

**QES GROUP BERHAD ("QES")**

**QUESTIONS ADDRESSED DURING THE QUESTIONS AND ANSWERS SESSION  
AT THE 10<sup>TH</sup> ANNUAL GENERAL MEETING (AGM) HELD ON 31 MAY 2024**

**Live Questions Posted during the AGM**

The Group Managing Director, Mr. Chew Ne Weng (Mr. Chew) had addressed the following questions received via the Query Box:-

**1. Teh Kian Liang (Shareholder) raised the following questions :-**

**Q1- Will 2024 be an improvement over 2023, or will it present new challenges?**

A1 -Mr. Chew perceives that 2024 will be better than 2023, citing that a significant portion of QES's revenue comes from semiconductor sector, which is projected to improve in the second half of 2024 based on their forecast.

**Q2 - What are the top 3 challenges expected for 2024?**

Mr. Chew replied that the top three challenges expected for 2024 include attracting and retaining talent, which is a widespread issue across manufacturing and distribution sectors; supply chain disruptions and delivery delays; and navigating the semiconductor landscape amidst complexities such as potential overproduction of electric vehicles (EVs), tariffs imposed by the US against Chinese EVs, and associated debt issues, all of which could impact the overall market.

**2. One of the shareholders, along with others, inquired about the door gift for this AGM.**

Mr. Chew responded to shareholder inquiries by clarifying that a RM30.00 Touch 'n Go e-Wallet credit will be distributed to shareholders as a token of appreciation at the conclusion of the Annual General Meeting for those who are eligible and participated.

**3. Ahmad Fariz bin Hamzah (Shareholder) enquired about what specific strategies and initiatives are being implemented to increase revenue and drive top-line growth?**

Mr. Chew responded that attendees of QES's investor briefings would be aware that QES has consistently worked to increase its market presence through its two divisions: manufacturing and distribution. He noted a significant focus on manufacturing to develop new product lines tailored to customer requirements. Some machines are specifically designed to meet the unique needs of customers. Additionally, QES is expanding its reach into global markets, including China, Europe, and Japan, to drive top-line growth. Mr. Chew also mentioned the second plant in Batu Kawan, which is expected to be completed by the end of the year, with a move-in date projected for March 2025. This expansion is anticipated to increase capacity significantly.

**4. Tan Jia Jin Proxy for Kenanga Nominees (Tempatan) Sdn Bhd raised the following questions :-**

**Q1 - Given the recent surge in data center investments in Malaysia, will QES benefit by supplying any equipment to these data centers?**

A1- Mr. Chew replied that QES does not generally have direct engagement with data centers but may see indirect gains, as data centers use IC or memory chips through their customers who are manufacturers of these chips. He mentioned that QES has a small distribution division that supplies uninterruptible power supplies, which may involve QES on a bit of engagement with data centers.

**Q2 -What is the management's view on the business outlook for QES in China, given that China has shown signs of recovery in the chip sector? Will QES be able to benefit from this, and would it be competitive for QES to expand in China's market, for example in terms of product pricing?**

Mr. Chew responded that China is experiencing a slow and gradual recovery and anticipates that it will eventually rebound, though 2024 is expected to still see a gradual and slow recovery. Regarding QES's strategy, he mentioned that it is part of the company's plan to move part of its manufacturing products to China, though not all such moves have delivered the expected results. The company is continuously reviewing these distributions and representatives, with hopes of seeing some positive outcomes in 2025.

Mr. Chew acknowledged the presence of local semiconductor competitors in China, who offer low prices and are highly competitive. He stated that QES plans to overcome these challenges by leveraging its relationships with big multinational companies. Through these associations, QES gains valuable insights and hopes to extend its reach to domestic players, thus enhancing its competitive stance in the market.

**5. Goh Pek Hong (Shareholder) enquired on what strategies does the group have in place to add value to the Company, particularly in terms of share price?**

Mr. Chew mentioned that while management does not have direct control over the share price, they are committed to ensuring that the company maintains strong revenue and profit figures. He expressed hope that these results would naturally be reflected in the share price over time.

**6. Chan Jiang Wei proxy for IFast Nominees (Tempatan) Sdn Bhd inquired about the dividend policy.**

Mr. Chew replied that QES does not currently have a specific dividend policy, but if the company is profitable and cash flow permits, they will consider offering better dividends in the long run.

**7. Saw Hooi Yann (shareholder) raised the questions below:-**

**Q1 - MPI, UNISEM, and PENTA have moved into Gallium Nitride (GaN) technology. Has the QES Manufacturing Division supported GaN technology? If yes, please share the list of supported equipment.**

A1- Mr. Chew mentioned that, as far as he knows, GaN technology is still in its very early stages. Currently, the focus is still on silicon carbide. If GaN becomes more prominent, it will be similar to silicon carbide, just utilizing a different material. He believes that the company will have similar technology to support it.

**Q2 - ASEAN semiconductor players are moving toward highly customizable solutions. What are QES Distribution Division's action plans to increase market share? Additionally, can QES modify machines or equipment from suppliers to meet customer requirements?**

A2 -Mr. Chew responded that while ASEAN semiconductor players are moving towards highly customizable solutions, QES is not heavily focused on customization for customers. Strategically, QES aims to offer more standardized products for the semiconductor industry, with only specific customizations as needed. The company does not plan to move towards highly customizable solutions.

**Q3- It was mentioned that QES expects modest improvement for the coming quarters. Which division is expected to perform better, Distribution or Manufacturing? Additionally, which company equipment categories (Inspection, Testing, Measurements/Instrumentation, Tape/Reel, etc.) are experiencing improving demand?"**

A3 - Mr. Chew responded that while distribution is traditionally the larger segment for QES, the manufacturing division is showing a better growth rate due to its operations starting from a lower base. He expects manufacturing to grow much faster compared to distribution, with significant investments going into the manufacturing sector. With the growth in the semiconductor industry, it is anticipated that the manufacturing side will experience better growth and hopefully contribute 30 to 35% in the coming years. He also mentioned that QES always categorizes its equipment into various segments such as Inspection, Testing, Measurements/Instrumentation, and Tape/Reel, with improving demand expected across these categories.

**Q4 - With semiconductor equipment and machines from Taiwan and China becoming more popular, has QES's Distribution Division started supplying equipment from these regions?"**

A4 - Mr. Chew replied that yes, QES's Distribution Division does supply equipment to Taiwan and China.

**Q5 - Could you please provide an update on the company's latest order book amount and utilization rate?"**

A5 - Mr. Chew replied that as of the end of April 2024, there were outstanding orders totaling RM108 million, with RM79 million from manufacturing and RM29 million from distribution. He also explained that the Hicom Glenmarie factory is almost fully utilized at 90%, which is why QES plans to expand the factory to increase capacity at Batu Kawan.

**Q6- What are the company product roadmap plans for both Manufacturing & Distribution division? Please guide us on the product end of life handling.**

A6 - QES has an inspection and measuring product lineup, both semi-automated and fully automatic, and a series of equipment for wafer fabs. We are one of the few involved in wafer fab equipment, which is timely as the Malaysian government aims to attract these wafer fabs. In our manufacturing line, we also focus on solutions for digitalization. In distribution, we are heavily involved in non-semiconductor sectors such as mining and automotive. This diversification strategy ensures that we do not rely solely on semiconductors, given their cyclical nature, despite our 23 years in the industry.

**8 Ler Zi Xun (shareholder) raised the question below:-**

**Given the significant foreign direct investment from global semiconductor firms into ASEAN countries in recent years, does QES Group have confidence in securing order books from these newly built factories, or have they already secured some orders?**

Mr. Chew responded that QES is always looking forward to foreign direct investment (FDI). He mentioned that the Prime Minister recently announced an initiative to attract RM500 billion of investment related to the semiconductor industry. This is good news for QES, and the company expects to secure business opportunities as these FDI's come in.

Mr. Chew further addressed the question regarding FDI, stating that QES has a strong infrastructure across ASEAN and maintains a presence in Singapore, Thailand, the Philippines, and Vietnam.

**9. Chung TzeJin (Shareholder) raised the following questions :**

**Q1- enquired on the reason why are sales in China still low, and is there any plan to expand the team there given the market's size?**

A1 -Mr. Chew explained that China sales are still low and last year was not particularly strong. He also mentioned that this year is expected to see gradual growth, but they do not anticipate a significant increase in sales from

the China market.

**Q2 - Given that many talented Malaysians are going overseas for job opportunities, how does QES plan to attract them to work for QES**

A2- Mr. Chew agreed and reiterated that talent retention is a key challenge that most companies, including QES, will face over the coming years. He mentioned that at the recently concluded Southeast Asia Fair, QES had a career booth alongside big-name companies. This effort is part of a corporate branding exercise to attract engineers and fresh graduates who are exploring job opportunities. By positioning QES alongside well-known companies, they can attract more attention. Additionally, with the government announcing plans to train 60,000 engineers, this is positive news for QES, as the company needs a significant number of engineers.

**10 . There were questions from different shareholders requesting either a physical or online AGM.**

Mr. Chew mentioned that the management will consider the different options and suggestions provided by shareholders.

**11 . Tay Kuo Yuan (Shareholder) enquired on the sustainable competitive advantage that QES's Manufacturing Division has compared to other competitors in the same area.**

Mr. Chew responded that QES has several competitive advantages. The company is well-established, with a strong reputation for delivering reliable products, and is well-known among its customers. These factors contribute to QES's competitive edge. Additionally, QES employs many R&D engineers and collaborates with key clients, enhancing their ability to compete with peers. He also mentioned that the company receives very positive feedback on their equipment at exhibitions.

**10 . Liew Chee Seng (Shareholder) enquired if QES have any plans to venture into AI technologies to enhance the product offerings and potentially improve our share price.**

Mr. Chew mentioned that it won't be AI technology per se, but our equipment will likely have deep learning capabilities and learn through usage. However, we wouldn't classify it as generative AI.

**11 . Gan Wei Wah for Kenanga Nominees (Tempatan) Sdn Bhd enquired how is NSS (National Semiconductor Strategy) going to benefit QES?**

Mr. Chew expressed that the as just announced by the Prime Minister, it's a good strategy. The question is how it will be executed over time. If executed well, it will generally benefit the semiconductor industry, similarly benefiting QES.

**12 . Wong Chung Yew (Shareholder) raised the following questions :-**

**Q1 -What's the reason QES select Vote2u as your meeting provider.**

**Why not Tricor or Boardroom as I feel their experience are more pleasant in relative to vote2u. Is the cost lower in vote-2u.**

A1- Mr. Chew clarified that this decision was made by the management team, emphasizing their commitment to doing their best for the company.

**Q2 -Which product categories will QES focus on in the next 8 - 10 years?**

A2- Mr. Chew mentioned that certainly semiconductors and Electrical and Electronics (E&E) will play a significant role, along with a continuation of what we already do well.

**13 . Lim Seng Chor (Shareholder) requested the Company to share the company's capital expenditure (capex) planning and any additional plans for future expansion, especially in light of the Prime Minister's announcement of the NSS.**

Mr. Chew replied that, with the recent NSS announcement, they have allocated RM 25 billion to assist companies like us and local semiconductor manufacturing. This will provide us with an advantage in the long run. The Ministry also clarified that it will be implemented over a period of 10 years in the form of incentives such as R&D or matching grants, which we are looking forward to.