

NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF QES GROUP BERHAD (“QES” OR THE “COMPANY”) DATED 8 FEBRUARY 2018 (“ELECTRONIC PROSPECTUS”)

(Unless otherwise indicated, specified or defined in this notice, the definitions in the Prospectus shall apply throughout this notice)

Website

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Securities Berhad's ("Bursa Securities") website at www.bursamalaysia.com ("Website").

Availability and Location of Paper/Printed Prospectus

Any applicant in doubt concerning the validity or integrity of the Electronic Prospectus should immediately request a paper/printed copy of the Prospectus directly from the Company, M&A Securities Sdn Bhd ("M&A Securities"), or Tricor Investor & Issuing House Services Sdn Bhd. Alternatively, the applicant may obtain a copy of the Prospectus from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective investors should note that the Application Form is not available in electronic format.

Jurisdictional Disclaimer

This distribution of the Electronic Prospectus and the sale of the units are subject to Malaysian law. Bursa Securities, M&A Securities and QES take no responsibility for the distribution of the Electronic Prospectus and/or the sale of the units outside Malaysia, which may be restricted by law in other jurisdictions. The Electronic Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to buy any units, to any person outside Malaysia or in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

Close of Application

Applications will be accepted from 10.00 a.m. on 8 February 2018 and will close at 5.00 p.m. on 23 February 2018 or for such further period or periods as the Directors of QES, Promoters and Underwriter in their absolute discretion may decide.

The Electronic Prospectus made available on the Website after the closing of the application period is made available solely for informational and archiving purposes. No securities will be allotted or issued on the basis of the Electronic Prospectus after the closing of the application period.

Persons Responsible for the Internet Site in which the Electronic Prospectus is Posted

The Electronic Prospectus which is accessible at the Website is owned by Bursa Securities. Users' access to the website and the use of the contents of the Website and/or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained in the Website.

The contents of the Electronic Prospectus are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind, and shall not at any time be relied upon as such.

QES
QES GROUP BERHAD
(Company No. 1119086-U)



QES GROUP BERHAD

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

INITIAL PUBLIC OFFERING IN CONJUNCTION WITH OUR LISTING ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING:

- (I) **PUBLIC ISSUE OF 151,661,000 NEW ORDINARY SHARES ("SHARES") IN OUR COMPANY IN THE FOLLOWING MANNER:**
- 37,915,400 NEW SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
 - 9,265,000 NEW SHARES AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS AND EMPLOYEES;
 - 104,480,600 NEW SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS;
AND
- (II) **OFFER FOR SALE OF 75,831,000 EXISTING SHARES BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY,**

AT AN ISSUE/OFFER PRICE OF RM0.19 PER SHARE, PAYABLE IN FULL UPON APPLICATION

Adviser, Sponsor, Underwriter and Placement Agent



M&A SECURITIES SDN BHD (15017-H)

(A Wholly-Owned Subsidiary of Insas Berhad)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

YOU ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

THERE ARE CERTAIN RISK FACTORS WHICH PROSPECTIVE INVESTORS SHOULD CONSIDER.

PLEASE REFER TO "RISK FACTORS" AS SET OUT IN SECTION 4 HEREIN.

YOU ARE ADVISED TO NOTE THAT COMPANIES LISTED ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD MAY BE OF HIGH INVESTMENT RISK.

THIS PROSPECTUS IS NOT TO BE DISTRIBUTED OUTSIDE MALAYSIA.

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

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✉ corporate@qesnet.com
🌐 www.qesnet.com

PROSPECTUS

Our Directors, Promoters and Offerors (as defined herein) have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

M&A Securities Sdn Bhd, being our Adviser, Sponsor, Underwriter and Placement Agent to our IPO (as defined herein), 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.

A copy of this Prospectus has been registered by the Securities Commission Malaysia ("SC"). The registration of this Prospectus should not be taken to indicate that the SC recommends our IPO or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment.

The SC is not liable for any non-disclosure in this Prospectus on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss that you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus. A copy of this Prospectus, together with the Application Form (as defined herein), has also been lodged with the Registrar of Companies who takes no responsibility for its contents.

Companies listed on the ACE Market may have a limited operating history or may not have any profit track record prior to listing. Such companies may be of high investment risk. As with all investments, you should be aware of all potential risks in investing in such companies and should make the decision to invest after giving due and careful consideration by referring to, among others, this Prospectus, latest financial statements and corporate announcements. You are strongly recommended to seek advice from securities professional/adviser.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF OUR IPO AND YOUR INVESTMENT IN OUR SHARES. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

Our IPO is an exempt transaction under Section 212(8) of the Capital Markets and Services Act 2007 ("CMSA") and is therefore not subject to the approval of the SC.

You are advised to note that recourse for false or misleading statements or acts made in connection with this Prospectus is directly available through Sections 248, 249 and 357 of the CMSA.

Approval has been obtained from Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for our IPO Shares (as defined herein). Our admission to the Official List of the ACE Market of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares. Bursa Securities shall not be liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

Securities listed on Bursa Securities are offered to the public premised on full and accurate disclosure of all material information concerning our IPO for which any of the persons set out in Section 236 of the CMA, e.g. Directors and Advisers, are responsible.

Our securities are classified as shariah-compliant by the Shariah Advisory Council of the SC based on the pro forma consolidated financial statements for the financial year ended 31 December 2016. This classification remains valid from the date of issue of this prospectus until the next shariah compliance review is undertaken by the Shariah Advisory Council of the SC. The new status will be released in the updated list of shariah-compliant Securities, on the last Friday of May and November.

This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith.

No action has been or will be taken to ensure that this Prospectus complies with the laws of any country or jurisdiction other than the laws of Malaysia. It shall be your sole responsibility to consult your legal and/or other professional adviser on the laws to which our IPO or you are or might be subjected to. Neither us nor our Adviser nor any other advisers in relation to our IPO shall accept any responsibility or liability if any application made by you shall become illegal, unenforceable, voidable or void in any country or jurisdiction.

Further, it shall also be your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO as stated in our Prospectus and the Application Form and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected. We will further assume that you had accepted our IPO in Malaysia and will be subjected only to the laws of Malaysia in connection therewith.

However, we reserve the right, in our absolute discretion to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

ELECTRONIC PROSPECTUS

This Prospectus can be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the Electronic Prospectus and the copy of this Prospectus registered with the SC are the same.

You are advised that the internet is not a fully secured medium, and that your Internet Share Application (as defined herein) may be subject to the risks of problems occurring during the data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions (as defined herein). These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt of the validity or integrity of an Electronic Prospectus, you should immediately request from us, the Adviser or issuing house, a paper printed copy of this Prospectus.

If any discrepancy arising between the contents of the Electronic Prospectus and the contents of the paper printed copy of this Prospectus for any reason whatsoever, the contents of the paper printed copy of this Prospectus which are identical to the copy of the

Prospectus registered with the SC shall prevail.

In relation to any reference in this Prospectus to third party internet sites (referred to as "Third Party Internet Sites"), whether by way of hyperlinks or by way of description of the third party internet sites, you acknowledge and agree that:

- (a) We and our Adviser do not endorse and is not affiliated in any way with the Third Party Internet Sites and is not responsible for the availability of, or the contents or any data, information, files or other material provided on the third party internet sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;
- (b) We and our Adviser are not responsible for the quality of products or services in the Third Party Internet Sites, for fulfilling any of the terms of your agreements with the Third Party Internet Sites. We and our Adviser are also not responsible for any loss or damage or costs that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance of any data, information, files or other material provided by such parties; and
- (c) Any data, information, files or other material downloaded from Third Party Internet Sites is done at your own discretion and risk. We and our Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files or other material.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:

- (a) The Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of an Electronic Prospectus, to the extent of the contents of the Electronic Prospectus situated on the web server of the Internet Participating Financial Institutions and shall not be responsible in any way for the integrity of the contents of an Electronic Prospectus which has been downloaded or otherwise obtained from the web server of the Internet Participating Financial Institutions and thereafter communicated or disseminated in any manner to you or other parties; and
- (b) While all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Prospectus, the accuracy and reliability of an Electronic Prospectus cannot be guaranteed as the internet is not a fully secured medium.

The Internet Participating Financial Institutions shall not be liable (whether in tort or contract or otherwise) for any loss, damage or costs, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in an Electronic Prospectus which may arise in connection with or as a result of any fault or faults with web browsers or other relevant software, any fault or faults on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the internet participating financial institutions, and/or problems occurring during data transmission, which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

IF THERE ARE ANY DISCREPANCIES OR INCONSISTENCIES BETWEEN THE ENGLISH AND BAHASA MALAYSIA VERSION OF THIS PROSPECTUS, THE ENGLISH VERSION SHALL PREVAIL.

INDICATIVE TIMETABLE

All terms used in this section are defined under "Definitions" commencing from page vii.

The indicative timing of events leading to the listing of and quotation for our entire enlarged share capital on the ACE Market of Bursa Securities is set out below:

Events	Tentative Dates
Issuance of this Prospectus/Opening of application for our IPO	8 February 2018
Closing of application for our IPO	23 February 2018
Balloting of the application for our IPO Shares	27 February 2018
Allotment of our IPO Shares to successful applicants	5 March 2018
Date of Listing	8 March 2018

This timetable is indicative and is subject to changes which may be necessary to facilitate the implementation procedures.

If the closing date of the application is extended, we will advertise the notice of the extension in a widely circulated English and Bahasa Malaysia daily newspapers in 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.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All terms used in this section are defined under "Definitions" commencing from page vii.

All references to "QES" and "Company" in this Prospectus are to QES Group Berhad (1119086-U), references to "Group" are to our Company and our subsidiaries taken as a whole; and references to "we", "us", "our" and "ourselves" are to our Company, and, save where the context otherwise requires, our subsidiaries. Unless the context otherwise requires, references to "Management" are to our Directors, key management and key technical personnel as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

The word "approximately" used in this Prospectus is to indicate that a number is not an exact one, but that number is usually rounded to the nearest hundredth or 1 decimal place. Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding.

Certain abbreviations, acronyms and technical terms used are defined in "Definitions" appearing after this section. Words denoting the singular only shall include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender and vice versa. Reference to persons shall include companies and corporations.

All reference to dates and times are references to dates and times in Malaysia.

Any reference in this Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted.

This Prospectus includes statistical data provided by our Management and various third-parties and cites third-party projections regarding growth and performance of the industry in which our Group operates. This data is taken or derived from information published by industry sources and from the internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originates from us. In particular, certain information in this Prospectus is extracted or derived from report(s) prepared by the Independent Market Research Consultant. We believe that the statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the industry in which we operate. Third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. Hence, you should not place undue reliance on the third-party projections cited in this Prospectus.

The information on our website, or any website directly or indirectly linked to such websites does not form part of this Prospectus and you should not rely on it.

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FORWARD-LOOKING STATEMENTS

All terms used are defined under "Definitions" commencing from page vii.

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and objectives for future operations, are forward-looking statements. Such forward looking statements involve known and unknown risks, uncertainties, contingencies and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our Management's current view with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast", "project" or similar expressions and include all statements that are not historical facts.

Such forward-looking statements include, without limitations, statements relating to:

- (i) demand for our products and services;
- (ii) our business strategies;
- (iii) our plans and objectives for future operations;
- (iv) our financial position;
- (v) our future earnings, cash flows and liquidity; and
- (vi) our ability to pay future dividends.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including, without limitation:

- (i) the economic, political and investment environment in Malaysia and globally; and
- (ii) government policy, legislation or regulation.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed in Section 4 of this Prospectus. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus.

You will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forward-looking statements that are contained herein.

DEFINITIONS

The following terms in this Prospectus bear the same meanings as set out below unless otherwise defined or the context requires otherwise:

COMPANIES WITHIN OUR GROUP:

"Creden (Asia-Pacific)"	: Creden (Asia-Pacific) Sdn Bhd (466193-W)
"Creden Engineering"	: Creden Engineering Sdn Bhd (552261-H)
"Creden Intra Pacific"	: Creden Intra Pacific Sdn Bhd (549660-U)
"Creden Mechatronic"	: Creden Mechatronic Sdn Bhd (487081-V)
"QAM"	: QAM (Asia-Pacific) Sdn Bhd (422084-V)
"QES"	: QES Group Berhad (1119086-U)
"QES Group" or "Group"	: QES and its subsidiaries, collectively
"QES (Asia-Pacific)"	: QES (Asia-Pacific) Sdn Bhd (226158-U)
"QES (Hong Kong)"	: QES (Hong Kong) Limited (789399)
"QES (Indonesia)"	: P.T. QES Indonesia
"QES (KL)"	: QES (Kuala Lumpur) Sdn Bhd (405481-D)
"QES (Penang)"	: QES (Penang) Sdn Bhd (405487-X)
"QES (Philippines)"	: QES Technology Philippines, Inc. (CS201708340)
"QES (Sarawak)"	: QES (Sarawak) Sdn Bhd (405474-W)
"QES (Singapore)"	: QES (Singapore) Pte. Ltd. (199204893Z)
"QES (Thailand)"	: QES (Thailand) Co. Ltd. (0105541030276)
"QES (Vietnam)"	: QES (Vietnam) Co. Ltd (411043000842)
"QS Instruments"	: QS Instruments Sdn Bhd (637675-D)
"VMX"	: VMX Technology Sdn Bhd (729275-M)

Please refer to Section 5.1 of this Prospectus for details on our Group structure.

DEFINITIONS (*Cont'd*)

GENERAL:

"Acquisitions"	: Acquisitions comprising the following:
	(i) Acquisition of Creden Intra Pacific which was completed on 31 October 2017;
	(ii) Acquisition of QES (Asia-Pacific) which was completed on 1 November 2017; and
	(iii) Acquisition of QES (Asia-Pacific) Subsidiaries which was completed on 2 November 2017,
	The Acquisitions are further detailed in Section 5.3 of this Prospectus
"Acquisition of Creden Intra Pacific"	: Acquisition by QES (Asia-Pacific) of 200,000 Creden Intra Pacific Shares, representing 20% equity interest in Creden Intra Pacific, from Chew Ne Weng for a purchase consideration of RM1.16 million, satisfied via the issuance of 414,448 new QES (Asia-Pacific) Shares at an issue price of RM2.81 each
"Acquisition of QES (Asia-Pacific)"	: Acquisition by QES of the entire equity interest of QES (Asia-Pacific), comprising 11,614,448 ordinary shares in QES (Asia-Pacific) after the Acquisition of Creden Intra Pacific, from Chew Ne Weng and Liew Soo Keang, for a purchase consideration of RM32.59 million, satisfied via the issuance of 606,646,000 new QES Shares at an issue price of approximately RM0.05 each
"Acquisition of QES (Asia-Pacific) Subsidiaries"	: Acquisition by QES of the entire equity interests of QS Instruments, Creden Intra Pacific and Creden (Asia-Pacific) from QES (Asia-Pacific) for an aggregate cash consideration of RM13.77 million
"Act"	: Companies Act, 2016, as amended from time to time, and any re-enactments thereof
"ADA"	: Authorised Depository Agent
"Application"	: The application for our IPO Shares by way of Application Form, Electronic Share Application or Internet Share Application
"Application Form"	: The printed application form for the application of our IPO Shares accompanying this Prospectus
"ASEAN"	: Association of South East Asian Nations. Members include Indonesia, Malaysia, The Philippines, Singapore, Thailand, Brunei Darussalam, Cambodia, Laos, Myanmar and Vietnam
"ATM"	: Automated teller machines of a Participating Financial Institution
"Board"	: Board of Directors of QES
"Bursa Depository"	: Bursa Malaysia Depository Sdn Bhd

DEFINITIONS (Cont'd)

"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"CAGR"	:	Compound annual growth rate
"CCM"	:	Companies Commission of Malaysia
"CDS"	:	Central Depository System
"CDS Account"	:	An account established by Bursa Depository for a depositor for the recording of securities and for dealing in such securities by the depositor
"Closing Date"	:	Means the date adopted in this Prospectus as the last date for acceptance and receipt of application for the subscription to our IPO Shares
"CMSA"	:	Capital Markets & Services Act 2007, as amended from time to time, and any re-enactments thereof
"Creden Intra Pacific Shares"	:	Ordinary shares in Creden Intra Pacific
"Depository Rules"	:	The Rules of Bursa Depository and any appendices thereto as they may be amended from time to time
"Director(s)"	:	Either an executive director or a non-executive director of our Company within the meaning of Section 2 of the Act
"EBIT"	:	Earnings before interest and taxes
"EBITDA"	:	Earnings before interest, taxes, depreciation and amortisation
"Electronic Share Application"	:	Application for our IPO Shares through a Participating Financial Institution's ATM
"EPS"	:	Earnings per share
"FPE"	:	Financial period(s) ended 30 September
"FYE"	:	Financial year(s) ended 31 December, as the case may be
"GP"	:	Gross profit
"GST"	:	Goods and services tax
"IFRS"	:	International Financial Reporting Standards
"IMR" or "Protégé"	:	Protégé Associates Sdn Bhd, the Independent Market Research Consultant appointed for our Listing
"Internet Participating Financial Institution(s)"	:	The participating financial institution(s) for Internet Share Application as listed in Section 16 of this Prospectus
"Internet Share Application"	:	Application for our IPO Shares through an Internet Participating Financial Institution

DEFINITIONS (*Cont'd*)

"IP"	:	Intellectual property
"IPO"	:	Our initial public offering comprising the Public Issue and Offer for Sale
"IPO Price"	:	The issue/offer price of RM0.19 per IPO Share pursuant to the Public Issue and Offer for Sale
"IPO Shares"	:	The Issue Shares and Offer Shares, collectively
"Issuing house"	:	Tricor Investor & Issuing House Services Sdn Bhd
"Issue Shares"	:	151,661,000 new Shares to be issued under the Public Issue, representing 20.0% of the enlarged share capital of our Company upon Listing
"ISO"	:	International Organisation for Standardisation
"IT"	:	Information technology
"Latest Practicable Date" or "LPD"	:	8 January 2018, being the latest practicable date for ascertaining certain information contained in this Prospectus
"Listing"	:	Listing of and quotation for our entire enlarged share capital of 758,308,000 Shares on the ACE Market of Bursa Securities
"Listing Requirements"	:	ACE Market Listing Requirements of Bursa Securities
"Listing Scheme"	:	Comprising the Public Issue, Offer for Sale and Listing, collectively
"M&A Securities"	:	M&A Securities Sdn Bhd
"Malaysian Public"	:	Malaysian citizens and companies, co-operatives, societies and institutions incorporated or organised under the laws of Malaysia
"MFRS"	:	Malaysian Financial Reporting Standards
"MNC(s)"	:	Multinational corporation(s)
"mm"	:	millimetre(s)
"NA"	:	Net assets
"NBV"	:	Net book value
"NL"	:	Net liabilities
"Offerors"	:	Chew Ne Weng and Liew Soo Keang, being the Offerors pursuant to our Offer for Sale
"Offer for Sale"	:	Offer for sale of 75,831,000 Offer Shares by our Offerors by way of private placement to selected investors at our IPO Price

DEFINITIONS (Cont'd)

"Offer Shares"	:	75,831,000 existing Shares to be offered pursuant to our Offer for Sale, representing 10.0% of the enlarged share capital of our Company upon Listing
"Participating Financial Institution(s)"	:	Participating financial institution(s) for Electronic Share Application
"PAT"	:	Profit after taxation
"PBT"	:	Profit before taxation
"PE Multiple"	:	Price-to-earnings multiple
"Pink Form Allocations"	:	The allocation of 9,265,000 Issue Shares to our eligible Directors and employees
"Placement Agent"	:	M&A Securities
"Promoters"	:	Our promoters, namely Chew Ne Weng and Liew Soo Keang
"Prospectus"	:	This prospectus dated 8 February 2018 in relation to our IPO
"Public Issue"	:	Public issue of 151,661,000 Issue Shares at our IPO Price subject to the terms and conditions of this Prospectus
"QA"	:	Quality assessment
"QC"	:	Quality control
"SC"	:	Securities Commission Malaysia
"Share(s)" or "QES Share(s)"	:	Ordinary share(s) in QES
"SICDA or Depository Act"	:	Securities Industry (Central Depositories) Act, 1991, as amended from time to time, and any re-enactments thereof
"SPA"	:	Sale and purchase agreement
"sq ft"	:	Square foot
"Underwriter"	:	M&A Securities
"Underwriting Agreement"	:	The underwriting agreement dated 3 January 2018 entered into between QES and M&A Securities pursuant to our IPO
"USA"	:	United States of America

DEFINITIONS (Cont'd)**Currencies:**

"EURO"	:	European Euro
"GBP"	:	British Pound
"JPY"	:	Japanese Yen
"RM" or "sen"	:	Ringgit Malaysia and sen respectively
"PHP"	:	Philippine Peso
"Rp"	:	Indonesian Rupiah
"SGD"	:	Singapore Dollar
"THB"	:	Thai Baht
"USD"	:	United States Dollar
"VND"	:	Vietnamese Dong

Technical glossary:

"3D"	:	3- dimensional
"AWID"	:	Automatic wafer ID (AWID), a system used for reading optical characters on a wafer without the need to take it out from its cassette. All wafers in the cassette will be read in a batch. This will eliminate possible contamination during wafer handling
"AWMS"	:	Advanced wafer measurement system (AWMS), a system used for measuring both thickness and roughness of a wafer
"AWPS"	:	Automatic wafer packing system (AWPS), a system used for packing and unpacking of wafers during the wafer preparation and fabrication process
"Dicing"	:	A process where the die is separated from a wafer
"Die"	:	A small block of semiconducting material on which a given functional circuit is fabricated
"Die attach"	:	A process to attach a die or a chip to a substrate, package or another die
"ED-XRF" or "WD-XRF"	:	Energy dispersive X-Ray fluorescence (ED-XRF) or Wavelength dispersive X-Ray fluorescence (WD-XRF), a technique used to determine the elemental composition of materials. X-Ray fluorescence analysers determine the chemistry of a sample by measuring its X-ray emissions

DEFINITIONS (Cont'd)

"FAVIS"	: Fully automated vision inspection system (FAVIS), a system used for inspection of wafers and chips after the wafer probing, dicing and wire bonding processes
"ICP"	: Inductively coupled plasma (ICP), an analytical technique used for the detection of trace metals
"ID"	: Identification
"OES"	: Optical emission spectrometers (OES), an equipment used to determine the elemental composition of solid metals
"QMS"	: Quality management system
"Wafer"	: A thin slice of semiconductor material used in making integrated circuits
"Wafer dicing process"	: A process to separate die from wafer
"Wafer inspection process"	: A process to inspect wafers for defects after the wafer probing process
"Wafer mapping system"	: A system to measure the performance of semiconductor devices on a wafer where the wafer is represented by a map with colour-coded grid
"Wafer probing process"	: A process to test the functionality of die on wafer to ensure that they meet product specifications
"Wire bonding process"	: A process to make interconnections between an integrated circuit and its packaging (casing) as well as other electronics

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1. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name	Designation	Residential Address	Nationality/ Profession	Gender
Adnan Bin Zainol	Independent Non-Executive Chairman	No 122, Jalan Rahim Kajai Taman Tun Dr Ismail 60000 Kuala Lumpur	Malaysian/ Director	Male
Chew Ne Weng	Managing Director/President	No 56, Jalan USJ 4/6E UEP Subang Jaya 47620 Selangor Darul Ehsan	Malaysian/ Director	Male
Liew Soo Keang	Executive Director	No 2A, Jalan Putra Indah 9/15, Putra Heights 47650 Subang Jaya Selangor Darul Ehsan	Malaysian/ Director	Male
Chia Gek Liang	Independent Non-Executive Director	34, Jalan Birah Bukit Damansara 50490 Kuala Lumpur	Malaysian/ Advocate and Solicitor	Male
Hoh Chee Mun	Independent Non-Executive Director	No 8, Jalan TM 6 Taman Taming Mutiara Bandar Sungai Long 43000 Kajang Selangor Darul Ehsan	Malaysian/ Chartered Accountant	Male

AUDIT COMMITTEE

Name	Designation	Directorship
Hoh Chee Mun	Chairman	Independent Non-Executive Director
Adnan Bin Zainol	Member	Independent Non-Executive Chairman
Chia Gek Liang	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Chia Gek Liang	Chairman	Independent Non-Executive Director
Adnan Bin Zainol	Member	Independent Non-Executive Chairman
Hoh Chee Mun	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Chia Gek Liang	Chairman	Independent Non-Executive Director
Adnan Bin Zainol	Member	Independent Non-Executive Chairman
Hoh Chee Mun	Member	Independent Non-Executive Director

1. CORPORATE DIRECTORY (Cont'd)

COMPANY SECRETARY	: Andrea Huang Jia Mei (MIA 36347) 546, Jalan 7 Taman Ampang Utama 68000 Ampang Selangor Darul Ehsan Telephone number: 03-2161 9753 Facsimile: 03-2181 2456
REGISTERED OFFICE	: Lot 4.100, 4th Floor, Wisma Central Jalan Ampang 50450 Kuala Lumpur Telephone number: 03-2161 9753 Facsimile: 03-2181 2456
HEAD OFFICE	: No 9, Jalan Juruukur U1/19 Hicom Glenmarie Industrial Park, Seksyen U1 40150 Shah Alam Selangor Darul Ehsan Telephone number: 03-5882 6668 Facsimile: 03-5567 0811
EMAIL ADDRESS AND WEBSITE	: Email address: corporate@qesnet.com Website: http://www.qesnet.com
AUDITORS AND REPORTING ACCOUNTANTS FOR OUR LISTING	: Moore Stephens Associates PLT Unit 3.3A, 3rd Floor, Surian Tower No 1, Jalan PJU 7/3 Mutiar Damansara 47810 Petaling Jaya Selangor Darul Ehsan Telephone number: 03-7728 1800 Facsimile: 03-7733 1033
SOLICITORS FOR OUR LISTING	: Deol & Gill Suite 19-03-03 3rd Floor, Wisma Tune No 19, Lorong Dungun Damansara Heights 50490 Kuala Lumpur Telephone number: 03-2095 9980 Facsimile: 03-2095 9881

1. CORPORATE DIRECTORY (Cont'd)

PRINCIPAL BANKERS	: HSBC Bank Malaysia Berhad 3A Floor, North Tower Commercial Banking Division No. 2, Leboh Ampang 50100 Kuala Lumpur Telephone number: 03-2165 9414 Facsimile: 03-2031 0944 United Overseas Bank (M) Berhad No. 82, Jalan 3/62D Medan Putra Business Centre Sri Menjalara, Off Jalan Damansara 52200 Kuala Lumpur Telephone number: 03-6286 6802 Facsimile: 03-6275 8112
SHARE REGISTRAR	: Mega Corporate Services Sdn Bhd Level 15-2, Faber Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Telephone number: 03-2692 4271 Facsimile: 03-2732 5388
ISSUING HOUSE	: Tricor Investor & Issuing House Services Sdn Bhd Unit 32-01, Level 32, Tower A Vertical Business Suite Avenue 3, Bangsar South No.8, Jalan Kerinchi 59200 Kuala Lumpur Telephone number: 03-2783 9299 Facsimile: 03- 2783 9222
ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT	: M&A Securities Sdn Bhd Level 11, No. 45 & 47, The Boulevard Mid Valley City Lingkar Syed Putra 59200 Kuala Lumpur Telephone number: 03-2284 2911 Facsimile: 03-2284 2718

1. CORPORATE DIRECTORY (Cont'd)

**INDEPENDENT MARKET
RESEARCH CONSULTANT**

: Protégé Associates Sdn Bhd
Suite C-06-06, Plaza Mont' Kiara
2, Jalan Kiara, Mont' Kiara
50480 Kuala Lumpur

Telephone number: 03-6201 9301
Facsimile: 03-6201 7302

LISTING SOUGHT

: ACE Market of Bursa Securities

SHARIAH STATUS

: Approved by the Shariah Advisory Council of the SC

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2. INFORMATION SUMMARY

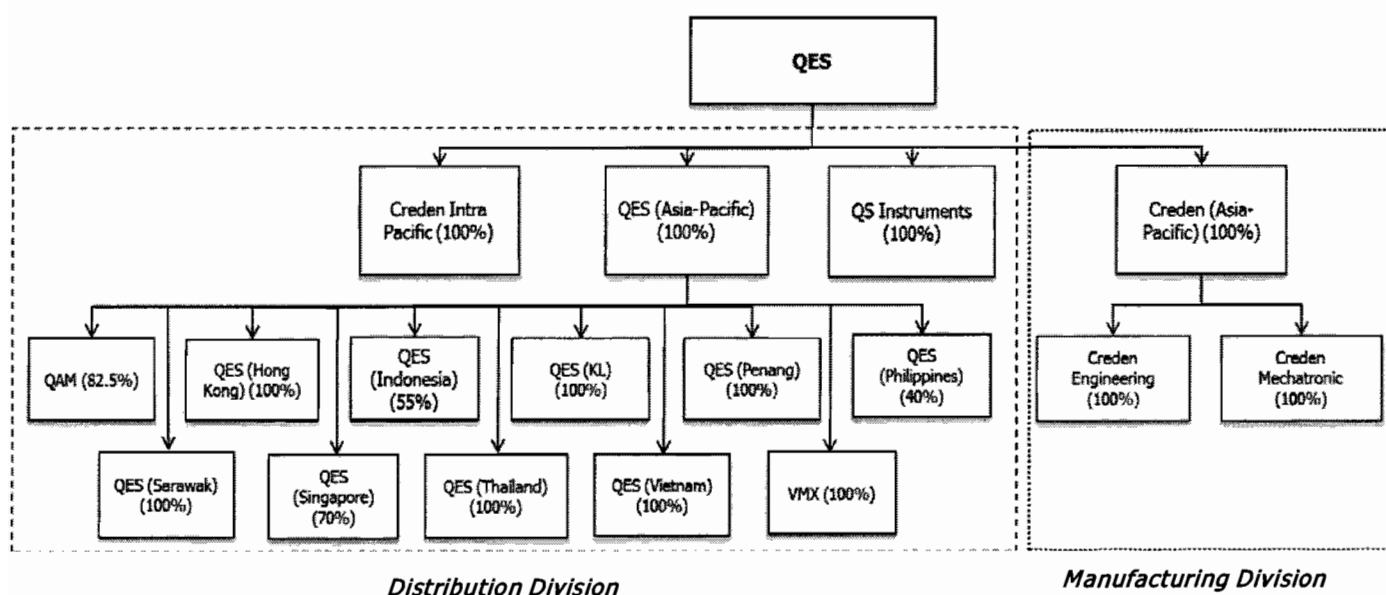
THE INFORMATION CONTAINED IN THIS SECTION IS INTENDED ONLY TO BE A SUMMARY OF SOME SALIENT INFORMATION RELATING TO US AND OUR IPO, AND THE INFORMATION CONCERNED IS DERIVED FROM AND SHOULD BE READ IN CONJUNCTION WITH THE FULL TEXT OF THIS PROSPECTUS. YOU SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER OR NOT TO INVEST IN OUR SHARES.

2.1 HISTORY AND BUSINESS

2.1.1 Overview

Our Company was incorporated in Malaysia under the Companies Act, 1965 on 20 November 2014 as a public limited company under the name QES Group Berhad. We were incorporated to facilitate our Listing and our principal activity is that of an investment holding company.

Our Group structure as at the LPD is as follows:



Our history can be traced back to the establishment of QES (Asia-Pacific) on 4 October 1991 by Chew Ne Weng and his partners, namely, Ong Choon Beng, Ang Kok Heng, Woon Lee Chong and Chew Ne Kheang. However, over the years, these 4 partners disposed their entire shareholdings in QES (Asia-Pacific) to our Promoters, Chew Ne Weng and Liew Soo Keang between 1997 to 2013 to pursue their own interests.

We started with the distribution and provision of services for inspection, test and measurement equipment to the electrical and electronics and automotive industries. We subsequently diversified into the distribution of materials and engineering solutions for the semiconductor industry through QAM and Creden Intra Pacific.

To complement our distribution of inspection, test and measurement equipment and materials, we ventured into the manufacturing of optical inspection and automated handling equipment that are used in the semiconductor industry through Creden (Asia-Pacific) in 1998.

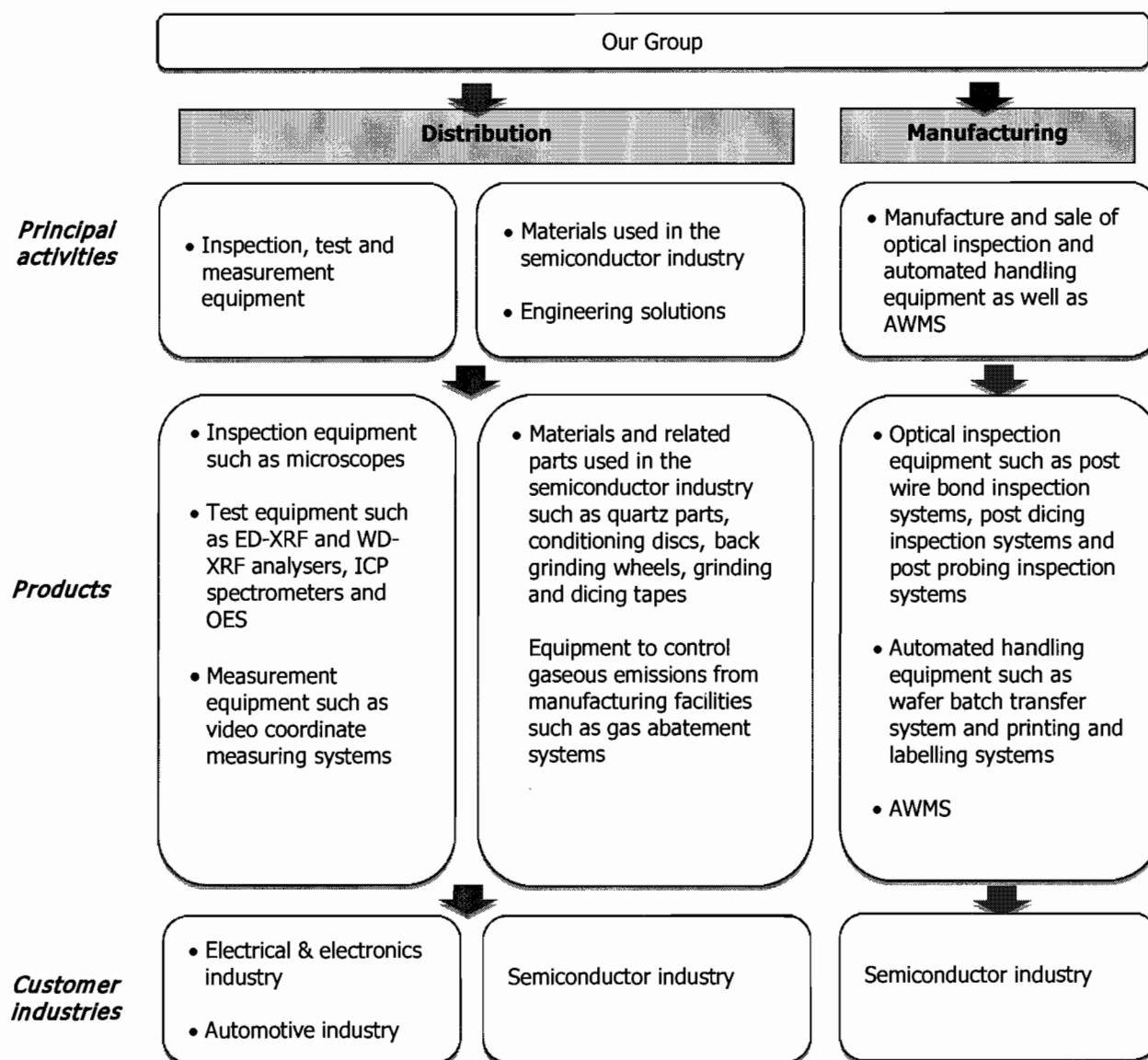
Further details of our Group and our business overview are set out in Sections 5 and 6 of this Prospectus, respectively.

2. INFORMATION SUMMARY (Cont'd)

2.1.2 Principal business activities

We are principally involved in the distribution of inspection, test and measurement equipment, materials and engineering solutions. We also manufacture optical inspection equipment, automated handling equipment as well as AWMS.

The following diagram illustrates the products we distribute and manufacture:



We also provide after-sales services such as training, repair and maintenance as well as upgrading services to our customers.

2. INFORMATION SUMMARY (Cont'd)

2.2 COMPETITIVE STRENGTHS

Described below are our competitive strengths, which we believe allows our Group to compete effectively within the industries we operate in:

- (i) We have been established as a distributor for many reputable brands of equipment, some of which we have carried for more than a decade such as Hitachi High-Tech Science Corporation since 1997 and Spectro Analytical Instruments GmbH since 1999. To date, our Group has distributed more than 2,000 types of products to more than 1,000 customers;
- (ii) Our distribution network is widely spread out across most of the ASEAN region as well as Hong Kong, which gives us faster and better reach to our customers;
- (iii) Our experience enables us to offer quality solutions and more efficient and reliable after-sales services to our customers;
- (iv) Our management team led by our Promoters, Chew Ne Weng and Liew Soo Keang provides us with decades of valuable experience in our business; and
- (v) We have a large customer base, for whom we have installed over 8,000 units of equipment. This reduces the risk of overdependence on a single customer and gives us good cross-selling opportunities. Our customers are from diverse industries such as semiconductor, electrical & electronics and automotive industries which reduces our risk of over-reliance on any single industry.

For further details, please refer to Section 6.14 of this Prospectus.

2.3 FUTURE PLANS

Our future plans and strategies are as follows. They are further detailed in Section 6.15 of this Prospectus:

- (i) Development of 3 key products

We plan to utilise up to RM4.8 million from the proceeds of the Public Issue to develop 3 key products, namely the FAVIS, AWPS and AWID under our manufacturing division. These products are advanced equipment aimed at reducing cost and improving product yield in their respective test and measurement processes through higher precision, integrated processes and automation. They are targeted at customers from the semiconductor industry.

- (ii) Expansion of our distribution business

- (a) Expanding our recurring income segment

In order to better capitalise on our large customer base, we will implement a customer relationship management software to better monitor our customers' equipment status and initiate service calls to grow our recurring revenue from repair and maintenance services and supply of spare parts.

2. INFORMATION SUMMARY (Cont'd)

- (b) Diversify into new market segments for our product line-up

We are seeking new market segments for our products to penetrate into in future, particularly the higher education institutions, petrochemical and pharmaceutical industries.

2.4 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

Our Promoters, substantial shareholders, Directors and key management personnel are as follows:

Name	Designation
Promoters and substantial shareholders	
Chew Ne Weng	Managing Director/President
Liew Soo Keang	Executive Director
Directors	
Adnan Bin Zainol	Independent Non-Executive Chairman
Chew Ne Weng	Managing Director/President
Liew Soo Keang	Executive Director
Chia Gek Liang	Independent Non-Executive Director
Hoh Chee Mun	Independent Non-Executive Director
Key management personnel	
Lee Hock Chin	Vice-President of Distribution Division – Inspection, Test and Measurement Equipment
Lim Chee Keong	Vice-President of Manufacturing Division
Chin Guat Eem	General Manager of Human Resource and Administration
Yeoh Cheong Yeow	General Manager of Finance

Details of the Promoters, substantial shareholders, Directors and key management personnel are set out in Section 8 of this Prospectus.

2. INFORMATION SUMMARY (Cont'd)**2.5 FINANCIAL HIGHLIGHTS****2.5.1 Historical combined statements of profit or loss and other comprehensive income**

The following table sets out a summary of our audited 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.

The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows.

	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
Gross EPS (sen) ⁽³⁾	1.09	1.61	1.99	1.34	2.56
Net EPS (sen) ⁽⁴⁾	0.86	1.17	1.56	1.06	1.95
Diluted EPS (sen) ⁽⁵⁾	0.69	0.94	1.25	0.84	1.56

2. INFORMATION SUMMARY (Cont'd)**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.

The Accountants' Report highlights an emphasis of matter on going concern for QES (Hong Kong) and QES (Singapore), 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 during the financial years under review. Our audited financial statements for the past financial years under review have not been subjected to any audit qualifications.

Detailed information on our audited combined statements of profit or loss and other comprehensive income is set out in Section 12 of this Prospectus.

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2. INFORMATION SUMMARY (Cont'd)**2.5.2 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

2. INFORMATION SUMMARY (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.

2.5.3 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 by our subsidiaries will depend on their distributable profits, operating results, financial conditions, capital expenditure plans and other factors that their respective boards of directors deem relevant.

Further details of our dividend policy are set out in Section 11.17 of this Prospectus.

2. INFORMATION SUMMARY (Cont'd)**2.6 PRINCIPAL STATISTICS RELATING TO OUR IPO**

The following statistics relating to our IPO are derived from the full text of this Prospectus and should be read in conjunction with that text.

No. of Shares to be issued under the Public Issue	151,661,000
No. of Shares to be offered under the Offer for Sale	75,831,000
Enlarged no. of Shares upon Listing	758,308,000
IPO Price per Share	RM0.19
Market capitalisation (based on our IPO Price and the enlarged share capital upon our Listing)	RM144,078,520

Further details of our IPO are set out in Section 3 of this Prospectus.

2.7 UTILISATION OF PROCEEDS

The total estimated gross proceeds to be raised by our Company from the Public Issue of RM28.82 million shall be utilised in the following manner:

	⁽¹⁾ Estimated time frame for utilisation	RM'000	%
Product development of 3 key products	Within 24 months	4,850	16.8
General working capital requirements	Within 24 months	3,250	11.3
Repayment of bank borrowings	Within 3 months	7,000	24.3
Capital expenditure	Within 24 months	10,716	37.2
Estimated listing expenses	Within 1 month	3,000	10.4
		28,816	100.0

Note:

⁽¹⁾ From the date of listing of our Shares.

There is no minimum subscription to be raised from our IPO.

Detailed information on our utilisation of proceeds is set out in Section 3.10 of this Prospectus.

2. INFORMATION SUMMARY (*Cont'd*)

2.8 RISK FACTORS

Before applying for our IPO Shares, you should carefully consider the following material risk factors in addition to other information contained elsewhere in this Prospectus.

(i) Risks relating to our business and operations

- (a) We rely on our suppliers to supply the products we distribute;
- (b) We are exposed to fluctuations in foreign exchange rates as a major part of our sales and purchases are transacted in foreign currencies;
- (c) Our continued success is dependent on the leadership and continued contributions of our key management team;
- (d) We need to have adequate financing to fund our operations;
- (e) We have business operations in foreign countries which expose us to risks arising from the economic, social and political conditions in those countries;
- (f) We face the risk of losing management control in QES (Philippines) as we only own 40% equity interest;
- (g) We face various operational risks which may cause significant losses or damage to our operating assets thus disrupting and affecting our business operations; and
- (h) We are subject to product warranty claims.

(ii) Risks relating to our industry

- (a) Our products are subject to evolving industry standards and changes in technology;
- (b) We face competition from existing and prospective competitors; and
- (c) The test and measurement market in Malaysia is subject to laws and regulations particularly with regards to the use of hazardous materials and environmental protection. Failure to comply with such laws and regulations will adversely affect our operations.

(iii) Risks relating to the investment in our Shares

- (a) There has been no prior market for our Shares;
- (b) Our Listing is exposed to the risk that it may be aborted or delayed;
- (c) Our ability to pay dividends is largely dependent on the performance of our subsidiary(ies); and
- (d) The trading price and volume of our Shares following our Listing may be volatile.

2. INFORMATION SUMMARY (*Cont'd*)

(iv) Other risks

- (a) Our Promoters will be able to exert significant influence over our Company;
and
- (b) Forward-looking/prospective statements in this Prospectus may not be
achievable.

For further details on these risks, please refer to Section 4 of this Prospectus.

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3. PARTICULARS OF OUR IPO

3.1 INTRODUCTION

This Prospectus is dated 8 February 2018. Our IPO is subject to the terms and conditions of this Prospectus.

We have registered a copy of this Prospectus with the SC. We have also lodged a copy of this Prospectus, together with the Application Forms with the CCM. Neither the SC nor the CCM takes any responsibility for its contents.

We have also obtained the approval from Bursa Securities vide its letter dated 29 September 2017, for our admission to the Official List of the ACE Market of Bursa Securities and for the permission to deal in and for the listing of and quotation for all our entire enlarged share capital on the ACE Market of Bursa Securities.

Our Shares will be admitted to the Official List of the ACE Market of Bursa Securities and an official quotation will commence after the receipt of confirmation from Bursa Depository that all of our IPO Shares have been duly credited into the respective CDS Accounts of the successful applicants and the notices of allotment have been issued and despatched to all the successful applicants.

Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as securities to be deposited into the CDS. Following this, we will deposit our Shares directly with Bursa Depository and any dealings in our Shares will be carried out in accordance with the SICDA and Depository Rules. We will not issue any share certificates to successful applicants.

Pursuant to the Listing Requirements, at least 25% of our enlarged share capital for which listing is sought must be in the hands of a minimum number of 200 public shareholders, each holding not less than 100 Shares each upon admission to the ACE Market of Bursa Securities. We expect to meet the public shareholding requirement at the point of our Listing. If we fail to meet the said requirement, we may not be allowed to proceed with our Listing on the ACE Market of Bursa Securities. In such an event, we will return in full, without interest, all monies paid in respect of all applications. If any such monies are not repaid within 14 days after we become liable to do so, the provision of sub-Section 243(2) of the CMSA shall apply accordingly.

You should rely only on the information contained in this Prospectus or any applicable Prospectus supplement. Neither we nor our advisers have authorised anyone to provide you with information that is different and not contained in this Prospectus. The delivery of this Prospectus or any issue made in connection with this Prospectus shall not, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date of this Prospectus. Nonetheless, should we become aware of any subsequent material change or development affecting a matter disclosed in this Prospectus arising from the date of issue of this Prospectus up to the date of our Listing, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238 of the CMSA.

We are not making any invitation to subscribe for our IPO Shares in any jurisdiction and in any circumstances in which such offer or invitation are authorised or lawful to any person to whom it is unlawful to make such an offer or invitation. As the distribution of this Prospectus and the sale of our IPO Shares in certain other jurisdictions may be restricted by law, persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. The distribution of this Prospectus and the making of our IPO in certain jurisdictions outside Malaysia may be restricted by law.

3. PARTICULARS OF OUR IPO (Cont'd)

The distribution of this Prospectus and the sale of any part of our IPO Shares are subject to the Malaysian laws and we, together with M&A Securities as our Adviser, Sponsor, Underwriter and Placement Agent, take no responsibility for the distribution of this Prospectus and the offer of any part of our IPO Shares outside Malaysia, which may be restricted by law in certain other jurisdictions.

You must have a CDS account when applying for our IPO Shares. In the case of an application by way of Application Form, you must state your CDS account number in the space provided in the Application Form. 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. Please refer to Section 16 of this Prospectus for further details on the procedures for application for our IPO Shares.

In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant 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 at which you enter your Electronic Share Application require you to do so. A corporation or institution cannot apply for our IPO Shares by way of Electronic Share Application.

In the case of an Application by way of Internet Share Application, only an applicant who has a CDS account and an existing account to their internet financial services with the Internet Participating Financial Institutions can make an Internet Share Application. You shall furnish your CDS account number to the Internet Participating Financial Institutions by keying your CDS account number into the online application form. A corporation or institution cannot apply for our IPO Shares by way of Internet Share Application.

Our IPO is subject to the terms and conditions of this Prospectus and upon acceptance, our IPO Shares are expected to be allocated in the manner described below.

The SC and Bursa Securities assume no responsibility for the correctness of any statement made or of any opinion or report expressed in this Prospectus. Our admission to the Official List of the ACE Market of Bursa Securities shall not be taken as an indication of the merits of our Group, our Shares and/or our IPO. This Prospectus can also be viewed or downloaded from the website of Bursa Securities at www.bursamalaysia.com.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR ANY OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

3.2 OPENING AND CLOSING OF APPLICATION PERIOD

The Application period will open at 10.00 a.m. on 8 February 2018 and will remain open until 5.00 p.m. on 23 February 2018. **LATE APPLICATIONS WILL NOT BE ACCEPTED.**

3. PARTICULARS OF OUR IPO (Cont'd)

3.3 IMPORTANT TENTATIVE DATES

Events	Tentative Dates
Issuance of this Prospectus/Opening of Application for our IPO	8 February 2018
Closing of application for our IPO	23 February 2018
Balloting of the application for our IPO Shares	27 February 2018
Allotment of our IPO Shares to successful applicants	5 March 2018
Date of Listing	8 March 2018

These dates are tentative and are subject to changes which may be necessary to facilitate the implementation procedures. Should the closing date of the Application be extended, the dates for the balloting, allotment of our IPO Shares and the listing of and quotation for our entire enlarged share capital on the ACE Market of Bursa Securities would be extended accordingly. Any changes to the closing date of the Application will be advertised in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia prior to the original closing date of the Application.

3.4 DETAILS OF OUR IPO

3.4.1 Public Issue

Our public issue of 151,661,000 Issue Shares at our IPO Price, representing approximately 20.0% of our enlarged share capital is subject to the terms and conditions of this Prospectus. Our Issue Shares shall be allocated in the following manner:

(i) Malaysian Public

37,915,400 Shares, representing 5.0% of our enlarged share capital after our IPO, will be made available for application by the Malaysian Public, to be allocated via balloting process.

(ii) Eligible Directors and employees of our Group

9,265,000 Shares, representing 1.2% of our enlarged share capital after our IPO, will be reserved for our eligible Directors and employees under the Pink Form Allocations. Further details of our Pink Form Allocations are set out in Section 3.4.3 of this Prospectus.

(iii) Private placement to selected investors

104,480,600 Shares, representing 13.8% of our enlarged share capital after our IPO have been reserved for private placement to selected identified investors.

The basis of allocation for our IPO Shares shall take into account the desirability of distributing our IPO Shares to a reasonable number of applicants in view of broadening our shareholding base to meet the public spread requirements and to establish a liquid and adequate market in our Shares.

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

3. PARTICULARS OF OUR IPO (Cont'd)**3.4.2 Offer for Sale**

The offer for sale of 75,831,000 Offer Shares, representing 10.0% of our enlarged share capital, at our IPO Price to selected Bumiputera investors approved by MITI by way of private placement is subject to the terms and conditions as set out in this Prospectus.

Our Offerors, who are also our Promoters are offering the Offer Shares. The details are as follows:

Name/Address	Material relationship with our Group	Before IPO ⁽¹⁾		Offer Shares offered			After IPO	
		No. of QES Shares	%	No. of QES Shares	% ⁽²⁾	% ⁽³⁾	No. of QES Shares	% ⁽³⁾
Chew Ne Weng No 56, Jalan USJ 4/6E UEP Subang Jaya 47620 Subang Jaya Selangor Darul Ehsan	Promoter, Director and substantial shareholder	355,097,195	58.5	43,224,000	7.1	5.7	311,873,195	41.1
Liew Soo Keang No 2A, Jalan Putra Indah 9/15, Putra Heights, 47650 Subang Jaya Selangor Darul Ehsan	Promoter, Director and substantial shareholder	251,549,805	41.5	32,607,000	5.4	4.3	218,942,805	28.9

Notes:

- (1) After the Acquisitions.
- (2) Based on our share capital of 606,647,000 Shares before our IPO.
- (3) Based on our enlarged share capital of 758,308,000 Shares after our IPO.

Our Offerors will bear all the expenses such as placement and miscellaneous fees estimated to be approximately RM0.3 million relating to their respective portion of the Offer Shares. The Offer Shares are not underwritten by our Underwriter.

Further details of our Offerors can be found in Section 8.1 of this Prospectus.

3. PARTICULARS OF OUR IPO (Cont'd)**3.4.3 Pink Form Allocations**

We have allocated 9,265,000 Issue Shares to our eligible Directors and employees under the Pink Form Allocations as follows:

Category	No. of eligible persons	Aggregate number of Issue Shares allocated
Eligible Directors	3	120,000
Eligible employees	177	9,145,000
Total	180	9,265,000

The criteria of allocation for the abovementioned Issue Shares to our eligible employees (as approved by our Board) are based on, inter-alia, the following factors:

- (i) Our employees must be an eligible and confirmed employee and on the payroll of our Group;
- (ii) The number of shares allocated to our eligible employees are based on their seniority, position, their length of service and their respective contribution made to our Group as well as other factors deemed relevant to our Board; and
- (iii) Full time employee of at least 18 years of age.

The criteria for allocation to our eligible Directors are based on amongst others, length of service, past, recent and anticipated contribution to our Group. Our Promoters have opted out of the Pink Form Allocations. Details of the proposed allocation to our Directors are as follows:

Name	Designation	No. of Issue Shares allocated
Adnan Bin Zainol	Independent Non-Executive Chairman	40,000
Chia Gek Liang	Independent Non-Executive Director	40,000
Hoh Chee Mun	Independent Non-Executive Director	40,000
Total		120,000

Entitlements which are not accepted by certain Directors and employees will be re-allocated to the other Directors and employees of our Group at the discretion of our Board.

3.4.4 Underwriting arrangement

Our Underwriter will underwrite 47,180,400 Issue Shares made available for application by the Malaysian Public and Pink Form Allocations. The 104,480,600 Issue Shares and 75,831,000 Offer Shares available for application by selected investors shall be placed out by our Placement Agent and will not be underwritten.

Any of our Issue Shares not subscribed for under Sections 3.4.1(i) and 3.4.1(ii) shall be made available to selected investors via private placement. Thereafter, any remaining re-offered Issue Shares that are not subscribed for will then be subscribed for by our Underwriter based on the terms of the Underwriting Agreement. However, if all of our Issue Shares under Section 3.4.1(i) are oversubscribed, shares not subscribed for under Sections 3.4.1(ii), 3.4.1(iii) and 3.4.2, if any, will be made available for subscription by the Malaysian Public.

3. PARTICULARS OF OUR IPO (Cont'd)**3.5 SHARE CAPITAL, CLASSES OF SHARES AND RANKINGS**

Upon completion of our IPO, our share capital would be as follows:

Details	No. of QES Shares	RM
Share capital		
As at the date of this Prospectus	606,647,000	32,592,205
To be issued pursuant to our Public Issue	151,661,000	28,815,590
Enlarged share capital upon our Listing	758,308,000	61,407,795
Pro forma consolidated NA per share upon Listing (after utilisation of proceeds)		0.09
Market capitalisation (based on our IPO Price and the enlarged share capital upon our Listing)		144,078,520

As at the date of this Prospectus, we have only 1 class of shares, being ordinary shares, all of which rank equally amongst one another. Our IPO Shares will, upon allotment and issue, rank equally in all respects with our existing ordinary shares including voting rights and will be entitled to all rights and dividends and other distributions that may be declared subsequent to the date of allotment of our IPO Shares.

Subject to any special rights attaching to any Shares which may be issued by us in the future, our shareholders shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions and any surplus if our Company is liquidated in accordance with our Memorandum and Articles of Association (Constitution).

Each of our shareholders shall be entitled to vote at any of our general meetings in person, or by proxy or by attorney or by other duly authorised representative. Every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have 1 vote for each ordinary share held.

3.6 PURPOSES OF OUR IPO

The purposes of our IPO are as follows:

- (i) To provide an opportunity for the Malaysian Public, including our eligible Directors and employees to participate in our equity;
- (ii) To enable our Group to raise funds for the purposes specified in Section 3.10 herein;
- (iii) To enable us to tap into the equity capital market for future fund raising and to provide us the financial flexibility to pursue future growth opportunities as when they arise; and
- (iv) To gain recognition through our listing status which will enhance our Group's reputation in the marketing of our products and services, retention of our employees, expand our customer base, and to attract new employees.

3. PARTICULARS OF OUR IPO (Cont'd)**3.7 BASIS OF ARRIVING AT OUR IPO PRICE**

Our IPO Price was determined and agreed upon by us and M&A Securities, as our Adviser, Sponsor, Underwriter and Placement Agent, after taking into consideration the following factors:

- (i) The PE Multiple of our IPO Price of about 9.13 times based on our Group's consolidated annualised net EPS of approximately 2.08 sen for the FPE 2017, calculated based on our consolidated PAT of RM11.9 million as detailed in Section 11.1.2 of this Prospectus and our enlarged share capital of 758,308,000 Shares upon Listing.

The PE Multiple was benchmarked to the average PE Multiple of approximately 20.27 times of the following selected test and measurement market players in Malaysia as listed in Figure 10 of Section 7 of this Prospectus:

No.	Name	Market price as at LPD	⁽¹⁾ EPS Sen	⁽²⁾ PE Multiple times	⁽³⁾ Market capitalisation RM'000
		RM			
1.	Elsoft Research Berhad	2.76	11.22	24.60	759,146
2.	MMS Ventures Berhad	1.87	12.94	14.45	301,272
3.	VisDynamics Holdings Berhad	0.61	6.00	10.17	67,527
4.	VITrox Corporation Berhad	6.82	21.40	31.87	3,204,650
		High		31.87	3,204,650
		Low		10.17	67,527
		Average		20.27	1,083,149
	QES	0.19	2.08	9.13	144,078

Notes:

- (1) Based on the trailing 12 months EPS of the respective companies extracted from their quarterly results announced to Bursa Securities up to the LPD.
- (2) Calculated based on the market price or IPO Price (where applicable) divided by EPS.
- (3) Calculated based on the outstanding number of shares of the respective company as at the LPD multiplied by the market price of each company as at the LPD.

The selected market players above have been chosen after taking into consideration the findings by the IMR from both primary and secondary sources. These sources include primary interviews with stakeholders in the test and measurement market in Malaysia as well as secondary data to ascertain that the products provided by these industry players are comparable to the products supplied by QES.

However, in comparison to these market players, our profit margins are relatively lower (further details of this comparison are set out in Section 7 of this Prospectus).

3. PARTICULARS OF OUR IPO (Cont'd)

This is likely due to a large portion of our revenue being derived from our distribution activities. Distribution activities generally yield a lower profit margin as compared to those yielded from manufacturing activities.

- (ii) Our pro forma consolidated NA per Share as at 30 September 2017 after our IPO is RM0.09 based on our pro forma consolidated NA as at 30 September 2017 of approximately RM71.8 million and our enlarged share capital of 758,308,000 Shares upon Listing;
- (iii) Our historical financial track record for the past 3 FYEs and FPE 2017 including our revenue, gross profits, PAT and EPS as follows:

	Audited			
	FYE 2014	FYE 2015	FYE 2016	FPE 2017
	RM'000	RM'000	RM'000	RM'000
Revenue	105,381	128,000	137,285	139,634
GP	28,889	35,470	37,742	50,307
PAT attributable to owners of the Company	5,229	7,095	9,460	11,854
EPS (sen) ⁽¹⁾	0.69	0.94	1.25	1.56

Note:

- (1) Calculated based on our enlarged share capital upon Listing of 758,308,000 Shares.

- (iv) Our competitive strengths as set out in Section 6.14 of this Prospectus; and
- (v) Our future plans and strategies as set out in Section 6.15 of this Prospectus.

3.8 TOTAL MARKET CAPITALISATION UPON LISTING

Based on our IPO Price and our enlarged share capital comprising 758,308,000 Shares upon Listing, our total market capitalisation will be RM144,078,520.

3.9 DILUTION

Dilution is the amount by which our IPO Price exceeds the pro forma NA per Share immediately after our IPO.

Our pro forma consolidated NA per Share as at 30 September 2017 after the Acquisitions is RM0.07. After giving effect to the Public Issue including adjustments for the estimated listing expenses, our pro forma consolidated NA per Share as at 30 September 2017 is RM0.09.

3. PARTICULARS OF OUR IPO (Cont'd)

This represents an immediate increase in the pro forma consolidated NA per Share to our existing shareholders of RM0.02. However, there is an immediate dilution of RM0.10 in the pro forma consolidated NA per Share to our new public investors. The following table illustrates such dilution on a per Share basis:

	RM
IPO Price	0.19
Our pro forma consolidated NA per Share as at 30 September 2017 after the Acquisitions before the Public Issue	0.07
Our pro forma consolidated NA per Share as at 30 September 2017 after the Acquisitions, Public Issue and utilisation of proceeds	0.09
Increase in the pro forma consolidated NA per Share attributable to existing shareholders	0.02
Dilution in the pro forma consolidated NA per Share to our new public investors	0.10
Dilution in the pro forma consolidated NA per Share as a percentage of our IPO Price	52.6

Further details of our pro forma consolidated NA per Share as at 30 September 2017 is set out in Section 13 of this Prospectus.

The following table shows the average effective cost per Share paid by our existing shareholders for our Shares since our incorporation up to the date of this Prospectus:

Shareholders	⁽¹⁾ No. of QES Shares received	Total consideration RM	Average effective cost per Share RM
Chew Ne Weng	355,097,195	19,079,475	0.05
Liew Soo Keang	251,549,805	13,512,730	0.05
	606,647,000	32,592,205	0.05

Note:

- ⁽¹⁾ Issued pursuant to the Acquisitions and including the 1,000 QES Shares existingly held by them.

Save for the:

- (i) Acquisitions of 10 subscriber / existing shares in QES by Chew Ne Weng and Liew Soo Keang each; and
- (ii) Shares received by our Promoters pursuant to the Acquisitions,

there has been no acquisition or subscription of any of our Shares by our Directors or key management, substantial shareholders or persons connected to them, or any transaction entered into by them which grants them the right to acquire any of our existing Shares, in the past 3 years up to the LPD.

3. PARTICULARS OF OUR IPO (Cont'd)

There is no minimum subscription to be raised from our IPO. However, in order to comply with the public spread requirements of Bursa Securities, the minimum subscription in terms of the number of IPO Shares will be the number of IPO Shares required to be held by public shareholders of our Group to comply with the public spread requirements as per the Listing Requirements or as approved by Bursa Securities.

3.10 UTILISATION OF PROCEEDS

The estimated gross proceeds arising from our Public Issue of RM28.82 million will accrue entirely to us and are planned to be utilised in the following manner:

Utilisation of proceeds	Notes	RM'000	%	Estimated timeframe for utilisation from the date of Listing
Development of 3 key products	(i)	4,850	16.8	Within 24 months
General working capital requirements	(ii)	3,250	11.3	Within 24 months
Repayment of bank borrowings	(iii)	7,000	24.3	Within 3 months
Capital expenditure	(iv)	10,716	37.2	Within 24 months
Estimated listing expenses	(v)	3,000	10.4	Within 1 month
		28,816	100.0	

Notes:**(i) Development of 3 key products**

We intend to utilise RM4.8 million to develop 3 key products, namely the FAVIS, AWPS and AWID under our manufacturing division. These key products are expected to be fully developed and ready for commercial sales within 12 to 24 months after our listing.

Please refer to Section 6.7.2 for further details on the key features of each of our 3 key products to be developed, the current status of their development and the estimated time frame for their development.

The following is a breakdown of the utilisation of proceeds for our product development:

Utilisation	FAVIS RM'000	AWPS RM'000	AWID RM'000	Total RM'000
Recruitment of additional product development staff, comprising mainly software engineers, mechanical and electrical engineers	1,050	300	300	1,650
Purchase of components such as controllers, sensors, wiring, optical	1,000	850	750	2,600

3. PARTICULARS OF OUR IPO (Cont'd)

Utilisation	FAVIS RM'000	AWPS RM'000	AWID RM'000	Total RM'000
systems, fabrication parts, motors and power supplies				
Purchase of supporting tools and software	200	200	200	600
	2,250	1,350	1,250	4,850

(ii) General working capital requirements

A total of RM3.2 million of the proceeds raised from our IPO has been earmarked to supplement the general working capital requirements of our Group.

The following is a breakdown of the utilisation of proceeds for our working capital:

Utilisation	RM'000
Recruitment of software engineers, technical support engineers and customer support engineers for the expansion of our business	1,800
Purchase of inventories mainly spare parts to support our after-sales services	1,150
Overheads such as transportation and other related costs related to equipment installation and commissioning	300
	3,250

(iii) Repayment of bank borrowings

RM7.0 million of our proceeds will be used to partially repay our bank borrowings in the following manner:

- (a) To reduce our term loan from Malayan Banking Berhad used for working capital and purchase of property by RM2.0 million. As at the LPD, our outstanding term loan amounts to RM2.6 million, of which RM0.6 million was used for purchase of the Group's property in Penang and the remainder is for working capital. It matures on 31 December 2018; and
- (b) To reduce our bank overdraft by RM5.0 million. As at the LPD, our total bank overdraft amounts to RM7.6 million.

Based on the above, the expected annual interest savings is approximately RM0.6 million based on the interest rate of 8.2% per annum for the term loan and 8.8% per annum for the bank overdraft. However, the actual interest savings may vary depending on the then applicable interest rate. We will reduce the bank borrowings within 3 months from the date of Listing.

(iv) Capital expenditure

We intend to utilise RM10.7 million of the proceeds for the following:

- (a) RM8.3 million to purchase 53 units of demonstration equipment for our distribution business, being actual finished products used for marketing to demonstrate product technologies or features to customers, generally in exhibitions or private demonstrations. In this respect, we have identified a diverse range of the latest equipment from our more reputable suppliers to

3. PARTICULARS OF OUR IPO (Cont'd)

support the 3 key market segments we sell to, as well as for the higher education, petrochemical, and pharmaceutical market segments which we intend to penetrate. This expenditure will be capitalised as our property, plant and equipment;

- (b) RM0.4 million to buy tools and accessories such as wafer ports, air compressors, lighting, power ports, partitions, wiring, and network cabling, which are estimated to boost our production capacity by at least 20%; and
- (c) RM2.0 million to purchase new IT equipment such as computers, servers and network infrastructure including cables, routers and switches, as well as software upgrades such as Oracle or Systems Applications and Products in Data Processing (SAP). These equipment and software will be used for digitisation of information across our international operations for ease of access and analysis.

(v) Estimated listing expenses

The estimated expenses and fees incidental to our Listing amounting to approximately RM3.0 million shall be borne by our Company, the details of which are as follows:

	RM'000
Professional fees ⁽¹⁾	1,950
Fees payable to the authorities	75
Underwriting, placement and brokerage fees	800
Printing, advertising fees and contingencies ⁽²⁾	175
Total	<u>3,000</u>

Notes:

- (1) Includes advisory fees for, amongst others, our Principal Adviser, Solicitors, Reporting Accountants, IMR and issuing house.
- (2) Other incidental or related expenses in connection with our IPO.

We will bear all expenses and fees incidental to our Listing, which include underwriting commission, placement fees, brokerage, professional fees, authorities' fees, advertising and other fees, the aggregate of which is estimated to be approximately RM3.0 million. Any difference arising from the utilisation as set out above will be adjusted accordingly with our working capital requirements.

Pending the deployment of the proceeds raised from our IPO as aforementioned, the funds will be placed in short-terms deposits with financial institutions or used to invest in short-term money market instruments as our Directors may deem appropriate.

Our Offer for Sale is expected to raise gross proceeds of approximately RM14.4 million, which will accrue entirely to our Offerors and we will not receive any of the proceeds. Our Offerors shall bear all of the expenses such as placement fee, registration fee and share transfer fee relating to the Offer Shares, the aggregate of which is estimated to be approximately RM0.4 million.

3. PARTICULARS OF OUR IPO (Cont'd)

3.10.1 Financial impact from utilisation of proceeds

(i) Expanding our manufacturing business

RM4.8 million from our proceeds will be used to develop 3 key products i.e. the FAVIS, AWPS and AWID. These proceeds have been earmarked for the necessary product development staff, materials and tools needed to develop the aforementioned new products. Primarily, these new products are expected to benefit our customers by reducing labour costs. The roll out of these 3 products are expected to increase our revenue in the future. We also intend to utilise RM0.4 million to purchase tools and accessories as detailed in Section 3.10 (iv) above which is estimated to boost our production capacity by at least 20%.

(ii) Expanding our distribution business

We intend to utilise RM3.2 million from our IPO proceeds for our general working capital requirements. The proceeds shall be utilised amongst others, to recruit additional employees and purchase inventories to support our after-sales services. RM8.3 million from our IPO proceeds will also be utilised to purchase additional demonstration equipment used in exhibitions and private demonstrations in our distribution business. RM2.0 million from our IPO proceeds will also be utilised to purchase new IT equipment and software upgrades for operational use under our distribution business.

These are expected to contribute positively to the growth of our distribution business.

(iii) Interest savings

By repaying RM7.0 million of our bank borrowings, we expect to save approximately RM0.6 million in annual interest.

3.11 BROKERAGE, PLACEMENT AND UNDERWRITING COMMISSION

Underwriting commission

Our Underwriter has agreed to underwrite 47,180,400 Issue Shares made available for application by the Malaysian Public and Pink Form Allocations. We are obliged to pay our Underwriter the underwriting commission of 3.0% of the total value of the underwritten Shares at our IPO Price. The underwriting commission is subject to GST.

Placement fees

Our Placement Agent has agreed to place out a total of 180,311,600 Shares comprising 104,480,600 Issue Shares and 75,831,000 Offer Shares to selected investors. We are obliged to pay our Placement Agent a placement fee of 2.5% of the value of 104,480,600 Issue Shares placed out by our Placement Agent, at our IPO Price. The placement fee for the 75,831,000 Offer Shares placed out to investors will be entirely borne by our Offerors. The placement fee is subject to GST.

Brokerage fees

Brokerage is payable in respect of the Issue Shares at the rate of 1.0% of our IPO Price in respect of successful applicants which bear the stamp of member companies of Bursa Securities, member of the Association of Banks in Malaysia, members of the Malaysia Investment Banking Association in Malaysia or Issuing House. The brokerage fees are subject to GST.

3. PARTICULARS OF OUR IPO (Cont'd)

3.12 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

The following are the salient terms contained in the Underwriting Agreement including terms which allow the Underwriter to withdraw from the underwriting obligation after the opening of our Public Issue:

Agreement to Underwrite

- 1.1 Pursuant to the terms of the Underwriting Agreement, M&A Securities has agreed to underwrite 47,180,400 Issue Shares, which comprises of the shares to be underwritten pursuant to the Public Issue and the Pink Form Allocation.

Conditions Precedent

- 1.2 The several obligations of the Underwriter under the Underwriting Agreement shall be further conditional upon the following ("Conditions Precedent"):
 - (a) The Underwriter being provided with such reports or confirmation and being satisfied on the Closing Date that:
 - (i) no material change or any development likely to result in a material adverse change in the financial position, business operations or conditions (financial or otherwise) of the Group taken as a whole from that subsequent to the date of the Underwriting Agreement; or
 - (ii) there has not occurred any event or the discovery of any facts or circumstances which would render any representations, warranties or undertakings in set out in the Underwriting Agreement materially untrue or inaccurate or result in a material breach of the Underwriting Agreement by the Company;
 - (b) The Underwriter receiving a certificate in the form or substantially in the form contained in the Second Schedule (Certificate) of the Underwriting Agreement dated the Closing Date signed by the duly authorised officers of the Company stating amongst others that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in the Underwriting Agreement;
 - (c) The Underwriter receiving copies certified by a director or the company secretary of the Company to be a true and accurate copy and in full force and effect of a resolution of the directors:
 - (i) approving the Prospectus and the application forms, the Underwriting Agreement and the transactions contemplated by it;
 - (ii) authorising a person to sign and deliver the Underwriting Agreement on behalf of the Company;
 - (d) The Underwriting Agreement being duly signed by all parties and stamped;

3. PARTICULARS OF OUR IPO (Cont'd)

- (e) The Shares not being prohibited or impeded by any statute, order, rule, directive, guideline (whether or not having a force of law) or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia or any condition imposed by the regulators in approving the Issue Shares and Offer Shares and all consents, approvals, authorisations or other orders required by the Company under such laws for or in connection with the Shares and/or the Listing have been obtained and are in force on the Closing Date or the Underwriter being reasonably satisfied that the same will be in force on the Closing Date;
- (f) The Underwriter being satisfied that the Company has complied with and that the Shares are in compliance with the policies, guidelines and requirements of the SC and Bursa Securities and all revisions, amendments and/or supplements to it;
- (g) The FTSE Bursa Malaysia Kuala Lumpur Composite Index ("Index") being not lower than 90% of the level of the Index for at least 3 consecutive Market Days between the date of the Underwriting Agreement and the Closing Date, both dates inclusive;
- (h) There being no breach of and/or failure to perform any of the terms and/or the undertakings contained in the Underwriting Agreement by the Company;
- (i) SC having registered the Prospectus;
- (j) the offering of the Issue Shares having and Offer Shares been approved by Bursa Securities and any other relevant authority or authorities and remaining in full force and effect and that all Conditions Precedent to the approvals (except for any which can only be complied with after the IPO has been completed) have been complied with;
- (k) The Underwriting Agreement having become unconditional in all respects (save for any condition requiring the Underwriting Agreement to be unconditional) and not having been terminated or rescinded pursuant to the provisions thereof and upon the Underwriter's (in this regard, in its capacity as the placement agent for the Placement Shares) receipt of the full subscription monies for the Placement Shares on or before the last date for payment of the Placement Shares;
- (l) the delivery to the CCM of the Prospectus for registration in accordance with the requirements of Sections 154 and 155 of the Act; and
- (m) the launching of Prospectus taking place within 3 months from the date of the Underwriting Agreement or such other later date as the Underwriter and the Company may from time to time agree in writing.

3. PARTICULARS OF OUR IPO (Cont'd)

- 1.3 If after the conditions precedent have been complied with and the Company decides not to proceed with the IPO, the Underwriter may treat itself as so released or discharged from its obligations and the parties shall be released and discharged from their respective obligations. The Underwriter may waive all or any of the conditions except for any required by a mandatory rule of law or a mandatory requirement of governmental, public or regulatory authorities in connection with the Underwriting Agreement. If any of the conditions in item 1.2(c), 1.2(d), 1.2(l) and/or 1.2(m) above are not satisfied within 3 months from the date of the Underwriting Agreement or such other later date as the Underwriter and the Company may from time to time agree in writing and/or if any of the conditions in item 1.2(a), 1.2(b), 1.2(e) to 1.2(j) to the extent not waived are not satisfied by the Closing Date, the Underwriter after consultation with the Company shall be entitled to terminate the Underwriting Agreement and thereafter the parties shall be released and discharged from their obligations hereunder but without prejudice to the rights of the Underwriter as set out under item 1.5 below.

Termination

- 1.4 The Underwriter may at any time on or before the Closing Date, terminate its obligations under the Underwriting Agreement if:
- (a) in the reasonable opinion of the Underwriter, there shall have been such a change in national or international monetary, financial, political or economic conditions or exchange control or currency exchange rates that would materially prejudice the success of the IPO; or
 - (b) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriter (including but not limited to, acts of government, strikes, national disorder, declaration of a state of emergency, lockouts, fire, explosion, flooding, landslide, civil commotion, hurricanes/typhoons, tsunamis, widespread diseases, acts of war, sabotage, acts of God etc) which would have, or can reasonably be expected to have, a material adverse effect on the business or the operations of the Company or company in the Group or the success of the IPO, or which is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or
 - (c) there shall be the imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities which would materially prejudice the success of the IPO; or
 - (d) there shall be any development, occurrence or any change or prospective change in or any introduction or prospective introduction of any legislation, regulation, policy, directive, guideline, ruling or any request or interpretation by the SC, or any other regulatory authority, whether or not having the force of law, or occurrence of any other nature, which will materially and adversely affect the Company or any company in the Group and the success of the IPO, the business and/or prospects of the Company and/or or any company in the Group, or which is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or
 - (e) there is any government requisition or occurrence of any other nature which materially and adversely affects or will materially and adversely affect the business and/or financial position of the Company and/or any company in the Group; or

3. PARTICULARS OF OUR IPO (Cont'd)

- (f) the Index is, at the close of normal trading on Bursa Securities, on any Market Day:
 - (i) on or after the date of the Underwriting Agreement; and
 - (ii) prior to the allotment of the Issue Shares,
 - (iii) lower than 90% of the level of the Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to such date and remains at or below that level for at least 3 Market Days; or
 - (g) there is any breach by the Company of any of the representations, warranties and undertakings set forth in the Underwriting Agreement which materially and adversely affects the success of the IPO, or which is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or
 - (h) there is any failure on the part of the Company to perform any of its obligations under the Underwriting Agreement; or
 - (i) there is any withholding by the Company of any information of a material nature from the Underwriter which will have or may reasonably be expected to have a material and adverse effect on the success of the IPO, the business and/or prospects of the Company and/or any company in the Group, or which is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or
 - (j) there is any material and adverse change to the business and/or financial position of the Company and/or any company in the Group.
- 1.5 If the Underwriter terminates its obligation, the parties shall be released and discharged from their respective obligations hereunder save for the Underwriter's rights to the following:
- (a) full payment of the underwriting commission;
 - (b) costs and expenses (including late interest payment, if applicable); and
 - (c) right to be indemnified by the Company.

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4. RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE) THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO ALL THE OTHER RELEVANT INFORMATION CONTAINED IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.

4.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

4.1.1 We rely on our suppliers to supply the products we distribute

Our Group relies on our suppliers for the products that we distribute. We also rely on our suppliers to provide us with technical support. As disclosed in Section 6.12 of this Prospectus, our Group has 3 major suppliers that contributed more than 10% of our total purchases for the past 3 FYEs 2014 to 2016 and FPE 2017. Should either of these major suppliers terminate our distributorship with them, our revenue will be directly affected. However, we are not dependent on any individual supplier. Our major suppliers also depend on our established network over the ASEAN region to distribute their products. In the unlikely event that these suppliers terminate the QES Group's distributorship, they will also suffer a similar loss in sales and will likely take time to re-establish a network of its own. Additionally, we will be able to carry products from competing brands in the event our distributorship is terminated.

We have exclusive distribution rights up to 31 December 2020 for certain products supplied by Spectro Analytical Instruments GmbH in Malaysia, Singapore, the Philippines, Vietnam, Indonesia and Thailand. We also have exclusive distribution rights in perpetuity unless terminated for certain products supplied by MAT Plus Co. Ltd to certain customers in Malaysia and Singapore. As at the LPD, we have more than 5 years of working relationships with these 3 major suppliers including the Nikon Group.

Any termination, withdrawal, disruptions in supply or change in the arrangements with our suppliers will negatively affect our business operations and financial performance. To date, we have not encountered any dispute with any of our suppliers which has materially affected our supply chain or operations. However, there is no assurance that we will be able to maintain such good relationship with our suppliers in the future.

4.1.2 Exposure to fluctuation in foreign exchange rates

We are exposed to fluctuations in foreign exchange rates as a major part of our sales and purchases are transacted in foreign currencies. For FPE 2017, approximately 62.2% and 19.5% of our total purchases are in foreign currencies of USD and JPY, which totalled to RM55.6 million (USD) and RM17.4 million (JPY), respectively whilst 57.7% and 5.8% of our revenue were derived in foreign currencies of USD and JPY, which totalled to RM80.6 million (USD) and RM8.1 million (JPY) respectively. Any adverse fluctuations in the foreign exchange rates may have an adverse impact on our Group's revenue and earnings.

The financial statements of our subsidiaries in Indonesia, Hong Kong, Vietnam, Thailand, Singapore and the Philippines are denominated in their respective local currencies i.e. Rp (for QES (Indonesia)), USD (for QES (Hong Kong)), VND (for QES (Vietnam)), THB (for QES (Thailand)), SGD (for QES (Singapore)) and PHP (for QES (Philippines)). Consequently, any future fluctuations in Rp, USD, VND, THB, SGD and PHP against RM may have an impact on our Group's reported profits. For FPE 2017, our foreign subsidiaries contributed to 25.6% to our Group's gross profit. Please refer to Section 11.12 of this Prospectus for further details on the impact of foreign exchange rates on our operations.

4. RISK FACTORS (Cont'd)

We have not entered into any foreign currency hedging contracts 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 be in the same currency as much as possible to minimise our foreign exchange exposure as a form of natural hedging. If there is a need and it is cost effective, we will consider hedging our foreign currencies exposure position. There can be no assurance that the exchange rate fluctuations will not adversely affect our Group's financial performance.

4.1.3 Dependency on experienced management and key personnel

We attribute our success to the leadership and continued contributions of our key management team, led by our Promoters, Chew Ne Weng and Liew Soo Keang. We believe that our continued and future success is therefore dependent on our ability to retain our key management personnel, who are responsible for formulating and implementing our business strategies, business development and daily management and operations. The loss of a few key management personnel simultaneously or within a short time may adversely impact our Group's operations, if there is lack of succession planning or timely replacement of these personnel.

Our Group recognises the importance of attracting and retaining key personnel and have put in place human resource strategies and plans that include competitive compensation packages, career development, training and development for the key personnel. We have also implemented a number of incentive schemes, which includes performance bonuses, annual performance increment, sales commissions and the opportunity to participate in our IPO, which would serve to attract, motivate and retain key management as well as attracting new talent.

Despite our efforts above, we cannot guarantee that we will be able to retain our key management and key personnel or ensure a smooth implementation of a management succession plan.

4.1.4 Dependency on adequate financing to fund our operations

Our distribution division requires us to purchase and pay for the products before receiving payment from our customers. To better manage our operating cash flows, we practice stringent credit control and inventory control to match the credit terms granted to our customers with those granted by our suppliers.

We are granted a credit period of between 30 days to 120 days by our suppliers. Similarly, we grant our distribution division's customers between 30 days to 120 days credit period. Our cash flow would be affected if majority of our customers delay payment and as such we would need to have sufficient financing for our purchases. In addition, we are required to maintain sufficient inventory which mainly consists of spare parts for us to deliver speedy service to our customers.

In our manufacturing division, we are required to initially finance the production costs. In addition, due to cost efficiency, we also manufacture certain products in batches to capitalise on economies of scale. Any delay in our customers' payment or unsold stocks will have an impact on our cash flow management for our manufacturing division.

4. RISK FACTORS (Cont'd)

4.1.5 Foreign operations risks

We have business operations in Indonesia, Hong Kong, Vietnam, Thailand, Singapore and the Philippines. As such, we are exposed to the risks arising from the economic, social and political conditions in those countries. These risks may include amongst others, changes in the political leadership leading to unstable political situations, changes in interest rates, fluctuation in currency exchange rates and unfavourable changes in government policies such as introduction of new regulations, import duties and tariffs.

Although we have not experienced any adverse political, economic and regulatory changes which have materially adversely affected our operations and financial performance, there can be no assurance that any adverse political, economic and regulatory changes, which are beyond our control, will not unfavourably affect our future operations and expansions.

4.1.6 Risk of losing management control in QES (Philippines)

We own only 40% equity interest in QES (Philippines). 2 of our employees, Joey T Guyo and Ramir B. Castro own 40% and 1 share respectively. The remaining shareholdings are held by other third party Filipino shareholders, further detailed in Section 5.5.10 (c) of this Prospectus. To establish management control of QES (Philippines), we will need to have significant influence over the board of directors of QES (Philippines). There are currently 5 directors in QES (Philippines) comprising our Promoters, Joey T Guyo, Ramir B. Castro and Daniel Winston C. Tan-chi. Both Joey T Guyo and Ramir B. Castro have agreed to act on the instructions and directions of QES (Asia-Pacific) with respect to the management of the business and affairs of QES (Philippines). However, as their employment is not secured by any service contract, we may lose management control of QES (Philippines) if both of them leave our Group simultaneously and we are unable to find suitable replacements in time.

4.1.7 Operational risks and inadequate insurance coverage

We face various operational risks such as accidents, outbreaks of fire or floods and natural disasters, which may cause significant losses or damage to our inventory, production facilities, warehouse and office, thus disrupting and affecting our business operations.

We have taken up insurances which cover fire and burglary as well as personal accident insurance for our employees. Nonetheless, there is no assurance that our insurance coverage is sufficient to compensate the potential financial losses which may arise from fire, burglary or accidents.

There are also other risks such as natural disasters, riots, and general strikes that cannot be reasonably insured against, which may adversely affect our operations. However, we wish to highlight that our operations have never been materially adversely affected by any such events.

4.1.8 Product warranty risks

We provide warranties for the optical inspection and automated handling equipment that we manufacture. These warranties are for a period of 1 year from the date of delivery of our products. Save for in-house fabricated parts, our suppliers for parts used in our manufactured equipment provide us with warranty. However, as we maintain an inventory of these parts, the warranty generally lapses by the time we deliver the final product to our customers. Parts replacement costs arising from our product warranty amounted to RM1,835, RM5,331, RM16,984 and RM6,708 for the FYE 2014, 2015, 2016 and FPE 2017 respectively. The costs of parts replacement were higher during the FYE 2016 and FPE 2017 because more expensive parts such as controller cards, scopes, sensors and central processing units were replaced.

4. RISK FACTORS (Cont'd)

We also provide warranty for the inspection, test and measurement equipment that we distribute. If any warranty claim on these equipment is made to us, we will concurrently claim for such warranty from the respective suppliers. Any such warranty claims are made through us to the respective suppliers of these products. These defect claims are technically verified by our engineers before we initiate the claim with our suppliers. We also distribute a wide range of materials used in the semiconductor industry. Such materials are largely consumables which we do not provide warranty.

If products manufactured by or distributed by us prove to be defective, we will be liable for product warranty claims and any such claims could damage our relationships with our customers and our business reputation. Although we perform quality testing on our manufactured equipment, there can be no assurance that there will not be any substantial claims relating to our products in the future which could have a material adverse impact on our business operations and financial performance.

4.2 RISKS RELATING TO OUR INDUSTRY

4.2.1 Changes in technology

Due to the rapid technological changes in consumer electronics such as new trends and features in smartphones and tablets, our products, particularly those used in the semiconductor industry, are subject to evolving industry standards and changes in technology.

It is imperative for our suppliers, who are market players in the inspection, test and measurement industry to continuously design and develop advanced and/or innovative marketable products and services to sustain their operating revenues and profitability. They also need to be able to meet the demanding quick turnaround time required by their customers.

As a distributor, we actively participate in industry trade fairs and exhibitions to stay up to date with the latest technology and market expectations. We will also constantly seek feedback from our customers on their future needs and share this information with our suppliers.

There can be no assurance that our suppliers will be able to successfully anticipate technological changes and adapt in a timely manner. In such a case, our range of products may not meet our customers' changing requirements. This will adversely affect our sales, and in turn, our financial performance.

4.2.2 Competition risks

We face competition from existing and prospective competitors which may be capable of offering similar products. These competitors are generally MNCs and distributors in the region which we distribute equipment. They may compete with us in terms of pricing, product range and service quality.

Should our competitors be able to price their products better than ours, we may be forced to match their pricing in order to secure our market share, which may affect our profit margins. Additionally, if we cannot match or beat our competitors in terms of technology or range of comprehensive solutions, our customers may choose to switch to competing equipment brands instead. Lastly, should our competitors be able to provide services of better quality such as faster response time, we may lose out to them. This is because the equipment we distribute are sophisticated and critical in many business processes, such as manufacturing processes, where downtime needs to be minimised.

4. RISK FACTORS (Cont'd)

Through our IPO, we expect to establish a stronger corporate profile and market presence in the industry both locally and internationally through our marketing and promotional activities. We rely on our competitive strengths as set out under Section 6.14 to mitigate competition risk. However, despite our efforts above, there can be no assurance that we will be able to compete effectively with existing and new competitors in the future to maintain or increase our market share.

4.2.3 Failure to comply with laws, regulations and government policies

We use hazardous materials in the application of our inspection, test and measurement equipment. As such, we are subject to laws and regulations with regards to the use and handling of hazardous materials. These include lead, mercury, chromium and cadmium which pose a potential threat to the environment and consumers' health.

Some of the hazardous equipment we distribute require licenses from the Atomic Energy Licensing Board. These licenses require 1 Orang Yang Bertanggungjawab ("OBTL") and 1 Pegawai Perlindungan Sinaran ("PPS") to be appointed and be responsible for the handling of such equipment. Any number of Penyelia ("PY") may be appointed to assist the PPS. For our Group, our Promoters are the appointed OBTL. We have also 2 PPS and 4 PY appointed. The licenses require the OBTL to be the owner or Director of the licensed business and the PPS and PY to have certain qualifications which can be obtained through training.

The loss of several OBTL and PPS within a short time may adversely impact our Group's operations, if there is lack of succession planning or timely replacement of these personnel.

Additionally, we are required to comply with laws relating to environmental protection which govern the discharge of pollutants into the air and water, the management and disposal of hazardous substances and waste as well as the clean-up of contaminated sites. Examples of such environmental laws and regulations in Malaysia are the Solid Waste and Public Cleansing Management Act, 2007 and Environmental Quality Act, 1974.

We are also required to comply with occupational safety and health regulations and specific legislations relating to the export, import, purchase, storage, sale, use and maintenance of irradiating apparatus. In Malaysia, these are enforced by the Department of Occupational Safety and Health under the Ministry of Human Resources, Malaysia.

Any failure to comply with the laws and regulations applicable to our operations may result in the loss or non-renewal of our licenses which will disrupt our business. As at the LPD, there is no action, pending or threatened, against us under any laws and regulations.

4.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

4.3.1 No prior market for our Shares

Prior to our Listing, there has been no public trading for our Shares. The listing of and quotation for our Shares on the ACE Market does not guarantee that an active market for our Shares will develop.

There is also no assurance that our IPO Price, which has been determined after taking into consideration the factors listed in Section 3.7 of this Prospectus will correspond to the price at which our Shares will be traded on the ACE Market.

4. RISK FACTORS (Cont'd)

4.3.2 Failure/delay in or termination/abortion of our Listing

Our Listing is exposed to the risk that it may be delayed or aborted should any of the following occur:

- (i) The selected investors fail to subscribe for their portion of our IPO Shares;
- (ii) Our Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations therein; and
- (iii) We are unable to meet the public shareholding spread requirement as determined by Bursa Securities, whereby at least 25% of our enlarged issued share for which listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each upon the completion of our IPO and at the point of our Listing.

If any of the above events occur, investors will not receive any Shares and we will return in full without interest, all monies paid in respect of any application for our Shares in compliance with Section 243(2) of the CMSA. Nevertheless, we will endeavour to ensure compliance of the various listing requirements for our successful Listing on the ACE Market.

If our Listing is aborted and/or terminated, and our Shares have been allotted to the shareholders, a return of monies to the shareholders can only be achieved by way of cancellation of share capital as provided in Section 117 of the Act and its related rules.

Such cancellation requires the approval of our shareholders by special resolution in a general meeting, with notice to be sent to the Director General of the Inland Revenue Board and the Registrar designated under subsection 20A(1) of the Companies Commission of Malaysia Act 2001 within 7 days of the date of the special resolution and us meeting the solvency requirements under Section 117(3) of the Act.

There can be no assurance that such monies can be recovered within a short period of time or at all in such circumstances.

4.3.3 Dividend payment

Our Company, an investment holding company, derives its income mainly from dividends received from our subsidiaries. Hence, our ability to pay future dividends is largely dependent on the performance of our subsidiaries. In determining the size of any dividend recommendation, we will take into consideration a number of factors, including but not limited to our financial performance, financial conditions, availability of distributable reserves, capital expenditure plans, future expansion plans, loan covenants and compliance with regulatory requirements.

4.3.4 Volatility of our Share price and volume of our Shares

Our Share price and trading volume may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our operating results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and world bourses, the inflow or outflow of foreign funds, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes on Bursa Securities, thus adding risks to the market price of our Shares.

4. RISK FACTORS (Cont'd)

4.4 OTHER RISKS**4.4.1 Control by our Promoters/substantial shareholders**

Upon our Listing, our Promoters, as set out in Section 8.1 of this Prospectus will collectively control 70.0% of our Group's enlarged issued share capital.

Our Promoters will be able to exercise some influence over the business direction and matters governing our Group requiring shareholders' vote unless they are required to abstain from voting by law and/or by the relevant guidelines or regulations. The interests of our Promoters may differ from or have conflict with the interests of other shareholders of our Company.

As a step towards good corporate governance, we have appointed 3 Independent Non-Executive Directors to be part of our Board and set up an Audit Committee comprising these 3 Independent Non-Executive Directors to ensure that all future transactions involving related parties, if any, are entered into on arms-length basis so as to facilitate good corporate governance while promoting greater corporate transparency.

4.4.2 Forward-looking/prospective statements

Certain statements or expectations or forecasts in this Prospectus are based on historical data of our Group which may not be reflective of our future results. Forward looking statements in this Prospectus are based on assumptions and are subject to uncertainties and contingencies. Although we believe that the expectations reflected in our Prospectus are reasonable at this time, there can be no assurance that such prospective statements or expectations or forecasts will be correct in the future and the actual results may be materially different than those shown. Any deviation from these statements or expectations may have a material adverse effect on our business and financial performance.

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5. GENERAL INFORMATION ON OUR GROUP

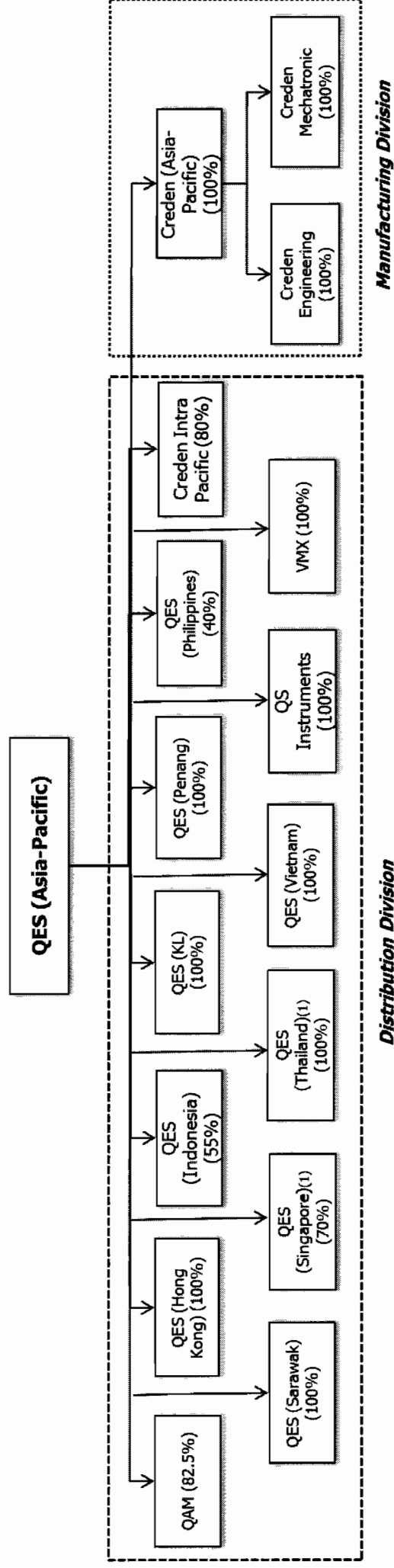
5.1 INCORPORATION AND HISTORY

Our Company was incorporated in Malaysia under the Companies Act, 1965 on 20 November 2014 as a public limited company under the name QES Group Berhad. Our Company is principally an investment holding company. There have been no material changes in the manner in which we conduct our business or activities since the incorporation of our Company up to the LPD.

Kindly refer to Section 6.1.1.1 of this Prospectus for detailed information on our history.

Our Group structure prior to the Acquisitions and as at the LPD is shown below:

Group structure prior to the Acquisitions

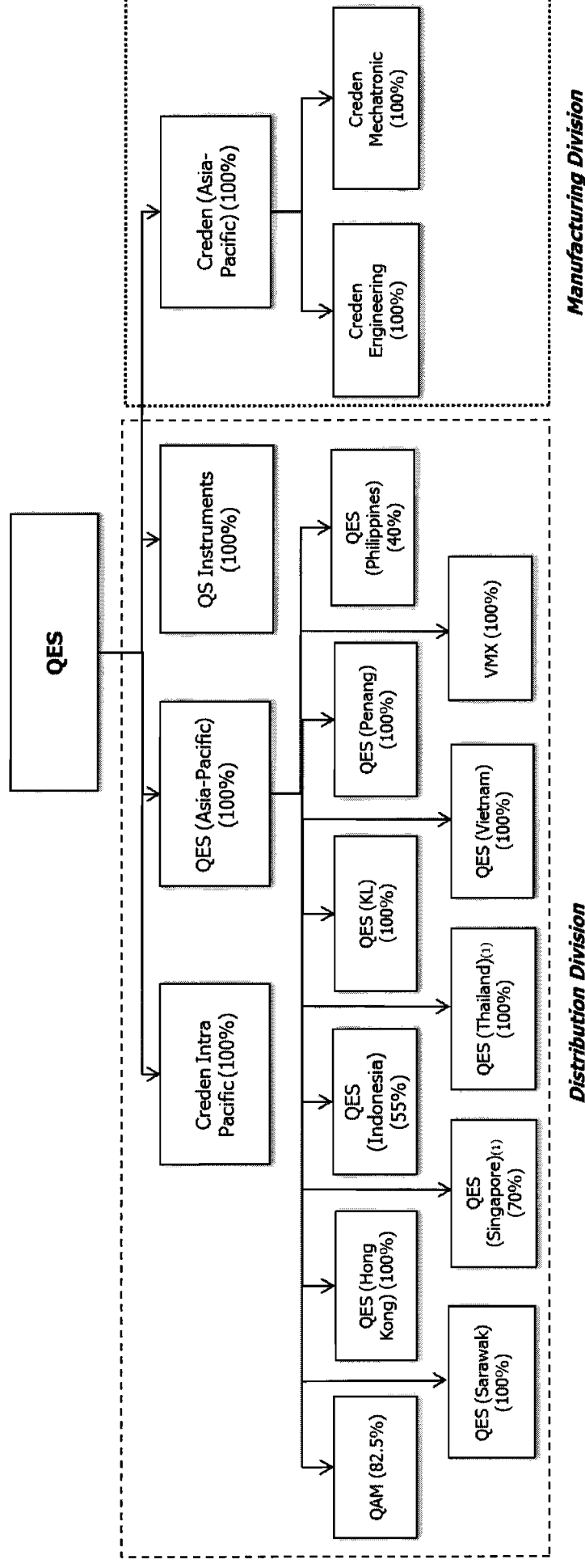


Note:

- (1) Our Group had completed the acquisition of 70% equity interest in QES (Singapore) on 28 December 2016 and 100% equity interest in QES (Thailand) on 30 December 2016.

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)

Group structure after the Acquisitions and as at LPD



Note:

⁽¹⁾ Our Group had completed the acquisition of 70% equity interest in QES (Singapore) on 28 December 2016 and 100% equity interest in QES (Thailand) on 30 December 2016.

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)**5.2 SHARE CAPITAL**

As at LPD, our share capital comprise 1,000 Shares amounting to RM100. The movements in our share capital since the date of our incorporation are set out below:

Date of allotment	No. of Shares allotted	Consideration	Resultant share capital RM
20 November 2014	100	Cash	100
26 March 2015	900	Share split	100
1 November 2017	606,646,000	Otherwise than cash (pursuant to Acquisitions)	32,592,205

As at the LPD, we do not have any outstanding warrants, options, convertible securities and uncalled capital. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment. Upon completion of our IPO, our enlarged share capital will be increased to RM61,407,795 comprising 758,308,000 Shares.

5.3 ACQUISITIONS**5.3.1 Acquisitions**

In preparation for our Listing, we have undertaken the Acquisitions. Under the Acquisitions, the following SPAs were entered into:

- (i) QES (Asia-Pacific) had entered into a conditional SPA dated 10 April 2017 to acquire 200,000 Creden Intra Pacific Shares, representing 20% equity interest in Creden Intra Pacific, from Chew Ne Weng;
- (ii) Our Company had entered into a conditional SPA dated 10 April 2017 to acquire the entire equity interest in QES (Asia-Pacific) from Chew Ne Weng and Liew Soo Keang; and
- (iii) Our Company had entered into 3 separate conditional SPA dated 8 April 2015 (supplemented by the supplemental SPA dated 6 January 2016 and second supplemental SPA dated 10 April 2017) to acquire the entire equity interests in QS Instruments, Creden (Asia-Pacific) and Creden Intra Pacific from QES (Asia-Pacific).

5.3.2 Acquisition of Creden Intra Pacific

Prior to the Acquisition of Creden Intra Pacific, QES (Asia-Pacific) held 80% equity interests in Creden Intra Pacific. On 31 October 2017, QES (Asia-Pacific) acquired 200,000 Creden Intra Pacific Shares, representing the balance 20% equity interest in Creden Intra Pacific from Chew Ne Weng for a total purchase consideration of RM1,164,539. The purchase consideration was wholly satisfied by the issuance of 414,448 new QES (Asia-Pacific) shares at an issue price of RM2.81 per share. Immediately thereafter, Creden Intra Pacific became a wholly-owned subsidiary of QES (Asia-Pacific).

The purchase consideration of Creden Intra Pacific of RM1,164,539 was arrived at a willing-buyer willing-seller basis, after taking into consideration 20% of the audited consolidated NA of Creden Intra Pacific as at 31 December 2016 of RM5,822,697. The issue price of RM2.81 per share in QES (Asia-Pacific) was based on the audited NA per share in QES (Asia-Pacific) as at 31 December 2016 of RM2.81 each.

5. GENERAL INFORMATION ON OUR GROUP (*Cont'd*)

The new QES (Asia-Pacific) shares issued pursuant to the Acquisition of Creden Intra Pacific shall rank equally in all respects with the existing issued QES (Asia-Pacific) shares including the voting rights and will be entitled to all rights and dividends and other distributions, the entitlement date of which are subsequent thereof.

5.3.3 Acquisition of QES (Asia-Pacific)

After completion of the Acquisition of Creden Intra Pacific, we acquired the entire enlarged share capital of QES (Asia-Pacific) from our Promoters for a total purchase consideration of RM32,592,105. The purchase consideration was wholly satisfied by the issuance of 606,646,000 new Shares at an issue price of approximately RM0.05 per Share on 1 November 2017. Immediately thereafter, QES (Asia-Pacific) became a wholly-owned subsidiary of QES.

The purchase consideration of QES (Asia-Pacific) of RM32,592,105 was arrived at a willing-buyer willing-seller basis, after taking into consideration the adjusted consolidated NA position of QES (Asia-Pacific) as at 31 December 2016 of RM31,427,566 and accounting for the Acquisition of Creden Intra Pacific at a purchase consideration of RM1,164,539.

The new Shares issued pursuant to the Acquisition of QES (Asia-Pacific) shall rank equally in all respects with our existing Shares including the voting rights and will be entitled to all rights and dividends and other distributions, the entitlement date of which are subsequent thereof.

5.3.4 Acquisition of QES (Asia-Pacific) Subsidiaries

After completion of the Acquisition of QES (Asia-Pacific) on 2 November 2017, we further acquired the following:

- (i) the entire share capital of QS Instruments for a cash consideration of RM7,943,558 from QES (Asia-Pacific);
- (ii) the entire share capital of Creden (Asia-Pacific) for a cash consideration of RM1.00 from QES (Asia-Pacific); and
- (iii) the entire share capital of Creden Intra Pacific for a cash consideration of RM5,822,697 from QES (Asia-Pacific).

Immediately thereafter, QS Instruments, Creden (Asia-Pacific) and Creden Intra Pacific became direct wholly-owned subsidiaries of QES.

The purchase consideration of the respective companies pursuant to the Acquisition of QES (Asia-Pacific) Subsidiaries was arrived at a willing-buyer willing-seller basis, after taking into consideration the:

- (i) audited NA position of QS Instruments as at 31 December 2016 of RM7,943,558;
- (ii) audited consolidated NL position of Creden (Asia-Pacific) as at 31 December 2016 of RM627,374; and
- (iii) audited NA position of Creden Intra Pacific as at 31 December 2016 of RM5,822,697.

The cash consideration for the aggregate purchase consideration of RM13,766,256 is recorded as an inter-company balance between our Company and QES (Asia-Pacific).

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)

5.4 LISTING SCHEME

In conjunction with, and as an integral part of our Listing, the details of our Listing Scheme are as follows:

(i) Public Issue

We shall issue 151,661,000 new Shares at the IPO Price to be allocated in the following manner:

- (a) 37,915,400 Issue Shares will be made available for application by the Malaysian Public, to be allocated via balloting;
- (b) 9,265,000 Issue Shares made available to our eligible Directors and employees; and
- (c) 104,480,600 Issue Shares by way of private placement to selected identified investors.

The Issue Shares shall rank equally in all respects with our existing Shares including the voting rights and will be entitled to all rights and dividends and other distributions, the entitlement date of which are subsequent thereof.

Upon completion of our Public Issue, our share capital will increase from RM32,592,205 comprising 606,647,000 Shares to RM61,407,795 comprising 758,308,000 Shares.

(ii) Offer for Sale

Concurrent with our Listing, our Offerors are offering for sale 75,831,000 Offer Shares, representing approximately 10.0% of our enlarged share capital to identified Bumiputera investors approved by MITI at the IPO Price.

(iii) Listing

Upon completion of our IPO, our Company's entire enlarged share capital of RM61,407,795 comprising 758,308,000 Shares will be listed on the ACE Market of Bursa Securities.

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5. GENERAL INFORMATION ON OUR GROUP (Cont'd)**5.5 SUBSIDIARIES**

As at the LPD, we do not have any associated companies. Details of our subsidiaries are summarised as follows:

Company	Date/ Place of incorporation	Year of commencement of business	Authorised share capital RM (unless otherwise stated)	Share capital RM (unless otherwise stated)	Effective equity interest %	Principal activities
Subsidiaries held by our Company						
Creden (Asia-Pacific)	23 July 1998/ Malaysia	1999	N/A	7,500,000	100.00	Manufacturing, trading and servicing of industrial parts and equipment
Creden Intra Pacific	7 June 2001/ Malaysia	2001	N/A	1,000,000	100.00	Trading and servicing of industrial parts and equipment
QES (Asia-Pacific)	4 October 1991/ Malaysia	1991	N/A	12,364,539	100.00	Investment holding, marketing and servicing of scientific instruments
QS Instruments	22 December 2003/Malaysia	2004	N/A	1,000,000	100.00	Marketing and servicing of scientific instruments
Subsidiaries held by QES (Asia-Pacific)						
QAM	8 March 1997/Malaysia	2000	N/A	1,000,000	82.50	Marketing and servicing of scientific instruments and industrial materials
QES (Hong Kong)	15 March 2002/ Hong Kong	2002	USD250,000	USD1,000	100.00	Marketing and servicing of scientific instruments

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)

Company	Date/ Place of incorporation	Year of commencement of business	Authorised share capital RM (unless otherwise stated)	Share capital RM (unless otherwise stated)	Effective equity interest		Principal activities
						%	
QES (Indonesia)	17 June 2002/ Indonesia	2002	Rp 6,000,000,000	Rp 1,500,000,000	55.00		Marketing and servicing of scientific instruments
QES (KL)	10 October 1996/ Malaysia	1997	N/A	250,000	100.00		Marketing and servicing of scientific instruments
QES (Penang)	10 October 1996/Malaysia	1997	N/A	250,000	100.00		Marketing and servicing of scientific instruments
QES (Philippines)	8 March 2017/ Philippines	2017	PHP5,000,000	PHP1,250,000	(2)40.00		Wholesale, technical testing and analysis of machinery, equipment and supplies
QES (Sarawak)	10 October 1996/Malaysia	2000	N/A	275,000	100.00		Marketing and servicing of scientific instruments
QES (Singapore)	11 September 1992/ Singapore	1995	N/A	SGD100,000	70.00		Marketing and servicing of scientific instruments
QES (Thailand)	19 May 1998/ Thailand	1998	THB2,000,000	THB2,000,000	100.00		Marketing and servicing of scientific instruments

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)

Company	Date/ Place of incorporation	Year of commencement of business	Authorised share capital	Share capital	Effective equity interest	Principal activities
			RM (unless otherwise stated)	RM (unless otherwise stated)	%	
QES (Vietnam)	25 April 2007/ Vietnam	2007	VND 5,248,300,000 (USD250,000)	VND 3,066,000,000 (USD150,000)	100.00	Marketing and servicing of scientific instruments
VMX	5 April 2006/ Malaysia	2006	N/A	1,000,000	100.00	Trading and servicing of industrial parts and equipment
Subsidiaries held by Creden (Asia-Pacific)						
Creden Engineering	4 July 2001/ Malaysia	2001	N/A	1,000,000	100.00	Manufacturing, trading and servicing of industrial parts and equipment ⁽¹⁾
Creden Mechatronic	28 June 1999/ Malaysia	2000	N/A	5,000,000	100.00	Manufacturing and trading of industrial equipment and systems

Notes:

⁽¹⁾ Creden Engineering has been inactive since FYE 2015. There is currently no future plan for Creden Engineering.

⁽²⁾ Ramir B. Castro and Joey T Guyo have agreed in writing as directors of QES (Philippines) to act on the instructions and directions of QES (Asia-Pacific) with respect to the management of the business and affairs of QES (Philippines). This gives us management control of QES (Philippines), and allows the Group to deem QES (Philippines) as a subsidiary. In this respect, it should be noted that QES (Philippines) relies on QES (Asia-Pacific) to supply the equipment as the distributorships lies with QES (Asia-Pacific). Please refer to Section 5.5.10 of this Prospectus for further details in this respect.

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)**5.5.1 Creden (Asia-Pacific)****(a) History and business**

Creden (Asia-Pacific) was incorporated in Malaysia under the Companies Act, 1965 on 23 July 1998 as a private limited company under the name of Astic Technology Sdn Bhd. On 2 November 2001, it changed its name to Creden (Asia-Pacific) Sdn Bhd. Creden (Asia-Pacific) is principally involved in manufacturing, trading and servicing of industrial parts and equipment.

There have been no material changes in the manner in which Creden (Asia-Pacific) conducts its business or activities since the last 3 years prior to the LPD.

(b) Share capital

Creden (Asia-Pacific)'s share capital as at the LPD is RM7,500,000 comprising 7,500,000 ordinary shares. The movements in the share capital of Creden (Asia-Pacific) since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Resultant share capital
			RM
23 July 1998	2	Cash	2
29 March 2000	299,998	Cash	300,000
3 June 2002	3,000,000	Cash	3,300,000
18 August 2006	2,200,000	Cash	5,500,000
31 March 2009	1,500,000	Cash	7,000,000
31 March 2009	500,000	Otherwise than cash (capitalisation of amount owing to shareholders)	7,500,000

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Creden (Asia-Pacific). In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

(c) Substantial shareholders and directors

Creden (Asia-Pacific) is a wholly-owned subsidiary of our Company and the directors of Creden (Asia-Pacific) are Chew Ne Weng, Liew Soo Keang and Lim Chee Keong.

(d) Subsidiary and associated companies

As at the LPD, Creden (Asia-Pacific)'s subsidiaries are Creden Mechatronic and Creden Engineering. Creden (Asia-Pacific) does not have any associated companies.

5.5.2 Creden Intra Pacific**(a) History and business**

Creden Intra Pacific was incorporated in Malaysia under the Companies Act, 1965 on 7 June 2001 as a private limited company under the name of IPS Solution Sdn Bhd. On 8 November 2001, it changed its name to Creden Intra Pacific Sdn Bhd. Creden Intra Pacific is principally involved in trading and servicing of industrial parts and equipment.

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)

There have been no material changes in the manner in which Creden Intra Pacific conducts its business or activities since the last 3 years prior to the LPD.

(b) Share capital

Creden Intra Pacific's share capital as at the LPD is RM1,000,000 comprising 1,000,000 ordinary shares. The movements in the share capital of Creden Intra Pacific since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Resultant share capital
			RM
7 June 2001	2	Cash	2
23 May 2002	8	Cash	10
31 March 2003	499,990	Cash	500,000
26 June 2008	500,000	Cash	1,000,000

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Creden Intra Pacific. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

(c) Substantial shareholders and directors

Creden Intra Pacific is a wholly-owned subsidiary of our Company and the directors of Creden Intra Pacific are Chew Ne Weng and Liew Soo Keang.

(d) Subsidiaries and associated companies

As at the LPD, Creden Intra Pacific does not have any subsidiary or associated companies.

5.5.3 QES (Asia-Pacific)**(a) History and business**

QES (Asia-Pacific) was incorporated in Malaysia under the Companies Act, 1965 on 4 October 1991 as a private limited company under the name QES (Malaysia) Sdn Bhd. On 14 November 1996, it changed its name to QES (Asia-Pacific) Sdn Bhd. QES (Asia-Pacific) is principally an investment holding company and is also involved in marketing and servicing of scientific instruments.

There have been no material changes in the manner in which QES (Asia-Pacific) conducts its business or activities since the last 3 years prior to the LPD.

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)**(b) Share capital**

QES (Asia-Pacific)'s share capital as at the LPD is RM12,364,593 comprising 11,614,448 ordinary shares. The movements in the share capital of QES (Asia-Pacific) since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Resultant share capital
			RM
4 October 1991	5	Cash	5
25 November 1991	99,995	Cash	100,000
1 June 1993	150,000	Cash	250,000
1 November 1994	200,000	Cash	450,000
10 September 1996	550,000	Cash	1,000,000
1 April 1997	1,000,000	Cash	2,000,000
21 August 2001	6,000,000	Bonus Issue	8,000,000
25 August 2005	2,000,000	Cash	10,000,000
30 September 2006	1,200,000	Cash	11,200,000
31 October 2017	414,448	Acquisition of shares in Creden Intra Pacific	12,364,539

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in QES (Asia-Pacific). In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

(c) Substantial shareholders and directors

QES (Asia-Pacific) is a wholly-owned subsidiary of our Company and the directors of QES (Asia-Pacific) are Chew Ne Weng and Liew Soo Keang.

(d) Subsidiaries and associated companies

As the LPD, QES (Asia-Pacific)'s subsidiaries are QAM, QES (Hong Kong), QES (Indonesia), QES (KL), QES (Penang), QES (Philippines), QES (Sarawak), QES (Singapore), QES (Thailand), QES (Vietnam) and VMX. QES (Asia-Pacific) does not have any associated companies.

5.5.4 QS Instruments**(a) History and business**

QS Instruments was incorporated in Malaysia under the Companies Act, 1965 on 22 December 2003 as a private limited company under its present name. QS Instruments is principally involved in marketing and servicing of scientific instruments.

There have been no material changes in the manner in which QS Instruments conducts its business or activities since the last 3 years prior to the LPD.

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)**(b) Share capital**

QS Instruments' share capital as at the LPD is RM1,000,000 comprising 1,000,000 ordinary shares. The movements in the share capital of QS Instruments since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/ Types of issue	Resultant share capital
			RM
22 December 2003	2	Cash	2
28 December 2004	49,998	Cash	50,000
8 June 2005	450,000	Cash	500,000
28 June 2007	500,000	Cash	1,000,000

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in QS Instruments. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

(c) Substantial shareholders and directors

QS Instruments is a wholly-owned subsidiary of our Company and the directors of QS Instruments are Chew Ne Weng, Liew Soo Keang and Lee Hock Chin.

(d) Subsidiary and associated companies

As at the LPD, QS Instruments does not have any subsidiary or associated companies.

5.5.5 QAM**(a) History and business**

QAM was incorporated in Malaysia under the Companies Act, 1965 on 8 March 1997 as a private limited company under the name of Matrix Science (M) Sdn Bhd. On 6 October 2000, it changed its name to QAM (Asia-Pacific) Sdn Bhd. QAM is principally involved in the marketing and servicing of scientific instruments and industrial materials.

There have been no material changes in the manner in which QAM conducts its business or activities since the last 3 years prior to the LPD.

(b) Share capital

QAM's share capital as at the LPD is RM1,000,000 comprising 1,000,000 ordinary shares. The movements in the share capital of QAM since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Resultant share capital
			RM
8 March 1997	3	Cash	3
23 October 2000	299,997	Cash	300,000
14 November 2001	200,000	Cash	500,000
21 April 2004	500,000	Cash	1,000,000

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in QAM. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

(c) Substantial shareholders and directors

The details of the substantial shareholders of QAM as at the LPD are as follows:

Name	Place of incorporation/ Nationality	Direct	
		No. of shares	%
QES (Asia-Pacific)	Malaysia	825,000	82.50
Tan Soon Huat	Malaysian	100,000	10.00
Ang Kok Heng	Malaysian	75,000	7.50
		1,000,000	100.00

The directors of QAM are Chew Ne Weng, Liew Soo Keang and Tan Soon Huat.

(d) Subsidiary and associated companies

As at the LPD, QAM does not have any subsidiary or associated companies.

5.5.6 QES (Hong Kong)**(a) History and business**

QES (Hong Kong) was incorporated in Hong Kong under the Hong Kong Companies Ordinance on 15 March 2002 as a private limited company under its present name. QES (Hong Kong) is principally involved in the marketing and servicing of scientific instruments.

There have been no material changes in the manner in which QES (Hong Kong) conducts its business or activities since the last 3 years prior to the LPD.

(b) Share capital

QES (Hong Kong)'s present authorised share capital is USD250,000 comprising 250,000 ordinary shares of USD1.00 each. The share capital of QES (Hong Kong) as at the LPD is USD1,000 comprising 1,000 ordinary shares of USD1.00 each credited as fully paid-up. The movements in the share capital of QES (Hong Kong) since its incorporation are as follows:

Date of allotment	No. of shares allotted	Resultant share capital	
		Par value	Consideration
		USD	USD
15 March 2002	1,000	1.00 Cash	1,000

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in QES (Hong Kong). In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)**(c) Substantial shareholders and directors**

QES (Hong Kong) is a wholly-owned subsidiary of QES (Asia-Pacific) and the directors of QES (Hong Kong) are Chew Ne Weng and Liew Soo Keang.

(d) Subsidiary and associated companies

As at the LPD, QES (Hong Kong) does not have any subsidiary or associated companies.

5.5.7 QES (Indonesia)**(a) History and business**

QES (Indonesia) was incorporated in Indonesia under the name of PT. Trieka Spear on 17 June 2002 as a private limited company and assumed its present name on 12 September 2006. QES (Indonesia) is principally involved in the marketing and servicing of scientific instruments.

There have been no material changes in the manner in which QES (Indonesia) conducts its business or activities since the last 3 years prior to the LPD.

(b) Share capital

QES (Indonesia)'s present authorised share capital is Rp6,000,000,000 comprising 60,000 ordinary shares of Rp100,000 each. The share capital of QES (Indonesia) as at the LPD is Rp1,500,000,000 comprising 15,000 ordinary shares of Rp100,000 each. The movements in the share capital of QES (Indonesia) since its incorporation are as follows:

Date of allotment	No. of shares allotted	Par value	Consideration	Resultant share capital
		Rp		Rp
17 June 2002	1,500	100,000	Cash	150,000,000
2 July 2007	13,500	100,000	Cash	1,500,000,000

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in QES (Indonesia). In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

(c) Substantial shareholders and directors

The details of the substantial shareholders of QES (Indonesia) as the LPD are as follows:

Name	Place of incorporation/ Nationality	Direct	
		No. of shares	%
QES (Asia-Pacific)	Malaysia	8,250	55.00
Thersya Lukito	Indonesian	5,400	36.00
Gunawan Lukito	Indonesian	1,350	9.00
		15,000	100.00

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)

The directors of QES (Indonesia) are Thersya Lukito and Liew Soo Keang.

(d) Subsidiary and associated companies

As at the LPD, QES (Indonesia) does not have any subsidiary or associated companies.

5.5.8 QES (KL)**(a) History and business**

QES (KL) was incorporated in Malaysia under the Companies Act, 1965 on 10 October 1996 as a private limited company under its present name. QES (KL) is principally involved in marketing and servicing of scientific instruments.

There have been no material changes in the manner in which QES (KL) conducts its business or activities since the last 3 years prior to the LPD.

(b) Share capital

QES (KL)'s share capital as at the LPD is RM250,000 comprising 250,000 ordinary shares. The movements in the share capital of QES (KL) since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Resultant share capital
			RM
10 October 1996	5	Cash	5
5 May 1997	249,995	Cash	250,000

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in QES (KL). In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

(c) Substantial shareholders and directors

QES (KL) is a wholly-owned subsidiary of QES (Asia-Pacific) and the directors of QES (KL) are Chew Ne Weng and Liew Soo Keang.

(d) Subsidiary and associated companies

As at the LPD, QES (KL) does not have any subsidiary or associated companies.

5.5.9 QES (Penang)**(a) History and business**

QES (Penang) was incorporated in Malaysia under the Companies Act, 1965 on 10 October 1996 as a private limited company under its present name. The principal activities of QES (Penang) are in the marketing and servicing of scientific instruments.

There have been no material changes in the manner in which QES (Penang) conducts its business or activities since the last 3 years prior to the LPD.

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)**(b) Share capital**

QES (Penang)'s share capital as at the LPD is RM250,000 comprising 250,000 ordinary shares. The movements in the share capital of QES (Penang) since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Resultant share capital
			RM
10 October 1996	5	Cash	5
13 March 1997	249,995	Cash	250,000

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in QES (Penang). In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

(c) Substantial shareholders and directors

QES (Penang) is a wholly-owned subsidiary of QES (Asia-Pacific) and the directors of QES (Penang) are Chew Ne Weng and Liew Soo Keang.

(d) Subsidiaries and associated companies

As the LPD, QES (Penang) does not have any subsidiary or associated companies.

5.5.10 QES (Philippines)**(a) History and business**

QES (Philippines) was incorporated in Philippines under the Republic of the Philippines Securities and Exchange Commission on 8 March 2017 as a private limited company under its present name. QES (Philippines) is principally involved in the wholesale, technical testing and analysis of machinery, equipment and supplies.

There have been no material changes in the manner in which QES (Philippines) conducts its business or activities since its incorporation up to the LPD.

(b) Share capital

QES (Philippines)'s present authorised share capital is PHP5,000,000 comprising 500,000 ordinary shares of PHP10 each. The subscribed share capital is PHP1,250,000 comprising 125,000 ordinary shares of PHP10 each.

The movements in the share capital of QES (Philippines) since its incorporation are as follows:

Date of payment	No. of shares subscribed	Par value	Consideration	Amount subscribed	Amount paid
		PHP		PHP	PHP
8 March 2017	125,000	10	Cash	1,250,000	1,250,000

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)

As at the LPD, there are no outstanding warrants, options or convertible in QES (Philippines). There are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

(c) Substantial shareholders and directors

The substantial shareholders of QES (Philippines) as at the LPD are as follows:

Name	Place of incorporation/ Nationality	Direct	
		No. of shares	%
QES (Asia-Pacific)	Malaysia	49,998	40.00
Joey T Guyo	Filipino	49,999	40.00
Daniel Winston C. Tan-chi	Filipino	24,997	19.99
		124,994	99.99

The directors of QES (Philippines) are Chew Ne Weng, Liew Soo Keang, Ramir B. Castro, Joey T Guyo and Daniel Winston C. Tan-chi. The remaining shareholders holding less than 0.01% are our Promoters, Ramir B. Castro, Paul T. Salanga, Airene P. Carandang and Sophia M. Kho. The other Filipino shareholders do not have any relation to our Group and are in place to ensure a majority of Filipino shareholders as required by law.

Ramir B. Castro and Joey T Guyo have agreed in writing as directors of QES (Philippines) to act on the instructions and directions of QES (Asia-Pacific) with respect to the management of the business and affairs of QES (Philippines). This gives us management control of QES (Philippines), and allows the Group to deem QES (Philippines) as a subsidiary. In this respect, it should be noted that QES (Philippines) relies on QES (Asia-Pacific) to supply the equipment as the distributorships lies with QES (Asia-Pacific).

(d) Subsidiary and associated companies

As at the LPD, QES (Philippines) does not have any subsidiary or associated companies.

5.5.11 QES (Sarawak)**(a) History and business**

QES (Sarawak) was incorporated in Malaysia under the Companies Act, 1965 on 10 October 1996 as a private limited company under its present name. The principal activities of QES (Sarawak) are in the marketing and servicing of scientific instruments.

There have been no material changes in the manner in which QES (Sarawak) conducts its business or activities since the last 3 years prior to the LPD.

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)**(b) Share capital**

QES (Sarawak)'s share capital as at the LPD is RM275,000 comprising 275,000 ordinary shares. The movements in the share capital of QES (Sarawak) since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Resultant share capital
			RM
10 October 1996	5	Cash	5
7 June 2000	99,995	Cash	100,000
15 August 2014	11,840	Cash	111,840
15 August 2014	163,160	Otherwise than cash (capitalisation of amount owing to shareholders)	275,000

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in QES (Sarawak). In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

(c) Substantial shareholders and directors

QES (Sarawak) is a wholly-owned subsidiary of QES (Asia-Pacific) and the directors of QES (Sarawak) are Chew Ne Weng and Liew Soo Keang.

(d) Subsidiary and associated companies

As at the LPD, QES (Sarawak) does not have any subsidiary or associated companies.

5.5.12 QES (Singapore)**(a) History and business**

QES (Singapore) was incorporated in Singapore under Companies Act (Cap 50) of Singapore on 11 September 1992 as a private limited company under the name of Quality Enhancement & Systems (S) Pte Ltd. On 23 December 1996, it changed its name to QES (Singapore) Pte. Ltd. QES (Singapore) is principally involved in marketing and servicing of scientific instruments.

There have been no material changes in the manner in which QES (Singapore) conducts its business or activities since the last 3 years prior to the LPD.

(b) Share capital

QES (Singapore)'s share capital as at the LPD is SGD100,000 comprising 100,000 ordinary shares. The movements in the share capital of QES (Singapore) since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Resultant share capital
			SGD
11 September 1992	2	Cash	2
16 February 1997	99,998	Cash	100,000

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in QES (Singapore). In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

(c) Substantial shareholders and director

The substantial shareholders of QES (Singapore) as at the LPD are as follows:

Name	Place of incorporation/ Nationality	Direct	
		No. of shares	%
QES (Asia-Pacific)	Malaysia	70,000	70.00
Pang See Chian	Singaporean	30,000	30.00
		100,000	100.00

The directors of QES (Singapore) are Chew Ne Weng, Liew Soo Keang and Pang See Chian.

(c) Subsidiary and associated companies

As at the LPD, QES (Singapore) does not have any subsidiary or associated companies.

5.5.13 QES (Thailand)**(a) History and business**

QES (Thailand) was incorporated in Thailand under the Ministry of Commerce on 19 May 1998 as a private limited company under its present name. QES (Thailand) is principally involved in marketing and servicing of scientific instruments.

There have been no material changes in the manner in which QES (Thailand) conducts its business or activities since the last 3 years prior to the LPD.

(b) Share capital

QES (Thailand)'s present authorised share capital is THB2,000,000 comprising 10,200 preference shares of THB100 each and 9,800 ordinary shares of THB100 each, all of which have been credited as fully paid-up. The movements in the share capital of QES (Thailand) since its incorporation are as follows:

Date of allotment	No. of shares allotted	Par value	Consideration	Resultant share capital
		THB		THB
Ordinary shares				
19 May 1998	4,900	100	Cash	490,000
29 December 1999	4,900	100	Cash	980,000
Preference shares ⁽¹⁾				
19 May 1998	5,100	100	Cash	510,000
29 December 1999	5,100	100	Cash	1,020,000

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)**Note:**

- (1) The preference shareholders of QES (Thailand) are entitled to receive fixed and non-cumulative dividends when QES (Thailand) declares dividend payment, receive unpaid dividends in the event of liquidation and have the right to vote for every 5 shares held by a show on hands or polling.

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in QES (Thailand). In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

(c) Substantial shareholders and director

QES (Thailand) is a subsidiary of QES (Asia-Pacific). The ordinary shareholders and preference shareholders of QES (Thailand) as at the LPD are as follows:

Name	Place of incorporation/ Nationality	Direct No. of shares	%
Ordinary shareholder:			
QES (Asia-Pacific)	Malaysia	9,800	100.00
Preference shareholders:			
Sakda Ruangsant	Thai	6,000	58.82
Ratchata Udomsirimas	Thai	4,200	41.18
		10,200	100.00

The directors of QES (Thailand) are Chew Ne Weng, Liew Soo Keang, Sakda Ruangsant and Ratchata Udomsirimas.

(d) Subsidiary and associated companies

As at the LPD, QES (Thailand) does not have any subsidiary or associated companies.

5.5.14 QES (Vietnam)**(a) History and business**

QES (Vietnam) was incorporated in Vietnam under People's Committee of Ho Chi Minh City on 25 April 2007 as a private limited company under its present name. QES (Vietnam) is principally involved in marketing and servicing of scientific instruments.

There have been no material changes in the manner in which QES (Vietnam) conducts its business or activities since the last 3 years prior to the LPD.

(b) Share capital

QES (Vietnam)'s present authorised share capital is VND5,248,300,000 (USD250,000). The issued share capital of QES (Vietnam) as at the LPD is VND3,066,000,000 (USD150,000). The movements in the share capital of QES (Vietnam) since its incorporation are as follows:

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)

Date of allotment	No. of shares allotted	Par value	Consideration	Resultant share capital
		VND		VND
12 December 2007	840,000,000 (USD50,000)	1	Cash	840,000,000 (USD50,000)
10 November 2016	2,226,000,000 (USD100,000)	1	Cash	3,066,000,000 (USD150,000)

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in QES (Vietnam). In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

(c) Substantial shareholders and General Director

QES (Vietnam) is a wholly-owned subsidiary of QES (Asia-Pacific) and the General Director of QES (Vietnam) is Liew Soo Keang. Other members of the board of QES (Vietnam) are Chew Ne Weng and Tan Meow Shong.

(d) Subsidiary and associated companies

As at the LPD, QES (Vietnam) does not have any subsidiary or associated companies.

5.5.15 VMX**(a) History and business**

VMX was incorporated in Malaysia under the Companies Act, 1965 on 5 April 2006 as a private limited company under its present name. The principal activities of VMX are trading and servicing of industrial parts and equipment.

There have been no material changes in the manner in which VMX conducts its business or activities since the last 3 years prior to the LPD.

(b) Share capital

VMX's share capital as at the LPD is RM1,000,000 comprising 1,000,000 ordinary shares. The movements in the share capital of VMX since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Resultant share capital
			RM
5 April 2006	3	Cash	3
3 July 2006	99,997	Cash	100,000
28 December 2006	100,000	Cash	200,000
29 December 2006	50,000	Cash	250,000
28 June 2007	250,000	Cash	500,000
15 August 2014	243,000	Cash	743,000
15 August 2014	257,000	Other than cash (capitalisation of amount owing to shareholder)	1,000,000

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in VMX. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

(c) Substantial shareholders and directors

VMX is a wholly-owned subsidiary of QES (Asia-Pacific) and the directors of VMX are Chew Ne Weng and Liew Soo Keang.

(d) Subsidiary and associated companies

As at the LPD, VMX does not have any subsidiary or associated companies.

5.5.16 Creden Engineering**(a) History and business**

Creden Engineering was incorporated in Malaysia under the Companies Act, 1965 on 4 July 2001 as a private limited company under its present name.

Creden Engineering has been inactive since FYE 2015. Prior to that, Creden Engineering was principally involved in manufacturing, trading and servicing of industrial parts and equipment.

(b) Share capital

Creden Engineering's share capital as at the LPD is RM1,000,000 comprising 1,000,000 ordinary shares. The movements in share capital of Creden Engineering since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Resultant share capital RM
4 July 2001	2	Cash	2
10 October 2002	499,998	Otherwise than cash (Capitalisation of amount owing to shareholder)	500,000
16 August 2006	250,000	Bonus issue	750,000
18 August 2006	250,000	Cash	1,000,000

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Creden Engineering. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

(c) Substantial shareholders and directors

Creden Engineering is a wholly-owned subsidiary of Creden (Asia-Pacific) and the directors of Creden Engineering are Chew Ne Weng, Lim Chee Keong and Yeoh Cheong Yeow.

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)**(d) Subsidiary and associated companies**

As at the LPD, Creden Engineering does not have any subsidiary or associated companies.

5.5.17 Creden Mechatronic**(a) History and business**

Creden Mechatronic was incorporated in Malaysia under the Companies Act, 1965 on 28 June 1999 as a private limited company under the name of Techno-Holon (Malaysia) Sdn Bhd. On 12 June 2002, it changed its name to Creden Mechatronic Sdn Bhd. Creden Mechatronic is principally involved in manufacturing, trading and servicing of industrial equipment and systems.

There have been no material changes in the manner in which Creden Mechatronic conducts its business or activities since the last 3 years prior to the LPD.

(b) Share capital

Creden Mechatronic's share capital as at the LPD is RM5,000,000 comprising 5,000,000 ordinary shares. The movements in the share capital of Creden Mechatronic since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Resultant share capital
			RM
28 June 1999	2	Cash	2
18 October 2003	1,999,998	Cash	2,000,000
31 March 2009	1,500,000	Cash	3,500,000
31 March 2009	500,000	Otherwise than cash (Capitalisation of amount owing to shareholder)	4,000,000
15 August 2014	1,000,000	Otherwise than cash (Capitalisation of amount owing to shareholder)	5,000,000

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Creden Mechatronic. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)

(c) Substantial shareholders and directors

Creden Mechatronic is a wholly-owned subsidiary of Creden (Asia-Pacific) and the directors of Creden Mechatronic are Chew Ne Weng, Liew Soo Keang and Lim Chee Keong.

(d) Subsidiary and associated companies

As at the LPD, Creden Mechatronic does not have any subsidiary or associated companies.

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5. GENERAL INFORMATION ON OUR GROUP (Cont'd)**5.6 PROPERTIES OF OUR GROUP****5.6.1 Properties occupied and owned by our Group**

No.	Registered owner/ Title details/ Postal address	Description of property/ Age / Existing use/ Tenure/ Expiry of lease		Express Condition	Category of land use/ Land area/ Built-up area	Audited NBV as at 30 Sept 2017	Date of issuance of certificate of fitness for occupation	Encumbrances
1.	QES (Asia-Pacific) /					RM		
	Individual title held under HSD 14891, PT 2935, Mukim 11, District of Seberang Perai Tengah, Pulau Pinang/	3-storey intermediate unit shop office building/ 19 years/	To be used for the purposes of building shops and 3-storey office buildings only	Building (Land use)/	436,444	24 December 1998	Charged to Malayan Banking Berhad	
	No 19, Tingkat Bukit Jambul, Bukit Jambul Indah, 11950 Penang	utilised by QES (Penang) as office premises / 99 years lease/ expiring on 10 April 2095		1,410.07 sq ft (Land) /				
				3,422.92 sq ft (Built-up area)				

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)**5.6.2 Properties occupied which are rented by our Group**

The details of material properties rented by us as at the LPD are set out below:

No.	Address	Owner/ Tenant	Description / Existing use	Built-up area sq ft	Period of tenancy/ Rental per annum		Date of issuance of certificate of fitness for occupation or its equivalent
						RM	
1.	No. 9, Jalan Juruukur U1/19 Hicom Glenmarie Industrial Park, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan	Cosjiew Trading (M) Sdn Bhd / QES (Asia- Pacific)	3-storey office together with a one and a half storey factory/ our head office, showroom, factory and warehouse. On 23 February 2013, the local authorities permitted QES (Asia- Pacific) to perform renovations for all the internal partitions to the entire building. The permit from the local authorities was obtained on 11 April 2017 and expires on 9 March 2018.	45,000	16 November 2015 to 15 November 2018 of which:	15	5 March 1996
					<ul style="list-style-type: none"> • From 16 November 2015 to 15 November 2016 - RM648,000 (excluding GST); and • From 16 November 2016 to 15 November 2018 - RM680,400 (excluding GST) 		
2.	Lot 18 (Ground Floor), KHTP Administrative Centre, Kulim Hi-Tech Park, 09000 Kulim, Kedah Darul Aman	Kulim Technology Park Corporation Sdn Bhd/ Creden Intra Pacific	Ground floor of a 2-storey commercial office unit/ office premises	1,378	1 January 2018 to 31 December 2019/ RM23,150	20	December 1997

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)

No.	Address	Owner/ Tenant	Description/ Existing use	Built-up area sq ft	Period of tenancy/ Rental per annum RM	Date of issuance of certificate of fitness for occupation or its equivalent
3.	Komplek Gading Bukit Indah, Block C/3, Jalan Raya, Jakarta Utara, 14240 Indonesia	Imelda Wawolangi/ QES (Indonesia)	The entire 4-storey intermediate unit shop office/ office premises	818.1	1 August 2017 to 31 July 2022/ Rp125 million (approximately RM40,125)	28 July 1995
4.	First Floor, Compa Tower 293, Dien Bien Phu Street, Ward 15 Binh Thanh District, Ho Chi Minh City, Vietnam	Tran Quang Nguyen & Pham Thi Thu Hang/ QES (Vietnam)	First floor of an office building/ office premises	1,399.3	16 June 2017 to 15 June 2019/ VND288,000,000 (approximately RM54,144)	⁽¹⁾ 20 April 2007 (certificate for land use rights) / 6 January 2012 (Fire permit)
5.	Lot 401, Fourth Floor, 51 Kim Ma Street, Ba Dinh District, Hanoi, Vietnam	Van Hoa Company Ltd/ QES (Vietnam)	Fourth floor of an office building/ office premises	753.4	15 February 2017 to 15 February 2020/ VND273,000,000 (approximately RM51,324)	⁽¹⁾ 17 May 2002 (certificate for land use rights) / 22 January 2007 (Fire permit)

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)

No.	Address	Owner/ Tenant	Description/ Existing use	Built-up area sq ft	Period of tenancy/ Rental per annum RM	Date of issuance of certificate of fitness for occupation or its equivalent
6.	Block 994, Bendemeer Road #02-05, 339943 Singapore	SB (Riverview) Investment Pte Ltd/ QES (Singapore)	Second floor of a 7-storey building/ office premises	2,852.44	3 April 2016 to 2 April 2019/ SGD66,748 (approximately RM206,118)	2 April 1991
7.	114, Soi Navamin 98, Navamin Road, Kwaeng Ramintra, Khey Kannayao, Bangkok, 10230 Thailand	Keerasup Engineering Co., Ltd/ QES (Thailand)	Single storey of an office lot/ office premises	2,411.12	1 July 2016 to 30 June 2018/ THB408,000 (approximately RM51,162)	10 October 2003
8.	94 Tambon Kannayao, District of Kannayao Bangkok, Thailand	Keerasup Engineering Co., Ltd/ QES (Thailand)	The entire 4-storey intermediate unit shop office/ warehouse	2,066.67	8 September 2016 to 7 September 2018/ THB144,000 (approximately RM18,057)	24 December 1991
9.	Unit 507, 5th Floor, Page 1 Building, 1215 Acacia Avenue, Madrigal Business Park, Brgy, Alabang, Muntinlupa City 1770 Metro Manila, Philippines	Pagera Enterprises Inc./ QES (Philippines)	Fifth floor of an office building/ office premises	1,881.42	15 March 2017 to 14 March 2018 (will be renewed upon expiry)/ PHP744,166 (approximately RM63,948)	⁽¹⁾ 24 March 2017

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)

Note:

- ⁽¹⁾ No certificate of fitness for occupation is issued for Vietnam and Philippines properties.
- For Vietnam, a certificate of land use rights issued to the landlords together with the fire permit evidences the right to occupation of the building. The fire permit is required for the purchase of insurance for the building.
 - For Philippines, a fire permit is the document required for a building to be occupied and for insurance to be purchased.

There is no non-compliance with current statutory requirements, land rules or building regulations in respect of the landed properties owned/ leased by our Group. In addition, none of the above land has breached any land use condition or permissible land use.

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5. GENERAL INFORMATION ON OUR GROUP (Cont'd)**5.6.3 Business location**

Details of our Group's business locations (excluding warehousing) are set out below:

Company	Address	Purpose
Creden (Asia-Pacific), Creden Intra Pacific, Creden Engineering, Creden Mechatronic, QAM, QES (Asia-Pacific), QES, QES (KL), QS Instruments, QES (Sarawak), VMX	No 9, Jalan Juruukur U1/19, Hicom Glenmarie Industrial Park, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan	Head office / Factory / Warehouse / Showroom
Creden Intra Pacific	Lot 18 (Ground Floor), KHTP Administrative Centre, Kulim Hi-Tech Park, 09000 Kulim, Kedah Darul Aman	Local office
QES (Hong Kong)	1502-15/F, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong	Local office ⁽¹⁾ (Secretarial office)
QES (Indonesia)	Komplek Gading Bukit Indah, Block C/3, Jalan Bukit Gading Raya, Jakarta Utara, 14240, Indonesia	Local office
QES (Penang)	No 19, Tingkat Bukit Jambul, Bukit Jambul Indah, 11950 Penang	Local office
QES (Vietnam)	First Floor, Compa Tower, 293, Dien Bien Phu Street, Ward 15 Binh Thanh District, Ho Chi Minh City, Vietnam	Local office
QES (Vietnam)	Lot 401, Fourth Floor, 51 Kim Ma Street, Ba Dinh District, Hanoi, Vietnam	Local office
QES (Singapore)	Block 994, Bendemeer Road, #02-05 Singapore 339943	Local office
QES (Thailand)	114, Soi Navamin 98, Navamin Road, Kwaeng Rarmintra, Khet Kannayao Bangkok, 10230 Thailand	Local office
QES (Philippines)	Unit 507, 5th Floor, Page 1 Building, 1215 Acacia Avenue, Madrigal Business Park, Brgy, Alabang, Muntinlupa City 1770 Metro Manila, Philippines	Local office

Note:

- ⁽¹⁾ This address refers to the address of QES (Hong Kong)'s secretary who provides Virtual Office Assistant services where QES (Hong Kong) maintains its correspondence address, telephone and fax lines. QES (Hong Kong) does not own or rent any physical office premises in Hong Kong.

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)**5.6.4 Acquisitions of properties**

Our Group did not acquire any properties during the past 2 years preceding the date of this Prospectus.

5.6.5 Material plant and equipment

As at 30 September 2017, our Group owns the following material plant and equipment used for manufacturing of our products as well as for product demonstration to our potential or existing customers. Please refer to Section 6.8 for further details of the production capacity and utilisation as measured by our actual production output for FYEs 2014 to 2016 and FPE 2017:

	Number of unit(s)	Average age (years)	Lifespan (years)	NBV as at 30 Sept 2017 RM'000
Moulds, plant and equipment used for marketing purposes:	168	4.1	5-8	373
- Metallurgical microscope complete with accessories	1	2.8	6	127
- Scanning acoustic microscope inspection system	1	2.9	6	127
- Super high vertical resolution non-contact 3D surface profiler	1	< 1 month	7	164
- Real time X-ray system	1	0.2	6	458
- Video coordinate measuring system	(1)1	0.9	6	425
- Spectroblue ICP spectrometer	1	2.2	7	84
- Other demonstration equipment	259	7.5	5-8	2,155
Total	433			3,913

Note:

(1) The video coordinate measuring system is made up of 25 units of equipment.

5.6.6 Regulatory requirements and environmental issues

Our operations are subject to the validity of certain major approvals, licenses and permits, which are detailed in Appendix I of this Prospectus. Save as disclosed in Appendix I, there are no regulatory requirements and/or major environmental issues which may materially affect our Group's operations arising from the utilisation of our assets.

5. GENERAL INFORMATION ON OUR GROUP (Cont'd)**5.6.7 Material capital expenditures and divestitures**

Save for the expenditures disclosed below, there were no other material capital expenditures (including interests in other corporations) made by us for the past 3 FYEs 2014 to 2016 and FPE 2017:

	At cost			
	FYE 2014	FYE 2015	FYE 2016	FPE 2017
Material capital expenditures	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment comprising:				
Office equipment, furniture and fittings, computers and telecommunication equipment	329	242	333	313
Demonstration equipment used for marketing purposes	2,435	429	960	1,499
Motor vehicles	-	201	-	1,625
Investment in subsidiaries	<1	-	(1)122	(2)43
Total	2,764	872	1,415	3,480

Notes:

- (1) Relates to the acquisition of QES (Singapore) and QES (Thailand).
 (2) Relates to the incorporation of QES (Philippines).

The above material capital expenditures were primarily financed by a combination of bank borrowings and internally generated funds. The RM2.4 million used in FYE 2014 for the purchase of demonstration equipment was for several new models of Nikon equipment, which are more in terms of units and also more expensive than the RM0.4 million used to purchase Spectro and Hitachi equipment in FYE 2015. For FPE 2017, RM1.5 million was used for a total of 19 units of demonstration equipment of various brands and RM1.6 million was used for 5 units of motor vehicles for the key management of the Group.

Save for the disposals disclosed below, there were no other material capital divestitures (including interests in other corporations) made by us for the past 3 FYEs 2014 to 2016 and FPE 2017:

	At NBV			
	FYE 2014	FYE 2015	FYE 2016	FPE 2017
Material capital divestitures	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment comprising:				
Moulds, plant and equipment	-	121	-	-
Demonstration equipment used for marketing purposes	14	495	124	512
Total	14	616	124	512

The above capital divestitures were carried out in the ordinary course of business as part of our periodic review of our fixed asset register to identify and eliminate those assets which have been fully depreciated and no longer in use or obsolete or surpassed their useful lives.

5. GENERAL INFORMATION ON OUR GROUP (*Cont'd*)

Save for our planned capital expenditures relating to our expansion plans as set out in Section 6.15 of this Prospectus, we do not have any material capital expenditures and divestitures currently in progress, within or outside Malaysia up to the date of this Prospectus.

5.6.8 Material plans to construct, expand or improve our facilities

Save for the RM0.4 million allocated from the proceeds of our Public Issue to be used for tools and accessories to increase our production capacity as disclosed in Section 3.10, our Group has no immediate plans to construct, expand or improve our facilities as at the LPD.

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6. BUSINESS OVERVIEW

6.1 PRINCIPAL ACTIVITIES AND PRODUCTS

This section outlines our history, principal activities as well as the range of products, which are supplied, distributed and manufactured by us.

6.1.1 Our history

Our history can be traced back to the establishment of QES (Asia-Pacific) on 4 October 1991 by Chew Ne Weng and his partners, namely, Ong Choon Beng, Ang Kok Heng, Woon Lee Chong and Chew Ne Kheang, holding 1 ordinary share each upon incorporation. However, over the years, these 4 other partners disposed their entire shareholdings in QES (Asia-Pacific) to Chew Ne Weng and Liew Soo Keang (Chew Ne Kheang in 1997, Ong Choon Beng in 2000, Ang Kok Heng in 2012 and Woon Lee Chong in 2013) to pursue their own interests.

Prior to founding QES (Asia-Pacific), Ong Choon Beng, Ang Kok Heng and Woon Lee Chong were former colleagues of Chew Ne Weng in Cairnhill Technology Sdn Bhd. Chew Ne Kheang is a cousin to Chew Ne Weng and was formerly an engineer at Hitachi Semiconductor (Malaysia) Sdn Bhd.

Liew Soo Keang was formerly a schoolmate of Chew Ne Weng back in Kolej Sultan Abdul Hamid, Alor Setar, Kedah. Liew Soo Keang initially joined us by investing in QES (Penang) Sdn Bhd. He was brought in to replace Chew Ne Kheang who was Operations Director of QES (Penang) Sdn Bhd at that time but left that year to pursue his own interests. Subsequently, he relocated to Kuala Lumpur in 2000 and joined us as Executive Director of QES (Asia-Pacific).

We started with the distribution and provision of services for inspection, test and measurement equipment to the electrical and electronics and automotive industries, using the founders' customer and supplier contacts accumulated during their employment. Our first distributorship was for inspection and measuring microscopes manufactured by Union Optical Co Ltd (Japan) covering Malaysia and Singapore. We subsequently diversified into the distribution of materials and engineering solutions for the semiconductor industry through QAM and Creden Intra Pacific.

To complement our distribution of inspection, test and measurement equipment and materials, we ventured into the manufacturing of optical inspection and automated handling equipment that are used in the semiconductor industry through Creden (Asia-Pacific) in 1998. We also provide after-sales services such as training, repair and maintenance to our customers.

We began distributing products supplied by various foreign manufacturers to Singapore in 1992, Thailand in 1998, Indonesia in 2002, Hong Kong and China in 2002, Philippines in 2004, and Vietnam in 2007.

QES (Singapore) and QES (Thailand), which cover our distribution network in their respective countries, were originally owned by our Promoters but are now part of our Group.

Our venture into China began with QES (Hong Kong), which was established under QES (Asia-Pacific). However, over the years, our corporate presence in China went through the following changes:

- (i) In 2004, QES (Hong Kong) was disposed to Woon Lee Chong, who is formerly a shareholder and Director of both QES (Asia-Pacific) and QES (Hong Kong), because our Promoters wanted to better focus on the ASEAN region; and

6. BUSINESS OVERVIEW (Cont'd)

- (ii) In 2014, upon recognising the improved prospects in China, we acquired the entire equity interest in QES (Hong Kong). Since then, our China and Hong Kong businesses are conducted through QES (Hong Kong).

Rationalisation

In 2014, as part of a rationalisation exercise, the Promoters disposed QES (Singapore), QES (Thailand) and QES (Manila) Inc. to several third party shareholders to better focus on other markets in the ASEAN region. The Promoters had considered, among others, their limited time and resources, and that, given the smaller size of the companies at that point, the Group/Promoters involvement would incur more operating costs to these companies.

However, over the years up to 2016, the markets in Thailand, Singapore and Philippines continued to grow. Recognising this growth, we managed to negotiate the acquisition of QES (Singapore) and QES (Thailand) in preparation for our Listing. Further details of the rationalisation exercise from 2014 to 2016 are set out below.

Acquisition of QES (Singapore)

In December 2014, our Promoters who collectively held 100% of QES (Singapore), disposed their entire equity interests in QES (Singapore) to Ng Kok Beng (70% equity interest), who is a third party and Pang See Chian (30% equity interest) for SGD 10 to better focus on our Group. Subsequently, in preparation for our Listing and to consolidate control over our distribution and service network in Singapore, QES (Asia-Pacific) acquired 70% equity interests in QES (Singapore) on 28 December 2016 from Ng Kok Beng for cash consideration of SGD7.00. The purchase consideration was arrived at on a willing-buyer willing-seller basis, after taking into consideration the NL of QES (Singapore) as at 31 October 2016 of SGD0.5 million.

The remaining 30% equity interest in QES (Singapore) is held by Pang See Chian, who joined QES (Singapore) in 2003 and is currently the Executive Director of QES (Singapore).

Acquisition of QES (Thailand)

In December 2014, our Promoters who collectively held 100% of the ordinary shares in QES (Thailand), disposed their entire holding of ordinary shares in QES (Thailand) to Chua Sin Sing, a third party, for THB980,000 to better focus on our Group. Subsequently, in preparation for our Listing and to consolidate control over our distribution and service network in Thailand, QES (Asia-Pacific) acquired 100% of the ordinary shares in QES (Thailand) on 30 December 2016 from Chua Sin Sing for cash consideration of THB980,000. The purchase consideration was arrived at on a willing-buyer willing-seller basis, after taking into consideration the ordinary share capital of THB980,000 of QES (Thailand) as at 31 October 2016. The NA of QES (Thailand) as at 31 October 2016 was THB13.7 million.

Establishment of QES (Philippines)

Our business in the Philippines was originally conducted through QES (Manila) Inc., which was established by our Promoters. In December 2014, our Promoters who collectively held 40.0% in QES (Manila) Inc. disposed their entire equity interests in QES (Manila) Inc. for PHP200 to Paul T. Salanga, a third party, to focus on other markets. Business with QES (Manila) Inc., continued through a distribution agreement. Subsequently, in 2017, as part of a rationalisation exercise in preparation for our Listing (further described below), we established QES (Philippines) and terminated our distribution agreement with QES (Manila) Inc. As such, QES (Manila) Inc no longer distributes our products and is not a competitor to our Group.

6. BUSINESS OVERVIEW (Cont'd)

The following are some of our notable achievements with our suppliers:

- (i) In 2013, we were chosen by one of our major suppliers, Spectro Analytical Instruments GmbH, to establish a regional centralised training centre at our office in Malaysia where we train users of their products in the ASEAN region.
- (ii) In 2014, in collaboration with our supplier, Chapman Instruments Inc., we successfully manufactured, tested and sold the first Malaysia-manufactured Chapman Instruments Inc.'s AWMS.

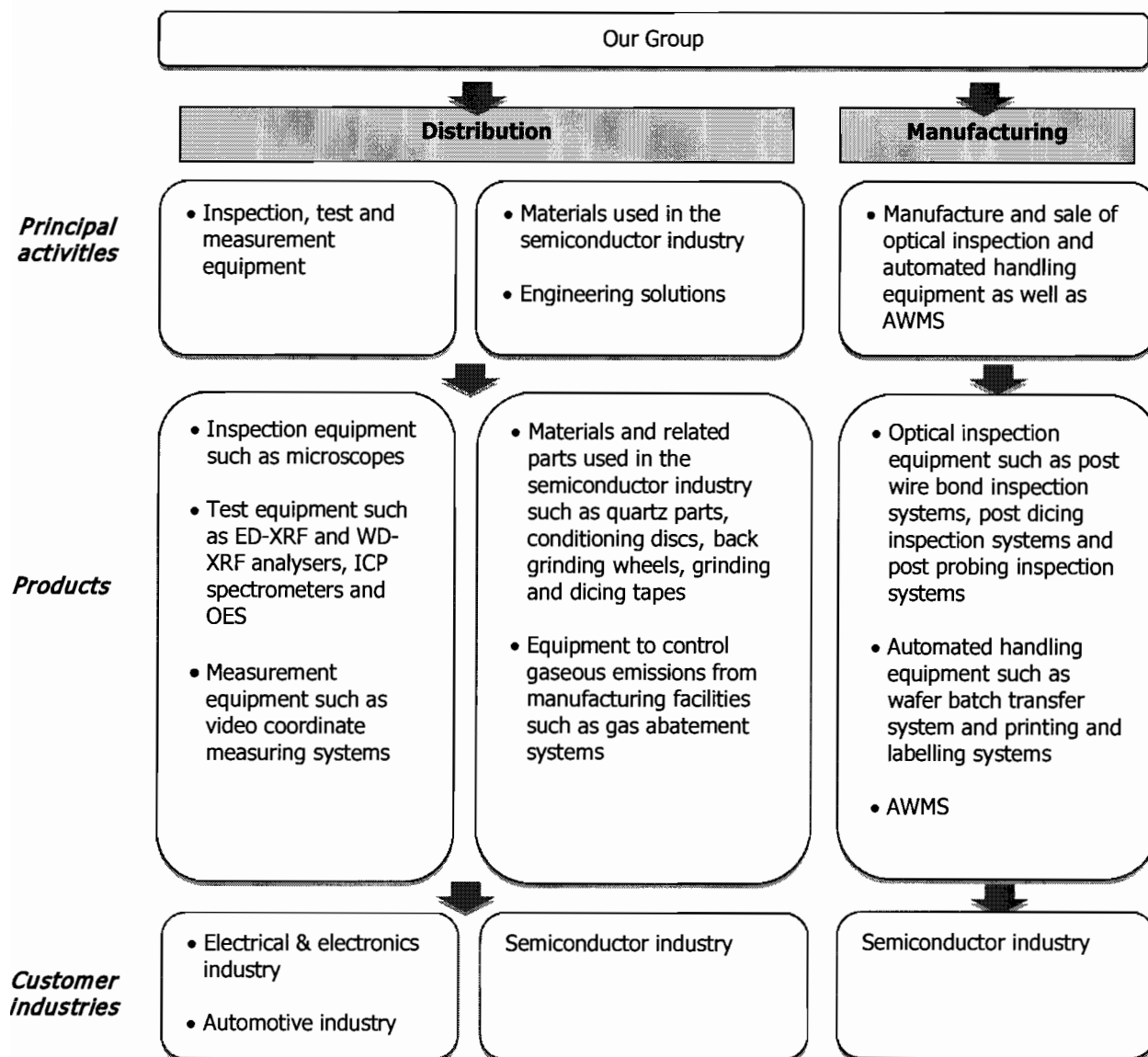
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6. BUSINESS OVERVIEW (Cont'd)

6.1.2 Principal business activities

We are principally involved in the distribution of inspection, test and measurement equipment, materials and engineering solutions. We also manufacture optical inspection equipment, automated handling equipment as well as AWMS.

The following diagram illustrates the products that we distribute and manufacture:



We also provide after-sales services such as training, repair and maintenance as well as upgrading services to our customers.

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6. BUSINESS OVERVIEW (Cont'd)

6.1.2.1 Distribution Divisions

(a) Distribution of Inspection, Test and Measurement Equipment

We currently distribute a range of inspection, test and measurement equipment supplied by various foreign manufacturers. We market and distribute these equipment through our subsidiaries.

As part of our value added service, we provide our customers with equipment installation services to ensure smooth and efficient operations. Installation service includes thorough inspection of used equipment, replacing defective parts as well as integration of operating software. Besides installation, we also provide equipment upgrading services. The equipment upgrading services entail the integration of jigs (a type of tool that is used to control location and/or motion of parts), fixtures and software with older equipment, according to customers' needs. One such example is the integration of automation module and related software, allowing for older manual inspection equipment to be automated without the need to invest in new equipment. These services are provided by our team of 96 engineers as at the LPD.

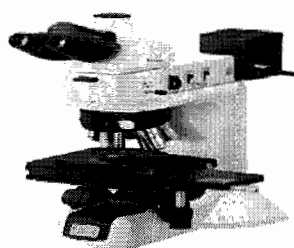
We also provide a wide array of after-sales services for the inspection, test and measurement equipment that we distribute. Some of these services include training, sample inspection and measurement through our application laboratory as well as repair and maintenance. For example, we provide customers with training programmes and on-call services that are available around the clock to minimise customers' downtime. By providing these equipment with scheduled maintenance and servicing over its life span, we enjoy the added advantage of a recurring stream of income. Our repair and maintenance services are generally provided under contracts that typically last a year.

Our equipment can be categorised into 3 main categories i.e. inspection equipment, test equipment and measuring equipment. The following table highlights our 5 main equipment in each category:

Supplier/Product category	Description
Inspection equipment	

Inspection products are microscopic equipment-based inspection systems that check for flaws manually or automatically depending on configurations of the equipment. Examples of these inspection products include light-based optical microscopes, scanning acoustic-based microscopes, confocal scanning microscopes, scanning electron microscopes, camera-based vision microscopes, laser-based vision microscopes and X-ray based microscopes.

Nikon Corporation/Optical microscope (high power)



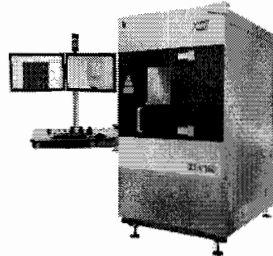
The optical microscope often referred to as "light microscope" uses visible light and a system of lenses to magnify images of small samples. Basic optical microscopes can be very simple, although there are many complex designs which aim to improve resolution and sample contrast.

6. BUSINESS OVERVIEW (Cont'd)

Supplier/Product category

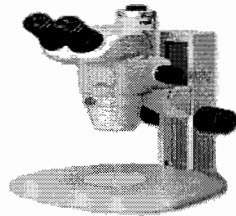
Description

Nikon Corporation/Real Time X-Ray Inspection System



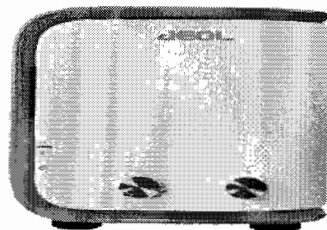
This X-ray computed tomography uses irradiation (usually with X-rays) to produce 3D representations of the scanned object both externally and internally.

Nikon Corporation/Stereo microscopes (low power)



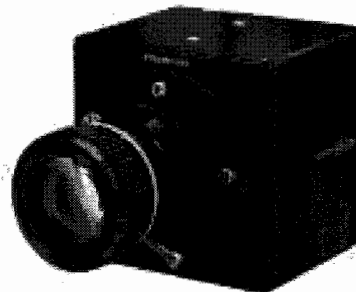
The stereo or stereoscopic or dissecting microscope is an optical microscope variant designed for low magnification observation of a sample, typically using light reflected from the surface of an object rather than transmitted through it.

Nikon Corporation/Scanning Electron Microscope (Bench top)



A scanning electron microscope is a type of electron microscope that produces images of a sample by scanning it with a focused beam of electrons. The electrons interact with atoms in the sample, producing various signals that can be detected and that contain information about the sample's surface topography and composition.

Photron USA, Inc/ High Speed Camera System



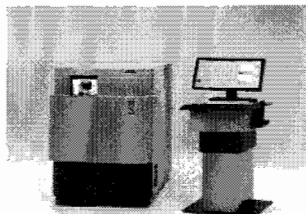
Regular video cameras record at 20 or 30 frames per second depending on television standards. High speed cameras record at a speed from 60 to over one million frames per second before replaying, in slow motion, at conventional rates, for slow motion analyses.

6. BUSINESS OVERVIEW (Cont'd)**Supplier/Product category****Description****Test equipment**

Test equipment are scientific and analytical instruments that perform elemental composition analysis of materials using technologies such as ED-XRF, WD-XRF, ICP and OES.

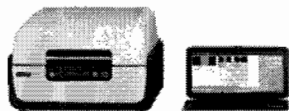
Spectro Analytical Instruments GmbH/Optical Emission Spectrometer ("OES")

A type of metal analyser, used to determine the quantity of element present in a sample by analysing the light intensity from a subject.



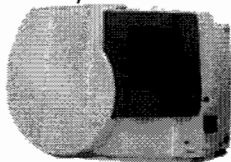
Hitachi High-Tech Science Corporation/ED-XRF Analyser

A type of X-ray analyser that measures hazardous substances. Able to analyse samples in solid, powder and liquid form.



Spectro Analytical Instruments GmbH/ICP-OES

Optical emission spectrometer with inductively coupled plasma excitation source that offers ease of use, high sensitivity and precision elemental analysis.



Hitachi High-Tech Science Corporation/ED-XRF Analyser

A type of analyser that is used to assess coating thickness. Measurements can be done without a thickness standard sample.



Rigaku Corporation/WD-XRF Analyser

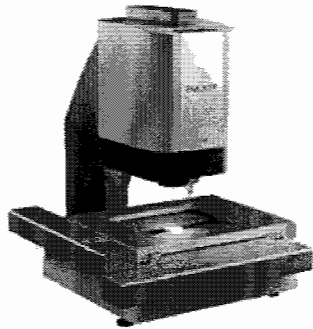
Wavelength-dispersive X-ray spectroscopy is a method used to count the number of X-rays of a specific wavelength diffracted by a crystal.



6. BUSINESS OVERVIEW (Cont'd)**Supplier/Product category**
Measuring equipment**Description**

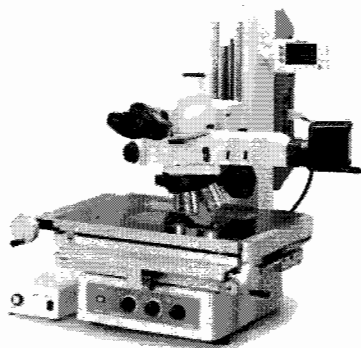
Measuring equipment are precision metrology equipment that accurately measures the dimensions of samples in complying with required specifications. Examples of applications in dimensional measurements are measurement of roughness, flatness, thickness, waviness, warpage, viscosity, weight, tensile strength, wear, shear and tackiness.

Nikon Corporation/Video
Coordinate Measuring System



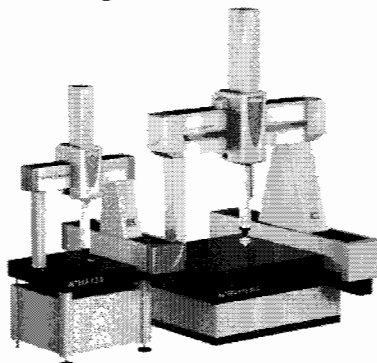
A coordinate measuring machine is a device for measuring the physical geometrical characteristics of an object. This machine may be manual or computer controlled. Measurements are defined by a probe attached to the third moving axis of this machine. Probes may be amongst others, mechanical, optical, laser, or white light. The video coordinate measure system allows for non-contact measurement.

Nikon Corporation/Measuring
Microscope



The measuring microscope is based on the same principal as any microscope designed for metrology measurement. Measuring microscopes usually are equipped with specialised components that enable dimensional measurement with high accuracy.

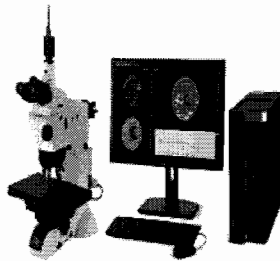
Nikon Corporation/Coordinate
Measuring Machine



Like the coordinate measuring machine listed above, this coordinate measuring machine is used to measure the physical geometrical characteristics of an object. However, it requires contact for measurement, unlike the one described above.

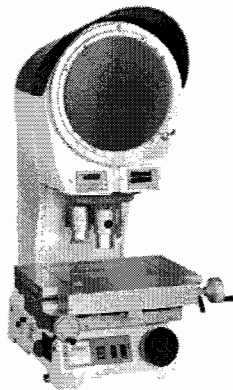
6. BUSINESS OVERVIEW (Cont'd)**Supplier/Product category****Description**

Nikon Corporation/Non-Contact
3D Surface Profiler



The non-contact 3D surface profiler is for surface analysis using white light interferometry technology. It covers wide range of application, from rough surfaces to smooth surfaces and offers high resolution 3D analysis.

Nikon Corporation/Profile
Projector



Also known as an optical comparator, or shadowgraph, a profile projector is an optical instrument used for measuring in a small parts machine shop or production line, usually by quality control inspection teams.

(b) Distribution of Materials

We distribute a wide range of materials used in the semiconductor industry as set out below:

Supplier/Product category**Description**

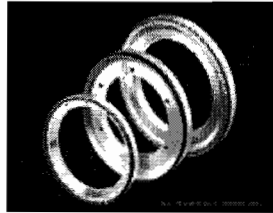
Shinhan Diamond Industries Co.,
Ltd. / Chemical mechanical
polishing pad conditioning discs



Chemical mechanical polishing pad conditioning discs are used to recondition polyurethane-based pads used for the polishing process of inter-level dielectric layers in wafer fabrication process.

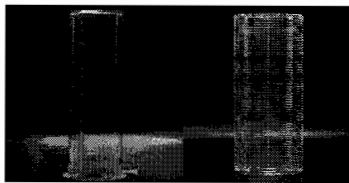
6. BUSINESS OVERVIEW (Cont'd)**Supplier/Product category****Description**

Shinhan Diamond Industries Co., Ltd. /Back grinding wheels



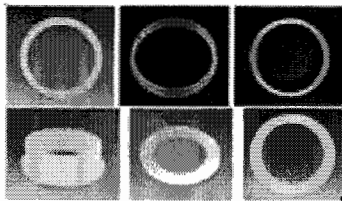
A diamond abrasives and bond matrix wheel that is used to grind the back of all type of wafers with less sub-surfaces damages.

Kumkang Quartz Co., Ltd. /Diffusion quartz



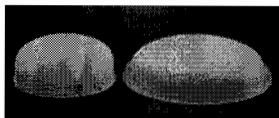
Diffusing quartz is used in the diffusion process of wafer fabrication. Diffusion is the movement of impurity atoms in a semiconductor material at high temperatures.

Kumkang Quartz Co., Ltd. /Etch quartz



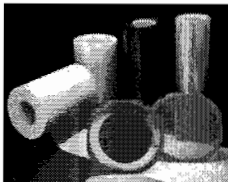
Etch quartz are used in the etching process of wafer fabrication. Etching is used to chemically remove layers from the surface of a wafer during manufacturing.

Kumkang Quartz Co., Ltd. / Physical vapour deposition ("PVD") quartz



PVD quartz are used in PVD coating process of wafer fabrication. Deposition in this respect is the act of applying a thin film to a surface.

Denka Adtec Co., Ltd. /Back grinding and dicing tapes



A back grinding tape is used to protect the circuit surface from damage by foreign matter, chipping, cracks and contamination during the back grinding process.

A dicing tape is used for fixing the wafer during dicing process.

6. BUSINESS OVERVIEW (Cont'd)

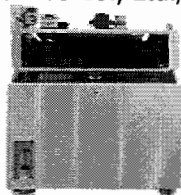
(c) Distribution of Engineering Solutions

We provide engineering solutions and specialise in industrial and environmental facilities sub-systems. These sub-systems are installed in manufacturing facilities and are used to control gaseous emissions from these facilities in order to comply with local environmental regulations. These sub-systems process toxic gas emitted from wafer fabrication processes and ensure the processed gas output is environmentally friendly or non-toxic. The equipment and solutions we offer include gas abatement systems (a system that treats harmful gases released from semiconductor manufacturing processes), heat exchangers, chillers, gas cabinets as well as chemical distribution and recycling systems.

As part of our engineering solutions, we provide our customers with installation and associated services required to connect these systems to their manufacturing facilities. In addition, we also offer our customers with periodical maintenance service of these systems. The table below lists some of the systems we distribute:

Supplier/Product

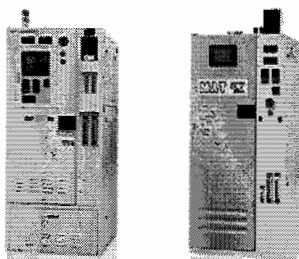
MAT Plus Co., Ltd./MAT 502W



Description

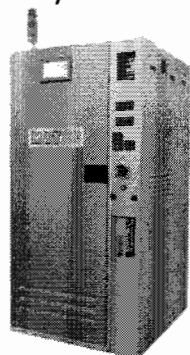
This gas scrubber system is designed to remove or reduce substantially the hazard presented by some toxic gases used during manufacturing process. This system is also known as a wet gas abatement system or a wet scrubber.

MAT Plus Co., Ltd./MAT 507BW/507BWA



This is functionally similar to the above wet scrubber but in this case it has an additional thermal (burn) chamber.

MAT Plus Co., Ltd./ flameless catalytic thermal oxidation



This scrubber uses high temperature heaters with heated catalytic material for perfect combustion without flames. This system is for waste-gas treatment of chemicals which easily becomes gases or vapours which have offensive smells.

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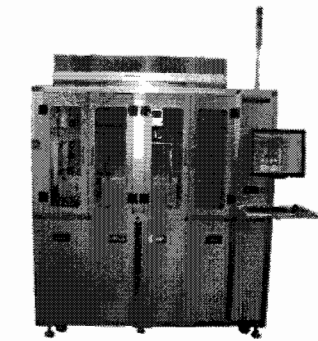
6. BUSINESS OVERVIEW (Cont'd)

6.1.2.2 Manufacturing Division

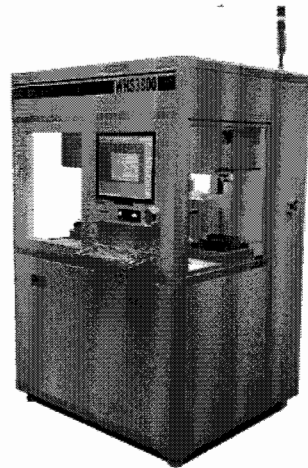
Our manufacturing division is involved in the manufacturing and sale of optical inspection and automated handling equipment. Our equipment are used throughout the various stages of wafer fabrication, ie the sorting, post wafer probing, back grinding, labelling, post dicing, post wire bond, packaging and transfer processes. The table below shows the type of inspection and handling equipment that our Group manufactures:

Product	Description
WHS Series of products are part of the automatic handling equipment that are used to transfer and sort bare and patterned wafers.	

Wafer Batch Transfer System – The WHS300G is a fully automated system designed for transferring, splitting, merging or flipping 150 mm and 200 mm wafers from the input cassette to the output cassette in batches.



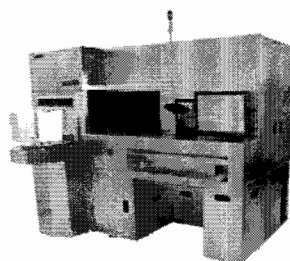
AWPS – WHS3800



The WHS3800 is our first AWPS, designed to handle 150mm and 200mm wafers for packing with full automation. This system has a built-in wafer pre-aligner, as well as vision and height sensors for robotic handling.

WIS Series of products are used to handle wafer for visual inspection prior to the wafer dicing process.

Post Probing Inspection System
- WIS8000



The WIS8000 is designed to handle 200 mm to 300 mm wafers for visual inspection using a high power metallurgical microscope (a microscope used for inspection and analysis of metals).

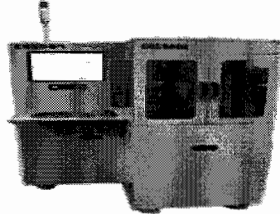
6. BUSINESS OVERVIEW (Cont'd)

Product

Description

DHS Series of products are used to label and identify wafers.

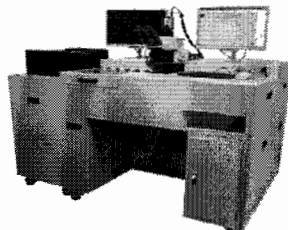
Automatic Barcode Printing &
Labelling System
– DHS8000



The DHS8000 is designed to reduce mistakes during the process of manually placing the sticker label on a framed wafer.

DIS Series of products are used to inspect frame wafers for defects after the dicing process.

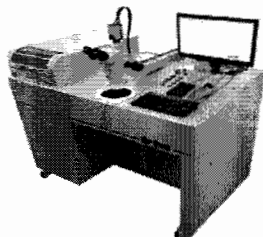
Post Dicing Inspection System
– DIS8000



The DIS8000 is designed to handle frame wafer after the wafer dicing process to inspect for defect that is observable prior to dicing and also die defect resulted after dicing process.

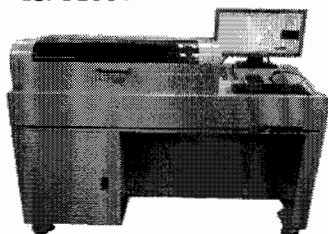
ISP Series of products are used to inspect the quality of attached die and wire bonding.

Post Wire Bond Inspection System
– ISP3100



The ISP3100 is designed to handle lead frame or substrate (a thin slice of semiconductor material used in electronics for the fabrication of integrated circuits) for visual inspection and yield management after die attach and wire bonding process.

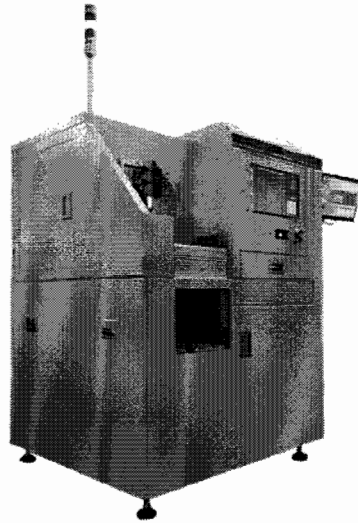
Automatic Post Wire Bond
Inspection System
– ISP3100V



The ISP3100V is an upgraded version of the ISP3100 optical inspection system with automation.

6. BUSINESS OVERVIEW (Cont'd)**Product****Description**

FAVIS – PWB1000V

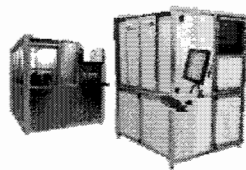


The PWB1000V is the first FAVIS. It is a more advanced model with full automation, equipped with more user-friendly software, image processing and is able to handle up to 5 magazines a time.

We are licensed by Chapman Instruments Inc. to manufacture, market, distribute and sell their AWMS for a period of 5 years from 1 August 2014. Chapman Instruments Inc. is a company based in New York, USA and is principally involved in the designing, marketing and support of optical and non-contact instruments for topography measurements of critical surfaces (such as computer disk media, semiconductor wafers as well as optical lenses). In consideration of Chapman Instruments Inc. granting us the license to manufacture and distribute their AWMS, we have to pay royalty fees to Chapman Instruments Inc. for each AWMS produced and sold by us. The royalty payable to Chapman Instruments Inc. is 30% of the net sale price on the first AWMS sold and 15% of net sale price on every subsequent AWMS sold. As at the LPD, we have produced and sold 7 units of the MPT series of AWMS as further detailed below.

MPT Series of products are used to measure both wafer thickness and roughness within the same equipment

AWMS – MPT1000



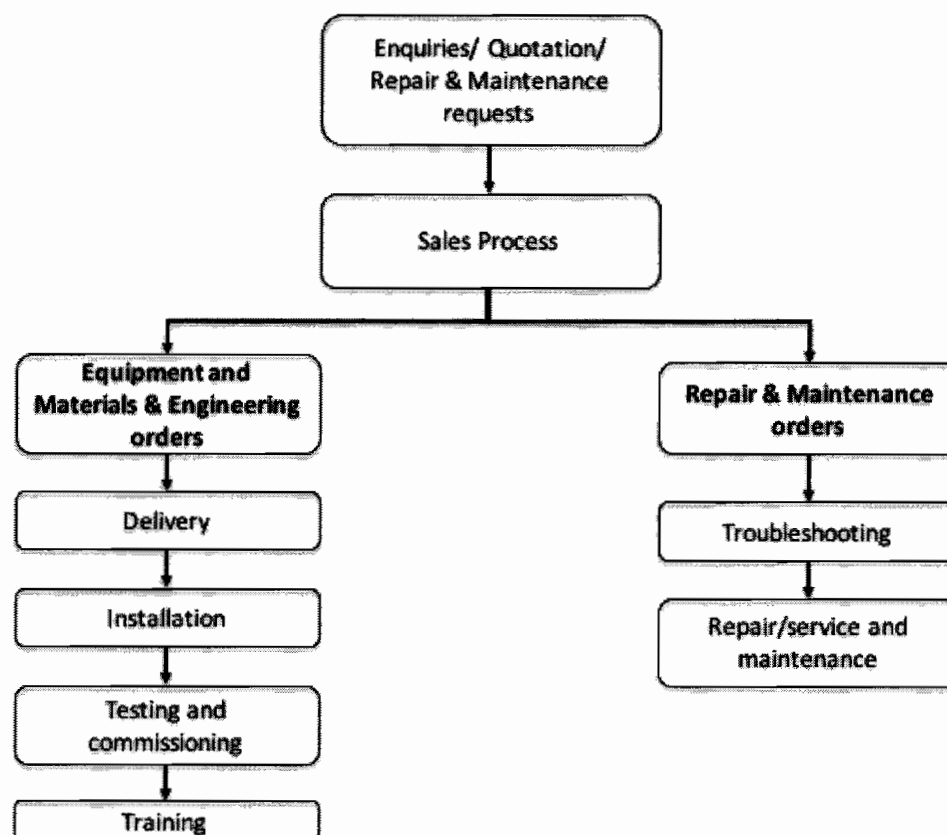
The MPT1000 utilises a sophisticated non-contact measurement technology with a focused laser spot on wafer surfaces. Users can measure structured taped wafers after back grind or dicing.

6. BUSINESS OVERVIEW (Cont'd)

6.2 OPERATIONS FLOWCHART

6.2.1 Distribution Division

The business operations of our distribution division are depicted in the diagram below:



(i) Enquiries/quotation/repair and maintenance requests

Enquiries for products are made directly to our Group or our distributors. Once received, our sales teams will then prepare the required preliminary information which includes but is not limited to product catalogues as well as close follow ups to provide further information, if required.

(ii) Sales process

(a) Equipment, materials and engineering solutions orders

Sales enquiries generally come directly by customers or are recommended by our sales team. Customers who are familiar with the product or have a mandate to use certain brands will likely specify the brand/manufacturer of the product they wish to purchase. In other cases, our sales team proposes solutions that meet customers' requirements, including the brand of equipment.

6. BUSINESS OVERVIEW (Cont'd)

Upon enquiry, our sales team will prepare a proposal which will include the total packaged price (for products and service maintenance) as well as the terms and conditions of the sale. In some cases, site visits to customers' premises are conducted to determine the suitability of the intended installation area. Pre-sales demonstrations are also conducted in some cases to provide customers with better illustration of the desired equipment's capabilities.

(b) Repair and maintenance orders

Enquiries regarding repair and maintenance are forwarded to the technical teams of the respective divisions. Our technical personnel will then proceed to site for troubleshooting in order to determine the required level of service, i.e., replacement of parts or repair of products and then prepare the quotations for the customers. For products which are still under warranty, there will be no charges for replacement parts and service. For products where the client has service agreements with our Group, only replacement parts will be charged.

(iii) Order processing

This phase consists of 2 main stages namely order confirmation and order processing. Customers are required to agree and confirm on the submitted quotations or proposals including the terms and conditions of the order which are then processed by our sales department. The processing of the sales order will involve the ordering of the necessary products from our suppliers and planning for resources for the installation and commissioning activities. Our sales team will then liaise with the customer on the appropriate timeline to deliver and install the products to meet customers' deadlines.

Products imported into Malaysia for customers located in zones with tax exemptions for importation of such equipment or intended for export are kept at Free Zone warehouses located in Kuala Lumpur International Airport and Penang International Airport. Products and replacement parts for our other customers are delivered and stored in our warehouse.

We currently engage logistics agents to handle the necessary forwarding of our imported products. In some cases, depending on shipping terms, customers may appoint their own logistics agents for customs clearance and delivery. Products ordered from our suppliers generally take 2 to 6 weeks to arrive, depending on the product type, configurations and order size, amongst others. Products ordered by our foreign subsidiaries are either delivered directly from our suppliers or from our headquarters, where orders are sometimes consolidated.

6. BUSINESS OVERVIEW (Cont'd)

(iv) Operation process**(a) Equipment, materials and engineering solutions orders****(aa) Delivery**

Prior to delivery, our engineer will conduct a series of configuration activities based on customers' specifications. Such configurations include the installation of the necessary software and hardware or updating of software to enable the latest functions and features. As some of our products are delivered to Free Zone warehouses, some of these activities are conducted in these areas prior to delivery.

Orders for materials are delivered directly to customers' premises and checked according to purchase orders prior to acceptance of delivery.

(bb) Installation

Equipment and parts are checked against the purchase order to ensure that they are correct and functioning. Where equipment is/are incorrect or damaged during delivery, corrective actions will be taken. Our engineers will be on-site to handle the unpacking and installation.

(cc) Testing and commissioning

After installation, our engineers will conduct tests according to specifications. These tests determine if the installed equipment meets the intended specifications. Test results are analysed and any required customisation or further configurations are performed, if need be, before further testing. Once tests results are satisfactory, the customer will sign off on the test results to acknowledge that the equipment is fit for their use.

(dd) Training

Our service team is responsible to train users of the installed equipment. The training aims to educate users and their technical team on the know-how as well as basic troubleshooting techniques. Subsequent training is also provided to users for major changes in the features and capabilities of the equipment.

(b) Repair and maintenance orders**(aa) Troubleshooting**

Troubleshooting begins upon receiving a request specifying the problems faced by the customer. Our technical team will then work together with the customer to gather additional information. They will then first advise and diagnose the issue over the telephone, and if necessary, a visit to the customer's site will be conducted.

6. BUSINESS OVERVIEW (Cont'd)

(bb) Repair/service and maintenance

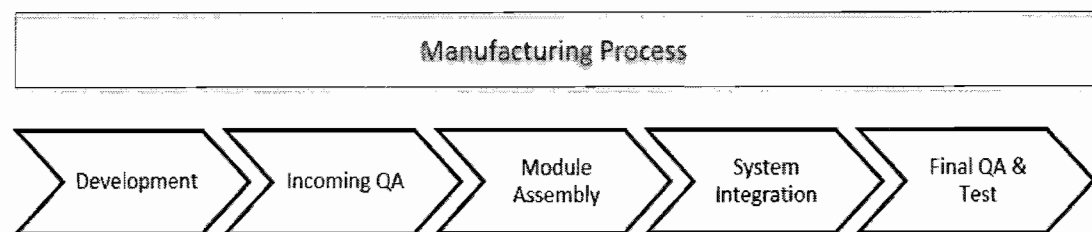
In terms of service and maintenance requests, our technical team will visit customers' premises to perform periodical service and preventive maintenance services according to the equipment manufacturers' manual. All service and maintenance visits and works performed are recorded for future traceability purposes.

6.2.2 Manufacturing Division

Our manufacturing activities are carried out by Creden Mechatronic. Our manufacturing process involves the assembly of different parts. We work together with original design manufacturers and original equipment manufacturers to determine the parts needed for their final products.

Our optical inspection and automated handling equipment are developed by our engineers and where needed, we also collaborate with vendors to develop the equipment.

Our manufacturing process is illustrated below:



The details of each stage in the process flow can be seen below:

(i) Development

Our product development objective is driven by our customers' needs, which arise as a result of technological changes such as the miniaturisation of consumer electronics and increasing automation in production processes.

After the working principle and parts to be used in the new equipment have been identified, the parts will be ordered and assembled before testing to ensure that they function. Modifications are often made throughout testing stages in order to improve the equipment. Changes made are logged for internal traceability purposes. Once the equipment is working, the head of product development will sign off and commence with the commercial production of the equipment.

Our product development is broken down into the following stages:

(a) Conceptualisation

Once the requirements are agreed, our engineers will produce conceptualised designs. Various research is conducted to determine the working principle of the new developments based on available technologies, before being finalised into a product specification list. The product development team will then begin development activities.

6. BUSINESS OVERVIEW (Cont'd)**(b) Development**

Our engineers will then work towards the product's software programming and hardware design, as well as the sourcing of technology partners to provide the required technology to meet the product specifications.

Product development is checked over the course of this stage to ensure that it meets the required specifications. At the end of the development stage, the product development team will develop a working prototype that incorporates the required features.

(c) Testing

Upon completion of the development activities, the prototype is tested to determine its functionality as well as modified to eliminate design problems. Once testing is completed, our Group's product development team will then work on the launch of the product with the marketing team.

(ii) Incoming QA

In the first stage of the manufacturing process, the parts which will be used throughout the manufacturing process are inspected by the QA department, which consist of a team of engineers and inspectors.

(iii) Module assembly

At this stage, the assembly department, which consists of technicians and supervisors, will supervise the assembly of all electrical and mechanical modules such as the electrical control module, vision and optical module and precision staging module.

(iv) System integration

Next, the assembly department will work together with the engineering department to integrate the assembled parts into a working system. This includes electric connection and wiring distribution, system software installation, sub-system module installation, system alignment and system configuration.

(v) Final QA and test

The final product's software and hardware are both tested together by our QA department to ensure that it is functional and up to specifications.

6. BUSINESS OVERVIEW (Cont'd)**6.3 PRINCIPAL MARKETS**

Our revenue, as segmented by countries for the financial years under review is set out below:

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

Note:

- ⁽¹⁾ Other countries include France, Japan, Korea, Mexico, USA, Taiwan, Germany, Spain, Austria and Myanmar

Our principal markets cover the ASEAN region. Out of our Group revenue for FPE 2017, Malaysia contributed 47.1% and our largest foreign contributor was Vietnam which accounted for 13.3%. This was followed by other countries in the region namely Singapore and the Philippines which contributed 12.3% and 11.9% respectively.

6.4 DISTRIBUTION AND MARKETING**6.4.1 Marketing strategies****(i) Establish brand presence through exhibitions**

One of our key marketing efforts is our participation in various trade shows and exhibitions. This allows us to create awareness of our products while at the same time provides us with insight on the possible applications of our products in different industries.

Over the past 3 FYEs 2014 to 2016 and FPE 2017, we have participated in various trade shows and exhibitions in the ASEAN region. Some of the notable exhibitions we participated in are: Metalex, Metaltech, Semicon Southeast Asia, Automotive Manufacturing, The Philippines Semiconductor and Electronics Convention and Exhibition, Thailand Lab, Manufacturing Indonesia, SEMICON SEA, Surface & Coatings and Vietnam Manufacturing Expo. These exhibitions are prominent events in the semiconductor, electrical and electronics and automotive industries within the Vietnam, Thailand, the Philippines and Indonesia markets.

6. BUSINESS OVERVIEW (Cont'd)**(ii) Keeping up with the latest technological trends**

We keep up with the latest technological trends as means of meeting the needs of our customers. We stay informed and updated with the latest available technologies and products from reputable suppliers in the test and measurement market such as Nikon Corporation, Spectro Analytical Instruments GmbH and Hitachi High-Tech Science Corporation.

Creden Mechatronic also invests in development activities to manufacture its own brand of equipment used in the wafer fabrication processes. In addition, we are also collaborating with Chapman Instruments Inc. to reduce the production costs of its current AWMS through localisation.

We are also an established distributor for reputable companies in the industry such as Nikon Corporation and Spectro Analytical Instruments GmbH which are recognised leaders in the field of inspection, test and measurement technology. This provides us with access to their latest available technology in the market.

In addition, we also conduct product development activities, which are detailed in Section 6.7 of the Prospectus.


6.4.2 Distribution network

We have an established regional presence through our direct and indirect distribution networks. Our direct distribution network comprises our subsidiaries, which operate both in Malaysia and internationally in Indonesia, Vietnam, Hong Kong, Singapore, Thailand and the Philippines while our indirect distribution network consists of dealers and distributors in Singapore, France, Taiwan and Germany.

6.5 TRADE MARKS REGISTERED

As at LPD, QES (Asia-Pacific) has registered the "QES" logo as a trade mark in Malaysia pursuant to the Trade Marks Act 1976 and the Trade Marks Regulations 1997. The protection sought for the Group's trademarks are for the use of the "QES" name and logo in general. The Group does not use the "QES" name and logo on its manufactured products at the moment. The Group has registered it in Malaysia, where its operations are more significant. The Group plans to register the same trademark in other jurisdictions but has not set a timeline to do so at the moment.

Details of our registered trade mark are set out below:

Application date	Trade mark application no. / (Class)	Mark	Description of trade mark
28 October 2014	2014066029 (Class 1)		Company Logo
	2014066031 (Class 4)		
	2014066033 (Class 6)		
	2014066034 (Class 7)		
	2014066035 (Class 9)		
	2014066036 (Class 19)		
	2014066037 (Class 37)		
	2014066040 (Class 42)		
	2014066044 (Class 45)		

6. BUSINESS OVERVIEW (Cont'd)**6.6 KEY ACHIEVEMENTS AND MILESTONES**

Period	Achievement or Milestones
1991	<ul style="list-style-type: none"> • QES (Asia-Pacific) was founded on 4 October 1991
1996	<ul style="list-style-type: none"> • Expanded our distribution network to Penang and Sarawak
1997	<ul style="list-style-type: none"> • Diversified into the distribution of materials and engineering solutions for the semiconductor industry
1998	<ul style="list-style-type: none"> • Ventured into the manufacturing of optical inspection and automated handling equipment that are used in the semiconductor industry
2001	<ul style="list-style-type: none"> • Sold our first manufactured optical inspection equipment
2003	<ul style="list-style-type: none"> • Creden Mechatronic awarded as pioneer status company by Malaysian Investment Development Authority
2007	<ul style="list-style-type: none"> • Creden Mechatronic's quality management system was accredited ISO 9001:2000
2013	<ul style="list-style-type: none"> • Spectro Analytical Instruments GmbH established its regional centralised training centre at our office in Malaysia • Creden Mechatronic achieved the British and European ISO 9001 (BS EN ISO 9001:2008) accreditation for its quality management system
2014	<ul style="list-style-type: none"> • Sold the first Malaysia-manufactured Chapman Instruments Inc.'s AWMS. We are the sole manufacturing partner for the Chapman AWMS in Asia
2016	<ul style="list-style-type: none"> • First sale of our manufactured optical inspection equipment to Taiwan • First sale of our manufactured prototype wafer barcode ID system to Germany • Creden Mechatronic obtained a government grant from the Malaysian Investment Development Authority for research and development of the automated vision inspection systems and AWMS
2017	<ul style="list-style-type: none"> • Sold our first FAVIS, the PWB1000V model to the Philippines • Sold our first AWPS, the WHS3800 model in Malaysia

6.7 PRODUCT DEVELOPMENT FOR THE MANUFACTURING DIVISION**6.7.1 Product development milestones and achievements**

Our Group, through Creden Mechatronic, achieved the following product development milestones:

Period	Achievement or Milestones
1998	<ul style="list-style-type: none"> • Developed our ISP Series, starting with the ISP200, to inspect die and wire bonding
2000	<ul style="list-style-type: none"> • Upgraded our ISP Series to ISP2000 from a desktop to a floor stand system with automatic conversion features
2001	<ul style="list-style-type: none"> • Expanded our product range by introducing the WMS200 in the WMS Series (currently known as DIS series)

6. BUSINESS OVERVIEW (Cont'd)

Period	Achievement or Milestones
	<ul style="list-style-type: none"> Upgraded our ISP Series to ISP2001 with newer reject modules, wire breakers, scribers and readers
2002	<ul style="list-style-type: none"> Added the WIS Series Upgraded the ISP Series with the ISP300 and ISP3000 migrating from Microsoft Windows 2002 to Windows XP compatibility, with newer platforms, layouts and new reject modules
2006	<ul style="list-style-type: none"> Developed the WIS8000, our first semi-automatic 200 mm and 300 mm post probe wafer inspection station, with robotic handling system for bare and patterned wafers Launched 2 models of wafer handling system under our WHS Series, equipped with robotic handling capability, the WHS8000 (200 mm and 300 mm wafers) and WHS6000 (150 mm and 200 mm wafers)
2007	<ul style="list-style-type: none"> Launched our wafer management system under the WMS series with automatic loading of wafers which replaces the WIS3000 that uses manual loading
2013	<ul style="list-style-type: none"> Developed the ISP3100V, a fully automatic post die attachment and post wire bond inspection system equipped with automatic vision software
2017	<ul style="list-style-type: none"> Developed our first FAVIS equipment, the PWB1000V model, a more advanced model of our post wire bond inspection system that is fully automated, with more user-friendly software, image processing and the capability to handle up to 5 magazines a time Developed our first AWPS equipment, the WHS3800 model, with built-in wafer pre-aligner as well as vision and height sensors for full automation

To-date, we have sold and installed more than 300 of our optical inspection systems in the ASEAN region and China.

6.7.2 Product development plans

Based on our customers' feedback, we have identified the necessary features to be included in our future product development. These features and their working principles have been conceptualised into the following 3 products, which are currently still in the early stages of development. The details of these 3 products and their expected development timeline are illustrated in the table below:

Product to be developed	Product features	Expected timeframe for development from our Listing	Funds allocated from our IPO proceeds RM'000
FAVIS	Upgraded vision inspection system with full automation covering the wafer probing, dicing and wire bonding processes	2 years	2,250

6. BUSINESS OVERVIEW (Cont'd)

Product to be developed	Product features	Expected timeframe for development from our Listing	Funds allocated from our IPO proceeds RM'000
AWPS	Improved wafer packing system with automation with improved features such as optical character reader and non-contact wafer handling	1 year	1,350
AWID	Upgraded wafer ID system with features such as a fully automatic batch wafer ID reader and ID server	1 year	1,250
			4,850

Further details of the development of our key products are set out below:

(i) FAVIS

The FAVIS is targeted for the back end process in the semiconductor industry. FAVIS is also known as the Fully Automatic Vision Inspection System covering post probing wafer inspection system, post dicing inspection system and post wire bond inspection system. It will adopt line scanning vision system that will allow for 3D detection and measurement capabilities.

The current technology requirement is moving towards hands-free, with chip package sizes getting smaller and thinner, thus this will require significant advancement in technical requirement for the inspection system to be fully automated. This is expected to be a future requirement for the industries we serve going forward and represents a great potential as customers upgrade to the FAVIS in line with advances in the wafer and chip packaging technology.

We have developed our first FAVIS which is the PWB1000V model. With the further development and introduction of FAVIS, we expect to expand our range of visual inspection systems which would provide new growth for our manufacturing division.

(ii) AWPS

Unlike the current manual operated machine which is slow and inconsistent, the AWPS will be a fully automatic wafer packing and unpacking system with robotic arm wafer handling. Based on customer feedback in the semiconductor industry, we expect the AWPS to be in strong demand in future where hands-free and full automation technology requirements are expected.

(iii) AWID

The AWID is used for wafer ID barcode scanning to read the ID, map, sort and upload to server for storage or subsequent process. The current equipment used is mainly manual and semi-automatic where the process is still operator dependent and at times subjected to human touch.

The AWID is designed to be fully automatic to meet the stringent requirement in the semiconductor industry.

6. BUSINESS OVERVIEW (Cont'd)**6.7.3 Product development facilities and personnel**

We develop our manufactured products in our headquarters. As at the LPD, we have 14 personnel engaged in product development activities. We will deploy other operational or technical personnel for these activities as and when required.

Our product development expenditure for the past 3 FYEs 2014 to 2016 and FPE 2017 are as follows:

	FYE 2014	FYE 2015	FYE 2016	FPE 2017
	RM'000	RM'000	RM'000	RM'000
Product development costs:				
Staff and related costs, comprising mainly salaries, training, allowances and statutory contributions	747	601	1,121	863
Materials and equipment costs	165	395	601	597
	912	996	1,722	1,460
Amount capitalised as intangible assets	165	⁽¹⁾ -	744	300

Note:

- ⁽¹⁾ The product development costs incurred in FYE 2015 were expensed out as the expenses were directly related to specific customers' request for customisation and not an upgrade which will enhance the feature of our products.

There were 9 development projects undertaken by the Group during FPE 2017 (FYE 2016: 9, FYE 2015: 3 projects and FYE 2014: 4 projects). These projects were undertaken since FYE 2016 to upgrade our equipment to handle more specifications such as wider leadframe and higher speed, incorporating new modules such as laser reject modules, improving automation and prototyping new equipment for exhibitions. As a result, more staff, material and equipment costs were incurred.

6.7.4 Technologies used

We have invested in customer relationship management software named krassol. By integrating with our existing accounting software (named FACT) across all divisions, krassol can automate sales management, meaning it collates critical information in relation to our customers' equipment, initiate frequent alerts on timeliness to provide service contract updates and parts replacements. Additionally, the integration across divisions connects our databases together, which allows for resource sharing, improved communication and systematic reports through one standard platform.

The software also assists us to efficiently manage our service department. Customers are connected through an online portal that allows them to put in requests for service, and also keeps them updated with any latest developments. This also results in a centralised customer database that is more updated and easier to manage. Service personnel are notified quickly via email and text messages on their schedule and service job.

For our manufactured equipment, we programme our own software for alignment and positioning to enhance accuracy as well as for control and automation. We use Microsoft Visual Studio to programme our software. We also use AutoCAD and Autodesk Inventor to construct 3D models of prototypes. The personnel involved in development of our software are experts in various fields of engineering and software development with experience in inspection, measurement and automated handling of materials used in semiconductor and mass storage industries.

6. BUSINESS OVERVIEW (Cont'd)**6.8 PRODUCTION CAPACITY AND UTILISATION**

The production capacity for our manufacturing division is dependent on the availability of labour, space, tools, the type and model of optical inspection and automated handling equipment being manufactured. Based on the foregoing, we make arrangements of our available resources, each called a 'workcell', to manufacture equipment. Based on our current product range, available tools and facilities, on average, we can arrange up to 15 workcells at a time. These workcells are operated by up to 9 technical personnel at a time. Each personnel may work up to 8 hours a day, 6 days a week inclusive of overtime incurred to increase production or for troubleshooting. In terms of man-hours, this makes our maximum annual production capacity to be 22,464 hours.

For illustrative purposes, the table below sets out the average capacity requirements for each of our manufactured equipment:

Product series	Number of workcells required	Number of personnel required	Total number of man-hours required per machine
ISP Series			
- ISP3100	1	2	420
- ISP3100VD	3	4	1,440
- PWB1000V	3	4	1,440
DIS Series	3	2	560
WIS Series	3	4	1,400
WHS Series	3 - 5	3	1,050
DHS Series	2	2	560
MPT Series	4	3	1,470

Based on the capacity requirements above, the following table sets out the utilisation of our production capacity over FYEs 2014 to 2016 and FPE 2017:

Product series	Production output for FYE 2014		Production output for FYE 2015		Production output for FYE 2016		Production output for FPE 2017	
	Units	Man-hours used	Units	Man-hours used	Units	Man-hours used	Units	Man-hours used
ISP Series								
- ISP3100	35	14,700	26	10,920	29	12,180	31	4,260 ⁽¹⁾
- ISP3100VD	-	-	-	-	-	-	3	4,320
- PWB1000V	-	-	-	-	-	-	2	2,880
DIS Series	3	1,680	-	-	-	-	-	-
WIS Series	2	2,800	3	4,200	1	1,400	1	1,400
WHS Series	1	1,050	2	2,100	3	3,150	3	3,150
DHS Series	0	-	-	-	-	-	1	560
MPT Series	1	1,470	3	4,410	-	-	3	4,410
Total		21,700		21,630		16,730		20,980
Utilisation(%)		96.6		96.3		74.5		93.4

6. BUSINESS OVERVIEW (Cont'd)

Note:

- (1) For FPE 2017, due to increased orders and our limited capacity, we outsourced part of the fabrication and assembly for 30 units of our ISP3100 equipment which would normally require 12,600 man-hours. Instead, the outsourcing has allowed us to utilise a total of 3,840 man-hours to produce these 30 units (128 man-hours per unit) which is within our capacity. The remaining 1 unit of ISP3100 was produced entirely in-house, using 420 man-hours.

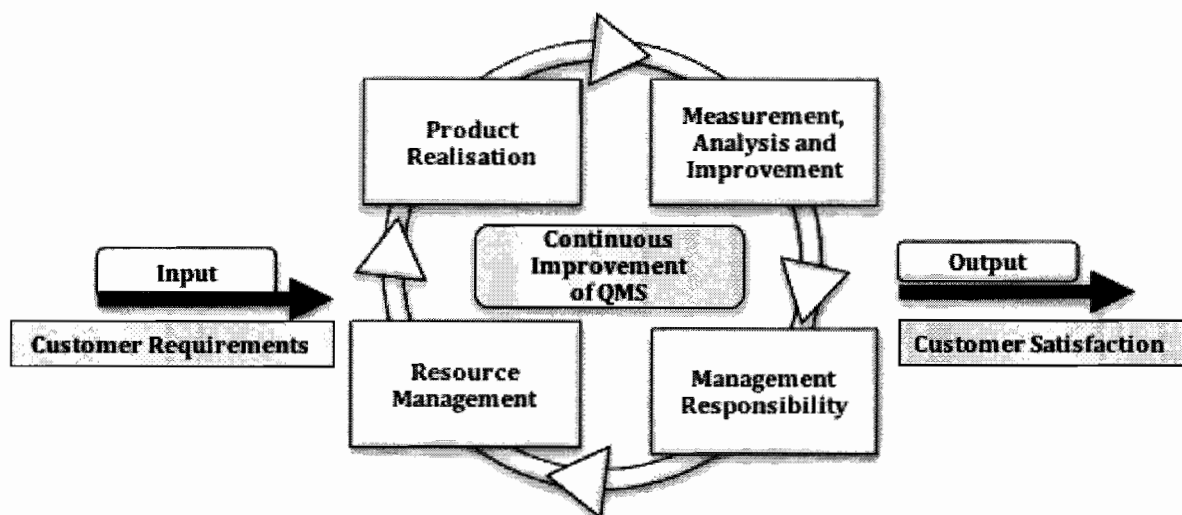
6.8.1 Types, Sources and Availability of Supplies

The raw materials for our manufacturing divisions are mainly fabrication parts, electrical and sub-components parts. As at the LPD, our Group has not experienced any difficulties in sourcing for our major raw materials as they are readily available from local and international markets. Save for raw materials sourced internationally such as vision and optical parts which are subject to fluctuations in foreign exchange, the prices of our raw materials are fairly stable and generally do not fluctuate.

6.9 QUALITY ASSURANCE POLICY

Stringent QC measures are put in place as part of our quality assurance policy to ensure customer satisfaction. Our manufacturing arm's QMS was assessed and accredited with the ISO 9001:2000 in 2007, and was later reassessed and accredited with the updated BS EN ISO9001:2008 in 2013.

We have established a set of QC procedures with the objective of providing quality products to our customers. Our QMS is aligned with our manufacturing operations, from product development, incoming raw materials to outgoing finished products in order to ensure that our products consistently meet quality standards. The diagram below depicts our QC procedures:



(i) Product realisation

This stage takes into account the processes and related sub-processes that are required to produce our products, from concept to manufacturing to delivery of the products. Under this stage, quality objectives of the processes are established and documented. Resources and facilities required to produce products such as raw materials and employees are also specified and documented.

6. BUSINESS OVERVIEW (Cont'd)

(ii) Measurement, analysis and improvement

Over the course of a production process, our quality assurance team measures and monitors the products to verify that it meets the product requirements and specifications. Products that do not conform to earlier set quality objectives are identified and removed from the production floor to be rectified. The QC team will then work to identify and eliminate the cause of non-conformities.

(iii) Management responsibility

Our Group's management plays a key role in the development and improvement of our QMS by providing the necessary resources. They also play a central role in establishing a quality policy and ensuring that it is practised and well communicated throughout the organisation.

(iv) Resource management

Our quality assurance department is responsible for the implementation as well as maintenance of our QMS. It continues to monitor and improve its effectiveness by providing its team with relevant trainings, necessary equipment as well as review of our QC procedures as and when necessary to comply with customers' requirements.

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6. BUSINESS OVERVIEW (Cont'd)**6.10 INTERRUPTIONS IN BUSINESS**

We have not experienced any interruption to our business, which has had significant effects on our operations for the past 12 months preceding the LPD.

6.11 MAJOR CUSTOMERS

We do not have major customers that contribute more than 10% of our total revenue for the past 3 FYEs 2014 to 2016 and FPE 2017.

6.12 MAJOR SUPPLIERS

We have 3 major suppliers that contribute more than 10% of our total purchases for the past 3 FYEs 2014 to 2016 and FPE 2017. We have maintained more than 5 years working relationships with these 3 major suppliers and there has been no disputes or disruptions in supplies experienced by our Group so far. The following sets out the value of our total purchases from them for the past 3 FYEs 2014 to 2016 and FPE 2017:

Rank	Name	Country	FYE 2014		FYE 2015		FYE 2016		FPE 2017		Length of relationship Years	Main products sourced
			Purchase value RM'000	%	Purchase value RM'000	%	Purchase value RM'000	%	Purchase value RM'000	%		
1.	Nikon Group ⁽¹⁾	Japan, Singapore, Malaysia	8,810	11.5	9,651	10.4	14,015	14.1	16,098	18.0	8	Inspection, testing and measuring equipment
2.	Spectro Analytical Instruments GmbH	Germany	12,939	16.9	13,750	14.9	15,064	15.1	12,513	14.0	18	Inspection and testing equipment
3.	MAT Plus Co. Ltd	Korea	6,696	8.8	6,792	7.3	11,073	11.1	7,518	8.4	5	Gas abatement system
Total			28,445	37.2	30,193	32.6	40,152	40.3	36,129	40.4		

Note:

⁽¹⁾ Denotes purchases from Nikon Corporation, Nikon Singapore Pte Ltd, Nikon (Malaysia) Sdn Bhd and Nikon Engineering Co Ltd.

6. BUSINESS OVERVIEW (Cont'd)

Notwithstanding the above, we are not dependent on any single supplier as we have a wide supplier base of over 602 suppliers as at LPD. Most of our suppliers are manufacturers, while only some suppliers are local distributors who supply small items used by our manufacturing subsidiary. Although we have 3 major suppliers for the past 3 financial years and financial period under review, these major suppliers also depend on our established network over the ASEAN region to distribute their products. In the unlikely event that these suppliers terminate the QES Group's distributorship, they will suffer a similar loss in sales and will likely take time to re-establish a network of its own. Additionally, we will be able to carry products from competing brands in the event our distributorship is terminated. For reference, the Group's largest 20 suppliers for FPE 2017 are manufacturers. They account for 75.8% of our total purchases.

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6. BUSINESS OVERVIEW (Cont'd)

6.13 OUTLOOK OF THE TEST AND MEASUREMENT MARKET IN MALAYSIA

The analysis of the test and measurement market in Malaysia including the market dynamism, competitive analysis, barriers to entry and outlook is set out in Section 7 of this Prospectus.

6.14 COMPETITIVE STRENGTHS**6.14.1 We are an established distributor for reputable brands of equipment**

Having represented reputable brands of equipment throughout our history of operations, we have established ourselves as a distributor for many reputable brands of equipment, some of which we have carried for more than a decade such as Hitachi High-Tech Science Corporation since 1997 and Spectro Analytical Instruments GmbH since 1999. The diversity of brands we carry such as Spectro Analytical Instruments, Nikon, Hitachi High-Tech, MAT and Rigaku provides a wide range of choices to our customers. To date, our Group has distributed more than 2,000 product items to more than 1,000 customers.

Our suppliers normally limit the number of distributors for their products to avoid unhealthy competition amongst these distributors, which includes price undercutting and disjointed branding which may jeopardise the sales of their product. In this respect, our long working relationships with the suppliers of these brands and our wide range of brands have earned us a reputation for carrying a comprehensive range of quality products. This has given our customers confidence to purchase from us as a preferred distributor of inspection, test and measurement equipment amongst a limited number of distributors in the market.

6.14.2 Our wide distribution network allows us to better respond to customers

We have been building up our distribution network geographically to represent our suppliers over a wider geographical footprint. To date, our distribution and service network spans most of the ASEAN region, which contributed to 97.8% of our revenue for the FPE 2017. At present, we are focused on the ASEAN region, having expanded our operations into major markets such as Hong Kong, Indonesia, Singapore, Thailand, the Philippines and Vietnam. As such, we are able to reach a wider base of consumers as compared to our competitors.

With a wide network across the ASEAN region, we are also able to respond faster to customers' needs, as our local offices in their respective countries dealing with local customers would better understand their customers' needs and therefore be able to better respond to these customers. This allows us to adapt faster and more effectively than competitors.

6.14.3 Our experience enables us to offer quality solutions and more efficient and reliable after-sales services to our customers

Some of the products which we distribute are considered technologically advanced equipment used in the electrical and electronics, automotive and semiconductor industries. Products such as OES and X-ray scan inspection systems are precise, delicate and potentially hazardous machines which require high degree of technical skills to troubleshoot, service and maintain.

6. BUSINESS OVERVIEW (Cont'd)

With more than 20 years of experience in the inspection, test and measurement equipment industry, we are able to advise our customers on each product's features and also integrate our products as a comprehensive solution to meet our customers' specific requirements.

Our experienced technical team of 129 technical personnel have on average served more than 5 years with our Group and have an average of more than 8 years of relevant working experience. They play an important role in providing our after-sales services such as refurbishment and customised upgrading services which are necessary and complementary to the equipment we distribute. These services require extensive product and process knowledge in order to provide customers with solutions that cater to their specific needs.

Over the years, we have been able to recruit, train and retain a core group of technical experts who are reliable and familiar with our customers' working and regulatory requirements. We have also sent several of our engineers to train with our suppliers in the past and cover subjects which range from new product introduction to product servicing and troubleshooting activities.

This has allowed us to provide efficient and reliable after-sales services to our customers, which has secured us recurring orders as well as referrals from our customers. For the past 3 FYEs 31 December 2014 to 2016 and FPE 2017, our revenue derived from after-sales services has grown from RM21.9 million to RM38.2 million, which is a testament to our strength in this area.

6.14.4 Experienced management team

Our Group's key management has played an important role in our past success and will continue to be a significant factor in our future growth. Their strength is based on their length of working experience, all of whom have accumulated at least 16 years of working experience each in their respective fields. Their expertise, experience, and leadership gives us a competitive advantage over the other competitors in the industry.

Our Group is led by Chew Ne Weng, our Managing Director/President who possesses more than 25 years of experience in our business. He is supported by Liew Soo Keang, our Executive Director and a team of key management. Further details of our key management team are set out in their profiles under Section 8.3.3 of this Prospectus.

6.14.5 Large customer base from diverse industries

Since our establishment, we have secured more than 2,400 customers throughout the ASEAN region. We are not dependent on any single customer. The majority of our customers are MNCs in the semiconductor, electrical and electronics and automotive industries. To date, we have sold over 8,000 units of equipment.

Such a diverse MNC customer base not only reduces the risk of overdependence on any single customer, but also gives us better opportunities to cross-sell amongst customers and serves as an effective base to promote our products and services.

Having customers coming from diverse market segments reduces the risk of over-reliance on any single segment. Further, serving diverse market segments allows us to share information across each segment. This includes the sharing and/or transfer of useful knowledge such as equipment and material applications, market data, skills, new technology as well as cross-selling opportunities. This gives us an added advantage in discovering new selling opportunities and new applications for the products we distribute and manufacture.

6. BUSINESS OVERVIEW (*Cont'd*)

6.15 FUTURE PLANS AND PROSPECTS OF OUR GROUP

Our future plans and prospects will be focused around the following key strategies:

- (i) Development of advanced equipment that meet our customers' expectation;
- (ii) Expanding our recurring income segment; and
- (iii) Diversifying our market segments and our product line-up.

Further details of these key strategies are set out below.

6.15.1 Development of 3 key products

As set out in Section 3.10 and 6.7.2, we intend to utilise RM4.8 million from our IPO proceeds to develop 3 key products, namely the FAVIS, AWPS and AWID, which will form the pillars of growth for our manufacturing division. These key products are expected to be fully developed and ready for commercial sales within 12 to 24 months after our Listing. Please refer to these sections for further details of the development of our 3 key products.

6.15.2 Expansion of our distribution business

In the long term, we have 2 strategies to expand our distribution business. They are as follows:

(i) Expanding recurring income segment

Our Group's recurring income segment, comprising service, maintenance and sales of consumable parts has contributed to a significant portion of our revenue over the years.

Our revenue from the services and supply of spare parts segment has been increasing in the past 3 FYEs 2014 to 2016 and FPE 2017, from RM21.9 million in FYE 2014 to RM38.2 million in FPE 2017.

To further strengthen this segment, we have developed a customer relationship management software which will allow us to collate critical information in relation to our customers' equipment, initiate frequent alert on timeliness to provide service contract updates and parts replacements. This system also assists us to efficiently manage the service department. Service personnel are notified quickly via email and text messages on their schedule and service job.

We plan to gradually implement this software as much as possible across our installed equipment base within 18 to 24 months from the date of our Listing.

(ii) Diversify market segment for our product line-up

In terms of our target markets, our long term strategy is to eventually cover 6 key market segments. Currently, we sell to 3 key market segments - electrical and electronics, automotive and semiconductor. We have plans to penetrate into other market segments, particularly, to higher education institutions, petrochemical companies, and pharmaceutical companies. Our plans for each segment are outlined as follows:-

6. BUSINESS OVERVIEW (Cont'd)

(a) Higher education institutions

We have been marketing our existing products to the higher education institutions and we have successfully made sales to the higher education institutions such as University Teknikal Malaysia Melaka, Universiti Teknologi Petronas, Universiti Kebangsaan Malaysia, Nanyang Technological University, National University of Singapore, Hanoi University of Science and Technology and University of the Philippines. However, so far, the total revenue contribution from this market segment has been minimal.

To increase our revenue from this market segment, we have to allocate more resources and efforts into it. Firstly, we will compile database of all major universities, research centres and training centres within the ASEAN countries. We launched our email and newsletter info pack to our existing customers in October 2017, then to our potential customers later.

Besides our existing product line up from Spectro Analytical Instruments GmbH, Mitsubishi Chemical Corporation and Nikon Group, we will actively source products that complement our existing product line up. This will create a good mix of product offering specifically to this market segment. To strengthen our marketing efforts in this segment, we will invest in more human resource especially product specialists who have good application knowledge and are familiar with the higher education and research communities. It is also important for us to appoint and collaborate with local distributors that have good relationship with the higher education institutions.

We plan to organise specific product and application seminars at both government and private universities across the ASEAN region from mid-2018 onwards. We will also participate in related exhibitions for the universities and research communities. Ultimately, we want to collaborate with lecturers and researchers within these institutions and place our products with them. In this respect, our equipment and materials can be applied for research, teaching and study purposes such as in the laboratories in these institutions.

We plan to tender for contracts to supply equipment and/or materials to higher education institutions in Malaysia. We expect that with the help of our seminars and potential collaboration with these institutions, our tenders will have a higher chance of success.

(b) Petrochemical and pharmaceutical companies

We have been marketing our existing products to the petrochemical and pharmaceutical companies. We have made sales to petrochemical companies such as Shell Group, Petronas Carigali Sdn Bhd, Chevron Lubricants Vietnam Ltd, Thai Energy Conservation Co Ltd and Petron Corporation. We have also made sales to pharmaceutical companies such as AbbVie Operations Singapore Pte Ltd. However, so far, the total revenue contribution from these 2 market segments has been minimal.

To further increase our revenue from these 2 market segments, we have to allocate more resources and efforts into it. We are a qualified vendor to the customers listed above in these market segments. Similarly, we launched our email and newsletter info pack in October 2017 for our existing petrochemical and pharmaceutical customers, then to our

6. BUSINESS OVERVIEW (*Cont'd*)

potential customers later. We will also enhance our existing laboratory with the right range of equipment to provide sample analysis and report specifically for the petrochemical and pharmaceutical industries. Having this advantage will increase our company's profile and technical ability to service our customers in these market segments.

We plan to participate in exhibitions and seminars related to the petrochemical and pharmaceutical industry. We have an existing range of products applicable to these market segments from certain suppliers such as Spectro Analytical Instruments GmbH, Hitachi High Tech Science Corporation, Mitsubishi Chemical Corporation and Nikon Corporation.

To better penetrate these market segments, we plan to expand our product range to cover a comprehensive range of applications relevant to these market segments such as non-destructive testing equipment using either ultrasonic, real time X-ray, video and thermal imaging techniques.

Participating in these relevant exhibitions and seminars is a good networking opportunity, and will also give us the necessary information and application methods to negotiate a wider product range with our suppliers.

We have begun testing new equipment used in the petrochemical industry during the third quarter of 2017 and expect to begin supplying these equipment in early 2018. With respect to products used by pharmaceutical companies, we expect to start a line-up of products (both existing and new) and start marketing activities by the third quarter of 2018.

6.15.3 Prospects of our Group

Our Board is positive over our Group's prospects, after taking into consideration our future plans as elaborated above, our key competitive strengths set out in Section 6.14, the competitive landscape as set out in Section 7 of this Prospectus as well as the IMR's positive outlook of the test and measurement market in Malaysia and customers' industries globally, namely the semiconductor, consumer electronics and automotive industries, all of which are expected to register growth in future years.

According to the IMR Report, in terms of the market as a whole, the test and measurement market in Malaysia is expected to expand at a steady pace. The market is projected to continue growing from 2017 to 2021 period at a forecast CAGR of 6.9% with market size (in terms of revenue) expected to reach RM2.09 billion in 2021. Growth in the local test and measurement industry is supported by factors including improvement in the global economy as well as the expected expansion in the broad range of key end-user markets supported by government efforts, increasing electronic content and the high commitment on research and development to rollout newer test and measurement products.

Based on our Group's revenue for FYE 2016 of RM137.3 million against the estimated market size (based on revenue) of the test and measurement market in Malaysia in 2016 of RM1,495 million, our market share is about 9.2%.

(Source: IMR's report)

Please refer to Section 7 of this Prospectus for further details of the outlook of the test and measurement industry.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT

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Protégé
ASSOCIATES

BRAND | FINANCE | MARKET

10 JAN 2018

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

Dear Sirs/Madams,

Executive Summary of the Strategic Analysis of the Test and Measurement Market in Malaysia

This Executive Summary of the 'Strategic Analysis of the Test and Measurement Market in Malaysia' is prepared by Protégé Associates Sdn. Bhd. ("Protégé Associates") for inclusion in the Prospectus to Shareholders of QES Group Berhad ("QES") in relation to its listing on the ACE Market of Bursa Malaysia Securities Berhad.

QES, through its subsidiaries, is involved in the provision of test and measurement products and related services to customers in the semiconductor, automotive, and consumer electronics industries. As such, Protégé Associates will also provide an overview of the three targeted industries in addition to the analysis of the test and measurement market in Malaysia.

1.0 Malaysia Economic Overview

The Malaysian economy registered a 4.2 percent growth in its real gross domestic product ("GDP") in 2016 as compared to a 5.0 percent growth registered in 2015. The slower pace in the growth of the Malaysian economy can be attributed to an overall moderation in private sector consumption and investment growth in an environment of prolonged uncertainties particularly in the international economic, financial and political landscapes.

The Malaysian real GDP is expected to grow by between 5.2 percent to 5.7 percent in 2017, and is forecast to expand by 5.0 percent to 5.5 percent in 2018. The services sector is expected to remain the largest contributor to the economy by accounting for more than half of Malaysia's real GDP in 2017 and 2018.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



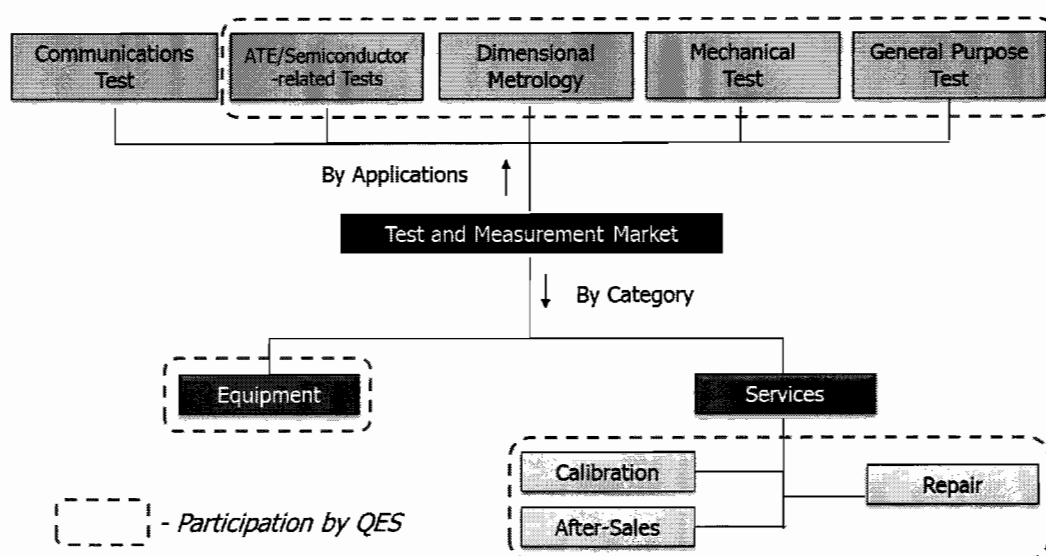
2.0 Introduction to Test and Measurement

The test and measurement market comprises of the processes of both testing and measuring. In technical terms, a test is often defined as a procedure used to establish the quality, performance, and reliability of an object or service, especially prior to it being taken into widespread use. Similarly, measurement can be defined as the action of quantifying something into comparable units. As such, test and measurement can be described as the function responsible for the collection of quantifiable information on the quality and performance of an object or service, whereby decision is made based on the feedback obtained.

2.1 Market Segmentation

The test and measurement market serves various end user industries by providing products and services for various applications during the manufacturing process of the clients. The main applications for the test and measurement market include communications test Automated Test Equipment ("ATE")/semiconductor, dimensional metrology, mechanical tests and general purpose tests.

Figure 1: Segmentation of the Test and Measurement Market



Source: Protégé Associates

As seen in Figure 1 above, the test and measurement market can be divided into two main segments namely equipment and services.

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(Cont'd)

**2.1.1 Equipment Segment**

The test and measurement market's equipment segment encompasses the production of inspection, testing, measuring and analytical equipment that are used to create signals and capture responses to accurately gauge the physical properties, electrical signals, and/or biological interactions of a sample.

The test and measurement market relies heavily on its end-user markets. For example, when test and measurement is used in the semiconductor industry, specific test and measurement equipment is used to detect defects during the wafer inspection, wafer probing as well as the wafer dicing process. In addition, there is also equipment used specifically for the purpose of labelling barcode stickers onto framed wafer before the wafer dicing process. More often than not, the equipment may also be equipped with wafer mapping, data management systems, map editing capabilities as well as other programmable systems to cater for various demands at different stages along the production process.

2.1.2 Service Segment

The rising standard of living has created a demand for accountability and quality in all industries as consumers become increasingly aware of the issues on product quality. Tighter and more stringent regulations and ever evolving laws involving industrial processes and quality management have been implemented over the years. This has led to corporations looking to the test and measurement market to supply all the necessary services to test, inspect, and certify that their products and management systems comply with the latest requirements. The test and measurement service segment can be further broken down into three sub-segments namely:

1. Calibration

Calibration services are performed on test and measurement equipment to ensure the equipment performs in accordance to the expected specifications and standards.

2. Repair

Faulty test and measurement equipment require repair works to ensure their performance.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



3. After-sales

There is also a wide array of test and measurement after-sales services available in the market in the form of refurbishment, overhaul and maintenance works for the products sold. Test and measurement products require scheduled maintenance and servicing over time, until the end-of-life of the products – indicating a huge market with many recurring businesses. In general, the after-sales services can be further categorised into five different categories, namely x-ray products, microscopy products, vision and metrology products, parts and materials as well as subsystem tools.

At the same time, the applications of products and services involved in the test and measurement market can also be categorised into five different categories.

2.1.3 Applications

The applications of the products and services in the test and measurement market are widespread as test and measurement are needed in most industries. These applications are driven by three main drivers namely the ever-evolving laws and regulations relating to quality and safety, consumer demand for quality and the advancement in technology. The applications of the products and services in the test and measurement market can be divided into five main categories:

1. Communications Test

In the communication age where communications technology is constantly being upgraded, wireless and wired communications solutions have been integrated with electronic devices to keep the world connected. Communications test refers to the use of test and measurement products and services in the communication industry. Relevant examples include but are not limited to the use of test and measurement products in the mobile phone industry to enable Wi-Fi detection as well as enterprise test solutions that are used to support technicians in the installation, management and maintenance of network for enterprises. Other communication tests can extend to broadband access networks and field network test solutions involving fibre optic, and wireless networks.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
(Cont'd)

**2. ATE/Semiconductors-related Tests**

The rising demand for electronic components has led to the need for more complex semiconductors. Semiconductors are widely used in many industries for various purposes such as manufacturing and designing. These have in turn, spur the needs to perform tests on semiconductors. Therefore, ATE or semiconductor related tests have been increasingly deployed to perform tests on electronic devices. ATE or semiconductor related tests refer to the use of test and measurement products for testing purpose during the production of semiconductors which includes processes such as wafer inspection systems, wafer handling system and surface mount technology.

3. Dimensional Metrology

In the test and measurement market, dimensional metrology has been one of the widest used applications. Dimensional metrology refers to the calibrating and application of measurement technology that is used to measure the physical properties of a sample in order to obtain data on its physical surface area, and displacement from a given point. Examples of modern dimensional metrology equipment used are coordinate measuring machines ("CMM"), optical three-dimensional ("3D") scanners, contact and non-contact scanning probes.

4. Mechanical Tests

Mechanical tests refer to the analysis of the physical properties of a sample to obtain data such as elasticity, hardness, impact resistance and fatigue limit. A mechanical test can provide data to determine whether the sample tested has the required properties which are suitable for the intended purposes.

5. General Purpose Test

Test and measurement products and services are used in the interpretation of data and have become essential in almost every industry. They have allowed the processing of virtually all data types and are only limited by the innovative capabilities of its design. Test and measurement products and services now plays a big role in our everyday lives, serving various general purpose functions such as the use of thermometers for the measurement of temperature and the use of ammeter for the measurement of electric current. Test and measurement products and services are also instrumental in many

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



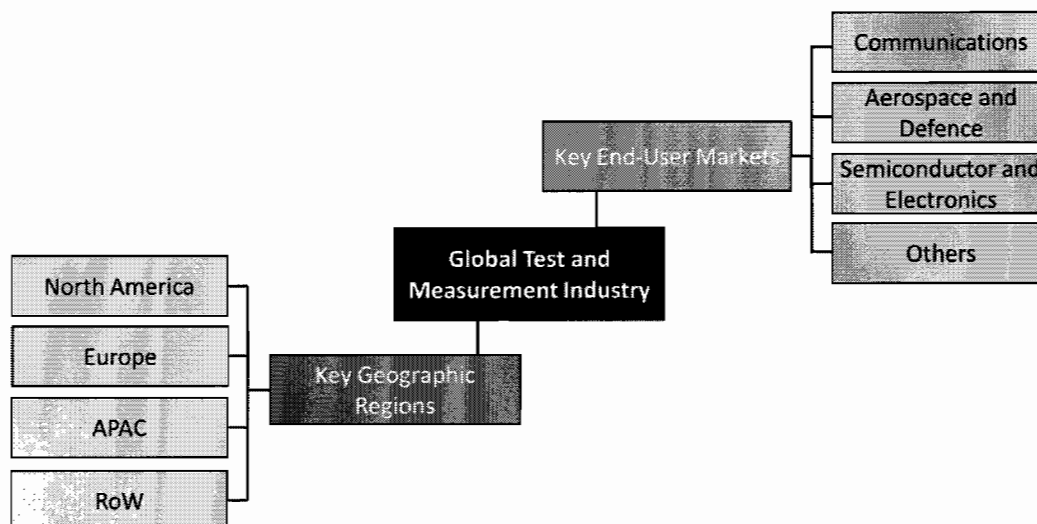
fields such as the medical industry where test and measurement instruments such as x-ray machines and oscilloscopes are vital for the interpretation of human conditions.

3.0 Overview of the Global and Asia Pacific Test and Measurement Markets

The global test and measurement market entered 2017 on a positive note. Its market size (revenue) in 2016 stood at United States Dollar ("USD") 23.10 billion, representing an expansion of 5.0 percent from the figure registered in 2015. The growth in the market was spurred by heavy investments in communication infrastructure, defences spending as well as fleet expansion by commercial aircraft operators.

In terms of geographic location, the global test and measurement market can be segmented into four main regions namely North America, Europe, Asia Pacific ("APAC") and the rest of the world ("RoW") regions.

Figure 2: Summary of the Global Test and Measurement Market



Source: Protégé Associates

While the North America region currently dominates the global test and measurement market, the APAC region is projected to post the highest growth. The North America region has remained the leader of the industry due to the fact that many established market players have a presence in the region.

In terms of key end-user markets, the aerospace and defence sector is expected to account for the largest share of the global test and measurement market. The segment was estimated to account for approximately a quarter of the global test and measurement market in 2015. With global air traffic growing steadily, the demand for test and measurement equipment for

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



the aerospace and defence sector is also expected to increase accordingly along with higher demand for aircrafts. Notwithstanding the above, the demand from the communications sector is expected to overtake that of those from the aerospace and defence sector by 2020. This is mainly supported by the growth in the global telecommunications industry. The setting up of these networks is expected to boost demand for communications test and measurement equipment.

The other key end-user markets of the global test and measurement market include the industrial sector, the automotive and transportation sector, the educational and government sector and the healthcare (medical) sector. The healthcare sector is expected to post the highest growth for short to medium term going forward. The sector is supported by advancement in technology, whereby new and more advanced devices are used to gauge various medical parameters of a patient. These medical devices need to be carefully tested and calibrated according to the standards as any malfunctions or incorrect readings may lead to fatality of patient.

The global test and measurement market is expected to continue expanding during the period from 2017 to 2021 with annual growth hovering within the range of 5.0 percent to 7.0 percent. The size (revenue) of the global test and measurement market is expected to grow from USD23.10 billion in 2016 to USD30.62 billion in 2021, registering a compound annual growth rate ("CAGR") of 5.7 percent.

On a closer look, the test and measurement market in the APAC region registered the fastest growth of 7.3 percent in 2016. Its market size (revenue) expanded to USD6.61 billion in that year underpinned by robust demand from the telecommunications, aviation and defence sectors.

The test and measurement market in the APAC region, like other regional markets around the world, has been driven by the demand for test and measurement products and services from the telecommunications sector. The continuing development of 4G networks in developing economies in the APAC region has provided further catalyst for the use of more wireless test equipment. These 4G networks can also be upgraded or replaced with 5G infrastructures in the future leading to further potential demand for wireless test equipment. The emergence of the "Internet of Things" ("IoT") is also expected to drive the proliferation of wireless enabled products for consumer applications. This can only further drive the importance of the telecommunications sector to the test and measurement market in the APAC region.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



The APAC region is also the destination of choice for global players to set up manufacturing facilities including for electronic devices and automobiles due to reasons such as low labour cost and favourable demographics. Electronic devices are essentially made up of semiconductors and the testing of semiconductors generally requires high level of precision and accuracy. ATE is hence required for the testing of semiconductor components and for the testing of electronic systems during the manufacturing of electronic devices to ensure quality of end-products meets the desired standard or requirements. In addition, various initiatives have been taken by the governments of many Asian countries to encourage multinational firms to set up manufacturing and research and development ("R&D") facilities in their countries. At the same time, the APAC region is also home to many automobile manufacturing hubs, with major automobile producers including China, Japan, South Korea and India. The rise in automobile production in the region is expected to drive further demand for test and measurement equipment.

The aviation sector is also an important end-user market of the test and measurement market in the APAC region. The APAC region is home to a booming low-cost carrier market that has been proliferating at an encouraging growth rate. The growing population and rising income per capita in the region, along with the low fares offered by low-cost carriers, have propelled the growth in air traffic leading to higher demand for commercial aircrafts. This in turn provides further impetus for the growth in the use of test equipment catering for real-time testing for the aviation sector in the APAC region.

The test and measurement market in the APAC region can also count the defence sector as a major end-user market for its products and services. Countries in the APAC region have continued to allocate sizeable budget each year for spending on military machinery and equipment. Among the countries in the APAC region with significant spending on defence include China, India and Singapore. This development is expected to continue to support the needs for test and measurement products and services in the APAC region.

Examples of country in the APAC region with prominent presence in the test and measurement market include China, India, Japan, Malaysia, Singapore, South Korea, Thailand and Australia. These countries generally have established industrial bases with sizeable population size and/or have technology leadership for test and measurement in the APAC region. In particular, China is currently the largest market for test and measurement equipment in the APAC region. Growth in the country is bolstered by the rapid growth in its telecommunications sector. In addition, initiatives by the Chinese Government to improve its

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



manufacturing sector are also expected to support the local test and measurement market. These initiatives include the Made in China 2025 plan and the National Semiconductor Industry Development Guidelines.

Closer to home, there are also several countries in the South East Asia region with notable presence in the test and measurement market. These countries include Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam. The test and measurement market in the South East Asia region is also expected to ride on the same tailwinds as those in the broader APAC region. In addition, most of these countries have generally been enjoying encouraging economic growth over the years and there have been concerted efforts at the governmental level to drive investments into the economies. Hence, the test and measurement market in the South East Asia region stands to gain further upside in its expansion.

Moving forward, size (revenue) of the test and measurement market in the APAC is expected to continue growing at the fastest rate with a CAGR of 8.9 percent from the USD6.61 billion recorded to the projected USD10.25 billion in 2021.

4.0 Overview of the End-user Markets for Test and Measurement Products Provided by QES

4.1 Overview of the Global Semiconductor Industry

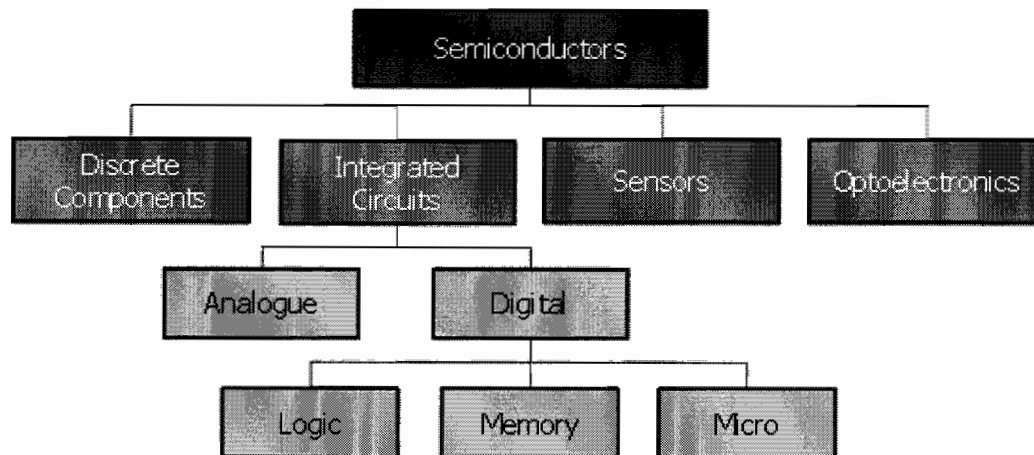
As an industry with a relatively short product life cycle and high occurrence of product replacements with better performing successors, semiconductors rely heavily on the test and measurement process to ensure quality of products. As more sophisticated semiconductor components are manufactured, the need for test and measurement in the production stage also increases. Some of the usages of test and measurement in the semiconductor industry include wafer inspection, wafer probing, wafer dicing as well as barcode labelling.

4.1.1 Breakdown of the Semiconductor Industry

Semiconductors are the basic building blocks of the electrical and electronic ("E&E") industry as they make up the crucial components for E&E products to function. In this aspect, some simpler semiconductor components would be used in the fabrication of more complex semiconductor devices. The breakdown of the semiconductor industry is depicted in Figure 3.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

Figure 3: A Breakdown of Semiconductor Categories



Source: Protégé Associates

Electronic components that exploit the electronic properties of semiconductor materials are known as semiconductor devices.

i) Discrete components

Discrete components are generally single discrete devices which contain only one active element – rendering them to be less complex. For example, a capacitor is considered a single discrete device that serves no other purpose other than storing an electrical charge. The one active element of a capacitor is its sole function of storing an electrical charge. Other examples of discrete components are diodes, resistors and transistors.

ii) Integrated circuits ("ICs")

Unlike discrete components, an IC (also known as chip or microchip) is generally an electronic circuit that is fabricated from a thin slice of semiconductor material known as wafer. An IC is often considered an aggregation of thousands or millions of discrete components under a system and thus, it typically contains multiple active elements and provides a higher degree of functionality.

iii) Sensors

Semiconductor components are often incorporated into various devices to be used in different fields, of which some of these devices include sensors and optoelectronics. Sensors are semiconductor devices whose electrical properties are designed to correlate to various physical, chemical and biological properties.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



iv) Optoelectronics

Optoelectronics on the other hand are a combination of optics and electronics. The devices convert electrical signals into photon signals and vice versa. Some of the technologies included in the optoelectronics field include fibre optics, infra-red sensors, remote sensing systems, optical information systems and light emitting diodes.

4.1.2 End-User Markets for Semiconductors

Semiconductors are typically used in manufactured products that utilise electrical current to produce the desired behaviours, calculations or measurements ranging from very simple to extremely complex and sophisticated tasks. In other words, semiconductors can be found in virtually every conceivable electronics device. As such, the semiconductor industry can count on all the sub-sectors within the manufacturing sector that utilise electronics device(s) in their respective products as their end-user markets – providing a relatively broad range of potential demand for semiconductors.

4.1.3 Performance of the Global Semiconductor Industry

The global semiconductor industry is considered to be at the mature stage with the presence of a pool of established industry players. In 2016, the global semiconductor industry was estimated at USD338.93 billion, which was an increase of 1.1 percent over the previous year's USD335.17 billion. Growth in the industry was mainly driven by macroeconomic factors as well as the ever-increasing amount of semiconductor technology in devices used throughout the world.

In terms of contribution by region, the world's total semiconductor revenue can be divided into four regions namely the Americas, Asia Pacific, Japan and Europe. The Asia Pacific region has continued to exert itself as a dominant force in the world's semiconductor industry. It retained its position as the highest revenue contributor to the world's semiconductor industry in 2016. Total semiconductor sales generated in the Asia Pacific region in 2016 was estimated at around USD208.40 billion – accounting for more than 60 percent of the total worldwide semiconductor revenue in 2016. The Americas had the second highest contribution in terms of revenue, accounting for approximately 19.3 percent, while the remaining two regions accounted for around 9.7 percent (Europe) and 9.5 percent (Japan) respectively.

Similarly, there are also four main product categories under the semiconductor industry, namely discrete semiconductors, optoelectronics, sensors and ICs. ICs, which include analogue, micro, logic and memory, contributed the lion's share in terms of the industry's

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



revenue. In 2016, ICs accounted for approximately 81.6 percent of the global semiconductor industry revenue, amounting to around USD276.70 billion. This is followed by the optoelectronics segment which recorded a revenue of USD31.99 billion and accounted for 9.4 percent of the global semiconductor industry revenue, while discrete semiconductors and sensors held a share of 5.7 percent and 3.2 percent, respectively.

The size (revenue) of the global semiconductor industry is forecast to reach USD408.69 billion in 2017, up 20.6 percent from USD338.93 billion in 2016. Figure 4 depicts the historical, estimated and forecast size (revenue) of the global semiconductor industry.

Figure 4: Historical and Forecast Size (Revenue) for the Global Semiconductor Industry, 2011-2020

Year	Revenue (USD billion)	Annual Growth (%)
2011	299.52	-
2012	291.56	-2.7
2013	305.58	4.8
2014	335.84	9.9
2015	335.17	-0.2
2016	338.93	1.1
2017	408.69	20.6
2018	437.27	7.0
2019	441.50	1.0
2020	448.30	1.5

Notes:

- 1) CAGR (2016-2020) = 5.9 percent
- 2) The base year is 2015

Source: Protégé Associates

There was an overall positive trend in terms of growth among the major semiconductor categories in 2016. With the exception of optoelectronics, all other semiconductor categories registered positive growth. A stronger growth of 20.6 percent is expected in 2017, with all regions expected to return to growth during the year. In 2017, the largest growths are expected to come from the sensors and integrated circuits categories. Positive growth is also project across all product categories. Going forward, growth is expected to hover between 1.0 to 7.0 percent from 2018 to 2020, with the industry expected to be largely driven by derived demand from the manufacture of smartphones and tablets, and from the automotive industry, in particular the electronic components required therein.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



4.2 Overview of the World's Consumer Electronics Industry

Consumer electronics are made up of a wide array of semiconductor components, and also require test and measurement in the production process. As these finished products tend to be more complicated, the consumer electronics industry would likely require more sophisticated equipment and services for the test and measurement of these products. The tests used in the consumer electronics industry include but are not limited to ATE/semiconductor-related tests, mechanical tests and general purpose tests, of which some of these tests serve to find solutions for characterisation through the production of the components while others automate video or audio measurements for pass/fail testing.

The consumer electronics industry encompasses a large range of products which can be generally classified into consumer electronic devices, wearable devices and smart home devices. Consumer electronic devices are mainly devices containing circuit boards that are used in day-to-day life, including smartphones, digital cameras, televisions, tablets, printers and many more. Wearable devices including smart-watches and smart-glasses are usually autonomous in nature and can generally be connected to the Internet wirelessly via a third party tool. Additionally, the increasing number of IoT applications in consumer electronic devices can be seen in various products such as smart home devices which include intelligent security systems and smart appliances that can be controlled via a mobile device and turn a home into a smart and connected home.

This industry is highly competitive on account of a variety of factors, including but not limited to the relatively short product life cycle of consumer electronic products due to fast paced technological developments and continued convergence of technologies, as well as demographic shifts and changing consumer behaviour. In order to stay competitive in this market, consumer electronic original equipment manufacturers ("OEMs") are under constant pressure to continuously introduce new products while focusing on cost efficiency and innovation. Outsourcing parts of the supply chain in producing consumer electronic goods to electronics manufacturing services ("EMS") market players has enabled OEMs to remain flexible, reduce time to market, and focus on other business areas such as R&D and sales and marketing strategies. As a result, growth in the consumer electronics industry is expected to spur demand and growth in the EMS market.

Advancements in the proliferation of the IoT and big data analytics have also contributed to the growth and evolution of the global consumer electronics industry over the past few years. As an example, manufacturers can harness the findings gathered from the use of big data

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



analytics to roll out products that are better tailored to the specific requirements of their targeted group of consumers. The convergence of information, communication and entertainment has allowed technology to unite and merge, allowing market access across all industries. The industry is also becoming increasingly competitive as online retailing becomes a trend, increasing pricing transparency.

Revenues for the global consumer electronics industry was estimated at around USD1.45 trillion in 2015, and grew to an estimated USD1.71 trillion in 2016. Over the year, consumer electronic devices continued to dominate the industry and is expected to remain dominant in the near to medium term. In particular, smartphones accounted for the bulk of the revenue generated, and is expected to be the fastest growing sub-segment over the next few years.

The global consumer electronics industry can also be segmented into seven major regions, including North America, Latin America, Western Europe, Eastern Europe, Asia Pacific excluding Japan ("APEJ"), Japan and the Middle East & Africa. Among the regions, the APEJ region is anticipated to experience the fastest growth and retain its current dominance of the market, with a projected 31.0 percent market share by 2020. North America, led by the US, is expected to remain the second largest market with a projected market share of 16.0 percent by 2020. The next major market is expected to be Western Europe.

Supported by factors including increasing disposable income, an expanding middle class population and a growing internet penetration rate, the outlook global consumer electronics industry is expected to remain bright in the near future. As such, the world's consumer electronics industry is expected to continue growing with a CAGR of over 15.0 percent for the 2016 to 2020 period, and global revenue of the industry are projected to reach around USD2.98 trillion in 2020.

4.3 Overview of the World's Automotive Industry

With the fierce competition in the automotive industry, participants are placing more emphasis on innovation and safety of their products. With that comes upward potential demand for the test and measurement market. The automotive industry is an assimilation of numerous components, with each individual component requiring specific sets of test and measurement products and services.

The world's automotive industry continued to expand in 2016 as motor vehicle demand increased in line with the expanding global economy that led to higher consumer confidence and expenditure. The world's motor vehicle output increased 4.5 percent to 95.0 million units

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



in 2016. China has continued to provide the leadership in the world automotive industry with over a quarter of shares in the world's motor vehicle output.

In terms of production regions, the world's automotive industry can be segmented into four main segments namely Europe, the Americas, Asia-Oceania and Africa. In 2016, growth in production was led by Africa with a rate of 7.9 percent. This was followed by Asia-Oceania and Europe with respective growth rates of 7.6 percent and 2.5 percent. On the other hand, vehicle production in the Americas declined, registering a contraction of 0.5 percent during the year. At the same time, Asia-Oceania remained the largest producer of motor vehicle in the world, accounting for 54.2 percent of the total. This was followed by Europe and the Americas with respective shares of 22.8 and 22.0 percent.

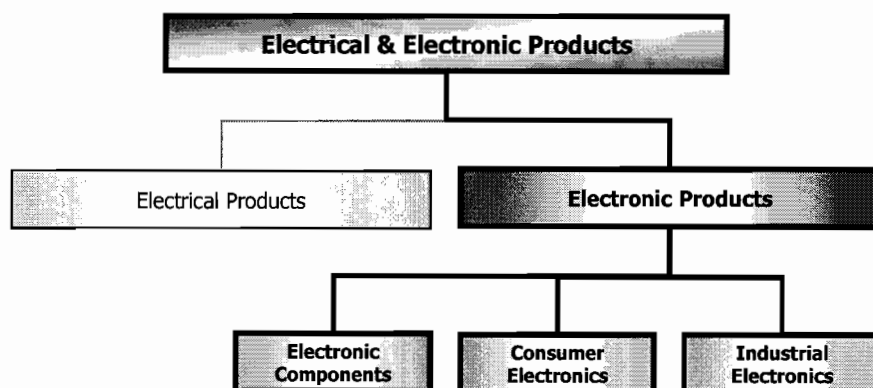
Moving forward, the growth momentum in the world's automotive industry is expected to continue in line with the sustained growth in the global economy from 2016 to 2020. China is expected to retain its position as the largest motor vehicle producer in the world – continuing to drive production growth in the world's automotive industry.

5.0 Overview of the Electrical and Electronic Industry in Malaysia

5.1 Segmentation of the Electrical and Electronic Industry in Malaysia

ICs (semiconductors), which are part of the electronic products industry is classified under the E&E products sector along with the electrical products industry. The electronic products industry can be further divided into three, namely electronic components, consumer electronics and industrial electronics segments. Figure 5 depicts a snapshot of the E&E products sector segmentation.

Figure 5: Segmentation of the E&E Industry in Malaysia



Source: Malaysian Investment Development Authority ("MIDA")

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
(Cont'd)



(a) Electronic Components

Electronic components can be mostly found embedded in today's modern industrial electronics and consumer electronics. Examples of electronic components are passive components such as resistors and capacitors, semiconductors such as optoelectronics and ICs and other electronic components such as printed circuit boards ("PCBs") and precision plastic parts.

(b) Consumer Electronics

The local consumer electronics segment started in the 1970s with the decisions by the European and Japanese consumer electronics companies to establish manufacturing facilities here. Examples of consumer electronics are audio visual products for daily usage such as digital cameras, portable multimedia players, speakers and television receivers. The manufacturing operations when the local consumer electronics industry began were generally labour intensive with a relatively low level of automation. This has since undergone restructuring and consolidation; and most low-end and labour-intensive assembly operations have been relocated to lower cost countries such as China and replaced with higher value-added production activities such as R&D and design and development.

(c) Industrial Electronics

During the Second Industrial Master Plan period, the majority of industrial electronics manufacturers in Malaysia comprised multinational companies ("MNCs") which were mostly globally recognised technology companies. Examples of industrial electronics are computer and computer peripherals and telecommunications equipment. The industrial electronics segment has been rapidly shaped by the advancement in technologies such as miniaturisation, wireless technology, digitalisation and automation over the years leading to the proliferation of many new products that provide further impetus for the growth in this segment.

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5.2 Performance of the E&E Industry in Malaysia

Malaysia remains one of the key E&E manufacturing countries in the Association of Southeast Asian Nations ("ASEAN") region, and the continued growth of the local E&E industry has been supported by continuing inflows of foreign investment. Both the production of electronics and electrical products in Malaysia had expanded in 2016 by 8.9 percent and 4.6 percent respectively. The stronger growth in the production of electronic products can be attributed to a pick-up in demand for products such as semi-conductors, electronic transistors and ICs during the year. The slower growth seen in the production of electrical products can be partially attributed to weaker demand for electrical machinery, apparatus and appliances.

The local E&E industry posted modest growth figures in terms of external trade for E&E products in 2016. Based on figures released by the Department of Statistics Malaysia, total exports of E&E products increased by 3.5 percent from RM277.9 billion in 2015 to RM287.7 billion in 2016. This slower growth in exports as compared to the 8.5 percent growth recorded in 2015 can be attributed to the effects of volatile currency fluctuation, falling oil prices as well as slower economic growth. Total imports of E&E products rose by 4.3 percent from RM201.3 billion in 2015 to RM209.9 billion in 2016. Hence, net exports of E&E products increased from RM76.6 billion in 2015 to RM77.8 billion in 2016, representing a slight increase of 1.6 percent. E&E products accounted for 36.6 percent of Malaysia's gross exports in 2016.

The local E&E industry has also continued to receive favourable attention from foreign investors. A total of 107 projects related to E&E products with a total investment amount of RM9.24 billion were approved by MIDA in 2016. Foreign investments accounted for around 86.0 percent of this investment amount. Among the sub-sectors within the local E&E industry, the electrical products sub-sector accounted for the highest amount of investments with RM4.38 billion, representing 47.4 percent of the total investment amount approved in 2016.

Moving forward, the Malaysian Government has projected the E&E industry to contribute RM90.1 billion to gross national income and 157,000 jobs by 2020. There is still room for the local E&E industry to further diversify into other fast-growing segments. The growing pervasiveness of the IoT is also expected to provide further impetus for the growth of the E&E industry in Malaysia. Various policies including the National IoT Strategic Roadmap and the National Aerospace Blueprint 2015-2020 have also been launched by the Malaysian Government to help the local E&E industry to gain a strategic foothold in new fast-growing market segments and spur more innovation-driven operations.

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6.0 Market Dynamics Scorecard

Figure 6: Market Dynamics Scorecard for the Test and Measurement Market in Malaysia

Market Dynamics Indicators	Measurement
2016 Estimated Market Size (Revenue) (RM million)	1,495
2016 Market Growth Rate (%)	4.8
2021 Forecast Market Size (Revenue) (RM million)	2,085
CAGR (2017-2021) (base year of 2016)	6.9

Source: Protégé Associates

7.0 Historical Performance and Growth Forecast

The market size (revenue) and growth forecast for the test and measurement market in Malaysia from 2014 to 2021 is shown in Figure 7.

Figure 7: The Market Size (Revenue) and Growth Forecast for the Test and Measurement Market in Malaysia, 2014-2021

Year	Revenue (RM million)	Annual Growth (%)
2014	1,365	-
2015	1,426	4.5
2016	1,495	4.8
2017	1,585	6.0
2018	1,688	6.5
2019	1,806	7.0
2020	1,938	7.3
2021	2,085	7.6

CAGR (2017-2021) = 6.9 percent

Note: All figures are rounded; the base year is 2016.

Source: Protégé Associates

The pace of growth in the local test and measurement market is expected to pick up after 2016, supported by factors including improvement in the global economy. In addition, the local test and measurement market is also expected to be boosted by conditions such as the expected expansion in the broad range of key end-user markets supported by government efforts, increasing electronic content and the high commitment on R&D to rollout newer test and measurement products.

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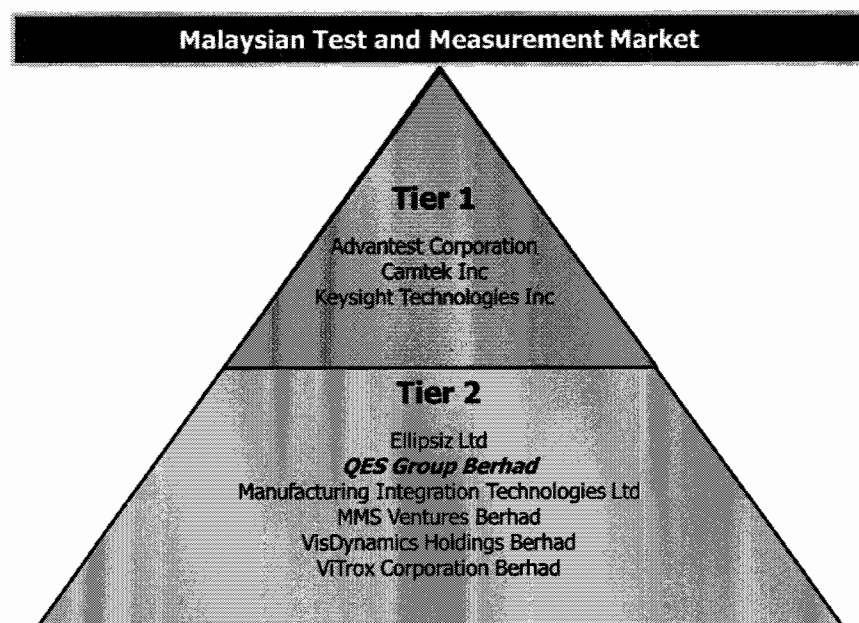
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8.0 Competitive Landscape

The world's test and measurement market is highly fragmented with numerous market players ranging from large, integrated service and products giants to small, highly specialised companies. However, there are only a limited number of large players that represent the bulk of the participants in the global test and measurement market. These large market players operate across the globe and also have their presence in the Malaysian market, whether directly under their own branch offices, or supported through by a local distributor.

It was estimated that there were around 700 market players in the local test and measurement market in 2016. Market players in the Malaysian test and measurement market can be divided into two distinct tiers that are depicted in Figure 8 below. Similar to the global marketplace for test and measurement products and services, the positioning of market players in the Malaysian test and measurement market is dependent on various factors such as prices of products or services, quality and performance, development of new technology, quality of customer service, as well as the ability to penetrate into emerging markets.

Figure 8: The Competitive Environment in the Malaysian Test and Measurement Market, 2016



Source: Protégé Associates

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
(Cont'd)

**Tier 1 Market Players**

Tier 1 consists of large MNCs that are large well-established organisations in an industry or market. Their products and services reach many parts of the world as a result of their extensive distribution networks. For example, both Advantest Corporation and Keysight Technologies Inc operate in more than 10 countries spanning across the Americas, Europe and Asia. These market players are typically well capitalised and have the financial muscle to undertake high risk and large scale new technological projects targeting many different end-user markets. As such, Tier 1 market players typically have very active R&D programmes and tend to provide the leadership in market standards and technologies. In addition, Tier 1 market players generally also generate higher revenue due to their larger scale of operations. Hence, it is unsurprising that they are also able to offer a broad range of test and measurement products and services for many different end-user markets.

Tier 2 Market Players

Tier 2 market players have similar business operations to their Tier 1 counterparts but tend to have a smaller international presence and focus more on selected regions. For example QES has subsidiaries spanning across many countries in the ASEAN region. Given their relatively smaller size as compared to Tier 1 market players, Tier 2 market players are more likely to embark on a niche marketing strategy in terms of targeted sales location and end-user markets to optimise their existing resources instead of going head-on with their bigger counterparts. Each end-user market generally has a diverse product portfolio, thus creating a steady pool of potential demand for test and measurement products for Tier 1 and Tier 2 players. This includes providing test and measurement equipment in smaller quantities to different end-users product portfolio that Tier 1 market players may not focus on. Tier-2 market players tend to focus more on achieving operational efficiency and strive for cost competitiveness rather than leadership in market standards and technologies.

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8.1 Comparison between QES and Selected Market Players

QES is one of the participants in the Malaysian test and measurement market. QES is a Tier 2 market player involved in the distribution and services of inspection, test and measurement equipment; material and engineering solutions throughout the ASEAN region. The company also manufactures optical inspection and automated handling equipment as well as AWMS. In terms of end-users, customers of QES are mainly involved in the electrical and electronics, automotive as well as semiconductor industries. To provide a clear understanding of the competitive landscape in the test and measurement market, Protégé Associates have included both Tier 1 and 2 players for comparison purpose with QES.

At an international stage, the test and measurement market is dominated by Tier 1 players with their products and services reaching many parts of the world. Some of Tier 1 players in the global test and measurement market include Advantest Corporation ("Advantest"), Camtek Inc ("Camtek"), and Keysight Technologies Inc ("Keysight"). These companies also have a presence in the Malaysian test and measurement market.

In the case of Malaysian peers, Protégé Associates has used the following criteria when selecting market players for comparison with QES:

- A market player incorporated in Malaysia with more than 10 years of operating history;
- Involved in the provision of test and measurement products or services or related business activities;
- Registered an annual revenue of not more than RM250,000,000; and
- Listed on the Official List of Bursa Malaysia Securities Berhad ("Bursa Malaysia")

After taking into consideration the above criteria, Protégé Associates has selected four market players namely Elsoft Research Berhad ("Elsoft"), MMS Ventures Berhad ("MMS Ventures"), VisDynamics Holdings Berhad ("VisDynamics") and ViTrox Corporation Berhad ("ViTrox") for comparison purpose.

For a regional perspective, Protégé Associates has selected two market players namely Ellipsiz Ltd ("Ellipsiz") and Sunright Ltd ("Sunright") for comparison purposes.

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Figure 9: Selected Test and Measurement Market Players

Company	Descriptions
Tier 1 Market Players	
Advantest Corporation	Advantest is principally involved in the manufacturing and selling of semiconductor and component test system products and mechatronics-related products. The company also engages in R&D activities and provides maintenance and support services associated with these products. The company is currently listed on the Tokyo Stock Exchange.
Camtek Inc	Camtek is principally involved in the design, development, manufacture and marketing of automatic optical inspection systems ("AOI systems") and related products. Their AOI systems are used for yield enhancement for various applications in the electronic supply chain industry. The company is currently listed on the NASDAQ Stock Market and the Tel Aviv Stock Exchange ("TASE").
Keysight Technologies Inc	Keysight is a measurement company providing electronic design and test solutions to communications and electronics industries. The company provides electronic design and test instruments and systems and related software, software design tools, and related services that are used in the design, development, manufacture, installation, deployment and operations of electronics equipment. The company is currently listed on the New York Stock Exchange.
Tier 2 Market Players	
Ellipsiz Ltd	The principal business activities of Ellipsiz are those relating to investment holding and the provision of management services, whereas some of the core activities of its subsidiaries include the provision of reliability testing services for semiconductor and electronics industry, provision of IC testing services as well as provision of solutions for in-circuit and functional testing, sales, engineering and service support, trading and distribution of equipment. The company is currently listed on the main board of the Singapore Exchange ("SGX").
Elsoft Research Berhad	Elsoft is principally involved in the research, design and manufacturing of automated test equipment, burn-in systems and application specific embedded control systems for the semiconductor, optoelectronic and automation industries. Elsoft is currently listed on the Main Market of Bursa Malaysia.
MMS Ventures Berhad	MMS Ventures is principally an investment holding company with its subsidiaries involved in amongst others, the manufacture of LED and semiconductor industrial automation systems and machinery as well as development of software. MMS Ventures is currently listed on the ACE Market of Bursa Malaysia.
Sunright Ltd	The principal business activities of Sunright are those relating to investment holding and the provision of management services, whereas some of the core activities of its subsidiaries include the provision of burn-in services and manufacturing of burn-in equipment, provision of semiconductor testing services as well as

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Company	Descriptions
	distribution of high-technology electronic equipment and materials. The company is currently listed on the main board of the SGX.
VisDynamic Holdings Berhad	VisDynamic is principally involved in the business of investment holding and provision of management services. Its wholly-owned subsidiary company, VisDynamics Research Sdn Bhd, is involved in the R&D, design, assembly and final set-up/ tuning of automated test equipment for the semiconductor industry. VisDynamics is currently listed on the ACE Market of Bursa Malaysia.
ViTrox Corporation Berhad	ViTrox is principally involved in investment holding and development of 3D and line scan vision inspection system. Principal activities of its subsidiaries include the development and production of automated vision inspection system and digital automated vision inspection equipment and modules, as well as the design, development and manufacture of PCB assemblies for microprocessor applications. These applications are mainly used in the semiconductor back-end and the electronics manufacturing industries. ViTrox is currently listed on the Main Market of Bursa Malaysia.

Figure 10: Comparison between QES and Selected Market Players in the Test and Measurement Market in Malaysia

Indicator	QES	Elsoft	MMS Ventures	VisDynamics	ViTrox
Information from the Financial Year Ended	31/12/2016	31/12/2016	31/12/2016	31/10/2016	31/12/2016
Revenue (RM'000)	137,285	63,613	35,584	27,468	234,026
Gross Profit (RM'000)	37,742	34,397	11,599	15,446	n/a*
Profit before Tax (RM'000)	12,075	31,409	9,606	5,419	60,920
Profit after Tax (RM'000)	10,170	31,103	9,520	4,292	64,849
Gross Profit Margin (%)	27.5	54.1	32.6	56.2	n/a
Profit before Tax Margin (%)	8.8	49.4	27.0	19.7	26.0
Profit after Tax Margin (%)	7.4	48.9	26.8	15.6	27.7

Notes:

- 1) The list of selected market players above is not exhaustive.
- 2) The above figures only provide an indication and are not considered directly comparable due to the following reasons:
 - (a) Not all market players have the same financial year end;

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- (b) The financial figures may be at the group level; and
 (c) Not all companies carry out activities that are completely similar to each other or in the same geographical area.
- 3) The basis for calculating the figures and ratios in the table are as follows:
 (a) Gross Profit Margin = Gross Profit/Revenue
 (b) Profit before Tax Margin = Profit before Tax/Revenue
 (c) Profit after Tax Margin = Profit after Tax/Revenue
- 4) n/a = not available
- * The published income statement of ViTrox does not present Gross Profit as a line item.

Sources: The Annual Report of Elsoft, MMS Ventures, VisDynamics and Vitrox, QES and Protégé Associates

Figure 11: Financial Performance of Selected Regional Test and Measurement Market Players

Indicator	Ellipsiz	Sunright
Information from the Financial Year Ended	30/06/2017	30/06/2017
Revenue (SGD'000)	116,666	147,965
Gross Profit (SGD'000)	42,050	n/a*
Profit before Tax (SGD'000)	11,599	15,865
Profit after Tax (SGD'000)	8,493	16,680
Gross Profit Margin (%)	36.0	n/a
Profit before Tax Margin (%)	9.9	10.7
Profit after Tax Margin (%)	7.3	11.3

Notes:

- 1) The list of selected market players above is not exhaustive.
- 2) The above figures only provide an indication and are not considered directly comparable due to the following reasons:
 (a) Not all market players have the same financial year end;
 (b) The financial figures may be at the group level; and
 (c) Not all companies carry out activities that are completely similar to each other or in the same geographical area.
- 3) The basis for calculating the figures and ratios in the table are as follows:
 (a) Gross Profit Margin = Gross Profit/Revenue
 (b) Profit before Tax Margin = Profit before Tax/Revenue
 (c) Profit after Tax Margin = Profit after Tax/Revenue
- 4) n/a = not available
- * The published income statement of Sunright does not present Gross Profit as a line item.

Source: The Annual Report of Ellipsiz and Sunright and Protégé Associates

The industry players shown in Figure 10 and Figure 11 have been chosen after taking into considerations the findings by Protégé Associates from both primary and secondary sources. These sources include primary interviews with stakeholders in the test and measurement

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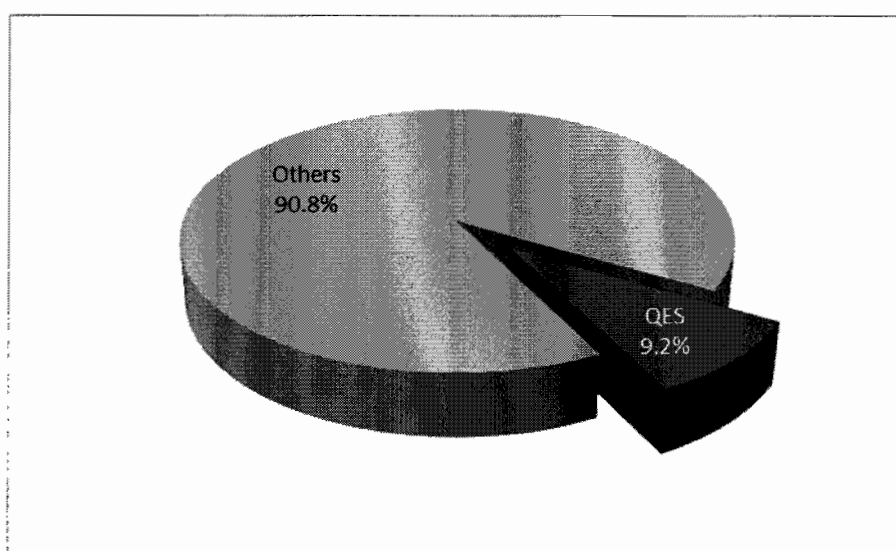


market in Malaysia as well as secondary data to ascertain that the products provided by these industry players are comparable to the products supplied by QES.

All the industry players highlighted in Figure 10 and Figure 11 are profitable. However, the profitability level of these industry players varies when measured against profitability ratios such as gross profit margin, profit before tax margin and profit after tax margin. VisDynamic registered the highest gross profit margin among the selected industry players at 56.2 percent while QES had the lowest at 27.5 percent. The profit before tax margin registered among the selected industry players were within the range of 8.8 percent to 49.4 percent, with QES having the lowest profit before tax margin whilst Elsoft having the highest profit before tax margin. In terms of profit after tax margin, Elsoft recorded the highest at 48.9 percent while Ellipsiz had the lowest at 7.3 percent. QES's profit after tax margin of 7.4 percent is within the range of 7.3 percent to 48.9 percent. As displayed in Figure 10 and Figure 11, QES's profit margins are relatively lower as compared to its competitors. This is likely due to a large portion of QES's revenue being derived from its distribution of equipment and materials business activities. Distribution activities generally yield a lower profit margin as compared to those yielded from manufacturing activities.

8.2 QES's Estimated Market Share

Figure 12: QES' Market Share in the Malaysian Test and Measurement Market, 2016



Source: Protégé Associates

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The revenue generated by QES in its financial year ended 31 December 2016 was RM137.3 million, which is equivalent to 9.2 percent of the estimated market size (revenue) of the test and measurement market in Malaysia in 2016. The market share is derived from dividing QES's revenue of RM137.3 million for the financial year ended 31 December 2016 with the estimated market size (revenue) of the test and measurement market in Malaysia in 2016 which is estimated to be RM1,495.0 million.

9.0 Demand and Supply Conditions

Figure 13: Demand and Supply Conditions Affecting the Test and Measurement Market in Malaysia, 2017



Source: Protégé Associates

Diverse End-user Markets for Test and Measurement Products

The demand for test and measurement products and services depends largely on the growth of its end-user markets, in particular the semiconductors, consumer electronics as well as automotive industries. Each end-user market generally has a diverse product portfolio, thus creating a steady pool of potential demand for test and measurement products. These end-user markets of the test and measurement market are also often characterised by a continuous introduction of technologically advanced products, of which some with relatively short product life cycles.

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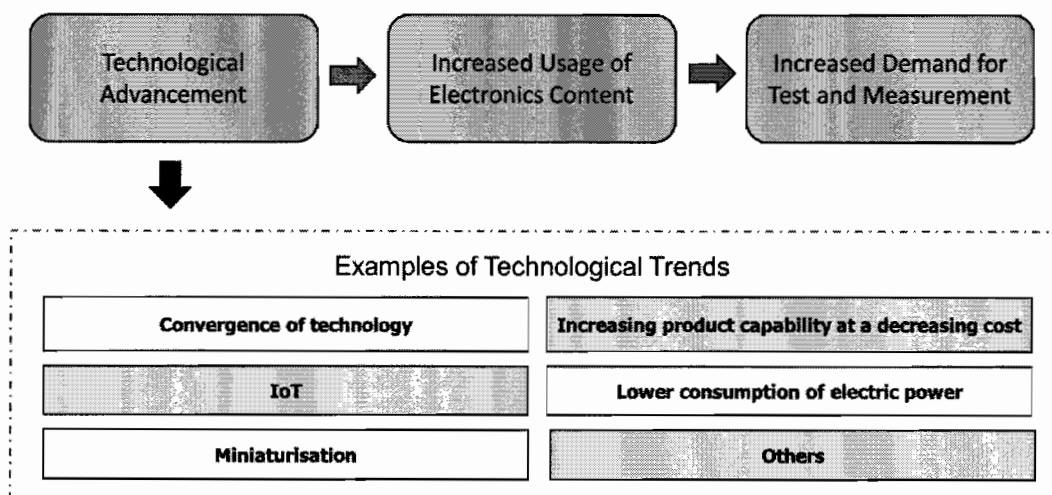
The expansion in any of its end-user markets will lead to increased demand for test and measurement equipment that is required to test the various products prior to being marketed to consumers. By having a broad range of end-user markets with diverse range of products, the test and measurement market in Malaysia is also able to mitigate the risk of over-reliance on a single end-user market or product and also stands to have more room for market size expansion. This demand condition is expected to pose a positive impact on the test and measurement market in Malaysia throughout the forecast period.

Technological Advancement Drive Demand for Test and Measurement Products

Technological advancement has facilitated an increasing use of electronics and related devices in both traditional and non-traditional end-user markets. In the modern age, the use of electronics appeals to both manufacturer – as an avenue of innovation – and consumers as a source of greater convenience and value. The development helps to create and drive demand for electronics-based technologies that have hastened the development of various electronic technologies that can be seamlessly assimilated with consumers' lifestyle needs.

As a market that relies heavily on the performance of its end-user markets, the test and measurement market stands to benefit from the rapid evolving technological trends which are expected to drive the demand for test and measurement products. Figure 14 depicts the technological trends and how it drives demand for test and measurement products.

Figure 14: Technological Trends Driving Demand for Test and Measurement Products



Source: Protégé Associates

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The advancement in technologies in recent years has led to the increase of electronic content in end-user markets particularly for non-traditional electrical applications. As electronics content in end-user products increase, the demand for test and measurement products which are used to test and ensure the quality of these end-user products is expected to increase in tandem. As such, this demand condition is expected to positively impact the test and measurement market in Malaysia going forward.

Continuing Government Support to Major End-User Markets

In Malaysia, government support has been instrumental to the development of some of the major end-user markets for the test and measurement market. Government policies can both directly or indirectly affect the end-user markets in terms of research funding, taxes, education, and rules and regulations, whereby supporting the growth of these end-user markets. As the test and measurement market is highly dependent on its end-user markets, the growth of its end-user markets is expected to in turn positively impact the expansion of the test and measurement market going forward.

Many of the key end-user markets to the test and measurement market fall under the E&E industry (Such as the semiconductor and consumer electronic sectors) and as such, Government support that benefits the E&E industry is a boon to the test and measurement market here. As the E&E industry has been identified as one of the most important sectors contributing to the country's economy, it has been named as one of the National Key Economic Areas ("NKEAs") under the Economic Transformation Programme. The local E&E industry can look forward to prioritised investment and policy support from the Malaysian Government for its continuing development.

This development augurs well for the growth in the local test and measurement market as demand for test and measurement products that are used to test and ensure the quality of E&E products is expected to increase in tandem. As a beneficiary to expansion in the E&E industry, the test and measurement market has been able to and is expected to continue to benefit from the support to the E&E industry provided by the government.

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**Expansion in the Global Economy**

The global semiconductor industry as well as other test and measurement end-user markets are sensitive to economic cycles and are heavily affected by the conditions in the global economy. Any unfavourable global economic conditions may lead to the deterioration of the end-user market businesses – leading to the delay or cancellation of plans to purchase the finished products, and in turn affect business activities within the test and measurement market.

On the global front, the International Monetary Fund has estimated a 3.2 percent growth for 2016 and has projected world output to expand by 3.6 percent and 3.7 percent for 2017 and 2018 respectively. On the local front, Malaysia's real GDP expanded by 4.2 percent in 2016, and is projected to further expand between 5.2 percent to 5.7 percent in 2017. Expanding local and global economies can help to boost consumer sentiment and to fuel the consumption of products offered by the end-user markets. As a market relying greatly on its end-user markets, increased business activities would also indicate better demand for test and measurement products and services. As such, the expansion in the global economy is expected to have a positive impact on the growth of the test and measurement market.

Continuing Downward Pricing Pressure from Customers

Almost all end-user markets of the test and measurement market are faced with the challenges of downward pricing pressure from their customers. Customers tend to assert their intention to bring down the price level during the initial bidding process as well as during the term of a contract as part of the customer's efforts to bring down the cost of production of the customer's products. In order to protect profit margins, the end-users of test and measurement products would in turn also need to lower their cost of production by the equivalent amount of price deduction requested by their customers.

As such, players in the test and measurement end-user markets therefore need to strike the right balance between sacrificing profit margin and generating larger revenue when handling the downward pricing pressure from their customers. As a result, this may lead to players in the end-user markets unwilling to invest in better test and measurement products or services to cut down on cost pressures. This demand condition is expected to negatively impact growth of the test and measurement market.

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Continuing Support from the Government to Boost the Local Test and Measurement Market

Players in test and measurement market in Malaysia can expect to continue receiving support from the local government. The Malaysian Government is mindful of the importance of supporting the E&E industry (including the semiconductor and consumer electronics industries) that is considered to be a strategic industry that can bolster national economic and social development. The Malaysian Government has over the recent years announced various supporting policies and programmes to spur the growth of the test and measurement market of the country. As one of the NKEA, the Malaysian Government has drawn up several Entry Point Projects ("EPP") for the E&E cluster, including an EPP to cement Malaysia's position as a test and measurement hub. This EPP will capitalise on the existing landscape developed by the US-based Agilent Technologies Inc and National Instruments Corporation and aim to offer facilities for design and development, as well as certification. The EPP is expected to generate a gross national income of RM1,365 million by 2020 and create 7,468 jobs in the market. This supply condition is expected to positively impact growth of the test and measurement market in Malaysia.

Roll-out of Next Generation End-User Market Products Spur Demand for Test and Measurement Products

Along with heightened competition within industries, many of the end-user markets of the test and measurement market are highly committed towards R&D activities particularly towards developing technology innovations. This is especially true in the case of the semiconductor industry where rapid technological advancement is required to stay ahead of the other players. The high level of commitment towards R&D activities is expected to translate into faster rollout of the next generation of semiconductors that render existing products obsolete.

In line with the roll-out of increasingly sophisticated semiconductor components, there has been a need for the development of newer and more efficient test and measurement products and services to cater for the ever-evolving end-user markets. As such, the roll-out of next generation end-market products is expected to positively affect the supply of test and measurement products going forward.

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Higher Costs Associated with Testing More Complex End-User Market Products

Unlike the trend of increasing product capability at decreasing costs (electronic products that get cheaper over time and have better specifications than its predecessors), in the test and measurement market as ICs and semiconductor devices become more complex, the cost of testing them generally increases. As Moore's law has continued to guide semiconductor industry innovation and IC transistor counts continue to double roughly every two years, the cost of making transistors has continued to decrease, however the equipment designed to test these devices have had to keep up with increasing demands placed on them and the cost to testing these transistors has increased.

As the cost of making transistors continues to decrease and the cost to test these transistors continues to increase, semiconductor manufacturers will continue to place downwards pricing pressure on the test and measurement market players. As such, test and measurement market players are faced with challenges to balance the rising costs and downward pricing pressure to maintain margins. This supply condition is expected to negatively affect the expansion of the test and measurement market due to harsh cost and margin reasons.

10.0 Reliance on and Vulnerability to Imports

The E&E cluster in Malaysia has been experiencing encouraging growth over the years with the support from the Malaysian Government as well as foreign investment. As an important component in the E&E cluster, the test and measurement market in Malaysia also has a relatively long-standing presence in the country. The circumstance has led to local and foreign-based market players joining the bandwagon to establish test and measurement operations in Malaysia to tap into the vast business opportunities that can be offered by those multinational electronics companies in Malaysia. As such, there is already a steady pool of test and measurement market players that are available locally to provide the necessary supporting operations – rendering the market to be less reliant on imports.

However, at present most of the required machineries and equipment used for test and measurement operations, particularly those involving higher sophistication or advanced technologies are imported from countries such as Japan, Germany and US. As such, test and measurement market players in Malaysia are vulnerable to imports to a certain extent in terms of the supply of the required advanced machineries and equipment. They are likely to continue depending heavily on imports of advanced machinery and equipment but may not necessarily rely on a single country for such needs.

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In addition, the weakening Malaysian Ringgit against major currencies including the USD in 2016 has also posed a challenge to the local test and measurement market. This is expected to translate to higher inflationary pressure on the costs of imported machinery and equipment.

11.0 Substitute Products or Services

There are presently no direct substitutes for test and measurement operations for E&E products as these equipment or services still remain a critical part of the manufacturing value chain. However, it is important to note that the test and measurement market is characterised by rapid technological changes, evolving standards and frequent introduction of new products that may shorten the product life cycles of existing equipment or services. In other words, test and measurement products or services involving older technologies or innovations may be rendered obsolete within a short period of time and replaced with involving newer technologies or innovations.

12.0 Relevant Laws and Regulations Governing the Market and Peculiarities of the Market

Relevant Laws and Regulations

The test and measurement market in Malaysia is subject to a broad array of laws and regulations particularly with regards to the use of hazardous materials and environmental protection. Market players need to be mindful of using hazardous substances in the manufacture of their electronic products. These hazardous substances pose a potential threat to the environment and consumers' health. Some governments are already making a strong stand against the usage of these hazardous substances.

On the local front, operations in the test and measurement market are subject to environmental regulations governing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and waste as well as the clean-up of contaminated sites. Examples of environmental law and regulation in Malaysia are Solid Waste and Public Cleansing Management Act, 2007 and Environmental Quality Act, 1974. It makes sense for the market players in Malaysia's test and measurement market to take heed of the rising trend in environmental awareness as part of their corporate social responsibility and reduce the risk of running foul with the local authorities. At the same time, test and measurement market players are also bound by the Atomic Energy Licencing Act 1984, and in particular its sub-regulation namely the Radiation Protection (Licencing) Regulations 1986. This act serves as permission to purchase, own, move, trade, posses, export, handle, import,

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sell, store and provide maintenance services in relation to irradiating apparatus. In addition, market players with products that already comply with these standards are also better positioned to penetrate into international markets with very strict environmental regulatory requirements.

Occupational Safety and Health Regulations

All legislations related to occupational safety and health in Malaysia are administrated and enforced by the Department of Occupational Safety and Health under the Ministry of Human Resources, Malaysia. The major legislations governing the enforcement activities on occupational safety and health are the Occupational Safety and Health Act ("OSHA") 1994 and the Factories and Machinery Act ("FMA") 1967. All test and measurement market players in Malaysia need to comply with occupational safety and health regulations, particularly the OSHA 1994.

The OSHA 1994 provides the legislative framework through self-regulation schemes that promotes, stimulates and encourages high standards of health and safe working culture among all Malaysian employees and employers. Meanwhile, the FMA 1967 was enacted to provide for the control of factories on matters relating to the safety, health and welfare of persons, and the registration and inspection of machinery.

Quality Standards

Compliance to voluntary standards (including end-user market-specific standards) and regulatory requirements are gaining prominence among test and measurement market players in Malaysia against the backdrop of a globalisation trend. Besides meeting the requisite requirements set by each government, such compliance can also go a long way towards boosting the confidence of potential end-user markets. It reinforces a test and measurement market player's commitment towards providing acceptable quality to its end-users. The targeted end-user markets also heavily influence the selection of quality standards for compliance by test and measurement market players.

There are various quality standards that are specific only to a single industry. For example, ISO/TS 16949 is a well-known quality standard for the automotive industry. Test and measurement market players may also be required by their customers to comply with cleanroom (an environment with a controlled level of contamination) related quality standard such as ISO 14644 for cleanrooms in their manufacturing facilities.

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Others

Relatively High Barriers to Entry

The test and measurement market has relatively high barriers to entry. Firstly, in order to participate in the market, potential new test and measurement equipment manufacturers need to come out with very huge capital investment and capital outlay to invest in manufacturing facilities, high-end production equipment and machineries, test and measurement designing software, technology licensing, storage facilities and skilled labour. Besides that, continuous investments also need to be made on R&D activities for product innovation. As for potential new test and measurement equipment distributors, capital outlay may come in the form of warehouse and stocking facilities, purchases of equipment and materials and securing of skilled labour. In addition, due to the nature of the market where an upfront capital is required while returns only materialise at a later date, market players are also required to have a strong financial standing in order to have access to financing facilities given by banks and financial institutions. This forms a strong deterrent for new market players hoping to enter the industry, especially those without existing deep financial pockets.

New market entrants that intend to venture into the various segments of the test and measurement market in Malaysia are also likely to encounter difficulties competing with established market players. Consumers are more inclined to purchase test and measurement equipment from reliable and reputable manufacturers or suppliers that possess sound technical knowledge and established reputation. In general, established players have relatively long-term relationships with their respective customers and as a result, stand to enjoy greater goodwill. Established market players may also enjoy an exclusive business arrangement with their suppliers or for particular type(s) of product of brand over a period of time and/or a designated geographical area which deter the participation of potential entrants.

Potential entrants also need to be very knowledgeable about the technologies behind test and measurement particularly on material science, electrical and electronic engineering, manufacturing processes and electronic design automation related technologies. The test and measurement market is often characterised by rapid changes in technology. They need to be mindful that their customers may also require the development and integration of unique test and measurement designs.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



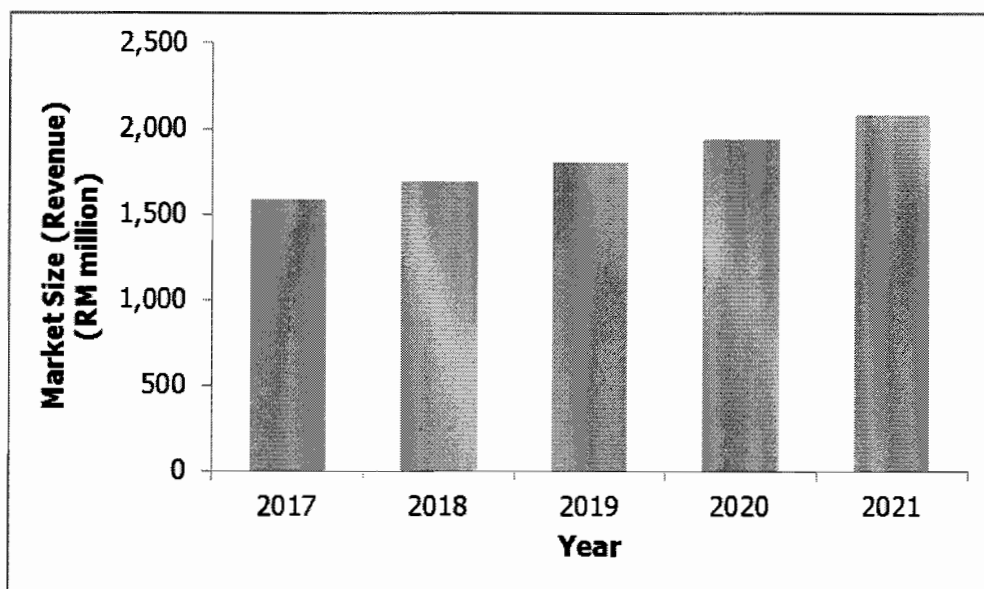
Hence, potential entrants need to possess sufficient related technical expertise and updated technology to participate in this market.

Building a viable and strong business relationship is not an easy task for any potential new entrants as relationships require a significant amount of time to establish. Once the relationship is sufficiently strong where trust and confidence are well established, it would be difficult to break this partnership. In addition, new market entrants will likely face difficulty in getting favourable financing facilities without a proven track record, thus reducing their competitiveness considerably.

13.0 Prospects and Outlook of the Test and Measurement Market in Malaysia

The test and measurement market in Malaysia is forecast to reach RM1.59 billion in 2017.

Figure 15: Historical and Forecast Market Size (Revenue) of the Test and Measurement Market in Malaysia, 2017-2021



Source: Protégé Associates

The positive outlook on the demand for the test and measurement market in Malaysia stems mainly from factors such as having a broad range of test and measurement end-user markets, increasing electronics content, continuing government support to major end-user markets and improving global economic conditions. On the supply side, the market is also expected to be boosted by the continuing support from the government to grow the test and measurement market and high commitment on R&D activities among market players hastening rollout of next generation products. However, investors should be mindful of the

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



continuing downward pricing pressure from customers as well as rising cost associated with increasing product complexity that may dampen the growth of the test and measurement market in Malaysia.

In terms of the market as a whole, Protégé Associates expects the test and measurement market in Malaysia to expand at a steady pace. The market is projected to continue growing at a forecast CAGR of 6.9 percent for the 2017 to 2021 period with market size (revenue) forecast to reach RM2.09 billion in 2021.

Protégé Associates has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.

Yours sincerely,

SEOW CHEOW SENG
Managing Director

Protégé Associates Sdn. Bhd.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL**8.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS****8.1.1 Promoters' and substantial shareholders' shareholdings**

The shareholdings of our Promoters and substantial shareholders in our Company and the changes since its incorporation on 20 November 2014 as well as before and after our IPO are set out below:

	As at incorporation		(I) (1) As at LPD and after the Acquisitions		(II) After (I) and our IPO	
	No. of Shares	%	No. of Shares	(2)%	No. of Shares	(3)%
Chew Ne Weng	56	56.0	355,097,195	58.5	311,873,195	41.1
Liew Soo Keang	42	42.0	251,549,805	41.5	218,942,805	28.9

Notes:

- (1) After the share split of each share into 10 shares and the transfer of 10 subscriber shares to Chew Ne Weng and Liew Soo Keang each.
- (2) Based on the issued share capital of 606,647,000 Shares before our IPO.
- (3) Based on the enlarged issued share capital of 758,308,000 Shares after our IPO.

8.1.2 Profiles of Promoters and substantial shareholders

The profiles of our Promoters and substantial shareholders are as follows:

(a) Chew Ne Weng

Chew Ne Weng, a Malaysian is our Promoter and substantial shareholder and also our Managing Director/President. His profile is disclosed in Section 8.2.2 of this Prospectus.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)**(b) Liew Soo Keang**

Liew Soo Keang, a Malaysian is our Promoter and substantial shareholder. He is also our Executive Director. His profile is disclosed in Section 8.2.2 of this Prospectus.

8.1.3 Persons exercising control over the corporation

Save for our Promoters, namely Chew Ne Weng and Liew Soo Keang, we are not aware of any other person who is able to, directly or indirectly, jointly or severally, exercise control over our Company.

8.2 DIRECTORS**8.2.1 Directors' shareholdings**

The shareholdings of our Directors in our Company before and after our IPO assuming that our Directors will fully subscribe for their respective entitlements under the Pink Form Allocations are set out below:

			Before IPO ⁽¹⁾			After IPO ⁽²⁾		
			Direct	Indirect		Direct	Indirect	
Name	Designation/ Nationality		No. of Shares	%	No. of Shares	No. of Shares	%	No. of Shares
Adnan Bin Zainol (M)	Independent Non-Executive Chairman/ Malaysian		-	-	-	(4)40,000	negligible	-
Chew Ne Weng (M)	Managing Director/ President/ Malaysian		355,097,195	58.5	-	(3)311,873,195	41.1	-
Liew Soo Keang (M)	Executive Director/ Malaysian		251,549,805	41.5	-	(3)218,942,805	28.9	-

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

Name	Designation/ Nationality	Before IPO ⁽¹⁾			After IPO ⁽²⁾		
		Direct		Indirect	Direct		Indirect
		No. of Shares	%		No. of Shares	%	
Chia Gek Liang (M)	Independent Non-Executive Director/ Malaysia	-	-	-	(4)40,000	negligible	-
Hoh Chee Mun (M)	Independent Non-Executive Director/ Malaysian	-	-	-	(4)40,000	negligible	-

Notes:

- (1) Based on the issued share capital of 606,647,000 Shares before our IPO.
- (2) Based on the enlarged issued share capital of 758,308,000 Shares after our IPO.
- (3) After the Offer for Sale.
- (4) Assuming that our Directors will fully subscribe for their respective entitlements under the Pink Form Allocations.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

8.2.2 Profiles of Directors

Our Board takes note of the gender diversity recommendations under the Malaysian Code of Corporate Governance 2017 and will prioritise women candidates in future recruitment exercises. Our Board expects that the Listing, if successful, will heighten QES' profile and increase the chances of finding a woman candidate, despite being in an industry led predominantly by men, as observed by our management. Additionally, our Board intends to approach the Malaysian Chapter of the 30% Club as well as the NAM Institute for the Empowerment of Women for their pool of potential women candidates to join the Board. We target to recruit at least one female Board member within 2 years after our Listing.

The profiles of our Directors are as follows:

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

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

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

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

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

Liew Soo Keang, a Malaysian, aged 56, is our Executive Director. He was appointed to our Board on 11 May 2015 and is our Executive Director. As Executive Director, he is mainly responsible for overseeing our distribution division. He graduated with a Bachelor Degree (Hons) (First Class) in Electrical Engineering from University Malaya in 1987.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

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

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

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

He began his career in 1985 as Product Engineer with SGS-Thomson Microelectronics Pte Ltd in Singapore where he was responsible for the product engineering and manufacturing processes of memory products. He left the engineering field in 1991 to pursue his Masters of Business Administration. In 1992, he joined the corporate finance division of Commerce International Merchant Bankers Berhad (now known as CIMB Investment Bank Berhad) as Executive. During his 9 years tenure in investment banking he was involved in a wide variety of assignments which include initial public offerings, debt and equity funding raising, mergers and acquisitions, reverse take-over, corporate and debt restructuring and privatisation exercises. He left the bank in January 2001 as Associate Director. From February to December 2001, he was the Chief Financial Officer of Intelligent Edge Technologies Berhad, a company listed on the then MESDAQ Market of Bursa Securities. He was responsible for the financial management of the company. Between 2002 to 2012, he did mainly freelance consulting work while pursuing his qualification as a lawyer and after graduating in 2010. He started practising law as Associate with Deol & Gill in January 2013 before leaving in September 2014. From October 2014 to May 2015, he did general management consulting work on a freelance basis, assisting organisations to improve their capital structure, formulate organisation performance plans and perform projects evaluation. In June 2015, he joined Mai & Co as Associate and is practising todate.

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

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

**8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS
AND KEY MANAGEMENT PERSONNEL *(Cont'd)***

left VHQ Post (M) Sdn Bhd in 2012 to concentrate on his corporate secretarial practice and accounting services.

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

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

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)**8.2.3 Principal business performed outside our group**

Save as disclosed below, none of our Directors has any other principal directorship and/or principal business activities performed outside our Group in the past 5 years up to the LPD:

Adnan Bin Zainol

Company	Principal activities	Prior activities / Explanation for investment holding	Involvement other than as a Director
<i>Present involvement</i> Orion IXL Bhd	Provision of computerised maintenance management systems and other information technology services such as systems integration, support services and training	-	-
Usha Anang Sdn Bhd	Money changer	-	-
<i>Past involvement</i> Tekad Kukuh Sdn Bhd	Wound up	Did not commence operations	-

Chew Ne Weng

Company	Principal activities	Prior activities / Explanation for investment holding	Involvement other than as a Director
<i>Past involvement</i> QIS Solution Sdn Bhd	Dormant, struck off	Marketing and servicing of information technology equipment and software, information technology project management and consultancy	-

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

Company	Principal activities	Prior activities / Explanation for investment holding	Involvement other than as a Director
QES (Manila), Inc	Buy, sell, distribute and market all kinds of goods, commodities, wares and merchandises	-	Resigned as a director on 29 December 2014 and ceased to be shareholder on 29 December 2014
QES International Co. Ltd	Holding company of QES (China) Co., Ltd	-	Resigned as a director on 31 December 2014 and ceased to be shareholder on 31 December 2014
QES (China) Co., Ltd	Distributor of optical, test and measurement equipment, components and accessories as well as software and semiconductor modules	-	Resigned as a director on 18 October 2014
Liew Soo Keang			
Company <i>Past involvement</i>	Principal activities	Prior activities / Explanation for investment holding	Involvement other than as a Director
QES (Manila), Inc	Buy, sell, distribute and market all kinds of goods, commodities, wares and merchandises	-	Resigned as a director on 11 December 2014 and ceased to be shareholder on 11 December 2014
QES International Co. Ltd	Holding company of QES (China) Co., Ltd	-	Resigned as a director on 31 December 2014 and ceased to be shareholder on 31 December 2014

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

Company	Principal activities	Prior activities / Explanation for investment holding	Involvement other than as a Director
QES (China) Co., Ltd	Distributor of optical, test and measurement equipment, components and accessories as well as software and semiconductor modules	-	Resigned as a director on 10 October 2014
Chia Gek Liang			
Company	Principal activities	Prior activities / Explanation for investment holding	Involvement other than as a Director
<i>Present involvement</i>			
H.A.M. Creations (Malaysia) Sdn Bhd	Provision of interior design and installation services	-	Shareholder with 60.0% equity interest
Kreatif Evolusi Sdn Bhd	Dormant	Provision of management services	-
Siri Mesra Sdn Bhd	Investment holding and provision of management consultancy services	Holding company of Kreatif Evolusi Sdn Bhd	Shareholder with 99.9% equity interest
Vati Industries Sdn Bhd	Investment in property	-	Shareholder with 50.0% equity interest
<i>Past involvement</i>			
Vati Development Sdn Bhd	Dormant, struck off	Commercial trading, property dealing and investment holding	Ceased to be shareholder on 16 March 2016
Vati Resources Sdn Bhd	Investment holding	Property development company / Property	Ceased to be a shareholder on 28 February 2015 and resigned as director on 2 March 2015

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)**Hoh Chee Mun**

Company	Principal activities	Prior activities / Explanation for investment holding	Involvement other than as a Director
<i>Present involvement</i>			
Eurogain Secta Sdn Bhd	Management and corporate secretarial consultancy services	-	Shareholder with 8.0% equity interest
CMERG Malaysia Sdn Bhd	Management and consultancy services in relation to software and hardware solutions	-	Shareholder with 12.0% equity interest
SBH Advisory & Services	Advisory services	-	Shareholder with 100.0% equity interest
CMERG Technolution Sdn Bhd	Information technology service activities and wholesale of a variety of goods	-	Shareholder with 30.0% equity interest
TR Online Sdn Bhd	Information technology service activities	-	Shareholder with 30.0% equity interest
Nova Jubilee Sdn Bhd	Construction and property development	-	Shareholder with 50.0% equity interest
Sixmurs Malaysia Sdn Bhd	Providing consultancy services on regulatory affairs and quality management systems for health supplements, cosmetics and medical services	-	-

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

Company	Principal activities	Prior activities / Explanation for investment holding	Involvement other than as a Director
Sixmurs Consulting (Thailand), Ltd	Providing consultancy services on regulatory affairs and quality management systems for health supplements, cosmetics and medical services	-	-
Mursmedic Thailand Ltd	Providing consultancy services on regulatory affairs and quality management systems for health supplements, cosmetics and medical services	-	-
Crescent Pillar Sdn Bhd	Investment holding and undertaking of construction works	Investment holding for various companies	-
<i>Past involvement</i>			
Widestream Equity Sdn Bhd	Investment holding	Investment holding in other companies	Resigned as Director on 1 March 2017
Foresight Offshore Services Sdn Bhd	Oil and gas extraction service - activities provided on a fee or contract basis	-	Resigned as Director on 2 February 2016
TRE Transaction Services Sdn Bhd	Business management consultancy services	-	Resigned as Director on 20 November 2015
PY Rental Sdn Bhd	Export and import of other machinery for use in industry, trade and navigation and other services	-	Resigned as director on 13 January 2017

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

Company	Principal activities	Prior activities / Explanation for investment holding	Involvement other than as a Director
TRE Outsource Solution Sdn Bhd	Secretarial, management and other related services	-	Resigned as director on 30 March 2015
TRE Secretarial Services Sdn Bhd	Dormant	Secretarial services	Resigned as director on 30 March 2015
HH Outsourcing Services	Dormant	Outsourcing services	Partnership dissolved on 14 December 2015
Eurogain Corporate Solutions Sdn Bhd	Management consultancy services and information technology	-	Resigned as Director on 3 November 2016
Eurogain Worldwide Sdn Bhd	Dormant	Investment holding of various companies	Resigned as Director on 30 November 2016

The involvement of our Directors in those business activities outside our Group does not give rise to any conflict of interest situation with our business and does not affect their contribution to our Group. Save as disclosed above, none of our Directors has any other principal directorship and/or principal business activities performed outside our Group as at the LPD.

In order to mitigate any possible conflict of situation, our Directors will declare to our Nomination Committee and our Board their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group. Our Nomination Committee will then evaluate if such Director's involvement give rise to a potential conflict of interest with our Group's business. It is the Director's fiduciary duty to avoid conflict. Our Directors are required to attend courses which provide guidelines to them on their fiduciary duties.

In relation to matters or transactions requiring the approval of our Board, the relevant Directors who are deemed interested or conflicted in such matters or transactions shall be required to declare their interests and abstain from deliberations and voting on the resolutions relating to these matters or transactions.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)**8.2.4 Directors' remuneration and benefits**

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for FYE 2016 and FYE 2017 are as follows:

Director	Remuneration band	
	FYE 2016	Estimate for FYE 2017
	RM	RM
Adnan Bin Zainol	-	0 to 50,000
Chew Ne Weng	750,000 to 800,000	1,050,000 to 1,100,000
Liew Soo Keang	650,000 to 700,000	950,000 to 1,000,000
Chia Gek Liang	-	0 to 50,000
Hoh Chee Mun	-	0 to 50,000

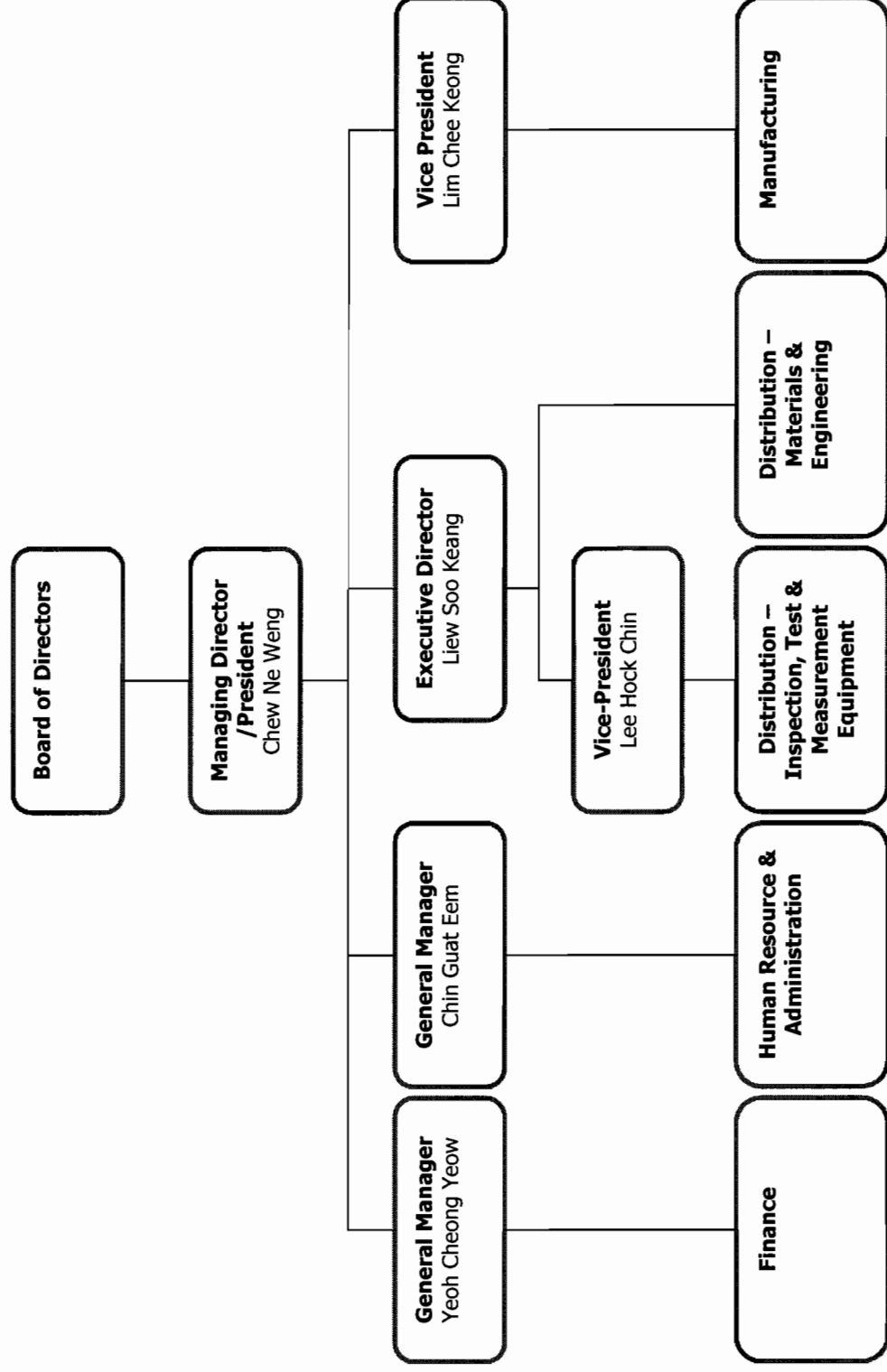
The remuneration, which includes our Directors' salaries, bonus, fees and allowances as well as other benefits, must be reviewed and recommended by our Remuneration Committee and subsequently, be approved by our Board. Any change in Director's fees as set out in our Memorandum and Articles of Association (Constitution) must be approved by our shareholders pursuant to an ordinary resolution passed at a general meeting where appropriate notice of the proposed changes should be given. Please refer to Section 15.2 of this Prospectus for further details.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.3 KEY MANAGEMENT

8.3.1 Management structure



8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)**8.3.2 Key management shareholdings**

The shareholdings of our key management before and after our IPO assuming that our key management fully subscribe for their respective entitlements under the Pink Form Allocations are set out below:

		Before IPO ⁽¹⁾			After IPO ⁽²⁾		
		Direct	Indirect		Direct	Indirect	
Name	Designation/ Nationality	No. of Shares	%	No. of Shares	No. of Shares	%	No. of Shares
Chew Ne Weng	Managing Director/ President/Malaysian	355,097,195	58.5	-	(3)311,873,195	41.1	-
Liew Soo Keang	Executive Director/Malaysian	251,549,805	41.5	-	(3)218,942,805	28.9	-
Lee Hock Chin	Vice-President of Distribution – Inspection, Test and Measurement Equipment/Malaysian	-	-	-	145,000	negligible	-
Lim Chee Keong	Vice-President of Manufacturing Division/Malaysian	-	-	-	145,000	negligible	-
Chin Guat Eem	General Manager of Human Resource and Administration/Malaysian	-	-	-	145,000	negligible	-
Yeoh Cheong Yeow	General Manager of Finance/Malaysian	-	-	-	145,000	negligible	-

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

Notes:

- (1) Based on the issued share capital of 606,647,000 Shares after the Acquisitions.
- (2) Based on the enlarged issued share capital of 758,308,000 Shares after our IPO.
- (3) After the Offer for Sale.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

8.3.3 Profiles of key management

Save for the profiles of our Directors, which are disclosed in Section 8.2.2 of this Prospectus, the profiles of the other key management of our Group are as follows:

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

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

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

Lim Chee Keong has 30 years of engineering and sales experiences. He started his career in 1988 as Engineering Assistant at Dynacraft Industries Sdn Bhd, a USA-based company specialising in semiconductor leadframe stamping and plating technology, where he was responsible for process control, troubleshooting, setting-up and maintenance of plating bath, defects analysis and investigation as well as engineering evaluation and qualification.

In 1991, he left the firm as Engineering Technician to join Hitachi Semiconductor (Malaysia) Sdn Bhd as its Quality Assurance Supervisor where he was responsible for material quality assurance activities. He then left Hitachi Semiconductor (Malaysia) Sdn Bhd in 1994 to join AKN Industries Sdn Bhd in the same year as Quality Assurance Engineer where he was involved in the initial set-up of its leadframe plating facilities. He left the firm in 1994 to join QES (Asia-Pacific) in the same year as Senior Application Engineer and was in charge of the technical support operations.

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

Chin Guat Eem, a Malaysian, aged 51, is our General Manager for Human Resource and Administration. She obtained her Diploma in Purchasing and Materials Management from the Malaysian Institute of Purchasing and Materials Management in 2001. During the same year, she also passed her foundation studies for the Graduate Diploma in Purchasing and Supply programme conducted by the Chartered Institute of Purchasing and Supply, United

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

Kingdom. She is responsible for overseeing the overall human resource and administration functions of our Group which include human resource planning, recruitment and payroll management.

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

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

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

8.3.4 Principal Business Performed Outside our Group

None of our key management has any other principal directorship and/or principal business activities performed outside our Group as at the LPD.

8.4 BOARD PRACTICE

8.4.1 Board

Our Board has adopted the following responsibilities for effective discharge of its functions:

- (i) To provide leadership and oversee the overall conduct of our Group's businesses to ensure that our businesses are being properly managed;
- (ii) To review and adopt strategic plans for our Group and to ensure that such strategic plans and the risk, performance and sustainability thereon are effectively integrated and appropriately balanced;
- (iii) To review and adopt corporate governance best practices in relation to risk management, legal and compliance management and internal control systems to safeguard our Group's reputation, and our employees and assets and to ensure compliance with applicable laws and regulations;
- (iv) To ensure that our Company has effective Board committees as required by the applicable laws, regulations, rules, directives and guidelines and as recommended by the Malaysian Code of Corporate Governance 2017;

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

- (v) To review and approve our annual business plans, financial statements and annual reports;
- (vi) To monitor the relationship between our Group and our management, shareholders and stakeholders, and to develop and implement an investor relations programme or shareholders' communications policy for our Group; and
- (vii) To appoint our Board committees, to delegate powers to such committees, to review the composition, performance and effectiveness of such committees, and to review the reports prepared by our Board committees and deliberate on the recommendations thereon.

In accordance with our Articles of Association (Constitution), at our first annual general meeting, all our Directors have retired from office and was re-elected. Thereafter, at the annual general meeting in every subsequent year, one-third of our Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office provided always that all our Directors including the Managing Director and the Executive Directors shall retire from office at least once in each three years period but shall be eligible for re-election. A retiring director shall retain office until the close of the meeting at which he retires. An election of directors shall take place each year.

The members of our Board are set out in Section 8.2 of this Prospectus.

8.4.2 Audit committee

The main function of our Audit Committee is to assist our Board in fulfilling its responsibility to oversee our Group's accounting and financial reporting matters. The terms of reference of our Audit Committee include the following:

- (i) To review the engagement, compensation, performance, qualifications and independence of our external auditors, its conduct of the annual statutory audit of our financial statements, and the engagement of external auditors for all other services;
- (ii) To review and approve our quarterly and annual financial statements for recommendation to our Board, focusing in particular on any changes in or implementation of major accounting policies and practices, significant and unusual events, significant adjustments arising from the audit, going concern assumption and compliance with accounting standards and other regulatory or legal requirements;
- (iii) To review any related party transactions entered into by our Group and any conflict of interest situations that may arise within our Group; and
- (iv) To perform such other functions as may be requested by our Board.

The recommendations of our Audit Committee are subject to the approval of our Board.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

The members of our Audit Committee as at the LPD are as follows:

Name	Designation	Directorship
Hoh Chee Mun	Chairman	Independent Non-Executive Director
Adnan Bin Zainol	Member	Independent Non-Executive Chairman
Chia Gek Liang	Member	Independent Non-Executive Director

Our Board will review the composition, performance and effectiveness of our Audit Committee annually.

8.4.3 Remuneration committee

The main function of our Remuneration Committee is to assist our Board in fulfilling its responsibility on matters relating to our Group's compensation, bonuses, incentives and benefits. The terms of reference of our Remuneration Committee include the following:

- (i) To provide assistance to our Board in establishing the policy and framework for our Directors' remuneration and the remuneration of certain senior management personnel, including the setting of their key performance indicators;
- (ii) To ensure that our Group's remuneration and incentive policies, practices and key performance indicators are appropriately established and are aligned with our Group's vision, values and business objectives and market trends;
- (iii) To provide assistance to our Board on matters relating to, amongst others, management grievances, compensation strategy, management development and other compensation arrangements;
- (iv) To ensure corporate accountability and governance in respect of our Board remuneration and compensation; and
- (v) To perform such other functions as may be requested by our Board.

The recommendations of our Remuneration Committee are subject to the approval of our Board.

The members of our Remuneration Committee as at the LPD are as follows:

Name	Designation	Directorship
Chia Gek Liang	Chairman	Independent Non-Executive Director
Adnan Bin Zainol	Member	Independent Non-Executive Chairman
Hoh Chee Mun	Member	Independent Non-Executive Director

8.4.4 Nomination committee

The terms of reference of our Nomination Committee include the following:

- (i) To assist our Board in the effective discharge of its responsibility to ensure that our Board is of an effective composition, size and commitment to adequately discharge its responsibilities and duties;

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

- (ii) To ensure appropriate selection criteria and processes and to identify and recommend to our Board, candidates for directorships of our Company and members of the relevant Board committees;
- (iii) To evaluate the effectiveness of our Board and the relevant Board committees; and
- (iv) To ensure an appropriate framework and succession planning for our Board, including our Managing Director/President.

The recommendations of our Nomination Committee are subject to the approval of our Board.

The members of our Nomination Committee as at the LPD are as follows:

Name	Designation	Directorship
Chia Gek Liang	Chairman	Independent Non-Executive Director
Adnan Bin Zainol	Member	Independent Non-Executive Chairman
Hoh Chee Mun	Member	Independent Non-Executive Director

8.5 RELATIONSHIPS AND/OR ASSOCIATIONS

There are no family relationships (as defined under Section 197 of the Act) or association between or amongst our Promoters, substantial shareholders, Directors and key management as the LPD.

8.6 EXISTING OR PROPOSED SERVICE AGREEMENTS

As at the LPD, there are no existing or proposed service agreements (contracts for services) entered into between the companies within our Group, with our Directors or key management personnel.

8.7 DECLARATION FROM PROMOTERS, DIRECTORS AND KEY MANAGEMENT

As at the LPD, none of our Promoters, Directors or key management is or has been involved in any of the following events (whether within or outside Malaysia):

- (i) A petition under any bankruptcy or insolvency law filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a Director or key personnel;
- (ii) Disqualified from acting as a Director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) Charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) Any judgment that was entered against him involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

- (v) Being the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

8.8 BENEFITS PAID OR INTENDED TO BE PAID

Save for the our Directors' remuneration and benefits as disclosed in Section 8.2.4, there is no amount and benefit that has been or is intended to be paid or given to our Promoters, Directors and/or substantial shareholders within the 2 years preceding the date of this Prospectus.

8.9 EMPLOYEES

As at the LPD, we have 335 employees, all of which are employed as full-time employees. The following depicts the breakdown of our employees in our Group:

Category of employees As at	Number of employees			
	31 December 2014	31 December 2015	31 December 2016	30 September 2017
Director ⁽¹⁾	2	2	2	2
Senior Manager	10	10	12	13
Manager	50	49	66	74
Professional/Executive	100	101	132	162
Clerical/Non-Executive	43	41	51	54
General worker/Others	18	17	15	15
TOTAL	223	220	278	320
				335

Note:

- ⁽¹⁾ Excludes our 3 Independent Non-Executive Directors

The increase in number of employees for the FYE 2016 was mainly due to the acquisition of QES (Singapore) and QES (Thailand). The increase in number of employees from 31 December 2016 up to the LPD was due to the setup of QES (Philippines) and because we have been aggressively hiring, particularly for engineers and executives, to cater to our growing customer base and their increasing demands.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

Further details of our employee structure as at the LPD are as follows:

Category of employees	Length of service (years)			Total number of employees	% of total employees	(1) Number of local employees	Number of foreign employees
	Less than 1 year	More than 1 year but less than 5 years	More than 5 years				
Directors ⁽²⁾	-	-	2	2	1	2	-
Senior Managers	-	-	13	13	4	13	-
Managers	3	11	60	74	22	68	6
Professional/Executive	53	67	52	172	51	171	1
Clerical/Non-Executive	9	33	16	58	17	58	-
General workers	2	4	10	16	5	16	-
Total	67	115	153	335	100	328	7

Notes:

⁽¹⁾ Local employees of subsidiaries in foreign countries refer to the respective citizens of those countries, and vice versa for foreign employees.

⁽²⁾ Excludes our 3 Independent Non-Executive Directors

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

The breakdown of our local and foreign employees by country as at the LPD, is as follows:

Country	Number of employees	% of total employees
Malaysia		
- Local (Malaysian)	213	99.53
- Foreign (Non-Malaysian)	1	0.47
Indonesia		
- Local (Indonesian)	27	100.0
- Foreign (Non-Indonesian)	-	-
Vietnam		
- Local (Vietnamese)	26	100.0
- Foreign (Non-Vietnamese)	-	-
Singapore		
- Local (Singaporean)	6	50.0
- Foreign (Non-Singaporean)	6	50.0
Thailand		
- Local (Thai)	27	100.0
- Foreign (Non-Thai)	-	-
Philippines		
- Local (Filipino)	29	100.0
- Foreign (Non-Filipino)	-	-
Total		
- Local (Malaysian)	213	63.6
- Foreign (Non-Malaysian)	122	36.4

Save for employees employed by QES (Vietnam), none of our employees belong to any labour union. All QES (Vietnam) employees are members of a trade union established by the employees of QES (Vietnam).

The relationship and cooperation between our management and our employees have always been good and this is expected to continue in the future. Since the incorporation of QES (Asia-Pacific) up to the LPD, there is no major industrial dispute pertaining to our employees.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.10 TRAINING AND DEVELOPMENT

We view our employees as one of our key assets that play an instrumental role in our continuous growth. We place great emphasis on staff retention by cultivating conducive working environment within our organisation, ensuring skills development across our Group and identifying employee performance improvement opportunities for career advancement.

It is our policy to develop and train employees to improve their skills set and professionalism, in order to enhance productivity and operational efficiencies. As training and development is a continuing process, we encourage our employees to continually increase their skills and knowledge through on-the-job training.

Our Group has, from time to time, arranged internal and external training and development courses for our employees. These on-going training and development programmes cover relevant technical and functional courses for our employees.

The following is a list of training programmes that our employees have completed for the FYE 2016 and FPE 2017:

No.	Category of employees attended	Course / Seminar title	Date of the course / Seminar
1	Senior Manager	• Radiation Safety Refresher and Awareness Courses	• 22-23 February 2016
		• Post-training of Radiation Protection Officer	• 23-25 May 2017
		• Safe Chemical Handling	• 6 July 2017
		• Minilab Technical Training	• 21-25 August 2017
2	Manager	• Toshiba Japan –Service Training	• 7-14 January 2016
		• Spectro Shanghai: New product launch	• 15-17 March 2016
		• Failure Mode & Effect Analysis	• 6-7 March 2017
		• Spectro ICP Sales Workshop	• 8-9 March 2017
		• Post-training of Radiation Protection Officer	• 18-20 April 2017
		• Spectro Scientific – MicroLab Training	• 29-31 May 2017
		• Application Training XRF	• 3-7 July

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

No.	Category of employees attended	Course / Seminar title	Date of the course / Seminar
			2017
		<ul style="list-style-type: none"> Safe Chemical Handling Minilab Technical Training Nikon X-Ray Training Toshiba Machine Training 	<ul style="list-style-type: none"> 6 July 2017 21-25 August 2017 11-15 September 2017 20-22 September 2017
3	Manager / Executive	<ul style="list-style-type: none"> Radiation Safety Refresher and Awareness Course 	<ul style="list-style-type: none"> 22-23 February 2016
4	Manager / Executive	<ul style="list-style-type: none"> ISO 9001 Awareness Training 	<ul style="list-style-type: none"> 22 March 2016
5	Executive	<ul style="list-style-type: none"> X-Ray Application Training Basic Course of Installation & Maintenance Potential Failure Mode & Effect Analysis Basic Course of Installation & Maintenance Malaysia Import & Export Procedures & Documentation Product Training Failure Mode & Effect Analysis Arc Spark Service Training Post-Training of Radiation Protection Officer Spectro Scientific – MicroLab Training 	<ul style="list-style-type: none"> 20-24 March 2016 18-23 April 2016 11 May 2016 30 May – 3 June 2016 15 August 2016 17-22 October 2016 7 March 2017 27-31 March 2017 23-25 May 2017 29-31 May 2017

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

No.	Category of employees attended	Course / Seminar title	Date of the course / Seminar
		<ul style="list-style-type: none"> Safe Chemical Handling 	<ul style="list-style-type: none"> 6 July 2017
		<ul style="list-style-type: none"> Spectro ICP – OES & all Mitsubishi products 	<ul style="list-style-type: none"> 24 July – 4 August 2017
		<ul style="list-style-type: none"> ISP3100 Training 	<ul style="list-style-type: none"> 14-17 August 2017
		<ul style="list-style-type: none"> Spectro Scientific Training 	<ul style="list-style-type: none"> 20-25 August 2017
		<ul style="list-style-type: none"> Hitachi Training 	<ul style="list-style-type: none"> 27 August – 3 September 2017
		<ul style="list-style-type: none"> Nikon X-Ray Training 	<ul style="list-style-type: none"> 11-15 September 2017

8.11 MANAGEMENT SUCCESSION PLAN

Our business is organised along functional lines where department managers are responsible for the execution of their duties. We practice management empowerment whereby department managers are relatively autonomous and have significant decision-making authority within their span of control and within clearly defined boundaries. As such, there is no over reliance on our Managing Director/President to be involved in all details and aspects of our operational and functional areas. This allows our Managing Director/President to focus on more strategic matters of our business.

Nevertheless, to ensure business continuity, our Group has taken appropriate steps such as professional mentoring, on-the-job training and professional learning and development to ensure the implementation of succession planning in every department.

We encourage our senior management to identify employees who have the potential to move into leadership positions and to expose such potential leadership talent to various developmental opportunities to groom and to provide them with the skill sets and experiences required to take on higher level leadership positions and greater responsibilities.

In addition, we also encourage our senior management to groom the lower and middle management staff to gradually assume higher responsibilities and encourage our middle management to participate in discussion for decision-making to ensure better understanding of our operations, responsibilities and the decision-making processes and that they are equipped with the necessary knowledge and skills to succeed to senior management roles.

Our Board is involved in the process of reviewing the potential successor's readiness, and in identifying key competencies and requirements for managerial and key senior positions for succession planning. Appropriate job functions and candidate profiles are reviewed and matched for management positions, in line with our business goals, strategies and culture.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

As part of our Group's management succession plan, we have identified middle management personnel across our Group to facilitate knowledge transfer and to build upon their capabilities to fill senior management positions so as to ensure smooth running and continuity of our operations.

From time to time, our key management carry out meetings with regional managers to review our business and product strategies as well as setting annual targets. This gives all the managers an overall view of our business direction and the growth of our Group as a whole.

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9. APPROVALS AND CONDITIONS

9.1 APPROVALS AND CONDITIONS

Our Listing is an exempt transaction under Section 212 (8) of the CMSA and is therefore not subject to the approval of the SC.

9.1.1 Bursa Securities approval

Bursa Securities had, vide its letter dated 29 September 2017, approved our admission to the Official List of the ACE Market and the listing of and quotation for our entire enlarged issued share capital on the ACE Market of Bursa Securities.

The approval from Bursa Securities is subject to the following conditions:

No.	Details of conditions imposed	Status of compliance
(a)	Submission of the following information in respect to the moratorium on the shareholdings of Promoters to the Bursa Depository: (i) Name of shareholders; (ii) Number of shares; and (iii) Date of expiry of the moratorium for each block of shares;	Complied
(b)	Approvals from other relevant authorities have been obtained for implementation of the Listing;	Complied
(c)	Make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Guidance Note 15 of the Listing Requirements;	To be complied
(d)	Furnish Bursa Securities with a copy of the schedule of distribution showing compliance to the share spread requirements based on the entire share capital of QES on the first day of Listing;	To be complied
(e)	Any director of the Company that has not attended the Mandatory Accreditation Programme must do so prior to the Listing;	Complied
(f)	In relation to the public offering to be undertaken by QES, to announce at least 2 Market Days prior to the Listing date, the result of the offering including the following: (a) Level of subscription of public balloting and placement; (b) Basis of allotment/allocation; (c) A table showing the distribution for placement tranche, in the format prescribed; (d) Disclosure of placees who become substantial shareholder of QES arising from the public offering, if any,	To be complied

9. APPROVALS AND CONDITIONS (Cont'd)

No.	Details of conditions imposed	Status of compliance
	and to ensure that the overall distribution of QES's securities is properly carried out to mitigate any disorderly secondary market after commencement of trading; and	
(g)	QES/M&A Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the admission to the Official List on the ACE Market is completed.	To be complied

9.1.2 SC approval

The SC had, vide its letter dated 9 October 2017, approved our resulting equity structure to our IPO under the equity requirements for public listed companies subject to our Company allocating shares equivalent to at least 12.5% of our enlarged issued share capital at the point of listing to Bumiputera investors. This includes the shares offered under the balloted public offer portion, of which 50% are to be offered to Bumiputera investors. In the event that the MITI is unable to allocate the shares to Bumiputera investors, the unsubscribed shares shall be offered to Bumiputera public investors via balloting.

In this respect, the shareholding structure of our Company before and after IPO shall be as follows:

Category of shareholders	After the Acquisitions and before our IPO		After our IPO	
	No. of Shares	%	No. of Shares	%
Bumiputera	-	-	⁽¹⁾ 94,788,700	12.50
Non-Bumiputera	606,647,000	100.0	⁽²⁾ 663,519,300	87.50
Malaysians	606,647,000	100.0	758,308,000	100.0
Foreigners	-	-	-	-
TOTAL	606,647,000	100.0	758,308,000	100.0

Notes:

(1) Assuming the shares allocated to Bumiputera investors are fully subscribed by Malaysia public (via balloting) and Bumiputera public investors (via private placement).

(2) Assuming all public issue shares are placed to non-Bumiputera investors.

The Shariah Advisory Council of the SC had, vide its letter dated 7 November 2017 classified our Shares as shariah-compliant based on the pro forma consolidated financial statements for FYE 2016.

9.2 MORATORIUM ON OUR SHARES

In accordance with Rule 3.19 of the Listing Requirements and pursuant to the conditions imposed under the approval letter by Bursa Securities, a moratorium will be imposed on the sale, transfer or assignment of those QES Shares held by our Promoters as follows:

9. APPROVALS AND CONDITIONS (Cont'd)

- (i) The moratorium applies to the entire shareholdings of our Promoters after the Offer for Sale for a period of 6 months from the date of our admission to the ACE Market of Bursa Securities ("First 6-Month Moratorium");
- (ii) Upon the expiry of the first 6-Month Moratorium, our Company must ensure that our Promoters' aggregate shareholdings amounting to 45% of our nominal issued and paid-up ordinary share capital remain under moratorium for another period of 6 months ("Second 6-Month Moratorium"); and
- (iii) On the expiry of the Second 6-Month Moratorium, our Promoters may sell, transfer or assign up to a maximum of 1/3 per annum (on a straight line basis) of those QES Shares held under moratorium.

Details of our Promoters and their Shares which will be subject to the abovesaid moratorium, are set out below:

Promoters	No. of QES Shares held upon admission			
	Moratorium shares during the first 6-Month Moratorium ⁽¹⁾		Moratorium shares during the Second 6-Month Moratorium	
	No. of QES Shares	(2)%	No. of QES Shares	(2)%
Chew Ne Weng	311,873,195	41.1	199,815,042	26.4
Liew Soo Keang	218,942,805	28.9	141,423,558	18.6
	530,816,000	70.0	341,238,600	45.0

Notes:

(1) After the Offer for Sale.

(2) Based on the enlarged share capital of 758,308,000 Shares after our IPO.

The moratorium has been fully accepted by the Promoters, who have provided written undertakings that they will not sell, transfer or assign their shareholdings under moratorium during the moratorium period.

The moratorium restrictions are specifically endorsed on the share certificates representing the Shares under moratorium held by the Promoters to ensure that our Share Registrar does not register any transfer that contravenes with such restrictions.

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10. RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST**10.1 RELATED PARTY TRANSACTIONS**

Save as disclosed below, for the past 3 FYEs 2014 to 2016 and FPE 2017, there were no transactions, existing and/or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them which are significant in relation to the business of our Company and our subsidiaries, as defined under the Listing Requirements.

Related parties QES (Thailand) ⁽¹⁾	Transacting companies within our Group QES (Asia-Pacific)	Nature of relationship Chew Ne Weng and Liew Soo Keang were common directors and shareholders.	Nature of transaction to/by our Group Sales by QES (Asia-Pacific) to QES (Thailand)	Value of transactions			
				FYE 2014	FYE 2015	FYE 2016	FPE 2017
				RM'000	RM'000	RM'000	RM'000
				2,439	5,232	5,345	2,581
			Commission paid by QES (Asia-Pacific) to QES (Thailand)	33	161	82	53
			Management fee income received by QES (Asia-Pacific) from QES (Thailand)	223	86	-	-
QES (Thailand) ⁽¹⁾	QS Instruments	Chew Ne Weng and Liew Soo Keang were common directors and shareholders.	Sales by QS Instruments to QES (Thailand)	3,032	3,008	4,707	3,238
QES (Thailand) ⁽¹⁾	VMX	Chew Ne Weng and Liew Soo Keang were common directors and shareholders.	Commission paid by QS Instruments to QES (Thailand)	16	-	31	-
QES (Thailand) ⁽¹⁾	VMX	Chew Ne Weng and Liew Soo Keang were common directors and shareholders.	Sales by VMX to QES (Thailand)	136	-	-	-

10. RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST (Cont'd)

Related parties	Transacting companies within our Group	Nature of relationship	Nature of transaction to/by our Group	Value of transactions			
				FYE 2014 RM'000	FYE 2015 RM'000	FYE 2016 RM'000	FPE 2017 RM'000
QES (Thailand) ⁽¹⁾	Creden Mechatronic	Chew Ne Weng and Liew Soo Keang were common directors and shareholders.	Sales by Creden Mechatronic to QES (Thailand)	12	-	-	-
			Commission paid by Creden Mechatronic to QES (Thailand)	-	21	114	182
QES (Singapore) ⁽¹⁾	QES (Asia-Pacific)	Chew Ne Weng and Liew Soo Keang were common directors and shareholders.	Sales by QES (Asia-Pacific) to QES (Singapore)	1,551	7,441	4,415	6,565
			Purchases by QES (Asia-Pacific) from QES (Singapore)	1,181	21	254	33
			Commission paid by QES (Asia-Pacific) to QES (Singapore)	13	198	-	-
			Management fees income received by QES (Asia-Pacific) from QES (Singapore)	-	43	-	-
			Management fees paid by QES (Asia-Pacific) to QES (Singapore)	131	-	-	-
QES (Singapore) ⁽¹⁾	QS Instruments	Chew Ne Weng and Liew Soo Keang were common directors and shareholders.	Sales by QS Instruments to QES (Singapore)	1,108	1,098	2,008	759
			Commission paid by QS Instruments to QES (Singapore)	8	-	12	-

10. RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST (Cont'd)

Related parties	Transacting companies within our Group	Nature of relationship	Nature of transaction to/by our Group	Value of transactions			
				FYE 2014	FYE 2015	FYE 2016	FPE 2017
				RM'000	RM'000	RM'000	RM'000
QES (Singapore) ⁽¹⁾	VMX	Chew Ne Weng and Liew Soo Keang were common directors and shareholders.	Sales by VMX to QES (Singapore)	38	-	-	-
QES (Singapore) ⁽¹⁾	Creden Mechatronic	Chew Ne Weng and Liew Soo Keang were common directors and shareholders.	Sales by Creden Mechatronic to QES (Singapore)	1,111	550	72	459
			Purchases by Creden Mechatronic from QES (Singapore)	-	-	-	8
QES (Singapore) ⁽¹⁾	QAM	Chew Ne Weng and Liew Soo Keang were common directors and shareholders.	Purchases by QAM from QES (Singapore)	6	-	-	-
QES (Manila), Inc. ⁽²⁾	QES (Asia-Pacific)	Liew Soo Keang was a common director and shareholder. Chew Ne Weng was a common shareholder.	Sales by QES (Asia-Pacific) to QES (Manila)	467	241	501	31
			Purchases by QES (Asia-Pacific) from QES (Manila)	221	-	-	-
			Commission paid by QES (Asia-Pacific) to QES (Manila)	1,071	1,473	1,866	-
			Management fees income received by QES (Asia-Pacific) from QES (Manila)	-	43	-	-

10. RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST (Cont'd)

Related parties	Transacting companies within our Group	Nature of relationship	Nature of transaction to/by our Group	Value of transactions			
				FYE 2014 RM'000	FYE 2015 RM'000	FYE 2016 RM'000	FYE 2017 RM'000
QES (Manila), Inc. ⁽²⁾	QAM	Liew Soo Keang was a common director and shareholder. Chew Ne Weng was a common shareholder.	Sales by QAM to QES (Manila)	2	7	-	-
QES (Manila), Inc. ⁽²⁾	QS Instruments	Liew Soo Keang was a common director and shareholder. Chew Ne Weng was a common shareholder.	Sales by QS Instruments to QES (Manila)	121	890	-	-
			Commission paid by QS Instruments to QES (Manila)	1,074	924	-	-
QES (Manila), Inc. ⁽²⁾	Creden Mechatronic	Liew Soo Keang was a common director and shareholder. Chew Ne Weng was a common shareholder.	Sales by Creden Mechatronic to QES (Manila)	2	-	2	-
			Commission paid by Creden Mechatronic to QES (Manila)	-	117	291	-
QES (China) Co., Ltd ⁽²⁾	QES (Asia-Pacific)	Chew Ne Weng and Liew Soo Keang were directors and shareholders of QES (International) Co. Ltd, being the holding company of QES (China) Co., Ltd	Commission paid by QES (Asia-Pacific) to QES (China) Co., Ltd	-	29	-	-
QES (China) Co., Ltd ⁽²⁾	QAM	Chew Ne Weng and Liew Soo Keang were directors and shareholders of QES (International) Co. Ltd, being the holding company of QES (China) Co., Ltd.	Commission paid by QAM to QES (China) Co., Ltd	154	59	55	-

10. RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST (Cont'd)

Related parties	Transacting companies within our Group	Nature of relationship	Nature of transaction to/by our Group	Value of transactions			
				FYE 2014 RM'000	FYE 2015 RM'000	FYE 2016 RM'000	FYE 2017 RM'000
QES (China) Co., Ltd ⁽²⁾	Creden Mechatronic	Chew Ne Weng and Liew Soo Keang were directors and shareholders of QES (International) Co. Ltd, being the holding company of QES (China) Co., Ltd.	Sales by Creden Mechatronic to QES (China) Co., Ltd	2	-	-	-
			Commission paid by Creden Mechatronic to QES (China) Co., Ltd	144	-	-	-
Chew Ne Weng	QES (Asia-Pacific)	Chew Ne Weng is our Director and substantial shareholder.	Repayment of director's advances	400	-	-	-
Chew Ne Weng	Creden Engineering	Chew Ne Weng is our Director and substantial shareholder.	Repayment of director's advances	6	-	-	-
Liew Soo Keang	QES (Asia-Pacific)	Liew Soo Keang is our Director and substantial shareholder.	Repayment of director's advances	952	-	-	-

Notes:

⁽¹⁾ Our substantial shareholders have ceased to be shareholders and directors of QES (Thailand) and QES (Singapore) in December 2014. The value of transactions presented for FYE 2015, FYE 2016 and FYE 2017 is merely for information purposes. Furthermore in December 2016, we acquired majority shareholdings in both QES (Thailand) and QES (Singapore) making both of them our subsidiaries. As such, transactions between our Group and QES (Thailand) or QES (Singapore) are no longer related party transactions.

⁽²⁾ Our substantial shareholders have ceased to be shareholder and director of QES (Manila) Inc. and QES (International) Co. Ltd (being the holding company of QES (China) Co., Ltd) in December 2014. As such, QES (Manila) Inc., QES (International) Co. Ltd and QES (China) Co., Ltd are no longer our related parties. The value of transactions presented for FYE 2015, FYE 2016 and FYE 2017 is merely for information purposes.

10. RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST (Cont'd)

Our Directors are of the view that the above related party transactions were conducted on an arm's length basis and were carried out in the ordinary course of business and on competitive commercial terms not more favourable to the related parties than those generally available to the public and were not to the detriment of our minority shareholders.

As provided under the Listing Requirements, in order to mitigate any potential conflict of interest arising from any recurrent related party transactions, our Board may seek the approval from our non-interested shareholders for a mandate to continue to enter into recurrent transactions, should the need arise, at the next general meeting of our Company. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such recurrent transactions in our ordinary course of business without the need to convene numerous general meetings to approve such recurrent transactions as and when they are entered into.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit Committee will, review any related party transaction and the terms thereof and report to our Board for further action. Where necessary, our Board would make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

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10. RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST (Cont'd)**10.2 CONFLICT OF INTEREST**

As at the LPD, none of our Directors or substantial shareholders has any interest, direct or indirect, in other businesses or corporations carrying on a similar or related trade as our Group, or is customers and/or suppliers of our Group.

10.3 OTHER TRANSACTIONS**10.3.1 Transactions entered into that are unusual in their nature or conditions**

Our Directors have confirmed that there were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which we or any of our subsidiaries were a party in respect of the past 3 FYEs 2014 to 2016 and FPE 2017.

10.3.2 Outstanding loans (including guarantees of any kind) made by us or any of our subsidiaries to/for the benefit of related parties

There were no outstanding loans (including guarantees of any kind) made by us to or for the benefit of a related party in respect of the past 3 FYEs 2014 to 2016 and FPE 2017.

10.3.3 Promotions of any material assets acquired/to be acquired within 3 years preceding the date of this Prospectus

None of our Directors or substantial shareholders had any interest, direct or indirect, in the promotion of or in any material assets which had been, within the past 3 FYEs 2014 to 2016 and FPE 2017, acquired or proposed to be acquired or disposed of or proposed to be disposed of by or leased or proposed to be leased to us.

10.4 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS

- (i) M&A Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Adviser, Sponsor, Underwriter and Placement Agent for our Listing.
- (ii) Deol & Gill has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Solicitors for our Listing.
- (iii) Moore Stephens Associates PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for our Listing.
- (iv) Protégé has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the IMR for our Listing.