

11. FINANCIAL INFORMATION**11.1 HISTORICAL AND PRO FORMA FINANCIAL INFORMATION****11.1.1 Historical financial information**

Our Company was incorporated on 20 November 2014. Our combined financial statements throughout the FYEs 2014 to 2016, FPE 2016 and FPE 2017 have been prepared in accordance with MFRS and IFRS. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows.

We completed the acquisitions of 100% ordinary shares in QES (Thailand) and 70% ordinary shares in QES (Singapore) on 30 December 2016 and 28 December 2016 respectively. As QES (Thailand) and QES (Singapore) were not under common control with our Group prior to the acquisition, their pre-acquisition financial information were not included in our historical combined financial statements. Upon completion of the acquisitions, their financial information was consolidated in our financial statements for the FPE 2017. Additionally, QES (Philippines) was incorporated on 8 March 2017. Its financial information is consolidated in our financial statements for the FPE 2017.

(a) Historical combined statements of profit or loss and other comprehensive income

The following table sets out a summary of our combined statements of profit or loss and other comprehensive income for the FYEs 2014 to 2016, FPE 2016 and FPE 2017. It should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" set out in Section 11.2 of this Prospectus and the Accountants' Report and related notes set out in Section 12 of this Prospectus.

	Audited			Unaudited	Audited
	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2017
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	105,381	128,000	137,285	94,497	139,634
Less : Cost of sales	(76,492)	(92,530)	(99,543)	(67,898)	(89,327)
GP	28,889	35,470	37,742	26,599	50,307
Other operating income	3,000	2,806	4,565	2,052	1,547
Marketing & distribution cost	(11,885)	(14,160)	(15,945)	(10,684)	(21,254)
Administrative expenses	(10,414)	(10,136)	(10,437)	(6,828)	(10,937)
Operating expenses	(1,070)	(2,457)	(2,463)	(1,966)	(3,318)
Profit from operations	8,520	11,523	13,462	9,173	16,345
Finance costs	(1,911)	(1,765)	(1,387)	(1,065)	(796)
PBT	6,609	9,758	12,075	8,108	15,549
Taxation	(1,116)	(2,289)	(1,905)	(1,343)	(2,836)
PAT	5,493	7,469	10,170	6,765	12,713
Non-controlling interest	(264)	(374)	(710)	(364)	(859)
PAT attributable to the owners of the Company	5,229	7,095	9,460	6,401	11,854
EBIT (RM'000) ⁽¹⁾	7,962	10,782	12,339	8,497	15,151
EBITDA (RM'000) ⁽¹⁾	9,544	12,611	14,026	9,755	16,530
GP margin (%)	27.4	27.7	27.5	28.1	36.0
PBT margin (%) ⁽²⁾	6.3	7.6	8.8	8.6	11.1
PAT margin (%) ⁽²⁾	5.2	5.8	7.4	7.2	9.1
Effective tax rate (%)	16.9	23.5	15.8	16.6	18.2

11. FINANCIAL INFORMATION (Cont'd)

	Audited			Unaudited	Audited
	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2017
	RM'000	RM'000	RM'000	RM'000	RM'000
Gross EPS (sen) ⁽²⁾	1.09	1.61	1.99	1.34	2.56
Net EPS (sen) ⁽²⁾	0.86	1.17	1.56	1.06	1.95
Diluted EPS (sen) ⁽³⁾	0.69	0.94	1.25	0.84	1.56

Notes:

(1) EBIT and EBITDA are calculated as follows:

	Audited			Unaudited	Audited
	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2017
	RM'000	RM'000	RM'000	RM'000	RM'000
PAT	5,229	7,095	9,460	6,401	11,854
Less:					
Interest income	294	367	413	312	335
Add:					
Finance costs	1,911	1,765	1,387	1,065	796
Taxation	1,116	2,289	1,905	1,343	2,836
EBIT	7,962	10,782	12,339	8,497	15,151
Add:					
Depreciation and amortisation	1,582	1,829	1,687	1,258	1,379
EBITDA	9,544	12,611	14,026	9,755	16,530

(2) PBT margin and PAT margin are calculated based on the respective PBT and PAT against our revenue.

(3) Calculated based on PBT and our share capital of 606,647,000 Shares in issue before our IPO.

(4) Calculated based on PAT attributable to the owners of the Company and our share capital of 606,647,000 Shares in issue before our IPO.

(5) Calculated based on PAT attributable to the owners of the Company and our enlarged share capital of 758,308,000 Shares after our IPO.

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11. FINANCIAL INFORMATION (Cont'd)**(b) Historical combined statements of financial position**

The following table sets out a summary of our combined statements of financial position for the FYEs 2014 to 2016, and FPE 2017. It should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" set out in Section 11.2 of this Prospectus and the Accountants' Report and related notes set out in Section 12 of this Prospectus.

	Audited			
	FYE 2014	FYE 2015	FYE 2016	FPE 2017
	RM'000	RM'000	RM'000	RM'000
<u>Non-Current Assets</u>				
Property, plant and equipment	7,907	6,482	6,261	7,763
Intangible assets	3,742	3,697	4,369	4,592
Other investments	60	60	60	60
Deferred tax assets	58	76	113	169
Total Non-Current Assets	11,767	10,315	10,803	12,584
<u>Current Assets</u>				
Inventories	9,585	13,201	11,087	20,579
Trade receivables	22,528	27,375	38,517	32,607
Other receivables	935	2,065	1,466	2,528
Tax recoverable	1,371	1,479	1,128	-
Fixed deposits with financial institutions	12,298	13,549	14,746	17,463
Cash and bank balances	6,334	10,367	14,818	17,702
Total Current Assets	53,051	68,036	81,762	90,879
Total Assets	64,818	78,351	92,565	103,463
<u>Equity</u>				
Invested equity	15,806	22,926	31,568	43,422
Translation reserve	(460)	(1,015)	(974)	(1,088)
Total equity attributable to owners of the Company	15,346	21,911	30,594	42,334
Non-controlling interests	1,230	1,671	2,092	2,710
Total Equity	16,576	23,582	32,686	45,044
<u>Non-Current Liabilities</u>				
Borrowings	7,767	5,782	2,947	1,743
Deferred tax liabilities	263	989	484	137
Provision for post employment benefits	226	304	451	495
Total Non-Current Liabilities	8,256	7,075	3,882	2,375

11. FINANCIAL INFORMATION (Cont'd)

	Audited			
	FYE 2014	FYE 2015	FYE 2016	FPE 2017
	RM'000	RM'000	RM'000	RM'000
Current Liabilities				
Trade payables	14,968	23,290	25,063	27,299
Other payables	9,090	7,232	9,571	11,697
Borrowings	15,928	16,960	20,727	16,031
Taxation	-	212	636	1,017
Total Current Liabilities	39,986	47,694	55,997	56,044
Total Liabilities	48,242	54,769	59,879	58,419
Total Equity & Liabilities	64,818	78,351	92,565	103,463

(c) Historical combined statements of cash flows

The following table sets out a summary of our combined statements of cash flows for the FYEs 2014 to 2016, and FPE 2017. It should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" set out in Section 11.2 of this Prospectus and the Accountants' Report and related notes set out in Section 12 of this Prospectus.

	Audited			
	FYE 2014	FYE 2015	FYE 2016	FPE 2017
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before tax	6,609	9,758	12,075	15,549
Adjustment for:				
Allowance for inventories	35	184	155	305
Amortisation of intangible assets	23	55	76	77
Bad debts written off	5	138	59	43
Depreciation of property, plant and equipment	1,559	1,774	1,611	1,302
Goodwill written off	-	-	777	-
Impairment loss on trade receivables	34	665	-	642
Inventories written off	316	-	-	-
Interest expenses	1,911	1,765	1,387	796
Property, plant and equipment written off	6	7	2	-
Provision for post-employment benefits	79	118	97	74
Discount on acquisition	-	-	(1,525)	-
Gain on unrealised foreign exchange	(1,035)	(3,560)	(695)	(265)
Gain on disposal of property, plant and equipment	(3)	(225)	(70)	(913)
Interest income	(294)	(367)	(413)	(335)
Reversal of impairment loss on receivables	-	-	(397)	-
Operating profit before working capital changes / balance carried forward	9,245	10,312	13,139	17,275

11. FINANCIAL INFORMATION (Cont'd)

	Audited			
	FYE 2014	FYE 2015	FYE 2016	FPE 2017
	RM'000	RM'000	RM'000	RM'000
Balance brought down	9,245	10,312	13,139	17,275
Inventories	35	(3,800)	3,094	(9,797)
Receivables	3,521	(5,847)	(3,389)	3,817
Payables	(977)	5,981	(3,406)	4,761
Cash from operations	11,824	6,646	9,438	16,056
Employees benefit paid	-	-	(6)	-
Income tax refund	3	149	339	325
Income tax paid	(1,292)	(1,616)	(2,137)	(2,055)
Interest paid	(966)	(968)	(863)	(504)
Net cash from operating activities	9,569	4,211	6,771	13,822
Cash flows from investing activities				
Interest received	294	367	413	335
Acquisition of property, plant and equipment	(2,372)	(774)	(1,289)	(2,042)
Increase in intangible assets	(165)	(10)	(748)	(300)
Net inflows in acquisition of subsidiaries	31	-	834	-
Placement of fixed deposits	(5,103)	(1,251)	(619)	(2,717)
Proceeds from disposal of property, plant and equipment	17	849	208	1,585
Net cash used in investing activities	(7,298)	(819)	(1,201)	(3,139)
Cash flows from financing activities				
Repayment of directors advances	(1,358)	-	-	-
Dividend paid	-	-	(920)	-
Increase in banking facilities	1,951	282	3,035	(3,182)
Interest paid	(945)	(797)	(524)	(292)
Repayment of finance lease liabilities	(612)	(513)	(373)	(542)
Repayment of term loans	(2,226)	(1,922)	(2,243)	(2,033)
Net cash used in financing activities	(3,190)	(2,950)	(1,025)	(6,049)
Net increase/(decrease) in cash and cash equivalents	(919)	442	4,545	4,634
Foreign exchange translation	1,207	2,561	116	(173)
Cash and cash equivalents at beginning of the year/period	1,442	1,730	4,733	9,394
Cash and cash equivalents at end of the year/period	1,730	4,733	9,394	13,855

11. FINANCIAL INFORMATION (Cont'd)**11.1.2 Pro forma financial information****(a) Pro forma consolidated statements of financial position**

The following table sets out a summary of the pro forma consolidated statements of financial position of our Group based on our audited consolidated financial statements as at 30 September 2017 to show the effects of the Acquisitions, Public Issue and utilisation of proceeds. The pro forma consolidated statements of financial position is presented for illustrative purposes only and should be read in conjunction with the Reporting Accountants' Report together with the notes and assumptions accompanying the Pro forma Consolidated Statements of Financial Position as set out in Section 13 of this Prospectus.

	As at 30 September 2017 RM'000	Pro forma I (¹) After Acquisitions RM'000	Pro forma II After Pro forma I and Public Issue RM'000	Pro forma III (²) After Pro forma II and utilisation of proceeds RM'000
<u>Non-Current Assets</u>				
Property, plant and equipment	-	7,763	7,763	18,479
Intangible assets	-	4,592	4,592	9,442
Other investments	-	60	60	60
Deferred tax assets	-	169	169	169
Total Non-Current Assets	-	12,584	12,584	28,150
<u>Current Assets</u>				
Inventories	-	20,579	20,579	20,579
Trade receivables	-	32,607	32,607	32,607
Other receivables	-	2,528	2,528	2,528
Tax recoverable	-	-	-	-
Fixed deposits with financial institutions	-	17,463	17,463	17,463
Cash and bank balances	-	17,702	46,518	21,812
Total Current Assets	-	90,879	119,695	94,989
Total Assets	-	103,463	132,279	123,139
<u>Equity</u>				
Share capital	*	32,592	61,408	61,408
Translation reserve	-	(1,087)	(1,087)	(1,087)
Merger deficit	-	(20,227)	(20,227)	(20,227)
Retained earnings/ (Accumulated losses)	(2,367)	32,413	32,413	31,669
Total Equity attributable to equity holders of the Company	(2,367)	43,691	72,507	71,763
Non-controlling interests	-	1,353	1,353	1,353
Total Equity	(2,367)	45,044	73,860	73,116

11. FINANCIAL INFORMATION (Cont'd)

	As at 30 September 2017 RM'000	Pro forma I (1) After Acquisitions RM'000	Pro forma II After Pro forma I and Public Issue RM'000	Pro forma III (2) After Pro forma II and utilisation of proceeds RM'000
<u>Non-Current Liabilities</u>				
Borrowings	-	1,743	1,743	-
Deferred tax liabilities	-	137	137	137
Provision for post employment benefits	-	495	495	495
Total Non-Current Liabilities	-	2,375	2,375	632
<u>Current Liabilities</u>				
Trade payables	-	27,299	27,299	27,299
Other payables	2,367	11,697	11,697	10,301
Borrowings	-	16,031	16,031	10,774
Taxation	-	1,017	1,017	1,017
Total Current Liabilities	2,367	56,044	56,044	49,391
Total Liabilities	2,367	58,419	58,419	50,023
Total Equity & Liabilities	-	103,463	132,279	123,139
Number of shares in issue ('000)	1	606,647	758,308	758,308
NA/(NL) attributable to owners of the Company (RM'000)	(2,367)	43,691	72,507	71,763
NA/(NL) per share (RM)	(2,367)	0.07	0.10	0.09
Borrowings (all interest bearing debts)	-	17,774	17,774	10,774
Current ratio (times)	-	1.62	2.14	1.92
Gearing ratio (times)	-	0.41	0.25	0.15

Notes:

- (1) Incorporates the effects of the Acquisitions as set out in Section 5.3 of this Prospectus.
- (2) Incorporates the effects of the utilisation of proceeds as set out in Section 3.10 of this Prospectus.
- * Denotes RM100.

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11. FINANCIAL INFORMATION (Cont'd)

11.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and segmental analysis of our audited results for the FYEs 2014 to 2016 and FPE 2017 should be read in conjunction with the combined financial statements and the notes thereon as set out in the Accountants' Report included in Section 12 of this Prospectus.

The discussion and analysis contains data derived from our audited results.

11.2.1 Overview of our operations
(a) Principal activities

Our Group is principally involved in the distribution of inspection, test and measurement equipment, materials and engineering solutions. We also manufacture optical inspection and automated handling equipment as well as AWMS. Please refer to Section 6 of this Prospectus for our Group's detailed business overview.

(b) Revenue

Our Group's revenue is mainly derived from our distribution division. Our revenue is recognised upon the issuance of an invoice to our customer, whether for sales or services. In addition to product distribution, we also provide after sales services such as repair and maintenance for products that we distribute. Contribution from provision of maintenance services and supply of spare parts was between 19.3% to 27.4% of our total Group revenue for FYEs 2014 to 2016, FPE 2016 and FPE 2017. This represents recurring revenue, usually packaged under a maintenance contract when the equipment is sold and is dependent on the total number of equipment we have sold and installed at customers' premises.

We earn a margin over the products we distribute. The products are normally stored in and delivered from our warehouses in Malaysia or directly from our suppliers. In this respect, some of our subsidiaries record only commission income without incurring direct cost of sales.

Revenue from our distribution division is complemented by our manufacturing division, which focuses on the manufacture of optical inspection and automated handling equipment as well as AWMS.

On a geographical basis, Malaysia remains the biggest market contributing 41.2%, 50.1%, 47.7%, 52.7% and 47.1% of our Group's total revenue for FYEs 2014 to 2016, FPE 2016 and FPE 2017 respectively. The remaining of our revenue is derived mainly from the regional markets in ASEAN as our distribution network across the region has allowed our Group to tap into growth markets within the ASEAN region.

Kindly refer to Section 6 of this Prospectus for our Group's detailed business overview.

(c) Cost of sales

The cost of sales for our distribution division mainly comprise the invoiced price of the products, plus directly attributable costs of purchase such as transportation, import duties, handling costs and freight insurance.

11. FINANCIAL INFORMATION (Cont'd)

The cost of sales for our manufacturing division comprises mainly raw material costs, labour costs and factory overheads. Our raw materials consist mainly of fabrication parts, electrical and sub components parts. Our labour costs consist of salaries and wages of our workers who are directly involved in the manufacturing division. Factory overhead comprises depreciation of machinery and equipment, utilities, repairs and maintenance of the factory.

(d) Other income

Other income includes mainly gain on foreign exchange and interest income. In certain financial years, there were also one-off other income such as discount on consolidation, government grant and insurance payment. Please refer to Section 11.2.2 (d) of this Prospectus for further analysis. The gain on foreign exchange is in respect of the settlement of foreign currency denominated transactions and balances in foreign currency. Please refer to Section 11.12.1 of this Prospectus for further details on our exposure to foreign exchange risks.

Interest income is derived from our bank deposits.

(e) Operating expenses and finance costs

Our operating expenses can be segregated into marketing and distribution costs, administrative expenses and other operating expenses.

Marketing and distribution expenses are costs incurred directly for marketing and sales functions such as remuneration and travelling expenses for marketing staff, exhibition and trade promotion expenses.

Administrative expenses comprise overheads incurred to maintain our operations such as remuneration for administrative staff, directors' remuneration, office rental and office maintenance.

Other operating expenses relates to expenses incurred which are not directly related to our operations such as depreciation of property, plant and equipment, amortisation of intangible assets, impairment loss on trade receivables and allowance for inventories.

Finance costs comprise mainly interest expense on our borrowings.

(f) Recent developments

There were no significant events subsequent to our Group's audited combined financial statements for FPE 2017.

(g) Exceptional and extraordinary items and audit qualifications

The Accountants' Report highlights an emphasis of matter on going concern for QES (Hong Kong) for FYEs 2014 to 2016 and QES (Singapore) for FYEs 2014 to 2016 and FPE 2017, which states that the ability of the subsidiary to continue as a going concern is dependent on the continued financial support of the Group. Save for the foregoing, there were no exceptional or extraordinary items. In addition, our audited combined financial statements for the 3 financial years and 9 months financial period under review were not subject to any audit qualification.

11. FINANCIAL INFORMATION (Cont'd)**11.2.2 Results Of Operations****(a) Revenue**

The revenue segmentation of our Group by subsidiaries, by divisions and by geographical locations for the past 3 FYEs 2014 to 2016, FPE 2016 and FPE 2017, is set out below. The year-on-year / period-on-period commentary on our revenue is set out in Section 11.2.3 of this Prospectus.

(i) Analysis of revenue by subsidiaries

The breakdown of our Group's revenue by subsidiaries is as follows:

	Combined Group											
	FYE 2014		Audited		FYE 2015		FYE 2016		Unaudited		Audited	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
QES (Asia-Pacific) ⁽⁴⁾	42,702	33.1	64,335	45.0	64,475	42.3	45,758	44.0	65,139	38.3		
Creden Intra Pacific	20,493	15.9	22,403	15.6	29,448	19.3	18,110	17.4	27,699	16.3		
QS Instruments	24,412	18.9	27,860	19.5	32,766	21.5	23,180	22.3	25,924	15.2		
Creden Mechatronic	11,893	9.2	9,031	6.3	9,047	5.9	5,857	5.6	15,765	9.2		
QES (Singapore) ⁽⁴⁾	-	-	-	-	-	-	-	-	10,072	5.9		
QES (Thailand) ⁽⁴⁾	-	-	-	-	-	-	-	-	10,015	5.9		
QES (Indonesia) ⁽⁴⁾	5,762	4.5	5,136	3.6	6,627	4.4	4,476	4.3	4,656	2.7		
QAM ⁽⁴⁾	6,872	5.3	9,391	6.6	4,485	3.0	3,015	2.9	3,663	2.1		
QES (Philippines) ⁽⁴⁾	-	-	-	-	-	-	-	-	2,855	1.7		
QES (Hong Kong) ⁽⁴⁾	661	0.5	2,970	2.1	3,577	2.4	2,117	2.0	2,302	1.4		
QES (Vietnam) ⁽⁴⁾	1,007	0.8	1,575	1.1	1,897	1.2	1,552	1.5	2,202	1.3		
QES (Penang) ⁽²⁾⁽⁴⁾	4,576	3.6	296	0.2	1	(1)	-	-	-	-		
VMX ⁽²⁾⁽⁴⁾	2,047	1.6	31	(1)	-	-	-	-	-	-		
QES (KL) ⁽²⁾⁽⁴⁾	5,349	4.1	21	(1)	-	-	-	-	-	-		
QES (Sarawak) ⁽²⁾⁽⁴⁾	148	0.1	20	(1)	-	-	-	-	-	-		
Creden (Asia-Pacific) ⁽³⁾	89	0.1	-	-	-	-	-	-	-	-		
Creden Engineering ⁽²⁾	2,912	2.3	-	-	-	-	-	-	-	-		
	128,923	100.0	143,069	100.0	152,323	100.0	104,065	100.0	170,292	100.0		
Less : Consolidation adjustments	(23,542)		(15,069)		(15,038)		(9,568)		(30,658)			
Total	105,381		128,000		137,285		94,497		139,634			

11. FINANCIAL INFORMATION (Cont'd)

Notes:

- (1) Negligible
- (2) With the implementation of GST, we began to streamline our operations to reduce inter-company transactions. The streamlining of operations resulted in sales being billed directly to the client from the main distributor such as QES (Asia-Pacific) instead of being resold through our other subsidiaries such as QES (Penang). This resulted in reduced inter-company transactions. This resulted in the decrease in the consolidation adjustments in FYE 2015 and FYE 2016 as well as the decrease in contributions from QES (KL), QES (Penang), QES (Sarawak), VMX and Creden Engineering.
- (3) Creden (Asia-Pacific) is the immediate holding company of Creden Mechatronic and Creden Engineering.
- (4) QES (Asia-Pacific) is the immediate holding company of QES (Indonesia), QAM, QES (Hong Kong), QES (Vietnam), QES (Singapore), QES (Thailand), QES (Philippines), QES (Penang), VMX, QES (KL) and QES (Sarawak).

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11. FINANCIAL INFORMATION (Cont'd)

The year-on-year /period-on period changes in revenue by subsidiaries are also tabulated as follows:

	Combined Group					
	FYE 2015		FYE 2016		FPE 2017	
	Year-on-year / RM'000	period-on-period %	increase/ RM'000	(decrease) %	in revenue RM'000	in revenue %
QES (Asia-Pacific)	21,633	50.7	140	0.2	19,381	42.4
Creden Intra Pacific	1,910	9.3	7,045	31.4	9,589	52.9
QS Instruments	3,448	14.1	4,906	17.6	2,744	11.8
Creden Mechatronic	(2,862)	(24.1)	16	0.2	9,908	169.2
QES (Singapore)	-	-	-	-	10,072	100.0
QES (Thailand)	-	-	-	-	10,015	100.0
QES (Indonesia)	(626)	(10.9)	1,491	29.0	180	4.0
QAM	2,519	36.7	(4,906)	(52.2)	648	21.5
QES (Philippines)	-	-	-	-	2,855	100.0
QES (Hong Kong)	2,309	349.3	607	20.4	185	8.7
QES (Vietnam)	568	56.4	322	20.4	650	41.9
QES (Penang)	(4,280)	(93.5)	(295)	(99.7)	-	-
VMX	(2,016)	(98.5)	(31)	(100.0)	-	-
QES (KL)	(5,328)	(99.6)	(21)	(100.0)	-	-
QES (Sarawak)	(128)	(86.5)	(20)	(100.0)	-	-
Creden (Asia-Pacific)	(89)	(100.0)	-	-	-	-
Creden Engineering	(2,912)	(100.0)	-	-	-	-
	14,146	11.0	9,254	6.5	66,227	63.6
Less : Consolidation adjustments	8,473		31		(21,090)	
Total	22,619	21.5	9,285	7.3	45,137	47.8

For the past 3 FYEs 2014 to 2016, FPE 2016 and FPE 2017, the QES (Asia-Pacific) group of companies is the largest revenue contributor to our Group. QS Instruments and Creden Intra Pacific ranked second and third in terms of revenue contribution to our Group. The revenue derived from QES (Asia-Pacific) group of companies and QS Instruments are from our distribution business - equipment whereas revenue from Creden Intra Pacific is from distribution business - materials and engineering solutions.

11. FINANCIAL INFORMATION (Cont'd)**(ii) Analysis of revenue by divisions**

The following is the revenue by divisions for the past 3 FYEs 2014 to 2016, FPE 2016 and FPE 2017.

	Combined Group										
	Audited			Unaudited			Audited				
	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2017	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2017	
RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
DISTRIBUTION DIVISION											
Product distribution											
Equipment	70,899	67.3	94,244	73.6	94,521	68.9	63,445	67.1	85,599	61.3	
Materials & Engineering Solutions	46,597	44.2	65,281	51.0	63,846	46.6	45,857	48.5	58,853	42.1	
	24,302	23.1	28,963	22.6	30,675	22.3	17,588	18.6	26,746	19.2	
Services & supply of spare parts											
Equipment	21,925	20.8	24,725	19.3	33,717	24.5	25,195	26.7	38,270	27.4	
Materials & Engineering Solutions	18,912	17.9	22,662	17.7	30,512	22.2	22,997	24.4	34,534	24.7	
	3,013	2.9	2,063	1.6	3,205	2.3	2,198	2.3	3,736	2.7	
Sub-total	92,824	88.1	118,969	92.9	128,238	93.4	88,640	93.8	123,869	88.7	
MANUFACTURING DIVISION											
Manufacturing	12,557	11.9	9,031	7.1	9,047	6.6	5,857	6.2	15,765	11.3	
Sub-total	12,557	11.9	9,031	7.1	9,047	6.6	5,857	6.2	15,765	11.3	
Total	105,381	100.0	128,000	100.0	137,285	100.0	94,497	100.0	139,634	100.0	

11. FINANCIAL INFORMATION (Cont'd)

The year-on-year / period-on-period changes in revenue by divisions are also tabulated as follows:

	Combined Group					
	FYE 2015		FYE 2016		FPE 2017	
	Year-on-year / RM'000	%	Year-on-year / RM'000	%	Year-on-year / RM'000	%
DISTRIBUTION DIVISION						
<u>Product distribution</u>	23,345	32.9	277	0.3	22,154	34.9
Equipment	18,684	40.1	(1,435)	(2.2)	12,996	28.3
Materials & Engineering Solutions	4,661	19.2	1,712	5.9	9,158	52.1
<u>Services & supply of spare parts</u>	2,800	12.8	8,992	36.4	13,075	51.9
Equipment	3,750	19.8	7,850	34.6	11,537	50.2
Materials & Engineering Solutions	(950)	(31.5)	1,142	55.4	1,538	70.0
Sub-total	26,145	28.2	9,269	7.8	35,229	39.7
MANUFACTURING DIVISION						
Manufacturing	(3,526)	(28.1)	16	0.2	9,908	169.2
Sub-total	(3,526)	(28.1)	16	0.2	9,908	169.2
Total	22,619	21.5	9,285	7.3	45,137	47.8

For the past 3 FYEs 2014 to 2016, FPE 2016 and FPE 2017, our distribution division contributed more than 88.0% of our revenue. The distribution of products accounted for between 61.3% to 73.6% of our total revenue. Revenue generated from services and supply of spare parts was between 19.3% to 27.4%. The revenue contribution from our manufacturing division was between 6.2% to 11.9% over the past 3 FYEs 2014 to 2016, FPE 2016 and FPE 2017.

11. FINANCIAL INFORMATION (Cont'd)**(iii) Analysis of revenue by geographical locations**

The breakdown of revenue by geographical locations for the past 3 FYEs 2014 to 2016, FPE 2016 and FPE 2017 is shown below:

Country	Combined Group									
	Audited					Unaudited				
	FYE 2014		FYE 2015		FYE 2016		FPE 2016		FPE 2017	
RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	
Malaysia	43,441	41.2	64,082	50.1	65,502	47.7	49,823	52.7	65,738	47.1
ASEAN (excluding Malaysia)	52,796	50.1	61,950	48.4	69,092	50.3	43,403	45.9	70,833	50.7
Vietnam	10,201	9.7	15,640	12.2	19,652	14.2	13,442	14.2	18,593	13.3
Singapore	13,279	12.6	15,511	12.1	15,201	11.1	6,606	7.0	17,188	12.3
Philippines	13,375	12.7	14,366	11.2	13,894	10.1	9,929	10.5	16,546	11.9
Thailand	5,947	5.6	8,669	6.8	10,929	8.0	7,621	8.1	11,488	8.2
Indonesia	9,994	9.5	7,764	6.1	9,416	6.9	5,805	6.1	7,018	5.0
Others	5,853	5.6	908	0.7	2,143	1.6	985	1.1	2,410	1.7
China	3,291	3.1	1,060	0.8	548	0.4	286	0.3	653	0.5
Total	105,381	100.0	128,000	100.0	137,285	100.0	94,497	100.0	139,634	100.0

11. FINANCIAL INFORMATION (Cont'd)

The year-on-year / period-on-period changes in revenue by geographical locations are also tabulated as follows:

Country	Combined Group					
	FYE 2015		FYE 2016		FPE 2017	
	Year-on-year / RM'000	period-on-period increase/ %	Year-on-year / RM'000	period-on-period increase/ %	(decrease) in revenue RM'000	in revenue %
Malaysia	20,641	47.5	1,420	2.2	15,915	31.9
ASEAN (excluding Malaysia)	9,154	17.3	7,142	11.5	27,430	63.2
Vietnam	5,439	53.3	4,012	25.7	5,151	38.3
Singapore	2,232	16.8	(310)	(2.0)	10,582	160.2
Philippines	991	7.4	(472)	(3.3)	6,617	66.6
Thailand	2,722	45.8	2,260	26.1	3,867	50.7
Indonesia	(2,230)	(22.3)	1,652	21.3	1,213	20.9
Others	(4,945)	(84.5)	1,235	136.0	1,425	144.7
China	(2,231)	(67.8)	(512)	(48.3)	367	128.3
Total	22,619	21.5	9,285	7.3	45,137	47.8

For the past 3 FYEs 2014 to 2016, FPE 2016 and FPE 2017, Malaysia contributed between 41.2% to 52.7% of our revenue. The balance of our revenue was mainly generated overseas, mainly from other ASEAN countries, namely Vietnam, Singapore, the Philippines, Thailand and Indonesia. The downtrend of our revenue in China was primarily because many of our suppliers have established a direct presence there. Therefore, we gradually withdrew from distributing in the China market. However, in FPE 2017, we sold our manufactured AWMS (MPT1000) to China, resulting in the increase in revenue from China.

(b) Cost of sales

The key components of the cost of sales for our distribution division are purchases, transportation, import duties, handling costs and freight insurance. For the manufacturing division, our key cost components are raw materials, labour and factory overheads. The analyses of our cost of sales by subsidiaries, by divisions and by geographical locations for the past 3 FYEs 2014 to 2016, FPE 2016 and FPE 2017 are explained below. The year-on-year / period-on period commentary on our cost of sales is set out in Section 11.2.3 below.

11. FINANCIAL INFORMATION (Cont'd)**(i) Analysis of cost of sales by subsidiaries**

The breakdown of our cost of sales by subsidiaries are as follows:

	Combined Group											
	FYE 2014		Audited		FYE 2015		FYE 2016		Unaudited		Audited	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
QES (Asia-Pacific)	33,025	33.1	48,126	45.0	48,838	43.0	35,319	45.5	46,790	39.1		
Creden Intra Pacific	17,607	17.6	19,276	18.0	24,511	21.6	14,760	19.0	23,739	19.8		
QS Instruments	18,896	18.9	20,613	19.3	23,528	20.7	15,927	20.5	17,547	14.7		
Creden Mechatronic	8,395	8.4	6,671	6.2	7,000	6.2	5,011	6.4	9,935	8.3		
QES (Singapore)	-	-	-	-	-	-	-	-	-	-		
QES (Thailand)	-	-	-	-	-	-	-	-	-	-		
QES (Indonesia)	3,912	3.9	2,767	2.6	4,057	3.6	2,700	3.5	2,750	2.3		
QAM	5,240	5.3	7,532	7.1	2,990	2.6	2,096	2.7	2,557	2.1		
QES (Philippines)	-	-	-	-	-	-	-	-	-	-		
QES (Hong Kong)	-	-	1,131	1.1	1,673	1.5	1,265	1.6	489	0.4		
QES (Vietnam)	361	0.4	645	0.6	943	0.8	624	0.7	1,293	1.1		
QES (Penang)	3,001	3.0	56	0.1	1	(1)	-	-	-	-		
VMX	1,860	1.9	2	(1)	-	-	-	-	-	-		
QES (KL)	4,836	4.8	20	(1)	-	-	-	-	-	-		
QES (Sarawak)	1	(1)	16	(1)	-	-	-	-	-	-		
Creden (Asia-Pacific)	86	0.1	-	-	-	-	-	-	-	-		
Creden Engineering	2,638	2.6	-	-	-	-	-	-	-	-		
	99,858	100.0	106,855	100.0	113,541	100.0	77,702	99.9	119,743	100.0		
Less : Consolidation adjustments	(23,366)		(14,325)		(13,998)		(9,804)		(30,416)			
Total	76,492		92,530		99,543		67,898		89,327			

Note:

(1) Negligible

The year-on-year /period-on-period changes in cost of sales by subsidiaries are also tabulated as follows:

11. FINANCIAL INFORMATION (Cont'd)

	Combined Group					
	FYE 2015		FYE 2016		FPE 2017	
	RM'000	%	RM'000	%	RM'000	%
	Year-on-year / period-on-period increase/(decrease) in cost of sales					
QES (Asia-Pacific)	15,101	45.7	712	1.5	11,471	32.5
Creden Intra Pacific	1,669	9.5	5,235	27.2	8,979	60.8
QS Instruments	1,717	9.1	2,915	14.1	1,620	10.2
Creden Mechatronic	(1,724)	(20.5)	329	4.9	4,924	98.3
QES (Singapore)	-	-	-	-	6,699	100.0
QES (Thailand)	-	-	-	-	6,706	100.0
QES (Indonesia)	(1,145)	(29.3)	1,290	46.6	50	1.9
QAM	2,292	43.7	(4,542)	(60.3)	461	22.0
QES (Philippines)	-	-	-	-	489	100.0
QES (Hong Kong)	1,131	-	542	47.9	28	2.2
QES (Vietnam)	284	78.7	298	46.2	614	98.4
QES (Penang)	(2,945)	(98.1)	(55)	(98.2)	-	-
VMX	(1,858)	(99.9)	(2)	(100.0)	-	-
QES (KL)	(4,816)	(99.6)	(20)	(100.0)	-	-
QES (Sarawak)	15	1,500.0	(16)	(100.0)	-	-
Creden (Asia-Pacific)	(86)	(100.0)	-	-	-	-
Creden Engineering	(2,638)	(100.0)	-	-	-	-
	6,997	7.0	6,686	6.3	42,041	54.1
Less : Consolidation adjustments	9,041		327		(20,612)	
Total	16,038	21.0	7,013	7.6	21,429	31.6

Our cost of sales for the past 3 FYEs 2014 to 2016, FPE 2016 and FPE 2017 were mainly contributed by QES (Asia-Pacific). This corresponds to our revenue segmentation where QES (Asia-Pacific) is the largest revenue contributor to our Group. Overall, the cost of sales by the various subsidiaries corresponds with the revenue segmentation.

(ii) Analysis of cost of sales by divisions and cost components

The breakdown of our cost of sales by divisions and cost components are as follows:

11. FINANCIAL INFORMATION (Cont'd)

	Combined Group								
	Audited				Unaudited				
	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2016	FPE 2017	FPE 2017	FPE 2017	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
%	%	%	%	%	%	%	%	%	
DISTRIBUTION DIVISION									
Product distribution									
(a) Equipment	57,713	74,380	73,954	74.3	48,365	71.2	58,685	65.7	
Purchases	36,012	49,852	51,073	51.3	34,503	50.8	34,973	39.2	
Others	34,646	48,647	49,917	50.1	33,674	49.6	33,832	37.9	
	1,366	1,205	1,156	1.2	829	1.2	1,141	1.3	
(b) Materials & Engineering Solutions	21,701	24,528	22,881	23.0	13,862	20.4	23,712	26.5	
Purchases	21,160	24,078	22,333	22.4	13,484	19.9	23,347	26.1	
Others	541	450	548	0.6	378	0.6	365	0.4	
Services & supply of spare parts	9,997	11,479	18,589	18.7	14,523	21.4	20,707	23.2	
(a) Equipment	8,902	9,967	16,569	16.7	12,868	19.0	19,003	21.3	
Purchases	8,341	8,935	15,098	15.2	11,857	17.5	17,757	19.9	
Others	561	1,032	1,471	1.5	1,011	1.5	1,246	1.4	
(b) Materials & Engineering Solutions	1,095	1,512	2,020	2.0	1,655	2.4	1,704	1.9	
Purchases	1,095	1,512	2,020	2.0	1,655	2.4	1,704	1.9	
Sub-total	67,710	85,859	92,543	93.0	62,888	92.6	79,392	88.9	

11. FINANCIAL INFORMATION (Cont'd)

	Combined Group								
	Audited				Unaudited				
	FYE 2014	FYE 2015	FYE 2016	FYE 2016	FPE 2016	FPE 2017	FPE 2017	Audited	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
	%	%	%	%	%	%	%	%	
MANUFACTURING DIVISION									
Raw materials	6,176	4,274	4,730	3,064	7,767	7,767	8.7		
Labour	1,689	1,567	1,539	1,417	1,593	1,593	1.8		
Overhead	848	743	650	458	449	449	0.5		
Others	69	87	81	71	126	126	0.1		
	8.1	4.6	4.8	4.5	4.5	4.5			
	2.2	1.7	1.5	2.1	2.1	2.1			
	1.1	0.8	0.7	0.7	0.7	0.7			
	0.1	0.1	0.1	0.1	0.1	0.1			
Sub-total	8,782	6,671	7,000	5,010	9,935	9,935	11.1		
	11.5	7.2	7.0	7.4	7.4	7.4			
Total	76,492	92,530	99,543	67,898	89,327	89,327	100.0		
	100.0	100.0	100.0	100.0	100.0	100.0	100.0		

11. FINANCIAL INFORMATION (Cont'd)

The year-on-year /period-on-period changes in cost of sales by divisions and cost components are also tabulated as follows:

	Combined Group					
	FYE 2015		FYE 2016		FPE 2017	
	Year-on-year / RM'000	%	Year-on-year / RM'000	%	Year-on-year / RM'000	%
DISTRIBUTION DIVISION						
Product distribution	16,667	28.9	(426)	(0.6)	10,320	21.3
(a) Equipment	13,840	38.4	1,221	2.4	470	1.4
Purchases	14,001	40.4	1,270	2.6	158	0.5
Others	(161)	(11.8)	(49)	(4.1)	312	37.6
(b) Materials & Engineering Solutions	2,827	13.0	(1,647)	(6.7)	9,850	71.1
Purchases	2,918	13.8	(1,745)	(7.2)	9,863	73.1
Others	(91)	(16.8)	98	21.8	(13)	(3.4)
Services & supply of spare parts	1,482	14.8	7,110	61.9	6,184	42.6
(a) Equipment	1,065	12.0	6,602	66.2	6,135	47.7
Purchases	594	7.1	6,163	69.0	5,900	49.8
Others	471	84.0	439	42.5	235	23.2
(b) Materials & Engineering Solutions	417	38.1	508	33.6	49	3.0
Purchases	417	38.1	508	33.6	49	3.0
Sub-total	18,149	26.8	6,684	7.8	16,504	26.2

11. FINANCIAL INFORMATION (Cont'd)

	Combined Group					
	FYE 2015		FYE 2016		FPE 2017	
	Year-on-year / period-on-period increase/(decrease) in cost of sales		Year-on-year / period-on-period increase/(decrease) in cost of sales		Year-on-year / period-on-period increase/(decrease) in cost of sales	
RM'000	%	RM'000	%	RM'000	%	
MANUFACTURING DIVISION						
Manufacturing						
Raw materials	(1,902)	(30.8)	456	10.7	4,703	153.3
Labour	(122)	(7.2)	(28)	(1.8)	176	12.4
Overhead	(105)	(12.4)	(93)	(12.5)	(9)	(2.0)
Others	18	26.1	(6)	(6.9)	55	77.5
Sub-total	(2,111)	(24.0)	329	4.9	4,925	98.3
Total	16,038	21.0	7,013	7.6	21,429	31.6

The major cost component for our product distribution is purchases, contributing to a total of 64.0% to 78.6% of our Group's total cost of sales for FYEs 2014 to 2016 and FPE 2017. For the manufacturing division, the main cost is raw materials contributing 4.5% to 8.7% of our Group's total cost of sales for FYEs 2014 to 2016, FPE 2016 and FPE 2017.

11. FINANCIAL INFORMATION (Cont'd)**(iii) Analysis of cost of sales by geographical locations**

The breakdown of cost of sales by geographical region for the past financial years / financial periods under review is shown below:

Country	Combined Group															
	Audited			Unaudited			Audited			Unaudited						
	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2017	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2017	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2017	
RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	
Malaysia	29,700	38.9	45,926	49.6	48,511	48.8	37,115	54.7	46,720	52.3						
ASEAN (excluding Malaysia)	39,996	52.3	45,102	48.8	49,017	49.2	29,744	43.8	40,976	45.8						
Vietnam	7,475	9.8	11,334	12.3	13,021	13.1	8,730	12.9	11,847	13.3						
Singapore	10,935	14.3	12,314	13.3	12,071	12.1	5,118	7.5	10,626	11.8						
Philippines	10,445	13.7	10,695	11.6	10,394	10.5	7,489	11.0	9,030	10.1						
Thailand	4,610	6.0	6,465	7.0	8,107	8.1	5,572	8.2	5,865	6.6						
Indonesia	6,531	8.5	4,294	4.6	5,424	5.4	2,835	4.2	3,608	4.0						
Others	4,316	5.6	687	0.7	1,635	1.6	839	1.2	1,214	1.4						
China	2,480	3.2	815	0.9	380	0.4	200	0.3	417	0.5						
Total	76,492	100.0	92,530	100.0	99,543	100.0	67,898	100.0	89,327	100.0						

11. FINANCIAL INFORMATION (Cont'd)

The year-on-year / period-on-period changes in cost of sales by geographical locations are also tabulated as follows:

Country	Combined Group					
	FYE 2015		FYE 2016		FPE 2017	
	Year-on-year / RM'000	period-on-period %	Year-on-year / RM'000	period-on-period %	Year-on-year / RM'000	period-on-period %
Malaysia	16,226	54.6	2,585	5.6	9,605	25.9
ASEAN (excluding Malaysia)	5,106	12.8	3,915	8.7	11,232	37.8
Vietnam	3,859	51.6	1,687	14.9	3,117	35.7
Singapore	1,379	12.6	(243)	(2.0)	5,508	107.6
Philippines	250	2.4	(301)	(2.8)	1,541	20.6
Thailand	1,855	40.2	1,642	25.4	293	5.3
Indonesia	(2,237)	(34.3)	1,130	26.3	773	27.3
Others	(3,629)	(84.1)	948	138.0	375	44.7
China	(1,665)	(67.1)	(435)	(53.4)	217	108.5
Total	16,038	21.0	7,013	7.6	21,429	31.6

Approximately 38.9% to 54.7% of our cost of sales were from Malaysia for FYEs 2014 to 2016, FPE 2016 and FPE 2017. This corresponds to our revenue segmentation where between 41.2% to 52.7% of our revenue was generated in Malaysia for the financial years / period under review.

11. FINANCIAL INFORMATION (Cont'd)**(c) GP and GP margin**

The analysis of our GP and GP margin by subsidiaries, by divisions and by geographical locations for the past 3 FYEs 2014 to 2016, FPE 2016 and FPE 2017 are explained below. The year-on-year / period-on-period commentary on our GP and GP margin is set out in Section 11.2.3 below.

(i) Analysis of GP and GP margin by subsidiaries

The breakdown of our GP and GP margin by subsidiaries are as follows:

	Combined Group									
	FYE 2014		Audited FYE 2015		FYE 2016		Unaudited FPE 2016		Audited FPE 2017	
	RM'000	GP margin %	RM'000	GP margin %	RM'000	GP margin %	RM'000	GP margin %	RM'000	GP margin %
QES (Asia-Pacific)	9,677	22.7	16,209	25.2	15,637	24.3	10,439	22.8	18,349	28.2
QS Instruments	5,516	22.6	7,247	26.0	9,238	28.2	7,253	31.3	8,377	32.3
Creden Intra Pacific	2,886	14.1	3,127	14.0	4,937	16.8	3,350	18.5	3,960	14.3
Creden Mechatronic	3,498	29.4	2,360	26.1	2,047	22.6	846	14.4	5,830	37.0
QES (Singapore)	-	-	-	-	-	-	-	-	3,373	33.5
QES (Thailand)	-	-	-	-	-	-	-	-	3,309	33.0
QES (Indonesia)	1,850	32.1	2,369	46.1	2,570	38.8	1,776	39.7	1,906	40.9
QAM	1,632	23.7	1,859	19.8	1,495	33.3	919	30.5	1,106	30.2
QES (Philippines) ⁽¹⁾	-	-	-	-	-	-	-	-	2,366	82.9
QES (Hong Kong) ⁽²⁾	661	100	1,839	61.9	1,904	53.2	852	40.2	1,009	43.8
QES (Vietnam) ⁽⁴⁾	646	64.2	930	59.0	954	50.3	928	59.8	964	43.8
QES (Penang) ⁽³⁾	1,575	34.4	240	81.1	-	-	-	-	-	-
VMX ⁽³⁾	187	9.1	29	93.5	-	-	-	-	-	-
QES (KL)	513	9.6	1	4.8	-	-	-	-	-	-
QES (Sarawak) ⁽³⁾	147	99.3	4	20.0	-	-	-	-	-	-
Creden (Asia-Pacific)	3	3.4	-	-	-	-	-	-	-	-
Creden Engineering	274	9.4	-	-	-	-	-	-	-	-
Less : Consolidation adjustment	29,065 (176)	22.5	36,214 (744)	25.3	38,782 (1,040)	25.5	26,363 236	25.3	50,549 (242)	29.7
Total	28,889	27.4	35,470	27.7	37,742	27.5	26,599	28.1	50,307	36.0

11. FINANCIAL INFORMATION (Cont'd)

Notes:

- (1) QES (Philippines) generated mostly commission income during the FPE 2017, which resulted in its high GP margin.
- (2) The GP margin for QES (Hong Kong) for FYE 2014 is 100.0% as QES (Hong Kong) is our distribution office and its revenue for FYE 2014 constitute commission income only. The products ordered were shipped directly to the customers and QES (Hong Kong) only earns a commission income in FYE 2014. However, in FYEs 2015 and 2016, in addition to the commission income earned, QES (Hong Kong) also directly received orders from customers and therefore had to purchase products for sale to its customers. The GP margin for QES (Hong Kong) in FYEs 2015, 2016, FPE 2016 and FPE 2017 therefore represents margin earned on the products sold. Nonetheless, the commission income earned is eliminated upon consolidation, which reflects our overall GP margin.
- (3) Similarly for QES (Sarawak), QES (Penang) and VMX, the high GP margins (99.3% for QES (Sarawak) for FYE 2014; 81.1% for QES (Penang) for FYE 2015 and 93.5% for VMX for FYE 2015) were because they are distribution offices and their revenues were mainly commission income with minimal cost of sales recorded. With the implementation of GST, we streamlined our operations to reduce inter-company transactions which resulted in the decrease in revenue for QES (Sarawak), QES (Penang) and VMX. Nonetheless, the commission income earned is eliminated upon consolidation, which reflects our overall GP margin.
- (4) The revenue recorded by QES (Vietnam) is entirely from services and supply of spare parts and as such its GP margin is higher at between 50.3% to 64.2% in FYEs 2014 to 2016. However, in FPE 2017, QES (Vietnam) also generated revenue from products distribution which has lower GP margin, resulted in a lower GP margin of 43.8% for the FPE 2017.

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11. FINANCIAL INFORMATION (Cont'd)

The year-on-year / period-on-period changes in GP and GP margin by subsidiaries are also tabulated as follows:

	Combined Group					
	FYE 2015		FYE 2016		FPE 2017	
	RM'000	%	RM'000	%	RM'000	%
	Year-on-year / period-on-period increase/(decrease) in GP					
QES (Asia-Pacific)	6,532	67.5	(572)	(3.5)	7,910	75.8
QS Instruments	1,731	31.4	1,991	27.5	1,124	15.5
Creden Intra Pacific	241	8.4	1,810	57.9	610	18.2
Creden Mechatronic	(1,138)	(32.50)	(313)	(13.3)	4,984	589.1
QES (Singapore)	-	-	-	-	3,373	100.0
QES (Thailand)	-	-	-	-	3,309	100.0
QES (Indonesia)	519	28.1	201	8.5	130	7.3
QAM	227	13.9	(364)	(19.6)	187	20.3
QES (Philippines)	-	-	-	-	2,366	100.0
QES (Hong Kong)	1,178	178.2	65	3.5	157	18.4
QES (Vietnam)	284	44	24	2.6	36	3.9
QES (Penang)	(1,335)	(84.80)	(240)	(100.0)	-	-
VMX	(158)	(84.50)	(29)	(100.0)	-	-
QES (KL)	(512)	(99.80)	(1)	(100.0)	-	-
QES (Sarawak)	(143)	(97.30)	(4)	(100.0)	-	-
Creden (Asia-Pacific)	(3)	(100.00)	-	-	-	-
Creden Engineering	(274)	(100.00)	-	-	-	-
	7,149	24.6	2,568	7.1	24,186	91.7
Less : Consolidation adjustments	(568)		(296)		(478)	
Total	6,581	22.8	2,272	6.4	23,708	89.1

11. FINANCIAL INFORMATION (Cont'd)**(i) Analysis of GP and GP margin by divisions**

The breakdown of our GP and GP margin by divisions are as follows:

	Combined Group									
	Audited				Unaudited					
	FYE 2014		FYE 2015		FYE 2016		FPE 2017			
RM'000	GP margin %	RM'000	GP margin %	RM'000	GP margin %	RM'000	GP margin %			
DISTRIBUTION DIVISION										
Product distribution										
Equipment	13,186	18.6	19,864	21.1	20,568	21.8	15,081	23.8	26,914	31.4
Materials & Engineering Solutions	10,585	22.7	15,429	23.6	15,320	23.1	11,355	24.8	23,880	40.6
	2,601	10.7	4,435	15.3	5,248	18.7	3,726	21.2	3,034	11.3
Services & supply of spare parts										
Equipment	11,928	54.4	13,246	53.6	15,127	44.9	10,672	42.4	17,563	45.9
Materials & Engineering Solutions	10,010	52.9	12,695	56.0	13,942	45.7	10,129	44.0	15,531	45.0
	1,918	63.7	551	26.7	1,185	37.0	543	24.7	2,032	54.4
Sub-total	25,114	27.1	33,110	27.8	35,695	27.8	25,753	29.1	44,477	35.9
MANUFACTURING DIVISION										
Manufacturing	3,775	30.1	2,360	26.1	2,047	22.6	846	14.4	5,830	37.0
Sub-total	3,775	30.1	2,360	26.1	2,047	22.6	846	14.4	5,830	37.0
Total	28,889	27.4	35,470	27.7	37,742	27.5	26,599	28.1	50,307	36.0

11. FINANCIAL INFORMATION (Cont'd)

The year-on-year / period-on-period changes in GP by divisions are also tabulated as follows:

	Combined Group					
	FYE 2015		FYE 2016		FPE 2017	
	Year-on-year / RM'000	period-on-period %	increase / RM'000	(decrease) %	in GP RM'000	(decrease) %
DISTRIBUTION DIVISION						
<u>Product distribution</u>	6,678	50.6	704	3.5	11,833	78.5
Equipment	4,844	45.8	(110)	(0.7)	12,525	110.3
Materials & Engineering Solutions	1,834	70.5	814	18.3	(692)	(18.6)
<u>Services & supply of spare parts</u>	1,318	11.0	1,881	14.2	6,891	64.6
Equipment	2,685	26.8	1,247	9.8	5,402	53.4
Materials & Engineering Solutions	(1,367)	(71.3)	634	115.1	1,489	274.2
Sub-total	7,996	31.8	2,585	7.8	18,724	72.7
MANUFACTURING DIVISION						
Manufacturing	(1,415)	(37.5)	(313)	(13.5)	4,984	589.1
Sub-total	(1,415)	(37.5)	(313)	(13.5)	4,984	589.1
Total	6,581	22.8	2,272	6.4	23,708	89.1

11. FINANCIAL INFORMATION (Cont'd)

The GP margins for products distribution were 18.6%, 21.1%, 21.8% and 31.4% for FYEs 2014 to 2016 and FPE 2017 respectively. The GP margins for services and supply of spare parts were 54.4%, 53.6%, 44.9% and 45.9% for FYEs 2014 to 2016 and FPE 2017 respectively. The GP margin for services and supply of spare parts is typically better than GP margin for products distribution as maintenance and repair services involves skilled technical personnel where our profit margin is higher. Please refer to Section 11.2.3 of this Prospectus for further commentaries on GP margin.

The GP margin for services and supply of spare parts is higher because we charge higher prices for these services which can only be performed by our skilled technical personnel who are familiar with the equipment, solutions and customers environment. We also apply a higher margin for the spare parts in this respect which are generally carried only by our Group. In addition, the cost of our services is lower as they involve mainly staff costs.

Our GP margins for the manufacturing division are 30.1%, 26.1%, 22.6% and 37.0% for FYEs 2014 to 2016 and FPE 2017 respectively. The GP margin improvement in FPE 2017 was mainly due to sales of products with higher margins such as our MPT1000, ISP3100VD and PWB1000V (another variant of our ISP series).

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11. FINANCIAL INFORMATION (Cont'd)**(ii) Analysis of GP and GP margin by geographical locations**

The breakdown of GP and GP margin by geographical location for the past financial years under review is shown below:

Country	Combined Group									
	Audited				Unaudited					
	FYE 2014		FYE 2015		FYE 2016		FPE 2016		FPE 2017	
RM'000	GP margin (%)	RM'000	GP margin (%)	RM'000	GP margin (%)	RM'000	GP margin (%)	RM'000	GP margin (%)	
Malaysia	13,741	31.6	18,156	28.3	16,991	25.9	12,708	25.5	19,018	28.9
ASEAN (excluding Malaysia)	12,800	24.2	16,848	28.7	20,075	29.1	13,659	31.5	29,857	42.2
Vietnam	2,726	26.7	4,306	27.5	6,631	33.7	4,712	35.1	6,746	36.3
Singapore	2,344	17.7	3,197	20.6	3,130	20.6	1,488	22.5	6,562	38.2
Philippines	2,930	21.9	3,671	25.6	3,500	25.2	2,440	24.6	7,516	45.4
Thailand	1,337	22.5	2,204	25.4	2,822	25.8	2,049	26.9	5,623	48.9
Indonesia	3,463	34.7	3,470	44.7	3,992	42.4	2,970	51.2	3,410	48.6
Others	1,537	26.3	221	24.3	508	23.7	146	14.8	1,196	49.6
China	811	24.6	245	23.1	168	30.7	86	30.1	236	36.1
Total	28,889	27.4	35,470	27.7	37,742	27.5	26,599	28.1	50,307	36.0

11. FINANCIAL INFORMATION (Cont'd)

The year-on-year /period-on-period changes in GP by geographical region are also tabulated as follows:

Country	Combined Group					
	FYE 2015		FYE 2016		FPE 2017	
	Year-on-year / RM'000	%	Year-on-year / RM'000	%	period-on-period increase / RM'000	(decrease) in GP %
Malaysia	4,415	32.1	(1,165)	(6.4)	6,310	49.7
ASEAN (excluding Malaysia)	4,048	38.6	3,227	19.2	16,198	118.6
Vietnam	1,580	58.0	2,325	54.0	2,034	43.2
Singapore	853	36.4	(67)	(2.1)	5,074	341.0
Philippines	741	25.3	(171)	(4.7)	5,076	208.0
Thailand	867	64.8	618	28.0	3,574	174.4
Indonesia	7	0.2	522	15.0	440	14.8
Others	(1,316)	(85.6)	287	129.9	1,050	719.2
China	(566)	(69.8)	(77)	(31.4)	150	174.4
Total	6,581	22.8	2,272	6.4	23,708	89.1

The GP margin for our largest revenue contributor, Malaysia, is between 25.5% to 31.6% for FYEs 2014 to 2016, FPE 2016 and FPE 2017. The GP margin for Indonesia is higher at 34.7% to 51.2% because Indonesia market generated more revenue from services and supply of spare parts as compared to revenue generated from product distribution. The GP margin for services and supply of spare parts is higher than GP margin for product distribution.

11. FINANCIAL INFORMATION (Cont'd)**(d) Other income**

The breakdown of our other income for the 3 FYEs 2014 to 2016, FPE 2016 and FPE 2017, are as follows:

	Combined Group											
	Audited			Unaudited			Audited			%		
	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2016	FPE 2017	FYE 2014	FYE 2015	FYE 2016			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
Discount on acquisition	-	-	1,525	-	-	-	-	-	-	-	-	-
Government grant	-	-	1,011	1,011	49.3	-	-	-	-	-	-	-
Insurance payment	9	1	692	680	33.1	222	14.4	-	-	-	-	
Interest income	294	367	413	312	15.3	335	21.7	-	-	-	-	
Reversal of impairment loss on receivables	-	-	397	-	-	-	-	-	-	-	-	-
Gain on foreign exchange	1,713	1,906	386	-	-	-	-	-	-	-	-	-
Gain on disposal of property, plant and equipment	3	225	70	5	0.2	913	59.0	-	-	-	-	-
Others	139	54	71	44	2.1	77	4.9	-	-	-	-	-
Bad debts recovered	45	-	-	-	-	-	-	-	-	-	-	-
Compensation for cessation of contract	475	-	-	-	-	-	-	-	-	-	-	-
Management fee income	238	253	-	-	-	-	-	-	-	-	-	-
Reversal of allowance for inventories	84	-	-	-	-	-	-	-	-	-	-	-
Total	3,000	2,806	4,565	2,052	100.0	1,547	100.0	100.0	100.0	100.0	100.0	100.0

11. FINANCIAL INFORMATION (Cont'd)

Our other income for FYEs 2014 to 2016, FPE 2016 and FPE 2017 was mainly derived from:

- (i) Gain on foreign exchange in respect of the settlement of foreign currency denominated transactions and translation of balances in foreign currency. Please refer to Section 11.12.1 of this Prospectus for further details on our exposure to foreign exchange risks;
- (ii) Discount on acquisition of QES (Thailand) in FYE 2016 as we acquired QES (Thailand) at a discount to its NA;
- (iii) Government grant, recorded in FYE 2016 and FPE 2016 was obtained by Creden Mechatronic from the Malaysian Investment Development Authority for research and development of the automated vision inspection systems and AWMS; and
- (iv) The compensation for cessation of contract recorded in FYE 2014 was paid by Nagano Olympus Co., Ltd due to their termination of original equipment manufacturer contracts with us.
- (v) For FPE 2017, the main components of other income were interest income of RM0.3 million and gain on disposal of property, plant and equipment amounting RM0.9 million, comprising demonstration equipment and motor vehicles.

Please refer to Section 11.2.3 of this Prospectus for further commentaries on other income.

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11. FINANCIAL INFORMATION (Cont'd)**(e) Operating expenses and finance costs**

Operating expenses consist of marketing and distribution expenses, administrative expenses and other operating expenses such as depreciation of property, plant and equipment, amortisation of intangible assets, impairment loss on trade receivables and allowance for inventories.

The breakdown of our operating expenses and finance costs for the 3 FYEs 2014 to FYE 2016, FPE 2016 and FPE 2017 are as follows:

	Combined Group									
	Audited			Unaudited						
	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2017					
RM'000	%	RM'000	%	RM'000	%	RM'000	%			
Marketing and distribution expenses	11,885	47.0	14,160	49.7	15,945	52.7	10,684	52.0	21,254	58.6
Administrative expenses	10,414	41.2	10,136	35.5	10,437	34.5	6,828	33.2	10,937	30.1
Other operating expenses	1,070	4.2	2,457	8.6	2,463	8.2	1,966	9.6	3,318	9.1
Finance costs	1,911	7.6	1,765	6.2	1,387	4.6	1,065	5.2	796	2.2
Total	25,280	100.0	28,518	100.0	30,232	100.0	20,543	100.0	36,305	100.0
% over total revenue		24.0		22.3		22.0		21.7		26.0

Further details of our operating expenses are elaborated below:

(i) Marketing and distribution expenses

Marketing and distribution comprises costs directly attributable to the marketing and sales functions. The key cost components include travelling expenses and remuneration for marketing staff, exhibition and trade promotion expenses.

11. FINANCIAL INFORMATION (Cont'd)

The breakdown of the marketing and distribution expenses is shown below.

	Combined Group									
	Audited			Unaudited						
	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2017	Audited				
RM'000	%	RM'000	%	RM'000	%	RM'000	%			
Exhibition and trade promotion	203	1.7	425	3.0	729	4.6	622	5.8	868	4.1
Provision for post-employment benefit	79	0.7	118	0.8	97	0.6	58	0.5	51	0.2
Rental of premises and motor vehicles	224	1.9	287	2.0	321	2.0	254	2.4	256	1.2
Royalty fee ⁽¹⁾	191	1.6	673	4.8	-	-	-	-	388	1.8
Staff costs ⁽²⁾	8,269	69.5	10,205	72.0	12,095	75.9	8,017	75.1	16,607	78.1
Travelling expenses	1,980	16.7	1,947	13.8	2,048	12.8	1,258	11.8	2,408	11.3
Other miscellaneous expenses ⁽³⁾	939	7.9	505	3.6	655	4.1	475	4.4	676	3.3
Total	11,885	100.0	14,160	100.0	15,945	100.0	10,684	100.0	21,254	100.0
% over total revenue	11.3	11.1	11.1	11.6	11.6	11.3	11.3	11.3	15.2	15.2

Notes:

⁽¹⁾ Royalty fees payable to Chapman Instruments Inc. for the right to manufacture, market, distribute and sell AWMS. Please refer to Section 6.1.2.2 for further information.

⁽²⁾ Salaries, bonus, allowances, employees' provident fund and other marketing and distribution staff related expenses.

⁽³⁾ Other miscellaneous expenses mainly included printing and stationery, network and telecommunication expenses and gift and donation.

11. FINANCIAL INFORMATION (Cont'd)**(ii) Administrative expenses**

This comprises overheads incurred to maintain the overall operations for our Group. The key cost components include remuneration for administrative staff, directors' remuneration, office rental and office maintenance expenses. The breakdown of the administrative expenses is shown below:

	Combined Group									
	Audited					Unaudited				
	FYE 2014		FYE 2015		FYE 2016		FYE 2016		FPE 2017	
RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	
Auditors' remuneration	112	1.1	144	1.4	133	1.3	94	1.4	166	1.5
- current year										
- under provision in prior years	1	-	-	-	-	-	-	-	-	-
- other services	60	0.6	-	-	355	3.4	-	-	140	1.3
Bank charges	207	2.0	221	2.2	241	2.3	41	0.6	114	1.0
Communication cost	249	2.4	264	2.6	336	3.2	103	1.5	138	1.3
Depreciation of property, plant and equipment	273	2.6	-	-	-	-	-	-	-	-
Directors' remuneration ⁽²⁾	1,114	10.7	1,396	13.8	1,465	14.0	1,075	15.7	1,064	9.7
Inventories written off	316	3.0	-	-	-	-	-	-	-	-
Listing expenses	-	-	-	-	793	7.6	-	-	1,383	12.6
Maintenance cost	671	6.4	605	6.0	512	4.9	382	5.6	548	5.0
Management fee	203	1.9	72	0.7	72	0.7	54	0.8	54	0.5
Rental of premises and motor vehicles	670	6.4	654	6.5	648	6.2	624	9.1	918	8.4
Staff costs ⁽¹⁾	5,749	55.2	5,557	54.7	5,239	50.2	3,661	53.7	5,301	48.5
Travelling expenses	312	3.0	413	4.1	457	4.4	282	4.1	209	1.9
Other miscellaneous expenses ⁽³⁾	477	4.7	810	8.0	186	1.8	512	7.5	902	8.3
Total	10,414	100.0	10,136	100.0	10,437	100.0	6,828	100.0	10,937	100.0
% over total revenue		9.9		7.9		7.6		7.2		7.8

11. FINANCIAL INFORMATION (Cont'd)**Notes:**

- (1) Salaries, bonus, allowances, employees' provident fund and other administrative staff related expenses.
- (2) Directors' remuneration includes salaries, fees, bonus, allowances, employees' provident fund and other benefits to our Promoters.
- (3) Other miscellaneous expenses mainly include legal and professional fees, insurance, printing and stationery, upkeep of office and equipment expenses, quit rent and assessment.

(iii) Other operating expenses

Other operating expenses relate to expenses incurred which are not directly related to operating activities. The key components comprise depreciation of property, plant and equipment, amortisation of intangible assets, allowance for inventories and impairment loss on receivables.

The breakdown of the other operating expenses is shown below.

	Combined Group									
	Audited			Unaudited						
	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2017	Audited				
RM'000	%	RM'000	%	RM'000	%	RM'000	%			
Allowance for inventories	119	11.1	184	7.5	155	6.3	39	2.0	305	9.2
Amortisation of intangible assets	23	2.1	55	2.2	76	3.1	57	2.9	77	2.3
Bad debts written off	5	0.5	138	5.6	59	2.4	57	2.9	43	1.3
Depreciation of property, plant & equipment	844	78.9	1,400	57.0	1,374	55.8	1,020	51.9	1,181	35.6
Goodwill written off ⁽¹⁾	-	-	-	-	777	31.5	-	-	-	-
Impairment loss on receivables	34	3.2	665	27.1	-	-	107	5.4	642	19.3
Loss on foreign exchange	-	-	-	-	-	-	668	34.0	615	18.5
Property, plant & equipment written off	6	0.6	7	0.3	2	0.1	2	0.1	-	-
Other miscellaneous expenses	39	3.6	8	0.3	20	0.8	16	0.8	455	13.8
Total	1,070	100.0	2,457	100.0	2,463	100.0	1,966	100.0	3,318	100.0
% over total revenue	1.0		1.9		1.8		1.8		2.1	
										2.4

11. FINANCIAL INFORMATION (Cont'd)**Note:**

(1) Goodwill written off was incurred as a result of the acquisition of QES (Singapore) in FYE 2016 as QES (Singapore) was in net liabilities position.

(iv) Finance costs

Finance costs mainly consists of interest on bank overdrafts, term loan and trade facilities; which are required in the normal course of operations.

The breakdown of the finance costs is shown below.

	Combined Group									
	Audited			Unaudited						
	FYE 2014	FYE 2015	FYE 2016	FYE 2016	FYE 2017	Audited				
RM'000	%	RM'000	%	RM'000	%	RM'000	%			
Bank overdrafts	451	23.7	463	26.3	449	32.4	351	33.0	198	24.9
Bankers' acceptance	281	14.7	165	9.3	70	5.0	47	4.4	64	8.0
Trust receipt	171	8.9	227	12.9	157	11.3	114	10.7	133	16.7
Letter of credit	56	2.9	61	3.5	69	5.0	45	4.2	54	6.8
Revolving loan interest	-	-	52	2.9	118	8.5	69	6.5	55	6.9
Term loans	851	44.5	726	41.1	478	34.5	403	37.8	253	31.8
Hire purchase	94	4.9	71	4.0	46	3.3	36	3.4	39	4.9
Other financing charges	7	0.4	-	-	-	-	-	-	-	-
Total	1,911	100.0	1,765	100.0	1,387	100.0	1,065	100.0	796	100.0

11. FINANCIAL INFORMATION (Cont'd)**(f) PBT and PBT margin**

Our PBT and PBT margin for the 3 FYEs 2014 to 2016, FPE 2016 and FPE 2017 are as follows:

	Combined Group					
	Audited		Unaudited		Audited	
	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2017	
	PBT margin	PBT margin	PBT margin	PBT margin	PBT margin	PBT margin
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	%	%	%	%	%	%
PBT	6,609	9,758	12,075	8,108	15,549	11.1
	6.3	7.6	8.8	8.6		

Our PBT improved from RM6.6 million in FYE 2014 to RM15.5 million in FPE 2017. The improvement is mainly due to the increase in our revenue and GP. The improvement in our PBT margin to 8.8% in FYE 2016 was mainly because of the increase in other income being mainly the discount on acquisition and government grant which resulted in higher PBT margin for our Group in FYE 2016. In FPE 2017, the improvement in our PBT and PBT margin is in line with the growth in our revenue and improvement in GP and GP margin for the period. Please refer to Section 11.2.3 of this Prospectus for further commentary on our PBT and PBT margin.

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11. FINANCIAL INFORMATION (Cont'd)**(g) Taxation**

Our taxation and effective tax rate for the 3 FYEs 2014 to 2016, FPE 2016 and FPE 2017 are as follows:

	Combined Group					
	Audited		Unaudited		Audited	
	FYE 2014 RM'000	FYE 2015 RM'000	FYE 2016 RM'000	FPE 2016 RM'000	FPE 2017 RM'000	FPE 2017 RM'000
Taxation	1,116	2,289	1,905	1,343		2,836
Effective tax rate (%)	16.9	23.5	15.8	16.6		18.2
Statutory tax rate (%)	25.0	25.0	24.0	24.0		24.0

Our effective tax rates for FYEs 2014 to 2016, FPE 2016 and FPE 2017 was between 15.8% to 23.5% which were lower than the statutory tax rate. This was mainly due to adjustments on certain non-taxable income and the utilisation of deferred tax asset previously not recognised during the financial years / period under review.

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11. FINANCIAL INFORMATION (Cont'd)**11.2.3 Commentaries on Financial Results of Our Group****(i) Comparison between FYE 2014 and FYE 2015****(a) Revenue**

Our Group achieved higher revenue of RM128 million in FYE 2015, representing an increase of RM22.6 million compared to FYE 2014. This was mainly due to the increase of revenue from our distribution division by RM26.1 million which was partially offset by the decrease in revenue from our manufacturing division by RM3.5 million.

Distribution division

Revenue for our distribution division grew by RM26.1 million or 28.2% in FYE 2015. The growth was mainly contributed by increased orders of the following equipment due to customer's expansion and/or upgrade requirements:

- RM5.8 million for wafer inspection and measuring equipment supplied by Chapman Instruments Inc., Altatech Semiconductor S.A., Altimet SAS;
- RM5.4 million for various equipment supplied by JM Corporation;
- RM4.1 million for orders of various equipment supplied by SCI Automation Pte. Ltd. and Photron USA, Inc high speed cameras;
- RM4.6 million for orders of various equipment from Teikoku Taping System (Singapore) Pte Ltd;
- RM1.8 million of analytical instruments supplied by Mitsubishi Chemical Analytech Co., Ltd;
- RM1.7 million for sales of gas abatement systems;
- Overall increase of RM2.8 million in our revenue for services and supply of spare parts.

Manufacturing division

The manufacturing division's revenue in FYE 2015 decreased by RM3.5 million or 28.1% compared to FYE 2014, as deliveries of our product, ISP3100 for one particular order were deferred. We delivered 3 units out of the total order of 12 units in FYE 2015. The remaining 9 units for the order amounting to RM1.6 million in revenue were delivered in FYE 2016. The main reason for the deferment was the revision of specifications thus resulting in further customisation. In addition, there was no order for the ISP3100V in FYE 2015, which had contributed RM3.4 million in revenue for FYE 2014. This further decreased our manufacturing revenue in FYE 2015.

11. FINANCIAL INFORMATION (Cont'd)**Geographical locations**

Our market concentration is still in Malaysia, which had contributed approximately 50.1% of total revenue in FYE 2015. 48.4% of total revenue was contributed by other ASEAN countries, whilst the balance is contributed from China and other countries.

Malaysia

FYE 2015 saw an increase of RM20.6 million mainly due to increased orders for various equipment amounting to RM19.9 million from local customers such as X-Fab Sarawak Sdn Bhd and Silterra Malaysia Sdn Bhd for their expansion.

Other ASEAN countries

Revenue from other ASEAN countries increased by RM9.2 million mainly as a result of growth in Vietnam, Singapore and Thailand, partially offset by a decline in Indonesia.

Revenue growth were experienced in the following countries where our customers required expansion and/or upgrades:

- Vietnam – increase of RM5.4 million mainly for revenue from services and supply of spare parts. It is also due to increased orders for inspection and test equipment supplied by Spectro Analytical Instruments GmbH and Hitachi High-Tech Science Corporation.
- Singapore – increase of RM2.2 million mainly from an one-off order of RM5.1 million for products supplied by Rigaku Corporation, partially offset by a decrease in orders for gas abatement systems of RM2.6 million as most customers had already purchased these systems last year.
- The Philippines – increase of RM1.0 million due to increased orders mainly from various customers involved in the semiconductor industries.
- Thailand – increase of RM2.7 million mainly due to increased orders for x-ray inspection systems and products from Hitachi High-Tech Science Corporation.

These growths were partially offset by a decrease in revenue in Indonesia of RM2.2 million due to the customers' postponement in delivery of certain Nikon products in 2015 due to uncertainties during the Indonesian election in 2015. The customer eventually took delivery after the elections.

(b) Cost of sales, GP and GP margin

Our cost of sales increased by RM16.0 million or 21.0% in FYE 2015. The increase in our cost of sales corresponded to the increase in our revenue of 21.5% for FYE 2015. However, the overall percentage increase in cost of sales is lower than the percentage increase in our revenue which resulted in our overall Group's GP margin to improve slightly from 27.4% in FYE 2014 to 27.7% in FYE 2015. This is mainly due to the following factors:

- GP margin from product distribution under our distribution business segment improved from 18.6% in FYE 2014 to 21.1% in FYE 2015, especially from QES (Asia-Pacific) and QS Instrument where we managed to negotiate better discounts from several of our suppliers.

11. FINANCIAL INFORMATION (Cont'd)

- GP margin from manufacturing business segment declined from 30.1% in FYE 2014 to 26.1% in FYE 2015 as there were no orders for higher margin products such as ISP3100V in FYE 2015.

(c) Other income

Our other income decreased by RM0.2 million in FYE 2015 as compared to FYE 2014. This was mainly due to the one-off RM0.5 million compensation for cessation of contract recorded in FYE 2014. However, this was partially offset by an increase of RM0.2 million from gain on foreign exchange.

(d) Operating expenses and finance costs

Our Group recorded a total of RM28.5 million operating expenses and finance costs in FYE 2015, representing an increase by RM3.2 million as compared to FYE 2014. The increase was mainly contributed by higher marketing and distribution expenses by RM2.3 million and RM1.4 million for other operating expenses. The increase was partially offset by the decrease of RM0.3 million in administrative expenses and decrease of RM0.2 million in finance costs.

Marketing and distribution expenses increased by RM2.3 million from RM11.9 million to RM14.2 million, mainly due to:

- Increased staff costs of RM1.9 million mainly due to a higher bonus payout in line with the growth of our revenue and profits; and
- Increased royalty fee by RM0.5 million for the manufacturing and sales of the Chapman Instruments Inc.'s AWMS.

Other operating expenses increased by RM1.4 million from RM1.1 million to RM2.5 million, mainly due to:

- Increase in depreciation of property, plant and equipment by RM0.6 million mainly from the full year's depreciation of demonstration equipment purchased in 2014; and
- Impairment loss on overdue receivables for 41 customers amounting to RM0.6 million based on our impairment policy. For our distribution division, receivables that are outstanding for more than 13 months are fully impaired. For our manufacturing division, receivables that are outstanding for more than 13 months are impaired by 50%, and fully impaired after 18 months.

(e) PBT and PBT margin

Our PBT increased by RM3.1 million to RM9.8 million for FYE 2015. Correspondingly, our PBT margin improved to 7.6% in FYE 2015 from 6.3% in FYE 2014. The improvement in PBT and PBT margin is in line with the improvements in our GP by RM6.6 million and GP margin from 27.4% to 27.7% in FYE 2015.

(f) Taxation

Our effective tax rate for FYE 2014 was 16.9% which was lower than the statutory tax rate. This was mainly due to the adjustment on certain non-taxable income amounting to RM0.4 million and the utilisation of deferred tax assets previously not recognised amounting to RM0.2 million which reduced our income tax in FYE 2014.

11. FINANCIAL INFORMATION (Cont'd)

Our effective tax rate for FYE 2015 was 23.5% which was lower than the statutory tax rate. This was mainly due to adjustment on certain non-taxable income amounting to RM0.4 million.

(ii) Comparison between FYE 2015 and 2016**(a) Revenue**

Our Group recorded higher revenue of RM137.3 million in FYE 2016, representing an increase of RM9.3 million or 7.3% compared to FYE 2015. This was mainly due to the increase in revenue from our distribution division by RM9.3 million.

Distribution division

Revenue for our distribution division grew by RM9.3 million or 7.8% in FYE 2016. The increase in revenue was mainly due to the increase in the revenue from the services and supply of spare parts by RM9.0 million. We sold more equipment in FYE 2015 which led to more maintenance service and supply of spare parts contracts secured in FYE 2016. The growth in our revenue for services and supply of spare parts was mainly contributed by:

- Increase of RM4.0 million for maintenance services and supply of spare parts for Nikon equipment;
- RM1.4 million from the Indonesian market and RM1.1 million from the Philippines, Vietnam and Singapore as a result of increased maintenance services and supply of spare parts contracts from our customers; and
- RM1.2 million for services provided for the gas abatement systems for a customer in Malaysia.

Manufacturing division

The revenue for the manufacturing division was coincidentally the same at RM9.0 million for FYEs 2016 and FYE 2015 due to a different mix of products sold in both years.

Geographical locations

For FYE 2016, our market concentration is still on Malaysia, which had contributed approximately 47.7% of our total revenue in FYE 2016. The balance of our revenue is derived from other ASEAN countries. The following are the main contributors to our increased sales from each country where our customers required expansion and/or upgrades.

Malaysia

The revenue from Malaysia increased by RM1.4 million in FYE 2016 mainly due to more orders for plasma ashing equipment.

Other ASEAN countries

For FYE 2016, the revenue from ASEAN countries grew by RM7.0 million mainly as a result of growth in Vietnam, Thailand and Indonesia:

11. FINANCIAL INFORMATION (Cont'd)

- Vietnam – increase of RM4.0 million mainly due to increased orders amounting to RM3.5 million for spectrometers supplied by Spectro Analytical Instruments GmbH;
- Thailand – increase of RM2.3 million mainly due to orders amounting to RM1.7 million for spectrometers supplied by Spectro Analytical Instruments GmbH and sales of RM0.7 million of our manufactured product, ISP 3100; and
- Indonesia – increase of RM1.7 million mainly due to higher revenue from maintenance services and supply of spare parts for newly purchased equipment in prior years.

(b) Cost of sales, GP and GP margin

Our cost of sales increased by RM7.0 million or 7.6% in FYE 2016 which is consistent with the increase in our revenue of 7.3% for the same financial year. Our GP margin declined slightly to 27.5% in FYE 2016 as compared to 27.7% in FYE 2015.

For product distribution, our GP margin improved slightly from 21.1% in FYE 2015 to 21.8% in FYE 2016 mainly due to the improved margins for the MAT gas abatement systems as we managed to negotiate better discounts from our supplier in FYE 2016. The GP margin for services and supply of spare parts declined from 53.6% in FYE 2015 to 44.9% in FYE 2016 mainly due to the following:

- We received a large order for maintenance services and supply of spare parts amounting to RM4.0 million from a customer during FYE 2016 and the customer negotiated for better pricing due to the order size. We lowered our pricing to secure this major order;
- Decrease in GP margin for QES (Indonesia) due to higher competition, we lowered our selling prices to remain competitive; and
- Decrease in GP margin for services by QES (Vietnam). We had to incur more costs to recruit skilled technicians to undertake maintenance and repair services for our customers in Vietnam.

The GP margin for our manufacturing division declined from 26.1% in FYE 2015 to 22.6% in FYE 2016. The decrease was mainly due to lower selling price for our ISP series of products as a strategy to penetrate into Thailand and the Philippines.

(c) Other income

Our other income increased by RM1.8 million in FYE 2016. This was mainly due to:

- RM1.5 million for discount on acquisition as a result of acquiring QES (Thailand) in FYE 2016 at a discount to its net asset;
- RM1.0 million for the government grant received by Creden Mechatronic from Malaysian Investment Development Authority for the research and development of the automated vision inspection systems and AWMS;
- RM0.7 million received upon maturity of life insurance policies purchased. We took banking facilities in 2006 for working capital purpose and one of the conditions was to purchase a 10 years life insurance for our Promoters, Chew Ne Weng and Liew Soo Keang, respectively. The insurance policies matured in 2016.

11. FINANCIAL INFORMATION (Cont'd)

The increase in other income was partially offset by the decrease of RM1.5 million in gain on foreign exchange because of the strengthening of JPY in FYE 2016. These translation losses arose from the timing difference as between these purchases and sales, as well as some sales being denominated in USD but matched with JPY purchases.

(d) Operating expenses and finance costs

Our Group recorded a total of RM30.2 million operating expenses and finance costs in FYE 2016, representing an increase of RM1.7 million as compared to FYE 2015. The increase was mainly contributed by RM1.8 million increase in marketing and distribution expenses and RM0.3 million increase in administrative expenses. This was partially offset by the decrease of RM0.4 million in finance costs.

Marketing and distribution cost increased by RM1.8 million from RM14.1 million to RM15.9 million, mainly from:

- Increased staff costs of RM1.9 million mainly due to higher bonus provision in FYE 2016 compared to FYE 2015 in line with the growth in our revenue and profits. It was also due to the reclassification of bonus provision for marketing staff to marketing and distribution expenses in FYE 2016, compared to FYE 2015 where the entire bonus provision was charged to staff costs under the administrative expenses; and
- Increased exhibition and trade promotion expenses of RM0.3 million due to the increased costs in participating in various trade exhibitions overseas.

This was partially offset by the absence of royalty fees as we did not sell any of Chapman Instruments Inc.'s AWMS in FYE 2016.

Our administrative expenses increased by RM0.3 million mainly due to RM0.4 million increase in auditors' remuneration for other services and RM0.2 million increase in other miscellaneous expenses, because of the fees incurred in preparation for our Listing. The increase in administrative expenses was partially offset by the decrease of RM0.3 million in staff costs as a result of the reclassification of bonus provision for marketing staff to marketing and distribution expenses in FYE 2016.

Finance cost decreased by RM0.4 million mainly due to reduction in our term loan interest as we have repaid our term loan in FYE 2016.

(e) PBT and PBT margin

Our PBT increased by RM2.3 million to RM12.1 million for FYE 2016 in line with the increase in our revenue and GP. Our PBT margin improved to 8.8% in FYE 2016 as compared to 7.6% recorded in FYE 2015. The improvement in our PBT margin is mainly due to the increase in other income by RM1.8 million in FYE 2016.

(f) Taxation

Our effective tax rate for FYE 2016 was 15.8% which was lower than the statutory tax rate. This was mainly due to adjustment on certain non-taxable income such as the government grant received and the discount on acquisition as a result of the acquisition of QES (Thailand) in FYE 2016.

11. FINANCIAL INFORMATION (Cont'd)**(iii) Comparison between FPE 2016 and FPE 2017****(a) Revenue**

Our Group recorded higher revenue of RM139.6 million in FPE 2017, representing an increase of RM45.1 million or 47.8% compared to FPE 2016. This was mainly contributed by the increase in revenue from our distribution division by RM35.2 million.

Distribution division

Revenue for our distribution division grew by RM35.2 million or 39.7% in FPE 2017. The growth in this division was mainly contributed by:

- RM13.0 million increase in sales from the equipment distribution, mainly from increased orders of:
 - RM6.8 million of Nikon x-ray inspection system, video measuring machine and measuring microscope for the expansion of a few local customers in the semiconductor industry;
 - RM5.0 million being 1 unit of x-ray fluorescent spectrometer from a new customer and 1 unit of Rigaku Corporation wafer analyser.
 - RM1.0 million for bonding tester machine from Rhesca Corporation Ltd.
- RM9.2 million increase in sales of materials and engineering solutions, mainly from RM2.0 million additional orders of MAT gas abatement systems and RM6.8 million for 3 units of refurbished equipment.
- RM11.5 million increase in revenue from services and supply of spare parts for equipment, contributed mainly by:
 - Additional revenue streams from QES (Singapore), QES (Thailand) and QES (Philippines) amounting to RM8.3 million. Prior to FPE 2017, the revenue generated by QES (Singapore) and QES (Thailand) from their external customers were not consolidated with our Group's results as we only acquired them in December 2016, and QES (Philippines) was only established in March 2017;
 - RM0.9 million of service income for Nikon equipment being a one-off decommissioning and installation service order;
 - RM0.7 million from the replacement of Rigaku Corporation x-ray tubes; and
- RM1.5 million increase in revenue from services and supply of spare parts for materials and engineering solutions, mainly from RM0.6 million for the refurbishment of scrubber machine and RM1.0 million of consumables parts.

Manufacturing division

The revenue for our manufacturing division increased by RM9.9 million (169.2%) in FPE 2017 compared to FPE 2016. This was mainly due to increased sales for the following models:

- Our AWMS (MPT1000) - RM2.5 million (3 units);

11. FINANCIAL INFORMATION (Cont'd)

- Our ISP3100 - RM3.0 million (10 units); and
- The following upgraded/customised variant of the ISP series:
 - ISP3100VD - RM2.1 million (3 units)
 - PWB1000V - RM2.0 million (2 units)

Geographical locations

For FPE 2017, Malaysia remained our largest contributor, at approximately 47.1% of our total revenue in FPE 2017. 50.7% of our revenue is derived from other ASEAN countries, and the remaining 2.2% is contributed by China and other countries.

The following are the main contributors to our increased sales from each region where our customers required expansion and/or upgrades and orders from new customers.

Malaysia

Revenue from Malaysia increased by RM15.9 million in FPE 2017 mainly due to increased orders of:

- RM8.7 million of Nikon products comprising x-ray inspection system, video measuring machine and measuring microscope;
- RM0.8 million of Hitachi High-Tech Science Corporation x-ray fluorescence coating thickness gauge;
- RM0.9 million of MPT1000; and
- RM1.8 million of ISP3100.

Other ASEAN countries

For FPE 2017, the revenue from ASEAN countries grew by RM27.4 million mainly as a result of growth in the Philippines, Vietnam and Singapore:

- Singapore - increase of RM10.5 million mainly due to the following orders:
 - RM5.0 million of x-ray fluorescent spectrometer of wafer analyser
 - RM1.9 million of consumables and spare parts; and
 - RM2.0 million of MAT gas abatement system;
- Philippines - increase of RM6.6 million mainly due to increased orders of:
 - RM4.5 million of our manufactured ISP3100VD and PWB1000V; and
 - RM2.2 million for spectrometers supplied by Spectro Analytical Instruments GmbH;
- Vietnam - increase of RM5.2 million mainly due to increased orders of:
 - RM2.1 million for spectrometers supplied by Spectro Analytical Instruments GmbH; and

11. FINANCIAL INFORMATION (Cont'd)

- RM1.9 million for Hitachi High-Tech Science Corporation monitor and X-ray element analyser;
- Thailand - increase of RM3.9 million mainly from the revenue for service and spare parts contributed by QES (Thailand) which is newly included in the Group; and

Other countries - increased of RM1.4 million, mainly due to sales of our ISP3100 and MPT1000 to Taiwan amounting to RM1.1 million and our ISP3100 to France amounting to RM1.0 million from our manufacturing division.

(b) Cost of sales, GP and GP margin

Our cost of sales increased by RM21.4 million or 31.6% in FPE 2017. The increase in our cost of sales corresponds to the increase in our revenue of 47.8% for FPE 2017, but at a lower rate, which resulted in the improvement of our Group's overall GP margin from 28.1% in FPE 2016 to 36.0% in FPE 2017.

From product distribution, our GP margin improved from 23.8% in FPE 2016 to 31.4% in FPE 2017 mainly due to:

- Additional GP margin contributed by QES (Singapore), QES (Thailand) and QES (Philippines) which amounted to a 5.0% increase to our overall GP margin. Prior to FPE 2017, QES (Singapore) and QES (Thailand) earned additional margins from distributing our products to their external customers, as well as from providing services and supplying spare parts to these customers. As we have acquired QES (Singapore) and QES (Thailand) in December 2016, these margins are fully earned by our Group for FPE 2017. QES (Philippines) was established in March 2017 and the GP margin earned by QES (Philippines) was high as it generated mostly commission income in FPE 2017; and
- Overall GP margin improvement contributed by QES (Asia-Pacific) as a result of higher selling prices of the equipment it distributes.

The GP margin from our manufacturing division improved to 37.0% in FPE 2017 (FPE 2016: 14.4%) mainly due to sales of higher margin products (MPT1000, ISP3100VD and PWB1000V, which is a variant of the ISP series). Additionally, the lower sales level in FPE 2016 resulted in a higher average fixed cost per machine sold, which in turn lowered our GP margin.

(c) Other income

Our other income decreased by RM0.5 million in FPE 2017 as compared to FPE 2016.

This was mainly due to the absence of the one-off gain in FPE 2016 being the RM1.0 million government grant received by Creden Mechatronic from Malaysian Investment Development Authority for the research and development of the automated vision inspection systems and AWMS.

However, this was offset by an increase of RM0.9 million from a gain on disposal of demonstration equipment of RM0.7 million and a gain on disposal of motor vehicles of RM0.2 million.

11. FINANCIAL INFORMATION (Cont'd)**(d) Operating expenses and finance costs**

Our Group recorded a total of RM36.3 million operating expenses and finance costs in FPE 2017, representing an increase of RM15.7 million as compared to FPE 2016. The increase was mainly contributed by RM10.6 million increase in marketing and distribution expenses, RM4.1 million increase in administrative expenses and RM1.4 million increase in other operating expenses. The increase was partially offset by the decrease of RM0.3 million in finance costs.

Marketing and distribution cost increased by RM10.6 million, mainly from:

- Increased staff costs of RM8.9 million due to higher bonus provisions in line with the growth in our revenue and profits;
- Increased travelling expenses of RM1.1 million for our marketing staff, in line with the growth in our revenue;
- Increased royalty fee by RM0.4 million for the manufacturing and sales of the Chapman Instruments Inc. AWMS; and
- Increased exhibition and trade promotion participation expenses of RM0.3 million.

Our administrative expenses increased by RM4.1 million mainly due to:

- Increased staff costs of RM1.7 million mainly due to higher bonus provision in line with the growth in our revenue and profits;
- RM1.4 million listing expenses incurred in preparation for our Listing; and
- RM0.2 million increase in auditors' remuneration.

Our other operating expenses increased by RM1.4 million mainly due to:

- Impairment of overdue receivables of more than 12 months amounting to RM0.6 million owing by 72 customers from whom we experienced difficulty in collecting. As we bill our customers upon delivery, any technical issues thereafter will result in a delay in product acceptance, as well as payment. These technical issues can only be resolved by our skilled engineers or technicians. For FPE 2017, we faced a shortage of these skilled personnel in the face of our growing sales. This delayed our product acceptances and the collection of these receivables beyond our impairment policy of 12 months;
- Allowances for slow moving inventories of RM0.3 million. These are inventories relating to several products launched 5 years ago which are maintained for purposes of parts replacement, but have been impaired according to our impairment policy for items aged above 5 years. The increase in the allowances for impairment were due to more products launched in year 2011 compared to the year 2010; and
- Withholding tax expenses of RM0.3 million.

Finance cost decreased by RM0.3 million mainly due to reduction in our term loan interest as we have repaid 1 of our term loans in FPE 2017.

11. FINANCIAL INFORMATION (Cont'd)**(e) PBT and PBT margin**

Our PBT increased by RM8.1 million to RM15.5 million for FPE 2017, in line with the growth in our revenue and GP. Our PBT margin improved from 8.6% to 11.1% largely due to our improved GP margins, offset by higher marketing and distribution costs as well as higher other operating expenses incurred.

(f) Taxation

Our effective tax rate for FPE 2017 was 18.2%, which was lower than the statutory tax rate. This was mainly due to the utilisation of deferred tax assets previously not recognised amounting to RM2.9 million.

11.2.4 Review of financial position**(a) Assets**

Our assets for the financial years / periods under review comprises the following:

	Audited			Audited
	FYE 2014 RM'000	FYE 2015 RM'000	FYE 2016 RM'000	FPE 2017 RM'000
<u>Non-Current Assets</u>				
Property, plant and equipment	7,907	6,482	6,261	7,763
Intangible assets	3,742	3,697	4,369	4,592
Other investments	60	60	60	60
Deferred tax assets	58	76	113	169
Total Non-Current Assets	11,767	10,315	10,803	12,584
<u>Current Assets</u>				
Inventories	9,585	13,201	11,087	20,579
Trade receivables	22,528	27,375	38,517	32,607
Other receivables	935	2,065	1,466	2,528
Tax recoverable	1,371	1,479	1,128	-
Fixed deposits with financial institutions	12,298	13,549	14,746	17,463
Cash and bank balances	6,334	10,367	14,818	17,702
Total Current Assets	53,051	68,036	81,762	90,879
Total Assets	64,818	78,351	92,565	103,463

Comparison between FYE 2014 and FYE 2015**Non-Current Assets**

Our non-current assets decreased by RM1.5 million in FYE 2015 mainly due to the decrease in property, plant and equipment resulting from depreciation charges during the year.

Current Assets

Our current assets increased by RM15.0 million in FYE 2015 mainly due to:

- Increase of RM4.8 million in trade receivables and RM4.0 million in cash and bank balances as a result of the increase in our revenue in FYE 2015;

11. FINANCIAL INFORMATION (Cont'd)

- Increase of RM3.6 million in inventories due to timing differences for purchases made at the end of 2015 to cater for expected deliveries to our customers in the first quarter of FYE 2016;
- Increase in fixed deposits with licensed banks by RM1.2 million due to more fixed deposits being pledged for our bank borrowings to support our working capital; and
- Increase of RM1.1 million in other receivables mainly because of the increase in prepayments for professional fees relating to the Listing amounting to RM0.5 million, which have been expensed in FYE 2016. It is also due to advance payment of RM0.2 million to our supplier for the MAT gas abatement systems.

Comparison between FYE 2015 and FYE 2016**Non-Current Assets**

Our non-current assets increased by RM0.5 million in FYE 2016 mainly due to the increase in intangible assets of RM0.6 million as a result of the product development costs incurred by Creden Mechatronic.

Current Assets

Our current assets for FYE 2016 increased by RM13.7 million mainly due to the increase of RM11.1 million in trade receivables and RM4.4 million in cash and bank balances as a result of the increase in our revenue for FYE 2016. The increase in current assets was partially offset by the decrease in inventories by RM2.1 million due to more deliveries being made as at end of FYE 2016.

Comparison between FYE 2016 and FPE 2017**Non-Current Assets**

Our non-current assets increased by RM1.7 million in FPE 2017 mainly due to purchase of demonstration equipment of RM1.5 million, motor vehicle of RM1.6 million and other office equipment and fittings of RM0.4 million. This was partially offset by disposal of old demonstration equipment of RM0.5 million and motor vehicle of RM0.2 million and depreciation of RM1.3 million charged during the financial period ended 30 September 2017.

Current Assets

Our current assets for FPE 2017 increased by RM9.1 million mainly due to the increase of RM9.5 million in inventories and increase of RM2.7 million in fixed deposits with financial institutions and RM2.8 million in cash and bank balances as we maintained a higher inventory and cash level in line with the growth in our revenue for FPE 2017. The increase in current assets was partially offset by the decrease in trade receivables by RM5.9 million as a result of better collection.

(b) Liabilities

Our liabilities for the financial years / periods under review comprises the following:

11. FINANCIAL INFORMATION (Cont'd)

	Audited			Audited
	FYE 2014	FYE 2015	FYE 2016	FPE 2017
	RM'000	RM'000	RM'000	RM'000
<u>Non-Current Liabilities</u>				
Borrowings	7,767	5,782	2,947	1,743
Deferred tax liabilities	263	989	484	137
Provision for post employment benefits	226	304	451	495
Total Non-Current Liabilities	8,256	7,075	3,882	2,375
<u>Current Liabilities</u>				
Trade payables	14,968	23,290	25,063	27,299
Other payables	9,090	7,232	9,571	11,697
Borrowings	15,928	16,960	20,727	16,031
Taxation	-	212	636	1,017
Total Current Liabilities	39,986	47,694	55,997	56,044
Total Liabilities	48,242	54,769	59,879	58,419

Comparison between FYE 2014 and FYE 2015**Non-Current Liabilities**

Our non-current liabilities decreased by RM1.2 million in FYE 2015 mainly due to the decrease in non-current borrowings as a result of the repayment of our term loan. This was partially offset by the increase of RM0.7 million in deferred tax liabilities mainly in relation to the temporary timing differences arising from the unrealised gain on foreign exchange recognised in FYE 2015.

Current Liabilities

Our current liabilities increased by RM7.7 million in FYE 2015 mainly due to increase in trade payables by RM8.3 million, consistent with the increase in trade receivables and our growth in revenue for FYE 2015. The borrowings (current portion) increased by RM1.0 million as we utilised more of the revolving loan and trust receipts facilities to finance our working capital in FYE 2015. The increase in current liabilities is partially offset by the decrease in other payables of RM1.9 million mainly due to the reduction in an advance received from 2 new customers being down payment for large orders.

Comparison between FYE 2015 and FYE 2016**Non-Current Liabilities**

The non-current liabilities decreased by RM3.2 million in FYE 2016. The reduction in non-current liabilities is mainly due to the reduced non-current borrowings as a result of the partial repayment of the term loan.

Current Liabilities

The current liabilities increased by RM8.3 million in FYE 2016 mainly due to increase in trade payables by RM1.8 million, consistent with the increase in trade receivables and our growth in revenue for FYE 2016. The borrowings (current portion) increased by RM3.8 million as we utilised more of the revolving loan and trust receipts facilities to finance our working capital in FYE 2016. Other payables also increased by RM2.3 million mainly due to the higher bonus provisions for employees accrued in FYE 2016.

11. FINANCIAL INFORMATION (Cont'd)**Comparison between FYE 2016 and FPE 2017****Non-Current Liabilities**

Our non-current liabilities decreased by RM1.5 million in FPE 2017 mainly due to the decrease in non-current borrowings as a result of the repayment of our term loan.

Current Liabilities

Our current liabilities remained almost unchanged as at 30 September 2017. Our trade payables increased by RM2.2 million, as our purchases increased in line with the growth in our revenue for FPE 2017. Other payables increased by RM2.1 million mainly due to higher bonus provisions for employees and higher sales incentive accrued for FPE 2017. This was offset by a decrease of RM4.7 million in borrowings as a result of repayment of our banking facilities.

11.3 LIQUIDITY AND CAPITAL RESOURCES**11.3.1 Working capital**

We have been financing our operations through cash generated from our operations and external sources of funds. Our external sources of funds comprise mainly short term banking facilities, term loans and hire purchases. As at 30 September 2017, we have cash and cash equivalents of approximately RM13.9 million and our utilised outstanding banking facilities amount to approximately RM17.8 million. As at the LPD, we have total banking facilities amounting RM60.7 million.

Based on the pro forma consolidated statement of financial position of our Group as at 30 September 2017 (after the Acquisitions but before our Public Issue), our NA attributable to owners of the Company stands at RM43.7 million with a gearing level of 0.41 times. Our gearing level after the Acquisitions, Public Issue and utilisation of proceeds stands at 0.15 times.

Based on the pro forma consolidated statement of financial position of our Group as at 30 September 2017 (after the Acquisitions but before our Public Issue), our Group has total current assets of RM90.9 million and current liabilities of RM56.0 million, i.e. we have RM34.9 million of net working capital (defined as the difference between current assets and current liabilities). Our current ratio as at 30 September 2017 of 1.62 times shows that we are able to meet our short-term obligations.

As at 30 September 2017, trade receivables represent the largest component in our current assets, accounting for 35.9% of our current assets. Our trade receivables turnover of 65 days in FPE 2017 is within the normal credit period granted by our Group of between 30 to 120 days.

Our Board is confident that, after taking into account our gearing and cash flow position as well as the banking facilities currently available to our Group, our working capital will be sufficient for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus. At this juncture, we do not foresee any circumstances which may materially affect our liquidity. From our past experiences, most of our customers settle their outstanding balances within the credit period. Our finance personnel will work together closely with our sales and marketing staff for the collection of these outstanding balances on a monthly basis. This measure has proven to be effective while maintaining a cordial relationship with our customers.

11. FINANCIAL INFORMATION (Cont'd)**11.3.2 Review of Cash Flow****(a) Cash flow summary**

The following table sets out the summary of the combined statement of cash flows for the financial years under review, which have been extracted from the Accountants' Report set out in Section 12 of this Prospectus. It should be read in conjunction with the Accountants' Report set out in Section 12 of this Prospectus.

	Combined Group			
	Audited			
	FYE 2014	FYE 2015	FYE 2016	FPE 2017
	RM'000	RM'000	RM'000	RM'000
Net cash from operating activities	9,569	4,211	6,771	13,822
Net cash used in investing activities	(7,298)	(819)	(1,201)	(3,139)
Net cash used in financing activities	(3,190)	(2,950)	(1,025)	(6,049)
Net increase/(decrease) in cash and cash equivalents	(919)	442	4,545	4,634
Foreign exchange translation	1,207	2,561	116	(173)
Cash and cash equivalents at beginning of the year/period	1,442	1,730	4,733	9,394
Cash and cash equivalents at end of the year/period	1,730	4,733	9,394	13,855
Cash and cash equivalents comprise following:				
Cash and bank balances	6,334	10,367	14,818	17,702
Bank overdrafts	(4,604)	(5,634)	(5,424)	(3,847)
	1,730	4,733	9,394	13,855

(b) Commentary Of Cash Flows**FYE 2014****Net cash from operating activities**

In FYE 2014, our operating cash flows before working capital changes stood at RM9.2 million. After accounting for working capital changes, the net cash from operations was RM11.8 million. This improvement was the result of a reduction of RM3.5 million in receivables, indicating that we have better collections in FYE 2014. With better collections, we also repaid our payables which saw a reduction in payables by RM1.0 million.

The net cash generated from operating activities stood at RM9.6 million after accounting for taxation paid of RM1.3 million and interest payment of RM1.0 million.

Net cash for investing activities

In FYE 2014, the net outflow in investing activities amounted to RM7.3 million, mainly attributable to the acquisition of property, plant and equipment amounted to RM2.4 million and placement of fixed deposits as security for banking facilities amounted to RM5.1 million.

11. FINANCIAL INFORMATION (Cont'd)**Net cash for financing activities**

In FYE 2014, the net outflow for financing activities amounted to RM3.2 million. This was mainly due to the full settlement of all directors' advances of RM1.4 million and repayment of RM0.6 million of finance lease liabilities. We also repaid RM2.2 million of the outstanding term loan and made interest payment amounting to RM1.0 million. This was partially offset by the drawdown of RM2.0 million in banking facilities.

FYE 2015**Net cash from operating activities**

Our operating cash flows before changes in working capital for FYE 2015 stood at RM10.3 million. After adjusting for the following key items, our net operating cash flows was RM4.2 million:

- Increase in receivables by RM5.8 million and increase in inventories by RM3.8 million coupled with the increase in payables by RM6.0 million. These increases were mainly due to a higher sales level, which resulted in more purchases made and a higher inventory level towards the end of FYE 2015; and
- Income tax paid of RM1.6 million and interest expense paid of RM1.0 million.

Net cash for investing activities

In FYE 2015, the net outflow for investing activities was RM0.8 million. This was mainly attributable to the acquisition of property, plant and equipment amounted to RM0.8 million and placement of fixed deposits as security for banking facilities amounted to RM1.3 million. The outflow was partially offset by the proceeds received for disposal of property, plant and equipment amounted to RM0.8 million and interest received of RM0.4 million.

Net cash for financing activities

In FYE 2015, our financing activities recorded a net cash outflow of RM2.9 million mainly due to repayment of term loan of RM1.9 million, repayment of finance lease liabilities of RM0.5 million and interest payment of RM0.8 million. This was partially offset by the additional drawdown of banking facilities of RM0.3 million.

FYE 2016**Net cash from operating activities**

Our operating cash flows before changes in working capital for FYE 2016 stood at RM13.1 million. After adjusting for the following key items, our net operating cash flows was RM6.8 million:

- a higher sales level towards the end of FYE 2016 resulted in increased receivables by RM3.4 million;
- reduced payables of RM3.4 million because more trade creditors were due and paid towards the end of FYE 2016;
- decrease in inventories by RM3.0 million as more deliveries were made as at end of FYE 2016; and
- Income tax paid of RM2.0 million and interest expense paid of RM0.9 million.

11. FINANCIAL INFORMATION (Cont'd)**Net cash for investing activities**

In FYE 2016, the outflow in investing activities amounts to RM1.2 million, mainly attributable to the acquisition of property, plant and equipment amounted to RM1.3 million and investment in development expenditure of RM0.7 million during the year. We have also placed fixed deposits as security for banking facilities amounted to RM0.6 million.

The outflow in investing activities were partially offset by the acquisition of subsidiaries which resulted in a net cash inflow RM0.8 million arising from consolidation. Other inflows were interest received of RM0.4 million and proceeds from the disposal of property, plant and equipment of RM0.2 million.

Net cash for financing activities

In FYE 2016, our financing activities recorded a net cash outflow of RM1.0 million mainly due to repayment of term loan of RM2.2 million, repayment of finance lease liabilities of RM0.4 million, interest payment of RM0.5 million and dividend payment of RM0.9 million. This was partially offset by the additional drawdown of banking facilities of RM3.0 million.

FPE 2017**Net cash from operating activities**

Our operating cash flows before changes in working capital for FPE 2017 stood at RM17.3 million. After adjusting for the following key items, our net operating cash used was RM13.8 million:

- Increase in inventories by RM9.8 million due to higher sales towards the end of FPE 2017, coupled with the decrease in receivables by RM3.8 million as a result of better collection, and the increase in payables by RM4.8 million due to more purchases made in line with our higher sales level; and
- Income tax paid of RM2.1 million and interest expense paid of RM0.5 million.

Net cash for investing activities

In FPE 2017, the outflow in investing activities amounts to RM3.1 million, mainly attributable to the acquisition of property, plant and equipment amounted to RM2.0 million and investment in development expenditure of RM0.3 million during the financial period. We have also placed fixed deposits as security for banking facilities amounted to RM2.7 million.

The outflow in investing activities were partially offset by the inflows from interest received of RM0.3 million and proceeds from the disposal of property, plant and equipment of RM1.6 million.

Net cash for financing activities

In FPE 2017, our financing activities recorded a net cash outflow of RM6.0 million mainly due to decrease in trade facilities of RM3.2 million, repayment of finance lease liabilities of RM0.5 million, interest payment of RM0.3 million and repayment of term loan of RM2.0 million.

11. FINANCIAL INFORMATION (Cont'd)**11.4 BORROWINGS**

All our bank borrowings are secured and interest-bearing. Our total outstanding borrowings as at 30 September 2017 stood at RM17.8 million, details of which are set out below:

	Purpose	Security	Tenure	Interest rate %	As at 30
					September 2017
					RM'000
Short term (due within a year)					
Bank overdrafts ⁽¹⁾	Working capital	Short term deposits, personal guarantee by certain directors, corporate guarantees by certain of our subsidiaries and government guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad ⁽²⁾	On demand	8.24 to 9.12	3,847
Bankers acceptance ⁽¹⁾	Working capital	Short term deposits, personal guarantee by certain directors, corporate guarantees by certain of our subsidiaries and government guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad ⁽²⁾	Up to 150 days	5.52 to 6.37	709
Trust receipts ⁽¹⁾	Working capital	Short term deposits, personal guarantee by certain directors, corporate guarantees by certain of our subsidiaries and government guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad ⁽²⁾	Up to 150 days	0.35 to 3.10	7,491
Term loans ⁽¹⁾	Working capital and purchase of property	First party and first legal charge over the property of QES (Asia-Pacific), personal guarantee by certain directors, corporate guarantees by certain of our subsidiaries	48 months from the drawdown date	8.15	2,535
Revolving loan ⁽¹⁾	Project line working capital	Short term deposits, personal guarantee by certain directors, corporate guarantees by certain of our subsidiaries	Up to 180 days	8.30	1,108
Finance lease ⁽¹⁾	Purchase of motor vehicles and	Personal guarantee by directors	Ranging from 24 months to 84	2.36 to 3.91	341

11. FINANCIAL INFORMATION (Cont'd)

	Purpose	Security	Tenure	Interest rate %	As at 30
					September 2017
					RM'000
	equipment		months from the drawdown date		16,031
Long term (due after 1 year)					
Term loans ⁽¹⁾	Working capital and purchase of property	First party and first legal charge over the property of QES (Asia-Pacific), personal guarantee by certain directors, corporate guarantees by certain of our subsidiaries	48 months from the drawdown date	8.15	432
Finance lease ⁽¹⁾	Purchase of motor vehicles and equipment	Personal guarantee by directors	Ranging from 24 months to 84 months from the drawdown date	2.36 to 3.91	1,311
Total borrowings					1,743
Gearing (times)					0.41
After Acquisitions but before our Public Issue ⁽³⁾					0.15
After our Public Issue and utilisation of proceeds ⁽⁴⁾					

11. FINANCIAL INFORMATION (Cont'd)

Notes:

- (1) The Company shall endeavour to replace these personal guarantees with a corresponding guarantee from QES subject to the completion of our IPO.
- (2) The government guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad is given under the Services Sector Guarantee Scheme by the Government of Malaysia for a multi-trade facility of RM1.4 million from RHB Bank Berhad to Creden Mechatronic. This scheme guarantees up to 70% of the facility amount.
- (3) Computed based on our pro forma equity attributable to the owners of the Company of RM43.7 million in the pro forma consolidated statements of financial position after the Acquisitions but before our Public Issue and proposed utilisation of proceeds.
- (4) Computed based on our pro forma equity attributable to the owners of the Company of RM71.8 million in the pro forma consolidated statements of financial position after the Acquisitions, Public Issue and utilisation of proceeds which includes the repayment of bank borrowings of RM7.0 million.

For the FPE 2017, the effective interest rates per annum for our bank overdrafts was between 8.24% to 9.12% whilst the interest rate for the term loans was 8.15% per annum whilst the interest rate for the term loans was 8.15% per annum. The effective interest rate for our finance leases were at rates of between 2.36% to 3.91% and the effective interest rates for our trade facilities being bankers' acceptances, trust receipts and revolving loans were between 0.35% to 8.30%.

As at the LPD, we do not have any borrowings which are non-interest bearing. We have not defaulted on payments of principal sums and/or interests in respect of any of our borrowings throughout the FPE 2017 and up to the LPD.

As at the LPD, neither our Company nor any of our subsidiaries is in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations or the investments by holders of our securities.

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11. FINANCIAL INFORMATION (Cont'd)**11.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES**

As at the LPD, save for our bank borrowings as disclosed in Section 11.4 of this Prospectus, we do not utilise any other financial instruments.

We finance our operations mainly through cash generated from our operations, as well as external sources of funds which mainly comprise bank borrowings. The principal usages of these banking facilities are for working capital and purchases of property, plant and equipment.

11.6 MATERIAL CAPITAL COMMITMENTS

As at the LPD, our Directors confirm that there are no material commitments for capital expenditure contracted which may have a material impact on our Group's financial position or business.

11.7 CONTINGENT LIABILITIES

As at the LPD, our Directors confirm that there are no material contingent liabilities incurred by our Group, which upon becoming enforceable may have a material effect our Group's business, financial results or position.

11.8 KEY FINANCIAL RATIOS

The key financial ratios of our Group for the 3 FYEs 2014 to 2016, and FPE 2017 are as follows:

	Combined Group			
	Audited			Audited
	FYE 2014	FYE 2015	FYE 2016	FPE 2017
Trade receivables turnover (days) ⁽¹⁾	82	71	79	65
Trade payables turnover (days) ⁽²⁾	80	75	83	75
Inventory turnover (days) ⁽³⁾	47	45	42	49
Current ratio (times) ⁽⁴⁾	1.33	1.42	1.46	1.62
Gearing ratio (times) ⁽⁵⁾	1.54	1.04	0.77	0.41

Notes:

(1) Computed based on average trade receivables over revenue for the year multiplied by 365 days for the 3 FYEs 2014 to 2016. For FYE 2016, it is computed based on pro forma revenue of RM151.63 million as if we have completed the acquisitions of QES (Thailand) and QES (Singapore) since the beginning of FYE 2016. For FPE 2017, it was computed based on average trade receivables over revenue for the financial period multiplied by 273 days.

(2) Computed based on average trade payables as at year end over costs of sales for the year multiplied by 365 days for the 3 FYEs 2014 to 2016. For FYE 2016, it is computed based on pro forma cost of sales of RM105.95 million as if we have completed the acquisitions of QES (Thailand) and QES (Singapore) since the beginning of FYE 2016. For FPE 2017, it was computed based on average trade payables over cost of sales for the financial period multiplied by 273 days.

11. FINANCIAL INFORMATION (Cont'd)

- (3) Computed based on average inventory as at year end over cost of sales for the year multiplied by 365 days for the 3 FYEs 2014 to 2016. For FYE 2016, it is computed based on pro forma cost of sales of RM105.95 million as if we have completed the acquisitions of QES (Thailand) and QES (Singapore) since the beginning of FYE 2016. For FPE 2017, it was computed based on average inventory as at the end of the financial period over cost of sales for the financial period multiplied by 273 days.
- (4) Computed based on current assets over current liabilities as at end of the year / financial period for the 3 FYEs 2014 to 2016 and FPE 2017.
- (5) Computed based on the total borrowings over total equity attributable to owners of the Company as at end of the year / financial period for each of the FYEs 2014 to 2016 and FPE 2017.

11.8.1 Trade receivables turnover

Our trade receivable and revenue over the FYEs 2014 to 2016, and FPE 2017 are as follow:

	Combined Group			
	Audited			Audited
	FYE 2014	FYE 2015	FYE 2016	FPE 2017
	RM'000	RM'000	RM'000	RM'000
Trade receivables, net of allowance for impairment	22,528	27,375	38,517	32,607
Revenue	105,381	128,000	151,634	139,634
Trade receivables turnover (days) ⁽¹⁾	82	71	79	65

Note:

- (1) Computed based on average trade receivables over revenue for the year multiplied by 365 days for the 3 FYEs 2014 to 2016. For FYE 2016, it is computed based on pro forma revenue of RM151.63 million as if we have completed the acquisitions of QES (Thailand) and QES (Singapore) since the beginning of FYE 2016. For FPE 2017, it was computed based on average trade receivables over revenue for the financial period multiplied by 273 days.

The normal credit period granted by our Group to our customers is between 30 to 120 days from the date of invoice.

Other credit terms such as 150 days with letter of credit can sometimes be negotiated (such as for new customers or large orders). Such terms would be assessed and approved on a case-by-case basis.

Our trade receivables turnover days for the 3 FYEs 2014 to 2016 and FPE 2017 were between 65 to 82 days, which is within the credit period granted to our customers.

The ageing analysis of our trade receivables as at 30 September 2017 is as follows:

11. FINANCIAL INFORMATION (Cont'd)

	Combined Group				Total
	Within credit term	Exceeding credit period			
	Neither past due nor impaired	1 to 30 days past due but not impaired	31 to 60 days past due but not impaired	more than 60 days past due but not impaired	
Trade receivables (RM'000)	30,113	678	624	2,102	33,517
Less : Impairment (RM'000)	-	-		(910)	(910)
Trade receivables - Net (RM'000)	30,113	678	624	1,192	32,607
Percentage of total Trade receivables (%)	92.3	2.1	1.9	3.7	100.0
Subsequent collections up to the LPD (RM'000)	20,240	641	477	915	22,273
Trade receivables net of subsequent collections (RM'000)	9,873	37	147	277	10,334
Percentage of trade receivables net of subsequent collections (%)	30.2	0.1	0.5	0.8	31.6
Analysed by :-					
<u>Distribution division</u>					
Trade receivables (RM'000)	27,153	662	457	2,100	30,372
Less : Impairment (RM'000)	-	-		(908)	(908)
Trade receivables - Net (RM'000)	27,153	662	457	1,192	29,464
Percentage of total Trade receivables (%)	92.2	2.2	1.6	4.0	100.0
Subsequent collections up to the LPD (RM'000)	18,005	625	310	915	19,855
Trade receivables net of subsequent collections (RM'000)	9,148	37	147	277	9,609
Percentage of trade receivables net of subsequent collections (%)	31.0	0.1	0.5	0.9	32.5

11. FINANCIAL INFORMATION (Cont'd)

	Combined Group				Total
	Within credit term	Exceeding credit period			
	Neither past due nor impaired	1 to 30 days past due but not impaired	31 to 60 days past due but not impaired	More than 60 days past due but not impaired	
Analysed by :-					
Manufacturing division					
Trade receivables (RM'000)	2,960	16	167	2	3,145
Less : Impairment (RM'000)	-	-	-	(2)	(2)
Trade receivables - Net (RM'000)	2,960	16	167	-	3,143
Percentage of total Trade receivables (%)	94.2	0.5	5.3	-	100.0
Subsequent collections up to the LPD (RM'000)	2,235	16	167	-	2,418
Trade receivables net of subsequent collections (RM'000)	725	-	-	-	725
Percentage of trade receivables net of subsequent collections (%)	23.1	-	-	-	23.1

Our total net trade receivables past due as at 30 September 2017 is RM2.5 million, representing 7.7% of our total net trade receivables. Subsequent to 30 September 2017 and up to LPD, we have collected RM2.0 million, representing 81.5% of the net trade receivables past due as at 30 September 2017.

Our Group has not encountered any major disputes with our debtors. With respect to overdue debts, we have generally been able to collect payment eventually. As such, our management is of view that the overdue trade receivables are still recoverable. Our management closely monitors the recoverability of our overdue trade receivables on a regular basis, and, when appropriate, provides for impairment of these trade receivables. As at 30 September 2017, our allowance for impairment loss stood at RM0.9 million. The impairment arose from overdue receivables of more than 12 months owing by 80 customers from whom we experienced difficulty in collecting. As we bill our customers upon delivery, any technical issues thereafter will result in a delay in product acceptance, as well as payment. These technical issues can only be resolved by our skilled engineers or technicians. For FPE 2017, we faced a shortage of these skilled personnel in the face of our growing sales. This delayed our product acceptances and the collection of these receivables beyond our impairment policy of 12 months.

Our allowances for impairment loss for the financial years under review are as follows:

	Combined Group			
	Audited			Audited
	FYE 2014	FYE 2015	FYE 2016	FPE 2017
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment loss	194	665	268	910

11. FINANCIAL INFORMATION (Cont'd)**11.8.2 Trade payables turnover**

Trade payables are recognised at their original invoice amounts which represent their fair value on initial recognition. The normal credit terms granted by our suppliers ranges from 30 to 120 days from the date of invoice.

Our trade payables turnover days were between 75 to 83 days for the financial years / period under review, which is within the credit period given by our suppliers. Our trade payables turnover days are consistent with our trade receivables turnover days between 65 to 82 days for the financial years / period under review.

The ageing analysis of our trade payables as at 30 September 2017 is as follows:

	Combined Group				Total
	Within credit term	Exceeding credit period			
		1 to 30 days past due	31 to 60 days past due	More than 60 days past due	
Trade payables (RM'000)	25,006	911	1,156	226	27,299
Percentage of total Trade payables (%)	91.7	3.3	4.2	0.8	100.0
Subsequent payments up to the LPD (RM'000)	16,548	808	1,065	143	18,564
Trade payables net of subsequent payments (RM'000)	8,458	103	91	83	8,735
Percentage of trade payables net of subsequent payments (%)	31.1	0.4	0.3	0.3	32.1
Analysed by :-					
<u>Distribution division</u>					
Trade payables (RM'000)	21,497	877	1,116	226	23,716
Percentage of total Trade payables (%)	90.6	3.7	4.7	1.0	100.0
Subsequent payments up to the LPD (RM'000)	14,242	777	1,049	143	16,211
Trade payables net of subsequent payments (RM'000)	7,255	100	67	83	7,505
Percentage of trade payables net of subsequent payments (%)	30.6	0.4	0.3	0.3	31.6

11. FINANCIAL INFORMATION (Cont'd)

	Combined Group				Total
	Within credit term	Exceeding credit period			
		1 to 30 days past due	31 to 60 days past due	More than 60 days past due	
Manufacturing division					
Trade payables (RM'000)	3,509	34	40	-	3,583
Percentage of total Trade payables (%)	98.0	0.9	1.1	-	100.0
Subsequent payments up to the LPD (RM'000)	2,306	31	16		2,353
Trade payables net of subsequent payments (RM'000)	1,203	3	24	-	1,230
Percentage of trade payables net of subsequent payments (%)	33.7	0.1	0.7	-	34.5

Our Group has yet to make payment for trade payables exceeding credit period of RM2.3 million as at 30 September 2017 mainly because we have yet to receive payments from our customers as well. We will pay these suppliers when we receive payments from our customers. As at LPD, we have made subsequent payments of RM2.0 million, representing 87.9% of our total past due trade payables as at 30 September 2017.

As at LPD, there are no disputes in respect of trade payables and no legal action has been initiated by our suppliers to demand for payment.

11.8.3 Inventories

Our Group's inventories mainly consist of various inspection, test and measurement equipment, materials and spare parts for our distribution division. For our manufacturing division, our inventories mainly consist of raw materials, semi-finished goods and finished goods. As tabulated below, most of our inventories are less than 12 months old. We also keep stocks for certain parts and products that we distribute and manufacture for the purposes of spare parts replacement. Some of our finished goods which are more than 24 months old are inventory currently used as demonstration equipment and may be sold in future, and thus have not been written off.

The ageing analysis of our inventory as at 30 September 2017 is as follows:

	Less than 12 months RM'000	Between 12 to 24 months RM'000	Between 24 to 36 months RM'000	More than 36 months RM'000	Total as at 30 September 2017 RM'000
Distribution	11,487	1,022	1,373	222	14,104
Manufacturing	5,732	24	114	605	6,475
Raw material	365	3	9	304	681
Work-in-progress	4,653	-	-	-	4,653
Finished goods	714	21	105	301	1,141
Total	17,219	1,046	1,487	827	20,579

11. FINANCIAL INFORMATION (Cont'd)

Our Group conducts a monthly management meeting to review the stockholding level and inventory ageing analysis. Approval is required from authorised personnel at headquarter level for replenishment of stocks and impairment on slow moving stocks.

Our inventory turnover days have been within 42 to 49 days for the 3 FYEs 2014 to 2016 and FPE 2017.

11.8.4 Current ratio

Our current ratio throughout the financial years under review is as follows:

	Combined Group			
	Audited			Audited
	FYE 2014	FYE 2015	FYE 2016	FPE 2017
	RM'000	RM'000	RM'000	RM'000
Current assets	53,051	69,130	81,762	90,879
Current liabilities	39,986	48,788	55,997	56,044
Net current assets	13,065	20,342	25,765	34,835
Current ratio (times)	1.33	1.42	1.46	1.62

Our current ratios improved throughout the financial years / period under review, ranging from 1.33 to 1.62 times. This indicates that our Group is capable of meeting our current obligations as our current assets such as inventory and trade receivables, which can be readily converted to cash, together with our cash in the bank are enough to meet immediate current liabilities.

11.8.5 Gearing ratio

Our gearing ratio throughout the financial years under review is as follows:

	Combined Group			
	Audited			Audited
	FYE 2014	FYE 2015	FYE 2016	FPE2017
	RM'000	RM'000	RM'000	RM'000
Total borrowings	23,695	22,742	23,674	17,774
Total equity attributable to the owners of the Company	15,346	21,911	30,594	42,334
Gearing ratio (times)	1.54	1.04	0.77	0.42

Our total borrowings remained consistently between RM17.8 million to RM23.7 million for the 3 FYEs 2014 to 2016 and FPE 2017.

Our gearing ratio improved from 1.54 times in FYE 2014 to 0.42 times in FPE 2017 mainly due to the efforts in reducing our gearing in conjunction with our growing profitability. Over the financial years/periods under review, we reduced our long term borrowings from RM7.8 million as at FYE 2014 to RM1.7 million as at FPE 2017. This was offset by the increased use of our trade facilities in line with our growth, from RM15.9 million as at FYE 2014 to RM16.0 million as at FPE 2017. This resulted in a lower borrowings level, compared to the increase in our Group's total equity from RM15.3 as at FYE 2014 to RM42.3 million as at FPE 2017.

11. FINANCIAL INFORMATION (Cont'd)

11.9 SIGNIFICANT FACTORS AFFECTING OUR REVENUE

Section 4 of this Prospectus details a number of risk factors relating to our business and the industry in which we operate in. Some of these risk factors have an impact on our Group's revenue and financial performance. The main factors which affect our revenues and profits include but are not limited to the following:

(i) Dependency on our suppliers

Our product range depends on the range of products made available to us by our suppliers. Should any of our suppliers cease supplying to us, we will lose their respective range of products, which will affect our revenue to the extent of these products' contribution.

(ii) Exposure to fluctuation in foreign exchange rates

Our revenue is subject to the risk of fluctuations in foreign exchange rates. These fluctuations in the foreign exchange rates could bring an adverse impact to the Group's financial performance as the local currency value of receivables may be eroded and payables may increase as a result of such fluctuations.

(iii) Dependency on our management and key personnel

Our key management team, led by our Promoters are responsible for formulating and implementing our business strategies, business development and daily management and operations which includes sales and client/supplier relationships management. The loss of these key management personnel without any suitable and timely replacement could have an adverse impact on our Group's revenue.

(iv) Competition

Our ability to compete effectively in the industry directly affects our revenue. We rely on our competitive advantages as set out in Section 6.14 to stay ahead and differentiate ourselves from other market players. Any shift in demand towards or away from our products will directly affect our revenue.

11.10 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

Risks relating to government, economic, fiscal or monetary policies or factors which may materially affect our operations are set out in Section 4 of this Prospectus.

11.11 IMPACT OF INFLATION

We do not believe that inflation has a material impact on the business, financial condition or results of operations of our Group. If our Group was to experience significantly higher inflation that we have experienced in the past, we may not be able to fully offset such higher costs through price increases.

11. FINANCIAL INFORMATION (Cont'd)**11.12 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES ON OUR GROUP'S OPERATIONS****11.12.1 Impact of foreign exchange rates**

We are exposed to foreign currency risk on transactions and balances that are denominated in currencies other than RM. As such, we endeavour to match our foreign currency purchases and sales as close as possible in order to naturally hedge our exposure to fluctuations in these currencies. The following analyses show which foreign currencies we are most exposed to.

Our revenue is mainly denominated in RM and USD, which collectively account for 87.1% and 82.2% of our revenue for the FYE 2016 and FPE 2017 respectively. The composition of our revenue and purchases by currency denomination for the past 3 FYEs 2014 to 2016, FPE 2016 and FPE 2017 are as follows:

Item	Denomination							Total
	RM	USD	JPY	SGD	EURO	GBP	Others	
Revenue								
FPE 30 Sep 2017 (%)	24.5	57.7	5.8	1.9	0.5	-	9.6	100.0
FPE 30 Sep 2016 (%)	19.9	68.3	3.8	-	2.4	0.6	5.0	100.0
FYE 2016 (%)	19.9	67.2	5.0	0.3	1.6	0.4	5.6	100.0
FYE 2015 (%)	25.7	63.3	6.8	0.4	0.5	-	3.3	100.0
FYE 2014 (%)	39.1	53.5	5.0	0.2	1.0	-	1.2	100.0
Purchases								
FPE 30 Sep 2017 (%)	11.6	62.2	19.5	1.7	1.4	2.2	1.4	100.0
FPE 30 Sep 2016 (%)	9.4	63.8	17.7	2.6	2.6	3.4	0.5	100.0
FYE 2016 (%)	9.5	65.1	17.2	2.4	2.5	2.9	0.4	100.0
FYE 2015 (%)	10.5	64.6	20.2	2.1	1.4	1.0	0.2	100.0
FYE 2014 (%)	20.2	57.6	14.0	1.1	2.9	3.0	1.2	100.0

Our trade receivables and trade payables for each currency denomination in their RM equivalent as at 30 September 2017, are set out in the table below:

Item	Denomination							Total
	RM	USD	JPY	SGD	EURO	THB	Others	
Trade receivables (RM'000)	7,016	21,601	128	632	315	1,591	1,324	32,607
Trade payables (RM'000)	1,963	15,598	8,286	206	587	25	634	27,299

11. FINANCIAL INFORMATION (Cont'd)

Our gain/(loss) on foreign exchange for the FYEs 2014 to 2016, FPE 2016 and FPE 2017 are as follows:

	Combined Group				
	Audited			Unaudited	Audited
	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2017
	RM'000	RM'000	RM'000	RM'000	RM'000
Gain/(loss) on foreign exchange	1,713	1,906	386	(668)	(615)

We have not entered into foreign currency hedges in the past 3 FYEs 2014 to 2016 and FPE 2017. Our accounts department, purchasing department and sales department will coordinate our foreign currency sales and purchases to minimise our foreign exchange exposure. If there is a need and it is cost effective, we will consider hedging our foreign currencies exposure position.

11.12.2 Impact of interest rates

	Combined Group				
	Audited			Unaudited	Audited
	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2017
Interest coverage ratio (times) ⁽¹⁾	4.46	6.53	9.71	8.61	20.53

Note:

⁽¹⁾ Computed based on profit from operations over finance costs

Our interest coverage ratio was between 4.46 to 20.53 times for the past 3 FYEs 2014 to 2016 and FPE 2017, indicating that our Group has been able to generate sufficient profits from operations to meet our interest serving obligations.

Our Group's financial results for the 3 FYEs 2014 to 2016 and FPE 2017 were not materially affected by fluctuations in interest rates.

11.12.3 Impact of Commodity Prices

As at the LPD, we are not directly affected by fluctuations in commodity prices.

11.13 SEASONALITY

Generally, our business is not affected by seasonality as purchase orders or work orders may be given to us at any time during the year.

11. FINANCIAL INFORMATION (Cont'd)**11.14 ORDER BOOK**

Our unbilled purchase orders as at LPD amounts to RM45.3 million, details as follows:

	<u>RM' million</u>
Distribution division	35,248
Manufacturing division	<u>10,041</u>
TOTAL	<u>45,289</u>

These purchase orders are expected to be billed upon delivery progressively over the next 2 to 4 months.

11.15 DIRECTORS' DECLARATION ON OUR GROUP'S FINANCIAL PERFORMANCE

Our Board is of the opinion that:

- (a) Our Group's revenue will remain sustainable with an upward growth trend, in line with the growth outlook of the electrical & electronics, semiconductor and automotive industries as well as the test and measurement market as set out in the IMR's report in Section 7 of this Prospectus;
- (b) Our liquidity will improve further subsequent to the Public Issue given the additional funds to be raised for our Group to carry out our business strategies and plans as stated in Section 6.15 of this Prospectus; and
- (c) Our capital resources will strengthen, taking into account the amount of RM3.3 million to be set aside from the IPO proceeds for purposes of our general working capital requirements, as well as internally generated funds from improved financial performance for FYE 2016 and FPE 2017. We may consider debt funding for our capital expansion should the need arises.

In addition to the above, our Board confirms that there are no circumstances which would result in a significant decline in our revenue and GP margins or know of any factors that are likely to have a material impact on our liquidity, revenue or profitability.

11.16 TREND INFORMATION

Based on our track record for the 3 FYEs 2014 to 2016 and FPE 2017, including our segmental analysis of revenue and profitability, the following trends may continue to affect our business:

- (a) More than 88.0% of our revenue was derived from our distribution division. We expect this division to continue contributing significantly to our revenue in the future;
- (b) Malaysia and the other ASEAN countries have been our main focus in terms of geographical locations and we will continue to focus in these locations;
- (c) The main components of our cost of sales for both distribution and manufacturing divisions are purchases. Moving forward, our cost of sales is expected to fluctuate in tandem with the growth of our business and would depend on amongst others, the availability and price fluctuation of our purchases; and
- (d) We achieved a GP margin of 27.4%, 27.7%, 27.5% and 36.0% for FYE 2014, FYE 2015, FYE 2016 and FPE 2017 respectively. We hope to maintain our GP margin

11. FINANCIAL INFORMATION (Cont'd)

within the same range in the future. However, this would depend on, amongst others, our continued ability to manage our costs efficiently and price our products competitively.

As at LPD, after all reasonable enquiries, our Board confirms that our operations have not been and are not expected to be affected by any of the following:

- (a) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in Section 11.2, 11.9 and 11.12 of this Prospectus;
- (b) Material commitments for capital expenditure;
- (c) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Sections 11.2, 11.9 and 11.12 of this Prospectus;
- (d) Known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group revenue save for those that had been discussed in Sections 11.2, 11.9 and 11.12 of this Prospectus; and
- (e) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position other than those discussed in Sections 11.2, 11.9 and 11.12 of this Prospectus.

Our Board is optimistic about the future prospects of our Group given the industry overview set out in Section 7, our Group's competitive advantages set out in Section 6.14 of this Prospectus and our Group's dedication to implement the business strategies and plans set out in Section 6.15 of this Prospectus.

11.17 DIVIDEND POLICY

As we are a holding company, our Company's income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiaries. The payment of dividends or other distributions by our subsidiaries will depend on their distributable profits, operating results, financial conditions, capital expenditure plans, business expansion plans and other factors that their respective board of directors deem relevant.

The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividends for the year are subject to shareholders' approval.

11. FINANCIAL INFORMATION (Cont'd)**11.18 CAPITALISATION AND INDEBTEDNESS**

The table below summarises our capitalisation and indebtedness:

- (a) Based on the latest unaudited financial information as at 8 December 2017; and
 (b) After adjusting for the effects of the Public Issue including the utilisation of proceeds from the Public Issue.

	I	II
As at 8 December 2017 RM'000	After the Public Issue RM'000	After I and utilisation of proceeds RM'000
Capitalisation		
Shareholders' equity	48,818	76,890
Total capitalisation	48,818	76,890
Indebtedness ⁽¹⁾		
Current		
Bank overdraft	7,649	2,649
Bank acceptance	821	821
Trust receipts	10,471	10,471
Term loans	2,627	627
Finance lease liabilities	337	337
Revolving loan	1,699	1,699
Non-current		
Finance lease liabilities	1,258	1,258
Total indebtedness	24,862	17,862
Total capitalisation and indebtedness	73,680	94,752
Gearing ratio⁽²⁾	0.51	0.23

Notes:

- (1) All of our indebtedness are secured.
 (2) Calculated based on the total indebtedness divided by the total capitalisation.

12. ACCOUNTANTS' REPORT

MOORE STEPHENS

Date: 8 January 2018

ACCOUNTANTS' REPORT

The Board of Directors
QES Group Berhad
No. 9, Jalan Juruukur U1/19
Hicom Glenmarie Industry Park
Seksyen U1
40150 Shah Alam
Selangor Darul Ehsan

Moore Stephens Associates PLT
(LLP0000963-LCA & AF002096)
Chartered Accountants
Unit 3.3A, 3rd Floor, Surian Tower
No 1 Jalan PJU 7/3, Mutiara Damansara
47810 Petaling Jaya, Selangor, Malaysia
T 603 7728 1800 (General) ; 7724 1033 (Assurance)
F 603 7728 9800 (General) ; 7733 1033 (Assurance)

Dear Sirs,

**ACCOUNTANTS' REPORT
COMBINED FINANCIAL STATEMENTS OF QES GROUP BERHAD**

1.0 PURPOSE OF THE ACCOUNTANTS' REPORT

The Accountants' Report has been prepared in connection with the proposed initial public offering and listing and quotation of the Company's shares on the ACE Market of Bursa Malaysia Securities Berhad and for no other purpose.

The combined financial statements have been prepared on the assumption that QES Group Berhad and its proposed subsidiaries have operated as a single economic entity throughout the financial years/periods ended 31 December 2014, 31 December 2015, 31 December 2016, 30 September 2016 and 30 September 2017.

1.1 REPORT ON THE FINANCIAL STATEMENTS

The combined financial statements of QES Group Berhad for the financial years/periods ended 31 December 2014, 31 December 2015, 31 December 2016, 30 September 2016 and 30 September 2017 have been prepared in accordance with the MFRSs issued by the MASB and IFRSs and the Guidance Note on "Combined Financial Statements" issued by the Malaysia Institute of Accountants on 23 March 2015. These combined financial statements incorporate the financial information included in the audited financial statements of the entities constituting QES Group Berhad for the respective financial years, restated where applicable to comply with the requirements of MFRSs and IFRSs.

We have audited the combined financial statements of QES Group Berhad, ("Company") and its proposed subsidiaries ("Group") which comprise the combined statements of financial position of the Group as at 31 December 2014, 31 December 2015, 31 December 2016, and 30 September 2017, and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for corresponding financial years/period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the combined financial statements give a true and fair view of the financial position of the Group as at 31 December 2014, 31 December 2015, 31 December 2016, and 30 September 2017, and of its financial performance and its cash flows for the years/period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

12. ACCOUNTANTS' REPORT (Cont'd)

MOORE STEPHENS

1.1 REPORT ON THE FINANCIAL STATEMENTS (cont'd)

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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

Responsibilities of Directors for the Financial Statements

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****1.1 REPORT ON THE FINANCIAL STATEMENTS (cont'd)****Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- (a) Identify and assess the risks of material misstatement of the aforementioned financial statements of the combined Group whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the combined Group.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the combined Group.
- (d) Conclude on the appropriateness of 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 combined Group to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the aforementioned financial statements of the combined Group 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 combined Group to cease to continue as going concerns.
- (e) Evaluate the overall presentation, structure and content of the aforementioned financial statements of the combined Group including the disclosures, and whether the aforementioned financial statements of the combined Group represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) In respect of the combined financial statements of the Group, obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the combined Group to express an opinion on the financial statements of the combined Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

12. ACCOUNTANTS' REPORT (Cont'd)

MOORE STEPHENS

1.1 REPORT ON THE FINANCIAL STATEMENTS (cont'd)

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

We communicate with the directors of the Company 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.

Other Matters

- (i) This report is made solely to the members of the Company, as a body, in connection with the proposed initial public offering and listing and quotation of the Company's shares on the ACE Market of Bursa Malaysia Securities Berhad and for no other purpose. We do not assume responsibility to any other person for the content of this report.
- (ii) The combined financial statements have been prepared on the assumption that QES Group Berhad and its proposed subsidiaries have operated as a single economic entity throughout the financial years/period ended 31 December 2014, 31 December 2015, 31 December 2016, 30 September 2016 and 30 September 2017. The financial information shown in the combined financial statements may not correspond to those in the consolidated financial statements of QES Group Berhad had the relevant proposed transactions to legally constitute the Group been incorporated in the consolidated financial statements for the respective financial years. Such financial information in the combined financial statements does not purport to predict the financial position, results and cash flows of the Group for those financial years/period.

MOORE STEPHENS ASSOCIATES PLT
LLP0000963-LCA & AF 002096
Chartered Accountants

Petaling Jaya, Selangor

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

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****2.0 ABBREVIATIONS**

Unless the context otherwise requires, the following definitions shall apply throughout this report:

Abbreviation	Description
Act	the Companies Act, 1965
Acquisition of QES (Asia-Pacific)	Acquisition by QES of QES (Asia-Pacific) Group
Bursa Securities	Bursa Malaysia Securities Berhad
Creden (Asia-Pacific)	Creden (Asia-Pacific) Sdn Bhd
Creden Intra Pacific	Creden Intra Pacific Sdn Bhd
Creden Engineering	Creden Engineering Sdn Bhd
Creden Mechatronic	Creden Mechatronic Sdn Bhd
EPF	Employees Provident Fund
FYE 2014	Financial year ended 31 December 2014
FYE 2015	Financial year ended 31 December 2015
FYE 2016	Financial year ended 31 December 2016
FPE Sept 2016	Financial period ended 30 September 2016
FPE Sept 2017	Financial period ended 30 September 2017
IFRSs	International Financial Reporting Standards
Issue Shares	New shares to be issued pursuant to the public issue
IPO	Initial public offering
IPO Shares	Collectively, the Offer Shares and Issue Shares
Listing	Listing of and quotation for the entire enlarged issued share capital of QES on the ACE Market of Bursa Securities
LPD	Last Practicable Date
MASB	Malaysian Accounting Standards Board
MFRSs	Malaysian Financial Reporting Standards
MS	Moore Stephens Associates PLT
NA	Net Assets
NTA	Net Tangible Assets
Offer Shares	Offer for Sale of QES Shares to selected investors
QES or the Company	QES Group Berhad
QES Shares or Share	Issued shares in QES
QAM (Asia-Pacific)	QAM (Asia-Pacific) Sdn Bhd
QES (Asia-Pacific)	QES (Asia-Pacific) Sdn Bhd
QES (Asia-Pacific) Group	QES (Asia-Pacific) Sdn Bhd and its subsidiaries
QES (Hong Kong)	QES (Hong Kong) Limited
QES (Indonesia)	PT QES Indonesia
QES (KL)	QES (Kuala Lumpur) Sdn Bhd

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****2.0 ABBREVIATIONS (cont'd)**

Abbreviation	Description
QES (Penang)	QES (Penang) Sdn Bhd
QES (Philippines)	QES Technology Philippines, Inc
QES (Singapore)	QES (Singapore) Pte Ltd
QES (Sarawak)	QES (Sarawak) Sdn Bhd
QES (Thailand)	QES (Thailand) Co. Ltd
QES (Vietnam)	QES (Vietnam) Co. Ltd
QS Instruments	QS Instruments Sdn Bhd
Relevant Financial Periods	FYE 2014, FYE 2015 and FYE 2016
SC	Securities Commission Malaysia
VMX	VMX Technology Sdn Bhd

2.1 Foreign Currencies

Abbreviation	Description
EUR	Euro
GBP	Great Britain Pound
HKD	Hong Kong Dollar
JPY	Japanese Yen
PHP	Philippines Peso
RM and sen	Ringgit Malaysia and sen, the lawful currency of Malaysia
THB	Thailand Baht
SGD	Singapore Dollar
USD	United States Dollar

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12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****3.0 BACKGROUND INFORMATION****3.1 QES GROUP BERHAD****3.1.1 Corporate Information**

QES was incorporated as a private limited liability company in Malaysia on 20 November 2014 in accordance with the Companies Act, 1965.

The principal activity of the Company is investment holding and the principal activities of its proposed subsidiaries are disclosed in Note 4.4.

3.1.2 Share Capital

As at the date of this report, the issued share capital of QES, since its incorporation date on 20 November 2014 is RM100.

4.0 IPO REORGANISATION AND LISTING SCHEME

In conjunction with and as an integral part of the Listing of QES on the ACE Market of Bursa Securities, QES will undertake the following transactions:

4.1 IPO ReorganisationProposed Acquisitions

The IPO reorganisation exercise involves the following acquisitions:

- (i) Acquisition by QES (Asia-Pacific) Sdn Bhd ("QES (Asia-Pacific)") of the remaining 20% equity interest Creden Intra Pacific Sdn Bhd ("Creden Intra Pacific") currently not held by QES (Asia-Pacific), at a purchase consideration of RM1,164,539 and to be satisfied via the issuance of 414,448 shares in QES (Asia-Pacific) at an issue price of RM2.81 per share; and
- (ii) Acquisition by QES of the entire issued share capital of QES (Asia-Pacific) for a total consideration of RM32,592,105 after taking into consideration the acquisition by QES (Asia-Pacific) of the remaining 20% equity interest in Creden Intra Pacific. The purchase consideration is to be satisfied via the issuance of 606,646,000 shares in QES at an issue price of approximately RM0.05 per share; and
- (iii) Acquisition by QES of the entire issued share capital of three of QES (Asia-Pacific)'s wholly owned subsidiaries (after taking into consideration the acquisition of the remaining 20% equity interest of Creden Intra Pacific above), namely, QS Instruments Sdn Bhd ("QS Instruments"), Creden (Asia-Pacific) Sdn Bhd ("Creden (Asia-Pacific)") and Creden Intra Pacific. The purchase consideration is based on the net assets of the respective companies and is to be satisfied by cash consideration.

12. ACCOUNTANTS' REPORT (Cont'd)

MOORE STEPHENS

4.2 Listing Scheme

In conjunction with, and as an integral part of the Listing, QES intends to undertake the following:

4.2.1 Public Issue

Public issue of 151,661,000 ordinary shares in QES, at an issue price of RM0.19 per share ("IPO Shares") and shall be allocated in the following manner, subject to clawback and reallocation.

(I) Malaysian Public

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

(II) Eligible Directors and employees

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

(III) Private placement to selected investors

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

The basis of allocation for the IPO Shares shall take into account the desirability of distributing the IPO Shares to a reasonable number of applicants in view of broadening the shareholding base to meet the public spread requirements as per the ACE Market Listing Requirements of Bursa Securities and to establish a liquid and adequate market for the IPO Shares.

There is no over-allotment or 'greenshoe' option that will result in an increase in the amount of the IPO Shares.

4.2.2 Offer for Sale

Offer for sale of 75,831,000 Offer Shares, representing 10.0% of the enlarged issued share capital of QES, at RM0.19 per Offer Share to be offered by our Offerors to selected Bumiputera investors approved by The Ministry of International Trade and Industry by way of private placement.

4.2.3 Listing and Quotation

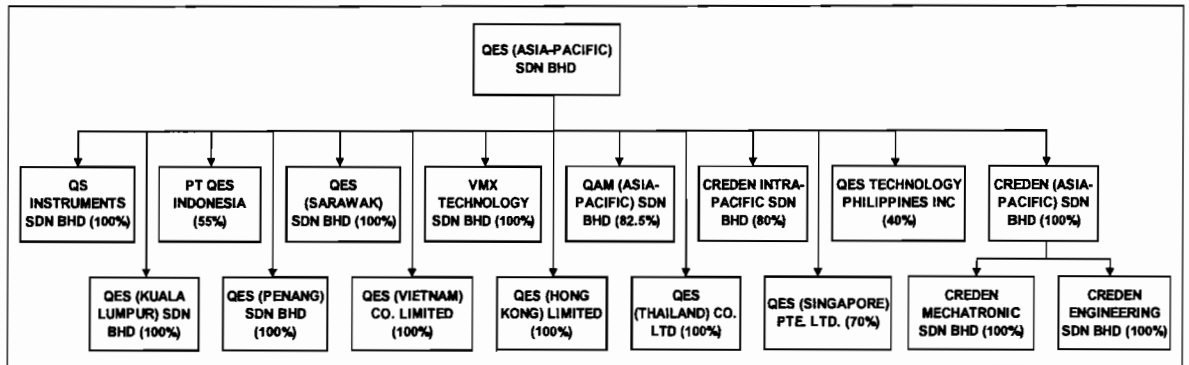
Subsequent to the completion of the Public Issue, QES shall undertake the Listing involving the listing of and quotation for its entire enlarged issued share capital of RM61,407,795 comprising 758,308,000 shares on the ACE Market of Bursa Securities.

12. ACCOUNTANTS' REPORT (Cont'd)

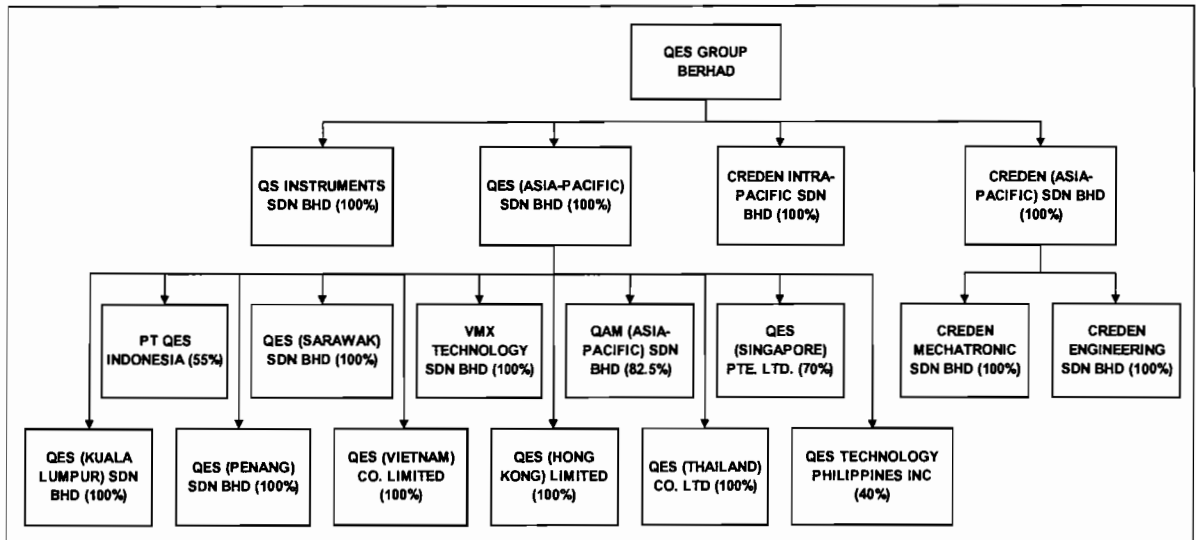
4.3 Group Structure

As disclosed in Note 4.1, the Acquisitions are conditional upon the approval of the Listing by the relevant authorities. Accordingly, the existing corporate structure prior to the Acquisitions and proposed corporate structure after the Acquisitions is illustrated below:

Group structure prior to Acquisitions



Group structure as at LPD



12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****4.4 Details of the subsidiaries included under the Acquisitions**

Name of Company	Country of Incorporation	Date of Incorporation	Authorised Share Capital	Issued and Paid-up Share Capital RM	Principal activities
QES (Asia-Pacific) Sdn. Bhd. *	Malaysia	4.10.1991	-	12,364,539	Investment holding, marketing and servicing of scientific instruments
QES (Kuala Lumpur) Sdn. Bhd. *	Malaysia	10.10.1996	-	250,000	Marketing and servicing of scientific instruments
QES (Penang) Sdn. Bhd. *	Malaysia	10.10.1996	-	250,000	Marketing and servicing of scientific instruments
QES (Sarawak) Sdn. Bhd. *	Malaysia	10.10.1996	-	275,000	Marketing and servicing of scientific instruments
QAM (Asia-Pacific) Sdn. Bhd. *	Malaysia	8.3.1997	-	1,000,000	Marketing and servicing of scientific instruments and industrial materials
Creden Intra Pacific Sdn. Bhd. *	Malaysia	7.6.2001	-	1,000,000	Trading and servicing of industrial parts and equipment
VMX Technology Sdn. Bhd. *	Malaysia	5.4.2006	-	1,000,000	Trading and servicing of industrial parts and equipment
QS Instruments Sdn. Bhd. *	Malaysia	22.12.2003	-	1,000,000	Marketing and servicing of scientific instruments

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****4.4 Details of the subsidiaries included under the Acquisitions (cont'd)**

Name of Company	Country of Incorporation	Date of Incorporation	Authorised Share Capital	Issued and Paid-up Share Capital RM	Principal activities
Creden (Asia-Pacific) Sdn. Bhd. *	Malaysia	23.7.1998	-	7,500,000	Manufacturing, trading and servicing of industrial parts and equipment
Creden Engineering Sdn. Bhd. *	Malaysia	4.7.2001	-	1,000,000	Manufacturing, trading and servicing of industrial parts and equipment
Creden Mechatronic Sdn. Bhd. *	Malaysia	28.6.1999	-	5,000,000	Manufacturing and trading of industrial equipment and systems
QES (Hong Kong) Limited.	Hong Kong	15.3.2002	USD250,000	USD1,000	Marketing and servicing of scientific instruments
P. T. QES Indonesia	Indonesia	17.6.2002	Rp6,000,000,000	Rp1,500,000,000	Marketing and servicing of scientific instruments
QES (Vietnam) Co., Ltd.	Vietnam	25.4.2007	VND5,248,300,000	VND3,066,000,000	Marketing and servicing of scientific instruments
QES (Thailand) Co., Ltd.	Thailand	19.5.1998	THB2,000,000	THB2,000,000	Marketing and servicing of scientific instruments
QES (Singapore) Pte Ltd	Singapore	11.9.1992	SGD100,000	SGD100,000	Marketing and servicing of scientific instruments
QES Technology Philippines, Inc.	Philippines	8.3.2017	PHP5,000,000	PHP1,250,000	Wholesale, technical testing and analysis of machinery, equipment and supplies

* Authorised share capital of Malaysia incorporation companies is no longer required under the Companies Act, 2016 which was effective on 31 January 2017.

12. ACCOUNTANTS' REPORT (Cont'd)

MOORE STEPHENS

5.0 RELEVANT FINANCIAL PERIODS

The relevant financial periods of the audited financial statements presented for the purposes of this report are FYE 2014, FYE 2015, FYE 2016, FPE Sept 2017, with the unaudited comparative FPE Sept 2016.

6.0 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

This Report is prepared on a basis consistent with accounting policies adopted by QES Group as further detailed in the following sub-sections of this Report.

6.1 Basis of Preparation

The Accountant's Report is prepared based on the combined financial statements of QES Group Berhad for the financial years/periods ended 31 December 2014, 31 December 2015, 31 December 2016, 30 September 2016 and 30 September 2017.

The combined financial statements of QES Group Berhad for the financial years/periods ended 31 December 2014, 31 December 2015, 31 December 2016, 30 September 2016 and 30 September 2017 have been prepared in accordance with the MFRSs issued by the MASB and IFRSs and the Guidance Note on "Combined Financial Statements" issued by the Malaysia Institute of Accountants on 23 March 2015. These combined financial statements incorporate the financial information included in the audited financial statements of the entities constituting QES Group Berhad for the respective financial years, restated where applicable to comply with the requirements of MFRSs and IFRSs.

The combined financial statements have been prepared on the assumption that QES Group Berhad and its proposed subsidiaries have operated as a single economic entity throughout the financial years/periods ended 31 December 2014, 31 December 2015, 31 December 2016, 30 September 2016 and 30 September 2017.

The financial information shown in the combined financial statements may not correspond to those in the consolidated financial statements of QES Group Berhad had the relevant proposed transactions to legally constitute the Group been incorporated in the consolidated financial statements for the respective financial years. Such financial information in the combined financial statements does not purport to predict the financial position, results and cash flow of the Group for those financial years.

These financial statements have been prepared on the historical cost basis, except for those financial instruments which have been measured at their fair values.

These financial statements are presented in RM and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****6.2 Significant Changes in Accounting Policies (cont'd)****(a) Statement of compliance****(i) Adoption of New MFRSs, Amendments/Improvements to MFRSs and IC Int**

The Group had adopted the following new MFRSs, Amendments/Improvements to MFRSs and IC Int that are mandatory for the current financial year:

Amendments/Improvements to MFRSs

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

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

(ii) Standards and interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following new MFRSs, Amendments to MFRSs, Annual Improvement to MFRSs and Interpretations were issued but not yet effective and have not been applied by the Group.

Effective for financial period beginning on or after 1 January 2018

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

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****6.2 Significant Changes in Accounting Policies (cont'd)****(a) Statement of compliance****(ii) Standards and interpretations issued but not yet effective (cont'd)****Effective for financial period beginning on or after 1 January 2019**

MFRS 16	Leases
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Amendments to MFRS 9	Prepayment Features with Negative Compensation
IC Interpretation 23	Uncertainty Over Income Tax Treatments

Effective for financial period beginning on or after 1 January 2021

MFRS 17	Insurance Contracts
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Effective date to be announced

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application, except as described below:

(i) MFRS 9 Financial Instruments

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****6.2 Significant Changes in Accounting Policies (cont'd)****(a) Statement of compliance (cont'd)****(ii) Standards and interpretations issued but not yet effective (cont'd)****(ii) MFRS 15 Revenue from Contracts with Customers**

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

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

(b) Functional and presentation currency

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

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in Note 6.4.

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12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****6.3 Critical Accounting Estimates and Judgements**

Estimates and judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:

(i) *Depreciation of property, plant and equipment*

The estimates for the residual values, useful lives and related depreciation charges for property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) *Income taxes*

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognise tax liabilities based on their understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the financial year in which such determination is made.

(iii) *Impairment of non-financial assets*

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

(iv) *Classification of a financial instruments*

A financial instrument may be classified as a financial liability, financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument. The Group evaluates the substance of the relevant respective contractual arrangements pertaining to each individual financial instrument when making a judgement on the presentation and classification of a financial instrument as a financial liability, financial asset and an equity instrument.

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****6.3 Critical Accounting Estimates and Judgements (cont'd)***(v) Fair value estimates for certain financial assets and liabilities*

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

(vi) Impairment of trade and other receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(vii) Deferred tax assets and liabilities

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

(viii) Impairment of Goodwill

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

(ix) Allowance for inventories

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

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****6.4 Summary of Significant Accounting Policies****(a) Subsidiaries and basis of consolidation***(i) Subsidiaries*

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its proposed subsidiaries as at the financial year/period end. The financial statements of the proposed subsidiaries used in the preparation of the consolidated financial statements are prepared for the same financial year/period end as the Company. Consistent accounting policies are applied to transactions and events in similar circumstances.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisition of subsidiaries are accounted for using the acquisition method except for business combinations arising from common control transfers. Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve or merger deficit. Merger deficit is adjusted against suitable reserves of the entity acquired to the extent that laws or statutes do not prohibit the use of such reserves.

The statement of comprehensive income reflects the results of the combining entities for the financial year/period, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

Under the acquisition method of accounting, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****6.4 Summary of Significant Accounting Policies (cont'd)****(a) Subsidiaries and basis of consolidation (cont'd)***(ii) Basis of consolidation (cont'd)*

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 6.4(i). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

(iii) Transactions with non-controlling interest

Non-controlling interest represents the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from the parent shareholder's equity. Transactions with non-controlling interest are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interest, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interest is recognised directly in equity.

(b) Foreign currencies*(i) Functional and presentation currency*

The financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM").

(ii) Foreign currency transactions and balances

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****6.4 Summary of Significant Accounting Policies (cont'd)****(b) Foreign currencies (cont'd)***(ii) Foreign currency transactions and balances (cont'd)*

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

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

(iii) Group entities

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

(c) Revenue

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

(i) Sale of goods

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****6.4 Summary of Significant Accounting Policies (cont'd)****(c) Revenue (cont'd)**

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

(ii) Revenue from service

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

(iii) Interest income

Interest income is recognised using the effective interest method.

(iv) Rental income

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

(v) Dividend income

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

(vi) Commission income

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

(vii) Government development grant

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

(d) Employee benefits**(i) Short term benefits**

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

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****6.4 Summary of Significant Accounting Policies (cont'd)****(d) Employee benefits (cont'd)****(ii) Defined contribution plans**

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

(iii) Provision for post-employment benefits

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

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

(e) Borrowing costs

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

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

(f) Income taxes**(i) Current tax**

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

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

(ii) Deferred tax

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

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****6.4 Summary of Significant Accounting Policies (cont'd)****(f) Income taxes (cont'd)****(ii) Deferred tax (cont'd)**

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****6.4 Summary of Significant Accounting Policies (cont'd)****(f) Income taxes (cont'd)****(ii) Deferred tax (cont'd)**

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

(iii) Sales tax and goods and services tax ("GST")

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

- (i) where the sales tax and GST incurred in a purchase of assets or services are not recoverable from the taxation authority, in which case the sales tax and GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- (ii) receivables and payables that are stated with the amount of sales tax and GST included.

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

(g) Impairment**(i) Impairment of financial assets**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experiences of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****6.4 Summary of Significant Accounting Policies (cont'd)****(g) Impairment (cont'd)***(i) Impairment of financial assets (cont'd)**Financial assets carried at amortised cost (cont'd)*

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

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

Unquoted equity securities carried at cost (e.g. investment in subsidiaries)

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

(ii) Impairment of non-financial assets

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****6.4 Summary of Significant Accounting Policies (cont'd)****(g) Impairment (cont'd)***(ii) Impairment of non-financial assets (cont'd)*

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

An impairment loss recognised for goodwill is not reversed.

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

(h) Property, plant and equipment

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

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

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

The principal annual rates used for this purpose are:-

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****6.4 Summary of Significant Accounting Policies (cont'd)****(h) Property, plant and equipment (cont'd)**

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

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

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

(i) Intangible assets**(i) Goodwill on consolidation**

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 6.4(b) to the financial statements.

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

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****6.4 Summary of Significant Accounting Policies (cont'd)****(i) Intangible assets (cont'd)****(ii) Research and development**

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

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

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

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

(iii) Trademark

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

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

(j) Inventories

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****6.4 Summary of Significant Accounting Policies (cont'd)****(k) Financial assets**

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****6.4 Summary of Significant Accounting Policies (cont'd)****(k) Financial assets (cont'd)***(iii) Available-for-sale financial assets*

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

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

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

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

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

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

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

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and bank overdrafts that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****6.4 Summary of Significant Accounting Policies (cont'd)****(m) Leases**

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

(i) Finance leases – the Group as lessee

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

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

(ii) Operating leases – the Group as lessee

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

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

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

(n) Financial liabilities

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****6.4 Summary of Significant Accounting Policies (cont'd)****(n) Financial liabilities (cont'd)***Other financial liabilities*

The Group's other financial liabilities include trade and other payables and borrowings.

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

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

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

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

(o) Equity instrument

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

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

(p) Operating segments

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

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****6.4 Summary of Significant Accounting Policies (cont'd)****(q) Provisions**

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

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

(r) Contingencies

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

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

(s) Fair value measurement

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

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

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

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

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.0 AUDITED FINANCIAL INFORMATION OF QES GROUP BERHAD****7.1 Combined Statements of Profit or Loss And Other Comprehensive Income**

		Audited	Audited	Audited	Unaudited	Audited
	Note	FYE 2014	FYE 2015	FYE 2016	FPE	FPE
		RM'000	RM'000	RM'000	Sept 2016	Sept 2017
					RM'000	RM'000
Revenue	7.5.1	105,381	128,000	137,285	94,497	139,634
Cost of sales		(76,492)	(92,530)	(99,543)	(67,898)	(89,327)
Gross profit		28,889	35,470	37,742	26,599	50,307
Other operating income		3,000	2,806	4,565	2,052	1,547
Marketing and distribution costs		(11,885)	(14,160)	(15,945)	(10,684)	(21,254)
Administrative costs		(10,414)	(10,136)	(10,437)	(6,828)	(10,937)
Other operating expenses		(1,070)	(2,457)	(2,463)	(1,966)	(3,318)
Profit from operations	7.5.3	8,520	11,523	13,462	9,173	16,345
Finance costs	7.5.2	(1,911)	(1,765)	(1,387)	(1,065)	(796)
Profit before tax		6,609	9,758	12,075	8,108	15,549
Tax expense	7.5.5	(1,116)	(2,289)	(1,905)	(1,343)	(2,836)
Profit for the financial year		5,493	7,469	10,170	6,765	12,713
Other comprehensive income, net of tax						
Actuarial gain/(loss) on provision for post-employment benefits		-	46	(34)	-	-
Foreign currency translation differences for foreign subsidiaries		(356)	(509)	93	94	(208)
Total other comprehensive income for the financial year		(356)	(463)	59	94	(208)
Total comprehensive income for the financial year		5,137	7,006	10,229	6,859	12,505
Profit for the financial year attributable to:						
Owners of the Company		5,229	7,095	9,460	6,401	11,854
Non-controlling interests		264	374	710	364	859
		5,493	7,469	10,170	6,765	12,713
Total comprehensive income for the financial year attributable to:						
Owners of the Company		4,915	6,565	9,483	6,478	11,740
Non-controlling interests		222	441	746	381	765
		5,137	7,006	10,229	6,859	12,505

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.2 Combined Statements of Financial Position**

	Note	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
ASSETS						
Non-current assets						
Property, plant and equipment	7.5.6	7,907	6,482	6,261	5,904	7,763
Intangible assets	7.5.7	3,742	3,697	4,369	3,644	4,592
Other investments	7.5.9	60	60	60	60	60
Deferred tax assets	7.5.15	58	76	113	92	169
		<u>11,767</u>	<u>10,315</u>	<u>10,803</u>	<u>9,700</u>	<u>12,584</u>
Current assets						
Inventories	7.5.10	9,585	13,201	11,087	11,504	20,579
Trade receivables	7.5.11	22,528	27,375	38,517	33,670	32,607
Other receivables	7.5.11	935	2,065	1,466	1,864	2,528
Tax recoverable		1,371	1,479	1,128	764	-
Fixed deposits with financial institutions	7.5.12	12,298	13,549	14,746	13,982	17,463
Cash and bank balances		6,334	10,367	14,818	7,914	17,702
		<u>53,051</u>	<u>68,036</u>	<u>81,762</u>	<u>69,698</u>	<u>90,879</u>
TOTAL ASSETS		<u>64,818</u>	<u>78,351</u>	<u>92,565</u>	<u>79,398</u>	<u>103,463</u>
EQUITY AND LIABILITIES						
Equity						
Invested equity		15,806	22,926	31,568	29,327	43,422
Translation reserve		(460)	(1,015)	(974)	(938)	(1,088)
		<u>15,346</u>	<u>21,911</u>	<u>30,594</u>	<u>28,389</u>	<u>42,334</u>
Non-controlling interests		1,230	1,671	2,092	2,052	2,710
Total equity		<u>16,576</u>	<u>23,582</u>	<u>32,686</u>	<u>30,441</u>	<u>45,044</u>
Non-current liabilities						
Borrowings	7.5.13	7,767	5,782	2,947	3,557	1,743
Deferred tax liabilities	7.5.14	263	989	484	568	137
Provision for post- employment benefits	7.5.15	226	304	451	368	495
		<u>8,256</u>	<u>7,075</u>	<u>3,882</u>	<u>4,493</u>	<u>2,375</u>
Current liabilities						
Trade payables	7.5.16	14,968	23,290	25,063	21,836	27,299
Other payables	7.5.16	9,090	7,232	9,571	5,228	11,697
Borrowings	7.5.13	15,928	16,960	20,727	17,400	16,031
Taxation		-	212	636	-	1,017
		<u>39,986</u>	<u>47,694</u>	<u>55,997</u>	<u>44,464</u>	<u>56,044</u>
Total liabilities		<u>48,242</u>	<u>54,769</u>	<u>59,879</u>	<u>48,957</u>	<u>58,419</u>
TOTAL EQUITY AND LIABILITIES		<u>64,818</u>	<u>78,351</u>	<u>92,565</u>	<u>79,398</u>	<u>103,463</u>

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.3 Combined Statements of Changes In Equity**

	Attributable to owners of the Group				Total equity RM'000
	Invested equity RM'000	Non- distributable Translation reserve RM'000	Total RM'000	Non- controlling interests RM'000	
At 1 January 2014	10,577	(146)	10,431	1,008	11,439
Profit for the financial year	5,229	-	5,229	264	5,493
Other comprehensive income	-	(314)	(314)	(42)	(356)
- Foreign currency translation differences	15,806	(460)	15,346	1,230	16,576
At 31 December 2014	7,095	-	7,095	374	7,469
Profit for the financial year	-	(555)	(555)	46	(509)
Other comprehensive income	25	-	25	21	46
- Foreign currency translation differences	22,926	(1,015)	21,911	1,671	23,582
- Remeasurement of defined benefit plan	6,401	-	6,401	364	6,765
At 31 December 2015	-	77	77	17	94
Profit for the financial period	29,327	(938)	28,389	2,052	30,441
Other comprehensive income	-	-	-	-	-
- Foreign currency translation differences	-	-	-	-	-
At 30 September 2016	-	-	-	-	-

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.3 Combined Statements of Changes In Equity (cont'd)**

	Attributable to owners of the Group				Total equity RM'000
	Invested equity RM'000	Non- distributable Translation reserve RM'000	Total RM'000	Non- controlling interests RM'000	
At 1 October 2016	29,327	(938)	28,389	2,052	30,441
Profit for the financial period	3,059	-	3,059	346	3,405
Other comprehensive income	-	(36)	(36)	35	(1)
- Foreign currency translation differences	(18)	-	(18)	(16)	(34)
- Remeasurement of defined benefit plan	-	-	-	-	-
Transaction with owners	(800)	-	(800)	(205)	(205)
Acquisition of subsidiaries	-	-	-	(120)	(920)
Dividend paid	-	-	-	-	-
At 31 December 2016	31,568	(974)	30,594	2,092	32,686
Profit for the financial period	11,854	-	11,854	859	12,713
Other comprehensive income	-	(114)	(114)	(94)	(208)
- Foreign currency translation differences	-	-	-	-	-
Transaction with owners	-	-	-	64	64
Acquisition of subsidiaries	-	-	-	(211)	(211)
Dividend paid	-	-	-	-	-
At 30 September 2017	43,422	(1,088)	42,334	2,710	45,044

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.4 Combined Statements of Cash Flows**

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Cash flows from operating activities					
Profit before tax	6,609	9,758	12,075	8,108	15,549
Adjustments for:					
Allowance for inventories	35	184	155	39	305
Amortisation of intangible assets	23	55	76	57	77
Bad debts written off	5	138	59	57	43
Depreciation of property, plant and equipment	1,559	1,774	1,611	1,201	1,302
Goodwill written off	-	-	777	-	-
Impairment loss on trade receivables	34	665	-	107	642
Inventories written off	316	-	-	-	-
Interest expenses	1,911	1,765	1,387	1,065	796
Property, plant and equipment written off	6	7	2	2	-
Provision for post-employment benefits	79	118	97	58	74
Discount on acquisition	-	-	(1,525)	-	-
Gain on unrealised foreign exchange	(1,035)	(3,560)	(695)	(462)	(265)
Gain on disposal of property, plant and equipment	(3)	(225)	(70)	(5)	(913)
Interest income	(294)	(367)	(413)	(312)	(335)
Reversal of impairment loss on trade receivables	-	-	(397)	-	-
Operating profit before working capital changes	9,245	10,312	13,139	9,915	17,275
Inventories	35	(3,800)	3,094	1,659	(9,797)
Receivables	3,521	(5,847)	(3,389)	(5,349)	3,817
Payables	(977)	5,981	(3,406)	(3,908)	4,761
Cash from operations	11,824	6,646	9,438	2,317	16,056
Employee benefits paid	-	-	(6)	-	-
Income tax refund	3	149	339	325	325
Income tax paid	(1,292)	(1,616)	(2,137)	(1,602)	(2,055)
Interest paid	(966)	(968)	(863)	(627)	(504)
Net cash from operating activities	9,569	4,211	6,771	413	13,822
Cash flows from investing activities					
Interest received	294	367	413	312	335
Acquisition of property, plant and equipment (i)	(2,372)	(774)	(1,289)	(686)	(2,042)
Increase in intangible assets	(165)	(10)	(748)	(4)	(300)
Net inflows in acquisition on subsidiaries (Note 7.5.8)	31	-	834	-	-
Placement of fixed deposits	(5,103)	(1,251)	(619)	(433)	(2,717)
Proceeds from disposal of property, plant and equipment	17	849	208	66	1,585
Net cash used in investing activities	(7,298)	(819)	(1,201)	(745)	(3,139)

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.4 Combined Statements of Cash Flows (cont'd)**

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Cash flows from financing activities					
Repayment to directors	(1,358)	-	-	-	-
Dividend paid	-	-	(920)	-	-
Increase in bank facilities	1,951	282	3,035	729	(3,182)
Interest paid	(945)	(797)	(524)	(438)	(292)
Repayment of finance lease liabilities	(612)	(513)	(373)	(216)	(542)
Repayment of term loans	(2,226)	(1,922)	(2,243)	(1,676)	(2,033)
Net cash used in financing activities	(3,190)	(2,950)	(1,025)	(1,601)	(6,049)
Net (decrease)/increase in cash and cash equivalents	(919)	442	4,545	(1,933)	4,634
Foreign currency translation	1,207	2,561	116	102	(173)
Cash and cash equivalents at beginning of year/period	1,442	1,730	4,733	4,733	9,394
Cash and cash equivalents at end of year/period	(ii) 1,730	4,733	9,394	2,902	13,855

(i) Acquisition of property plant and equipment

The Group made the following cash payments to purchase property, plant and equipment:

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Purchase of property, plant and equipment	2,764	944	1,337	682	3,489
Less: Financed by finance lease arrangement	(392)	(170)	(67)	-	(1,434)
Exchange differences	-	-	19	4	(13)
Cash payment on purchase of property, plant and equipment	2,372	774	1,289	686	2,042

(ii) Cash and cash equivalents comprise the following:

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Cash and bank balances	6,334	10,367	14,818	7,914	17,702
Bank overdrafts (Note 7.5.13)	(4,604)	(5,634)	(5,424)	(5,012)	(3,847)
	1,730	4,733	9,394	2,902	13,855

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5 Notes to the Combined Financial Statements****7.5.1 Revenue**

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Sales of goods	83,456	103,275	103,568	69,302	101,364
Service and spare parts	21,925	24,725	33,717	25,195	38,270
	<u>105,381</u>	<u>128,000</u>	<u>137,285</u>	<u>94,497</u>	<u>139,634</u>

7.5.2 Finance costs

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Bank overdrafts	451	463	449	352	198
Bankers acceptance	281	165	70	47	64
Trust receipt	171	227	157	114	133
Letters of credit	56	61	69	45	54
Revolving loan interest	-	52	118	69	55
Term loans	851	726	478	402	253
Finance lease liabilities	94	71	46	36	39
Other financing charges	7	-	-	-	-
	<u>1,911</u>	<u>1,765</u>	<u>1,387</u>	<u>1,065</u>	<u>796</u>

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12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.3 Profit before tax**

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

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Allowance for inventories	35	184	155	39	305
Amortisation of intangible assets	23	55	76	57	77
Auditors' remuneration					
- current year	112	144	133	94	166
- under provision in prior years	1	-	-	-	-
- other services	60	-	355	-	140
Bad debts written off	5	138	59	57	43
Depreciation of property, plant and equipment	1,559	1,774	1,611	1,201	1,302
Discount on acquisition	-	-	(1,525)	-	-
Employee benefits (Note 7.5.4)	17,664	19,132	20,977	14,601	25,047
Gain on foreign exchange	(1,713)	(1,906)	(386)	668	615
Goodwill written off	-	-	777	-	-
Impairment loss on trade receivables	34	665	-	107	642
Inventories written off	316	-	-	-	-
Management fee	203	72	72	54	54
Property, plant and equipment written off	6	7	2	2	-
Provision for post-employment benefits	79	118	97	58	74
Rental of premises and motor vehicles	894	941	969	878	1,174
Compensation for cessation of contract	(475)	-	-	-	-
Gain on disposal of property, plant and equipment	(3)	(225)	(70)	(5)	(913)
Interest income	(294)	(367)	(413)	(312)	(335)
Management fee income	(238)	(253)	-	-	-
Reversal of impairment loss on trade receivables	-	-	(397)	-	-

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.4 Employee benefits**

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
(a) Staff Costs					
Salaries, bonus, wages, allowances and overtime	12,789	12,564	13,953	9,652	16,756
Contributions to Employees Provident Fund	1,455	1,538	1,607	1,267	1,750
Social security contributions	97	74	114	85	143
Others	1,596	2,017	1,992	1,161	3,082
	<u>15,937</u>	<u>16,193</u>	<u>17,666</u>	<u>12,165</u>	<u>21,731</u>
(b) Directors' remuneration Directors/Promoters*					
Salaries, bonus and allowances	936	1,142	1,145	906	845
Directors fee	-	39	88	-	66
Contributions to Employees Provident Fund	177	213	216	165	149
Social security contributions	1	2	16	4	4
	<u>1,114</u>	<u>1,396</u>	<u>1,465</u>	<u>1,075</u>	<u>1,064</u>
Other Directors					
Salaries, bonus and allowances	546	1,144	1,074	1,040	1,013
Contributions to Employees Provident Fund	65	136	170	140	186
Social security contributions	2	2	2	2	2
Others	-	261	600	179	1,051
	<u>613</u>	<u>1,543</u>	<u>1,846</u>	<u>1,361</u>	<u>2,252</u>
Total directors remuneration	<u>1,727</u>	<u>2,939</u>	<u>3,311</u>	<u>2,436</u>	<u>3,316</u>
Total employee benefits	<u>17,664</u>	<u>19,132</u>	<u>20,977</u>	<u>14,601</u>	<u>25,047</u>

* Promoters refers to Chew Ne Weng and Liew Soo Keang.

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.5 Tax Expense**

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Current tax					
- current year	1,022	1,816	2,768	2,092	3,995
- under/(over) provision in prior years	27	(235)	(312)	(312)	(746)
	<u>1,049</u>	<u>1,581</u>	<u>2,456</u>	<u>1,780</u>	<u>3,249</u>
Deferred tax (Note 7.5.14)					
- current year	113	391	(594)	(480)	(268)
- (over)/under provision in prior years	(46)	317	43	43	(145)
	<u>67</u>	<u>708</u>	<u>(551)</u>	<u>(437)</u>	<u>(413)</u>
Tax expense for the financial year	<u>1,116</u>	<u>2,289</u>	<u>1,905</u>	<u>1,343</u>	<u>2,836</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (September 2016 and 2016: 24%, 2015 and 2014: 25%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 24% from the current year's tax rate of 25%, effective year of assessment 2016. The computation of deferred tax as at 31 December 2015 has reflected these changes. Taxation for other jurisdictions are calculated at the rates prevailing in the respective jurisdictions.

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12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.5 Tax Expense (cont'd)**

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

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Profit before tax	6,609	9,758	12,075	8,108	15,549
Tax at Malaysian tax rates of 24% (September 2016 & 2016: 24%, 2015 & 2014: 25%)	1,652	2,440	2,898	1,946	3,732
Effects of tax in foreign jurisdiction	(37)	(7)	(41)	(30)	(67)
Effect on opening deferred tax due to reduction in Malaysian income tax rate	-	(24)	-	-	-
Non-deductible expenses	119	286	393	499	778
Non taxable income	(409)	(429)	(866)	(649)	(110)
Utilisation of deferred tax asset previously not recognised	(238)	(139)	(223)	(167)	(697)
Deferred tax assets not recognised	48	80	13	13	91
	<u>1,135</u>	<u>2,207</u>	<u>2,174</u>	<u>1,612</u>	<u>3,727</u>
Under/(Over) provision in prior years:					
- current tax	27	(235)	(312)	(312)	(746)
- deferred tax	(46)	317	43	43	(145)
Tax expense for the financial year	<u>1,116</u>	<u>2,289</u>	<u>1,905</u>	<u>1,343</u>	<u>2,836</u>

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

	Audited 2014 RM'000	Audited 2015 RM'000	Audited 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Unabsorbed capital allowances	2,624	2,281	2,261	2,261	2,256
Unabsorbed reinvestment allowances	1,620	1,620	1,620	1,620	1,620
Unutilised tax losses	4,563	3,966	2,087	2,783	1,757
Unutilised pioneer losses	4,375	4,375	4,375	4,375	1,824
	<u>13,182</u>	<u>12,242</u>	<u>10,343</u>	<u>11,039</u>	<u>7,457</u>

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.6 Property, plant and equipment**

	Leasehold land RM'000	Buildings RM'000	Moulds, plant and equipment RM'000	Office equipment, furniture, fittings, computer and telecom- munication equipment RM'000	Equipment for demonstra- tion RM'000	Motor vehicles RM'000	Electrical fittings, office renovation and signboard RM'000	Total RM'000
Cost								
At 1 January 2017	118	500	4,184	5,857	9,642	1,924	1,000	23,225
Additions	-	-	25	313	1,499	1,625	27	3,489
Written off / Disposals	-	-	-	(83)	(1,053)	(923)	-	(2,059)
Exchange differences	-	-	(14)	(5)	(9)	(9)	(1)	(38)
At 30 September 2017	118	500	4,195	6,082	10,079	2,617	1,026	24,617
Accumulated Depreciation								
At 1 January 2017	2	170	3,704	4,539	6,492	1,406	651	16,964
Charge for the period	1	7	127	257	591	267	52	1,302
Written off / Disposals	-	-	-	(83)	(541)	(763)	-	(1,387)
Exchange differences	-	-	(9)	(5)	(3)	(7)	(1)	(25)
At 30 September 2017	3	177	3,822	4,708	6,539	903	702	16,854
Net Book Value								
At 30 September 2017	115	323	373	1,374	3,540	1,714	324	7,763

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.6 Property, plant and equipment (cont'd)**

	Leasehold land RM'000	Buildings RM'000	Moulds, plant and equipment RM'000	Office equipment, furniture, fittings, computer and telecom- munication equipment RM'000	Equipment for demonstra- tion RM'000	Motor vehicles RM'000	Electrical fittings, office renovation and signboard RM'000	Total RM'000
Cost								
At 1 January 2016	118	500	4,132	5,009	8,567	2,065	757	21,148
Additions	-	-	37	258	387	-	-	682
Written off / Disposals	-	-	-	(33)	(85)	(114)	-	(232)
Exchange differences	-	-	(2)	3	9	4	1	15
At 30 September 2016	118	500	4,167	5,237	8,878	1,955	758	21,613
Accumulated Depreciation								
At 1 January 2016	1	160	3,452	3,875	5,608	1,215	355	14,666
Charge for the year	1	7	187	200	506	252	48	1,201
Written off / Disposals	-	-	-	(17)	(38)	(114)	-	(169)
Exchange differences	-	-	-	2	5	3	1	11
At 30 September 2016	2	167	3,639	4,060	6,081	1,356	404	15,709
Net Book Value								
At 30 September 2016	116	333	528	1,177	2,797	599	354	5,904

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.6 Property, plant and equipment (cont'd)**

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

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.6 Property, plant and equipment (cont'd)**

	Leasehold land RM'000	Buildings RM'000	Moulds, plant and equipment RM'000	Office equipment, furniture, fittings, computer and telecom- munication equipment RM'000	Equipment for demonstra- tion RM'000	Motor vehicles RM'000	Electrical fittings, office renovation and signboard RM'000	Total RM'000
Cost								
At 1 January 2015	118	500	5,273	5,172	9,549	1,990	790	23,392
Additions	-	-	72	242	429	201	-	944
Written off / Disposals	-	-	(1,229)	(417)	(1,450)	(144)	(37)	(3,277)
Exchange differences	-	-	16	12	39	18	4	89
At 31 December 2015	118	500	4,132	5,009	8,567	2,065	757	21,148
Accumulated Depreciation								
At 1 January 2015	-	150	4,156	4,024	5,820	1,014	321	15,485
Charge for the year	1	10	390	245	727	334	67	1,774
Written off / Disposals	-	-	(1,105)	(405)	(955)	(144)	(37)	(2,646)
Exchange differences	-	-	11	11	16	11	4	53
At 31 December 2015	1	160	3,452	3,875	5,608	1,215	355	14,666
Net Book Value								
At 31 December 2015	117	340	680	1,134	2,959	850	402	6,482

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.6 Property, plant and equipment (cont'd)**

	Leasehold land RM'000	Buildings RM'000	Moulds, plant and equipment RM'000	Office equipment, furniture, fittings, computer and telecom- munication equipment RM'000	Equipment for demonstra- tion RM'000	Motor vehicles RM'000	Electrical fittings, office renovation and signboard RM'000	Total RM'000
Cost								
At 1 January 2014	118	500	5,273	4,843	7,145	1,977	787	20,643
Additions	-	-	-	329	2,435	-	-	2,764
Written off / Disposals	-	-	-	(37)	(31)	-	-	(68)
Exchange differences	-	-	-	37	-	13	3	53
At 31 December 2014	118	500	5,273	5,172	9,549	1,990	790	23,392
Accumulated Depreciation								
At 1 January 2014	-	140	3,714	3,770	5,374	713	243	13,954
Charge for the year	-	10	442	272	463	296	76	1,559
Written off / Disposals	-	-	-	(31)	(17)	-	-	(48)
Exchange differences	-	-	-	13	-	5	2	20
At 31 December 2014	-	150	4,156	4,024	5,820	1,014	321	15,485
Net Book Value								
At 31 December 2014	118	350	1,117	1,148	3,729	976	469	7,907

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.6 Property, plant and equipment (cont'd)**

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

Net book value	Audited	Audited	Audited	Unaudited	Audited
	FYE 2014	FYE 2015	FYE 2016	FPE	FPE
	RM'000	RM'000	RM'000	Sept 2016	Sept 2017
				RM'000	RM'000
Motor vehicles	896	785	470	548	1,593
Equipment for demonstration	337	429	327	341	-
Office equipment, furniture, fittings, computers and telecommunication equipment	306	196	63	67	89
	<u>1,539</u>	<u>1,410</u>	<u>860</u>	<u>956</u>	<u>1,682</u>

- (b) The leasehold land and building of the Group was pledge for borrowings of the Group as disclosed in Note 7.5.13.
- (c) The leasehold land of the Group has an unexpired lease period of more than 50 years.

7.5.7 Intangible assets

	Audited	Audited	Audited	Unaudited	Audited
	FYE 2014	FYE 2015	FYE 2016	FPE	FPE
	RM'000	RM'000	RM'000	Sept 2016	Sept 2017
				RM'000	RM'000
Development cost					
Cost					
At 1 January	2,613	378	378	378	1,122
Addition	165	-	744	-	300
Write off	(2,400)	-	-	-	-
At 31 December	<u>378</u>	<u>378</u>	<u>1,122</u>	<u>378</u>	<u>1,422</u>
Accumulated amortisation					
At 1 January	2,406	29	84	84	160
Addition	23	55	76	57	77
Write off	(2,400)	-	-	-	-
At 31 December	<u>29</u>	<u>84</u>	<u>160</u>	<u>141</u>	<u>237</u>
Carrying value	<u>349</u>	<u>294</u>	<u>962</u>	<u>237</u>	<u>1,185</u>

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12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.7 Intangible assets (cont'd)**

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Goodwill					
Cost					
At 1 January	-	3,381	3,381	3,381	3,381
Addition	3,381	-	777	-	-
Write off	-	-	(777)	-	-
At 31 December	3,381	3,381	3,381	3,381	3,381
Accumulated impairment					
At 1 January	-	-	-	-	-
Write off	-	-	-	-	-
At 31 December	-	-	-	-	-
Carrying value	3,381	3,381	3,381	3,381	3,381
Trademark					
Cost					
At 1 January	-	12	22	22	26
Addition	12	10	4	4	-
Write off	-	-	-	-	-
At 31 December	12	22	26	26	26
Accumulated impairment					
At 1 January	-	-	-	-	-
Write off	-	-	-	-	-
At 31 December	-	-	-	-	-
Carrying value	12	22	26	26	26
Total	3,742	3,697	4,369	3,644	4,592

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.7 Intangible assets (cont'd)****Net carrying amount**

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

Impairment testing of goodwill**(a) Key assumptions used in value-in-use calculations**

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

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

(i) Budgeted gross margin

The budgeted gross margin was 54%. The basis used to determine the value assigned to the budgeted gross margin is the average rate achieved in the year/period immediately before the budgeted year/period, adjusted for expected efficiency improvements.

(ii) Growth rate

Growth rate for existing business operation of 5% of previous financial year. Pre-tax cash flows projections based on the most recent financial budgets approved by the management covering a 5 years period based on the growth rate.

(iii) Pre-tax discount rate

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

(b) Sensitivity to changes in assumptions

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

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12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.8 Proposed subsidiaries**

The details of the principal activities of the proposed subsidiaries are set out in Note 4.4 of this Report. The effective equity interests of these proposed subsidiaries during the Relevant Financial Periods are summarised below:

Name of Company	Effective Equity Interest				
	Audited FYE 2014 %	Audited FYE 2015 %	Audited FYE 2016 %	Unaudited FPE Sept 2016 %	Audited FPE Sept 2017 %
QES (Asia-Pacific) Sdn Bhd	*	*	*	*	*
QES (Kuala Lumpur) Sdn Bhd	100	100	100	100	100
QES (Penang) Sdn Bhd	100	100	100	100	100
QES (Sarawak) Sdn Bhd	100	100	100	100	100
QAM (Asia-Pacific) Sdn Bhd	82.5	82.5	82.5	82.5	82.5
Creden Intra Pacific Sdn Bhd	80	80	80	80	80
VMX Technology Sdn Bhd	100	100	100	100	100
QS Instruments Sdn Bhd	100	100	100	100	100
Creden (Asia-Pacific) Sdn Bhd	100	100	100	100	100
Creden Engineering Sdn Bhd	100	100	100	100	100
Creden Mechatronic Sdn Bhd	100	100	100	100	100
QES (Hong Kong) Limited # @	100	100	100	100	100
P.T. QES Indonesia #	55	55	55	55	55
QES (Vietnam) Co., Ltd. #	100	100	100	100	100
QES (Thailand) Co., Ltd. #	-	-	100	-	100
QES (Singapore) Pte Ltd # ^	-	-	70	-	70
QES Technology Philippines, Inc. #	-	-	-	-	40

* QES (Asia-Pacific) is currently the holding company of the abovementioned subsidiaries. As disclosed in Note 4.3 of this Report, under the Proposed Acquisition of Subsidiaries exercise, QES (Asia-Pacific)'s entire equity interest will be acquired by QES and thereafter, QES (Asia-Pacific) will be a wholly owned subsidiary of QES.

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

@ The auditor's reports of this subsidiary contained an emphasis of matter on going concern for FYE 2014, FYE 2015 and FYE 2016. The ability of the subsidiary to continue as a going concern is dependent on the continued financial support of the Group.

^ The auditor's reports of this subsidiary contained an emphasis of matter on going concern for FYE 2014, FYE 2015, FYE 2016 and FPE Sept 2017. The ability of the subsidiary to continue as a going concern is dependent on the continued financial support of the Group.

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.8 Proposed subsidiaries (cont'd)****(i) Incorporation of subsidiary**

On 8 March 2017, the Company subscribed for 40% of the registered capital of QES Technology Philippines, Inc. ("QTP"), a company incorporated in the Philippines, for cash consideration of 499,980 Philippine Peso ("PHP") (equivalent to RM43,175). Consequently the Company became 40%-owned subsidiary of the Company.

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

(ii) Acquisition of subsidiary**(a) QES (Hong Kong) Limited**

On 29 August 2014, the Group acquired 100% equity interest in QES (Hong Kong) Limited with purchase consideration of RM1. Upon the acquisition, QES (Hong Kong) became a subsidiary of the Group. QES (Hong Kong), an unlisted company incorporated in Hong Kong, is engaged in marketing and servicing of scientific instruments

The fair value of the identifiable assets and liabilities of QES (Hong Kong) as at the date of acquisition were:

	Fair value/Carrying amount
	2014
	RM'000
Cash and bank balances	<u>30</u>
Other payables	<u>(3,411)</u>
Net identifiable assets/(liabilities)	<u>(3,381)</u>
<u>Total cost of business combination</u>	

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

	2014
	RM'000
Consideration settled in cash	*
Cash and cash equivalent of the subsidiary acquired	<u>30</u>
Net cash inflow on acquisition	<u>30</u>

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.8 Proposed subsidiaries (cont'd)****(ii) Acquisition of subsidiary (cont'd)****(a) QES (Hong Kong) Limited (cont'd)**Goodwill arising on acquisition

	2014 RM'000
Fair value of net identifiable liabilities	3,381
Less:	
Cost of business combination *	*
Goodwill on acquisition (Note 7.5.7)	<u>3,381</u>

* Cost of business combination represents RM1.

Goodwill on acquisition is attributable to synergies expected to arise after the acquisition which is not recognized separately.

Impact of acquisition in Statement of Comprehensive Income

From the date of acquisition, QES (Hong Kong) has contributed RM715,000 to the Group's profit net of tax for the financial year ended 2014. If the combination had taken place at the beginning of the financial year, the Group's profit net of tax for the financial year ended 2014 would have been RM5,874,000.

(b) QES (Thailand) Co., Ltd and QES (Singapore) Pte. Ltd. (cont'd)

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.8 Proposed subsidiaries (cont'd)****(ii) Acquisition of subsidiary (cont'd)****(b) QES (Thailand) Co., Ltd and QES (Singapore) Pte. Ltd. (cont'd)**

The fair value of the identifiable assets and liabilities of QES (Thailand) and QES (Singapore) as at the date of acquisition were:

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

Total cost of business combination

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

	QES (Thailand) 2016 RM'000	QES (Singapore) 2016 RM'000	Total 2016 RM'000
Consideration settled in cash	(122)	^	(122)
Less: cash and cash equivalent of the subsidiary acquired	<u>(67)</u>	<u>1,023</u>	<u>956</u>
Net cash inflow on acquisition	<u>(189)</u>	<u>1,023</u>	<u>834</u>

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.8 Proposed subsidiaries (cont'd)****(ii) Acquisition of subsidiary (cont'd)****(b) QES (Thailand) Co., Ltd and QES (Singapore) Pte. Ltd. (cont'd)**Goodwill arising on acquisition

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

^ Cost of business combination of QES (Singapore) represents RM22.

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

Impact of acquisition in Statement of Comprehensive Income

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

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

	2016 RM'000
Profit net of tax	
- QES (Thailand)	530
- QES (Singapore)	(166)
Group profit net of tax	<u>9,411</u>

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.9 Other investments**

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Club memberships in Malaysia					
At cost,					
At 1 the beginning/end of the year/period	60	60	60	60	60

7.5.10 Inventories

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
At cost:					
Raw materials	1,945	1,080	849	1,062	735
Work in progress	832	966	1,524	1,362	4,652
Finished goods	7,490	11,339	9,847	9,303	16,881
Goods in transit	-	-	240	-	-
	10,267	13,385	12,460	11,727	22,268

Less: Allowance for inventories

Raw materials					
At 1 January	206	206	-	-	111
Additions	-	-	111	-	(57)
Written off	-	(206)	-	-	-
At 31 December/ 30 September	206	-	111	-	54

Finished goods					
At 1 January	1,541	476	184	184	1,262
Acquisition of subsidiaries	-	-	1,034	-	-
Additions	35	184	44	39	362
Written off	(1,100)	(476)	-	-	11
At 31 December	476	184	1,262	223	1,635
Total Allowance	682	184	1,373	223	1,689

Carrying value	9,585	13,201	11,087	11,504	20,579
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Recognised in profit or loss:

Inventories recognised as cost of sales	71,574	81,744	91,240	61,508	84,494
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12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.11 Trade and other receivables**

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Trade receivables	22,722	28,040	38,785	34,442	33,517
Less: Accumulated impairment loss					
At 1 January	160	194	665	665	268
Additions	34	665	-	107	642
Written off	-	(194)	-	-	-
Reversal	-	-	(397)	-	-
At 31 December	194	665	268	772	910
Trade receivables, net	22,528	27,375	38,517	33,670	32,607
Other receivables	935	2,065	1,466	1,864	2,528
Carrying value	23,463	29,440	39,983	35,534	35,135

(a) Trade receivables

The Group's normal trade credit terms range from 30 - 120 days (September 2016, 2016, 2015 and 2014: 30 - 120 days). Other credit terms are assessed and approved on a case-by-case basis.

Included in trade receivables of the Group are RMnil (September 2016, 2016 and 2015: RMnil and 2014: RM4,523,717) being amounts due from former related parties in which certain Directors had substantial financial interest.

(b) Other receivables

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Other receivables	149	542	566	609	1,195
Deposits	478	450	564	443	583
Prepayments	308	1,073	336	812	750
	935	2,065	1,466	1,864	2,528

Included in other receivables of the Group are RM nil (September 2016, 2016 and 2015: RMnil and 2014: RM10,119) being amounts due from former related parties in which certain Directors had substantial financial interest. The amounts due from former related parties are unsecured, interest free and repayable on demand.

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.12 Fixed deposits with financial institutions**

Fixed deposits with financial institutions have effective interest rates which range from 1.00% to 4.25% (September 2016: 2.55% to 4.25%; 2016: 0.88% to 4.25%; 2015: 2.70% to 4.25% and 2014: 2.55% to 3.20%) per annum with an average maturity period ranging from 30 to 365 days (September 2016, 2016, 2015 and 2014: 30 to 365 days). The fixed deposits with financial institutions was pledged as security for banking facilities granted to the proposed subsidiaries.

7.5.13 Borrowings

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Current Liabilities					
Bank overdrafts	4,604	5,634	5,424	5,012	3,847
Bankers acceptance	4,346	2,010	2,547	897	709
Trust receipts	4,171	6,063	8,388	7,308	7,491
Revolving loan	-	726	1,555	1,323	1,108
Term loans (a)	2,320	2,168	2,543	2,564	2,535
Finance lease liabilities (b)	487	359	270	296	341
	<u>15,928</u>	<u>16,960</u>	<u>20,727</u>	<u>17,400</u>	<u>16,031</u>
Non Current Liabilities					
Term loans (a)	6,845	5,075	2,457	3,003	432
Finance lease liabilities (b)	922	707	490	554	1,311
	<u>7,767</u>	<u>5,782</u>	<u>2,947</u>	<u>3,557</u>	<u>1,743</u>
Total					
Bank overdrafts	4,604	5,634	5,424	5,012	3,847
Bankers acceptance	4,346	2,010	2,547	897	709
Trust receipts	4,171	6,063	8,388	7,308	7,491
Revolving loan	-	726	1,555	1,323	1,108
Term loans	9,165	7,243	5,000	5,567	2,967
Finance lease liabilities	1,409	1,066	760	850	1,652
	<u>23,695</u>	<u>22,742</u>	<u>23,674</u>	<u>20,957</u>	<u>17,774</u>

(a) Term loans

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Repayable within one year	2,320	2,168	2,543	2,564	2,535
Repayable between one to two years	2,573	2,382	2,457	1,880	432
Repayable between two to five years	4,272	2,693	-	1,123	-
	<u>6,845</u>	<u>5,075</u>	<u>2,457</u>	<u>3,003</u>	<u>432</u>
Carrying value	<u>9,165</u>	<u>7,243</u>	<u>5,000</u>	<u>5,567</u>	<u>2,967</u>

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.13 Borrowings (cont'd)****(b) Finance lease liabilities**

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
<i>Minimum finance lease payments</i>					
Repayable within one year	550	404	301	330	411
Repayable between one to five years	945	771	515	586	1,113
Repayable above five years	59	-	-	-	347
	<u>1,554</u>	<u>1,175</u>	<u>816</u>	<u>916</u>	<u>1,871</u>
Less: Future finance charges	(145)	(109)	(56)	(66)	(219)
Present value of finance lease liabilities	<u>1,409</u>	<u>1,066</u>	<u>760</u>	<u>850</u>	<u>1,652</u>
<i>Present value of finance lease liabilities</i>					
Repayable within one year	487	359	270	296	341
Repayable between one to five years	864	707	490	554	973
Repayable above five years	58	-	-	-	338
	<u>1,409</u>	<u>1,066</u>	<u>760</u>	<u>850</u>	<u>1,652</u>
<i>Representing finance lease liabilities</i>					
Current	487	359	270	296	341
Non-current	922	707	490	554	1,311
	<u>1,409</u>	<u>1,066</u>	<u>760</u>	<u>850</u>	<u>1,652</u>

The interest rates for borrowings are summarised below:

	Audited FYE 2014 %	Audited FYE 2015 %	Audited FYE 2016 %	Unaudited FPE Sept 2016 %	Audited FPE Sept 2017 %
Bank overdrafts	8.35 - 8.85	8.35 - 8.85	2.88 - 8.85	8.10 - 8.85	8.24 - 9.12
Banker acceptance	4.55 - 6.47	5.90 - 6.36	5.40 - 7.00	6.05 - 6.20	5.52 - 6.37
Trust receipt	1.75 - 8.85	1.45 - 3.12	0.35 - 3.10	0.42 - 2.94	0.35 - 3.10
Letter of credit	1.20 - 1.25	1.20 - 1.25	1.20 - 1.25	-	-
Revolving loan	-	8.30	8.30	8.30	8.30
Term loans	8.35	8.35	8.15	8.15	8.15
Finance lease liabilities	<u>2.39 - 7.97</u>	<u>2.36 - 5.25</u>	<u>2.36 - 4.25</u>	<u>2.36 - 4.25</u>	<u>2.36 - 3.91</u>

The Group's bank borrowings are secured as follows:

- (i) Registered legal charge on leasehold land and buildings of the Group as disclosed in Note 7.5.6;
- (ii) Fixed deposits of the Group placed with financial institutions as disclosed in Note 7.5.12;
- (iii) Government Guarantee By Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP);
- (iv) Joint and several guarantees of the Directors of QES (Asia-Pacific) and of certain proposed subsidiaries;
- (v) Fresh facility agreement of a proposed subsidiary; and
- (vi) Corporate guarantee and indemnity by QES (Asia-Pacific).

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.14 Deferred tax liabilities**

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Deferred tax assets					
At 1 January	-	(58)	(76)	(76)	(113)
Recognised in profit or loss	(58)	(18)	(35)	(16)	(66)
Exchange differences	-	-	(2)	-	10
At 31 December/ 30 September	(58)	(76)	(113)	(92)	(169)
Deferred tax liabilities					
At 1 January	138	263	989	989	484
Recognised in profit or loss	125	726	(516)	(421)	(347)
Exchange differences	-	-	11	-	-
At 31 December/ 30 September	263	989	484	568	137

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

	Property, plant and equipment RM'000	Unrealised gain on foreign exchange RM'000	Total RM'000
Deferred tax liabilities			
At 1 January 2014	571	139	710
Recognised in profit or loss	110	(60)	50
At 31 December 2014	681	79	760
Recognised in profit or loss	(169)	800	631
At 31 December 2015	512	879	1,391
Recognised in profit or loss	45	(540)	(495)
At 30 September 2016	557	339	896
Recognised in profit or loss	15	(139)	(124)
At 31 December 2016	572	200	772
Recognised in profit or loss	13	(200)	(187)
At 30 September 2017	585	-	585

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.14 Deferred tax liabilities (cont'd)**

	Property, plant and equipment RM'000	Provision RM'000	Unrealised losses on foreign exchange RM'000	Unabsorbed capital allowances RM'000	Unutilised tax losses RM'000	Total RM'000
Deferred tax assets						
At 1 January 2014	(2)	(37)	(51)	(458)	(24)	(572)
Recognised in profit or loss	-	(52)	(41)	112	(2)	17
At 31 December 2014	(2)	(89)	(92)	(346)	(26)	(555)
Recognised in profit or loss	2	(116)	92	335	(236)	77
At 31 December 2015	-	(205)	-	(11)	(262)	(478)
Recognised in profit or loss	-	(11)	-	8	61	58
At 30 September 2016	-	(216)	-	(3)	(201)	(420)
Recognised in profit or loss	-	(4)	-	3	20	19
At 31 December 2016	-	(220)	-	-	(181)	(401)
Recognised in profit or loss	-	(323)	-	-	107	(216)
At 31 December 2017	-	(543)	-	-	(74)	(617)

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12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.14 Deferred tax liabilities (cont'd)**

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

	Audited 2014 RM'000	Audited 2015 RM'000	Audited 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Provision	137	168	-	-	-
Unabsorbed reinvestment allowances	1,620	1,620	1,620	1,620	1,620
Unutilised tax losses	3,182	2,928	1,727	2,423	1,744
Unutilised pioneer losses	4,375	4,375	4,200	4,200	1,515
Unabsorbed capital allowances	2,630	2,259	2,261	2,261	2,256
	<u>11,944</u>	<u>11,350</u>	<u>9,808</u>	<u>10,504</u>	<u>7,135</u>

7.5.15 Provision for post-employment benefits

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
At 1 January	147	226	304	304	451
Addition	79	118	97	58	74
Actuarial gain/(loss) on remeasurement of defined benefit plan	-	(46)	34	-	-
Actual payment of benefits	-	-	(6)	-	-
Exchange differences	-	6	22	6	(30)
At 31 December	<u>226</u>	<u>304</u>	<u>451</u>	<u>368</u>	<u>495</u>

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

The provision for post-employment benefits for FPE 2017 is based on the actuarial valuation for FYE 2016.

The principal assumptions used by PT Bina Putera Jaga Hikmah for FYE 2014, FYE 2015 and FYE 2016, an independent actuary, in determining provision for post-employment benefits are as follows:

	Audited FYE 2014	Audited FYE 2015	Audited FYE 2016	Unaudited FPE Sept 2016	Audited FPE Sept 2017
Interest rate	8.50%	9.17%	8.50%	8.50%	-
Annual salary rate increase	9.00%	9.00%	9.00%	9.00%	-
Mortality rate		Tabel Mortalita Indonesia - III 2011			

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.15 Provision for post-employment benefits (cont'd)**

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

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Current service cost	56	10	68	58	74
Interest costs	20	22	29	-	-
Past service cost amortisation	3	86	-	-	-
Actual payment of benefits	-	-	(6)	-	-
Actuarial gain/(loss) on remeasurement of defined benefit plan	-	(46)	34	-	-
Exchange differences	-	6	22	6	(30)
	79	78	147	64	44

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

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Beginning balance					
Current year movement	147	226	304	304	451
Ending balance	79	78	147	64	44
	226	304	451	368	495

7.5.16 Trade and other payables

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Trade payables	14,968	23,290	25,063	21,836	27,299
Other payables	9,090	7,232	9,571	5,228	11,697
	24,058	30,522	34,634	27,064	38,996

(a) Trade payables

The Group's normal trade credit terms are within 30 - 120 days (September 2016, 2016, 2015 and 2014: 30 - 120 days). Other credit terms are assessed and approved on a case-by-case basis.

Included in trade payables of the Group are RM nil (September 2016, 2016 and 2015: RMnil and 2014: RM384,802) being amounts due to former related parties in which certain Directors had substantial interests.

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.16 Trade and other payables (cont'd)**

(b) Other payables

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Other payables	1,381	1,395	1,786	1,086	1,774
Deposit received from customers	3,178	1,307	1,887	1,308	2,656
Accruals	4,531	4,530	5,898	2,834	7,267
	<u>9,090</u>	<u>7,232</u>	<u>9,571</u>	<u>5,228</u>	<u>11,697</u>

Included in other payables of the Group is RM nil (September 2016, 2016 and 2015: RMnil and 2014: RM55,163) being amounts due to former related parties in which certain Directors had substantial interests. The amounts due to former related parties are unsecured, interest free and repayable on demand.

7.5.17 Dividends

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

7.5.18 Significant related party transactions

(a) Identity of Related Parties

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

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.18 Significant related party transactions (cont'd)**

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

Name	Type of transaction	Transaction value				Balance outstanding due (to)/from			
		Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
<i>With related parties</i>									
QES (China) Co. Ltd.*	Sales	2	-	-	-	-	-	-	-
	Commission paid	298	-	-	-	(102)	-	-	-
QES (Manila) Inc.*	Sales	592	-	-	-	142	-	-	-
	Purchases	221	-	-	-	-	-	-	-
	Commission paid	2,145	-	-	-	-	-	-	-
QES (Singapore) P'te. Ltd.^	Sales	3,808	-	-	-	2,233	-	-	-
	Purchases	1,187	-	-	-	-	-	-	-
	Commission paid	21	-	-	-	-	-	-	-
	Management fee	131	-	-	-	-	-	-	-

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.18 Significant related party transactions (cont'd)**

(b) The aggregate value of transactions and outstanding balance of the Group were as follows: (cont'd)

Name	Type of transaction	Transaction value				Balance outstanding due (to)/from			
		Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Unaudited FYE 2016 RM'000	Audited FYE 2017 RM'000	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Unaudited FYE 2016 RM'000	Audited FYE 2017 RM'000
With related parties									
QES (Thailand) Co. Ltd. [^]	Sales	5,619	-	-	-	-	-	1,716	-
	Commission paid	49	-	-	-	-	-	-	-
	Management fee income	223	-	-	-	-	-	-	-
With Directors									
Chew Ne Weng	Repayment	(406)	-	-	-	-	-	-	-
Liew Soo Keang	Repayment	(952)	-	-	-	-	-	-	-

* Ceased to be related parties during FYE 2015.

[^] Ceased to be related parties during FYE 2015 and became subsidiaries at the end of FYE 2016.

The Directors are of the opinion that these transactions have been entered into the normal course of business and are based on normal trade terms.

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.18 Significant related party transactions (cont'd)**

(c) Compensation of key management personnel

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Short-term employee benefits expense	2,398	3,190	3,515	2,501	3,479
Post employment benefits expenses	336	421	475	365	408
	<u>2,734</u>	<u>3,611</u>	<u>3,990</u>	<u>2,866</u>	<u>3,887</u>

7.5.19 Commitments

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
<i>Capital expenditure not provided for in the financial statements is as follows:</i>					
Capital expenditure commitment					
- Authorised and contracted for	-	-	-	-	57
Lease commitment					
- not later than one year	567	266	924	680	1,021
- between two to five years	-	84	853	766	189
	<u>567</u>	<u>350</u>	<u>1,777</u>	<u>1,446</u>	<u>1,210</u>
Total	<u>567</u>	<u>350</u>	<u>1,777</u>	<u>1,446</u>	<u>1,267</u>

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12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.20 Segment information**

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

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

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

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

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12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.20 Segment information (cont'd)**

	Investment holding RM'000	Equipment RM'000	Materials & Engineering Solutions RM'000	Manufacturing RM'000	Adjustments & Eliminations RM'000	Consolidated RM'000
FPE Sept 2017						
External revenue	-	93,387	30,482	15,765	-	139,634
Inter segment revenue	-	29,778	880	-	(30,658)	-
Total revenue	-	123,165	31,362	15,765	(30,658)	139,634
Results						
Depreciation and amortisation	-	1,043	97	239	-	1,379
Other non-cash expenses	-	988	(33)	109	-	1,064
Segment profit/(loss)	(1,533)	13,371	1,186	2,884	(359)	15,549
Assets						
Additions to non-current assets	-	3,289	106	394	-	3,789
Segment assets	-	94,971	19,478	24,879	(35,865)	103,463
Segment liabilities	2,367	54,477	12,158	17,568	(28,151)	58,419

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.20 Segment information (cont'd)**

	Investment holding RM'000	Equipment RM'000	Materials & Engineering Solutions RM'000	Manufacturing RM'000	Adjustments & Eliminations RM'000	Consolidated RM'000
FPE Sept 2016						
External revenue	-	68,854	19,786	5,857	-	94,497
Inter segment revenue	-	8,229	1,339	-	(9,568)	-
Total revenue	-	77,083	21,125	5,857	(9,568)	94,497
Results						
Depreciation and amortisation	-	899	88	271	-	1,258
Other non-cash expenses	-	(117)	389	(9)	-	263
Segment profit/(loss)	(12)	6,887	605	644	(16)	8,108
Assets						
Additions to non-current assets	-	576	20	90	-	686
Segment assets	4	70,053	18,839	17,249	(26,747)	79,398
Segment liabilities	38	40,650	12,693	13,667	(18,091)	48,957

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.20 Segment information (cont'd)**

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

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.20 Segment information (cont'd)**

	Investment holding RM'000	Equipment RM'000	Materials & Engineering Solutions RM'000	Manufacturing RM'000	Adjustments & Eliminations RM'000	Consolidated RM'000
2015						
External revenue	-	94,244	24,725	9,031	-	128,000
Inter segment revenue	-	8,000	7,069	-	(15,069)	-
Total revenue	-	102,244	31,794	9,031	(15,069)	128,000
Results						
Depreciation and amortisation	-	1,235	120	474	-	1,829
Other non-cash expenses	-	955	142	15	-	1,112
Segment profit/(loss)	(13)	9,233	1,107	370	(939)	9,758
Assets						
Additions to non-current assets	-	907	8	39	-	954
Segment assets	4	65,885	20,745	17,919	(26,202)	78,351
Segment liabilities	26	43,466	15,300	14,980	(19,003)	54,769

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.20 Segment information (cont'd)**

	Investment holding RM'000	Equipment RM'000	Materials & Engineering Solutions RM'000	Manufacturing RM'000	Adjustments & Eliminations RM'000	Consolidated RM'000
2014						
External revenue	-	70,899	21,925	12,557	-	105,381
Inter segment revenue	-	15,765	5,440	2,337	(23,542)	-
Total revenue	-	86,664	27,365	14,894	(23,542)	105,381
Results						
Depreciation and amortisation	-	937	120	525	-	1,582
Other non-cash expenses	-	209	34	-	-	243
Segment profit/(loss)	(10)	4,813	636	2,092	(922)	6,609
Assets						
Additions to non-current assets	-	6,137	7	178	-	6,322
Segment assets	-	58,349	13,780	10,577	(17,888)	64,818
Segment liabilities	10	41,708	9,144	13,239	(15,859)	48,242

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.20 Segment information (cont'd)**

- (a) Inter-segment revenues are eliminated on consolidation.
- (b) Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Allowance for inventories	119	184	155	39	305
Bad debts written off	5	138	59	57	43
Goodwill written off	-	-	777	-	-
Impairment loss on trade receivables	34	665	-	107	642
Property, plant and equipment written off	6	7	2	2	-
Provision for post- employment benefits	79	118	97	58	74
	<u>243</u>	<u>1,112</u>	<u>1,090</u>	<u>263</u>	<u>1,064</u>

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

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
(Loss)/Profit from inter- segment sales	(540)	(743)	(1,040)	235	(242)
Other income	(1,430)	(969)	516	(1,114)	(927)
Unallocated corporate expenses	1,048	773	(124)	863	810
	<u>(922)</u>	<u>(939)</u>	<u>(648)</u>	<u>(16)</u>	<u>(359)</u>

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

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Property, plant and equipment	2,764	944	1,337	682	3,489
Intangible assets	3,558	10	1,525	4	300
	<u>6,322</u>	<u>954</u>	<u>2,862</u>	<u>686</u>	<u>3,789</u>

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.20 Segment information (cont'd)**

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

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Inter-segment assets	<u>(17,888)</u>	<u>(26,202)</u>	<u>(29,264)</u>	<u>(26,747)</u>	<u>(35,865)</u>

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

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Inter-segment liabilities	<u>(15,859)</u>	<u>(19,003)</u>	<u>(21,582)</u>	<u>(18,091)</u>	<u>(28,151)</u>

Geographical Information

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

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Malaysia	43,441	64,082	65,502	49,823	65,738
Philippines	13,375	14,366	13,894	9,929	16,546
Singapore	13,279	15,511	15,201	6,606	17,188
Vietnam	10,201	15,640	19,652	13,442	18,593
Indonesia	9,994	7,764	9,416	5,805	7,018
Thailand	5,947	8,669	10,929	7,621	11,488
China	3,291	1,060	548	286	653
Others	5,853	908	2,143	985	2,410
	<u>105,381</u>	<u>128,000</u>	<u>137,285</u>	<u>94,497</u>	<u>139,634</u>

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.20 Segment information (cont'd)**

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

	Malaysia RM'000	Indonesia RM'000	Vietnam RM'000	Hong Kong RM'000	Thailand RM'000	Singapore RM'000	Philippines RM'000	Consolidated RM'000
FPE Sept 2017								
Property, plant and equipment	7,170	253	83	-	109	130	18	7,763
Intangible assets	1,211	-	-	3,381	-	-	-	4,592
Other investments	60	-	-	-	-	-	-	60
	8,441	253	83	3,381	109	130	18	12,415
FPE Sept 2016								
Property, plant and equipment	5,542	272	90	-	-	-	-	5,904
Intangible assets	263	-	-	3,381	-	-	-	3,644
Other investments	60	-	-	-	-	-	-	60
	5,865	272	90	3,381	-	-	-	9,608
2016								
Property, plant and equipment	5,648	349	90	-	98	76	-	6,261
Intangible assets	988	-	-	3,381	-	-	-	4,369
Other investments	60	-	-	-	-	-	-	60
	6,696	349	90	3,381	98	76	-	10,690

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.20 Segment information (cont'd)**

	Malaysia RM'000	Indonesia RM'000	Vietnam RM'000	Hong Kong RM'000	Thailand RM'000	Singapore RM'000	Philippines RM'000	Consolidated RM'000
2015								
Property, plant and equipment	6,086	322	74	-	-	-	-	6,482
Intangible assets	316	-	-	3,381	-	-	-	3,697
Other investments	60	-	-	-	-	-	-	60
	6,462	322	74	3,381	-	-	-	10,239
2014								
Property, plant and equipment	7,534	364	9	-	-	-	-	7,907
Intangible assets	361	-	-	3,381	-	-	-	3,742
Other investments	60	-	-	-	-	-	-	60
	7,955	364	9	3,381	-	-	-	11,709

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12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.21 Financial instruments****Categories of financial instruments**

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

Financial risks management objectives and policies

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

The Group's financial risks management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing their financial risk. Risk management policies and system are reviewed regularly to reflect changes in market condition and the Group's activities.

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

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

Credit risk

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

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

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by 6 (September 2016: 6 ; 2016: 6; 2015: 6; 2014: 6) customers which constituted approximately 31% (September 2016: 49%; 2016: 41%; 2015: 47%; 2014: 56%) of its trade receivables as at the end of the reporting date.

Exposure to credit risk

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

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.21 Financial instruments (cont'd)****Credit risk (cont'd)**Ageing analysis

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

	Gross Amount RM'000	Individual impairment RM'000	Collective impairment RM'000	Carrying value RM'000
FPE Sept 2017				
Not past due :	30,113	-	-	30,113
Past due:				
1 to 30 days	678	-	-	678
31 to 60 days	624	-	-	624
More than 61 days	2,102	-	(910)	1,192
	<u>33,517</u>	<u>-</u>	<u>(910)</u>	<u>32,607</u>
FPE Sept 2016				
Not past due :	25,323	-	-	25,323
Past due:				
1 to 30 days	2,441	-	-	2,441
31 to 60 days	2,339	-	-	2,339
More than 61 days	4,339	-	(772)	3,567
	<u>34,442</u>	<u>-</u>	<u>(772)</u>	<u>33,670</u>
2016				
Not past due :	29,414	-	-	29,414
Past due:				
1 to 30 days	3,392	-	-	3,392
31 to 60 days	3,083	-	(28)	3,055
More than 61 days	2,896	-	(240)	2,656
	<u>38,785</u>	<u>-</u>	<u>(268)</u>	<u>38,517</u>
2015				
Not past due :	21,258	-	-	21,258
Past due:				
1 to 30 days	2,223	-	-	2,223
31 to 60 days	373	-	-	373
More than 61 days	4,186	-	(665)	3,521
	<u>28,040</u>	<u>-</u>	<u>(665)</u>	<u>27,375</u>
2014				
Not past due :	18,425	-	-	18,425
Past due:				
1 to 30 days	1,743	-	-	1,743
31 to 60 days	963	-	-	963
More than 61 days	1,591	(194)	-	1,397
	<u>22,722</u>	<u>(194)</u>	<u>-</u>	<u>22,528</u>

12. ACCOUNTANTS' REPORT (Cont'd)

MOORE STEPHENS

7.5.21 Financial instruments (cont'd)

Credit risk (cont'd)

Ageing analysis (cont'd)

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

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

Trade receivables that are neither past due nor impaired

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

Trade receivables that are past due but not impaired

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

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12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.21 Financial instruments (cont'd)****Liquidity risk**

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

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

Maturity analysis

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

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Within one year RM'000	Between one and five years RM'000	More than five years RM'000
FPE Sept 2017						
Trade payables	27,299	-	27,299	27,299	-	-
Other payables	11,697	-	11,697	11,697	-	-
Borrowings:						
- Bank overdrafts	3,847	8.24 - 9.12	3,847	3,847	-	-
- Bankers acceptance	709	5.52 - 6.37	709	709	-	-
- Trust receipt	7,491	0.35 - 3.10	7,491	7,491	-	-
- Revolving loan	1,108	8.30	1,108	1,108	-	-
- Term loans	2,967	8.15	3,126	2,689	437	-
- Finance lease liabilities	1,652	2.36 - 4.25	1,871	411	1,113	347
	56,770		57,148	55,251	1,550	347

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.21 Financial instruments (cont'd)****Liquidity risk (cont'd)***Maturity analysis (cont'd)***FPE Sept 2016**

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Within one year RM'000	Between one and five years RM'000	More than five years RM'000
Trade payables	21,836	-	21,836	21,836	-	-
Other payables	5,228	-	5,228	5,228	-	-
Borrowings:						
- Bank overdrafts	5,012	8.10 - 8.85	5,012	5,012	-	-
- Bankers acceptance	897	6.05 - 6.20	897	897	-	-
- Trust receipt	7,308	0.42 - 2.94	7,308	7,308	-	-
- Revolving loan	1,323	8.30	1,323	1,323	-	-
- Term loans	5,567	8.15	5,945	2,777	3,168	-
- Finance lease liabilities	850	2.36 - 4.25	916	330	586	-
	48,021		48,465	44,711	3,754	-

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12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.21 Financial instruments (cont'd)****Liquidity risk (cont'd)***Maturity analysis (cont'd)*

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Within one year RM'000	Between one and five years RM'000	More than five years RM'000
2016						
Trade payables	25,063	-	25,063	25,063	-	-
Other payables	9,571	-	9,571	9,571	-	-
Borrowings:						
- Bank overdrafts	5,424	2.88 - 8.85	5,424	5,424	-	-
- Bankers acceptance	2,547	5.40 - 7.00	2,547	2,547	-	-
- Trust receipt	8,388	0.35 - 3.10	8,388	8,388	-	-
- Revolving loan	1,555	8.30	1,555	1,555	-	-
- Term loans	5,000	8.15	5,416	2,857	2,559	-
- Finance lease liabilities	760	2.36 - 4.25	816	301	515	-
	58,308		58,780	55,706	3,074	-

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12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.21 Financial Instruments (cont'd)****Liquidity risk (cont'd)***Maturity analysis (cont'd)*

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Within one year RM'000	Between one and five years RM'000	More than five years RM'000
2015						
Trade payables	23,290	-	23,290	23,290	-	-
Other payables	7,232	-	7,232	7,232	-	-
Borrowings:						
- Bank overdrafts	5,634	8.35 - 8.85	5,634	5,634	-	-
- Bankers acceptance	2,010	5.90 - 6.36	2,010	2,010	-	-
- Trust receipt	6,063	1.45 - 3.12	6,063	6,063	-	-
- Revolving loan	726	8.30	726	726	-	-
- Term loans	7,243	8.35	8,132	2,684	5,448	-
- Finance lease liabilities	1,066	2.36 - 5.25	1,175	404	771	-
	53,264		54,262	48,043	6,219	-

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12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.21 Financial instruments (cont'd)****Liquidity risk (cont'd)***Maturity analysis (cont'd)*

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Within one year RM'000	Between one and five years RM'000	More than five years RM'000
2014						
Trade payables	14,968	-	14,968	14,968	-	-
Other payables	9,090	-	9,090	9,090	-	-
Borrowings:						
- Bank overdrafts	4,604	8.35 - 8.85	4,604	4,604	-	-
- Bankers acceptance	4,346	4.55 - 6.47	4,346	4,346	-	-
- Trust receipt	4,171	1.75 - 8.85	4,171	4,171	-	-
- Term loans	9,165	8.35	9,263	2,430	6,833	-
- Finance lease liabilities	1,409	2.39 - 7.97	1,554	550	945	59
	47,753		47,996	40,159	7,778	59

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12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.21 Financial instruments (cont'd)****Foreign exchange risk**

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

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

	SG Dollar RM'000	US Dollar RM'000	EURO RM'000	YEN RM'000	GBP RM'000	KRW RM'000	THB RM'000	IDR RM'000	VND RM'000
FPE Sept 2017									
Financial assets									
Trade receivables	632	21,601	315	128	-	-	1,591	979	109
Other receivables	66	22	-	-	-	-	224	541	96
Cash and bank balances	472	4,384	94	160	-	-	878	2,039	77
	<u>1,170</u>	<u>26,007</u>	<u>409</u>	<u>288</u>	<u>-</u>	<u>-</u>	<u>2,693</u>	<u>3,559</u>	<u>282</u>
Financial liabilities									
Trade payables	(206)	(15,598)	(587)	(8,286)	(544)	(29)	(25)	(9)	(49)
Other payables	(668)	-	-	-	-	(1)	(889)	(873)	(366)
	<u>(874)</u>	<u>(15,598)</u>	<u>(587)</u>	<u>(8,286)</u>	<u>(544)</u>	<u>(30)</u>	<u>(914)</u>	<u>(882)</u>	<u>(415)</u>
Net exposure	<u>296</u>	<u>10,409</u>	<u>(178)</u>	<u>(7,998)</u>	<u>(544)</u>	<u>(30)</u>	<u>1,779</u>	<u>2,677</u>	<u>(133)</u>

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.21 Financial instruments (cont'd)****Foreign exchange risk (cont'd)**

	SG Dollar RM'000	US Dollar RM'000	EURO RM'000	YEN RM'000	GBP RM'000	KRW RM'000	THB RM'000	IDR RM'000	VND RM'000
FPE Sept 2016									
Financial assets									
Trade receivables	144	23,856	1,996	2,131	408	-	-	462	214
Other receivables	-	182	-	-	-	-	-	44	83
Cash and bank balances	24	5,784	60	88	-	-	-	1,463	64
	<u>168</u>	<u>29,822</u>	<u>2,056</u>	<u>2,219</u>	<u>408</u>	<u>-</u>	<u>-</u>	<u>1,969</u>	<u>361</u>
Financial liabilities									
Trade payables	(563)	(15,714)	(951)	(3,439)	(341)	(34)	-	(9)	(53)
Other payables	(8)	(73)	-	(8)	-	(1)	(2)	(29)	-
	<u>(571)</u>	<u>(15,787)</u>	<u>(951)</u>	<u>(3,447)</u>	<u>(341)</u>	<u>(35)</u>	<u>(2)</u>	<u>(38)</u>	<u>(53)</u>
Net exposure	<u>(403)</u>	<u>14,035</u>	<u>1,105</u>	<u>(1,228)</u>	<u>67</u>	<u>(35)</u>	<u>(2)</u>	<u>1,931</u>	<u>308</u>

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12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.21 Financial instruments (cont'd)****Foreign exchange risk (cont'd)**

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

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12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.21 Financial instruments (cont'd)****Foreign exchange risk (cont'd)****2015****Financial assets**

Trade receivables	621	19,714	306	941	-	-
Other receivables	3	321	-	-	-	-
Cash and bank balances	4	8,250	92	195	-	-
	628	28,285	398	1,136	-	-

Financial liabilities

Trade payables	(609)	(18,438)	(155)	(2,800)	(471)	(3)
Other payables	(18)	(135)	-	-	-	-
	(627)	(18,573)	(155)	(2,800)	(471)	(3)
Net exposure	1	9,712	243	(1,664)	(471)	(3)

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12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.21 Financial instruments (cont'd)****Foreign exchange risk (cont'd)**

2014

Financial assets

	SG Dollar RM'000	US Dollar RM'000	EURO RM'000	YEN RM'000	GBP RM'000	KRW RM'000
Trade receivables	69	13,988	81	185	-	-
Other receivables	-	62	-	-	-	-
Cash and bank balances	-	4,498	163	82	-	-
	69	18,548	244	267	-	-

Financial liabilities

Trade payables	-	(10,897)	(204)	(1,993)	(478)	(141)
Other payables	-	(48)	-	-	-	-
	-	(10,945)	(204)	(1,993)	(478)	(141)
Net exposure	69	7,603	40	(1,726)	(478)	(141)

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12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.21 Financial instruments (cont'd)****Foreign exchange risk (cont'd)**Foreign currency risk sensitivity analysis

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

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Effects on profit after tax:					
SGD / RM					
Strengthened by 10%	5	-	55	(31)	22
Weakened by 10%	(5)	-	(55)	31	(22)
USD / RM					
Strengthened by 10%	570	728	1,317	1,067	791
Weakened by 10%	(570)	(728)	(1,317)	(1,067)	(791)
EURO / RM					
Strengthened by 10%	3	18	(9)	84	(14)
Weakened by 10%	(3)	(18)	9	(84)	14
YEN / RM					
Strengthened by 10%	(129)	(125)	70	(93)	(608)
Weakened by 10%	129	125	(70)	93	608
GBP / RM					
Strengthened by 10%	(36)	(35)	(38)	5	(41)
Weakened by 10%	36	35	38	(5)	41
KRW / RM					
Strengthened by 10%	(11)	-	(3)	(3)	(2)
Weakened by 10%	11	-	3	3	2
THB / RM					
Strengthened by 10%	-	-	173	-	135
Weakened by 10%	-	-	(173)	-	(135)
IDR / RM					
Strengthened by 10%	-	-	96	147	203
Weakened by 10%	-	-	(96)	(147)	(203)
VND / RM					
Strengthened by 10%	-	-	(23)	23	(10)
Weakened by 10%	-	-	23	(23)	10

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.21 Financial instruments (cont'd)****Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the 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 favorable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

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

	Effective interest rate per annum %	Within 1 year RM'000	1 - 5 years RM'000	Above five years RM'000	Total RM'000
FPE Sept 2017					
Financial assets					
Fixed deposits with financial institutions	1.00 - 4.25	17,463	-	-	17,463
Financial liabilities					
Borrowings					
- Bank overdrafts	8.24 - 9.12	(3,847)	-	-	(3,847)
- Bankers acceptance	5.52 - 6.37	(709)	-	-	(709)
- Trust receipt	0.35 - 3.10	(7,491)	-	-	(7,491)
- Revolving loan	8.30	(1,108)	-	-	(1,108)
- Term loans	8.15	(2,535)	(432)	-	(2,967)
- Finance lease liabilities	2.36 - 3.91	(341)	(973)	(338)	(1,652)
		(16,031)	(1,405)	(338)	(17,774)
		1,432	(1,405)	(338)	(311)

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.21 Financial instruments (cont'd)****Interest rate risk (cont'd)**

	Effective interest rate per annum %	Within 1 year RM'000	1 - 5 years RM'000	Above five years RM'000	Total RM'000
FPE Sept 2016					
Financial assets					
Fixed deposits with financial institutions	2.55 - 4.25	13,982	-	-	13,982
Financial liabilities					
Borrowings					
- Bank overdrafts	8.10 - 8.85	(5,012)	-	-	(5,012)
- Bankers acceptance	6.05 - 6.20	(897)	-	-	(897)
- Trust receipt	0.42 - 2.94	(7,308)	-	-	(7,308)
- Revolving loan	8.30	(1,323)	-	-	(1,323)
- Term loans	8.15	(2,564)	(3,003)	-	(5,567)
- Finance lease liabilities	2.36 - 4.25	(296)	(554)	-	(850)
		(17,400)	(3,557)	-	(20,957)
		(3,418)	(3,557)	-	(6,975)

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12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.21 Financial instruments (cont'd)****Interest rate risk (cont'd)**

	Effective interest rate per annum %	Within 1 year RM'000	1 - 5 years RM'000	Above five years RM'000	Total RM'000
2016					
Financial assets					
Fixed deposits with financial institutions	0.88 - 4.25	14,746	-	-	14,746
Financial liabilities					
Borrowings					
- Bank overdrafts	2.88 - 8.85	(5,424)	-	-	(5,424)
- Bankers acceptance	5.40 - 7.00	(2,547)	-	-	(2,547)
- Trust receipt	0.35 - 3.10	(8,388)	-	-	(8,388)
- Revolving loan	8.30	(1,555)	-	-	(1,555)
- Term loans	8.15	(2,543)	(2,457)	-	(5,000)
- Finance lease liabilities	2.36 - 4.25	(270)	(490)	-	(760)
		(20,727)	(2,947)	-	(23,674)
		(5,981)	(2,947)	-	(8,928)

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12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.21 Financial instruments (cont'd)****Interest rate risk (cont'd)**

	Effective interest rate per annum %	Within 1 year RM'000	1 - 5 years RM'000	Above five years RM'000	Total RM'000
2015					
Financial assets					
Fixed deposits with financial institutions	2.70 - 4.25	13,549	-	-	13,549
Financial liabilities					
Borrowings					
- Bank overdrafts	8.35 - 8.85	(5,634)	-	-	(5,634)
- Bankers acceptance	5.90 - 6.36	(2,010)	-	-	(2,010)
- Trust receipt	1.45 - 3.12	(6,063)	-	-	(6,063)
- Revolving loan	8.30	(726)	-	-	(726)
- Term loans	8.35	(2,168)	(5,075)	-	(7,243)
- Finance lease liabilities	2.36 - 5.25	(359)	(707)	-	(1,066)
		(16,960)	(5,782)	-	(22,742)
		(3,411)	(5,782)	-	(9,193)

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12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.21 Financial instruments (cont'd)****Interest rate risk (cont'd)**

2014

Financial assets

Fixed deposits with financial institutions

Financial liabilities

Borrowings

- Bank overdrafts

- Bankers acceptance

- Trust receipt

- Term loans

- Finance lease liabilities

	Effective interest rate per annum %	Within 1 year RM'000	1 - 5 years RM'000	Above five years RM'000	Total RM'000
12,298	2.55 - 3.20	12,298	-	-	12,298
(4,604)	8.35 - 8.85	(4,604)	-	-	(4,604)
(4,346)	4.55 - 6.47	(4,346)	-	-	(4,346)
(4,171)	1.75 - 8.85	(4,171)	-	-	(4,171)
(2,320)	8.35	(2,320)	(6,845)	-	(9,165)
(487)	2.39 - 7.97	(487)	(864)	(58)	(1,409)
(15,928)		(15,928)	(7,709)	(58)	(23,695)
(3,630)		(3,630)	(7,709)	(58)	(11,397)

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12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.21 Financial instruments (cont'd)****Interest rate risk (cont'd)**Interest rates risk sensitivity analysis

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

	Audited FYE 2014 RM'000 (Decrease) / Increase	Audited FYE 2015 RM'000 (Decrease) / Increase	Audited FYE 2016 RM'000 (Decrease) / Increase	Unaudited FPE Sept 2016 RM'000 (Decrease) / Increase	Audited FPE Sept 2017 RM'000 (Decrease) / Increase
Effects on profit after tax:					
Increase of 10 basis points	(9)	(7)	(7)	(5)	(0.2)
Decrease of 10 basis points	9	7	7	5	0.2
Effects on equity					
Increase of 10 basis points	(9)	(7)	(7)	(5)	(0.2)
Decrease of 10 basis points	9	7	7	5	0.2

7.5.22 Fair Values

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

- (i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short term maturity of the financial instruments.
- (ii) The fair values of term loan is estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.
- (iii) The fair value of finance lease liabilities is determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period.

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.22 Fair Values (cont'd)**

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Carrying amount					
Financial liabilities:					
Borrowings					
- Finance lease liabilities	922	707	490	554	1,311
Fair value Level 3					
Financial liabilities:					
Borrowings					
- Finance lease liabilities	893	695	484	545	1,262

Level 3:

The fair value of finance liabilities are determined by discounting the relevant cash flows using interest rates for similar instruments at the end of the reporting period. The interest rate used to discount the estimated cash flows for finance lease is 3.00% (September 2016: 3.00%; 2016: 3.00%; 2015: 3.00%; 2014: 3.60%) and for term loan is nil (September 2016: nil; 2016: nil; 2015: 6.5%; 2014: 6.5%).

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

7.5.23 Capital management

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

There is no external capital requirement imposed on the Group.

12. ACCOUNTANTS' REPORT (Cont'd)**MOORE STEPHENS****7.5.23 Capital management (cont'd)**

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

	Audited FYE 2014 RM'000	Audited FYE 2015 RM'000	Audited FYE 2016 RM'000	Unaudited FPE Sept 2016 RM'000	Audited FPE Sept 2017 RM'000
Borrowings	23,695	22,742	23,674	20,957	17,774
Total equity attributable to owners of the Group	<u>15,346</u>	<u>21,911</u>	<u>30,594</u>	<u>28,389</u>	<u>42,334</u>
Gearing ratio (times)	<u>1.54</u>	<u>1.04</u>	<u>0.77</u>	<u>0.74</u>	<u>0.42</u>

7.5.24 Subsequent Events

As at the date of this report, nothing has come to our attention that causes us to believe that there are any significant events subsequent to the date of the audited financial report used in the preparation of the Accountants' Report.

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13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

MOORE STEPHENS

Date: 8 January 2018

The Board of Directors
QES Group Berhad
No.9, Jalan Juruukur U1/19
Hicom Glenmarie Industrial Park
Seksyen U1
40150 Shah Alam
Selangor Darul Ehsan

Moore Stephens Associates PLT
(LLP0000963-LCA & AF002096)
Chartered Accountants
Unit 3.3A, 3rd Floor, Surian Tower
No 1 Jalan PJU 7/3, Mutiara Damansara
47810 Petaling Jaya, Selangor, Malaysia
T 603 7728 1800 (General) ; 7724 1033 (Assurance)
F 603 7728 9800 (General) ; 7733 1033 (Assurance)

Dear Sirs,

**QES GROUP BERHAD ("QES")
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

We report on the pro forma consolidated statement of financial position of QES and its proposed subsidiaries ("Group") as at 30 September 2017 together with the accompanying notes thereon, which we have stamped for the purpose of identification.

The pro forma consolidated statement of financial position of QES has been prepared for illustrative purposes only for inclusion in the prospectus of QES in connection with the listing of and the quotation for its entire enlarged issued capital on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Prospectus").

The pro forma consolidated statement of financial position has been compiled by the Directors of QES to illustrate the financial position of the Group as at 30 September 2017, adjusted for the effects of the Initial Public Offering reorganisation, the Listing Scheme (as defined in the accompanying notes) and utilisation of proceeds from the Initial Public Offering of QES ("IPO").

As the pro forma consolidated statement of financial position has been prepared for illustrative purposes only, such information, because of its nature, may not reflect the Group's actual financial results, financial position and cash flows. Further, such information does not predict the Group's future financial results, financial position and cash flows.

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

MOORE STEPHENS

**QES GROUP BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)**

Responsibilities

It is the sole responsibility of the Directors of QES to prepare the pro forma consolidated statement of financial position in accordance with the requirements of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

It is our responsibility to express an opinion, as required by the Prospectus Guidelines, on whether the pro forma consolidated statement of financial position has been compiled, in all material respects, by the Directors on the basis of the IPO.

Basis of Opinion

We conducted our engagement in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the Malaysian Institute of Accountants. This standard requires us to comply with ethical requirements and plan and perform procedures to obtain reasonable assurance on whether the Directors has compiled, in all material respects, the pro forma consolidated statement of financial position adjusted for the effects of the Initial Public Offering reorganisation, the Listing Scheme (as defined in the accompanying notes) and utilisation of proceeds from the IPO in accordance with the Prospectus Guidelines.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statement of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statement of financial position.

The purpose of the pro forma consolidated statement of financial position included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statement of financial position has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma consolidated statement of financial position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence on whether:

- (i) The related pro forma adjustments give appropriate effect to those criteria; and
- (ii) The pro forma consolidated statement of financial position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the entity, the event or transaction in respect of which the pro forma consolidated statement of financial position has been compiled, and other relevant engagement circumstances. The engagement also involves evaluation the overall presentation of the pro forma consolidated statement of financial position. We believe that the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

MOORE STEPHENS

**QES GROUP BERHAD
PRO FORMA STATEMENT OF FINANCIAL POSITION (Cont'd)**

Opinion

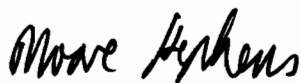
In our opinion:

- (a) the pro forma consolidated statement of financial position of QES Group Berhad as set out in the accompanying notes, which is provided for illustrative purposes only, has been prepared based on the audited financial statements for Financial Period Ended 30 September 2017 and, in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs") and is presented on a basis consistent with both the format and accounting policies normally adopted by the Group and after taking into account adjustments appropriate for the purpose of the pro forma consolidated statement of financial position as set out in the accompanying notes; and
- (b) the adjustments made to the information used in the preparation of the pro forma consolidated statement of financial position are appropriate for the purposes of preparing the pro forma consolidated statement of statement of financial position.

Other Matter

This letter has been prepared for the purpose of inclusion in the Prospectus issued in connection with the listing and quotation for the entire enlarged issued share capital of QES Group Berhad on the ACE Market of Bursa Securities. As such, this letter should not be relied upon for any other purposes without our prior consent.

Yours faithfully,



MOORE STEPHENS ASSOCIATES PLT
LLP0000963-LCA & AF002096
Chartered Accountants

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

MOORE STEPHENS ASSOCIATES PLT
Chartered Accountants
(LLP0000963-LCA & AF002096)
For Identification Purposes Only

**QES GROUP BERHAD ("QES")
NOTES TO THE PRO FORMA CONSOLIDATED
STATEMENT OF FINANCIAL POSITION**

1. Introduction

The pro forma consolidated statement of financial position as at 30 September 2017, for which the Directors of QES are solely responsible, has been prepared for illustration purposes only, for inclusion in the Prospectus in connection with the listing of and quotation for the entire enlarged issued share capital of QES on the ACE Market of Bursa Securities Malaysia Berhad ("Bursa Securities") ("Listing").

2.0 Initial Public Offering ("IPO")

2.1 Initial Public Offering ("IPO") Reorganisation

Proposed Acquisitions

The IPO reorganisation exercise involves the following acquisitions:

- (i) Acquisition by QES (Asia-Pacific) Sdn Bhd ("QES (Asia-Pacific)") of the remaining 20% equity interest Creden Intra Pacific Sdn Bhd ("Creden Intra Pacific") currently not held by QES (Asia-Pacific), at a purchase consideration of RM1,164,539 and to be satisfied via the issuance of 414,448 shares in QES (Asia-Pacific) at an issue price of RM2.81 per share; and
- (ii) Acquisition by QES of the entire issued and fully paid-up share capital of QES (Asia-Pacific) for a total consideration of RM32,592,105 after taking into consideration the acquisition by QES (Asia-Pacific) of the remaining 20% equity interest in Creden Intra Pacific. The purchase consideration is to be satisfied via the issuance of 606,646,000 shares in QES at an issue price of approximately RM0.05 per share; and
- (iii) Acquisition by QES of the entire issued and fully paid-up share capital of three of QES (Asia-Pacific)'s wholly owned subsidiaries (after taking into consideration the acquisition of the remaining 20% equity interest of Creden Intra Pacific above), namely, QS Instruments Sdn Bhd ("QS Instruments"), Creden (Asia-Pacific) Sdn Bhd ("Creden (Asia-Pacific)") and Creden Intra Pacific. The purchase consideration is based on the net assets of the respective companies and is to be satisfied by cash consideration.

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

MOORE STEPHENS ASSOCIATES PLT
Chartered Accountants
(LLP0000963-LCA & AF002096)

For Identification Purposes Only

**QES GROUP BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED
STATEMENT OF FINANCIAL POSITION (Cont'd)**

2.2 Listing Scheme

In conjunction with, and as an integral part of the Listing, QES intends to undertake the following:

2.2.1 Public Issue

Public issue of 151,661,000 ordinary shares in QES, at an issue price of RM0.19 per share ("IPO Shares") and shall be allocated in the following manner, subject to clawback and reallocation.

(I) Malaysian Public

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

(II) Eligible Directors and employees

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

(III) Private placement to selected investors

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

The basis of allocation for the IPO Shares shall take into account the desirability of distributing the IPO Shares to a reasonable number of applicants in view of broadening the shareholding base to meet the public spread requirements as per the ACE Market Listing Requirements of Bursa Securities and to establish a liquid and adequate market for the IPO Shares.

There is no over-allotment or 'greenshoe' option that will result in an increase in the amount of the IPO Shares.

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

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**QES GROUP BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED
STATEMENT OF FINANCIAL POSITION (Cont'd)**

2.2.2 Offer for Sale

Offer for sale of 75,831,000 Offer Shares, representing 10.0% of the enlarged issued share capital of QES, at RM0.19 per Offer Share to be offered by our Offerors to selected Bumiputera investors approved by The Ministry of International Trade and Industry by way of private placement.

2.2.3 Listing and Quotation

Subsequent to the completion of the Public Issue, QES shall undertake the Listing involving the listing of and quotation for its entire enlarged issued share capital of RM61,407,795 comprising 758,308,000 shares on the ACE Market of Bursa Securities.

3. Basis of Preparation

3.1 The pro forma consolidated statement of financial position of QES is prepared for illustrative purposes only and has been prepared using the bases and accounting policies consistent with those adopted by the Group, after giving effect to the adjustments considered appropriate.

The pro forma consolidated statement of financial position has been prepared for illustrative purposes based on the audited financial statements for financial period ended 30 September 2017. The audited financial statements used in the preparation of this report for the financial period under review were not subject to any modification on the respective audit reports.

3.2 The pro forma consolidated statement of financial position comprises the audited consolidated statement of financial position as at 30 September 2017, adjusted for the effects of the IPO reorganisation, Listing Scheme and utilisation of proceeds from the IPO.

3.3 The pro forma consolidated statement of financial position has been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs") and is presented on a basis consistent with both the format and accounting policies normally adopted by the Group and after taking into account the adjustments appropriate for the purposes of the pro forma consolidated statement of financial position as set out in the accompanying notes.

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

MOORE STEPHENS ASSOCIATES PLT Chartered Accountants (LLP0000963-LCA & AF002096) <i>For Identification Purposes Only</i>

**QES GROUP BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED
STATEMENT OF FINANCIAL POSITION (Cont'd)**
4. Pro Forma Consolidated Statement of Financial Position as at 30 September 2017

The pro forma consolidated statement of financial position of QES as at 30 September 2017 has been prepared for illustrative purposes only and after making such adjustments as considered necessary on the assumption that the Listing Scheme was completed on that date.

			Pro Forma I	Pro Forma II	Pro Forma III
	QES Audited 30 Sept 2017 Note	RM'000	After Acquisitions RM'000	After Public Issue RM'000	After Utilisation of Proceeds RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	4.2	-	7,763	7,763	18,479
Intangible assets	4.3	-	4,592	4,592	9,442
Other investments		-	60	60	60
Deferred tax assets		-	169	169	169
		-	12,584	12,584	28,150
CURRENT ASSETS					
Inventories		-	20,579	20,579	20,579
Trade receivables		-	32,607	32,607	32,607
Other receivables		-	2,528	2,528	2,528
Tax recoverable		-	-	-	-
Fixed deposits with financial institutions		-	17,463	17,463	17,463
Cash and bank balances	4.4	*	17,702	46,518	21,812
		-	90,879	119,695	94,989
TOTAL ASSETS		-	103,463	132,279	123,139

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13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

MOORE STEPHENS ASSOCIATES PLT
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**QES GROUP BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED
STATEMENT OF FINANCIAL POSITION (Cont'd)**
4. Pro Forma Consolidated Statement of Financial Position as at 30 September 2017 (Cont'd)

		Pro Forma I	Pro Forma II	Pro Forma III
	QES Audited 30 Sept 2017 RM'000	After Acquisitions RM'000	After Public Issue RM'000	After Utilisation of Proceeds RM'000
EQUITY AND LIABILITIES				
EQUITY				
Share capital	4.5	*	32,592	61,408
Translation reserve		-	(1,087)	(1,087)
Retained earnings	4.7	(2,367)	32,413	31,669
Merger Deficit	4.6	-	(20,227)	(20,227)
		(2,367)	43,691	71,763
Non-controlling interests		-	1,353	1,353
TOTAL EQUITY		(2,367)	45,044	73,116
NON-CURRENT LIABILITIES				
Borrowings	4.8	-	1,743	-
Deferred tax liabilities		-	137	137
Provision for post-employment benefits		-	495	495
		-	2,375	632
CURRENT LIABILITIES				
Trade payables		-	27,299	27,299
Other payables		2,367	11,697	10,301
Borrowings	4.8	-	16,031	10,774
Taxation		-	1,017	1,017
		2,367	56,044	49,391
TOTAL LIABILITIES		2,367	58,419	50,023
TOTAL EQUITY AND LIABILITIES		-	103,463	123,139

* Denotes RM100

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

MOORE STEPHENS ASSOCIATES PLT
Chartered Accountants
(LLP0000963-LCA & AF002096)

For Identification Purposes Only

QES GROUP BERHAD NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

4. Pro Forma Consolidated Statement of Financial Position as at 30 September 2017 (Cont'd)

4.1 Pro Forma Adjustments to the Pro Forma Consolidated Statement of Financial Position

4.1.1 Pro Forma I

Pro Forma I incorporates the effects after the acquisition of the QES (Asia-Pacific) Group of companies as at 30 September 2017.

The summarised financial information of the QES (Asia-Pacific) Group of companies as at 30 September 2017, after taking into consideration the effect of the acquisition by QES (Asia-Pacific) of the remaining 20% equity interest of Creden Intra Pacific currently not held by QES (Asia-Pacific), at a purchase consideration of RM1,164,539 and to be satisfied via the issuance of 414,448 shares in QES (Asia-Pacific) at an issue price of RM2.81 per share, is as follows:

	RM'000
Non-Current Assets	12,584
Current Assets	91,779
Total Assets	<u>104,363</u>
Non-Current Liabilities	2,375
Current Liabilities	54,577
Total Liabilities	<u>56,952</u>
Equity	
Attributable to owners of the Company	46,058
Non-Controlling Interests	1,353
	<u>47,411</u>

Included in the proforma is elimination of payment on behalf of QES by QES (Asia-Pacific) amounting to RM830,000 for listing expenses incurred.

4.1.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and after the incorporation of the Public Issue.

Upon completion of the Public Issue, the issued share capital of QES will increase from RM32,592,105 comprising 606,647,000 shares to RM61,407,795 comprising 758,308,000 shares.

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

MOORE STEPHENS ASSOCIATES PLT Chartered Accountants (LLP0000963-LCA & AF002096) <i>For Identification Purposes Only</i>

QES GROUP BERHAD NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

4. Pro Forma Consolidated Statement of Financial Position as at 30 September 2017 (Cont'd)

4.1.3 Pro Forma III

Pro Forma III incorporates the effect of Pro Forma I, Pro Forma II and after the Listing and proposed utilisation of proceeds from the IPO.

The gross proceeds arising from the IPO will be utilised by the Group in the following manner:

	RM'000	%
Research and Development	4,850	16.83%
General working capital requirements	3,250	11.28%
Capital expenditure	10,716	37.19%
Repayment of loans	7,000	24.29%
Estimated listing expenses (i)	3,000	10.41%
	<u>28,816</u>	<u>100.00%</u>

(i) Estimated listing expenses

	RM'000
Estimated listing expenses	3,000
Less: Amount paid and expensed off	<u>(860)</u>
	2,140
Less: Amount accrued and expensed off	<u>(1,396)</u>
Balance of estimated listing expenses to be expensed off	<u>744</u>

4.2 Property, Plant and Equipment

	RM'000
As at 30 September 2017	-
Pro Forma I Acquisition of subsidiaries	<u>7,763</u>
After Pro Forma I and II	7,763
Pro Forma III Acquisition of property, plant and equipment	<u>10,716</u>
After Pro Forma III	<u>18,479</u>

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13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

MOORE STEPHENS ASSOCIATES PLT Chartered Accountants (LLP0000963-LCA & AF002096) <i>For Identification Purposes Only</i>

QES GROUP BERHAD NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

4. Pro Forma Consolidated Statement of Financial Position as at 30 September 2017 (Cont'd)

4.3 Intangible Assets

	RM'000
As at 30 September 2017	-
Pro Forma I Acquisition of subsidiaries	<u>4,592</u>
After Pro Forma I and II	4,592
Pro Forma III Capitalisation of development expenditure	<u>4,850</u>
After Pro Forma III	<u>9,442</u>

4.4 Cash and bank balances

	RM'000
As at 30 September 2017	*
Pro Forma I Acquisition of subsidiaries	<u>17,702</u>
After Pro Forma I	17,702
Pro Forma II Proceeds from public issuance of shares	<u>28,816</u>
After Pro Forma II	46,518
Pro Forma III Utilisation of proceeds	
- Research and Development	(4,850)
- Capital expenditure	(10,716)
- Repayment of loans	(7,000)
- Balance of estimated listing expenses to be paid	<u>(2,140)</u>
After Pro Forma III	<u>21,812</u>

* Denotes RM100

4.5 Share Capital

	RM'000
As at 30 September 2017	*
Pro Forma I Acquisition of subsidiaries	<u>32,592</u>
After Pro Forma I	32,592
Pro Forma II Public issuance of shares	<u>28,816</u>
After Pro Forma II and III	<u>61,408</u>

* Denotes RM100

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

MOORE STEPHENS ASSOCIATES PLT Chartered Accountants (LLP0000963-LCA & AF002096) <i>For Identification Purposes Only</i>
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**QES GROUP BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)**
4. Pro Forma Consolidated Statement of Financial Position as at 30 September 2017 (Cont'd)
4.6 Merger Deficit

	RM'000
As at 30 September 2017	-
Pro Forma I Acquisition of subsidiaries	
- arising from retained earnings	(34,780)
- arising from translation reserve	1,087
- arising from excess of net assets over the purchase consideration of QES (Asia Pacific)	<u>13,466</u>
After Pro Forma I, II and III	<u>(20,227)</u>

4.7 Retained Earnings

	RM'000
As at 30 September 2017	(2,367)
Pro Forma I Acquisition of subsidiaries	<u>34,774</u>
After Pro Forma I and II	32,407
Pro Forma III Balance of estimated listing expenses to be expensed off	<u>(744)</u>
	<u>31,663</u>

4.8 Borrowings

	Current RM'000	Non Current RM'000	Total RM'000
As at 30 September 2017	-	-	-
Pro Forma I Acquisition of subsidiaries	<u>16,031</u>	<u>1,743</u>	<u>17,774</u>
After Pro Forma I and II	16,031	1,743	17,774
Pro Forma III Utilisation of proceeds	<u>(5,257)</u>	<u>(1,743)</u>	<u>(7,000)</u>
After Pro Forma III	<u>10,774</u>	<u>-</u>	<u>10,774</u>

14. DIRECTORS' REPORT

**QES GROUP BERHAD (1119086-U)**

No. 9, Jalan Juruukur U1/19, Hicom Glenmarie Industrial Park
Seksyen U1, 40150 Shah Alam, Selangor, Malaysia
Tel : +603-5882 6668 Fax : +603-5567 0811
www.qesnet.com

The Experts In Inspection, Test and Measurement

Malaysia Singapore Thailand Philippines Indonesia China Vietnam

Registered Office:-

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

Date: 26 JAN 2018

The Shareholders of QES Group Berhad

Dear Sir/Madam,

On behalf of the Board of Directors of QES Group Berhad ("QES" or the "Company"), I report after due inquiry that during the period from 30 September 2017 (being the date to which the last audited financial statements of the Company's subsidiaries have been made up) to the date hereof (being a date not earlier than 14 days before the issue of this Prospectus), that:

- (a) the business of the Company and its subsidiaries, in the opinion of the Directors, has been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since the last audited financial statements of the Company and its subsidiaries which have adversely affected the trading or the value of the assets of the Company or any of its subsidiaries;
- (c) the current assets of the Company and its subsidiaries that appear in the books are at values which are believed to be realisable in the ordinary course of business;
- (d) no contingent liabilities have risen by reason of any guarantees or indemnities given by the Company or any of its subsidiaries;
- (e) there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which the Directors are aware of, since the last audited financial statements of the Company and its subsidiaries; and
- (f) there have been no material changes in the published reserves or any unusual factors affecting the profits of the Company and its subsidiaries since the last audited financial statements of the Company and its subsidiaries.

14. DIRECTORS' REPORT (Cont'd)

Yours faithfully,
For and on behalf of the Board of Directors of
QES GROUP BERHAD



CHEW NE WENG
Managing Director/ President

15. STATUTORY AND OTHER INFORMATION

15.1 SHARE CAPITAL

- (i) We will not issue or allot any Shares on the basis of this Prospectus later than 12 months after the date of this Prospectus.
- (ii) As at the date of this Prospectus, we only have 1 class of shares, namely, ordinary shares, all of which rank *pari passu* with one another.
- (iii) Save for 9,265,000 Shares under the Pink Form Allocations as disclosed in Section 3.4.3 of this Prospectus:
 - (a) no Directors, employees or business associates/persons who have contributed to the success of our Group has been or is entitled to be given or has exercised any option to subscribe for any share of our Company or our subsidiaries; and
 - (b) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.
- (iv) Save as disclosed in Sections 5.2, 5.3 and 5.4 of this Prospectus, no shares of our Company or our subsidiaries have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 2 years immediately preceding the date of this Prospectus.
- (v) As at the date of this Prospectus, we do not have any outstanding convertible debt securities.

15.2 MEMORANDUM AND ARTICLES OF ASSOCIATION (CONSTITUTION) OF THE COMPANY

The following provisions are extracted from our Company's proposed Memorandum and Articles of Association (Constitution) (which will be effective upon our Listing), and are qualified in its entirety by the remainder of the provisions of our Company's Memorandum and Articles of Association (Constitution) and the applicable law.

The terms defined in our Memorandum and Articles of Association (Constitution) shall have the same meanings when used here unless they are otherwise defined here or the context otherwise requires.

(1) Remuneration of Directors

The provisions in our Memorandum and Articles of Association (Constitution) dealing with remuneration of Directors are as follows:

15. STATUTORY AND OTHER INFORMATION (Cont'd)

Article 74 - Remuneration of Directors

- (a) The fees payable to non-executive Directors, shall be determined by the Company by ordinary resolution at a general meeting. If the fees of each such non-executive Director is not specifically fixed by the Company at the general meeting, such remuneration shall subject to the overall limits fixed by the Company in general meeting, be decided by resolution of the full Board. Failing which such remuneration, shall be divided equally amongst them. The sum paid to a non-executive Director holding office for part of a year shall be a proportionate to the term of his office. The non-executive Directors shall be paid by a fixed sum and not by a commission on or a percentage of profits or turnover.
- (b) Fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.
- (c) The remuneration of executive directors of the Company shall not include a commission on or a percentage of turnover.

Article 75 - Reimbursement of expenses

Any Director who by request of the Board serves on any committee or performs special services for any purposes of the Company may be paid by the Company a fixed sum or otherwise (other than by a sum to include a commission on or a percentage of profits or turnover) as may be determined by the Company in general meeting and such remuneration may be either in addition to or in substitution for his / their share in the remuneration from time to time provided for the Directors. All the Directors shall also be entitled to be repaid by the Company all such reasonable travelling (including hotel and incidental) expenses as they may incur in attending meetings of the Board or of committees of the Board or general meetings or otherwise in or about the business of the Company.

(2) Voting and Borrowing Powers of the Directors

The provisions in our Memorandum and Articles of Association (Constitution) dealing with voting and borrowing powers of our Directors including voting powers in relation to proposals, arrangements or contracts in which they are interested in are as follows:

Article 86 - Directors' borrowing powers

- (a) the Directors may borrow or raise money from time to time for the Company or its subsidiaries or secure the payment of such sums as they think fit and may secure the repayment or payment of such sums by mortgage or charge upon all or any of the property or assets of the Company (both present and future) including its uncalled capital or any part thereof or by the issuance of bonds, notes or debentures (whether at par or at a discount or premium) or other securities whether outright or as security for any debt, liability or obligation of the Company or its subsidiaries or otherwise as they may think fit.
- (b) the Directors may exercise all the powers of the Company to guarantee the payment of money payable under contracts or obligations of any related company with or without securities.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

- (c) the Directors shall not borrow any money or mortgage or charge any of the Company or the subsidiaries' undertaking, property, or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

Article 78(B) - Interested Director may contract with Company

No Director or intending Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office, or of the fiduciary relation thereby established, but the nature of his interest must be declared by him at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration or, if the Director was not at the date of that meeting interested in the proposed contract or arrangement, then at the next meeting of the Directors held after he became so interested or, in a case where the Director becomes interested in a contract or arrangement after it is made, at the first meeting of the Directors held after he becomes so interested. Provided nevertheless, that subject to any other provisions of these Memorandum and Articles of Association (Constitution), a Director shall not as a Director vote in respect of any contract or arrangement or proposed contract or arrangement in which he is so interested and if he shall do so his vote shall not be counted, nor shall he be counted in the quorum present at a meeting upon the consideration of a motion concerning any such contract or arrangement, but neither of these prohibitions shall apply to any contract or arrangement for giving to a Director any security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of the Company.

(3) Share Capital and Variation of Class Rights

The provisions in our Memorandum and Articles of Association (Constitution) dealing with changes in share capital and variation of class rights, which are no less stringent than those required by law, are as follows:

Article 8(F)(1) - Issue of Shares

Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to the Members as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the number of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to the shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the directors, be conveniently offered under this Article.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

Article 39 - Power to increase share capital

The Company in general meeting may from time to time by ordinary resolution increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe.

Article 40 - Issue of new shares

The Company may simultaneously with the resolution increasing the capital or at any time thereafter give any lawful directions as to the issue of the new shares. In the absence of any such direction, or in so far as the same shall not extend, the new shares shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the shares in the original share capital.

Article 41(A) - Power to alter capital

The Company in general meeting may by ordinary resolution:

- (1) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (2) subdivide its shares or any of them into shares of smaller nominal amount than is specified by the Memorandum and Articles of Association (Constitution) (subject nevertheless to the provisions of Section 84(1)(c) of the Act) and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with the other share or shares have any such preferred, deferred or other special rights or be subject to any such restrictions, as the Company has power to attach to unissued or new shares;
- (3) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled;
- (4) subject to the provisions of the Act, convert any class of shares into any other class of shares.

Article 41(B) - Power to reduce capital

The Company may also by special resolution reduce its share capital and any capital redemption reserve fund, share premium account or other undistributable reserve in any manner and with and subject to any incident authorised and consent required by law.

Article 6 - Modification of Class Rights

Whenever the capital of the Company is divided into different classes of shares, the special rights attached to any class may, either with the consent in writing of the holders of 3/4 of the issued shares of the class or with the sanction of a special resolution passed at a separate meeting of such holders (but not otherwise), be modified or abrogated, either whilst the Company is a going concern or during or in contemplation of a winding up. To every such separate meeting all the provisions of these Memorandum and Articles of Association (Constitution) relating to general

15. STATUTORY AND OTHER INFORMATION (Cont'd)

meetings or to the proceedings thereat shall, mutatis mutandis, apply, except that the necessary quorum shall be 2 persons at least holding or representing by proxy 1/3 in nominal amount of the issued shares of the class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those persons who are present shall be a quorum) and that the holders of shares of the class shall, on a poll, have 1 vote for every share of the class held by them respectively.

Article 7 - Ranking of new class rights

The special rights conferred upon the holders of any shares or class of shares issued with preferred or other special rights shall not unless otherwise expressly provided by the terms of issue of such shares be deemed to be modified by the creation or issue of further shares ranking *pari passu* therewith.

Article 4 - Power to issue Preference Shares

(a) without prejudice to any special rights previously conferred on the holders of any shares or class of shares already issued, the Company shall have power to issue preference shares on such terms and conditions and carrying such rights or restrictions as may be provided for by these Memorandum and Articles of Association (Constitution).

(b) Preference shareholders of the Company shall have the same rights as the holders of ordinary shares in relation to:

receiving notices, reports and audited accounts; and
attending general meetings of the Company;

Preference shareholders of the Company shall also have the right to vote in each of the following circumstances:

- (i) when the dividend or part of the dividend is in arrears for more than 6 months;
 - (ii) on a proposal to reduce the Company's share capital;
 - (iii) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
 - (iv) on a proposal that affects rights attached to the shares;
 - (v) on a proposal to wind up the Company; and
 - (vi) during the winding up of the Company.
- (c) The Company shall not without the consent of the existing preference shareholders at a class meeting or pursuant to Article 6 hereof issue further preference capital ranking in priority to preference shares already issued but may issue preference shares ranking equally therewith.
- (d) Subject to the Act, any preference shares may be issued on the terms that they are, or at the option of the Company are liable, to be redeemed.
- (e) The repayment of preference capital other than redeemable preference capital, or any other alteration of preference shareholder rights, may only be made pursuant to a special resolution of the preference shareholders concerned, PROVIDED ALWAYS that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing, if obtained from the holders of 3/4 of the preference shares concerned within 2 months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.

15. STATUTORY AND OTHER INFORMATION (Cont'd)**(4) Transfer of Shares**

The provisions in our Memorandum and Articles of Association (Constitution) in respect of the arrangement for transfer of securities of our Company and restrictions on their free transferability are as follows:

Article 22 - Transfer in writing

Subject to the Central Depositories Act and the Rules, any Member may transfer all or any of his shares (except those Deposited Securities which are for the time being designated as securities in suspense) by instrument in writing in the form approved by the Rules. The instrument of transfer of any share shall be executed by or on behalf of the transferor and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Record of Depositors and/or the Register of Members as the case may be in respect thereof.

Article 23 - Transfer of Deposited Securities

- (a) the transfer of any Deposited Securities or class of Deposited Securities of the Company shall be by way of book entry by the Bursa Depository in accordance with the Rules. Notwithstanding Section 105 and 106 of the Act but subject to subsection 148(2) of the Act and any exemption that may be made from compliance with subsection 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of Deposited Securities.
- (b) there should be no restriction on the transfer of fully paid shares except where required by law and no share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.
- (c) the Bursa Depository may refuse to register any transfer of Deposited Security that does not comply with the Central Depositories Act and the Rules.

Article 24 Suspension of registration of transfer

- (a) the registration of transfers may be suspended at such times and for such period as the Directors may from time to time determine, PROVIDED that it shall not be suspended for more than 30 days in any year and at least 10 market days' notice of books closure shall be given to the Exchange and advertised in a daily newspaper circulating in Malaysia. The notice shall state the period for which the books will be closed and the purpose(s) for such closure. The Company shall give notice in accordance with the Rules to enable the Bursa Depository to prepare the appropriate Record of Depositors.
- (b) the transfer books and Record of Depositors may be closed for the purpose of determining persons entitled to dividends, interest or new securities or rights to a priority of application for issue of securities. The Company shall request the Bursa Depository in accordance with the Rules to issue a Record of Depositors as at a date not less than 3 market days before the occurrence of the related event.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

15.3 GENERAL INFORMATION

- (i) Save for our Directors' remuneration, dividends paid out to the shareholders of our Group and purchase consideration paid pursuant to the Acquisitions as disclosed in Sections 8.8, and Section 5.3 of this Prospectus, no other amount or benefit has been paid or given within the past 2 years immediately preceding the date of this Prospectus, nor is it intended to be so paid or given, to any of our Directors, Promoters or substantial shareholders.
- (ii) Save as disclosed in Section 15.5 of this Prospectus, none of our Directors or substantial shareholders have any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus and which is significant in relation to the business of our Group.
- (iii) The manner in which copies of this Prospectus together with the official application forms and envelopes may be obtained and the details of the procedures for application of our Shares are set out in Section 16 of this Prospectus.

There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

15.4 MATERIAL LITIGATION, CLAIMS, ARBITRATION AND CONTINGENT LIABILITY

As at the LPD, we are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant and our Directors do not know of any proceeding pending or threatened or of any fact likely to give rise to any proceeding which might materially or adversely affect our position or business.

As at the date of our Directors' Report, there is no contingent liability which, upon becoming enforceable, may have a material impact on our financial position or business.

15.5 MATERIAL CONTRACTS

Save as disclosed below, there are no contracts which are or may be material (not being contracts entered into in the ordinary course of business) which have been entered into by our Group within the past 2 years immediately preceding the date of this Prospectus:

- (i) The Irrevocable Share Purchase Option Agreement dated 20 January 2017 entered into between Sakda Ruangsant and QES (Asia-Pacific) for the grant of an irrevocable option to purchase 6,000 preference shares in QES (Thailand) by Sakda Ruangsant to QES (Asia-Pacific) for the total purchase consideration of THB600,000;
- (ii) The SPA dated 1 November 2016 entered into between Chua Sin Sing and QES (Asia-Pacific) for the acquisition by QES (Asia-Pacific) of the entire issued ordinary share capital of QES (Thailand), comprising 9,800 ordinary shares from Chua Sin Sing for a cash consideration of THB980,000 which was completed on 30 December 2016;
- (iii) The SPA dated 1 November 2016 entered into between Ng Kok Beng and QES (Asia-Pacific) for the acquisition by QES (Asia-Pacific) of 70% equity interest of QES (Singapore), comprising 70,000 ordinary shares from Ng Kok Beng for a cash consideration of SGD7.00 which was completed on 28 December 2016;

15. STATUTORY AND OTHER INFORMATION (Cont'd)

- (iv) The SPA dated 8 April 2015 (and as supplemented by the supplemental SPA dated 6 January 2016) entered into between Hwang Imsung and QES (Asia-Pacific) for the acquisition by QES (Asia-Pacific) of 20% equity interest in Creden Intra Pacific, comprising 200,000 ordinary shares from Hwang Imsung, for a total purchase consideration of RM942,488. The SPA dated 8 April 2015 (and as supplemented by the supplemental SPA dated 6 January 2016) entered into between Hwang Imsung and QES (Asia-Pacific) for the acquisition by QES (Asia-Pacific) of 20% equity interest in Creden Intra Pacific from Hwang Imsung has lapsed due to the non-fulfillment of the conditions precedent;
- (v) The SPA dated 8 April 2015 (and as supplemented by the supplemental SPA dated 6 January 2016) entered into between Chew Ne Weng, Liew Soo Keang, Hwang Imsung and QES for the acquisition by QES of the entire equity interest in QES (Asia-Pacific), comprising 11,788,131 ordinary shares from Chew Ne Weng, Liew Soo Keang and Hwang Imsung, for a total purchase consideration of RM23,448,053. The SPA dated 8 April 2015 (and as supplemented by the supplemental SPA dated 6 January 2016) entered into between Chew Ne Weng, Liew Soo Keang, Hwang Imsung and QES for the acquisition by QES of the entire equity interest in QES (Asia-Pacific) from Chew Ne Weng, Liew Soo Keang and Hwang Imsung has lapsed due to the non-fulfillment of the conditions precedent;
- (vi) The SPA dated 10 April 2017 entered into between Chew Ne Weng and QES (Asia-Pacific) for the acquisition by QES (Asia-Pacific) of 20% equity interest in Creden Intra Pacific, comprising 200,000 ordinary shares from Chew Ne Weng, for a total purchase consideration of RM1,164,539. The sale and purchase was completed on 31 October 2017.
- (vii) The SPA dated 10 April 2017 entered into between Chew Ne Weng, Liew Soo Keang and QES for the acquisition by QES of the entire equity interest in QES (Asia-Pacific), comprising 11,614,448 ordinary shares in QES (Asia-Pacific) after completion of the Acquisition of Creden Intra Pacific, for a total purchase consideration of RM32,592,105. The sale and purchase was completed on 1 November 2017;
- (viii) The SPA dated 8 April 2015 (and as supplemented by the supplemental SPA dated 6 January 2016 and the second supplemental SPA dated 10 April 2017) entered into between QES and QES (Asia-Pacific) for the acquisition by QES of the entire equity interest of QS Instruments, comprising 1,000,000 ordinary shares for a total cash purchase consideration of RM7,943,558. The sale and purchase was completed on 2 November 2017;
- (ix) The SPA dated 8 April 2015 (and as supplemented by the supplemental SPA dated 6 January 2016 and the second supplemental SPA dated 10 April 2017) entered into between QES and QES (Asia-Pacific) for the acquisition by QES of the entire equity interest of Creden Intra Pacific, comprising 1,000,000 ordinary for a total cash purchase consideration of RM5,822,697. The sale and purchase was completed on 2 November 2017;
- (x) The SPA dated 8 April 2015 (and as supplemented by the supplemental SPA dated 6 January 2016 and the second supplemental SPA dated 10 April 2017) entered into between QES an QES (Asia-Pacific) for the acquisition by QES of the entire equity interest of Creden (Asia-Pacific), comprising 7,500,000 ordinary shares for a total cash purchase consideration of RM1. The sale and purchase was completed on 2 November 2017; and

15. STATUTORY AND OTHER INFORMATION (Cont'd)

- (xi) The Underwriting Agreement dated 3 January 2018 entered into between our Company and M&A Securities for the underwriting of 47,180,400 Issue Shares for an underwriting commission of 3.0% of the IPO Price multiplied by the number of Issue Shares being underwritten.

15.6 REPATRIATION OF CAPITAL AND REMITTANCE OF PROFIT**15.6.1 QES (Hong Kong)**

There are currently no foreign exchange controls in Hong Kong. Hence, there is no restriction on the repatriation of profits, whether in the form of dividends or interest, or capital (meaning funds in general, instead of share capital) by QES (Hong Kong) to its shareholder or holding company incorporated outside of Hong Kong. Repatriation of profits is entirely dependent on the ability of QES (Hong Kong) to pay dividends to QES.

15.6.2 QES (Indonesia)

There are currently no foreign exchange controls in Indonesia save as to the physical inflow or outflow of Rp into and out of the country. The Capital Investment Law permits repatriation or transfer of money in foreign currency from an investment made in Indonesia. This includes, amongst other:

- (i) capital;
- (ii) profits, bank interest, dividends and other income;
- (iii) funds for repayment of loans;
- (iv) the proceeds of sale or liquidation of capital investment company;
- (v) compensation for damages; and
- (vi) compensation for acquisitions.

However, repatriation of any of the above remains subject to:

- (i) reporting requirements regarding the implementation of such transfer of money;
- (ii) payment of taxes, royalties or other charges;
- (iii) laws in relation to protection of creditors' interests; and
- (iv) laws in relation to avoiding government losses.

With respect to the above, the laws of Indonesia specifically provides that these repatriation rights do not prejudice the government's rights to require reports on the implementation of repatriation activities and compliance with related taxation/royalties regulations. In addition, the repatriation rights do not prejudice the implementation of any law that gives protection to a creditors' rights or laws to avoid losses to the government.

15.6.3 QES (Philippines)

Capital and profits whether in the form of dividends or interests may be freely repatriated provided that the foreign investment was registered with the Bangko Sentral Philipinas, if the foreign currency to service the repatriation will be sourced from the banking system. Repatriation of profits is subject to withholding taxes when repatriated by QES (Philippines) to its shareholders.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

15.6.4 QES (Singapore)

There are no significant restrictions on the remittance of profits, dividend and return of capital by QES (Singapore) to its shareholders provided that:

- (i) There are sufficient distributable retained earnings in the latest set of accounts of QES (Singapore) for the dividend payment; and
- (ii) QES (Singapore) must adhere to the Companies Act (Chapter 50) 2006.

15.6.5 QES (Thailand)

There are no restrictions on the repatriation of profits, dividends and capital by QES (Thailand) to its shareholders provided that QES (Thailand) have settled all its applicable income taxes.

15.6.6 QES (Vietnam)

Under the Law on Foreign Investment in Vietnam, at the end of each financial year, the share of profits of foreign investors may be repatriated after payment of all applicable taxes. QES (Vietnam) will be entitled to repatriate its profits overseas, subject to the satisfaction of its taxation obligations. Foreign investors may not repatriate profits if the financial statements of the enterprise still contain accumulated losses. There are no profit remittance tax for repatriation of profits abroad.

15.7 PUBLIC TAKE-OVERS

During the last financial year and the current financial year up to the LPD, there were:

- (i) No public take-over offers by third parties in respect of our Shares; and
- (ii) No public take-over offers by our Company in respect of other companies' shares.

15.8 CONSENTS

- (i) The written consents of our Adviser, Sponsor, Underwriter and Placement Agent, Principal Bankers, Solicitors, Share Registrar, Company Secretary and the Issuing House for the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issuance of this Prospectus and have not subsequently been withdrawn.
- (ii) The written consents of our Auditors and Reporting Accountants for the inclusion in this Prospectus of their names, Accountants' Report and letter relating to the Pro Forma Consolidated Financial Information of our Company in the form and context in which they are contained in this Prospectus have been given before the issuance of this Prospectus and have not subsequently been withdrawn.
- (iii) The written consents of our IMR to the inclusion in this Prospectus of its name and the executive summary of the IMR report and the extracts of the said report in the form and context in which they are contained in this Prospectus have been given before the issuance of this Prospectus and have not subsequently been withdrawn.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

15.9 DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at our Registered Office during normal business hours for a period of 12 months from the date of this Prospectus:-

- (i) Memorandum and Articles of Association (Constitution) of our Company;
- (ii) Audited financial statements of our Company and our subsidiaries for the past 3 FYE's 2014 to 2016 and FPE 2017;
- (iii) The Reporting Accountants' Letter relating to our Proforma Consolidated Financial Information as set out in Section 13 of this Prospectus;
- (iv) The Accountants' Report as set out in Section 12 of this Prospectus;
- (v) The Executive Summary of the IMR report as set out in Section 7 of this Prospectus and the full IMR report;
- (vi) The Directors' Report as set out in Section 14 of this Prospectus;
- (vii) The material contracts as set out in Section 15.5 of this Prospectus; and
- (viii) The letters of consent as set out in Section 15.8 of this Prospectus.

15.10 RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Offerors have seen and approved this Prospectus, and they collectively and individually accept full responsibility for the accuracy of the information contained herein, and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted, would make any statement in this Prospectus false or misleading.

M&A Securities, being our Adviser, Sponsor, Underwriter and Placement Agent, acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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16. PROCEDURES FOR APPLICATION AND ACCEPTANCE

16.1 OPENING AND CLOSING OF APPLICATION

The period for Application will open at 10.00 a.m on 8 February 2018 and will remain open until at 5.00 p.m. on 23 February 2018. Any changes to the Closing Date will be published in a widely circulated daily Bahasa Malaysia and English newspapers within Malaysia prior to the original closing date of the application. Following this, the dates for the balloting of the applications for our IPO Shares, allotment of our IPO Shares and Listing would be extended accordingly. **LATE APPLICATIONS WILL NOT BE ACCEPTED.**

16.2 METHODS OF APPLICATION

The Applications shall be made in relation with and subject to the terms of this Prospectus and our Memorandum and Articles.

<u>Types of Application</u>	<u>Application Method</u>
Applications for the 9,265,000 Issue Shares made available for application by our eligible Directors and employees of our Group.	Pink Form Applications only
Applications for the 37,915,400 Issue Shares made available for applications by the Malaysian Public:	
(a) Malaysian Public – Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Malaysian Public – Non-Individuals	White Application Form only

FULL INSTRUCTIONS FOR THE APPLICATION FOR OUR IPO SHARES AND THE PROCEDURES TO BE FOLLOWED ARE SET OUT IN THE APPLICATION FORMS. YOU ARE ADVISED TO READ THE APPLICATION FORMS AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.

16.3 APPLICATIONS USING APPLICATION FORM

16.3.1 Types of Application Forms

The following relevant Application Forms are issued with their notes and instructions enclosed together with this Prospectus:

- (i) **Pink Application Forms** for application by our eligible Directors, employees and business associates/persons who have contributed to the success of our Group.
- (ii) **White Application Forms** for application by the Malaysian Public.

White Application Forms together with copies of this Prospectus may be obtained, subject to availability, from M&A Securities, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and our Issuing House.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

The submission of an Application Form does not necessarily mean that your application will be successful.

16.3.2 Terms and Conditions for Applications Using Application Forms

Only 1 Application Form from each applicant will be considered and an application must be for 100 ordinary shares or multiples thereof. **MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED.** If you submit multiple applications in your own name or by using the name of others, with or without their consents, you will be committing an offence under Section 179 of the CMSA and if convicted, may be punished with a minimum fine of RM1,000,000 and a jail term of up to 10 years under Section 182 of the CMSA.

Application for our IPO Shares must be made on the respective Application Form provided together with this Prospectus and must be completed in accordance with the notes and instructions printed on the reverse side of the Application Form and in this Prospectus. In accordance with Section 232 of the CMSA, the Application Form together with the notes and instructions printed thereon shall constitute integral part of this Prospectus. Applications which do not **STRICTLY** conform to the terms of this Prospectus or Application Form or notes and instructions printed thereon or which are illegible may not be accepted.

Each completed Application Form must be accompanied by a remittance in Ringgit Malaysia for the full amount payable by either:

- (i) BANKER'S DRAFT OR CASHIER'S ORDER purchased within Malaysia only and drawn on a bank in Kuala Lumpur (differentiated by a special red band for Bumiputera applicants); or
- (ii) MONEY ORDER OR POSTAL ORDER (for applicants from Sabah and Sarawak only); or
- (iii) GUARANTEED GIRO ORDER ("GGO") from Bank Simpanan Nasional Malaysia Berhad (differentiated by a special red band for Bumiputera applicants); or
- (iv) ATM STATEMENTS OBTAINED FROM ANY OF THE FOLLOWING FINANCIAL INSTITUTIONS:
 - HONG LEONG BANK BERHAD;
 - MALAYAN BANKING BERHAD;
 - RHB BANK BERHAD.

made out in favour of:

"TIH SHARE ISSUE ACCOUNT NO. 677"

and crossed **"A/C Payee Only"** (excluding ATM statements) and endorsed on the reverse side with your name and address.

Applications accompanied by mode of payment other than in the manner stated above or with excess or insufficient remittances or inappropriate Banker's Drafts, Cashier's Orders, Money Orders or Postal Order, ATM Statement or GGO will not be accepted. Details of remittances must be completed in the appropriate boxes provided in the Application Forms.

If you are an individual and not a member of the Armed Forces/Police, your name and national registration identity card number must be exactly the same as that stated in:

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (i) Your national registration identity card;
- (ii) Any valid temporary identity document issued by the National Registration Department from time to time; or
- (iii) Your "Resit Pengenalan Sementara ("KPPK 09") issued pursuant to Peraturan 5(5), Peraturan- Peraturan Pendaftaran Negara 1990.

If you are a member of the Armed Forces/Police, your name and your Armed Forces or Police personnel number, as the case may be, must be exactly the same as that stated in your authority card and your address must be the address of your respective camp, base or station.

For corporation/institutional applicants, the name and certificate of incorporation number must be exactly the same as that stated in the corporation's or certificate of incorporation and the address must be the registered address.

We, together with our Issuing House will not issue any acknowledgement of the receipt of your Application Form or application monies.

Applications accompanied by mode of payment other than those stated above or with excess or insufficient remittance may not be accepted. You must complete details of the remittance in the appropriate boxes provided on the Application Form.

You must state your CDS Account number in the space provided on the Application Form and you shall be deemed to have authorised Bursa Depository to disclose information pertaining to your CDS Account to our Issuing House and/or our Company. If you do not presently have a CDS Account, you may open 1 by contacting any one of the ADAs listed in Section 16.9 of this Prospectus.

You must write your name and address on the reverse side of the Banker's Draft, Cashier's Order, ATM statement, Money Order or GGO from Bank Simpanan Nasional Malaysia Berhad.

Insert the relevant Application Form together with payment and a legible photocopy of your identification document (NRIC/valid temporary identity document issued by the National Registration Department/"Resit Pengenalan Sementara (KPPK 09)" /authority card for armed forces or police personnel/certificate of incorporation or certificate of change of name for corporate or institutional applicant or passport (where applicable) into the Official "A" envelope and seal it.

You must write your name and address on the outside of the Official "A" and "B" envelopes. The name and address written must be identical to your name and address as per your NRIC/valid temporary identity document issued by the National Registration Department/"Resit Pengenalan Sementara (KPPK 09)" /authority card for armed forces or police personnel/certificate of incorporation or certificate of change of name for corporate or institutional applicant or passport (where applicable).

Affix an 80 sen stamp on the Official "A" envelope and insert the Official "A" envelope into the Official "B" envelope

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents must be despatched by ORDINARY POST in the official envelopes provided to the following address:

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Unit 32-01, Level 32, Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

or **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at their Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur,

so as to arrive not later than 5.00 p.m. on 23 February 2018.

Registered post must not be used.

No acknowledgement of the receipt of Application Forms or application monies will be made.

Please direct all enquiries in respect of the White Application Form to our Issuing House.

16.4 APPLICATIONS USING ELECTRONIC SHARE APPLICATION

16.4.1 Participating Financial Institutions

Electronic Share Applications may be made through an ATM of the following Participating Financial Institutions and their branches with the respective processing fee:

- Affin Bank Berhad – No fee will be charged for application by their account holders;
- Alliance Bank Malaysia Berhad – RM1.00;
- AmBank (M) Berhad – RM1.00;
- CIMB Bank Berhad – RM2.50
- HSBC Bank Malaysia Berhad – RM2.50;
- Malayan Banking Berhad – RM1.00;
- Public Bank Berhad – RM2.00;
- RHB Bank Berhad – RM2.50; or
- Standard Chartered Bank Malaysia Berhad (as selected branches only) – RM2.50

16.4.2 Terms and Conditions for Electronic Share Application

The procedures for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions. For illustration purposes, the procedures for Electronic Share Application at ATMs are set out in Section 16.4.3 of this Prospectus. The steps set out the actions that you must take at the ATM to complete an Electronic Share Application. Please read and understand carefully the terms of this Prospectus, the steps and the terms and conditions for Electronic Share Application set out below before making an Electronic Share Application.

In the case of Electronic Share Application, only an applicant who is an individual with a CDS Account is eligible to utilise the facility.

You must have an existing bank account with, and be an ATM cardholder of, 1 of the Participating Financial Institutions before you can make an Electronic Share Application at an ATM of that Participating Financial Institution. An ATM card issued by one of the Participating Financial Institutions cannot be used to apply for our IPO Shares at an ATM belonging to other Participating Financial Institutions. Upon the completion of your Electronic Share Application transaction, you will receive a computer-generated transaction slip ("Transaction Record"), confirming the details of your Electronic Share Application. The

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Share Application or any data relating to such an Electronic Share Application by our Company or Issuing House. The Transaction Record is for your retention and should not be submitted with any Application Form.

Upon the closing of offer for the application for our IPO Shares on 23 February 2018 at 5.00 p.m., the Participating Financial Institutions shall submit the magnetic tapes containing their respective customers' applications for our IPO Shares to our Issuing House as soon as practicable but not later than 12.00 p.m. of the 2nd business day after the Closing Date and Time.

You are allowed to make an Electronic Share Application for our IPO Shares via an ATM that accepts the ATM cards of the Participating Financial Institutions with which you have an account and its branches, subject to you making only 1 Application. You can apply for our IPO Shares via an ATM card of that Participating Financial Institution which is situated in another country or place outside of Malaysia, subject to you making only 1 Application.

You must ensure that you use your own CDS Account number when making an Electronic Share Application. If you have a joint account with any Participating Financial Institution, you must ensure that you enter your own CDS Account number when using an ATM card issued to you in your own name. Your application will be rejected if you fail to comply with the foregoing conditions.

The Electronic Share Application shall be made on, and subject to, the above terms and conditions as well as the terms and conditions appearing below:

- (i) The Electronic Share Application shall be made in connection with and subject to the terms of this Prospectus and the Memorandum and Articles of our Company.
- (ii) You are required to confirm the following statements (by depressing predesignated keys or buttons on the ATM keyboard) and undertake that the following information given is true and correct:
 - (a) You have attained 18 years of age as at the Closing Date;
 - (b) You are a Malaysian citizen residing in Malaysia;
 - (c) You have read the relevant Prospectus and understood and agreed with the terms and conditions of the application;
 - (d) This is the only application that you are submitting; and
 - (e) You thereby give consent to the participating financial institution and Bursa Depository to disclose information pertaining to yourself and your account with the participating financial institution and Bursa Depository to our Issuing House and other relevant authorities.
- (iii) Your Application will not be successfully completed and cannot be recorded, as a completed transaction at the ATM unless you complete all the steps required by the Participating Financial Institutions. By doing so, you shall be treated as signifying your confirmation of each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia, including Section 133 of the Financial Service Act, 2013 and Section 45 of the Securities Industry (Central Depositories) Act, 1991 to the disclosure by the relevant Participating Financial Institution or Bursa Depository, as the case may be, of any of your particulars to our Issuing House or any other relevant regulatory bodies.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (iv) You confirm that you are not applying for our IPO Shares as nominee of any other person and that any Electronic Share Application that you make is made by yourself as the beneficial owner. You shall only make 1 Electronic Share Application and shall not make any other application for our IPO Shares, whether at the ATMs of any Participating Financial Institution or on the prescribed Application Forms or via Internet share application.
- (v) You must have sufficient funds in your account with the relevant Participating Financial Institutions at the time you make your Electronic Share Application, failing which your Electronic Share Application will not be completed. Any Electronic Share Application, which does not strictly conform to the instructions set out on the screens of the ATM through which the Electronic Share Application is being made will be rejected.
- (vi) You agree and undertake to subscribe for or purchase and to accept the number of IPO Shares applied for as stated on the Transaction Record or any lesser number of IPO Shares that may be allotted or allocated to you in respect of your Electronic Share Application. In the event that we decide to allot or allocate any lesser number of such IPO Shares or not to allot or allocate any IPO Shares to you, you agree to accept any such decision as final. If your Electronic Share Application is successful, your confirmation (by your action of pressing the designated key on the ATM) of the number of IPO Shares applied for shall signify, and shall be treated as, your acceptance of the number IPO Shares that may be allotted or allocated to you and to be bound by our Memorandum and Articles.
- (vii) Our Issuing House, acting under the authority of our Board, reserves the right to reject any Electronic Share Application or accept any Electronic Share Application in part only without assigning any reason therefor. Due consideration will be given to the desirability of allotting or allocating the Shares to a reasonable number of applicants with a view to establishing an adequate market for the Shares.
- (viii) You request and authorise us:
 - (a) to credit our IPO Shares allotted or allocated to you into your CDS Account; and
 - (b) to issue share certificate(s) representing such IPO Shares allotted or allocated in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.
- (ix) You acknowledge that your Electronic Share Application is subject to the risks of electrical, electronic, technical and computer-related faults and breakdowns, fires and other events beyond the control of our Company, Issuing House, the Participating Financial Institution or Bursa Depository, and irrevocably agree that if:
 - (a) our Company or Issuing House do/does not receive your Electronic Share Application; and
 - (b) data relating to your Electronic Share Application is wholly or partially lost, corrupted or not otherwise accessible, or not transmitted or communicated to our Company or Issuing House,

you shall be deemed not to have made an Electronic Share Application and you shall not claim whatsoever against the Company, the Issuing House, the Participating Financial Institutions or Bursa Depository for our IPO Shares applied for or for any compensation, loss or damage.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (x) All your particulars in the records of the relevant Participating Financial Institution at the time you make your Electronic Share Application shall be deemed to be true and correct and our Company, Issuing House and the relevant Participating Financial Institution shall be entitled to rely on the accuracy thereof.
- (xi) You shall ensure that your particulars as recorded by both Bursa Depository and the relevant participating financial institution are correct and identical. Otherwise, your Electronic Share Application is liable to be rejected. You must inform Bursa Depository promptly of any change in address, failing which the notification letter of successful allotment or allocation will be sent to your registered or correspondence address last maintained with Bursa Depository.
- (xii) By making and completing an Electronic Share Application, you agree that:
 - (a) in consideration of our Company agreeing to allow and accept the making of any application for our IPO Shares via the Electronic Share Application facility established by the Participating Financial Institution at their respective ATMs, your Electronic Share Application is irrevocable;
 - (b) our Company, the Participating Financial Institutions, Bursa Depository and our Issuing House shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Share Application due to a breakdown, failure of transmission or communication facilities, or to any cause beyond our/their control;
 - (c) notwithstanding the receipt of any payment by our Company or on behalf of our Company, the acceptance of your offer to subscribe for and purchase of our IPO Shares for which your Electronic Share Application has been successfully completed shall be constituted by the issue of notices of successful allocation for prescribed securities, in respect of the said IPO Shares;
 - (d) you irrevocably authorise Bursa Depository to complete and sign on your behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of our IPO Shares allotted or allocated to you; and
 - (e) our Company agrees that in relation to any legal action or proceedings arising out of or in connection with the contract between the parties and/or the electronic share scheme and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that our Company irrevocably submits to the jurisdiction of the Courts of Malaysia.
- (xiii) Our Issuing House, acting under the authority of our Board, reserves the right to reject applications which do not conform to these instructions.

16.4.3 Steps for Electronic Share Application through a Participating Financial Institution's ATM

- (i) You must have an account with a Participating Financial Institution and an ATM card issued by that Participating Financial Institution to access the account;
- (ii) You must have a CDS Account; and

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (iii) You have to choose the Electronic Share Application option at the ATM of the Participating Financial Institution. Mandatory statements required in the Application are set out on Section 16.4.2 of this Prospectus relating to the terms and conditions for Electronic Share Application. You have to enter at least the following information through the ATM where the instructions on the ATM screen require you to do so:
- Personal Identification Number ("PIN Number");
 - **TIIH Share Issue Account No. 677;**
 - CDS Account number;
 - Number of IPO Shares applied for and/or the Ringgit Malaysia amount to be debited from the account; and
 - Confirmation of several mandatory statements.

16.5 APPLICATIONS USING INTERNET SHARE APPLICATION**16.5.1 Steps for Internet Share Application through an Internet Participating Financial Institution's website**

The exact steps for Internet Share Application in respect of the Shares are as set out on the Internet financial services website of the Internet Participating Financial Institutions.

For illustration purposes only, the steps for an application for our IPO Shares via Internet Application may be as set out below. The steps set out the actions that you must take at the Internet financial services website of the Internet Participating Financial Institution to complete an Internet Share Application.

YOU MUST HAVE A CDS ACCOUNT BEFORE YOU CAN MAKE ANY APPLICATION FOR THE SHARES. PLEASE TAKE NOTE THAT THE ACTUAL STEPS FOR INTERNET SHARE APPLICATIONS CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS MAY DIFFER FROM THE STEPS OUTLINED BELOW.

- (i) Connect to the Internet financial services website of the Internet Participating Financial Institution with which you have an account.
- (ii) Login to the Internet financial services facility by entering your user identification and PIN Number/password.
- (iii) Navigate to the section of the website on applications in respect of initial public offerings.
- (iv) Select the counter in respect of our IPO Shares to launch the Electronic Prospectus and the terms and conditions of the Internet Share Application.
- (v) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions.
- (vi) At the next screen, complete the online application form.
- (vii) Check that the information contained in the online application form such as the Shares counter, NRIC number, CDS Account number, number of IPO Shares applied for and the account number to debit are correct, and select the designated hyperlink on the screen to confirm and submit the online application form.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

By confirming such information, you also undertake that the following information given is true and correct:

- (a) You have attained 18 years of age as at the Closing Date;
 - (b) You are a Malaysian citizen residing in Malaysia;
 - (c) You have, prior to making the Internet Share Application, received and/or have had access to a printed/electronic copy of the Prospectus, the contents of which you have read and understood;
 - (d) You agree to all the terms and conditions of the Internet Share Application as set out in this Prospectus and have carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus before making the Internet Share Application for our IPO Shares;
 - (e) The Internet Share Application is the only application that you are submitting for our IPO Shares;
 - (f) You authorise the Internet Participating Financial Institution or the Authorised Financial Institution to deduct the full amount payable for our IPO Shares from your account with the Internet Participating Financial Institution or the Authorised Financial Institution;
 - (g) You give your express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 133 of the Financial Service Act, 2013 and Section 45 of the Securities Industry (Central Depositories) Act, 1991) to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as the case may be, of your information, your Internet Share Application or your account with the Internet Participating Financial Institution, to our Issuing House and the Authorised Financial Institution, the SC and any other relevant authority;
 - (h) You are not applying for our IPO Shares as a nominee of any other person and the application is made in your own name, as the beneficial owner and subject to the risks referred to in this Prospectus; and
 - (i) You authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, our Company, Bursa Securities or other relevant parties in connection with our IPO Shares, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Application services or if such disclosure is requested or required in connection with our IPO Shares. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of your information furnished by you to the Internet Participating Financial Institution in connection with the use of the Internet Share Applications services;
- (viii) Upon submission of your online application form, you will be linked to the website of the Authorised Financial Institution to effect the online payment of your application money for our IPO.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (ix) As soon as your transaction is completed, a message from the Authorised Financial Institution pertaining to your payment status will appear on the screen of the website through which the online payment of your application money is being made.
- (x) Subsequent to the above, the Internet Participating Financial Institution shall confirm that your Internet Share Application has been completed, via the Confirmation Screen on its website.
- (xi) You are advised to print out the Confirmation Screen for reference and retention.

16.5.2 Terms and Conditions for Internet Share Application

Applications for our IPO Shares may be made through the Internet financial services website of the Internet Participating Financial Institutions.

YOU ARE ADVISED NOT TO APPLY FOR OUR IPO SHARES THROUGH ANY WEBSITE OTHER THAN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

Internet Participating Financial Institution

Internet Share Applications may be made through a website of the following Participating Financial Institutions with the respective processing fee:

- Affin Bank Berhad (www.affinOnline.com) – No fees will be charged for application by their account holders;
- Alliance Bank Malaysia Berhad (www.allianceonline.com.my) – RM1.00;
- CIMB Investment Bank Berhad (www.eipocimb.com) – RM2.00 for payment via CIMB Bank Berhad or Malayan Banking Berhad;
- CIMB Bank Berhad (www.cimbclicks.com.my) – RM2.00 for applicants with CDS Accounts held with CIMB Investment Bank Berhad and RM2.50 for applicants with CDS Accounts with other ADAs;
- Malayan Banking Berhad (www.maybank2u.com.my) – RM1.00;
- RHB Bank Berhad (www.rhb.com.my) – RM2.50;
- Public Bank Berhad (www.pbebank.com) – RM2.00; and

PLEASE READ THE TERMS OF THIS PROSPECTUS, THE TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATIONS SET OUT HEREIN AND THE STEPS FOR INTERNET SHARE APPLICATIONS SET OUT HEREIN CAREFULLY PRIOR TO MAKING AN INTERNET SHARE APPLICATION.

THE EXACT TERMS AND CONDITIONS AND THE SEQUENCE FOR INTERNET SHARE APPLICATIONS IN RESPECT OF OUR IPO SHARES ARE AS SET OUT ON THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

PLEASE NOTE THAT THE ACTUAL TERMS AND CONDITIONS OUTLINED BELOW SUPPLEMENT THE ADDITIONAL TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATIONS CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

An Internet Share Application shall be made on and shall be subject to the terms and conditions set out herein:

- (i) You can make an Internet Share Application if you fulfill all of the following:
 - (a) You are an individual with a CDS Account and in the case of a joint account, an individual CDS Account registered in your name which is to be used for the purpose of the application if you are making the application instead of a CDS Account registered in the joint account holder's name;
 - (b) You have an existing account with access to Internet financial services facilities with an Internet Participating Financial Institution. You must have ready your user identification ("User ID") and Personal Identification Numbers ("PIN")/password for the relevant Internet financial services facilities; and
 - (c) You are a Malaysian citizen and have a mailing address in Malaysia.

You are advised to note that a User ID and PIN/password issued by one of the Internet Participating Financial Institutions cannot be used to apply for our IPO Shares at Internet financial service websites of other Internet Participating Financial Institutions.

- (ii) An Internet Share Application shall be made on and shall be subject to the terms of this prospectus and our Company's Memorandum and Articles.
- (iii) You are required to confirm the following statements (by selecting the designated hyperlink on the relevant screen of the Internet financial services website of the Internet Participating Financial Institution) and to undertake that the following information given is true and correct:
 - (a) You have attained 18 years of age as at the Closing Date;
 - (b) You are a Malaysian citizen residing in Malaysia;
 - (c) You have, prior to making your Internet Share Application, received and/or have had access to a printed/electronic copy of this Prospectus, the contents of which you have read and understood;
 - (d) You agree to all the terms and conditions of the Internet Share Application as set out in this Prospectus and have carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in the Prospectus before making your Internet Share Application for our IPO;
 - (e) Your Internet Share Application is the only application that you are submitting for our IPO Shares;
 - (f) You authorise the Internet Participating Financial Institution or the Authorised Financial Institution to deduct the full amount payable for our IPO Shares from your account with the Internet Participating Financial Institution or the Authorised Financial Institution;
 - (g) You give express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 133 of the Financial Service Act, 2013 and Section 45 of the Securities Industry (Central Depositories) Act, 1991) to the disclosure by the Internet Participating Financial Institution, the

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Authorised Financial Institution and/or Bursa Depository, as the case may be, of your information, your Internet Share Application or your account with the Internet Participating Financial Institution, to our Issuing House and the Authorised Financial Institution, the SC and any other relevant authority;

- (h) You are not applying for our IPO Shares as a nominee of any other person and your application is made in your own name, as beneficial owner and subject to the risks referred to in this Prospectus; and
 - (i) You authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, our Company, Bursa Securities or other relevant parties in connection with our IPO, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Application services or if such disclosure is requested or required in connection with our IPO. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of your information furnished by you to the Internet Participating Financial Institution in connection with the use of the Internet Share Application services.
- (iv) Your application will not be successfully completed and cannot be recorded as a completed application unless you have completed all relevant application steps and procedures for the Internet Share Application which would result in the Internet financial services website displaying the Confirmation Screen.

For the purposes of this Prospectus, "Confirmation Screen" shall mean the screen which appears or is displayed on the Internet financial services website, which confirms that your Internet Share Application has been completed and states the details of your Internet Share Application, including the number of IPO Shares applied for which you can print out for your records.

Upon the display of the Confirmation Screen, you shall be deemed to have confirmed the truth of the statements set out in Section 16.5.2 (iii) of this Prospectus.

- (v) You must have sufficient funds in your account with the Internet Participating Financial Institution or the Authorised Financial Institution at the time of making your Internet Share Application, to cover and pay for our IPO Shares and the related processing fees, charges and expenses, if any, to be incurred, failing which your Internet Share Application will not be deemed complete, notwithstanding the display of the Confirmation Screen. Any Internet Share Application which does not conform strictly to the instructions set out in this Prospectus or any instructions displayed on the screens of the Internet financial services website through which the Internet Share Application is made shall be rejected.
- (vi) You irrevocably agree and undertake to subscribe for and to accept the number of IPO Shares applied for as stated on the Confirmation Screen or any lesser number of IPO Shares that may be allotted to you in respect of the Internet Share Application. If our Company decides to allot or allocate any lesser number of such Shares or not to allot or allocate any IPO Shares to you, you agree to accept any such decision of our Company as final.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

In the course of completing your Internet Share Application on the website of the Internet Participating Financial Institution, your confirmation of the number of IPO Shares applied for (by way of your action of clicking the designated hyperlink on the relevant screen of the website) shall be deemed to signify and shall be treated as:

- (a) Your acceptance of the number of IPO Shares that may be allotted or allocated to you in the event that your Internet Share Application is successful or successful in part, as the case may be; and
 - (b) Your agreement to be bound by the Memorandum and Articles of our Company.
- (vii) You are fully aware that multiple or suspected multiple Internet Share Applications for our IPO Shares will be rejected. Our Company reserves the right to reject any Internet Share Application or accept any Internet Share Application in part only without assigning any reason therefore. We will give due consideration to the desirability of allotting or allocating the Shares to a reasonable number of applicants with a view to establishing an adequate market for the Shares.
- (viii) If your Internet Share Application is unsuccessful or successful in part only, the Internet Participating Financial Institution will be informed of the unsuccessful or partially successful Internet Share Application. If your Internet Share Application is unsuccessful, the Internet Participating Financial Institution will credit or arrange with the Authorised Financial Institution to credit the full amount of your application money in Ringgit Malaysia (without interest or any Shares of revenue or other benefit arising therefrom) into your account with the Internet Participating Financial Institution or the Authorised Financial Institution within 2 market days after receipt of written confirmation from our Issuing House.

Our Issuing House shall inform the Internet Participating Financial Institution of unsuccessful or partially successful applications within 2 Market Days from the balloting date.

If your Internet Share Application is accepted in part only, the relevant Internet Participating Financial Institution will credit the balance of your application monies in Ringgit Malaysia (without interest or any share of revenue or other benefit arising therefrom) into your account with the Internet Participating Financial Institution within 2 Market Days after receipt of written confirmation from our Issuing House.

However, a number of applications will be held in reserve to replace any successfully balloted applications that are subsequently rejected. If your application is held in reserve, and subsequently rejected, your application monies (without interest or any share of revenue or other benefit arising therefrom) will be refunded to you by the Internet Participating Financial Institutions by crediting into the applicant's account with the Internet Participating Financial Institution within 10 Market Days from the day of the final ballot of the applications list.

If your application is held in reserve and which are subsequently unsuccessful (or only partly successful), the Issuing House shall inform the relevant Participating Financial Institutions of the non-successful or partly successful Applications within 2 Market Days after the final balloting date. The Internet Participating Financial Institutions will then credit the application monies (or any part thereof but without interest or any share of revenue or other benefit arising therefrom) into your account within 2 Market Days after the receipt of written confirmation from the Issuing House.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Except where our Issuing House is required to refund application monies, it is the sole responsibility of the Internet Participating Financial Institution to ensure the timely refund of application monies from unsuccessful or partially successful Internet Share Applications. Therefore, you are strongly advised to consult the Internet Participating Financial Institution through which your application was made in respect of the mode or procedure of enquiring on the status of your Internet Share Application in order to determine the status or exact number of IPO Shares allotted, if any, before trading of our IPO Shares on Bursa Securities.

- (ix) Internet Share Applications will be closed at 5.00 p.m. on 23 February 2018. An Internet Share Application is deemed to be received only upon its completion, which is when the Confirmation Screen is displayed on the Internet financial services website. You are advised to print out and retain a copy of the Confirmation Screen for record purposes. Late Internet Share Applications will not be accepted.
- (x) You irrevocably agree and acknowledge that your Internet Share Application is subject to risk of electrical, electronic, technical and computer-related faults and breakdowns, faults with computer software, problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, fires, acts of God and other events beyond the control of the Internet Participating Financial Institution, the Authorised Financial Institution, our Issuing House and our Company. If, in any such event, we, our Issuing House and/or the Internet Participating Financial Institution and/or the Authorised Financial Institution do not receive your Internet Share Application and/or the payment therefore, or in the event that any data relating to your Internet Share Application or the tape or any other devices containing such data is lost, corrupted, destroyed or otherwise not accessible, whether wholly or partially and for any reason whatsoever, you shall be deemed not to have made an Internet Share Application and you shall have made no claim whatsoever against us, our Issuing House or the Internet Participating Financial Institution and the Authorised Financial Institution in relation to our IPO Shares applied for or for any compensation, loss or damage whatsoever, as a consequence thereof or arising therefrom.
- (xi) All of your particulars in the records of the relevant Internet Participating Financial Institution at the time of your Internet Share Application shall be deemed to be true and correct, and we, our Issuing House, the Internet Participating Financial Institutions and all other persons who, are entitled or allowed under the law to such information or where you expressly consent to the provision of such information shall be entitled to rely on the accuracy thereof.

You shall ensure that your personal particular as recorded by both Bursa Depository and the Internet Participating Financial Institution are correct and identical. Otherwise, your Internet Share Application is liable to be rejected. The notification letter on successful allocation or allotment will be sent to your address last registered with Bursa Depository. It is your responsibility to notify the Internet Participating Financial Institution and Bursa Depository of any changes in your personal particulars that may occur from time to time.

- (xii) By making and completing an Internet Share Application, you are deemed to have agreed that:
 - (a) in consideration of us making available the Internet Share Application facility to you, through the Internet Participating Financial Institution acting as our agents, the Internet Share Application is irrevocable;
 - (b) you have irrevocably requested and authorised us to register our IPO Shares allotted or allocated to you for deposit into your CDS Account;

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (c) neither we nor the Internet Participating Financial Institution shall be liable for any delay, failure or inaccuracy in the recording, storage or transmission or delivery of data relating to your Internet Share Application to our Issuing House or Bursa Depository due to any breakdown or failure of transmission, delivery or communication facilities or due to any risk referred to in Section 16.5.2(x) of this Prospectus or to any cause beyond their control;
- (d) you shall hold the Internet Participating Financial Institution harmless from any damages, claims or losses whatsoever, as a consequence of or arising from any rejection of your Internet Share Application by our Issuing House, us and/or the Internet Participating Financial Institution for reasons of multiple application, suspected multiple application, inaccurate and/or incomplete details provided by you, or any other cause beyond the control of the Internet Participating Financial Institution;
- (e) the acceptance of the offer made by you to subscribe for our IPO Shares for which your Internet Share Application has been successfully completed shall be constituted by written notification in the form of the issue of a notice of allotment by us or on our behalf and not otherwise, notwithstanding the receipt of any payment by us or on our behalf;
- (f) you are not entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your Internet Application by us;
- (g) in making the Internet Share Application, you have relied solely on the information contained in this Prospectus. We, M&A Securities and any other person involved in our IPO shall not be liable for any information not contained in this Prospectus which may have been relied on by you in making the Internet Share Application; and
- (h) the acceptance of your Internet Share Application by us and the contract resulting therefrom under our IPO shall be governed by and construed in accordance with the laws of Malaysia, and you irrevocably submit to the jurisdiction of the courts of Malaysia.

16.6 APPLICATIONS AND ACCEPTANCES

You can only apply for our IPO Shares if:

- (i) You have attained 18 years of age as at the Closing Date;
- (ii) You are a Malaysian citizen residing in Malaysia;
- (iii) You are a corporation/institution incorporated in Malaysia where, there is a majority of Malaysian citizens on your board of Directors/trustee and if you have a share capital, more than half of your issued share capital, excluding preference share capital, is held by Malaysian citizens;
- (iv) You are a superannuation, provident or pension fund established or operating in Malaysia;
- (v) You have a CDS Account;
- (vi) You have read the relevant Prospectus and understood and agreed with the terms and conditions of the application;

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (vii) You are not a Director or employee of our Issuing House or their immediate family members;
- (viii) This is the only application that you are submitting; and
- (ix) You give consent to the Participating Financial Institution and Bursa Depository to disclose information pertaining yourself and your account with the Participating Financial Institution and Bursa Depository to us, our Issuing House and other relevant authorities.

The amount payable in full on application is RM0.19 per IPO Share. Persons submitting applications by way of Application Forms may not submit applications by way of Electronic Share Applications or by way of Internet Share Application and vice versa. A corporation or institution cannot submit an Application by way of Electronic Share Application or Internet Share Application.

Our Issuing House, acting under the authority of our Board reserves the right not to accept any Application or accept any Application in part only without assigning any reason therefor. Due consideration will be given to the desirability of allotting or allocating our IPO Shares to a reasonable number of applicants with a view to establishing an adequate market for our IPO Shares.

Our Issuing House, acting under the authority of our Board reserves the right not to accept any application which does not strictly comply with the instructions or to accept any Application in part only without assigning any reason therefore.

The submission of your Application Form or the completion of your Electronic Share Application or Internet Share Application does not necessarily mean that your Application will be successful.

In the event of an over-subscription, acceptance of Applications by the Malaysian Public shall be subject to ballot to be conducted in a manner as approved by our Directors. Our Board will ensure that any excess IPO Shares will be allocated on a fair and equitable manner, and in our best interest. Due consideration will be given to the desirability of distributing our IPO Shares to a reasonable number of applicants with a view to broadening the shareholding base and establishing an adequate market in the trading of our Shares.

The final allocation of our IPO Shares to any single applicant will be made to ensure that our Company complies with the public shareholding spread requirement under the Listing Requirements, which is at least 25.0% of our total enlarged share capital of our Shares for which listing is sought must be in the hands of public shareholders, with a minimum of 200 public shareholders holding not less than 100 Shares each upon admission to the Official List of the ACE Market of Bursa Securities. In the event that the above requirement is not met pursuant to our Listing, we may not be allowed to proceed with our Listing. In the event thereof, your monies paid in respect of your Applications will be returned without interest of the said permission for listing and quotation is not granted. Applicants will be selected in a manner determined by our Directors.

YOUR APPLICATION MUST BE FOR 100 ORDINARY SHARES OR MULTIPLES THEREOF.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

In the event of an under-subscription of IPO Shares by the Malaysian Public, such number of IPO Shares not applied for will be reallocated in the manner as specified in Section 3.4.4 of this Prospectus.

If you are unsuccessful/partially successful in your Application, the full amount or the balance of the Application monies, as the case may be, will be refunded without interest in the following manner:

- (i) For an Application by way of Application Form, the application monies or the balance of it, as the case may be, will be returned to you via the self-addressed and stamped Official "A" envelope you provided, by ordinary post (for fully unsuccessful applications) or by crediting into your bank account for purposes of cash dividend /distribution if you have provided such bank account information to Bursa Depository or by ordinary post to your last address maintained with the Bursa Depository, if you have not provided such bank account information to Bursa Depository (for partially successful applications), at your own risk within 10 Market Days from the date of the final ballot.

If your application is rejected because you did not provide a CDS Account, the full amount of your application monies will be sent to you to the address as per the NRIC or "Resit Pengenaln Sementara (KPPK 09)" or any valid temporary identity document as issued by the National Registration Department from time to time, or authority card in the case of armed forces/police personnel, at your own risk.

Our Issuing House reserves the right to bank in all application monies from unsuccessful applicants. These monies will be refunded within 10 Market Days from the date of the final ballot by crediting into your bank account for purposes of cash dividend /distribution if you have provided such bank account information to Bursa Depository or by ordinary post to your last address maintained with the Bursa Depository at your own risk if you have not provided such bank account information to Bursa Depository.

- (ii) For an Application by way of Electronic Share Application, where an Electronic Share Application is not successful or successful in part only, the relevant participating financial institution will be informed of the non-successful or partially successful applications. If the Electronic Share Application is not successful, the relevant Participating Financial Institutions will credit the full amount of your Application monies into your account with that Participating Financial Institution within 2 Market Days after the receipt of confirmation from our Issuing House. Our Issuing House shall inform the Participating Financial Institutions of the non-successful or partially successful Applications within 2 Market Days after the balloting date. You may check your account on the 5th Market Day from the balloting date.

Where your Electronic Share Application is accepted in part only, the relevant Participating Financial Institution will credit the balance of your Application monies without interest into your account with the Participating Financial Institution within 2 Market Days after the receipt of confirmation from our Issuing House. A number of Applications will, however, be held in reserve to replace any successfully balloted applications, which are subsequently rejected. For such Applications, which are subsequently rejected, the Application monies without interest will be refunded to you by the Participating Financial Institutions by crediting into the applicant's account with the Participating Financial Institution not later than 10 Market Days from the day of the final ballot of the application list.

Where for Applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the Issuing House shall inform the relevant Participating Financial Institutions of the non-successful or partly successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institutions

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

will then credit the application monies (or any part thereof but without interest or any share of revenue or other benefit arising therefrom) into your account within 2 Market Days after the receipt of written confirmation from the Issuing House.

- (iii) For an Application by way of Internet Share Application, please refer to Section 16.5.2(viii).

If you encounter any problems in your Application, you may refer to the Participating Financial Institutions.

If you are successful in your Application, our Directors reserve the rights to require you to appear in person at the registered office of our Issuing House within 14 days of the date of the notice issued to you to ascertain the regularity or propriety of the Application. Our Directors shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any of your expenses incurred or to be incurred for the purpose of complying with this provision.

Your remittance having been presented for payment shall not signify that your Application has been accepted.

16.7 CDS ACCOUNT

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the Issues Shares as Prescribed Securities. In consequence thereof, the share issued/offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these shares will be carried out in accordance with the Securities Industry (Central Depository) Act, 1991 and Rules of Bursa Depository.

Following the above, in accordance to Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, all dealings in our IPO Shares of our Company including our IPO Shares will be by book entries through CDS Accounts. No share certificates will be issued to you.

You must have a CDS Account when applying for our IPO Shares. If you do not presently have a CDS Account, you should open a CDS Account at an ADA prior to making an application for our IPO Shares.

In the case of an Application by way of Application Form, you should state your CDS Account number in the space provided on the Application Form and you shall be deemed to have authorised Bursa Depository to disclose information pertaining to your CDS Account to our Issuing House or our Company and any relevant regulatory bodies, as the case may be.

In the case of an Application by way of Electronic Share Application, you shall furnish your CDS Account number to the Participating Financial Institution by way of keying in your CDS Account number if the instructions on the ATM screen require you to do so.

In the case of an application by way of Internet Share Application, only an applicant who has a CDS Account can make an Internet Share Application. In certain cases, only an applicant who has a CDS Account opened with the Internet Participating Financial Institution can make an Internet Share Application. Arising therewith, the applicant's CDS Account number would automatically appear in the e-IPO online application form.

Failure to comply with these specific instructions or inaccuracy in the CDS Account number, arising from use of invalid, third party or nominee accounts, may result in the Application being rejected. If a successful applicant fails to state his / her CDS Account number, our

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Issuing House, on our authority, will reject the Application. Our Issuing House, acting under the authority of our Board also reserves the right to reject any incomplete and inaccurate Application.

Applications may also be rejected if the applicants' particulars provided in the Application Forms, or in the case of Electronic Share Application or Internet Share Application, if the records of the Participating Financial Institutions at the time of making the Electronic Share Application or Internet Share Application differ from those in Bursa Depository's records, such as the identity card number, name and nationality.

16.8 NOTICES OF ALLOTMENT

Our IPO Shares allocated to you will be credited into your CDS Account if you are successful or partially successful in your application. A notice of allotment will be despatched to you at your address last maintained with Bursa Depository at your own risk prior to our Listing. This is the only acknowledgement of acceptance of your application.

You shall ensure that your personal particulars as recorded by both Bursa Depository and relevant participating financial institutions are correct and identical. You must inform Bursa Depository of your updated address promptly by adhering to certain rules and regulations of Bursa Depository, failing which the notification letter on successful allotment shall be sent to your address last registered with Bursa Depository.

You may also check the status of your application by calling your respective ADAs as stated in Section 16.9 or at the telephone numbers of our Issuing House stated below (during office hours only) or by checking at our Issuing House's website stated below after the date of allotment of the Shares:

Issuing House Enquiry Services : 03-2783 9299

Issuing House Website : www.myetricor.com

16.9 LIST OF ADAs

The list of ADAs and their respective addresses, telephone numbers and ADA codes are as follows:

Name	Address and telephone number	ADA Code
KUALA LUMPUR		
AFFIN HWANG INVESTMENT BANK BHD	Ground, Mezzanine & 3rd Floor Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No.: 03-2143 8668	068-018
AFFIN HWANG INVESTMENT BANK BHD	No. 38A & 40A Jalan Midah 1 Taman Midah, Cheras 56000 Kuala Lumpur Tel No.: 03-9130 8803	068-021
ALLIANCE INVESTMENT BANK BHD	17 th Floor, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No.: 03-2604 3333	076-001

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
KUALA LUMPUR (CONT'D) AMINVESTMENT BANK BERHAD	8-9, 11-18, 21-25 Floor Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur Tel No.: 03-2036 2633	086-001
BIMB SECURITIES SDN BHD	32 nd Floor, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No.: 03-2691 8887	024-001
CIMB INVESTMENT BANK BHD	Principal Office Level 17, Menara CIMB Jalan Stesen Sentral 2 50470 Kuala Lumpur Tel No.: 03-2261 8888	065-001
CITIGROUP GLOBAL MARKETS MALAYSIA SDN BHD	Level 43, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel No.: 03-2383 3890	038-001
CLSA SECURITIES MALAYSIA SDN BHD	Bilik 20-01, Aras 20 Menara Dion2 7 Jalan Sultan Ismail 50250 Kuala Lumpur Tel No.: 03-2056 7888	033-001
CREDIT SUISSE SECURITIES (MALAYSIA) SDN BHD	Suite 7.6, Level 7 Menara IMC8, Jalan Sultan Ismail 50250 Kuala Lumpur Tel No.: 2723 2020	036-001
FA SECURITIES SDN BHD	A-10-17 & A-10-1 Level 10, Menara UOA Bangsar No. 5, Jalan Bangsar Utama 1 59000 Kuala Lumpur Tel No.: 2288 1676	021-002
HONG LEONG INVESTMENT BANK BERHAD	Level 6, 7 & 23 Menara HLA No. 3, Jalan Kia Peng 50450 Kuala Lumpur Tel No.: 03-2168 1168	066-001
AFFIN HWANG INVESTMENT BANK BHD	Tingkat 2, Bangunan AHP No. 2, Jalan Tun Mohd Fuad 3 Taman Tun Dr. Ismail 60000 Kuala Lumpur Tel No.: 03-7710 6688	068-009

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
KUALA LUMPUR (CONT'D) INTER-PACIFIC SECURITIES SDN BHD	No.33 (First Floor) Jalan Radin Bagus 57000 Bandar Baru Seri Petaling Tel No.: 03-9056 2922	054-007
INTER-PACIFIC SECURITIES SDN BHD	West Wing, Level 13 Berjaya Times Square No. 1, Jalan Imbi 55100 Kuala Lumpur Tel No.: 03-2117 1888	054-001
INTER-PACIFIC SECURITIES SDN BHD	Tingkat Bawah, 7-0-8 Jalan 3/109F Danau Business Centre Danau Desa 58100 Kuala Lumpur Tel No.: 03-7984 7796	054-003
J.P.MORGAN SECURITIES (MALAYSIA) SDN BHD	Level 18, Integra Tower The Intermark, 348 Jalan Tun Razak 50250 Kuala Lumpur Tel No.: 03-2270470	035-001
JUPITER SECURITIES SDN BHD	Level 8 & 9, Menara Olympia 8, Jalan Raja Chulan 50200 Kuala Lumpur Tel No.: 03-2034 1888	055-001
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	11 th - 14 th Floor Chulan Tower, No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No.: 03-2168 8800	053-001
KENANGA INVESTMENT BANK BHD	Level 10,11 & 12 Kenanga Tower 237 Jalan Tun Razak 50400 Kuala Lumpur Tel No.: 03-2173 2888	073-001
KENANGA INVESTMENT BANK BERHAD	M3-A-7 & M3-A-8 Jalan Pandan Indah 4/3A Pandan Indah 55100 Kuala Lumpur Tel No.: 03-4297 8806	073-020
KENANGA INVESTMENT BANK BERHAD	Ground, Mezzanine, 1st & 2nd Floors (West & Center Wing) & 1st Floor East Wing Bangunan ECM Libra 8, Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Tel No.: 03-2089 2888	073-021

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
KUALA LUMPUR (CONT'D) KENANGA INVESTMENT BANK BERHAD	1st Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur Tel No.: 03-2178 1133	073-029
M & A SECURITIES SDN BHD	Aras 1-3, No. 45 & 47 and No. 43-6 The Boulevard, Bandar Mid Valley Lingkar Syed Putra 59200 Kuala Lumpur Tel No.: 03-2282 1820	057-002
M & A SECURITIES SDN BHD	22A & 22A-1 Jalan Kuchai Maju 1 Kuchai Entrepreneurs' Park Off Jalan Kuchai Lama 58200, Kuala Lumpur Tel No.: 03-7983 9890	057-004
MACQUARIE CAPITAL SECURITIES(MALAYSIA) SDN BHD	Aras 10, Menara Dion 27 Jalan Sultan Ismail 50250, Kuala Lumpur Tel. No.: 03-2059 8833	032-001
MALACCA SECURITIES SDN BHD	No. 76, Jalan Wangsa Maju Delima 6, Pusat Bandar Wangsa Maju (KLSC) 53300 Setapak Kuala Lumpur Tel No.: 03-4144 2565	012-012
MAYBANK INVESTMENT BANK BERHAD	Tingkat 5-13, MaybanLife Tower Dataran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur Tel No.: 03-2297 8888	098-001
MAYBANK INVESTMENT BANK BERHAD	Tingkat 27, 31 to 33 Menara Maybank 100 Jalan Tun Perak 50050 Kuala Lumpur Tel No.: 03-2059 1888	098-007
MERCURY SECURITIES SDN BHD	L-7-2, No.2 Jalan Solaris Solaris Mont Kiara 50480 Kuala Lumpur Tel No.: 03-6203 7227	093-002
MIDF AMANAH INVESTMENT BANK BHD	8 th , 9 th , 10 th , 11 th & 12 th Floor Menara MIDF 82, Jalan Raja Chulan 50200 Kuala Lumpur Tel No.: 03-2173 8888	026-001

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
KUALA LUMPUR (CONT'D) NOMURA SECURITIES MALAYSIA SDN BHD	Suite 16.5, Level 16 Menara IMC, Letter Box 47 8 Jalan Sultan Ismail 50250 Kuala Lumpur Tel No. 2027 6811	037-001
PM SECURITIES SDN BHD	Ground Floor Menara PMI No. 2, Jalan Changkat Ceylon 50200 Kuala Lumpur Tel No.: 03-2146 3000	064-001
PUBLIC INVESTMENT BANK BHD	27 th Floor, Bangunan Public Bank No. 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No.: 03-2268 3000	051-001
RHB INVESTMENT BANK BHD	Tingkat 10, Tower One RHB Centre Jalan Tun Razak 50400 Kuala Lumpur Tel No.: 03-9287 3888	087-001
RHB INVESTMENT BANK BHD	Tingkat 12, 15 (Sebahagian), 20 (sebahagian) & 21 Plaza OSK Jalan Ampang 50450 Kuala Lumpur Tel No.: 03-2333 8333	087-018
RHB INVESTMENT BANK BHD	No. 62, 62-1, 64 & 64-1 Vista Magna Jalan Prima, Metro Prima 52100 Kepong Kuala Lumpur Tel No.: 03-6257 5869	087-028
RHB INVESTMENT BANK BHD	No. 5 & 7 Jalan Pandan Indah 4/33 Pandan Indah 55100 Kuala Lumpur Tel No.: 03-4280 4798	087-054
RHB INVESTMENT BANK BHD	Ground, First, Second and Third Floor No. 55, Zone J4 Jalan Radin Anum Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel No.: 03-9058 7222	087-058
TA SECURITIES HOLDINGS BHD	Tingkat 13-15, 23,28-30,32,34 & 35 No. 22, Jalan P. Ramlee 50250 Kuala Lumpur Tel No.: 03-2072 1277	058-003

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
KUALA LUMPUR (CONT'D)		
UBS SECURITIES MALAYSIA SDN BHD	Level 7 Wisma Hong Leong 18, Jalan Perak 50450, Kuala Lumpur Tel No.: 03-2781 1100	031-001
UOB KAY HIAN SECURITIES (M) SDN BHD	N3, Plaza Damas60, Jalan Sri Hartamas 1 Sri Hartamas 50480 Kuala Lumpur Tel No.: 03-6205 6000	078-004
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 19th Floor Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur Tel No.: 03-2147 1888	078-010
SELANGOR DARUL EHSAN		
AFFIN HWANG INVESTMENT BANK BHD	3rd & 4th floors, Wisma Meru No. 1, Lintang Pekan Baru Off Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No.: 03-3343 9999	068-019
AFFIN HWANG INVESTMENT BANK BHD	Lot 229, Tingkat 2, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7729 8016	068-020
AFFIN HWANG INVESTMENT BANK BHD	First Floor, No. 79 Jalan Batu Nilam 5 Bandar Bukit Tinggi 41200 Klang Selangor Darul Ehsan Tel No.: 03-3322 1999	068-023
AMINVESTMENT BANK BERHAD	Aras 4, Plaza Damansara Utama No 2, Jalan SS 21/60 47400 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7710 6613	086-003
CIMB INVESTMENT BANK BHD	Level G & Level 1 Tropicana City Office Tower No.3 Jalan SS 20/27 47400 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7717 3388	065-009

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
SELANGOR DARUL EHSAN (CONT'D) HONG LEONG INVESTMENT BANK BERHAD	Level 25 & 26 Menara LGB No.1 Jalan Wan Kadir 60000 Kuala Lumpur Selangor Darul Ehsan Tel No.: 03-7724 6888	066-002
AFFIN HWANG INVESTMENT BANK BHD	16 th , 18 th -20 th Floor Plaza Masalam No. 2, Jalan Tengku Ampuan Zabedah E9/E Section 9 40100 Shah Alam Selangor Darul Ehsan Tel No.: 03-5513 3288	068-002
JF APEX SECURITIES BHD	3 rd , 5 th , 6 th and 10 th Floor Menara Apex Off Jalan Semenyih Bukit Mewah 43000 Kajang Selangor Darul Ehsan Tel No.: 03-8736 1118	079-001
JF APEX SECURITIES BHD	Level 16, Menara Choy Fook On No. 1B, Jalan Yong Shook Lin 46050 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7620 1118	079-002
JUPITER SECURITIES SDN BHD	No. 42 – 46, 3 rd Floor Jalan SS19/1D 47500 Subang Jaya Selangor Darul Ehsan Tel No.: 03-5632 4838	055-004
KENANGA INVESTMENT BANK BHD	Ground – Fifth Floor East Wing, Quattro West No. 4, Lorong Persiaran Barat 46200 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7862 6200	073-005
KENANGA INVESTMENT BANK BHD	Lot 240, Second Floor The Curve, No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7725 9095	073-016

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
SELANGOR DARUL EHSAN (CONT'D) AFFIN HWANG INVESTMENT BANK BHD	East Wing & Centre Link Tingkat 3A, Wisma Consplant 2 No. 7, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No.: 03-5635 6688	068-010
KENANGA INVESTMENT BANK BHD	Level 1 East Wing Wisma Consplant 2 No. 7, Jalan SS16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No.: 03-5621 2118	073-030
KENANGA INVESTMENT BANK BHD	No. 35, Ground, 1 st and 2 nd Floor Jalan Tiara 3 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No.: 03-3348 8080	073-035
MALACCA SECURITIES SDN BHD	No. 16, Jalan SS15/4B 47500 Subang Jaya Selangor Darul Ehsan Tel No.: 03-5636 1533	012-002
MALACCA SECURITIES SDN BHD	No. 58A & 60A, Jalan SS2/67 47300 Petaling Jaya Selangor Darul Ehsan Tel No.: 1300 221 223	012-003
MALACCA SECURITIES SDN BHD	No 39-2 Jalan Temenggung 21/9 Seksyen 9 43200 Mahkota Cheras Selangor Darul Ehsan Tel No.: 03-9011 5913	012-011
MAYBANK INVESTMENT BANK BERHAD	Suite 8.02, Level 8, Menara Trend, Intan Millennium Square 68 Jalan Batai Laut 4 Taman Intan 41300 Klang Selangor Darul Ehsan Tel No.: 03-3050 8888	098-003
MAYBANK INVESTMENT BANK BERHAD	Wisma Bently Music Level 1, No. 3, Jalan PJU 7/2 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7718 8888	098-004

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
SELANGOR DARUL EHSAN (CONT'D) PM SECURITIES SDN BHD	1st Floor, 157-A Jalan Kenari 2/A Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No.: 03-8070 0773	064-003
PM SECURITIES SDN BHD	1st & 2nd Floor No.18 & 20, Jalan Tiara 2 Bandar baru Klang 41150 Klang Selangor Darul Ehsan Tel No.: 03-3241 5300	064-007
RHB INVESTMENT BANK BHD	24, 24M, 24A, 26M, 28M, 28A, 30, 30M & 30A Jalan SS2/63 47300 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7873 6366	087-011
RHB INVESTMENT BANK BHD	No. 37, Jalan Semenyih 43000 Kajang Selangor Darul Ehsan Tel No.: 03-8736 3378	087-045
RHB INVESTMENT BANK BHD	First Floor 10 & 11 Jalan Maxwell 48000 Rawang Selangor Darul Ehsan Tel No.: 03-6092 8916	087-047
RHB INVESTMENT BANK BHD	Ground & Mezzanine Floor No. 87 & 89, Jalan Susur Pusat Perniagaan NBC Batu 1 ½, Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No.: 03-3343 9180	087-048
RHB INVESTMENT BANK BHD	Unit 1B, 2B & 3B, USJ 10/1J 47610 UEP Subang Jaya Selangor Darul Ehsan Tel No.: 03-8023 6518	087-059
SJ SECURITIES SDN BHD	Ground Floor, Podium Block Wisma Synergy Lot 72, Persiaran Jubli Perak Section 22 40000 Shah Alam Selangor Darul Ehsan Tel No.: 03-5192 0202	096-001

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
SELANGOR DARUL EHSAN (CONT'D) SJ SECURITIES SDN BHD	No. A-3-11 Block Alamanda 3rd Floor, 10 Boulevard, Lebuhraya Sprint, PJU 6 ^a 47400, Damansara Selangor Darul Ehsan Tel No.: 3322 1915	096-005
TA SECURITIES HOLDINGS BERHAD	No. 2-1, 2-2, 2-3 & 4-2 Jalan USJ 9/5T Subang Business Centre 47620 UEP Subang Jaya Selangor Darul Ehsan Tel No.: 03-8025 1880	058-005
TA SECURITIES HOLDINGS BERHAD	Damansara Utama Branch 2nd Floor, Wisma TA No. 1A, Jalan SS 20/1 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7795 5713	058-007
PERAK DARUL RIDZUAN CIMB INVESTMENT BANK BERHAD	Ground, 1 st , 2 nd and 3 rd Floor No. 8, 8A-C, Persiaran Greentown 4C Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-2088 688	065-010
HONG LEONG INVESTMENT BANK BERHAD	51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-2530 888	066-003
AFFIN HWANG INVESTMENT BANK BHD	Tingkat Bawah, Aras 1,2 & 3 21 Jalan Stesen 30400 Taiping Perak Darul Ridzuan Tel No.: 05-8066 688	068-003
AFFIN HWANG INVESTMENT BANK BHD	Tingkat Bawah, 1 & 2 No. 22, Persiaran Greentown 1 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-2559 988	068-015
KENANGA INVESTMENT BANK BHD	Ground, 1 st , 2 nd & 4 th Floor No. 63, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-2422 828	073-022

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
PERAK DARUL RIDZUAN (CONT'D) KENANGA INVESTMENT BANK BHD	Ground Floor, No. 25 & 25A Jalan Jaya 2, Medan Jaya 32000 Sitiawan Perak Darul Ridzuan Tel No.: 05-6939 828	073-031
M & A SECURITIES SDN BHD	5th, 6th, & Unit 8A M & A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Tel No.: 05-2419 800	057-001
MALACCA SECURITIES SDN BHD	No.1 First Floor Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-254 1533	012-013
MAYBANK INVESTMENT BANK BERHAD	B-G-04 (Aras Bawah), Aras 1 & 2 No. 42, Persiaran Greentown 1 Pusat Dagangan Greentown 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-2453 400	098-002
RHB INVESTMENT BANK BHD	No. 17, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No.: 05-6236 498	087-014
RHB INVESTMENT BANK BHD	Tingkat Bawah dan Tingkat Satu No. 23 & 25 Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel No.: 05-6921 228	087-016
RHB INVESTMENT BANK BHD	21-25, Jalan Seenivasagam Greentown 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-2415 100	087-023
RHB INVESTMENT BANK BHD	Tingkat Bawah, No. 40, 42 & 44 Jalan Berek 34000 Taiping Perak Darul Ridzuan Tel No.: 05-8088 229	087-034

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
PERAK DARUL RIDZUAN (CONT'D) RHB INVESTMENT BANK BHD	Tingkat Bawah dan Tingkat Satu No.72, Jalan Idris 31900 Kampar Perak Darul Ridzuan Tel No.: 05-4651 261	087-044
RHB INVESTMENT BANK BHD	No. 1 & 3, First Floor Jalan Wawasan Satu Taman wawasan Jaya 34200 Parit Buntar Perak Darul Ridzuan Tel No.: 05-717 0888	087-052
TA SECURITIES HOLDINGS BHD	Bahagian Kanan Tingkat Bawah, Tingkat 1 & 2, Plaza Teh Teng Seng No. 227, Jalan Raja Permaisuri Bainun 30250 Ipoh Perak Darul Ridzuan Tel No.: 05-2531 313	058-001
UOB KAY HIAN SECURITIES (M) SDN BHD	153A Jalan Raja Musa Aziz 30300 Ipoh Perak Darul Ridzuan Tel No.: 05-2411 290	078-013
PULAU PINANG ALLIANCE INVESTMENT BANK BHD	Ground & Mezzanine Floor Bangunan Berkath 21 Beach Street 10300, Georgetown, Penang Tel No : 04-2611 688	076-015
AMINVESTMENT BANK BERHAD	Mezzanine Floor & Level 3 No. 37, Jalan Sultan Ahmad Shah 10050 Penang Tel No.: 04-2261 818	086-001
CIMB INVESTMENT BANK BHD	Level 2, Menara BHL 51, Jalan Sultan Ahmad Shah 10050 Penang Tel No.: 04-2385 900	065-003
AFFIN HWANG INVESTMENT BANK BHD	Level 2, 3, 4, 5 & 7, Wisma Sri Pinang 60, Green Hall, 10200 Penang Tel No.: 04-2636 996	068-001
AFFIN HWANG INVESTMENT BANK BHD	No. 2 & 4 Jalan Perda Barat, Bandar Perda 14000 Penang Tel No.: 04-5372 882	068-006

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
PULAU PINANG (CONT'D) INTER-PACIFIC SECURITIES SDN BHD	Canton Square Level 2 & Level 3 No.56 Cantonment Road 10250 Penang Tel No.: 04-2268 288	054-002
JF APEX SECURITIES SDN BHD	368-2-5 Jalan Burmah Belissa Row 10350 Pulau Tikus, Penang Tel No.: 04-2289 118	079-005
JUPITER SECURITIES SDN BHD	20-1 Persiaran Bayan Indah Bayan Bay, Sungai Nibong 11900 Bayan Lepas Penang Tel No.: 04-641 2881	055-003
KENANGA INVESTMENT BANK BHD	7 th , 8 th & 16 th Floor Menara Boustead 39, Jalan Sultan Ahmad Shah 10050 Penang Tel No.: 04-2283 355	073-023
M & A SECURITIES SDN BHD	332H-1 & 332G-2 Jalan Perak 11600 Georgetown, Penang Tel No.: 04-2817 611	057-005
M & A SECURITIES SDN BHD	9-1-33 Taman Kheng Tian Jalan Van Praagh 11600 Georgetown Penang Tel No.: 04-2888 788	057-008
MALACCA SECURITIES SDN BHD	48 Jalan Todak 2 13700 Seberang Jaya, Penang Tel No.: 04-3905 669	012-006
MALACCA SECURITIES SDN BHD	No.17, 1 st Floor Persiaran Bayan Indah Taman Bayan Indah 11900 Bayan Lepas, Penang Tel No.: 04-6421 533	012-007
MALACCA SECURITIES SDN BHD	No.9-1-37, Taman Kheng Tian Jalan Van Praagh 11600 Jelutong, Penang Tel No.: 04-2816 822	012-014
MAYBANK INVESTMENT BANK BERHAD	Lot 1.02, Tingkat 1, Bangunan KWSP Jalan Sultan Ahmad Shah 10050 Georgetown Penang Tel No.: 04 2196 888	098-006

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
PULAU PINANG (CONT'D) MERCURY SECURITIES SDN BHD	Ground, 1 st , 2 nd & 3 rd Floor Wisma UMNO Lorong Bagan Luar Dua Seberang Perai 12000 Butterworth Penang Tel No.: 04-3322 123	093-001
MERCURY SECURITIES SDN BHD	2 nd Floor Standard Chartered Bank Chambers 2 Lebuhr Pantai 10300 Penang Tel No.: 04-2639 118	093-004
MERCURY SECURITIES SDN BHD	70-1-22 Jalan Mahsuri 11900 Bandar Bayan Baru Penang Tel No.: 04-6400 822	093-006
PM SECURITIES SDN BHD	3rd Floor, Wisma Wang 251-A, Jalan Burmah 10350 Penang Tel No.: 04-2273 000	064-004
RHB INVESTMENT BANK BHD	Aras Bawah, 1 dan 2 No. 2677, Jalan Chain Ferry Taman Inderawasih 13600 Seberang Prai Penang Tel No.: 04-3900 022	087-005
RHB INVESTMENT BANK BHD	Tingkat Bawah, Tingkat Satu dan Tingkat Dua No. 11A, Jalan Keranji Off Jalan Padang Lallang 14000 Bukit Mertajam Penang Tel No.: 04-5402 888	087-015
RHB INVESTMENT BANK BHD	Tingkat Bawah – Tingkat 3 & Tingkat 5 – Tingkat 8 64 & 64-D Lebuhr Bishop 10200 Penang Tel No.: 04-2634 222	087-033
RHB INVESTMENT BANK BHD	No. 15-G-5, 15-G-6, 15-1-5, 15-1-6, 15-2-5 dan 15-2-6 dan 15-2-24 Medan Kampung Relau (Bayan Point) 11950 Penang Tel No.: 04-6404 888	087-042

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
PULAU PINANG (CONT'D) TA SECURITIES HOLDINGS BHD	3 rd Floor, Bangunan Heng Guan No. 171 Jalan Burmah 10050 Penang Tel No.: 04-2272 339	058-010
UOB KAY HIAN SECURITIES (M) SDN BHD	1st and 2nd Floor Bangunan Heng Guan No. 171 Jalan Burmah 10050 Penang Tel No.: 04-2299 318	078-002
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 1 st Floor No. 2, Jalan Perniagaan 2 Pusat Perniagaan Alma 14000 Bukit Mertajam, Penang Tel No.: 04-5541 388	078-003
KEDAH DARUL AMAN ALLIANCE INVESTMENT BANK BHD	2 nd Floor, Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman Tel No.: 04-7317 088	076-004
AFFIN HWANG INVESTMENT BANK BHD	No. 70A, B & C, Jalan Mawar 1 Taman Pekan Baru 8000 Sungai Petani Kedah Darul Aman Tel No.: 04-4256 666	068-011
RHB INVESTMENT BANK BHD	No. 112, Jalan Pengkalan Taman Pekan Baru 8000 Sungai Petani Kedah Darul Aman Tel No.: 04-4204 888	087-017
RHB INVESTMENT BANK BHD	35, Tingkat Bawah Jalan Suria 1, Jalan Bayu 9000 Kulim, Kedah Darul Aman Tel No.: 04-4964 888	087-019
RHB INVESTMENT BANK BHD	214-A, 214-B, 215-A & 215-B Medan Putra, Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No.: 04-7209 888	087-021
UOB KAY HIAN SECURITIES (M) SDN BHD	Lot 4, 5 & 5A, No.55 Jalan Gangsa Kawasan Perusahaan Mergong 2 Seberang Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No.: 04-7322 111	078-007

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
NEGERI SEMBILAN DARUL KHUSUS AFFIN HWANG INVESTMENT BANK BHD	1 st Floor 105, 107 & 109, Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-7612 288	068-007
AFFIN HWANG INVESTMENT BANK BHD	No. 6, Tingkat Atas Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Tel No.: 06-4553 188	068-013
KENANGA INVESTMENT BANK BHD	1C & 1D, Ground & 1st Floor Jalan Tunku Munawir 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-7655 998	073-033
MAYBANK INVESTMENT BANK BERHAD	Wisam HM, Ground Floor No. 43 Jalan Dr. Krishnan 70000, Seremban Negeri Sembilan Darul Khusus Tel No.: 06-7669 555	098-005
PM SECURITIES SDN BHD	1 st , 2 nd & 3 rd Floor 19-21, Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-7623 131	064-002
RHB INVESTMENT BANK BHD	Tingkat Bawah, Tingkat Satu & Tingkat Dua No. 32 & 33, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-7641 641	087-024
RHB INVESTMENT BANK BHD	Tingkat Satu, No. 3601, Jalan Besar 73000 Tampin Negeri Sembilan Darul Khusus Tel No.: 06-4421 000	087-037
RHB INVESTMENT BANK BHD	Tingkat Bawah & Tingkat Mezanin No. 346 & 347, Batu 1/2, Jalan Pantai 71000 Port Dickson Negeri Sembilan Darul Khusus Tel No.: 06-6461 234	087-046

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
MELAKA CIMB INVESTMENT BANK BHD	Ground, 1 st & 2 nd Floor No. 191, Taman Melaka Raya Off Jalan Parameswara 75000 Melaka Tel No.: 06-2898 800	065-006
KENANGA INVESTMENT BANK BHD	71 (Ground, A&B) & 73(Ground, A&B) Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No.: 06-2881 720	073-028
KENANGA INVESTMENT BANK BHD	22A & 22A-1 and 26 & 26-1 Jalan MP 10 Taman Merdeka Permai 75350 Batu Berendam Melaka Tel No.: 06-3372 550	073-034
MALACCA SECURITIES SDN BHD	No. 1, 3 & 5, Jalan PPM 9 Plaza Pandan Malim (Business Park) Balai Panjang, 75250 Melaka Tel No.: 06-3371 533	012-001
MERCURY SECURITIES SDN BHD	No. 81-B & 83-B Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No.: 06-2921 898	093-003
PM SECURITIES SDN BHD	No. 6-1 Jalan Lagenda 2 Taman 1 Lagenda 75400 Melaka Tel No.: 06-2866 008	064-006
RHB INVESTMENT BANK BHD	No. 19, 21 & 23 Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No.: 06-2833 622	087-002
RHB INVESTMENT BANK BHD	579, 580 & 581 Taman Melaka Raya 75000 Melaka Tel No.: 06-2825 211	087-026
TA SECURITIES HOLDINGS BHD	No. 59, 59A & 59B Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No.: 06-2862 618	058-008

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
MELAKA (CONT'D)		
UOB KAY HIAN SECURITIES (M) SDN BHD	7-2 Jalan PPM8 Malim Business Park 75250 Melaka Tel No.: 06-3352 511	078-014
JOHOR DARUL TAKZIM		
ALLIANCE INVESTMENT BANK BHD	No. 73, Ground & 1 st Floor Jalan Rambutan 86000 Kluang, Johor Darul Takzim Tel No.: 07-7717 922	076-006
AMINVESTMENT BANK BERHAD	2 nd , 3 rd , 4 th Floor Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Tel No.: 07-4342 282	086-002
AMINVESTMENT BANK BERHAD	18 th & 31 st Floor Selesa Tower, Jalan Dato' Abdullah Tahir 80300 Johor Bahru Johor Darul Takzim Tel No.: 07-3343 855	086-001
CIMB INVESTMENT BANK BERHAD	No. 73 Ground Floor, No. 73A First Floor & No.79A First Floor Jalan Kuning Dua 80400 Johor Bahru Johor Darul Takzim Tel No.: 07-3405 888	065-011
AFFIN HWANG INVESTMENT BANK BHD	Level 7, Johor Bahru City Square (Office Tower) 106-108, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No.: 07-2222 692	068-004
INTER-PACIFIC SECURITIES SDN BHD	95, Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Tel No.: 07-2231 211	054-004
JUPITER SECURITIES SDN BHD	30-1 Jalan Molek 1/10 Taman Molek, 81100 Johor Bahru Johor Darul Takzim Tel No.: 07-3538 878	055-002
KENANGA INVESTMENT BANK BHD	Level 2, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No.: 07-3333 600	073-004

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
JOHOR DARUL TAKZIM (CONT'D) KENANGA INVESTMENT BANK BHD	Tingkat Bawah dan Tingkat Mezzanine No. 34, Jalan Genuang 85000 Segamat Johor Darul Takzim Tel No.: 07-9333 500	073-009
KENANGA INVESTMENT BANK BHD	No. 33 & 35, (Tingkat Bawah dan Tingkat Satu A&B) Jalan Syed Abdul Hamid Sagaff 86000 Kluang Johor Darul Takzim Tel No.: 07-7771 161	073-010
KENANGA INVESTMENT BANK BHD	Tingkat Bawah No. 4 Jalan Dataran 1 Taman Bandar Tangkak 84900 Tangkak Johor Darul Takzim Tel No.: 06-9782 292	073-011
KENANGA INVESTMENT BANK BHD	No. 24, 24A & 24B Jalan Penjaja 3 Kim Park Centre 83000 Batu Pahat Johor Darul Takzim Tel No.: 07-4326 963	073-017
KENANGA INVESTMENT BANK BHD	Suite 16-02, 16-03 & 16-03A Level 16, Manara MSC Cyberport No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel No.: 07-2237 423	073-019
KENANGA INVESTMENT BANK BHD	No. 57, 59 & 61, Jalan Ali 84000 Muar Johor Darul Takzim Tel No.: 06-9531 222	073-024
KENANGA INVESTMENT BANK BHD	Ground Floor No. 234, Jalan Besar Taman Semberong Baru 83700 Yong Peng Johor Darul Takzim Tel No.: 07-4678 885	073-025
KENANGA INVESTMENT BANK BHD	916 Ground Floor Jalan Bakek 82000 Pontian Johor Darul Takzim Tel No.: 07-6861 121	073-037

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
JOHOR DARUL TAKZIM (CONT'D) M & A SECURITIES SDN BHD	Suite 5.3A, Level 5 Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No.: 07-3381 233	057-003
M & A SECURITIES SDN BHD	No. 27, 27A & 27 B Jalan Molek 3/10 Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No.: 3551 988	057-007
MALACCA SECURITIES SDN BHD	1735-B Jalan Sri Putri 4 Taman Putri Kulai 81000 Kulai Jaya Johor Darul Takzim Tel No: 07-6638 877	012-010
MALACCA SECURITIES SDN BHD	74 Jalan Serampang Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No: 07-3351 533	012-005
MALACCA SECURITIES SDN BHD	Lot 880, batu 3 ½ Jalan Salleh 84000 Muar Johor Darul Takzim Tel No: 06-9536 948	012-015
MALACCA SECURITIES SDN BHD	31B Jalan Rahmat 83000 Batu Pahat Johor Darul Takzim Tel No: 07-438 1533	012-016
MERCURY SECURITIES SDN BHD	Suite 17.1, Level 17 Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No.: 07-3316 992	093-005
PM SECURITIES SDN BHD	Ground & 1 st Floor No. 43 & 43A, Jalan Penjaja 3 Taman Kim's Park Business Centre 83000 Batu Pahat Johor Darul Takzim Tel No.: 07-4333608	064-008

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
JOHOR DARUL TAKZIM (CONT'D) RHB INVESTMENT BANK BHD	6 th Floor, Wisma Tiong-Hua 8, Jalan Keris, Taman Sri Tebrau 80050 Johor Bahru Johor Darul Takzim Tel No.: 07-2788 821	087-006
RHB INVESTMENT BANK BHD	53, 53-A & 53-B Jalan Sultanah 83000 Batu Pahat Johor Darul Takzim Tel No.: 07-4380 288	087-009
RHB INVESTMENT BANK BHD	No. 33-1 Tingkat 1 & 2 (Unit Penjuru) Jalan Ali 84000 Muar Johor Darul Takzim Tel No.: 06-9538 262	087-025
RHB INVESTMENT BANK BHD	Tingkat Bawah dan Tingkat Satu No. 119 & 121 Jalan Sutera Tanjung 8/2 Taman Sutera Utama 81300 Skudai Johor Darul Takzim Tel No.: 07-5577 628	087-029
RHB INVESTMENT BANK BHD	Tingkat Bawah, Tingkat Satu & Tingkat Dua No. 3, Jalan Susur Utama 2/1 Taman Utama 85000 Segamat Johor Darul Takzim Tel No.: 07-9321 543	087-030
RHB INVESTMENT BANK BHD	Tingkat Bawah & Tingkat Satu No. 40 Jalan Haji Mana 86000 Kluang Johor Darul Takzim Tel No.: 07-7769 655	087-031
RHB INVESTMENT BANK BHD	Tingkat Bawah, Tingkat Satu & Tingkat Dua No. 10, Jalan Anggerik 1 Taman Kulai Utama 81000 Kulai Johor Darul Takzim Tel No.: 07-6626 288	087-035
RHB INVESTMENT BANK BHD	Tingkat Satu No 2 & 4, Jalan Makmur Taman Sri Aman, 85300 Labis Johor Darul Takzim Tel No.: 07-9256 881	087-039

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
JOHOR DARUL TAKZIM (CONT'D) RHB INVESTMENT BANK BHD	Tingkat Bawah, Tingkat 1 & Tingkat 2 No. 21 & 23 Jalan Molek 1/30 Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No.: 07-3522 293	087-043
TA SECURITIES HOLDINGS BHD	7A, Jalan Genuang Perdana Taman Genuang Perdana 85000 Segamat Johor Darul Takzim Tel No.: 07-9435 278	058-009
TA SECURITIES HOLDINGS BHD	15 Jalan Molek 1/5A Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No.: 07-3647 388	058-011
UOB KAY HIAN SECURITIES (M) SDN BHD	Level 6 & 7, Menara MSC Cyberport No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel No.: 07-3332 000	078-001
UOB KAY HIAN SECURITIES (M) SDN BHD	No. 42-8, Main Road Kulai Besar 81000 Kulai Johor Darul Takzim Tel No.: 07-6637 398	078-005
UOB KAY HIAN SECURITIES (M) SDN BHD	No. 70, 70-01, 70-02 Jalan Rosmerah 2/17 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel No.: 07-3513 218	078-006
UOB KAY HIAN SECURITIES (M) SDN BHD	No. 171 (Ground Floor) Jalan Bestari 1/5 Taman Nusa Bestari 81300 Skudai Johor Darul Takzim Tel No.: 07-5121 633	078-008
KELANTAN DARUL NAIM RHB INVESTMENT BANK BHD	Tingkat Bawah & Tingkat Satu No. 3953-H, PT225, 1 st Floor, Jalan Kebun Sultan 15350 Kota Bharu Kelantan Darul Naim Tel No.: 09-7430 077	087-020

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
KELANTAN DARUL NAIM (CONT'D) TA SECURITIES HOLDINGS BHD	298, Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel No.: 09-7433 388	058-004
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 1 st Floor Lot 712, Sek.9, PT62 Jalan Tok Hakim Bandar Kota Bharu 15000 Kota Bharu Kelantan Darul Naim Tel No.: 09-7473 906	078-015
PAHANG DARUL MAKMUR ALLIANCE INVESTMENT BANK BHD	Ground, Mezzanine & 1st Floor B-400 Jalan Berserah 25300 Kuantan Pahang Darul Makmur Tel No.: 09-5660 800	076-002
CIMB INVESTMENT BANK BHD	Ground 1 st & 2 nd Floor No. A-27, Jalan Dato' Lim Hoe Lek 25200 Kuantan Pahang Darul Makmur Tel No.: 09-2057 800	065-007
JUPITER SECURITIES SDN BHD	2 nd Floor, Lot No. 25 Jalan Chui Yin 28700 Bentong Pahang Darul Makmur Tel No.: 09-2234 136	055-005
KENANGA INVESTMENT BANK BHD	A15, A17 & A19, Ground Floor Jalan Tun Ismail 2 Sri Dagangan 2 25000 Kuantan Pahang Darul Makmur Tel No.: 09-5171 698	073-027
MALACCA SECURITIES SDN BHD	P11-3, Jalan Chui Yin 28700 Bentong Pahang Darul Makmur Tel No.: 011-2577 7489	012-008
RHB INVESTMENT BANK BHD	B32 & B34, Lorong Tun Ismail 8 Seri Dagangan II, 25000 Kuantan Pahang Darul Makmur Tel No.: 09-5173 811	087-007
RHB INVESTMENT BANK BHD	Tingkat Bawah dan Tingkat Satu 98, Jalan Pasdec, 28700 Bentong Pahang Darul Makmur Tel No.: 09-2234 943	087-022

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
PAHANG DARUL MAKMUR (CONT'D) RHB INVESTMENT BANK BHD	Tingkat Bawah dan Tingkat Satu No. 76-A, Persiaran Camelia 4 Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur Tel No.: 05-4914 913	087-041
TERENGGANU DARUL IMAN ALLIANCE INVESTMENT BANK BHD	Ground & Mezzanine Floor Wisma Kam Choon 101, Jalan Kampung Tiong 20100 Kuala Terengganu Terengganu Darul Iman Tel No.: 09-6317 922	076-009
FA SECURITIES SDN BHD	No. 51 & 51A Ground, Mezzanine & 1st Floor Jalan Tok Lam 20100 Kuala Terengganu Terengganu Darul Iman Tel No.: 09-6238 128	021-001
RHB INVESTMENT BANK BHD	Tingkat Bawah dan Tingkat Satu 9651, Cukai Utama Jalan Kubang Kurus 24000 Kemaman Terengganu Darul Iman Tel No.: 09-8583 109	087-027
RHB INVESTMENT BANK BHD	1 st Floor No. 59, Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel No.: 09-6261 816	087-055
UOB KAY HIAN SECURITIES (M) SDN BHD	No. 37B, 1 st Floor Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel No.: 09-622 4766	078-016
SABAH CIMB INVESTMENT BANK BHD	1 st – 3 rd Floor, Central Building No. 28, Jalan Sagunting 88000 Kota Kinabalu Sabah Tel No.: 088-328 878	065-005
AFFIN HWANG INVESTMENT BANK BHD	Suite 1-9-E1, 9 th Floor, CPS Tower Centre Point Sabah No. 1, Jalan Centre Point 88000 Kota Kinabalu Sabah Tel No.: 088-311 688	068-008

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
SABAH (CONT'D) KENANGA INVESTMENT BANK BHD	Level 8, Wisma Great Eastern 68, Jalan Gaya 88000 Kota Kinabalu Sabah Tel No.: 088-236 188	073-032
KENANGA INVESTMENT BANK BHD	1 st Floor, Lot 40 (corner) Taman Nasalim, Phase 7A Batu 5, Jalan Lintas Utara 90000 Sandakan Sabah Tel No.: 089-464 801	073-038
KENANGA INVESTMENT BANK BHD	Lot 66-0 (TB15611-0) Ground Floor, Kubota Road, 91000 Tawau Sabah Tel No.: 089-704 892	073-039
RHB INVESTMENT BANK BHD	2nd Floor, No. 81 & 83 Jalan Gaya 88000 Kota Kinabalu Sabah Tel No.: 088-269 788	087-010
UOB KAY HIAN SECURITIES (M) SDN BHD	11, Equity House, Block K Sadong Jaya, Karamunsing 88100 Kota Kinabalu Sabah Tel No.: 088-234 090	078-011
UOB KAY HIAN SECURITIES (M) SDN BHD	177 & 178 Ground Floor Block 17 Phase 2, Prima Square Mile 4, North Road 90000 Sandakan Sabah Tel No.: 089-218 681	078-012
SARAWAK AMINVESTMENT BANK BERHAD	1 st , 2 nd & 3 rd Floor No. 162, 164, 166 & 168 1 st , 2 nd & 3 rd Floor Jalan Abell 93100 Kuching Sarawak Tel No.: 082-244 791	086-001
CIMB INVESTMENT BANK BERHAD	Aras 1 (Utara) Wisma STA 26 Jalan Datuk Abang Abdul Rahim 93450 Kuching Sarawak Tel No.: 082-358 688	065-004

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
SARAWAK (CONT'D) CIMB INVESTMENT BANK BERHAD	No. 6A, Ground Floor Jalan Bako, Off Brooke Drive 96000 Sibul Sarawak Tel No.: 084-367 700	065-008
AFFIN HWANG INVESTMENT BANK BHD	Ground Floor & 1 st Floor No. 1, Jalan Pending 1 st Floor, No. 3, Jalan Pending 93450 Kuching Sarawak Tel No.: 082-341 999	068-005
AFFIN HWANG INVESTMENT BANK BHD	No. 282, 1 st Floor Park City Commercial Centre Phase 4, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No.: 086-330 008	068-016
KENANGA INVESTMENT BANK BHD	Lot 2465, Jalan Boulevard Utama Boulevard Commercial Centre 98000 Miri Sarawak Tel No.: 085-435 577	073-002
KENANGA INVESTMENT BANK BHD	Level 1-5, Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching Sarawak Tel No.: 082-338 000	073-003
KENANGA INVESTMENT BANK BHD	No. 11-12, (Ground & 1 st Floor) Lorong Kampung Datu 3 96000 Sibul Sarawak Tel No.: 084-313 855	073-012
KENANGA INVESTMENT BANK BHD	Ground Floor of Survey Lot No. 4203 Parkcity Commerce Square Phase 6, Jalan Diwarta 97000, Bintulu Sarawak Tel No.: 086-337 588	073-018
KENANGA INVESTMENT BANK BERHAD	Suite 9 & 10, 3 rd Floor Yung Kong Abell Lot 365, Section 50 Jalan Abell 93100 Kuching Sarawak Tel No.: 082-248 877	073-036

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
SARAWAK (CONT'D) MERCURY SECURITIES SDN BHD	1 st Floor No.16 jalan Getah 96100 Sarikei Sarawak Tel No.: 084-659 019	093-007
RHB INVESTMENT BANK BHD	Yung Kong Abell Units No. 1-10, 2 nd Floor Lot 365, Section 50 Jalan Abell 93100 Kuching Sarawak Tel No.: 082-250 888	087-008
RHB INVESTMENT BANK BERHAD	Lot 1268, 1 st & 2 nd Floor Lot 1269, 2 nd Floor Centre Point Commercial Centre Jalan Melayu 98000 Miri Sarawak Tel No.: 085-422 788	087-012
RHB INVESTMENT BANK BERHAD	102, Pusat Pedada Jalan Pedada 96000 Sibul, Sarawak Tel No.: 084-329 100	087-013
RHB INVESTMENT BANK BERHAD	Tingkat Bawah dan Tingkat 1 No. 221, Parkcity Commerce Square Phase III, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No.: 086-311 770	087-053
TA SECURITIES HOLDINGS BHD	12G, Jalan Kampong Datu 96000 Sibul Sarawak Tel No.: 084-319 998	058-002
TA SECURITIES HOLDINGS BHD	Tingkat 2, (Bahagian Hadapan) Bangunan Binamas, Lot 138, Section 54, Jalan Pandung 93100 Kuching Sarawak Tel No.: 082-236 333	058-006
UOB KAY HIAN SECURITIES (M) SDN BHD	Lot 1265, 1 st Floor Centre Point Commercial Centre Jalan Melayu 98000 Miri Sarawak Tel No.: 085-324 128	078-017

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	ADA Code
SARAWAK (CONT'D) UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & First Floor No.16 Lorong Intan 6 96000 Sibu Sarawak Tel No.: 084-252 737	078-018

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APPENDIX I MAJOR APPROVALS, LICENSES AND PERMITS

Save for the general business approvals, licenses and permits issued such as those by the local councils, all of which are valid as at the LPD, as well as the licences disclosed below, as at the LPD there are no other major approvals, licenses and permits required by our Group in order for us to carry out our operations.

No.	Issuing authority/Company/ Registration no.	Date of issue	Date of expiry	Nature of approval/ Licenses	Major conditions imposed	Compliance status
1.	Subsidiaries held by our Company Atomic Energy Licensing Board ("AELB")/ QS Instruments LPTA/A/1173 Class of License: C, E, H	16 January 2018	15 January 2019	License issued pursuant to the Atomic Energy Licensing Act 1984 - Radiation Protection (Licensing) Regulations 1986 to buy, own, transport, trade, possess, export, operate, import, sell, store and provide testing, installation and maintenance services in relation to irradiating apparatus.	(i) The license holder shall comply with and implement the radiation protection programme adopted by AELB. (ii) The license holder's activities shall be limited to: (a) class of the license; (b) purpose of the license; (c) type and quantity of the irradiating apparatus as listed in Enclosure A of the license; and (d) validity period of the license;	Complied
					as stated in the license for own usage only.	
					(iii) The license holder is only allowed to import / export irradiating apparatus as stated in Enclosure A of the license only.	
					(iv) The license is not transferrable.	
					(v) The license holder shall comply with all	

APPENDIX I MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Issuing authority/ Company/ Registration no.	Date of issue	Date of expiry	Nature of approval/ Licenses	Major conditions imposed	Compliance status
2.	Ministry of Finance Malaysia/ QS Instruments K22022187211523928	12 October 2015	11 October 2018	Sijil Akuan Pendaftaran Syarikat	<p>directions issued by the AELB from time to time.</p> <p>(i) Any change to the information submitted by QS Instruments to the Ministry of Finance must be updated online within 21 days from the date such change occurs and a failure to do so may result in item (iii) below.</p> <p>(ii) QS Instruments must ensure that the fields which have been registered under this certificate do not overlap with the fields that have been passed on any companies:</p> <p>(a) The owner or Board of Directors, management and employees are the same; or</p> <p>(b) operates on the same premise.</p> <p>(iii) The registration of QS Instruments will be suspended/cancelled if the company commits the following:</p> <p>(a) It / its owners /director/any of the management members commits a crime and found to be guilty by the courts of Malaysia or outside Malaysia or suffer from civil liability.</p> <p>(b) It withdraws the offer before the tender</p>	Noted

APPENDIX I MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Issuing authority/Company/ Registration no.	Date of issue	Date of expiry	Nature of approval/ Licenses	Major conditions imposed	Compliance status
					is considered or reject an offer.	
					(c) It fails to perform its contractual obligation for contracts signed with the Government.	
					(d) It amends the Certificate of the Registration of QS Instruments for the purpose of fraud.	
					(e) It allows its Certificate of the Registration to be abused by other individuals / companies.	
					(f) It is found to be involved in price fixing with other companies while participating a Government tender or subcontract without prior consent from the relevant Government Agency.	
					(iv) QS Instruments shall submit an application for renewal three months prior to the expiry of the registration	
3.	AELB/ QES (Asia-Pacific) LPTA/A/323 Class of License: A, C, D, E, H	1 January 2017	31 December 2019	License issued pursuant to the Atomic Energy Licensing Act 1984 - Radiation Protection (Licensing) Regulations 1986 to buy, own, shift,	(i) The license holder shall comply with and implement the radiation protection programme adopted by AELB. (ii) The license holder's activities shall be limited to:	Complied

APPENDIX I MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Issuing authority/ Company/ Registration no.	Date of issue	Date of expiry	Nature of approval/ Licenses	Major conditions imposed	Compliance status
4.	Ministry of Finance Malaysia/ QES (Asia-Pacific) K19728874931527620	15 October 2015	14 October 2018	trade, transport, operate, , store and maintenance and installation services in relation to irradiating apparatus.	<p>(a) class of the license;</p> <p>(b) purpose of the license;</p> <p>(c) type and quantity of the irradiating apparatus as listed in Enclosure A; and</p> <p>(d) validity period of the license;</p> <p>as stated in the license for own usage only.</p> <p>(iii) The license holder is only allowed to import / export irradiating apparatus as stated in Enclosure A of the license only.</p> <p>(iv) The license is not transferrable.</p> <p>(v) The license holder shall comply with all directions issued by the AELB from time to time.</p>	Noted
					<p>(i) Any change to the information submitted by QES (Asia-Pacific) to the Ministry of Finance must be updated online within 21 days from the date such change occurs and a failure to do so may result in item (iii) below.</p> <p>(ii) QES (Asia-Pacific) must ensure that the fields which have been registered under this certificate do not overlap with the fields that have been passed on any companies:</p>	

APPENDIX I MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Issuing authority/Company/ Registration no.	Date of issue	Date of expiry	Nature of approval/ Licenses	Major conditions imposed	Compliance status
					<p>(a) The owner or Board of Directors, management and employees are the same; or</p> <p>(b) operates on the same premise.</p> <p>(iii) The registration of QES (Asia-Pacific) will be suspended/cancelled if it commits the following:</p> <p>(a) It /its owner/director/any of the management members commits a crime and found to be guilty by the courts of Malaysia or outside Malaysia or suffer from civil liability.</p> <p>(b) It withdraws the offer before the tender is considered or reject an offer.</p> <p>(c) It fails to perform its contractual obligation for contracts signed with the Government.</p> <p>(d) It amends its Certificate of the Registration for the purpose of fraud.</p> <p>(e) It allows its Certificate of the Registration to be abused by other individuals / companies.</p>	

APPENDIX I MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Issuing authority/ Company/ Registration no.	Date of issue	Date of expiry	Nature of approval/ Licenses	Major conditions imposed	Compliance status
(f)					It is found to be involved in price fixing with other companies while participating a Government tender or subcontract without prior consent from the relevant Government Agency.	
(iv)					QES (Asia-Pacific) shall submit an application for renewal three months prior to the expiry of the registration.	
5.	Subsidiaries held by Creden (Asia-Pacific) Royal Malaysia Customs Department/ Creden Mechatronic B10-G6-2009-00000210-A	2 January 2018	31 December 2019	License to carry on manufacturing process and other operations in relation to goods in a licensed warehouse issued pursuant to Section 65A of the Custom Act 1967 for manufacturing of microscope accessories, optical inspection system, automatic post wire-bond vision inspection system, automatic post dicing vision inspection system, advanced wafer measurement system, high frequency	<p>(i) No dutiable goods other than raw materials / components and machinery used directly in manufacturing, and manufactured goods which have been approved by the State Director of Customs may be stored in the licensed manufacturing warehouse.</p> <p>(ii) Manufacturing in and out of dutiable goods and manufactured goods shall be allowed at any time on any day according to the needs of the licensee.</p> <p>(iii) Changes to the structure of buildings and equipment in the licensed premises are not permitted except with the written approval of the State Director of Customs.</p> <p>(iv) It shall submit to the Industrial Section of the Customs Office, a monthly statement in</p>	Complied

APPENDIX I MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Issuing authority/ Company/ Registration no.	Date of issue	Date of expiry	Nature of approval/ Licenses	Major conditions imposed	Compliance status
				fluorescent ring illuminator, LED ring illuminator, integrated handling system, solderability testing equipment, X-ray inspection system and thereof Parts and accessories and its raw materials.	Bahasa Malaysia by the 28 th day of the following month. The statement should be certified by the company's Account Officer with particulars as set out in the licence. (v) It shall submit Annual Statement using the format in Annex M4 certified and signed by its accountant or other authorized officer to the control station before January 31 of the following year.	
					(vi) Finished goods manufactured in Licensed Manufacturing Warehouse are to be kept separate from raw materials/ components or manufacturing waste.	
					(vii) At least 80% of the finished product (by value) are to be exported, and not exceeding 20% of the finished products can be sold in the local market as approved. Goods sold in domestic market are subject to any prevailing duties/ tax at the time.	
					(viii) Disposal of waste including manufacturing waste is subject to the written approval of the State Director of Customs.	
					(ix) Bank Guarantee/ General Bond amounting RM85,000.00 is required from Creden Mechatronic to ensure the safety of duties/ tax on raw materials/ components, finished goods	

APPENDIX I MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Issuing authority/Company/ Registration no.	Date of issue	Date of approval/ expiry	Nature of approval/ Licenses	Major conditions imposed	Compliance status
					<p>stored in the licensed manufacturing warehouse and the transfer of dutiable goods.</p> <p>(x) It shall notify the proper officer of customs in writing within 14 days if:</p> <p>(a) there is a change in its Board of Directors;</p> <p>(b) it has been wound up;</p> <p>(c) an application for winding up has been made;</p> <p>(d) appointment of liquidator or receiver has been made;</p> <p>(e) it is subjected to civil claims, bankruptcy, closure and other similar matters.</p> <p>(xi) This licence can be revoked at any time in the event of breach of conditions under the Customs Act 1967 or the Regulations thereunder.</p> <p>(xii) Breach of any conditions of the licensing are an offense which could be compounded under the Customs Act 1967 and the Customs Regulations 1977.</p>	

APPENDIX I MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Issuing authority/ Company/ Registration no.	Date of issue	Date of expiry	Nature of approval/ Licenses	Major conditions imposed	Compliance status
6.	Royal Malaysia Customs Department/ Creden Mechatronic B10-G6-2009-00000210	2 January 2018	31 December 2019	License for warehousing goods issued pursuant to Section 65 of the Custom Act 1967 for warehousing of microscope accessories, optical inspection system, automatic post wire-bond vision inspection system, automatic post dicing vision inspection system, wafer measurement system, high frequency fluorescent ring illuminator, LED ring illuminator, intergrated handling system, solderability testing equipment, X-ray inspection system and thereof Parts and accessories and its raw materials.	<p>(i) No dutiable goods other than raw materials / components and machinery used directly in manufacturing, and manufactured goods which have been approved by the State Director of Customs may be stored in the licensed manufacturing warehouse.</p> <p>(ii) Manufacturing and movement in and out of dutiable goods and manufactured goods shall be allowed at any time on any day according to its needs.</p> <p>(iii) Changes to the structure of buildings and equipment in the licensed premises are not permitted except with the written approval of the State Director of Customs.</p> <p>(iv) It shall submit to the Industrial Section of the Customs Office, a monthly statement in Bahasa Malaysia by the 28th day of the following month. The statement should be certified by its Account Officer with particulars as set out in the licence.</p> <p>(v) It shall submit Annual Statement using the format in Annex M4 certified and signed by its accountant or other authorised officer to the control station before January 31 of the following year.</p>	Complied

APPENDIX I MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Issuing authority/ Company/ Registration no.	Date of issue	Date of expiry	Nature of approval/ Licenses	Major conditions imposed	Compliance status
(vi)					Finished goods manufactured in Licensed Manufacturing Warehouse are to be kept separate from raw materials/ components or manufacturing waste.	
(vii)					At least 80% of the finished product (by value) are to be exported, and not exceeding 20% of the finished products can be sold in the local market as approved. Goods sold in domestic market are subject to any prevailing duties/ tax at the time.	
(viii)					Disposal of waste including manufacturing waste is subject to the written approval of the State Director of Customs.	
(ix)					Bank Guarantee/ General Bond amounting RM85,000.00 is required from Creden Mechatronic to ensure the safety of duties/ tax on raw materials/ components, finished goods stored in the licensed manufacturing warehouse and the transfer of dutiable goods.	
(x)					It shall notify the proper officer of customs in writing within 14 days if:	
					(a) there is a change in its Board of Directors;	
					(b) It has been wound up;	

APPENDIX I MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Issuing authority/ Company/ Registration no.	Date of issue	Date of expiry	Nature of approval/ Licenses	Major conditions imposed	Compliance status
7.	MITI / Creden Mechatronic License No: A020068 Serial No: A033944	17 April 2015	No date of expiry	Manufacturing license to manufacture factory automation and advanced wafer measurement systems, equipment and related parts for electronics and semiconductor industries including inspection systems	<p>(c) an application for winding up has been made;</p> <p>(d) appointment of liquidator or receiver has been made;</p> <p>(e) It is subjected to civil claims, bankruptcy, closure and other similar matters.</p> <p>(xi) This licence can be revoked at any time in the event of breach of conditions under the Customs Act 1967 or the Regulations thereunder.</p> <p>(xii) Breach of any conditions of the licensing are an offense which could be compounded under the Customs Act 1967 and the Customs Regulations 1977.</p>	Complied
					<p>(i) The manufacturing site located at No. 9, Jalan Jurukur U1/19, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan is subject to the approval of the State Government and the Department of Environment.</p> <p>(ii) The sale of shares in it must be notified to</p>	

APPENDIX I MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Issuing authority/Company/Registration no.	Date of issue	Date of expiry	Nature of approval/Licenses	Major conditions imposed	Compliance status
10.	Malaysian Investment Development Authority / Creden Mechatronic Reference No.: 120/29199/001834/000 006ACI	26 December 2014	5 years from the effective date subject to the company meeting the conditions set out in the approval	advanced wafer measurement system and equipment	production which is granted the Pioneer Status and production without incentive subject to the condition that these accounts are approved by the Inland Revenue Board, Malaysia. (iv) It has to apply for the effective date within 24 months from the date of the approval.	The Company had on 22 December 2016 applied for an extension of time to comply with the conditions, which was granted on 25 July 2017 for a period of up to 25 December 2018.
				Pioneer Status under the Promotion of Investments Act 1986 with tax exemption of 70% on statutory income for the period of 5 years for producing related parts and components for advanced wafer measurement system and equipment	The conditions are: (i) Value added for the production of related parts and components for advanced wafer measurement system must reach at least 40%. (ii) The number of staff at management, technical and supervision level must reach at least 50% of its total workforce. (iii) It must maintain separate accounts on the production which is granted the Pioneer Status and production without incentive subject to the condition that these accounts are approved by the Inland Revenue Board, Malaysia.	
					(iv) It has to apply for the effective date within 24 months from the date of the approval.	

APPENDIX I MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Issuing authority/Company/Registration no.	Date of issue	Date of expiry	Nature of approval/ Licenses	Major conditions imposed	Compliance status
11.	National Environment Agency/ QES (Singapore)					
	(i) License No: L1/01752/0001	13 December 2017	31 January 2019	Radiation protection - For sale or deal in ionising irradiating apparatus	Licensed for a list of radioactive equipment under the brands of Toshiba, Spectro, Asoma, Rigaku, Innovative, Olympus, Hitachi and Sciaps.	Complied
	(ii) License No: N1/01441/0004	1 August 2016	31 August 2018	Radiation protection - To import/ store and sell	Licensed for a list of radioactive equipment under the brands of Melles Griot, Bluesky, Exalos, Synrad, and Sciaps.	Complied
	(iii) License No: Q0030L170073	22 January 2018	23 December 2018	Hazardous substances - license to sell or deal in sodium hydroxide	Not applicable	Not applicable
12.	Provincial Governor's Special Capital Region Jakarta/ QES (Indonesia) License No: 913/27.1BU.1/31.7 2.06.1003/ -071.562/ e/2017	26 July 2017	26 July 2022	Certificate of Domicile (Surat Keterangan Domisili Perusahaan)	Not applicable	Not applicable
13.	Ministry of Trade/ QES (Indonesia) API-U No: 090308788-B	23 May 2016	5 years from each registration / update	Import license	Not applicable	Not applicable

Company No.: 1119086-U

APPENDIX I MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Issuing authority/Company/Registration no.	Date of issue	Date of expiry	Nature of approval/ Licenses	Major conditions imposed	Compliance status
14.	Nuclear Energy Regulatory Agency/ QES (Indonesia)			Nuclear energy utilisation permit		Complied
(i)	Permit No: 066524.025.11.1705 17	17 May 2017	16 May 2020	Utilisation permit	For products: Hitachi EA Series, Hitachi FT Series, Varian VF-50j, Oxford Instruments – Optima 93225	
(ii)	Permit No: 030618.3.158.00000 .030915	3 September 2015	2 September 2018	Import certificate	For products: Spectro - Xsort, XEPOS, MIDEX, IQ II	
(iii)	Permit No: 062242.017.11.2710 16	27 October 2016	26 October 2019	Utilisation permit	For products: EDXRF/EA1000AIII, SE International Monitor 4	