

GROUP HIGHLIGHTS OF 2025

SEMICON China 26th - 28th Mar 2025



SEASI 2025 21st - 24th May 2025



SEMICON SEA 20th - 22nd May 2025



GROUP HIGHLIGHTS OF 2025 (CONT'D)

ICMC 5th June 2025



IEEE_Advanced Packaging Wokshop 9th July 2025



GROUP HIGHLIGHTS OF 2025 (CONT'D)

NTU Alumni Industria Visit 18th July 2025



Lost Food Project 18th Sept 2025



GROUP HIGHLIGHTS OF 2025 (CONT'D)

Sidec Semiconductor Park – Launch of AiM Lab 6th Nov 2025



Workplace Wellbeing Workshop 24th Sept 2025



GROUP HIGHLIGHTS OF 2025 (CONT'D)

Annual Badminton Tournament 4th Oct 2025



IPFA 2025 5th - 8th Oct 2025



GROUP HIGHLIGHTS OF 2025 (CONT'D)

Mining Expo 2025 22nd - 23rd Oct 2025.



Green Club @ Eco Nook 1st Harvests 11th Nov 2025



GROUP HIGHLIGHTS OF 2025 (CONT'D)

SEMIExpo Vietnam 2025 7th - 8th Nov 2025



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 2025, 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 2021 ("MCCG 2021")'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 2025 which is available on the Group's corporate website at www.qesnet.com.

MCCG 2021 sets out the three (3) key principles and practices which are as follows:-



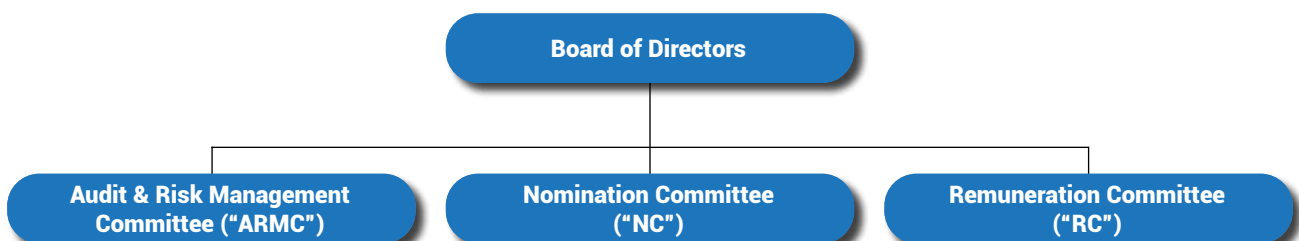
A BOARD LEADERSHIP AND EFFECTIVENESS

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 value 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 Group Managing Director. The distinct roles played by the Board and the Management creates 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:



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

A BOARD LEADERSHIP AND EFFECTIVENESS

DISCHARGING BOARD RESPONSIBILITIES (CONT'D)

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 and the final decision maker on all matters still lies with the Board of Directors as a whole.

The TOR of each of the Board Committees as approved by the Board are 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.

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.

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 2021 and the Board was satisfied with the overall results of the evaluation.

SUMMARY OF KEY MATTERS RESERVED FOR THE BOARD

- (a) Approval of annual budgets and major corporate commitments;
- (b) Business continuity, structuring and corporate plans;
- (c) Expenditure above a certain pre-determined limit;
- (d) Managing conflict of interest issues; and
- (e) Disposal of significant fixed assets and acquisition or disposal of companies within the Company

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

BOARD LEADERSHIP

Encik Adnan Bin Zainol ("Encik Adnan") the Non-Independent Non-Executive Chairman ("NINEC" or "the Chairman") of the Group provides leadership for the Board so that the Board can perform its responsibilities effectively. The Chairman also sets the Board agenda together with the Company Secretary to ensure that the Directors receive complete and accurate information in a timely manner. During Board meetings and discussions, the Chairman leads and encourage active participation and allow dissenting views to be freely expressed among the Board. As the Chairman of the Board, Encik Adnan also promotes and leads the Group in its commitment to achieve and maintain high standards of corporate governance.

SEPARATION OF POSITIONS OF CHAIRMAN AND THE GROUP MANAGING DIRECTOR

The positions of the NINEC and the Group 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 NINEC and Group Managing Director are strictly separated. The Company practices a division of responsibilities between the NINEC and the Group Managing Director. This is also to maintain effective supervision and accountability of the Board and Executive Management. The NINEC 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 Group Managing Director and Group 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

A BOARD LEADERSHIP AND EFFECTIVENESS

SEPARATION OF POSITIONS OF CHAIRMAN AND THE GROUP MANAGING DIRECTOR (CONT'D)

Guidance 1.4 of MCGG 2021 states that having the same person assume the positions of Chairman of the Board and Chairman of the ARMC, 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, Encik Adnan did not attend the Board Committees Meetings during the FYE 2025. The Chairman of the Board is also not a member of the ARMC, NC and RC.

BOARD DYNAMICS

Non-Independent Non-Executive Chairman

Encik Adnan Bin Zainol
(Appointed on 11 May 2015)
(Redesignated to NINEC on 31 May 2024)

Group Managing Director

Mr. Chew Ne Weng
(Appointed on 20 November 2014)

Group Executive Director

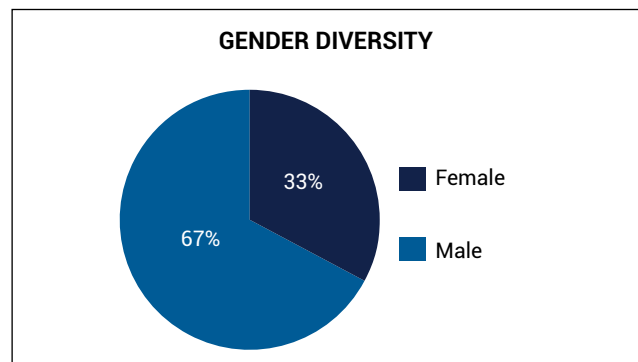
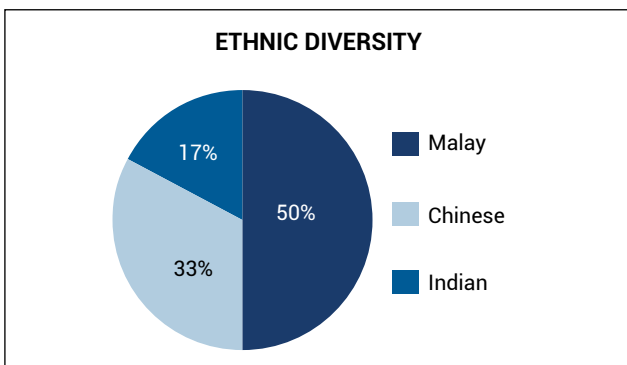
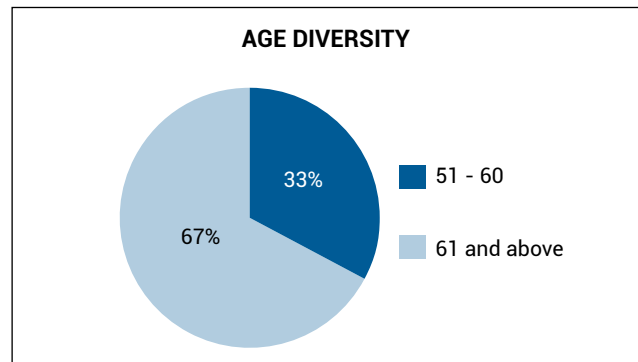
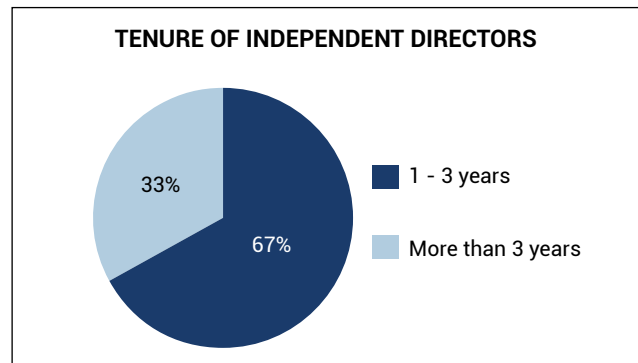
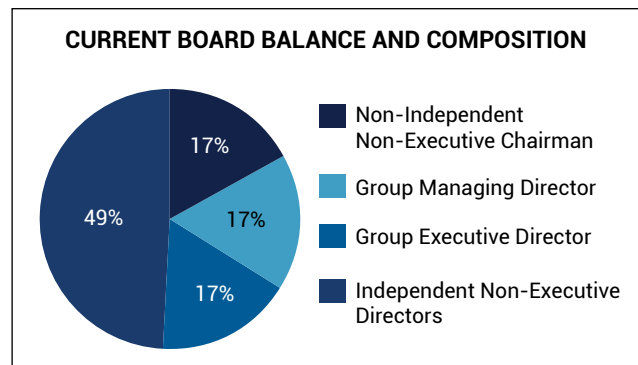
Mr. Liew Soo Keang
(Appointed on 20 November 2014)

Independent Non-Executive Directors

Pn. Maznida binti Mokhtar
(Appointed on 01 August 2019)

Dr. Gunasegaran Muthusamy
(Appointed on 01 July 2024)

Pn. Wan Fatimah Suriani Binti Ibrahim
(Appointed on 20 September 2024)



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

A BOARD LEADERSHIP AND EFFECTIVENESS

BOARD DYNAMICS (CONT'D)

Composition of the Board

During the year, the Board comprised of six (6) members, comprising one (1) NINEC, one (1) Group Managing Director, one (1) Group Executive Director and three (3) 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 MCCG 2021 Practice 5.2 which requires at least half of the Board to be Independent Directors.

The current Board composition includes leaders and professionals with expertise in the Group's business operations, finance and information technology sectors. As of the date of this report, two female Board members represent 33% of the Board's female representation, aligning with MCCG's target of achieving at least 30% female representation on the Board. The Board upholds a strong commitment to diversity, with members representing a broad range of backgrounds and experiences.

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 2025, a total of 5 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 2025, as reflected below: -

MEMBERS OF THE BOARD	BOARD OF DIRECTORS	ARMC	NC	RC
En. Adnan bin Zainol	5/5	-	-	-
Mr. Chew Ne Weng	5/5	-	-	-
Mr. Liew Soo Keang	5/5	-	-	-
Pn. Maznida binti Mokhtar	5/5	5/5	1/1	1/1
Dr. Gunasegaran Muthusamy	5/5	5/5	1/1	1/1
Pn. Wan Fatimah Suriani Binti Ibrahim	5/5	5/5	1/1	1/1

QUALIFIED AND COMPETENT COMPANY SECRETARY

The Board had appointed a qualified secretary who is a member of the Malaysian Institute of Accountants ("MIA") 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

A BOARD LEADERSHIP AND EFFECTIVENESS

QUALIFIED AND COMPETENT COMPANY SECRETARY (CONT'D)

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.

BOARD CHARTER

The Board implemented its Board Charter on 11 October 2017 and was last updated on 14 April 2022. It sets out the roles, functions, composition, operation and processes of the Board and ensures that 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 is available on the Group's corporate website at www.qesnet.com.

DIRECTORS CONTINUING EDUCATION

The Board evaluates the needs to attend training in order to enhance their skills and knowledge and keep abreast with the relevant changes in laws, regulations and business environment enabling them to discharge their duties effectively.

During the financial year, all the Directors have attended the following training programmes: -

Members of the Board	Seminars/ Conference/ Trainings Attended	Date Attended
En. Adnan bin Zainol	IR4U Shariah Series 5 - Introduction of Maqasid Al-Shariah Guidance for Islamic Capital Market	14 May 2025
	SIDC CASI SRI Conference 2025 - Shaping the Future of Asean Business in Sustainability	29 July 2025
Mr. Chew Ne Weng	Forum Ekonomi Malaysia 2025	09 January 2025
	Comprehensive Workplace Compliance Training	19 August 2025
	Office 365 Refresher & Adobe Document Cloud Briefing	17 June 2025
	Mandatory IT Cybersecurity Awareness Training	19 June 2025
	Updated Corporate IT Policy Briefing	08 September 2025
Mr. Liew Soo Keang	Bursa PLCs IR4U Series 1: Brace Up for a Volatile Year	22 January 2025
	Bursa PLCs IR4U Series 3: Implications of Trump 2.0	12 March 2025
	MSIA Webinar-India-Malaysia Semicon	30 March 2025
	SEMI Webinar-Update on Proposed U.S. Tarriffs & Impact on Semiconductor Manufacturing	06 May 2025
	Comprehensive Workplace Compliance Training	12 August 2025
	Sandmerit KPI Circle Seminar	11 September 2025
	Kursus Integriti CIDB	25 November 2025
	MS 365 Copilot Training: Explore MS 365 Copilot Chat	17 December 2025
	MS 365 Copilot Training: Get Started with MS 365 Copilot and Agent	17 December 2025
MS 365 Copilot Training for Operations	18 December 2025	

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

A BOARD LEADERSHIP AND EFFECTIVENESS

DIRECTORS CONTINUING EDUCATION (CONT'D)

Members of the Board	Seminars/ Conference/ Trainings Attended	Date Attended
Pn. Maznida binti Mokhtar	CTOS x MDI Webinar: Muflis - Jalan Keluar Dari Jerat Hutang	16 April 2025
	The Future of Corporate Reporting: Embracing IFRS S1 and S2 and the continued Integrated Thinking and Reporting	16 April 2025
	Webinar - Sales Tax Amendments & Service Tax Expansion	30 June 2025
	Boardroom Blindspots: How Our Perceptions of Risk Influence Our Boardroom Effectiveness	03 September 2025
	Case Study – Based Webinar: ESG Reporting: A Key to Value Creation Today	12 December 2025
Dr. Gunasegaran Muthusamy	Thannees Tax Virtual Tax Conference 2025:Tackling Practical Problems Faced by Taxpayers	22 April 2025
	Sales Tax & Service Tax (SST) Expansion 2025 - What's New and How It Affects Your Business	13 June 2025
	Mandatory Accreditation Programme Part II: Leading for Impact (LIP)	16-17 July 2025
	Seminar Percukaian Kebangsaan 2025	14 October 2025
Pn. Wan Fatimah Suriani Binti Ibrahim	Mandatory Accreditation Programme Part I - Directors Role, Authority & Responsibility	20-21 January 2025
	ESG Matters@ACCA - Carbon Trading : Navigating Opportunities in Malaysia's Low-Carbon Future	11 March 2025
	ICDM PowerTalk - Board Leadership in Industry Disruption - Steering Companies Through Market Shifts	12 March 2025
	Ensuring Real Impact in ESG - Dr Serina Rahman - Excellent !	28 April 2025
	Mastering The Future Workplace by MIA Digital Month 2025 - Digital Empowerment for a Sustainable Future	07 May 2025
	Robotic Process Automation (RPA) in Accounting- Transforming Audits and Financial Processes	21 May 2025
	The Journey into the AI Age: Game Changer for your Digital Transformation Era - From the POV of Board, the Necessity and Related Risks of AI Within Workplace	17 June 2025
	Leading for Longevity: The Board's Role in Driving Innovation - To Take Perspectives and Practical Takeaways for Cultivating Innovation-Driven Culture	10 July 2025
	AI Conference - Exploring AI, Assessment & Integrity, Role in Governance and Leadership etc	15 July 2025
	Mandatory Accreditation Programme Part II: Leading For Impact (LIP)	16–17 July 2025
	TechInsights - Building an AI Literate Finance Team - From Buzzwords to Business Impact	28 August 2025
	Boardroom Blindspots : How Our Perceptions of Risk Influence Our Boardroom Effectiveness	03 September 2025
	Board Simulation Sustainability Leadership - Balancing Risk & Opportunities in Sustainability Leadership	09 September 2025
	Urgent Ethical Challenges for ACCA Professionals - Navigating the AI Frontier	19 November 2025

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

A BOARD LEADERSHIP AND EFFECTIVENESS

CODE OF ETHICS AND CONDUCT

The Board had established a Code of Ethics and Conduct 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 Ethics and Conduct is available on the Group's corporate website at www.qesnet.com.

ANTI-CORRUPTION AND BRIBERY POLICY

The Board has in place an Anti-Corruption and 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 and Bribery Policy is available on the Group's corporate website at www.qesnet.com.

DIRECTOR 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 www.qesnet.com.

WHISTLEBLOWING POLICY

The Board had established the policies and procedures on Whistleblowing for the Group on 20 March 2018 and was last updated on 20 May 2024. The Group's Whistleblowing policies and procedures provide an avenue for all employees of the Group and members of the public to raise concerns or disclose any improper conduct within the Group and to take appropriate action to resolve them effectively.

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

CONFLICT OF INTEREST

Members of the Board are required to make a declaration to that effect at the Board meeting in the event that they have interests in proposals being considered by the Board, including where such interests arises through family members, in line with various statutory requirements on disclosure. Any Director with an interest in a proposed subject shall abstain themselves from deliberations and decisions of the Board.

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 a Sustainability Steering Committee ("SSC"), comprising the Group Managing Director, Group Executive Director, Key Management and the sustainability working committee.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

A BOARD LEADERSHIP AND EFFECTIVENESS

GOVERNANCE OF SUSTAINABILITY (CONT'D)

The Board is responsible for the overall sustainability strategy and oversees the Group's sustainability framework whilst the Group Managing Director is responsible for incorporating the overall sustainability roadmap of the Group into the business strategies and business decisions and ensuring the implementation of the sustainability strategies 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.

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 2021 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.

TENURE OF INDEPENDENT DIRECTOR

Pursuant to the MMLR and also MCCG 2021, the tenure of Independent Directors is limited to a cumulative term, of not exceeding 12 years and 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.

On 26 February 2026, 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 Independent Non-Executive Directors meets 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 2025 was considered appropriate and adequate to effectively govern the Group.

The Group practices a division of responsibility between the Executive and Non-Executive Directors.

The Group 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 INED is reviewed annually. Directors with declared interests abstain from both discussion and decisions relating to those interests.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

A BOARD LEADERSHIP AND EFFECTIVENESS

TENURE OF INDEPENDENT DIRECTOR (CONT'D)

New Candidates for Board Appointment

The principal function of making recommendations for new appointments or re-election of retiring Directors has been delegated to the NC.

The evaluation of suitable candidate is not only based on academic but also through experience in this industry to ensure that valuable contribution which will be beneficial to the Company can be given to encourage growth of the Company. In making a recommendation to the Board on the candidates for directorship, the NC will consider and nominate the candidates based on the objective criteria, including:- (a) skills, knowledge, expertise and experience; (b) professionalism; (c) integrity; (d) time commitment to the Company based on the number of directorships held; and (e) in the case of candidates for the position of Independent Non-Executive Director, the NC will also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Director. All Directors shall not hold more than five (5) directorships in other listed issuers as required under Paragraph 15.06 of the MMLR of Bursa Securities.

Boardroom Diversity and Key Management Team

Members of the Board comprise professionals from diverse gender, ethnicity, age, bringing with them in-depth and diversity of expertise, a wide range of experience and perspective in discharging their responsibilities and duties and in managing the business of the Group. The profile of each Director is presented on pages 5-9 of this Annual Report.

The appointment of the Key Management was also made with due regard for diversity in skills, experience, age, cultural background and gender. Their detailed particulars are provided on pages 10-12 of this Annual Report.

NOMINATION COMMITTEE REPORT

The Nomination Committee ("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 TOR of the NC is available at the Group's corporate website at www.qesnet.com.

The present composition of the NC consists of 3 members of the Board, all of whom are INED. As at the date of this Statement, the present members of the NC are as follows:

Name of Member	Designation	Role in NC
Dr. Gunasegaran Muthusamy	Independent Non-Executive Director	Chairman
Pn. Maznida binti Mokhtar	Independent Non-Executive Director	Member
Pn. Wan Fatimah Suriani Binti Ibrahim	Independent Non-Executive Director	Member

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

A BOARD LEADERSHIP AND EFFECTIVENESS

BOARD APPOINTMENT

The current process with regards to the appointment of new Directors to the Board are based on the recommendations of the NC based on Directors' network and referrals from major shareholders.

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

- (a) 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;
- (b) 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
- (c) The appropriate number of INED to fulfil the requirements under MMLR which requires at least two (2) or 1/3 of the membership of the Board must be Independent Directors.

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

Although the NC and the Board did not utilise independent sources with regards to the appointments, the Board decisions were still made objectively in the best interests of the Company taking into account the diverse skill, expertise, experience and perspectives of the current Board members.

ACTIVITIES OF THE NC

Below is a summary of the activities undertaken by the NC for the FYE 2025: -

- (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 ARMC and each of its members;
- (d) Reviewed and assessed the performance and the fit and proper criteria, and made recommendations to the Board for its approval, regarding the Directors who are seeking for re-election at the upcoming Annual General Meeting ("AGM"); and
- (e) Assessed Directors' training to ensure all Directors receive appropriate continuous training programmes.

BOARD & DIRECTORS EFFECTIVENESS EVALUATION

a) Evaluation for Board, Board Committees and Individual Directors

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 2021 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 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. On 26 February 2026, 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

A BOARD LEADERSHIP AND EFFECTIVENESS

BOARD & DIRECTORS EFFECTIVENESS EVALUATION (CONT'D)

b) Re-election and Re-appointment 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 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.

c) Appointment of new Director

The chart below shows the procedures on the appointment of a new Director:-



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

REMUNERATION COMMITTEE REPORT

The Remuneration Committee ("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.

During the FYE 2025, the RC together with the assistance of the Group's Senior Manager of Human Resources and Admin reviewed and recommended the remuneration of Directors for FYE 2025. The TOR of the RC is available at the Group's corporate website at www.qesnet.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

A BOARD LEADERSHIP AND EFFECTIVENESS

REMUNERATION COMMITTEE REPORT (CONT'D)

The present composition of the RC consists of 3 members of the Board, all of whom are INED. As at the date of this Statement, the present members of the RC are as follows:

Name of Member	Designation	Role in RC
Dr. Gunasegaran Muthusamy	Independent Non-Executive Director	Chairman
Pn. Wan Fatimah Suriani Binti Ibrahim	Independent Non-Executive Director	Member
Pn. Maznida binti Mokhtar	Independent Non-Executive Director	Member

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.

The details of the remuneration of Directors of the Company comprising the remuneration received/receivable from the Company and its subsidiaries during the financial year ended 31 December 2025 are as follows: -

Directors	# Fees (RM'000)	Salaries & *Other emoluments (RM'000)	Benefits- in-kind (RM'000)	Total (RM'000)
The Company				
Executive Directors				
Mr. Chew Ne Weng	-	-	-	-
Mr. Liew Soo Keang	-	-	-	-
Non-Executive Directors				
Encik Adnan Bin Zainol	72	-	-	72
Pn. Maznida Binti Mokhtar	72	-	-	72
Dr. Gunasegaran Muthusamy	72	-	-	72
Pn. Wan Fatimah Suriani Binti Ibrahim	72	-	-	72
The Group				
Executive Directors				
Mr. Chew Ne Weng	67	850	35	952
Mr. Liew Soo Keang	67	745	35	847
Non-Executive Directors				
Encik Adnan Bin Zainol	72	-	-	72
Pn. Maznida Binti Mokhtar	72	-	-	72
Dr. Gunasegaran Muthusamy	72	-	-	72
Pn. Wan Fatimah Suriani Binti Ibrahim	72	-	-	72

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 contribution to the Employer Provident Fund and Social Security contributions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

A BOARD LEADERSHIP AND EFFECTIVENESS

REMUNERATION POLICY (CONT'D)

Remuneration of the Key Management

The aggregate remuneration paid to the four Key Management of the Group during the financial year ended 31 December 2025 analysed into the following bands are as follows:

Remuneration Bands	Number of Key Management
RM500,001 - RM550,000	1
RM550,001 - RM600,000	1
RM600,001 - RM650,000	1
RM2,750,001 - RM2,800,000	1

The individual remuneration details of the four Key Management personnel are not disclosed in bands of RM50,000 on a named basis, as doing so may compromise confidentiality, potentially lead to adverse outcomes, and affect the overall harmony of the work environment, which is essential for achieving long-term strategic objectives. The Board is of the view that the transparency and accountability aspects of the MCCG 2021 on disclosure of the remuneration of key management are appropriately served by the above remuneration disclosures in bands as shown above.

B EFFECTIVE AUDIT AND RISK MANAGEMENT

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Audit & Risk Management Committee ("ARMC") comprises of 3 INED. The ARMC is chaired by an INED, Pn. Maznida Binti Mokhtar. The TOR of the ARMC was updated and approved on 18 November 2024 and is available at the Group's corporate website at www.qesnet.com.

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

None of the ARMC members was a former partner of the external audit firm of the Company which is in line with the MCCG 2021 that stipulates that no former partner of the external audit firm of the Company could be appointed as a member of the ARMC before observing a cooling-off period of at least 3 years.

Name of Member	Designation	Role in ARMC
Pn. Maznida binti Mokhtar	Independent Non-Executive Director	Chairperson
Dr. Gunasegaran Muthusamy	Independent Non-Executive Director	Member
Pn. Wan Fatimah Suriani Binti Ibrahim	Independent Non-Executive Director	Member

EXTERNAL AUDITOR

Messrs. KPMG PLT was appointed as the Group's External Auditors for the FYE 2025 to provide relevant and transparent reports to the shareholders. The ARMC met on 18 November 2025 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 ARMC for FYE 2025. 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 26 February 2026, the ARMC was satisfied with the performance of the External Auditors and had made recommendation to the Board for the External Auditors re-appointment for FYE 2026.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

B EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

INTERNAL AUDITOR

NBS Smart Focus Group Sdn. Bhd. is in-charge of the internal audit function and assists the ARMC in reviewing, evaluating, and monitoring the effectiveness of the Group's governance, risk management and internal control process. The ARMC met once during the FYE 2025 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 ARMC on 18 November 2025. An annual assessment on the performance of the Internal Auditor was also conducted by the ARMC on 26 February 2026. Based on the annual evaluation conducted, the ARMC was satisfied with the performance of the Internal Auditor for the FYE 2025.

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 2025. 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 2025 provides an overview on the state of risk management and internal controls within the Group.

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.

CORPORATE WEBSITE

The Group maintains a comprehensive and up-to-date website, which includes an Investor Relations section along with complete contact details and relevant information. Regular updates, news, announcements, and other pertinent information are also posted on the website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

C INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

COMPLIANCE WITH MCCG 2021

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 2021.

The status of application of MCCG 2021 practices are summarised as follows :-

	Applied/ Adopted	Departure	Not applicable	Not-adopted	Total
Practices	38	3	2	-	43
Step-Up practices	2	-	-	3	5

At the date of this Statement, QES has adopt 40 out of 48 practices including 2 step-up practices of MCCG 2021. The practices that have yet to be applied/adopted are as follows:-

MCCG Practice	Status of Application	Description
Practice 5.4	Step Up Practice 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 Practice 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 Practice 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 13.3	Departure	<p>Listed companies should leverage technology to facilitate–</p> <ul style="list-style-type: none"> • voting including voting in absentia; and • remote shareholders' participation at general meetings. <p>Listed companies should also take the necessary steps to ensure good cyber hygiene practices are in place including data privacy and security to prevent cyber threats.</p>

CONDUCT OF GENERAL MEETINGS

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 12th 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 Chairman 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 Chairman 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 2025.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

C INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

DIRECTORS' RESPONSIBILITY STATEMENT FOR THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 ("Act") to prepare the financial statements for each financial year which have been made in accordance with the applicable Malaysian Financial Reporting Standards ("MFRS") and the requirements of the Act.

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 MFRS, International Financial Reporting Standards and the requirements of the Act in Malaysia. In ensuring the preparation of these financial statements, the Directors have observed the following criteria:

- (a) Overseeing the overall conduct of the Company's business and that of the Group;
- (b) Identifying principal risks and ensuring that an appropriate system of internal control exists to manage these risks;
- (c) Reviewing the adequacy and integrity of Internal Controls System and Management Information System in the Company and within the Group;
- (d) Adopting suitable accounting policies and apply them consistently;
- (e) Making judgments and estimates that are reasonable and prudent; and
- (f) 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 Act 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 minimize fraud and other irregularities.

The Directors are satisfied that in preparing the financial statements of the Group for the FYE 31 December 2025, 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 2021 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 2021 and all other applicable laws and regulations.

This CG Overview Statement was approved by the Board of Directors of QES on 15 April 2026.

ADDITIONAL COMPLIANCE INFORMATION

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

Utilisation of Proceeds

There were no proceeds raised from any corporate proposal during the financial year.

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 2025 are as follows:-

	Group RM'000	Company RM'000
Audit fee	516	82
Non-audit fee	159	16

The non-audit services rendered included statutory tax compliance services and review of the Statement on Risk Management and Internal Control.

Material Contracts

There was 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.

On 22 August 2023, the Company announced the extension of the duration for the exercisable of unexercised ESOS shares, expiring on 30 June 2024 for another 5 years to 30 June 2029 in accordance with the provisions of the ESOS By-Laws. The ESOS extension is not subject to any approval from Bursa Malaysia Securities Berhad, the Securities Commission Malaysia and the shareholders of the Company.

There were no ESOS options granted since implementation.

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

OTHER INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD - MAIN MARKET LISTING REQUIREMENTS (CONT'D)

Recurrent Related Party Transactions of a Revenue or Trading Nature

At the Annual General Meeting held on 18 June 2025, the Company obtained a mandate from its shareholders to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

The details of the recurrent related party transactions conducted during the financial year ended 31 December 2025 pursuant to the said shareholders' mandate are disclosed as follows:

Mandated Related Party	Transacting Company within QES Group	Interested Director/ Major Shareholder	Nature of transactions	Amount transacted during the financial year (RM'000)
Applied Engineering Technology (M) Sdn. Bhd. ("AETM")	QES Mechatronic Sdn. Bhd. ("QMC")	Chew Ne Weng WA Capital Sdn Bhd Zhou Fu (L) Foundation	Purchase of industrial equipment parts and components by QMC from AETM	Nil
	QES Vision Solutions Sdn. Bhd. ("QVS")	Chew Ne Weng WA Capital Sdn Bhd Zhou Fu (L) Foundation Leong Kook Weng	Commission income charged by QVS to AETM	5
	QES Mechatronic Sdn. Bhd. ("QMC")	Chew Ne Weng WA Capital Sdn Bhd Zhou Fu (L) Foundation	Rental received or receivable by QMC from AETM on a monthly basis	353

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 to achieve the Group's goals and objectives in generating value to the shareholders. The Board annually reviews the effectiveness and adequacy of the framework and system by identifying, assessing, monitoring and communicating key business risks to safeguard shareholders' investments and the 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. Under Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR"), the Board of QES is pleased to report on its Statement on Risk Management and Internal Control ("SORMIC"), which provides an overview of the nature and state of risk management and internal controls of the 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'S RESPONSIBILITY AND ACCOUNTABILITY

The Board is committed to ensuring the existence of an appropriate risk management framework and sound, efficient and effective system of internal control to safeguard shareholders' investment and the Group's assets. The system is designed to provide reasonable assurance of effective operations and compliance with laws and regulations. The Board ensures the effectiveness of the system through systematic 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 and Risk Management Committee ("ARMC") to the Board for its deliberation and approval and matters or decisions made within the ARMC's purview were referred to the Board for its notation.

The Managing Director and the Head of Finance hereby confirm that, for the financial year ended 2025, the Group's internal controls and risk management system were adequate and effective.

The Board has reviewed the risk management framework and is satisfied that it is operational and provides reasonable assurance that:

- The Group's assets are safeguarded.
- Transactions are properly authorised and recorded.
- Risks are identified, monitored, and managed in accordance with the Group's objectives.

This assurance is provided in compliance with applicable governance and reporting requirements.

GOVERNANCE AND OVERSIGHT

- **Board:** Oversees the Group's risk management framework by setting the risk appetite, ensuring effective implementation of policies and controls, monitoring system adequacy, and approving the SORMIC disclosure.
- **ARMC & Internal Audit Function:** Provides independent assurance on the adequacy and effectiveness of risk management and internal controls.

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 institutionalises 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 the ARMC and the Board.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

The senior management meets on a half-yearly basis with the Managing Director and Executive Director, together 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 ARMC 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 with the Group's risk management framework.

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 ARMC in providing an independent assessment of 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 ARMC. Annually, the internal audit firm presents to the ARMC with the internal audit reports.

During FYE 2025, the internal audit reviews were carried out by the internal audit team to address the related internal control weaknesses. Weaknesses that were 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 ARMC 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 ARMC;
- 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 reports on the activities performed, key strategic and control issues observed by the ARMC annually. The ARMC 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 Organisations 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. The Group's internal controls and risk management system were reviewed and strengthened through the integration of internationally recognized frameworks, including COSO, ISO 31000 and the IIA's Three Lines Model. These frameworks provided structured methodologies to assess, monitor, and enhance the effectiveness of controls and risk oversight, ensuring alignment with global best practices.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

Input from various sources inclusive of the Enterprise Risk Management ("ERM") Framework, business plan, past audit issues, External Auditors, Management and the Board are gathered, assessed and prioritised to derive the annual audit plan.

In 2025, full audit and follow-up audit reviews were conducted in various subsidiaries.

I. Full Internal Audit Review:

- b) QES Mechatronic Sdn. Bhd.
- c) QAM (Asia-Pacific) Sdn. Bhd.
- d) QES Vision Solutions Sdn. Bhd.
- e) QES Technology Philippines, Inc.

II. Follow Up Review:

- a) QES (Thailand) Co., Ltd.
- b) QES (Vietnam) Co., Ltd.

3. Enterprise Risk Management Report

There was a total of seven (7) reports issued, four (4) Full Internal Audit reviews, two (2) Follow-up reviews, and one (1) ERM report. Internal Audit reviews were conducted to establish the state of internal control based on the information provided by the Management.

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

QUALITY ASSURANCE

The internal audit firm develops and maintains a quality assurance 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 peer reviewer mechanism to ensure consistently good quality output of every audit engagement. The team leader is well-experienced in managing internal audit assignments.

INFORMATION AND COMMUNICATION

While the Management has full responsibility for 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 about information and clarification from the Management as well as to seek inputs from the ARMC, External and Internal Auditors, and other experts at the expense of the Group.

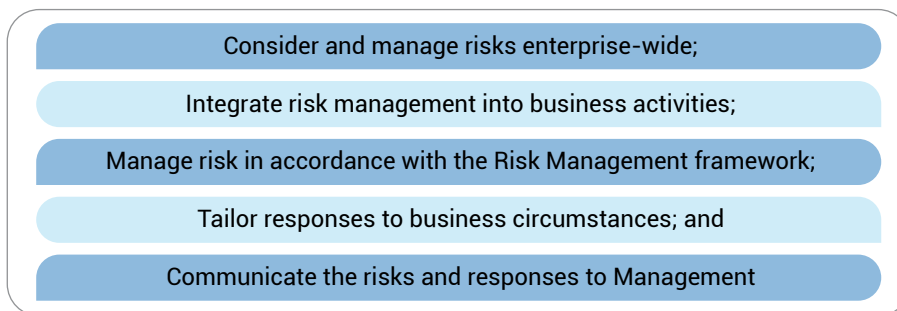
RISK MANAGEMENT

The Board has an established ongoing process for identifying, evaluating and managing the significant risks encountered by the Group in accordance with 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 management 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

The Board regards risk management as an integral part of the Group's business operations and has oversight over this critical area through the ARMC. The ARMC, supported by the Internal Auditor, provides an independent assessment of the effectiveness of the Group's 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 are strategic, operational, regulatory, financial, market, technological, product and reputational risk.

The ERM process is based on the following principles:



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 work closely with the Group's operational managers to continuously strengthen the risk management initiatives within the Group so that they respond effectively.

The Board recognises the importance of ERM in enhancing shareholders' value while upholding a high standard of corporate governance. With a 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 that 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 and harmonises its risks and risk appetites at the operational level wherever possible.

The Group has established a risk management framework that defines structures, policies, procedures, and responsibilities. It sets out processes for identifying, assessing, managing, and monitoring significant risks, supported by the articulation of risk appetite, key risk indicators (KRIs), and tolerances.

The framework also addresses emerging and strategic risks, with specific consideration given to environmental, social, and governance ("ESG"), climate change, cybersecurity, fire safety, artificial intelligence, technology disruption, and supply chain vulnerabilities.

ESG Disclosure

The Group has embedded ESG considerations into its risk management and reporting framework. In line with evolving regulatory expectations in Malaysia and international best practices, the Group has aligned its sustainability disclosures with International Financial Reporting Standards ("IFRS") S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures), issued by the International Sustainability Standards Board ("ISSB").

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

- IFRS S1 sets out the overall requirements for disclosing sustainability-related financial information, including principles for identifying material sustainability risks and opportunities, governance, reporting boundary, and the connectivity with financial statements.
- IFRS S2 focuses specifically on climate-related risks and opportunities, requiring companies to report on governance, strategy, risk management, and metrics and targets to provide investors with decision-useful information on climate impacts.

Integration: These frameworks were applied to strengthen transparency, align with stakeholder expectations, and ensure that ESG risks such as climate change, biodiversity loss, and sustainability challenges are systematically addressed.

This approach demonstrates the Group's commitment to ESG governance, accountability, and alignment with global disclosure standards.

RISK STRUCTURE/ACCOUNTABILITY AND RESPONSIBILITY

Further improving our risk governance, ERM structures have been established at each subsidiary company, business unit and department. 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 annually. 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

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2025 and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

- has not been prepared in accordance with the disclosures required by Section 7 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Companies
- is factually inaccurate.

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

CONCLUSION

For the financial year under review, no significant internal control deficiencies or material weaknesses were identified. The Board considers the Group's system of internal control and risk management adequate to safeguard shareholders' investments and assets, while recognising the need for continuous enhancement to meet evolving business challenges. This conclusion is based on audit work performed by the External and Internal Auditors and assurance provided by the respective Heads of Department.

AUDIT & RISK MANAGEMENT COMMITTEE REPORT

The Audit Committee ("AC") of QES Group Berhad ("the Company") was established on 11 October 2017 and subsequently renamed as the Audit and Risk Management Committee ("ARMC") on 20 September 2024. Its primary objective is to enhance the Board's assurance by providing an objective and independent review of the financial, operational and administrative controls and procedures. Additionally, the ARMC is responsible for establishing and maintaining internal controls, safeguarding the independence of the Group's External Auditors, assessing the effectiveness of the Internal Auditors, ensuring compliance with applicable laws and regulations, and promoting adherence to a proper code of conduct. Additionally, the ARMC now oversees the group's risk management practices to proactively identify, assess, and mitigate risks.

1. COMPOSITION OF THE AUDIT & RISK MANAGEMENT COMMITTEE

The ARMC comprises of 3 members, all of whom are Independent Non-Executive Directors. This is in line with Paragraph 15.09 of the Main Market Listing Requirement ("MMLR") which stipulates that the composition of ARMC must be composed of not fewer than 3 members and all the ARMC members must be Non-Executive with a majority of them being Independent Directors.

The qualifications of the ARMC members comprise of the following :

Name of Member	Qualifications/ Membership
Maznida Binti Mokhtar (Chairperson)	(a) Bachelor of Science in Economics (Honours) from London School of Economics and Political Science (b) Malaysia Institute of Accountants ("MIA") (c) Institute of Chartered Accountants of England and Wales
Dr. Gunasegaran Muthusamy (Member)	(a) PhD in Business Administration (b) Master of Science (Management) (c) Bachelor of Science (Housing, Building and Planning) with Hons (Majoring in Management) (d) Diploma in Management Science
Wan Fatimah Suriani Binti Ibrahim (Member)	(a) Association of Chartered Certified Accountants ("ACCA") (b) Bachelor of Arts (Honors) Accountancy (c) Malaysia Institute of Accountants ("MIA")

The qualifications and memberships held by the ARMC members comply with the requirements outlined in Paragraph 15.09(c) of the MMLR.

2. DESIGNATION AND ATTENDANCE

The ARMC met 5 times during the FYE 2025. The details of the ARMC meetings held and the attendance of the ARMC Members are as follows: -

Name of Member	Designation	Membership	Appointment Date	Attendance/ Held
Maznida Binti Mokhtar	Chairperson	Independent Non-Executive Director	Appointed on 1 August 2019	5/5
Dr. Gunasegaran Muthusamy	Member	Independent Non-Executive Director	Appointed on 1 July 2024	5/5
Wan Fatimah Suriani Binti Ibrahim	Member	Independent Non-Executive Director	Appointed on 20 September 2024	5/5

AUDIT & RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

3. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

FINANCIAL REPORTING

- (a) Reviewed the unaudited quarterly financial results and announcements of the Group, and recommended their submission to the Board for approval and subsequent release to Bursa Securities;
- (b) Assessed any related party transactions and potential conflicts of interest that may arise within the Group during the FYE 2025;
- (c) Reviewed the audited financial statements for the FYE 2025; and
- (d) Reviewed the Corporate Governance Overview Statement, Corporate Governance Report 2025 and Statement on Risk Management and Internal Control to ensure compliance with the MMLR of Bursa Securities and recommend their inclusion in the Annual Report 2025 to the Board.

EXTERNAL AUDIT

- (a) During the FYE 2025, the ARMC reviewed the External Auditor's, Messrs. KPMG PLT ("KPMG") 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 ("ISA") 701; and
 - (ii) The Audit Status Presentation for FYE 2025, which provided an update on the current status of the audit, a summary of identified risks, findings from the External Auditors, corrected audit misstatements, materiality of Key Audit Matters identified, any significant deficiencies in internal control, audit adjustments, unadjusted differences, and the Auditors' confirmation pursuant to ISA 260 Communication with Those Charged with Governance that they have complied with independence requirements.
- (b) Scrutinised potential Key Audit Matter raised by the External Auditors and ensured that sufficient work had been done to support the audit conclusions and overall impact on the financial statements.

The Key Audit Matter vetted by the ARMC was on:-

- i) Impairment of trade receivables – Expected Credit Loss ("ECL") allowance;
- (c) The ARMC reviewed and assessed the audit fees and assessed the performance of the External Auditors based on objectivity, independence and quality of service delivery;
- (d) Discussed with the External Auditors regarding updates or proposed changes in accounting standards, regulatory requirements and considered the implications of these changes on the financial statements, in relation to the new Financial Reporting System; and
- (e) The ARMC met with the External Auditors without the presence of the Executive Directors and Management on 18 November 2025 to discuss audit findings and assistance given by the Management. There were no major concerns raised by the External Auditors during the session.

INTERNAL AUDIT

- (a) Reviewed the Internal Audit Reports presented by the Internal Auditor;
- (b) Reviewed the Internal Audit Strategic Plan for the Year 2026; and
- (c) Assessed the performance of the Internal Auditors.

AUDIT & RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

3. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR (CONT'D)

RISK MANAGEMENT

- (a) Reviewed the Statement on Risk Management and Internal Control; and
- (b) Reviewed and approved the Group's Enterprise Risk Management Report 2025.

RELATED PARTY TRANSACTIONS

- (a) Reviewed the Circular to Shareholders on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature; and
- (b) Reviewed the estimated RRPT Mandate from the forthcoming Annual General Meeting ("AGM") till the next AGM;

OTHERS

- (a) Reviewed the Statement to Shareholders in relation to the Proposed Renewal of Share Buy-Back Authority up to ten percent (10%) of the Total Number of Issued Shares of the Company;
- (b) Reviewed the assessment on outsourced service providers;
- (c) Reviewed on a quarterly basis on the status of debt collections;
- (d) Reviewed the Non-Assurance Services Pre-Approval Policy; and
- (e) Reviewed the Group's Capital Commitment and Loan Covenants.

INTERNAL AUDIT FUNCTION

The Group outsourced its internal audit function to an independent consulting firm, NBS Smart Focus Group Sdn. Bhd. which reports directly to the ARMC. 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 ARMC.

During the FYE 2025, the Internal Auditors conducted the following reviews: -

The ARMC and the Board agreed that the internal audit review was done in accordance with the audit plan and the coverage was adequate.

Metric	Achievement/ Report
Percentage of audit plan complete	100%
Number of full audit reports issued	4
Number of follow-up audit reports issued	2
Additional areas covered as instructed by the ARMC	ALL
Critical Audit Findings	100%
Recommendations accepted and implemented	100%
Report on Enterprise Risk Management & Strategic Risk Assessment	1

AUDIT & RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

3. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR (Cont'd)

Reported Date	Report
21 August 2025	<ul style="list-style-type: none"> I. Full Internal Audit Review: <ul style="list-style-type: none"> b) QES Mechatronic Sdn. Bhd. c) QAM (Asia-Pacific) Sdn. Bhd. d) QES Vision Solutions Sdn. Bhd. e) QES Technology Philippines, Inc. II. Follow Up Review: <ul style="list-style-type: none"> a) QES (Thailand) Co., Ltd. b) QES (Vietnam) Co., Ltd. III. Enterprise Risk Management Report

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

The ARMC met with the Internal Auditor once on 18 November 2025 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 2025 was RM32,000.

FINANCIAL STATEMENTS

ACCOUNTABILITY

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2025

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 2025.

Principal activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit for the year	<u>16,848</u>	<u>6,309</u>
Attributable to:-		
Owners of the Company	16,335	6,309
Non-controlling interests ("NCI")	<u>513</u>	<u>-</u>
	<u>16,848</u>	<u>6,309</u>

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year:

- (i) On 27 February 2025, the Board of Directors has approved and declared a single tier final dividend of 0.30 sen per ordinary share totalling RM2,502,416 in respect of the financial year ended 31 December 2024. The final dividend has been paid on 28 March 2025.
- (ii) On 26 February 2026, the Board of Directors has approved and declared a single tier final dividend of 0.75 sen per ordinary share totalling RM6,245,720 in respect of the financial year ended 31 December 2025. The final dividend has been paid on 30 March 2026 and will be recognised in the financial year ending 31 December 2026.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONT'D)

Directors of the Company

Directors who served during the financial year until the date of this report are:

Chew Ne Weng*
Liew Soo Keang*
Adnan Bin Zainol
Maznida Binti Mokhtar
Gunasegaran A/L Muthusamy
Wan Fatimah Suriani Binti Ibrahim

* These Directors are also Directors of certain 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' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONT'D)

Directors' interests in shares

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 31.12.2025 Unit
	At 01.01.2025 Unit	Bought Unit	Sold 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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Indirect interest:				
- Chew Ne Weng*	218,000,000	-	-	218,000,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

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' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those shown below) 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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONT'D)

Directors' benefits (continued)

The Directors' benefits paid to or receivable by Directors in respect of the financial year ended 31 December 2025 are as follows:

	From the Company RM'000	From the subsidiary companies RM'000
Directors' remuneration		
<i>Directors of the Company</i>		
Salaries and bonus	-	1,336
Fees	288	134
Defined contribution plan	-	251
Social security contributions	-	7
	288	1,728
 Analysis of estimated benefits-in-kind		
<i>Directors of the Company</i>		
Estimated monetary value of benefits-in-kind	-	70
	288	1,798

Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company during the financial year.

There were no debentures issued by the Company 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.

Indemnity and insurance costs

During the financial year, total amount of indemnity given to or insurance effected for the Directors and Officers of the Company and its subsidiaries is RM15,400,000 with insurance premium of RM23,100. No indemnity was given to or insurance effected for auditors of the Company.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONT'D)

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- 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 this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2025 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Subsequent event

On 11 March 2026, QES (Asia-Pacific) Sdn. Bhd. ("QAP") increased its investment in QES (Hong Kong) Limited ("QHK") through the subscription of an additional 1 ordinary share for a total consideration of RM978,875. This subscription has no dilution effect on the controlling interest of QAP in QHK of 100%.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONT'D)

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration of the Group and of the Company during the year are RM675,000 and RM98,000 respectively. Details are set out as per below:

	Group RM'000	Company RM'000
Auditors' remuneration		
Audit fees:		
- KPMG PLT	282	82
- Oversea affiliates of KPMG PLT	124	-
- Other auditors	110	-
Non-audit fees:		
- KPMG PLT	22	10
- Local affiliates of KPMG PLT	76	6
- Overseas affiliates of KPMG PLT	11	-
- Other auditors	50	-
	675	98

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Chew Ne Weng
 Director

.....
Liew Soo Keang
 Director

Kuala Lumpur

Date: 16 April 2026

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

	Note	Group		Company	
		2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Assets					
Property, plant and equipment	2	85,213	77,060	5	6
Right-of-use assets	3	5,667	5,455	-	-
Intangible assets	4	9,599	10,255	-	-
Investment in subsidiaries	5	-	-	51,358	51,358
Investment in an associate	6	1,517	2,106	-	-
Deferred tax assets	7	3,491	1,151	-	-
Total non-current assets		<u>105,487</u>	<u>96,027</u>	<u>51,363</u>	<u>51,364</u>
Inventories	8	31,195	30,664	-	-
Trade and other receivables	9	73,987	86,081	1	1
Current tax assets		1,041	798	-	-
Amount due from subsidiaries	10	-	-	25,346	26,750
Fixed deposits with financial institutions	11	22,313	21,839	-	-
Cash and cash equivalents	12	90,700	78,703	12,945	8,215
Total current assets		<u>219,236</u>	<u>218,085</u>	<u>38,292</u>	<u>34,966</u>
Total assets		<u>324,723</u>	<u>314,112</u>	<u>89,655</u>	<u>86,330</u>
Equity					
Share capital	13	80,775	80,775	80,775	80,775
Reserves		(23,767)	(21,464)	(510)	-
Retained earnings		138,680	124,815	9,103	5,296
Total equity attributable to owners of the Company		<u>195,688</u>	<u>184,126</u>	<u>89,368</u>	<u>86,071</u>
Non-controlling interests		<u>3,993</u>	<u>3,895</u>	<u>-</u>	<u>-</u>
Total equity		<u>199,681</u>	<u>188,021</u>	<u>89,368</u>	<u>86,071</u>

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2025 (CONT'D)

	Note	Group		Company	
		2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Liabilities					
Borrowings	16	44,170	36,560	-	-
Lease liabilities		427	81	-	-
Deferred tax liabilities	7	390	1,035	1	1
Provisions	17	2,100	2,011	-	-
Total non-current liabilities		<u>47,087</u>	<u>39,687</u>	<u>1</u>	<u>1</u>
Borrowings	16	16,478	18,439	-	-
Lease liabilities		376	370	-	-
Provisions	17	388	777	-	-
Trade and other payables	18	41,518	50,767	219	219
Amount due to a subsidiary	10	-	-	28	14
Contract liabilities	19	17,034	14,324	-	-
Current tax liabilities		2,161	1,727	39	25
Total current liabilities		<u>77,955</u>	<u>86,404</u>	<u>286</u>	<u>258</u>
Total liabilities		<u>125,042</u>	<u>126,091</u>	<u>287</u>	<u>259</u>
Total equity and liabilities		<u>324,723</u>	<u>314,112</u>	<u>89,655</u>	<u>86,330</u>

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	Group		Company	
		2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Revenue	20	266,840	269,577	6,542	5,542
Cost of sales		<u>(200,054)</u>	<u>(201,485)</u>	<u>-</u>	<u>-</u>
Gross profit		66,786	68,092	6,542	5,542
Administrative expenses		(24,269)	(23,662)	(886)	(793)
Marketing and distribution expenses		(9,903)	(9,567)	-	-
Net reversal/(loss) on impairment of financial instruments		454	(588)	-	-
Other expenses		(12,744)	(10,406)	(2)	(5)
Other income		<u>3,222</u>	<u>2,375</u>	<u>235</u>	<u>371</u>
Result from operating activities		23,546	26,244	5,889	5,115
Finance income		1,177	942	541	254
Finance costs	21	(2,227)	(2,035)	-	-
Share of result of an associate, net of tax	6	<u>(589)</u>	<u>(455)</u>	<u>-</u>	<u>-</u>
Profit before tax	22	21,907	24,696	6,430	5,369
Income tax expense	24	<u>(5,059)</u>	<u>(7,594)</u>	<u>(121)</u>	<u>(66)</u>
Profit for the year		<u>16,848</u>	<u>17,102</u>	<u>6,309</u>	<u>5,303</u>
Other comprehensive (expense)/income for the year, net of tax					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences for foreign subsidiaries		(2,118)	(1,300)	-	-
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Remeasurement of defined benefit plan		<u>58</u>	<u>113</u>	<u>-</u>	<u>-</u>
Total other comprehensive expense for the year, net of tax		<u>(2,060)</u>	<u>(1,187)</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>14,788</u>	<u>15,915</u>	<u>6,309</u>	<u>5,303</u>

**STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONT'D)

	Note	Group		Company	
		2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Profit attributable to:					
Owners of the Company		16,335	17,317	6,309	5,303
Non-controlling interests ("NCI")		513	(215)	-	-
Profit for the year		<u>16,848</u>	<u>17,102</u>	<u>6,309</u>	<u>5,303</u>
Total comprehensive income attributable to:					
Owners of the Company		14,574	16,309	6,309	5,303
Non-controlling interests		214	(394)	-	-
Total comprehensive income for the year		<u>14,788</u>	<u>15,915</u>	<u>6,309</u>	<u>5,303</u>
Basic/Diluted earnings per ordinary share attributable to owners of the Company (sen):	25	<u>1.96</u>	<u>2.08</u>		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2025

	←----- Attributable to owners of the Company ----->		-----> Distributable		Non- controlling interests RM'000	Total equity RM'000			
	Share capital RM'000	Treasury shares RM'000	Merger deficit RM'000	Legal reserve RM'000			Translation reserve RM'000	Retained earnings RM'000	Total RM'000
Group									
At 1 January 2024	80,775	-	(20,228)	25	(191)	113,692	174,073	4,289	178,362
Foreign currency translation differences	-	-	-	-	(1,070)	-	(1,070)	(230)	(1,300)
Remeasurement of defined benefit plan	-	-	-	-	-	62	62	51	113
Total other comprehensive income for the year						62	62	51	113
Profit for the year	-	-	-	-	(1,070)	62	(1,008)	(179)	(1,187)
Total comprehensive income for the year	-	-	-	-	(1,070)	17,379	16,309	(394)	15,915
Contributions by and distributions to to owners of the Company:									
Dividend to owners of the Company	-	-	-	-	-	(6,256)	(6,256)	-	(6,256)
Total transactions with owners of the Company	-	-	-	-	-	(6,256)	(6,256)	-	(6,256)
At 31 December 2024	80,775	-	(20,228)	25	(1,261)	124,815	184,126	3,895	188,021

Note 13

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STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONT'D)

	Attributable to owners of the Company		Non-distributable		Distributable		Non-controlling interests		Total equity
	Share capital	Treasury shares	Merger deficit	Legal reserve	Translation reserve	Retained earnings	Total	RM'000	RM'000
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group									
At 1 January 2025	80,775	-	(20,228)	25	(1,261)	124,815	184,126	3,895	188,021
Foreign currency translation differences	-	-	-	-	(1,793)	-	(1,793)	(325)	(2,118)
Remeasurement of defined benefit plan for the year	-	-	-	-	-	32	32	26	58
Total other comprehensive expense for the year	-	-	-	-	(1,793)	32	(1,761)	(299)	(2,060)
Profit for the year	-	-	-	-	-	16,335	16,335	513	16,848
Total comprehensive income for the year	-	-	-	-	(1,793)	16,367	14,574	214	14,788
Contributions by and distributions to owners of the Company:									
Additional investment by NCI in a subsidiary	5	-	-	-	-	-	-	89	89
Dividends to NCI in subsidiaries	5	-	-	-	-	-	-	(205)	(205)
Dividend to owners of the Company	26	-	-	-	-	(2,502)	(2,502)	-	(2,502)
Shares repurchased	14	-	(510)	-	-	-	(510)	-	(510)
Total transactions with owners of the Company	-	(510)	-	-	-	(2,502)	(3,012)	(116)	(3,128)
At 31 December 2025	80,775	(510)	(20,228)	25	(3,054)	138,680	195,688	3,993	199,681

Note 13 Note 14

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONT'D)

	Note	Share capital RM'000	Treasury shares RM'000	Distributable Retained earnings RM'000	Total equity RM'000
Company					
At 1 January 2024		80,775	-	6,249	87,024
Profit and total comprehensive income for the year		-	-	5,303	5,303
Contributions by and distributions to owners of the Company:					
Dividend to owners of the Company	26	-	-	(6,256)	(6,256)
At 31 December 2024/ 1 January 2025		80,775	-	5,296	86,071
Profit and total comprehensive income for the year		-	-	6,309	6,309
Contributions by and distributions to owners of the Company:					
Dividend to owners of the Company	26	-	-	(2,502)	(2,502)
Shares repurchased	14	-	(510)	-	(510)
Total transactions with owners of the Company		-	(510)	(2,502)	(3,012)
At 31 December 2025		80,775	(510)	9,103	89,368
		Note 13	Note 14		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Cash flows from operating activities				
Profit before tax	21,907	24,696	6,430	5,369
Adjustments for:-				
Amortisation of intangible assets	1,713	1,440	-	-
Depreciation of property, plant and equipment	6,582	5,705	2	2
Depreciation of right-of-use assets	668	734	-	-
Finance costs	2,227	2,035	-	-
Finance income	(1,177)	(942)	(541)	(254)
Gain on disposal of property, plant and equipment	(1,563)	(941)	-	-
Gain on disposal of leasehold land	(183)	-	-	-
Gain on short-term investments	(775)	(930)	(235)	(371)
Inventories written down	116	217	-	-
Inventories written off	-	48	-	-
Loss on unrealised foreign exchange	1,519	474	-	-
Net (reversal)/loss on impairment of financial instruments	(454)	588	-	-
Property, plant and equipment written off	56	14	-	1
Defined benefit plans	418	399	-	-
Share of result of an associate, net of tax	589	455	-	-
Operating profit before working capital changes	31,643	33,992	5,656	4,747
Change in inventories	(647)	4,271	-	-
Change in receivables	10,530	(17,561)	-	-
Change in payables	(9,746)	6,990	-	2
Change in contract liabilities	3,098	2,110	-	-
Change in provisions	(491)	610	-	-
Cash generated from operations	34,387	30,412	5,656	4,749

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONT'D)

	Note	Group		Company	
		2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Cash flows from operating activities (continued)					
Post-employee benefits paid		-	(9)	-	-
Income tax refunded		205	134	-	-
Income tax paid		(7,899)	(6,251)	(107)	(44)
Net cash from operating activities		<u>26,693</u>	<u>24,286</u>	<u>5,549</u>	<u>4,705</u>
Cash flows from investing activities					
Acquisition of property, plant and equipment	2, (iii)	(5,755)	(15,537)	(1)	(5)
Additions of intangible assets	4	(1,057)	(1,231)	-	-
Advances from/(to) subsidiaries		-	-	1,404	(10,540)
Increase in investment in an associate	6	-	(600)	-	-
Gain on short-term investments		775	930	235	371
Interest received		1,177	942	541	254
Placement of pledged fixed deposits with financial institutions		(474)	(602)	-	-
Proceeds from disposal of property, plant and equipment		2,570	1,333	-	-
Proceeds from disposal of leasehold land		285	-	-	-
Net cash (used in)/from investing activities		<u>(2,479)</u>	<u>(14,765)</u>	<u>2,179</u>	<u>(9,920)</u>

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONT'D)

	Note	Group		Company	
		2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Cash flows from financing activities					
Advances from a subsidiary		-	-	14	14
Dividend paid	26	(2,502)	(6,256)	(2,502)	(6,256)
Interest paid		(2,227)	(2,035)	-	-
Net repayment of borrowings	(ii)	(3,248)	(2,024)	-	-
Net repayment of lease liabilities	(i), (ii)	(638)	(744)	-	-
Repurchase of treasury shares		(510)	-	(510)	-
Net cash used in financing activities		<u>(9,125)</u>	<u>(11,059)</u>	<u>(2,998)</u>	<u>(6,242)</u>
Net increase/(decrease) in cash and cash equivalents		15,089	(1,538)	4,730	(11,457)
Foreign currency translation differences		(1,469)	(1,283)	-	-
Effect of exchange rate fluctuations on cash held		(504)	(301)	-	-
Cash and cash equivalents at 1 January		<u>77,584</u>	<u>80,706</u>	<u>8,215</u>	<u>19,672</u>
Cash and cash equivalents at 31 December	12	<u><u>90,700</u></u>	<u><u>77,584</u></u>	<u><u>12,945</u></u>	<u><u>8,215</u></u>

Notes:

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

	Group	
	2025 RM'000	2024 RM'000
Included in net cash from operating activities:		
Payment relating to short-term leases	(336)	(362)
Included in net cash used in financing activities:		
Interest paid in relation to lease liabilities	(46)	(43)
Net repayment of lease liabilities	<u>(638)</u>	<u>(744)</u>
Total cash outflows for leases	<u><u>(1,020)</u></u>	<u><u>(1,149)</u></u>

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONT'D)

Notes (continued):

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

	Group	
	Borrowings* RM'000	Lease liabilities RM'000
2025		
At 1 January	53,880	451
Changes in Financing Cash Flows		
Repayment of principal	(3,248)	(638)
Repayment of interests	(2,181)	(46)
	(5,429)	(684)
Other changes		
Additions	10,499	1,058
Lease modification	-	(68)
Interest expense recognised in profit or loss	2,181	46
Gain on unrealised foreign exchange	(483)	-
	12,197	1,036
At 31 December	<u>60,648</u>	<u>803</u>
2024		
At 1 January	34,315	2,156
Changes in Financing Cash Flows		
Repayment of principal	(2,024)	(744)
Repayment of interests	(1,992)	(43)
	(4,016)	(787)
Other changes		
Additions	20,343	363
Lease liabilities transfer to borrowings	1,268	(1,268)
Lease modification	-	(56)
Interest expense recognised in profit or loss	1,992	43
Gain on unrealised foreign exchange	(22)	-
	23,581	(918)
At 31 December	<u>53,880</u>	<u>451</u>

* Bank overdrafts (Note 16) are excluded from the reconciliation of movements of liabilities as it is presented as part of cash and cash equivalents.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONT'D)

Notes (continued):

(iii) *Reconciliation to acquisition of property, plant and equipment*

		Group	
	Note	2025	2024
		RM'000	RM'000
Cash payment		5,755	15,537
Financed through hire purchase arrangements		449	2,164
Financed through term loan arrangements		10,050	18,179
Total acquisition to property, plant and equipment	2	16,254	35,880

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

QES Group Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business

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

Registered office

Lot 4.100, Tingkat 4
Wisma Central, Jalan Ampang
50450 Kuala Lumpur
Malaysia

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2025 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) and the Group’s interests in an associate.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 5. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

These financial statements were authorised for issue by the Board of Directors on 16 April 2026.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with MFRS Accounting Standards as issued by the Malaysian Accounting Standards Board (“MFRS Accounting Standards”), IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments of the MFRS Accounting Standards that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after 1 January 2026

- Amendments to MFRS 9, *Financial Instruments* and MFRS 7, *Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments*
- Amendments that are part of Annual Improvements — Volume 11:
 - Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards*
 - Amendments to MFRS 7, *Financial Instruments: Disclosures*
 - Amendments to MFRS 9, *Financial Instruments*
 - Amendments to MFRS 10, *Consolidated Financial Statements*
 - Amendments to MFRS 107, *Statement of Cash Flows*
- Amendments to MFRS 9, *Financial Instruments* and MFRS 7, *Financial Instruments: Disclosures – Contracts Referencing Nature-dependent Electricity*

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after 1 January 2027

- MFRS 18, *Presentation and Disclosure in Financial Statements*
- MFRS 19, *Subsidiaries without Public Accountability: Disclosures*
- Amendments to MFRS 121, *Translation to a Hyperinflationary Presentation Currency*

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments, where applicable:

- from the annual period beginning on 1 January 2026 for those amendments that are effective for annual periods beginning on or after 1 January 2026.
- from the annual period beginning on 1 January 2027 for the accounting standards that are effective for annual periods beginning on or after 1 January 2027.

The initial application of the abovementioned accounting standards, interpretations or amendments is not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. Basis of preparation (continued)

(b) Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis except for defined benefit liability which is based on present value of the defined benefit obligation.

(c) Functional and presentation currencies

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

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 2 – measurement of the recoverable amounts of property, plant and equipment
- Note 3 – measurement of the recoverable amounts of right-of-use assets
- Note 4 – measurement of the recoverable amounts of intangible assets
- Note 8 – valuation of inventories
- Note 27.4 – measurement of expected credit losses ("ECL")

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Property, plant and equipment

	Freehold lands RM'000	Buildings 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, renovation and signboard RM'000	Total RM'000
Group								
2025								
Cost								
At 1 January	16,279	35,293	7,583	14,016	19,580	6,056	4,549	103,356
Additions	-	10,002	1,418	1,427	2,107	509	173	15,636
Borrowing cost	-	-	-	-	-	-	-	618
capitalised	-	618	-	-	-	-	-	-
Disposals	-	(500)	-	(22)	(3,200)	-	-	(3,722)
Written off	-	-	(24)	(59)	(208)	-	(112)	(403)
Reclassification	-	1,259	-	-	-	-	(1,259)	-
Exchange rate differences	(14)	(72)	(68)	(99)	(542)	(60)	(53)	(908)
At 31 December	16,265	46,600	8,909	15,263	17,737	6,505	3,298	114,577

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Property, plant and equipment (continued)

Group 2025	Freehold lands RM'000	Buildings 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, renovation and signboard RM'000	Total RM'000
Accumulated depreciation								
At 1 January	-	973	4,640	7,842	9,186	2,551	1,104	26,296
Charge for the year	-	671	503	1,739	2,584	778	307	6,582
Disposals	-	(257)	-	(22)	(2,436)	-	-	(2,715)
Written off	-	-	(24)	(58)	(183)	-	(82)	(347)
Exchange rate differences	-	(3)	(62)	(79)	(232)	(44)	(32)	(452)
At 31 December	-	1,384	5,057	9,422	8,919	3,285	1,297	29,364
Carrying amounts								
At 31 December	16,265	45,216	3,852	5,841	8,818	3,220	2,001	85,213

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Property, plant and equipment (continued)

Group 2024 Cost	Freehold	Buildings	Moulds, plant and equipment	Office equipment, furniture, fittings, computer and telecom- munication equipment	Equipment for demonstration	Motor vehicles	Electrical fittings, renovation and signboard	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	15,563	10,220	5,930	12,508	16,781	1,255	3,192	65,449
Additions	716	24,032	1,696	1,722	3,724	2,463	1,527	35,880
Disposals	-	-	(27)	(72)	(668)	(913)	-	(1,680)
Written off	-	-	-	(69)	-	-	(96)	(165)
Reclassification	-	-	31	3	-	-	(34)	-
Transfer from right-of-use assets ("ROU")	-	1,041	-	-	-	3,317	-	4,358
Exchange rate differences	-	-	(47)	(76)	(257)	(66)	(40)	(486)
At 31 December	16,279	35,293	7,583	14,016	19,580	6,056	4,549	103,356

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Property, plant and equipment (continued)

Group 2024	Freehold lands RM'000	Buildings 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, renovation and signboard RM'000	Total RM'000
Accumulated depreciation								
At 1 January	-	370	4,322	6,421	7,458	941	939	20,451
Charge for the year	-	363	364	1,570	2,409	697	302	5,705
Disposals	-	-	(16)	(47)	(584)	(641)	-	(1,288)
Written off	-	-	-	(60)	-	-	(91)	(151)
Reclassification	-	-	8	14	-	-	(22)	-
Transfer from right-of-use assets ("ROU")	-	240	-	-	-	1,588	-	1,828
Exchange rate differences	-	-	(38)	(56)	(97)	(34)	(24)	(249)
At 31 December	-	973	4,640	7,842	9,186	2,551	1,104	26,296
Carrying amounts								
At 31 December	16,279	34,320	2,943	6,174	10,394	3,505	3,445	77,060

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Property, plant and equipment (continued)

	Company	
	2025	2024
	RM'000	RM'000
Computers		
Cost		
At 1 January	10	9
Additions	1	5
Written off	(1)	(4)
At 31 December	10	10
Accumulated depreciation		
At 1 January	4	5
Charge for the year	2	2
Written off	(1)	(3)
At 31 December	5	4
Carrying amounts		
At 31 December	5	6

All lands and buildings of the Group are charged to licensed banks as security for borrowings facilities of the Group as disclosed in Note 16.

2.1 Property, plant and equipment under hire purchase liabilities

Included in property, plant and equipment of the Group is motor vehicles acquired under hire purchase arrangements with carrying amount of RM2,994,000 (2024: RM 3,270,000).

2.2 Impairment assessment

As at 31 December 2025, the property, plant and equipment in a subsidiary, QES Mechatronic Sdn. Bhd. are tested for impairment due to impairment indicators noted, where losses were recorded for the current financial year.

Management has performed the impairment assessment of certain property, plant and equipment in a subsidiary by comparing the carrying amount of RM39.2 million (2024: RM0.4 million) with their recoverable amount. The recoverable amount of certain property, plant and equipment is determined based on value-in-use ("VIU") calculations using cash flow projections from the financial forecasts prepared by management.

The key assumptions used for impairment testing of certain property, plant and equipment is consistent with impairment assessment of right-of-use assets and development costs as disclosed in Note 4.

Management believes that any reasonably possible changes in the key assumptions on which the recoverable amount of certain property, plant and equipment in a subsidiary is based on would not cause the carrying amount to exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Property, plant and equipment (continued)

2.3 Material accounting policy information

(a) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less any accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Interest paid and capitalised is presented as part of financing cash flows in the statement of cash flows.

(b) Depreciation

Depreciation is calculated 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 profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use.

The estimated depreciation rates for the current and comparative periods are as follows:

Buildings	2%
Moulds, plant and equipment	10% - 20%
Office equipment, furniture, fittings, computer and telecommunication equipment	15% - 30%
Equipment for demonstration	15%
Motor vehicles	12.5% - 20%
Electrical fittings, renovation and signboard	10%

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Right-of-use assets

	Leasehold lands RM'000	Lease of buildings RM'000	Total RM'000
Group			
2025			
Cost			
At 1 January	5,130	1,822	6,952
Additions	-	1,058	1,058
Disposal	(118)	-	(118)
Derecognition	-	(1,221)	(1,221)
Exchange rate differences	-	(77)	(77)
At 31 December	<u>5,012</u>	<u>1,582</u>	<u>6,594</u>
Accumulated depreciation			
At 1 January	182	1,315	1,497
Charge for the year	85	583	668
Disposal	(16)	-	(16)
Derecognition	-	(1,154)	(1,154)
Exchange rate differences	-	(68)	(68)
At 31 December	<u>251</u>	<u>676</u>	<u>927</u>
Carrying amounts			
At 31 December	<u>4,761</u>	<u>906</u>	<u>5,667</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Right-of-use assets (continued)

	Leasehold lands RM'000	Leasehold building RM'000	Lease of buildings RM'000	Motor vehicles RM'000	Total RM'000
Group					
2024					
Cost					
At 1 January	5,130	1,041	1,820	3,317	11,308
Additions	-	-	363	-	363
Adjustment due to lease modification	-	-	(289)	-	(289)
Transfer to property, plant and equipment	-	(1,041)	-	(3,317)	(4,358)
Exchange rate differences	-	-	(72)	-	(72)
At 31 December	5,130	-	1,822	-	6,952
Accumulated depreciation					
At 1 January	97	240	946	1,588	2,871
Charge for the year	85	-	649	-	734
Adjustment due to lease modification	-	-	(233)	-	(233)
Transfer to property, plant and equipment	-	(240)	-	(1,588)	(1,828)
Exchange rate differences	-	-	(47)	-	(47)
At 31 December	182	-	1,315	-	1,497
Carrying amounts					
At 31 December	4,948	-	507	-	5,455

The Group leases buildings that run for between 1 year and 4 years, with an option to renew the lease after that date.

3.1 Material accounting policy information

(i) Depreciation

The right-of-use assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. The estimated depreciation rates of right-of-use assets are determined on the same basis as those of property, plant and equipment as follows:

- Leasehold lands 1% - 2%
- Lease of buildings 25% - 50%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Right-of-use assets (continued)

3.1 Material accounting policy information (continued)

(ii) Recognition exemption

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

3.2 Security

Leasehold land with carrying amount of RM4,761,658 (2024: RM4,845,196) is charged to a licensed bank as security for term loan granted to the Group (see Note 16).

3.3 Extended options

Some leases of office buildings contain extension options exercisable by the Group up to three years before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

The extension options of all leases have been recognised as lease liabilities as the Group assessed that it is reasonably certain to exercise the extension options, which is supported by the high historical rate of extensions exercised by the Group. Hence, as at financial year end, there were no potential future lease payments not included in lease liabilities.

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

3.4 Impairment assessment

As at 31 December 2025, certain right-of-use ("ROU") asset in a subsidiary, QES Mechatronic Sdn. Bhd. is tested for impairment due to impairment indicators noted, where losses were recorded for the current financial year.

Management has performed the impairment assessment of certain ROU asset in a subsidiary by comparing the carrying amount of RM4.8 million with their recoverable amount. The recoverable amount of certain right-of-use asset is determined based on value-in-use calculations using cash flow projections from the financial forecasts prepared by management.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Right-of-use assets (continued)

3.4 Impairment assessment (continued)

The key assumptions used for impairment testing of certain ROU asset is consistent with impairment assessment of property, plant and equipment and development costs as disclosed in Note 4.

Management believes that any reasonably possible changes in the key assumptions on which the recoverable amount of certain ROU asset in a subsidiary is based on would not cause the carrying amount to exceed its recoverable amount.

4. Intangible assets

	Trademark RM'000	Development costs RM'000	Goodwill RM'000	Total RM'000
Group 2025				
Cost				
At 1 January	42	10,905	3,381	14,328
Additions	-	1,057	-	1,057
At 31 December	42	11,962	3,381	15,385
Accumulated amortisation				
At 1 January	-	4,073	-	4,073
Charge for the year	-	1,713	-	1,713
At 31 December	-	5,786	-	5,786
Carrying amounts				
At 31 December	42	6,176	3,381	9,599
Group 2024				
Cost				
At 1 January	26	9,690	3,381	13,097
Additions	16	1,215	-	1,231
At 31 December	42	10,905	3,381	14,328
Accumulated amortisation				
At 1 January	-	2,633	-	2,633
Charge for the year	-	1,440	-	1,440
At 31 December	-	4,073	-	4,073
Carrying amounts				
At 31 December	42	6,832	3,381	10,255

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. Intangible assets (continued)

Additions during the year include the following:

	Note	Group	
		2025 RM'000	2024 RM'000
Employee benefit expenses, capitalised from profit or loss	23	1,057	1,210
Software costs		-	5
Trademark		-	16
		<u>1,057</u>	<u>1,231</u>

4.1 Goodwill

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

Impairment testing for cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. The recoverable amount of the goodwill have been determined based on value-in-use ("VIU").

VIU was determined by discounting future cash flows expected to be generated from the continuation of the CGU and was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and the 5-year business plan approved by the Board of Directors.
- Revenue was projected at about USD1,500,000 equivalent to approximately RM6,100,000 (2024: USD8,001,250 equivalent to approximately RM35,726,000) for the first year of the business plan. The anticipated annual revenue growth included in the cash flow projection for the subsequent 4 years from 2027 to 2030 (2024: 2026 to 2029) was an average of 20% (2024: 10% and 20%) which reflect the current market condition.
- Projected gross profit margin is the average historical rate adjusted for projected market and economic conditions and internal resources efficiency.
- The pre-tax discount rate of 18.56% (2024: 14.74%) per annum was applied in discounting the cash flows. The discount rate used is based on the weighted average cost of capital of the Group.

The recoverable amount of the CGU was higher than its carrying amount. Hence, no impairment is required at reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. Intangible assets (continued)

4.1 Goodwill (continued)

Impairment testing for cash-generating unit containing goodwill (continued)

Sensitivity analysis

The above estimates are sensitive in the following key areas:

- An increase of one percentage point in the discount rate used would have decreased the recoverable amount by approximately RM441,000.
- A decrease of three percentage point in the projected revenues would have decreased the recoverable amount by approximately RM759,000.

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.

4.2 Development costs

The carrying amount of development costs represents 31 (2024: 28) development projects. The capitalised development costs consist of semi-conductor equipment software and internally generated visual software solutions for automated equipment and smart manufacturing solutions for the purpose of catering and meeting the customer demand.

Impairment testing for development costs

For the purpose of impairment testing, recoverable amount of development cost, property, plant and equipment and right-of-use asset of a subsidiary, QES Mechatronic Sdn. Bhd. represents 22 (2024: 20) development projects with the presence of impairment indicators where losses were recorded as of financial year end amounting to approximately RM2,212,000, RM39,199,000 and RM4,762,000 respectively are assessed based on its VIU.

VIU was determined by discounting future cash flows expected to be generated from the continuing use of the assets and was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and the 5-year business plan approved by the Board of Directors.
- Revenue is projected at about RM37,559,280 in the first year of the business plan. The anticipated average revenue growth for the subsequent 4 years from 2027 to 2030 included in the cash flow projections was between 13% to 14% which reflect the current market condition and future plans of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. Intangible assets (continued)

4.2 Development costs (continued)

Impairment testing for development costs (continued)

- Projected gross profit margin is the average historical rate adjusted for projected market and economic conditions and internal resources efficiency.
- The pre-tax discount rate of 17.2% per annum was applied in discounting the cash flows. The discount rate used was based on the Group's weighted average cost of capital.

The recoverable amount based on VIU exceeded the carrying amounts of certain property, plant and equipment (Note 2), ROU asset (Note 3) and development costs. Hence, no impairment is required at reporting date.

Sensitivity analysis

The above estimates are sensitive in the following key areas:

- An increase of one percentage point in the discount rate used would have decreased the recoverable amount by approximately RM5,149,000.
- An decrease of one percentage point in the projected revenues would have decreased the recoverable amount by approximately RM3,981,000.

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.

4.3 Material accounting policy information

(i) Recognition and measurement

Intangible assets, other than goodwill, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(ii) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative periods for intangible assets is 5 years. Amortisation of intangible assets is recognised in profit or loss on 5 years straight-line basis under "other expenses".

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. Investments in subsidiaries

	Company	
	2025 RM'000	2024 RM'000
Unquoted shares, at cost		
At 1 January/31 December	51,358	51,358

Details of the subsidiaries are as follows:

Name of entity	Principal place of business/ Country of Incorporation	Principal activities	Effective ownership interest and voting interest	
			2025 %	2024 %
Held by the Company				
QES (Asia-Pacific) Sdn. Bhd. ("QAP")	Malaysia	Investment holding, marketing and servicing of scientific instruments	100	100
QS Instruments Sdn. Bhd. ("QSI")	Malaysia	Marketing and servicing of scientific instruments	100	100
QES Intra Pacific Sdn. Bhd. ("QIP")	Malaysia	Trading and servicing of industrial parts and equipment	100	100
QES Manufacturing Sdn. Bhd. ("QMG")	Malaysia	Investment holding	100	100
Subsidiaries of QAP:				
QAM (Asia-Pacific) Sdn. Bhd. ("QAM")	Malaysia	Marketing and servicing of scientific instruments and industrial materials	82.5	82.5
P.T. QES Indonesia ("QID") ⁽³⁾	Indonesia	Marketing and servicing of scientific instruments	55	55
QES (Hong Kong) Limited ("QHK") ⁽¹⁾⁽³⁾	Hong Kong	Marketing and servicing of scientific instruments and industrial equipments	100	100

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows (continued):

Name of entity	Principal place of business/ Country of Incorporation	Principal activities	Effective ownership interest and voting interest	
			2025 %	2024 %
Subsidiaries of QAP (continued):				
QES (Vietnam) Co. Ltd. ("QVN") ⁽³⁾	Vietnam	Marketing and servicing of scientific instruments	100	100
QES (Thailand) Co., Ltd. ("QBK") ⁽³⁾	Thailand	Marketing and servicing of scientific instruments	100	100
QES (Singapore) Pte. Ltd. ("QSG") ⁽⁴⁾	Singapore	Marketing and servicing of scientific instruments	70	70
QES Technology Philippines, Inc. ("QTP") ⁽²⁾⁽³⁾	Philippines	Wholesale, technical testing and analysis of machinery, equipment and supplies	87.74	87.74
Subsidiaries of QHK:				
QES Technology (Shanghai) Co., Ltd. ("QTS") ⁽³⁾	People's Republic of China	Marketing and servicing of scientific instruments and industrial equipments	100	100
Subsidiaries of QMG:				
QES Mechatronic Sdn. Bhd. ("QMC")	Malaysia	Manufacturing and trading of industrial equipment and systems	100	100
QES Vision Solutions Sdn. Bhd. ("QVS")	Malaysia	Providing vision software solution for automated equipment, mechanical and electrical engineering consultancy service, trading and servicing of industrial parts and equipment	85	85

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. Investments in subsidiaries (continued)

- (1) On 9 January 2025, QAP increased its investment in QHK through the subscription of an additional 1 ordinary share for a total consideration of RM1,127,500. This subscription has no dilution effect on the controlling interest of QAP in QHK of 100%.

On 11 March 2026, QAP increased its investment in QHK through the subscription of an additional 1 ordinary share for a total consideration of RM978,875. This subscription has no dilution effect on the controlling interest of QAP in QHK of 100%.

- (2) On 26 December 2025, QTP declared dividend to shareholders of QAP by way of additional 929,997 new ordinary shares which amounted to RM638,757 for its financial year ended 2025. The shares dividend is expected to be issued by third quarter of year 2026 with no dilution effect on the controlling interest of QAP in QTP of 87.74%.
- (3) Not audited by KPMG PLT.
- (4) Audited by other member firm of KPMG International.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. Investments in subsidiaries (continued)

5.1 Non-controlling interests in subsidiaries

The subsidiaries of the group that have non-controlling ("NCI") are as follows:

	QAM RM'000	QID RM'000	QTP RM'000	QVS RM'000	QSG RM'000	QBK* RM'000	Total RM'000
2025							
NCI percentage of ownership interest and voting interest (%)	17.50%	45.00%	12.26%	15.00%	30.00%	0.00%	
Carrying amount of NCI	166	1,443	362	(319)	2,359	(18)	3,993
Additional subscription of shares by NCI	-	-	89	-	-	-	89
Dividends declared to NCI	-	-	(205)	-	-	-	(205)
Other comprehensive expense allocated to NCI	-	(155)	(52)	-	(92)	-	(299)
(Loss)/Profit allocated to NCI	(189)	61	211	104	326	-	513
2024							
NCI percentage of ownership interest and voting interest (%)	17.50%	45.00%	12.26%	15.00%	30.00%	0.00%	
Carrying amount of NCI	355	1,537	319	(423)	2,125	(18)	3,895
Other comprehensive expense allocated to NCI	-	(59)	(20)	-	(100)	-	(179)
(Loss)/Profit allocated to NCI	(56)	154	23	(130)	(206)	-	(215)

* 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 preferences 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)

5. Investments in subsidiaries (continued)

5.2 Summarised financial information before intra-group elimination

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
2025					
Assets and liabilities					
Non-current assets	135	1,530	1,968	5,264	1,167
Current assets	2,327	6,468	7,063	3,877	21,256
Non-current liabilities	-	(1,051)	(743)	-	(521)
Current liabilities	(1,511)	(3,741)	(5,339)	(11,271)	(14,040)
Net assets/(liabilities)	951	3,206	2,949	(2,130)	7,862
Results					
Revenue	3,298	12,057	20,741	7,305	28,283
(Loss)/Profit for the year	(1,078)	136	1,725	692	1,085
Total comprehensive (expense)/income	(1,078)	(208)	1,301	692	779
Cash flows (used in)/from:					
Operating activities	32	(589)	627	(957)	(506)
Investing activities	7	(440)	(950)	(1,044)	(356)
Financing activities	(46)	(43)	-	1,027	(418)
Net decrease in cash and cash equivalents	(7)	(1,072)	(323)	(974)	(1,280)
2024					
Assets and liabilities					
Non-current assets	156	1,477	1,616	4,671	704
Current assets	3,309	6,396	5,931	3,221	16,281
Non-current liabilities	-	(1,115)	(671)	-	(296)
Current liabilities	(1,436)	(3,343)	(4,277)	(10,714)	(9,606)
Net assets/(liabilities)	2,029	3,415	2,599	(2,822)	7,083
Results					
Revenue	7,157	12,242	13,266	5,131	20,896
(Loss)/Profit for the year	(319)	341	191	(869)	(685)
Total comprehensive (expense)/income	(319)	208	27	(869)	(1,019)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. Investments in subsidiaries (continued)

5.2 Summarised financial information before intra-group elimination (continued)

	QAM RM'000	QID RM'000	QTP RM'000	QVS RM'000	QSG RM'000
2024					
Results					
Cash flows (used in)/from:					
Operating activities	(313)	694	548	1,900	2,421
Investing activities	(5)	(294)	(430)	(850)	16
Financing activities	(45)	-	-	(72)	(523)
Net (decrease)/increase in cash and cash equivalents	(363)	400	118	978	1,914

6. Investment in an associate

	Group	
	2025 RM'000	2024 RM'000
Unquoted equity shares, at cost		
At 1 January/31 December	3,000	3,000
Capital contribution		
At 1 January/31 December	600	-
Addition	-	600
At 31 December	600	600
Share of post acquisition reserve		
At 1 January/31 December	(1,494)	(1,039)
Addition	(589)	(455)
At 31 December	(2,083)	(1,494)
	1,517	2,106

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. Investment in an associate (continued)

Detail of an associate is as follows:

Name of entity	Principal place of business/ Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest	
			2025 %	2024 %
Associate of QMG:				
Applied Engineering Technology (M) Sdn. Bhd. ("AETM") *	Malaysia	Specialised in electro-mechanical contract manufacturing services from prototype to high volume production for semiconductor, life science, defence, aerospace and emerging technology.	30	30

* Not audited by KPMG PLT.

6.1 Capital contribution

The capital contribution amounted to RM600,000 (2024: RM600,000) represents Share Application Money which is pending the issuance of ordinary shares by the associate and is treated as cost of investment in the associate by the Group.

The effective ownership interest in AETM remains at 30% subsequent to the additional ordinary share issuance as mentioned above.

6.2 Summarised financial information

	AETM	
	2025 RM'000	2024 RM'000
Assets and liabilities:		
Non-current assets	9,380	1,033
Current assets	6,127	7,688
Current liabilities	(10,449)	(1,702)
Net assets	<u>5,058</u>	<u>7,019</u>
Results:		
Loss and other comprehensive expense for the year	<u>(1,961)</u>	<u>(1,516)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. Deferred tax assets/(liabilities)

Deferred tax assets/(liabilities) are attributable to the following:

Group	Asset		Liabilities		Net	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Property, plant and equipment	-	-	(1,944)	(2,217)	(1,944)	(2,217)
Provisions	1,388	1,358	-	-	1,388	1,358
Contract liabilities	698	662	-	-	698	662
Lease liabilities	16	25	-	-	16	25
Right-of-use assets	-	-	(14)	(32)	(14)	(32)
Unabsorbed capital allowances	1,123	260	-	-	1,123	260
Unutilised tax losses	1,834	60	-	-	1,834	60
Tax assets/(liabilities)	5,059	2,365	(1,958)	(2,249)	3,101	116
Set off of tax	(1,568)	(1,214)	1,568	1,214	-	-
	3,491	1,151	(390)	(1,035)	3,101	116
Company						
Plant and equipment	-	-	(1)	(1)	(1)	(1)

Deferred tax assets of certain subsidiaries are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. Deferred tax assets/(liabilities) (continued)

Movement in temporary differences during the year:

Group	At 01.01.2024 RM'000	Recognised in profit or loss (Note 24) RM'000	Recognised in other comprehensive income RM'000	At 31.12.2024/ 01.01.2025 RM'000	Recognised in profit or loss (Note 24) RM'000	Recognised in other comprehensive income RM'000	At 31.12.2025 RM'000
Property, plant and equipment	(1,823)	(394)	-	(2,217)	273	-	(1,944)
Provisions	1,127	327	(96)	1,358	139	(109)	1,388
Contract liabilities	647	15	-	662	36	-	698
Lease liabilities	36	(11)	-	25	(9)	-	16
Right-of-use assets	(61)	29	-	(32)	18	-	(14)
Unabsorbed capital allowances	33	227	-	260	863	-	1,123
Unutilised tax losses	3	57	-	60	1,774	-	1,834
	(38)	250	(96)	116	3,094	(109)	3,101
Company							
Plant and equipment	(1)	-	-	(1)	-	-	(1)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. Deferred tax assets/(liabilities) (continued)

Unrecognised deferred tax assets

The 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	
	2025 RM'000	2024 RM'000
Unutilised tax losses	4,381	5,057
Unabsorbed capital allowances	56	2,050
Other deductible timing differences	76	(1,001)
	4,513	6,106
Representing by:		
Entities incorporated in Malaysia	1,832	4,149
Entities incorporated outside Malaysia	2,681	1,957
	4,513	6,106

Deferred tax assets for certain subsidiaries have not been recognised in respect of these items in view of the present uncertainty of the availability of future taxable profits.

The unrecognised deferred tax assets do not expire except for certain unutilised tax losses from subsidiaries in Malaysia. Pursuant to guidelines issued by Malaysian tax authorities in 2021, the unutilised tax losses can be carried forward up to ten consecutive years of assessment ("YA") effective from YA2019. The unutilised tax losses of entities incorporated in Malaysia will expire in the following period under the current tax legislation of Malaysia:

	Group	
	2025 RM'000	2024 RM'000
Expire in:		
YA2028	270	564
YA2029	-	486
YA2030	-	114
YA2031	-	647
YA2032	-	17
YA2033	339	884
YA2034	123	123
YA2035	968	-
	1,700	2,835

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. Inventories

	Group	
	2025 RM'000	2024 RM'000
Raw material	6,007	5,632
Work-in-progress	7,140	7,772
Trading goods	17,151	16,888
Manufactured finished goods	897	372
	31,195	30,664
Recognised in profit or loss:		
Inventories recognised as cost of sales	144,342	149,072
Inventories written down (included in other expenses)	116	217
Inventories written off (included in other expenses)	-	48
	-	48

The management reviews for obsolescence and decline in net realisable value to below cost. This review requires judgements as it involved estimating the rate of obsolescence of the inventories. Possible changes in these estimates could result in revision to the valuation of inventories.

8.1 Material accounting policy information

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted average method.

9. Trade and other receivables

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Trade				
Trade receivables	67,959	81,056	-	-
Less: Allowance for impairment loss	(1,167)	(1,789)	-	-
	66,792	79,267	-	-
Non-trade				
Other receivables	2,564	1,808	-	-
Advances to suppliers	2,508	2,547	-	-
Deposits	697	544	1	1
Lease receivable	-	96	-	-
Prepayments	1,426	1,819	-	-
	7,195	6,814	1	1
	73,987	86,081	1	1

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. Trade and other receivables (continued)

The Group's normal trade credit terms range from 30 - 120 days (2024: 30 - 120 days). Other credit terms are assessed and approved on a case by case basis.

10. Amount due from/(to) subsidiaries

These amounts are non-trade in nature, unsecured, interest-free except for an amount due from a subsidiary of RM10,000,000 (2024: RM11,412,000) which is subject to interest being charged at 4.60% (2024: 3.43%) per annum. These amounts are collectible/(repayable) on demand.

11. Fixed deposits with financial institutions

Fixed deposits with financial institutions have effective interest rates which range from 0.50% to 2.70% (2024: 0.50% to 3.10%) per annum. The fixed deposits with financial institutions are pledged as security for banking facilities granted to the Group as disclosed in Note 16. The Group classifies deposits with financial institutions not held for working capital purposes that has maturity of more than three months as other investments and are measured at amortised costs.

12. Cash and cash equivalents

	Note	Group		Company	
		2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Short-term investments	(i)	23,503	12,154	12,434	8,143
Short-term deposits	(ii)	32,142	25,874	-	-
Bank balances		35,027	40,642	511	72
Cash in hand		28	33	-	-
Cash and cash equivalents in the statements of financial position		90,700	78,703	12,945	8,215
Bank overdrafts	16	-	(1,119)	-	-
Cash and cash equivalents in the statements of cash flows		90,700	77,584	12,945	8,215

- (i) Short-term investments are investment in cash management fund which aim to provide liquidity and a regular stream of income by investing in Shariah-compliant money market instruments. The Group and the Company classified these short-term investments as cash and cash equivalents, as the redemption period is 1 day (2024: 1 day) and are subject to an insignificant risk of changes in value.
- (ii) Short-term deposits with licensed banks are subject to interest rates ranging from 1.60% to 4.00% (2024: 2.34% to 4.00% per annum and had average maturity period of 7 to 15 days (2024: 7 to 30 days).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. Share capital

	Group and Company			
	2025		2024	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares				
At 1 January/31 December	<u>834,139</u>	<u>80,775</u>	<u>834,139</u>	<u>80,775</u>

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.

14. Treasury shares

Treasury shares comprise cost of acquisition of the Company's own shares. At 31 December 2025, the Group held 1,376,200 of the Company's own shares.

15. 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 of the Group's presentation currency.

(iii) Merger deficit

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. Borrowings

	Note	Group	
		2025 RM'000	2024 RM'000
Non-current			
Hire purchase liabilities		2,402	2,470
Term loans		41,768	34,090
		<u>44,170</u>	<u>36,560</u>
Current			
Bankers' acceptance		491	2,080
Bank overdrafts	12	-	1,119
Hire purchase liabilities		491	459
Revolving loan		1,900	1,300
Term loans		2,252	1,497
Trust receipts		11,344	11,984
		<u>16,478</u>	<u>18,439</u>
		<u>60,648</u>	<u>54,999</u>

16.1 Security

The Group's bank borrowings are secured as follows:

- (i) Fixed deposits placed with financial institutions of the Group as disclosed in Note 11;
- (ii) Fresh facility agreement of subsidiaries;
- (iii) General deed of assignment of a subsidiary;
- (iv) Corporate guarantee and indemnity by the Company to its subsidiaries;
- (v) Legal charge on freehold land and buildings of the Group as disclosed in Note 2;
- (vi) Legal charge on certain leasehold land and freehold building of the Group as disclosed in Note 2 and Note 3; and
- (vii) SJPP – Government Guarantee issued by Syarikat Jaminan Pembiayaan Perniagaan Bhd.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. Provisions

		Post- employment benefits RM'000	Group Warranties RM'000	Total RM'000
	Note			
At 1 January 2024		1,912	-	1,912
Current service cost and interest	23	399	-	399
Payment		(9)	-	(9)
Actuarial gain on remeasurement of defined benefit plan	(i)	(143)	-	(143)
Provisions made during the year		-	1,217	1,217
Provisions used during the year		-	(440)	(440)
Exchange differences		(148)	-	(148)
At 31 December 2024/ 1 January 2025		2,011	777	2,788
Current service cost and interest	23	418	-	418
Actuarial gain on remeasurement of defined benefit plan	(i)	(89)	-	(89)
Provisions made during the year		-	626	626
Provisions used during the year		-	(287)	(287)
Provisions reversed during the year		-	(728)	(728)
Exchange differences		(240)	-	(240)
At 31 December 2025		2,100	388	2,488
2025				
Non-current		2,100	-	2,100
Current		-	388	388
		2,100	388	2,488
2024				
Non-current		2,011	-	2,011
Current		-	777	777
		2,011	777	2,788

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. Provisions (continued)

(a) Provisions for post-employment benefits

(i) Actuarial gain on remeasurement of defined benefit plan:

	Group	
	2025	2024
	RM'000	RM'000
Recognised in other comprehensive income:		
Actuarial gain on remeasurement of defined benefit plan	(89)	(143)
Deferred tax impact on actuarial gain	31	30
	<u>(58)</u>	<u>(113)</u>

The principal actuarial assumptions used were as follows:

	Group	
	2025	2024
Discount rate	6.41%	7.09%
Annual salary rate increase	<u>6.00%</u>	<u>6.00%</u>

Sensitivity analysis

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

	Defined benefit obligation	
	Increase	Decrease
	RM'000	RM'000
2025		
Discount rate (1% movement)	<u>(101)</u>	<u>115</u>
2024		
Discount rate (1% movement)	<u>(97)</u>	<u>109</u>

(b) Provisions for warranties

The provision for warranties relates to finished goods sold for manufacturing equipment during the year. The provision is based on estimates made from historical warranty data associated with similar products and services. The Group expects to incur the liabilities over the next financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. Trade and other payables

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Trade				
Trade payables	18,801	25,766	-	-
Non-trade				
Other payables	1,842	5,872	-	45
Accruals	20,875	19,129	219	174
	<u>22,717</u>	<u>25,001</u>	<u>219</u>	<u>219</u>
	<u>41,518</u>	<u>50,767</u>	<u>219</u>	<u>219</u>

19. Contract liabilities

	Note	Group	
		2025 RM'000	2024 RM'000
Deferred income	(i)	4,132	3,945
Deposit received from customers	(ii)	12,902	10,379
		<u>17,034</u>	<u>14,324</u>

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

Movement in deferred income balances during the year are as follows:

	Note	Group	
		2025 RM'000	2024 RM'000
At 1 January		3,945	3,507
Collection during the year		13,514	13,152
Service income recognised over time during the year	20	<u>(13,327)</u>	<u>(12,714)</u>
At 31 December		<u>4,132</u>	<u>3,945</u>

* Deferred income at beginning of the period amounting to RM3,945,000 (2024: RM3,507,000) has been recognised as revenue during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. Contract liabilities (continued)

- (ii) 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 expects to recognise the revenue within next 12 months upon delivery of the goods.

20. Revenue

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Revenue from contracts with customers				
Sales of goods	202,236	207,438	-	-
Service income	62,450	59,017	-	-
Commission income	2,154	3,122	-	-
	<u>266,840</u>	<u>269,577</u>	<u>-</u>	<u>-</u>
Other revenue				
Dividend income	-	-	6,542	5,542
	<u>266,840</u>	<u>269,577</u>	<u>6,542</u>	<u>5,542</u>
Timing of revenue recognition				
Point in time	253,513	256,863	6,542	5,542
Over time	13,327	12,714	-	-
	<u>266,840</u>	<u>269,577</u>	<u>6,542</u>	<u>5,542</u>

The Group applies the following practical expedients:

- exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.
- exemption not to adjust the promised amount of consideration for the effects of a significant financing component when the period between the transfer of a promised good or service to customer and when the customer pays for that good or service is one year or less.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. Revenue (continued)

20.1 Disaggregation of revenue from contracts with customers

Group	Reportable segments									
	Equipment		Engineering Solutions		Manufacturing		Total		Materials and	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	68,353	78,691	16,035	27,806	11,986	28,024	96,374	134,521	-	-
Vietnam	43,597	42,860	155	110	-	-	43,752	42,990	-	-
Thailand	30,940	21,334	1,042	1,196	1,752	2,759	33,734	25,289	-	-
Philippines	28,697	15,436	13	-	4,316	1,248	33,026	16,684	-	-
Singapore	22,847	17,937	156	76	3,786	2,511	26,789	20,524	-	-
Indonesia	18,783	16,876	301	105	1,307	1	20,391	16,982	-	-
India	1,406	21	-	-	4,330	-	5,736	21	-	-
China	640	1,351	219	429	966	13	1,825	1,793	-	-
Myanmar	974	-	-	-	-	288	974	288	-	-
Germany	-	-	-	-	799	5,832	799	5,832	-	-
Leo People's Democratic Republic	403	624	-	-	-	-	403	624	-	-
Malta	-	397	-	-	158	1,161	158	1,558	-	-
Others	1,681	1,992	30	-	1,168	479	2,879	2,471	-	-
	218,321	197,539	17,951	29,722	30,568	42,316	266,840	269,577	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. Revenue (continued)

20.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of revenue recognition or method used to recognise revenue	Significant payment terms
<p><u>Sales of goods</u></p> <p>The Group generates revenue mainly from distribution of inspection, test and measurement equipment, materials and engineering solutions, manufacturing of optical inspection equipment, automated handling equipment and advanced wafer measurement systems and provision of vision software solutions for automated equipment, mechanical and electrical engineering consultancy and interface software for industrial equipment with warranty attached to the goods sold.</p>	<p>Revenue from sale of products in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good to the customer. The amount of revenue recognised is the amount of the transaction price which is the fixed amount of consideration in the contract.</p>	<p>Payment is generally due within 30 to 120 days from invoice date and/or buy-off acceptance report acknowledgement date.</p>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. Revenue (continued)

20.2 Nature of goods and services (continued)

Nature of goods or services	Timing of revenue recognition or method used to recognise revenue	Significant payment terms
<p><u>Service income</u></p> <p>The Group generates service revenue from 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 an ad hoc basis.</p> <p>There is warranty attached to the replacement of equipment parts sold by the Group.</p>	<p>Revenue from a contract to provide the maintenance on the specialised equipment is recognised over time, using the output method which is determined based on the time elapsed, as the customer simultaneously receives and consumes the benefits provided by the Group.</p> <p>Revenue from ad hoc services is recognised at a point in time when the service has been provided and the right to consideration had been earned.</p>	<p>Payment is generally due within 30 to 120 days from invoice date.</p>
<p><u>Commission income</u></p> <p>The Group acts as an agent and earns commission on service rendered and arrangement on distribution of goods to customer from its vendor.</p>	<p>Revenue is recognised on a net basis and at a point in time upon completion of service or when commission is received or receivable.</p>	<p>Payment is generally due within 30 to 120 days from invoice date.</p>

There is no variable element in consideration and no obligation for returns or refunds on goods or services provided.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. Finance cost

	Group	
	2025 RM'000	2024 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:		
- Bank overdrafts	52	58
- Bankers' acceptances	43	78
- Hire purchase liabilities	129	98
- Letter of credit	106	74
- Revolving loan	69	110
- Term loans	1,888	995
- Trust receipts	512	579
	<u>2,799</u>	<u>1,992</u>
Interest expense on lease liabilities	46	43
	<u>2,845</u>	<u>2,035</u>
Recognised in profit or loss	2,227	2,035
Interest expense of financial liabilities that are not at fair value through profit or loss capitalised into qualifying assets:		
- Property, plant and equipment	618	-
	<u>2,845</u>	<u>2,035</u>

22. Profit before tax

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

	Note	Group		Company	
		2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Profit before tax is arrived at after charging/(crediting) (continued):					
Auditors' remuneration					
Audit fees:					
- KPMG PLT		282	268	82	70
- Overseas affiliate of KPMG PLT		124	130	-	-
- Other auditors		110	104	-	-
Non-audit fees:					
- KPMG PLT		22	41	10	10
- Local affiliates of KPMG PLT		76	95	6	6
- Overseas affiliates of KPMG PLT		11	12	-	-
- Other auditors		50	63	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22. Profit before tax (continued)

	Note	Group		Company	
		2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Profit before tax is arrived at after charging/(crediting) (continued):					
Material expenses/(income):					
Amortisation of intangible assets		1,713	1,440	-	-
Depreciation of property, plant and equipment		6,582	5,705	2	2
Depreciation of right-of-use assets		668	734	-	-
Employee benefit expenses	23	65,531	62,895	288	272
Finance income		(1,177)	(942)	(541)	(254)
Gain on disposal of property, plant and equipment		(1,563)	(941)	-	-
Gain on disposal of leasehold land		(183)	-	-	-
Loss on foreign exchange:					
- Realised		2,160	1,685	-	-
- Unrealised		1,519	474	-	-
Gain on short-term investments		(775)	(930)	(235)	(371)
Government grant		(44)	(21)	-	-
Hiring incentive	(i)	(48)	-	-	-
Inventories written down		116	217	-	-
Inventories written off		-	48	-	-
Net (reversal)/loss on impairment of financial instruments:					
- Bad debts written off		26	86	-	-
- Loss allowance for impairment		(480)	502	-	-
Property, plant and equipment written off		56	14	-	1
Other expenses arising from leases					
- Expenses relating to short-term leases	(ii)	336	362	-	-
- Interest expense on lease liabilities		46	43	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22. Profit before tax (continued)

- (i) Hiring incentive received from government is recognised on monthly basis over the qualified period under the criteria set by the government.
- (ii) The Group leases buildings with contract terms of 1 year which are short-term lease items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

23. Employee benefit expenses

	Note	Group		Company	
		2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Staff cost					
Salaries, bonus, wages, allowances and overtime		45,030	43,313	-	-
Defined benefit plans		418	399	-	-
Defined contribution plan		5,399	5,311	-	-
Social security contributions		537	485	-	-
Others		6,317	6,550	-	-
		<u>57,701</u>	<u>56,058</u>	<u>-</u>	<u>-</u>
Less: Amount capitalised into intangible assets	4	<u>(1,057)</u>	<u>(1,210)</u>	<u>-</u>	<u>-</u>
		<u>56,644</u>	<u>54,848</u>	<u>-</u>	<u>-</u>
Directors' remuneration					
<i>Directors of the Company</i>					
Salaries, bonus and allowances		1,336	1,215	-	-
Directors' fee		422	408	288	272
Defined contribution plan		251	231	-	-
Social security contributions		7	7	-	-
		<u>2,016</u>	<u>1,861</u>	<u>288</u>	<u>272</u>
<i>Directors of the subsidiaries</i>					
Salaries, bonus and allowances		4,214	4,096	-	-
Directors' fee		-	1	-	-
Defined contribution plan		701	683	-	-
Social security contributions		7	6	-	-
Others		1,949	1,400	-	-
		<u>6,871</u>	<u>6,186</u>	<u>-</u>	<u>-</u>
Total staff costs		<u>65,531</u>	<u>62,895</u>	<u>288</u>	<u>272</u>
Analysis of estimated benefits-in-kind:					
- Directors of the Company		70	64	-	-
- Directors of the subsidiaries		37	33	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. Income tax expense

	Note	Group		Company	
		2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Current tax expenses					
- Current year		8,108	6,772	121	56
- Under provision in prior year		45	1,072	-	10
Total current tax recognised in profit or loss		<u>8,153</u>	<u>7,844</u>	<u>121</u>	<u>66</u>
Deferred tax expenses					
- Origination or reversal of temporary differences		(2,017)	(258)	-	-
- (Over)/Under provision in prior year		(270)	8	-	-
- Recognition of previously unrecognised deferred tax		(807)	-	-	-
Total deferred tax recognised in profit or loss	7	<u>(3,094)</u>	<u>(250)</u>	<u>-</u>	<u>-</u>
Share of tax of equity-accounted associates		-	-	-	-
Total income tax expense		<u>5,059</u>	<u>7,594</u>	<u>121</u>	<u>66</u>

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		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Profit before tax	<u>21,907</u>	<u>24,696</u>	<u>6,430</u>	<u>5,369</u>
Income tax calculated using Malaysian tax rate of 24% (2024: 24%)	5,258	5,927	1,543	1,289
Effect of tax rates in foreign jurisdictions	(214)	214	-	-
Tax effect of non-deductible expenses	1,543	1,334	204	186
Tax effect of non-taxable income	(658)	(384)	(1,626)	(1,419)
Double deductible allowance	(180)	(143)	-	-
Tax exempt pioneer income *	-	(864)	-	-
Recognition of previously unrecognised tax losses	(807)	-	-	-
Effect of deferred tax assets not recognised	342	430	-	-
(Over)/Under provision in prior year	<u>(225)</u>	<u>1,080</u>	<u>-</u>	<u>10</u>
Total income tax expense	<u>5,059</u>	<u>7,594</u>	<u>121</u>	<u>66</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. Income tax expense (continued)

- * A subsidiary of the Group which is incorporated in Malaysia was granted pioneer status incentive by the Malaysian Industrial Development Authority (“MIDA”). Under this incentive, the subsidiary enjoyed 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.

25. 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	
	2025	2024
Basic earning per share:		
Profit after tax attributable to the owners of the Company (RM'000)	16,335	17,317
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
Effects of treasury share held (unit'000)	(511)	-
Weighted average number of ordinary shares at end of the year (unit'000)	833,628	834,139
Basic earnings per ordinary share (sen)	1.96	2.08

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)

26. Dividends

	Sen per share	Total RM'000	Date of payment
Group			
2025			
Attributable to owners of the Company:			
Final 2024 ordinary	0.30	<u>2,502</u>	28 March 2025
2024			
Attributable to owners of the Company:			
Final 2023 ordinary	0.50	4,171	29 March 2024
Interim 2024 ordinary	0.25	<u>2,085</u>	27 December 2024
		<u>6,256</u>	

On 26 February 2026, the Board of Directors has approved and declared a single tier final dividend of 0.75 sen per ordinary share totalling RM6,245,720 in respect of the financial year ended 31 December 2025. The final dividend has been paid on 30 March 2026 and will be recognised in the financial year ending 31 December 2026.

27. Financial instruments

27.1 Categories of financial instruments

The Group's and the Company's financial assets and financial liabilities are categorised as amortised cost.

	Carrying amount RM'000	Amortised cost RM'000
Group		
2025		
Financial assets		
Trade and other receivables*	72,561	72,561
Fixed deposit with financial institutions	22,313	22,313
Cash and cash equivalents	<u>90,700</u>	<u>90,700</u>
	<u>185,574</u>	<u>185,574</u>
Financial liabilities		
Borrowings	(60,648)	(60,648)
Trade and other payables	<u>(41,518)</u>	<u>(41,518)</u>
	<u>(102,166)</u>	<u>(102,166)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instruments (continued)

27.1 Categories of financial instruments (continued)

	Carrying amount RM'000	Amortised cost RM'000
Group		
2024		
Financial assets		
Trade and other receivables*	84,262	84,262
Fixed deposit with financial institutions	21,839	21,839
Cash and cash equivalents	78,703	78,703
	<u>184,804</u>	<u>184,804</u>
Financial liabilities		
Borrowings	(54,999)	(54,999)
Trade and other payables	(50,767)	(50,767)
	<u>(105,766)</u>	<u>(105,766)</u>
Company		
2025		
Financial assets		
Trade and other receivables	1	1
Amount due from subsidiaries	25,346	25,346
Cash and cash equivalents	12,945	12,945
	<u>38,292</u>	<u>38,292</u>
Financial liabilities		
Trade and other payables	(219)	(219)
Amount due to a subsidiary	(28)	(28)
	<u>(247)</u>	<u>(247)</u>
2024		
Financial assets		
Trade and other receivables	1	1
Amount due from subsidiaries	26,750	26,750
Cash and cash equivalents	8,215	8,215
	<u>34,966</u>	<u>34,966</u>
Financial liabilities		
Trade and other payables	(219)	(219)
Amount due to a subsidiary	(14)	(14)
	<u>(233)</u>	<u>(233)</u>

* Exclude prepayments

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instruments (continued)

27.2 Net (losses)/gains arising from financial instruments

	Group		Company	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Net (losses)/gains arising on:				
Financial assets measured at amortised cost	(3,736)	(2,930)	776	625
Financial liabilities measured at amortised cost	282	63	-	-
	<u>(3,454)</u>	<u>(2,867)</u>	<u>776</u>	<u>625</u>

27.3 Financial risk management

The Group has exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

27.4 Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loan 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 is 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instruments (continued)

27.4 Credit risk (continued)

Trade receivables (continued)

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.

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 2025, the Group has significant concentration of credit risk as arising from the amounts owing by 2 (2024: 3) customers constituting 10% (2024: 36%) 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. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instruments (continued)

27.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment loss (continued)

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.

Impairment losses

The following table provides information about the exposure to credit risk and Expected Credit Losses ("ECL") for trade receivables as at the reporting date:

	Gross RM'000	Loss Allowance RM'000	Net RM'000
Group			
2025			
Not past due	41,583	(23)	41,560
Past due:			
Less than 30 days	13,104	(28)	13,076
31 to 60 days	5,650	(27)	5,623
61 to 90 days	845	(8)	837
More than 90 days	5,756	(60)	5,696
	<u>25,355</u>	<u>(123)</u>	<u>25,232</u>
	66,938	(146)	66,792
Credit impaired:			
Individually impaired	<u>1,021</u>	<u>(1,021)</u>	<u>-</u>
	<u>67,959</u>	<u>(1,167)</u>	<u>66,792</u>
2024			
Not past due	65,751	(39)	65,712
Past due:			
Less than 30 days	7,861	(31)	7,830
31 to 60 days	2,560	(16)	2,544
61 to 90 days	1,461	(17)	1,444
More than 90 days	1,800	(63)	1,737
	<u>13,682</u>	<u>(127)</u>	<u>13,555</u>
	79,433	(166)	79,267
Credit impaired:			
Individually impaired	<u>1,623</u>	<u>(1,623)</u>	<u>-</u>
	<u>81,056</u>	<u>(1,789)</u>	<u>79,267</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instruments (continued)

27.4 Credit risk (continued)

Trade receivables (continued)

Impairment losses (continued)

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

	Lifetime ECL RM'000	Credit Impaired RM'000	Total RM'000
Balances as 1 January 2024	115	1,213	1,328
Net measurement of loss allowance	61	441	502
Exchange difference	(10)	(31)	(41)
Balance as 31 December 2024/ 1 January 2025	166	1,623	1,789
Net measurement of loss allowance	(13)	(467)	(480)
Exchange difference	(7)	(135)	(142)
Balance as 31 December 2025	<u>146</u>	<u>1,021</u>	<u>1,167</u>

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. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instruments (continued)

27.4 Credit risk (continued)

Cash and cash equivalents and fixed deposits with financial institutions

The cash and cash equivalents and fixed deposits with financial institutions are held with licensed financial institutions. As at the end of the reporting year, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables and deposits

Credit risks on other receivables and deposit are mainly arising from advance payment paid to suppliers for procurement of materials.

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 RM63,502,000 (2024: RM52,193,000) representing the outstanding balance of banking facilities of the subsidiaries as at the end of the reporting period comprised of borrowings amounted to RM57,755,000 (2024: RM48,486,000), letter of credit and bank guarantee amounted to RM4,131,000 (2024: RM2,166,000) and RM1,616,000 (2024: RM1,541,000) respectively.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instruments (continued)

27.4 Credit risk (continued)

Financial guarantees (continued)

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 having 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 loan 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instruments (continued)

27.4 Credit risk (continued)

Amounts due from subsidiaries (continued)

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 having 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, no loss allowance is provided for amounts due from subsidiaries.

27.5 Liquidity risk

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

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instruments (continued)

27.5 Liquidity risk (continued)

Maturity analysis

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

2025 Group	Carrying amount RM'000	Contractual interest rate/ discount rate %	Contractual cash flows RM'000	Within 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000
Trade and other payables	41,518	-	41,518	41,518	-	-
Borrowings:						
- Bankers' acceptance	491	4.48 - 4.51	498	498	-	-
- Hire purchase liabilities	2,893	2.12 - 2.48	3,249	609	2,324	316
- Revolving loan	1,900	7.25	1,900	1,900	-	-
- Term loans	44,020	4.15 - 5.50	62,346	3,915	15,695	42,736
- Trust receipts	11,344	1.57 - 6.27	11,442	11,442	-	-
Lease liabilities	803	3.00 - 8.00	844	403	441	-
	<u>102,969</u>		<u>121,797</u>	<u>60,285</u>	<u>18,460</u>	<u>43,052</u>
Company						
Other payables	219	-	219	219	-	-
Amount due to a subsidiary	28	-	28	28	-	-
Financial guarantees*	-	-	63,502	63,502	-	-
	<u>247</u>		<u>63,749</u>	<u>63,749</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instruments (continued)

27.5 Liquidity risk (continued)

Maturity analysis (continued)

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

	Carrying amount RM'000	Contractual interest rate/ discount rate %	Contractual cash flows RM'000	Within		
				1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000
2024						
Group						
Trade and other payables	50,767	-	50,767	50,767	-	-
Borrowings:						
- Bankers' acceptance	2,080	4.77 - 5.28	2,095	2,095	-	-
- Bank overdrafts	1,119	4.75 - 8.57	1,119	1,119	-	-
- Hire purchase liabilities	2,929	2.28 - 2.42	3,349	584	2,133	632
- Revolving loan	1,300	7.50	1,300	1,300	-	-
- Term loans	35,587	4.45 - 6.10	50,323	2,699	12,231	35,393
- Trust receipts	11,984	1.24 - 6.83	12,112	12,112	-	-
Lease liabilities	451	1.88 - 8.00	472	384	88	-
	<u>106,217</u>		<u>121,537</u>	<u>71,060</u>	<u>14,452</u>	<u>36,025</u>
Company						
Other payables	219	-	219	219	-	-
Amount due to a subsidiary	14	-	14	14	-	-
Financial guarantees*	-	-	52,193	52,193	-	-
	<u>233</u>		<u>52,426</u>	<u>52,426</u>	<u>-</u>	<u>-</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instruments (continued)

27.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's and the Company's financial position or cash flows.

27.6.1 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"), China Renminbi ("RMB") and Singapore Dollar ("SGD"). The foreign currencies in which these transactions are denominated are mainly 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 Philippines, Thailand, Singapore, Vietnam, Hong Kong, China and Indonesia are not hedged as currency position in PHP, THB, SGD, VND, USD, RMB and IDR are considered to be long-term in nature.

Exposure to foreign currency risk

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

	USD RM'000	EUR RM'000	JPY RM'000	GBP RM'000
Group				
2025				
Financial assets				
Trade and other receivables	21,566	2,415	9,204	-
Short term deposits	13,430	3,255	-	-
Cash and bank balances	12,980	2,825	3,246	2
	<u>47,976</u>	<u>8,495</u>	<u>12,450</u>	<u>2</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instruments (continued)

27.6 Market risk (Continued)

27.6.1 Currency risk (continued)

Exposure to foreign currency risk (continued)

	USD RM'000	EUR RM'000	JPY RM'000	GBP RM'000
Group				
2025				
Financial liabilities				
Trade and other payables	(10,962)	(753)	(2,828)	(883)
Borrowings	(2,181)	-	-	(9,163)
	<u>(13,143)</u>	<u>(753)</u>	<u>(2,828)</u>	<u>(10,046)</u>
Net exposure	<u>34,833</u>	<u>7,742</u>	<u>9,622</u>	<u>(10,044)</u>
2024				
Financial assets				
Trade and other receivables	34,856	9,230	1,447	-
Short term deposits	7,591	2,334	-	-
Cash and bank balances	11,212	5,994	4,374	89
	<u>53,659</u>	<u>17,558</u>	<u>5,821</u>	<u>89</u>
Financial liabilities				
Trade and other payables	(10,813)	(7,244)	(1,477)	(1,630)
Borrowings	(6,531)	-	(4,558)	(895)
	<u>(17,344)</u>	<u>(7,244)</u>	<u>(6,035)</u>	<u>(2,525)</u>
Net exposure	<u>36,315</u>	<u>10,314</u>	<u>(214)</u>	<u>(2,436)</u>

Foreign currency risk sensitivity analysis

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instruments (continued)

27.6 Market risk (Continued)

27.6.1 Currency risk (continued)

Foreign currency risk sensitivity analysis (continued)

A 10% strengthening of the foreign currencies against the respective functional currencies of the Group entities at the end of the reporting period would have increased/(decreased) profit or loss by the amounts shown below:

	Profit or loss	
	2025	2024
	RM'000	RM'000
Group		
Foreign currency/Functional currency		
USD/RM	1,717	2,261
USD/VND	135	59
USD/SGD	670	373
USD/THB	16	21
USD/PHP	52	79
EUR/RM	419	304
EUR/VND	39	-
EUR/SGD	144	524
JPY/RM	86	(173)
JPY/SGD	-	169
JPY/USD	703	2
GBP/RM	<u>(763)</u>	<u>(185)</u>

A 10% (2024: 10%) weakening in foreign currencies against the respective functional currency of the Group entities at the end of the reporting period would have equal but opposite effect on profit or loss and equity, on the basis that all other variables remain constant.

27.6.2 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 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 10, 11, 12 and 27.5.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instruments (continued)

27.6 Market risk (continued)

27.6.2 Interest rate risk (continued)

Exposure to interest rate risk

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Fixed rate instruments				
Financial asset				
Fixed deposits with financial institutions	22,313	21,839	-	-
Short-term deposits	32,142	25,874	-	-
	<u>54,455</u>	<u>47,713</u>	<u>-</u>	<u>-</u>
Financial liabilities				
Lease liabilities	(803)	(451)	-	-
Borrowings				
- Hire purchase liabilities	(2,893)	(2,929)	-	-
	<u>(3,696)</u>	<u>(3,380)</u>	<u>-</u>	<u>-</u>
	<u>50,759</u>	<u>44,333</u>	<u>-</u>	<u>-</u>
Floating rate instruments				
Financial assets				
Short-term investments	23,503	12,154	12,434	8,143
Amounts due from subsidiaries	-	-	10,000	11,412
	<u>23,503</u>	<u>12,154</u>	<u>22,434</u>	<u>19,555</u>
Financial liabilities				
Borrowings				
- Bankers' acceptances	(491)	(2,080)	-	-
- Bank overdrafts	-	(1,119)	-	-
- Revolving loan	(1,900)	(1,300)	-	-
- Term loans	(44,020)	(35,587)	-	-
- Trust receipts	(11,344)	(11,984)	-	-
	<u>(57,755)</u>	<u>(52,070)</u>	<u>-</u>	<u>-</u>
Net exposure	<u>(34,252)</u>	<u>(39,916)</u>	<u>22,434</u>	<u>19,555</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instruments (continued)

27.6 Market risk (continued)

27.6.2 Interest rate risk (continued)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for a fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss			
	2025		2024	
	100 bp increase RM'000	100 bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
Group				
Floating rate instruments	<u>(260)</u>	<u>260</u>	<u>(303)</u>	<u>303</u>
Company				
Floating rate instruments	<u>170</u>	<u>(170)</u>	<u>149</u>	<u>(149)</u>

27.7 Fair value information

Financial instrument at fair value

As the financial assets and liabilities of the Group and 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instruments (continued)

27.7 Fair value information (continued)

Financial instrument other than those carried at fair value (continued)

The fair values of term loans were estimated to approximate carrying amount as term loans are floating rate instruments where they bear variable rates of interest determined based on a margin over the lender bank's cost of funds.

For hire purchase liabilities, the market rate of interest is determined by reference to similar agreements, and as of the period end, the carrying amount approximates its fair values.

28. 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 include 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:

	Note	Group	
		2025 RM'000	2024 RM'000
Borrowings	16	60,648	54,999
Lease liabilities		803	451
Total debts		<u>61,451</u>	<u>55,450</u>
Total equity attributable to the owners of the Company		<u>195,688</u>	<u>184,126</u>
Debts-to-equity ratio		<u>0.31</u>	<u>0.30</u>

- (a) 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 to 3.00 times.

The Group is in compliance with all externally imposed capital requirements as mentioned above. As at 31 December 2025, the gearing ratio of QAP, QMC and QSI (the subsidiaries that are subject to the loan covenant) were 0.37 times (2024: 0.41 times), 1.14 times (2024: 0.69 times) and 0.06 times (2024: 0.08 times) respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. Capital management (continued)

- (b) Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital and such shareholders' equity is not less than RM60,000,000. The Company has complied with this requirement.

29. Capital commitment

	Group	
	2025 RM'000	2024 RM'000
Capital expenditure commitment		
<i>Authorised and contracted for:</i>		
Property, plant and equipment	-	14,890

30. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the parties are subject to common control. 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.

Significant related party transactions

The significant related party transactions of the Group and the Company are shown below:

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Subsidiaries				
Management fee	-	-	110	110
Dividend income	-	-	(6,542)	(5,542)
Loan interest income	-	-	(530)	(242)
	<u>-</u>	<u>-</u>	<u>(530)</u>	<u>(242)</u>
Associate				
Commission income	5	14	-	-
Rental income	353	-	-	-
	<u>353</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. Related parties (continued)

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 the Company either directly or indirectly, including all the Directors of the Company and certain members of senior management of the Group.

The remuneration of Directors of the Company and certain members of senior management of the Group during the financial year were as follows:-

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Short-term employee benefit expenses	5,651	5,417	288	272
Post employment benefit expenses	919	894	-	-
	<u>6,570</u>	<u>6,311</u>	<u>288</u>	<u>272</u>

31. Operating segments

(i) Reporting format

The Group has four reportable segments, as described below, which are the Group's strategic business units. For each strategic business units, the Managing Director and Key Senior Management of the group review internal management report on a monthly basis.

The following summary describes the operations in each of the Group's reportable segments:

Investment holding	Investment in shares.
Value Engineering division (formerly known as Distribution division):	
<ul style="list-style-type: none"> • Equipment • Materials and Engineering Solutions 	<p>Marketing and servicing of scientific instruments.</p> <p>Trading and servicing of industrial parts and equipment and scientific instruments.</p>
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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. Operating segments (continued)

(i) Reporting format (continued)

The operating segments are aggregated based on similar nature and economic characteristics of the products and services. The nature, type of customer and methods of distribution of the products and services for each reportable segment are similar.

Segment revenue and results

The accounting policies of the reportable segments are the same as the Group's accounting policies. 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.

(ii) 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 have 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. Operating segments (continued)

	Investment holding RM'000	Equipment RM'000	Materials and Engineering Solutions RM'000	Manufacturing RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2025						
External revenue	-	218,321	17,951	30,568	-	266,840
Intra segment revenue	-	90,370	153	394	(90,917)	-
Inter segment revenue	6,542	5,049	-	-	(11,591)	-
Total revenue	6,542	313,740	18,104	30,962	(102,508)	266,840
Results						
Depreciation and amortisation	-	5,349	239	3,402	(27)	8,963
Other non-cash expenses/ (income)	589	(182)	202	(500)	-	109
Segment profit/(loss) before tax	5,240	32,327	(1,055)	(8,090)	(6,515)	21,907
Assets						
Additions to non-current assets	1	4,203	18	14,147	-	18,369
Segment assets	100,215	247,534	16,419	84,570	(124,015)	324,723
Segment liabilities	3,892	114,468	4,827	61,309	(59,454)	125,042

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. Operating segments (continued)

	Note	Investment holding RM'000	Equipment RM'000	Materials and Engineering Solutions RM'000	Manufacturing RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
2024							
External revenue		-	197,539	29,722	42,316	-	269,577
Intra segment revenue	(a)	-	69,498	17	-	(69,515)	-
Inter segment revenue	(a)	5,542	3,990	113	-	(9,645)	-
Total revenue		5,542	271,027	29,852	42,316	(79,160)	269,577
Results							
Depreciation and amortisation		-	5,117	228	2,532	2	7,879
Other non-cash expenses	(b)	455	707	43	1,266	-	2,471
Segment profit before tax	(c)	4,446	22,512	867	2,951	(6,080)	24,696
Assets							
Additions to non-current assets	(d)	5	10,511	673	26,285	-	37,474
Segment assets	(e)	97,493	234,448	19,241	89,560	(126,630)	314,112
Segment liabilities	(f)	3,867	116,999	6,490	61,040	(62,305)	126,091

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. Operating segments (continued)

- (a) Inter segment revenues and intra segment revenues are eliminated on consolidation.
- (b) Other non-cash expenses/(income)

	2025	2024
	RM'000	RM'000
Gain on disposal of property, plant and equipment	(1,563)	(941)
Gain on disposal of leasehold land	(183)	-
Inventories written down	116	217
Inventories written off	-	48
Loss on unrealised foreign exchange	1,519	474
Net (reversal)/ loss on impairment of financial instruments	(454)	588
Property, plant and equipment written off	56	14
Provision for post-employment benefits	418	399
Share of result of an associate, net of tax	589	455
(Reversal)/Provision of warranty expenses	(389)	1,217
	<u>109</u>	<u>2,471</u>

- (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:

	2025	2024
	RM'000	RM'000
Segment profit	28,422	30,776
Profit from inter-segment sales	(5,413)	(5,428)
Dividend	(6,542)	(6,078)
Other income	(2,144)	(1,831)
Unallocated corporate expenses	7,584	7,257
Profit before tax	<u>21,907</u>	<u>24,696</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. Operating segments (continued)

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

	2025 RM'000	2024 RM'000
Property, plant and equipment	16,254	35,880
Intangible assets	1,057	1,231
Right-of-use assets	1,058	363
	<u>18,369</u>	<u>37,474</u>

(e) Reconciliation of assets:

	2025 RM'000	2024 RM'000
Segment assets	448,738	440,742
Adjustment on consolidation of subsidiaries	(69,620)	(65,902)
Deferred tax assets	3,491	1,151
Tax recoverable	1,041	798
Unrealised profit on inventories	(521)	(345)
Inter-segment balances	(58,406)	(62,332)
Total assets	<u>324,723</u>	<u>314,112</u>

(f) Reconciliation of liabilities:

	2025 RM'000	2024 RM'000
Segment liabilities	184,496	188,396
Adjustment on consolidation of subsidiaries	(3,599)	(2,735)
Tax payable	2,161	1,727
Deferred tax liabilities	390	1,035
Inter-segment balances	(58,406)	(62,332)
Total liabilities	<u>125,042</u>	<u>126,091</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. Operating segments (continued)

Geographical Information

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

	2025	2024
	RM'000	RM'000
Malaysia	96,374	134,521
Vietnam	43,752	42,990
Thailand	33,734	25,289
Philippines	33,026	16,684
Singapore	26,789	20,524
Indonesia	20,391	16,982
India	5,736	21
China	1,825	1,793
Myanmar	974	288
Germany	799	5,832
Lao People's Democratic Republic	403	624
Malta	158	1,558
Others	2,879	2,471
	<u>266,840</u>	<u>269,577</u>

Major customers' information

The Group has five customers which contribute approximately RM37.3 million or 14% (2024: five customers, RM77.8 million or 28.9%) of the Group's revenue during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. Operating segments (continued)

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		Indonesia		Vietnam		Hong Kong		Thailand		Singapore		Philippines		China		Consolidated		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
2025																			
Property, plant and equipment	74,818	1,179	-	793	-	-	-	6,060	684	1,626	53	85,213							
Right-of-use assets	4,996	120	-	-	-	-	-	483	-	-	68	5,667							
Intangible assets	6,218	-	-	-	-	-	3,381	-	-	-	-	9,599							
Investment in an associate	1,517	-	-	-	-	-	-	-	-	-	-	1,517							
	87,549	1,299	1,299	793	793	793	3,381	6,060	1,167	1,626	121	101,996							
2024																			
Property, plant and equipment	67,105	1,075	-	1,075	-	-	-	5,884	577	1,261	83	77,060							
Right-of-use assets	5,216	157	-	-	-	-	-	-	72	-	10	5,455							
Intangible assets	6,874	-	-	-	-	-	3,381	-	-	-	-	10,255							
Investment in an associate	2,106	-	-	-	-	-	-	-	-	-	-	2,106							
	81,301	1,232	1,232	1,075	1,075	1,075	3,381	5,884	649	1,261	93	94,876							

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. Subsequent event

On 11 March 2026, QAP increased its investment in QHK through the subscription of an additional 1 ordinary share for a total consideration of RM978,875. This subscription has no dilution effect on the controlling interest of QAP in QHK of 100%.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 97 to 177 are drawn up in accordance with MFRS Accounting Standards as issued by the Malaysian Accounting Standards Board, IFRS Accounting Standards as issued by the International Accounting Standards Board 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 of 31 December 2025 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Chew Ne Weng
Director

.....
Liew Soo Keang
Director

Kuala Lumpur,

Date: 16 April 2026

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, **Yeoh Cheong Yeow**, the Officer primarily responsible for the financial management of QES Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 97 to 177 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed, Yeoh Cheong Yeow, MIA CA:
16643, at Kuala Lumpur in the Federal Territory on 16 April 2026.

.....
Yeoh Cheong Yeow

Before me:

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 2025 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 97 to 177.

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 2025, and of their financial performance and their cash flows for the year then ended in accordance with MFRS Accounting Standards as issued by the Malaysian Accounting Standards Board ("MFRS Accounting Standards"), IFRS Accounting Standards as issued by the International Accounting Standard Board (IFRS Accounting 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 auditors' 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"), as applicable to audits of financial statements of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QES GROUP BERHAD (CONT'D)

Key Audit Matters

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

Impairment of trade receivables – Expected credit loss (“ECL”) allowance

Refer to Note 1(d) Basis of preparation: Use of estimates and judgements, Note 9 – Trade and other receivables and Note 27.4 – Financial Instruments – Credit risk – Trade receivables.

The key audit matter

As at 31 December 2025, the Group's gross trade receivables amounted to approximately RM68 million, representing approximately 31% of the group's current assets. Furthermore, RM5.8 million has past due more than 90 days. The Group measures ECL of trade receivables based on provision matrix that takes into consideration of its historical credit loss experience, debtors' ability to pay and are adjusted for forward-looking information. We identified ECL allowance for trade receivables as a key audit matter due to the involvement of significant judgement and estimates made by Directors.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- Obtained understanding on the key assumptions and inputs used by the Group in the ECL model;
- Performed recomputation on the Group's calculation in ECL model and evaluated the completeness, accuracy and relevance of data;
- Challenged the key assumptions applied in determining the allowance for impairment loss on trade receivables by taking into account the historical trend of recoverability of the trade receivables within the Group;
- Assessed recoverability of trade receivables by testing the receipts of cash after year end and considered the historical trend of payment and bad debts record for debts deemed doubtful on a sample basis; and
- Evaluated the disclosures about expected credit losses related to trade receivables were in accordance with the applicable financial reporting standards, including disclosures on estimation uncertainty.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

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 Directors' Report (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will 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 other information identified above 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 on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

Responsibilities of the 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 MFRS Accounting Standards, IFRS Accounting 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 ability of the Group and of the Company 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 approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QES GROUP BERHAD (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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.
- 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 internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- 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 ability of the Group or of the Company 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.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- 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, actions taken to eliminate threats or safeguards applied.

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 auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QES GROUP BERHAD (CONT'D)

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 5 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 content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Petaling Jaya, Selangor

Date: 16 April 2026

Chan Kim Hing
Approval Number: 03737/04/2027 J
Chartered Accountant

DISCLOSURE OF FINANCIAL DATA FOR SHARIAH SCREENING

Pursuant to Paragraph 9.25A of the MAIN Market Listing Requirements, below are the financial data relevant for the purpose of Integrated Annual Report 2025 disclosures. These include financial data on Shariah non-permissible income arising from the Group's business activities and interest-based financial position.

a) Group Total Income and Total Asset

	Group	
	2025 RM'000	2024 RM'000
Total Income		
Revenue	266,840	269,577
Finance income	1,177	942
Other income	3,222	2,375
Total	271,239	272,894
Total Assets	324,723	314,112

b) Business Activities

Shariah Non-Compliant Activities	Remarks	Group	
		2025 RM'000	2024 RM'000
Interest income	Conventional	1,032	781
Total		1,032	781

c) Component of Financial Position

i) Cash Component

Islamic Account/Instruments	Group	
	2025 RM'000	2024 RM'000
Deposits with licensed bank	2,720	2,684
Investment in cash funds	23,503	12,154
Short-term deposits	32,142	25,874
Cash at bank (exclude cash in hand)	3,151	4,351
Total	61,516	45,063

DISCLOSURE OF FINANCIAL DATA FOR SHARIAH SCREENING

d) Component of Financial Position (cont'd)

(i) Cash Component (cont'd)

	2025 RM'000	2024 RM'000
Conventional Account/Instruments		
Deposits with licensed bank	19,593	19,155
Cash at bank (exclude cash in hand)	31,876	36,291
Cash in hand	28	33
Total	51,497	55,479

(ii) Debt Component

	2025 RM'000	Group 2024 RM'000
Islamic Financing		
Current		
Banker's acceptances	491	1,379
Revolving credit and financing	1,900	1,300
Term financing	1,788	1,024
Trust receipt	5,373	7,301
Non-Current		
Term financing	39,179	30,979
Total	48,731	41,983

Conventional Borrowing

Current		
Banker's acceptances	-	701
Bank overdrafts	-	1,119
Hire purchase payables	491	459
Term loans	464	473
Trust receipt	5,971	4,683
Non-Current		
Hire purchase payables	2,402	2,470
Term loans	2,589	3,111
Total	11,917	13,016

LIST OF PROPERTIES

16 APRIL 2026

Location	Particulars of property	Age of Building (years)	Tenure/ Expiry	Description/ Existing Use	Land Area/ Built-up Area (sq. ft.)	Audited Net Book Value (RM)	Year of acquisition
1) QES (Asia-Pacific) Sdn. Bhd.							
No. 2, Jalan Jururancang U1/21, Hicom Glenmarie Industrial Park, Seksyen U1 40150 Shah Alam, Selangor	H.S.(D) 225962, PT No. 114, Bandar Glenmarie, Daerah Petaling, Negeri Selangor	30	Freehold	Five (5) Storey detached factory: Corporate headquarters and manufacturing plant	62,786 / 86,806	25,005,661	2021
2) QES Mechatronic Sdn. Bhd.							
PMT 862, Jalan Cassia Selatan 3/1, Taman Perindustrian Batu Kawan, 14110 Bandar Cassia, Pulau Pinang	PN 13479, Lot 22039, Mukim 13, District of Seberang Perai Selatan, Pulau Pinang	3	Leasehold (60 years)/ 12.1.2083	Double (2) Storey detached factory: Office and manufacturing plant - For own use - Rent to associate company	87,112 / 88,776 58,054 30,722	37,154,141	2023
3) QES (Thailand) Co., Ltd.							
509, 511, Ram Inthra Road, Kannayao Sub-district, Kannayao District, Bangkok	Title deed no. 15139 & 218279, Parcel No. 2152 & 4280, Dealing file no. 3349 & 3557, Ram Inthra Road, Kannayao Sub-district, Kannayao District, Bangkok	36	Freehold	2 units of 4-storey commercial buildings: Office building	1,877 / 7,896	4,083,192	2024

ANALYSIS OF SHAREHOLDINGS AS AT 31 MARCH 2026

SHARE CAPITAL

Total number of issued shares	:	834,138,800 ordinary shares
Number of treasury shares	:	1,376,200
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	298	3.10	806	0.00
100 – 1,000 shares	1,301	13.52	683,794	0.08
1,001 – 10,000 shares	4,099	42.59	24,065,300	2.89
10,001 – 100,000 shares	3,326	34.56	116,790,600	14.03
100,001 to less than 5% of issued shares	597	6.20	285,233,295	34.25
5% and above of issued shares	3	0.03	405,988,805	48.75
Total	9,624	100.00	832,762,600	100.00

LIST OF TOP THIRTY LARGEST SHAREHOLDERS

Name	No. of shares held	%
1. LIEW SOO KEANG	187,988,805	22.57
2. CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR WA CAPITAL SDN BHD (PB)	168,000,000	20.17
3. RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WA CAPITAL SDN. BHD.	50,000,000	6.00
4. MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK PRIVATE WEALTH MANAGEMENT FOR CHEW NE WENG (12021750) (440078)	23,000,000	2.76
5. CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 22)	16,655,200	2.00
6. DB (MALAYSIA) NOMINEES (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG DANA MAKMUR	16,647,300	2.00
7. CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR CHEW NE WENG (PB)	10,270,895	1.23
8. CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (EASTSPRINGESG)	5,122,700	0.62
9. DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG DANA MAA'ROF	4,505,400	0.54
10. CITIGROUP NOMINEES (TEMPATAN) SDN BHD LEMBAGA TABUNG HAJI (EASTSPRING)	4,065,200	0.49
11. RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE NYUK LIN	3,685,100	0.44
12. CGS INTERNATIONAL NOMINEES MALAYSIA (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LEE NYUK LIN (MF00129)	3,400,000	0.41

ANALYSIS OF SHAREHOLDINGS AS AT 31 MARCH 2026 (CONT'D)

LIST OF TOP THIRTY LARGEST SHAREHOLDERS (CONT'D)

Name	No. of shares held	%
13. CGS INTERNATIONAL NOMINEES MALAYSIA (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR FOONG KOK HONG (MY1489)</i>	3,388,000	0.41
14. CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD <i>AIIAMAN ASSET MANAGEMENT SDN BHD FOR SUN LIFE MALAYSIA TAKAFUL BERHAD</i>	3,061,200	0.37
15. PAN LEE CHIN	3,000,000	0.36
16. CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD <i>TABUNG WARISAN NEGERI SELANGOR (AL-WARA')</i>	2,964,400	0.36
17. LIEW SOO KEANG	2,762,300	0.33
18. TAN POH CHYE @ TAN POH SAI	2,700,300	0.32
19. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR JOHN CHIA SIN TET (7006964)</i>	2,650,000	0.32
20. LAI LENG LEAN	2,577,200	0.31
21. HSBC NOMINEES (TEMPATAN) SDN BHD <i>BNPP SIN/2S FOR PERTUBUHAN KESELAMATAN SOSIAL (PKSEIMYA-SC EQ)</i>	2,159,100	0.26
22. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR SONG ZHEN WEI (7003668)</i>	1,866,400	0.22
23. CHOW HONG LIT	1,806,000	0.22
24. MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TOH HOOI HAK</i>	1,750,100	0.21
25. MAYBANK NOMINEES (TEMPATAN) SDN BHD NEOH ANG HING	1,650,000	0.20
26. CIMB GROUP NOMINEES (TEMPATAN) SDN BHD <i>CIMB COMMERCE TRUSTEE BERHAD FOR MAYBANK MALAYSIA SMALLCAP FUND</i>	1,500,000	0.18
27. LIM KOOI FUI	1,479,000	0.18
28. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHIANG SOAK CHIN (7005112)</i>	1,383,000	0.17
29. NG SIEW ENG	1,355,600	0.16
30. MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHUNG KEAT ANN</i>	1,300,000	0.16
Total	532,693,200	63.97

ANALYSIS OF SHAREHOLDINGS AS AT 31 MARCH 2026 (CONT'D)

SUBSTANTIAL SHAREHOLDERS

(AS SHOWN IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

Name of substantial shareholders	No. of ordinary shares			
	Direct	%	Indirect	%
1) WA Capital Sdn. Bhd.	218,000,000	26.18	-	-
2) Liew Soo Keang	190,751,105	22.91	-	-
3) Chew Ne Weng	33,270,895	4.00	218,000,000 ⁽¹⁾	26.18
4) Zhou Fu (L) Foundation	-	-	218,000,000 ⁽²⁾	26.18

STATEMENT OF DIRECTORS' SHAREHOLDINGS

Directors' name	No. of ordinary shares			
	Direct	%	Indirect	%
1) Chew Ne Weng	33,270,895	4.00	218,000,000 ⁽¹⁾	26.18
2) Liew Soo Keang	190,751,105	22.91	-	-
3) Adnan bin Zainol	40,000	0.00	-	-
4) Dr. Gunasegaran Muthusamy	-	-	-	-
5) Maznida binti Mokhtar	-	-	-	-
6) Wan Fatimah Suriani binti Ibrahim	-	-	-	-

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 THE 12TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 12th Annual General Meeting ("AGM") of QES Group Berhad ("QES" or "the Company") will be held at Corporate Meetings by Envivo, Ground Floor, Lobby 1, Crystal Plaza, No. 4, Jalan 51A/223, 46100 Petaling Jaya, Selangor on Friday, 26 June 2026 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 2025 together with the Reports of the Directors and the Auditors thereon. (Refer to Explanatory Notes a)
2. To approve the payment of Directors' fees of up to an amount of RM500,000/- for the period from 27 June 2026 to the next AGM. **(Ordinary Resolution 1)**
(Refer to Explanatory Notes b)
3. To approve the payment of Directors' benefits of up to an amount of RM100,000/- for the period from 27 June 2026 to the next AGM. **(Ordinary Resolution 2)**
(Refer to Explanatory Notes b)
4. To re-elect the following Directors who retire by rotation pursuant to Clause 115 of the Company's Constitution, and who being eligible, offered themselves for re-election: (Refer to Explanatory Notes c)
 - (i) Mr. Chew Ne Weng **(Ordinary Resolution 3)**
 - (ii) En. Adnan Bin Zainol **(Ordinary Resolution 4)**
5. To re-appoint Messrs. KPMG 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 Resolutions:

6. **AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016**

"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.

(Ordinary Resolution 6)
(Refer to Explanatory Notes d)

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 17 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.

AND THAT authority be and is hereby given to the Directors to do all acts including executing all relevant documents as he/they may consider expedient or necessary to complete and give full effect to the abovesaid mandate."

NOTICE OF THE 12TH ANNUAL GENERAL MEETING

7. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE")**

(Ordinary Resolution 7)
(Refer to Explanatory Notes e)

"**THAT** subject to the provisions of the MMLR of Bursa Securities, approval be and is hereby given to QES and/or its subsidiaries ("QES Group" or the "Group") to enter into and give effect to specified Recurrent Related Party Transactions of a revenue or trading nature with the Related Parties as set out in Part A of the Circular to Shareholders dated 28 April 2026 ("Circular") which are necessary for the Group's day-to-day operations in the ordinary course of business on terms not more favourable to the Related Parties than those generally available to the public and not detrimental to minority shareholders of the Company AND THAT, such approval shall continue to be in force until:

- (a) the conclusion of the next AGM of the Company following the AGM at which this Proposed Renewal of Shareholders' Mandate is approved, at which time it will lapse, unless the authority is renewed by an ordinary resolution passed at the said next AGM; or
- (b) the expiration of the period within which the next AGM of the Company after the date is required to be held pursuant to Sections 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by an ordinary resolution passed by the shareholders of the Company in general meeting,

whichever is earlier;

AND FURTHER THAT, the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal of Shareholders' Mandate."

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

(Ordinary Resolution 8)
(Refer to Explanatory Notes f)

"**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:

- (a) 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;
- (b) the maximum funds to be allocated by the Company for the Proposed Renewal of Share Buy-Back Authority 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;

NOTICE OF THE 12TH ANNUAL GENERAL MEETING

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

- (a) 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;
- (b) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (c) revoked or varied by an 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 Directors be and are hereby authorised to take all such steps as are necessary or expedient to implement, finalise, complete or to give effect to the Proposed Renewal of Share Buy-Back Authority 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 Renewal of Share Buy-Back Authority."

9. **PROPOSED GRANTING OF ESOS OPTIONS TO DR. GUNASEGARAN MUTHUSAMY AND PUAN WAN FATIMAH SURIANI BINTI IBRAHIM** (Refer to Explanatory Notes g)

"**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 the following persons, being the Independent Non-Executive Directors 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 them, if they, either singly or collectively through persons connected with them, holds 20% or more of the issued share capital of QES:

- (i) Dr. Gunasegaran Muthusamy
- (ii) Puan Wan Fatimah Suriani Binti Ibrahim

(Ordinary Resolution 9)
(Ordinary Resolution 10)

AND THAT 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."

10. 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 2026

NOTICE OF THE 12TH ANNUAL GENERAL MEETING

Explanatory Notes

(a) Audited Financial Statements for financial year ended 31 December 2025

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 Resolutions 1 and 2

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 12th AGM on the Directors remuneration.

(c) Ordinary Resolutions 3 and 4

Clause 115 of the Company's Constitution provides that 1/3 of the Directors of the Company for the time being or, if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office and be eligible for re-election PROVIDED ALWAYS that all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election.

With the current Board size, Mr. Chew Ne Weng and En. Adnan Bin Zainol are to retire pursuant to Clause 115 of the Company's Constitution. Both the retiring Directors being eligible, have offered themselves for re-election at the 12th AGM.

Explanatory Notes to Special Business

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

The Company wishes to renew the mandate on the authority to issue shares of not more than ten per centum (10%) of the total issued shares capital for the time being pursuant to the Act at the 12th AGM of the Company (hereinafter referred to as the "General Mandate").

The Company had been granted a general mandate on the authority to issue shares pursuant to the Act by its shareholders at the 11th AGM of the Company held on 18 June 2025 (hereinafter referred to as the "Previous Mandate").

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.

Resolution No. 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. 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.

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 17 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.

NOTICE OF THE 12TH ANNUAL GENERAL MEETING

(e) Ordinary Resolution 7 - Proposed Renewal of Shareholders' Mandate

The proposed Ordinary Resolution 7, if passed, will allow the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the Company's day-to-day operations to facilitate transactions in the normal course of business of the Company with the specified classes of related parties, provided that they are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the shareholders on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Please refer to Part A of the Circular to Shareholders dated 28 April 2026, which is circulated together with this Annual Report for further information.

(f) Ordinary Resolution 8 - Proposed Renewal of Share Buy-Back Authority

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 Renewal of Share Buy-Back Authority is set out in the Statement to Shareholders which is dispatched together with the Notice of 12th AGM.

(g) Ordinary Resolutions 9 and 10 – Proposed Granting of ESOS Options

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 9 and 10 is to seek shareholders' approval for the Company to offer and grant ESOS Options to the Directors of the Company, Dr. Gunasegaran Muthusamy and Puan Wan Fatimah Suriani Binti Ibrahim as they were appointed as an Independent Non-Executive Directors on 1 July 2024 and 20 September 2024 respectively after our shareholders have approved the establishment of the ESOS (including the grant of the ESOS Options to the Directors) on 25 June 2019.

Dr. Gunasegaran Muthusamy and Puan Wan Fatimah Suriani Binti Ibrahim are deemed interested in the respective resolutions pertaining to the grant of ESOS Options to them and accordingly have abstained and shall continue to abstain from deliberation and voting in respect of their direct and indirect interest in the Company and will ensure that persons connected with them will abstain from voting in respect of their direct and indirect interest in the Company, in the respective allocation to them.

NOTICE OF THE 12TH ANNUAL GENERAL MEETING

Notes :-

1. For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a Record of Depositors as at 19 June 2026. Only a member whose name appears on this Record of Depositors shall be entitled to attend in this 12th AGM.
2. 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.
3. The Proxy Form must be deposited at the Share Registrar's office at Mega Corporate Services Sdn. Bhd. of Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur or emailed to mega-sharereg@megacorp.com.my, or alternatively lodged electronically via the portal at <https://www.equiti.my/> not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
4. 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.
5. 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.
6. 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.
7. 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.

STATEMENT ACCOMPANYING NOTICE OF TWELFTH (12TH) 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 12th AGM of the Company:-
 - (a) Mr. Chew Ne Weng (Clause 115)
 - (b) En. Adnan Bin Zainol (Clause 115)
2. No individual is standing for election as a Director at the forthcoming 12th AGM of the Company other than the Directors seeking for re-election and retention as a Director at the 12th AGM.
3. The profiles of the Directors who are standing for re-election at the 12th AGM are set out in the Company's Annual Report 2025.
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 12th AGM of the Company for further details.

ADMINISTRATIVE NOTES FOR SHAREHOLDERS

FOR THE ANNUAL GENERAL MEETING ("AGM" OR "MEETING") OF **QES GROUP BERHAD** ("QES" OR "THE COMPANY"):

Day/Date : **Friday, 26 June 2026**
Time : **10.00 a.m.**
Venue : **Corporate Meetings by Envivo, Ground Floor, Lobby 1, Crystal Plaza, No. 4, Jalan 51A/223, 46100 Petaling Jaya, Selangor**

REGISTRATION ON THE DAY OF AGM

- Registration will commence at **8:00 a.m.** on **26 June 2026** and will remain open until the conclusion of the AGM or such time as may be determined by the Chairman of the meeting.
- Please present your original National Registration Identity Card (NRIC) or Passport (for non-Malaysian) to the registration staff for verification.
- Upon verification, an identification wristband will be given to you for voting purpose thereafter. No one will be allowed to enter the meeting hall without an identification wristband. There will be no replacement for the identification wristband if it is lost or misplaced.
- Registration must be done in person. No person is allowed to register on behalf of another even with the original NRIC or Passport of the other person.
- The registration counter will handle verification of identity, registration and revocation of proxy/proxies.

GENERAL MEETING RECORD OF DEPOSITORS

- Only a member whose name appears on the ROD as at 19 June 2026 shall be entitled to attend, speak and vote (collectively "participate") at the AGM or appoint proxy(ies) to participate on his/her/its behalf.

CORPORATE MEMBERS

- Corporate members who wish to appoint corporate representatives instead of proxy(ies), must deposit their original certificate of appointment of corporate representative to Mega Corporate Services Sdn. Bhd. ("Mega") before the AGM or bring the original certificate of appointment of corporate representative to the AGM.
- Attorneys appointed by power of attorney are required to deposit their power of attorney with Mega not later than **24 June 2026 at 10:00 a.m.** to attend and vote at the AGM.

PROXY

The appointment of proxy(ies) may be made in hard copy form or by electronic form in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote, otherwise the Proxy Form shall not be treated as valid:-

- In hard copy form
In case of an appointment made in hard copy form, the proxy form must be deposited at the office of the Share Registrar of the Company, Mega Corporate Services Sdn. Bhd. at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur or alternatively, to email Share Registrar at mega-sharereg@megacorp.com.my
- By electronic form
The proxy form can be electronically lodged at <https://www.equiti.my>

ADMINISTRATIVE NOTES FOR SHAREHOLDERS

FOR THE ANNUAL GENERAL MEETING (“AGM” OR “MEETING”) OF **QES GROUP BERHAD** (“QES” OR “THE COMPANY”):

ELECTRONIC LODGEMENT OF PROXY FORM

The procedures to lodge your Form of Proxy electronically via The Portal website are summarised below:

Procedure	Action
i. Steps for Individual Shareholders	
Register as a User at The Portal	<ol style="list-style-type: none"> 1. Visit the website at https://www.equiti.my 2. Click “Register” and select “individual Holder” and complete the New User Registration Form. 3. Complete the registration form with your personal details. 4. Once registration is completed, you will receive a verification code to your email to verify your registered email address. 5. After verification, your registration will be reviewed and approved within one (1) working day. A confirmation email will be sent once approved. 6. Once you receive the confirmation, activate your account by logging in with your email address and password. <p><i>If you are an existing user with Equiti.my previously, you are not required to register again.</i></p>
Proceed with submission of proxy form	<ol style="list-style-type: none"> 1. After the release of the Notice of Meeting by the company, login with your email address and password. 2. Select the corporate event: “QES GROUP BERHAD AGM”. 3. Navigate to the “SUBMISSION OF E PROXY FORM”. 4. Indicate the CDS account number (last 9 digits) and the total number of shares assigned to your proxy(ies) to vote on your behalf. 5. Appoint your proxy(ies) and insert the required details of your proxy(ies) or appoint the Chairman as your proxy. 6. Indicate your voting instructions – FOR or AGAINST or ABSTAIN. 7. Read and agree to the Terms and Conditions and confirm the Declaration. 8. Download the Proxy Form for your record at “MY SUBMISSION”
ii. Steps for Corporation or Institutional Shareholders	
Register as a User at The Portal	<ol style="list-style-type: none"> 1. Visit the website at https://www.equiti.my 2. Click “Register” and select “Nominee/Corporate” and complete the New User Registration Form. 3. Complete the registration form with your personal details. 4. Once registration is completed, you will receive a verification code to your email to verify your registered email address. 5. After verification, your registration will be reviewed and approved within two (2) working days. A confirmation email will be sent once approved. 6. Once you receive the confirmation, activate your account by logging in with your email address and password. <p><i>Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact Mega if you need clarifications on the user registration.</i></p>
Proceed with submission of proxy form	<ol style="list-style-type: none"> 7. Login to https://www.equiti.my with your email address and password. 8. Select the corporate event: “QES GROUP BERHAD AGM”. 9. Navigate to the “SUBMISSION OF E PROXY FORM”. 10. Indicate the CDS account number (last 9 digits) and the total number of shares assigned to your proxy(ies) to vote on your behalf. 11. Appoint your proxy(ies) and insert the required details of your proxy(ies) or appoint the Chairman as your proxy. 12. Indicate your voting instructions – FOR or AGAINST or ABSTAIN. 13. Read and agree to the Terms and Conditions and confirm the Declaration. 14. Download the Proxy Form for your record at “MY SUBMISSION”

ADMINISTRATIVE NOTES FOR SHAREHOLDERS

FOR THE ANNUAL GENERAL MEETING ("AGM" OR "MEETING") OF **QES GROUP BERHAD** ("QES" OR "THE COMPANY"):

POLL VOTING

- The voting at the AGM will be conducted by poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company has appointed Mega Corporate Services Sdn. Bhd. as a Poll Administrator to conduct the poll.
- Upon completion of the voting session for the AGM, the Independent Scrutineers will verify the poll results followed by the Chairman's declaration whether the resolutions are duly passed.

NO RECORDING OR PHOTOGRAPHY

- Strictly NO recording and photography of the proceedings of the AGM is allowed.

ENQUIRY

If you have any enquiries on the above, please contact the Share Registrar during office hours on Monday to Friday from 9:00 a.m. to 6:00 p.m. (except on public holidays):

Mega Corporate Services Sdn Bhd

General Line : +603-2692 4271

Direct Line : +603-2694 8984

E-mail Address : mega-sharereg@megacorp.com.my



Proxy Form

QES GROUP BERHAD

Registration No. 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 12th Annual General Meeting ("AGM") of the Company to be held at Corporate Meetings by Envivo, Ground Floor, Lobby 1, Crystal Plaza, No. 4, Jalan 51A/223, 46100 Petaling Jaya, Selangor on Friday, 26 June 2026 at 10.00 a.m. or at any adjournment thereof (*Strike out whichever is not desired*)

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

Proxy 1 %
Proxy 2 %
.....
 100 %
.....

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

NO.	RESOLUTIONS	FOR	AGAINST
1)	Ordinary Resolution 1 – To approve the payment of Directors' fees		
2)	Ordinary Resolution 2 – To approve the payment of Directors' benefits		
3)	Ordinary Resolution 3 – Re-election of Mr. Chew Ne Weng as Director		
4)	Ordinary Resolution 4 – Re-election of En. Adnan Bin Zainol as Director		
5)	Ordinary Resolution 5 – To re-appoint Messrs. KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration		
6)	Ordinary Resolution 6 – Authority to allot and issue shares		
7)	Ordinary Resolution 7 – Proposed Renewal of Shareholders' Mandate		
8)	Ordinary Resolution 8 – Proposed Renewal of Share Buy-Back Authority		
9)	Ordinary Resolution 9 – Proposed granting of ESOS options to Dr. Gunasegaran Muthusamy		
10)	Ordinary Resolution 10 – Proposed granting of ESOS options to Puan Wan Fatimah Suriani Binti Ibrahim		

Signed this day of 2026

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

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

Notes :-

- For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a Record of Depositors as at 19 June 2026. Only a member whose name appears on this Record of Depositors shall be entitled to attend in this 12th AGM.
- 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.
- The Proxy Form must be deposited at the Share Registrar's office at Mega Corporate Services Sdn. Bhd. of Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur or emailed to mega-sharereg@megacorp.com.my, or alternatively lodged electronically via the portal at <https://www.equiti.my/> not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
- 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.
- 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.
- 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.
- 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.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

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

1st fold here



Assuring you our best, always!

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

Hotline : +603 5882 6668

Email : investor.relations@qesnet.com

www.qesnet.com