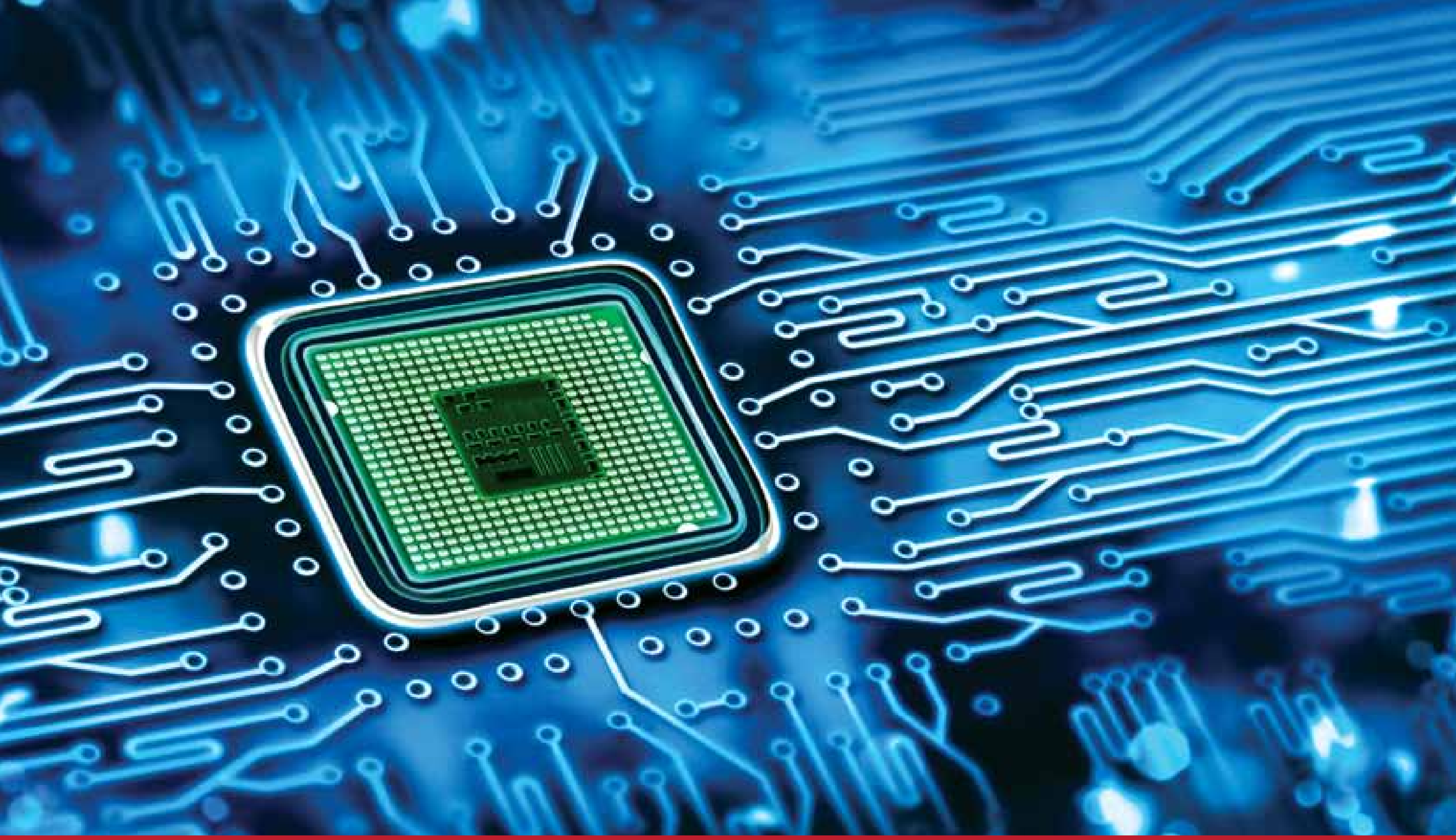
QES GROUP BERHAD
(Company No. 1119086-U)
(Incorporated in Malaysia under the Companies Act, 1965)

ANNUAL REPORT 2017



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Adnan Bin Zainol
Independent Non-Executive Chairman

Chew Ne Weng
Managing Director/President

Liew Soo Keang
Executive Director

Chia Gek Liang
Independent Non-Executive Director

Hoh Chee Mun
Independent Non-Executive Director

COMPANY SECRETARY

Andrea Huong Jia Mei (MIA 36347)

REGISTERED OFFICE

Lot 4.100, 4th Floor, Wisma Central
Jalan Ampang
50450 Kuala Lumpur
Telephone number: 03-2161 9753
Facsimile number: 03-2181 2456

SHARE REGISTRAR

Mega Corporate Services Sdn Bhd
Level 15-2, Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Telephone number: 03-2692 4271
Facsimile number: 03-2732 5388

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
United Overseas Bank (M) Berhad

CORPORATE WEBSITE

www.qesnet.com

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

HEAD OFFICE

No 9, Jalan Juruukur U1/19
Hicom Glenmarie Industrial Park, Seksyen U1
40150 Shah Alam
Selangor Darul Ehsan
Telephone number: 03-5882 6668
Facsimile number: 03-5567 0811
Email: corporate@qesnet.com

AUDITORS

Moore Stephens Associates PLT
Unit 3.3A, 3rd Floor, Surian Tower
No 1, Jalan PJU 7/3, Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
Telephone number: 03-7728 1800
Facsimile number: 03-7733 1033

SPONSOR

M&A Securities Sdn Bhd
Level 11, No. 45 & 47, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Telephone number: 03-2284 2911
Facsimile number: 03-2284 2911

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad

Stock Name : QES
Stock Code : 0196

CORPORATE STRUCTURE

QES GROUP BERHAD

("the Company") as at 31 December 2017
Incorporation, History and Subsidiaries

DISTRIBUTION DIVISION

- 100% Creden Intra Pacific Sdn. Bhd.
- 100% QES (Asia-Pacific) Sdn. Bhd.
  - 100% QES (Kuala Lumpur) Sdn. Bhd.
  - 100% QES (Sarawak) Sdn. Bhd.
  - 100% QES (Penang) Sdn. Bhd.
  - 100% VMX Technology Sdn. Bhd.
  - 82.5% QAM (Asia-Pacific) Sdn. Bhd.
  - 100% QES (Hong Kong) Limited
  - 100% QES (Vietnam) Co., Ltd.
  - 100% QES (Thailand) Co., Ltd.
  - 40% QES Technology Philippines, Inc.
  - 70% QES (Singapore) Pte. Ltd.
  - 55% P.T. QES Indonesia
- 100% QS Instruments Sdn. Bhd.

MANUFACTURING DIVISION

- 100% Creden (Asia-Pacific) Sdn. Bhd.
  - 100% Creden Mechatronic Sdn. Bhd.
  - 100% Creden Engineering Sdn. Bhd.

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

PROFILE OF DIRECTORS

Adnan Bin Zainol
Independent Non-Executive Chairman

Malaysian, male, aged 65, is our Independent Non-Executive Chairman. He was appointed to our Board on 11 May 2015. He is also a member of our Remuneration, Nomination and Audit Committees.

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

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

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

Chew Ne Weng
Managing Director/President

Malaysian, male, aged 55, is our co-founder and Managing Director/President. He was appointed to our Board on 11 May 2015. As Managing Director/President, he is responsible for the overall strategic direction and management of the Company and its subsidiaries ("the Group"). He is in charge of the implementation of our policies on technical and financial operations, business plans for operating units as well as the implementation of quality management system. He graduated from the National University of Singapore in 1987 with a Bachelor of Mechanical Engineering.

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

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

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

PROFILE OF DIRECTORS

Liew Soo Keang
Executive Director

Malaysian, male, aged 56, is our Executive Director. He was appointed to our Board on 11 May 2015 and is our Executive Director. As Executive Director, he is mainly responsible for overseeing our Distribution Division. He graduated with a Bachelor of Electrical Engineering (Honours) (First Class) from University Malaya in 1987.

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

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

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

Chia Gek Liang
Independent
Non-Executive Director

Malaysian, male, aged 56, is our Independent Non-Executive Director. He was appointed to our Board on 11 May 2015. He is also the Chairman of our Remuneration and Nomination Committees and a member of our Audit Committee.

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

He began his career in 1985 as Product Engineer with SGS-Thomson Microelectronics Pte. Ltd. in Singapore where he was responsible for the product engineering and manufacturing processes of memory products. He left the engineering field in 1991 to pursue his Master of Business Administration. In 1992, he joined the corporate finance division of Commerce International Merchant Bankers Berhad (now known as CIMB Investment Bank Berhad) as Executive. During his 9 years tenure in investment banking he was involved in a wide variety of assignments which include initial public offerings, debt and equity funding raising, mergers and acquisitions, reverse take-over, corporate and debt restructuring and privatisation exercises. He left the bank in January 2001 as Associate Director. From February to December 2001, he was the Chief Financial Officer of Intelligent Edge Technologies Berhad, a company listed on the then MESDAQ Market of Bursa Securities. He was responsible for the financial management of the company. Between 2002 to 2012, he did mainly freelance consulting work while pursuing his qualification as a lawyer. He started practising law as Associate with Deol & Gill in January 2013 before leaving in September 2014. From October 2014 to May 2015, he did general management consulting work on a freelance basis, assisting organisations to improve their capital structure, formulate organisation performance plans and perform projects evaluation. In June 2015, he joined Mai & Co as Associate and is practising to date.

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

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

PROFILE OF DIRECTORS

Hoh Chee Mun
Independent Non-Executive Director

Malaysian, male, aged 53, is our Independent Non-Executive Director. He was appointed to our Board on 11 May 2015. He is also the Chairman of our Audit Committee and member of our Remuneration and Nomination Committees. He completed his Malaysian Institute of Certified Public Accountant ("MICPA") examination in 1993 (formerly known as Malaysian Association of Certified Public Accountants), and was admitted as a member of MICPA on 29 January 1994. He was subsequently admitted into the Malaysia Institute of Accountants ("MIA") as a Chartered Accountant on 24 October 1994.

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

He has been named as a joint company secretary of London Biscuits Berhad and Khee San Berhad since November 2006 and October 2007 respectively. He has also been appointed as joint company secretary for several other private companies.

He is also Registered GST agent and is currently a member of MIA and MICPA.

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

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

PROFILE OF KEY MANAGEMENT

Lee Hock Chin
VP of Distribution Division

Malaysian, male, aged 44, is our Vice-President of the Distribution Division – Inspection, Test and Measurement Equipment, where he is responsible for all regional sales, marketing and technical support activities. He obtained his Diploma in Technology (Electronic Engineering) from the Tunku Abdul Rahman College, Kuala Lumpur in 1998.

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

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

He does not hold any directorship in any public companies.

Lim Chee Keong
VP of Manufacturing Division

Malaysian, male, aged 51, is our Vice-President of the Manufacturing Division. He is mainly responsible for overseeing the overall sales and marketing, production planning, equipment engineering, precision part machining operation, equipment assembly and supply chain management operations of the Manufacturing Division. He obtained his Diploma in Computer Studies from the Informatics Institute, Penang in 1993.

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

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

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

He does not hold any directorship in any public companies.

PROFILE OF KEY MANAGEMENT

Chin Guat Eem
GM of HR & Admin

Malaysian, female, aged 51, is our General Manager for Human Resource and Administration. She obtained her Diploma in Purchasing and Materials Management from the Malaysian Institute of Purchasing and Materials Management in 2001. During the same year, she also passed her foundation studies for the Graduate Diploma in Purchasing and Supply programme conducted by the Chartered Institute of Purchasing and Supply, United Kingdom. She is responsible for overseeing the overall human resource and administration functions of our Group which include human resource planning, recruitment and payroll management.

She began her career in 1989 as Office Administrator with Cairnhill Technology Sdn. Bhd. before leaving in 1992 to join QES (Asia-Pacific) Sdn. Bhd. as Administration Executive. During her 25 years' tenure with the Group, she had performed a number of functions ranging from office management, logistics and procurement. She was promoted to Senior Administration Executive in 1994, Assistant Manager in 1997, Manager in 1999 and Senior Manager in 2002 and to her current position in 2005.

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

She does not hold any directorship in any public companies.

Yeoh Cheong Yeow
GM of Finance

Malaysian, male, aged 49, is our General Manager for Finance. He is responsible for our Group's overall finance functions including the monitoring of business performance and results, profitability and cash flow, financial reporting, treasury management and tax compliance. He obtained his Diploma in Commerce (Financial Accounting) from Tunku Abdul Rahman College, Kuala Lumpur in 1993 and Diploma in Investment Analysis from the Research Institute of Investment Analysts Malaysia in 1996. He is a member of the MIA since 2001 and a member of the Association of Chartered Certified Accountants, United Kingdom since 2000.

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

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

He does not hold any directorship in any public companies.

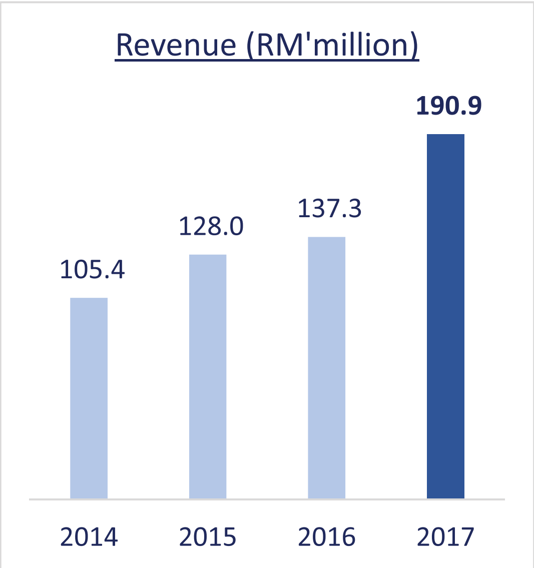
LETTER TO SHAREHOLDERS

Dear Shareholders,

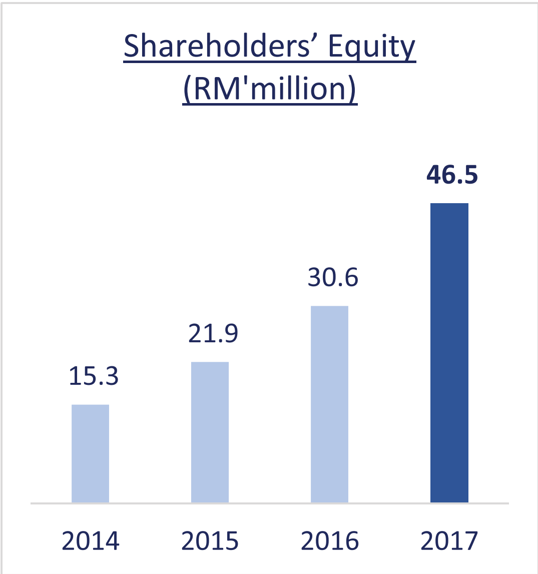
On behalf of the Board of Directors, we are pleased to present the Annual Report and the Financial Statements of the Group for the financial year ended 31 December 2017 ("FYE 2017").

FINANCIAL PERFORMANCE

The Group recorded a higher revenue of RM190.9 million in the financial year ended 31 December 2017, representing an increase of RM53.6 million or 39.1% as compared financial year ended 31 December 2016 ("FYE 2016").



Our Distribution Division added RM37.2 million while our Manufacturing Division added RM16.4 million to the total increased revenue. Gross profit and profit before tax reported at RM68.2 million and RM20.1 million respectively.



Shareholders' equity increased from RM30.6 million in FYE 2016 to RM46.5 million in FYE 2017. Cash and bank balances increased in tandem from RM14.8 million to RM24.3 million while gearing ratio improved significantly from 0.77 times in FYE 2016 to 0.56 times in FYE 2017. In terms of current ratio, we strengthened from 1.46 times in FYE 2016 to 1.60 times in FYE 2017.

FYE 2017 was indeed a very good year for the Group in terms of financial results achieved. It was a group effort that harness the strength of our core values and teamwork.

LETTER TO SHAREHOLDERS

BUSINESS DEVELOPMENT

(i) **Corporate Marketing**

We participated in most of the major exhibitions associated with the market segments we are operating in across the ASEAN region. We revamped our corporate website (www.qesnet.com) and launched QES newsletter aptly named Areti which means virtue in Greek. Our subscribers will be receiving latest product information, new product launches and corporate social responsibilities related activities organized by the Group.

(ii) **People Development**

We are continuously working to strengthen our after-sales service team as recurring income generated from this team contributed RM49.3 million in FYE 2017 which is 25.8% of our revenue from the Distribution Division. This recurring income will continue to grow as more and more of the installed machines operate beyond their initial warranty period of 12 months. It is QES's corporate policy since day one to spend effort, time and money in providing the best training and development for our engineers locally as well as overseas.

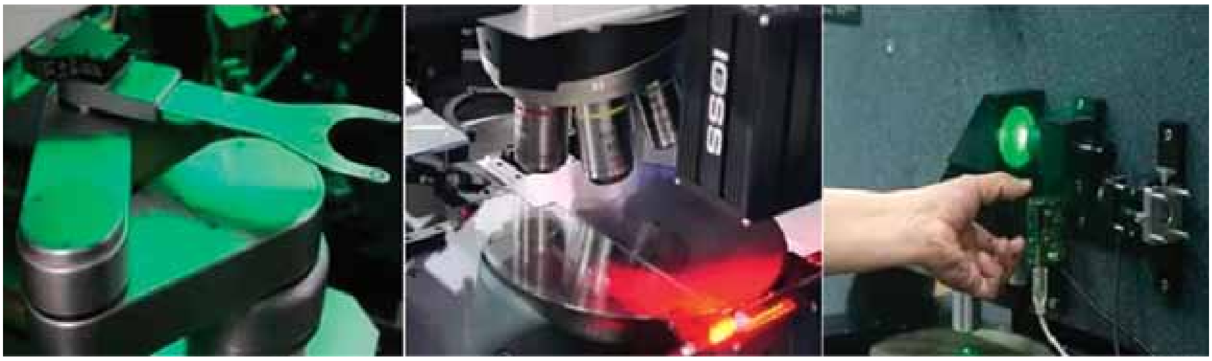
(iii) **Product Development**

Our Distribution Division is continuously working on bringing new products to the ASEAN market and at the same time strengthening our existing products through collaboration with our key suppliers such as Nikon, Spectro Analytical, MAT Plus and Hitachi High Technologies.

Our Manufacturing Division will remain focused on developing products within our core competencies of automatic vision inspection and automated material handling equipment. We have identified 3 key products namely Fully Automatic Inspection System (FAVIS), Automated Wafer Packing System (AWPS) and Automatic Wafer Identification (AWID) to be developed over the next 24 months. We started developing the ISP-3100V post wire bond inspection system using fully automatic vision software since middle of FYE 2016. This product is an evolution from our semi-automatic post wire bond inspection ISP-3100. Towards the middle of FYE 2017, an upgraded model PWB-1000V was developed which has better resolution, higher speed line scanning camera and completely new handling system.

(iv) **New Market Segment**

We are also working to diversify into 3 key market segments, namely, the higher education, petrochemical and pharmaceutical industries. We will be organizing specific product and application seminars at both government and private universities across the ASEAN region to promote our products in the higher education industry. We also intend to participate in exhibitions and seminars related to the petrochemical and pharmaceutical industries as they present good networking opportunities and will provide us a clear insight to the necessary information and application methods to bring in a wider product range with our existing and potential suppliers.



MARKET OUTLOOK AND FUTURE PROSPECT

The semiconductor, electrical & electronics and automotive market segments momenta are still strong entering into the first half of 2018. We are confident with our business model where we have sustainable recurring income, diversified market segments and well spread out regional subsidiaries providing deep access to the ASEAN countries. All these key strengths unique to the Group will ensure steady growth over the coming years.

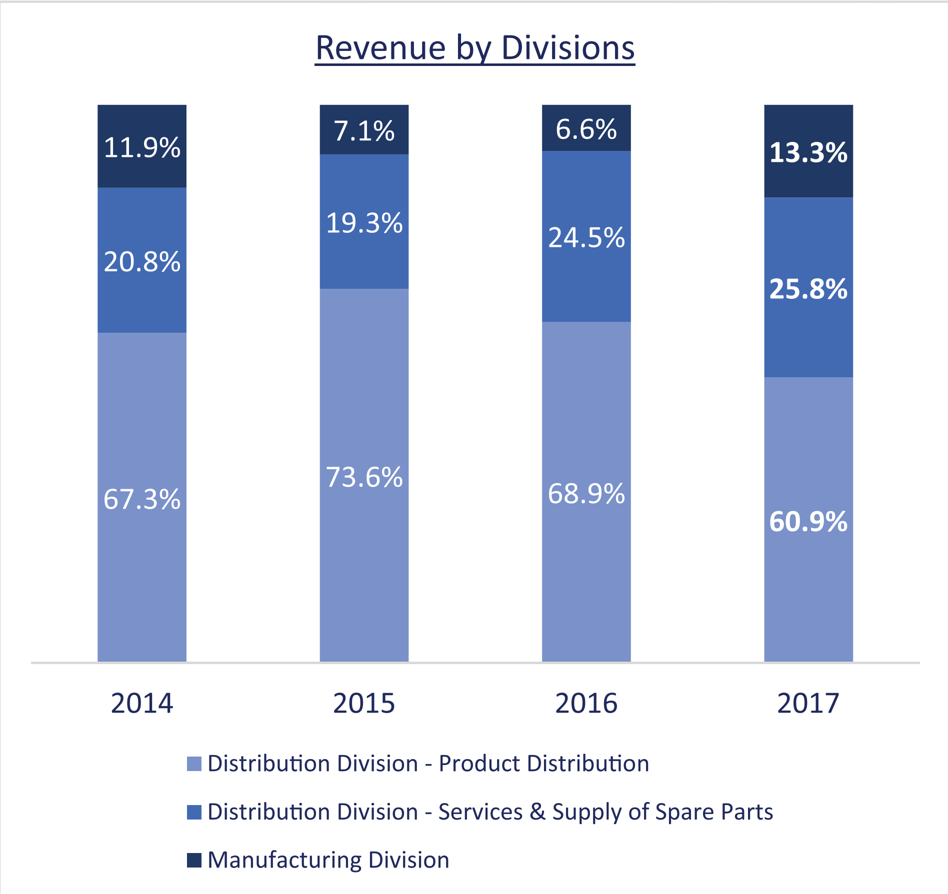
ACKNOWLEDGEMENTS

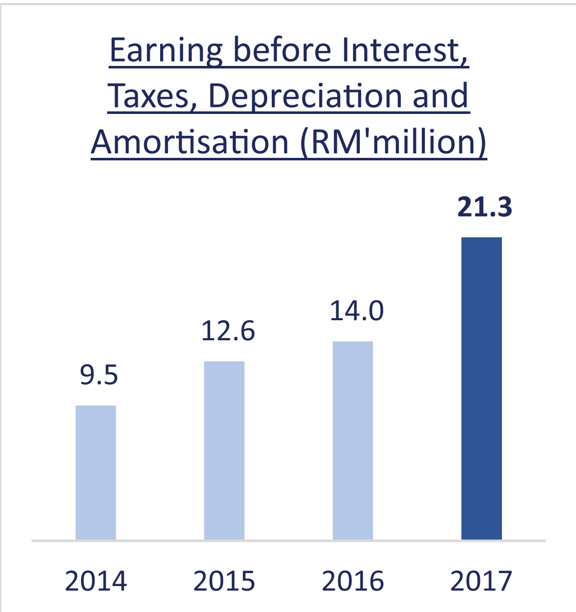
On behalf of the Board of Directors, we would like express our utmost and sincere appreciation and gratitude to our shareholders for your loyal support and confidence in the Group. Our warmest gratitude is also extended to the management and employees, for their dedicated work and commitment to delivering good results and to ensure the success of the Group. Last but not least, we would like to express our sincere gratitude to all our customers, suppliers, business associates, vendors, bankers and regulatory authorities for their continuous support and trust in the Group. May we continue to work together and forge ahead to achieve greater growth and success for the betterment of the Group.

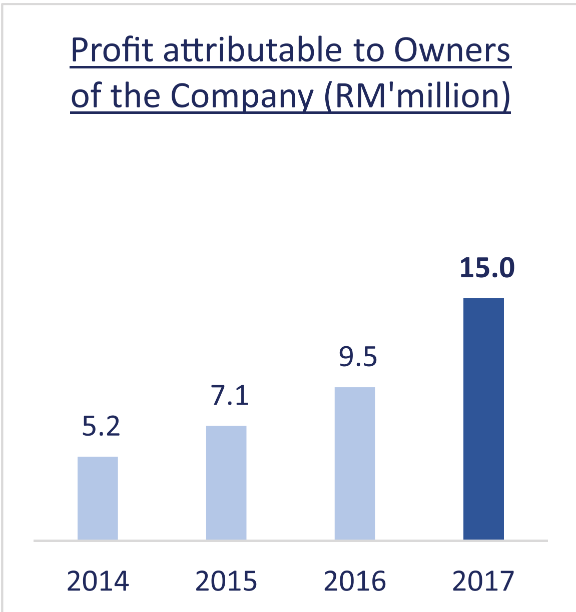
Adnan Bin Zainol
Independent Non-Executive Chairman

Chew Ne Weng
Managing Director/President

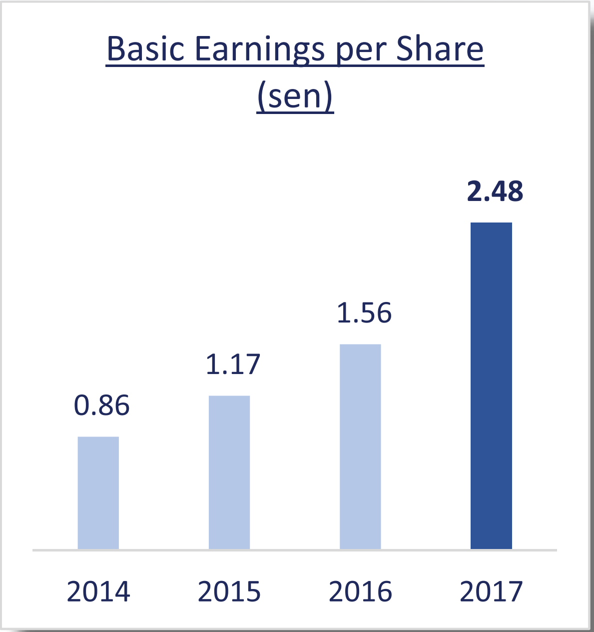
GROUP FINANCIAL HIGHLIGHTS

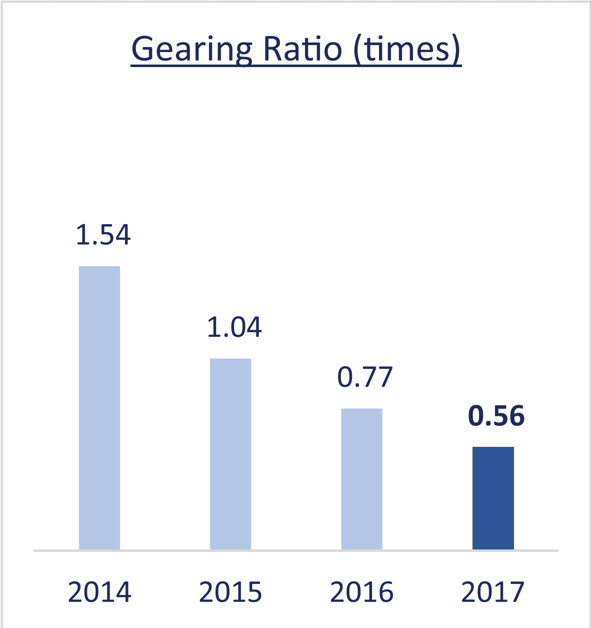


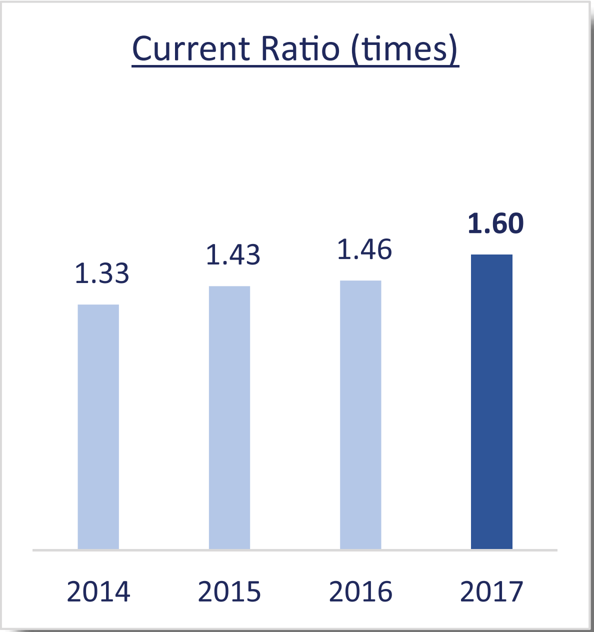




GROUP FINANCIAL HIGHLIGHTS







MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE REVIEW

Revenue and gross profit

The Group recorded a **higher revenue of RM190.9 million** in FYE 2017, representing an **increase of RM53.6 million or 39.0%** as compared to FYE 2016. It was mainly contributed by the increase in revenue from both Distribution and Manufacturing Divisions amounting to RM37.2 million and RM16.4 million respectively. This growth in revenue was primarily due to expansion and upgrades requirement from our existing customers.

Additionally, in FYE 2017, the Group achieved a **higher gross profit ("GP") of RM68.2 million**, an **80.9% improvement** over the past year's RM37.7 million on account of the following:

- Sales of higher margin products (MPT1000, ISP3100VD and PWB1000V) from the Manufacturing Division; and
- Additional GP margin contributed by QES (Singapore) Pte. Ltd. ("QSG"), QES (Thailand) Co., Ltd. ("QBK") and QES Technology Philippines, Inc. ("QTP") which amounted to a 4.8% increase to our overall GP margin. Prior to FYE 2017, QSG and QBK earned additional margins from distributing our products and providing services and supplying spare parts. As we have acquired QSG and QBK in December 2016, these margins are fully earned by the Group for FYE 2017. QTP was a newly set up subsidiary in FYE 2017. Its GP margin earned is reflected in the Group in FYE 2017.

Geographically, Malaysia remained our largest contributor, at approximately 42.5% of our total revenue in FYE 2017. 55.1% of our revenue is derived from other ASEAN countries, and the remaining 2.4% is contributed by other countries.

Operating expenses

Administrative expenses rose to RM16.7 million in FYE 2017 from RM10.4 million in FYE 2016, mainly due to:

- Increase in staff costs due to higher bonus provision in line with the growth in our revenue and profits; and
- RM2.2 million listing expenses incurred in preparation for our listing.

Marketing and distribution cost rose to RM29.4 million from RM15.9 million, in line with the growth in our revenue and profits.

Other operating expenses remained stable recorded at 1.9% over our revenue in FYE 2017. Our finance costs reduced to RM1.1 million from RM1.4 million mainly attributable to the reduction in our term loan interest as we have repaid one of our term loans in FYE 2017.

Profit before tax

Our profit before tax ("PBT") was up 66.1% to RM20.1 million in FYE 2017 from RM12.1 million in FYE 2016 in line with higher gross profit. Profit after tax improved 59.8% to RM16.3 million in FYE 2017 from RM10.2 million in FYE 2016 in line with higher PBT.

The Group's effective tax rate was recorded at 18.9% in FYE 2017, compared to 15.8% in FYE 2016. The higher effective tax rate was mainly due to larger adjustment in non-deductible expenses in FYE 2017, which was partially offset by utilisation of unutilised losses.

FINANCIAL POSITIONS REVIEW

Non-current assets

The Group's total non-current assets increased by RM1.8 million, mainly due to purchase of demonstration equipment of RM1.7 million, motor vehicles of RM1.7 million and other office equipment and fitting of RM0.6 million. This was partially offset by the disposal of old demonstration equipment of RM0.5 million and motor vehicles of RM0.2 million and depreciation of RM1.8 million charged during FYE 2017.

Current assets

Total current assets as at 31 December 2017 was RM100.9 million, an increase by RM19.1 million mainly attributable to the increase in inventories of RM6.1 million and increase of RM7.0 million in fixed deposits with financial institutions and RM9.5 million in cash and bank balances as we maintained a higher inventory and cash level in line with the growth in our revenue for FYE 2017. The increase in current assets was partially offset by the decrease in trade receivables by RM3.2 million as a result of better collection during the financial year.

Current and non-current liabilities

The Group's non-current liabilities decreased by RM1.7 million in FYE 2017, mainly due to the decrease in non-current borrowings as a result of repayment of one of our term loans. However, our current liabilities increased by RM7.0 million in FYE 2017. It is mainly attributable to the increase in borrowings of RM4.3 million as we utilised more of the bank overdraft facilities, revolving loan and trust receipts facilities to finance our working capital. The increase in other payables of RM5.4 million resulted from higher bonus provision for employees and higher sales incentive accrued for FYE 2017. This was offset by the decrease in trade payables by RM2.1 million.

Gearing ratios

Our gearing ratio improved from 0.77 times in FYE 2016 to 0.56 times in FYE 2017 mainly due to our growing profitability during the financial year.

LIQUIDITY AND CAPITAL RESERVES

The net cash inflow of the Group for FYE 2017 was RM5.8 million. This can be accounted by:

(a) Cash inflow of RM17.0 million from operating activities;
(b) Cash outflow of RM7.6 million for investing activities; and
(c) Cash outflow of RM3.6 million for financing activities.

Cash inflow of RM17.0 million was mainly attributable to the better collection of receivables and positive results during the financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash outflow of RM7.6 million for investing activities was mainly attributable to the placement of fixed deposits as security for banking facilities amounted to RM7.0 million and the acquisition of property, plant and equipment of RM2.4 million. It was partially offset by the inflows from the issuance of the share capital of RM1.2 million and proceeds from disposal of property, plant and equipment of RM1.7 million.

The repayment of term loans of RM2.5 million and repayment of finance lease liabilities of RM0.7 million were the main reasons for the cash outflow of RM3.6 million for financing activities.

As at 31 December 2017, the Group's cash and cash equivalents stood at RM14.8 million.

Operational and Financial Risks

Operational Risks

The semiconductor industry is highly competitive, subject to rapid technological changes and new product developments. Most of the Group's customers are multinational companies in Malaysia and overseas where the selection of the test contacting solutions for their manufacturing processes are based on stringent criteria such as high-quality patent protected, value-added after sales service support and also dependability of the products.

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

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

Financial Risks

Foreign exchange risk

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

Dividend

The Board do not recommend or paid any dividend in respect for the FYE 2017.

GROUP HIGHLIGHTS OF 2017

QES 25TH ANNIVERSARY CELEBRATION & ANNUAL DINNER 2017

Date: 13th January 2017
Venue: Le Meridien, Putrajaya, Malaysia



BOCCE CHARITY TOURNAMENT 2017

Date: 18th March 2017
Venue: Padang DBKL, Kuala Lumpur, Malaysia
Organized by: Pusat Jagaan & Latihan Insan Istimewa


NOTTINGHAM CHARITY RUN 2017

Date: 19th March 2017
Venue: The University of Nottingham Campus, Semenyih, Selangor Darul Ehsan, Malaysia
Organized by: The University of Nottingham Malaysia Campus in aid of SHELTER Home for Children


SEMICON SEA 2017

Date: 25th - 27th April 2017
Venue: SPICE Arena, Penang, Malaysia

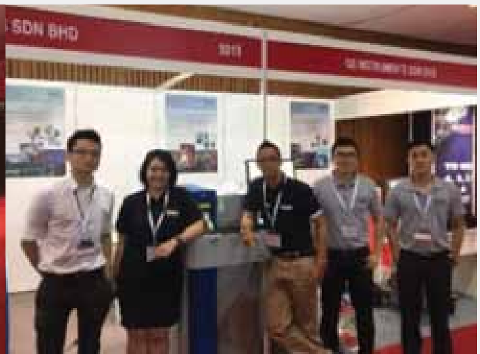
GROUP HIGHLIGHTS OF 2017

VIETNAM MANUFACTURING 2017

Date: 26th - 28th April 2017
Venue: International Center for Exhibition (I.C.E), Hanoi, Vietnam

METALTECH 2017

Date: 24th - 27th May 2017
Venue: PWTC, Kuala Lumpur, Malaysia



PSECE 2017

Date: 21st - 23rd June 2017
Venue: SMX Convention Center, Manila, Philippines

BLOOD DONATION CAMPAIGN 2017

Date: 22nd August 2017
Time: 10.00 am - 3.00 pm
Venue: QES Office, Shah Alam, Selangor Darul Ehsan, Malaysia

PDMEX 2017

Date: 23rd - 26th August 2017
Venue: World Trade Center, Metro Manila, Philippines

RIDE FOR AUTISM 2017

Date: 16th September 2017
Venue: Complex 3K, MPSJ, Jalan SS13/1, Persiaran Kewajipan, 47500, Subang Jaya, Selangor Darul Ehsan, Malaysia

MAKNA FOUNDERS NIGHT RUN 2017

Date: 30th September 2017
Venue: Dataran Putrajaya, Precint 3, 62075 Putrajaya, Malaysia

CRM TEAM-BUILDING ACTIVITIES 2017

Date: 7th – 9th Oct 2017
Venue: Kuantan, Pahang Darul Makmur, Malaysia

MTA HANOI 2017

Date: 16th - 18th October 2017
Venue: International Center for Exhibition (I.C.E), Hanoi, Vietnam

GROUP HIGHLIGHTS OF 2017

PIPOC 2017

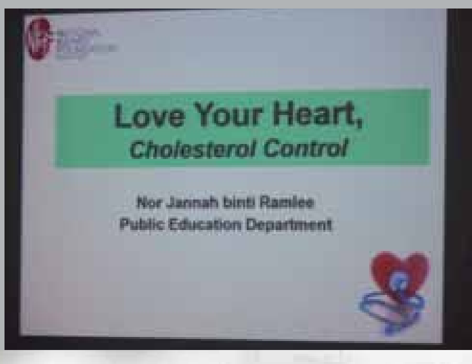
Date: 14th - 16th November 2017
Venue: Kuala Lumpur Convention Centre, Kuala Lumpur, Malaysia

FREE HEALTH SCREENING

Date: 14th - 16th November 2017
Venue: QES Office, Shah Alam, Selangor Darul Ehsan, Malaysia

HEALTH TALK – KEEPING CHOLESTEROL UNDER CONTROL

Date: 23rd November 2017
Venue: QES Office, Shah Alam, Selangor Darul Ehsan, Malaysia



CPR TRAINING – BASIC LIFE SUPPORT

Date: 14th - 16th November 2017
Venue: QES Office, Shah Alam, Selangor Darul Ehsan, Malaysia

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

This statement is prepared in compliance with Bursa Malaysia Securities Berhad's ACE Market Listing Requirements ("AMLR") and it is to be read together with the Corporate Governance Report 2017 which is available on the Company's corporate website at www.qesnet.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

SECTION I: BOARD RESPONSIBILITIES

STRATEGIC AIMS, VALUES AND STANDARDS

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

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

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

The Board will scrutinise the sustainability, effectiveness and implementation of the strategic plans for the financial year under review and provide guidance and input to the management. To ensure the effective discharge of its functions and duties, the principal responsibilities of the Board include the following: -

- reviewing and adopting strategic business continuity plans for the Group;
- overseeing and monitoring the conduct of the Group's business and financial performance;
- reviewing and adopting the conduct of the Group's businesses and financial performance;
- identifying principal risks and ensuring the implementation of appropriate systems to manage these risks; and
- reviewing the adequacy and integrity of the Group's internal control system and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

In order to ensure orderly and effective discharge of the above functions and responsibilities, the Board has also delegated certain responsibilities to other Board Committees, which operates within clearly defined terms of reference. Standing Committees of the Board include the Audit Committee, Nomination Committee and Remuneration Committee. The Board receives reports at its meetings from the Chairman of each Committee on current activities and it is the general policy of the Company that all major decisions be considered by the Board as a whole.

THE CHAIRMAN

Encik Adnan Bin Zainol was appointed as the Independent Non-Executive Chairman of the Company. Encik Adnan has been acting as facilitator at meetings of Directors and ensure smooth functioning of the Board in the interest of good corporate governance practice.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CHAIRMAN AND THE MANAGING DIRECTOR

The positions of the Chairman and the Managing Director in the Company are held by different individuals with clear and distinct roles which are formally documented in the Board Charter of the Company. The Board Charter is a comprehensive reference document for Directors on matters relating to the Board, to provide clarity in the authority of the Board, its committees and individual directors. The Board Charter is periodically reviewed and is available on the Company's corporate website at www.qesnet.com.

QUALIFIED AND COMPETENT COMPANY SECRETARIES

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

ACCESS TO INFORMATION AND ADVICE

The Board is provided with appropriate information and comprehensive Board papers 7 days prior to the Board meetings to enable the Directors to discharge their duties and responsibilities competently and in a well-informed manner. The management is also invited to attend the Board and Board Committee's meetings and to brief and provide explanations to the Directors and Board on the operations of the Group. Upon conclusion of the meeting, minutes are circulated in a timely manner.

BOARD CHARTER

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

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 Company's corporate website at www.qesnet.com.

CODE OF CONDUCT AND ETHICS

The Board establishes a Code of Conduct and Ethics for the Group, and together with the management, implement its policies and procedures, which include dealing with customers and suppliers, managing conflicts of interest, maintaining confidential information, accepting gifts, loans and entertainment, accepting directorship outside the Group, complying with laws and regulations, ensuring a healthy and safe environment, protection and use of the Group's asset, insider information and securities trading and sexual harassment.

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

WHISTLEBLOWING POLICY

The Board has established, reviewed and implemented the policies and procedures on whistleblowing. The Group's whistleblowing policies and procedures provides 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 Policies are periodically reviewed and is available on the Company's corporate website at www.qesnet.com.

SECTION 2: BOARD COMPOSITION

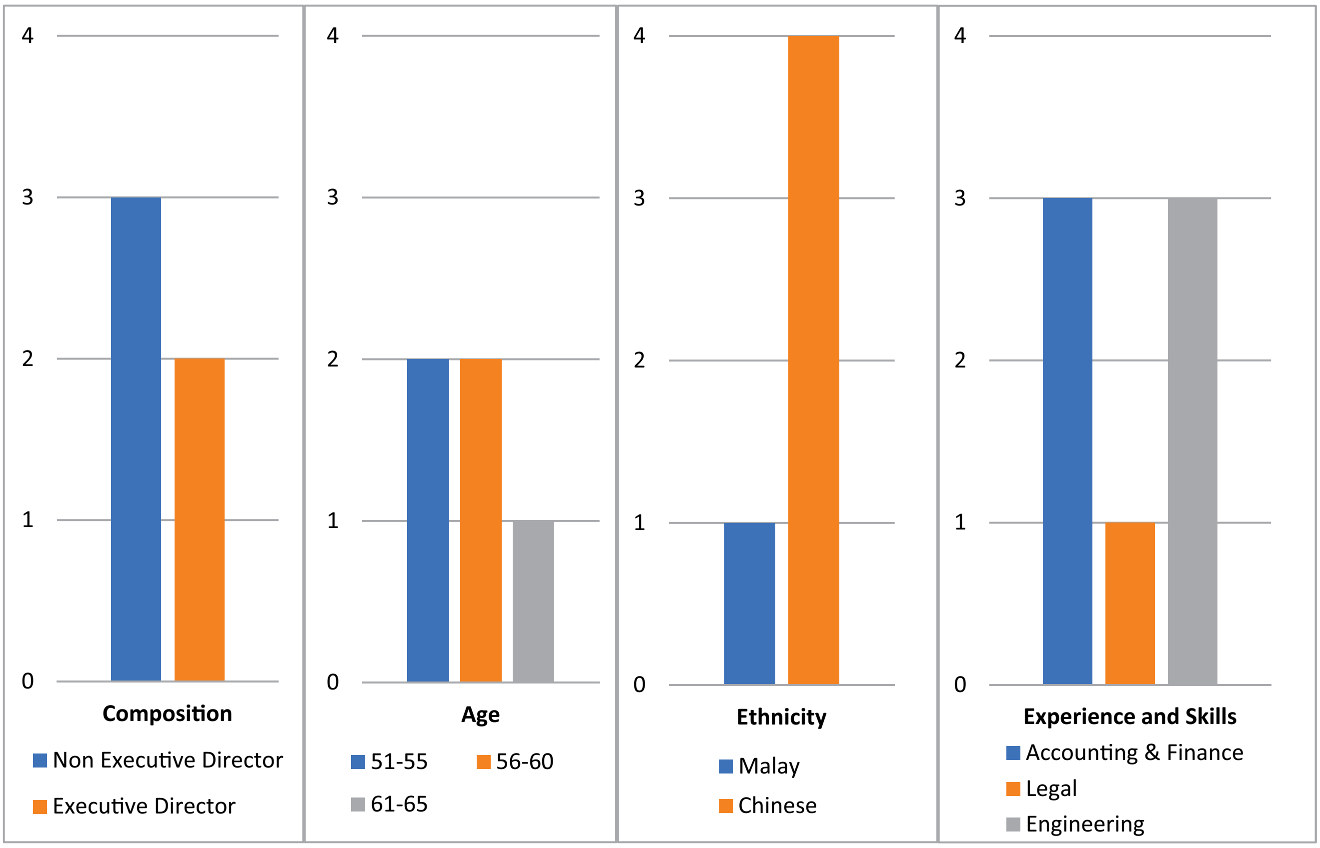
COMPOSITION OF THE BOARD

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

The Board has 5 members comprising 2 Executive Directors and 3 Independent Non-Executive Directors. The composition fulfils the requirements as set out under the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad which stipulates that at least 2 directors or 1/3 of the Board, whichever is higher, must be independent.

The Board considers that its Independent Non-Executive Directors provide objective and independent views on various issues dealt with at the Board and Board Committees level. All Non-Executive Directors are independent of management and free from any relationship.

The Board and the Nomination Committee takes into account the Board diversity, including gender, ethnicity, age, experience and skill, to the effective functioning of the Board. A Board matrix has been developed and used as reference for Board's succession planning. Having conducted the mapping exercise, the Nomination Committee observed that the some gap areas remain relevant in the current Board composition. Hence, it will take into consideration these gaps in strengthening the future mix of skills and composition of the Board.



On 26 February 2018, the Board through the Nomination Committee had conducted an assessment and review of the independence of the Independent Non-Executive Directors. The assessment was done in accordance with the definition of Independent Director under Paragraph 1.01 of the ACE Market Listing Requirements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

TENURE OF INDEPENDENT DIRECTOR

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

DIVERSE BOARD AND SENIOR MANAGEMENT TEAM

Members of the Board include professionals from diverse gender, ethnicity, age, bringing with them 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 4 to 6 of this Annual Report 2017.

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

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

The appointment of key senior management was also made with due regard for diversity in skills, experience, age, cultural background and gender. Their detailed particulars are provided on Page 7 to 8 of this Annual Report 2017.

GENDER DIVERSITY POLICY

Our Board takes note of the gender diversity recommendations under the MCCG and will prioritise women candidates in future recruitment exercise. The Board intend to approach the Malaysian Chapter of the 30% Club as well as the NAM Institute for the Empowerment of Women for their pool of potential women candidates to join the Board.

The Company target to recruit at least 1 female Board member within 2 years after our listing.

NOMINATION COMMITTEE

The Nomination Committee was established on 11 October 2017. The primary objective of the Nomination Committee is to ensure the Board are comprised of individuals with an optimal mix of qualifications, skills and experiences.

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

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

The Terms of Reference of the Nomination Committee is available at the Company's corporate website at www.qesnet.com.

The Nomination Committee's key responsibilities are: -

(a) Recruitment or New Appointment of Directors

The Nomination Committee assesses the effectiveness of the Board and the Board Committees, as well as the performance of individual Directors on an annual basis. In furtherance of these annual assessments, the Nomination Committee is able to identify gaps in the Board composition and the needs to identify and select new members to the Board. Apart from nominations which the Nomination Committee may receive from Directors, the potential candidates are also sourced from relevant bodies or regulators. The Nomination Committee shall conduct assessment and interview of shortlisted candidates, evaluate their suitability and recommend the suitable candidates for further approval and appointment by the Board.

The Nomination Committee, in making a recommendation to the Board on the candidate for recruitment or new Board appointment, shall have regard to:

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

ii. The candidate's skills, knowledge, expertise and experience, professionalism, integrity and, in the case of a candidate for the position of Independent Non-Executive Director, the independence criteria as set out in paragraph 1.01 of the ACE Market Listing Requirements as well as the necessary skill and experience to bring an independent and objective judgment on issues considered by the Board and the ability to discharge such responsibilities as expected from Independent Non-Executive Directors; and

iii. The appropriate number of Independent Non-Executive Directors to fairly reflect the interests of the minority shareholders and that Independent Directors should make up at least 1/3 of the membership of the Board.

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

(b) Re-election and Re-appointment of Directors

The Nomination Committee is responsible for making the recommendation to the Board for the re-election and re-appointment of Directors who retire by rotation. This recommendation is based on formal reviews on the performance of Directors, taking into consideration the Board competency matrix and the Directors' contribution to the Board through their knowledge and commitments, experiences, level of independence and ability to act in the best interest of the Group in decision making.

Director's re-election provides an opportunity for shareholders to renew their mandate conferred to the Directors. In this respect, Art. 92 of the Articles of Association of the Company provides that all Directors shall retire by rotation once in every 3 years or at least 1/3 of the Board shall retire from office and be eligible to offer themselves for re-election at the Annual General Meeting.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

ANNUAL EVALUATION

The Board undertakes an annual assessment of Independent Non-Executive Directors and is satisfied that they continue to bring independent and objective judgement to board deliberations. Peer and self-assessment are carried out by the Directors once every year.

The Board intends to meet at least five times a year, with additional meetings convened where necessary. Minutes of Board meetings are duly recorded by the Company Secretary. During the FYE 2017, a total of 2 Board meetings were held.

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

Directors are expected to have the relevant expertise in order to contribute positively to the Group's performance and to give sufficient time and attention to carry out their responsibilities.

The Directors' commitment in carrying out their duties and responsibilities is affirmed by their attendance at the Board and Board Committee Meetings held during the FYE 2017, as reflected below: -

	No. Of meetings Attended / Held			
	Board	Audit Committee	Nomination Committee	Remuneration Committee
Adnan Bin Zainol	2/2	3/3	1/1	1/1
Chew Ne Weng	2/2	N/A	N/A	N/A
Liew Soo Keang	2/2	N/A	N/A	N/A
Chia Gek Liang	2/2	3/3	1/1	1/1
Hoh Chee Mun	2/2	3/3	1/1	1/1

The Board is satisfied with the time commitment given by the Directors. All the Directors do not hold more than 5 directorships as required under paragraph 15.06 of the ACE Market Listing Requirements.

The training programmes attended by the Directors during the FYE 2017 are as follows: -

Directors	Trainings Attended	Organisers	Date Attended
Hoh Chee Mun	Withholding Tax in Malaysia - Principles & Latest Development	MICPA	15th Mar 2017
Hoh Chee Mun	Share Capital at No Par Value, Share Buybacks & Redeemable Preference Shares: Accounting Implications	MICPA	5th Apr 2017
Adnan Bin Zainol	Anti-money laundering and counter financing of terrorism	Bank Negara Malaysia	1st Jul 2017
Adnan Bin Zainol	Changes affecting directors under Company Act 2016	Bursatra	1st Aug 2017
Hoh Chee Mun	Moving Towards Full Compliance Using GST Audit Framework	PPKKM & GAF Advisory PLT	24-25th Oct 2017
Chew Ne Weng	Mandatory Accreditation Programme	ICLIF (The Iclif Leadership and Governance Centre)	6-7th Nov 2017
Liew Soo Keang	Mandatory Accreditation Programme	ICLIF (The Iclif Leadership and Governance Centre)	6-7th Nov 2017
Hoh Chee Mun	Mandatory Accreditation Programme	ICLIF (The Iclif Leadership and Governance Centre)	6-7th Nov 2017
Chia Gek Liang	Forum on Introduction to the world of Cryptocurrency, Blockchain and Bitcoin	Kuala Lumpur Bar	8th Nov 2017
Hoh Chee Mun	Financial Instruments Updates - A Review of IFRS 9 (2014) Version	MICPA	13th Nov 2017
Chia Gek Liang	Workshop on Malaysian Code on Corporate Governance	Securities Commission	12th Dec 2017

SECTION 3: REMUNERATION

REMUNERATION POLICY

The Board has in place policies and procedures to ensure the remuneration of the Directors reflect their responsiblities and commitment undertaken by them and also to attract and retain right talent in the Board and senior management to drive the Group's long-term objectives.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 11 October 2017.

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

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

The Remuneration Committee has written Terms of Reference which deal with its authority and duties. The Terms of Reference of the Remuneration Committee are disclosed on the Company's corporate website at www.qesnet.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

DETAILS OF DIRECTORS REMUNERATION

The remuneration payable in respect of Directors' fees and benefits for FYE 2017 and FYE 2018 are categorised as follows:

	2017 (RM)	2018 Proposed (RM)
Fees for Executive Directors	565,642	190,000
Fees for Independent Non-Executive Directors	108,000	144,000

The Directors' fees and benefits are subject to the approval by the shareholders of the Company at the forthcoming Annual General Meeting.

The remuneration of the Directors of the Company for 2017 is as follows:

The details of the remuneration of Directors of the Company comprising the remuneration received/receivable from the Company and its subsidiaries during the FYE 2017 are as follows:

Directors	Fees (RM)	Salaries & *Other emoluments (RM)	Benefits-in-kind (RM)	Total (RM)
The Company				
Executive Directors				
Chew Ne Weng	–	–	–	–
Liew Soo Keang	–	–	–	–
Non-Executive Directors				
Adnan Bin Zainol	36,000	–	–	36,000
Chia Gek Liang	36,000	–	–	36,000
Hoh Chee Mun	36,000	–	–	36,000
The Group				
Executive Directors				
Chew Ne Weng	273,405	785,773	26,650	1,085,828
Liew Soo Keang	238,937	722,536	26,650	988,123
Non-Executive Directors				
Adnan Bin Zainol	36,000	–	–	36,000
Chia Gek Liang	36,000	–	–	36,000
Hoh Chee Mun	36,000	–	–	36,000

* Other emoluments include bonuses and the company's contributions to the Employees Provident Fund and Social Security contributions.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

SECTION 1: AUDIT COMMITTEE

The Audit Committee comprises of 3 Independent Non-Executive Directors. The Audit Committee is chaired by an Independent Non-Executive Director, Mr. Hoh Chee Mun. The Audit Committee had a written Terms of Reference which deal with its authority and duties. The Terms of Reference of the Audit Committee are disclosed on the Company's corporate website at www.qesnet.com.

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

SECTION 2: RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced, or potentially exposed to, by the Group in pursuing its business objectives. This process has been in place throughout the financial year and up to the date of approval of the Annual Report 2017. The adequacy and effectiveness of this process have been continually reviewed by the Board.

The Statement on Risk Management and Internal Control is set out in the Annual Report 2017 which provides an overview of the state of risk management and internal controls within the Group.

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

SECTION 1: COMMUNICATION WITH STAKEHOLDERS

The Board ensures there are effective, transparent and regular communications with its stakeholder.

The Board recognises the importance of maintaining transparency and accountability to its shareholder and investors and to disseminating information on the Group's performance and any significant development to ensure that they are informed of all material business matters on a timely manner.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

SECTION 2: CONDUCT OF GENERAL MEETING

Shareholders will receive annual reports and notices of Annual General Meeting, which are sent out at least 28 calendar days before the date of the Annual General Meeting. In addition, the Notice of Annual General Meeting/Extraordinary General Meeting will be advertised in the newspapers. The Board encourages shareholders to attend the forthcoming 4th Annual General Meeting and undertakes to answer all questions raised by the shareholders.

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

The results of all the resolutions set out in the Notice of the Annual General Meeting will be announced on the same day via Bursa LINK, which is accessible on Bursa Securities' and the Company's corporate website at www.qesnet.com. The Board ensures that full information of the Directors who are retiring at the Annual General Meeting and willing to serve if re-elected are disclosed in the Annual Report 2017.

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 the Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the affairs of the Group as at 31 December 2017 and of the financial performance and cash flows for the FYE 2017. In preparing the financial statements, the Board made judgements and estimates that are reasonable and prudent and also ensures that the financial statements are prepared in accordance with the applicable approved accounting standards in Malaysia and the provision of the Companies Act 2016.

COMPLIANCE STATEMENT

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

This Corporate Governance Overview Statement was approved by the Board of Directors of QES on 20 March 2018.

ADDITIONAL COMPLIANCE INFORMATION

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

UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

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

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

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

Utilisation of proceeds	Proposed Utilisation RM'000	Actual Utilisation RM'000	Estimated timeframe for utilisation from the date of listing
Development of 3 key products	4,850	–	Within 24 months
General working capital requirements	3,250	–	Within 24 months
Repayment of bank borrowings	7,000	–	Within 3 months
Capital expenditure	10,716	–	Within 24 months
Estimated listing expenses	3,000	–	Within 1 month
	28,816	–	

As at end of the FYE 2017, the Initial Public Offering ("IPO") is pending completion and hence there was no utilisation of IPO proceeds.

Audit and Non-Audit Fees

During FYE 2017, the amount of audit and non-audit fees paid and payable by the Company and the Group to its External Auditors are as follows:

	Company (RM'000)	Group (RM'000)
Audit Fees	20	251
Non-Audit Fees	140	140

The non-audit fee paid to member firms of external auditors, Messrs Moore Stephens Associates PLT were incurred in respect of the following services:

1. Professional services for listing of the Company on ACE Market of Bursa Malaysia Securities Berhad; and
2. Professional services on special audit for the 9-month financial period ended 30 September 2017.

Material Contracts

There was no material contracts entered into by the Group involving Directors' and major shareholders' interests either still subsisting at the end of the FYE 2017 or, if not then subsisting, entered into since the end of the FYE 2016.

ADDITIONAL COMPLIANCE INFORMATION

Corporate Social Responsibility

Corporate social responsibility encompasses a wide spectrum of issues ranging from business ethics, corporate governance and socially investing to environmental sustainability and community welfare. Corporate social responsibility envisages the ideal whereby enterprises integrate social and environmental concerns in their business operations and their interaction with their stakeholders usually on a voluntary basis.

During the FYE 2017, the Group has carried out its corporate social responsibility through various smaller scale activities. These include arranging for in-house blood donation campaigns and participating in charity runs as well as joining a cycling charity event to create awareness to Autism.

The Group is continuously looking for new ways to incorporate sustainability practices into all its processes and continues to operate in a responsible manner by optimising the Group’s resources and reducing the generation of waste.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

INTRODUCTION

The Malaysian Code of Corporate Governance 2017 requires listed companies to maintain a sound system of internal controls to safeguard shareholders' investment and the Company's assets.

Guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, the Board is pleased to present the Statement on Risk Management and Internal Control which is prepared in accordance with Paragraph 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

RESPONSIBILITY FOR RISK MANAGEMENT AND INTERNAL CONTROL

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 risk within tolerable levels rather than eliminate the risk of failure to achieve business objectives. Hence, such system by its nature can only provide reasonable and 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 2017. The adequacy and effectiveness of this process have been continually reviewed by the Board.

RISK MANAGEMENT

The Board and the management practice proactive significant risks identification in the processes and activities of the Group, particularly in major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment which may entail different risks, and put in place the appropriate risk response strategies and controls until those risks are managed and maintained at a tolerance level acceptable to the Board. Based on their review, nothing has come to their attention that causes them to believe that this statement is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is factually inaccurate.

INTERNAL AUDIT

The Board acknowledges the importance of internal audit function and has outsourced its internal audit function to GovernanceAdvisory.com Sdn. Bhd., an independent advisory and consulting firm as part of its efforts to provide adequate and effective internal control systems.

The internal audit adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profiles. The audit focuses on high risk area to ensure that an adequate action plan is in place to improve controls. The audit ascertained that these risks are effectively mitigated by these controls. On a quarterly basis or earlier as appropriate, the internal auditors report to the Audit Committee on areas for improvement. The highlighted areas will be followed up closely to determine the extent of their recommendations that have been implemented by the management.
Total cost incurred for the outsourced internal audit function for the FYE 2017 was RM12,500.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

INTERNAL CONTROL

Apart from risk management and internal audit, the Group has put in place the following key elements of internal control:

- An organization structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority;
- A process of hierarchical reporting which provides a documented and auditable trail of accountability;
- A set of documented internal policies and procedures which are subject to regular review and improvement;
- Regular and comprehensive information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making;
- Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary; and
- Regular visits to operating units by members of the Board and senior management.

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Recommended Practice guide (“RPG”) 5 issued by the Malaysian Institute of Accountants. RPG 5 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

CONCLUSION

The Board has received assurance from the Managing Director and General Manager of Finance that the Group’s risk management and internal control systems have been operating adequately and effectively, in all material aspects, during the FYE 2017 and up to date of this statement. Taking this assurance into consideration, the Board is of the view that there were no significant weaknesses in the current system of internal control of the Group that may have material impact on the operations of the Group for FYE 2017. The Board and the management will continue to take necessary measures and ongoing commitment to strengthen and improve its internal control environment and risk management.

This Statement was approved by the Board of Directors of QES on 20 March 2018.

AUDIT COMMITTEE REPORT

AUDIT COMMITTEE REPORT FOR FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

1. COMPOSITION OF THE AUDIT COMMITTEE

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

Chairman : Hoh Chee Mun, Independent Non-Executive Director

Member : Adnan Bin Zainol, Independent Non-Executive Director
Chia Gek Liang, Independent Non-Executive Director

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

2. COMMITTEE MEETINGS

The Audit Committee met 3 times for FYE 2017. The details of Audit Committee's meetings held for the financial year are as follows: -

Name of Member	No. of Committee Meetings Attended/Held
Chairman: Hoh Chee Mun	3/3
Members: Chia Gek Liang Adnan Bin Zainol	3/3 3/3

3. SUMMARY OF ACTIVITIES

FINANCIAL REPORTING

(a) Reviewed the unaudited quarterly financial results and announcement of the year-end financial statements of the Company and the Group, and recommended them for approval by the Board;

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

(c) Reviewed the final draft of the audited financial statements for FYE 2017;

(d) Reviewed the Audit Committee Report, Corporate Governance Overview Statement, Corporate Governance Report and Statement on Risk Management and Internal Control to ensure compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and recommend to the Board for inclusion in the Annual Report 2017; and

(e) Reviewed the Group's compliance with the provisions set out under the Malaysian Code on Corporate Governance for the purpose of the Corporate Governance Overview Statement and Corporate Governance Report pursuant to the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

AUDIT COMMITTEE REPORT

3. SUMMARY OF ACTIVITIES (CONT'D)

EXTERNAL AUDIT

(a) Tabled the External Auditors, Messrs. Moore Stephens Associates PLT Audit Planning Memorandum for FYE 2017;

(b) Reviewed the External Auditors Audit Closing Presentation for FYE 2017;

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

- The key audit matters vetted by the Audit Committee was goodwill arising from acquisition of QES (Hong Kong) Limited in year 2014.

Annual impairment test was performed on the recoverable amount of goodwill and was satisfied that no impairment was needed on the goodwill.

(d) Evaluated the effectiveness of the External Auditors and made recommendation to the Board on their re-appointment and remuneration; and

(e) Sought a meeting with the External Auditors for a presentation and clarification on MFRS 9 and 15 of Malaysian Financial Reporting Standards to the Board and the management.

INTERNAL AUDIT FUNCTION

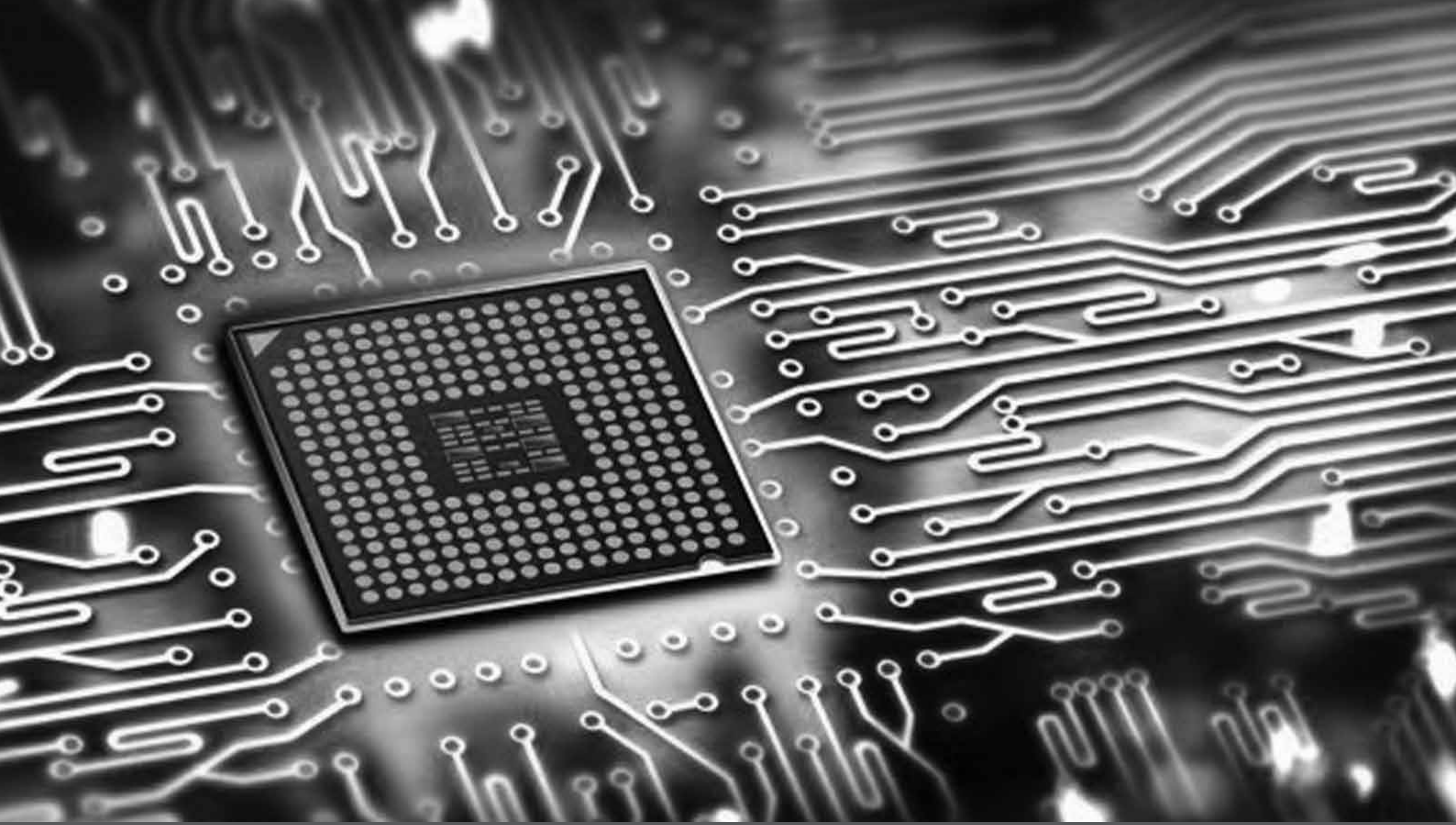
The Company had on 4 December 2017 appointed GovernanceAdvisory.com Sdn. Bhd. as the Internal Auditor for the Group. The cost incurred for the internal audit function in respect of FYE 2017 was RM12,500.

The Internal Audit Report was presented by GovernanceAdvisory.com Sdn. Bhd. It focuses mainly on the internal audit review pertaining to the Procurement Function (Trading Equipment) performed by QES (Asia-Pacific) Sdn. Bhd.

On 26 February 2018, the Audit Committee deliberated on the appointment of the new Internal Auditor, Smart Focus Group Sdn. Bhd. and had approved their appointment based on Internal Audit Appointment Assessment Forms as well as recommendation of the management. Smart Focus Group Sdn. Bhd. had the opportunity to brief the Audit Committee on their recommended proposed Risk Management and Internal Audit Strategic Plan for the financial year ending 31 December 2018.

The principal responsibility of the internal audit is to undertake regular and systematic review of the systems of internal control, risk management process and compliance with the Group's established policies and procedures so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively in the Group. Functionally, the Internal Auditor reviews and assesses the Group's systems of internal control and report to the Audit Committee directly.

The final report containing the audit findings and recommendations together with responses by Management were circulated to all members of the Audit Committee. Areas of improvement identified were communicated to the Management for further action. All internal audit reports were reviewed by the Audit Committee and discussed at the Audit Committee Meetings and recommendations were duly acted upon by the Management. Follow-up reviews would subsequently be performed to ascertain the extent of implementation of the recommended corrective action for improvements.



FINANCIAL STATEMENT

FINANCIALS

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	Group RM'000	Company RM'000
Profit/(Loss) for the financial year attributable to:-		
Owners of the Company	15,025	(2,521)
Non-controlling interests	1,302	–
Profit/(Loss) for the financial year	16,327	(2,521)

RESERVES AND PROVISIONS

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

ISSUANCE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM100 comprising 1,000 ordinary shares to RM32,592,205 by way of an issuance of 606,646,000 new ordinary shares for the purpose of acquiring new subsidiaries and internal restructuring under the Initial Public Offering Scheme as disclosed in Note 33.

There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIVIDENDS

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

DIRECTORS OF THE COMPANY

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

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

DIRECTORS OF SUBSIDIARIES OF THE COMPANY

Pursuant to Section 253(2) of the Companies Act 2016, the Directors who served in the subsidiaries during the financial year and up to the date of this report are as follows:

Lee Hock Chin
Lim Chee Keong
Yeoh Cheong Yeow
Tan Soon Huat
Daniel Winston C. Tan-chi
Joey T Guyo
Pang See Chian
Ramir B. Castro
Ratchata Udomsirimas
Sakda Ruangsant
Tan Meow Shong
Thersya Lukito

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares				Amount	
	At 01.01.2017 Unit	**Bought Unit**	**Sold Unit**	**At 31.12.2017 Unit**	**At 01.01.2017 RM**	**At 31.12.2017 RM**
Direct interest:						
- Chew Ne Weng	570	355,096,625	–	355,097,195	57	19,077,652
- Liew Soo Keang	430	251,549,375	–	251,549,805	43	13,514,553

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

None of the other Directors in office at the end of the financial year had any interest in the ordinary shares of the Company or its related corporations during the financial year.

DIRECTORS' REMUNERATION BENEFITS

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

	Company RM'000	Subsidiaries RM'000
Salaries, bonus and allowances	–	2,630
Fee	108	512
Contributions to Employees Provident Fund	–	537
Social security contributions	–	8
Benefits-in kind	–	90
Others	–	949
	108	4,726

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than Directors' emoluments received or due and receivable as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than as disclosed in Note 27 to the financial statements.

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

OTHER STATUTORY INFORMATION (CONT'D)

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

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

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

(d) In the opinion of the Directors:

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

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

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

(e) The total amount paid to or receivable by the auditors as remuneration for their services as auditors for the financial year from the Company and its subsidiaries is RM251,000.

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

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

SIGNIFICANT EVENTS

Details of significant events are disclosed in Note 33 to the financial statements.

SUBSEQUENT EVENTS

Details of significant events are disclosed in Note 34 to the financial statements.

AUDITORS

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

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 20 March 2018.

CHEW NE WENG **LIEW SOO KEANG**

STATEMENT BY DIRECTORS

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

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying financial statements as set out on pages 46 to 111 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 20 March 2018.

CHEW NE WENG

LIEW SOO KEANG

STATUTORY DECLARATION

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

I, Yeoh Cheong Yeow, being the officer primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 46 to 111 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed
at Kuala Lumpur in the Federal Territory
on 20 March 2018.

YEOH CHEONG YEOW

Before me,
TAN KIM CHOOI W661
Commissioner of Oaths

INDEPENDENT AUDITORS' REPORT

To the Members of QES Group Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of QES Group Berhad, which comprise the statement of financial position as at 31 December 2017 of the Group and of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and of the Company for the financial year then ended and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 46 to 111.

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 2017, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key audit matters	Our audit performed and responses thereon
<u>Valuation of goodwill</u> As at 31 December 2017, as shown in Note 11 to the financial statements, the Group's goodwill amounted to RM3.38 million, which represented 3% of the Group's total assets. The Group is required to perform an annual impairment test or more frequently when indication of impairment exists on goodwill which arose from the Group's acquisition of the QES (Hong Kong) in 2014. The Group applies the value-in-use ("VIU") method to estimate the recoverable amounts of the goodwill. We have identified the valuation of goodwill as a key audit matter as the impairment test involves significant management judgement in determining the allocation of goodwill to the cash-generating unit ("CGU") and in estimating the underlying assumptions to be applied in the discounted cash flow projections of the VIU calculation. The recoverable amount of the goodwill is highly sensitive to key assumptions applied in respect of budgeted gross margin and the pre-tax discount rate used in the cash flow projections. A small change in the assumption can have a significant impact on the estimation of the recoverable amount.	We have performed the following procedures: • Assessed whether the recoverable amounts were prepared by management based on the approved budgets by the Directors. • Compared the key assumptions including forecasted revenue, growth rates, gross margin and discount rates against our knowledge of the Group's historical performance, business and cost management strategies based on facts and circumstances currently available. • Performed a sensitivity analysis by changing certain key assumptions used in the VIU calculations and assessed the impact of the recoverable amounts of the goodwill. • Assessed the appropriateness of the financial statements disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive.

INDEPENDENT AUDITORS' REPORT
To the Members of QES Group Berhad

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Other Matter

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

MOORE STEPHENS ASSOCIATES PLT
LLP0000963-LCA & AF002096
Chartered Accountants

STEPHEN WAN YENG LEONG
02963/07/2019 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 20 March 2018

STATEMENTS OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	4	190,939	137,285	–	–
Cost of sales		(122,752)	(99,543)	–	–
Gross profit		68,187	37,742	–	–
Other income		2,631	4,565	–	–
Marketing and distribution costs		(29,436)	(15,945)	–	–
Administrative costs		(16,654)	(10,437)	(2,521)	(811)
Other operating expenses		(3,546)	(2,463)	–	–
Profit/(Loss) from operations		21,182	13,462	(2,521)	(811)
Finance costs	5	(1,057)	(1,387)	–	–
Profit/(Loss) before tax	6	20,125	12,075	(2,521)	(811)
Tax expense	8	(3,798)	(1,905)	–	–
Profit/(Loss) for the financial year		16,327	10,170	(2,521)	(811)
Other comprehensive income, net of tax					
Actuarial gain/(loss) on provision for post-employment benefits		7	(34)	–	–
Foreign currency translation differences for foreign subsidiaries		(410)	93	–	–
Total other comprehensive income for the financial year		(403)	59	–	–
Total comprehensive income for the financial year		15,924	10,229	(2,521)	(811)
Profit for the financial year attributable to:					
Owners of the Company		15,025	9,460		
Non-controlling interests		1,302	710		
		16,327	10,170		
Total comprehensive income for the financial year attributable to:					
Owners of the Company		14,768	9,483		
Non-controlling interests		1,156	746		
		15,924	10,229		
Earnings per share					
Basic (sen)	9	2.48	1.56		

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	7,810	6,261	–	–
Intangible assets	11	4,566	4,369	–	–
Investment in subsidiaries	12	–	–	46,358	–
Other investments	13	60	60	–	–
Deferred tax assets	14	154	113	–	–
		12,590	10,803	46,358	–
Current assets					
Inventories	15	17,178	11,087	–	–
Trade receivables	16	35,342	38,517	–	–
Other receivables	17	2,259	1,466	–	–
Tax recoverable		–	1,128	–	–
Fixed deposits with financial institutions	18	21,788	14,746	–	–
Cash and bank balances		24,330	14,818	–	–
		100,897	81,762	–	–
TOTAL ASSETS		113,487	92,565	46,358	–

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
EQUITY AND LIABILITIES					
Equities					
Share capital	19	32,592	11,200	32,592	^
Translation reserve		(1,235)	(974)	–	–
Merger deficit	20	(20,228)	–	–	–
Retained earnings/(Accumulated losses)		35,397	20,368	(3,355)	(834)
		46,526	30,594	29,237	(834)
Non-controlling interests		1,772	2,092	–	–
Total equities		48,298	32,686	29,237	(834)
Non-current liabilities					
Borrowings	21	1,276	2,947	–	–
Deferred tax liabilities	14	384	484	–	–
Provision for post-employment benefits	22	502	451	–	–
		2,162	3,882	–	–
Current liabilities					
Trade payables	23	22,937	25,063	–	–
Other payables	24	14,960	9,571	2,258	804
Amounts due to a subsidiary	25	–	–	14,863	30
Borrowings	21	25,000	20,727	–	–
Taxation		130	636	–	–
		63,027	55,997	17,121	834
Total liabilities		65,189	59,879	17,121	834
TOTAL EQUITIES AND LIABILITIES		113,487	92,565	46,358	–

^ *Denotes RM100*

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

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2017

	Attributable to owners of the Group						
	Non-distributable			Distributable			
	Share capital RM'000	Merger deficit RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group							
At 1 January 2016	11,200	–	(1,015)	11,726	21,911	1,671	23,582
Profit for the financial year	–	–	–	9,460	9,460	710	10,170
Other comprehensive income							
- Foreign currency translation differences	–	–	41	–	41	52	93
- Remeasurement of defined benefit plan	–	–	–	(18)	(18)	(16)	(34)
Total comprehensive income for the financial year	–	–	41	9,442	9,483	746	10,229
Dividends (Note 26)	–	–	–	(800)	(800)	(120)	(920)
Acquisition of subsidiaries	–	–	–	–	–	(205)	(205)
At 31 December 2016	11,200	–	(974)	20,368	30,594	2,092	32,686

STATEMENTS OF CHANGES IN EQUITY
For the Financial Year Ended 31 December 2017

	Attributable to owners of the Group						
	Non-distributable			Distributable			
	Share capital RM'000	Merger deficit RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group							
At 1 January 2017	11,200	–	(974)	20,368	30,594	2,092	32,686
Profit for the financial year	–	–	–	15,025	15,025	1,302	16,327
Other comprehensive income							
- Foreign currency translation differences	–	–	(261)	–	(261)	(149)	(410)
- Remeasurement of defined benefit plan	–	–	–	4	4	3	7
Total comprehensive income for the financial year	–	–	(261)	15,029	14,768	1,156	15,924
Contributions by and distribution to owners of the Company:							
Dividends (Note 26)	–	–	–	–	–	(211)	(211)
Issuance of shares							
- Issuance of shares (Note 19)	32,592	–	–	–	32,592	–	32,592
- Issuance of shares by QAP	1,164	–	–	–	1,164	(1,329)	(165)
- Adjustment on acquisition of subsidiaries	(12,364)	(20,228)	–	–	(32,592)	64	(32,528)
	21,392	(20,228)	–	–	1,164	(1,265)	(101)
Total transaction with owners	21,392	(20,228)	–	–	1,164	(1,476)	(312)
At 31 December 2017	32,592	(20,228)	(1,235)	35,397	46,526	1,772	48,298

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2017

	Note	Share capital RM'000	Accumulated losses RM'000	Total equity RM'000
Company				
At 1 January 2016		^	(23)	(23)
Profit for the financial year, representing total comprehensive income for the financial year		–	(811)	(811)
At 31 December 2016/1 January 2017		–	(834)	(834)
Transaction with Owners				
Issuance of shares	19	32,592	–	32,592
Profit for the financial year, representing total comprehensive income for the financial year		–	(2,521)	(2,521)
At 31 December 2017		32,592	(3,355)	29,237

^ *Denotes RM100*

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

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from operating activities					
Profit/(Loss) before tax		20,125	12,075	(2,521)	(811)
Adjustments for:-					
Allowance for inventories		643	155	–	–
Amortisation of intangible assets		103	76	–	–
Bad debts written off		–	59	–	–
Depreciation of property, plant and equipment		1,760	1,611	–	–
Discount on consolidation		(165)	(1,525)	–	–
Gain on disposal of property, plant and equipment		(957)	(70)	–	–
Loss/(Gain) on unrealised foreign exchange		132	(695)	–	–
Goodwill written off		–	777	–	–
Impairment loss on trade receivables		79	–	–	–
Interest expense		1,057	1,387	–	–
Interest income		(486)	(413)	–	–
Property, plant and equipment written off		–	2	–	–
Provision for post-employment benefits		115	97	–	–
Reversal of impairment loss on trade receivables		–	(397)	–	–
Operating profit/(loss) before working capital changes		22,406	13,139	(2,521)	(811)
Inventories		(6,734)	3,094	–	–
Receivables		1,038	(3,389)	–	4
Payables		4,332	(3,406)	1,454	791
Subsidiaries		–	–	14,833	16
Cash from operations		21,042	9,438	13,766	–
Employee benefits paid		–	(6)	–	–
Income tax refund		325	339	–	–
Income tax paid		(3,642)	(2,137)	–	–
Interest paid		(688)	(863)	–	–
Net cash from operating activities		17,037	6,771	13,766	–

STATEMENTS OF CASH FLOWS
For the Financial Year Ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment	(i)	(2,416)	(1,289)	–	–
Acquisition of shares in subsidiaries		–	–	(46,358)	–
Increase in intangible assets		(300)	(748)	–	–
Interest received		486	413	–	–
Issuance of share capital		1,164	–	32,592	–
Net (outflows)/inflows in acquisition of subsidiaries		(1,164)	834	–	–
Placement of fixed deposits		(7,042)	(619)	–	–
Proceeds from disposal of property, plant and equipment		1,666	208	–	–
Net cash used in investing activities		(7,606)	(1,201)	(13,766)	–
Cash flows from financing activities					
Dividend paid		(211)	(920)	–	–
Increase in bank facilities		180	3,035	–	–
Interest paid		(369)	(524)	–	–
Repayment of finance lease liabilities		(706)	(373)	–	–
Repayment of term loans		(2,543)	(2,243)	–	–
Net cash used in financing activities		(3,649)	(1,025)	–	–
Net increase in cash and cash equivalents		5,782	4,545	–	–
Foreign currency translation differences		(339)	116	–	–
Cash and cash equivalents at beginning of year		9,394	4,733	–	–
Cash and cash equivalents at end of year	(ii)	14,837	9,394	–	–

STATEMENTS OF CASH FLOWS
For the Financial Year Ended 31 December 2017

Note:

(i) Acquisition of property, plant and equipment

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

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Purchase of property, plant and equipment	4,042	1,337	–	–
Exchange differences	(24)	19	–	–
Less: Financed by finance lease arrangement	(1,602)	(67)	–	–
Cash payment on purchase of property, plant and equipment	2,416	1,289	–	–

(ii) Cash and cash equivalents

Cash and cash equivalents comprise the following:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Cash and cash equivalents comprise the following:				
Cash and bank balances	24,330	14,818	–	–
Bank overdraft (Note 21)	(9,493)	(5,424)	–	–
	14,837	9,394	–	–

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

1. CORPORATE INFORMATION

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

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

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

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

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

The financial statements were approved and authorised for issue by the Board of Directors on 20 March 2018.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the direct subsidiaries have been consolidated using merger method of accounting as stated in Note 3(a). The financial statements of the indirect subsidiaries have been consolidated using the acquisition method of accounting.

The implication of the merger method of accounting on the presentation of the consolidated financial statements is as follows:-

(a) The consolidated of statements of financial position for the current financial year comprise the consolidation of:-

  (i) the financial position of the subsidiaries as at 31 December 2017; and

  (ii) the financial position of the Company as at 31 December 2017.

(b) The consolidated statements of financial position for the comparative financial year comprise the consolidation of:-

  (i) the financial position of the subsidiaries as at 31 December 2016; and

  (ii) the financial position of the Company as at 31 December 2016.

(c) The consolidated statements of comprehensive income and consolidated statements of cash flows for the current financial year comprise the consolidation of:-

  (i) the financial results and cash flows of the subsidiary for the financial year ended 31 December 2017; and

  (ii) the financial results and cash flows of the Company for the financial year ended 31 December 2017.

(d) The consolidated statements of comprehensive income and consolidated statements of cash flows for the comparative financial year comprise:-

  (i) the financial results and cash flows of the subsidiaries for the financial year ended 31 December 2016; and

  (ii) the financial results and cash flows of the Company for the financial year ended 31 December 2016.

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

The implication of the merger method of accounting on the presentation of the consolidated financial statements is as follows:- (cont'd)

(e) The consolidated statements of changes in equity for the current financial year comprise:-

(i) the statements of changes in equity of the subsidiary for the financial year ended 31 December 2017; and

(ii) the equity transactions of the Company for the financial year ended 31 December 2017.

(f) The consolidated statements of changes in equity for the comparative financial year comprise:-

(i) the consolidated statement of changes in equity of the subsidiaries for the financial year ended 31 December 2016; and

(ii) the equity transactions of the Company for the financial year ended 31 December 2016.

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

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

(i) Adoption of Amendments/Improvements to MFRSs

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

Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRS 107	Disclosure Initiatives
Amendments to MFRS 12	Disclosure of Interests in Other Entities

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

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

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

Effective for financial period beginning on or after 1 January 2018

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

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

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

Effective for financial period beginning on or after 1 January 2019

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

Effective for financial period beginning on or after 1 January 2021

MFRS 17	Insurance Contracts

Effective date to be announced

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

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

MFRS 9 Financial Instruments

In November 2014, the MASB issued the final version of MFRS 9, replacing MFRS 139. This Standard made changes to the requirements for classification and measurement, impairment, and hedge accounting. The adoption of this Standard will have an effect on the classification and measurement of the Group's and of the Company's financial assets but no impact on the classification and measurement of the Group's and of the Company's financial liabilities.

MFRS 9 also requires impairment assessments to be based on an expected loss model, replacing the MFRS 139 incurred loss model. Finally, MFRS 9 aligns hedge accounting more closely with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies and weaknesses in the previous model.

The Standard will come into effect on or after 1 January 2018 with early adoption permitted. Retrospective application is required but comparative information is not compulsory. The Group and the Company are currently assessing the impact of the adoption of this Standard in relation to the new requirements for classification and measurement and impairment, but the requirements for hedge accounting is not relevant to the Group and the Company.

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

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

MFRS 15 Revenue from Contracts with Customers

MFRS 15 Revenue from Contracts with Customers was issued in September 2014 and establishes a new five-step model that will apply to recognition of revenue arising from contracts with customers. Under this Standard, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principle of this Standard is to provide a more structured approach to measuring and recognising revenue.

This Standard is applicable to all entities and will supersede all current revenue recognition requirements under MFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group and the Company are currently assessing the impact of this Standard and plan to adopt this Standard on the required effective date.

MFRS 16 Leases

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

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

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

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

(b) Functional and presentation currency

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

(c) Basis of measurement

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

2. BASIS OF PREPARATION (CONT'D)

(d) Significant accounting estimates and judgements

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

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

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

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

(i) Impairment of Non-financial Assets

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

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

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

(iii) Impairment of Trade and Non-trade Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

2. BASIS OF PREPARATION (CONT'D)

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

(iv) Deferred Tax Assets and Liabilities

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

(v) Impairment of Goodwill

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

(vi) Allowance for Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

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

The acquisition of QAP, CAP, QSI and CIP by the Company have been accounted for as a business combination amongst entities under common control. Accordingly, the financial statements of the Group have been consolidated using the merger method of accounting. The subsidiaries under QAP and CAP ("indirect subsidiaries") have been accounted for as a business combination under the acquisition method of accounting.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(i) Business Combinations

Business combination under acquisition method of accounting

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

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

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

Business combination under merger method of accounting

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory.

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

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

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

Non-Controlling Interests

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

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

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

(iii) Loss of Control

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

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

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

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

(b) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions and balances

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currencies (Cont'd)

(iii) Group entities

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

(c) Revenue and other income recognition

Revenue and other income are recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value at consideration received or receivable.

(i) Sale of goods

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

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be reliably estimated, and there is no continuing management involvement with the goods.

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

(ii) Revenue from service

Revenue from services provided is recognised net of discount, where applicable, as and when the services are performed. The stage of completion is assessed by reference to the proportion that cost of the transaction. Where the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expense recognised that are recoverable.

(iii) Interest income

Interest income is recognised using the effective interest method.

(iv) Rental income

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

(v) Dividend income

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

(vi) Commission income

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

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

(iii) Provision for post-employment benefits

The subsidiary incorporated in Indonesia recognised unfunded employee benefits liability in accordance with Labor Law No. 13/2003 dated March 25, 2003 of Indonesia. Under SFAS No. 24 (Revised 2013), the cost of providing employee benefits is determined using the projected-unit-credit actuarial valuation method.

Actuarial gain or losses are recognised as income or expense when the net cumulative unrecognised actuarial gain or losses for each individual plan at the end of the previous reporting date exceed 10% of the employee benefit obligation.

(e) Borrowing costs

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

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

(f) Income taxes

(i) Current tax

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Income taxes (Cont'd)

(ii) Deferred tax

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

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Income taxes (Cont'd)

(iii) Goods and services tax ("GST")

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

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

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

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

(g) Earnings per share

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

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

(h) Impairment

(i) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experiences of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in the profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment (Cont'd)

(i) Impairment of financial assets (Cont'd)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit or loss.

Unquoted equity securities carried at cost

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

(ii) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories, amount due from contract customers, deferred tax asset, assets arising from employee benefits, investment property measured at fair value and non-current asset (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

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

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

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

An impairment loss recognised for goodwill is not reversed.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Property, plant and equipment

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

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

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

The principal annual rates used for this purpose are:-

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

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

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

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

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

(j) Intangible assets

(i) Goodwill on consolidation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Intangible assets (Cont'd)

(i) Goodwill on consolidation (Cont'd)

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

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

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

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

(ii) Research and development

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

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

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

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

(iii) Trademark

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Government grant

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

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

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

(l) Inventories

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

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

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

(m) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of its financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss and loans and receivables.

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

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in the profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in the profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current bases on the settlement date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Financial assets (Cont'd)

(ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(iii) Available-for-sale financial assets

Available-for-sale are financial assets that are designated as available for sale or are not classified in financial assets at fair value through profit or loss or held-to-maturity investments and loan and receivables.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Cash and cash equivalents

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

(o) Lease

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

(i) Finance leases – the Group as lessee

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

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

(ii) Operating leases – the Group as lessee

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

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

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

(p) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as other financial liabilities.

Other financial liabilities

The Group's and the Company's other financial liabilities include trade and other payables, amount due to subsidiaries and borrowings.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Financial liabilities (Cont'd)

Financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in the profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

(q) Equity instrument

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

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

(r) Provisions

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

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

(s) Contingencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Fair value measurement

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

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

4. REVENUE

	Group	
	2017 RM'000	**2016 RM'000**
Sales of goods	141,603	103,568
Service and spare parts	49,336	33,717
	190,939	137,285

5. FINANCE COSTS

	Group	
	2017 RM'000	**2016 RM'000**
Bank overdrafts	258	449
Bankers acceptance	75	70
Trust receipts	176	157
Letter of credit	74	69
Revolving loan interest	105	118
Term loans	310	478
Finance lease liabilities	59	46
	1,057	1,387

6. PROFIT/(LOSS) BEFORE TAX

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Allowance for inventories, net	643	155	–	–
Amortisation of intangible assets	103	76	–	–
Auditors' remuneration				
- current year	251	133	20	3
- other services	140	355	140	355
Bad debts written off	–	59	–	–
Discount on consolidation	(165)	(1,525)	–	–
Depreciation of property, plant and equipment	1,760	1,611	–	–
Employee benefits (Note 7)	35,559	20,977	108	–
Gain on disposal of property, plant and equipment	(957)	(70)	–	–
Government grant received	(668)	(1,011)		
Loss/(Gain) on foreign exchange	609	(386)	–	–
Goodwill written off	–	777	–	–
Impairment loss on trade receivables	79	–	–	–
Interest income	(486)	(413)	–	–
Management fee	72	72	–	–
Property, plant and equipment written off	–	2	–	–
Provision for post employment benefits	115	97	–	–
Rental of premises and motor vehicles	1,404	969	–	–
Reversal of impairment loss on trade receivables	–	(397)	–	–

7. EMPLOYEE BENEFITS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Staff cost				
Salaries, bonus, wages, allowances and overtime	24,261	13,953	–	–
Contributions to Employees Provident Fund	2,358	1,607	–	–
Social security contributions	178	114	–	–
Others	4,076	1,992	–	–
	30,873	17,666	–	–
Directors' remuneration				
Salaries, bonus and allowances	2,578	2,215	–	–
Directors' fee	620	88	108	–
Contributions to Employees Provident Fund	531	386	–	–
Social security contributions	8	18	–	–
Others	949	604	–	–
	4,686	3,311	108	–
Total staff costs	35,559	20,977	108	–

8. TAX EXPENSE

	Group 2017 RM'000	Group 2016 RM'000
Current tax:		
- current year	4,703	2,768
- over provision in prior years	(747)	(312)
	3,956	2,456
Deferred tax (Note 14)		
- current year	(19)	(594)
- (over)/under provision in prior years	(139)	43
	(158)	(551)
Tax expense for the financial year	3,798	1,905

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year.

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit/(Loss) before tax	20,125	12,075	(2,521)	(811)
Tax at Malaysian tax rate of 24% (2016: 24%)	4,830	2,898	(605)	(195)
Effect of tax in foreign jurisdictions	(125)	(41)	–	–
Non-deductible expenses	1,674	393	605	195
Non-taxable income	(636)	(866)	–	–
Utilisation of deferred tax assets previously not recognised	(1,118)	(223)	–	–
Deferred tax assets not recognised	59	13	–	–
	4,684	2,174	–	–
(Over)/Under provision in prior years:				
- current tax	(747)	(312)	–	–
- deferred tax	(139)	43	–	–
Tax expense for the financial year	3,798	1,905	–	–

8. TAX EXPENSE (CONT'D)

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

	Group	
	2017 RM'000	**2016 RM'000**
Unabsorbed capital allowances	2,256	2,261
Unabsorbed reinvestment allowances	1,620	1,620
Unutilised tax losses	1,752	2,087
Unutilised pioneer losses	–	4,375
	5,628	10,343

9. EARNINGS PER SHARE

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

	Group	
	2017	**2016**
Profit after tax attributable to the owners of the Company (RM'000)	15,025	9,460
Number of ordinary shares at the beginning of the year (unit'000)	1	1
Effects of ordinary share issue (unit'000)*	606,646	606,646
Weighted average number of ordinary shares at end of the year (unit'000)	606,647	606,647
Basic earnings per ordinary share (sen)	2.48	1.56

* In the calculation of earnings per share for the financial year ended 31 December 2016, it is assumed that 606,646,000 ordinary shares were in issue.

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

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land RM'000	Building RM'000	Moulds, plant and equipment RM'000	Office equipment, furniture, fittings, computer and telecom-munication equipment RM'000	Equipment for demonstration RM'000	Motor vehicles RM'000	Electrical fittings, office renovation and signboard RM'000	Total RM'000
Group								
2017								
Cost								
At 1 January 2017	118	500	4,184	5,857	9,642	1,924	1,000	23,225
Additions	–	–	63	438	1,689	1,712	140	4,042
Written off/Disposals	–	–	–	(90)	(1,090)	(923)	–	(2,103)
Exchange differences	–	–	(23)	(22)	(28)	(16)	(7)	(96)
At 31 December 2017	118	500	4,224	6,183	10,213	2,697	1,133	25,068
Accumulated depreciation								
At 1 January 2017	2	170	3,704	4,539	6,492	1,406	651	16,964
Charge for the financial year	1	10	162	350	801	362	74	1,760
Written off/Disposals	–	–	–	(90)	(541)	(763)	–	(1,394)
Exchange differences	–	–	(15)	(20)	(17)	(13)	(7)	(72)
At 31 December 2017	3	180	3,851	4,779	6,735	992	718	17,258
Net book value								
At 31 December 2017	115	320	373	1,404	3,478	1,705	415	7,810

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

	Leasehold land RM'000	Building RM'000	Moulds, plant and equipment RM'000	Office equipment, furniture, fittings, computer and telecom-munication equipment RM'000	Equipment for demonstration RM'000	Motor vehicles RM'000	Electrical fittings, office renovation and signboard RM'000	Total RM'000
Group								
2016								
Cost								
At 1 January 2016	118	500	4,132	5,009	8,567	2,065	757	21,148
Acquisition of subsidiaries	–	–	–	539	456	–	240	1,235
Additions	–	–	44	333	960	–	–	1,337
Written off/Disposals	–	–	–	(33)	(363)	(114)	–	(510)
Exchange differences	–	–	8	9	22	(27)	3	15
At 31 December 2016	118	500	4,184	5,857	9,642	1,924	1,000	23,225
Accumulated depreciation								
At 1 January 2016	1	160	3,452	3,875	5,608	1,215	355	14,666
Acquisition of subsidiaries	–	–	–	403	429	–	229	1,061
Charge for the financial year	1	10	246	271	683	336	64	1,611
Written off/Disposals	–	–	–	(17)	(239)	(114)	–	(370)
Exchange differences	–	–	6	7	11	(31)	3	(4)
At 31 December 2016	2	170	3,704	4,539	6,492	1,406	651	16,964
Net book value								
At 31 December 2016	116	330	480	1,318	3,150	518	349	6,261

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

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

	Group 2017 RM'000	Group 2016 RM'000
Net book value		
Motor vehicles	1,595	470
Equipment for demonstration	–	327
Office equipment, furniture, fittings, computer and telecommunication equipment	83	63
	1,678	860

(b) The leasehold land and building of the Group was pledged for borrowings of the Group as disclosed in Note 21.

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

11. INTANGIBLE ASSETS

Group	Trademark RM'000	Development costs RM'000	Goodwill RM'000	Total RM'000
2017				
Cost				
At 1 January 2017	26	1,122	3,381	4,529
Addition	-	300	–	300
At 31 December 2017	26	1,422	3,381	4,829
Accumulated amortisation				
At 1 January 2017	–	160	–	160
Addition	–	103	–	103
At 31 December 2017	–	263	–	263
Carrying value	26	1,159	3,381	4,566
2016				
Cost				
At 1 January 2016	22	378	3,381	3,781
Addition	4	744	777	1,525
Written off	–	–	(777)	(777)
At 31 December 2016	26	1,122	3,381	4,529
Accumulated amortisation				
At 1 January 2016	–	84	–	84
Addition	–	76	–	76
At 31 December 2016	–	160	–	160
Carrying value	26	962	3,381	4,369

11. INTANGIBLE ASSETS (CONT'D)

Goodwill

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

Impairment testing of goodwill

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

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

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

(i) Budgeted gross margin

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

(ii) Pre-tax discount rate

The discount rates used are pre-tax ranging from 10% to 12% and reflect specific risks relating to the relevant segments.

(iii) Weighted average growth rate

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

(iv) Forecasted revenue

Revenue growth assumptions of 5% was based on the approved business plan and reflect the expectation of revenue growth based on past experience and current assessment of market share.

(b) Sensitivity to changes in assumptions

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

12. INVESTMENT IN SUBSIDIARIES

	Company 2017 RM'000	Company 2016 RM'000
Unquoted shares, at cost		
At 1 January	–	–
Addition	46,358	–
At 31 December	46,358	–

The details of the subsidiaries are as follows:

Name of companies	Country of Incorporation	Percentage equity held 2017	Percentage equity held 2016	Principal activities
Held by the Company				
QES (Asia-Pacific) Sdn. Bhd. ("QAP")	Malaysia	100%	–	Investment holding, marketing and servicing of scientific instruments
QS Instruments Sdn. Bhd. ("QSI")	Malaysia	100%	–	Marketing and servicing of scientific instruments
Creden Intra Pacific Sdn. Bhd. ("CIP")	Malaysia	100%	–	Trading and servicing of industrial parts and equipment
Creden (Asia-Pacific) Sdn. Bhd. ("CAP")	Malaysia	100%	–	Manufacturing, trading and servicing of industrial parts and equipment
Subsidiaries of QAP:				
QES (Kuala Lumpur) Sdn. Bhd. ("QKL")	Malaysia	100%	–	Marketing and servicing of scientific instruments
QES (Penang) Sdn. Bhd. ("QPG")	Malaysia	100%	–	Marketing and servicing of scientific instruments
QES (Sarawak) Sdn. Bhd. ("QSR")	Malaysia	100%	–	Marketing and servicing of scientific instruments
QAM (Asia-Pacific) Sdn. Bhd. ("QAM")	Malaysia	82.5%	–	Marketing and servicing of scientific instruments and industrial materials
VMX Technology Sdn. Bhd. ("VMX")	Malaysia	100%	–	Trading and servicing of industrial parts and equipment
P.T. QES Indonesia ("QID") #	Indonesia	55%	–	Marketing and servicing of scientific instruments
QES (Hong Kong) Limited ("QHK") # @	Hong Kong	100%	–	Marketing and servicing of scientific instruments
QES (Vietnam) Co. Ltd. ("QVN") #	Vietnam	100%	–	Marketing and servicing of scientific instruments
QES (Thailand) Co., Ltd. ("QBK") #	Thailand	100%	–	Marketing and servicing of scientific instruments

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name of companies	Country of Incorporation	Percentage equity held 2017	Percentage equity held 2016	Principal activities
Subsidiaries of QAP: (Cont'd)				
QES (Singapore) Pte. Ltd. ("QSG") # ^	Singapore	70%	–	Marketing and servicing of scientific instruments
QES Technology Philippines, Inc. ("QTP") # *	Philippines	40%	–	Wholesale, technical testing and analysis of machinery, equipment and supplies
Subsidiaries of CAP:				
Creden Engineering Sdn. Bhd. ("CRE")	Malaysia	100%	–	Manufacturing, trading and servicing of industrial parts and equipment
Creden Mechatronic Sdn. Bhd. ("CRM")	Malaysia	100%	–	Manufacturing and trading of industrial equipment and systems

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

@ *In the previous financial year, the auditors' reports of this subsidiary contained a material uncertainty that may cast significant doubt on the subsidiary's ability to continue as a going concern. The ability of the subsidiary to continue as a going concern is dependent on the continued financial support of QAP.*

^ *The auditors' reports of this subsidiary contained a material uncertainty that may cast significant doubt on the subsidiary's ability to continue as a going concern. The ability of the subsidiary to continue as a going concern is dependent on the continued financial support of QAP.*

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

<u>Acquisition of subsidiaries</u>

(a) On 31 October 2017, QAP acquired the remaining 20% equity interest in CIP not held by QAP, for a purchase consideration of RM1,164,539 and satisfied via the issuance of 414,448 shares in QAP at an issue price of RM2.81 per share. Upon the acquisition, CIP become a wholly-owned subsidiary of QAP.

(b) On 1 November 2017, the Company acquired 100% equity interest in QES (Asia-Pacific) Sdn. Bhd., for a consideration of RM32,592,105 by way of issuance of 606,646,000 ordinary shares, pursuant to Initial Public Offering of the Company. Upon the acquisition, QAP become a wholly-owned subsidiary of the Company. QAP, an unlisted company incorporated in Malaysia, is an investment holding company and is also engaged in the marketing and servicing of scientific instruments.

(c) On 2 November 2017, the Company acquired 100% equity interest in QS Instruments Sdn. Bhd., a company incorporated in Malaysia, comprising 1,000,000 ordinary shares from QAP, for a cash consideration of RM7,943,558.

(d) On 2 November 2017, the Company acquired 100% equity interest in Creden Asia Pacific Sdn. Bhd., a company incorporated in Malaysia, comprising 7,500,000 ordinary shares from QAP, for a cash consideration of RM1.

(e) On 2 November 2017, the Company acquired 100% equity interest in Creden Intra Pacific Sdn. Bhd., a company incorporated in Malaysia, comprising 1,000,000 ordinary shares from QAP, for a cash consideration of RM5,822,697.

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries (Cont'd)

(f) QES (Thailand) Co., Ltd ("QBK") and QES (Singapore) Pte. Ltd. ("QSG")

On 28 December 2016, the Group acquired 70% equity interest in QSG with purchase consideration of RM22. Upon the acquisition, QSG became a subsidiary of the Group. QSG, an unlisted company incorporated in Republic of Singapore, is engaged in the marketing and servicing of scientific instruments.

On 30 December 2016, the Group acquired 100% equity interest in QBK with purchase consideration of RM122,000. Upon the acquisition, QBK became a subsidiary of the Group. QBK, an unlisted company incorporated in Thailand, is engaged in the marketing and servicing of scientific instruments.

The fair value of the identifiable assets and liabilities of QBK and QSG as at the date of acquisition were:

	Fair value/Carrying amount		
	QBK 2016 RM'000	**QSG 2016 RM'000**	**Total 2016 RM'000**
Plant and equipment	98	76	174
Inventories	820	314	1,134
Trade receivables	2,634	1,939	4,573
Other receivables	216	71	287
Cash and bank balances	686	1,023	1,709
	4,454	3,423	7,877
Trade payables	(664)	(4,201)	(4,865)
Other payables	(1,090)	(315)	(1,405)
Borrowings	(830)	–	(830)
Deferred tax liabilities	–	(12)	(12)
Taxation	(96)	(4)	(100)
	(2,680)	(4,532)	(7,212)
Net identifiable assets/(liabilities)	1,774	(1,109)	665

Total cost of business combination

The effect of the acquisition on cash flows is as follows:

	QBK 2016 RM'000	**QSG 2016 RM'000**	**Total 2016 RM'000**
Consideration settled in cash	(122)	^	(122)
Less: cash and cash equivalent of the subsidiary acquired	(67)	1,023	956
Net cash inflow on acquisition	(189)	1,023	834

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries (Cont'd)

(f) QES (Thailand) Co., Ltd ("QBK") and QES (Singapore) Pte. Ltd. ("QSG") (Cont'd)

Goodwill arising on acquisition

	QBK 2016 RM'000	QSG 2016 RM'000	Total 2016 RM'000
Fair value of net identifiable liabilities	1,774	(1,109)	665
Attributable to non-controlling interest*	(127)	332	205
	1,647	(777)	870
Less:			
Cost of business combination	(122)	^	(122)
Discount/Goodwill on acquisition	1,525	(777)	748
Less: Discount/Goodwill written off	(1,525)	777	(748)
	–	–	–

^ Cost of business combination of QSG represents RM22.

* The non-controlling interest of QBK related to the preference share holders and is limited to the preference share capital in accordance with the articles of association of QBK.

Impact of acquisition in Statement of Comprehensive Income

From the date of acquisition, QBK and QSG have no contribution to the Group's profit net of tax as the combination had taken place at the end of the financial year 2016.

Had the combination take place at the beginning of the financial year 2016, the Group's profit net of tax would be as follows:

	2016 RM'000
Profit net of tax	
- QBK	530
- QSG	(166)
Group profit net of tax	9,411

13. OTHER INVESTMENTS

	Group 2017 RM'000	Group 2016 RM'000
Club membership in Malaysia		
At cost,		
At 1 January/31 December	60	60

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

14. DEFERRED TAX (ASSETS)/LIABILITIES

	Group	
	2017 RM'000	2016 RM'000
Deferred tax assets		
At 1 January	(113)	(76)
Recognised in profit or loss (Note 8)	(58)	(35)
Exchange difference	17	(2)
At 31 December	(154)	(113)
Deferred tax liabilities		
At 1 January	484	989
Recognised in profit or loss (Note 8)	(100)	(516)
Acquisition of subsidiary	-	11
At 31 December	384	484

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

	Provision RM'000	Unabsorbed capital allowances RM'000	Unutilised tax losses RM'000	Total RM'000
Group				
Deferred tax assets				
At 1 January 2017	(220)	–	(181)	(401)
Recognised in profit or loss	(225)	–	107	(118)
At 31 December 2017	(445)	–	(74)	(519)
At 1 January 2016	(205)	(11)	(262)	(478)
Recognised in profit or loss	(15)	11	81	77
At 31 December 2016	(220)	–	(181)	(401)

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

	Property, plant and equipment RM'000	Unrealised gain on foreign exchange RM'000	Total RM'000
Group			
Deferred tax liabilities			
At 1 January 2017	572	200	772
Recognised in profit or loss	177	(200)	(23)
At 31 December 2017	749	–	749
At 1 January 2016	512	879	1,391
Recognised in profit or loss	60	(679)	(619)
At 31 December 2016	572	200	772

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

	Group	
	2017 RM'000	**2016 RM'000**
Unabsorbed reinvestment allowances	1,620	1,620
Unutilised tax losses	1,752	1,730
Unutilised pioneer losses	–	4,347
Unabsorbed capital allowances	2,256	2,261
	5,628	9,958

15. INVENTORIES

	Group 2017 RM'000	Group 2016 RM'000
At cost:		
Raw material	731	849
Work in progress	4,568	1,524
Finished goods	13,886	9,847
Goods-in-transit	–	240
	19,185	12,460
Less : Allowance for inventories		
Raw material		
At 1 January	111	–
(Reversal)/Addition	(57)	111
At 31 December	54	111
Finished goods		
At 1 January	1,262	184
Acquisition of subsidiaries	–	1,034
Addition	700	44
Exchange difference	(9)	–
At 31 December	1,953	1,262
Total allowances	2,007	1,373
Carrying value	17,178	11,087
Recognised in profit or loss:		
Inventories recognised as cost of sales	114,755	91,240

16. TRADE RECEIVABLES

	Group 2017 RM'000	Group 2016 RM'000
Trade receivables	35,639	38,785
Less : Accumulated impairment loss		
At 1 January	268	665
Addition	79	–
Written off	(50)	–
Reversal	–	(397)
At 31 December	297	268
Carrying value	35,342	38,517

The Group's normal trade credit terms range from 30 - 120 days (2016: 30 - 120 days). Other credit terms are assessed and approved on a case-by-case basis.

17. OTHER RECEIVABLES

	Group	
	2017 RM'000	2016 RM'000
Non-trade receivables	855	566
Deposits	583	564
Prepayments	821	336
	2,259	1,466

18. FIXED DEPOSITS WITH FINANCIAL INSTITUTIONS

Fixed deposits with financial institutions have effective interest rates which range from 1% to 4.25% (2016: 0.88% to 4.25%) per annum with an average maturity period ranging from 30 to 365 days (2016: 30 to 365 days). All of the fixed deposits with financial institutions was pledged as security for banking facilities granted to the Group.

19. SHARE CAPITAL

	Group/Company			
	Number of ordinary shares		Amount	
	2017 Unit'000	2016 Unit'000	2017 RM'000	2016 RM'000
Authorised:				
At 1 January/31 December	–	4,000	–	400
Issued and fully paid:				
At 1 January	1	1	^	^
Issuance of new shares	606,646	–	32,592	–
At 31 December	606,647	1	32,592	^

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

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

Issued and paid up share capital of the Company was increased from RM100 to RM32,592,100 by way of an issuance of 606,647,000 new ordinary shares.

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

"No Par Value" Regime

The Company's issued and fully paid-up share capital comprises ordinary shares with a par value of RM1 each. The new Companies Act, 2016, which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

20. MERGER DEFICIT

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

21. BORROWINGS

		Group	
		2017 RM'000	2016 RM'000
Secured			
Current Liabilities			
Bank overdrafts		9,493	5,424
Bankers acceptance		780	2,547
Trust receipts		9,893	8,388
Revolving loan		1,997	1,555
Term loans	(a)	2,457	2,543
Finance lease liabilities	(b)	380	270
		25,000	20,727
Non Current Liabilities			
Term loans	(a)	–	2,457
Finance lease liabilities	(b)	1,276	490
		1,276	2,947
Total borrowings		26,276	23,674

(a) Term loans

	Group	
	2017 RM'000	2016 RM'000
Repayable within one year	2,457	2,543
Repayable between one and two years	–	2,457
	2,457	5,000

21. BORROWINGS (CONT'D)

(b) Finance lease liabilities

	Group 2017 RM'000	Group 2016 RM'000
Minimum finance lease payments:		
Repayable within one year	449	301
Repayable between one and five years	1,116	515
Repayable above five years	297	–
	1,862	816
Less: Future finance charges	(206)	(56)
Present value of finance lease liabilities	1,656	760
Present value of finance lease liabilities :		
Repayable within one year	380	270
Repayable between one and five years	988	490
Repayable above five years	288	–
	1,656	760
Representing finance lease liabilities:		
Current	380	270
Non-current	1,276	490
	1,656	760

The interest rates for borrowings per annum were as follows:

	Group 2017 %	Group 2016 %
Bank overdrafts	8.24 - 9.12	2.88 - 8.85
Bankers acceptance	5.00 - 5.60	5.40 - 7.00
Trust receipts	1.46 - 3.66	0.35 - 3.10
Revolving loan	8.30	8.30
Term loans	8.15	8.15
Finance lease liabilities	2.36 - 3.91	2.36 - 4.25

The Group's bank borrowings are secured as follows:

- Registered legal charge on leasehold land and buildings of the Group as disclosed in Note 10;
- Fixed deposits of the Group placed with licensed financial institutions as disclosed in Note 18;
- Joint and several guarantee of the directors of the Company and of certain subsidiaries;
- Fresh facility agreement of a subsidiary; and
- Corporate guarantee and indemnity of a subsidiary.

22. PROVISION FOR POST-EMPLOYMENT BENEFITS

	Group	
	2017 RM'000	2016 RM'000
At 1 January	451	304
Addition	115	97
Actuarial (gain)/loss on remeasurement of defined benefit plan	(10)	34
Actual payment of benefits	–	(6)
Exchange differences	(54)	22
At 31 December	502	451

The Group's provision for post-employment benefits for its qualifying employees in accordance with the policies of the subsidiary incorporated in Indonesia.

The principal assumptions used by PT Bina Putera Jaga Hikmah for financial year ended 2017 and financial year ended 2016, an independent actuary, in determining provision for post-employment benefits are as follows:

	Group	
	2017	2016
Interest rate	7.34%	8.50%
Annual salary rate increase	6.00%	9.00%
Mortality rate	Tabel Mortalita Indonesia-III 2011	

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

	Group	
	2017 RM'000	2016 RM'000
Current service cost	115	68
Interest costs	–	29
Actual payment of benefits	–	(6)
Actuarial (gain)/loss on remeasurement of defined benefit plan	(10)	34
Exchange differences	(54)	22
Total	51	147

Movements in the provision for post-employment benefits are as follows:

Beginning balance	451	304
Current year expense	51	147
Ending balance	502	451

23. TRADE PAYABLES

The Group's and the Company's normal trade credit terms are within 30-120 days (2016: 30-120 days). Other credit terms are assessed and approved on a case-by-case basis.

24. OTHER PAYABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other payables	1,790	1,786	–	637
Deposit received from customers	2,730	1,887	–	–
Accruals	10,440	5,898	2,258	167
	14,960	9,571	2,258	804

25. AMOUNTS DUE TO A SUBSIDIARY

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

Significant related party transactions are disclosed in Note 27.

26. DIVIDENDS

	Per ordinary share sen	Total amount RM'000	Date of payment
Attributable to owner of the Group:			
2016			
Interim single tier dividend for the financial year ended 31 December 2016	0.0714	800	30 December 2016
Attributable to non-controlling interest:			
2017			
Dividend for the financial year ended 31 December 2017	100	211	31 October 2017
2016			
Interim single tier dividend for the financial year ended 31 December 2016	60	120	15 November 2016

27. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Identity of related parties

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

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

		Transaction value		Balance outstanding due to as at	
Company	**Type of transactions**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
With subsidiary					
QES (Asia-Pacific) Sdn. Bhd.	Advances	(1,067)	(30)	(14,863)	(30)
	Acquisition of subsidiaries	(13,766)	–		

Information regarding outstanding balances arising from related parties transaction as at 31 December 2017 are disclosed in Note 25.

(c) Compensation of key management personnel

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

	Group	
	2017 RM'000	**2016 RM'000**
Short-term employee benefits expense	4,632	3,515
Post employment benefits expense	587	475
	5,219	3,990

28. COMMITMENTS

	Group	
	2017 **RM'000**	**2016** **RM'000**
Commitment not provided for in the financial statements is as follows:		
Capital expenditure commitment		
- authorised and contracted for	315	–
Lease commitment		
- not later than one year	897	924
- between two and five years	51	853
	948	1,777
Total	1,263	1,777

29. SEGMENT INFORMATION

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

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

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

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

29. SEGMENT INFORMATION (CONT'D)

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

29. SEGMENT INFORMATION (CONT'D)

		Investment holding RM'000	Equipment RM'000	Materials & Engineering Solutions RM'000	Manufacturing RM'000	Adjustments & Eliminations RM'000	Consolidated RM'000
2016							
External revenue		–	94,522	33,716	9,047	–	137,285
Inter segment revenue	(a)	–	14,821	217	–	(15,038)	–
Total revenue		–	109,343	33,933	9,047	(15,038)	137,285
Results							
Depreciation and amortisation		–	1,213	117	357	–	1,687
Other non-cash expenses	(b)	–	969	10	111	–	1,090
Segment profit/(loss)	(c)	(811)	9,999	1,924	1,611	(648)	12,075
Assets							
Additions to non-current assets	(d)	–	1,959	20	883	–	2,862
Segment assets	(e)	–	78,626	24,296	18,907	(29,264)	92,565
Segment liabilities	(f)	834	48,337	17,936	14,354	(21,582)	59,879

29. SEGMENT INFORMATION (CONT'D)

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

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

	2017 RM'000	2016 RM'000
Allowance for inventories, net	643	155
Bad debts written off	–	59
Goodwill written off	–	777
Impairment loss on trade receivables	79	–
Property, plant and equipment written off	–	2
Provision for post-employment benefits	115	97
	837	1,090

(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:

	2017 RM'000	2016 RM'000
(Loss)/Profit from inter-segment sales	202	(1,040)
Other income	(10,626)	516
Unallocated corporate expenses	2,415	(124)
	(8,009)	(648)

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

	2017 RM'000	2016 RM'000
Property, plant and equipment	4,042	1,337
Intangible assets	300	1,525
	4,342	2,862

(e) The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2017 RM'000	2016 RM'000
Inter-segment assets	(92,612)	(29,264)

29. SEGMENT INFORMATION (CONT'D)

(f) The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2017 RM'000	2016 RM'000
Inter-segment liabilities	(43,244)	(21,582)

Geographical Information

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

	2017 RM'000	2016 RM'000
Malaysia	81,093	65,502
Philippines	21,438	13,894
Singapore	29,102	15,201
Vietnam	26,044	19,652
Indonesia	12,674	9,416
Thailand	16,025	10,929
China	1,944	548
Others	2,619	2,143
	190,939	137,285

29. SEGMENT INFORMATION (CONT'D)

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

	Malaysia RM'000	Indonesia RM'000	Vietnam RM'000	Hong Kong RM'000	Thailand RM'000	Singapore RM'000	Philippines RM'000	Consolidated RM'000
2017								
Property, plant and equipment	7,065	348	73	–	108	117	99	7,810
Intangible assets	1,185	–	–	3,381	–	–	–	4,566
Other investments	60	–	–	–	–	–	–	60
	8,310	348	73	3,381	108	117	99	12,436
2016								
Property, plant and equipment	5,648	349	90	–	98	76	–	6,261
Intangible assets	988	–	–	3,381	–	–	–	4,369
Other investments	60	–	–	–	–	–	–	60
	6,696	349	90	3,381	98	76	–	10,690

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group's and the Company's financial assets and financial liabilities are all categorised as loans and receivables and other financial liabilities.

Financial risks management objectives and policies

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

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

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

Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages their exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments and cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents their estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by 6 (2016: 6) customers which constituted approximately 32% (2016: 41%) of its trade receivables as at the end of the reporting date.

Exposure to credit risk

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

Inter Company Balances

The Company has non-trade transactions with its subsidiary. The maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position as at the end of the reporting period.

As at the end of the financial year, there was no indication that the balances with subsidiaries are not recoverable after than those which had been impaired. The Company does not specifically monitor the ageing of the balances with subsidiaries. The Company monitors the results of the subsidiaries regularly.

30. FINANCIAL INSTRUMENTS (CONT'D)

Credit risk (cont'd)

Ageing analysis

The ageing analysis of the Group's trade receivables as at reporting date are as follows:-

Group	Gross amount RM'000	Collective impairment RM'000	Carrying value RM'000
2017			
Not past due	29,719	–	29,719
Past due:			
1 to 30 days	1,384	–	1,384
31 to 60 days	1,237	–	1,237
More than 60 days	3,299	(297)	3,002
	35,639	(297)	35,342
2016			
Not past due	29,414	–	29,414
Past due:			
1 to 30 days	3,392	–	3,392
31 to 60 days	3,083	(28)	3,055
More than 60 days	2,896	(240)	2,656
	38,785	(268)	38,517

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and payments have not been forthcoming. These receivables are not secured by any collateral or credit enhancement.

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past non-payment experience.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due, which are deemed to have higher credit risk, are monitored individually.

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to RM5,623,000 (2016: RM9,103,000) that are past due at the reporting date but not impaired.

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of non-payment.

30. FINANCIAL INSTRUMENTS (CONT'D)

Credit risk (cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date are as follows:

	Collectively impaired	
	2017	**2016**
	RM'000	**RM'000**
Group		
Trade receivables- nominal amountes	35,639	38,785
Less: Allowance for impairment	(297)	(268)
	35,342	38,517

Movement in allowance for impairment on trade receivables are as follows:

	2017	**2016**
	RM'000	**RM'000**
Group		
At beginning of the financial year	268	665
Addition	79	–
Reversal	–	(397)
Written off	(50)	–
	297	268

Liquidity risk

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

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

30. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk (Cont'd)

Maturity analysis

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

Group 2017	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Within 1 year RM'000	1 – 5 years RM'000	More than 5 years RM'000
Trade payables	22,937	–	22,937	22,937	–	–
Other payables	14,960	–	14,960	14,960	–	–
Borrowings:						
- Bank overdraft	9,493	8.24 – 9.12	9,493	9,493	–	–
- Bankers acceptance	780	5.00 – 5.60	780	780	–	–
- Trust receipts	9,893	1.46 – 3.66	9,893	9,893	–	–
- Revolving loan	1,997	8.30	1,997	1,997	–	–
- Term loan	2,457	8.15	2,558	2,558	–	–
- Finance lease liabilities	1,656	2.36 – 3.91	1,862	449	1,116	297
	64,173		64,480	63,067	1,116	297
2016						
Trade payables	25,063	–	25,063	25,063	–	–
Other payables	9,571	–	9,571	9,571	–	–
Borrowings:						
- Bank overdraft	5,424	2.88 – 8.85	5,424	5,424	–	–
- Bankers acceptance	2,547	5.40 – 7.00	2,547	2,547	–	–
- Trust receipts	8,388	0.35 – 3.10	8,388	8,388	–	–
- Revolving loan	1,555	8.30	1,555	1,555	–	–
- Term loan	5,000	8.15	5,416	2,857	2,559	–
- Finance lease liabilities	760	2.36 – 4.25	816	301	515	–
	58,308		58,780	55,706	3,074	–
Company 2017						
Amounts due to a subsidiary	14,863	–	14,863	14,863	–	–
Other payables	2,258	–	2,258	2,258	–	–
	17,121		17,121	17,121	–	–
2016						
Amounts due to a subsidiary	30	–	30	30	–	–
Other payables	804	–	804	804	–	–
	834		834	834	–	–

30. FINANCIAL INSTRUMENTS (cont'd)

Foreign exchange risk

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

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

Group 2017	SG Dollar RM'000	US Dollar RM'000	EURO RM'000	YEN RM'000	GBP RM'000	THB RM'000	IDR RM'000	VND RM'000	PHP RM'000	KRW RM'000	HKD RM'000
Financial assets											
Trade receivables	740	21,487	508	1,323	–	1,966	1,737	488	283	–	–
Other receivables	69	4	–	–	–	190	343	120	128	–	11
Cash and bank balances	341	7,396	265	1,348	213	1,123	4,015	91	222	–	18
	1,150	28,887	773	2,671	213	3,279	6,095	699	633	–	29
Financial liabilities											
Trade payables	(10)	(14,533)	(651)	(4,878)	(728)	(48)	–	(50)	(2)	(35)	–
Other payables	(649)	(416)	–	–	–	(1,141)	(524)	(645)	(354)	–	(11)
	(659)	(14,949)	(651)	(4,878)	(728)	(1,189)	(524)	(695)	(356)	(35)	(11)
Net exposure	491	13,938	122	(2,207)	(515)	2,090	5,571	4	277	(35)	18

30. FINANCIAL INSTRUMENTS (CONT'D)

Foreign exchange risk (Cont'd)

The Group's exposure to foreign currency is as follows: (cont'd)

Group 2016	**SG Dollar RM'000**	**US Dollar RM'000**	**EURO RM'000**	**YEN RM'000**	**GBP RM'000**	**THB RM'000**	**IDR RM'000**	**VND RM'000**	**KRW RM'000**
Financial assets									
Trade receivables	1,115	27,509	365	887	–	2,520	1,282	145	–
Other receivables	71	213	–	–	–	216	50	104	–
Cash and bank balances	448	9,093	116	2,827	–	637	–	59	–
	1,634	36,815	481	3,714	–	3,373	1,332	308	–
Financial liabilities									
Trade payables	(604)	(19,472)	(602)	(2,789)	(500)	(10)	(13)	(39)	(41)
Other payables	(308)	(10)	–	–	–	(1,090)	(57)	(570)	
	(912)	(19,482)	(602)	(2,789)	(500)	(1,100)	(70)	(609)	(42)
Net exposure	722	17,333	(121)	925	(500)	2,273	1,262	(301)	(42)

30. FINANCIAL INSTRUMENTS (CONT'D)

<u>Foreign currency risk sensitivity analysis</u>

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

	Group	
	2017 Increase/ (Decrease) RM'000	**2016 Increase/ (Decrease) RM'000**
Effects on profit after tax:		
SGD / RM		
Strengthened by 10%	37	55
Weakened by 10%	(37)	(55)
USD / RM		
Strengthened by 10%	1,059	1,317
Weakened by 10%	(1,059)	(1,317)
EURO / RM		
Strengthened by 10%	9	(9)
Weakened by 10%	(9)	9
YEN / RM		
Strengthened by 10%	(168)	70
Weakened by 10%	168	(70)
GBP / RM		
Strengthened by 10%	(39)	(38)
Weakened by 10%	39	38
THB / RM		
Strengthened by 10%	159	173
Weakened by 10%	(159)	(173)
IDR / RM		
Strengthened by 10%	423	96
Weakened by 10%	(423)	(96)
VND / RM		
Strengthened by 10%	0.3	(23)
Weakened by 10%	(0.3)	23
PHP / RM		
Strengthened by 10%	21	(3)
Weakened by 10%	(21)	3
KRW / RM		
Strengthened by 10%	(3)	(3)
Weakened by 10%	3	3
HKD / RM		
Strengthened by 10%	1	–
Weakened by 10%	(1)	–

30. FINANCIAL INSTRUMENTS (CONT'D)

Interest rate risk

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

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates its effective interest rates at the reporting date and the periods in which they reprice or mature, whichever is earlier:

Effective interest rates and repricing analysis

	Effective interest rate per annum %	Within 1 year RM'000	1 - 5 years RM'000	Above 5 years RM'000	Total RM'000
Group					
2017					
Financial assets					
Fixed deposit with financial institutions	1.00 - 4.25	21,788	–	–	21,788
Financial liabilities					
Borrowings					
- Bank overdrafts	8.24 - 9.12	(9,493)	–	–	(9,493)
- Bankers acceptance	5.00 - 5.60	(780)	–	–	(780)
- Trust receipts	1.46 - 3.66	(9,893)	–	–	(9,893)
- Revolving loan	8.30	(1,997)	–	–	(1,997)
- Term loans	8.15	(2,457)	–	–	(2,457)
- Finance lease liabilities	2.36 - 3.91	(380)	(988)	(288)	(1,656)
		(25,000)	(988)	(288)	(26,276)
		(3,212)	(988)	(288)	(4,488)
2016					
Financial assets					
Fixed deposit with financial institutions	0.88 - 4.25	14,746	–	–	14,746
Financial liabilities					
Borrowings					
- Bank overdrafts	2.88 - 8.85	(5,424)	–	–	(5,424)
- Bankers acceptance	5.40 - 7.00	(2,547)	–	–	(2,547)
- Trust receipts	0.35 - 3.10	(8,388)	–	–	(8,388)
- Revolving loan	8.30	(1,555)	–	–	(1,555)
- Term loans	8.15	(2,543)	(2,457)	–	(5,000)
- Finance lease liabilities	2.36 - 4.25	(270)	(490)	–	(760)
		(20,727)	(2,947)	–	(23,674)
		(5,981)	(2,947)	–	(8,928)

30. FINANCIAL INSTRUMENTS (CONT'D)

Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis

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

	Group	
	2017 Increase/ (Decrease) RM'000	**2016 Increase/ (Decrease) RM'000**
Effect on profit after tax		
Increase of 10 basis points	(3)	(7)
Decrease of 10 basis points	3	7
Effect on equity		
Increase of 10 basis points	(3)	(7)
Decrease of 10 basis points	3	7

31. FAIR VALUES

The aggregate fair values and the carrying amounts of other financial assets and liabilities carried on the statements of financial position as at 31 December are as below:

The following summarises the methods used to determine the fair values of the financial instruments:

(i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short term maturity of the financial instruments.

(ii) The fair values of term loan is estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

(iii) The fair value of finance lease liabilities is determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period.

	2017		2016	
	Carrying amount RM'000	**Fair value Level 3 RM'000**	**Carrying amount RM'000**	**Fair value Level 3 RM'000**
Group				
Financial liabilities				
Borrowings				
- Finance lease liabilities	1,276	1,232	490	484

Level 3:

The fair value of finance liabilities are determined by discounting the relevant cash flows using interest rates for similar instruments at the end of the reporting period. The interest rate used to discount the estimated cash flows for finance lease is 3.00% (2016: 3.00%).

There were no material transfer between Level 1, Level 2 and Level 3 during the financial year.

32. CAPITAL MANAGEMENT

The Group manages their capital to ensure the Group will maintain an optimal capital structure so as to support the businesses and maximise shareholder value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages their capital based on the debt-to-equity ratio. The Group's and the Company's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as borrowings divided by total equity attributable to owners of the Group and the Company.

The Group is in compliance with all externally imposed capital requirements.

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

	Group	
	2017 RM'000	**2016 RM'000**
Borrowings	26,276	23,674
Total equity attributable to the owners	46,526	30,594
Gearing ratio (times)	0.56	0.77

33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) The Group entered into Share Sale Agreement with QAP, Mr Chew Ne Weng and Mr Liew Soo Keang for the following acquisition for Initial Public Offering exercise:

(i) Acquisition by QAP of the remaining 20% equity interest in CIP currently not held by QAP, at a purchase consideration of RM1,164,539 and to be satisfied via the issuance of 414,448 shares in QAP at an issue price of RM2.81 per share.

The acquisition of CIP was completed on 31 October 2017 and CIP became a wholly-owned subsidiary of QAP.

(ii) Acquisition by the Company of the entire issued and fully paid-up share capital of QAP for a total consideration of RM32,592,105 after taking into consideration the acquisition by QAP of the remaining 20% equity interest in CIP. The purchase consideration is to be satisfied via the issuance of 606,646,000 shares in the Company at an issue price of approximately RM0.05 per share.

The acquisition of QAP was completed on 1 November 2017 and QAP became a wholly-owned subsidiary of the Company.

(iii) Acquisition by the Company of the entire issued and fully paid-up share capital of three of QAP's wholly owned subsidiaries (after taking into consideration the acquisition of the remaining 20% equity interest in CIP above), namely, QSI, CAP and CIP. The purchase consideration is based on the net assets of the respective companies and is to be satisfied by cash consideration.

The acquisition of QSI, CAP and CIP was completed on 2 November 2017 and these companies became wholly-owned subsidiaries of the Company.

(b) On 29 September 2017, the Company obtained conditional approval from Bursa Malaysia to list the Company on the ACE Market of Bursa Securities.

34. SUBSEQUENT EVENTS

(a) On 8 February 2018, the Company launched its Prospectus and undertook a public issue of 151,661,000 new ordinary shares of RM0.19 per share allocated in the following manner:

(i) 37,915,400 shares, representing 5.0% of the enlarged issued share capital of the Company, will be made available for application by the Malaysian Public, to be allocated via balloting process;

(ii) 9,265,000 shares, representing 1.2% of the enlarged issued share capital of the Company, will be reserved for the eligible Directors and employees, who have contributed to the success of the Group under the Pink Form Allocations;

(iii) 104,480,600 shares, representing 13.8% of the enlarged issued share capital of the Company, has been reserved for private placement to selected identified investors.

And, offer for sale of 75,831,000 Offer Shares, representing 10.0% of the enlarged issued share capital of the Company, to selected Bumiputera investors approved by The Ministry of International Trade and Industry by way of private placement.

(b) The listing and quotation of the Company's entire enlarged issued and paid-up share capital of RM61,407,795 comprising 758,308,000 ordinary shares in the Company on the ACE Market of Bursa Securities was completed on 8 March 2018.

35. COMPARATIVE FIGURES

	As previously stated 2016 RM'000	Reclassification RM'000	As stated 2016 RM'000
Company			
Statement of Financial Position (Extract):			
Amount due to subsidiary	–	30	30
Other payables	834	(30)	804
Statement of Cash Flows (Extract):			
Payables	807	(16)	791
Subsidiaries	–	16	16

LIST OF PROPERTIES

Particular of the property	
Description / Address	3-storey intermediate unit shop office building situated on a piece of leasehold land held under HSD 14891, PT 2935, Mukim 11, District of Seberang Perai Tengah, Pulau Pinang, with a postal address of No 19, Tingkat Bukit Jambul, Bukit Jambul Indah, 11950 Penang
Owner	QES (Asia-Pacific) Sdn. Bhd.
Age of building (years)	19 years
Tenure / Expiry	Leasehold for 99 years Expiring on 10 April 2095
Existing Use	Utilised by QES (Asia-Pacific) Sdn. Bhd.'s Penang branch as office premises
Land Area	1,410.07 sq. ft.
Built Up Area	3,422.92 sq. ft.
Audited Net Book Value	RM433,575.00
Encumbrances	Charged to Malayan Banking Berhad

ANALYSIS OF SHAREHOLDINGS

SHARE CAPITAL

Issued shares	:	758,308,000 ordinary shares
Class of shares	:	Ordinary shares
Voting rights	:	1 vote per ordinary share

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of shares held	%
Less than 100 shares	0	0.00	0	0.00
100 – 1,000 shares	434	16.93	271,400	0.04
1,001 – 10,000	1,032	40.25	6,142,700	0.81
10,001 – 100,000	862	33.62	34,153,500	4.50
100,001 to less than 5% of issued shares	234	9.13	258,980,700	34.15
5% and above of issued shares	2	0.08	458,759,700	60.50
Total	2,564	100.00	758,308,000	100.00

LIST OF THIRTY LARGEST SHAREHOLDERS

	Name	No. of shares held	%
1.	CHEW NE WENG	261,520,895	34.49
2.	LIEW SOO KEANG	197,238,805	26.01
3.	CHEW NE WENG	34,783,000	4.59
4.	LIEW SOO KEANG	21,704,000	2.86
5.	CHEW NE WENG	15,569,300	2.05
6.	M & A NOMINEE (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR GENTING UTAMA SDN. BHD. (M&A)*	11,070,600	1.46
7.	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR LEE POOI LING (LEE4962C)*	9,700,000	1.28
8.	YONG SIEW YEE	9,600,000	1.27
9.	M & A NOMINEE (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT GENTING UTAMA SDN. BHD. FOR YAHYA BIN RAZALI (M&A)*	7,500,000	0.99
10.	M & A NOMINEE (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT GENTING UTAMA SDN. BHD. FOR CHUA CHOON YANG (M&A)*	7,500,000	0.99
11.	M & A NOMINEE (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR NAJIHAH HANIM BINTI AHMAD JAMAL ARBEE (M&A)*	6,372,100	0.84

ANALYSIS OF SHAREHOLDINGS

LIST OF THIRTY LARGEST SHAREHOLDERS (CONT'D)

	Name	No. of shares held	%
12.	RHB NOMINEES (TEMPATAN) SDN. BHD. OSK CAPITAL SDN. BHD. FOR YAYASAN ISLAM TERENGGANU	6,000,000	0.79
13.	M & A NOMINEE (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHOW DAI YING (M&A)	6,000,000	0.79
14.	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR NG SENG CHUAN (NGS0110C)	5,500,000	0.73
15.	M & A NOMINEE (TEMPATAN) SDN. BHD. GENTING UTAMA SDN. BHD. FOR CHAN YOK PENG	5,000,000	0.66
16.	M & A NOMINEE (TEMPATAN) SDN. BHD. GENTING UTAMA SDN BHD FOR MORNING PARADISE SDN. BHD.	5,000,000	0.66
17.	HE SWEE HONG	4,000,000	0.53
18.	KEOH BENG HUAT	3,000,000	0.39
19.	LIM CHOON SEONG	2,700,000	0.36
20.	KHOO BOON TIONG	2,700,000	0.36
21.	TAY SENG CHEW	2,700,000	0.36
22.	KOAY KEAT CHYE	2,450,000	0.32
23.	M & A NOMINEE (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR MOHD AEFFRY BIN MOHD AZLAN (M&A)*	2,150,000	0.28
24.	ONG KENG SENG	2,000,000	0.26
25.	TAN LAY HUA	2,000,000	0.26
26.	LEE HAI PENG	2,000,000	0.26
27.	LEMUEL TAY KUANG YANG	2,000,000	0.26
28.	FOO WEN POK	1,500,000	0.20
29.	M & A NOMINEE (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHEW HUN SENG (M&A)*	1,500,000	0.20
30.	TAY PECK HWA	1,500,000	0.20
	Total	**642,258,700**	**84.70**

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

	No. of ordinary shares			
Name of substantial shareholders	**Direct**	**%**	**Indirect**	**%**
1) Chew Ne Weng	311,873,195	41.13	–	–
2) Liew Soo Keang	218,942,805	28.87	–	–

STATEMENT OF DIRECTORS' SHAREHOLDINGS

	No. of ordinary shares			
Directors' name	**Direct**	**%**	**Indirect**	**%**
1) Chew Ne Weng	311,873,195	41.13	–	–
2) Liew Soo Keang	218,942,805	28.87	–	–
3) Adnan bin Zainol	40,000	0.01	–	–
4) Chia Gek Liang	40,000	0.01	–	–
5) Hoh Chee Mun	90,000	0.01	–	–

NOTICE OF 4th ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 4th Annual General Meeting ("AGM") of QES Group Berhad ("the Company") will be held at Zamrud Room, The Saujana Hotel, Jalan Lapangan Terbang SAAS, 40150, Shah Alam, Selangor Darul Ehsan, Malaysia on Tuesday, 26 June 2018 at 10.00 a.m. for the transaction of the following businesses:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 and the Reports of the Directors and the Auditors thereon. **Please refer Notes No. 8(a)**

2. To approve the payment of Directors' fees and benefits amounting to RM673,642/- for the financial year ended 31 December 2017. **(Resolution 1)**

3. To approve the payment of Directors' fees and benefits up to an amount of RM334,000/- for the financial year ending 31 December 2018. **(Resolution 2)**

4. To re-elect the following Directors who retire by rotation pursuant to Article 92 of the Company's Articles of Association and, being eligible, offer themselves for re-election:

   a) Mr. Chew Ne Weng **(Resolution 3)**
   b) Mr. Chia Gek Liang **(Resolution 4)**

5. To re-appoint Messrs. Moore Stephens Associates PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS

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

6. **Authority to issue and allot shares** **(Resolution 6)**

   "**THAT** subject always to the Companies Act, 2016 ("the Act"), the Company's Articles of Association, the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant governmental or regulatory authorities where such approvals shall be necessary, the Directors be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act to allot and issue shares in the Company to such persons, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued does not exceed 10% of the total number of issued shares of the Company and for the time being **AND THAT** the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities **AND THAT** such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or carried by the Company at a general meeting."

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

BY ORDER OF THE BOARD,

ANDREA HUONG JIA MEI (MIA 36347)
Company Secretary
Kuala Lumpur

30 April 2018

NOTES

1. A member of the Company entitled to attend, speak and vote at this meeting is entitled to appoint any person as his/her proxy to attend, speak and vote instead of him/her. There shall be no restriction as to the qualification of proxy.

2. A member may appoint up to 2 proxies. Where 2 proxies are appointed, the member shall specify the proportion of his shareholdings to be represented by each proxy, failing which the appointment shall be invalid.

3. Where a member of the Company is an Exempt Authorised Nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("omnibus account"), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.

4. In the case of a corporate body, the proxy appointed must be in accordance with the Company's Articles of Association, and the instrument appointing a proxy shall be the Company's Common Seal or signed by the officer or attorney so authorised.

5. The Proxy Form must be deposited at the the Share Registrar's office, Mega Corporate Services Sdn. Bhd at Level 15-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than 48 hours before the time set for the meeting or any adjournment thereof.

6. For purposes of determining who shall be entitled to attend, speak and vote at this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 47(c) of the Company's Articles of Association and Paragraph 7.16(2) of the ACE Market Listing Requirements, a Record of Depositors as at 19 June 2018.

7. Pursuant to Paragraph 8.31A(1) of the ACE Market Listing Requirements, all the resolutions set out in the notice of general meeting will be put to vote by way of poll.

8. Explanatory Notes on Ordinary and Special Business:

   a) Audited Financial Statements for financial year ended 31 December 2017

      The Audited Financial Statements are for discussion only under Agenda item No. 1, as it does not require shareholders' approval under the provisions of Section 340(1)(a) of the Companies Act, 2016. Hence, this Agenda is not being put forward for voting by the shareholders of the Company.

   b) Ordinary Resolutions 1 and 2

      Section 230(1) of the Companies Act, 2016 provides amongst others, that "the fees" of the Directors and "any benefits" payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the 4th AGM on the Directors' remuneration in 2 separate resolutions as below:

      (i) Resolution 1 on payment of Directors' fees and benefits for the financial year ended 31 December 2017; and
      (ii) Resolution 2 on payment of Directors' fees and benefits for the financial year ending 31 December 2018.

   The payment of the Directors' Fees and benefits of RM673,642/- in respect of the financial year ended 31 December 2017 will only be made if the proposed Ordinary Resolution 1 has been passed at the forthcoming AGM pursuant to Section 230(1) of the Act.

   The fees and benefits payable to the Directors of up to RM334,000/- for the financial year ending 31 December 2018 of the Company will only be made by the Company as and when incurred if the proposed Ordinary Resolution 2 has been passed at the forthcoming AGM. In determining the estimated total amount of the Directors' fees, the Board has considered the number of scheduled and special meetings for the Board and Board Committees as well as the number of Non-Executive Directors involved in the meetings.

NOTICE OF 4TH ANNUAL GENERAL MEETING

c) Ordinary Resolutions 3 and 4

Article 92 of the Company's Articles of Association provides that 1/3 of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company. With the current Board size, 2 Directors are to retire pursuant to Article 92 of the Company's Articles of Association.

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

The proposed Ordinary Resolution 6 is the general mandate for the issue of new ordinary shares pursuant to Sections 75 and 76 of the Companies Act, 2016, the Company's Articles of Association and the ACE Market Listing Requirements of Bursa Malaysia. The mandate, if passed will provide flexibility for the Company and empower the Directors to issue and allot new shares in the Company up to an amount not exceeding 10% of the total number of issued shares of the Company. This would eliminate any delay arising from and eliminate costs involved in convening a general meeting to obtain approval of the shareholder for such issuance of shares. The authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next AGM of the Company or at the expiry of the period within which the next AGM is required to be held after the approval was give, whichever is earlier.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty

QES Group Berhad
(1119086-U)
(Incorporated in Malaysia)

PROXY FORM

I/We____
(FULL NAME AS PER NRIC / CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

__________________________ Company No./ NRIC No. (new)__________________________ (old) ______________________

of ____
(FULL ADDRESS)

being a member(s) of QES GROUP BERHAD hereby appoint____

____NRIC No. (new)__________________________ (old) ______________________

or failing him/her_________________________NRIC No. (new)__________________________ (old) ______________________

or failing him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the 4th Annual General Meeting ("AGM") of the Company to be held at Zamrud Room, The Saujana Hotel, Jalan Lapangan Terbang SAAS, 40150, Shah Alam, Selangor Darul Ehsan, Malaysia on Tuesday, 26 June 2018 at 10.00 a.m. and at any adjournment thereof. (*Strike out whichever is not desired*)

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

Proxy 1	%
Proxy 2	%
	100%

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

NO.	RESOLUTIONS	FOR	AGAINST
1)	Ordinary Resolution 1 – To approve the payment of Directors' fees and benefits for the financial year ended 31 December 2017		
2)	Ordinary Resolution 2 – To approve the payment of Directors' fees and benefits for the financial year ending 31 December 2018		
3)	Ordinary Resolution 3 - Re-election of Mr. Chew Ne Weng as Director		
4)	Ordinary Resolution 4 - Re-election of Mr. Chia Gek Liang as Director		
5)	Ordinary Resolution 5 – To re-appoint Messrs. Moore Stephens Associates PLT as Auditors of the Company and to authorise the Directors to fix their remuneration		
6)	Ordinary Resolution 6 - Authority to issue and allot shares		

Signed this .... day of 2018

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

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

Notes

1. *The Proxy Form must be deposited at the Share Registrar's office, Mega Corporate Services Sdn. Bhd. at Level 15-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than 48 hours before the time set for the meeting or any adjournment thereof.*
2. *For purposes of determining who shall be entitled to attend, speak and vote at this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 47(c) of the Company's Articles of Association and Paragraph 7.16(2) of the ACE Market Listing Requirements, a Record of Depositors as at 19 June 2018*
3. *Pursuant to Paragraph 8.31A(1) of the ACE Market Listing Requirements, all the resolutions set out in the notice of general meeting will be put to vote by way of poll.*

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AFFIX
STAMP

SHARE REGISTRAR

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

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

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

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