



Assuring you our best, always!

201401042911 (1119086-U)

QES GROUP BERHAD
ANNUAL REPORT 2023



Feb March April May June July Aug

207.00

210.95

210.95

149.16

23.26

18.92

1.41%



10802
SEE NOTE

7

10

10

10

10

Vision, Mission & Values

About **QES**[®]



VISION

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



MISSION

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



CORE VALUES

P



PASSION

Love our jobs and do it with maximum effort

R



RESPECT

Atmosphere of respecting each other regardless of seniority and position

I



INTEGRITY

Doing the right thing even if nobody is watching

D



DISCIPLINE

Foster consistent and orderly behaviour in every day work

E



EMPATHY

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

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Enclosed Proxy Form

ABOUT



Assuring You Our Best,
Always!

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

The Group has 2 core business division:

- Distribution Division
- Manufacturing Division

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



FACTS



Revenue
- **~USD 52.8**
million



Exceed more than
14,500
equipment installed



- **7**
countries



- **~470**
employees



More than
- **30 years**
operating

CORPORATE INFORMATION

BOARD OF DIRECTORS



Independent
Non-Executive Chairman

ADNAN BIN ZAINOL



Group Managing Director/
President

CHEW NE WENG



Group Executive Director

LIEW SOO KEANG



Independent
Non-Executive Director

HOH CHEE MUN



Independent
Non-Executive Director

MAZNIDA BINTI MOKHTAR



Independent
Non-Executive Director

WONG PEK YEE

COMPANY SECRETARY

Andrea Huang Jia Mei
(MIA 36347/
SSM PC NO. 202008003125)

AUDIT COMMITTEE

<i>Chairperson</i>	<i>Member</i>
Wong Pek Yee	Hoh Chee Mun Maznida Binti Mokhtar

NOMINATION COMMITTEE

<i>Chairperson</i>	<i>Member</i>
Maznida Binti Mokhtar	Hoh Chee Mun Wong Pek Yee

REMUNERATION COMMITTEE

<i>Chairman</i>	<i>Member</i>
Hoh Chee Mun	Maznida Binti Mokhtar Wong Pek Yee

REGISTERED OFFICE

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

SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

STOCK EXCHANGE LISTING

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

HEAD OFFICE

No. 2, Jalan Jururancang U1/21
Hicom-Glenmarie Industrial Park
Seksyen U1
40150 Shah Alam
Selangor Darul Ehsan
Telephone number : 03-5882 6668
Facsimile number : 03-5567 0811

AUDITORS

KPMG PLT
(LLP0010081-LCA & AF0758)
Level 10, KMPG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Telephone number : 03-7721 3388
Facsimile number : 03-7721 3399

CORPORATE WEBSITE

www.qesnet.com

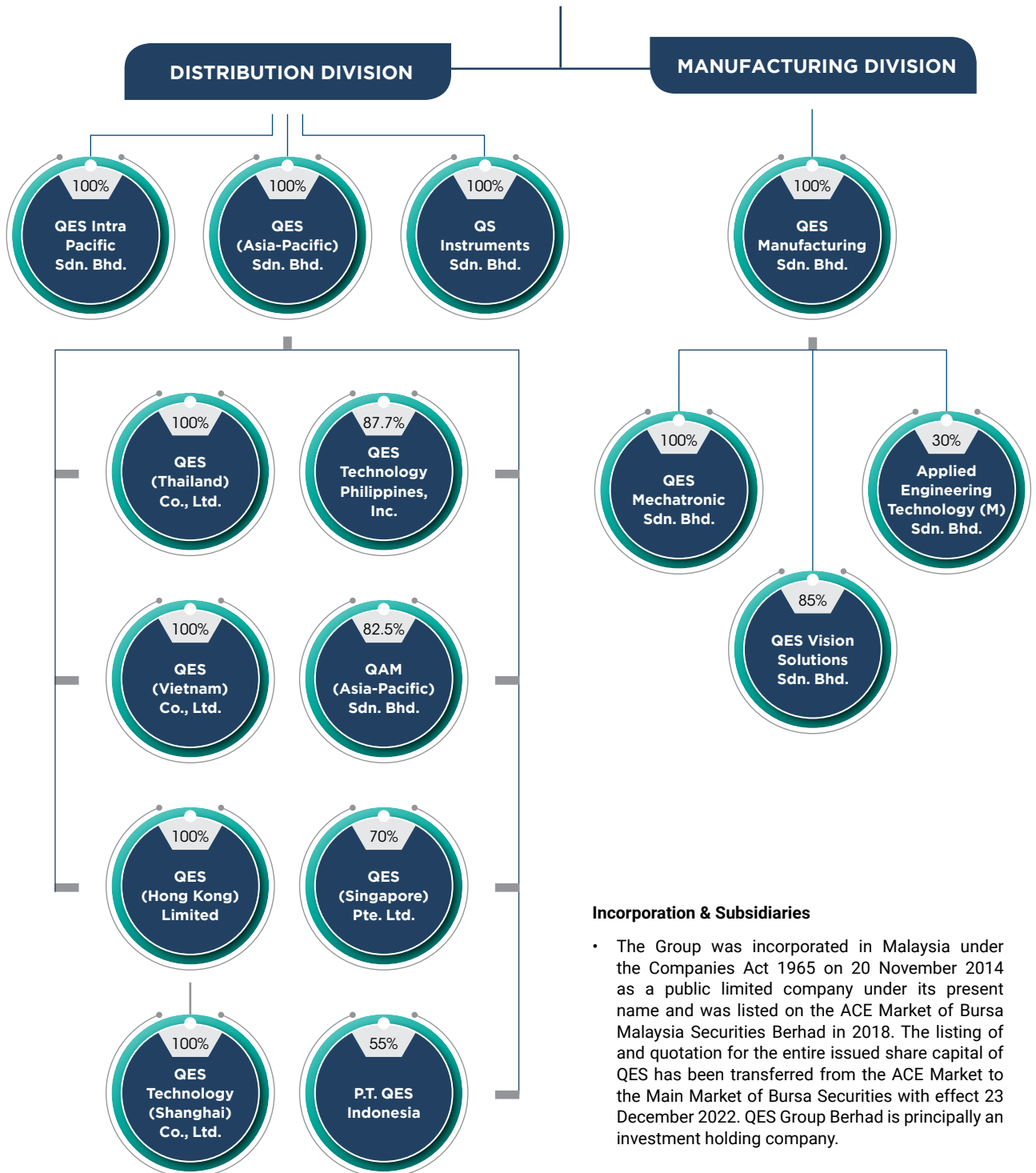
CORPORATE STRUCTURE



Assuring you our best, always!

QES GROUP BERHAD

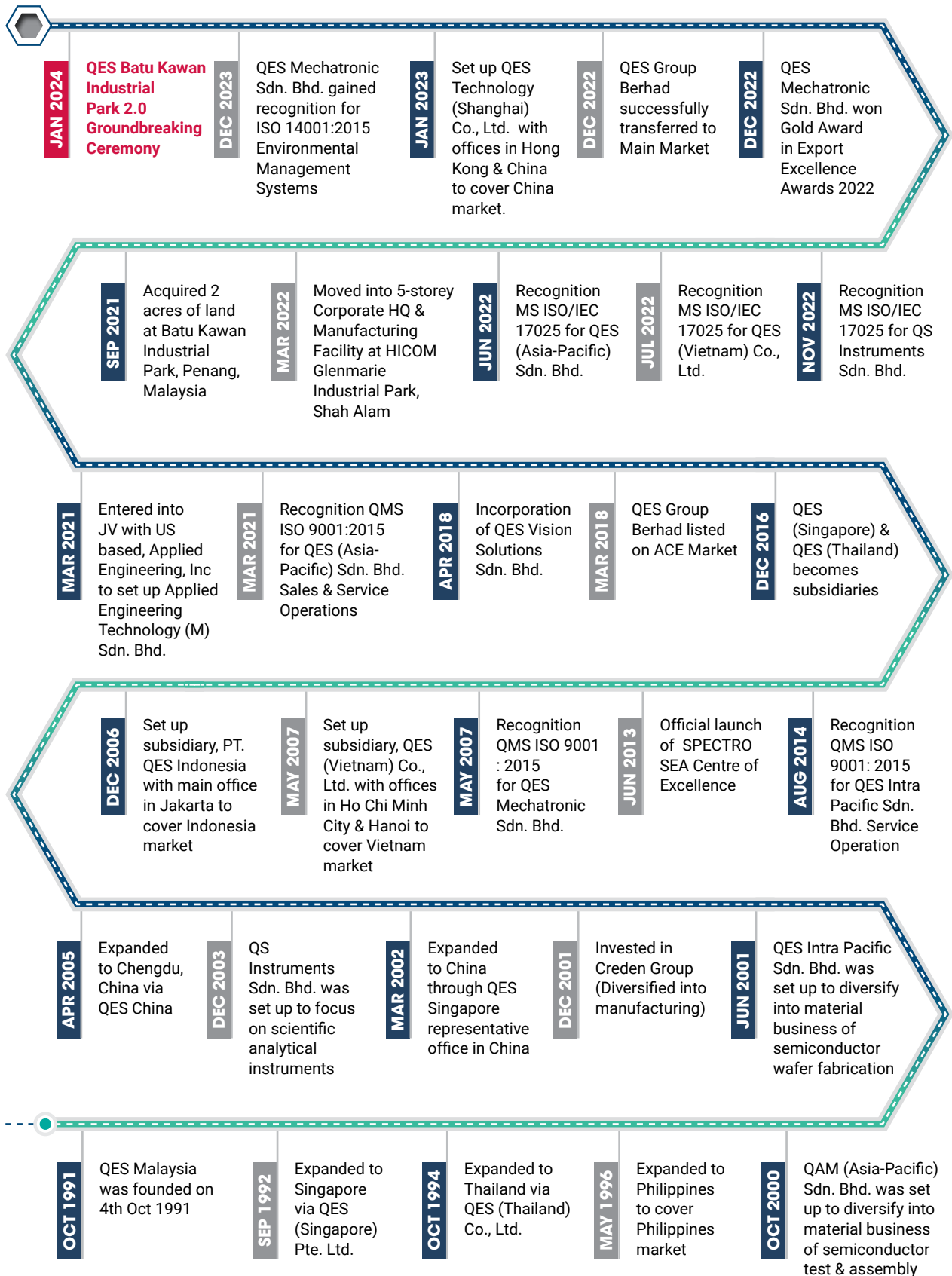
subsidiaries & associate ("Group" or "QES") as at 15 APRIL 2024



Incorporation & Subsidiaries

- The Group was incorporated in Malaysia under the Companies Act 1965 on 20 November 2014 as a public limited company under its present name and was listed on the ACE Market of Bursa Malaysia Securities Berhad in 2018. The listing of and quotation for the entire issued share capital of QES has been transferred from the ACE Market to the Main Market of Bursa Securities with effect 23 December 2022. QES Group Berhad is principally an investment holding company.

CORPORATE MILESTONES



PROFILE OF DIRECTORS



ADNAN BIN ZAINOL

Independent Non-Executive Chairman

Board Meeting Attendance:

5

Nationality



•

Gender



•

Age



Appointed to our Board: **11 May 2015**

Qualification(s):

- Bachelor of Economics in 1978, University Malaya.

Relevant Working Experience:

- Accumulated over 20 years of working experience in the banking industry. He started his career in 1978 serving various positions in Malayan Banking Berhad and CIMB Investment Bank Berhad until his retirement in 2004. From 2004 to 2007, he did general management consulting work on a freelance basis, assisting organisations in fundraising as well as to improve their cash flow management.



CHEW NE WENG

Group Managing Director / President / Co-founder

Board Meeting Attendance:

5

Nationality



•

Gender



•

Age



Appointed to our Board: **20 November 2014**

Qualification(s):

- Bachelor of Mechanical Engineering in 1987, National University of Singapore.

Relevant Working Experience:

- Accumulated over 35 years of experience within the engineering industry.
- He started his career in 1987 as an Engineer at Cairnhill Precision Private Limited, Singapore and Co-founded QES Group on 4 October 1991
- As Group Managing Director/President, he is responsible for the overall strategic direction and management of the Company and its subsidiaries ("the Group") such as the implementation of policies on technical and financial operations, business plans for operating units as well as the execution of quality management system.

PROFILE OF DIRECTORS (CONT'D)



LIEW SOO KEANG

Group
Executive
Director

Board
Meeting
Attendance:

5

Nationality



•

Gender



•

Age

62

Appointed to our Board: **20 November 2014**

Qualification(s):

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

Relevant Working Experience:

- Accumulated over 35 years of experience in the engineering industry.
- He began his career in 1987 with Intel Technology Sdn. Bhd. where he was tasked with various roles including semiconductor test equipment maintenance, services and overseeing testing operations.
- He joined QES (Penang) Sdn. Bhd. in 1997 as Operations Director. He was responsible mainly for the business development activities in the northern region of Peninsular Malaysia before assuming a wider regional portfolio in 2000 when he was appointed to the board of directors of QES (Asia-Pacific) Sdn. Bhd.



HOH CHEE MUN

Independent
Non-Executive
Director

Board
Meeting
Attendance:

5

Nationality



•

Gender



•

Age

59

Appointed to our Board: **11 May 2015**

Qualification(s):

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

Relevant Working Experience:

- Commenced his accountancy career in 1985 with BDO and furthered his career with Ernst & Young in 1990.
- In 1996, he joined Fella Design Group of Companies as the Group Accountant, overseeing the accounts, finance, internal audit, human resources, and information technology.
- In 2005, he became the Finance Director of VHQ Group of Companies, overseeing the accounts, finance and corporate secretarial matters in Malaysia, Singapore, Indonesia, Thailand, Vietnam, and China.
- From 2012 to 2017, he provided general management consultancy and GST services.
- Since 2017, he was appointed as the Financial Controller of Straits Inter Logistics Berhad.
- In July 2022, he was appointed as the Group Chief Financial Officer of Straits Energy Resources Berhad.

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

PROFILE OF DIRECTORS (CONT'D)



MAZNIDA BINTI MOKHTAR

Independent
Non-Executive
Director

Board
Meeting
Attendance:

5

Nationality



•

Gender



•

Age

57

Appointed to our Board: **1 August 2019**

Qualification(s):

- Bachelor of Science in Economics (Honours) from London School of Economics and Political Science in 1990.
- Qualified as a Chartered Accountant from the Institute of Chartered Accountants of England and Wales (ICAEW) in 1993.
- She is currently a member of the MIA.

Relevant Working Experience:

- She started her career in 1990, at EY London (previously known as Ernst & Young London) in London, UK, where she qualified as a Chartered Accountant.
- In 1994, she joined AmMerchant Bank Berhad in the Privatisation and Project Advisory Unit.
- In 1997, she co-founded Skali Group of Companies and was the Chief Financial Officer for 23 years. She and the management team provided the strategic direction and led the operations of the Group.
- She has accumulated over 30 years of working experience in the accounting firm, merchant banking industry and the IT industry.

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

Present Directorship(s) with Other Public Companies:

Independent Non-Executive Director of DS Sigma Holdings Berhad and JAG Berhad

PROFILE OF DIRECTORS (CONT'D)



WONG PEK YEE

Independent
Non-Executive
Director

Board
Meeting
Attendance:

5

Nationality



•

Gender



•

Age

67

Appointed to our Board: **16 June 2022**

Qualification(s):

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

Relevant Working Experience:

- Ms. Wong Pek Yee has gained over 37 years of work experiences in London and Malaysia, covering the wide spectrum of industries which include tax consultancy, financial services and manufacturing sectors.
- Over her 37 years of work experiences, she held positions as Director, Acting CEO, Group Financial Controller, and tax & audit manager. She has acquired core skills and expertise in strategic & business planning, financial restructuring, project financing & funding, treasury & cash management, financial analysis & evaluation, operations, internal controls, risk management, organisation restructuring, human resource management and tax advisory.
- She is currently sitting on the Board of RHB Insurance Berhad as Senior Independent Non-Executive Director, which commenced in year 2018.
- She is currently the Chairperson of the Board Risk Committee and a member of the Board Investment Committee and Board Audit Committee of RHB Insurance Berhad.
- She was an Independent Non-Executive Director of Pengurusan Aset Air Berhad (PAAB) from 1 July 2019 to 30 August 2020. She sat as the Chairperson of the Board Audit and Risk Committee and as a member of the Board Compliance and Integrity Committee during her period with PAAB.

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

Present Directorship(s) with Other Public Companies:

Senior Independent Non-Executive Director of RHB Insurance Berhad

PROFILE OF DIRECTORS
(CONT'D)**Notes:**

1. All the Directors above have no family relationship with any Directors and/or major shareholders of the Group and have never been charged for any offence against the law other than traffic offences (if any) within the past five (5) years.
2. None of the Directors above have any conflict of interest or potential conflict of interest in any business arrangement involving the Group.
3. Other than Pn. Maznida binti Mokhtar and Ms. Wong Pek Yee, all the Directors of QES Group Berhad does not hold directorship in any other public companies as at 15 April 2024.

PROFILE OF KEY MANAGEMENT



LEE HOCK CHIN

Vice President of
Distribution Division

Nationality



•

Gender



•

Age

50

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

Qualification(s):

- Diploma in Technology (Electronic Engineering) in 1998, Tunku Abdul Rahman College

Relevant Working Experience:

- Accumulated more than 25 years of experience in the test and measurement equipment industry.
- Over 20 years in QES where he was responsible for the after-sales technical support services, sales and marketing activities within the Business Unit of QS Instruments Sdn. Bhd.



LIM CHEE KEONG

Vice President of
Manufacturing Division

Nationality



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Gender



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Age

57

- Responsible for overseeing the overall sales and marketing, production planning, equipment engineering, precision part machining operation, equipment assembly and supply chain management operations of the Manufacturing Division.
- Appointed since 1 January 2009

Qualification(s):

- Diploma in Computer Studies in 1993, Informatics Institute, Penang

Relevant Working Experience:

- More than 30 years of engineering and sales experiences.
- Joined QES in 1994 and has since been in charge of technical support operations, managing the technical and service department, overall management of the operations as well as research and development activities within the manufacturing division.

PROFILE OF KEY MANAGEMENT (CONT'D)



CHIN GUAT EEM

Senior General
Manager of Supply
Chain Management

Nationality



•

Gender



•

Age



- Responsible for overseeing the overall supply chain management functions of our Group which include procurement, logistics, warehouse and inventory management.

- She is also in charge of special projects directed at driving continuous improvement and innovation across the Group's operations.

- Appointed since 1 April 2021

Qualification(s):

- Diploma in Purchasing and Materials Management in 2001, Malaysian Institute of Purchasing and Materials Management.

- Foundation studies for Graduate Diploma in Purchasing and Supply Programme in 2001, Chartered Institute of Purchasing and Supply, United Kingdom.

Relevant Working Experience:

- Began her career in 1989 and since joining QES in 1992, she has accumulated over 35 years of experience in various roles ranging from office management, procurement, logistics, warehouse and management of human capital.



YEOH CHEONG YEOW

General Manager
of Finance

Nationality



•

Gender



•

Age



- Responsible for our Group's corporate financial planning, budgeting functions including the monitoring of business performance and results, profitability and cash flow, financial reporting, investment, treasury management and corporate tax.

- Appointed since 1 September 2004

Qualification(s):

- Diploma in Commerce (Financial Accounting) in 1993, Tunku Abdul Rahman College.

- Diploma in Investment Analysis in 1996, Research Institute of Investment Analysts Malaysia.

- Member of the Malaysian Institute of Accountants (MIA) since 2000.

- Member of the Association of Chartered Certified Accountants (ACCA), United Kingdom since 2000.

- Fellow member of the Association of Chartered Certified Accountants (FCCA), United Kingdom since 2005.

Relevant Working Experience:

- More than 26 years of extensive experiences in all aspects of the accounting, treasury, and finance profession.

- He began his professional career in 1993 as an auditor and subsequently held various finance, treasury and financial reporting roles in trading, distributions, and manufacturing industries prior to joining QES in 2004 assuming his present role.

PROFILE OF KEY MANAGEMENT (CONT'D)



Notes:

1. All the Key Management above have no family relationship with any Directors or major shareholders of the Group and have never been charged for any offence against the law other than traffic offences (if any) within the past five (5) years.
2. All the Key Management above does not hold directorship in any other public listed companies and has no conflict of interest or potential conflict of interest in any business arrangement involving the Group.

LETTER TO SHAREHOLDERS

DEAR VALUED SHAREHOLDERS,

QES Group Berhad turned in a commendable performance in the financial year ended 31 December 2023 ("FYE 2023"), notwithstanding the challenging operating environment as the semiconductor industry started to normalise to pre-pandemic levels following strong growth in the worldwide semiconductor industry in 2021 and 2022. These market conditions sent another wave of challenges to businesses around the world, contributed generally by high inflation rates and weaker demand for semiconductor. Fortunately for the Group, the diversity of market segments that we operate in, assist to cushion the slowdown of the semiconductor industry. Overall, the Group relied on our commitment to sustaining our long-term pillars of growth strategies which includes strong recurring income, diversified market segment and geographical spread, in ensuring the Group stays resilient in the future. The Group remains confident in the long-term growth of the semiconductor industry and will continue to explore and focus in growing this segment through research and development ("R&D"), branding and marketing. With all the above combined, the Group was presented with a compelling cause for us to sharpen our corporate strategy to remain agile for continued growth and delivery of sustained results.

On another note, climate change and energy security have undeniably emerged as pressing global imperatives that exert a profound influence in governments around the world accelerating their sustainability and environmental, social and governance ("ESG") goals. QES is committed to its corporate responsibilities in meeting the ESG expectations from our stakeholders as this represents a pivotal point for the Board and the Group as a whole. QES has embarked and revamped our ESG and sustainability initiatives in 2023 to ensure more positive actions are taken in shaping a cleaner, more tolerant, and equitable future.



FINANCIAL PERFORMANCE

(i) Analysis of financial results

Despite the challenges in the FYE 2023, the Group recorded a revenue of RM240.7 million as compared to RM264.4 million in FYE 2022, and a profit after tax attributable to the owners of the company ("PATMI") of RM18.5 million as compared to RM26.4 million in FYE 2022. Revenue and PATMI decreased by 9.0% and 29.9% respectively attributable by lower sales from both Distribution and Manufacturing Division. Amongst this, the Group was impacted by the cautious spending and deferment of delivery from customers who foresaw a slowdown in the semiconductor industry.

LETTER TO SHAREHOLDERS (CONT'D)

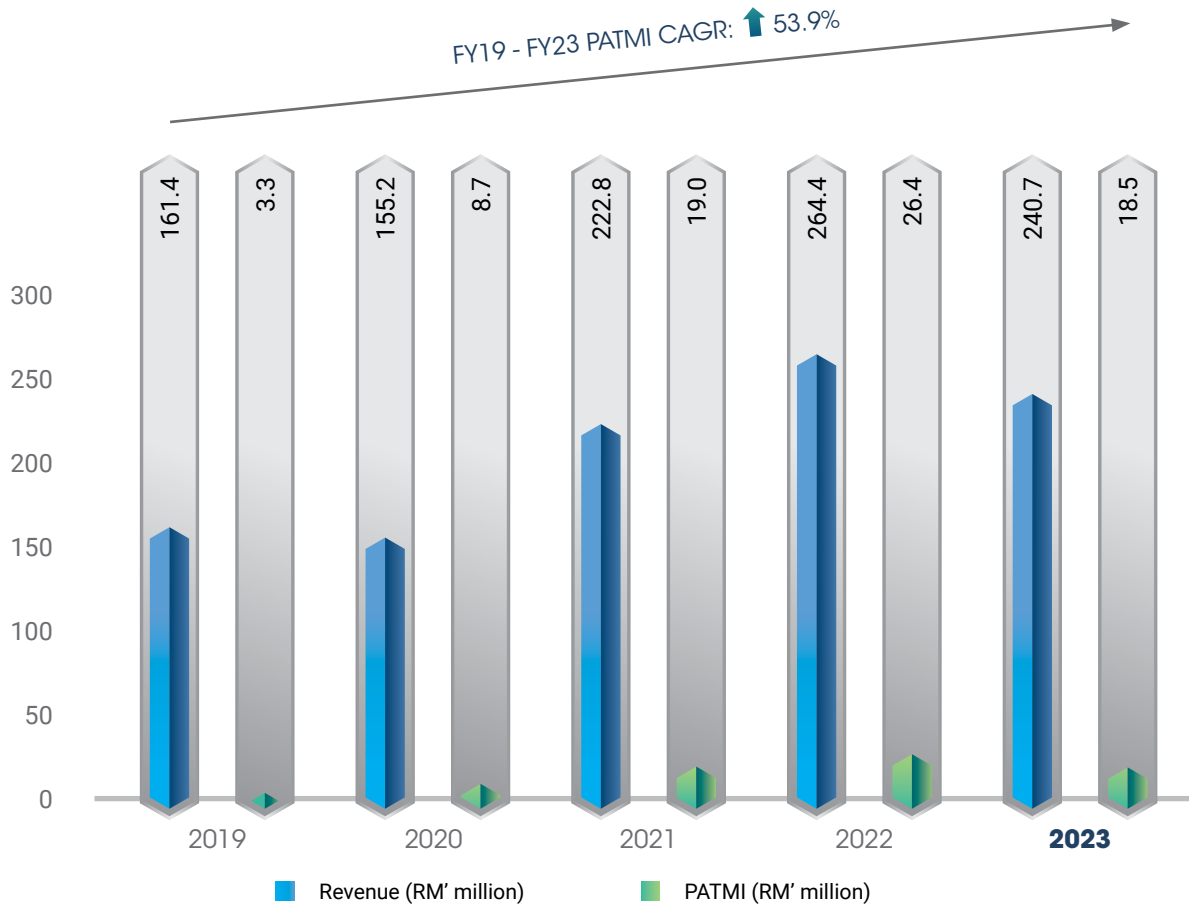


FINANCIAL PERFORMANCE (CONT'D)

(i) **Analysis of financial results (Cont'd)**

The Group chalked an impressive compound annual growth rate (“CAGR”) of approximately 53.9% in terms of PATMI growth from FYE 2019 to FYE 2023.

REVENUE & PATMI



LETTER TO SHAREHOLDERS
(CONT'D)

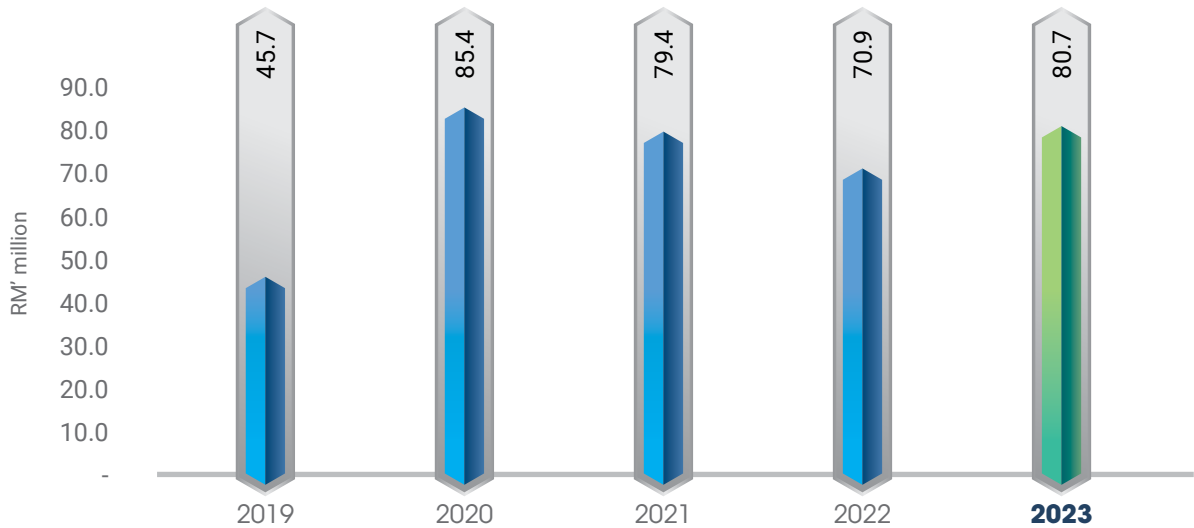


FINANCIAL PERFORMANCE (CONT'D)

(ii) Maintaining a strong balance sheet

The financial position of the Group remained strong and robust with cash and cash equivalents in the statements of cash flows increased from RM70.9 million in FYE 2022 to RM80.7 million in FYE 2023. The Group is committed to optimise usage of our cash reserves over the next 12 months earmarked for the building and construction of the new Batu Kawan plant, working capital, market expansion, product R&D and strategically position ourselves to take advantage of any potential merger and acquisition activities.

CASH & CASH EQUIVALENTS TREND



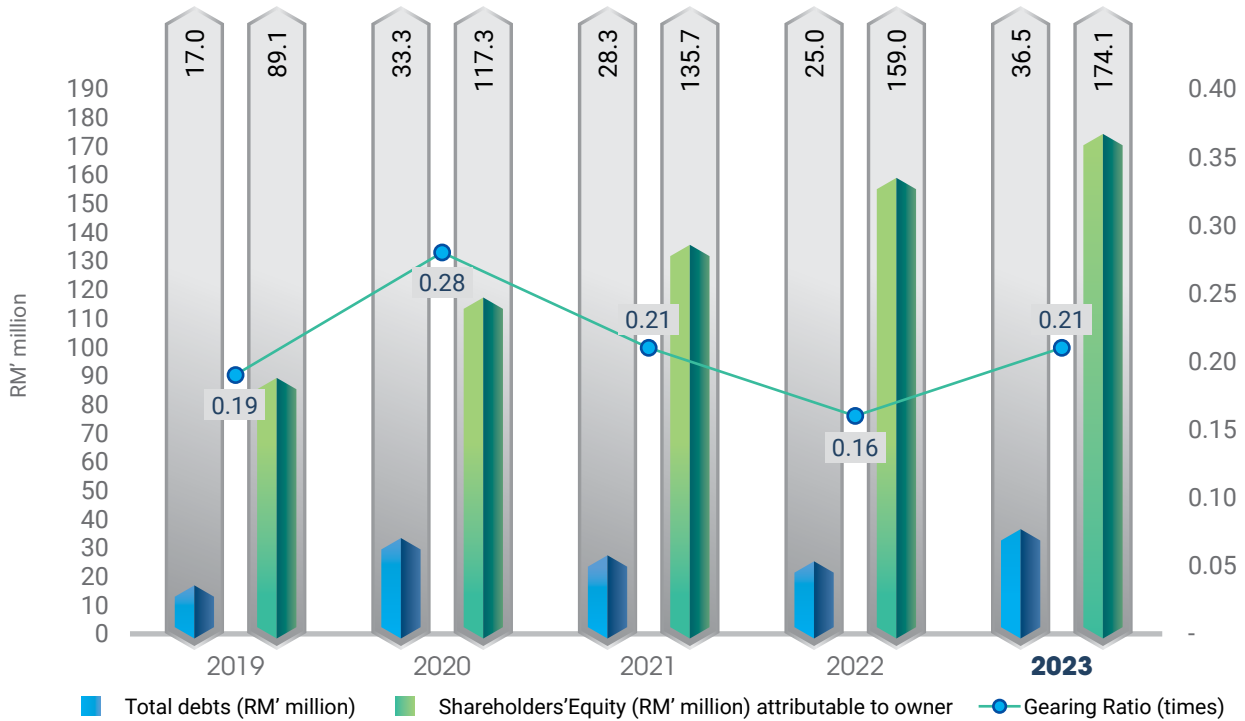
LETTER TO SHAREHOLDERS (CONT'D)



FINANCIAL PERFORMANCE (CONT'D)

(iii) Shareholders' equity growth

Our shareholders' equity increased from RM159.0 million in FYE 2022 to RM174.1 million in FYE 2023 due to the growing profitability of the Group. Despite the increased shareholders' equity, gearing ratio rose from 0.16 times in FYE 2022 to 0.21 times in FYE 2023 mainly due to higher drawdown of short-term borrowing for working capital purposes.



LETTER TO SHAREHOLDERS (CONT'D)



BUSINESS SUSTAINABILITY AND DEVELOPMENT

(i) Corporate Highlights

The Group held a grand opening ceremony of our new 5-storey QES corporate headquarters and manufacturing facility at Glenmarie, Shah Alam. This expansion has almost doubled the Group's manufacturing capacity, to enable us to meet the growing demands of our customers more efficiently. In conjunction with the grand opening, the Group also conducted its teambuilding event which provided an impactful and meaningful platform for the Group to strengthen the bonding, cohesiveness and unity to achieve the Group's mission and corporate goals.

QES was also awarded as one of the Best Under A Billion Companies by Forbes Asia in August 2023. Forbes Asia's Best Under A Billion spotlights 200 top-performing publicly listed companies in the Asia-Pacific region with annual sales under US\$1 billion, from a universe of over 20,000 small and mid-sized companies in the region. QES was honoured to be bestowed the award as it exemplified our track records of exceptional corporate performance.

(ii) Dividend

The Board is pleased to advise on the dividend declaration for FYE 2023 as follows:

- a. An interim dividend of 0.50 sen per ordinary share was declared on 23 February 2023 and paid on 31 March 2023;
- b. A final dividend of 0.50 sen per ordinary share was declared on 23 February 2024 and paid on 29 March 2024.

Comparative to the Group's financial strength and resilience as well as the Board's unwavering commitment in rewarding shareholders, the Group announced a total dividend of 1 sen per share for the full year of FYE 2023. The strong dividend payout reflects our ability to create shareholders' value, premised on diligent asset and liability management.



MARKET OUTLOOK AND FUTURE PROSPECT

QES new factory in Batu Kawan, Penang has commenced construction in January 2024 and is slated to be completed by the fourth quarter of 2024. The new factory is a testament and a momentous step forward of QES' reputation as a global frontrunner in the manufacturing industry for its automated inspection and handling equipment but also reflects the long-term global growth in demand for the semiconductor industry. QES will be well-positioned to harness these opportunities from this expansion while leveraging on Batu Kawan's attractive industry ecosystem. QES is committed in driving its effort to fulfill these increasing capacity demands, improve the business continuity as well as providing a strategic risk mitigation plan to our Manufacturing Division. In advancing our commitment to sustainable practices and innovation and aligning with Malaysia's vision to be a front-runner in ESG leadership in Southeast Asia, the new factory is also designed to minimise its environmental impact and integrate with its surroundings, aiming to achieve green building certification by utilising eco-friendly materials and implementing renewable energy solutions.

The Group still maintains a positive outlook towards both its business and the market segments in which it operates in for the coming years to come. The Group will continue to focus on its business strategies in expanding during the slowdown to be well-positioned to harness opportunities at the signs of the semiconductor industry recovery. Following various optimistic outlook reports on the semiconductor industry for 2024, the Group is confident for better growth prospects for FYE 2024.

LETTER TO SHAREHOLDERS (CONT'D)



ACKNOWLEDGEMENTS

On behalf of the Board of Directors, we would like to express our sincere appreciation and gratitude to our shareholders, the management and employees, for their dedicated work, commitment, resilience and loyalty. Finally, we would like to express our sincere gratitude to all our customers, suppliers, business associates, vendors, bankers and regulatory authorities for their continuous support and trust in QES. We call upon all our stakeholders to continue to support QES and we wish to convey our utmost appreciation for placing your trust upon us.

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

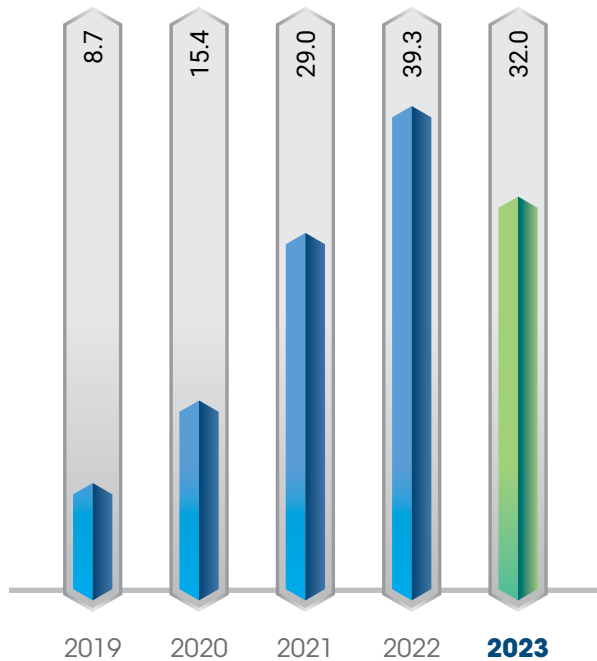
Thank you.

Adnan Bin Zainol
Independent Non-Executive Chairman

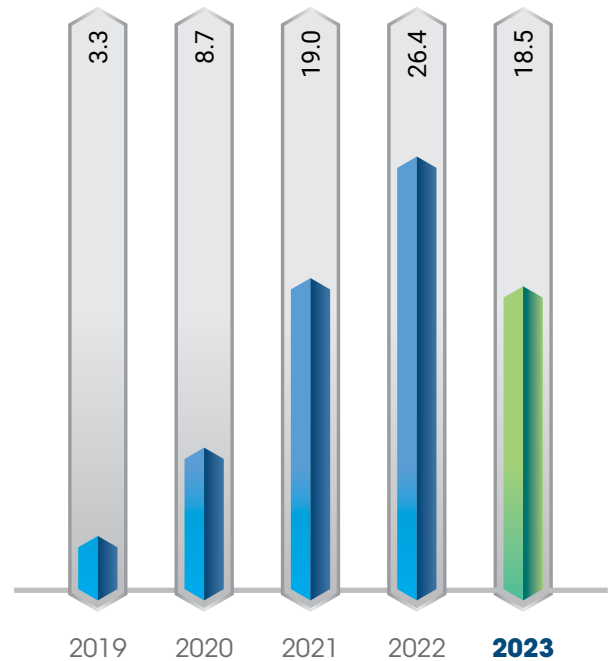
Chew Ne Weng
Managing Director/President

GROUP FINANCIAL HIGHLIGHTS

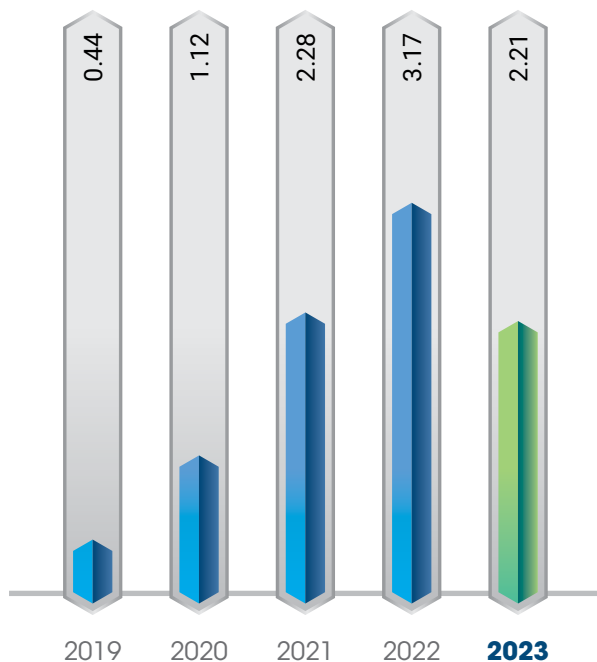
Earnings before Interest, Taxes, Depreciation and Amortisation
(RM'million)



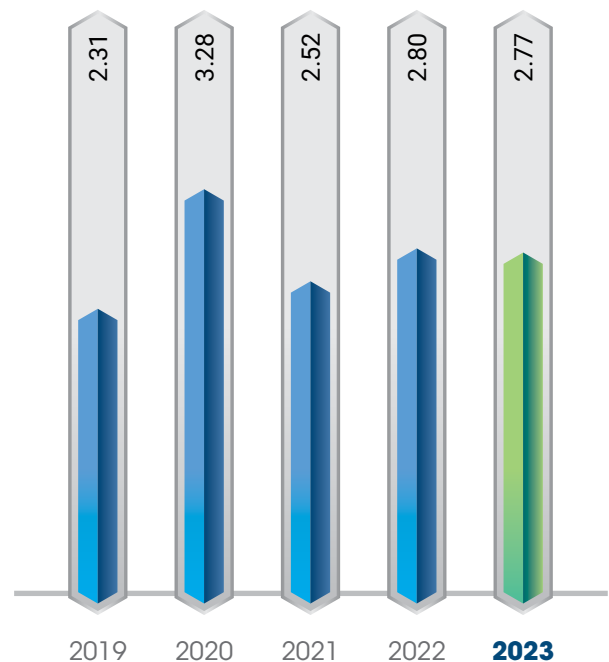
Profit attributable to Owners of the Company
(RM'million)



Basic Earnings per Share
(sen)



Current Ratio
(times)



GROUP FINANCIAL HIGHLIGHTS
(CONT'D)

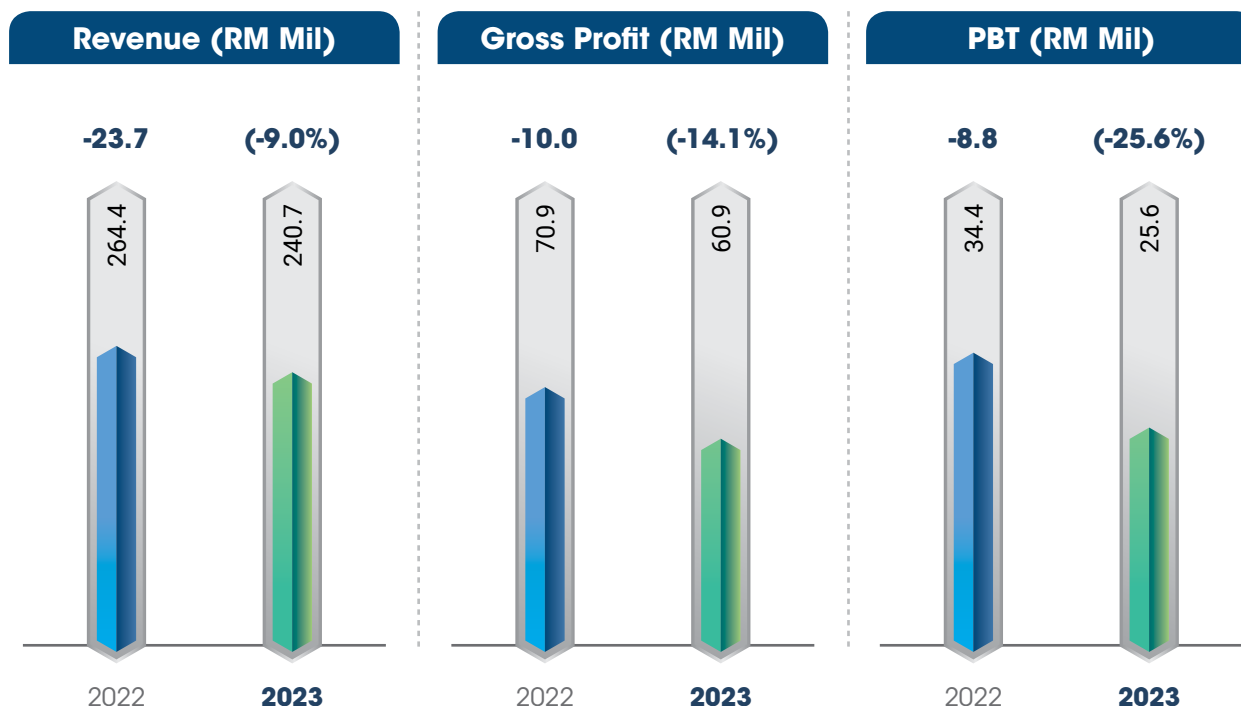
MANUFACTURING & DISTRIBUTION DIVISION BREAKDOWN

REVENUE BREAKDOWN BY DIVISION



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE REVIEW



Revenue and gross profit

The Group recorded a lower revenue of RM240.7 million in FYE 2023, a decrease of RM23.7 million or 9.0% as compared to FYE 2022. The decline of revenue was mainly due to a drop in sales generated from Distribution Division and Manufacturing Division by RM19.5 million and RM4.2 million respectively.

Consequently, the Group recorded a lower gross profit ("GP") of RM60.9 million, a 14.1% drop or RM10.0 million decrease over last year's RM70.9 million in tandem with the decrease in revenue from both Distribution and Manufacturing Division. Overall GP margin for the current financial year stood at 25.3% as compared to 26.8% in FYE 2022.

In term of revenue contribution by geographical markets, Malaysia remained as the primary contributor, accounting for 40.6% to FYE 2023 total revenue. Other ASEAN countries contributed 53.3% while the remainder of 6.1% was contributed by other countries. This well-balanced geographical composition shows the Group's diversity and strength of our core businesses in which there is no heavy reliance on a single country to drive the continuous growth of the Group.

Other income

Other income of the Group increased from RM2.0 million in FYE 2022 to RM3.3 million in FYE 2023. This is mainly due to the higher gain on disposal of property, plant and equipment and gain on short-term investments.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL PERFORMANCE REVIEW (CONT'D)

Operating expenses

Marketing and distribution costs rose to RM9.7 million in FYE 2023 from RM8.9 million in FYE 2022 mainly due to higher expenses incurred for marketing and exhibition activities across ASEAN and China.

Administrative expenses decreased to RM21.6 million in FYE 2023 from RM22.6 million in FYE 2022 mainly due to absence of expenses related to the transfer of listing from ACE Market to Main Market on Bursa Malaysia which was completed on 23 December 2022.

Other operating expenses rose to 2.6% of our revenue in FYE 2023 compared to 2.1% in FYE 2022 on account of higher depreciation and amortisation despite lower property, plant and equipment written off and inventories written down in FYE 2023.

The Group's finance costs increased to RM1.7 million from RM1.4 million mainly due to higher interest cost incurred for utilisation of trade finance facilities.

Share of results of an associate

Share of losses in Applied Engineering Technology (M) Sdn Bhd ("AETM") decreased from RM0.6 million in FYE 2022 to RM0.2 million in FYE 2023. AETM began its operations in Batu Kawan, Penang in FYE 2022 to provide high-tech electromechanical contract manufacturing services, from prototype to high volume production through its New Product Introduction (NPI) process and advance custom solutions that is tailored to meet the specific needs of their clients in the semiconductor equipment manufacturing, medical technology, defence and aerospace market segments.

Taxation

The Group's effective tax rate in FYE 2023 was 25.0%. This effective tax rate is higher compared to 19.3% in FYE 2022 mainly due to absence of income tax revision arising from pioneer status coupled with a corresponding lower operating profit.

Profit

The Group's profit before tax ("PBT") reduced by 25.6% from RM34.4 million in FYE 2022 to RM25.6 million in FYE 2023 in tandem with a drop of our revenue and GP. Profit after tax further declined by 30.9% to RM19.2 million in FYE 2023 from RM27.8 million in FYE 2022 in line with lower PBT.

FINANCIAL POSITIONS REVIEW

As at FYE 2023, the Group's financial position remained robust with total assets expanding 9.9% to RM275.8 million as compared to RM250.9 million in FYE 2022. The was due to an increase in non-current assets by RM8.5 million and current assets by RM16.4 million.

The increase in non-current assets was mainly attributed to higher right-of-use assets which increased by 189.7% from RM2.9 million as at FYE 2022 to RM8.4 million as at FYE 2023. This is mainly due to the purchase of leasehold land and building in Batu Kawan Industrial Park, Penang which will be used to double up the Group manufacturing capacity and house the joint venture company, AETM.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL POSITIONS REVIEW (CONT'D)

Meanwhile, the growth in current assets is mainly due to an increase in inventories by 28.9% from RM27.3 million as at FYE 2022 to RM35.2 million as at FYE 2023. The increase was mainly due to a higher inventory level as the orderbook improved as compared to FYE 2022. Cash and cash equivalents in the statements of financial position had also increased 13.3% from RM71.3 million in FYE 2022 to RM80.8 million in FYE 2023. It includes placement in short-term deposits and short-term investment in cash management funds which generate capital gain and interest to the Group.

The Group's total liabilities increased as well by 10.3% from RM88.3 million as at FYE 2022 to RM97.4 million as at FYE 2023, largely due to an increase in loan and borrowings as well as contract liabilities. Contract liabilities rose by 20.0% from RM10.5 million as at FYE 2022 to RM12.6 million as at FYE 2023 due to an increase in deposits received from customers as compared to FYE 2022. This is despite the decrease in trade and other payables by 10.5% from RM48.4 million as at FYE 2022 to RM43.3 million as at FYE 2023. The decrease was due to payment to suppliers and lower accruals for performance bonuses and incentives, which is in line with the Group's drop in revenue and profitability.

Shareholders' equity attributed to the owners of the Company climbed 9.5% to RM174.1 million in FYE 2023 from RM159.0 million in FYE 2022, primarily driven by an increase in retained earnings.

In spite of the increase in shareholders' equity, gearing ratio increased from 0.16 times in FYE 2022 to 0.21 times in FYE 2023 as a result of higher total debts during the financial year under review.

LIQUIDITY AND CAPITAL RESOURCES

The Group's net cash and cash equivalents in the statements of cash flows stood at RM80.7 million in FYE 2023 as compared with RM70.9 million in FYE 2022. The increase in cash and cash equivalents in FYE 2023 were mainly due to the net cash from operating activities and financing activities of RM8.8 million and RM5.6 million respectively. This is offset with the net cash used in investing activities of RM5.5 million.

The healthy cash flow generated allowed the Group to deliver steady cash dividends while keeping up the capital expenditure.

Operational and Financial Risks

Operational Risks

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

Financial Risks

Foreign exchange risk

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

DIVIDEND

In FYE 2023, the Group declared a total dividend of 1.0 sen per share. The Group paid an interim single tier dividend of 0.50 sen per ordinary share amounting to RM4.2 million on 31 March 2023. Subsequently on 23 February 2024, the Board of Directors declared a final single tier dividend of 0.50 sen per ordinary share amounting to RM4.2 million again, which was paid on 29 March 2024.

The total dividend yield ratio for FYE 2023 is 1.96%.



SUSTAINABILITY HIGHLIGHTS

Electric Energy Consumption FYE 2023

919,940.00
kWh



Annual Water Consumption FYE 2023

2,349
m³



Quality Assurance

- ISO 9001:2015
- ISO/IEC 17025:2017



Multiple Locations across ASEAN



Regulatory Compliance

- Minimum wage according to local statutory requirement
- Bursa listing requirements
- ISO 14001:2015



Corporate Governance Policies

- Anti-Bribery & Corruption
- Whistleblowing Policy
- Code of Conduct & Ethics
- Director's Fit & Proper Policy



ZERO Incident On

- Bribery and Corruption
- Whistle blowing
- Discrimination & Harassment
- Labor & Human Rights Disputes



Total Number of Employees

468



73%



27%

Total Training Hours by Employees

6,532

Hours



Community Contribution

RM 7,260.00



SUSTAINABILITY STATEMENTS

QES endeavored for FYE 2023 to intensify the Group’s environment, social, and governance (“ESG”) in line with Bursa Malaysia Securities (“Bursa”) enhanced sustainability reporting requirement in the Main Market Listing Requirements (“MMLR”) with the aim to elevate our sustainability practices and disclosures. QES truly believes that by adopting ESG and sustainability practices, we will still be able to develop innovative products, achieve operational profitability, providing sustainable solutions for our stakeholders while contributing to a positive societal change, in enabling the Group to succeed now and in the future.

Our Sustainability Statement (“SS”) was prepared in accordance with the Global Reporting Initiative (“GRI”) Standards, in accordance with the MMLR and Sustainability Reporting Guide published by Bursa Securities. The Group also considered Bursa Securities’ Sustainability Reporting Guide - 3rd Edition and its accompanying Toolkits when writing this Statement. This SS outlines our initiatives in areas where our expertise and resources can have a positive effect throughout FYE 2023.



OUR VISION

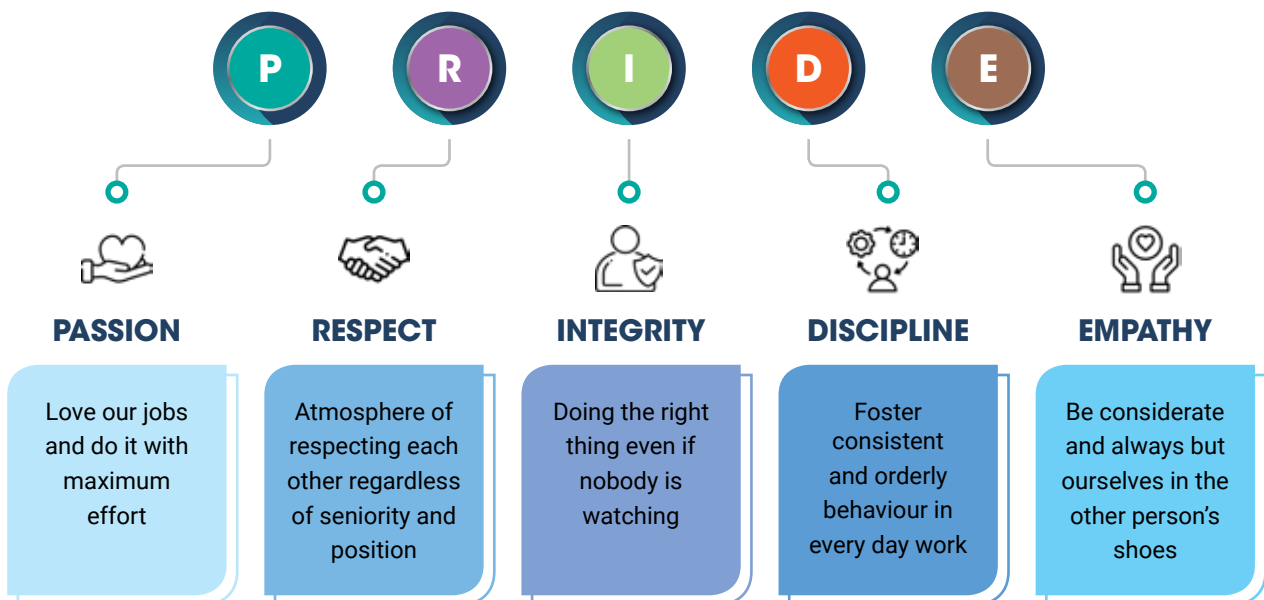
We aim to be the leading integrated solutions provider serving customers with world class products in analytical, inspection, test, measuring, automation, and related services.



OUR MISSION

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

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



SUSTAINABILITY STATEMENTS (CONT'D)

Sustainability Governance

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

QES's Sustainability Steering Committee ("SSC") was established in 2019 and chaired by the Group Managing Director to drive sustainability measures and initiatives. He is supported by a team of key management personnel in implementing strategies towards achieving sustainable performance for the Group. Below is a snapshot of QES's sustainability members and their respective duties:-

<p>Board of Directors & Chairman of SSC</p>	<ul style="list-style-type: none"> • The Board of Directors has oversight on sustainability • Strategies related to ESG are also presented and determined at the Board level. • This includes matters like integrity, anti-corruption & bribery, code of conduct, occupational health and safety, talent management, risk management, proposals and budgets for environmental and social measures and implementation.
<p>Sustainability Steering Committee</p> <ul style="list-style-type: none"> • Group Executive Director • VP of Distribution Division • VP of Manufacturing Division • Business Unit Director • Senior GM of Supply Chain Management • Senior Corporate HR Manager • GM of Finance 	<ul style="list-style-type: none"> • Setting the Group's sustainability strategy goals to the long term business growth and objectives which have been approved by the Board. • Conducting a thorough assessment of the ESG risks and opportunities relevant to our industry and business operations. • Identify the environmental and social impacts of our operations, as well as the governance practices that may affect our business performance and reputation. • Developing the materiality matrix and reporting systems to measure and track our Group's ESG performance.
<p>Sustainability Working Committee</p>	<ul style="list-style-type: none"> • Comprises of the various department heads within the Group and employees who are passionate about ESG. • Tasked with ensuring that strategies and plans affirmed by the SSC are implemented. • Monitors progress of sustainability initiatives, activities and targets, and reports to the respective heads of the SSC.

SUSTAINABILITY STATEMENTS (CONT'D)

OUR SUSTAINABILITY APPROACH

This SS has also been prepared with the reference to the following global goals and principles. We are committed to advancing the United Nations Sustainable Development Goals (“UN SDGs”) to build a sustainable future. We identify relevant material sustainability matters through linking to the SDGs and we are striving to fulfil our nine (9) ESG Core Themes to drive SDGs through our business. The information disclosed within this SS covers our primary operations in Malaysia, however we strive to disclose some of the performance information of QES’s foreign subsidiaries in this year’s SS.



This SS demonstrates that we have considered and reviewed the material matters relating to the three (3) pillars – environmental, social and governance. We identify our material sustainability matters through a materiality assessment that focuses on ESG and considers our stakeholders’ interests through regular engagement. Thereupon, the key material matters are reviewed by our Board and the SSC to ensure that the material matters are aligned with our sustainability ambition. Please refer to our “Stakeholder Engagement” and “Materiality Assessment” for our ESG approach.

Material Matters

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

ECO HARMONY



ENVIRONMENTAL

- Energy Management
- Sustainable Consumption
- Water Management
- Waste Management

EMPOWER TOGETHER



SOCIAL

- Labour Practices and Standards
- Diversity
- Supply Chain Management
- Occupational Health & Safety
- Community & Society Engagement
- Data Privacy and Security

ETHICS IN ACTION

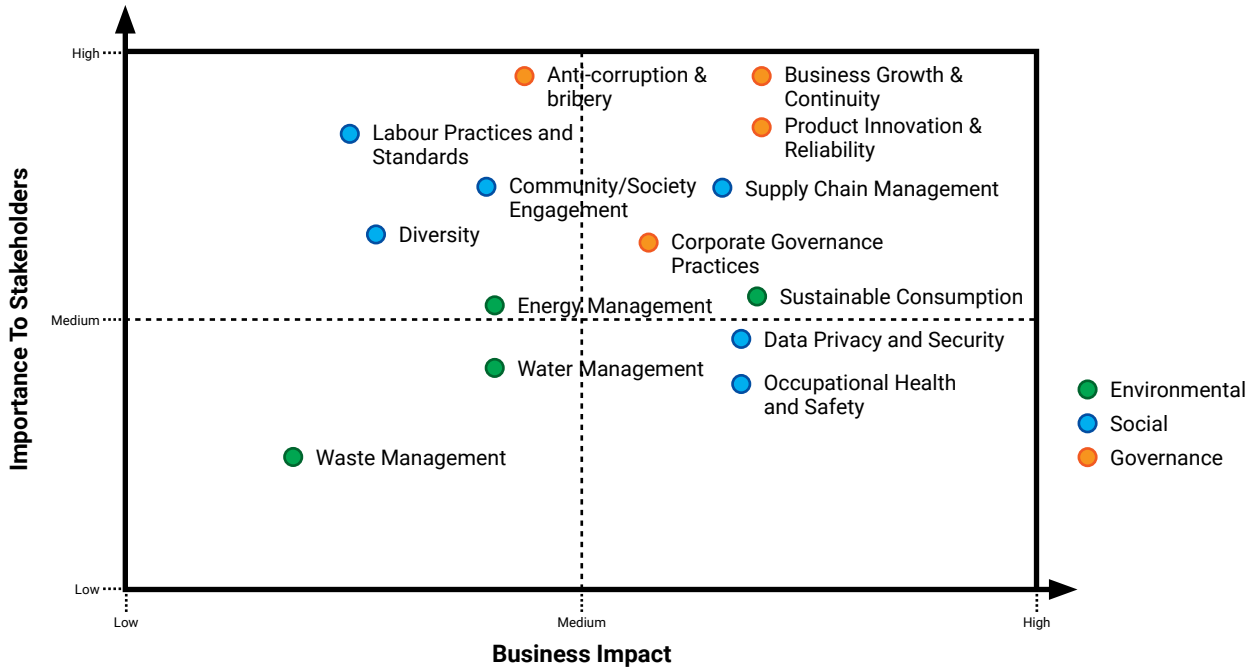


GOVERNANCE

- Business Growth & Continuity
- Product Innovation & Reliability
- Anti-Corruption & Bribery
- Corporate Governance Practices

SUSTAINABILITY STATEMENTS (CONT'D)

Materiality Matrix



Stakeholder Engagement

At QES, we believe that consistent communication and understanding with all internal and external stakeholders is critical in our journey to becoming a reputable, long-term company with good corporate governance. The Group maintains ongoing dialogues with pertinent stakeholders and shares information in a timely, effective, and transparent way. The invaluable input from our stakeholders guides our company as we strive to become a responsible corporate citizen.

To accomplish meaningful engagements that meet the requirements of our stakeholders, we empower respective business divisions to assess the best approach to engaging our stakeholders in our mission. We communicate with our stakeholders through a variety of platforms and at varying frequencies, ranging from daily communications to weekly updates to quarterly follow-ups and annual meetings. We put a high value on sustainability.

Key Stakeholders	Areas of Interests	Platforms Used
Directors	<ul style="list-style-type: none"> Financial Performance Corporate Governance Practices Business Strategy ESG Strategy & Sustainability Goals 	<ul style="list-style-type: none"> Quarterly Board Meetings On-Going Interactions
Management	<ul style="list-style-type: none"> Financial Performance Corporate Governance Practices Business Strategy Human Capital Management 	<ul style="list-style-type: none"> Monthly Management Meetings Quarterly Performance Reviews Half Yearly Off-Site Key Management Meetings On-Going Interactions

SUSTAINABILITY STATEMENTS (CONT'D)

Stakeholder Engagement (Cont'd)

Key Stakeholders	Areas of Interests	Platforms Used
Employees	<ul style="list-style-type: none"> Employee Health & Well-Being Occupational Health & Safety Compensation & Benefits Career Development 	<ul style="list-style-type: none"> Employee Corporate Handbook Emails Memo Intranet Performance Appraisal Learning & Development Programs Post-Quarterly Financial Briefings
Shareholders/ Investors	<ul style="list-style-type: none"> Financial Performance Corporate Governance Practices Business Strategy Transparency in financial reporting Risk management 	<ul style="list-style-type: none"> Annual General Meetings Quarterly Financial Reports Investors Briefings Annual Reports Corporate Website
Customers	<ul style="list-style-type: none"> Technologies & Innovation Product Reliability & Quality Technical Support Services Competitive Pricing Manufacturing Capacity On – Time Delivery Compliance with Regulations Corporate Governance Practices 	<ul style="list-style-type: none"> On - Site Visit Exhibitions/Conference/Webinars Customer Training & Support Customer Complaint Form Customer Satisfaction Survey Corporate Website Social Media (LinkedIn) Annual Operations Audit
Suppliers/Vendors	<ul style="list-style-type: none"> Compliance with Regulations Corporate Governance Practices Agreeable Contracts Terms of Payment 	<ul style="list-style-type: none"> Email Correspondence On - Site Visit Daily Interactions Vendor Assessment & Evaluation Procedure
Communities/ Societies	<ul style="list-style-type: none"> Corporate Governance Practices Community Involvement Environmental Management 	<ul style="list-style-type: none"> Community Involvement Programs Career Fairs Corporate Website Social Media (LinkedIn)
Media	<ul style="list-style-type: none"> Regulatory Compliance Community Involvement 	<ul style="list-style-type: none"> Corporate Website Social Media (LinkedIn)

SUSTAINABILITY STATEMENTS (CONT'D)



ECO HARMONY

WASTE MANAGEMENT

The Group’s commitment to environmental stewardship, in alignment with the United Nations’ 2030 Agenda, underscores its dedication to sustainable practices and responsible resource management. Central to this commitment is a proactive approach to waste reduction, encompassing prevention, reduction, recycling, and reuse initiatives, in accordance with SDG 12.5 on responsible consumption and production.

Operating with a sustainability mindset, the Group endeavors to conduct its business operations with minimal adverse impact on the environment, adhering rigorously to all relevant environmental laws and regulations. To ensure the highest standards of environmental responsibility, the Group embraces best industry practices, particularly in managing subcontractors involved in its operations.

The Group’s waste management practices prioritize proper disposal procedures for scheduled wastes, engaging registered contractors to facilitate disposal at approved treatment premises and facilities. Moreover, in day-to-day operations, the Group fosters a culture of recycling and energy conservation, aiming to minimize wastage, pollution, and harmful emissions.

Employees are actively encouraged to participate in environmental initiatives, including recycling old documents, utilizing electronic communication for memos and company information dissemination, and reusing delivery packaging materials. Additionally, conscientious energy consumption practices, such as switching off electrical appliances when not in use, are promoted throughout the organization.

Looking ahead, the Group remains steadfast in its commitment to maintaining the highest standards of environmental compliance. Management will continue to review and enhance current environmental management systems and practices, ensuring alignment with existing regulatory requirements and striving for continuous improvement in environmental performance across all activities and operations.

ENERGY MANAGEMENT

Climate change and energy security have undeniably emerged as pressing global imperatives that exert a profound influence. This can be seen as Governments around the world dedicate resources towards their sustainability goals. The Governments then creates policies to ensure businesses must comply and take positive action in shaping a cleaner, more tolerant and equitable future.

At QES, we uphold a steadfast commitment to sustainability by continually monitoring and optimizing energy usage across our facilities and production processes. Our overarching goal is to mitigate the impact of global warming through enhanced energy efficiency measures.

As an active participant in the manufacturing sector, electricity consumption constitutes a significant expense for our facilities. Proactively monitoring, optimizing, and reducing our electricity usage is paramount, as it not only aids in addressing climate change but also aligns with our long-term economic interests by promoting efficient resource utilization.

To monitor our power usage, we monitor our energy consumption based on electricity bills.

Annual Electric Energy Consumption (kWh)	FYE 2023
QES Corporate HQ (Glenmarie, Shah Alam)	919,940.00

As we expand our manufacturing capacity, our operations naturally require increased resources, including electricity. This expansion has led to a noticeable rise in our electricity consumption and associated costs. It’s important to note that this increase is partly attributed to moving into a new corporate headquarters (“HQ”) in March 2022, where the size doubled our previous headquarters.

Moving forward, we anticipate even greater demand for electricity as we continue to grow and enhance our manufacturing capabilities. Despite this uptick in consumption, we remain committed to driving energy efficiency throughout our operations. We actively monitor our electricity usage and seek opportunities to optimize consumption patterns.

SUSTAINABILITY STATEMENTS (CONT'D)

ENERGY MANAGEMENT (CONT'D)

Furthermore, we are continuously investing in the development of production equipment with lower energy consumption and higher efficiency. By prioritizing energy-efficient technologies and practices, we aim to mitigate the environmental impact of our operations while simultaneously reducing operational costs associated with electricity consumption. This proactive approach aligns with our commitment to sustainability and responsible resource management.

To achieve this, we have implemented a range of initiatives aimed at reducing the environmental footprint of energy consumption while improving efficiency:

- Installation of only inverter air conditioners for our new Corporate HQ:**
 Inverter technology plays a pivotal role in energy management by dynamically adjusting compressor speed based on temperature requirements. This results in lower energy consumption, decreased electricity bills, and reduced strain on the electrical grid. In addition to energy-saving features, these systems significantly minimize environmental impact, offering a practical solution to managing energy consumption while saving costs.
- Exclusive use of LED lighting for our new Corporate HQ:**
 LED lighting stands out for its remarkable energy efficiency, consuming significantly less energy than traditional lighting alternatives like incandescent and fluorescent bulbs. Despite its reduced energy consumption, LED lighting delivers the same level of brightness, ensuring optimal illumination. Moreover, its superior efficiency translates to lower electricity bills and reduced energy consumption overall, further contributing to our sustainability efforts.



- Staff awareness in energy management:**
 We prioritize employee engagement and awareness in energy conservation practices. This includes fostering discipline among staff members to switch off unused lighting and electronic equipment, thereby minimizing energy wastage and promoting a culture of sustainability throughout our organization.
- Solar Panels:**
 After a delay, we're pleased to announce that the installation of new solar panel roofs at our Corporate HQ has been successfully completed in 2023. As we move forward, our focus shifts towards harnessing the potential of renewable energy sources for a more sustainable future. Beginning of 2024, we will initiate data collection from these solar panels. With a capacity of 233.2kWp, we anticipate an annual output of 302,011kWh, aiming to offset an estimated of 237 tonnes of carbon dioxide emissions. This significant milestone marks a proactive step in our ongoing commitment to environmental sustainability. To put this into perspective, 237 tonnes of carbon dioxide emissions is roughly equivalent to:
 - ❖ Removing approximately 51 passenger vehicles from the road for an entire year.
 - ❖ Powering over 28 homes with electricity for an entire year.
 - ❖ Saving the carbon sequestered by over 280 acres of forests in one year.



SUSTAINABILITY STATEMENTS (CONT'D)

WATER MANAGEMENT

Our production activities have a minimal water footprint, primarily utilized for sanitary and amenity purposes, with no significant water discharge or pollution. Waste Water is directed to the sewage system for proper treatment, eliminating any discharge into oceans, surface or subsurface water bodies, or off-site locations.

All our operational sites rely on water supplied by established water distribution networks, avoiding the extraction of surface water from rivers, lakes, or natural ponds, as well as groundwater from wells or boreholes. Additionally, we operate exclusively in regions not considered water-stressed.

During the fiscal year, there were no incidents of non-compliance with water quality standards or regulations. Nevertheless, the Board recognizes the importance of water security and conservation and commits to contributing to these efforts. We are dedicated to safeguarding clean water, essential for all life, and pledge to explore environmentally friendly methods to enhance water efficiency across all offices and operational sites.

To monitor our domestic water consumption, we collect water consumption data based on the water bills.

Annual Water Consumption (m3)	FYE 2023
QES Corporate HQ (Glenmarie, Shah Alam)	2,349

Our water usage primarily serves essential purposes such as sanitation, kitchen activities, cleaning, and gardening. Since our relocation to our new HQ in March 2022, we've implemented a rainwater harvesting system to supplement our water requirements. This system allows us to collect and store rainwater for various non-potable uses, thereby reducing our reliance on municipal water sources.

While our usage remains primarily for essential purposes, we are committed to minimizing water wastage and optimizing our usage through environmentally friendly practices. This includes ongoing efforts to repair leaks, install water-efficient fixtures, and optimize irrigation systems for our gardening needs.

By installing a rainwater harvesting system, we not only reduce our reliance on municipal water sources but also demonstrate our commitment to sustainability and environmental stewardship. Our dedication to promoting a greener life extends beyond our operations to inspire positive change in our communities and beyond. Through responsible water management practices, we contribute to the preservation of this vital resource for current and future generations.

Through the embrace of sustainable consumption initiatives, we not only diminish our environmental footprint but also affirm our dedication to responsible guardianship of our planet for future generations.

SUSTAINABILITY STATEMENTS (CONT'D)



EMPOWER TOGETHER

HUMAN CAPITAL MANAGEMENT

To attract and retain top-tier talent, QES provides competitive compensation and benefits packages. Our commitment to fair compensation aligns with all pertinent local and national laws and regulations, including adherence to the national minimum wage standards in Malaysia or the respective country of employment.

We uphold the principle of equal pay for equal work, ensuring that individuals, regardless of gender, receive fair remuneration for their roles depending on their equivalent skills, responsibilities, and working conditions. This commitment to provide compensation justly, encompassing both fixed and variable components, serves as a competitive advantage, fostering employee retention and attracting prospective talent.

Recognizing the diverse needs and preferences of our workforce, QES believes in offering a range of variable compensation packages to cater to different professional aspirations and goals.

FIXED COMPENSATION	VARIABLE COMPENSATION
<ul style="list-style-type: none"> • Annual Leave • Medical Leave • Hospitalization Leave • Compassionate Leave • Maternity Leave • Paternity Leave • Emergency Leave • Special Leave • Vaccination Leave • Personal Accident Insurance • Employees' Share Option Scheme ("ESOS") • Replacement Public Holiday (Saturday) • Medical Check-Up Subsidy • Dental Subsidy • Optical Subsidy • Flexible Working Hours • Mobile Phone & Monthly Data Subsidy 	<ul style="list-style-type: none"> • Relocation Allowance • Performance Bonus • Car Allowance

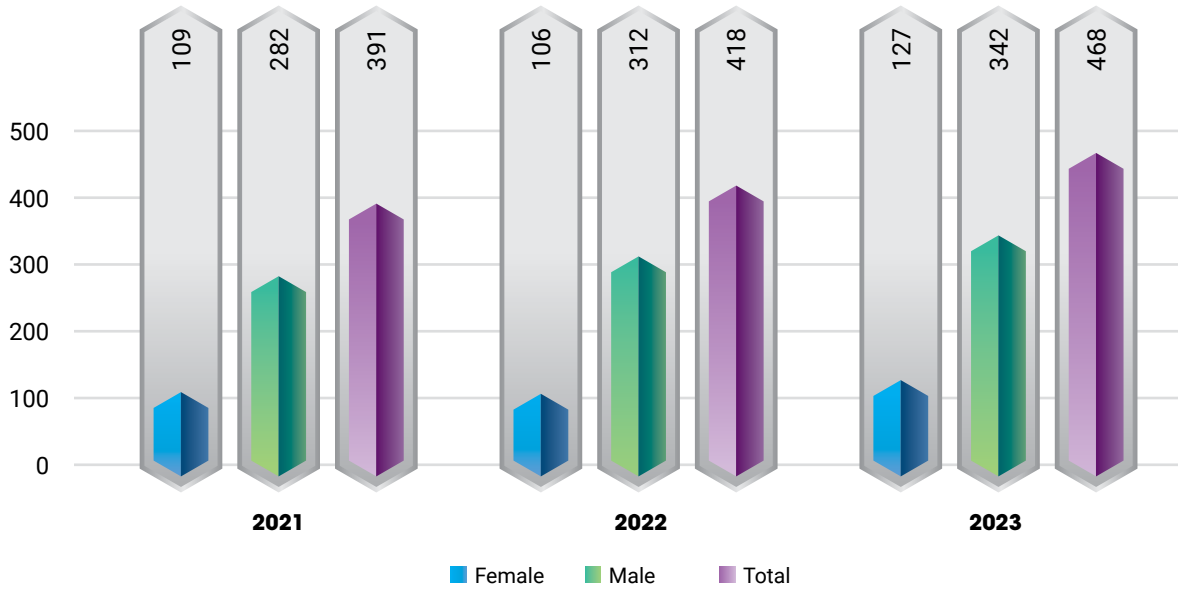
In addition to our dedication to providing competitive compensation and benefits packages, QES is steadfast in upholding human rights principles within our operations. In FYE 2023, we recorded zero substantiated complaints concerning human rights violations. This achievement reflects our unwavering commitment to ethical practices and respect for all individuals within our workforce and communities. By prioritizing fairness, equality, and ethical conduct, we not only attract and retain top-tier talent but also foster a positive and inclusive workplace environment where everyone can thrive.

SUSTAINABILITY STATEMENTS (CONT'D)

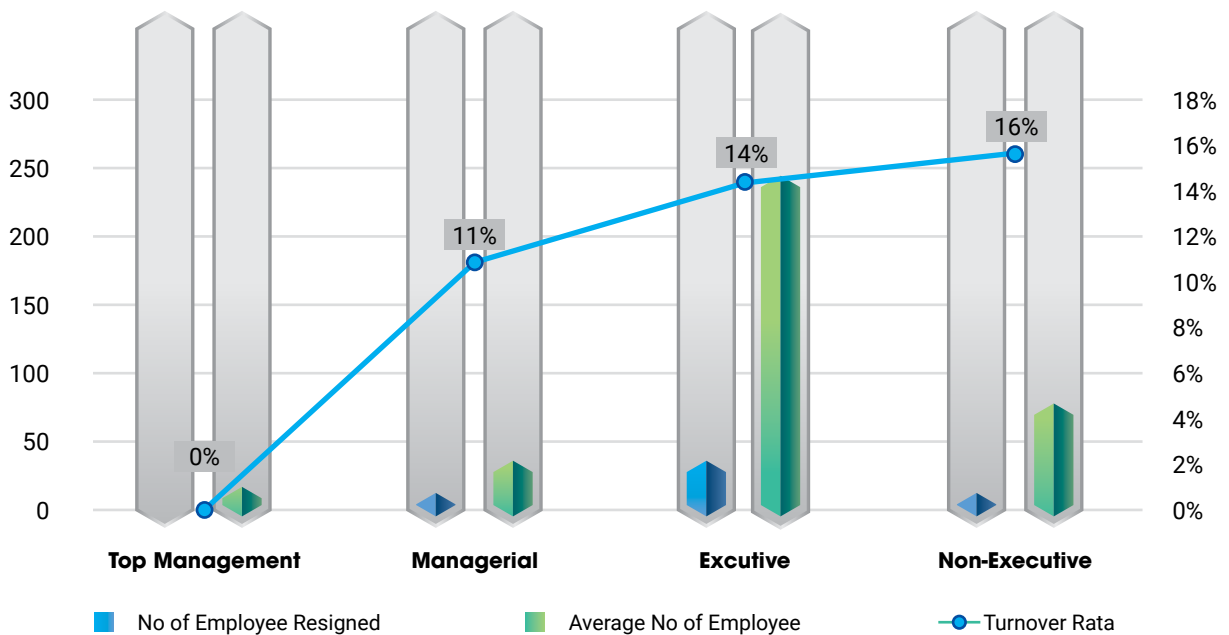
HUMAN CAPITAL MANAGEMENT (CONT'D)

In FYE 2023, QES headcount increased to 468 pax, from 418 pax in FYE 2022. The details of the employee profile are presented as follows:

No. of Total Employees 2021-2023



EMPLOYEE TURNOVER RATE FYE 2023



SUSTAINABILITY STATEMENTS (CONT'D)

HUMAN CAPITAL MANAGEMENT (CONT'D)



**Total Number
of Employees
in FYE 2023**

468

Gender



Male

73%



Female

27%

**Employment
Type**



Full-time

100%



**Temporary/
Contractor**

0%



Age Group

20-29

34%

30-39

38%

40-49

20%

50-59

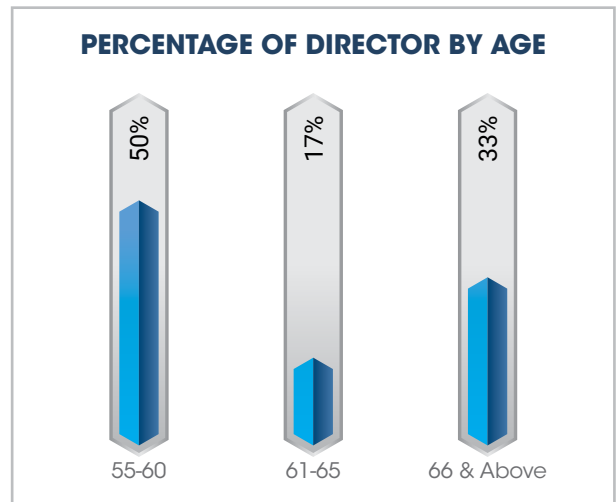
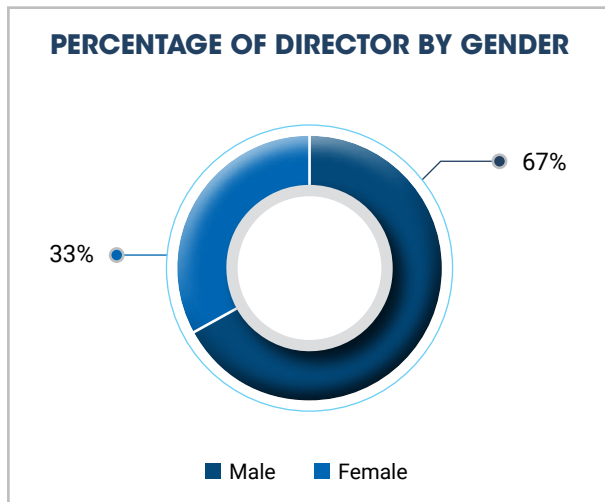
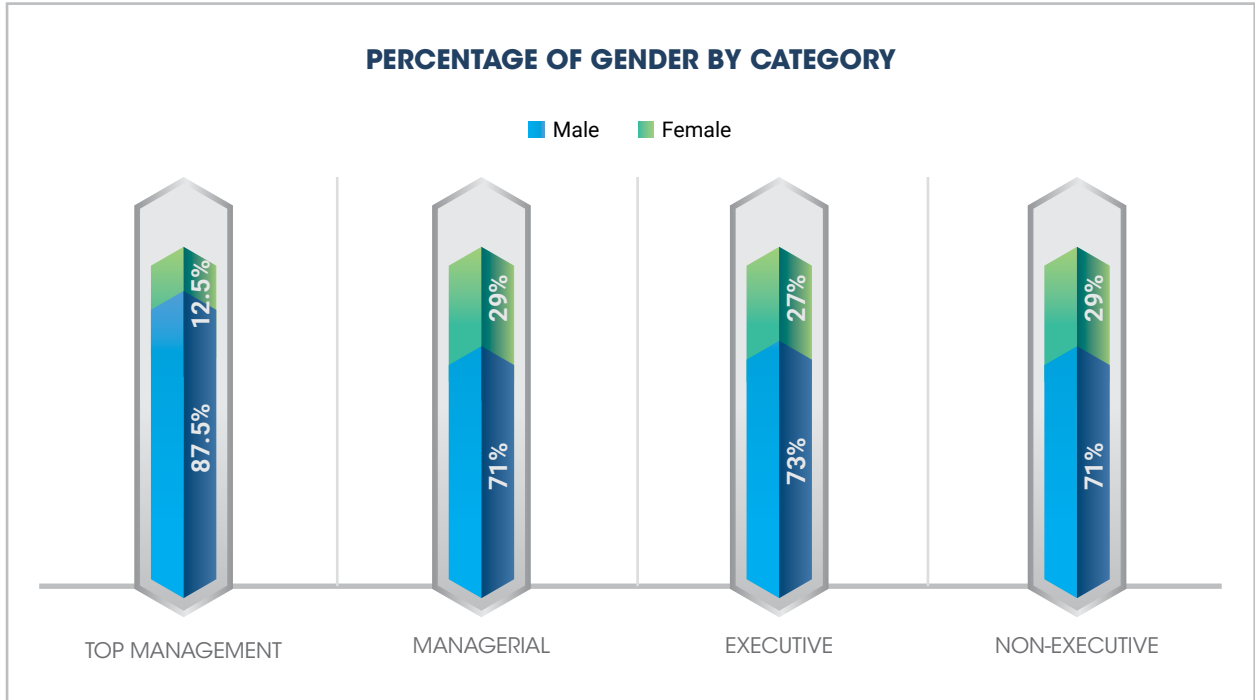
7%

> 59

1%

SUSTAINABILITY STATEMENTS
(CONT'D)

HUMAN CAPITAL MANAGEMENT (CONT'D)



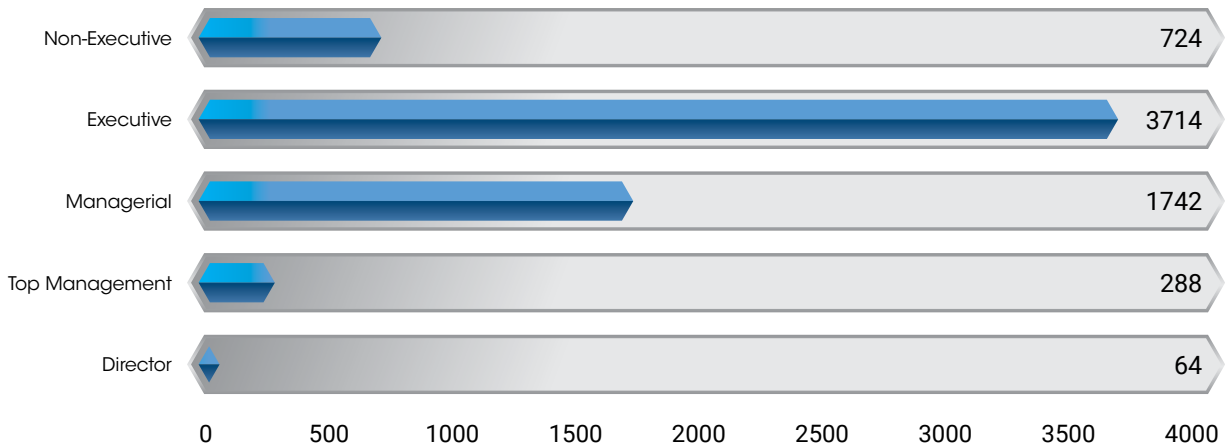
SUSTAINABILITY STATEMENTS (CONT'D)

CAREER DEVELOPMENT

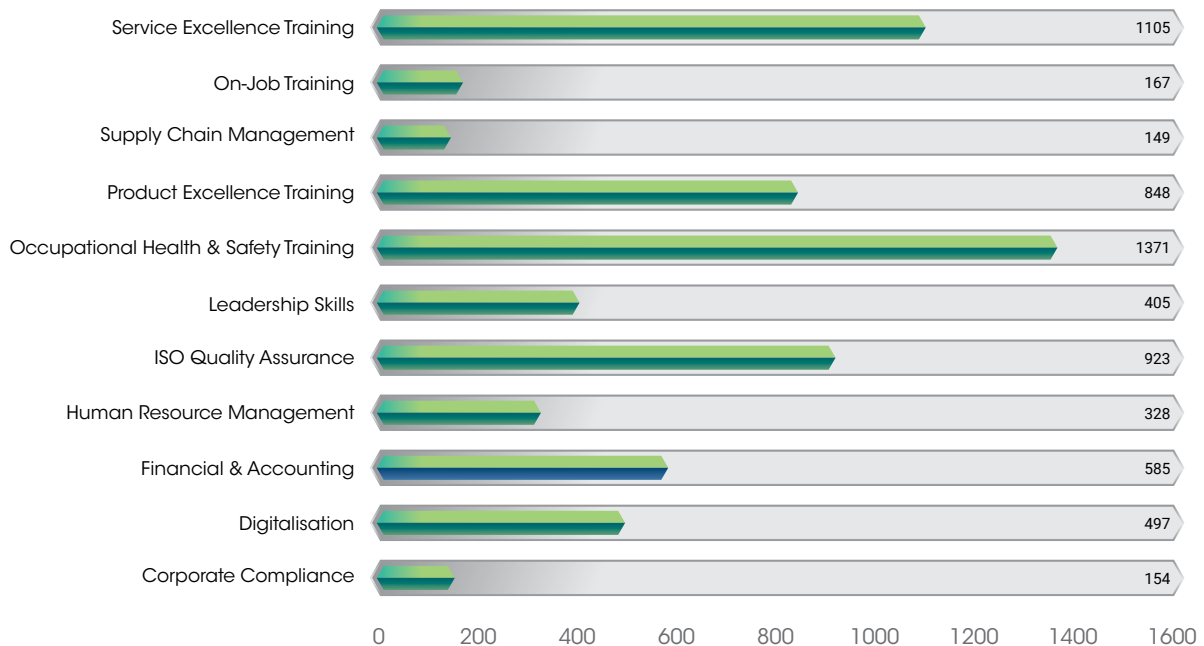
Training and career advancement are pivotal components of the Group’s ESG agenda. From a social standpoint, offering training and career development avenues to our employees can significantly enhance job satisfaction, motivation, and retention rates. This holistic approach contributes to cultivating a positive workplace culture and bolstering employee well-being.

In FYE 2023, the Group devoted a total of 6,532 hours to training initiatives, underscoring our steadfast commitment to nurturing the professional growth and development of our workforce.

TRAINING HOURS BY EMPLOYEE CATEGORY



TRAINING HOURS BY TYPE OF TRAINING



SUSTAINABILITY STATEMENTS (CONT'D)

EMPLOYEE HEALTH & WELL-BEING

Additionally, the Group demonstrates its care for employees through a range of welfare initiatives and the provision of in-house facilities, including:

- Overseas or domestic company trips
- Seasonal celebration lunches or dinners
- Indoor and outdoor recreational activities
- Long Service awards
- Teambuilding activities
- Sickbay for unwell employees
- Prayer rooms
- Nursing rooms
- Zen Garden
- Birthday celebrations
- The Breakfast Club
- Health & Wellness Workshops
- Volunteer Opportunities

OCCUPATIONAL HEALTH & SAFETY

In showcasing our unwavering dedication to maintaining the highest safety standards, we employ a comprehensive array of preventive measures and rely on the active cooperation of our staff to adhere to industry-leading practices in their daily operations. Our commitment extends to rigorous inspections of emergency preparedness equipment, including firefighting systems, fire extinguishers, medical supplies, facility infrastructure, emergency exit signage, and lighting, ensuring their availability, upkeep, and functionality in crisis situations.

These inspections are conducted on a monthly and quarterly basis, with the primary objective of preventing or minimizing incidents, injuries, and illnesses stemming from unsafe or unhealthy working conditions and processes. Central to our approach is the prioritization of employee health and safety, as evidenced by the establishment of our internally developed Occupational Health, Safety & Environment Policy. This policy encompasses key initiatives such as the Atomic Energy Licensing Board (AELB) Emergency Response Team, monthly fire system maintenance protocols, and the Health & Safety Committee.

These teams are tasked with creating and maintaining an accident-free workplace environment across all our workstations, ensuring that every employee is well-acquainted with and proficient in executing emergency response plans to mitigate safety incidents. Our Emergency Response Team (“ERT”) stands ever-ready to spring into action during crisis. As of FYE 2023, the ERT at QES comprised approximately 45 trained individuals, and an updated roster was necessitated upon our relocation to our new 5-story Corporate HQ.

These individuals undergo rigorous training in emergency response procedures, encompassing first aid, firefighting, and building evacuation techniques. We further strengthened our commitment to employee safety by ensuring that a total of 180 employees received training on health and safety standards. This significant investment in training reflects our ongoing dedication to fostering a culture of safety and preparedness across our organization. Notably, our Group recorded zero reported work-related ill-health incidents and zero lost time incident rate from FYE 2022 to FYE 2023, underscoring the effectiveness of our proactive safety measures and vigilant workforce.



SUSTAINABILITY STATEMENTS (CONT'D)

COMMUNITY ENGAGEMENT

At QES, our commitment to corporate social responsibility extends far beyond financial goals. We are deeply committed to making a real difference in society through active engagement in community initiatives and events. This ethos is ingrained in our corporate culture, guiding our actions as we strive to balance business success with environmental stewardship, ethical governance, and social welfare.

Our unwavering dedication to community engagement is evident through our steadfast support for various charitable events and initiatives. Over the years, QES has been actively involved in numerous impactful events, including the Pink Charity Run, Jog for Hope, Pink Ribbon Run, Nottingham Charity, Orchid Run & Ride, and more.

In FYE 2023, QES allocated sponsorship funds totaling RM6,260 to Persatuan Insan Istimewa IMC Selangor for the 11th Let's Play Carnival held on October 28, 2023. This event aimed to unite individuals with diverse special needs, offering them opportunities to participate in a wide range of sports activities. With three categories of sporting events—Junior, Senior, and Cerebral Palsy—the carnival catered to individuals aged 6 to 25 years old. Approximately 300 special students joined the festivities, fostering a sense of camaraderie, empowerment, and sheer joy.

Such event not only empowers individuals with disabilities to engage in sports but also serves as a catalyst for raising awareness and promoting greater inclusivity within the special needs community. By championing initiatives that celebrate diversity and accessibility, we remain steadfast in our commitment to building a more equitable and inclusive society for all.

In addition, QES also contributed RM1,000 to Pusat Perubatan Universiti Malaya ("PPUM") for the World Breastfeeding Week Celebration organized. This initiative aimed to educate participants, particularly working mothers, on how to continue breastfeeding. Approximately 100 PPUM staff members benefited from this program. QES believes such events promote a healthier and more inclusive society. Beyond financial contributions, QES also maintains a nursing room in our workplace, showcasing our commitment to supporting women in balancing their careers with family responsibilities. This fosters diversity and inclusivity within the company, promoting a workplace culture that values the well-being of all employees.

These initiatives underscore our firm belief in the transformative power of community engagement. At QES, we understand that true success is not measured solely by financial performance but also by our ability to make a meaningful impact on the lives of others. Through our ongoing support of charitable endeavors and community engagement initiatives, we remain dedicated to creating a brighter and more inclusive future for all.

SUPPLY CHAIN MANAGEMENT

The Group is committed to establishing a diverse, responsible, and sustainable supply chain to bolster long-term value creation. Our goal is to foster enduring, mutually beneficial partnerships with suppliers, fostering collective growth within a profitable framework that minimizes disruptions and enhances efficiency. Aligning with our values, we strive to cultivate a responsible and sustainable supply chain.

Annually, the Group evaluates selected suppliers to elevate their performance and quality. Should quality issues arise, more frequent audits or evaluations are conducted, with suppliers notified for improvement if necessary. Periodic physical inspection audits further identify high-risk suppliers. In the selection of new suppliers, the Group adheres to a robust due diligence process, ensuring alignment with the procedures across all business units and operational sites. Beyond managing operational risks, these processes uphold responsible procurement practices, fostering accountability among our suppliers.

The Group acknowledges the importance of supporting local economies. We firmly believe that by partnering with local suppliers, we play a significant role in stimulating economic growth and creating job opportunities in the communities where we operate. Moreover, we recognize the manifold benefits of collaborating with local suppliers, including reduced lead times, enhanced communication, and greater flexibility within our supply chain.

SUSTAINABILITY STATEMENTS (CONT'D)

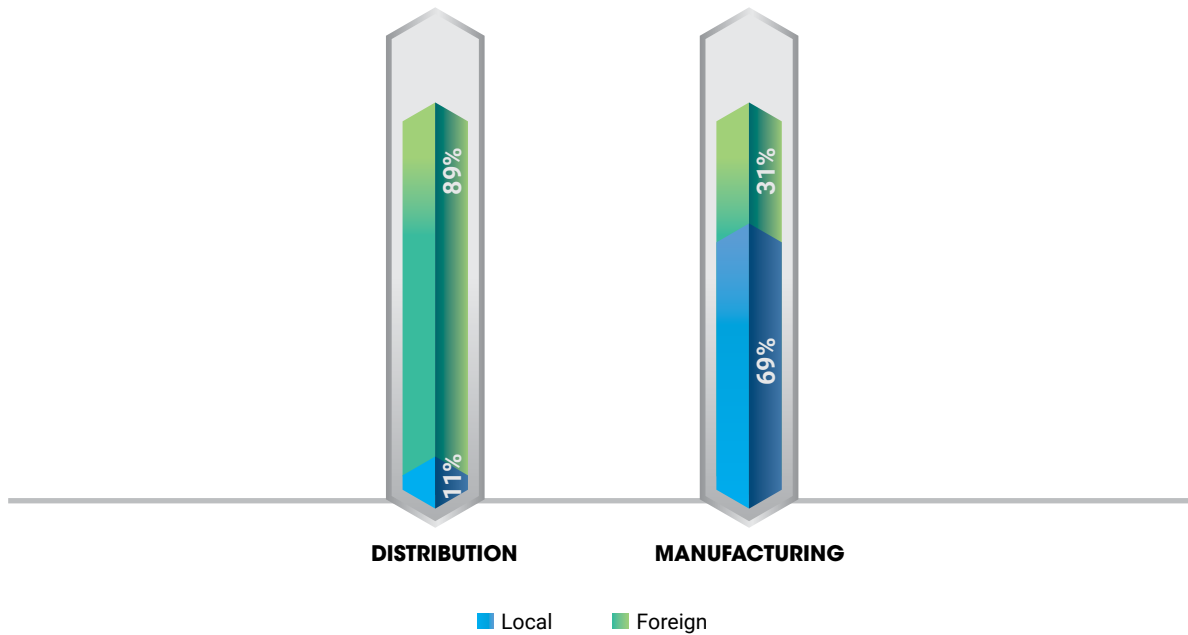
SUPPLY CHAIN MANAGEMENT (CONT'D)

Despite our unwavering dedication to sourcing locally whenever feasible, our recorded total expenditure for Malaysia business units with local suppliers in FYE 2023 representing approximately 18% of our total expenditure. While this percentage may seem modest, it reflects our prudent approach to supplier selection, with a focus on quality, reliability, and adherence to sustainability standards.

Nevertheless, striking a delicate balance between supporting local businesses and meeting our operational requirements remains paramount. As we uphold our commitment to responsible procurement practices, we are actively seeking opportunities to deepen our engagement with local suppliers. Through these efforts, we aim to further strengthen the integrity and resilience of our supply chain while continuing to drive sustainable growth within our communities.

The breakdown of proportion spent by each division in percentage is as follows:

PROPORTION OF SPENDING ON LOCAL SUPPLIERS IN FYE 2023 (%)



SUSTAINABILITY STATEMENTS (CONT'D)



ETHICS IN ACTION

PRODUCT INNOVATION & RELIABILITY

At QES, we drive technological innovation through our semiconductor equipment business, guided by our unwavering commitment to quality encapsulated in our PRIDE core values. We continually strive to meet all relevant requirements while enhancing the effectiveness of our quality management system.

Innovation is the foundation in this digital era to stay ahead of our competitors. QES place strong importance in our manufacturing division's research and development ("R&D"), thereby allocating 7% to 8% of our manufacturing division's revenue into R&D of new products, improvement of our existing products and shortening delivery lead time while refining our products and process quality.

Quality is the cornerstone of everything we do, from the manufacturing to the delivery of our products and services. With a firm focus on total customer satisfaction, we work diligently to establish and improve our quality management system.

Our primary objective is to produce high-quality products that exceed customer expectations. To ensure consistent and timely delivery, we have implemented rigorous Quality Assurance (QA) processes overseen by departmental HODs.

Our QA process follows a comprehensive quality control plan, ensuring that all necessary procedures are executed throughout operations to maintain product performance, consistency, and compliance. These procedures are seamlessly integrated into every stage of our operations, including procurement, production, assembly, and non-conformity management.

Outlined below are the key internal controls at QES designed to uphold product quality and safety standards. At QES, we innovate technology through our semiconductor equipment business. We are committed to satisfying all applicable requirements and continually improving the effectiveness of the quality management system through our PRIDE core values.

We are committed to quality in all our activities directly or indirectly relating to the manufacturing and delivery of our products and services to our customers.

As part of our goal to ensure total customer satisfaction, we shall establish and continually improve the effectiveness of our quality management system.

SUSTAINABILITY STATEMENTS (CONT'D)

PRODUCT INNOVATION & RELIABILITY (CONT'D)

Internal Controls for Manufacturing Division	Descriptions
Control & Monitoring of Measuring Equipment	To ensure that any product change/improvement initiated by customer or internally is carried out under controlled condition to ensure product produced meets customer/product requirements.
Monitoring & Measurement of Products	To monitor and measure the characteristics of the product in order to verify that product requirement have been met.
Production Process Control	To ensure the production process are carried out in controlled condition.
Fabrication Process Control	To ensure the fabrication processes are carried out in controlled condition.
Design & Development	To establish an effective and efficient system to control the product development activities to ensure that the outputs and results have met all the specified requirements.
Engineering Process Control	To ensure that any product change/improvement initiated by customer or internally is carried out under controlled condition to ensure product produced meets customer/product requirements.
Production & Material Control	To define the requirements in the production and material planning in order to fulfill customer requirements.
Delivery Arrangement	To define the requirement in preparation & arrangement of delivery of goods in accordance to customer requirements.
Control of Non-conforming Products	To ensure that product which does not conform to product requirement is identified and controlled to prevent its unintended use or delivery.
Product /Technical Training	To ensure employee and our distributor as well as customer are provided with the necessary knowledge to perform the jobs or to handle our product efficiently.

Quality Management Systems	Subsidiary	Descriptions
ISO 9001:2015	QES (ASIA-PACIFIC) SDN BHD	<ul style="list-style-type: none"> • Certifying that we comply with the ISO requirements for a quality management system. • Internal and external audit inspections conducted on a yearly basis.
ISO 9001:2008	QES MECHATRONIC SDN BHD	<ul style="list-style-type: none"> • Certifying that we comply with the ISO requirements for a quality management system. • Internal and external audit inspections conducted on a yearly basis.
ISO 9001:2015	QES INTRA PACIFIC SDN BHD	<ul style="list-style-type: none"> • Certifying that we comply with the ISO requirements for a quality management system. • Internal and external audit inspections conducted on a yearly basis.

SUSTAINABILITY STATEMENTS (CONT'D)

PRODUCT INNOVATION & RELIABILITY (CONT'D)

Quality Management Systems	Subsidiary	Descriptions
ISO/IEC 17025	QES (ASIA-PACIFIC) SDN BHD	<ul style="list-style-type: none"> • Certifying that we comply with the ISO requirements for a quality management system. • Internal and external audit inspections conducted on a yearly basis.
ISO/IEC 17025	QS INSTRUMENTS SDN BHD	<ul style="list-style-type: none"> • Certifying that we comply with the ISO requirements for a quality management system. • Internal and external audit inspections conducted on a yearly basis.
ISO 14001:2015	QES MECHATRONIC SDN BHD	<ul style="list-style-type: none"> • Certifying that we comply with the ISO requirements for a quality management system. • Internal and external audit inspections conducted on a yearly basis.

DATA PRIVACY & SECURITY

Ensuring data security is paramount to us, safeguarding our sensitive information from unauthorized access. The Group recognizes its duty to protect the data of employees, customers, and business partners. To effectively manage our expanding assets and user base, we've implemented the following controls:

1. Rigorous security measures over our IT infrastructure, including firewall protection, endpoint solutions, antivirus software, emergency power supply, server backup, and user access control.
2. Adherence to our IT user policy, which governs information and data usage practices for all employees, in compliance with relevant data protection laws such as the Personal Data Protection Act 2010 ("PDPA").
3. Adoption of enterprise IT management software with advanced functionality for overseeing large-scale IT infrastructure.
4. Regular refreshment of the IT team to ensure comprehensive coverage of operations (ITOps), development (DevOps), and security needs.

Despite the dynamic nature of the IT landscape, the Group has successfully averted IT breaches over the past three years. Although 2023 posed challenges, our IT team effectively mitigated most attacks. In response to a cyber-attack incident during the year, we swiftly recovered and identified areas for enhancing our IT infrastructure. This incident underscored the importance of ongoing education and information sharing to bolster employees' knowledge and awareness of emerging IT threats. Zero substantiated complaints concerning breaches of customer privacy and losses of customer data were reported for FYE 2023.

BUSINESS GROWTH & CONTINUITY

We generate value by delivering top-notch services, support, and products to our esteemed customers. Our customer service journey commences with our proficient sales team, who reach out to customers armed with comprehensive knowledge of our products to cater to their specific needs. Once orders are placed, our sales representatives keep customers informed about delivery schedules and processes.

Following each installation, we encourage customers to participate in our satisfaction survey, valuing both positive feedback and constructive criticism as catalysts for improvement. The survey covers four key areas: Sales Personnel, Products, Service Personnel, and Overall Purchase Experience. From product inquiry to installation service, every aspect is meticulously evaluated.

SUSTAINABILITY STATEMENTS (CONT'D)

BUSINESS GROWTH & CONTINUITY (CONT'D)

The data collected from these surveys are meticulously analyzed and discussed in the respective department’s monthly meetings, guiding our continuous improvement efforts and enhancing value creation for both our customers and our company.

QES maintains a collaborative rapport with both suppliers and industry stakeholders, leveraging these relationships to bolster our market presence and visibility. Our active engagement with national and international tradeshows and conferences serves as a cornerstone, providing invaluable networking opportunities and enhancing brand recognition.

Distinguishing ourselves from competitors, QES serves a diverse array of industries, including semiconductor, electrical and electronics, automotive, metal, oil and gas, mining, renewable energy, and more. In the FYE 2023, we enthusiastically participated in various national and international tradeshows pertinent to our extensive industry portfolio. Below are highlights of some key tradeshows we were involved in:

Tradeshaw	Industry	Country
SEMICON SEA 2023	Semiconductor	Penang, Malaysia
SEMICON CHINA 2023	Semiconductor	Shanghai, China
SEMICON WEST 2023	Semiconductor	San Francisco, US
METALTECH 2023	Metal & Automotive	KL, Malaysia
LABASIA 2023	Laboratory Equipment	KL, Malaysia
GIFA Indonesia 2023	Metal	Jakarta, Indonesia
GIFA Thailand 2023	Metal	Bangkok, Thailand
MALT 2023	Industry 4.0	Penang, Malaysia
PSECE 2023	Semiconductor	Manila, Philippines
Manufacturing Expo 2023	Metal & Automotive	Bangkok, Thailand
Metalex 2023	Metal & Automotive	Bangkok, Thailand

In our distribution division, the Group has strategically introduced two new suppliers to our extensive global network of partners, underscoring our commitment to business continuity and growth.

One of the two new suppliers is SaulTech from Taiwan, renowned for its expertise in Pick & Place and Die Attach technologies, particularly in the backend/assembly process of LED, LD, IF, and Lens productions. These cutting-edge technologies not only enhance our product offerings but also bolster our ability to meet the evolving needs of our customers, ensuring our competitive edge in the market.

The second new supplier is Nu Instruments from the United Kingdom, a pioneering leader in analytical instrumentation, specializing in Inductively Coupled Plasma Mass Spectrometry (ICP-MS), Glow Discharge Mass Spectrometry (GD-MS), Isotope Ratio Mass Spectrometry (IRMS), Thermal Ionisation Mass Spectrometry (TIMS), and Noble Gas analysis. These advanced technologies empower us to provide innovative solutions to our target audience, enabling elemental imaging of biomedical or geological samples, precise measurement of isotope ratios for determining provenance in food samples, nanoparticle size analysis, and assessment of material purity. By integrating these state-of-the-art instruments into our offerings, we not only enrich our product portfolio but also reinforce our position as a trusted partner for our customers’ diverse analytical needs, fostering sustained business growth and resilience.

SUSTAINABILITY STATEMENTS (CONT'D)

BUSINESS GROWTH & CONTINUITY (CONT'D)

In our pursuit of sustainable and ethically responsible business practices, our R&D endeavors have yielded significant innovations, particularly evident in the new product introductions for FYE 2023.

These cutting-edge advancements cater specifically to the semiconductor industry and include:

A state-of-the-art wafer batch ID reader, meticulously designed to optimize the cumbersome process of reading wafer IDs. This innovation not only bolsters operational efficiency but also mitigates the inherent risks of error, thereby conserving invaluable time and resources for our industry partners.

Our pioneering wafer stocker and sorter system for 150mm SiC boules, boasting a remarkable thickness range from 0.3mm to 25mm. This sophisticated solution directly addresses prevalent manufacturing challenges by delivering precise wafer handling and meticulous organization, thereby optimizing workflow and minimizing disruptive production incidents.

The new and improved version of our highly advanced wafer surface measurement system, featuring a non-contact 3D surface profiler and vibration isolation platform. This groundbreaking technology tackles pertinent manufacturing obstacles by furnishing exceptionally accurate surface measurements without compromising the integrity of delicate wafers. This enhances quality control protocols significantly.

Lastly, the development of our cutting-edge wafer macro AOI system, incorporating a 26MP area scan color camera with remarkable defect detection capabilities, detecting defects as minuscule as 0.21 x 0.21mm. This groundbreaking innovation markedly augments defect identification prowess, empowering manufacturers to swiftly pinpoint and rectify issues, thereby elevating product quality and dependability.

By investing in these pioneering solutions, we not only align with the evolving needs of our semiconductor industry partners but also champion sustainable manufacturing practices.

CORPORATE GOVERNANCE

The Group recognizes that robust corporate governance is integral to its sustained success and is fully committed to implementing practices that ensure transparency, accountability, performance, and integrity. These elements are crucial for fostering trust and confidence among stakeholders. Upholding high standards of corporate governance is a cornerstone of our long-term business strategy, as outlined in detail in the Corporate Governance Overview Statement contained within this Annual Report.

In addition to the overarching commitment to governance principles, the Group has formalized various policies and frameworks to guide its conduct and operations, including:

- **Code of Ethics and Conduct:** A comprehensive set of guidelines outlining the ethical standards and behaviors expected of all employees and stakeholders.
- **Anti-Corruption and Bribery Policy:** A robust policy aimed at preventing corrupt practices and ensuring compliance with anti-bribery laws and regulations.
- **Whistleblowing Policy:** A mechanism for employees and external parties to report any unethical behavior, misconduct, or violations of company policies, with assurances of confidentiality and protection from retaliation.
- **Corporate Governance Report:** A detailed account of the Group's governance structure, processes, and practices, providing stakeholders with insight into how governance principles are upheld within the organization.
- **Board Charter:** A document delineating the roles, responsibilities, and expectations of the Board of Directors, guiding their actions in accordance with best practices and regulatory requirements.

For further information, documents outlining these policies are available for reference on our corporate website at <https://www.qesnet.com/investor-relations/corporate-governance/>. These resources serve to enhance transparency and accountability, reinforcing our commitment to sound corporate governance practices.

SUSTAINABILITY STATEMENTS (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

Anti-Corruption and Bribery

The Group maintains an unwavering commitment to zero tolerance towards any instances of bribery or corruption, as articulated in our Anti-Bribery and Anti-Corruption Policy ("ABAC Policy"), readily accessible on our corporate website. The ABAC Policy comprehensively outlines various activities that could constitute corruption and bribery, including gifts, entertainment and hospitality, donations and contributions, as well as other behaviors that may be deemed as such. Additionally, the ABAC Policy establishes guidelines for directors and employees to adhere to, ensuring compliance with all applicable laws, rules, and regulations in the performance of their duties.

To ensure the relevance and effectiveness of our ABAC Policy, the Board conducts periodic reviews, updates, and oversight, particularly in response to regulatory changes such as Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009 (Amendment 2018). These reviews are crucial for maintaining alignment with evolving legal requirements and best practices in the field of anti-corruption.

Our commitment to transparency and accountability extends beyond mere policy formulation; we proactively disseminate and reinforce the ABAC Policy through various communication channels, including the corporate website, training or awareness sessions, and documentation in the Group Corporate Handbook, ensuring accessibility to all parties. Importantly, this policy applies to all entities within the Group, encompassing directors, employees, consultants, trainees, agents, suppliers, customers, and any third parties associated with the Group.

As at FYE 2023, approximately 80% of the Board and Key Management members have attended anti-corruption training since the introduction of the new provision, Section 17A of the MACC Act 2009 (Amendment 2018), on corruption offenses by commercial organizations. For FYE 2024, the Group will plan for more training and awareness-raising initiatives involving employees at all levels to equip them with the requisite knowledge and tools to recognize and report instances of bribery or corruption effectively. We have set an ambitious target to ensure that a minimum of 75% of our Malaysian employees undergo these targeted training sessions, thus fostering a culture of integrity and compliance throughout the organization.

While formal assessments for corruption related risks have not been conducted as of FYE 2023, we remain proactive in identifying and addressing potential vulnerabilities within our operations. This proactive approach includes regular reviews of our ABAC Policy, ongoing training and awareness initiatives for employees and close monitoring of regulatory developments in the field of anti-corruption. Moving forward, we are committed to implementing formal assessments to assess corruption-related risks across our operations, further reinforcing our dedication to transparency, integrity, and compliance.

In FYE 2023, the Group recorded zero substantiated whistleblowing reports, instances of bribery or corruption, fines incurred, or employees dismissed or disciplined due to anti-corruption and bribery.

SUSTAINABILITY STATEMENTS (CONT'D)

Indicator	Measurement Unit	2023
Bursa (Energy management)		
Bursa C4(a) Total energy consumption	Megawatt	919.94
Bursa (Water)		
Bursa C9(a) Total volume of water used	Megalitres	2,349,000
Bursa (Diversity)		
Bursa C3(a) Percentage of employees by gender and age group, for each employee category		
Age Group by Employee Category		
Top Management 20-29	Percentage	0.00
Top Management 30-39	Percentage	0.00
Top Management 40-49	Percentage	31.25
Top Management 50-59	Percentage	50.00
Top Management 60 & above	Percentage	18.75
Managerial 20-29	Percentage	0.90
Managerial 30-39	Percentage	34.23
Managerial 40-49	Percentage	46.85
Managerial 50-59	Percentage	18.02
Managerial 60 & above	Percentage	0.00
Executive 20-29	Percentage	46.97
Executive 30-39	Percentage	40.15
Executive 40-49	Percentage	11.74
Executive 50-59	Percentage	1.14
Executive 60 & above	Percentage	0.00
Non-executive 20-29	Percentage	45.46
Non-executive 30-39	Percentage	46.75
Non-executive 40-49	Percentage	6.49
Non-executive 50-59	Percentage	1.30
Non-executive 60 & above	Percentage	0.00
Gender Group by Employee Category		
Top Management Male	Percentage	87.50
Top Management Female	Percentage	12.50
Managerial Male	Percentage	71.00
Managerial Female	Percentage	29.00
Executive Male	Percentage	73.00
Executive Female	Percentage	27.00
Non-executive Male	Percentage	71.00
Non-executive Female	Percentage	29.00
Bursa C3(b) Percentage of directors by gender and age group		
Male	Percentage	67.00
Female	Percentage	33.00
55-60	Percentage	50.00
61-65	Percentage	17.00
66 & above	Percentage	33.00
Bursa (Labour practices and standards)		
Bursa C6(a) Total hours of training by employee category		
Top Management	Hours	288
Managerial	Hours	1,742
Executive	Hours	3,714
Non-executive	Hours	724
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	0.00
Bursa C6(c) Total number of employee turnover by employee category		
Top Management	Number	0
Managerial	Number	11
Executive	Number	14
Non-Executive	Number	16
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	0
Bursa (Health and safety)		
Bursa C5(a) Number of work-related fatalities	Number	0
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	0.00
Bursa C5(c) Number of employees trained on health and safety standards	Number	180
Bursa (Community/Society)		
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	7,260.00
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	400
Bursa (Supply chain management)		

Internal assurance External assurance No assurance

(*)Restated

SUSTAINABILITY STATEMENTS (CONT'D)

Indicator	Measurement Unit	2023
Bursa C7(a) Proportion of spending on local suppliers	Percentage	18.00
Bursa (Data privacy and security)		
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0
Bursa (Anti-corruption)		
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category		
Top Management	Percentage	44.00
Managerial	Percentage	1.00
Executive	Percentage	0.00
Non-executive	Percentage	0.00
Bursa C1(b) Percentage of operations assessed for corruption-related risks	Percentage	0.00
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	0

Internal assurance External assurance No assurance

(*)Restated

SUSTAINABILITY STATEMENTS
(CONT'D)



**INDEPENDENT ASSURANCE
STATEMENT**

**QES GROUP BERHAD
SUSTAINABILITY THIRD PARTY
ASSURANCE REVIEW**

25 March 2024

Suite 11-01, Plaza 138, Jalan Ampang
50450 Kuala Lumpur, Malaysia
Tel: 603-2711 3453
Fax: 603-2711 3456
E-mail: info@smartfocus.com.my
Website: www.smartfocus.com.my

Ref: QES /Report 1/24

SUSTAINABILITY STATEMENTS (CONT'D)



Date : 25 March 2024
 To : Board of Directors
 QES GROUP BERHAD

INDEPENDENT ASSURANCE STATEMENT

Introduction and Purpose of the Engagement

The Smart Focus Group (“Smart Focus”) has been appointed by QES GROUP BERHAD (“QES”) to provide an independent review, with limited assurance, of their **Sustainability Statement (“SS”)** for FYE 2023.

This review aims to increase the confidence of QES’s stakeholders in the SS. Smart Focus has assessed the accuracy, reliability, and objectivity of the information presented. The review will ensure the SS covers the most important sustainability issues for QES and its stakeholders.

Scope of the Engagement

Our review focused on assuring performance data and qualitative information in SS for the reporting period from 1 January 2023 to 31 December 2023. Within the constraints and exclusions outlined below, our review encompassed:

- Statements, information, and selected ESG performance indicators presented in the SS; and
- QES’s management approach to its significant issues and reporting Standards.

The selected information was compiled by the QES team in compliance with recognised best practice reporting frameworks such as the Global Reporting Initiative (GRI), Sustainable Development Goals (SDG) and the Sustainability Accounting Standards Board (SASB), along with internal definitions established by QES for monitoring and evaluating progress against its ESG (Environment, Social, and Governance) performance indicators.

Exclusions and Limitations

Our review relied solely on the information provided by the QES team. This information may include data consolidated and reconciled by QES from various sources like markets, operations, suppliers, and other third parties.

It is important to note that the accuracy of the reported data ultimately depends on how well data is collected and monitored at the source (markets and sites). We did not assess these data collection and monitoring procedures during our limited assurance engagement.

Our review considered a selection of the selected information based on a risk assessment. Due to this sampling approach, there is a chance that some errors, omissions, or misstatements in the SS might not be identified.

SUSTAINABILITY STATEMENTS (CONT'D)



The SS includes various types of information, some of which we reviewed and others that fell outside our scope of work:

1. Financial data, including data used to calculate selected information, which is audited by an external financial auditor and relied upon for our scope of work. This includes statements related to production, sales, revenue, salaries, payments, and financial investments.
2. Information outside the scope, contains information about activities that happened outside the timeframe or were irrelevant to our review.
3. Company statements and opinions, include statements expressing the company's position, opinions, beliefs, goals, and plans. Additionally, it may contain anecdotes or testimonials from QES or third parties. These were not part of our review.
4. New targets and reporting criteria, appropriateness of new commitments, targets, and objectives set by QES, as well as their internal reporting definitions, were not evaluated in our review.

Responsibilities:

The QES management is responsible for drafting and presenting the selected information in the SS. Smart Focus did not contribute to drafting the SS.

Our responsibility was to provide a limited assurance review, following established standards, to assess the accuracy, reliability, and objectivity of the information presented in the SS. Based on this review, we formed an independent conclusion.

Verification Opinion

It is our opinion that QES has established a system for the collection, aggregation, and analysis of quantitative data for the determination of its Environmental, and Safety data for the stated period and boundaries.

Thank you.

Smart Focus Group

GROUP HIGHLIGHTS OF 2023

CHINESE NEW YEAR



FORBES BEST UNDER A BILLION 2023



GROUP HIGHLIGHTS OF 2023 (CONT'D)

GIFA THAILAND 2023



INTERNATIONAL WOMEN'S DAY 2023



KPI TOWNHALL



GROUP HIGHLIGHTS OF 2023 (CONT'D)

LAB ASIA 2023



LUBRICATION ANALYSIS SEMINAR & WORKSHOP



MANUFACTURING EXPO THAILAND 2023



GROUP HIGHLIGHTS OF 2023 (CONT'D)

METALTECH 2023



PDMEEX 2023



PICHE 2023



GROUP HIGHLIGHTS OF 2023 (CONT'D)

QES TEAMBUILDING



QES ANNUAL DINNER



GROUP HIGHLIGHTS OF 2023 (CONT'D)

GRAND OPENING CEREMONY FOR QES HEADQUARTERS



SEASI 2023

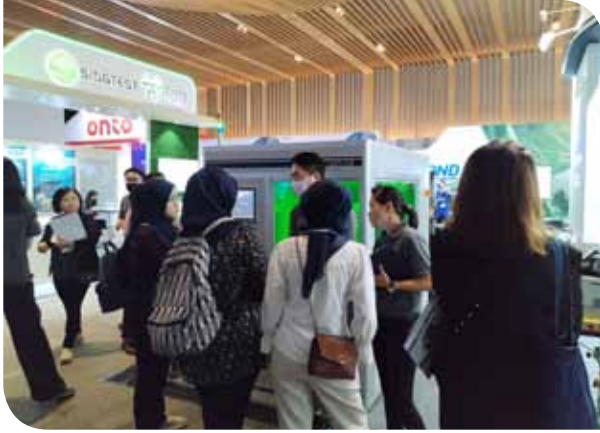


SEMICON CHINA 2023



GROUP HIGHLIGHTS OF 2023 (CONT'D)

SEMICON SEA 2023



SOLAR INSTALLATIONS



GROUP HIGHLIGHTS OF 2023 (CONT'D)

THAILANLAB 2023



WWF EARTH HOUR 2023



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of QES Group Berhad are pleased to present the Group’s Corporate Governance (“CG”) Overview Statement for the FYE 2023, which serves to provide shareholders and stakeholders with an understanding of the Group’s commitment to CG and how the Group’s practices support its ability to create long-term value for all our shareholders and stakeholders. Our CG Overview Statement are premised on Securities Commission Malaysia’s Malaysian Code on Corporate Governance 2021 (“MCCG 2021”)’s three principles, namely Board Leadership and Effectiveness, Effective Audit and Risk Management, Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

This CG Overview Statement is prepared in compliance with Bursa Malaysia Securities Berhad’s Main Market Listing Requirement (“MMLR”), and it is to be read together with the CG Report 2023 which is available on the Group’s corporate website at www.qesnet.com.

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



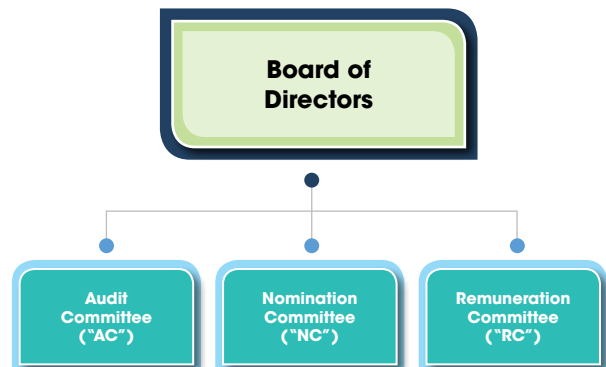
A BOARD LEADERSHIP AND EFFECTIVENESS

DISCHARGING BOARD RESPONSIBILITIES

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

The Board deliberates on the strategies proposed by the Management in a supportive and collaborative manner in order to stimulate careful consideration of issues and to minimise undue risks. The Board will scrutinise the sustainability, effectiveness and implementation of the strategic plans for the financial year under review and provide guidance and input to the management. The Group’s review strategy is an integral part of matters reserved for the Board. The Board has delegated certain matters, such as the day-to-day management of the Group to the Group Managing Director. The distinct roles played by the Board and the Management creates a healthy ecosystem of checks and balances in the Group’s pursuit of its interests.

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



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

DISCHARGING BOARD RESPONSIBILITIES (CONT'D)

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

The TOR of each of the Board Committees as approved by the Board are available on the Company's corporate website www.qesnet.com. The Board Charter and TORs are reviewed periodically to ensure effective and efficient decision making in the Group.

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

Board and Board Committees evaluation is conducted annually to evaluate the Board's performance and to identify opportunities to increase its effectiveness. The evaluation was done internally through questionnaires based on the MCG 2021 and the Board was satisfied with the overall results of the evaluation.

SUMMARY OF KEY BOARD RESERVED MATTERS

- A) Approval of financial results and budgets
- B) Business continuity and corporate plans
- C) Acquisitions, disposals and transactions exceeding the authorised limit of the Executive Directors
- D) Disposal or acquisition of significant fixed assets or companies within the Company.

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

BOARD LEADERSHIP

Encik Adnan Bin Zainol ("Encik Adnan") was appointed as the Independent Non-Executive Chairman of the Group. Encik Adnan provides leadership for the Board so that the Board can perform its responsibilities effectively.

The Chairman also sets the board agenda together with the Company Secretary to ensure that the Directors receive complete and accurate information in a timely manner.

During Board meetings and discussions, the Chairman leads and encourage active participation and allow dissenting views to be freely expressed among the Board.

SEPARATION OF POSITIONS OF CHAIRMAN AND THE MANAGING DIRECTOR

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

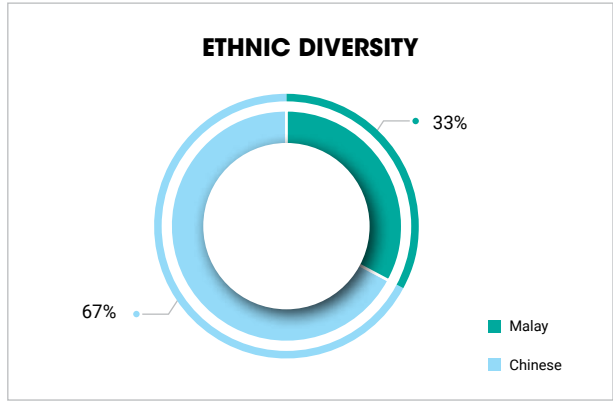
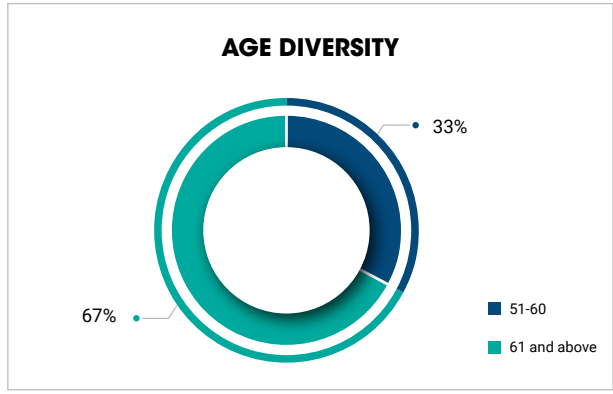
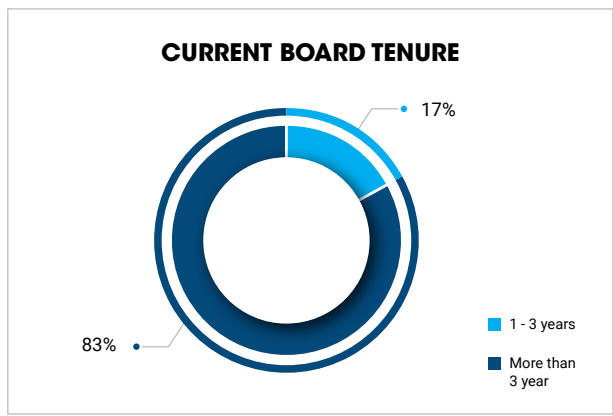
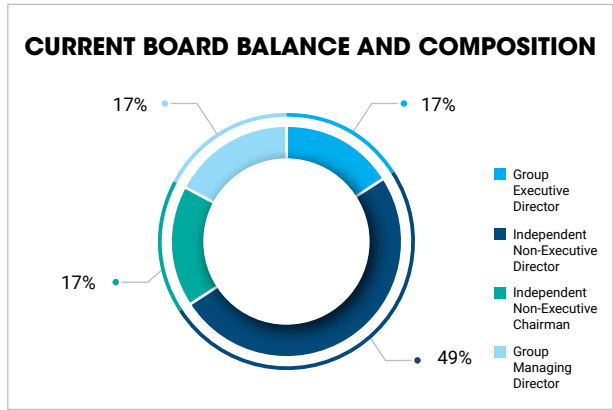
In order to foster a strong governance culture in the Group and to ensure a balance of power and authority, the roles of Independent Non-Executive Chairman and Group Managing Director are strictly separated. The Company practices a division of responsibilities between the Independent Non-Executive Chairman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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS

Independent Non-Executive Chairman
Encik Adnan Bin Zainol (Appointed on 11 May 2015)
Group Managing Director
Mr. Chew Ne Weng (Appointed on 20 November 2014)
Group Executive Director
Mr. Liew Soo Keang (Appointed on 20 November 2014)
Independent Non-Executive Directors
Mr. Hoh Chee Mun (Appointed on 11 May 2015)
Pn. Maznida binti Mokhtar (Appointed on 01 August 2019)
Ms. Wong Pek Yee (Appointed on 16 June 2022)



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

BOARD MEETINGS

The Board intends to meet at least 5 times a year, with additional meetings convened where necessary. Minutes of Board meetings are duly recorded by the Company Secretary. During the FYE 2023, a total of 5 Board meetings were held.

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

The Directors' commitment in carrying out their duties and responsibilities are affirmed by their attendance at the Board and Board Committees Meetings held during the FYE 2023, as reflected below:-

MEMBERS OF THE BOARD	DESIGNATION	ATTENDANCE
Encik Adnan bin Zainol	Independent Non-Executive Chairman	5/5
Mr. Chew Ne Weng	Group Managing Director	5/5
Mr. Liew Soo Keang	Group Executive Director	5/5
Mr. Hoh Chee Mun	Independent Non-Executive Director	5/5
Pn. Maznida binti Mokhtar	Independent Non-Executive Director	5/5
Ms. Wong Pek Yee	Independent Non-Executive Director	5/5

COMPANY SECRETARY

Qualified and Competent Company Secretary

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

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

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

The Board received copies of meeting minutes of the Board and Board Committees meetings in a timely manner prior to the Board meetings to enable the Directors to discharge their duties and responsibilities competently and in a well-informed manner. The Key Management are also invited to attend the Board and Board Committees meetings, to brief and provide explanations to the Board on the operations of the Group.

Board Charter

The Board implemented its Board Charter on 11 October 2017 and updated it on 14 April 2022. It sets out the roles, functions, composition, operation and processes of the Board and is to ensure all Board members acting on behalf of the Group are aware of their duties and responsibilities.

The Board will periodically review and update its Board Charter in accordance with the needs of the Group and to comply with new regulations that may have an impact on the discharge of the Board's responsibilities. The Board Charter is available on the Group's corporate website at www.qesnet.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
 (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)
DIRECTORS' INDUCTION, TRAINING AND DEVELOPMENT
Continuing Education Program

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

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

Members of the Board	Seminars/ Conference/ Trainings Attended	Date Attended
Encik Adnan bin Zainol	Board Audit Committee Dialogue Networking	06 June 2023
	Raving Up the Race for Sustainability	21-22 June 2023
	Mandatory Accreditation Program Part 2 - Leading for Impact (LIP)	13-14 September 2023
Mr. Chew Ne Weng	Conflict of Interest and Governance of Conflict of Interest	05 September 2023
	Mandatory Accreditation Program Part 2 - Leading for Impact (LIP)	13-14 September 2023
Mr. Liew Soo Keang	The Talent Magnet: How To Build a Thriving Workforce and Attract the Best	21 February 2023
	ICDM Power Talk Sustainability Series - (Re) Building the Board for Innovation	28 February 2023
	Jobstreet SIVA Recruitment Centre Training	08 June 2023
	Advocacy Session for Directors and CEOs Of Main Market Listed Issuers	17 August 2023
	Webinar On E-Invoicing: A Briefing By IRBM	08 September 2023
	Emotional Intelligence at The Workplace	06 October 2023
	Carbon Credits: A Win-Win for Sustainability and Business	10 October 2023
	AI and the Future of Work Forum	12 October 2023
	Bursa PLCs Investor Relations Series 2: Centralised Sustainability Intelligence & FTSE4GOOD	16 October 2023
	Microsoft 365 Hour: Elevate Executive Productivity from Anywhere with Microsoft 365 Copilot	07 December 2023
Mr. Hoh Chee Mun	Board Audit Committee Dialogue & Networking: A Serious Allegation Is Reported - What Should Boards Do?	06 June 2023
	SRI 2023: Revving Up the Race for Sustainability	21-22 June 2023
	Exploring Various RPT Exemptions	14 September 2023
	MIA Webinar Series: Transfer Pricing Issues Facing MNCs and Public Listed Companies	19 October 2023

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

DIRECTORS' INDUCTION, TRAINING AND DEVELOPMENT

Continuing Education Program (Cont'd)

Members of the Board	Seminars/ Conference/ Trainings Attended	Date Attended
Pn. Maznida binti Mokhtar	Power Talk Sustainability Series #1: Rebuilding the Board for Innovation	28 February 2023
	MIA Digital Month 2023 - Week 3: Success Stories	01 March 2023
	MIA Digital Month 2023 - Week 4: Digital Accountant: Digital Skills in A Transformed World	08 March 2023
	Forum AI in Accounting: Threat or Opportunity?	11 April 2023
	BAC Dialogue & Networking 2023	06 June 2023
	Complimentary Webinar: Updates on Indirect Taxes	08 June 2023
	MIA Conference 2023	13-14 June 2023
	Mandatory Accreditation Program Part 2 - Leading for Impact (LIP)	19-20 September 2023
	MACC - Anti Bribery & Corruption Training	29 September 2023
	ICDM Board NRC Dialogue & Networking (2023) - Remuneration Report Launch	30 October 2023
	Audit Oversight Board Conversation with Audit Committees	27 November 2023
Ms. Wong Pek Yee	Currency and Treasury Environment	28 February 2023
	Leading People Thru Transformation	07 March 2023
	Anti-Money Laundering and Countering Financing of Terrorism	07 March 2023
	Engagement Session for BNM Annual Report 2022, Economic & Monetary Review 2022, and Financial Stability Review Second Half 2022 (ITOS)	30 March 2023
	Roundtable on Licensing & Regulatory Framework for Digital Insurers and Takaful Operators Exposure Draft	11 April 2023
	Tax Updates	24 May 2023
	ESG Reporting & Disclosure	24 May 2023
	Board Audit Committee Dialogue & Networking: A Serious Allegation Is Reported - What Should Boards Do?	06 June 2023
	SRI 2023: Revving Up the Race for Sustainability	21-22 June 2023
	Emerging Risks in Financial Industry	12 September 2023
	Advocacy for Directors	19 September 2023
	Conflict of Interests	06 October 2023
JC3	23-25 October 2023	

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

CODE OF ETHICS & CONDUCT

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

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

ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

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

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

DIRECTORS' FIT AND PROPER POLICY

The Board has in place a Directors' Fit and Proper Policy, which was adopted on 30 June 2023, which sets out the fitness and propriety for the appointment and re-election of Directors and to ensure that each of the Director has the character, integrity, experience, competence and time commitment to effectively discharge his/her role as a Director of the Group in tandem with good CG practices.

The Directors' Fit and Proper Policy is available on the Group's corporate website at www.qesnet.com.

WHISTLEBLOWING POLICY

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

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

CONFLICT OF INTEREST

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

GOVERNANCE OF SUSTAINABILITY

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

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

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD COMPOSITION AND BALANCE

As at 31 December 2023, the Board has 6 members comprising 1 Independent Non-Executive Chairman, 1 Group Managing Director, 1 Group Executive Director and 3 Independent Non-Executive Directors ("INED"). The composition not only fulfils the requirements as set out under the MMLR of Bursa Securities which stipulates that at least 2 Directors or 1/3 of the Board, whichever is higher, must be independent and this composition also fulfils the MCCG 2021 Practice 5.2 which requires at least half of the Board to be Independent Directors.

The Board is committed in ensuring that its composition not only reflects the diversity as recommended by the MCCG 2021, as best as it can, but also has the right mix of skills and balance to contribute to the achievement of the Group's goals and missions.

For this purpose, a Board Competency Matrix has been developed and used as reference for the Board's succession planning. Presently, the members of the Board include professionals from diverse ethnicity and age, bringing with them depth, diversity of expertise, a wide range of experience and perspective in discharging their responsibilities by adding positive values to the Group. The profile of each Director is presented in pages 5 to 9 of this Annual Report 2023.

GENDER DIVERSITY POLICY

Despite not having a Gender Diversity Policy, the Board acknowledges the importance of boardroom diversity, including gender diversity recommendations under the MCCG 2021 and will continue to prioritise women candidates in future recruitment exercise. Currently, the Board has 2 female directors out of 6 Directors, equivalent to 33.33% women representation on the Board.

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

TENURE OF INDEPENDENT DIRECTOR

Pursuant to the MMLR and also MCCG 2021, the tenure of Independent Directors is limited to a cumulative term, of not exceeding 12 years and in the event that the Board intends to retain the Director as an Independent Director after he/she has served for a consecutive/cumulative term of 9 years, the Board must provide justification and seek shareholders' approval through a two-tier voting process or the respective Independent Director may continue to serve on the Board as a Non-Independent Director.

On 21 March 2024, the Board through the NC had conducted an assessment and review of the independence of the INED which were prepared in accordance with the definition of Independent Director under Paragraph 1.01 of the MMLR. Based on the recommendation of the NC, the Board is comfortable that each of the Non-Executive Directors met the requisite fit and proper requirements which includes the criteria for independence.

The Board is satisfied that they are independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgement or the ability to act in the best interests of the Group. Currently the composition of 6 Board members as at 31 December 2023 was considered appropriate and adequate to effectively govern the organisation.

Two of our Independent Directors, namely Encik Adnan and Mr. Hoh will complete a cumulative term of nine years by the upcoming Annual General Meeting ("AGM"). After evaluating their independence and the valuable knowledge and expertise they bring to the Group, the NC has recommended to the Board on retaining these two individuals as Independent Directors of the Company.

The Board is in agreement and further believes that the tenure of these Directors does not in any way undermine their independence to the Company. It views the extensive experience they have garnered over the years as an asset that enhances their capability to make impartial and beneficial decisions for the Company's well-being.

Based on the justifications provided above, the Board recommends proposing a resolution at the upcoming AGM for shareholders to approve the retention of these individuals as Independent Directors, utilizing a two-tier voting process.

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

The Executive Directors are responsible for the overall management of the Group, to oversee operations, and to coordinate the development, implementation of business and corporate strategies.

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

TENURE OF INDEPENDENT DIRECTOR (CONT'D)

New candidates for Board Appointment

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

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

Boardroom Diversity and Key Management Team

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

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

NOMINATION COMMITTEE REPORT

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

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

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

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

Name of Member	Designation	Role in NC
Pn. Maznida binti Mokhtar	Independent Non-Executive Director	Chairperson
Mr. Hoh Chee Mun	Independent Non-Executive Director	Member
Ms. Wong Pek Yee	Independent Non-Executive Director	Member

Board Appointment

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

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

- (i) Size, composition, diversity (including gender diversity) and other qualities of the existing Board, level of commitment, resources and time that the recommended candidate can contribute to the existing Board and the Group;
- (ii) The candidate's skills, knowledge, expertise and experience, professionalism, integrity and, in the case of a candidate for the position of INED, the independence criteria as set out in Paragraph 1.01 of the MMLR; and
- (iii) The appropriate number of INED to fulfil the requirements under MMLR which requires at least two (2) or 1/3 of the membership of the Board must be Independent Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

NOMINATION COMMITTEE REPORT (CONT'D)

Board Appointment (Cont'd)

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

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

Activities of the NC

Below is a summary of the activities undertaken by the NC for the FYE 2023: -

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

BOARD & DIRECTORS EFFECTIVENESS EVALUATION

a) Evaluation for Board, Board Committees and Individual Directors

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

The evaluation criteria for the Board, Board Committees and individual Directors are primarily anchored on regulatory requirements and emerging best practices of MCCG 2021 as the method of evaluation.

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

The questionnaires comprised of the Board and Board Committees Effectiveness Assessments, Directors and Board Committees Members' Self and Peer Assessments, were issued to the Board/Committees members. In 21 March 2024, the analysis of the annual assessments results and feedback from the Board/Committees members were presented by the Company Secretary for the NC/Board's consideration in developing action plans for enhancing its overall effectiveness.

b) Re-election and Re-appointment of Directors

Director's re-election provides an opportunity for shareholders to renew their mandate conferred to the Directors. The NC is responsible for making recommendation to the Board for the re-election of Directors who retire by rotation. Their recommendations are based on formal reviews on the performance of Directors, taking into consideration the Board Competency Matrix.

Further, the Constitution of the Group provides that all Directors shall retire by rotation once in every 3 years or at least 1/3 of the Board shall retire from office and be eligible to offer themselves for re-election at the AGM. Any Director appointed during the year is required under the Company's Constitution to retire and seek re-election by shareholders at the following AGM immediately after his/her appointment.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

BOARD & DIRECTORS EFFECTIVENESS EVALUATION (CONT'D)

b) Re-election and Re-appointment of Directors (Cont'd)

Appointment of New Director

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



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

REMUNERATION COMMITTEE REPORT

The RC was established on 11 October 2017.

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

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

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

During the FYE 2023, the RC together with the assistance of the Group’s Senior General Manager of Human Resources and Admin reviewed and recommended the remuneration of Directors for FYE 2023. The TOR of the RC is available at the Group’s corporate website at www.qesnet.com.

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

Name of Member(s)	Designation	Role in RC
Mr. Hoh Chee Mun	Independent Non-Executive Director	Chairman
Ms. Wong Pek Yee	Independent Non-Executive Director	Member
Pn. Maznida binti Mokhtar	Independent Non-Executive Director	Member

CORPORATE GOVERNANCE OVERVIEW STATEMENT
 (CONT'D)

REMUNERATION COMMITTEE REPORT (CONT'D)
REMUNERATION POLICY

The Board has in place policies and procedures to ensure the remuneration of the Directors reflect their responsibilities and commitment undertaken by them and also to attract and retain the right talent in the Board. The remuneration packages are regularly evaluated against the Group's performance and market related surveys.

The remuneration of the Directors of the Company for the financial year ended 31 December 2023 are 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 financial year ended 31 December 2023 are as follows:-

Directors	# Fees (RM'000)	Salaries & * Other emoluments (RM'000)	Benefits- in-kind (RM'000)	Total (RM'000)
The Company				
Executive Directors				
Chew Ne Weng	-	-	-	-
Liew Soo Keang	-	-	-	-
Non-Executive Directors				
Adnan Bin Zainol	72	-	-	72
Hoh Chee Mun	72	-	-	72
Maznida Binti Mokhtar	72	-	-	72
Wong Pek Yee	72	-	-	72
The Group				
Executive Directors				
Chew Ne Weng	129	868	23	1,020
Liew Soo Keang	109	771	23	903
Non-Executive Directors				
Adnan Bin Zainol	72	-	-	72
Hoh Chee Mun	72	-	-	72
Maznida Binti Mokhtar	72	-	-	72
Wong Pek Yee	72	-	-	72

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

* Other emoluments include bonuses and the Group's contribution to the Employer Provident Fund and Social Security contributions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

REMUNERATION COMMITTEE REPORT (CONT'D)

REMUNERATION OF THE FOUR KEY MANAGEMENT

The aggregate remuneration paid to the four Key Management of the Group during the financial year ended 31 December 2023 analysed into bands of RM100,000 are as follows:

Range(s)	Number of Key Management
RM500,001- RM600,000	1
RM600,001- RM700,000	1
RM900,001- RM1,000,000	1
RM1,900,001- RM2,000,000	1

Details of the remuneration of the four Key Management on a named basis are not disclosed in this report as the Board is of the view that the transparency and accountability aspects of the MCCG 2021 on disclosure of the remuneration of Key Management are appropriately served by the above remuneration disclosures in bands as shown above.

B

EFFECTIVE AUDIT AND RISK MANAGEMENT

AUDIT COMMITTEE REPORT

The AC comprises of 3 INED. The AC is chaired by an INED, Ms. Wong Pek Yee. The TOR of the AC was updated and approved on 23 February 2024 and is available at the Group's corporate website at www.qesnet.com.

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

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

Name of Member	Designation	Role in AC
Ms. Wong Pek Yee	Independent Non-Executive Director	Chairperson
Mr. Hoh Chee Mun	Independent Non-Executive Director	Member
Pn. Maznida binti Mokhtar	Independent Non-Executive Director	Member

EXTERNAL AUDITOR

Messrs. KPMG PLT was appointed as the Group's External Auditors for the FYE 2023 in replacement of Messrs. Moore Stephens Associates PLT to provide relevant and transparent reports to the shareholders. The AC met on 23 November 2023 with the External Auditors without the presence of the Executive Directors and Management to discuss any key area or issues that require the attention of the AC for FYE 2023. The External Auditors confirms that they are and have been independent throughout the conduct of audit engagement in accordance with the terms of all relevant professional and regulatory requirements. An annual assessment on the External Auditors was conducted in 21 March 2024, the AC was satisfied with the performance of the External Auditors and had made recommendation to the Board for the External Auditors re-appointment for FYE 2024.

INTERNAL AUDITOR

NBS Smart Focus Group Sdn. Bhd. is in-charge of the internal audit function and assists the AC in reviewing, evaluating, and monitoring the effectiveness of the Group's governance, risk management and internal control process. The AC met once during the FYE 2023 with the Internal Auditor without the presence of the Executive Directors and Management to deliberate any key area or issues that requires the attention of the AC on 23 November 2023. An annual assessment on the performance of the Internal Auditor was also conducted by the AC on 21 March 2024. Based on the annual evaluation conducted, the AC was satisfied with the performance of the Internal Auditor for the FYE 2023.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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 2023. The adequacy and effectiveness of this process have been continually reviewed by the Board.

The Statement on Risk Management and Internal Control as set out in the Annual Report 2023 provides an overview on the state of risk management and internal controls within the Group.

COMMUNICATION WITH STAKEHOLDERS

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

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

CORPORATE WEBSITE

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

C

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

COMPLIANCE WITH MCCG 2021

The Board is committed to ensure high standards of governance are practiced wherein the Company has adopted and complied substantially with the practices of MCCG 2021.

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

	Applied / Adopted	Departure	Not Applicable	Not-adopted	Total
Practices	40	2	1	–	43
Step-Up Practices	2	–	–	3	5

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

COMPLIANCE WITH MCCG 2021 (CONT'D)

At the date of this Statement, QES has adopted 42 out of 48 practices including 2 step-up practices of MCCG 2021. The practices that have yet to be applied/adopted are as follows:-

Practice 5.4	The board has a policy which limits the tenure of its independent directors to nine years without further extension.
Practice 5.10	The board discloses in its annual report the company's policy on gender diversity for the board and senior management.
Practice 8.2	The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.
Practice 8.3	Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.
Practice 10.3	The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

CONDUCT OF GENERAL MEETINGS

Shareholders will receive notices of AGMs, which are sent out at least 28 calendar days before the date of the AGM. In addition, the Notice of AGM or Extraordinary General Meeting will be advertised in the newspaper. The Board encourages shareholders to attend the forthcoming 10th Annual General Meeting and undertakes to answer all questions raised by the shareholders.

The proceedings of the AGM include a question and answer session in which the Chairman of the AGM would invite shareholders to raise questions on the Group's Financial Statements and other items for adoption at the AGM, before putting a resolution to vote. The Chairman of the AGM will ensure that sufficient opportunities are given for shareholders to raise issues relating to the affairs of the Group and that adequate responses are provided. The results of all the resolutions set out in the Notice of AGM will be announced on the same day via Bursa Link, which is accessible on Bursa Securities' and the Group's corporate website at www.qesnet.com. The Board ensures that full information of the Directors who are retiring at the AGM and willing to serve if re-elected are disclosed in the Annual Report 2023.

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

DIRECTORS' RESPONSIBILITY STATEMENT FOR THE AUDITED FINANCIAL STATEMENTS

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Group are responsible for the preparation of the Group and of the Company's financial statements to ensure a true and fair view is presented in accordance with MFRS, International Financial Reporting Standards and the requirements of the Act in Malaysia. In ensuring the preparation of these financial statements, the Directors have observed the following criteria:

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

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

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

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2023, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirm that the financial statements have been prepared on a going concern basis.

COMPLIANCE STATEMENT

The Board has deliberated, reviewed and approved this CG Overview Statement. The Board considered that the CG Overview Statement provides the information necessary to enable shareholders of the Group to evaluate how the principles and best practices as set out in the MCCG 2021 have been complied with since the Group's listing on 8 March 2018. The Board shall remain committed to attaining the highest possible standards through the continuous adoption of the principles and best practices of the MCCG 2021 and all other applicable laws and regulations.

This CG Overview Statement was approved by the Board of Directors of QES on 15 April 2024.

ADDITIONAL COMPLIANCE INFORMATION

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

Utilisation of Proceeds

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

Audit and Non-Audit Fees

The amount of audit and non-audit fees paid/payable to the External Auditors for the services rendered to the Group and the Company for the financial year ended 31 December 2023 are as follows:-

	Group RM'000	Company RM'000
Audit fee	509	70
Non-audit fee	110	16

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

Material Contracts

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

Employee Share Option Scheme

The Employee's Share Option Scheme of the Company ("ESOS") was established and implemented on 1 July 2019 and the ESOS is governed by its ESOS By-Laws approved by the shareholders at an Extraordinary General Meeting held on 25 June 2019. The ESOS became effective for a period of five (5) years from 1 July 2019 in accordance with the terms of the ESOS By-Laws.

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

There were no ESOS options granted since implementation.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

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

The Malaysian Code on Corporate Governance ("MCCG") requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Under Paragraph 15.26(b) of the Bursa Malaysia Securities' Main Market Listing Requirement ("MMLR"), the Board of QES is pleased to report on its Statement on Risk Management and Internal Control, which provides an overview of the nature and state of risk management and internal controls of the Group during the financial year under review and up to the date of approval of this statement by the Board. This statement is guided by the latest Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers issued by the Taskforce on Internal Control with the support and endorsement of Bursa Malaysia and the MCCG.

BOARD'S RESPONSIBILITY AND ACCOUNTABILITY

The Board is committed to ensure the existence of an appropriate risk management framework and sound, efficient and effective system of internal control to safeguard shareholders' investment and the Group's assets. The system is designed to provide reasonable assurance of effective operations and compliance with laws and regulations. The Board ensures the effectiveness of the system through bi-annual reviews. As there are limitations that are inherent in any system of internal control, this system is designed to manage rather than eliminate risks that may impede the achievement of the Group's business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control covers inter alia, financial, operational and compliance controls and risk management procedures. Internal control and risk-related matters which warranted the attention of the Board were recommended by the Audit Committee ("AC") to the Board for its deliberation and approval and matters or decisions made within the AC's purview were referred to the Board for its notation.

MANAGEMENT'S RESPONSIBILITIES

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

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

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

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

INTERNAL CONTROL SYSTEM AND ENVIRONMENT

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

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

INTERNAL AUDIT

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

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

During FYE 2023, the internal audit reviews were carried out by the internal audit team to address the related internal control weaknesses. Significant weaknesses identified during the reviews together with the improvement measures to strengthen the internal controls were reported accordingly.

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

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

The Internal Auditor also periodically reports on the activities performed, key strategic and control issues observed by the AC. The AC reviews and approves the internal audit plan and human resources requirements to ensure the function maintains an adequate number of Internal Auditors with sufficient knowledge, skills and experience. The internal audit in its current practices, complies with the Committee of Sponsoring Organizations of the Treadway Commission (COSO – USA Standard) and The Criteria of Control Board (COCO - Canadian Standard)'s Internal Controls - Integrated Framework. Using this framework, all internal control assessments performed by the Internal Auditors are based on the

internal control elements, scope and coverage. The Internal Auditor continues to adopt the risk-based audit plan to ensure the programmes carried out are prioritised based on the Group's key risks and core or priority areas. Input from various sources inclusive of the Enterprise Risk Management Framework, business plan, past audit issues, External Auditors, Management and the Board are gathered, assessed and prioritised to derive the annual audit plan.

In 2023, full audit and follow-up audit reviews were conducted in various subsidiaries. There was a total of six (6) reports issued, two (2) Internal Audit reviews, three (3) Follow-up reviews, and one (1) Enterprise Risk Management report. Internal Audit reviews were conducted to establish the state of internal control based on the information provided by the Management.

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

QUALITY ASSURANCE

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

INFORMATION AND COMMUNICATION

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

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

RISK MANAGEMENT

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

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

The ERM process is based on the following principles:

Consider and manage risks enterprise-wide;

Integrate risk management into business activities;

Manage risk in accordance with the Risk Management framework;

Tailor responses to business circumstances; and

Communicate the risks and responses to Management

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

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

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

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

RISK STRUCTURE/ACCOUNTABILITY AND RESPONSIBILITY

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

ASSURANCE FROM THE MANAGEMENT

As evidenced from the various activities mentioned above, the Board has obtained reasonable assurance from the Group Managing Director, Head of Finance, and other Department Heads that the Group's risk management and internal control system are operating adequately and effectively, in all material aspects, based on the risk management model adopted by the Group.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for the year ended 31 December 2023, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the Annual Report of the Group, in all material respects:

- a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- b) is factually inaccurate

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

CONCLUSION

For the financial year under review, there were no significant internal control deficiencies or material weaknesses resulting in material losses or contingencies requiring separate disclosure in the Annual Report. The Board is of the view that the Group's system of internal control and risk management is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognisant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the Group's system of internal control and risk management framework. This statement is also based on the consideration of the audit work performed by both the External/Internal Auditors and assurance from the respective Head of Department on financial and nonfinancial matters.

AUDIT COMMITTEE REPORT

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

1. COMPOSITION OF THE AUDIT COMMITTEE

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

The Qualifications of the AC members comprise of the following:-

NAME OF MEMBER(S)	QUALIFICATIONS/ MEMBERSHIP
Wong Pek Yee (Chairperson)	(a) Institute of Chartered Accountants of England and Wales (b) Malaysia Institute of Accountants (“MIA”)
Maznida Binti Mokhtar (Member)	(a) Malaysia Institute of Accountants (“MIA”) (b) Institute of Chartered Accountants of England and Wales
Hoh Chee Mun (Member)	(a) Certified Public Accountants, Malaysian Institute of Certified Public Accountant (MICPA) (b) Malaysia Institute of Accountants (“MIA”)

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

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

2. COMMITTEE MEETINGS

The AC met 5 times during the FYE 2023. The details of the AC meetings held and the attendance of the AC Members are as follows:-

Director(s)	Designation	Membership	Appointment Date	Attendance/ Held
Wong Pek Yee	Chairperson	Independent Non-Executive Director	16 June 2022	5/5
Hoh Chee Mun	Member	Independent Non-Executive Director	11 October 2017	5/5
Maznida Binti Mokhtar	Member	Independent Non-Executive Director	1 August 2019	5/5

3. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE MEMBERS

FINANCIAL REPORTING

- (a) Reviewed the unaudited quarterly financial results and announcements of the Group, and recommended them to be submitted for approval by the Board, to release to Bursa Securities accordingly;
- (b) Reviewed any related party transactions and conflict of interest situations that may arise within the Group during the FYE 2023;
- (c) Reviewed the audited financial statements for the FYE 2023; and
- (d) Reviewed the Corporate Governance Overview Statement, Corporate Governance Report 2023 and Statement on Risk Management and Internal Control to ensure compliance with the MMLR of Bursa Securities and recommend to the Board for inclusion in the Annual Report 2023.

EXTERNAL AUDIT

- (a) During the FYE 2023, the AC reviewed the External Auditor's, Messrs. KPMG PLT ("KPMG") presentation which were as follows: -
 - (i) Audit Planning Memorandum which outlined its engagement team, audit approach, audit timeline, the areas of audit emphasis, and their focus on Key Audit Matters with reference to the International Standard on Auditing 701; and
 - (ii) AC Closing Presentation for the FYE 2023 which update the current status of the audit, highlights and explains the disposition of the salient accounting and audit issues, the Key Audit Matters identified during the audit, any significant deficiencies in internal control, audit adjustments and unadjusted differences and Auditors' confirmation in accordance with ISA 260 Communication with those charged with Governance that the auditors have complied with the requirements for independence.
- (b) Scrutinised potential Key Audit Matter 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 Matter vetted by the AC was on:-

- i) Impairment of trade receivables – Expected credit loss ("ECL") allowance
- (c) The AC reviewed and discussed the suitability and independence of the newly appointed External Auditors. Following the assessment, the Committee expressed satisfaction with KPMG's qualifications for appointment as the Company's External Auditors. Consequently, the Committee has recommended to the Board that KPMG be appointed as External Auditors for the financial year.
- (d) Discussed with the External Auditors on updates or in relation to the new proposed changes in accounting standards, regulatory requirements and considered the implications to the financial statements of the new Financial Reporting System.
- (e) The AC met with the External Auditors without the presence of the Executive Directors and Management on 23 November 2023 to discuss audit findings and assistance given by the Management. There were no major concerns raised by the External Auditors during the session.

AUDIT COMMITTEE REPORT (CONT'D)

INTERNAL AUDIT FUNCTION

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

During the FYE 2023, the Internal Auditors conducted the following reviews: -

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

METRIC	ACHIEVEMENT/ REPORT
Percentage of Audit Plan complete	100%
Number of audit reports issued	2
Number of follow-up audit reports issued	3
Additional areas covered as instructed by the Audit Committee	1
Critical Audit Findings	100%
Recommendations accepted and implemented	100%
Report on Enterprise Risk Management & Strategic Risk Assessment	1

Reported Date	Report
3 August 2023	<ul style="list-style-type: none"> a) Internal Audit Review on QES (Singapore) Pte. Ltd. b) Internal Audit Review on QES (Asia-Pacific) Sdn. Bhd. c) Internal Audit Follow-up Review on QES Vision Solutions Sdn. Bhd. d) Internal Audit Follow-up Review on QAM (Asia-Pacific) Sdn. Bhd. e) Internal Audit Follow-up Review on QES Technology Philippines Inc. f) Report on Enterprise Risk Management

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

The AC met with the Internal Auditor once on 23 November 2023 in the absence of the Executive Directors and Management to discuss audit issues and reservations arising from the internal audit cycles. There were no major concerns raised by the Internal Auditor during the private session.

The cost incurred for the internal audit function in respect of the FYE 2023 was RM32,000.



FINANCIAL STATEMENTS

ACCOUNTABILITY

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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 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	19,161	7,811
Attributable to:-		
Owners of the Company	18,468	7,811
Non-controlling interests ("NCI")	693	-
	19,161	7,811

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the previous financial year, the Company declared on 23 February 2023 and paid on 31 March 2023 a single tier interim dividend of 0.50 sen per ordinary share totalling RM4,170,694 in respect of the financial year ended 31 December 2023.

On 23 February 2024, the Board of Directors has approved and declared a single tier final dividend of 0.50 sen per ordinary share totalling RM4,170,694 in respect of the financial year ended 31 December 2023. The final dividend has been paid on 29 March 2024 and will be recognised in the financial year ending 31 December 2024.

DIRECTORS' REPORT
 (CONT'D)

DIRECTORS OF THE COMPANY

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

Chew Ne Weng*
 Liew Soo Keang*
 Adnan Bin Zainol
 Hoh Chee Mun
 Maznida Binti Mokhtar
 Wong Pek Yee

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

DIRECTORS OF THE SUBSIDIARIES OF THE COMPANY

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

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

DIRECTORS' INTERESTS IN SHARES

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

	Number of Ordinary Shares			At 31.12.2023 Unit
	At 01.01.2023 Unit	Bought Unit	Sold Unit	
Shareholdings registered in the name of Directors:				
In the Company				
Direct interests:				
- Chew Ne Weng	33,270,895	-	-	33,270,895
- Liew Soo Keang	190,751,105	-	-	190,751,105
- Adnan Bin Zainol	40,000	-	-	40,000
- Hoh Chee Mun	90,000	-	-	90,000
Indirect interest:				
- Chew Ne Weng*	218,000,000	-	-	218,000,000

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

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS IN SHARES (CONT'D)

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those shown below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The Directors' benefits paid to or receivable by Directors in respect of the financial year ended 31 December 2023 are as follows:

	From the Company RM'000	From the subsidiary companies RM'000
Directors of the Company:		
Salaries and bonus	–	1,372
Fees	288	238
Defined contribution plan	–	260
Social security contributions	–	7
Estimated monetary value of benefits-in-kind	–	46
	288	1,923

ISSUE OF SHARES AND DEBENTURES

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

There were no debentures issued by the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

INDEMNITY AND INSURANCE COSTS

During the financial year, total amount of indemnity given to or insurance effected for the Directors and Officers of the Company and its subsidiaries is RM15,400,000 with insurance premium of RM22,000. No indemnity was given to or insurance effected for auditors of the Company.

OTHER STATUTORY INFORMATION

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

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

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

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2023 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIRECTORS' REPORT
 (CONT'D)

AUDITORS

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

The auditors' remuneration of the Group and of the Company during the year are RM619,000 and RM86,000 respectively. Details are set out as per below:

	Group RM'000	Company RM'000
Auditors' remuneration		
Audit fees:		
- KPMG PLT	250	70
- Oversea affiliates of KPMG PLT	154	-
- Other auditors	105	-
Non-audit fees:		
- KPMG PLT	10	10
- Local affiliates of KPMG PLT	74	6
- Overseas affiliates of KPMG PLT	12	-
- Other auditors	14	-
	619	86

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

.....
Chew Ne Weng
 Director

.....
Liew Soo Keang
 Director

Kuala Lumpur

Date: 17 April 2024

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Assets					
Property, plant and equipment	3	44,998	43,516	4	6
Right-of-use assets	4	8,437	2,910	-	-
Intangible assets	5	10,464	9,538	-	-
Investment in subsidiaries	6	-	-	51,358	51,358
Investment in an associate	7	1,961	1,898	-	-
Deferred tax assets	8	1,060	578	-	-
Total non-current assets		66,920	58,440	51,362	51,364
Inventories	9	35,200	27,260	-	-
Trade and other receivables	10	69,268	69,958	1	1
Current tax assets		2,389	3,378	-	28
Amount due from subsidiaries	11	-	-	16,210	15,328
Fixed deposits with financial institutions	12	21,237	20,507	-	-
Cash and cash equivalents	13	80,771	71,349	19,672	17,207
Total current assets		208,865	192,452	35,883	32,564
Total assets		275,785	250,892	87,245	83,928
Equity					
Share capital	14	80,775	80,775	80,775	80,775
Reserves	15	(20,394)	(21,227)	-	-
Retained earnings		113,692	99,427	6,249	2,609
Total equity attributable to owners of the Company		174,073	158,975	87,024	83,384
Non-controlling interests		4,289	3,659	-	-
Total equity		178,362	162,634	87,024	83,384

STATEMENTS OF FINANCIAL POSITION
 (CONT'D)

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Liabilities					
Borrowings	16	17,723	16,041	–	–
Lease liabilities		1,220	1,064	–	–
Deferred tax liabilities	8	1,098	932	1	1
Provision for post-employment benefits	17	1,912	1,458	–	–
Total non-current liabilities		21,953	19,495	1	1
Borrowings	16	16,657	7,004	–	–
Lease liabilities		936	879	–	–
Trade and other payables	18	43,292	48,350	217	510
Amount due to a subsidiary	11	–	–	–	33
Contract liabilities	19	12,563	10,471	–	–
Current tax liabilities		2,022	2,059	3	–
Total current liabilities		75,470	68,763	220	543
Total liabilities		97,423	88,258	221	544
Total equity and liabilities		275,785	250,892	87,245	83,928

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue	20	240,669	264,407	8,091	4,000
Cost of sales		(179,751)	(193,556)	-	-
Gross profit		60,918	70,851	8,091	4,000
Administrative expenses		(21,615)	(22,633)	(824)	(1,822)
Marketing and distribution expenses		(9,674)	(8,948)	-	-
Net (loss)/gain on impairment of financial instruments		(39)	115	-	-
Other expenses		(6,221)	(5,754)	(2)	(4)
Other income		3,279	2,078	520	220
Result from operating activities		26,648	35,709	7,785	2,394
Finance income		832	678	73	200
Finance costs	21	(1,680)	(1,366)	-	-
Share of result of an associate, net of tax	7	(237)	(632)	-	-
Profit before tax	22	25,563	34,389	7,858	2,594
Income tax expense	24	(6,402)	(6,629)	(47)	(16)
Profit for the year		19,161	27,760	7,811	2,578
Other comprehensive income, net of tax					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences for foreign subsidiaries		1,050	150	-	-
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Remeasurement of defined benefit plan		(59)	25	-	-
Total other comprehensive income for the year, net of tax		991	175	-	-
Total comprehensive income for the year		20,152	27,935	7,811	2,578

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 (CONT'D)

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit attributable to:					
Owners of the Company		18,468	26,421	7,811	2,578
Non-controlling interests ("NCI")		693	1,339	–	–
Profit for the year		19,161	27,760	7,811	2,578
Total comprehensive income attributable to:					
Owners of the Company		19,269	26,604	7,811	2,578
Non-controlling interests		883	1,331	–	–
Total comprehensive income for the year		20,152	27,935	7,811	2,578
Basic/Diluted earnings per ordinary share attributable to owners of the Company (sen):					
	25	2.21	3.17		

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

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2023

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

Note 14

STATEMENTS OF CHANGES IN EQUITY
 (CONT'D)

	Attributable to owners of the Company		Non-distributable		Distributable		Non-controlling interests		Total equity
	Share capital	Merger deficit	Legal reserve	Translation reserve	Retained earnings	Total	controlling interests	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group									
At 1 January 2023	80,775	(20,228)	25	(1,024)	99,427	158,975	3,659	162,634	
Foreign currency translation differences	-	-	-	833	-	833	217	1,050	
Remeasurement of defined benefit plan	-	-	-	-	(32)	(32)	(27)	(59)	
Total other comprehensive income for the year	-	-	-	833	(32)	801	190	991	
Profit for the year	-	-	-	-	18,468	18,468	693	19,161	
Total comprehensive income for the year	-	-	-	833	18,436	19,269	883	20,152	
Contributions by and distributions to owners of the Company:									
Dividends to NCI in subsidiaries	-	-	-	-	-	-	(253)	(253)	
Dividend to owners of the Company	-	-	-	-	(4,171)	(4,171)	-	(4,171)	
Total transactions with owners of the Company	-	-	-	-	(4,171)	(4,171)	(253)	(4,424)	
At 31 December 2023	80,775	(20,228)	25	(191)	113,692	174,073	4,289	178,362	

Note 14

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

STATEMENTS OF CHANGES IN EQUITY
 (CONT'D)

	Note	Share Capital RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
Company				
At 1 January 2022		80,775	3,368	84,143
Profit and total comprehensive income for the year		–	2,578	2,578
Contributions by and distributions to owners of the Company:				
Dividend to owners of the Company	26	–	(3,337)	(3,337)
At 31 December 2022/1 January 2023		80,775	2,609	83,384
Profit and total comprehensive income for the year		–	7,811	7,811
Contributions by and distributions to owners of the Company:				
Dividend to owners of the Company	26	–	(4,171)	(4,171)
At 31 December 2023		80,775	6,249	87,024

Note 14

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

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2023

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from operating activities				
Profit before tax	25,563	34,389	7,858	2,594
Adjustments for:-				
Amortisation of intangible assets	797	417	-	-
Bad debts written off	8	79	-	-
Depreciation of property, plant and equipment	4,237	3,563	2	2
Depreciation of right-of-use assets	987	906	-	-
Finance costs	1,680	1,366	-	-
Finance income	(832)	(678)	(73)	(200)
Gain on disposal of property, plant and equipment	(1,510)	(865)	-	-
Gain on lease modification	-	(22)	-	-
Gain on short-term investments	(1,033)	(478)	(520)	(220)
Inventories written down	60	170	-	-
Inventories written off	33	20	-	-
Loss on unrealised foreign exchange	288	58	-	-
Net loss/(gain) on impairment of financial instruments	39	(115)	-	-
Property, plant and equipment written off	2	313	-	-
Provision for post-employment benefits	372	290	-	-
Share of result of an associate, net of tax	237	632	-	-
Others	(16)	-	-	-
Operating profit before working capital changes	30,912	40,045	7,267	2,176
Change in inventories	(8,033)	(6,712)	-	-
Change in receivables	(4,619)	(8,548)	-	-
Change in payables	(4,566)	2,668	(293)	304
Change in contract liabilities	1,757	(4,744)	-	-
Cash generated from operations	15,451	22,709	6,974	2,480
Post-employee benefits paid	(68)	-	-	-
Income tax refunded	2,328	129	-	-
Income tax paid	(8,095)	(7,453)	(16)	(43)
Interest paid	(825)	(690)	-	-
Net cash from operating activities	8,791	14,695	6,958	2,437

STATEMENTS OF CASH FLOWS
 (CONT'D)

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment	3	(6,857)	(13,641)	-	-
Addition of right-of-use assets	(iii)	(726)	(345)	-	-
Addition of intangible assets	5	(1,723)	(2,317)	-	-
Advances to subsidiaries		-	-	(882)	(6,780)
Capital contribution to an associate	7	-	(1,500)	-	-
Increase in short-term investments		1,033	478	520	220
Interest received		827	678	73	200
Placement of pledged fixed deposits with financial institutions		(730)	(1,333)	-	-
Proceeds from disposal of property, plant and equipment		3,021	1,150	-	-
Proceeds from subscription of shares by NCI in a subsidiary	6	-	1,173	-	-
Subscription of shares in an associate	7	(300)	-	-	-
Net cash used in investing activities		(5,455)	(15,657)	(289)	(6,360)
Cash flows from financing activities					
(Repayment to)/Advances from a subsidiary		-	-	(33)	22
Dividend paid	26	(4,171)	(3,337)	(4,171)	(3,337)
Dividends paid to NCI	26	(205)	(1,016)	-	-
Interest paid		(855)	(676)	-	-
Net drawdown/(repayment) of borrowings	(ii)	11,680	(1,493)	-	-
Net repayment of lease liabilities	(i), (ii)	(949)	(1,126)	-	-
Proceed from lease receivables		73	-	-	-
Net cash from/(used in) financing activities		5,573	(7,648)	(4,204)	(3,315)
Net increase/(decrease) in cash and cash equivalents		8,909	(8,610)	2,465	(7,238)
Foreign currency translation differences		869	145	-	-
Cash and cash equivalents at 1 January		70,928	79,393	17,207	24,445
Cash and cash equivalents at 31 December	13	80,706	70,928	19,672	17,207

STATEMENTS OF CASH FLOWS
 (CONT'D)
Notes:(i) *Cash outflows for leases as a lessee:*

	Group	
	2023 RM'000	2022 RM'000
Included in net cash from operating activities:		
Payment relating to short-term leases	(385)	(416)
Included in net cash used in financing activities:		
Interest paid in relation to lease liabilities	(85)	(77)
Net repayment of lease liabilities	(949)	(1,126)
Total cash outflows for leases	(1,419)	(1,619)

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

	Group	
	Borrowings* RM'000	Lease liabilities RM'000
2023		
At 1 January	22,624	1,943
Changes in Financing Cash Flows		
Proceed from drawdown	12,311	-
Repayment of principal	(631)	(949)
Repayment of interests	(770)	(85)
	10,910	(1,034)
Other changes		
Additions	-	1,144
Lease modification	-	18
Interest expense recognised in profit or loss	770	85
Gain on unrealised foreign exchange	11	-
	781	1,247
At 31 December	34,315	2,156

STATEMENTS OF CASH FLOWS
 (CONT'D)
Notes (Cont'd):(ii) *Reconciliation of movements of liabilities to cash flows arising from financing activities (Cont'd):*

	Group	
	Borrowings* RM'000	Lease liabilities RM'000
2022		
At 1 January	24,355	1,408
Changes in Financing Cash Flows		
Repayment of principal	(1,493)	(1,126)
Repayment of interests	(599)	(77)
	(2,092)	(1,203)
Other changes		
Additions	-	508
Lease modification	-	1,175
Gain on lease modification	-	(22)
Interest expense recognised in profit or loss	599	77
Gain on unrealised foreign exchange	(238)	-
	361	1,738
At 31 December	22,624	1,943

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

(iii) *Reconciliation to addition of right-of-use assets*

	Group	
	2023 RM'000	2022 RM'000
Cash payment	726	345
Financed through lease arrangement	556	508
Lease liabilities	588	-
Deposit paid in prior year	4,792	-
Total additions of right-of-use assets (Note 4)	6,662	853

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

NOTES TO THE FINANCIAL STATEMENTS

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

Principal place of business

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

Registered office

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) and the Group’s interests in an associate.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 6. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

These financial statements were authorised for issue by the Board of Directors on 17 April 2024.

1. BASIS OF PREPARATION

(a) Statement of compliance

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

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

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 107, *Statement of Cash Flows* and MFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)**1. BASIS OF PREPARATION (CONT'D)****(a) Statement of compliance (Cont'd)**

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company (Cont'd):

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

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

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

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

- from the annual period beginning on 1 January 2024 for those amendments that are effective for annual periods beginning on or after 1 January 2024.
- from the annual period beginning on 1 January 2025 for those amendments that are effective for annual periods beginning on or after 1 January 2025.

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

(b) Basis of measurement

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

(c) Functional and presentation currencies

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

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)**1. BASIS OF PREPARATION (CONT'D)****(d) Use of estimates and judgements**

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

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

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

- Note 3 – measurement of the recoverable amounts of property, plant and equipment
- Note 5 – measurement of the recoverable amounts of intangible assets
- Note 9 – valuation of inventories
- Note 27.4 – measurement of expected credit losses (“ECL”)

2. CHANGES IN MATERIAL ACCOUNTING POLICIES**Material accounting policy information**

The Group has adopted amendments to MFRS 101, Presentation of Financial Statements and MFRS Practice Statement 2 – Disclosures of Accounting Policies from 1 January 2023. The amendments require the disclosure of ‘material’, rather than ‘significant’, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Although the amendments did not result in any changes to the Group’s accounting policies, it impacted the accounting policy information disclosed in the financial statements. The material accounting policy information is disclosed in the respective notes to the financial statements where relevant.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT

Group 2023	Freehold land RM'000	Freehold building RM'000	Moulds, plant and equipment RM'000	Office equipment, furniture, fittings, computer and telecom- munication equipment RM'000	Equipment for demonstration RM'000	Motor vehicles RM'000	Electrical fittings, renovation and signboard RM'000	Total RM'000
Cost								
At 1 January	15,563	10,133	5,426	11,438	14,375	584	2,963	60,482
Additions	-	87	559	1,274	4,733	-	204	6,857
Disposals	-	-	-	-	(2,849)	(35)	-	(2,884)
Written off	-	-	-	(32)	-	-	-	(32)
Reclassification	-	-	(75)	(240)	315	-	-	-
Transfer from right-of-use assets ("ROU")	-	-	-	-	-	693	-	693
Exchange rate differences	-	-	20	68	207	13	25	333
At 31 December	15,563	10,220	5,930	12,508	16,781	1,255	3,192	65,449
Accumulated depreciation								
At 1 January	-	167	4,137	4,913	6,608	486	655	16,966
Charge for the year	-	203	290	1,450	2,002	27	265	4,237
Disposals	-	-	-	-	(1,338)	(35)	-	(1,373)
Written off	-	-	-	(30)	-	-	-	(30)
Reclassification	-	-	(118)	38	80	-	-	-
Transfer from ROU	-	-	-	-	-	450	-	450
Exchange rate differences	-	-	13	50	106	13	19	201
At 31 December	-	370	4,322	6,421	7,458	941	939	20,451
Carrying amounts								
At 31 December	15,563	9,850	1,608	6,087	9,323	314	2,253	44,998

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

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

Group 2022	Freehold land RM'000	Freehold building RM'000	Moulds, plant and equipment RM'000	Office equipment, furniture, fittings, computer and telecom- munication equipment RM'000	Equipment for demonstration RM'000	Motor vehicles RM'000	Electrical fittings, renovation and signboard RM'000	Total RM'000
Cost								
At 1 January	15,563	7,408	5,633	7,967	16,615	626	1,330	55,142
Additions	-	2,725	851	4,267	3,397	-	2,401	13,641
Disposals	-	-	(948)	(40)	(757)	(34)	-	(1,779)
Written off	-	-	(110)	(775)	(4,874)	-	(776)	(6,535)
Exchange rate differences	-	-	-	19	(6)	(8)	8	13
At 31 December	15,563	10,133	5,426	11,438	14,375	584	2,963	60,482
Accumulated depreciation								
At 1 January	-	-	4,929	4,556	10,102	493	1,029	21,109
Charge for the year	-	167	268	1,141	1,720	33	234	3,563
Disposals	-	-	(948)	(36)	(476)	(34)	-	(1,494)
Written off	-	-	(110)	(765)	(4,731)	-	(616)	(6,222)
Exchange rate differences	-	-	(2)	17	(7)	(6)	8	10
At 31 December	-	167	4,137	4,913	6,608	486	655	16,966
Carrying amount								
At 31 December	15,563	9,966	1,289	6,525	7,767	98	2,308	43,516

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

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

	Company	
	2023 RM'000	2022 RM'000
Computers		
Cost		
At 1 January/31 December	9	9
Accumulated depreciation		
At 1 January/31 December	3	1
Charge for the year	2	2
At 31 December	5	3
Carrying amounts		
At 31 December	4	6

The freehold land and building of the Group are charged to a licensed bank as security for borrowings facilities of the Group as disclosed in Note 16.

3.1 Impairment assessment

Management has performed the impairment assessment of certain plant and equipment in a subsidiary by comparing the carrying amount of RM0.4 million (2022: RM0.3 million) with their recoverable amount. The recoverable amount of certain plant and equipment is determined based on value-in-use calculations using cash flow projections from the financial forecasts prepared by management.

The key assumptions used for impairment testing of certain plant and equipment is consistent with impairment assessment of development costs as disclosed in Note 5.

3.2 Material accounting policy information
(a) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

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

3.2 Material accounting policy information (Cont'd)

(b) Depreciation

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

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

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

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

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

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

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

4. RIGHT-OF-USE ASSETS

	Leasehold land RM'000	Leasehold building RM'000	Lease of buildings RM'000	Motor vehicles RM'000	Total RM'000
Group					
2023					
Cost					
At 1 January	118	500	1,345	3,315	5,278
Additions	5,012	541	466	643	6,662
Adjustment due to lease modification	–	–	(40)	–	(40)
Transfer to property, plant and equipment	–	–	–	(693)	(693)
Exchange rate differences	–	–	49	52	101
At 31 December	5,130	1,041	1,820	3,317	11,308

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

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

	Leasehold land RM'000	Leasehold building RM'000	Lease of buildings RM'000	Motor vehicles RM'000	Total RM'000
Group					
2023					
Accumulated depreciation					
At 1 January	12	230	408	1,718	2,368
Charge for the year	85	10	578	314	987
Adjustment due to lease modification	-	-	(58)	-	(58)
Transfer to property, plant and equipment	-	-	-	(450)	(450)
Exchange rate differences	-	-	18	6	24
At 31 December	97	240	946	1,588	2,871
Carrying amounts					
At 31 December	5,033	801	874	1,729	8,437
2022					
Cost					
At 1 January	118	500	1,585	2,462	4,665
Additions	-	-	-	853	853
Adjustment due to lease modification	-	-	1,229	-	1,229
Reversal due to lease modification	-	-	(1,469)	-	(1,469)
At 31 December	118	500	1,345	3,315	5,278
Accumulated depreciation					
At 1 January	10	220	1,223	1,400	2,853
Charge for the year	2	10	576	318	906
Reversal due to lease modification	-	-	(1,415)	-	(1,415)
Exchange rate differences	-	-	24	-	24
At 31 December	12	230	408	1,718	2,368
Carrying amounts					
At 31 December	106	270	937	1,597	2,910

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

4.1 Material accounting policy information

(i) Depreciation

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

• Leasehold land	60 years – 80 years
• Leasehold building	50 years
• Lease of buildings	2 years – 4 years
• Motor vehicles	5 years – 7 years

Included in the carrying amount of leasehold building is building under construction amounting to RM540,600 (2022: Nil) which are not depreciated until the leasehold building is ready for its intended use.

(ii) Recognition exemption

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

4.2 Security

Certain leasehold land with carrying amount of RM4,928,734 (2022: Nil) is charged to a licensed bank as security for term loan granted to the Group (see Note 16).

4.3 Extended options

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

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

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

5. INTANGIBLE ASSETS

	Trademark RM'000	Development costs RM'000	Goodwill RM'000	Total RM'000
Group				
2023				
Cost				
At 1 January	26	7,967	3,381	11,374
Addition	–	1,723	–	1,723
At 31 December	26	9,690	3,381	13,097
Accumulated amortisation				
At 1 January	–	1,836	–	1,836
Charge for the year	–	797	–	797
At 31 December	–	2,633	–	2,633
Carrying amounts				
At 31 December	26	7,057	3,381	10,464
2022				
Cost				
At 1 January	26	5,650	3,381	9,057
Addition	–	2,317	–	2,317
At 31 December	26	7,967	3,381	11,374
Accumulated amortisation				
At 1 January	–	1,419	–	1,419
Charge for the year	–	417	–	417
At 31 December	–	1,836	–	1,836
Carrying amounts				
At 31 December	26	6,131	3,381	9,538

Additions during the year include the following:

	Group 2023 RM'000	Group 2022 RM'000
Employee benefit expenses, capitalised from profit or loss (Note 23)	1,677	1,399
Software costs	16	918
Others	30	–
	1,723	2,317

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. INTANGIBLE ASSETS (CONT'D)

5.1 Goodwill

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

Impairment testing for cash-generating unit containing goodwill

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

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

- Cash flows were projected based on past experience, actual operating results and the 5-year business plan approved by the Board of Directors.
- Revenue was projected at about USD2,942,000 equivalent to approximately RM13,518,000 (2022: USD3,360,400, equivalent to approximately RM14,865,000) for the first year of the business plan. The anticipated annual revenue growth included in the cash flow projection for the subsequent 4 years from 2025 to 2028 (2022: 2024 to 2027) was between 20% and 25% (2022: 25%) which reflect the current market condition.
- Projected gross profit margin is the average historical rate adjusted for projected market and economic conditions and internal resources efficiency.
- The pre-tax discount rate of 13.25% (2022: 9.38%) per annum was applied in discounting the cash flows. The discount rate used is based on the weighted average cost of capital of the Group.

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

Sensitivity analysis

The above estimates are sensitive in the following key areas:

- An increase of one percentage point in the discount rate used would have decreased the recoverable amount by approximately RM1,216,000.
- An decrease of ten percentage point in the projected revenues would have decreased the recoverable amount by approximately RM2,052,000.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. INTANGIBLE ASSETS (CONT'D)

5.2 Development costs

The carrying amount of development costs represents 26 (2022: 22) development projects. The capitalised development costs consist of semi-conductor equipment software and internally generated visual software solutions for automated equipment and smart manufacturing solutions for the purpose of catering and meeting the customer demand.

Impairment testing for development costs

For the purpose of impairment testing, recoverable amount of development cost and plant and equipment of a subsidiary, QVS represents 7 (2022: 6) development projects with the presence of impairment indicators amounting to approximately RM4,115,000 and RM362,000 respectively as of financial year end are assessed based on its VIU.

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

- Cash flows were projected based on past experience, actual operating results and the 5-year business plan approved by the Board of Directors.
- Revenue was projected at about RM4,323,000 (2022: RM3,402,000) for the first year of the business plan. The anticipated average revenue growth for the subsequent 4 years from 2025 to 2028 (2022: 2024 to 2027) included in the cash flow projections was 50% (2022: 51%) which reflect the current market condition and future plans of the subsidiary.
- Projected gross profit margin is the average historical rate adjusted for projected market and economic conditions and internal resources efficiency.
- The pre-tax discount rate of 14.25% (2022: 9.38%) per annum was applied in discounting the cash flows. The discount rate used was based on the Group's weighted average cost of capital.

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

Sensitivity analysis

The above estimates are sensitive in the following key areas:

- An increase of one percentage point in the discount rate used would have decreased the recoverable amount by approximately RM597,000.
- An decrease of ten percentage point in the projected revenues would have decreased the recoverable amount by approximately RM1,402,000.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. INTANGIBLE ASSETS (CONT'D)

5.3 Material accounting policy information

(i) Recognition and measurement

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

(ii) Amortisation

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

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

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2023 RM'000	2022 RM'000
Unquoted shares, at cost		
At 1 January/31 December	51,358	51,358

Details of the subsidiaries are as follows:

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2023 %	2022 %
Held by the Company				
QES (Asia-Pacific) Sdn. Bhd. ("QAP")	Malaysia	Investment holding, marketing and servicing of scientific instruments	100	100
QS Instruments Sdn. Bhd. ("QSI")	Malaysia	Marketing and servicing of scientific instruments	100	100
QES Intra Pacific Sdn. Bhd. ("QIP")	Malaysia	Trading and servicing of industrial parts and equipment	100	100
QES Manufacturing Sdn. Bhd. ("QMG")	Malaysia	Investment holding	100	100

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2023 %	2022 %
Subsidiaries of QAP:				
QAM (Asia-Pacific) Sdn. Bhd. ("QAM")	Malaysia	Marketing and servicing of scientific instruments and industrial materials	82.5	82.5
P.T. QES Indonesia ("QID") ^{(1) (4)}	Indonesia	Marketing and servicing of scientific instruments	55	55
QES (Hong Kong) Limited ("QHK") ^{(2) (4)}	Hong Kong	Marketing and servicing of scientific instruments and industrial equipments	100	100
QES (Vietnam) Co. Ltd. ("QVN") ⁽⁴⁾	Vietnam	Marketing and servicing of scientific instruments	100	100
QES (Thailand) Co., Ltd. ("QBK") ⁽⁴⁾	Thailand	Marketing and servicing of scientific instruments	100	100
QES (Singapore) Pte. Ltd. ("QSG") ⁽⁵⁾	Singapore	Marketing and servicing of scientific instruments	70	70
QES Technology Philippines, Inc. ("QTP") ⁽⁴⁾	Philippines	Wholesale, technical testing and analysis of machinery, equipment and supplies	87.74	87.74
Subsidiaries of QHK:				
QES Technology (Shanghai) Co., Ltd. ("QTS") ^{(3) (4)}	People's Republic of China	Marketing and servicing of scientific instruments and industrial equipments	100	–

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2023 %	2022 %
Subsidiaries of QMG:				
QES Mechatronic Sdn. Bhd. ("QMC")	Malaysia	Manufacturing and trading of industrial equipment and systems	100	100
QES Vision Solutions Sdn. Bhd. ("QVS")	Malaysia	Providing vision software solution for automated equipment, mechanical and electrical engineering consultancy service, trading and servicing of industrial parts and equipment	85	85

(1) On 2 August 2022, QAP increased its subscription for 46,750 new ordinary shares, representing an equity interest of 55% of the enlarged share capital of PT. QES Indonesia ("QID") for a cash consideration of RM1,433,000. This subscription has no dilution effect on the controlling interest of QAP in QID of 55%.

(2) On 22 September 2022, QAP increased its subscription for 1 new ordinary share, representing an equity interest of 100% of the enlarged share capital of QES (Hong Kong) Ltd. ("QHK") for a cash consideration of RM569,000. This subscription has no dilution effect on the controlling interest of QAP in QHK of 100%.

On 3 April 2023, QAP increased its subscription for 1 new ordinary share, representing an equity interest of 100% of the enlarged share capital of QES (Hong Kong) Ltd. ("QHK") for a cash consideration of RM1,568,000. This subscription has no dilution effect on the controlling interest of QAP in QHK of 100%.

(3) On 10 January 2023, QHK incorporated a wholly-owned subsidiary in People's Republic of China, QES Technology (Shanghai) Co., Ltd. ("QTS"). QHK had subscribed for 100% of the issued share capital of QTS for a cash consideration of RMB500,000 equivalent to RM326,000.

On 18 August 2023, QHK increased its subscription for 100% of the enlarged share capital of QTS for a cash consideration of RMB500,000 equivalent to RM326,000. This subscription has no dilution effect on the controlling interest of QHK in QTS of 100%.

(4) Not audited by KPMG PLT.

(5) Audited by other member firm of KPMG International.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

6.1 Non-controlling interests in subsidiaries

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

	QAM RM'000	QID RM'000	QTP RM'000	QVS RM'000	QSG RM'000	QBK* RM'000	Total RM'000
2023							
NCI percentage of ownership interest and voting interest (%)	17.50%	45.00%	12.26%	15.00%	30.00%	0.00%	
Carrying amount of NCI	411	1,443	315	(293)	2,431	(18)	4,289
Dividends declared to NCI	-	-	(48)	-	(155)	(50)	(253)
Other comprehensive income	-	45	11	-	134	-	190
Profit/(Loss) allocated to NCI	(80)	(3)	158	(132)	750	-	693
2022							
NCI percentage of ownership interest and voting interest (%)	17.50%	45.00%	12.26%	15.00%	30.00%	0.00%	
Carrying amount of NCI	491	1,401	194	(161)	1,702	32	3,659
Dividends declared to NCI	-	(1,016)	-	-	-	-	(1,016)
Additional subscription of shares by NCI	-	1,173	-	-	-	-	1,173
Other comprehensive income	-	(51)	(5)	-	48	-	(8)
Profit/(Loss) allocated to NCI	147	55	24	(2)	1,115	-	1,339

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

6.2 Summarised financial information before intra-group elimination

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

	QAM RM'000	QID RM'000	QTP RM'000	QVS RM'000	QSG RM'000
2023					
Assets and liabilities					
Non-current assets	205	1,531	1,551	4,563	1,140
Current assets	3,096	6,073	7,413	703	20,324
Non-current liabilities	(44)	(1,183)	(586)	(18)	(577)
Current liabilities	(909)	(3,214)	(5,806)	(7,201)	(12,783)
Net assets/(liabilities)	2,348	3,207	2,572	(1,953)	8,104
Results					
Revenue	4,301	8,031	18,654	2,400	37,635
Profit/(Loss) for the year	(456)	(7)	1,291	(880)	2,499
Total comprehensive income	(456)	94	1,381	(880)	2,945
Cash flows from/(used in):					
Operating activities	(893)	(54)	968	(64)	217
Investing activities	(16)	(407)	(406)	(1,085)	(96)
Financing activities	(44)	(199)	(396)	1,304	(528)
Net increase/(decrease) in cash and cash equivalents	(953)	(660)	166	155	(407)
Dividends declared to NCI*	-	-	(48)	-	(155)

* This as excluded dividend paid to QBK's NCI of RM50,000 as disclosed in Note 6.1.

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)
6.2 Summarised financial information before intra-group elimination (Cont'd)

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

	QAM RM'000	QID RM'000	QTP RM'000	QVS RM'000	QSG RM'000
2022					
Assets and liabilities					
Non-current assets	241	884	1,175	3,674	1,413
Current assets	4,204	5,132	5,580	952	12,111
Non-current liabilities	(94)	(950)	(440)	–	(678)
Current liabilities	(1,547)	(1,957)	(4,729)	(5,699)	(7,170)
Net assets/(liabilities)	2,804	3,109	1,586	(1,073)	5,676
Results					
Revenue	5,716	7,449	14,037	2,106	42,256
Profit/(Loss) for the year	840	122	199	(10)	3,716
Total comprehensive income	840	9	161	(10)	3,877
Cash flows from/(used in):					
Operating activities	1,336	1,672	(133)	592	2,750
Investing activities	(89)	2	–	(1,360)	(19)
Financing activities	6	–	–	577	–
Net increase/(decrease) in cash and cash equivalents	1,253	1,674	(133)	(191)	2,731
Dividends declared to NCI	–	(1,016)	–	–	–

7. INVESTMENTS IN AN ASSOCIATE

	Group	
	2023 RM'000	2022 RM'000
Unquoted equity shares, at cost		
At 1 January	1,200	1,200
Addition	300	–
Transfer from capital contribution	1,500	–
At 31 December	3,000	1,200

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

7. INVESTMENTS IN AN ASSOCIATE (CONT'D)

	Group	
	2023 RM'000	2022 RM'000
Capital contribution		
At 1 January	1,500	1,500
Transfer to equity shares	(1,500)	–
At 31 December	–	1,500
Share of post acquisition reserve		
At 1 January	(802)	(170)
Addition	(237)	(632)
At 31 December	(1,039)	(802)
	1,961	1,898

Details of an associate is as follows:

Name of entity	Principal place of business/ Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest	
			2023 %	2022 %
Associate of QMG:				
Applied Engineering Technology (M) Sdn. Bhd. ("AETM") *	Malaysia	Provide high-tech electromechanical contract manufacturing services, from prototyping to high volume production is one of the strategic venture of the Group.	30	30

* Not audited by KPMG PLT.

7.1 Capital contribution

The capital contribution amounted to RM1,500,000 represents Share Application Money which pending the issuance of ordinary shares by the associate and is treated as additional cost of investment in the associate by the Group in the financial year ended 31 December 2022.

During the current financial year, the capital contribution was converted to shares of the associate upon completion of ordinary shares issuance. The effective ownership interest in AETM remains at 30% subsequent to the additional ordinary share issuance as mentioned above.

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

7. INVESTMENTS IN AN ASSOCIATE (CONT'D)
7.2 Summarised financial information

	AETM	
	2023 RM'000	2022 RM'000
Assets and liabilities:		
Non-current assets	2,506	3,719
Current assets	6,468	5,545
Current liabilities	(2,439)	(2,937)
Net assets	6,535	6,327
Results:		
Loss and other comprehensive expense for the year	(791)	(2,107)

8. DEFERRED TAX ASSETS/(LIABILITIES)

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

	Asset		Liabilities		Net	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Group						
Property, plant and equipment	–	–	(1,823)	(1,846)	(1,823)	(1,846)
Provisions	1,127	983	–	–	1,127	983
Contract liabilities	647	517	–	–	647	517
Lease liabilities	36	15	–	–	36	15
Right-of-use assets	–	–	(61)	(37)	(61)	(37)
Unabsorbed capital allowances	33	14	–	–	33	14
Unutilised tax losses	3	–	–	–	3	–
Tax assets/ (liabilities)	1,846	1,529	(1,884)	(1,883)	(38)	(354)
Set off of tax	(786)	(951)	786	951	–	–
	1,060	578	(1,098)	(932)	(38)	(354)
Company						
Plant and equipment	–	–	(1)	(1)	(1)	(1)

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

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

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

Movement in temporary differences during the year:

	At 01.01.2022 RM'000	Recognised in profit or loss (Note 24) RM'000	Recognised in other comprehensive income RM'000	At 31.12.2022/ 01.01.2023 RM'000	Recognised in profit or loss (Note 24) RM'000	Recognised in other comprehensive income RM'000	At 31.12.2023 RM'000
Group							
Property, plant and equipment	(1,026)	(818)	(2)	(1,846)	24	(1)	(1,823)
Provisions	1,006	(2)	(21)	983	102	42	1,127
Contract liabilities	528	(11)	-	517	130	-	647
Lease liabilities	84	(69)	-	15	21	-	36
Right-of-use assets	(92)	55	-	(37)	(24)	-	(61)
Unabsorbed capital allowances	15	(1)	-	14	19	-	33
Unutilised tax losses	-	-	-	-	3	-	3
	515	(846)	(23)	(354)	275	41	(38)
Company							
Plant and equipment	(1)	-	-	(1)	-	-	(1)

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

8. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)
Unrecognised deferred tax assets

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	
	2023	2022
	RM'000	RM'000
Unutilised tax losses	4,262	2,288
Unabsorbed capital allowances	154	101
Other deductible timing differences	13	23
	4,429	2,412
Representing by:		
Entities incorporated in Malaysia	2,884	1,951
Entities incorporated outside Malaysia	1,545	461
	4,429	2,412

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

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

	Group	
	2023	2022
	RM'000	RM'000
Expire in:		
YA2028	564	564
YA2029	486	486
YA2030	114	114
YA2031	647	647
YA2032	17	17
YA2033	889	-
	2,717	1,828

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

9. INVENTORIES

	Group	
	2023 RM'000	2022 RM'000
Raw material	5,532	3,367
Work-in-progress	11,561	7,786
Trading goods	17,998	14,114
Manufactured finished goods	109	1,993
	35,200	27,260
Recognised in profit or loss:		
Inventories recognised as cost of sales	130,921	148,696
Inventories written down (included in other expenses)	60	170
Inventories written off (included in other expenses)	33	20

9.1 Material accounting policy information

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

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Trade				
Trade receivables	62,153	61,238	-	-
Less : Allowance for impairment loss	(1,328)	(1,281)	-	-
	60,825	59,957	-	-
Non-trade				
Other receivables	1,963	1,458	-	-
Advances to suppliers	4,625	1,821	-	-
Deposits *	422	5,324	1	1
Lease receivable	269	-	-	-
Prepayments	1,164	1,398	-	-
	8,443	10,001	1	1
	69,268	69,958	1	1

The Group's normal trade credit terms range from 30 - 120 days (2022: 30 - 120 days). Other credit terms are assessed and approved on a case by case basis.

* Included in deposits of the Group in last year was deposit paid in relation to the acquisition of land amounted to RM4,791,600 of which condition precedent yet to be fulfilled. During the financial year ended, this balance has been transferred to right-of-use assets upon fulfilment of condition precedent on 5 May 2023.

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

11. AMOUNT DUE FROM/(TO) SUBSIDIARIES

These amounts are non-trade in nature, unsecured, interest-free except for an amount due from a subsidiary of RM1,500,000 (2022: RM4,300,000) which is subject to interest being charged at 3.44% (2022: 2.14%) per annum. These amounts are collectible/(repayable) on demand.

12. FIXED DEPOSITS WITH FINANCIAL INSTITUTIONS

Fixed deposits with financial institutions have effective interest rates which range from 0.50% to 3.10% (2022: 0.05% to 2.80%) per annum. The fixed deposits with financial institutions are pledged as security for banking facilities granted to the Group as disclosed in Note 16. The Group classifies deposits with financial institutions not held for working capital purposes that has maturity of more than three months as other investments and are measured at amortised costs..

13. CASH AND CASH EQUIVALENTS

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Short-term investments	(i)	31,921	23,651	19,612	17,176
Short-term deposits	(ii)	12,260	14,380	–	–
Bank balances		36,503	33,274	60	31
Cash in hand		87	44	–	–
Cash and cash equivalents in the statements of financial position		80,771	71,349	19,672	17,207
Bank overdrafts	16	(65)	(421)	–	–
Cash and cash equivalents in the statements of cash flows		80,706	70,928	19,672	17,207

- (i) Short-term investments is investment in cash management fund which aims to provide liquidity and a regular stream of income by investing in Shariah-compliant money market instruments. The Group and the Company classified these short-term investments as cash and cash equivalents, as the redemption period is 1 day (2022: 1 day) and are subject to an insignificant risk of changes in value.
- (ii) Short-term deposits with licensed banks are subject to interest rates ranging from 2.77% to 3.10% (2022: 1.90% to 2.39%) per annum and had average maturity period of 21 days (2022: 12 days).

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

14. SHARE CAPITAL

	Group and Company			
	2023			2022
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares				
At 1 January/31 December	834,139	80,775	834,139	80,775

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

15. RESERVES
(i) Legal reserve

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

(ii) Translation reserve

The translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(iii) Merger deficit

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

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

16. BORROWINGS

	Note	Group 2023 RM'000	2022 RM'000
Non-current			
Term loans		17,723	16,041
Current			
Bankers' acceptance		1,388	2,048
Bank overdrafts	13	65	421
Trust receipts		14,182	3,296
Revolving loan		300	600
Term loans		722	639
		16,657	7,004
		34,380	23,045

16.1 Security

The Group's bank borrowings are secured as follows:

- (i) Fixed deposits placed with financial institutions of the Group as disclosed in Note 12;
- (ii) Fresh facility agreement of a subsidiary;
- (iii) Corporate guarantee and indemnity by the Company to its subsidiaries;
- (iv) Legal charge on freehold land and buildings of the Group as disclosed in Note 3;
- (v) Legal charge on certain leasehold land of the Group as disclosed in Note 4; and
- (vi) SJPP – Government Guarantee issued by Syarikat Jaminan Pembiayaan Perniagaan Bhd.

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

17. PROVISION FOR POST-EMPLOYMENT BENEFITS

		Group	
	Note	2023 RM'000	2022 RM'000
At 1 January		1,458	1,301
Current service cost and interest	23	372	290
Opening adjustment		–	(59)
Payment		(68)	–
Actuarial loss/(gain) on remeasurement of defined benefit plan	(i)	78	(33)
Exchange differences		72	(41)
At 31 December		1,912	1,458

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

		Group	
		2023 RM'000	2022 RM'000
Recognised in other comprehensive income:			
Actuarial loss/(gain) on remeasurement of defined benefit plan		78	(33)
Deferred tax impact on actuarial loss/(gain)		(19)	8
		59	(25)

The principal actuarial assumptions used were as follows:

	Group	
	2023	2022
Discount rate	6.76%	7.17%
Annual salary rate increase	6.00%	6.00%

Sensitivity analysis

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

	Defined benefit obligation	
	Increase RM'000	Decrease RM'000
2023		
Discount rate (1% movement)	(96)	107
2022		
Discount rate (1% movement)	(81)	90

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Trade				
Trade payables	20,623	24,007	-	-
Non-trade				
Other payables	2,279	2,280	48	369
Accruals	20,390	22,063	169	141
	22,669	24,343	217	510
	43,292	48,350	217	510

19. CONTRACT LIABILITIES

	Note	Group	
		2023 RM'000	2022 RM'000
Deferred income	(i)	3,507	3,145
Deposit received from customers	(ii)	9,056	7,326
		12,563	10,471

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

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

	Group	
	2023 RM'000	2022 RM'000
At 1 January	3,145	3,265
Collection during the year	13,351	11,734
Service income recognised over time during the year (Note 20)	(12,989)	(11,854)
At 31 December	3,507	3,145

- * Deferred income at beginning of the period amounting to RM3,145,000 (2022: RM3,265,000) has been recognised as revenue during the year.

The deposit received from customers represents the down payments received from customers, where the group has billed or collected the payments before the goods are delivered or services are provided to the customers. The Group expected to recognise the revenue within next 12 months upon delivery of the goods.

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

20. REVENUE

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue from contracts with customers				
Sales of goods	178,956	211,237	–	–
Service income	59,390	48,137	–	–
Commission income	2,323	5,033	–	–
	240,669	264,407	–	–
Other revenue				
Dividend income	–	–	8,091	4,000
	240,669	264,407	8,091	4,000
Timing of revenue recognition				
Point in time	227,680	252,553	8,091	4,000
Over time	12,989	11,854	–	–
	240,669	264,407	8,091	4,000

The Group applies the following practical expedients:

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

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

20. REVENUE (CONT'D)

20.1 Disaggregation of revenue from contracts with customers

Group	Reportable segments -----/-----							
	Equipment		Engineering Solutions		Manufacturing		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	63,740	71,169	22,150	31,716	11,738	11,949	97,628	114,834
Singapore	31,672	34,399	72	903	5,530	6,529	37,274	41,831
Philippines	27,591	20,471	-	-	1,221	1,686	28,812	22,157
Vietnam	27,381	28,226	-	-	2	-	27,383	28,226
Thailand	20,060	19,772	841	902	1,372	-	22,273	20,674
Indonesia	9,793	11,335	76	82	1,662	-	11,531	11,417
Morocco	-	-	-	-	4,769	6,128	4,769	6,128
China	2,752	6,382	325	398	472	4,060	3,549	10,840
Portugal	-	-	-	-	1,439	370	1,439	370
Czech Republic	-	-	-	-	1,388	4,397	1,388	4,397
Taiwan	-	8	-	-	1,231	15	1,231	23
Malta	-	-	-	-	1,002	861	1,002	861
Lao People's Democratic Republic	847	314	-	-	-	-	847	314
Others	769	1,530	46	37	728	768	1,543	2,335
	184,605	193,606	23,510	34,038	32,554	36,763	240,669	264,407

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

20. REVENUE (CONT'D)
20.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of revenue recognition or method used to recognise revenue	Significant payment terms
<p>Sales of goods</p> <p>The Group generates revenue mainly from distribution of inspection, test and measurement equipment, materials and engineering solutions; manufacturing of optical inspection equipment, automated handling equipment and advanced wafer measurement systems and provision of vision software solutions for automated equipment, mechanical and electrical engineering consultancy and interface software for industrial equipment with warranty attached to the goods sold.</p>	<p>Revenue from sale of products in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good to the customer. The amount of revenue recognised is the amount of the transaction price which is the fixed amount of consideration in the contract.</p>	<p>Payment is generally due within 30 to 120 days from invoice date and/or buy-off acceptance report acknowledgement date.</p>
<p>Service income</p> <p>The Group generates service revenue from after sales services such as training, repairing, maintenance and replacement of equipment parts for its customers, which is on an annual service contract basis or an ad hoc basis.</p> <p>There is warranty attached to the replacement of equipment parts sold by the Group.</p>	<p>Revenue from a contract to provide the maintenance on the specialised equipment is recognised over time, using the output method which determined based on the time elapsed, as the customer simultaneously receive and consumes the benefits provided by the Group.</p> <p>Revenue from ad hoc services is recognised at a point in time when the service has been provided and the right to consideration had been earned.</p>	<p>Payment is generally due within 30 to 120 days from invoice date.</p>
<p>Commission income</p> <p>The Group acts as an agent and earns commission on service rendered to customer from its vendor.</p>	<p>Revenue is recognised on a net basis and at a point in time upon completion of service.</p>	<p>Payment is generally due within 30 to 120 days from invoice date.</p>

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

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

21. FINANCE COST

	Group	
	2023 RM'000	2022 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:		
Bank overdrafts	35	63
Bankers' acceptances	73	77
Letter of credit	121	106
Revolving loan	53	52
Term loans	770	599
Trust receipts	543	392
	1,595	1,289
Interest expense on lease liabilities	85	77
	1,680	1,366

22. PROFIT BEFORE TAX

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

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit before tax is arrived at after charging/(crediting):					
Auditors' remuneration					
Audit fees:					
- KPMG PLT		250	-	70	-
- Overseas affiliate of KPMG PLT		154	-	-	-
- Other auditors		105	359	-	60
Non-audit fees:					
- KPMG PLT		10	-	10	-
- Local affiliates of KPMG PLT		74	-	6	-
- Overseas affiliates of KPMG PLT		12	-	-	-
- Other auditors		14	190	-	40
		1,680	1,366	1,680	1,366

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

22. PROFIT BEFORE TAX (CONT'D)

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

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Material expenses/ (income):					
Amortisation of intangible assets		797	417	-	-
Bad debts written off		8	79	-	-
Depreciation of property, plant and equipment		4,237	3,563	2	2
Depreciation of right-of-use assets		987	906	-	-
Employee benefit expenses	23	57,255	55,732	288	259
Finance income		(832)	(678)	(73)	(200)
Gain on disposal of property, plant and equipment		(1,510)	(865)	-	-
Gain on lease modification		-	(22)	-	-
(Gain)/loss on foreign exchange:					
- Realised		(403)	(164)	-	2
- Unrealised		288	58	-	-
Gain on short-term investments		(1,033)	(478)	(520)	(220)
Government grant		(20)	(50)	-	-
Hiring incentive	(i)	(173)	(92)	-	-
Inventories written down		60	170	-	-
Inventories written off		33	20	-	-
Net loss/(gain) on impairment of financial instruments		39	(115)	-	-
Property, plant and equipment written off		2	313	-	-
Wages subsidy	(i)	-	(17)	-	-
Other expenses arising from leases					
- Expenses relating to short-term leases	(ii)	385	416	-	-
- Interest expense on lease liability		85	77	-	-

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

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

23. EMPLOYEE BENEFIT EXPENSES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Staff cost				
Salaries, bonus, wages, allowances and overtime	40,370	36,571	-	-
Defined benefit plans	372	290	-	-
Defined contribution plan	4,813	4,515	-	-
Social security contributions	421	281	-	-
Others	5,083	6,580	-	-
	51,059	48,237	-	-
Less: Amount capitalised into intangible assets (Note 5)	(1,677)	(1,399)	-	-
	49,382	46,838	-	-
Directors' remuneration				
<i>Directors of the Company</i>				
Salaries, bonus and allowances	1,372	1,482	-	-
Directors' fee	526	520	288	259
Defined contribution plan	260	279	-	-
Social security contributions	7	8	-	-
Others	-	63	-	-
	2,165	2,352	288	259
<i>Directors of the subsidiaries</i>				
Salaries, bonus and allowances	3,964	3,808	-	-
Directors' fee	20	27	-	-
Defined contribution plan	627	679	-	-
Social security contributions	6	5	-	-
Others	1,091	2,023	-	-
	5,708	6,542	-	-
Total staff costs	57,255	55,732	288	259
Analysis of estimated benefits-in-kind:				
- Directors of the Company	46	56	-	-
- Directors of the subsidiaries	41	59	-	-

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

24. INCOME TAX EXPENSE

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Current tax expenses				
- Current year	6,692	7,678	17	15
- (Over)/Under provision in prior year	(15)	(1,895)	30	1
Total current tax recognised in profit or loss	6,677	5,783	47	16
Deferred tax expenses				
- Current year	(213)	572	-	-
- (Over)/Under provision in prior year	(62)	274	-	-
Total deferred tax recognised in profit or loss (Note 8)	(275)	846	-	-
Total income tax expense	6,402	6,629	47	16

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

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit before tax	25,563	34,389	7,858	2,594
Income tax calculated using Malaysian tax rate of 24% (2022: 24%)	6,135	8,253	1,886	623
Effect of tax rates in foreign jurisdictions	(73)	(277)	-	-
Tax effect of non-deductible expenses	1,164	1,519	197	436
Tax effect of non-taxable income	(750)	(637)	(2,066)	(1,044)
Double deductible allowance	(166)	(296)	-	-
Tax exempt pioneer income *	(201)	(520)	-	-
Effect of deferred tax assets not recognised	313	56	-	-
Tax effect on share of result of an associate	57	152	-	-
(Over)/Under provision in prior year	(77)	(1,621)	30	1
Total income tax expense	6,402	6,629	47	16

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

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

25. EARNINGS PER SHARE

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

	Group	
	2023	2022
Basic earning per share:		
Profit after tax attributable to the owners of the Company (RM'000)	18,468	26,421
Weighted average number of ordinary shares:		
Number of ordinary shares at beginning/end of the financial year, representing weighted average number of ordinary shares at beginning/end of the financial year (unit'000)	834,139	834,139
Basic earnings per ordinary share (sen)	2.21	3.17

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

26. DIVIDENDS

	Sen per share	Total RM'000	Date of payment
Group			
2023			
Attributable to owners of the Company:			
Interim 2023 ordinary	0.50	4,171	31 March 2023
Attributable to non-controlling interests:			
Dividend 2022 preference		50	20 September 2023
Dividend 2023 ordinary		155	20 September 2023
Dividend 2023 ordinary		48	Payable in 2024
		253	
2022			
Attributable to owners of the Company:			
Final 2021 ordinary	0.40	3,337	31 March 2022
Attributable to non-controlling interests:			
Dividend 2021 ordinary		197	18 March 2022
Dividend 2022 ordinary		819	15 August 2022
		1,016	

On 23 February 2024, the Board of Directors has approved and declared a single tier final dividend of 0.50 sen per ordinary share totalling RM4,170,694 in respect of the financial year ended 31 December 2023. The final dividend has been paid on 29 March 2024 and will be recognised in the financial year ending 31 December 2024.

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

27. FINANCIAL INSTRUMENTS
27.1 Categories of financial instruments

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

	Carrying amount RM'000	Amortised Cost RM'000
Group		
2023		
Financial assets		
Trade and other receivables*	68,104	68,104
Fixed deposit with financial institutions	21,237	21,237
Cash and cash equivalents	80,771	80,771
	170,112	170,112
Financial liabilities		
Borrowings	(34,380)	(34,380)
Trade and other payables	(43,292)	(43,292)
	(77,672)	(77,672)
2022		
Financial assets		
Trade and other receivables*	68,560	68,560
Fixed deposit with financial institutions	20,507	20,507
Cash and cash equivalents	71,349	71,349
	160,416	160,416
Financial liabilities		
Borrowings	(23,045)	(23,045)
Trade and other payables	(48,350)	(48,350)
	(71,395)	(71,395)

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

27. FINANCIAL INSTRUMENTS (CONT'D)
27.1 Categories of financial instruments (Cont'd)

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

	Carrying amount RM'000	Amortised Cost RM'000
Company		
2023		
Financial assets		
Trade and other receivables*	1	1
Amount due from subsidiaries	16,210	16,210
Cash and cash equivalents	19,672	19,672
	35,883	35,883
Financial liabilities		
Trade and other payables	(217)	(217)
Amount due to a subsidiary	-	-
	(217)	(217)
2022		
Financial assets		
Trade and other receivables*	1	1
Amount due from subsidiaries	15,328	15,328
Cash and cash equivalents	17,207	17,207
	32,536	32,536
Financial liabilities		
Trade and other payables	(510)	(510)
Amount due to a subsidiary	(33)	(33)
	(543)	(543)

* Exclude prepayments

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. FINANCIAL INSTRUMENTS (CONT'D)

27.2 Net gain and (losses) arising from financial instruments

	2023 RM'000	2022 RM'000
Net gain/(losses) arising on:		
Financial assets measured at amortised cost	3,258	1,624
Financial liabilities measured at amortised cost	(2,919)	(1,615)
	339	9

27.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

27.4 Credit risk

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

Trade receivables

Risk management objectives, policies and processes for managing the risk

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

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

There is no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

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

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)**27. FINANCIAL INSTRUMENTS (CONT'D)****27.4 Credit risk (Cont'd)****Trade receivables (Cont'd)**Concentration of credit risk

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

As at 31 December 2023, the Group has significant concentration of credit risk arising from the amounts owing by 6 (2022: 6) customers constituting 34% (2022: 36%) of the Group's gross trade receivables.

Recognition and measurement of impairment loss

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

The Group has applied the simplified approach in MFRS 9 to measure the loss allowance at lifetime expected credit losses. The Group assesses impairment of trade receivables on individual and collective basis.

For individual assessment, it is due to different credit risk characteristics and these debtors can be individually managed by the Group in an effective and efficient manner. The Group has reasonable and supportable information available to assess the impairment individually.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

27. FINANCIAL INSTRUMENTS (CONT'D)
27.4 Credit risk (Cont'd)
Trade receivables (Cont'd)
Impairment losses

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

	Gross RM'000	Loss Allowances RM'000	Net RM'000
Group			
2023			
Not past due	39,322	(21)	39,301
Past due:			
Less than 30 days	6,175	(16)	6,159
31 to 60 days	1,431	(9)	1,422
61 to 90 days	1,283	(9)	1,274
More than 90 days	12,729	(60)	12,669
	21,618	(94)	21,524
	60,940	(115)	60,825
Credit impaired:			
Individually impaired	1,213	(1,213)	-
	62,153	(1,328)	60,825
2022			
Not past due	42,466	(31)	42,435
Past due:			
Less than 30 days	8,495	(20)	8,475
31 to 60 days	3,038	(18)	3,020
61 to 90 days	1,906	(13)	1,893
More than 90 days	4,170	(36)	4,134
	17,609	(87)	17,522
	60,075	(118)	59,957
Credit impaired:			
Individually impaired	1,163	(1,163)	-
	61,238	(1,281)	59,957

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

27. FINANCIAL INSTRUMENTS (CONT'D)
27.4 Credit risk (Cont'd)
Trade receivables (Cont'd)
Impairment losses (Cont'd)

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

	Lifetime ECL RM'000	Credit Impaired RM'000	Total RM'000
Balances as 1 January 2022	135	1,280	1,415
Net measurement of loss allowance	2	(117)	(115)
Exchange difference	(19)	-	(19)
Balance as 31 December 2022/1 January 2023	118	1,163	1,281
Net measurement of loss allowance	(11)	50	39
Exchange difference	8	-	8
Balance as 31 December 2023	115	1,213	1,328

Receivables that are not past due

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

Receivables that are past due but not impaired

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

Credit impaired

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

Cash and cash equivalents and fixed deposits with financial institutions

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

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

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)**27. FINANCIAL INSTRUMENTS (CONT'D)****27.4 Credit risk (Cont'd)****Other receivables and deposits**

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

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

Financial guaranteesRisk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounting to RM42,218,000 (2022: RM27,019,000) representing the outstanding balance of banking facilities of the subsidiaries as at the end of the reporting period comprised of borrowings amounted to RM34,380,000 (2022: RM23,045,000), letter of credit and bank guarantee amounted to RM4,491,000 (2022: RM3,509,000) and RM3,347,000 (2022: RM465,000) respectively.

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

Recognition and measurement of impairment loss

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)**27. FINANCIAL INSTRUMENTS (CONT'D)****27.4 Credit risk (Cont'd)****Amounts due from subsidiaries**Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loan and advances to its subsidiaries. The Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. Loans and advances provided are not secured by any collateral.

Recognition and measurement of impairment loss

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

Generally, the Company considers loans and advances to subsidiaries having low credit risk. The Company assumes that there is a significant increase in credit risk when subsidiaries' financial positions deteriorate significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers subsidiaries' loans or advances to be credit impaired when the subsidiaries are unlikely to repay the loans or advances to the Company in full given insufficient highly liquid resources when the loans are demanded.

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

As at the reporting date, no loss allowance is provided for amounts due from subsidiaries.

27.5 Liquidity risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

27. FINANCIAL INSTRUMENTS (CONT'D)
27.5 Liquidity risk (Cont'd)
Maturity analysis

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

	Carrying amount RM'000	Contractual interest rate/ discount rate %	Contractual cash flows RM'000	Within 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000
2023						
Group						
Trade and other payables	43,292	-	43,292	43,292	-	-
Borrowings:						
- Bankers' acceptance	1,388	4.96 - 5.38	1,388	1,388	-	-
- Bank overdrafts	65	8.40 - 8.57	65	65	-	-
- Trust receipts	14,182	1.22 - 7.40	14,369	14,369	-	-
- Revolving loan	300	7.50	300	300	-	-
- Term loans	18,445	3.20 - 4.50	26,300	1,508	6,034	18,758
Lease liabilities	2,156	1.88 - 7.90	2,344	1,011	905	428
	79,828		88,058	61,933	6,939	19,186
Company						
Other payables	217	-	217	217	-	-
Financial guarantees *	-	-	42,218	42,218	-	-
	217		42,435	42,435	-	-

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

27. FINANCIAL INSTRUMENTS (CONT'D)

27.5 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

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

	Carrying amount RM'000	Contractual interest rate/ discount rate %	Contractual cash flows RM'000	Within 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000
2022						
Group						
Trade and other payables	48,350	-	48,350	48,350	-	-
Borrowings:						
- Bankers' acceptance	2,048	3.39 - 5.30	2,048	2,048	-	-
- Bank overdrafts	421	8.32	421	421	-	-
- Trust receipts	3,296	1.18 - 7.45	3,348	3,348	-	-
- Revolving loan	600	7.50	600	600	-	-
- Term loan	16,680	4.00	23,486	1,294	5,177	17,015
Lease liabilities	1,943	2.31 - 4.75	2,094	965	980	149
	73,338		80,347	57,026	6,157	17,164
Company						
Other payables	510	-	510	510	-	-
Amount due to a subsidiary	33	-	33	33	-	-
Financial guarantees *	-	-	27,019	27,019	-	-
	543		27,562	27,562	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

27. FINANCIAL INSTRUMENTS (CONT'D)

27.6 Market risk

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

27.6.1 Currency risk

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

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

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

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

Exposure to foreign currency risk

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

	USD RM'000	EUR RM'000	JPY RM'000	GBP RM'000
Group				
2023				
Financial assets				
Trade and other receivables	27,272	1,373	6,111	–
Cash and bank balances	14,948	502	3,825	473
	42,220	1,875	9,936	473
Financial liabilities				
Trade and other payables	(10,780)	(330)	(4,010)	(139)
Borrowings	(7,099)	(305)	(5,754)	(1,024)
	(17,879)	(635)	(9,764)	(1,163)
Net exposure	24,341	1,240	172	(690)

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

27. FINANCIAL INSTRUMENTS (CONT'D)
27.6 Market risk (Cont'd)
27.6.1 Currency risk (Cont'd)
Exposure to foreign currency risk (Cont'd)

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

	USD RM'000	EUR RM'000	JPY RM'000	GBP RM'000
Group				
2022				
Financial assets				
Trade and other receivables	31,746	941	3,042	12
Cash and bank balances	12,264	633	5,220	352
	44,010	1,574	8,262	364
Financial liabilities				
Trade and other payables	(14,060)	(2,347)	(4,567)	(224)
Borrowings	(1,320)	(630)	(611)	(698)
	(15,380)	(2,977)	(5,178)	(922)
Net exposure	28,630	(1,403)	3,084	(558)

Foreign currency risk sensitivity analysis

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

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

	2023 RM'000	2022 RM'000
Group		
Foreign currencies/Functional currency		
USD/RM	1,850	2,176
EUR/RM	94	(107)
JPY/RM	13	234
GBP/RM	(52)	(42)

A 10% (2022: 10%) weakening in foreign currencies against the functional currency of the Group at the end of the reporting period would have equal but opposite effect on profit or loss and equity, on the basis that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

27. FINANCIAL INSTRUMENTS (CONT'D)

27.6 Market risk (Cont'd)

27.6.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policies are to obtain the most favourable interest rates available. Any surplus funds of the Group and of the Company will be placed with licensed financial institutions to generate interest income.

In respect of interest-earning financial assets and interest-bearing financial liabilities, the effective interest rates at the reporting date and the maturity periods are disclosed in Notes 11, 12, 13 and 27.5.

Exposure to interest rate risk

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial asset				
Fixed deposits with financial institutions	21,237	20,507	-	-
Financial liabilities				
Lease liabilities	(2,156)	(1,943)	-	-
	19,081	18,564	-	-
Floating rate instruments				
Financial assets				
Short-term investments	31,921	23,651	19,612	17,176
Amounts due from subsidiaries	-	-	1,500	4,300
	31,921	23,651	21,112	21,476
Financial liabilities				
Borrowings				
- Bank overdrafts	(65)	(421)	-	-
- Bankers' acceptances	(1,388)	(2,048)	-	-
- Trust receipts	(14,182)	(3,296)	-	-
- Revolving loan	(300)	(600)	-	-
- Term loan	(18,445)	(16,680)	-	-
	(34,380)	(23,045)	-	-
Net exposure	(2,459)	606	21,112	21,476

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

27. FINANCIAL INSTRUMENTS (CONT'D)
27.6 Market risk (Cont'd)
27.6.2 Interest rate risk (Cont'd)
Interest rate risk sensitivity analysis
Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for floating rate instruments

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

	Profit or loss			
	2023		2022	
	100 bp increase RM'000	100 bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
Group				
Floating rate instruments	(19)	19	5	(5)
Company				
Floating rate instruments	160	(160)	163	(163)

27.7 Fair value information
Financial instrument at fair value

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

Financial instrument other than those carried at fair value

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

28. CAPITAL MANAGEMENT

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

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

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

		Group	
	Note	2023 RM'000	2022 RM'000
Borrowings	16	34,380	23,045
Lease liabilities		2,156	1,943
Total debts		36,536	24,988
Total equity attributable to the owners of the Company		174,073	158,975
Debt-to-equity ratio		0.21	0.16

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

(i) Gearing ratio to be capped at 1.50 to 2.00 times.

The Group is in compliance with all externally imposed capital requirements as mentioned above. As at 31 December 2023, the gearing ratio of QAP and QMC (the subsidiaries that are subject to the loan covenant) were 0.51 times (2022: 0.39 times) and 0.19 times (2022: 0.12 times) respectively.

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

29. CAPITAL COMMITMENT

	Group	
	2023 RM'000	2022 RM'000
Capital expenditure commitment		
<i>Authorised and contracted for:</i>		
Property, plant and equipment	37,979	-
	37,979	-

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

30. RELATED PARTIES
Identity of related parties

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

The Group has a related party relationship with associate and key management personnel. The Company has related party relationship with its subsidiaries.

Significant related party transactions

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

	Company	
	2023 RM'000	2022 RM'000
Subsidiaries		
Management fee paid	132	132
Dividend income	(8,091)	(4,000)
Loan interest income	(55)	(71)

Compensation of key management personnel

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

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

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Short-term employee benefit expenses	5,401	5,953	288	259
Post employment benefit expenses	871	957	-	-
	6,272	6,910	288	259

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

31. OPERATING SEGMENTS

(i) Reporting format

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

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

Segment revenue and results

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

Segment assets

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

Segment liabilities

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

(ii) Allocation basis and transfers

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

31. OPERATING SEGMENTS (CONT'D)

	Note	Investment holding RM'000	Equipment RM'000	Materials and Engineering Solutions RM'000	Manufacturing RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
2023							
External revenue		–	184,605	23,510	32,554	–	240,669
Intra segment revenue	(a)	–	80,630	–	102	(80,732)	–
Inter segment revenue	(a)	8,091	2,191	444	–	(10,726)	–
Total revenue		8,091	267,426	23,954	32,656	(91,458)	240,669
Results							
Depreciation and amortisation		–	4,128	207	1,729	(43)	6,021
Other non-cash expenses/(income)	(b)	237	(674)	(112)	78	–	(471)
Segment profit before tax	(c)	7,371	24,162	1,495	1,538	(9,003)	25,563
Assets							
Additions to non-current assets	(d)	–	7,833	58	7,351	–	15,242
Segment assets	(e)	100,236	210,522	21,194	51,017	(107,184)	275,785
Segment liabilities	(f)	3,228	107,461	8,950	20,999	(43,215)	97,423

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

31. OPERATING SEGMENTS (CONT'D)

	Note	Investment holding RM'000	Equipment RM'000	Materials and Engineering Solutions RM'000	Manufacturing RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
2022							
External revenue		-	193,606	34,038	36,763	-	264,407
Intra segment revenue	(a)	-	83,688	-	739	(84,427)	-
Inter segment revenue	(a)	4,000	5,657	1,485	-	(11,142)	-
Total revenue		4,000	282,951	35,523	37,502	(95,569)	264,407
Results							
Depreciation and amortisation		-	3,517	232	1,162	(25)	4,886
Other non-cash expenses/(income)	(b)	632	246	(28)	(290)	-	560
Segment profit before tax	(c)	1,150	26,368	3,679	8,409	(5,217)	34,389
Assets							
Additions to non-current assets	(d)	-	11,721	207	4,883	-	16,811
Segment assets	(e)	94,905	182,013	20,951	49,217	(96,194)	250,892
Segment liabilities	(f)	3,249	85,148	9,057	24,224	(33,420)	88,258

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

31. OPERATING SEGMENTS (CONT'D)

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

	2023	2022
	RM'000	RM'000
Bad debts written off	8	79
Gain on disposal of property, plant and equipment	(1,510)	(865)
Gain on lease modification	-	(22)
Inventories written down	60	170
Inventories written off	33	20
Loss on unrealised foreign exchange	288	58
Net loss/(gain) on impairment of financial instruments	39	(115)
Property, plant and equipment written off	2	313
Provision for post-employment benefits	372	290
Share of result of an associate, net of tax	237	632
	(471)	560

- (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:

	2023	2022
	RM'000	RM'000
Segment profit	34,566	39,606
Profit from inter-segment sales	(2,774)	(2,896)
Dividend	(9,045)	(5,242)
Other income	(1,793)	(1,284)
Unallocated corporate expenses	4,609	4,205
Profit before tax	25,563	34,389

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

31. OPERATING SEGMENTS (CONT'D)

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

	2023	2022
	RM'000	RM'000
Property, plant and equipment	6,857	13,641
Intangible assets	1,723	2,317
Right-of-use assets	6,662	853
	<hr/> 15,242	<hr/> 16,811

(e) Reconciliation of assets:

	2023	2022
	RM'000	RM'000
Segment assets	382,969	347,086
Adjustment on consolidation of subsidiaries	(67,971)	(66,622)
Deferred tax assets	1,060	578
Tax recoverable	2,389	3,378
Unrealised profit on inventories	(450)	(757)
Inter-segment balances	(42,212)	(32,771)
	<hr/> 275,785	<hr/> 250,892

(f) Reconciliation of liabilities:

	2023	2022
	RM'000	RM'000
Segment liabilities	140,638	121,678
Adjustment on consolidation of subsidiaries	(4,123)	(3,640)
Tax payable	2,022	2,059
Deferred tax liabilities	1,098	932
Inter-segment balances	(42,212)	(32,771)
	<hr/> 97,423	<hr/> 88,258

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

31. OPERATING SEGMENTS (CONT'D)
Geographical Information

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

	2023	2022
	RM'000	RM'000
Malaysia	97,628	114,834
Singapore	37,274	41,831
Philippines	28,812	22,157
Vietnam	27,383	28,226
Thailand	22,273	20,674
Indonesia	11,531	11,417
Morocco	4,769	6,128
China	3,549	10,840
Portugal	1,439	370
Czech Republic	1,388	4,397
Taiwan	1,231	23
Malta	1,002	861
Lao People's Democratic Republic	847	314
Others	1,543	2,335
	240,669	264,407

Major customers' information

The Group has five customers which contributes approximately RM45.0 million or 18.7% (2022: five customers, RM57.9 million or 21.9%) of the Group's revenue during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
 (CONT'D)

31. OPERATING SEGMENTS (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	China RM'000	Consolidated RM'000
2023									
Property, plant and equipment	41,007	1,013	437	14	1,041	188	1,183	115	44,998
Right-of-use	7,056	257	95	-	-	953	-	76	8,437
Intangible assets	7,083	-	-	3,381	-	-	-	-	10,464
Investment in an associate	1,961	-	-	-	-	-	-	-	1,961
	57,107	1,270	532	3,395	1,041	1,141	1,183	191	65,860
2022									
Property, plant and equipment	40,259	559	593	19	949	130	1,007	-	43,516
Right-of-use	1,248	115	264	-	-	1,283	-	-	2,910
Intangible assets	6,157	-	-	3,381	-	-	-	-	9,538
Investment in an associate	1,898	-	-	-	-	-	-	-	1,898
	49,562	674	857	3,400	949	1,413	1,007	-	57,862

STATEMENT BY **DIRECTORS**

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

In the opinion of the Directors, the financial statements set out on pages 91 to 160 are drawn up in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2023 and of their financial performance and cash flows for the financial year then ended.

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

.....
Chew Ne Weng
 Director

.....
Liew Soo Keang
 Director

Kuala Lumpur

Date: 17 April 2024

STATUTORY **DECLARATION**

pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Yeoh Cheong Yeow**, the Officer primarily responsible for the financial management of QES Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 91 to 160 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the above named, Yeoh Cheong Yeow, MIA CA: 16643, at Kuala Lumpur in the Federal Territory on 17 April 2024.

.....
Yeoh Cheong Yeow

Before me:

Alizahwati Binti Atan (No. W811)
 Commissioner of Oaths

INDEPENDENT AUDITORS' REPORT

to the members of QES Group Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of QES Group Berhad, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 91 to 160.

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 2023, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards as issued by the International Accounting Standard Board (IFRS Accounting Standards) and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

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

Refer to Note 1(d) Basis of preparation: Use of estimates and judgements, Note 10 – Trade and other receivables and Note 27.4 – Financial Instruments – Credit risk – Trade receivables.

The key audit matter

As at 31 December 2023, the Group's gross trade receivables amounted to RM62.2 million, representing approximately 29.8% of the group's current assets. Furthermore, RM13.9 million has past due more than 90 days. The Group measures ECL of trade receivables based on provision matrix that take into consideration of its historical credit loss experience, debtors' ability to pay and are adjusted for forward-looking information. We identified ECL allowance for trade receivables as a key audit matter due to the involvement of significant judgement and estimates made by Directors.

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

The key audit matter (Cont'd)

How the matter was addressed in our audit

We performed the following audit procedures, among others:

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

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report 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 the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QES GROUP BERHAD
(CONT'D)**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

OTHER MATTERS

1. The financial statements of the Group and of the Company as at and for the year ended 31 December 2022 were audited by another chartered accountant who expressed an unmodified opinion on those statements on 31 March 2023.
2. This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

Petaling Jaya, Selangor

Date: 17 April 2024

Chan Kim Hing
Approval Number: 03737/04/2025 J
Chartered Accountant

LIST OF PROPERTIES

Particulars of the property

Description / Address	3-storey intermediate unit shop office building situated on a piece of leasehold land held under HSD 14891, PT 2935, Mukim 11, District of Seberang Perai Tengah, Pulau Pinang, with a postal address of No 19, Tingkat Bukit Jambul, Bukit Jambul Indah, 11950 Penang
Owner	QES (Asia-Pacific) Sdn. Bhd.
Age of building (years)	25
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	RM364,726.00

Description / Address	Five (5) Storey detached factory erected on land held under Individual Title H.S.(D) 225962, PT No. 114, Bandar Glenmarie, Daerah Petaling, Negeri Selangor bearing the address of No. 2, Jalan Jururancang U1/21, Seksyen U1, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor
Owner	QES (Asia-Pacific) Sdn. Bhd.
Age of building (years)	28
Tenure Expiry	Freehold
Existing Use	Utilised by QES (Asia-Pacific) Sdn. Bhd. as its new corporate headquarters and manufacturing facility
Land Area	62,786 sq. ft.
Built Up Area	86,806 sq. ft.
Audited Net Book Value	RM25,413,287.00

LIST OF PROPERTIES
 (CONT'D)

Particulars of the property

Description / Address	A piece of land situated in Daerah Seberang Perai Selatan and forming part of Mukim 13, the site whereof is marked SV 64, Batu Kawan Industrial Park
Owner	QES Mechatronic Sdn. Bhd.
Age of land (years)	1
Tenure Expiry	Leasehold for 60 years Expiring on 12 January 2083
Existing Use	Utilised by QES Mechatronic Sdn. Bhd., to build own building
Land Area	87,120 sq. ft.
Audited Net Book Value	RM4,928,734.00

ANALYSIS OF SHAREHOLDINGS

as at 29 March 2024

SHARE CAPITAL

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

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of shares held	%
Less than 100 shares	95	0.87	321	0.00
100 – 1,000 shares	1,262	11.60	739,779	0.09
1,001 – 10,000 shares	4,988	45.85	29,214,400	3.50
10,001 – 100,000 shares	3,928	36.11	134,186,200	16.09
100,001 to less than 5% of issued shares	604	5.55	264,009,295	31.65
5% and above of issued shares	2	0.02	405,988,805	48.67
Total	10,879	100.00	834,138,800	100.00

LIST OF TOP THIRTY LARGEST SHAREHOLDERS

	Name	No. of shares held	%
1.	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB FOR WA CAPITAL SDN BHD (PB)</i>	218,000,000	26.13
2.	LIEW SOO KEANG	187,988,805	22.54
3.	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MAYBANK PRIVATE WEALTH MANAGEMENT FOR CHEW NE WENG (12021750) (440078)</i>	23,000,000	2.76
4.	CITIGROUP NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 22)</i>	20,500,000	2.46
5.	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB FOR CHEW NE WENG</i>	10,270,895	1.23
6.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD <i>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND</i>	4,280,000	0.51
7.	PAN LEE CHIN	4,150,000	0.50
8.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD (EASTSPRINGESG)</i>	3,721,700	0.45
9.	CITIGROUP NOMINEES (ASING) SDN BHD <i>UBS AG</i>	3,618,400	0.43
10.	CGS INTERNATIONAL NOMINEES MALAYSIA (TEMPATAN) SDN. BHD. <i>PLEGDED SECURITIES ACCOUNT FOR FOONG KOK HONG (MY1489)</i>	3,300,000	0.40

ANALYSIS OF SHAREHOLDINGS
 (CONT'D)

LIST OF TOP THIRTY LARGEST SHAREHOLDERS (CONT'D)

	Name	No. of shares held	%
11.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD <i>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSEQUITY INCOME FUND</i>	2,939,000	0.35
12.	LIEW SOO KEANG	2,762,300	0.33
13.	TAN POH CHYE @ TAN POH SAI	2,700,000	0.32
14.	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEGDED SECURITIES ACCOUNT FOR DOH TEE LEONG (E-TAI/STW)</i>	2,700,000	0.32
15.	LAI LENG LEAN	2,565,500	0.31
16.	HSBC NOMINEES (ASING) SDN BHD <i>J.P. MORGAN SECURITIES PLC</i>	2,395,700	0.29
17.	CARTABAN NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR BARCLAYS CAPITAL SECURITES LTD (SBL/PB)</i>	2,058,600	0.25
18.	CHOW HONG LIT	2,054,000	0.25
19.	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD <i>TA ISLAMIC FUND</i>	1,616,700	0.19
20.	PHILLIP NOMINEES (TEMPATAN) SDN BHD <i>PLEGDED SECURITIES ACCOUNT FOR LIN CHEE SENG</i>	1,600,000	0.19
21.	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>PLEGDED SECURITIES ACCOUNT FOR YONG CHEN VOON</i>	1,545,900	0.19
22.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD <i>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSGROWTH FUND</i>	1,533,000	0.18
23.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEGDED SECURITIES ACCOUNT FOR LIM HUNG THIAM (7000997)</i>	1,500,000	0.18
24.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEGDED SECURITIES ACCOUNT FOR CHIANG SOAK HOONG (7001002)</i>	1,410,000	0.17
25.	KENANGA NOMINESS (TEMPATAN) SDN BHD <i>PLEGDED SECURITES ACCOUNT FOR LIM CHEN CHONG</i>	1,350,000	0.16
26.	RHB NOMINEES (TEMPATAN) SDN BHD <i>PLEGDED SECURITES ACCOUNT FOR DOH TEE LEONG</i>	1,300,000	0.16
27.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEGDED SECURITIES ACCOUNT FOR TEO SIEW HONG (3003833)</i>	1,279,000	0.15
28.	TAN JUEN SIEW	1,270,000	0.15
29.	LAU SAM SIONG	1,270,000	0.15
30.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <i>PLEGDED SECURITIES ACCOUNT FOR CHEE SAI MUN</i>	1,250,000	0.15
	Total	515,929,500	61.85

ANALYSIS OF SHAREHOLDINGS (CONT'D)

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

Name of substantial shareholders	No. of ordinary shares			
	Direct	%	Indirect	%
1) CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for WA Capital Sdn Bhd (PB)	218,000,000	26.13	–	–
2) Liew Soo Keang	190,751,105	22.87	–	–
3) Chew Ne Weng	33,270,895	3.99	218,000,000 ⁽¹⁾	26.13
4) Zhou Fu (L) Foundation	–	–	218,000,000 ⁽²⁾	26.13

STATEMENT OF DIRECTORS' SHAREHOLDINGS

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

Notes:

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

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

NOTICE OF 10TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 10th Annual General Meeting (“10th AGM”) of QES Group Berhad (“QES” or “the Company”) will be held on fully virtual basis through live streaming and online remote voting using Remote Participation and Voting (“RPV”) facilities via Vote2U provided by Agmo Digital Solutions Sdn Bhd in Malaysia at <https://web.vote2u.my> (Domain Registration No. with MYNIC – D6A471702) from the Broadcast Venue, QES Group Berhad, No. 2, Jalan Jururancang U1/21, Hicom-Glenmarie Industrial Park, Seksyen U1, 40150 Shah Alam, Selangor, Malaysia, on Friday, 31 May 2024 at 10.00 a.m. or at any adjournment thereof for the transaction of the following businesses:-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2023 together with the Reports of the Directors and the Auditors thereon. (Refer to Explanatory Notes a)
2. To approve the payment of Directors’ fees to the Non-Executive Directors up to an amount of RM300,000/- for the period from 1 June 2024 to the next AGM or at any adjournment thereof. **(Ordinary Resolution 1)**
(Refer to Explanatory Notes b)
3. To re-elect the following Directors who retire by rotation pursuant to the Company’s Constitution, and who being eligible, offered themselves for re-election: (Refer to Explanatory Notes c)
 - (i) Mr. Hoh Chee Mun (Clause 115) **(Ordinary Resolution 2)**
 - (ii) Mr. Liew Soo Keang (Clause 115) **(Ordinary Resolution 3)**
4. To re-appoint Messrs. KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 4)**

AS SPECIAL BUSINESS

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

5. **Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016** **(Ordinary Resolution 5)**
(Refer to Explanatory Notes d)

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

AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities.

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

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

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

NOTICE OF 10TH ANNUAL GENERAL MEETING
 (CONT'D)

6. PROPOSED RENEWAL OF SHARE BUY-BACK OF UP TO TEN PERCENT (10%) OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY ("PROPOSED RENEWAL OF SHARE BUY-BACK")
(Ordinary Resolution 6)
 (Refer to Explanatory Notes e)

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

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

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

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

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

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

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

NOTICE OF 10TH ANNUAL GENERAL MEETING (CONT'D)

7. **Retention of Encik Adnan bin Zainol as Independent Non-Executive Director** **(Ordinary Resolution 7)**
(Refer to Explanatory Notes f)
- THAT** Encik Adnan bin Zainol, who has served as an Independent Non-Executive Director for a cumulative term of more than nine (9) years, be and is hereby retained as an Independent Non-Executive Director of the Company until the conclusion of the next AGM or at any adjournment thereof in accordance with the Malaysian Code on Corporate Governance 2021.
8. **Retention of Mr. Hoh Chee Mun as Independent Non-Executive Director** **(Ordinary Resolution 8)**
(Refer to Explanatory Notes f)
- THAT**, subject to the passing of Ordinary Resolution 2, Mr. Hoh Chee Mun, who has served as an Independent Non-Executive Director for a cumulative term of more than nine (9) years, be and is hereby retained as an Independent Non-Executive Director of the Company until the conclusion of the next AGM or at any adjournment thereof in accordance with the Malaysian Code on Corporate Governance 2021.
9. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD,

ANDREA HUONG JIA MEI (MIA 36347/ SSM PC NO. 202008003125)

Company Secretary
Kuala Lumpur
30 April 2024

Explanatory Notes on Ordinary Resolutions:

(a) Audited Financial Statements for financial year ended 31 December 2023

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

(b) Ordinary Resolution 1

Section 230(1) of the Companies Act, 2016 provides amongst others, that "the fees" of the Directors and "any benefits" payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the 10th AGM on the Directors remuneration.

(c) Ordinary Resolutions 2 and 3

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

NOTICE OF 10TH ANNUAL GENERAL MEETING (CONT'D)

Explanatory Notes to Special Business

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

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

The Company had been granted a general mandate on the authority to issue shares pursuant to the Act by its shareholders at the 9th AGM of the Company held on 16 June 2023 (hereinafter referred to as the "Previous Mandate").

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

Resolution No. 5 is to seek a renewal of the general mandate for the issue of new ordinary shares pursuant to Sections 75 and 76 of the Companies Act 2016. The proposed Resolution No. 5, if passed, will empower the Directors of the Company to issue and allot new shares in the Company at any time and for such purposes as the Directors considered would be in the interests of the Company up to an aggregate not exceeding ten percent (10%) of the total number of issued shares of the Company without convening a general meeting. This authority, unless revoked or varied at a general meeting will expire at the conclusion of the next AGM or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier.

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

Pursuant to Section 85 of the Act read together with Clause 16 of the Constitution of the Company, shareholders have pre-emptive rights to be offered any new shares in the Company which rank equally to the existing issued shares in the Company or other securities. Should the existing shareholders of the Company approve the proposed Ordinary Resolution 5, they are waiving their pre-emptive rights pursuant to Section 85(1) of the Act, which then would allow the Directors to issue new shares to any person without having to offer the said new shares equally to all existing shareholders of the Company prior to issuance. This will result in a dilution to the shareholding percentage of the existing shareholders of the Company.

(e) Ordinary Resolution 6 – Proposed Renewal of Share Buy-Back

This proposed Ordinary Resolution 6, if passed, will empower the Company to purchase and/or hold up to 10% of the issued and paid-up share capital of the Company. This authority unless revoked or varied by the Company at a general meeting will expire at the next AGM of the Company. Further information on the Proposed Renewal of Share Buy-Back is set out in the Statement to Shareholders which is dispatched together with the Notice of 10th AGM.

(f) Ordinary Resolutions 7 and 8 - Retention of Encik Adnan bin Zainol and Mr. Hoh Chee Mun as Independent Non-Executive Directors

Pursuant to the Malaysian Code on Corporate Governance 2021 ("MCCG 2021"), it is recommended that approval of the shareholders be sought in the event the Company intends to retain an Independent Non-Executive Directors who have served in that capacity for more than nine (9) years.

Encik Adnan bin Zainol and Mr. Hoh Chee Mun were appointed to the Board on 11 May 2015 and therefore would have served the Company for nine (9) years on 10 May 2024, after this Notice of the 10th AGM. The Board of Directors has vide the Nomination Committee ("NC") assessed the independence of Encik Adnan bin Zainol and Mr. Hoh Chee Mun, recommended that they continue to act as Independent Non-Executive Directors of the Company. Details of the Board's justification and recommendation for the retention of Encik Adnan bin Zainol and Mr. Hoh Chee Mun are set out in the Corporate Governance Overview Statement of the Annual Report 2023.

Encik Adnan bin Zainol and Mr. Hoh Chee Mun will continue to act as Independent Non-Executive Directors of the company if the proposed ordinary resolution 7 and 8 is passed via a two-tier voting process.

NOTICE OF 10TH ANNUAL GENERAL MEETING (CONT'D)

RECORD OF DEPOSITORS FOR THE AGM

The date of Record of Depositors for the 10th AGM is 27 May 2024. As such, only members whose names appear in the Record of Depositors as at 27 May 2024 shall be eligible to participate, speak and vote at the 10th AGM.

Notes :-

1. The Tenth Annual General Meeting ("10th AGM") of the Company will be conducted on a fully virtual basis by way of live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities available on Vote2U Online website at <https://web.vote2u.my>. Please follow the procedures provided in the 'Administrative Details' section of the 10th AGM in order to register, participate and vote remotely via the RPV facilities.
2. The broadcast venue of the 10th AGM is strictly for the purpose of complying with Section 327(2) of the Act and Clause 58 of the Company's Constitution which stipulate that the Chairman shall be at the main venue. Member(s)/proxy(ies)/corporate representative(s) **WILL NOT BE ALLOWED** to attend the 10th AGM in person at the broadcast venue on the day of the meeting.
3. For the purpose of determining who shall be entitled to attend this General Meeting via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a Record of Depositors as at 27 May 2024. Only a member whose name appears on this Record of Depositors shall be entitled to attend in this 10th AGM via RPV.
4. A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
5. The Proxy Form must be deposited at the Share Registrar's office at Mega Corporate Services Sdn. Bhd. of Level 15-2, Faber Imperial Court Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than 48 hours before the time set for the meeting or any adjournment thereof.
6. A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.
7. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
8. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
9. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

STATEMENT ACCOMPANYING

NOTICE OF TENTH (10TH) ANNUAL GENERAL MEETING**(Pursuant to Paragraph 8.27 (2) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad)**

1. Pursuant to the Company's Constitution the following Directors are standing for re-election at the 10th AGM of the Company:-
 - (a) Mr. Hoh Chee Mun (Clause 115)
 - (b) Mr. Liew Soo Keang (Clause 115)
2. No individual is standing for election as a Director at the forthcoming 10th AGM of the Company other than the Directors seeking for re-election and retention as a Director at the 10th AGM.
3. The profiles of the Directors who are standing for re-election at the 10th AGM are set out in the Company's Annual Report 2023.
4. The Company will seek shareholder's approval on the general meeting to allot and issue shares. Please refer to the proposed Ordinary Resolution 5 as stated in the Notice of the 10th AGM of the Company for further details.

ADMINISTRATIVE GUIDE FOR SHAREHOLDERS

QES GROUP BERHAD – 10TH ANNUAL GENERAL MEETING

Date	: Friday, 31 May 2024
Time	: 10.00 a.m.
Meeting Venue	: https://web.vote2u.my
Domain Registration Numbers with MYNIC	: D6A471702

The 10th Annual General Meeting (“10th AGM”) will be held virtually and online remote voting using the Remote Participation and Voting Facilities (“RPV”).

We strongly encourage our shareholders whose names appear on the Record of Depositors as at 27 May 2024 and holders of proxy for those shareholders to participate in the virtual 10th AGM and vote remotely at this 10th AGM. In line with the Malaysian Code on Corporate Governance Practice 13.3, this virtual 10th AGM will facilitate greater shareholder’s participation (including posting questions to the Board of Directors and/or Management of the Company) and vote at the 10th AGM without being physically present at the venue. For shareholders who are unable to participate in this virtual 10th AGM, you may appoint a proxy(ies) or the Chairman of the Meeting as your proxy to attend and vote on your behalf at the 10th AGM.

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

PROCEDURES TO PARTICIPATE IN RPV

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

BEFORE AGM DAY

A: REGISTRATION

Individual Shareholders

Description	Procedure
i. Shareholders to register with Vote2U online	<p>The registration will open from the day of notice</p> <ol style="list-style-type: none"> Access website at https://web.vote2u.my Click “Sign Up” to sign up as a user. Read the ‘Privacy Policy’ and ‘Terms & Conditions’ and indicate your acceptance of the ‘Privacy Policy’ and ‘Terms & Conditions’ on a small box <input type="checkbox"/>. Then click “Next”. *Fill-in your details (note: create your own password). Then click “Continue”. Upload softcopy of your identification card (MYKAD) (front only) (for Malaysian) or Passport (for non-Malaysian). Click “Submit” to complete the registration Your registration will be verified and an email notification will be sent to you. Please check your email. <p>Note: If you have registered as a user with Vote2U Online previously, you are not required to register again.</p> <ul style="list-style-type: none"> * Check your email address is keyed in correctly. * Remember the password you have keyed-in.

ADMINISTRATIVE GUIDE FOR SHAREHOLDERS (CONT'D)

B: REGISTER PROXY

Individual Shareholder / Corporate Shareholder / Nominees Company

Description	Procedure
i. Submit Form of Proxy (hardcopy)	<p>a. *Fill-in details on the hardcopy Proxy Form and ensure to provide the following information:</p> <ul style="list-style-type: none"> o MYKAD (for Malaysian) / Passport (for non-Malaysian) number of the Proxy o *Email address of the Proxy <p>b. The Proxy Form must be deposited at the Share Registrar's office at Mega Corporate Services Sdn Bhd of Level 15-2, Faber Imperial Court Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than 48 hours before the time set for the meeting or any adjournment thereof.</p> <p><u>Note:</u> After verification, an email notification will be sent to the Proxy and the Proxy will be given a temporary password. The Proxy could use the temporary password to log in to Vote2U.</p> <p>* Check the email address of Proxy is written down correctly.</p>
ii. Electronic Lodgement of Proxy Form (e-Proxy Form) For individual shareholders only	<p>a. Individual shareholders to log in to Vote2U with your email address and password that you have registered with Vote2U.</p> <p>b. Click "Register Proxy Now" for e-Proxy registration.</p> <p>c. Select the general meeting event that you wish to attend.</p> <p>d. Select/ add your Central Depository System ("CDS") account number and number of shares.</p> <p>e. Select "Appoint Proxy".</p> <p>f. Fill-in the details of your proxy(ies) – ensure proxy(ies) email address(es) is/are valid.</p> <p>g. Indicate your voting instruction should you prefer to do so.</p> <p>h. Thereafter, select "Submit".</p> <p>i. Your submission will be verified.</p> <p>j. After verification, proxy(ies) will receive email notification with temporary credentials, i.e. email address & password, to log in to Vote2U.</p> <p><u>Note:</u> You need to register as a shareholder before you can register a proxy and submit the e-Proxy form. Please refer above 'A: Registration' to register as shareholder.</p>

Shareholders who appoint Proxy(ies) to participate in the virtual 10th AGM must ensure that the hardcopy Form of Proxy or e-proxy is submitted not less than 48 hours before the time for holding the meeting or any adjourned meeting at which the person named in the instrument proposes to vote and in default, the instrument of proxy shall not be treated as valid.

ADMINISTRATIVE GUIDE FOR SHAREHOLDERS (CONT'D)

ON AGM DAY

A: WATCH LIVE STREAMING

Individual Shareholders & Proxies

Description	Procedure
i. Login to virtual meeting portal - Vote2U online & watch Live Streaming.	<p>The Vote2U online portal will open for log in starting from 9.00am, Friday, 31 May 2024, one (1) hour before the commencement of the AGM.</p> <ol style="list-style-type: none"> Login with your email and password Select the General Meeting event (for example, "QES Group Berhad 10th AGM"). Check your details. Click "Watch Live" button to view the live streaming.

B: ASK QUESTION

Individual Shareholders & Proxies

Description	Procedure
i. Ask Question during AGM (real-time)	<p>Questions submitted online using <u>typed text</u> will be moderated before being forwarded to the Chairman to avoid repetition. Every question and message will be presented with the full name of the shareholder or proxy raising the question.</p> <ol style="list-style-type: none"> Click "Ask Question" button to post question(s). Type in your question and click "Submit". <p>The Chairperson / Board of Director will endeavor to respond to questions submitted by remote shareholders and proxies during the AGM.</p>

C: VOTING REMOTELY

Individual Shareholders & Proxies

Description	Procedure
i. Online Remote Voting	<p>Once the Chairman announces the opening of remote voting:</p> <ol style="list-style-type: none"> Click "Confirm Details & Start Voting". To vote, select your voting choice from the options provided. A confirmation screen will appear to show your selected vote. Click "Next" to continue voting for all resolutions. To change your vote, click "Back" and select another voting choice. After you have completed voting, a Voting Summary page appears to show all the resolutions with your voting choices. Click "Confirm" to submit your vote. <p>[Please note that you are <u>not able</u> to change your voting choices after you have confirmed and submitted your votes.]</p>

ADMINISTRATIVE GUIDE FOR SHAREHOLDERS (CONT'D)

ADDITIONAL INFORMATION

Voting Procedure

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

Enquiry

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

Email: investor.relations@qesnet.com

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

Telephone Number: 03-7664 8520 / 03-7664 8521

Email: vote2u@agmostudio.com



PROXY FORM

QES GROUP BERHAD

[Registration No. 201401042911 (1119086-U)]
(Incorporated in Malaysia)

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

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

of (FULL ADDRESS)

being a member(s) of QES GROUP BERHAD hereby appoint:

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

or failing him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the 10th Annual General Meeting ("10th AGM") of the Company to be held on fully virtual basis through live streaming and online remote voting using Remote Participation and Voting ("RPV") facilities via Vote2U provided by Agmo Digital Solutions Sdn Bhd in Malaysia at <https://web.vote2u.my> (Domain Registration No. with MYNIC – D6A471702) from the Broadcast Venue, QES Group Berhad, No. 2, Jalan Jururancang U1/21, Hicom-Glenmarie Industrial Park, Seksyen U1, 40150 Shah Alam, Selangor, Malaysia, on Friday, 31 May 2024 at 10.00 a.m. or at any adjournment (*Strike out whichever is not desired*)

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

Proxy 1	%
Proxy 2	%
	100 %

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

NO	RESOLUTIONS	FOR	AGAINST
1.	Ordinary Resolution 1 – To approve the payment of Directors' fees of Non- Executive Directors		
2.	Ordinary Resolution 2 – Re-election of Mr. Hoh Chee Mun as Director		
3.	Ordinary Resolution 3 – Re-election of Mr. Liew Soo Keang as Director		
4.	Ordinary Resolution 4 – To re-appoint Messrs. KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration		
5.	Ordinary Resolution 5 – Authority to allot and issue shares		
6.	Ordinary Resolution 6 – Proposed of Renewal Share Buy-Back		
7.	Ordinary Resolution 7 – Retention of Encik Adnan bin Zainol as Independent Non-Executive Director		
8.	Ordinary Resolution 8 – Retention of Mr. Hoh Chee Mun as Independent Non-Executive Director		

Signed this day of 2024

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

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

Notes:-

- The Tenth Annual General Meeting ("10th AGM") of the Company will be conducted on a fully virtual basis by way of live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities available on Vote2U Online website at <https://web.vote2u.my>. Please follow the procedures provided in the 'Administrative Details' section of the 10th AGM in order to register, participate and vote remotely via the RPV facilities.
- The broadcast venue of the 10th AGM is strictly for the purpose of complying with Section 327(2) of the Act and Clause 58 of the Company's Constitution which stipulate that the Chairman shall be at the main venue. Member(s)/proxy(ies)/corporate representative(s) **WILL NOT BE ALLOWED** to attend the 10th AGM in person at the broadcast venue on the day of the meeting.
- For the purpose of determining who shall be entitled to attend this General Meeting via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a Record of Depositors as at 27 May 2024. Only a member whose name appears on this Record of Depositors shall be entitled to attend in this 10th AGM via RPV.
- A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
- The Proxy Form must be deposited at the Share Registrar's office at Mega Corporate Services Sdn Bhd of Level 15-2, 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.
- A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.
- Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
- Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.



Fold this flap for sealing

Then fold here

AFFIX
STAMP

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

1st fold here



QES Group Berhad

201401042911 (1119086-U)

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

T : +603 5882 6668

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www.qesnet.com

