERS (CONT'D)

	Name	No. of shares held	%
11.	LIEW SOO KEANG	2,762,300	0.33
12.	TAN POH CHYE @ TAN POH SAI	2,700,000	0.32
13.	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR DOH TEE LEONG (E-TAI/STW)*	2,700,000	0.32
14.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR FOONG KOK HONG (MY1489)*	2,620,000	0.32
15.	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD *TA ISLAMIC FUND*	2,256,700	0.27
16.	LAI LENG LEAN	2,181,000	0.26
17.	KUAN WEI LING	2,055,000	0.25
18.	PHILLIP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIN CHEE SENG*	2,000,000	0.24
19.	CHOW HONG LIT	1,959,000	0.24
20.	FRANCIS MARTIN VAN HUIZEN	1,848,000	0.22
21.	HSBC NOMINEES (ASING) SDN BHD *J.P. MORGAN SECURITIES PLC*	1,773,200	0.21
22.	APRECINIA MATIAS PABLO	1,700,000	0.20
23.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM HUNG THIAM (7000997)	1,696,000	0.20
24.	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YONG CHEN VOON*	1,545,900	0.19
25.	CHONG TOH WEE	1,500,000	0.18
26.	TAN SEOW LEONG	1,500,000	0.18
27.	CITIGROUP NOMINEES (ASING) SDN BHD *UBS AG*	1,426,900	0.17
28.	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD *TA DANA FOKUS*	1,400,000	0.17
29.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD *DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG DANA MAA'ROF*	1,400,000	0.17
30.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHIANG SOAK HOONG (7001002)*	1,400,000	0.17
	Total	**509,953,400**	**61.14**

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) CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for WA Capital Sdn Bhd	218,000,000	26.13	–	–
2) Liew Soo Keang	190,751,105	22.87	–	–
3) Chew Ne Weng	33,270,895	3.99	218,000,000[(1)]	26.13
4) Zhou Fu (L) Foundation	–	–	218,000,000[(2)]	26.13

STATEMENT OF DIRECTORS' SHAREHOLDINGS

Directors' name	No. of ordinary shares			
	Direct	%	Indirect	%
1) Chew Ne Weng	33,270,895	3.99	218,000,000[(1)]	26.13
2) Liew Soo Keang	190,751,105	22.87	–	–
3) Adnan bin Zainol	40,000	0.00	–	–
4) Hoh Chee Mun	90,000	0.01	–	–
5) Maznida binti Mokhtar	–	–	–	–
6) Wong Pek Yee	–	–	–	–

Notes:

(1) Deemed interested pursuant to Section 8 of the Companies Act, 2016.

(2) Deemed interested by virtue of Section 8 of the Companies Act, 2016 held through WA Capital Sdn. Bhd.

NOTICE OF 9TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 9th Annual General Meeting ("AGM") of QES Group Berhad ("QES" or "the Company") will be held on a fully virtual basis through live streaming and online remote voting using Remote Participation and Voting ("RPV") facilities via Vote2U provided by Agmo Digital Solutions Sdn Bhd in Malaysia at https://web.vote2u.my (Domain Registration No. with MYNIC – D6A471702) from the Broadcast Venue, QES Group Berhad, No. 2, Jalan Jururancang U1/21, Hicom-Glenmarie Industrial Park, Seksyen U1, 40150 Shah Alam, Selangor, Malaysia, on Friday, 16 June 2023 at 10.00 a.m. or at any adjournment thereof for the transaction of the following businesses:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2022 together with the Reports of the Directors and the Auditors thereon. **Refer Note No.(a)**

2. To approve the payment of Directors' fees to the Non-Executive Directors up to an amount of RM300,000/- for the period from 17 June 2023 to the next AGM or at any adjournment thereof. **(Ordinary Resolution 1)**

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

(i)	Encik Adnan Bin Zainol	(Clause 115)	**(Ordinary Resolution 2)**
(ii)	Mr. Chew Ne Weng	(Clause 115)	**(Ordinary Resolution 3)**
(iii)	Ms. Wong Pek Yee	(Clause 120)	**(Ordinary Resolution 4)**

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 5)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolution: -

5. **AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016** **(Ordinary Resolution 6)**

"THAT subject always to the Companies Act 2016 ("the Act"), the Constitution of the Company, the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and approvals of any other relevant governmental/regulatory bodies where such approval is required, the Directors be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act, to allot and issue shares in the Company, to such persons, at any time upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued does not exceed ten percent (10%) of the total number of issued shares for the time being of the Company AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities.

AND THAT pursuant to Section 85 of the Act to be read together with Clause 16 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares of the Company ranking equally to the existing issued shares arising from any issuance of new shares in the Company pursuant to the Act.

AND THAT such authority shall continue in force until the conclusion of the next AGM of the Company after the approval was given or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by the Company at a general meeting."

Notice of 9th Annual General Meeting
(Cont'd)

6. **PROPOSED GRANTING OF ESOS OPTIONS TO MS. WONG PEK YEE** **(Ordinary Resolution 7)**

"THAT, the ESOS Committee of the Company for administering the ESOS be and is hereby authorised at any time, and from time to time, during the existence of the ESOS to offer and grant to Ms. Wong Pek Yee, being the Independent Non-Executive Director of the Company, options to subscribe for such number of ordinary shares of QES under the ESOS PROVIDED THAT not more than 10% of the new ordinary shares of QES under the ESOS shall be allocated to her, if she, either singly or collectively through persons connected with her, holds 20% or more of the issued share capital of QES;

AND subject always to such terms and conditions of the ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the By-Laws governing and constituting the ESOS."

7. **PROPOSED SHARE BUY-BACK OF UP TO TEN PERCENT (10%) OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY ("PROPOSED SHARE BUY-BACK")** **(Ordinary Resolution 8)**

"THAT subject to the Act, provisions of the Company's Constitution, the MMLR of Bursa Securities and the approvals of all relevant regulatory authorities and parties, the Company be and is hereby authorised to purchase such number of ordinary shares in QES on the Main Market of Bursa Securities and/or hold upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, provided that: -

(i) the aggregate number of ordinary shares in the Company purchased ("Purchased Share(s)") and/or held as treasury shares pursuant to this ordinary resolution shall not exceed 10% of the total number of issued shares of the Company at any point in time;
(ii) the maximum funds to be allocated by the Company for the Proposed Share Buy-Back shall not exceed the total retained earnings of the Company at the time of the purchase;

THAT upon purchase by the Company, the Board of Directors of QES shall have the absolute discretion to decide whether such Purchased Shares are to be cancelled and/or retained as treasury shares, or dealt with in such manner as provided under Section 127(7) of the Act;

THAT the authority to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this ordinary resolution and will continue to be in force until:-

(i) the conclusion of the next AGM of the Company at which time the authority shall lapse unless by an ordinary resolution passed at that AGM, the authority is renewed, either unconditionally or subject to conditions;
(ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
(iii) revoked or varied by ordinary resolution passed by the shareholders in a general meeting,

whichever occurs first, but not so as to prejudice the completion of the purchase(s) by the Company of the QES Shares before the aforesaid expiry date and made in any event, in accordance with the provisions of the Act, rules and regulations made pursuant to the Act, the MMLR and any requirements issued by any other relevant government and/or regulatory authorities;

AND THAT the Board be and is hereby authorised to take all such steps as are necessary or expedient to implement, finalise, complete or to give effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Share Buy-Back.

8. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD,

ANDREA HUONG JIA MEI (MIA 36347/ SSM PC NO. 202008003125)
Company Secretary
Kuala Lumpur
28 April 2023

Explanatory Notes on Ordinary Resolutions:

(a) Audited Financial Statements for financial year ended 31 December 2022

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 Act. 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 Act 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 9th AGM on the Directors' remuneration.

(c) Ordinary Resolutions 2, 3 and 4

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.

Clause 120 of the Company's Constitution provides that Directors shall have power at any time to appoint any other person to be a Director, either to fill a casual vacancy or as an addition to the existing Director. Any Director so appointed shall hold office only until the next AGM of the Company shall be eligible for re-election. A Director retiring under this Clause shall not be taken into account in determining at such meeting the Directors or the number of Directors to retire by rotation at such meeting.

Notice of 9th Annual General Meeting
(Cont'd)

Explanatory Notes to Special Business

(d) Ordinary Resolution 6 - Authority to allot and issue shares

The proposed Ordinary Resolution 6 is to seek a renewal of the general mandate for the issue of new ordinary shares pursuant to Sections 75 and 76 of the Act, which was approved by the shareholders at last year's AGM ("the Previous Mandate"). The proposed Resolution No. 6, if passed, will empower the Directors of the Company to issue and allot new shares in the Company at any time and for such purposes as the Directors considered would be in the interests of the Company up to an aggregate not exceeding ten percent (10%) of the total number of issued shares of the Company without convening a general meeting. This authority, unless revoked or varied at a general meeting will expire at the conclusion of the next AGM or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier.

As at the date of this notice, the Previous Mandate granted by the shareholders had not been utilised and hence no proceeds were raised therefrom.

The renewed mandate will provide flexibility to the Company for any possible fund-raising activities, including but not limited to further placing of shares, for the purpose of funding investment project(s), working capital and/or acquisition

Pursuant to Section 85 of the Act read together with Clause 16 of the Constitution of the Company, shareholders have pre-emptive rights to be offered any new shares in the Company which rank equally to the existing issued shares in the Company or other securities. Should the existing shareholders of the Company approve the proposed Ordinary Resolution 6, they are waiving their pre-emptive rights pursuant to Section 85(1) of the Act, which then would allow the Directors to issue new shares to any person without having to offer the said new shares equally to all existing shareholders of the Company prior to issuance. This will result in a dilution to the shareholding percentage of the existing shareholders of the Company.

The authority, unless revoked or varied by the Company in a general meeting, will expire at the next AGM of the Company.

(e) Ordinary Resolution 7 - Propose granting of ESOS options to Ms. Wong Pek Yee

QES had on 1 July 2019 ("Effective Date") implemented the ESOS and shall be in force for a period of 5 years from the Effective Date provided always that on or before the expiry, the ESOS Committee shall have the absolute discretion, without the Company's shareholders' approval, to extend the duration of the ESOS for up to another 5 years and shall not in aggregate exceed a duration of 10 years from the Effective Date.

Pursuant to the Scheme, QES is allowed to offer and grant Options to Eligible Employees who meet the criteria of eligibility for participation in the Scheme to subscribe for new shares in accordance with the provisions of the By-Laws. Ordinary Resolution 7 is to seek shareholders' approval for the Company to offer and grant ESOS Options to the Director of the Company, Ms. Wong Pek Yee as she was appointed as an Independent Non- Executive Director on 16 June 2022 after our shareholders have approved the establishment of the ESOS (including the grant of the ESOS Options to the Directors) on 25 June 2019. Ms. Wong Pek Yee is deemed interested in the respective resolution pertaining to the grant of ESOS Options to her and accordingly has abstained and shall continue to abstain from deliberation and voting in respect of her direct and indirect interest in the Company and will ensure that persons connected with her will abstain from voting in respect of her direct and indirect interest in the Company, in the respective allocation to her.

Notice of 9th Annual General Meeting
(Cont'd)

(f) Ordinary Resolution 8 – Proposed Share Buy-Back

This proposed Ordinary Resolution 8, if passed, will empower the Company to purchase and/or hold up to 10% of the issued and paid-up share capital of the Company. This authority unless revoked or varied by the Company at a general meeting will expire at the next AGM of the Company. Further information on the Proposed Share Buy-Back is set out in the Statement to Shareholders which is dispatched together with Notice of 9th AGM

RECORD OF DEPOSITORS FOR THE AGM

The date of Record of Depositors for the 9th AGM is 9 June 2023. As such, only members whose names appear in the Record of Depositors as at 9 June 2023 shall be eligible to participate, speak and vote at the 9th AGM.

STATEMENT ACCOMPANYING NOTICE OF NINTH (9th) ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. Pursuant to the Company's Constitution the following Directors are standing for re-election at the 9th AGM of the Company: -

    (a) Encik Adnan Bin Zainol (Clause 115)
    (b) Mr. Chew Ne Weng (Clause 115)
    (c) Ms. Wong Pek Yee (Clause 120)

2. No individual is standing for election as a Director at the forthcoming 9th AGM of the Company other than the Directors seeking for re-election and retention as a Director at the 9th AGM.

3. The profiles of the Directors who are standing for re-election at the 9th AGM are set out in the Company's Annual Report 2022.

4. The Company will seek shareholders' approval on the general meeting to allot and issue shares. Please refer to the proposed Ordinary Resolution 6 as stated in the Notice of the 9th AGM of the Company for further details.

ADMINISTRATIVE GUIDE FOR SHAREHOLDERS

QES GROUP BERHAD – 9TH ANNUAL GENERAL MEETING

Date	:	Friday, 16 June 2023
Time	:	10.00 a.m.
Meeting Venue	:	https://web.vote2u.my
Domain Registration Numbers with MYNIC	:	D6A471702

As part of the initiatives to curb the spread of Covid-19, the encouragement of the Securities Commission Malaysia, as well as in the best interest of public health and the health and safety of our Board of Directors, employees and shareholders, the 9th Annual General Meeting ("**AGM**") will be held virtually and online remote voting using the Remote Participation and Voting Facilities ("**RPV**").

We strongly encourage our shareholders whose names appear on the Record of Depositors as at 9 June 2023 and holders of proxy for those shareholders to participate in the virtual AGM and vote remotely at this AGM. In line with the Malaysian Code on Corporate Governance Practice 13.3, this virtual AGM will facilitate greater shareholder's participation (including posting questions to the Board of Directors and/or Management of the Company) and vote at the AGM without being physically present at the venue. For shareholders who are unable to participate in this virtual AGM, you may appoint a proxy(ies) or the Chairman of the Meeting as your proxy to attend and vote on your behalf at the AGM.

Kindly note that the quality of the live streaming is highly dependent on the bandwidth and stability of the internet connection of the participants (shareholders and proxies). Hence, you are to ensure that internet connectivity throughout the duration of the meeting is maintained while using RPV provided by Agmo Digital Solutions Sdn. Bhd. ("**AGMO**") via its **Vote2U Online** website at https://web.vote2u.my

PROCEDURES TO PARTICIPATE IN RPV

Please follow the Procedure to Participate in RPV as summarized below:

BEFORE AGM DAY

A: REGISTRATION

Individual Shareholders

	Description	Procedure
i.	Shareholders to register with Vote2U online	The registration will open from the day of notice a. Access website at https://web.vote2u.my b. Click "***Sign Up***" to sign up as a user. c. Read the 'Privacy Policy' and 'Terms & Conditions' and indicate your acceptance of the 'Privacy Policy' and 'Terms & Conditions' on a small box ☐. Then click "***Next***". d. *Fill-in your details (note: create your own password). Then click "***Continue***". e. Upload softcopy of your identification card (MYKAD) (front only) (for Malaysian) or Passport (for non-Malaysian). f. Click "***Submit***" to complete the registration g. Your registration will be verified and an email notification will be sent to you. Please check your email. Note: If you have registered as a user with Vote2U Online previously, you are not required to register again. * Check your email address is keyed in correctly. * Remember the password you have keyed-in.

Administrative Guide for Shareholders (Cont'd)

B: REGISTER PROXY

Individual Shareholder / Corporate Shareholder / Nominees Company

	Description	Procedure
i.	Submit Form of Proxy (hardcopy)	a. *Fill-in details on the hardcopy Form of Proxy and ensure to provide the following information: o MYKAD (for Malaysian) / Passport (for non-Malaysian) number of the Proxy o *Email address of the Proxy b. The Proxy Form must be deposited at the Share Registrar's office at Mega Corporate Services Sdn Bhd of Level 15-2, Faber Imperial Court Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than 48 hours before the time set for the meeting or any adjournment thereof. <u>Note:</u> After verification, an email notification will be sent to the Proxy and the Proxy will be given a temporary password. The Proxy could use the temporary password to log in to Vote2U. * Check the email address of Proxy is written down correctly.
ii.	Electronic Lodgement of Proxy Form (e-Proxy Form) For individual shareholders only	a. Individual shareholders to log in to Vote2U with your email address and password that you have registered with Vote2U. b. Click "***Register Proxy Now***" for e-Proxy registration. c. Select the general meeting event that you wish to attend. d. Select/ add your Central Depository System ("CDS") account number and number of shares. e. Select "Appoint Proxy". f. Fill-in the details of your proxy(ies) – ensure proxy(ies) email address(es) is/are valid. g. Indicate your voting instruction should you prefer to do so. h. Thereafter, select "Submit". i. Your submission will be verified. j. After verification, proxy(ies) will receive email notification with temporary credentials, i.e. email address & password, to log in to Vote2U. <u>Note:</u> You need to register as a shareholder before you can register a proxy and submit the e-Proxy form. Please refer above 'A: Registration' to register as shareholder.

Shareholders who appoint Proxy(ies) to participate in the virtual AGM must ensure that the hardcopy Form of Proxy or e-proxy is submitted not less than 48 hours before the time for holding the meeting or any adjourned meeting at which the person named in the instrument proposes to vote and in default, the instrument of proxy shall not be treated as valid.

Administrative Guide for Shareholders (Cont'd)

ON AGM DAY

A: WATCH LIVE STREAMING

Individual Shareholders & Proxies

	Description	Procedure
i.	Login to virtual meeting portal - Vote2U online & watch Live Streaming.	The Vote2U online portal will open for log in starting from **9.00am, Friday, 16th June 2023**, one (1) hour before the commencement of the AGM. a. Login with your email and password b. Select the General Meeting event (for example, "QES 9th AGM"). c. Check your details. d. Click "***Watch Live***" button to view the live streaming.

B: ASK QUESTION

Individual Shareholders & Proxies

	Description	Procedure
i.	Ask Question during AGM (real-time)	Questions submitted online using <u>typed text</u> will be moderated before being forwarded to the Chairman to avoid repetition. Every question and message will be presented with the full name of the shareholder or proxy raising the question. a. Click "***Ask Question***" button to post question(s). b. Type in your question and click "***Submit***". The Chairperson / Board of Director will endeavor to respond to questions submitted by remote shareholders and proxies during the AGM.

C: VOTING REMOTELY

Individual Shareholders & Proxies

	Description	Procedure
i.	Online Remote Voting	Once the Chairman announces the opening of remote voting: a. Click "***Confirm Details & Start Voting***". b. To vote, select your voting choice from the options provided. A confirmation screen will appear to show your selected vote. Click "***Next***" to continue voting for all resolutions. c. To change your vote, click "***Back***" and select another voting choice. d. After you have completed voting, a Voting Summary page appears to show all the resolutions with your voting choices. Click "***Confirm***" to submit your vote. [Please note that you are <u>not able</u> to change your voting choices after you have confirmed and submitted your votes.]

Administrative Guide for Shareholders (Cont'd)

ADDITIONAL INFORMATION

Voting Procedure

Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, voting at the AGM will be conducted by poll. Poll administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.

Enquiry

a. For enquiries relating to the general meeting, please contact our **Investor Relations** during office hours (9:00 a.m. to 5:00 p.m.) on Mondays to Fridays (except public holidays) as follows:

   Email: investor.relations@qesnet.com

b. For enquiries relating to RPV facilities or issues encountered during registration, log in, connecting to the live streaming and online voting facilities, please contact Vote2U helpdesk during office hours (9:00 a.m. to 5:00 p.m.) on Mondays to Fridays (except public holidays) as follows:

   Telephone Number: 03-7664 8520 / 03-7664 8521
   Email: vote2u@agmostudio.com

PROXY FORM

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 9th Annual General Meeting ("AGM") of the Company to be held on a fully virtual basis through live streaming and online remote voting using Remote Participation and Voting ("RPV") facilities via Vote2U provided by Agmo Digital Solutions Sdn Bhd in Malaysia at https://web.vote2u.my (Domain Registration No. with MYNIC – D6A471702) from the Broadcast Venue, QES Group Berhad, No. 2, Jalan Jururancang U1/21, Hicom-Glenmarie Industrial Park, Seksyen U1, 40150 Shah Alam, Selangor, Malaysia, on Friday, 16 June 2023 at 10.00 a.m. or at any adjournment *(*Strike out whichever is not desired*)*

The proportions of my/our holdings to be represented by my/our proxy(ies) are as follows:-

Proxy 1	%
Proxy 2	%
	100 %

(Should you desire to direct your proxy as to how to vote on the Resolutions set out in the Notice of Meeting, please indicate an "X" in the appropriate space. Unless otherwise instructed, the proxy may vote or abstain from voting at his discretion.)

	ORDINARY BUSINESS	**FOR**	**AGAINST**
Ordinary Resolution 1	To approve the payment of Directors' fees of Non- Executive Directors		
Ordinary Resolution 2	Re-election of Encik Adnan Bin Zainol as Director		
Ordinary Resolution 3	Re-election of Mr. Chew Ne Weng as Director		
Ordinary Resolution 4	Re-election of Ms. Wong Pek Yee as Director		
Ordinary Resolution 5	To re-appoint Messrs. Moore Stephens Associates PLT as Auditors of the Company and to authorise the Directors to fix their remuneration		
	SPECIAL BUSINESS		
Ordinary Resolution 6	Authority to allot and issue shares		
Ordinary Resolution 7	Propose granting of ESOS options to Ms. Wong Pek Yee		
Ordinary Resolution 8	Proposed Share Buy-Back		

Signed this .... day of 2023

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

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

Notes:-

1. As part of the initiatives to curb the spread of Covid-19, the encouragement of the Securities Commission Malaysia, as well as in the best interest of public health and the health and safety of our Board of Directors, employees and shareholders, the Ninth Annual General Meeting ("9th AGM") of the Company will be conducted on a fully virtual basis by way of live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities available on Vote2U Online website at https://web.vote2u.my Please follow the procedures provided in the 'Administrative Details' section of the 9th AGM in order to register, participate and vote remotely via the RPV facilities.
2. The broadcast venue of the 9th AGM is strictly for the purpose of complying with Section 327(2) of the Act and Clause 58 of the Company's Constitution which stipulate that the Chairman shall be at the main venue. Member(s)/proxy(ies)/corporate representative(s) **WILL NOT BE ALLOWED** to attend the 9th AGM in person at the broadcast venue on the day of the meeting.
3. Members are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 9th AGM via the RPV provided by Agmo Digital Solutions Sdn Bhd. ("Agmo") via its **Vote2U Online** website at https://web.vote2u.my. Please follow the Procedures for RPV provided in the Administrative Details of the 9th AGM and read the notes below in order to participate remotely via RPV.
4. Members may submit questions to the Board of Directors prior to the 9th AGM via **Vote2U Online** website at https://web.vote2u.my by selecting "Ask Question" after the login, pose questions and submit electronically no later than Wednesday, 14 June 2023 at 10.00 a.m. or to use the query box to transmit questions to the Chairman/Board via RPV during live streaming.
5. For the purpose of determining who shall be entitled to attend this General Meeting via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 9 June 2023. Only a member whose name appears on this Record of Depositors shall be entitled to attend in this 9th AGM via RPV.
6. A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
7. The Proxy Form must be deposited at the Share Registrar's office at Mega Corporate Services Sdn Bhd of Level 15-2, Faber Imperial Court Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than 48 hours before the time set for the meeting or any adjournment thereof.
8. A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.
9. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
10. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
11. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
12. A member who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at this 9th AGM via RPV must request his/her proxy to register himself/herself for RPV at **Vote2U Online** website at https://web.vote2u.my. Please follow the Procedures for RPV in the Administrative Notes of the 9th AGM.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

SHARE REGISTRAR

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

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