

NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF SALUTICA BERHAD (“SALUTICA” OR THE “COMPANY”) DATED 28 APRIL 2016 (“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 who is 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, RHB Investment Bank Berhad (“**RHB Investment Bank**”) or Tricor Investor & Issuing House Services Sdn Bhd. Alternatively, the applicant may obtain a copy of the Prospectus, subject to availability, 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 Forms are not available in electronic format.

Jurisdictional Disclaimer

The distribution of the Electronic Prospectus and the sale of the initial public offering (“**IPO**”) shares are subject to Malaysian law. Bursa Securities, RHB Investment Bank and the Company have not authorised and take no responsibility for the distribution of the Electronic Prospectus and/or the sale of the IPO shares 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 IPO shares, 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. (Malaysian time) on 28 April 2016 to 5.00 p.m. (Malaysian time) on 6 May 2016** or such other later time and date or dates as the Board of Directors of Salutica, together with the Principal Adviser, Sponsor, Underwriter and Placement Agent 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 units 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.

PROSPECTUS



SALUTICA BERHAD

(Formerly known as Blue Ocean Genius Sdn Bhd)

(Company No: 1024781-T)

(Incorporated in Malaysia under the Companies Act, 1965)

INITIAL PUBLIC OFFERING ("IPO") OF 101,000,000 ORDINARY SHARES OF RM0.10 EACH IN SALUTICA BERHAD (FORMERLY KNOWN AS BLUE OCEAN GENIUS SDN BHD) IN CONJUNCTION WITH THE LISTING OF AND QUOTATION FOR THE ENTIRE ENLARGED ISSUED AND PAID-UP ORDINARY SHARE CAPITAL OF SALUTICA ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING:-

- (A) A PUBLIC ISSUE OF 78,000,000 NEW SHARES ("ISSUE SHARE(S)") IN THE FOLLOWING MANNER:-
- 19,400,000 ISSUE SHARES MADE AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
 - 9,700,000 ISSUE SHARES MADE AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS AND EMPLOYEES AS WELL AS PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF SALUTICA GROUP AND ITS SUBSIDIARY;
 - 10,100,000 ISSUE SHARES MADE AVAILABLE FOR APPLICATION BY WAY OF PRIVATE PLACEMENT TO INSTITUTIONAL AND IDENTIFIED INVESTORS; AND
 - 38,800,000 ISSUE SHARES MADE AVAILABLE FOR APPLICATION BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY
- (B) AN OFFER FOR SALE OF 23,000,000 EXISTING SHARES ("OFFER SHARE(S)"), MADE AVAILABLE FOR APPLICATION BY WAY OF PRIVATE PLACEMENT TO INSTITUTIONAL AND IDENTIFIED INVESTORS
- AT AN IPO PRICE OF RM0.80 PER ISSUE SHARE/OFFER SHARE, PAYABLE IN FULL UPON APPLICATION

Principal Adviser, Sponsor, Underwriter and Placement Agent

RHB InvestmentBank

(Company No. 19663-P)

(A Participating Organisation of Bursa Malaysia Securities Berhad)



INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER. INVESTORS ARE ADVISED TO NOTE THAT COMPANIES LISTED ON THE ACE MARKET MAY BE OF HIGH INVESTMENT RISK.

THERE ARE CERTAIN RISK FACTORS WHICH PROSPECTIVE INVESTORS SHOULD CONSIDER. PLEASE REFER TO SECTION 4 OF THIS PROSPECTUS FOR "RISK FACTORS".

THIS PROSPECTUS IS DATED 28 APRIL 2016

Tentative dates

Opening date for applications

Thursday, 28 April 2016

Closing date for applications

Friday, 6 May 2016

Date of listing

Wednesday, 18 May 2016

Financial highlights

Refer to Section 11- Financial Information for further details.

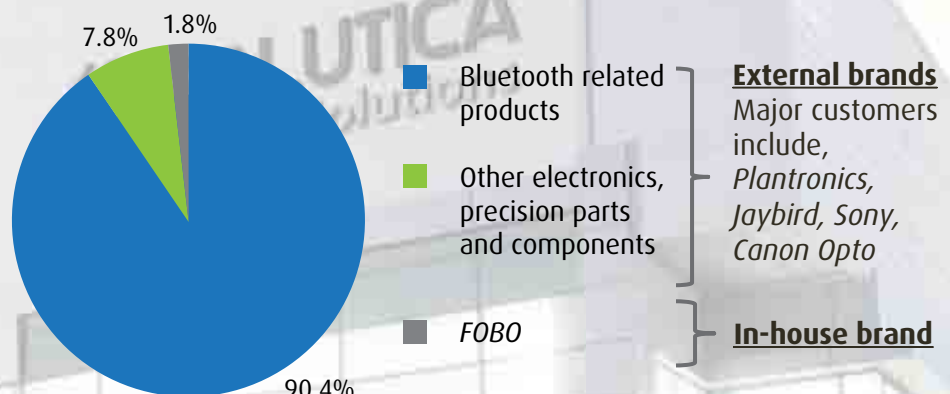
	Salutica Allied		Salutica Group			
	Audited FYE 30 June		Audited FYE 30 June		Unaudited Seven (7) months FPE 31 January	Audited
	2013 RM'000	2014 RM'000	^2014 RM'000	2015 RM'000	2015 RM'000	2016 RM'000
Revenue	78,559	234,212	204,132	192,518	124,266	145,654
(Gross loss) / Gross profit	(1,942)	19,239	16,391	20,438	13,041	27,354
(LBT) / PBT	(14,708)	22,883	*59,248	20,284	10,873	21,295
(LAT) / PAT	(15,029)	23,750	*60,115	27,412	10,750	15,831

* Inclusive of gain on bargain purchase arising from acquisition of a subsidiary of approximately RM45.4 million.

^ For reference purposes only as our Group's results only captures the ten (10) months financial performance of Salutica Allied following the completion of the management buyout of Salutica Allied on 4 September 2013.

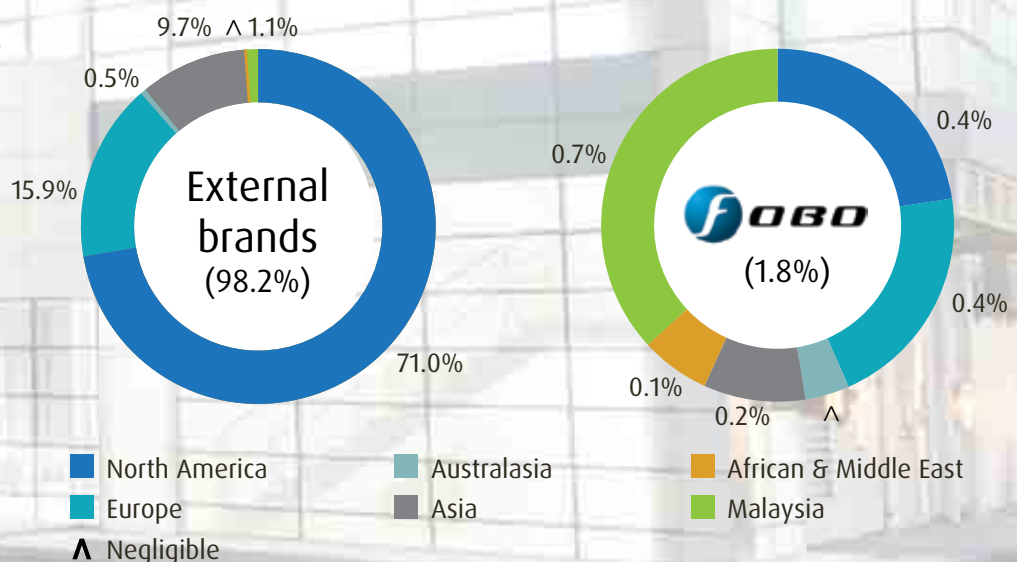
REVENUE BY PRODUCTS

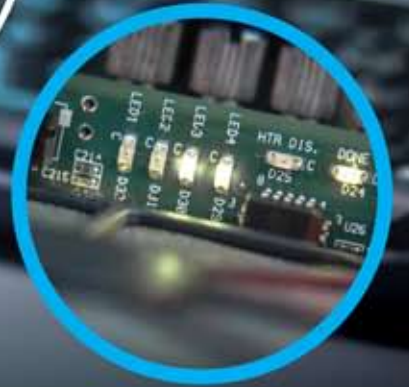
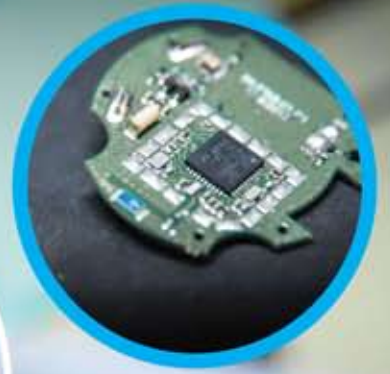
(Based on revenue for
FYE 30 June 2015)



REVENUE BY GEOGRAPHICAL MARKETS

(Based on revenue for
FYE 30 June 2015)





DESIGN





Nano

DEVELOPMENT





MANUFACTURING



All Bluetooth Smart Tire Pressure Monitoring System



 **24x7 Monitoring**



Air is Free, Don't Ride Without It.™



Monitors real time car tire pressure & temperature



24x7 round-the-clock continuous monitoring



Theft deterrent feature. Protected by patent pending CrossPair technology



Share installed FOBO TIRE with up to 100 smart phone users



Low pressure alert even when car ignition is switched off



3 levels smart alert for all tire conditions



Monitors up to 20 cars with one App



Easy DIY installation in less than 5 minutes



All Bluetooth Smart Tire Pressure Monitoring System



24x7 Monitoring



Air is Free, Don't Ride Without It.™



Monitors real time
tire pressure &
temperature



24x7 round-the-clock
continuous
monitoring



Theft deterrent
feature. Protected by
patent pending
CrossPair technology



Share installed FOBO
BIKE with up to 100
smart phone users



2 levels smart alert
for all tire conditions



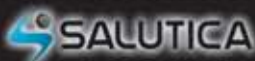
Monitors up to 6
bikes with one App



Easy DIY installation
in less than
5 minutes



www.my-fobo.com



Compatible with iOS 7.1 or Android 4.3
together with Bluetooth 4.0 or later

**All Bluetooth Smart
Tire Pressure Monitoring System
for heavy vehicles**

**f OBO
Ultra**



 **24x7 Monitoring**



Air is Free, Don't Ride Without It.™



**Monitors real time
tire pressure &
temperature**



**24x7 round-the-clock
continuous
monitoring**



**Theft deterrent
feature. Protected by
patent pending
CrossPair technology**



**Share with up to
100 smart phones
with easy authorization
control**



**Easy DIY
installation**



**3 levels smart alert
for breach of
thresholds**



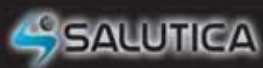
**Monitors multiple
vehicles with
one App**



**Monitors multiple
trailers through patent
pending FOBO Intra
Connect Technology
(Up to 94 tires)**



www.my-fobo.com



 **Compatible with iOS 7.1 or Android 4.3
together with Bluetooth 4.0 or later**

RESPONSIBILITY STATEMENTS

OUR DIRECTORS, THE PROMOTERS AND THE SELLING SHAREHOLDERS 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 ARE NO FALSE OR MISLEADING STATEMENTS OR OTHER FACTS, THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT IN THIS PROSPECTUS FALSE OR MISLEADING.

RHB INVESTMENT BANK BERHAD ("**RHB INVESTMENT BANK**"), AS OUR PRINCIPAL ADVISER, SPONSOR, UNDERWRITER, AND PLACEMENT AGENT ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE INITIAL PUBLIC OFFERING ("**IPO**").

IMPORTANT NOTICE

A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH 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 BY US. THE SC ALSO 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 YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE IPO AND THE INVESTMENT. INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD IMMEDIATELY CONSULT THEIR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS.

APPROVAL HAS BEEN OBTAINED FROM BURSA MALAYSIA SECURITIES BERHAD ("**BURSA SECURITIES**") FOR THE LISTING OF AND QUOTATION FOR THE ENTIRE ISSUED AND PAID-UP ORDINARY SHARES OF RM0.10 EACH IN OUR COMPANY ("**SHARE(S)**"). ADMISSION TO THE OFFICIAL LIST OF BURSA SECURITIES IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF THE IPO, OUR COMPANY OR OUR SHARES.

BURSA SECURITIES IS NOT LIABLE FOR ANY NON-DISCLOSURE IN THIS PROSPECTUS BY US 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 YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

OUR SHARES ARE CLASSIFIED AS SHARIAH-COMPLIANT BY THE SHARIAH ADVISORY COUNCIL OF THE SC ("**SAC**") BASED ON THE FINANCIAL YEAR ENDED 30 JUNE 2015. THIS CLASSIFICATION REMAINS VALID FROM THE DATE OF THIS PROSPECTUS UNTIL THE NEXT SHARIAH COMPLIANCE REVIEW UNDERTAKEN BY THE SAC. UPDATES ON THE CLASSIFICATION WILL BE RELEASED IN THE UPDATED LIST OF SHARIAH-COMPLIANT SECURITIES, ON THE LAST FRIDAY OF THE MONTH OF MAY AND NOVEMBER OF EACH YEAR.

A COPY OF THIS PROSPECTUS, TOGETHER WITH THE APPLICATION FORM, HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES OF MALAYSIA, WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

OTHER STATEMENTS

COMPANIES LISTED ON THE ACE MARKET OF BURSA SECURITIES MAY HAVE A LIMITED OPERATING HISTORY OR MAY NOT HAVE ANY PROFIT TRACK RECORD PRIOR TO THE LISTING. SUCH COMPANIES MAY BE OF HIGH INVESTMENT RISK. AS WITH ALL INVESTMENTS, PROSPECTIVE INVESTORS 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, AMONGST OTHERS, THIS PROSPECTUS, LATEST FINANCIAL STATEMENTS AND CORPORATE ANNOUNCEMENTS. YOU ARE STRONGLY RECOMMENDED TO SEEK ADVICE FROM A SECURITIES PROFESSIONAL AND/OR ADVISER.

THE ISSUE, OFFER OR INVITATION FOR THE OFFERING 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.

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 CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THIS PROSPECTUS IS NOT INTENDED TO BE ISSUED, CIRCULATED OR DISTRIBUTED, AND OUR IPO WILL NOT BE MADE IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA. OUR IPO TO WHICH THIS PROSPECTUS RELATES IS ONLY AVAILABLE TO PERSONS RECEIVING THIS PROSPECTUS ELECTRONICALLY OR OTHERWISE WITHIN MALAYSIA. WE AND OUR PRINCIPAL ADVISER HAVE NOT AUTHORISED AND TAKE NO RESPONSIBILITY FOR THE DISTRIBUTION OF THIS PROSPECTUS (IN PRELIMINARY OR FINAL FORM) OUTSIDE MALAYSIA. ACCORDINGLY, THIS PROSPECTUS MAY NOT BE USED FOR THE PURPOSE OF AND DOES NOT CONSTITUTE AN OFFER FOR SUBSCRIPTION OR PURCHASE OR INVITATION TO SUBSCRIBE FOR OR PURCHASE, ANY SECURITIES UNDER OUR IPO IN ANY JURISDICTION OR IN ANY CIRCUMSTANCES IN WHICH SUCH AN OFFER IS NOT AUTHORISED OR IS UNLAWFUL OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THIS PROSPECTUS AND THE SALE OF OUR IPO SHARES (AS DEFINED HEREIN) IN CERTAIN JURISDICTION 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.

WE WILL NOT MAKE OR BE BOUND TO MAKE ANY ENQUIRY BEFORE ANY ACCEPTANCE IN RESPECT OF OUR IPO AS TO WHETHER YOU HAVE A REGISTERED ADDRESS IN MALAYSIA. WE WILL NOT ACCEPT OR BE DEEMED TO ACCEPT ANY LIABILITY WHETHER OR NOT ANY ENQUIRY OR INVESTIGATION HAS BEEN MADE IN CONNECTION WITH IT. IT IS YOUR SOLE RESPONSIBILITY TO CONSULT YOUR LEGAL AND/OR OTHER PROFESSIONAL ADVISERS AS TO WHETHER OUR IPO WOULD RESULT IN THE CONTRAVENTION OF ANY LAWS OR JURISDICTIONS OF MALAYSIA.

FURTHER, IT SHALL ALSO BE YOUR SOLE RESPONSIBILITY TO ENSURE THAT YOUR APPLICATION FOR OUR SHARES WOULD BE IN COMPLIANCE WITH THE TERMS OF OUR IPO AND WOULD NOT BE IN CONTRAVENTION OF ANY LAWS OF COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO WHICH YOU MAY BE SUBJECT TO. WE WILL FURTHER ASSUME THAT YOU HAD ACCEPTED THIS IPO IN MALAYSIA AND WILL AT ALL APPLICABLE TIMES BE SUBJECT 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.

THIS PROSPECTUS IS PREPARED AND PUBLISHED SOLELY FOR OUR IPO IN MALAYSIA UNDER THE LAWS OF MALAYSIA. IT 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 OF ANY JURISDICTION OTHER THAN MALAYSIA.

OUR SHARES ARE ISSUED IN MALAYSIA SOLELY BASED ON THE CONTENTS OF THIS PROSPECTUS. WE AND OUR PRINCIPAL ADVISER HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION, WHICH IS NOT CONTAINED IN THIS PROSPECTUS.

ELECTRONIC PROSPECTUS

THIS PROSPECTUS CAN ALSO BE VIEWED OR DOWNLOADED FROM BURSA SECURITIES' WEBSITE AT www.bursamalaysia.com.

THE CONTENTS OF THE ELECTRONIC PROSPECTUS ARE AS PER THE CONTENTS OF THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC. A COPY OF THIS PROSPECTUS SO REGISTERED IS AVAILABLE FROM THE WEBSITES OF RHB BANK BERHAD AT www.rhbgroup.com, MALAYAN BANKING BERHAD AT www.maybank2u.com.my, CIMB INVESTMENT BANK BERHAD AT www.eipocimb.com, CIMB BANK BERHAD AT www.cimbclicks.com.my, AFFIN BANK BERHAD AT www.affinonline.com, AFFIN HWANG INVESTMENT BANK BERHAD AT trade.affinhwang.com AND PUBLIC BANK BERHAD AT www.pbebank.com.

YOU ARE ADVISED THAT THE INTERNET IS NOT A FULLY SECURE MEDIUM AND THAT YOUR INTERNET SHARE APPLICATION (AS DEFINED HEREIN) IS SUBJECT TO THE RISKS OF PROBLEMS OCCURRING DURING 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 DOUBT THE VALIDITY OR THE INTEGRITY OF AN ELECTRONIC PROSPECTUS, YOU SHOULD IMMEDIATELY REQUEST FROM US OR THE ISSUING HOUSE, A PAPER/PRINTED COPY OF THIS PROSPECTUS. IF THERE IS ANY DISCREPANCY 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 THIS PROSPECTUS REGISTERED WITH THE SC SHALL PREVAIL. THE ELECTRONIC PROSPECTUS SUBMITTED TO THE SC AND BURSA SECURITIES IS THE SAME AS THE REGISTERED PAPER PRINTED COPY.

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:-

- I. WE AND OUR PRINCIPAL ADVISER DO NOT ENDORSE AND ARE NOT AFFILIATED IN ANY WAY TO THE THIRD PARTY INTERNET SITES AND ARE NOT RESPONSIBLE FOR THE AVAILABILITY OF, OR THE CONTENT 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;
- II. WE AND OUR PRINCIPAL ADVISER ARE NOT RESPONSIBLE FOR THE QUALITY OF PRODUCTS OR SERVICES IN THE THIRD PARTY INTERNET SITES, PARTICULARLY IN FULFILLING ANY OF THE TERMS OF YOUR AGREEMENTS WITH THE THIRD PARTY INTERNET SITES. WE AND OUR PRINCIPAL ADVISER ARE ALSO NOT RESPONSIBLE FOR ANY LOSS OR DAMAGE OR COST 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 ON ANY DATA, INFORMATION, FILES OR OTHER MATERIAL PROVIDED BY SUCH PARTIES; AND
- III. ANY DATA, INFORMATION, FILES OR OTHER MATERIAL DOWNLOADED FROM THE THIRD PARTY INTERNET SITES IS DONE AT YOUR OWN DISCRETION AND RISK. WE AND OUR PRINCIPAL 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 WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS, YOU ARE ADVISED THAT:-

- I. 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 ON THE WEB SERVERS OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS WHICH MAY BE VIEWED VIA YOUR WEB BROWSER OR OTHER RELEVANT SOFTWARE. THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE NOT RESPONSIBLE IN ANY WAY FOR THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS WHICH HAS BEEN DOWNLOADED OR OBTAINED FROM THE WEB SERVERS OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS AND SUBSEQUENTLY, COMMUNICATED OR DISSEMINATED IN ANY MANNER TO YOU OR OTHER PARTIES.
- II. 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 BECAUSE THE INTERNET IS NOT A FULLY SECURE MEDIUM.

THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE NOT 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 FAULTS WITH WEB BROWSERS OR OTHER RELEVANT SOFTWARE, ANY 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 WEBSITES 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.

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INDICATIVE TIMETABLE

The indicative timing of events leading to the listing of and quotation for our entire enlarged issued and paid-up 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 Shares	28 April 2016
Closing of the application for our IPO Shares	6 May 2016
Balloting of applications for the Issue Shares	10 May 2016
Allotment/transfer of the IPO Shares to successful applicants	16 May 2016
Date of Listing	18 May 2016

Note:-

This timetable is tentative and is subject to changes which may be necessary to facilitate implementation procedures. The application period for the IPO will close at the date stated above or such later date as our Board, Promoters and Selling Shareholders together with our Underwriter in their absolute discretion may mutually decide.

In the event the closing date of application is extended, we will advertise a notice of the extension in widely circulated English and Bahasa Malaysia newspapers in Malaysia prior to the original closing date of the application. Following this, the dates for the balloting of the applications for the Issue Shares, allotment/transfer of the IPO Shares and listing would be extended accordingly.

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DEFINITIONS

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

“ACE Market”	:	The ACE Market of Bursa Securities
“Act”	:	Companies Act, 1965, as amended from time to time
“ADA(s)”	:	Authorised Depository Agent(s)
“AGM”	:	Annual general meeting
“Application(s)”	:	The application(s) for the Issue Shares by way of Application Form or Electronic Share Application or Internet Share Application
“Application Form(s)”	:	Collectively, the White Application Form(s) and Pink Application Form(s)
“ATM(s)”	:	Automated teller machine(s)
“Authorised Financial Institution(s)”	:	Authorised financial institution(s) participating in the Internet Share Application in respect of the payments for the Issue Shares
“Balda AG Group”	:	Collectively, Balda AG and its subsidiary companies
“Board”	:	Board of Directors of Salutica
“BOE”	:	Blue Ocean Enlightenment Sdn Bhd (Company No. 1143309-D)
“Bonus Issue”	:	Bonus issue of 30,992,800 new ordinary shares of RM1.00 each on the basis of approximately 4,304.6 new ordinary shares of RM1.00 each for every existing one (1) ordinary share of RM1.00 each held in Salutica which was completed on 30 June 2015
“Bursa Depository”	:	Bursa Malaysia Depository Sdn Bhd (Company No. 165570-W)
“Bursa Securities”	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
“CAGR”	:	Compound annual growth rate
“CDS”	:	Central Depository System
“CDS Account(s)”	:	Securities account(s) established by Bursa Depository for a depositor pursuant to the SICDA and the rules of Bursa Depository for the recording of deposits of securities and dealings in such securities by the depositor
“CMSA”	:	Capital Markets and Services Act, 2007, as amended from time to time
“Depositor”	:	A person having a securities account with Bursa Depository
“Director(s)”	:	Has the meaning given to it in Section 2(1) of the CMSA
“EBITDA”	:	Earnings before interest, taxation, depreciation and amortisation
“Electronic Share Application”	:	Application for the Issue Shares through a Participating Financial Institution’s ATM
“EPS”	:	Earnings per share
“financial period under review”	:	Collectively, FYE 30 June 2013, 2014 and 2015 as well as the seven (7) months FPE 31 January 2016
“FOBO”	:	The brand name of our in-house Bluetooth related devices

DEFINITIONS (Cont'd)

“FPE”	:	Financial period ended/ending, as the case may be
“FYE”	:	Financial year ended/ending, as the case may be
“Genius Thinkers”	:	Genius Thinkers Sdn Bhd (Company No. 1141165-W)
“GP”	:	Gross profit
“GST”	:	Goods and services tax
“Hong Kong”	:	Hong Kong Special Administrative Region
“IFRS”	:	International Financial Reporting Standards
“IMR” or “Smith Zander”	:	Smith Zander International Sdn Bhd (Company No. 1058128-V), our Independent Market Researcher
“Internet Participating Financial Institution(s)”	:	Participating financial institution(s) for the Internet Share Application
“Internet Share Application”	:	Application for the Issue Shares through an Internet Participating Financial Institution
“IPO”	:	Initial public offering comprising the Public Issue and the Offer for Sale, collectively
“IPO Price”	:	The issue price/offer price of RM0.80 per Issue Share/Offer Share
“IPO Share(s)”	:	Collectively, the Issue Share(s) and the Offer Share(s)
“Issue Share(s)”	:	78,000,000 new Salutica Share(s) at the IPO Price to be issued pursuant to the Public Issue
“Issuing House” or “Share Registrar” or “Tricor”	:	Tricor Investor & Issuing House Services Sdn Bhd (Company No. 11324-H)
“James Lim”	:	Lim Chong Shyh
“Jaybird”	:	Jaybird LLC
“Joel Lim”	:	Joel Lim Phan Hong
“Joshua Lim”	:	Joshua Lim Phan Yih
“LAT”	:	Loss after taxation
“LBITDA”	:	Losses before interest, taxation, depreciation and amortisation
“LBT”	:	Loss before taxation
“Listing”	:	Listing of and quotation for 388,000,000 Shares representing the entire enlarged issued and paid-up share capital of our Company on the ACE Market of Bursa Securities
“Listing Requirements”	:	ACE Market Listing Requirements of Bursa Securities, as amended from time to time
“LPD”	:	31 March 2016, being the latest practicable date prior to the registration of this Prospectus
“LPS”	:	Loss per share
“Malaysian Public”	:	Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated and organised under the laws of Malaysia
“Market Day(s)”	:	A day(s) on which Bursa Securities is open for trading of securities
“MFRS”	:	Malaysian Financial Reporting Standards

DEFINITIONS (Cont'd)

"MIDA"	:	Malaysian Investment Development Authority
"MITI"	:	Ministry of International Trade and Industry of Malaysia
"NA"	:	Net assets
"Offer for Sale"	:	Offer for sale of 23,000,000 Offer Shares by the Selling Shareholders to investors to be identified at a later stage at the IPO Price
"Offer Share(s)"	:	Share(s) to be offered pursuant to the Offer for Sale
"Official List"	:	A list specifying all securities listed on Bursa Securities
"Participating Financial Institution(s)"	:	Participating financial institution(s) for the Electronic Share Application
"PAT"	:	Profit after taxation
"PBT"	:	Profit before taxation
"Pink Application Form(s)"	:	Application form(s) for the Application of the Issue Shares allocated for eligible Directors and employees as well as persons who have contributed to the success of our Group as set out in Section 3.3.1(ii) of this Prospectus
"Plantronics"	:	Plantronics B.V.
"PPE"	:	Property, plant and equipment
"PRC"	:	People's Republic of China
"Principal Adviser" or "RHB Investment Bank" or "Sponsor" or "Underwriter" or "Placement Agent"	:	RHB Investment Bank Berhad (Company No. 19663-P)
"Promoter(s)"	:	Collectively, BOE, Genius Thinkers, James Lim, Joshua Lim and Joel Lim
"Prospectus"	:	This prospectus dated 28 April 2016 issued by our Company in respect of our IPO
"Prospectus Guidelines"	:	Prospectus Guidelines issued by the SC, as amended from time to time
"Public Issue"	:	The public issue of 78,000,000 Issue Shares at the IPO Price, comprising the following:- <ul style="list-style-type: none"> (a) 19,400,000 Issue Shares, representing 5.0% of the enlarged issued and paid-up share capital of Salutica, available for application by the Malaysian Public; (b) 9,700,000 Issue Shares, representing approximately 2.5% of the enlarged issued and paid-up share capital of Salutica reserved for application by eligible Directors and employees as well as persons who have contributed to the success of our Group; (c) 10,100,000 Issue Shares, representing approximately 2.6% of the enlarged issued and paid-up share capital of Salutica, allocated by way of private placement to institutional and identified investors; and (d) 38,800,000 Issue Shares, representing approximately 10.0% of the enlarged issued and paid-up share capital of Salutica, allocated by way of private placement to identified Bumiputera investors approved by the MITI

DEFINITIONS (Cont'd)

“Record of Depositors”	:	A record of depositors established by Bursa Depository under the Rules of Bursa Depository
“ROC”	:	Registrar of Companies of Malaysia
“Rules of Bursa Depository”	:	The rules of Bursa Depository as issued pursuant to the SICDA
“R&D”	:	Research and development
“Salutica” or “Company”	:	Salutica Berhad (<i>formerly known as Blue Ocean Genius Sdn Bhd</i>) (Company No. 1024781-T)
“Salutica Allied”	:	Salutica Allied Solutions Sdn Bhd (Company No. 206341-H), our wholly-owned subsidiary
“Salutica Group” or “Group”	:	Collectively, Salutica and Salutica Allied
“SC”	:	Securities Commission Malaysia
“Selling Shareholder(s)”	:	Collectively, BOE, James Lim, Joshua Lim, Joel Lim, Chan Shook Ling, Chin Seen Choon, Ho Keat Soong and Goh Bee Chin @ Ooi Bee Chin undertaking the Offer for Sale as follows:-

		Approximate percentage of the enlarged share capital after the Public Issue (%)
Name	No. of Offer Shares	
BOE	8,250,000	2.13
James Lim	6,027,780	1.55
Joshua Lim	861,110	0.22
Joel Lim	861,110	0.22
Chan Shook Ling	1,750,000	0.45
Chin Seen Choon	1,750,000	0.45
Ho Keat Soong	1,750,000	0.45
Goh Bee Chin @ Ooi Bee Chin	1,750,000	0.45
Total	23,000,000	5.92

“Share(s)” or “Salutica Share(s)”	:	Ordinary share(s) of par value RM0.10 each in our Company
“Sony”	:	Sony Mobile Communications AB and its affiliates
“Subdivision of Shares”	:	Subdivision of every existing one (1) ordinary share of RM1.00 each into ten (10) ordinary shares of RM0.10 each held in Salutica immediately after the completion of the Bonus Issue on 30 June 2015
“SICDA”	:	Securities Industry (Central Depositories) Act, 1991, as amended from time to time and any re-enactment thereof
“Taiwan”	:	Republic of China (Taiwan)
“UK”	:	United Kingdom
“Underwriting Agreement”	:	Underwriting agreement entered into between our Company and the Underwriter on 8 April 2016 in relation to the Public Issue

DEFINITIONS (Cont'd)

“US”	:	United States of America
“White Application Form(s)”	:	Application form(s) for the application of the Issue Shares allocated to the Malaysian Public as set out in Section 3.3.1(i) of this Prospectus

CURRENCIES, UNITS AND OTHERS

“EUR”	:	Euro
“RM” and “sen”	:	Ringgit Malaysia and sen
“USD”	:	United States Dollar
“%”	:	Per centum

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GLOSSARY OF TECHNICAL TERMS

This glossary contains explanation of certain terms used in this Prospectus in connection with our Group and business. The terminologies and their meanings may not correspond to the standard industry meanings or usage of these terms.

“01005 component”	:	A component measuring 0.4 mm x 0.2 mm or 0.016 inches x 0.008 inches
“1k painting”	:	One component painting, where this paint does not require a hardener, catalyst or activator
“2D”	:	Two-dimensional, where perception incorporates length and breadth
“2k painting”	:	Two component painting, where this paint needs to be mixed with a hardener, catalyst or activator
“3D”	:	Three-dimensional, where perception incorporates length, breadth and depth
“acoustic chamber”	:	A room for audio testing
“AFH”	:	Adaptive Frequency Hopping, where there is a repeated switching of transmission between frequency channels to avoid interference
“Android”	:	A mobile operating system which is currently developed by Google and is used for mobile devices such as smartphones and tablets
“Bluetooth”	:	A wireless technology standard for exchanging data over short distances (i.e. within a theoretical distance of 100 metres, In application, Bluetooth-enabled devices typically have an operating distance of 10 metres) using short-wavelength UHF radio waves in the ISM band from 2.4 to 2.485 GHz from fixed and mobile devices, and building personal area networks
		The theoretical distance refers to the maximum range of Bluetooth connections between devices under ideal laboratory testing conditions. The operating distance refers to the typical Bluetooth range under actual conditions due to factors such as transmitter and receiver strength (based on type of device), frequency interference (as a result of the presence of other Bluetooth devices), and line of sight obstructions, all of which may impact Bluetooth signal range
“Bluetooth Special Interest Group”	:	A body that owns the Bluetooth trademarks and oversees the development of Bluetooth standards
“box-build assembly”	:	The assembly of complete products which involves the assembly of completed PCBAs, plastic parts and components, electronic and electrical components, and electro mechanical and mechanical parts into the final products
“CE marking”	:	Conformité Européene or European Conformity mark, which signifies that products have been assessed to meet high safety, health and environmental requirements and can be sold in the European Economic Area
“class 10k clean room”	:	A classification of clean rooms, where a clean room is a controlled environment and a controlled level of contamination
“cloud-based solutions”	:	Utilises cloud computing, which is the delivery of on-demand computing resources

GLOSSARY OF TECHNICAL TERMS (Cont'd)

"cloud computing"	:	An Internet-based computing system in which a network of remote servers hosted on the Internet is used to store, manage and process data and information
"de-paneling"	:	The process of breaking up or cutting one large PCBA panel into many smaller individual PCBAs
"design for manufacturability"	:	An engineering concept whereby products are designed in a way that is easy to manufacture
"electrical discharge machining"	:	A metal removal process using electrical discharges or electrical sparks to obtain the desired shape
"electromagnetic compatibility"	:	The ability of electronic devices, equipment and systems to operate in proximity of electromechanical devices without suffering from disturbances or interference
"electromechanical"	:	A mechanical process or device that is operated by electricity
"e-commerce"	:	Electronic commerce
"Federal Communications Commission" or "FCC"	:	An independent US government agency which regulates interstate and international communications by radio, television, wire, satellite and cable in the country
"firmware"	:	A software that is semi-permanently placed in hardware that is used to control and monitor engineered products and systems
"flashing"	:	The installation of firmware onto a PCBA
"form factor"	:	The physical size and shape of a device
"GHz"	:	GigaHertz, a unit of measurement for alternating current or electromagnetic wave frequencies equivalent to one (1) billion Hertz
"hardware"	:	All mechanical or physical aspects of a device or system
"integrated circuit"	:	A set of semiconductor devices on a single thin plate (i.e. chip) of semiconductor material, which is usually silicon
"Internet of Things" or "IoT"	:	The network of physical objects that contain embedded technology which enables these objects to collect and exchange data
"iOS"	:	A mobile operating system created and developed by Apple Inc. which is solely used for Apple devices
"IQNet"	:	An international network of certification bodies with approximately 40 partner certification bodies and more than 200 subsidiaries worldwide. IQNet is a global certification provider of services and assessments, focusing mainly on management systems
"ISM"	:	The industrial, scientific and medical radio band are radio bands which are reserved internationally for the use of radiofrequency energy that is specifically intended for industrial, scientific and medical purposes rather than telecommunications
"ISO"	:	International Organisation for Standardisation, a developer and publisher of International standards. International standards outline specifications for products, services and good practice, helping to make industries more efficient and effective
"IT"	:	Information technology
"kiloPascal"	:	A measurement unit of pressure, where there is a pressure of 1,000 Newtons per square metre

GLOSSARY OF TECHNICAL TERMS (Cont'd)

“lean management principles”	:	A methodology of managing an organisation that supports the concept of continuous improvement, a long term approach to work that systematically seeks to achieve small, incremental changes in processes in order to improve efficiency and quality
“load balancing”	:	Workloads are distributed across multiple resources to avoid overloading a single resource and increase reliability
“mm”	:	millimetres
“moulding”	:	Moulding is a manufacturing process where liquid or a pliable material is shaped using a rigid frame called a mould. The types of moulding processes include plastic injection moulding, single shot and double shot moulding, over-moulding, thin-wall moulding and metal insert moulding
“multi-axial robot arm”	:	A robot arm with multiple axis, allowing greater flexibility and wider reach in performing operations
“nano-coating”	:	An application where nano structures create a consistent network of molecules on a surface to enable water proofing without adding thickness to the product
“OHSAS”	:	Occupational Health and Safety Assessment Series for health and safety management systems. It is intended to help an organisation to control occupational health and safety risks
“passive components”	:	Electronic components which do not require electrical power to perform their intended function(s), except for the available alternating current that the components are connected to. Passive components include resistors and capacitors
“PCB”	:	A printed circuit board mechanically supports and electrically connects electronic components using conductive tracks, pads and other features etched from copper sheets laminated onto a non-conductive substrate
“PCBA”	:	PCB assembly, where electronic components have been mounted onto a PCB
“potting”	:	A process of partially or completely filling or encasing a product to provide resistance to shock and vibration, as well as creating a seal against moisture
“pounds per square inch” or “psi”	:	A unit of measurement of pressure, and it is the pressure resulting from a force of one (1) pound of force applied to an area of one (1) square inch
“prototype”	:	A first, typical or preliminary model of something, especially a machine, from which other forms are developed or copied
“QA”	:	Quality assurance
“QC”	:	Quality control
“QMS”	:	Quality Management System, a system or collection of business processes focused on quality policies and quality objectives where a company or organisation aims to reduce non-conformance to specifications, standards and customer expectations
“radiofrequency”	:	Frequency in which radio waves may be transmitted
“radiofrequency chamber”	:	A shielded room with radiofrequency absorber materials installed on the walls, ceiling, and for some, the floor. The radiofrequency chamber is used to perform electromagnetic compatibility measurements

GLOSSARY OF TECHNICAL TERMS (Cont'd)

"reflow oven"	:	A machine used primarily for reflow soldering of surface mount electronic components to PCBs
"SAE J2657"	:	Society of Automotive Engineers J2657, an international automotive standard for TPMS for light duty highway vehicles set by the Society of Automotive Engineers or SAE International
"ship-to-stock programme"	:	Components are shipped directly into manufacturing stock for use in the production line without in-house inspection, thereby reducing time and cost. A ship-to-stock programme is used with reliable suppliers with whom a good working relationship has been established, and is based on an understanding that the correct item is shipped on a timely manner, and that the item is not faulty
"Six Sigma"	:	A methodology used for process improvement through the enhancement of the quality of manufacturing outputs by identifying and removing the causes of defects and minimising variability in manufacturing and business processes, thus ensuring a minimum amount of errors
"smart auto meter readers"	:	Devices that automatically collect data such as consumption, diagnostic and status data from metering devices and subsequently transmits this data over a communication network to a central collection point
"SMT"	:	Surface mount technology is a method for producing electronic circuits, where components are mounted or soldered onto the surface of a PCB
"solder paste"	:	A material used in the placement of components onto the surface of a PCB
"telematics"	:	A multi-interdisciplinary field encompassing systems such as wireless communications, location technology and in-vehicle electronics into an intricate network of systems and features that cross-communicate, with the objective of effectively monitoring and managing a vehicle or a fleet of vehicles
"tooling"	:	A process involving the design and manufacture of moulds
"TPMS"	:	Tyre pressure monitoring system, an electronic system to monitor the air pressure inside a tyre
"UHF"	:	Ultra-high frequency, which is specifically designated for radio frequencies in the range between 300 megaHertz and 3 GHz
"Underwriters Laboratories Inc" or "UL"	:	A global independent safety science company
"USB"	:	Universal serial bus, an industry standard that defines the cables, connectors and communication protocols used for connection, communication and power supply between computers and electronics devices such as mice, keyboards, printers, external hard drives and smartphones
"vertically integrated"	:	The ability to own and control several steps in the product development lifecycle, ranging from product design to manufacturing and marketing and sales
"wafer chip"	:	An integrated circuit comprising a set of electronic circuits on one (1) small plate (i.e. chip) of semiconductor material (i.e. wafer) that controls the electronic functions of electrical and electronic devices

GLOSSARY OF TECHNICAL TERMS (Cont'd)

"wire bonding" : A method of forming interconnections between an integrated circuit or another semiconductor device and its packaging during the final phase of semiconductor device fabrication, in which tiny blocks of semiconductor materials are encased (or encapsulated) in supporting cases that prevent physical damage and corrosion

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PRESENTATION OF INFORMATION

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include natural persons, firms, companies, body corporates and corporations.

References in this Prospectus to any provisions of the statutes, rules, regulations, enactments or rules of stock exchange shall (where the context admits), be construed as reference to provisions of such statutes, rules, regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactment to the statutes, rules, regulations, enactments or rules of stock exchange for the time being in force. References to a time of day in this Prospectus shall be a reference to Malaysian time, unless otherwise stated.

References to “our Company” or “the Company” or “Salutica” in this Prospectus are made to Salutica Berhad (formerly known as Blue Ocean Genius Sdn Bhd) (Company No. 1024781-T). References to “Our Group” or “the Group” or “Salutica Group” are made to our Company and our subsidiary and references to “we” or “us” or “our” or “ourselves” are made to our Company, and where the context requires, our Group or our subsidiary. Unless the context otherwise requires, references to “management” are to our Directors and key management personnel as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our management.

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding growth and performance of the industry in which we operate. This data is taken or derived from information published by industry sources and from our 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 originated from us. In particular, certain information in this Prospectus is extracted or derived from report(s) provided by Smith Zander for inclusion in this Prospectus. We have appointed Smith Zander to provide an independent market and industry review relating to an overview of the industry in which we operate in. In compiling their data for the review, Smith Zander relied on its research methodology, industry sources, published materials, its private databanks and direct contacts within the industry. 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. However, neither we nor our advisers have independently verified these data. Neither we nor our advisers make any representation as to the correctness, accuracy or completeness of such data. Similarly, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We give no assurance that the projected figures will be achieved. You should not place undue reliance on the statistical data and third-party projections cited in this Prospectus.

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

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FORWARD-LOOKING STATEMENTS

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 of our Management 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 the words "expect", "believe", "plan", "intend", "estimate", "anticipate", "aim", "forecast", "may", "will", "would", and "could" or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:-

- i. demand for our services;
- ii. our business strategies;
- iii. our management's plans and objectives for future operations;
- iv. our financial position; and
- v. our future earnings, cash flows and liquidity.

Our actual results may differ materially from information contained in the 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
- ii. government policy, legislation and regulation.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to the risk factors 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. We expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statement contained in this Prospectus to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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1. CORPORATE DIRECTORY**DIRECTORS**

Name	Address	Nationality	Profession
Chia Chee Hoong (Chairman / Independent Non-Executive Director)	46, Lorong Dungun Bukit Damansara 50490 Kuala Lumpur	Malaysian	Company Director / Advocate and Solicitor
Lim Chong Shyh (Managing Director / Chief Executive Officer)	No. 10, Sri Klebang C/6 Bandar Baru Sri Klebang 31200 Chemor, Perak	Malaysian	Company Director
Joshua Lim Phan Yih (Non-Independent Non-Executive Director)	No. 10, Sri Klebang C/6 Bandar Baru Sri Klebang 31200 Chemor, Perak	Malaysian	Company Director / Advocate and Solicitor
Low Teng Lum (Senior Independent Non-Executive Director)	16, Jalan PJU 1A/1D Ara Damansara 47301 Petaling Jaya Selangor	Malaysian	Company Director
Leow Chan Kiang (Independent Non-Executive Director)	20, Jalan Bagan 39 Taman Bagan 13400 Butterworth Penang	Malaysian	Company Director

AUDIT COMMITTEE

Name	Designation	Directorship
Leow Chan Kiang	Chairman	Independent Non-Executive Director
Chia Chee Hoong	Member	Chairman / Independent Non-Executive Director
Joshua Lim Phan Yih	Member	Non-Independent Non-Executive Director
Low Teng Lum	Member	Senior Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Chia Chee Hoong	Chairman	Chairman / Independent Non-Executive Director
Lim Chong Shyh	Member	Managing Director / Chief Executive Officer
Joshua Lim Phan Yih	Member	Non-Independent Non-Executive Director
Low Teng Lum	Member	Senior Independent Non-Executive Director
Leow Chan Kiang	Member	Independent Non-Executive Director

1. CORPORATE DIRECTORY (Cont'd)**NOMINATION COMMITTEE**

Name	Designation	Directorship
Low Teng Lum	Chairman	Senior Independent Non-Executive Director
Chia Chee Hoong	Member	Chairman / Independent Non-Executive Director
Joshua Lim Phan Yih	Member	Non-Independent Non-Executive Director

COMPANY SECRETARIES

: Chan Chee Kheong (MAICSA 0810287)
No 10, Laluan Stadium
Taman Bandaraya Utama
31400 Ipoh, Perak

Tel : (05) 548 0888
Fax : (05) 545 9222

Chan Shook Ling (MIA 17167)
No 16, Jalan Mustapha Al-Bakri
30300 Ipoh, Perak

Tel : (05) 320 6800
Fax : (05) 322 2029

REGISTERED OFFICE

: 41, Jalan Medan Ipoh 6
Bandar Baru Medan Ipoh
31400 Ipoh, Perak

Tel : (05) 548 0888
Fax : (05) 545 9222

HEAD/MANAGEMENT OFFICE

: 3 Jalan Zarib 6
Kawasan Perindustrian Zarib
31500 Lahat, Ipoh, Perak

Tel : (05) 320 6800
Fax : (05) 322 2029

Website : www.salutica.com
E-mail address : invest@salutica.com.my

PRINCIPAL BANKERS

: OCBC Bank (Malaysia) Berhad
2, Jalan Dato' Maharaja Lela
30000, Ipoh, Perak

Tel : (05) 241 2200

OCBC Al-Amin Bank Berhad
2, Jalan Dato' Maharaja Lela
30000, Ipoh, Perak

Tel : (05) 241 2200

1. CORPORATE DIRECTORY (Cont'd)

- AUDITORS AND REPORTING ACCOUNTANTS** : PricewaterhouseCoopers (AF 1146)
1st Floor, SCB Chambers
21-27, Jalan Dato' Maharaja Lela
30000 Ipoh, Perak
- Tel : (05) 254 9545
Fax : (05) 253 2366
- SOLICITORS** : Rahmat Lim & Partners
Suite 33.01 Level 33
The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
- Tel : (03) 2299 3888
Fax : (03) 2287 1616
- PRINCIPAL ADVISER, SPONSOR UNDERWRITER AND PLACEMENT AGENT** : RHB Investment Bank Berhad
Level 9, Tower One
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50400 Kuala Lumpur
- Tel : (03) 9287 3888
Fax : (03) 9287 4770
- SHARE REGISTRAR AND 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
- Tel : (03) 2783 9299
Fax : (03) 2783 9222
- INDEPENDENT MARKET RESEARCHER** : Smith Zander International Sdn Bhd
Suite 23-3, Level 23, Office Suite
Menara 1MK
1, Jalan Kiara
Mont Kiara
50480 Kuala Lumpur
- Tel : (03) 6211 2121
- LISTING SOUGHT** : ACE Market of Bursa Securities

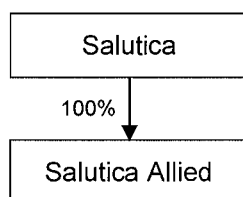
2. SUMMARY

This summary highlights selected information from this Prospectus and may not contain all of the information about us which may be important to you. You should read and understand the whole Prospectus before deciding whether to invest in our Shares. You are advised to read the risk factors described in Section 4 of this Prospectus for an understanding of the risks associated with the investment in our Company.

2.1 Overview

Our Company was incorporated in Malaysia under the Act on 19 November 2012 as a private limited company under the name of Blue Ocean Genius Sdn Bhd. On 29 June 2015, we changed our name to Salutica Sdn Bhd and subsequently converted into a public limited company on 4 November 2015.

Our Group structure as at the LPD is set out below:-



We are principally an investment holding company. In 2013, our Group's Promoter and Managing Director / Chief Executive Officer, James Lim led a management buyout through Salutica to acquire the entire equity interest in Salutica Allied from its previous owner, Balda AG Group. Upon completion of the management buyout on 4 September 2013, Salutica Allied became a wholly-owned subsidiary of Salutica.

Through our subsidiary, Salutica Allied, we are primarily involved in the design, development and manufacture of consumer electronic products such as Bluetooth related devices (ie. Bluetooth stereo headsets, smartwatches, car kits) as well as other electronic products and precision parts and components (ie. optical light guide, 3D glasses, electronic doorlocks, plastic parts for lighting) for external brands. Salutica Allied is also involved in the product conceptualisation, design, development, manufacture and marketing and sales of our in-house Bluetooth related products under the brand name "FOBO".

Further details of our history and business are set out in **Sections 5** and **6** of this Prospectus.

2.2 Our competitive strengths

Our competitive strengths are as follows:-

- (i) We are a vertically integrated manufacturer with the ability to provide a full range of manufacturing services;
- (ii) Our R&D has provided the foundation and platform for our growth and expansion;
- (iii) We specialise in Bluetooth technology, and are well-positioned to benefit from the growing global demand for Bluetooth devices;
- (iv) We have leveraged on our expertise in Bluetooth technology to develop our in-house brand of Bluetooth devices;
- (v) We have a strong portfolio of multinational corporation customers, comprising some of the world's major Bluetooth and mobile communications companies;
- (vi) We have an experienced key management team; and

2. SUMMARY (Cont'd)

- (vii) We have demonstrated our ability to comply with strict design and manufacturing requirements set by our customers.

Please refer to **Section 6.3** of this Prospectus for further information on our competitive strengths.

2.3 Future plans and strategies

Our future plans and strategies are as set out below:-

- (i) Continued focus on R&D and expansion of the *FOBO* product range;
- (ii) Increase sales, marketing and branding initiatives for *FOBO*;
- (iii) Expansion of our business in the design, development and manufacture of Bluetooth devices for external brands;
- (iv) Expansion and upgrade of manufacturing facilities; and
- (v) New product expansion.

Please refer to **Section 6.20.1** of this Prospectus for further information on our future plans and strategies.

2.4 Principal statistics of the IPO

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

	No. of Shares	(RM)
i. Share capital		
Authorised:-		
- ordinary shares of RM0.10 each	<u>500,000,000</u>	<u>50,000,000</u>
Issued and paid-up share capital as at the date of this Prospectus	310,000,000	31,000,000
Shares to be issued pursuant to the Public Issue	78,000,000	7,800,000
Enlarged issued and paid-up share capital upon Listing	<u>388,000,000</u>	<u>38,800,000</u>
ii. IPO Price for each IPO Share		0.80
iii. Market capitalisation of our Company based on the IPO Price upon Listing		310,400,000
iv. Pro forma NA based on our pro forma financial information of our Group as at 31 January 2016		
Pro forma NA upon Listing ⁽¹⁾		143,913,153
Pro forma NA per Share upon Listing ⁽²⁾		0.37

Notes:-

(1) After taking into account our Public Issue of 78,000,000 new Shares at the IPO Price and after deducting estimated listing expenses and R&D expenses of approximately RM4.0 million and RM2.5 million respectively. Our Company expects that out of RM8.2 million of the IPO proceeds to be utilised for R&D, approximately RM2.5 million of which will be charged out as expenses in the profit or loss whilst the balance is to be capitalised.

(2) Based on our enlarged issued and paid-up share capital upon Listing of 388,000,000 Shares.

2. SUMMARY (Cont'd)

We have only one (1) class of shares, namely ordinary shares of par value RM0.10 each. The Issue Shares shall rank *pari passu* in all respects with our existing issued and paid-up Shares, including voting rights, and will be entitled to all rights, dividends and distributions that may be declared subsequent to the date of allotment of the Issue Shares.

The Offer Shares will rank *pari passu* in all respects with our existing issued and paid-up Shares including voting rights, and will be entitled to all rights, dividends and distributions that may be declared subsequent to the date of transfer of the Offer Shares.

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

2.5 Utilisation of proceeds

Our Company will not receive any proceeds from the Offer for Sale. The gross proceeds from the Offer for Sale of RM18.4 million based on the IPO Price of RM0.80 per Offer Share will accrue entirely to the Selling Shareholders.

The gross proceeds from the Public Issue amounting to RM62.4 million based on the IPO Price of RM0.80 per Issue Share are expected to be utilised in the manner as set out below:-

Details of utilisation	Estimated timeframe for utilisation upon Listing	(RM'000)	Percentage of gross proceeds (%)
Repayment of bank borrowing	Within 6 months	8,500	13.6
Capital expenditure	Within 24 months	25,000	40.1
R&D expenditure	Within 24 months	8,200	13.1
Working capital	Within 24 months	16,700	26.8
Estimated listing expenses	Within 3 months	4,000	6.4
		62,400	100.0

Please refer to **Section 3.8** of this Prospectus for further details on the utilisation of proceeds from the Public Issue.

2.6 Summary of financial information

Our Group's results largely reflects the financial performance of Salutica Allied, our sole operating subsidiary. As we completed a management buyout of Salutica Allied in September 2013, our Group's results for FYE 30 June 2014 captures the financial performance of Salutica Allied for a ten (10) month period from 4 September 2013 to 30 June 2014. Accordingly, in order to allow investors to better compare the underlying performance of our core business in a consistent manner for the recent past three (3) FYEs, we have presented our historical financial information based on our Group's audited financial statements for FYE 30 June 2014, FYE 30 June 2015 and the seven (7) months FPE 31 January 2016, as well as Salutica Allied's audited financial statements for FYE 30 June 2013 and FYE 30 June 2014. Our audited financial statements are prepared in accordance with MFRS and IFRS.

For a full explanation of the presentation of financial information, please refer to **Section 11.1** of this Prospectus.

Further, the following selected historical financial information should be read in conjunction with the "Management's discussion and analysis of the financial condition as well as results of operations" in **Section 11.3** of this Prospectus and the "Accountants' Report" in **Section 12** of this Prospectus.

2. SUMMARY (Cont'd)**Historical financial information**

	Salutica Allied ⁽¹⁾		Salutica Group ⁽²⁾				
	Audited FYE 30 June		Audited FYE 30 June		Unaudited Seven (7) months FPE 31 January		Audited Seven (7) months FPE 31 January
	2013	2014	2014 ⁽³⁾	2015	2015	2016	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Revenue	78,559	234,212	204,132	192,518	124,266	145,654	
Cost of sales ⁽⁴⁾	(80,501)	(214,973)	(187,741)	(172,080)	(111,225)	(118,300)	
(Gross loss) / GP	(1,942)	19,239	16,391	20,438	13,041	27,354	
Other operating income ⁽⁴⁾	1,474	11,634	4,226	6,790	1,765	2,051	
Other operating expenses ⁽⁴⁾	(5,140)	(1,693)	(1,580)	(137)	(95)	(1,390)	
Gain on bargain purchase arising from acquisition of a subsidiary	-	-	45,416	-	-	-	
Administrative and selling expenses ⁽⁴⁾	(9,064)	(6,193)	(5,104)	(6,719)	(3,783)	(6,346)	
(Loss) / profit from operations	(14,672)	22,987	59,349	20,372	10,928	21,669	
Finance cost	(36)	(104)	(101)	(88)	(55)	(374)	
(LBT) / PBT	(14,708)	22,883	59,248	20,284	10,873	21,295	
Taxation	(321)	867	867	7,128	(123)	(5,464)	
(LAT) / PAT	(15,029)	23,750	60,115	27,412	10,750	15,831	
(LAT) / PAT attributable to:-							
- Owners of our Company	(15,029)	23,750	60,115	27,412	10,750	15,831	
- Non-controlling interest	-	-	-	-	-	-	
Other comprehensive income:							
Item that may be subsequently reclassified to profit or loss:							
- change in fair value of available-for-sale financial assets	-	-	-	16	16	-	
Total comprehensive (loss) / income attributable to the owners of the Company	(15,029)	23,750	60,115	27,428	10,766	15,831	

2. SUMMARY (Cont'd)

	Salutica Allied ⁽¹⁾		Salutica Group ⁽²⁾				
	Audited FYE 30 June		Audited FYE 30 June		Unaudited Seven (7) months FPE 31 January		Audited Seven (7) months FPE 31 January
	2013	2014	2014 ⁽³⁾	2015	2015	2016	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
(LBITDA) / EBITDA⁽⁵⁾	(9,239)	28,438	18,521	24,958	13,659	24,692	
(Gross loss) / GP margin ⁽⁶⁾ (%)	(2.5)	8.2	8.0	10.6	10.5	18.8	
(LBT) / PBT margin ⁽⁷⁾ (%)	(18.7)	9.8	6.8 ⁽⁹⁾	10.5	8.8	14.6	
(LAT) / PAT margin ⁽⁸⁾ (%)	(19.1)	10.1	7.2 ⁽⁹⁾	14.2	8.7	10.9	
Effective tax rate (%)	2.2	(3.8)	(1.5)	(35.1)	1.1	25.7	
No. of shares in issue ('000)	18,000	18,000	310,000 ⁽¹⁰⁾	310,000	310,000 ⁽¹⁰⁾	310,000	
Basic/diluted (LPS) / EPS (sen)	(83.5) ⁽¹¹⁾	131.9 ⁽¹¹⁾	4.7 ⁽⁹⁾⁽¹²⁾	8.8 ⁽¹²⁾	3.5 ⁽¹²⁾	5.1 ⁽¹²⁾	

Notes:-

- (1) Key financial figures are extracted from the audited financial statements of Salutica Allied for the respective FYEs.
- (2) Key financial figures are extracted from the audited consolidated financial statements of Salutica for the respective FYEs and FPE.
- (3) For reference purposes only as our Group's results only captures the ten (10) months financial performance of Salutica Allied following the completion of the management buyout of Salutica Allied on 4 September 2013.
- (4) Based on management accounts that were used in the preparation of the audited financial statements for the respective FYEs and FPE.

2. SUMMARY (Cont'd)

(5) (LBITDA) / EBITDA represents (losses) / earnings before finance cost, interest income, taxation, depreciation and amortisation. We have also excluded gain on bargain purchase arising from acquisition of a subsidiary for FYE 30 June 2014 of Salutica Group. The table below sets forth a reconciliation of our (LBT) / PBT to (LBITDA) / EBITDA:-

	Salutica Allied		Salutica Group			
	Audited FYE 30 June		Audited FYE 30 June		Seven (7) months FPE 31 January	
	2013 (RM'000)	2014 (RM'000)	2014 (RM'000)	2015 (RM'000)	2015 (RM'000)	2016 (RM'000)
(LBT) / PBT						
Adjusted for:-						
Finance cost	36	104	101	88	55	374
Interest income	(775)	(703)	(569)	(1,058)	(555)	(647)
Depreciation	6,208	6,154	5,157	5,644	3,286	3,670
Gain on bargain purchase arising from acquisition of a subsidiary	-	-	(45,416)	-	-	-
(LBITDA) / EBITDA	(9,239)	28,438	18,521	24,958	13,659	24,692

(6) Computed based on (gross loss) / GP over total revenue.

(7) Computed based on (LBT) / PBT over total revenue.

(8) Computed based on (LAT) / PAT over total revenue.

(9) Excluding gain on bargain purchase arising from acquisition of a subsidiary of approximately RM45.4 million.

(10) Based on our issued and paid-up share capital prior to the Listing.

(11) Computed based on (LAT) / PAT divided by number of ordinary shares of Salutica Allied in issued.

(12) Computed based on PAT divided by number of Shares in issued prior to Listing.

2. SUMMARY (Cont'd)**Historical financial position**

	Salutica Allied		Salutica Group		
	Audited FYE 30 June		Audited FYE 30 June		Audited seven (7) months FPE 31 January
	2013	2014	2014	2015	2016
	RM'000	RM'000	RM'000	RM'000	RM'000
Total non-current assets	38,753	42,789	42,789	47,483	45,167
Total current assets	42,958	79,401	79,637	75,428	92,548
Total assets	81,711	122,190	122,426	122,911	137,715
Share capital	18,000	18,000	^ (1)	31,000	31,000
Reserves	18,536	40,085	58,275	45,182	59,013
Total equity / NA	36,536	58,085	58,275	76,182	90,013
Total non-current liabilities	-	15,346	15,346	9,366	13,690
Total current liabilities	45,175	48,759	48,805	37,363	34,012
Total liabilities	45,175	64,105	64,151	46,729	47,702
Total equity and liabilities	81,711	122,190	122,426	122,911	137,715

Notes:-

^ Negligible.

(1) Based on the share capital of RM200 as at 30 June 2014.

Please refer to **Sections 11.3** and **12** of this Prospectus for further financial information relating to our Group.

2.7 Summary of pro forma consolidated financial information

We have prepared the pro forma consolidated financial information below for illustrative purposes only after adjusting for subsequent events, to show the effects of the IPO on the assumption that the events had been effected on 31 January 2016. The pro forma consolidated financial information has been prepared on the basis set out in the notes thereon as set out in **Section 11.2** of this Prospectus based on the audited consolidated statement of financial position of Salutica Group as at 31 January 2016 which was prepared in accordance with MFRS and IFRS.

The pro forma consolidated financial information should be read in conjunction with the notes and the Reporting Accountants' letter thereon as set out in **Section 11.2** of this Prospectus.

2. SUMMARY (Cont'd)

The pro forma effects of the IPO on the NA and gearing of our Group are set out below:-

	Audited as at 31 January 2016 (RM)	Pro forma I After adjustments for completed transaction ⁽¹⁾ (RM)	Pro forma II After pro forma I and the IPO and utilisation of proceeds ⁽²⁾ (RM)
Share capital	31,000,000	31,000,000	38,800,000
Share premium	-	-	53,130,220 ⁽³⁾
Fair value reserve	16,000	16,000	16,000
Retained earnings	58,997,153	56,997,153	51,966,933 ⁽⁴⁾
Shareholders' equity/NA	90,013,153	88,013,153	143,913,153
No. of Shares in issue	310,000,000	310,000,000	388,000,000
NA per Share	0.29	0.28	0.37
Cash and bank balances	36,045,746	34,045,746	50,745,746
Total borrowings	17,280,424	17,280,424	8,780,424 ⁽⁵⁾
Gearing (times)	0.19	0.20	0.06

Notes:-

- (1) After adjusting for the second (2nd) interim single-tier tax exempt dividend of 0.65 sen (rounded to nearest 2 decimal places) per Share, totalling RM2.0 million which was declared on 4 April 2016 and will be payable on 18 April 2016.
- (2) The Offer for Sale will not have any effect on the NA and gearing of our Group.
- (3) Out of the total estimated listing expenses of RM4.0 million, approximately RM1.5 million comprising mainly the brokerage, underwriting and placement fees, partial professional fees, regulatory fees and miscellaneous expenses directly attributable to the Public Issue will be debited against the share premium account.
- (4) The remaining estimated listing expenses of approximately RM2.5 million, comprising mainly, professional fees and other miscellaneous expenses as well as the estimated R&D expenses amounting to RM2.5 million to be charged to profit or loss pursuant to the utilisation of proceeds as set out in **Section 3.8** of this Prospectus.
- (5) After repayment of bank borrowing of approximately RM8.5 million as disclosed in **Section 3.8** of this Prospectus.

Please refer to **Section 11.2** of this Prospectus for further information on the pro forma consolidated financial information together with the notes and the Reporting Accountants' letter thereon.

2.8 Dividend policy

Upon Listing, our Board intends to adopt a stable and sustainable dividend policy to allow our shareholders to participate in the profits of our Group whilst maintaining an optimal capital structure and ensuring sufficient funds for our future growth. In this regard, our intention is to have a dividend payout of not less than thirty percent (30.0%) of our annual net profit attributable to shareholders. This will allow our shareholders to participate in our profits. Any final dividends declared are subjected to the approval of our shareholders at our AGM.

Actual dividends proposed and declared may be varied depending on our financial performance and cash flow and may be waived if the payment of dividends would adversely affect our cash flow and operations.

2. SUMMARY (Cont'd)

You should take note that this dividend policy merely describes our Group's present intention and shall not constitute legally binding statements in respect of our Group's future dividends that are subject to our Board's absolute discretion.

No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

Further details of the dividend policy are set out in **Section 11.7** of this Prospectus.

2.9 Risk factors

There are a number of risk factors, both specific to our Group and relating to the general business environment, which may impact the operating performance and financial performance of our Group, and affect our future financial performance. Prior to making an investment decision, you should carefully consider, along with the other matters set forth in this Prospectus, the risks and investment considerations below. You should note that the following list is not an exhaustive list of all the risks that we face or risks that may develop in the future.

2.9.1 Risks relating to the industry in which we operate

- (i) Competitive industry;
- (ii) Changes and uncertainties in the IT, telecommunications and electronics industries; and
- (iii) Political, economic and regulatory factors.

2.9.2 Risks relating to our business and our operations

- (i) Reliance on our Managing Director / Chief Executive Officer and key management personnel;
- (ii) Dependence on our major customers;
- (iii) Credit risk of our customers;
- (iv) Foreign exchange risks;
- (v) Non-availability, poor quality and/or fluctuations in prices of raw materials;
- (vi) Technology obsolescence;
- (vii) Disruptions to manufacturing and business operations;
- (viii) Contractual risks;
- (ix) Delays, cancellations, and product complexities;
- (x) Product defect liabilities and warranty claims;
- (xi) Revocation, suspension or non-renewal of major licences;
- (xii) Inadvertent infringement of third party intellectual property rights;
- (xiii) Potential intellectual property rights infringement by third parties;
- (xiv) Security breaches and failure to protect our proprietary and customers' information;

2. SUMMARY (Cont'd)

- (xv) Non-viability or non-successful implementation of our future plans;
- (xvi) Inadequate insurance coverage; and
- (xvii) Dependence on the supply of workers.

2.9.3 Risks relating to our Shares

- (i) There has been no public market for our Shares;
- (ii) Potential delay or failure of the Listing;
- (iii) Volatility of Share price and trading;
- (iv) Dividend payments;
- (v) Control by our Promoters; and
- (vi) Dilution of shareholders' equity.

2.9.4 Other risks

- (i) Forward-looking statements are subject to uncertainties and contingencies.

Please refer to **Section 4** of this Prospectus for further details of our risk factors.

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3. DETAILS OF THE IPO

3.1 Opening and closing of Applications

Application for the IPO Shares will open at 10.00 a.m. on 28 April 2016 and will remain open until 5.00 p.m. on 6 May 2016, or such other date or dates as our Board, Promoters and Selling Shareholders together with our Underwriter in their absolute discretion may decide.

3.2 Indicative timetable

The indicative timing of events leading to the listing of and quotation for our entire enlarged issued and paid-up 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 Shares	28 April 2016
Closing of the application for our IPO Shares	6 May 2016
Balloting of applications for the Issue Shares	10 May 2016
Allotment / transfer of the IPO Shares to successful applicants	16 May 2016
Date of Listing	18 May 2016

This timetable is tentative and is subject to changes which may be necessary to facilitate implementation procedures. The application period for the IPO will close at the date stated above or such later date as our Board, Promoters and Selling Shareholders together with our Underwriter in their absolute discretion may mutually decide.

In the event the closing date of application is extended, we will advertise a notice of the extension in widely circulated English and Bahasa Malaysia newspapers in Malaysia prior to the original closing date of the application. Following this, the dates for the balloting of the applications for the Issue Shares, allotment/transfer of the IPO Shares and listing would be extended accordingly.

3.3 Particulars of the IPO

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

3.3.1 Public Issue

Our Company is offering 78,000,000 Issue Shares at an IPO Price of RM0.80 payable in full on application, representing approximately 20.1% of the enlarged issued and paid-up share capital of our Company, to be allocated in the following manner:-

(i) Malaysian Public

19,400,000 Issue Shares, representing 5.0% of the enlarged issued and paid-up share capital of our Company, available for application by the Malaysian Public through a balloting process, of which at least 50.0% shall be set aside for Bumiputera investors including individuals, companies, societies, co-operatives and/or institutions.

3. DETAILS OF THE IPO (Cont'd)

If any Issue Shares allocated to the Malaysian Public under **Section 3.3.1(i)** of this Prospectus are undersubscribed, the balance portion will be allocated to our eligible Directors and employees as well as persons who have contributed to the success of our Group as described in **Section 3.3.1(ii)** of this Prospectus. In the event that there are Issue Shares not subscribed by the Malaysian Public as well as our eligible Directors and employees as well as persons who have contributed to the success of our Group, the remaining portion will be made available for application by way of private placement to institutional and identified investors under **Sections 3.3.1(iii)** and **(iv)**, and **Section 3.3.2** of this Prospectus. Thereafter, any remaining Issue Shares allocated to the Malaysian Public that are still not subscribed for will be subject to the terms and conditions of the Underwriting Agreement dated 8 April 2016, subscribed by the Underwriter.

(ii) Eligible Directors and employees as well as persons who have contributed to the success of our Group

9,700,000 Issue Shares, representing 2.5% of the enlarged issued and paid-up share capital of our Company are reserved for application by our eligible Directors and employees as well as persons who have contributed to the success of our Group.

A summary of allocation of the 9,700,000 Issue Shares to our eligible Directors and employees as well as persons who have contributed to the success of our Group is set out below:-

Eligibility	No. of persons	Aggregate number of Issue Shares allocated
Eligible Directors of our Company ⁽¹⁾	3	2,100,000
Eligible employees of our Group ⁽²⁾	Up to 180	4,656,000
Persons who have contributed to the success of our Group ⁽³⁾	Up to 150	2,944,000
Total	Up to 333	9,700,000

Notes:-

(1) *The criteria for allocation to our Directors are based on, amongst others, their respective roles and responsibilities in our Group.*

The number of Issue Shares to be allocated to our Directors is as follows:-

Name	Designation	No. of Issue Shares to be allocated
<i>Chia Chee Hoong</i>	<i>Chairman / Independent Non-Executive Director</i>	<i>700,000</i>
<i>Low Teng Lum</i>	<i>Senior Independent Non-Executive Director</i>	<i>700,000</i>
<i>Leow Chan Kiang</i>	<i>Independent Non-Executive Director</i>	<i>700,000</i>
Total		2,100,000

(2) *The criteria for allocation to our eligible employees are for confirmed staff based on, amongst others, their staff grade, performance and length of service.*

3. DETAILS OF THE IPO (Cont'd)

- (3) *The Issue Shares to be allotted to the persons who have contributed to the success of our Group shall be based on their contribution to our Group as approved by our Board. The persons who have contributed to the success of our Group includes, amongst others, business partners, suppliers and customers.*

Any Issue Shares which are not taken up by our eligible Directors and employees as well as persons who have contributed to the success of our Group under **Section 3.3.1(ii)** of this Prospectus will be allocated to the Malaysian Public under **Section 3.3.1(i)** of this Prospectus. In the event that there are Issue Shares not subscribed by the Malaysian Public as well as our eligible Directors and employees as well as persons who have contributed to the success of our Group, the remaining portion will be made available for application by way of private placement to institutional and identified investors under **Sections 3.3.1(iii)** and **(iv)**, and **Section 3.3.2** of this Prospectus. Thereafter, any remaining Issue Shares that are still not subscribed for will be subject to the terms and conditions of the Underwriting Agreement dated 8 April 2016, subscribed by the Underwriter.

(iii) Private placement to institutional and identified investors

10,100,000 Issue Shares, representing approximately 2.6% of the enlarged issued and paid-up share capital of our Company, allocated by way of private placement to institutional and identified investors.

In the event of under-subscription by institutional and identified investors under **Section 3.3.1(iii)** of this Prospectus and subject to a corresponding over-subscription by the Malaysian Public, the remaining portion will be clawed-back and be allocated to the Malaysian Public to increase the participation of retail investors under **Section 3.3.1(i)** of this Prospectus.

(iv) Private placement to identified Bumiputera investors approved by the MITI

38,800,000 Issue Shares, representing 10.0% of the enlarged issued and paid-up share capital of our Company, allocated by way of private placement to identified Bumiputera investors approved by the MITI.

In the event of under-subscription by the identified Bumiputera investors under **Section 3.3.1(iv)** of this Prospectus and subject to a corresponding over-subscription by the Malaysian Public or over-subscription by identified investors, the remaining portion will be clawed-back and be allocated to the Malaysian Public to increase the participation of retail investors under **Section 3.3.1(i)** of this Prospectus and/or placed to institutional and identified investors under **Section 3.3.1(iii)** of this Prospectus.

All the 29,100,000 Issue Shares available for application by the Malaysian Public and our eligible Directors and employees as well as persons who have contributed to the success of our Group under **Sections 3.3.1(i)** and **(ii)** of this Prospectus will be underwritten. Meanwhile all the 48,900,000 Issue Shares under **Section 3.3.1(iii)** and **(iv)** of this Prospectus will be placed out to identified institutional and identified investors as well as identified Bumiputera investors.

Please refer to **Section 3.10** of this Prospectus for further details on the underwriting arrangement.

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

3. DETAILS OF THE IPO (Cont'd)

3.3.2 Offer for Sale

The Selling Shareholders are offering an aggregate of 23,000,000 Offer Shares at an IPO Price of RM0.80 per Offer Share, representing approximately 5.9% of the enlarged issued and paid-up share capital of our Company, by way of private placement to institutional and identified investors, payable in full upon application.

The 23,000,000 Offer Shares reserved for placement to institutional and identified investors will be placed out by our Placement Agent, RHB Investment Bank.

In the event of under-subscription of the Offer Shares under **Section 3.3.2** of this Prospectus and a corresponding over-subscription by the Malaysian Public under **Section 3.3.1(i)** of this Prospectus, the remaining portion will be clawed back and be allocated to the Malaysian Public to increase the participation of retail investors.

3.3.3 Minimum requirements

The basis of allocating the IPO Shares shall take into account the desirability of distributing the IPO Shares to a reasonable number of applicants with a view of broadening our shareholding base, to meet the public spread requirements of Bursa Securities as well as to establish a liquid and adequate market for our Shares. Applicants will be selected on a fair and equitable manner to be determined by our Board.

3.3.4 Classes of shares and ranking

As at the LPD, our Company has only one (1) class of shares, namely ordinary shares of par value RM0.10 each.

The Issue Shares will, upon allotment and issue, rank *pari passu* in all respects with our existing issued and paid-up Shares, including voting rights, and will be entitled to all rights, dividends and distributions that may be declared subsequent to the date of allotment of the Issue Shares.

The Offer Shares will rank *pari passu* in all respects with our existing issued and paid-up Shares including voting rights, and will be entitled to all rights, dividends and distributions that may be declared subsequent to the date of transfer of the Offer Shares.

Subject to any special rights attaching to any shares which we may issue in the future which in any event will be subject to shareholders' approval, our shareholders shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the profits paid out by us in the form of dividends and other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus, in accordance with our Articles of Association and the provisions of the Act.

At any general meeting of our Company, each shareholder shall be entitled to vote in person, by proxy or by attorney. On a show of hands, each present shareholder either in person, by proxy, by attorney or other duly authorised representative shall have one (1) vote. On a poll, each present shareholder either in person, by proxy, by attorney or other duly authorised representative shall have one (1) vote for each Share held. A proxy may but need not be a member of our Company.

3. DETAILS OF THE IPO (Cont'd)

3.3.5 Minimum subscription

There is no minimum subscription in terms of the proceeds to be raised by our Company and the Selling Shareholders as the Public Issue will be underwritten whilst the Placement Agent will ensure the successful placement of all the Issue Shares and Offer Shares. However, in order to comply with the public spread requirements of Bursa Securities, the minimum subscription in terms of the number of shares to be acquired will be the number of Shares required to be held by public shareholders for our Company to comply with public spread requirements as per the Listing Requirements or as approved by Bursa Securities.

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3. DETAILS OF THE IPO (Cont'd)

3.4 Selling Shareholders

Our shareholders who are offering the Offer Shares and their respective relationships with our Group are as follows:-

Name	Relationship with our Group	Address	Before the IPO		Shares offered pursuant to the Offer for Sale		After the IPO	
			No. of Shares ('000)	(%) ⁽¹⁾	No. of Shares ('000)	(%) ⁽²⁾	No. of Shares ('000)	(%) ⁽²⁾
BOE	Promoter and substantial shareholder	41, Jalan Medan Ipoh 6 Bandar Baru Medan Ipoh 31400 Ipoh Perak	224,750	72.5	8,250	2.1	216,500	55.8
James Lim	Promoter, substantial shareholder and Managing Director / Chief Executive Officer	No 10, Sri Klebang C/6 Bandar Baru Sri Klebang 31200 Chemor Perak	6,028	1.9	6,028	1.6	-	-
Joshua Lim	Promoter, substantial shareholder and Non-Independent Non-Executive Director	No 10, Sri Klebang C/6 Bandar Baru Sri Klebang 31200 Chemor Perak	861	0.3	861	0.2	-	-
Joel Lim	Promoter and substantial shareholder	No 10, Sri Klebang C/6 Bandar Baru Sri Klebang 31200 Chemor Perak	861	0.3	861	0.2	-	-
Chan Shook Ling	Chief Financial Officer	No.16, Jalan Mustapha Al-Bakri 30300 Ipoh Perak	7,750	2.5	1,750	0.4	6,100 ⁽³⁾	1.6
Chin Seen Choon	Chief Operating Officer	65, Kg Raja Hitam Ayer Tawar 32400 Perak	7,750	2.5	1,750	0.4	6,100 ⁽³⁾	1.6

3. DETAILS OF THE IPO (Cont'd)

Name	Relationship with our Group	Address	Before the IPO		Shares offered pursuant to the Offer for Sale		After the IPO	
			No. of Shares ('000)	(%) ⁽¹⁾	No. of Shares ('000)	(%) ⁽²⁾	No. of Shares ('000)	(%) ⁽²⁾
Ho Keat Soong	Chief Supply Chain Officer	12, Jalan Bukit Belah 1 Bayan Lepas 11920 Pulau Pinang	7,750	2.5	1,750	0.4	6,400 ⁽³⁾	1.6
Goh Bee Chin @ Ooi Bee Chin	Chief Administrative Officer	No. 32, Sri Klebang A/10 Bandar Baru Sri Klebang 31200 Chemor Perak	7,750	2.5	1,750	0.4	6,300 ⁽³⁾	1.6

Notes:-

- (1) Based on the existing issued and paid-up share capital of 310,000,000 Shares, i.e. before the Public Issue.
- (2) Based on the enlarged issued and paid-up share capital of 388,000,000 Shares, i.e. after the Public Issue.
- (3) Including pink form allocation for key management.

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3. DETAILS OF THE IPO (Cont'd)

3.5 Basis of arriving at the price of the IPO Shares

3.5.1 IPO Price

The IPO Price of RM0.80 per IPO Share was determined and agreed upon between our Directors, Promoters, Selling Shareholders and our Principal Adviser and Underwriter, after taking into consideration the following factors:-

- (i) Our operating history and financial performance as described in **Sections 5** and **11** of this Prospectus, respectively;
- (ii) Our Group's net EPS of approximately 6.5 sen per Share for FYE 30 June 2015 based on our existing issued and paid-up share capital of 310,000,000 Shares which translates to a net price-to-earnings multiple of approximately 12.3 times, after excluding the tax credit of RM7.1 million or approximately 2.3 sen per Share;
- (iii) Our Group's net EPS of approximately 5.2 sen per Share for FYE 30 June 2015 based on our enlarged issued and paid-up share capital of 388,000,000 Shares which translates to a net price-to-earnings multiple of approximately 15.4 times, after excluding the tax credit of RM7.1 million or approximately 1.8 sen per Share;
- (iv) The pro forma consolidated NA as at 31 January 2016 attributable to equity holders of our Company of approximately RM0.37 per Share based on the enlarged issued and paid-up share capital pursuant to the Listing of 388,000,000 Shares;
- (v) Our dividend policy as disclosed in **Section 11.7** of this Prospectus;
- (vi) Our competitive strengths, future plans and strategies as outlined in **Sections 6.3** and **6.20.1** of this Prospectus, respectively;
- (vii) The outlook of the industry which we operate in, as described in **Section 7** of this Prospectus; and
- (viii) The prevailing market conditions which include, the current market trends and investors' sentiment.

Our Directors and RHB Investment Bank are of the opinion that the IPO Price is fair and reasonable after careful consideration of the abovementioned factors.

Applicants should also note that the market price of our Shares upon Listing is subject to market forces and other uncertainties which may affect the price of our Shares. You are reminded to consider the risk factors as set out in **Section 4** of this Prospectus before deciding to invest in our Shares.

3.5.2 Expected market capitalisation

Based on the IPO Price of RM0.80 per IPO Share, the total market capitalisation of our Company upon Listing is estimated at RM310.4 million.

3. DETAILS OF THE IPO (Cont'd)

3.6 Objectives of the IPO

The objectives of the IPO are as follows:-

- (i) to obtain listing of and quotation for our entire issued and paid-up share capital of 388,000,000 Shares on the ACE Market of Bursa Securities;
- (ii) to enable us to access the equity capital market for cost effective capital raising and to provide us the financial flexibility to pursue growth opportunities;
- (iii) to raise funds for the purposes as set out in **Section 3.8** of this Prospectus;
- (iv) to enable our Group to gain recognition through our listing status and further enhance our corporate reputation and brand name which is aimed at expanding our customer base;
- (v) to establish liquidity for our Shares; and
- (vi) to provide an opportunity for the investing community including eligible employees and persons who have contributed to the success of our Group to become our shareholders and participate in the future growth of our Group.

3.7 Dilution

Dilution is computed as the difference between the IPO Price paid by the investors for our IPO Shares and the pro forma consolidated NA per Share of our Group immediately after our IPO.

Our audited NA as at 31 January 2016 was approximately RM90.0 million or RM0.29 per Share. After giving effect to the issue of 78,000,000 new Shares under the Public Issue, and after further adjustment for the estimated listing expenses, our pro forma consolidated NA per Share as at 31 January 2016 (based on an enlarged issued and paid-up share capital of 388,000,000 Shares) would have been RM0.37 per Share. This represents an immediate increase in our pro forma consolidated NA per Share of RM0.08 to our existing shareholders and an immediate dilution in our pro forma consolidated NA per Share of RM0.43, representing approximately 53.8% of the IPO Price, to our new public investors. Further details on our NA per Share are set out in **Section 11.2** of this Prospectus.

The following table illustrates such dilution on a per Share basis:-

	<u>(RM)</u>
IPO Price	0.80
Audited NA per Share as at 31 January 2016	0.29
Pro forma consolidated NA per Share as at 31 January 2016, after giving effect to the completed transaction, the IPO and utilisation of proceeds	0.37
Increase in the pro forma consolidated NA per Share to existing shareholders	0.08
Dilution in the pro forma consolidated NA per Share to new public investors	0.43
Dilution in the pro forma consolidated NA per Share to new public investors as a percentage to the IPO Price	53.8%

3. DETAILS OF THE IPO (Cont'd)

Save as disclosed below, there has been no direct acquisitions and/or subscription of any existing Shares in our Company by our Directors, key management, substantial shareholders or persons connected with them, or in which they have the right to acquire, during the past three (3) years prior to the date of this Prospectus:-

	No. of subscription shares	No. of Shares held after Bonus Issue and Subdivision of Shares	Par value (RM)	Value (RM)	Effective cost per Share (RM)
<u>Substantial shareholders</u>					
BOE	5,220	224,750,000	0.10	22,475,000	0.10
Genius Thinkers	1,080	46,500,000	0.10	4,650,000	0.10
James Lim	140	6,027,780	0.10	602,778	0.10
Joshua Lim	20	861,110	0.10	86,111	0.10
Joel Lim	20	861,110	0.10	86,111	0.10
<u>Key management</u>					
Chan Shook Ling	180	7,750,000	0.10	775,000	0.10
Chin Seen Choon	180	7,750,000	0.10	775,000	0.10
Ho Keat Soong	180	7,750,000	0.10	775,000	0.10
Goh Bee Chin @ Ooi Bee Chin	180	7,750,000	0.10	775,000	0.10

3.8 Utilisation of proceeds

Our Company will not receive any proceeds from the Offer for Sale. Based on the IPO Price of RM0.80 per Offer Share, the gross proceeds from the Offer for Sale of RM18.4 million will accrue entirely to the Selling Shareholders.

The gross proceeds from the Public Issue amounting to RM62.4 million based on the IPO Price of RM0.80 per Issue Share are expected to be utilised in the manner as set out below:-

Details of utilisation	Estimated timeframe for utilisation upon Listing	(RM'000)	Percentage of gross proceeds (%)
Repayment of bank borrowing ⁽ⁱ⁾	Within 6 months	8,500	13.6
Capital expenditure ⁽ⁱⁱ⁾	Within 24 months	25,000	40.1
R&D expenditure ⁽ⁱⁱⁱ⁾	Within 24 months	8,200	13.1
Working capital ^(iv)	Within 24 months	16,700	26.8
Estimated listing expenses ^(v)	Within 3 months	4,000	6.4
Total		62,400	100.0

3. DETAILS OF THE IPO (Cont'd)**Notes:-****(i) Repayment of bank borrowing**

We intend to utilise RM8.5 million from the IPO proceeds to partly repay our bank borrowing, details of which are set out below:-

Lender	: OCBC Bank (Malaysia) Berhad
Maturity date	: October 2020 (5 years)
Purpose of borrowing	: To part finance the purchase of land and buildings
Outstanding balance as at the LPD	: Approximately RM13.7 million
Interest rate	: Base lending rate ("BLR") minus 1%

The above credit facility was utilised to part finance the acquisition of our premises, comprising three (3) pieces of land located at Lot 202124-PN 94442, Lot 202125-PN 94443 and Lot 381631-PN314266, Mukim Hulu Kinta, Daerah Kinta, Negeri Perak with a two (2) storey office and two (2) storey factory building erected thereon (which was previously under lease) for a total purchase consideration of approximately RM26.1 million. The acquisition was completed on 12 October 2015.

Our Group has earmarked approximately RM8.5 million for the repayment of the above credit facility within the next six (6) months, while the balance amounting to approximately RM5.2 million will be repaid on a staggered basis in accordance to the bank's loan repayment schedule. For illustrative purposes, the repayment of the bank borrowing as at the LPD will give rise to interest savings of up to approximately RM0.50 million per annum based on the prevailing interest rate of approximately 5.9% (BLR minus 1%) per annum.

(ii) Capital expenditure

Our Group intends to allocate RM25.0 million from the IPO proceeds to acquire new machinery and equipment for our operations as well as to upgrade our IT infrastructure. The breakdown of the utilisation is set out below:-

<u>Details</u>	<u>No. of units</u>	<u>(RM'000)</u>
<u>Operations</u>		
- SMT production line	1	4,800
- Assembly process equipment	1	800
- Moulding machines	3	1,700
- Tooling machines	1	1,100
- Surface treatment machines	1	1,300
- Precision measuring machines	3	1,000
- Test equipment	3	700
- Other equipment and machinery such as dryers, ovens, milling and wire cut machines and mould temperature control units	34	2,200
Sub-total	47	13,600
<u>Expansion into new product category</u>		
- One (1) wafer chip and electronic component encapsulation automated production line	1	10,000

3. DETAILS OF THE IPO (Cont'd)

<i>Details</i>	<i>No. of units</i>	<i>(RM'000)</i>
<u>IT infrastructure</u>		
- Enhanced cloud-based solutions for FOBO products		350
- IT virtualisation		300
- Manufacturing execution system		250
- Other miscellaneous upgrades (Centralised data storage and internet bandwidth with load balancing functionality)		500
Sub-total		1,400
Total		25,000

(a) Operations

Our business requires us to constantly keep up-to-date with the latest manufacturing technologies to ensure that we will have the ability to meet the increasingly complex specifications, quality expectations and product delivery schedule of our customers. As such, we have earmarked approximately RM13.6 million for the purchase of new machinery and equipment which incorporates the latest technologies and enhanced functionalities to increase our efficiency, productivity and competitiveness. We also intend to invest in new testing machines to expand our testing laboratories.

The purchase of new machinery and equipment, as well as the upgrade of our manufacturing facilities will enable us to increase our capacity, expand our product range, replace old machinery and improve our testing capabilities. As at the LPD, we have three (3) existing SMT lines with maximum production capacity of approximately 13.9 million units of PCBA per annum (based on annualised seven (7) months capacity for the FPE 31 January 2016). For illustration purposes only, assuming the maximum annual capacity of our SMT lines and based on the product mix in the seven (7) months FPE 31 January 2016, the purchase of an additional SMT line will increase the SMT maximum annual capacity by approximately 33.3% from approximately 13.9 million units to 18.5 million units of PCBA per annum.

(b) Expansion into new product category

We are currently in the advanced stages of securing a contract for the manufacture of a USB powered device that adds touchscreen functionality to non-touch laptop screens. We have been in communication with this potential customer for the past six (6) months, and have been participating in both the design of the test samples as well as discussions on the manufacturing process and machinery required to produce the device. Please refer to **Section 6.20.1(v)(a)** of this Prospectus for further details. To facilitate the production of this device, we would require investment into a dedicated automated production line.

In this regard, our Group intends to utilise approximately RM10.0 million from the IPO proceeds to finance the purchase of one (1) production line with an estimated production capacity of approximately 3.0 million devices per annum. This new production line is an automated wafer chip and electronic component encapsulation production system with additional capability to mount wafer chips and perform wire bonding, which is different from our SMT production line.

We plan to purchase and fully install the production line at our factory by the fourth quarter of calendar year 2016, with mass production estimated to commence at the end of 2016/early 2017. This new product category will enable us to diversify our product range and increase our revenue stream.

3. DETAILS OF THE IPO (Cont'd)

(c) IT infrastructure

We have earmarked approximately RM1.4 million from the IPO proceeds for the purposes of investing in new software and hardware to upgrade our Group's IT infrastructure to enable us to keep up with the rapid changes in the IT, telecommunication and electronics industries. Our current IT infrastructure consists of, amongst others, conventional web hosting services for our e-commerce platform, wired bar code solutions for inventory management, decentralised storage of our data, documents and databases across different platforms, client-server technology and internet leased line.

Through our IPO proceeds, we intend to implement cloud computing technology for our e-commerce platform, which is more reliable, fault tolerant and scalable than our current web hosting services. In addition, the upgrade of our wired bar code solutions into Wi-Fi bar code solutions will improve inventory management. The upgrade of our storage system and server virtualisation will allow us to centralise our data, documents and databases, for easier manageability and will enable us to have a single, consistent set of data and better control of backup, capacity and performance of our operations. In addition, we intend to subscribe for high speed internet, which is more reliable, cost-effective and flexible than our current set-up. Overall, our IT infrastructure upgrades are aimed at improving the scalability, efficiency and robustness of our operations, which moving forward will help facilitate the future growth of our in-house brand, FOBO.

In the event that any of the planned capital expenditure does not materialise or varies from the budgeted amount, the variation will be channelled towards or funded from working capital.

Please refer to Section 6.20.1 of this Prospectus for further details on our Group's future plans and strategies.

(iii) R&D expenditure

We have earmarked RM8.2 million from the IPO proceeds for future development of our products, in particular, our in-house brand, FOBO and other potential in-house brands in accordance with our R&D future plans and strategies as set out in Section 6.20.1 of this Prospectus. The development of our in-house products is expected to commence over the next two (2) years, save for the development of FOBO Ultra which has commenced in mid-2015 and is currently on-going. The breakdown of the utilisation is as follows:-

<u>Details</u>	<u>(RM'000)</u>
Purchase of R&D machinery and equipment which includes plastic and mechanical tooling machines, specialised circuit board and stencil printers and moulding machines	5,000
R&D resources which includes staff salaries and staff training and development programmes	2,200
Other R&D expenses to undertake testing (includes field testing samples), verification and certification	1,000
Total	8,200

(iv) Working capital

We expect our working capital requirements to increase in tandem with the growth of our business. Therefore, we expect to utilise approximately RM16.7 million from the IPO proceeds as additional working capital to support our day-to-day operations, which include the following:-

<u>Details</u>	<u>(RM'000)</u>
Raw materials ⁽¹⁾	10,300
Sales and marketing expenses	3,000
Registration of intellectual property rights	2,200
General expenses such as administrative costs	1,200
Total	16,700

3. DETAILS OF THE IPO (Cont'd)

Note:-

- (1) *Purchase of raw materials includes, amongst others, electronic components, electro-mechanical materials as well as mechanical parts. Our Group has, in the past, been able to obtain discounts from certain suppliers for bulk purchases on early payment of raw material supplies. Hence, it is important that we maintain a high level of cash to take advantage of such opportunities in the future.*

In the event that the actual capital expenditure or R&D expenditure are higher than estimated, the deficit will be funded out of working capital. However, if the actual capital expenditure or R&D expenditure are lower than estimated, the excess will be utilised for general working capital requirements of our Group.

(v) **Estimated listing expenses**

The estimated listing expenses for the IPO to be borne by our Group are as follows:-

Details	(RM'000)
<i>Estimated professional advisory fees</i>	<i>2,200</i>
<i>Underwriting commission, brokerage fees and placement fees</i>	<i>1,170</i>
<i>Estimated regulatory fees</i>	<i>75</i>
<i>Other fees and expenses such as printing, advertising, travel and roadshow expenses incurred in connection with the IPO</i>	<i>150</i>
<i>Miscellaneous expenses and contingencies</i>	<i>405</i>
Total estimated listing expenses	4,000

In the event that the actual expenses are higher than estimated, the deficit will be funded out of working capital. However, if the actual expenses are lower than estimated, the excess will be utilised for general working capital requirements of our Company.

We intend to place the proceeds raised from the Public Issue (including accrued interest, if any) or the balance thereof as deposits with licensed financial institutions or short-term money market instruments prior to the eventual utilisation of the IPO proceeds for the above intended purposes.

The utilisation of RM8.5 million for the repayment of our bank borrowings is expected to have a positive financial impact on our Group resulting in interest savings of up to approximately RM0.50 million based on prevailing interest rates. In addition, we have illustrated the financial impact of the utilisation of proceeds from the Public Issue on our pro forma consolidated financial information in **Section 11.2** of this Prospectus.

3.9 Brokerage, underwriting commission and placement fee

(i) **Brokerage**

We will pay brokerage in respect of the sale of the Issue Shares under the Public Issue, at the rate of one percent (1%) of the IPO Price in respect of all successful applications which bear the stamp of the participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or the Issuing House.

(ii) **Underwriting commission**

Our Underwriter has agreed to underwrite 29,100,000 Issue Shares as set out in **Sections 3.3.1(i)** and **(ii)** of this Prospectus ("**Underwritten Shares**"). We will pay our Underwriter an underwriting commission at the rate of 1.75% of the value of the Underwritten Shares based on the IPO Price. There will be no managing underwriter fees payable to RHB Investment Bank.

3. DETAILS OF THE IPO (Cont'd)

(iii) Placement fee

Our Placement Agent has agreed to place our IPO Shares to institutional and identified investors comprising 10,100,000 Issue Shares as set out in **Section 3.3.1(iii)** of this Prospectus, 38,800,000 Issue Shares as set out in **Section 3.3.1(iv)** of this Prospectus and 23,000,000 Offer Shares as set out in **Section 3.3.2** of this Prospectus. We will pay our Placement Agent a placement fee at the rate of 1.75% of the total value of the Issue Shares at the IPO Price to be placed out by our Placement Agent for the institutional and identified investors and Bumiputera investors approved by the MITI and a placement fee at the rate of 1.00% of the total value of the Issue Shares at the IPO Price to be placed out to placees identified by our Company. The placement fee to be incurred on the sale of 23,000,000 Offer Shares will be fully borne by the Selling Shareholders.

3.10 Underwriting arrangement

We have entered into the Underwriting Agreement with the Underwriter on 8 April 2016 to underwrite (i) 19,400,000 Issue Shares available for application by the Malaysian Public through a balloting process; and (ii) 9,700,000 Issue Shares reserved for application by our eligible Directors and employees as well as persons who have contributed to the success of our Group, subject to the clawback and reallocation as set out therein. Details of the underwriting commission are set out in **Section 3.9(ii)** of this Prospectus.

Pursuant to the Underwriting Agreement, the Underwriter may withdraw its obligations upon the occurrence of any of the following:-

(The capitalised terms used in this section shall have the respective meanings as ascribed in the Underwriting Agreement unless they are otherwise defined herein or the context otherwise requires.)

- (a) the IPO is stopped or delayed by the Company for any reason whatsoever (unless such delay has been approved by the Underwriter);
- (b) there occurs any misrepresentation or breach of warranties or failure to perform the undertakings by the Company set out in the Underwriting Agreement in any material respect;
- (c) the Placement Agreements shall have been terminated in accordance with their terms or either the Company or the Selling Shareholders shall have failed to perform their obligations thereunder;
- (d) SC or Bursa Securities suspends or revokes any approval for the IPO or makes any ruling (or revokes any ruling previously made), the effect of which is to prevent the Listing;
- (e) trading of all securities on Bursa Securities has been suspended or materially limited on, or by Bursa Securities, as the case may be;
- (f) any new law or regulation or change in law, directive, policy or ruling in Malaysia which in the reasonable opinion of the Underwriter (after having consulted the Company) may prejudice the success of the Listing or which would have or the effect of making it impracticable to enforce contracts to allot the Shares or making any obligation under the Underwriting Agreement incapable of performance in accordance with its terms;

3. DETAILS OF THE IPO (Cont'd)

- (g) there shall have been any other material adverse change in national monetary, financial (including stock market, foreign exchange market, inter-bank market or interest rates or money market or currency exchange rates or foreign exchange controls) conditions which in the reasonable opinion of the Underwriter (after having consulted the Company) is likely to have a Material Adverse Effect. For the avoidance of doubt, if the FTSE Bursa Malaysia Kuala Lumpur Composite Index ("**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 Closing Date;
- lower than 85%, of the level of the Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Underwriting Agreement and remain at or below that level for at least three (3) consecutive Market Days, it shall be deemed a material adverse change in the stock market condition;
- (h) the Company withholds any material information from the Underwriter which, in the reasonable opinion of the Underwriter (after having consulted the Company), is likely to have a Material Adverse Effect;
- (i) there shall have occurred any outbreak or escalation of hostilities, epidemic, acts of terrorism, acts of God, accidents or interruptions, or any calamity or crisis or other event or series of events in the nature of force majeure that, in the reasonable opinion of the Underwriter (after having consulted the Company), makes it impracticable or inadvisable to proceed with the offer, sale or delivery of the Issue Shares on the terms and in the manner contemplated in each Offer Documents;
- (j) any government requisition or other occurrence of any nature whatsoever in the reasonable opinion of the Underwriter (after having consulted the Company), is likely to have a Material Adverse Effect; and
- (k) the Listing does not take place within three (3) months from the date of the Underwriting Agreement or such other extended date as may be agreed by the Underwriter.

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4. RISK FACTORS

Before investing in our Shares, you should pay particular attention to the fact that our Group, and to a large extent our activities, are governed by the legal, regulatory and business environment in Malaysia and other countries in which we operate whether presently or in the future. Our business is subject to a number of factors, many of which are outside our control. Prior to making an investment decision, you should carefully consider, along with the other matters set forth in this Prospectus, the risks and investment considerations below. You should note that the following list is not an exhaustive list of all the risks that we face or risks that may develop in the future.

4.1 Risks relating to the industry in which we operate

4.1.1 Competitive industry

We operate in the consumer electronics industry and are subject to competition given that we manufacture and sell products to multinational corporations in the global market place. Our Group faces competition from established original equipment manufacturers both locally and internationally as well as potential new entrants. These original equipment manufacturers compete with one another based on, amongst others, product design, quality, price and range of services. As we also have our in-house electronic products under our *FOBO* brand, our products also compete with other products of similar functions such as built-in TPMS installed as a factory specification for certain vehicles, other aftermarket TPMS brands as well as other wireless tags or trackers.

Our Group's future success and competitiveness largely depends on, amongst others, our production and R&D capabilities, our technical expertise, our ability to keep abreast with the latest technology, our understanding and ability to respond to the constantly changing economic conditions and changing consumer trends and demand for consumer electronic products, as well as, our planning and marketing strategies. Our Board believes that we will remain competitive and be able to grow our business due to our competitive advantages and key strengths as set out in **Section 6.3** of this Prospectus.

Nevertheless, there can be no assurance that competition within the consumer electronics sector will not have any material impact on our business and financial performance.

4.1.2 Changes and uncertainties in the IT, telecommunications and electronics industries

The market for telecommunications and electronic products is inextricably linked to the continuing evolution in technology and evolving industry standards. In addition, consumers demand more sophisticated technology, user-friendliness as well as comprehensive functionality of products to meet their needs and expectations. As such, it is imperative that our Group keeps abreast with the latest technology and respond to the market trends and development through the adoption, customisation and integration of new technology in a timely and cost effective manner. We risk our existing customers switching to other competitors if we are unable to keep up with the change in technology and market demand. This may adversely affect the operational and financial performance of our business.

We believe that such risks may be mitigated as we have more than ten (10) years of experience in the manufacture of consumer electronic products and we are supported by a capable and experienced management team that is familiar with this competitive environment. However, there is no assurance that such risks can be mitigated in the future as it is dependent on our Group's ability to retain and develop the relevant expertise and capability to keep up with any new technology requirements.

4. RISK FACTORS (Cont'd)

4.1.3 Political, economic and regulatory factors

Our Group operates in Malaysia whilst our customers are mainly located overseas with operations in North America, Europe, Australasia, Asia and Africa. Like all other business entities, changes in political, economic and regulatory conditions in Malaysia and the markets in which our customers operate may materially and adversely affect the overall profitability of our business. Amongst the political, economic and regulatory uncertainties that may affect our operations and profitability are the changes in political leadership, changes in interest rates, fluctuation in currency exchange rate, expropriation, nationalisation or nullification of existing sales orders and contracts, as well as the changes in the regulations relating to taxation or licensing in which our Group and our customers operate.

We have adopted a proactive approach in keeping abreast with the political, economic and regulatory developments in the relevant jurisdictions reported through various media, participation and attendance in events and seminars hosted by government agencies as well as the provision of relevant trainings to designated employees on any updates to the regulatory requirements in respect of labour, machinery and safety and will continue to ensure material compliance with the legal and regulatory frameworks in the countries in which we and our customers operate. However, there is no assurance that the introduction of new laws or other future economic, political and regulatory conditions will not have a material adverse effect on the business, results of operations or financial condition of our Group.

4.2 Risks relating to our business and our operations**4.2.1 Reliance on our Managing Director / Chief Executive Officer and key management personnel**

Our Group's continued success will depend, to a significant extent, upon the abilities, capabilities and continued efforts of our key management personnel comprising our Managing Director / Chief Executive Officer, James Lim, and other senior management professionals from various backgrounds and expertise. The majority of our key management personnel has been attached to our Group for at least ten (10) years and has extensive knowledge and experience in our business operations.

Any loss of our key management personnel without suitable and timely replacement may adversely affect our ability to compete effectively in the industry. In recognising the importance of attracting and retaining suitably qualified personnel, we have put in place human resource strategies, which include competitive remuneration packages, the adoption of succession planning for key positions and providing employees with a variety of on-going training programmes to enhance their knowledge and capabilities.

However, we cannot provide any assurance that these measures will be successful in attracting and retaining our key management personnel or ensuring a smooth transition should changes occur.

4.2.2 Dependence on our major customers

Our Group's major customers comprise mainly multinational corporations dealing in Bluetooth devices such as *Plantronics*, *Jaybird* and *Sony* who had in aggregate, contributed 63.6%, 91.7%, 89.8% and 89.5% to the revenue of our Group for FYE 30 June 2013, 2014 and 2015, as well as the seven (7) months FPE 31 January 2016, respectively.

4. RISK FACTORS (Cont'd)

The loss of any of these customers, if not replaced, may adversely affect our financial condition and results of our operations. In addition, as we have no control over the prospects and success of our major customers' business, our financial performance may be adversely affected if they lose market share, experience financial difficulty or if they are faced with an economic downturn which affects demand for their products. However, our Board is of the view that these risks are mitigated to a certain extent, by the following:-

- (i) we have long⁽¹⁾ established business relationships with our major customers each for three (3) years and above, and have been through several product lifecycles with each of our major customers and therefore, are familiar with their respective requirements and preferences;

Note:-

(1) *As the consumer electronics industry is subject to competition, we consider a three (3) to four (4) year relationship with a customer to be "long" as product lifecycles can be as short as six (6) months. For example, over the past three (3) to four (4) years, we have continuously secured orders for subsequent model upgrades and have succeeded in incorporating new technology or features as specified by our major customers.*

- (ii) our track record of being able to offer quality products and services and our strength in R&D will support the growth in product orders from our existing customers for their subsequent model upgrades as well as to attract new customers. Currently, we are on the approved suppliers' list for *Plantronics*, *Jaybird* and *Sony*;
- (iii) our Group being involved in the manufacture of other electronic products (non-Bluetooth related devices), precision parts and components for other customers. This provides us with additional sources of revenue and growth opportunities which we hope to be able to leverage on in the future;
- (iv) we have developed our in-house brand, *FOBO* and plan to grow the revenue contribution from *FOBO* in the future;
- (v) our continuous investment and upgrade of our technology and manufacturing processes to support our customers' needs as well as our expenditure in enhancing our R&D capabilities. We have earmarked RM33.2 million of our IPO proceeds for the aforesaid capital and R&D expenditures as detailed in **Sections 3.8(ii) and (iii)** of this Prospectus; and
- (vi) our continued focus on R&D to extend our product range by developing Bluetooth devices and applications for use in other industries.

In addition, our Group has maintained and will continuously strive to meet our customers' expectations by paying close attention to their feedback and working in tandem with their requirements to further improve our product and service quality. During the financial period under review, we have been able to sustain our business despite the reduced orders from some of our major customers, consequent to the deterioration of their business.

Despite our efforts to diversify our revenue stream and customer base, no assurance can be given that the financial performance and operations of our Group will not be adversely affected by our dependence on our major customers.

4. RISK FACTORS (Cont'd)

4.2.3 Credit risk of our customers

Our financial performance is dependent, to a certain extent, on the creditworthiness of our customers. If circumstances arise that affect our customers' ability or willingness to pay us, we may experience payment delays or in more severe circumstances, we may not be able to collect payment from our customers. Accordingly, we would have to make allowance for doubtful debts, or incur debt write-offs, which may have an adverse impact on our profitability.

The abovementioned credit risk may be mitigated on the basis that our major customers are mainly reputable multinational corporations with strong financial standing and these customers have maintained good payment records in their past dealings with us. In addition, we conduct credit risk assessments on our new customers such as assessment on the reputation and financial information of the customers, ownership structure, country of incorporation and credit rating. Further, we monitor the outstanding balance and collection of our trade receivables.

For the financial period under review, there were no other allowance for doubtful debts and bad debt write-off which had material adverse impact on our profitability, save for the allowance for doubtful debts of approximately RM5.0 million in FYE 30 June 2013, of which RM3.1 million was subsequently recovered in FYE 30 June 2014 pursuant to an out-of-court settlement.

4.2.4 Foreign exchange risks

Our sales and purchases are denominated in various currencies, mainly USD and RM. We are therefore mainly exposed to USD fluctuations against the RM. Any significant change in USD foreign exchange rate may affect our Group's financial results. Our revenue denominated in foreign currencies is approximately 81.4%, 98.6%, 98.5% and 99.5% for FYE 30 June 2013, 2014 and 2015, as well as the seven (7) months FPE 31 January 2016, respectively. Meanwhile, the direct material purchases of our Group denominated in foreign currencies is approximately 80.9%, 91.7%, 80.9% and 96.1% for FYE 30 June 2013, 2014 and 2015, as well as the seven (7) months FPE 31 January 2016, respectively.

Nonetheless, we have not been materially and adversely affected by fluctuations in foreign exchange rates during the financial period under review as set out in **Section 11.3.4(iii)** of this Prospectus. We have recorded net gain on foreign exchange, inclusive of net fair value gain on derivative financial instruments of approximately RM0.24 million, RM0.16 million and RM1.65 million for FYE 30 June 2013, 2014 and 2015, respectively. For the seven (7) months FPE 31 January 2016, we have recorded net loss on foreign exchange, inclusive of net fair value gain on derivative financial instruments of approximately RM1.15 million.

Our Group has a natural hedge arising from our sales and purchases being denominated in the same foreign currency. Additionally, we also enter into foreign currency forward exchange contracts with banking institutions to sell foreign currencies, in particular, USD at agreed prices for fixed periods of time to minimise the net exposure of our receivables and payables, as and when necessary. Our Group mitigates the foreign exchange risk through a natural hedge via operating foreign currency accounts using deposits received from its export proceeds to pay imported purchases, with the net exposure covered by foreign currency forward contracts.

Nonetheless, there can be no assurance that any future fluctuations in exchange rates will not have a material and adverse impact on our financial performance.

4. RISK FACTORS (Cont'd)

4.2.5 Non-availability, poor quality and/or fluctuations in prices of raw materials

We rely on reputable third-party suppliers for electronic and electro-mechanical components and other raw materials to support our business activities. We purchase all our raw materials on an order-by-order basis and have no long-term contracts with any of our suppliers. If they fail to provide timely delivery of the raw materials or if they deliver raw materials of poor quality or if the cost rises significantly, our business, financial conditions and results of operations could be adversely affected.

These risks are mitigated by our standard operating procedures that assess and screen potential suppliers and our quality control procedures to determine the quality of the incoming materials. Further, some of our customers have their own designated list of approved suppliers or specified suppliers, from whom we may source our materials from, which further ensures the quality of the raw materials sourced. We also have a dedicated department which employs various inventory management techniques such as just-in-time and ship-to-stock programmes to plan material ordering with our approved suppliers to secure materials on a timely basis.

There were no occurrences of non-availability, poor quality and/or fluctuations in prices of raw materials which had materially and adversely affected our financial performance for the financial period under review. However, no assurance can be given that the abovementioned risks will not materially impact the profitability and operations of our Group.

4.2.6 Technology obsolescence

Our Group operates in a market where the products and services are prone to frequent new technology introductions and enhancements. Our Group's future growth and success would depend on our ability to keep abreast with the latest technology to develop new products and services to meet the needs of our customers. The design and development of a new or enhanced product may be a time-consuming and uncertain process. We may also encounter complexities in the manufacturing, sales and marketing processes which may further delay the introduction or delivery of our new or enhanced products to the market in a timely and efficient manner.

Our ability to grow is also subject to the risk of future disruptive technology that may unexpectedly displace the current technology. Such disruptive technology could adversely affect the competitiveness of our Group if we are unable to respond to the new technology accordingly. We seek to limit these risks by actively engaging in R&D activities that focus on developing new products and services as well as enhancing our proprietary solutions and process technology. We also maintain a good relationship with our customers to keep abreast with the latest trends and technology in the consumer electronic industry.

In addition, prior to the commencement of any product design and/or developments, we have extensive discussions on the technological requirements with our customers, which would aid us to consider any potential changes in the technology employed or to adjust the scope of product design and/or development accordingly. Such close collaborations with our customers during the design stage for new products is beneficial to our Group as it will give us greater awareness and understanding of the latest technological trends and developments.

However, there can be no assurance that we would be able to design and develop new products and services in a timely and cost effective basis. Such circumstances may in turn adversely affect our business operations and financial performance.

4. RISK FACTORS (Cont'd)

4.2.7 Disruptions to manufacturing and business operations

Any fire outbreaks, power outages, disruptions of water supply, system malfunction, natural disasters and other causes may disrupt the manufacturing and business operations of our Group and consequently affect the financial performance and the reputation of our Group. Taking cognisance of such risks, our Group has a regular maintenance schedule for our machineries and equipment and has taken precautionary steps to minimise the risk of fire outbreaks through the installation of fire hydrants, fire extinguishers and the dispersal of the storage of raw materials and finished products at various premises. In addition, our Group also ensures that all our machineries and equipment are insured for any potential losses or physical damages due to fire outbreaks.

We have not experienced any material disruption in our manufacturing operations during the financial period under review. Nevertheless, there is no assurance that any security and system disruptions will not materially affect our Group's business in the future.

4.2.8 Contractual risks

We have entered into contracts and agreements with our customers and suppliers which contain specific terms and conditions, obligations and undertakings. Any material failure on our part to perform our contractual obligations (including, amongst others, obligations to deliver products on time, to maintain the relevant operating licences and quality certifications at all times, to maintain confidentiality, to maintain sufficient insurance coverage and to honour warranties), may result in termination of the relevant contract and/or contractual liability for loss and damage, and expose us to the threat of litigation in addition to tarnishing our reputation and brand.

We take cognisance of the terms of the contracts and agreements entered into by us, and will endeavour to comply with such terms and maintain good relations with our customers and suppliers to ensure the commercial continuity of our contracts and agreements. Although there has not been any material non-performance of contractual obligations for the financial period under review, no assurance can be given that we are able to fully perform all our contractual obligations in the future.

4.2.9 Delays, cancellations, and product complexities

Our business is subject to the following risks:-

- (i) customers may resort to cancellation, postponement or scaling down of the volume of product orders due to various reasons which include, amongst others, change in customer's requirements and specifications, change in the key management of our customers, change in commercial viability of their products and change in the economic environment in which they operate in. Such cancellations, postponements or scaling down of the volume of product orders may affect our profit margin and delay our recognition of revenues;
- (ii) the under-estimation of product complexities may delay the commencement of the production which in turn delays the delivery of our end products to customers. Further, unanticipated changes in product design and/or specifications nearing the commencement of production may cause us to incur higher costs; and
- (iii) there may be disputes with our clients on the scope or quality of work carried out by us which may lead to unbudgeted additional costs at our end.

4. RISK FACTORS (Cont'd)

We have not encountered any delays and cancellations as mentioned above that had materially and adversely affected our financial performance for the financial period under review. Our key management personnel always work closely with our customers to ensure that work requirements and quality expectations are met. Further, we also have standard operating procedures in place for production management. Notwithstanding the above, there can be no assurance that we will not encounter the above risks.

4.2.10 Product defect liabilities and warranty claims

We are required to meet the strictest specifications for each product to ensure functionality and high performance. It is therefore crucial that we have the expertise and equipment to manufacture our products with high precision and accuracy as we are responsible for potential defects in relation to our design, poor workmanship and the quality of material used, as well as products that are not manufactured in accordance to the product specifications.

In the event of such defects, we may have to rectify the defects at our own costs and this may result in lower profitability. Any unusual or excessive defects may damage the reputation of our Group as a manufacturer of electronic products and our *FOBO* brand. For the past three (3) FYE 30 June 2013, 2014 and 2015, as well as the seven (7) months FPE 31 January 2016, the percentage of defective products returned is less than 0.5% of the total products shipped for the respective financial years/period under review.

We generally provide warranties of up to eighteen (18) months for most of our products for external brands and warranties ranging from twelve (12) months to thirty (30) months for *FOBO* products depending on our export markets. These warranties do not cover any consequential losses, normal wear and tear or damage to the product due to negligence by the end user. For the financial period under review, we have not suffered from any material warranty claims. These risks are mitigated by conducting amongst others, careful prototyping, comprehensive in-process and final testing of our products, adequate training of our employees, sourcing of raw materials from reputable suppliers as well as working closely with our customers to ensure that all specifications are met. Further, we employ lean management principles and the Six Sigma methodology in our manufacturing processes. However, no assurance can be given that such risks will not adversely impact the profitability of our Group in the future.

4.2.11 Revocation, suspension or non-renewal of major licences

As set out in **Section 6.15** of this Prospectus, our Group has been granted various licences which include, amongst others, the manufacturing licence for Bluetooth related devices, warehouse licence and manufacturing warehouse licence. Some of these licences are subject to periodic renewals. There can be no assurance that we will be able to renew such licences from the authorities, particularly if any new terms or conditions are imposed in the future; or that our licences from authorities will not be revoked or suspended prior to their expiration.

However, our Group seeks to limit this risk by endeavouring to ensure compliance to the terms and conditions as set out in these licences and any other licences with the respective authorities. We have not encountered any revocation, suspension or non-renewal of major licenses in the past and have not experienced nor do we anticipate any major difficulty in obtaining approvals and renewal for the necessary licences within a reasonable timeframe which may impact the business continuity of our Group.

4. RISK FACTORS (Cont'd)

4.2.12 Inadvertent infringement of third party intellectual property rights

In the development and introduction of any new products, particularly the *FOBO* series, there is a possibility that our new products could inadvertently infringe one or more intellectual property rights held by a third party. This would lead to the risk of legal action against us that may be costly and time consuming. If a third party successfully establishes that we have infringed its intellectual property, we may suffer significant liabilities, litigation costs, or licensing expenses or be prevented from selling our products.

Our Group promotes and supports original ideas in the design and development of our products to prevent any third party intellectual property rights infringement. As at the LPD, we have not inadvertently infringed any third party intellectual property rights but there can be no assurance that there will be no risk of infringement in the future.

4.2.13 Potential intellectual property rights infringement by third-parties

As set out in **Section 6.16** of this Prospectus, we have filed twenty four (24) patent applications for five (5) different inventions relating to our *FOBO* products in various countries. Additionally, we have been granted nine (9) trademark rights and one (1) industrial design rights that are recognised in various countries where these applications were filed. These patents, trademarks and industrial design registrations grant us intellectual property rights, thereby protecting our *FOBO* products.

Patent registration is a lengthy process as it entails substantive review and examination by the respective national patent office. Therefore, many of our patent applications are still pending registration with the national patent office in the respective countries. There is no assurance that all our pending patents will be successfully registered in the future.

The patents, trademarks and industrial designs that were granted to Salutica Allied are still susceptible to unlawful imitation and infringement. There can be no guarantee that third parties will not make an inferior or modified replica of our products and pass-off their products under the *FOBO* brand or otherwise obtain and use such trademarks without authorisation. In the event of imitation and infringement, we may need to engage in costly litigations to protect and enforce our intellectual property rights. If no legal action is taken on a timely basis, there is a possibility that imitations of our products may be widely distributed and sold in the market. Customers who inadvertently purchase these imitation products from third parties may be disgruntled by, amongst others, the inferior quality and performance of such products, and may then spread negative word-of-mouth that will tarnish the reputation of our Group and may consequently reduce the market demand for our products. As at the LPD, we are unaware of any intellectual property rights infringement by third parties that may adversely affect the profitability of our Group.

Our management acknowledges the importance of safeguarding our intellectual property rights and has been working closely with our legal advisors in securing our intellectual property rights and will take appropriate measures and/or seek legal recourse in the event of any third parties' breach of our intellectual property rights.

4. RISK FACTORS (Cont'd)

4.2.14 Security breaches and failure to protect our proprietary and customers' information

We face the risks of exposure of our proprietary information or exclusive information of our customers or trade secrets due to security breaches and employee negligence and/or errors which would result in the risks of legal action taken against us by our customers arising therefrom. In order to mitigate any security breaches, our management has put in place several safeguard measures, which include installation of comprehensive firewall systems, enforcement of authentication and user access restrictions at each workstation, regular examination of security logs, constant monitoring of network traffic, installation of closed circuit cameras within the office premise as well as ensuring the isolation of workspace and allocating independent workforce for each project and/or customer.

Further thereto, our Group provides manufacturing services of Bluetooth headsets to different customers who may be each other's competitors. Our Group endeavours to minimise any potential leak or transfer of confidential information on the production processes and specifications by separating the assembly lines into different production floors with restricted access with each assembly line being operated by independent teams.

In the event of our failure to protect the confidential information of our customers due to security breaches, negligence or disclosure by our Group, potential risks such as litigation or disputes as well as loss of confidence from our customers may arise. As at the LPD, we have not experienced any security breaches and have not failed to protect our proprietary and customers' information which may adversely affect our financial performance and/or result in an adverse impact on our reputation. Despite our endeavours and procedures put in place to minimise security breaches, there can be no assurance that we will not be adversely affected by the aforesaid risks in the future.

4.2.15 Non-viability or non-successful implementation of our future plans

As part of our future plans as set out in **Section 6.20.1** of this Prospectus, we intend to invest in, amongst others, new machinery and equipment, sales and marketing and R&D, which we believe will be beneficial to our Group. Although we endeavour to exercise due care in assessing the risks and merits of investing in the above, future events may also affect the implementation of our future plans, such as changes in technology or changes in general market conditions.

Although we will take active steps to mitigate such investment risk, there can be no assurance that our future plans will materialise or that all our future investments will yield positive returns and will not have any adverse effect on our future financial performance.

4.2.16 Inadequate insurance coverage

We are aware of the adverse consequences arising from inadequate insurance coverage. Hence, we regularly review and ensure that our insurance coverage is adequate for our major assets on a continuous basis. The major assets of our Group include, amongst others, our manufacturing facility, plant and machinery and inventories. Our Group conducts regular servicing and maintenance procedures on our major assets to minimise the risk of machinery breakdowns which may adversely affect the business operations of our Group.

4. RISK FACTORS (Cont'd)

All our major assets are adequately covered with insurance against fire, consequential loss and equipment and office risk. We also ensure strict adherence to the OHSAS 18001 Occupational Health and Safety Management Systems Requirements at all times. For the financial period under review, there have not been any material incidents or accidents to our assets. However, in the event of any unforeseen incidents, there can be no assurance that the existing insurance coverage would be adequate for the replacement of our assets or any consequential losses arising therefrom.

4.2.17 Dependence on the supply of workers

Our manufacturing operations are dependent on the supply of workers. As at the LPD, we employ 220 local and 384 foreign workers. We also source workers from reliable third party agents to further support our manufacturing operations when required. For information purposes, the hiring of foreign workers in the manufacturing industry is subject to certain conditions imposed by the relevant authorities which may change from time to time. Any restriction on the number of foreign workers that our Group is allowed to employ or changes in the conditions imposed may increase the difficulties for our Group to hire sufficient workers. Such restrictions and/or changes may materially interrupt our manufacturing processes and affect our ability to deliver our products on time which may have a material adverse impact on the profitability and financial position of our Group.

4.3 Risks relating to our Shares

4.3.1 There has been no public market for our Shares

There has been no public market for our Shares. There can be no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell their Shares or the prices at which holders would be able to sell their Shares.

Our Shares could trade at prices that may be lower than the IPO Price depending on many factors, including prevailing economic and financial conditions in Malaysia, our operating results and the markets for similar securities. In addition, the market for securities in emerging markets has been subject to disruptions that have caused intense volatility in the prices of securities similar to our Shares. There can be no assurance that the market for our Shares, if any, will not be subject to similar disruptions. Any disruption in such markets may have a material and adverse effect on the holders of our Shares.

4.3.2 Potential delay or failure of the Listing

The occurrence of any one or more of the following events, which may not be exhaustive, may cause a delay in our Listing or our Listing to be aborted:

- (i) the identified investors fail to subscribe to their portion of IPO Shares which they have undertaken to subscribe for;
- (ii) our Underwriter exercising their rights pursuant to the Underwriting Agreement to discharge themselves from their obligations thereunder; or
- (iii) we are unable to meet the public spread requirements as determined by Bursa Securities i.e. at least 25.0% of our enlarged issued and paid-up share capital must be held by a minimum of 200 public shareholders holding not less than 100 Shares each at the point of Listing.

4. RISK FACTORS (Cont'd)

In the event of a failure of our Listing, all monies paid in respect of any Application accepted from you will be returned in full without interest within fourteen (14) days, failing which, the provisions of sub-section 243(2) and 243(6) of the CMSA shall apply accordingly. Nevertheless, our Directors will endeavour to ensure compliance with the various requirements for our successful Listing.

4.3.3 Volatility of Share price and trading

The market price of our Shares may fluctuate as a result of variations in the liquidity of the market for our Shares, differences between our actual financial operating results and those expected by investors and analysts, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of our Shares. Accordingly, there can be no assurance that our Shares will not trade at prices lower than the IPO Price.

Over the past few years, the Malaysian, regional and global equity markets have experienced significant price and volume volatility that have affected the share price of many companies. Share prices of many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. There can be no assurance that the price and trading of our Shares will not be subject to such fluctuations in the future.

4.3.4 Dividend payments

We propose to pay dividends out of cash generated from our operations after setting aside necessary funding for capital expenditure and working capital requirements. Further details on our dividend policy are disclosed in **Section 11.7** of this Prospectus. Dividend payments are not guaranteed and our Board may decide, at its sole and absolute discretion, at any time and for any reason, not to pay dividends. If we do not pay dividends, or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of any investment in our Shares may be reduced.

Any payment of dividends may adversely affect our ability to fund unexpected capital expenditures as well as our ability to make interest and principal repayments on our debt. As a result, we may be required to borrow additional money or raise capital by issuing equity securities, which may not be possible or may not be on favourable terms or at all. Further, in the event that we incur new borrowings subsequent to the Listing, we may be subject to covenants restricting our ability to pay dividends.

4.3.5 Control by our Promoters

Pursuant to the Listing, an aggregate of 263,000,000 Shares representing approximately 67.8% of our enlarged issued and paid-up share capital will be held by our Promoters. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Company as well as influence the outcome of certain matters requiring the voting of our shareholders, unless our Promoters are required to abstain from voting by law and/or by the relevant guidelines or regulations.

Nevertheless, for good corporate governance, we have appointed three (3) independent Directors and established an Audit Committee to ensure all future transactions involving related parties, if any, are entered into on normal commercial terms that are not more favourable to the related parties than those generally available to third parties and not to the detriment of our minority shareholders.

4. RISK FACTORS (Cont'd)

4.3.6 Dilution of shareholders' equity

We may require additional funding for future growth. This may result in dilution of our shareholder's equity, or restrictions imposed by additional debt funding such as, amongst others, maintenance of a certain level of current ratio, gearing ratio and/or dividend payouts.

Our capital requirements are dependent on, amongst others, our business, the availability of our resources for attracting, maintaining and enlarging our client base and the need to maintain and expand our operations. Thus, we may need additional capital expenditure for mergers and acquisition or investments. An issue of Shares or other securities to raise funds will dilute shareholders' equity interest and may, in a case of a rights issue, require additional investment by shareholders.

4.4 Other risks

4.4.1 Forward-looking statements are subject to uncertainties and contingencies

Certain statements in this Prospectus are based on historical data, which may not be reflective of the future results. Other statements, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Company for future operations, which are forward looking in nature, are subject to uncertainties and contingencies. Although we believe that the expectations reflected in such forward looking statements are reasonable at this time, there can be no assurance that such expectations will subsequently materialise. Their inclusion in this Prospectus should not be regarded as a representation or warranty by our Company, Promoters, Selling Shareholders, Principal Adviser or any other advisers that the plans and objectives of our Group will be achieved.

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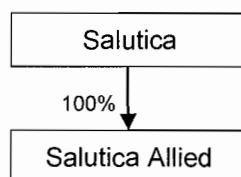
5. INFORMATION OF OUR GROUP

5.1 History and business

Our Company, Salutica Berhad (Company No. 1024781-T), was incorporated in Malaysia under the Act on 19 November 2012 as a private limited company under the name of Blue Ocean Genius Sdn Bhd. On 29 June 2015, we changed our name to Salutica Sdn Bhd and subsequently on 4 November 2015 we became a public limited company.

We are principally an investment holding company and commenced business as an investment holding company immediately following the completion of the acquisition of Salutica Allied on 4 September 2013.

Our Group structure as at the LPD is set out below:-



Overview

Salutica Allied was incorporated on 15 October 1990 under the name of TFP Precision Industries Sdn Bhd ("**TFP**"). TFP changed its name to Balda-Thong Fook Solutions Sdn Bhd ("**Balda Thong Fook**") in 2004, and subsequently to Balda Solutions Malaysia Sdn Bhd ("**Balda Solutions**") in 2006 before Salutica Allied adopted its current corporate name in 2013.

(Any references to "TFP", "Balda Thong Fook" and "Balda Solutions" in this section refer to "Salutica Allied").

In 1990, we commenced operations as an original equipment manufacturer principally involved in the manufacture of precision plastic parts and components for the electronics industry. We have now evolved to become a vertically integrated manufacturer, primarily focused on Bluetooth devices with capabilities and expertise to carry out a full product development lifecycle, from product design, product development, product testing/prototyping, product commissioning to manufacturing and assembly. We are also involved in the product conceptualisation, idea generation, design, development, manufacturing, assembly, marketing and sales of our in-house Bluetooth related products under the brand name "*FOBO*".

The ownership of Salutica Allied has gone through several changes since its incorporation. The key change in ownership was on 4 September 2013, whereby our Promoter and Managing Director / Chief Executive Officer, James Lim, through Salutica (then known as Blue Ocean Genius Sdn Bhd), successfully led the management buyout to acquire the entire share capital of Salutica Allied from Balda AG Group for a cash consideration of RM5.00. Balda AG, a listed company on the Frankfurt Stock Exchange, Germany and its subsidiaries are principally engaged in developing and manufacturing medical plastics precision parts and solutions. The disposal by Balda AG Group of Salutica Allied, a loss-making business since 2009, was in line with its strategic direction to focus on its plastics business rather than investing further resources into a manufacturer of consumer electronics. Balda AG Group also considered the estimated costs to shut down Salutica Allied's operations in Malaysia and place Salutica Allied under member's voluntary liquidation to enable it to exit its investment in Malaysia. These costs include amongst others, the cost of employee retrenchment, potential compensation to customers and suppliers for termination of service as well as other expenses relating to liquidation of assets.

5. INFORMATION OF OUR GROUP (Cont'd)

The changes in ownership of Salutica Allied since its incorporation is summarised below:-

Year	Changes in ownership
1990	<ul style="list-style-type: none"> Incorporation of TFP with two (2) initial shareholders, Liew Sew Yee and Liew Sooi Chee each holding 50.0% equity interest in TFP
1996	<ul style="list-style-type: none"> Liew Sew Yee acquired all shares held by Liew Sooi Chee in TFP
1998	<ul style="list-style-type: none"> Iplast ASA Nordivin ("Iplast"), a company based in Norway, was issued and allotted with new TFP shares and emerged as a shareholder holding 50.0% equity interest in TFP
2001	<ul style="list-style-type: none"> Balda AG Group acquired all shares held by Iplast in TFP and emerged as a shareholder holding 50.0% equity interest in TFP
2002	<ul style="list-style-type: none"> Thong Fook Electronics Sdn Bhd ("Thong Fook Electronics") acquired the remaining shares not held by Balda AG Group in TFP from Liew Sew Yee and became a shareholder holding 50.0% equity interest in TFP
2006	<ul style="list-style-type: none"> Balda AG Group acquired the entire shareholdings from Thong Fook Electronics and became the sole shareholder of Balda Thong Fook
2013	<ul style="list-style-type: none"> James Lim, through Salutica, led a management buyout on Balda Solutions which was completed on 4 September 2013

5.1.1 History of our business

We commenced business as a manufacturer of precision plastic parts and components for the electronics industry

TFP was a manufacturer of precision plastic parts and components for the electronics industry since its incorporation in 1990. Between 1996 and 1999, TFP secured various contracts to manufacture plastic injection moulding and tooling for windows and window panels for Yamaha Electronics Manufacturing (M) Sdn Bhd, camera parts and components for Canon Opto Sdn Bhd and plastic parts and components for mobile feature phones and accessories for *Sony*.

We remained focused on the manufacturing of plastic parts and components for mobile feature phones despite our venture into the Bluetooth business

Whilst continuing to focus on the core business of manufacturing precision plastic parts and components, primarily for mobile feature phones, TFP had the opportunity to diversify its product offerings when it won its first Bluetooth contract from *Sony* for the manufacture of Bluetooth mono headsets in 2004. In the same year, our Promoter and Managing Director / Chief Executive Officer, James Lim was appointed as the Chief Executive Officer of TFP and he set-up the R&D division to focus on the R&D of Bluetooth technology as well as other wireless and touchscreen light-guide technologies. This was critical for a manufacturer of technology-related products to ensure long term sustainability given the anticipated rise of Bluetooth as a standard communication protocol for many electronic devices.

Under James Lim's leadership, Balda Thong Fook secured its first hardware and mechanical design and manufacture contract for Bluetooth car kits from *Sony* in 2006. In the same year, Balda Solutions set-up a design house in the US to carry out design work for *Sony's* mobile feature phone casing. The design house, known as Balda Solutions USA, Inc. ("**Balda USA**"), was wholly-owned by Balda AG, and was managed by Balda Solutions until 2012.

In 2007, Balda Solutions secured its first Bluetooth stereo headsets contract from *Sony*, an advancement from the Bluetooth mono headsets it previously manufactured.

5. INFORMATION OF OUR GROUP (Cont'd)

In 2008, Balda Solutions secured a design and manufacture contract from Nokia Corporation for hardware, mechanical and firmware design as well as the manufacture of Bluetooth car kits. Between 2008 and 2009, it also won several contracts for the development of solutions for vehicle communication, telematics and mobile device integration for hardware, mechanical and firmware design; as well as the manufacture of Bluetooth headsets and car kits.

We shifted our focus to the Bluetooth business which has provided a platform for us to gradually evolve as a vertically integrated manufacturer

In 2009, Balda Solutions' plastics precision business was significantly affected when mobile smartphones began replacing mobile feature phones. However, as a result of the R&D initiatives driven by James Lim, Balda Solutions was able to shift its focus to electronics manufacturing, particularly in Bluetooth products. This provided a platform for the company to gradually turn around.

At the end of 2010, James Lim retired from Balda Solutions. He subsequently returned in January 2012 to resume his role as Chief Executive Officer of Balda Solutions.

Between 2011 and 2013, we secured contracts for the design and manufacture of Bluetooth stereo headsets from *Plantronics*, *tonalite International B.V. ("tonalite")* and *Jaybird*. In addition, we also secured several contracts from *Sony* for the mechanical, hardware and firmware design and manufacture of Bluetooth stereo headsets and smartwatches.

With our continuing R&D efforts, we expanded our customer base by offering design and manufacturing services involving touchscreen light-guide technology. Between 2012 and 2014, we secured contracts from two (2) multinational corporations for the design and manufacture of light-guides for e-book readers and printers.

In April 2013, James Lim, led a management buyout through Salutica (then known as Blue Ocean Genius Sdn Bhd), to acquire the entire share capital of Salutica Allied from Balda AG Group. The management buyout was completed on 4 September 2013.

Upon completion of the management buyout and with our new owners in place, we placed greater strategic focus on the growth and expansion of our Bluetooth business. We continued to work with *Plantronics*, *Jaybird* and *Sony* for the design, development and manufacture of Bluetooth devices.

We launched our in-house brand, FOBO and focused on the development and expansion of the FOBO product range, creating an additional income stream to our Group

On 30 April 2013, we launched our in-house brand known as *FOBO* and our first in-house product, *FOBO Tag*. Our *FOBO* products utilise Bluetooth 4.0 technology and its portfolio of products includes security tags as well as a broad range of TPMS covering bikes, cars, light trucks and vans.

On 29 October 2014, we launched the *FOBO Tire*, a device used to monitor vehicle tyre pressure using Bluetooth 4.0 technology which is currently our flagship *FOBO* product. Since then, we have expanded our range of products to include *FOBO MAX*, *FOBO Bike*, *FOBO Tire Plus*, *FOBO Xtra* and *FOBO Beacon*. We aim to have a soft launch of *FOBO Ultra* in April 2016 where pre-orders for the product can be made prior to the targeted official launch in June 2016.

The introduction of our *FOBO* products allows us to expand our customer base and diversify our revenue stream.

5. INFORMATION OF OUR GROUP (Cont'd)

5.1.2 Key milestones

The key milestones of our business are set out below:-

Year	Key milestones of Salutica Allied
1990	<ul style="list-style-type: none"> • Incorporation of TFP
1996-1999	<ul style="list-style-type: none"> • TFP secured manufacturing contracts of plastic parts, components and accessories from:- <ul style="list-style-type: none"> - Yamaha Electronics Manufacturing (M) Sdn Bhd - Canon Opto Sdn Bhd - Sony
2004	<ul style="list-style-type: none"> • TFP secured its first Bluetooth contract for the manufacture of Bluetooth mono headsets from <i>Sony</i> • James Lim was hired as the Chief Executive Officer of TFP • TFP established an in-house R&D division to focus on Bluetooth technology as well as other wireless and touchscreen light-guide technologies • TFP changed its name to Balda Thong Fook
2006	<ul style="list-style-type: none"> • Balda Thong Fook secured its first hardware and mechanical design and manufacture contract for Bluetooth car kits for <i>Sony</i> • Balda Thong Fook changed its name to Balda Solutions • A design house managed by Balda Solutions known as Balda USA, Inc. was set up in the US to carry out design work for <i>Sony's</i> mobile feature phone casing
2007	<ul style="list-style-type: none"> • Balda Solutions secured its first mechanical design and manufacture contract for Bluetooth stereo headsets from <i>Sony</i>
2008-2009	<ul style="list-style-type: none"> • Balda Solutions secured a design and manufacture contract for Bluetooth car kits from Nokia Corporation • Balda Solutions also won several contracts for the development of solutions for vehicle communication, telematics and mobile device integration for hardware, mechanical and firmware design; as well as the manufacture of Bluetooth headsets and car kits
2011	<ul style="list-style-type: none"> • Balda Solutions secured a design and manufacture contract from <i>Plantronics</i> for Bluetooth stereo headsets
2012	<ul style="list-style-type: none"> • Balda Solutions secured a design and manufacture contract from <i>tonalite</i> for Bluetooth stereo headsets • Balda Solutions secure a design and manufacture contract of Bluetooth stereo headsets from <i>Sony</i> • Balda Solutions secured a design and manufacture contract from a multinational corporation for light-guides for an e-book reader • Balda Solutions secured contracts from <i>Sony</i> for the design and manufacture of <i>Sony</i> smartwatches
2013	<ul style="list-style-type: none"> • Balda Solutions secured a design and manufacture contract from <i>Jaybird</i> for Bluetooth stereo headsets • James Lim led a management buyout of Balda Solutions • Balda Solutions changed its name to Salutica Allied • Salutica Allied launched its in-house brand, <i>FOBO</i> and its first in-house product, <i>FOBO</i> Tag
2014	<ul style="list-style-type: none"> • Salutica Allied secured a contract from a multinational corporation for the design and manufacture of light-guides for printers • Salutica Allied launched <i>FOBO</i> Tire and <i>FOBO</i> MAX
2015	<ul style="list-style-type: none"> • Salutica Allied launched <i>FOBO</i> Bike, <i>FOBO</i> Tire Plus, <i>FOBO</i> Xtra and <i>FOBO</i> Beacon

5. INFORMATION OF OUR GROUP (Cont'd)

5.1.3 Certifications and accreditations

Since our inception, we have placed strong emphasis on quality control, customer satisfaction, manufacturing excellence, and workplace safety and health. We have achieved external accreditations such as ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007. We strive to maintain these accreditations as it provides our customers the assurance that our products and services rendered are in compliance with relevant regulations.

Year	Certifications and accreditations received
2006	<ul style="list-style-type: none"> Balda Thong Fook was awarded the UL Certificate of Compliance : QMMY2, E301504 (Fabricated Parts Component) from Underwriters Laboratories Inc.
2015	<ul style="list-style-type: none"> Salutica Allied received certifications from both SIRIM QAS International Sdn Bhd and IQNet for (i) ISO 9001:2008 (ii) ISO 14001:2004, (iii) OHSAS 18001:2007 covering the following scopes:- <ul style="list-style-type: none"> (i) design, development and manufacture of radio frequency based products (Bluetooth); (ii) customised test system development and testing for wireless consumer products (Bluetooth); (iii) design and fabrication of moulds and dies for injection moulding; (iv) manufacture of plastic moulded parts by injection moulding and secondary processes (spray painting, tempo printing and silk screen printing); and (v) assembly and testing of electromechanical parts and products

In addition, we have also been awarded the FCC certification mark for the US and CE certification mark for the European Economic Area for our FOBO products.

Please refer to **Sections 6.7** and **6.8** of this Prospectus for further details of our certifications and accreditations received.

5.1.4 Awards and recognitions

In recognition of our corporate and industry achievements, we have been awarded with numerous awards and accolades over the years.

Year	Key awards and recognitions
2002	<ul style="list-style-type: none"> TFP received a Certificate of Achievement from Accenture for the 2001 Enterprise 50 Award Programme TFP received a Gold Award from National Productivity Corporation (currently known as the Malaysia Productivity Corporation) for one of Sony's plastic mobile casing in conjunction with the Northern Region Quality Control Circle Convention TFP received a Silver Award from National Productivity Corporation (currently known as the Malaysia Productivity Corporation) for one of Sony's plastic mobile casing in conjunction with the Northern Region Quality Control Circle Convention
2005	<ul style="list-style-type: none"> Balda Thong Fook received a Certificate of Recognition for the Industry Excellence Awards 2004 from the MITI for achieving high trade export standards

5. INFORMATION OF OUR GROUP (Cont'd)

Year	Key awards and recognitions
2006	<ul style="list-style-type: none"> Balda Thong Fook was granted the Malaysia Good Design Mark Licence from the Malaysia Design Council for Sony HCB 700, a Bluetooth car kit. The Malaysia Good Design Mark is a recognition from the Malaysian government through Majlis Rekabentuk Malaysia, which endorses products that bears quality in design manufacturing Balda Thong Fook was awarded a Certificate of Achievement as the winner of the 4th Asia Pacific International Honesty Enterprise – Keris Awards 2005 Balda Thong Fook received an award from Sony during the Supplier Quality Award 2005 in the Cosmetic Mechanics category Balda Thong Fook received an award from Sony during the Supplier Quality Award 2005 in the Best Supplier category Balda Solutions received the Human Resource Development Conference Award in the large employer (i.e. more than 200 employees) for manufacturing sector category from the Ministry of Human Resources in conjunction with the Human Resource Development Conference Award 2006
2008	<ul style="list-style-type: none"> Balda AG received the Supplier Award 2007 in the Best Supplier – Mechanics category from Sony Balda Solutions received the Green Partner Certification from Sony Corporation for Sony Environmental Quality Assurance compliance
2015	<ul style="list-style-type: none"> Salutica Allied was awarded the Auto Accessory of the Year during the Car of the Year Awards 2014 from the New Straits Times and Maybank for our TPMS product, <i>FOBO</i> Tire Salutica Allied was awarded the Gold Award from the Malaysia Productivity Corporation for our light-guide for printers in conjunction with the Mini Convention of Team Excellence (Central Federal Territory of Kuala Lumpur) 2015 Salutica Allied was awarded two (2) 3-star and one (1) 2-star Gold Award from the Malaysia Productivity Corporation for our light-guide for printers, one of <i>Sony's</i> headset and start up efficiency improvement for upper light-guide tool, respectively in conjunction with the National Team Excellence Convention 2015

5.2 Our share capital

The authorised share capital of our Company as at the LPD is RM50,000,000 comprising 500,000,000 Shares, whilst our issued and paid-up ordinary share capital as at the LPD is RM31,000,000 comprising 310,000,000 Shares.

As at the LPD, neither our Company nor our subsidiary company has any outstanding warrants, options, convertible securities or uncalled capital.

Details of the changes to our issued and paid-up share capital for the past three (3) years up to the LPD are as shown below:-

<u>Date of allotment</u>	<u>No. of shares</u>	<u>Par value (RM)</u>	<u>Nature of transaction</u>	<u>Consideration</u>	<u>Cumulative issued and paid-up share capital (RM)</u>
19 November 2012	2	1.00	Incorporation	Subscribers' shares	2
3 December 2012	98	1.00	Allotment of shares	Cash	100
7 April 2014	100	1.00	Allotment of shares	Cash	200
29 June 2015	7,000	1.00	Allotment of shares	Cash	7,200

5. INFORMATION OF OUR GROUP (Cont'd)

<u>Date of allotment</u>	<u>No. of shares</u>	<u>Par value (RM)</u>	<u>Nature of transaction</u>	<u>Consideration</u>	<u>Cumulative issued and paid-up share capital (RM)</u>
30 June 2015	30,992,800	1.00	Bonus Issue	Capitalisation of reserves	31,000,000
30 June 2015	310,000,000	0.10	Subdivision of Shares	Not applicable	31,000,000

5.3 Our subsidiary company

Save as disclosed below, as at the LPD, we do not have any other subsidiary or associate company.

<u>Name</u>	<u>Date and country of incorporation</u>	<u>Issued and paid-up share capital (RM)</u>	<u>Effective equity interest (%)</u>	<u>Business activities</u>
Salutica Allied (Company No. 206341-H)	15 October 1990 Malaysia	18,000,000	100.0	Design, development and manufacture of consumer products such as Bluetooth related devices as well as other electronic products and precision parts and components for external brands. Salutica Allied is also involved in the product conceptualisation, design, development, manufacture, marketing and sales of our in-house Bluetooth related products under the brand name "FOBO"

The details of our subsidiary as at the LPD are as detailed below:-

5.3.1 Information on Salutica Allied**(i) History and business**

Salutica Allied was incorporated in Malaysia under the Act on 15 October 1990 as a private limited company under the name TFP and commenced business in 1990. On 15 September 2004, it changed its name to Balda Thong Fook and later assumed the name of Balda Solutions on 6 April 2006. On 6 September 2013, it assumed its present name, Salutica Allied after a management buyout and became a wholly-owned subsidiary of Salutica.

Salutica Allied is primarily involved in the design, development and manufacture of consumer products such as Bluetooth related devices (i.e. Bluetooth stereo headsets, smartwatches, car kits) as well as other electronic products and precision parts and components (i.e. optical light guide, 3D glasses, electronic doorlocks, plastic parts for lighting) for external brands. Salutica Allied is also involved in the product conceptualisation, design, development, manufacture, marketing and sales of our in-house Bluetooth related products under the brand name "FOBO".

5. INFORMATION OF OUR GROUP (Cont'd)

(ii) Share capital

The authorised and issued and paid-up share capital of Salutica Allied as at the LPD is as follows:-

Share capital	No. of shares	Par value (RM)	Amount (RM)
Authorised	25,000,000	1.00	25,000,000
Issued and paid-up	18,000,000	1.00	18,000,000

There is no change to the issued and paid-up share capital of Salutica Allied for the past three (3) years up to the LPD.

(iii) Shareholder

As at the LPD, Salutica Allied is our wholly-owned subsidiary.

(iv) Subsidiary and associate company

As at the LPD, Salutica Allied does not have any subsidiary or associate company.

5.4 Restructuring exercise

In conjunction with, and as an integral part of our listing, we have implemented a restructuring exercise prior to the Listing. The details are set out below:-

5.4.1 Bonus Issue

We had, on 30 June 2015, implemented a bonus issue of 30,992,800 new ordinary shares of RM1.00 each ("**Bonus Share(s)**") on the basis of approximately 4,304.6 Bonus Shares credited as fully paid-up for every one (1) existing ordinary share of RM1.00 each held in Salutica.

5.4.2 Subdivision of Shares

We had, on 30 June 2015, immediately upon completion of the Bonus Issue, implemented a subdivision of shares whereby every one (1) ordinary share of RM1.00 each in our Company was subdivided into ten (10) Shares.

5.5 Listing scheme

5.5.1 Public Issue

We will undertake a public issue of 78,000,000 new Shares, representing approximately 20.1% of our enlarged issued and paid-up share capital, at the IPO Price, to be allocated in the following manner:-

- (i) 19,400,000 Issue Shares, representing 5.0% of the enlarged issued and paid-up share capital of our Company, available for application by the Malaysian Public through a balloting process;

5. INFORMATION OF OUR GROUP (Cont'd)

- (ii) 9,700,000 Issue Shares, representing 2.5% of the enlarged issued and paid-up share capital of our Company reserved for application by our eligible Directors and employees as well as persons who have contributed to the success of our Group;
- (iii) 10,100,000 Issue Shares, representing approximately 2.6% of the enlarged issued and paid-up share capital of our Company, allocated by way of private placement to institutional and identified investors; and
- (iv) 38,800,000 Issue Shares, representing 10.0% of the enlarged issued and paid-up share capital of our Company, allocated by way of private placement to identified Bumiputera investors approved by the MITI.

The Issue Shares shall, upon allotment and issue, rank *pari passu* in all respects with our existing Shares, save and except that the Issue Shares will not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid where the entitlement date precedes the date of allotment of the Issue Shares.

Upon completion of the Public Issue, our issued and paid-up share capital will increase from RM31,000,000 comprising 310,000,000 Shares to RM38,800,000 comprising 388,000,000 Shares.

5.5.2 Offer for Sale

The Selling Shareholders are offering an aggregate of 23,000,000 Offer Shares at an IPO Price of RM0.80 per Offer Share, representing approximately 5.9% of the enlarged issued and paid-up share capital of our Company, by way of private placement to institutional and identified investors at an IPO Price of RM0.80 per Offer Share payable in full upon application.

The 23,000,000 Offer Shares reserved for placement to institutional and identified investors will be placed out by our Placement Agent, RHB Investment Bank.

5.5.3 Listing

Upon completion of the Public Issue and Offer for Sale, our Company shall be admitted to the Official List and our entire enlarged issued and paid-up share capital of RM38,800,000 comprising 388,000,000 Shares shall be listed and quoted on the ACE Market of Bursa Securities.

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6. BUSINESS OVERVIEW

6.1 Our business activities, products and services

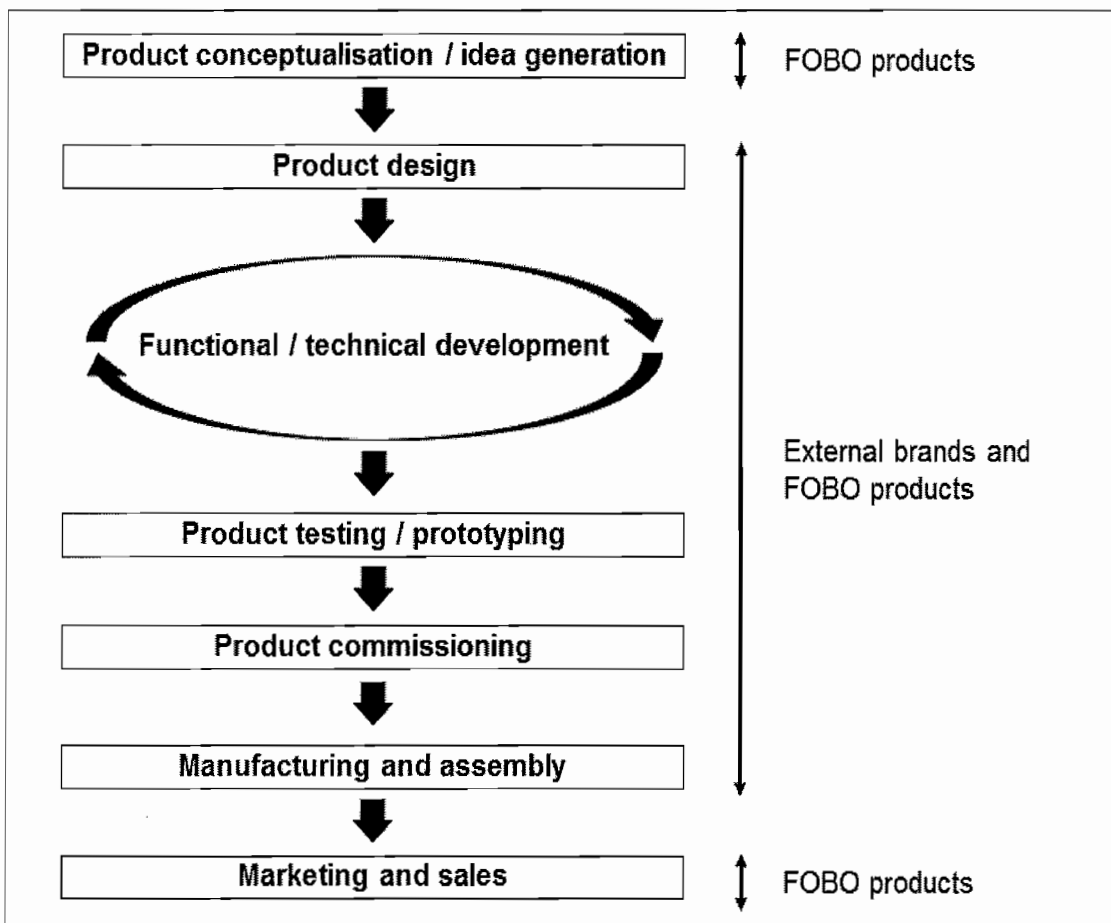
6.1.1 Our business activities

We are a vertically integrated manufacturer based in Ipoh, Perak. Our business activities are set out below:-

- (i) design, development and manufacture of Bluetooth devices for external brands;
- (ii) product conceptualisation, design, development, manufacture and marketing and sales of Bluetooth devices for our in-house brand, *FOBO*; and
- (iii) manufacture of other electronics and precision parts and components for external brands.

Our in-house R&D team supports our business activities where our engineers collaborate with our customers to conceptualise, refine and complete the product design; which includes mechanical, hardware and firmware designs.

As a vertically integrated manufacturer, we are able to provide a full range of manufacturing services to our customers, and are able to perform a typical product development lifecycle as shown below:-



6. BUSINESS OVERVIEW (Cont'd)**(i) Product conceptualisation/idea generation**

Product conceptualisation/idea generation involves defining and understanding the product's purpose and function. When developing concepts for a new product, this product must meet various requirements in terms of potential market demand and the availability of raw materials and technology. The product blueprint developed at this stage may be subject to further design changes during the function/technical development stage based on materials to be used and/or processes to be applied.

(ii) Product design

The architecture of a product is dependent on its mechanical design, form factor build-up and functional requirements. Our R&D team utilises various 3D software for mechanical, hardware and form factor design. The form factor design refers to the physical design of a product.

The design of a product varies in accordance to its intended function and purpose, the suitability and availability of materials, the corresponding technology and cost. The design of the product is planned based on these factors and specific requirements of our customers.

(iii) Functional/technical development

The functional/technical development of a product is a critical stage as it involves the execution of a product design. The necessary functionalities are developed to fit into the planned design, and the parts and components required to carry out these functionalities are determined. There is a strong focus on the type of materials and processes to be used during this stage, as these may result in changes to the product design.

(iv) Product testing/prototyping

Development of a prototype of the product for testing will help prepare the product for market entry. The attributes and functions of the product are tested repeatedly to ensure proper usability and functionality. Based on the product testing, further changes and improvements to the product may be made.

(v) Product commissioning

Upon passing the product testing, authorisation is given by the respective customers (for external brands' products) and by our Chief Executive Officer after clearance from our relevant departments are completed (for *FOBO* products) for the manufacturing and assembly of the products at the product commissioning stage.

(vi) Manufacturing and assembly

The products are manufactured for mass production while fulfilling all required quality criteria. We carry out continuous in-process QC tests to ensure conformance and consistency to the product's design specification and optimal functionality throughout the product's lifecycle. The products are then assembled to form the final finished product.

6. BUSINESS OVERVIEW (Cont'd)

(vii) Marketing and sales

We undertake marketing and sales activities for our *FOBO* products. It is an essential and critical stage to strengthen the *FOBO* brand and to increase the visibility and market presence of our *FOBO* products in the global marketplace. The marketing process entails the development and implementation of sale and promotional strategies as well as undertaking sales efforts by securing contracts with distributors and global retailers to expand our distribution channels.

Our level of involvement in the product development lifecycle varies in accordance to our customer's request and the product's design specifications. For our in-house brand, *FOBO*, we are involved in the full product development lifecycle, from product conceptualisation to product marketing and sales.

6.1.2 Our products and services**(a) Bluetooth devices for external brands**

We provide design, development and manufacturing services for Bluetooth devices such as Bluetooth audio headsets, Bluetooth smartwatches and Bluetooth car kits. Our customers are primarily multinational electronic and mobile communication device corporations which include international brand names such as, *Plantronics*, *Jaybird* and *Sony*. We must qualify as an authorised/qualified supplier before any of our major customers place orders with us. Such qualification is generally based on whether a supplier meets the technical, performance and QC standards set by such customers as well as international standards and other specific requirements mandated by such customers.

We provide design and engineering services which include mechanical, hardware and firmware designs. We work closely with our customers to conceptualise, refine and complete product designs. As at the LPD, we are the only authorised supplier for specific models of our major customers' products, where we manufacture and assemble the complete product in our plant.

Our manufacturing services comprise raw material procurement, manufacturing and assembly, and product testing, as follows:-

- **Raw material procurement**

Raw material procurement involves planning, purchasing and expediting delivery of components and materials used in our manufacturing process. We employ various inventory management techniques such as just-in-time and ship-to-stock programmes. We have developed direct relationships with our suppliers to ensure our supplies are received regularly, on time and are of the required quality. Further, we carry out audits on the components and materials purchased from our suppliers to ensure conformance to quality standards.

- **Manufacturing and assembly services**

Our manufacturing and assembly services include plastic precision injection moulding, PCBA, electromechanical assembly and final product assembly. We have invested in advanced manufacturing equipment such as nano-coating machines, laser de-paneling, double shot moulding machines, 3D solder paste inspection system and SMT equipment, to ensure that we meet the quality standards required by our customers. Please refer to **Section 6.5** of this Prospectus for further details of our manufacturing processes.

6. BUSINESS OVERVIEW (Cont'd)

- **Testing services**

We provide testing services for assembled PCBs and finished products, which enable us to deliver high-quality products on a consistent basis. We also work with our customers to develop product-specific test strategies. Our test capabilities include manufacturing defect analysis, in-circuit tests, functional tests, accelerated stress and life tests, environmental stress tests of board or system assemblies, and radio frequency testing.

The list of selected Bluetooth devices that we were involved in the design, development and manufacture for external brands in the last three (3) FYE 30 June 2013, 2014 and 2015 up to the LPD are as follows:-

Product segment	Device	Description
Consumer electronics	<i>Plantronics</i> Backbeat Go, Backbeat Go 2, and Backbeat Fit	Bluetooth stereo headset
	<i>Jaybird</i> Bluebuds X and Bluebuds X2	Bluetooth stereo headset
	<i>Novero</i> The First One and Lexington	Bluetooth mono headset
	<i>Novero</i> The Talky One	Bluetooth speaker
	<i>Novero</i> Rockaway	Bluetooth stereo headset
	<i>Sony</i> SBH80 and MW600	Bluetooth stereo headset
	<i>Sony</i> Smartwatch 2	Bluetooth smartwatch
Automotive	<i>Novero</i> The Trusty One and The Truly One	Bluetooth handsfree car kit

(b) Bluetooth devices under our in-house brand, FOBO

We are involved in the product conceptualisation, design, development, manufacture and marketing and sales of Bluetooth-enabled automotive accessories and consumer electronics devices under our in-house brand, *FOBO*, comprising Bluetooth-enabled TPMS and Bluetooth-enabled electronic sensors, tracking devices and beacon transmitters. Our portfolio of products include security tags, namely *FOBO* Tag and *FOBO* MAX as well as a broad range of TPMS devices for motorcycles, cars, light trucks and vans. Our first *FOBO* product, the *FOBO* Tag was launched in April 2013 and a series of Bluetooth TPMS devices were subsequently launched commencing from October 2014.

We market and sell our *FOBO* products across multiple regions globally, namely Europe, North America, Asia and Africa, including major countries such as US, Canada, UK, Germany, France, Singapore, Taiwan, Australia, Russia, Japan and Malaysia. Our sales for *FOBO* contributed approximately 0.4%, 0.1%, 1.8% and 1.1% to our total revenue for FYE 30 June 2013, 2014 and 2015 as well as the seven (7) months FPE 31 January 2016, respectively. Our *FOBO* products are targeted primarily at retail consumers. Our primary modes of marketing and sales are directly through e-commerce sales on our website, via third party e-commerce platforms (either directly via Amazon, Brookstone, TouchOfModern and Massdrop, or indirectly through IPMart, Lazada, Mudah.com, Superbuy and Torque Tuning) and through local and overseas retail outlets via our appointed local and overseas distributors as further set out in **Section 6.12** of this Prospectus.




Our in-house R&D team plays a key role in the development of our *FOBO* products. This team is involved in idea generation, idea development and testing, product conceptualisation, product prototyping and product testing. Our R&D team is also involved in the mechanical, hardware, firmware, and mobile app designs (i.e. *FOBO* Tire app, *FOBO* Bike app and *FOBO* Tag 2 app, which are currently applicable for iOS and Android only) for our *FOBO* products.

6. BUSINESS OVERVIEW (Cont'd)



The manufacture of *FOBO* products is carried out entirely at our manufacturing plant, and comprises the same scope of work, processes and stringent quality controls as the manufacturing services we provide to our external customers; including raw material procurement, manufacturing and assembly, and product testing. Please refer to **Section 6.5** of this Prospectus for further details of our manufacturing processes.

As at the LPD, our *FOBO* products are certified compliant with the FCC certification mark in the US and the CE marking for the European Economic Area. We further conform to and are compliant with SAE J2657, an international automotive standard for TPMS for light duty highway vehicles. The SAE J2657 standard establishes overall performance guidelines, test methods and minimum performance levels for TPMS.

The list of Bluetooth devices under our in-house brand, *FOBO* up to the LPD are as follows:-

Product	Description	Application/features	Target market
(i) Automotive (Bluetooth-enabled TPMS)			
<p><u>FOBO Tire and FOBO Tire Plus</u></p> 	<p>Bluetooth-enabled TPMS products utilising the Bluetooth 4.0 technology. The <i>FOBO Tire</i> and <i>FOBO Tire Plus</i> include four (4) tyre sensors and one (1) in-car monitoring unit.</p>	<p>Users can access real-time information on the pressure and temperature of their tyres through the in-car monitoring unit and/or the paired Android and/or iOS smartphone.</p> <p>The <i>FOBO Tire</i> is capable of monitoring tyre pressure of up to 350 kiloPascal or 50 pounds per square inch, suitable for light vehicles such as cars, vans and sport utility vehicles.</p> <p>The <i>FOBO Tire Plus</i> is capable of monitoring tyre pressure of up to 600 kiloPascal or 87 pounds per square inch, suitable for motor homes and pick-up trucks.</p>	Retail end users/ consumers
<p><u>FOBO Xtra</u></p> 	<p>Additional sensor which can be added to the default four (4)-sensors system of both the <i>FOBO Tire</i> and <i>FOBO Tire Plus</i>. A maximum of 12 <i>FOBO Xtra</i> sensors can be added per vehicle profile.</p>	<p>The <i>FOBO Xtra</i> sensor is capable of monitoring tyre pressure of up to 600 kiloPascal or 87 pounds per square inch. This sensor is generally used for spare tyres or trailers which have more than four tyres.</p>	Retail end users/ consumers
<p><u>FOBO Bike</u></p> 	<p>Bluetooth-enabled TPMS product utilising the Bluetooth 4.0 technology. The <i>FOBO Bike</i> includes two (2) tyre sensors.</p>	<p>Users can access real-time information on the pressure and temperature of their tyres through the paired Android and/or iOS smartphone.</p> <p>The <i>FOBO Bike</i> is capable of monitoring tyre pressure of up to 600 kiloPascal or 87 pounds per square inch, suitable for motorcycles, bicycles, trikes and quadbikes.</p>	Retail end users/ consumers

6. BUSINESS OVERVIEW (Cont'd)

Product	Description	Application/features	Target market
(ii) Consumer electronics (Bluetooth electronic sensors, tracking devices and beacon transmitters)			
<p><u>FOBO Tag and FOBO MAX</u></p> 	<p>Bluetooth low energy wireless tags or trackers utilising the Bluetooth 4.0 technology.</p>	<p>FOBO Tag and FOBO MAX enables the user to keep track of a user's belonging when it is attached to a particular item. The features enable users to access real-time information on the proximity of their FOBO Tag and FOBO MAX devices and alert users immediately when the tag is moved. The FOBO Tag and FOBO MAX can also be used as emergency triggers to seek help.</p> <p>Additionally, the FOBO MAX has a crowd-sourced tracking function, which when activated, will allow signal detection through other users of FOBO MAX to ascertain its last location.</p>	<p>Retail end users/ consumers</p>
<p><u>FOBO Beacon</u></p> 	<p>A beacon transmitter utilising the Bluetooth 4.0 technology to broadcast signals which can be received by compatible smart devices.</p>	<p>The FOBO Beacon can be used as a digital media advertising platform. Users can send promotional offers and messages as well as advertisements to smart devices within the proximity of the FOBO Beacon.</p>	<p>Business users</p>

(c) Other electronics and precision parts and components for external brands

We provide manufacturing services of other electronics and precision parts and components for external brands. Our customers are primarily multinational electronic products, IT products and mobile communication device corporations. The manufacturing services that we offer to customers in this segment are similar to the scope of services provided to our customers of Bluetooth devices for external brands. Further, we have capabilities in tooling design, which is critical for the manufacturing of electronics and precision parts and components. Please refer to **Section 6.5** of this Prospectus for further details of our manufacturing processes.

The list of other electronics and precision parts and components that we have manufactured for external brands in the last three (3) financial years under review up to the LPD are, amongst others, as follows:-

Product category	Description
Consumer electronics	Components for <i>Canon</i> digital camera lens and camera body
	3D glasses
	Optical light guide for e-book readers and printers
Others	Assembly and testing of electronic industrial door locks
	Plastic parts for lighting

6. BUSINESS OVERVIEW (Cont'd)**6.2 Principal markets for our products and services**

The design, development and manufacture of Bluetooth devices for external brands is our main business activity, which accounted for approximately 68.0%, 92.4%, 90.4% and 90.9% of our total revenue in FYE 30 June 2013, 2014 and 2015 as well as the seven (7) months FPE 31 January 2016, respectively.

The breakdown of our revenue by business activities during the financial period under review are as follows:-

	Salutica Group											
	Salutica Allied					Salutica Group						
	FYE 30 June		2014		2015		FYE 30 June		2015		2016	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Business activities												
Bluetooth devices for external brands	53,398	68.0	216,371	92.4	188,556	92.4	174,051	90.4	113,630	91.5	132,405	90.9
Bluetooth devices under FOB	332	0.4	233	0.1	197	0.1	3,530	1.8	1,419	1.1	1,647	1.1
Other electronics and precision parts and components for external brands	24,829	31.6	17,608	7.5	15,379	7.5	14,937	7.8	9,217	7.4	11,602	8.0
Total revenue	78,559	100.0	234,212	100.0	204,132	100.0	192,518	100.0	124,266	100.0	145,654	100.0

Note:-

(1) For reference purposes only as our Group's results only captures the ten (10) months financial performance of Salutica Allied following the completion of the management buyout of Salutica Allied on 4 September 2013.

During the financial period under review, our sales were principally derived from export markets, as most of our customers are multinational corporations based overseas. Our export sales accounted for approximately 81.4%, 98.5%, 98.2% and 99.4% of our total revenue in FYE 30 June 2013, 2014 and 2015 as well as the seven (7) months FPE 31 January 2016, respectively.

6. BUSINESS OVERVIEW (Cont'd)

The breakdown of our revenue by our principal markets during the financial period under review is as follows:-

	Salutica Allied						Salutica Group					
	FYE 30 June			FYE 30 June			2015		2015		2016	
	2013 (RM'000) [#]	(%)	2014 (RM'000) [#]	2014 ⁽¹⁾ (RM'000) [#]	(%)	2015 (RM'000) [#]	(RM'000) [#]	(%)	(RM'000) [#]	(%)	(RM'000) [#]	(%)
External brands												
<i>Overseas</i>												
North America ⁽²⁾	33,598	42.7	110,399	87,194	42.7	136,631	82,006	66.0	131,349	90.2		
Europe ⁽³⁾	16,400	20.9	105,752	99,745	48.9	30,643	29,146	23.5	3,375	2.3		
Australasia	46	0.1	125	46	^	942	942	0.8	5	^		
Asia ⁽⁴⁾	13,746	17.5	14,322	14,215	7.0	18,731	9,482	7.6	8,599	5.9		
African region and the Middle East	-	-	-	-	-	^	-	-	-	-		
Subtotal	63,790	81.2	230,598	201,200	98.6	186,947	121,576	97.9	143,328	98.4		
Malaysia	14,437	18.4	3,381	2,735	1.3	2,041	1,271	1.0	679	0.5		
Total external brands	78,227	99.6	233,979	203,935	99.9	188,988	122,847	98.9	144,007	98.9		
FOBO												
<i>Overseas</i>												
North America ⁽²⁾	-	-	5	6	^	797	345	0.3	974	0.7		
Europe ⁽³⁾	-	-	69	69	^	735	143	0.1	346	0.2		
Australasia	3	^	-	-	-	144	97	0.1	63	^		
Asia ⁽⁴⁾	162	0.2	7	3	^	329	126	0.1	171	0.1		
African region and the Middle East	-	-	14	14	^	224	85	^	22	^		
Subtotal	165	0.2	95	92	^	2,229	796	0.6	1,576	1.0		
Malaysia	167	0.2	138	105	0.1	1,301	623	0.5	71	0.1		
Total FOBO	332	0.4	233	197	0.1	3,530	1,419	1.1	1,647	1.1		
Total revenue	78,559	100.0	234,212	204,132	100.0	192,518	124,266	100.0	145,654	100.0		

6. BUSINESS OVERVIEW (Cont'd)

Notes:-

- # Revenue is tracked by the geographical markets where the goods are delivered rather than the origin of the customer.
- ^ Negligible.
- (1) For reference purposes only as our Group's results only captures the ten (10) month financial performance of Salutica Allied from 4 September 2013 to 30 June 2014.
- (2) Mainly US and Canada.
- (3) Mainly Sweden, Netherlands, Poland, Cyprus, Spain, France, Russia and Germany.
- (4) Mainly Japan, Republic of Korea, Singapore, Hong Kong and Saudi Arabia.

6.3 Our competitive strengths

(i) **We are a vertically integrated manufacturer with the ability to provide a full range of manufacturing services**

We commenced operations in 1990 as an original equipment manufacturer principally involved in the manufacture of precision plastic parts and components for the electronics industry. We have since evolved to become a vertically integrated manufacturer primarily focused on Bluetooth devices, with capabilities and expertise ranging from product conceptualisation, design, development, testing/prototyping, commissioning to manufacturing and assembly as well as marketing and sales. Please refer to **Section 6.1.1** for our involvement in a typical product development lifecycle.

For our external customers, our Group has the capabilities to provide product design, functional/technical development and product testing/prototyping, subject to our customers' requests on the level of involvement required. For our in-house brand, *FOBO*, we are involved in the full product development lifecycle, from product conceptualisation to product marketing and sales.

During our design process, the engineers from our in-house R&D team work closely with our customers to conceptualise, refine and complete the product designs. Our design capabilities include mechanical, hardware and firmware design.

Our vertically integrated services have enabled us to be more responsive to the needs of our customers, allowing them to streamline their supply chain by reducing the number of suppliers/service providers that they have to engage. This strategy provides our customers with comprehensive value-added solutions, which enhances our customers' effectiveness in product delivery, marketing and branding. At the same time, by providing these integrated services, we are able to benefit from multiple revenue-generating phases in the manufacturing value chain guided by our Six Sigma manufacturing methodology.

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6. BUSINESS OVERVIEW (Cont'd)**(ii) Our R&D has provided the foundation and platform for our growth and expansion**

Our in-house R&D division was set up in 2004, whereby the focus of our R&D activities was on Bluetooth and other wireless technologies. As a result of our R&D initiatives, we have managed to improve our capabilities as a one-stop solution provider over the years which have enabled us to continuously secured contracts for new products as well as subsequent product updates from multinational corporations for the design and manufacture of products such as audio headsets, car kits, smartwatches and light-guides. In addition, through our R&D efforts, we have succeeded in improving our manufacturing processes, thus reducing manufacturing costs and time. Our success in retaining existing multinational corporations as customers as well as securing new customers is largely driven by the capabilities and expertise of our R&D team.

Our Group's R&D activities have been critical to the development of our own products resulting in the birth of our in-house brand, *FOBO*. With two (2) years of intensive and continuous R&D efforts, we launched our first *FOBO* product, the *FOBO* Tag in April 2013 followed by the *FOBO* Tire in October 2014. The successful launch of our in-house brand, *FOBO*, shows our capabilities in developing and producing products with our in-house expertise.

As at the LPD, we have 32 personnel in our R&D division who focus on, amongst others, developing improved products for our customers as well as new *FOBO* products. Please refer **Section 6.13** of this Prospectus for our expenditure on R&D for the financial period under review.

Our Group's strong emphasis on R&D has been the cornerstone of our growth and expansion to-date, and will continue to drive our product development initiatives in the future. Our R&D efforts will help us to continuously introduce new Bluetooth-enabled products to meet global market needs and improve process design as we seek to expand our market presence.

(iii) We specialise in Bluetooth technology, and are well-positioned to benefit from the growing global demand for Bluetooth devices

We specialise in Bluetooth technology and we design, develop and manufacture various consumer electronics products such as Bluetooth audio headsets and Bluetooth smartwatches, as well as automotive accessories such as Bluetooth car kits and Bluetooth TPMS. In addition, we are also a licensed member of the Bluetooth Special Interest Group, where we are able to keep abreast with the latest development in Bluetooth technology, thereby incorporating the latest Bluetooth technology into the Bluetooth related products that we design, develop and manufacture.

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6. BUSINESS OVERVIEW (Cont'd)

According to the IMR report, Bluetooth has become one of the most prevalent and pervasive wireless technologies available today. The role of Bluetooth in the connected environment has evolved with the advancement of technology and the expansion in the consumer electronics product lines to accommodate relatively new functions such as the connected home and wearable technology (i.e. smartwatches). The continuous evolving and expanding role of Bluetooth technology in consumer electronics has resulted in an increase in global Bluetooth device shipments from approximately 1.8 billion units in 2011 to approximately 3.0 billion units in 2014 representing a CAGR of approximately 18.6%, with projected growth to approximately 4.9 billion units in 2018. The future growth in Bluetooth technology and subsequently, shipments in Bluetooth devices, will be largely driven by the use of Bluetooth as a key connectivity technology in the Internet of Things. The evolving Internet of Things environment will result in more Bluetooth-enabled devices and sensors entering the market with the aim of creating a smart environment leveraging on technology which offers greater convenience to the end user. Please refer to **Section 7** "Industry Overview" of this Prospectus for further details.

The growing use of Bluetooth technology in consumer electronics products will present growth opportunities for our Group, as we have the expertise in Bluetooth technology. We believe our Group will be well-positioned to capture these opportunities, which will provide us with long term and sustainable growth.

(iv) We have leveraged on our expertise in Bluetooth technology to develop our in-house brand of Bluetooth devices

Since the setting up of our in-house R&D division in 2004, we have been involved in the design and manufacturing of Bluetooth devices for external brands for over ten (10) years. Recognising the opportunities for Bluetooth technology in the automotive and consumer electronics industry, we have leveraged on our years of expertise in Bluetooth technology and have developed our own in-house brand, *FOBO*. Our *FOBO* products comprise of automotive accessories such as Bluetooth-enabled TPMS and other consumer electronic products such as Bluetooth-enabled electronic sensors, tracking devices and beacon transmitters. Our *FOBO* products also utilise multiple sensor technologies, namely pressure sensors, temperature sensors, motion sensors and proximity sensors to deliver tracking, monitoring and crowd searching functions.

The development of our own in-house Bluetooth devices stems from our Group's ambition to diversify the source of revenue for our Group, as well as to build and develop brand identity and brand equity for our Group. During FYE 30 June 2013, we launched our maiden *FOBO* product, *FOBO* Tag, and recorded revenue of approximately RM0.3 million. During FYE 30 June 2015, we launched a series of Bluetooth TPMS products commencing from October 2014 and recorded revenue of approximately RM3.5 million, a ten (10)-fold increase in two (2) years. For the seven (7) months FPE 31 January 2016, we recorded revenue of approximately RM1.6 million from our *FOBO* products.

Given that *FOBO*, particularly our range of TPMS products, has received good feedback and product reviews thus far, this has fuelled our confidence to further invest time and resources towards expanding and enhancing our current suite of *FOBO* products and potentially developing and introducing new in-house brands in the future.

Based on the IMR report, TPMS as an aftermarket solution is a segment of the automotive accessories market that has significant growth potential as there is a large number of vehicles in use that do not have TPMS installed as a factory specification. Please refer to **Section 7** of this Prospectus for further details of the global automotive industry.

6. BUSINESS OVERVIEW (Cont'd)**(v) We have a strong portfolio of multinational corporation customers, comprising some of the world's major Bluetooth and mobile communications companies**

Most of our customers are large multinational corporations in their respective industries, such as *Plantronics* and *Jaybird*, both major global players in Bluetooth audio headsets and other electronic devices; and *Sony*, a major global player in mobile telecommunications and electronics. These companies have been our major customers for the financial period under review.

Our success in securing and retaining these globally renowned multinational corporations is a testament to the quality of our design and manufacturing services, customer service and proven industry track record. It is also a demonstration of our Group's capabilities and expertise in complying with the strict design and manufacturing standards set by these companies. Please refer to **Section 6.7** of this Prospectus for further details of our ability to comply with the standards required by our multinational corporation customers.

Having a track record and an existing portfolio of multinational corporation customers has given us the credentials to secure even more customers over the years, and moving forward, will help us expand our customer base and contribute to the on-going growth and expansion of our business.

(vi) We have an experienced key management team

We were incorporated in 1990 and our history spans over twenty five (25) years, with more than ten (10) years of experience in the design and manufacturing of Bluetooth related products. Our Managing Director / Chief Executive Officer, James Lim, has played a pivotal role in steering our strategic direction and growth. His experience, drive and passion for our business have been instrumental to our Group's success to-date. During his tenure with us, James Lim has always placed critical importance on R&D as the foundation of our Group's long-term sustainability. Under his leadership, we secured numerous design and manufacturing orders with several multinational corporations, which has been central to our growth and expansion.

Our Managing Director / Chief Executive Officer is supported by a dedicated and experienced management team as set out below:-

<u>Key management</u>	<u>Designation</u>	<u>Year joined</u>	<u>Years with us</u>	<u>Years of working experience</u>
Chan Shook Ling	Chief Financial Officer	1999	17	> 20
Chin Seen Choon	Chief Operating Officer	2005	11	> 20
Ho Keat Soong	Chief Supply Chain Officer	2003	13	> 23
Goh Bee Chin @ Ooi Bee Chin	Chief Administrative Officer	1992	24	> 25
Ho Chang Tih	Director, Business Development	2005	11	> 20
Kaveh Mohammedpour	Head of Product Development	2013	3	> 15

Please refer to **Section 8.4.2** of this Prospectus for the profile of our key management team.

Most of our key management team have been with us during the challenging transition period between 2009 and 2013, when smartphones gradually replaced feature phones, and more importantly when our management team successfully responded by shifting Salutica Allied's business focus from manufacturing precision plastic parts and components to the provision of design, development and manufacture of Bluetooth related products.

6. BUSINESS OVERVIEW (Cont'd)

(vii) **We have demonstrated our ability to comply with strict design and manufacturing requirements set by our customers**

Our multinational corporation customers have stringent design and manufacturing requirements as well as stringent supplier selection processes. They conduct detailed audits on their suppliers prior to selection to ensure that their product quality and operating standards are met, with many of these evaluation processes taking up to six (6) months to complete. Many customers also carry out regular follow-up assessments to ensure compliance has been maintained.

Our success in securing and retaining these multinational corporation customers, demonstrates our ability to comply with the strict design and manufacturing requirements set by these customers, which is evidence of our standing as a proven industry player.

Our Group also complies with the ISO14001:2004 standard as we place importance on the preservation of the environment. The ISO14001:2004 standard specifies requirements for an environmental management system, which includes prevention of pollution, continual improvement, and compliance with legal and other requirements.

Further, we adopt the Six Sigma methodology in our manufacturing processes. Please refer to **Section 6.7** and **6.10** of this Prospectus for further details of our QA initiatives and technology used, respectively.

Our ability to comply with these stringent design and manufacturing requirements is evidence of our high manufacturing standards in creating high quality precision products. This coupled with our emphasis on the importance of human rights and environment, positions our Group as a one-stop solution provider for socially responsible multinational corporations.

6.4 Seasonality

Our business is subject to the cyclicity of the global electronics and electrical industry, which is caused by variations in supply and demand for electronic products and economic cycles. The demand for our products is also subject to launches of new electronic products as well as seasonal variations due to the increase in sales of electronic products during the year-end holiday period in many countries globally. Demand for our products and services usually increases during the second half of a calendar year to fulfil these holiday season orders.

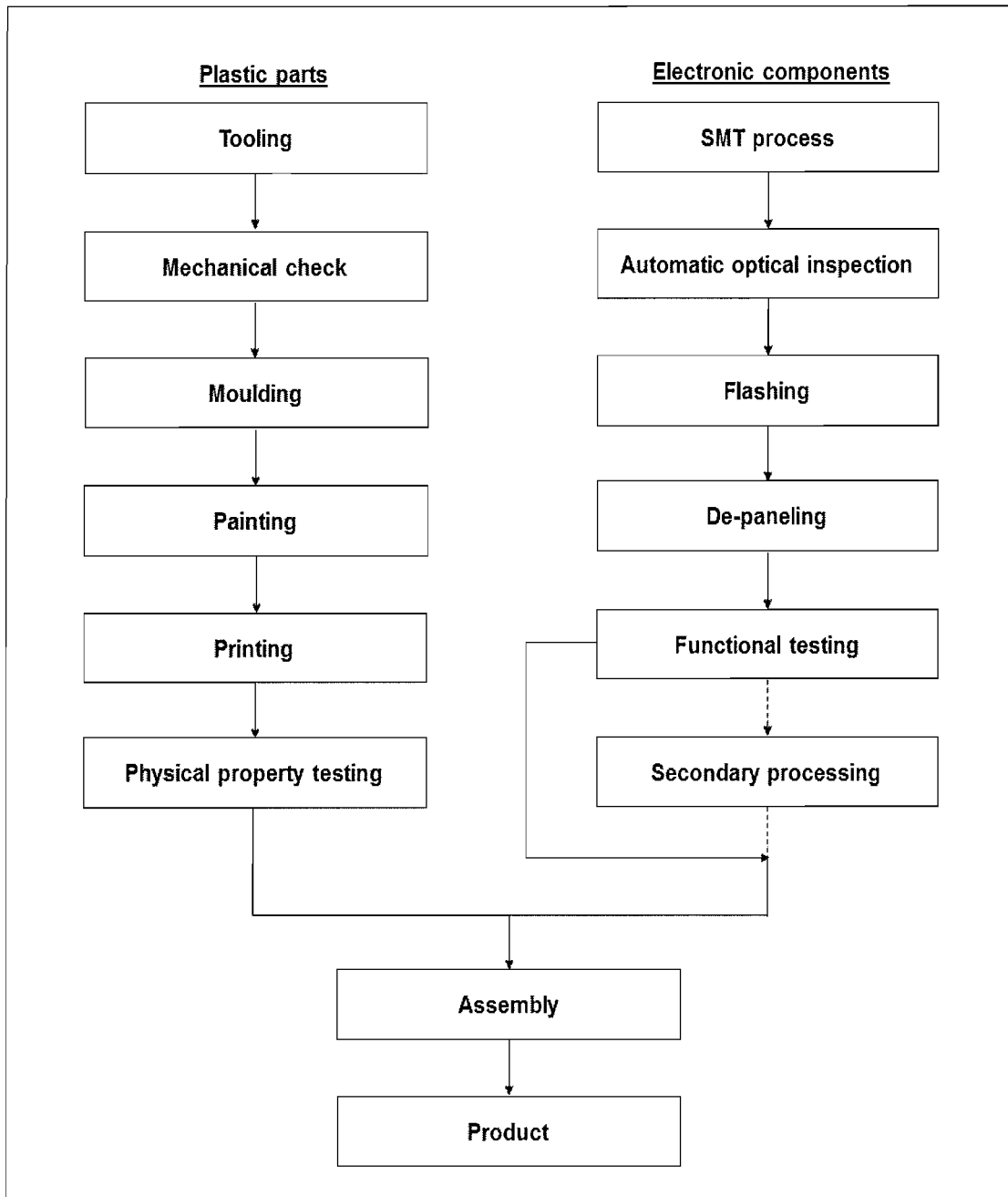
6.5 Our manufacturing processes

Our manufacturing process is vertically integrated and utilises high precision equipment since 2004, thus lowering costs and making operations more efficient, which allows us to have better control over the design, production and quality of the components.

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6. BUSINESS OVERVIEW (Cont'd)

Our manufacturing process primarily involves (i) plastic injection moulding of the plastic parts and components used in our devices, and (ii) the manufacture of electronic components, which is described below:-



I. Plastic parts

(i) Tooling

The tooling process involves the design and manufacture of a mould. Moulds are built through either, milling, electrical discharge machining or wire cutting. The mould is then polished for high gloss.

6. BUSINESS OVERVIEW (Cont'd)

(ii) Mechanical check

Checks are performed on the moulding machines' key parameters, including temperature, speed and pressure. As different items may require a different set of parameters, a mechanical check is required to ensure that the correct parameters have been set.

(iii) Moulding

The moulding process comprises single shot and double shot moulding with multiple cavities, over-moulding, thin-wall moulding and metal insert moulding. For precision moulding, pneumatic and full servo robot pickers are used during our moulding process. In addition, during the moulding process, all parts undergo in-process QC using 2D or 3D smart scope measuring systems.

(iv) Painting

Upon moulding, painting is carried out in a class 10k clean room painting facility, which is equipped with a multi-axial robot arm with rotary turning spraying jigs. We use four (4) types of paint systems, namely one (1) component (1k) painting, two (2) component (2k) painting, rubber painting and ultraviolet painting.

(v) Printing

Upon painting, printing is carried out with a multi-colour printing machine and hot foil stamping machine. The multi-colour printing machine is able to achieve up to six (6) colours per run on the same part, and has a printing accuracy of within 0.2 mm for positioning. It is also capable of producing four (4) colours, which are cyan, yellow, magenta and key (black). The hot foil stamping machine is used to produce chrome and metal-looking effects.

(vi) Physical property testing

Physical property testing of the manufactured parts is carried out to ensure that these parts meet the proper requirements and specifications. Physical properties of the manufactured parts which are tested include tensile properties, moisture content, melt flow, colour properties and environmental stress cracking.

II. Electronic components**(i) SMT process**

Our PCBA involves the placement of components such as integrated circuits and transistors on a PCB using SMT, in which the components are mounted or soldered on the surface of a PCB using solder paste.

A bare PCB which has the pads for surface mount components is placed into a screen printer and solder paste is applied through a screen and onto the pads on the PCB. Solder paste inspection is then carried out to measure the applied solder paste, thus reducing the incidence of solder-related defects. The components are then placed onto the solder paste on the PCB. Upon component placement, the PCB is heated in a reflow oven that is flushed with nitrogen to reduce oxidation of solder paste. A reflow oven causes the solder paste to soften, thereby enabling a mechanical and electrical bond between the components and the PCB as the solder paste cools upon exiting the reflow oven.

6. BUSINESS OVERVIEW (Cont'd)

(ii) Automatic optical inspection

An inspection is then carried out to ensure that the components have been placed correctly on the PCB using an optical inspection machine. If there has been any incorrect placement of components on the PCBA, the PCBA will undergo rework to correct the component placement. Upon rework, it will once again be visually inspected.

(iii) Flashing

Flashing is the installation of firmware onto the PCBA. Flashing can also be used for the purpose of upgrading firmware by overwriting the existing firmware with a new firmware.

(iv) De-paneling

In order to increase the throughput of PCB assembly and SMT lines, PCBs are designed to consist of many smaller individual PCBAs which will be used in the final product. For the de-paneling process, router/laser cutting machines as well as milling machines are used.

(v) Functional testing

Electrical testing is then performed to ensure that our products meet our customers' requirements. In-circuit testing is performed to detect any process defects, and functional testing ensures that the functionality of the PCBA meets specifications. Further, X-ray tests are carried out on specific sample sizes of PCBAs for solder joint inspection.

(vi) Secondary processing

Secondary processing may be carried out depending on customer requirements and the specifications of the final end product. Our secondary processes comprise nano-coating and potting. Nano-coating is a process whereby the application of nano structures enables the water-proofing of a product by repelling liquids on the product's surface. Potting is a process of partially or completely filling or encasing a product to provide resistance to shock and vibration, as well as creating a seal against moisture.

III. Assembly

Our non-Bluetooth related products are sub-assembled to reduce production times and improve operations. We then undertake box-build assembly to form the final finished product. Box-build assembly is the assembly of complete products which involves the assembly of completed PCBAs, plastic parts and components, electronic and electrical components, and electro mechanical and mechanical parts into the final product. The final products are then subject to functional testing before they are packaged for shipment to our customers.

6.6 Operating capacities and output

Our production capacity is measured based on the output of our SMT lines which is dependent on product mix. This results in varied production output depending on the type, specifications, and size of the PCBAs used in the manufacturing of Bluetooth headsets, Bluetooth smartwatches, Bluetooth car kits, *FOBO* products, 3D glasses and electronic locks.

6. BUSINESS OVERVIEW (Cont'd)

Our maximum capacity, actual production volumes and utilisation rates based on our SMT annual capacity in FYE 30 June 2013, 2014 and 2015 as well as the SMT capacity for the seven (7) months FPE 31 January 2015 and 2016 are depicted below:-

Financial period under review	Maximum capacity (unit)	Actual production (unit)	Utilisation rate (%)
FYE 30 June 2013	12,304,899 ^(a)	3,415,750	27.8
FYE 30 June 2014	11,962,660 ^(a)	7,840,768	65.5
FYE 30 June 2015	10,921,052 ^(a)	7,541,272	69.1
Seven (7) months FPE 31 January 2015	6,576,613 ^(b)	4,584,460	69.7
Seven (7) months FPE 31 January 2016	8,115,739 ^{(b)(c)}	5,721,596	70.5

Assumptions:-

- (a) SMT annual capacity is weighted capacity calculated based on product mix in the respective financial years, and SMT production runs six (6) days a week in two (2) 12-hour shifts daily each year.
- (b) SMT seven (7) months capacity is weighted capacity calculated based on product mix in the respective financial period, and SMT production runs six (6) days a week in two (2) 12-hour shifts daily for the seven (7) months period.
- (c) For illustration purposes, the estimated maximum annual capacity for FYE 30 June 2016 is approximately 13.9 million units, calculated based on the annualised seven (7) months capacity for the FPE 31 January 2016. The increase in annual capacity compared to FYE 30 June 2015 was due to the installation of a new modular placement in one of our existing SMT lines in August 2015 and changes in product mix.

The increase in production from approximately 3.4 million units in FYE 30 June 2013 to approximately 7.5 million units in FYE 30 June 2015 has resulted in an increase in utilisation rate from approximately 27.8% to 69.1%. The highest increase in production was recorded between the FYE 30 June 2013 and FYE 30 June 2014, where production more than doubled from approximately 3.4 million units to approximately 7.8 million units, thereby causing a rise in utilisation rate from approximately 27.8% to 65.5%. The increase in production is due to an increase in orders from our customers, including *Plantronics*, *Jaybird* and *Sony*. We recorded revenues of approximately RM50.0 million or 63.6% of our total revenue, RM214.7 million or 91.7% of our total revenue and RM172.8 million or 89.8% of our total revenue from these three (3) customers in FYE 30 June 2013, 2014 and 2015, respectively. Additionally, the launch of our in-house brand, *FOBO*, on 30 April 2013 and subsequent product launches in 2014 and 2015 have contributed to the increase in production.

We produced approximately 5.7 million units in the seven (7) months FPE 31 January 2016 representing a utilisation rate of approximately 70.5%.

6.7 Quality assurance

As part of our efforts to achieve total customer satisfaction, we place strong focus on QA throughout the process of our project lifecycle. As at the LPD, we have 33 employees in our Quality department. Our Quality team is responsible for:-

- (i) QC of supply and incoming raw materials;
- (ii) QC of in-process production;
- (iii) QC of outgoing products; and
- (iv) Documentation and implementation in compliance with the applicable ISO standards.

6. BUSINESS OVERVIEW (Cont'd)

Our Group maintains a QA and QC system to ensure the quality of our products and services meet or exceed customer expectations. We have established stringent QC procedures to perform quality checks at each critical stage of our manufacturing process to ensure all our products and services satisfy our customers' requirements. QC checks are carried out, recorded and monitored by our in-house QA team.

Our QA and QC activities include the following:-

QC procedures	Description
In-coming raw material control	<p>We source and procure components and other materials from our customers' approved suppliers. In cases where there are no preferred suppliers, we will recommend suitable suppliers based on, amongst other factors, our customers' specifications and the reliability and quality of the suppliers' products and services.</p> <p>All incoming components and materials are subject to inspection at the point of receipt. Any defects or non-compliance with our quality standards are immediately highlighted to our suppliers for replacement or rectification. We document QA checks on in-coming components and materials, and conduct periodic reviews on the quality of our suppliers.</p>
Design	<p>During the prototyping stage, we use a 3D optical scanning scope to verify that the physical parts are in accordance with the 3D designs rendered.</p>
In-process production control	<p>We employ a wide range of QA mechanisms and systems at different stages of our production processes to administer preventive and corrective measures to ensure that the final product meets quality requirements. We use smart scopes and functional tests to measure the critical parameters at important process control points. Our production QA activities include the following:-</p> <ul style="list-style-type: none"> • During the solder paste printing process, sufficient application of solder paste is inspected on all PCBs by the solder paste inspection checker. • Upon soldering, all PCBs are subject to an automated optical inspection machine to ensure accurate placement of the components. • Electrical testing is performed on all PCBAs to ensure that these products meet our customers' requirements. In-circuit testing is performed to detect any process defects, whereas functional testing ensures that the functionality of the products meets specifications. Thereafter conformal coating is carried out to prevent moisture from damaging the solder joints. • X-ray inspections may also be employed to ensure proper bonding of components on the PCBAs. • Visual inspection is carried out to detect any visual defects on the PCBAs including cosmetic defects and product labels. Thus at each stage, any defects are detected and corrected. This ensures consistency in the process and also reduces reworking costs to minimum levels.
Finished products testing	<p>Our production team carries out functional testing and cosmetic inspections on all completed products. Further, sample finished products are selected by our Quality department for a subsequent phase of visual inspection and functional testing.</p>

6. BUSINESS OVERVIEW (Cont'd)

QC procedures	Description
QMS	All design and manufacturing activities are well documented by our Quality department in a timely manner and implemented in compliance with the applicable ISO standards.
Six Sigma methodology	<p>We adopt the Six Sigma methodology in our manufacturing processes. Six Sigma is a methodology used for process improvement through the enhancement of the quality of manufacturing outputs by identifying and removing the causes of defects and minimising variability in manufacturing and business processes, thus ensuring a minimum amount of errors. The Six Sigma methodology utilises either the DMAIC (define, measure, analyse, improve and control) approach or DMADV (define, measure, analyse, design and verify) approach for process improvement.</p> <p>A trained and certified Six Sigma Master Black Belt holder is required for the implementation of a Six Sigma process. There are various levels of Six Sigma certification, namely White Belt, Yellow Belt, Green Belt, Black Belt and Master Black Belt. As at the LPD, we have several certified Six Sigma personnel, including one (1) Master Black Belt.</p>

We presently comply with the following local and international quality standards and were awarded the following certificates of compliance:-

Standard	Certification Body	Year First Awarded	Current Validity Period	Scope of Certification
ISO 9001:2008	SIRIM QAS International Sdn Bhd and IQNet	2013	23 July 2015 – 22 July 2018	Design, development and manufacture of radio frequency based products (Bluetooth); customised test system development and testing for wireless consumer products (Bluetooth); design and fabrication of moulds and dies for injection moulding; manufacture of plastic moulded parts by injection moulding and secondary processes (spray painting, tempo printing and silk screen printing); and assembly and testing of electromechanical parts and products
FCC marking ⁽¹⁾	Curtis-Straus LLC (Under authority of the FCC)	2013-2014	Not applicable	The sale of our <i>FOBO</i> products in the US territory, subject to compliance of the relevant requirements of the Federal Communications Commission.
CE marking ⁽²⁾	Bureau Veritas Consumer Products Services (H.K.) Ltd, Taoyuan branch	2012-2014	Not applicable	The sale of our <i>FOBO</i> products in the EU territory, subject to compliance of the relevant requirements of the European Council Directive.

6. BUSINESS OVERVIEW (Cont'd)

Standard	Certification Body	Year First Awarded	Current Validity Period	Scope of Certification
UL Certificate of Compliance: QMMY2.E3015 04 (Fabricated Parts - Component)	Underwriters Laboratories Inc, issued by UL International Ltd, Hong Kong	2006	Not applicable	Covers material traceability of fabricated plastic parts. Material traceability is a traceability program which provides quick verification of material identity through markings on a fabricated part such as molded, encapsulated, potted and other fabricated plastic parts. Under this program, the molder or fabricator is required to keep adequate records which will trace the correctly identified material from receipt through storage, inventory withdrawal, molding, finishing, packaging and shipping.

Notes:-

- (1) *This FCC marking is a certification mark employed on electronic products manufactured or sold in the US which certifies that the electromagnetic interference from the device is under the limits approved by the FCC.*
- (2) *This CE marking is a registration for products which certifies the products to be in compliance with the safety, health and environmental requirements in accordance with the Directives 2006/95/EC, 1999/5/EC and 2014/53/EU.*

In addition to the FCC marking in the US and CE marking for the European Economic Area, as at the LPD, our *FOBO* products also conform to the relevant countries certifications/registrations where our products are exported to, such as Canada, Japan, Republic of Korea, PRC, Russia, Singapore and Taiwan. We further conform to and have been certified compliant with SAE J2657, an international automotive standard for TPMS for light duty highway vehicles. The SAE J2657 establishes overall performance guidelines, test methods and minimum performance levels for a TPMS.

6.8 Occupational safety, health and environment

Our Group places strong emphasis on the health and safety of our employees, and the protection of the environment. In line with this, we are committed to comply with the relevant occupational safety, health and environmental requirements.

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6. BUSINESS OVERVIEW (Cont'd)

We presently comply with the following local and international occupational safety, health and environment standards:-

Standard	Certification Body	Year First Awarded	Current Validity Period	Scope of Certification
ISO 14001:2004 ⁽ⁱ⁾	SIRIM QAS International Sdn Bhd and IQNet	2015	26 May 2015 – 25 May 2018	Design, development and manufacture of radio frequency based products (Bluetooth); customised test system development and testing for wireless consumer products (Bluetooth); design and fabrication of moulds and dies for injection moulding; manufacture of plastic moulded parts by injection moulding and secondary processes (spray painting, tempo printing and silk screen printing); and assembly and testing of electromechanical parts and products
OHSAS 18001:2007 ⁽ⁱⁱ⁾	SIRIM QAS International Sdn Bhd and IQNet	2015	26 May 2015 – 25 May 2018	Design, development and manufacture of radio frequency based products (Bluetooth); customised test system development and testing for wireless consumer products (Bluetooth); design and fabrication of moulds and dies for injection moulding; manufacture of plastic moulded parts by injection moulding and secondary processes (spray painting, tempo printing and silk screen printing); and assembly and testing of electromechanical parts and products

Notes:-

- (i) *ISO14001:2004 specifies requirements for an organisation to develop and implement an environmental management system.*
- (ii) *OHSAS18001:2007 specifies requirements for an organisation to develop and implement health and safety management systems.*

Our Directors are not aware of the existence of any breach of the relevant occupational safety, health and environment requirement that would have a material adverse effect on us.

Additionally, our Group has also been awarded with the following Green Partner Certification from Sony Corporation:-

Standard	Certification Body	Year First Awarded	Current Validity Period	Scope of Certification
Green Partner Certification	Sony	2008	8 April 2016 – 30 April 2018	Sony Environmental QA compliance

6.9 Types, sources and availability of materials, components and parts

Our purchases comprise expenditure on materials, components and parts used for the design and manufacture of products for external customers and our in-house brand, *FOBO*. Our principal purchases are electronic and electro-mechanical components which comprise approximately 38.1% and 39.7%, respectively of our total purchases of materials, components and parts in the seven (7) months FPE 31 January 2016.

6. BUSINESS OVERVIEW (Cont'd)

The materials, components and parts we use are generally widely available and sourced from local and international suppliers, including suppliers specified by our customers. The prices of our materials are subject to price fluctuations as a result of demand and supply conditions. However, the prices of our materials purchased have been relatively stable during the financial years under review. For the purchase of materials, components and parts, we generally take into account supplier lead times to prevent potential major disruptions to our production.

We have developed stringent policies and procedures that guide our selection of suppliers. All selected suppliers are evaluated in terms of financial performance, production capacities, ability to deliver products that meet our quality requirements, and ability to deliver in a timely manner. We appoint experienced suppliers that are reliable and financially secure to ensure the quality of our products meet the required standard.

The breakdown of the cost of materials, components and parts purchased by us during FYE 30 June 2013, 2014 and 2015 as well as the seven (7) months FPE 31 January 2016 is as follows:-

Purchase category	FYE 30 June						Seven (7) months FPE 31 January	
	2013 ⁽¹⁾		2014 ⁽¹⁾		2015 ⁽²⁾		2016 ⁽²⁾	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Electronic components ⁽³⁾	20,513	38.4	70,266	38.4	51,330	37.7	39,614	38.1
Electro-mechanical components ⁽⁴⁾	18,834	35.3	74,101	40.4	53,004	38.9	41,218	39.7
Mechanical parts ⁽⁵⁾	9,180	17.2	33,517	18.3	24,876	18.3	19,019	18.3
Resin	1,250	2.3	1,992	1.1	2,750	2.0	1,319	1.3
Chemicals ⁽⁶⁾	3,077	5.8	2,508	1.4	2,876	2.1	2,127	2.0
Packing material	542	1.0	743	0.4	1,305	1.0	549	0.6
Total	53,396	100.0	183,127	100.0	136,141	100.0	103,846	100.0

Notes:-

- (1) Based on Salutica Allied's figures for FYE 30 June 2013 and 2014, respectively.
- (2) Based on Salutica Group's figures for FYE 30 June 2015 and seven (7) months FPE 31 January 2016, respectively.
- (3) Electronic components comprise, amongst others, capacitors, resistors, integrated chips and microcontrollers.
- (4) Electro-mechanical components comprise, amongst others, PCBs, speakers and batteries.
- (5) Mechanical parts comprise, amongst others, cables, gaskets and metal stamping parts.
- (6) Chemicals comprise, amongst others, paint, thinner, ink and glue.

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6. BUSINESS OVERVIEW (Cont'd)

6.10 Technology used

Our Group has the necessary equipment and expertise to perform and apply the following technology in our products and operations:-

Technology	Description
Bluetooth technology	<p>Bluetooth is a wireless technology standard for exchanging data over short distances using short-wavelength UHF radio waves in the ISM band from 2.4 to 2.485 GHz from fixed and mobile devices, and building personal area networks. The Bluetooth technology enables a wide range of devices to connect and communicate with each other, overcoming problems of synchronisation.</p> <p>A fundamental strength of Bluetooth wireless technology is the ability to simultaneously handle data and voice transmissions, which provides users with a variety of innovative solutions such as hands-free headsets for voice calls, printing and fax capabilities, and synchronisation for personal computers and mobile phones.</p> <p>Our Group is a licensed member of the Bluetooth Special Interest Group, a body which owns the Bluetooth trademarks and oversees the development of Bluetooth standards. As a member of the Bluetooth Special Interest Group, we are able to keep abreast of the latest developments in Bluetooth technology.</p>
Nano-coating technology	<p>Nano-coating or nano-sealing is the result of an application where nano structures create a consistent network of molecules on a surface to enable water proofing without adding thickness to the product. This is a chemical process where the surface can be designed as hydrophob/superhydrophob or hydrophil/superhydrophil, where:-</p> <ul style="list-style-type: none"> • hydrophob/superhydrophob is when liquids that strike the surface are repelled and flow away immediately; and • hydrophil/superhydrophil is when liquids that strike the surface build a plain film on the surface and mostly flow away.
SMT	<p>SMT involves mounting components such as integrated circuits and transistors by surface mount equipment onto the surface of PCBs. Due to the size of the components, SMT is used for more compact PCBs with finer circuitry, higher component density and components with higher lead counts. It also enables components to be mounted on both sides of the PCB.</p> <p>Our SMT line has the capability of mounting up to 01005 components, which presently, are the smallest sized components in the industry, measuring 0.4 mm x 0.2 mm.</p>
Solder paste inspection	<p>Solder paste inspection is carried out by using 3D scanning technology to measure the volume and thickness of the solder paste to ensure sufficient solder paste is applied. A solder paste inspection reduces incidences of solder-related defects.</p>

6. BUSINESS OVERVIEW (Cont'd)

Technology	Description
Nitrogen gas flushing	<p>Nitrogen gas is used to flush the SMT line to remove oxygen, preventing the oxidation of the solder, thus ensuring stronger joints. As nitrogen is an inert gas, it does not react with the hot metal surfaces of circuits and their packages during the SMT production which could form unwanted films.</p> <p>In addition to improving solder joint quality, the usage of nitrogen gas also reduces the sensitivity of the circuits to the SMT process variations. Nitrogen gas flushing results in an increase in manufacturing yield.</p>
Laser de-paneling	<p>Laser de-paneling uses an ultraviolet wavelength to cut PCBs and has a high cut quality and quick turn capability. Laser de-paneling enables high precision and accurate cuts as well as clean cuts, which reduces circuit failures and extra cleaning processes, thus resulting in greater reliability and lesser material wastage. In addition, the high precision and accuracy of laser de-paneling allows for a denser PCB panel as components can be placed closer to the edges of the PCB panel, thus increasing efficiency and capacity.</p>
3D scanning	<p>We carry out 3D scanning to ensure that physical parts of our products are in accordance with the designs rendered as it determines the accuracy and compatibility of all parts.</p> <p>Further, 3D scanning can be used in the metrology process, a measurement process to determine allowable tolerance of components and parts.</p>
Thin-wall injection moulding	<p>Thin-wall injection moulding is a high precision moulding technique which is able to create thinner and lighter plastic parts. Thin wall parts have a wall thickness of less than 1 mm. Thin wall parts require higher injection pressure as the distance that the material can flow is dependent on the thickness of the part. In addition, a thinner wall section allows shorter cooling time and cycle time.</p> <p>The manufacture of thinner and lighter parts due to thin-wall injection moulding has resulted in lower material costs, lower electricity cost per part due to fast cycle time with hydraulic machines and higher production output due to fast cycle times.</p> <p>Our thin-wall injection moulding machines have the capability to manufacture thin and light parts with a wall thickness as low as 0.3 mm.</p>
Radio-frequency chamber	<p>A radiofrequency chamber is a shielded room with radiofrequency absorber materials installed on the walls, ceiling, and for some, the floor. The chamber is used to perform electromagnetic compatibility measurements and can be used within various industries including consumer electronics, automotive, aerospace, medical and telecommunications. The chamber is primarily used for testing radiated emissions and radiated immunity within specific frequency ranges.</p> <p>We have a 5.4 GHz radiofrequency chamber in our testing laboratory which is accredited by Bureau Veritas Consumer Products Services (Hong Kong) Limited.</p>

6. BUSINESS OVERVIEW (Cont'd)**6.11 Property, plant and equipment****6.11.1 Summary of properties used**

As at the LPD, the details of the property owned by our Group are as follows:-

Registered owner	Title details / address	Tenure/ Expiry of lease	Description and existing use	Date of issuance of Certificate of Fitness for Occupation/certificate of completion and compliance	Approximate age of building	Total built up area and land area (square meter)	Carrying value as at 31 January 2016 (RM'000)	Major encumbrances
Salutica Allied	Lot 202124, PN 94442 Mukim Hulu Kinta Daerah Kinta Negeri Perak 3 Jalan Zarib 6 Kawasan Perindustrian Zarib, 31500 Lahat Ipoh, Perak	99 years, expiring on 11 February 2092	Allocated parking space for employees	N/A	N/A	Land area: 4,551 Built-up area: N/A	630.2	Charged as security for a loan facility with OCBC Bank (Malaysia) Berhad
Salutica Allied	Lot 202125, PN94443 Mukim Hulu Kinta Daerah Kinta Negeri Perak 3 Jalan Zarib 6 Kawasan Perindustrian Zarib, 31500 Lahat, Ipoh, Perak	99 years, expiring on 11 February 2092	Allocated parking space for employees	N/A	N/A	Land area: 4,314 Built-up area: N/A	664.2	Charged as security for a loan facility with OCBC Bank (Malaysia) Berhad

6. BUSINESS OVERVIEW (Cont'd)

Registered owner	Title details / address	Tenure/ Expiry of lease	Description and existing use	Date of issuance of Certificate of Fitness for Occupation/certificate of completion and compliance	Approximate age of building	Total built up area and land area (square meter)	Carrying value as at 31 January 2016 (RM'000)	Major encumbrances
Salutica Allied	Lot 381631, PN314266 Mukim Hulu Kinta Daerah Kinta Negeri Perak 3 Jalan Zarib 6 Kawasan Perindustrian Zarib, 31500 Lahat Ipoh, Perak	99 years, expiring on 11 February 2092	Our manufacturing plant comprising a two (2)-storey office annexed to a two (2) storey warehouse ("Phase Three") and factory ("Phase One and Two") ("Buildings")	Phase One: 17 December 1999 Phase Two: 1 November 2000 Phase Three: 21 March 2008	Phase One: 16 years Phase Two: 16 years Phase Three: seven (7) years	Land area: 30,130 Built-up area: Approximately 30,318	23,597.9	Charged as security for a loan facility with OCBC Bank (Malaysia) Berhad

The above three (3) plots of land are located contiguously. Save for the above Buildings, there is a shelter area with total built-up area of 102.22 square meter erected on our Group's factory compound ("**Shelter**"). The Shelter was built in 2010 as a general rubbish and waste disposal area. An independent engineer/consultant whom we regularly engage, has confirmed vide its letter dated 4 February 2016 that the Shelter does not necessarily warrant a certificate of fitness to be issued. We have also subsequently made our own verbal enquiries with the local authority, Majlis Bandaraya Ipoh and the local authority has confirmed the same understanding.

Save as disclosed under **Section 3.8** of this Prospectus, as at the LPD, our Group does not have any material plans to construct, expand, or improve our facilities.

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6. BUSINESS OVERVIEW (Cont'd)

As at the LPD, the details of properties rented by our Group are as follows:-

Tenant	Registered owner	Address	Tenure/ Date of expiry of lease	Description and existing use	Total built up area and land area (square feet)	Yearly rental (RM)
Salutica Allied	Sim Kian Ngee	No.54, Tingkat Zarib 5C Taman Pinji Mewah 31650 Lahat, Perak	Tenancy commenced on 1 July 2013 and may be renewed yearly for a further period of one (1) year. The tenancy has been extended and will expire on 30 June 2016	Double storey terrace house for residential purposes for Salutica Allied's employees	Land area: Approximately 1,400* Built-up area: Approximately 2,400*	4,800
Salutica Allied	Chong Poh Nam	No. 27, Persiaran Zarib 5 Taman Pinji Mewah 31650 Lahat, Perak	Tenancy commenced on 1 July 2013 and may be renewed yearly for a further period of one (1) year. The tenancy has been extended and will expire on 30 June 2016	Double storey terrace house for residential purposes for Salutica Allied's employees	Land area: Approximately 1,400* Built-up area: Approximately 2,400*	4,800
Salutica Allied	Abdul Malik bin Mohamad Ali Jinnah	No. 36, Jalan SCI 6/3 Sunway City Ipoh 31150 Ulu Kinta Perak	Tenancy commenced on 1 February 2016 until 31 January 2018	Double storey townhouse for residential purposes for Salutica Allied's employees	Land area: Approximately 1,780* Built-up area: Approximately 2,000*	24,000

Note:-

* Based on respective registered owners' estimated total built up area and land area.

As at the LPD, our Group is not in breach of any law, rules and building regulations in relation to the use of the properties. Our Directors wish to highlight that with respect to the properties owned and rented by our Group, there are no environmental issues that may materially affect our Group's operations and utilisation of the above properties.

Our IPO does not involve any valuation of land and buildings.

6. BUSINESS OVERVIEW (Cont'd)

6.11.2 Key Machinery and Equipment

A summary of the material machinery and equipment owned and used by us are set out below:-

Key machinery and equipment	Average age (years)	Average lifespan* (years)	No of units	Carrying value as at 31 January 2016 (RM'000)
Plastic injection moulding machine	> 5	10	44	1,415
Paintline	> 5	10	1	1,385
SMT lines comprising printers, solder paste inspection systems, mounters and ovens	3	10	3	2,242
X-ray inspection system	1	10	1	128
Robotic glue dispensing system	1	10	1	55
Radiofrequency chamber system	> 5	10	1	411
3D printing system	> 5	10	1	108
Universal radio communication tester	> 5	10	1	71
Wireless connectivity test set	> 5	10	1	71
Nano-coating machine	2	10	1	895
Laser machines comprising laser marking machines and laser welding machines	2	10	6	317
Printing machine	> 5	10	13	154
Hot stamping machine	2	10	4	61
Electrical discharge machine	> 10	10	4	332
Milling machine	> 10	10	4	13
Precision surface grinding machine	> 10	10	2	65
Automated laser system	> 10	10	1	945
Total			89	8,668

Note:-

* With scheduled maintenance, the average lifespan of the above equipment and machinery may be prolonged notwithstanding any technology obsolescence.

The above machinery and equipment, in particular the SMT lines are used to derive our production capacity and output measurement as set out in **Section 6.6** of this Prospectus.

As disclosed under **Section 3.8** of this Prospectus, the purchase of new machinery and equipment from the IPO proceeds serves to gradually replace some of our machinery that are older than their average lifespan (such as the milling machines, electrical discharge machine and precision surface grinding machine) which incorporates the latest technology and enhanced functionalities. When we purchase new machinery, management takes into consideration amongst other factors, whether the machine suits the customer order or product specification and whether or not the machinery can be used across multiple products and multiple customers. This ensures that the machine can be optimally utilised and we are able to generate sufficient returns to cover the cost of our machinery investment.

In any event, the Company does not foresee a significant investment to be made in the near future to replace the machinery that have exceeded their average lifespan as the lifespan of the equipment and machinery can be prolonged with scheduled maintenance.

6. BUSINESS OVERVIEW (Cont'd)

6.12 Marketing and distribution channels

As at the LPD, our Group's business development, marketing and sales department consists of nine (9) personnel. They are responsible for business development, conducting market activities to promote our *FOBO* products and services as well as to keep abreast with the most recent market trends and customer preferences.

Our business development, marketing and sales activities include:-

(i) Trade exhibitions and events

We participate regularly in trade exhibitions as it helps us to enhance our brand visibility and enables us to showcase our products and services. Such participation provides us with significant opportunities to meet interested buyers, and keep abreast with current market demand and trends.

The major trade exhibitions and events that we participated in over the last three (3) financial years and seven (7) months FPE 31 January 2016 up to the LPD are as follows:-

Year	Name of Exhibition/ Trade Show/ Event	Organiser	Location
2013	Consumer Electronics Show	Consumer Electronics Association	Las Vegas, US
2014	Consumer Electronics Show	Consumer Electronics Association	Las Vegas, US
2014	Hong Kong Trade Development Council Hong Kong Electronics Fair	Hong Kong Trade Development Council	Hong Kong
2014	China Sourcing Fair	Global Sources	Jakarta, Indonesia
2014	New Straits Times Auto Show	New Straits Times	Kuala Lumpur, Malaysia
2015	Consumer Electronics Show	Consumer Electronics Association	Las Vegas, US
2015	Kuala Lumpur Converge 2015	Malaysian Communications and Multimedia Commission	Kuala Lumpur, Malaysia

(ii) Corporate website and product website

We have established a corporate website at <http://www.salutica.com> which provides immediate searchable information on our Group, including our products and services. We have also established a product website for our in-house brand, *FOBO*, at <http://www.my-fobo.com> which provides information, including features and specifications of our *FOBO* products. In addition, our product website is an e-commerce platform, and serves as a global retail platform for our *FOBO* products.

The current widespread use of the Internet as a source of information enables us to cross geographical borders, and facilitate access from any part of the world, enhancing our market reach and exposure.

6. BUSINESS OVERVIEW (Cont'd)

(iii) Referrals from business associates

As we maintain the quality of our services at all times, we have been able to attract new customers through referrals from our business associates. Our sales team is also dedicated in building and maintaining long-term relationships with our customers. Further, we regularly obtain feedback from our customers on our products to better understand market trends and customer preferences. Referrals received from our business associates are testament that our business relationships with these parties have been favourable.

(iv) Multiple distribution channels for products under our in-house brand, *FOBO*

As at the LPD, our *FOBO* products are marketed locally and internationally through various distribution channels comprising:-

E-commerce platforms

Due to the ease and accessibility of e-commerce platforms, our *FOBO* products are available online via our own product website at <http://www.my-fobo.com>, as well as on other recognised e-commerce platforms, either directly via Amazon, Brookstone, TouchOfModern and Massdrop or indirectly through IPMart, Lazada, Mudah.com, Superbuy and Torque Tuning.

Retail stores/distributors

We engage our distributors on ad-hoc basis or by way of an agreement, depending on the market potential. We source our distributors from sales enquiries, referrals and during trade exhibitions and events. All distributors are required to provide us with the respective sales organisation structure and sales channels, while the exclusive distributors are required to maintain a certain purchase volume.

Generally, we sell our *FOBO* products outright to our distributors. Distributors are normally required to provide a secure method of payment which is usually by way of full payment before delivery or through an irrevocable and confirmed letter of credit. As at the LPD, we have also engaged one (1) distributor in the US to sell our *FOBO* products on consignment.

As at the LPD, our *FOBO* products are available in 47 retail point of sales in Malaysia through our authorised distributor, Sunweu Sdn Bhd, who is principally involved in the distribution of mobile phone accessories in Malaysia.

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6. BUSINESS OVERVIEW (Cont'd)

The summary of the main locations and number of the retail point of sales in Malaysia as at the LPD are as follows:-

States and Federal Territories of Malaysia	No. of retail point of sales
Johor	6
Kedah	1
Kelantan	1
Kuala Lumpur	11
Labuan	-
Malacca	1
Negeri Sembilan	-
Pahang	1
Penang	7
Perak	1
Perlis	-
Sabah	1
Sarawak	3
Selangor	12
Terengganu	2
Total	47

Our *FOBO* products are also marketed overseas. As at the LPD, we have 29 overseas distributors spanning across Australia, Belgium, Canada, France, Hong Kong, India, Indonesia, Japan, Kenya, Lithuania, Luxembourg, Mexico, Myanmar, Netherlands, Norway, Philippines, Poland, Russia, Singapore, South Africa, Sweden, Taiwan, Thailand, Trinidad and Tobago, Turkey, UK and US. Further, our *FOBO* products are available for sales in retail stores such as Brookstone, Maplin, Halfords and Virgin Megastore directly or through our overseas distributors.

For the seven (7) months FPE 31 January 2016, the sales of our *FOBO* products derived from local and overseas distributors are approximately RM0.1 million and RM1.1 million, respectively.

Save for our *FOBO* products, our Group's other products are not sold through any distributors.

(v) Advertising

To promote our "*FOBO*" brand and products, we market and advertise through our product website and sponsored magazine reviews. In addition, we appointed Oh Kah Beng, a former Malaysian motorbike Grand Prix racer and currently a racing instructor, as our brand ambassador.

6.13 R&D

We recognise the importance of R&D in ensuring we remain competitive to sustain the continuous growth of our business. Our R&D initiatives have been focused on (i) participation in our customers' product design phase, particularly in value engineering, "design for manufacturability", and/or manufacturing process design and development/improvement; and (ii) innovation of new and improved products for our in-house brand, *FOBO*.

6. BUSINESS OVERVIEW (Cont'd)

Our R&D activities are focused on, but not limited to, Bluetooth-enabled products. R&D activities on Bluetooth-enabled products commenced in 2004 when we started our R&D division to provide R&D activities to our customers' products which led us to secure our first hardware and mechanical design and manufacture contract for Bluetooth car kits for Sony in 2006. Our R&D efforts involve mechanical design, electronic design with PCBA layout, firmware development for Bluetooth-related products, tester development experiences for Bluetooth audio headset/car kit, smartphone/smartwatch/smartpad, TPMS and radio frequency modules, 3D printer for fast prototyping, radio frequency chamber for pre-compliance testing on radio frequency products, mobile app design and acoustic chamber for audio testing. As at the LPD, we have 32 personnel in our R&D division.

We undertake these efforts to improve the quality of our products and services as well as to widen our manufacturing capabilities to allow us to offer a wider range of products and services to our customers. We are also enhancing our R&D capabilities in product and process design and development.

Resulting from our R&D efforts, we have successfully designed and developed several Bluetooth-enabled prototypes for our in-house products as follows:-

Product / Solution	Description	Year commenced research	Completion year
Past R&D Achievements			
<i>FOBO</i> Tire	Bluetooth-enabled TPMS for light vehicles such as cars, vans and sport utility vehicles	2014	2014
<i>FOBO</i> Bike	Bluetooth-enabled TPMS for two (2)-wheel vehicles	2015	2015
<i>FOBO</i> Tire Plus	Enhanced Bluetooth-enabled TPMS for motor homes and pick-up trucks	2015	2015
<i>FOBO</i> Xtra	Additional TPMS sensors	2015	2015
<i>FOBO</i> Tag/MAX	Bluetooth electronic sensor and tracking device	2012	2013
<i>FOBO</i> Beacon	Bluetooth electronic beacon transmitter	2013	2014

Our in-house *FOBO* products in particular the TPMS products have different development timeframes. For example, the *FOBO* Tire took approximately nine (9) months to develop, commencing in early 2014 and completed in late 2014. However, subsequent TPMS products were able to share the architecture of *FOBO* Tire, which shortened the development period to approximately three (3) months. There is no typical timeframe to develop a product as it depends on, amongst others, the type of product, the product feature and complexity as well as the technology available.

Our R&D costs include (i) expenses incurred for the R&D activities for our external brands' products (amongst others, mechanical design, electronics design, hardware design and firmware design) which are normally charged to our customers, where applicable, and (ii) general R&D expenses (amongst others, product industrial design, mechanical design, electronics design, hardware design, firmware design and app design) for both external brand products and *FOBO* products, which are borne by us.

6. BUSINESS OVERVIEW (Cont'd)

The breakdown of our R&D expenses is as follows:-

R&D expenses	FYE 30 June			Seven (7) months FPE 31 January	
	2013 ⁽¹⁾	2014 ⁽¹⁾	2015 ⁽²⁾	2015 ⁽²⁾	2016 ⁽²⁾
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Non-recurring engineering R&D expenses incurred for external customers	5,817	7,611	1,991	1,251	1,972
General R&D expenses ⁽³⁾	3,428	2,967	4,106	2,545	2,111
Total R&D expenses	9,245	10,578	6,097	3,796	4,083
Total R&D expenses over our total revenue (%)	11.8	4.5	3.2	3.1	2.8

Notes:-

- (1) Based on Salutica Allied's figures for FYE 30 June 2013 and 2014, respectively.
- (2) Based on Salutica Group's figures for FYE 30 June 2015, seven (7) months FPE 31 January 2015 and seven (7) months FPE 31 January 2016, respectively.
- (3) Including R&D expenses incurred for the development of our FOBO products.

In FYE 30 June 2015, the non-recurring engineering R&D expenses ("NRE") incurred for external customers had reduced from approximately RM7.6 million in FYE 30 June 2014 to RM2.0 million as more R&D activities were conducted in FYE 30 June 2013 and 2014 for new product launches (i.e. the smartwatch and light-guide) while the R&D activities during FYE 30 June 2015 were mostly on product upgrades and improvements. In addition, we absorbed design and development costs for some of our major customers, thus resulting in the drop in NRE. Our competitors are mainly established international original equipment manufacturers that may offer cheaper rates for manufacturing or services provided to our major customers. Therefore, as part of our business strategy, we absorb some of the R&D costs to maintain our competitiveness. The increase in general R&D expenses was mainly due to R&D expenses incurred for FOBO products, which amounted to approximately RM1.3 million.

We recorded R&D expenses of approximately RM4.1 million in the seven (7) months FPE 31 January 2016, of which approximately RM2.0 million and RM2.1 million were incurred for non-recurring engineering R&D expenses charged to external customers and general R&D expenses, respectively.

In the seven (7) months FPE 31 January 2016, the NRE incurred for external customers increased from approximately RM1.3 million in the seven (7) months FPE 31 January 2015 to approximately RM2.0 million due to an increase in R&D activities for new product launches. The slight decrease in general R&D expenses was mainly due to near-completion of R&D activities for some of our FOBO products. The R&D expenses for the seven (7) months FPE 31 January 2016 comprise of, amongst others, purchase of raw materials for engineering/prototype builds and R&D staff costs.

6.14 Interruptions to business and operations

During the twelve (12)-month period prior to the date of this Prospectus, our Group did not experience any business interruption that significantly affected our operations.

6. BUSINESS OVERVIEW (Cont'd)**6.15 Approvals, major licences and permits**

As at the LPD, details of our approvals, major licences and permits for our operations are as follows:-

Description of approval / licence / permit	Approving authority	Permit / Licence / Registration no.	Date of grant or renewal / Expiry date	Salient conditions	Status of compliance
<u>Salutica Allied</u> Manufacturing Licence for design, development and production of Bluetooth and Broadband devices and mobile phones	MITI	A012965 (serial no. 032796)	Issue date: 14 November 2013 Valid until and unless otherwise revoked under the Industrial Co-ordination Act, 1975 ("ICA")	No terms and conditions attached	Complied
<u>Salutica Allied</u> Manufacturing Licence for production of Bluetooth lifestyle devices and smart auto meter readers	MITI	A012965 (serial no. 032850)	Issue date: 6 December 2013 Valid until and unless otherwise revoked under the ICA	<ul style="list-style-type: none"> Salutica Allied must commence the relevant manufacturing activities within 12 months from the effective date (i.e. 16.10.2013) or any other period as may be stipulated by the licensing officer Notification must be given to MITI for any change in the board of directors Notification must be given to MITI and MIDA for any disposal of shares in Salutica Allied 	Complied

6. BUSINESS OVERVIEW (Cont'd)

Description of approval / licence / permit	Approving authority	Permit / Licence / Registration no.	Date of grant or renewal / Expiry date	Salient conditions	Status of compliance
<u>Salutica Allied</u> Warehouse Licence and Manufacturing Warehouse Licence issued pursuant to Section 65 and 65A of the Customs Act 1967, respectively	Royal Malaysia Customs Department	A10 G6 2008 00000017 and A10 G6 2008 00000017A	Issue date: 26 November 2015 Expiry date: 30 November 2016	<ul style="list-style-type: none"> No taxable goods (other than goods approved by the Director General of the State) may be stored in the licensed manufacturing warehouse Prior approval of the Director General of the State is required for any change to the building structure and equipment in the licensed manufacturing warehouse⁽¹⁾ At least 80% of the finished products must be exported, and not more than 20% of the finished product can be sold in the domestic market. Goods sold in the domestic market are subject to the prevailing duties and/or taxes Notification to the proper officer of customs in writing within 14 days if there is a change in the board of director of Salutica Allied 	Complied
<u>Salutica Allied</u> Licence under Class C: activities relating to purchase, own, possess, handle or store irradiating apparatus, pursuant to the Atomic Energy Licensing Act 1984 and the Radiation Protection (Licensing) Regulations 1986	Atomic Energy Licensing Board ("AELB")	LPTA/A/842 (serial no. 842-12464)	Issue date: 9 July 2014 Expiry date: 23 August 2016	<ul style="list-style-type: none"> Salutica Allied must establish and implement a radiation protection programme as approved by AELB Salutica Allied can only purchase radioactive equipment from suppliers licensed by AELB, and must ensure that any radiation equipment purchased from overseas fulfils the standards adopted by AELB 	Complied
<u>Salutica Allied</u> Approval to be a GST-registered person under the GST Act 2014	Royal Malaysian Customs Department	000177209344	Issue date: 23 June 2014 Expiry date: Nil	GST must be imposed on every taxable supply in Malaysia for the purposes of business as required under Section 9 of the GST Act 2014.	Complied
<u>Salutica Allied</u> Approval to be a participant of the Approved Trader Scheme ("ATS") under the GST Act 2014	Royal Malaysian Customs Department	SPL00864747 52	Issue date: 17 February 2015 Expiry date: 30 June 2016	The Director General of Customs may at any time revoke or suspend any ATS approval that has been issued without giving prior notice or reasons to the affected ATS participant on cogent reasons.	Noted

6. BUSINESS OVERVIEW (Cont'd)

Description of approval / licence / permit	Approving authority	Permit / Licence / Registration no.	Date of grant or renewal / Expiry date	Salient conditions	Status of compliance
<u>Salutica Allied</u> Composite licence to carry on engineering, electricity/machinery works under the Local Government Act, 1976	Ipoh City Council (Majlis Bandaraya Ipoh)	G1/D/2/66/6/04	Issue date: 29 December 2015 Expiry date: 31 December 2016	No terms and conditions attached	Complied
<u>Salutica Allied</u> Composite licence for advertisement/signboard under the Local Government Act, 1976	Ipoh City Council (Majlis Bandaraya Ipoh)	G1/D/3/188/04	Issue date: 29 December 2015 Expiry date: 31 December 2016	No terms and conditions attached	Complied

Note:-

- (1) The necessary approval will be obtained for the acquisition of new machinery and/or equipment as disclosed under Section 3.8 of this Prospectus as and when such acquisition is made in the future.

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6. BUSINESS OVERVIEW (Cont'd)**6.16 Patents, trademarks and registration****6.16.1 Patents**

As at the LPD, we have filed a total of twenty four (24) patent applications locally and internationally to safeguard five (5) different inventions relating to our *FOBO* products, as set out below:-

No.	Proprietor	Title of Invention / Descriptions	Country(ies) where patent protection is sought	Application reference no.	Date of application	Status of registration
1.	Salutica Allied	Safezone: a wireless alerting system for personal area asset supervision	International application through Patent Cooperation Treaty 1970 ("PCT") ⁽¹⁾ US Malaysia	PCT/MY2013/000016 14/410,138 PI 2012700414	31 January 2013 9 January 2015 22 June 2012	Completed Pending Pending
2.	Salutica Allied	CrossPair: a system and method for transmitting, storing receiving and/or retrieving identification information or data and/or pairing information or data between accessories or associated products and smart electronic devices into and/or from any distinct server or storage media	International application through PCT ⁽¹⁾ PRC European Union Indonesia Japan Republic of Korea Malaysia Philippines Russia Singapore South Africa Thailand US Vietnam	PCT/MY2012/000288 2012800773827 12889076.1 P00201503889 2015-544024 10-2015-7015145 PI 2015701711 1-2015-501151 2015124314 11201504174W 2015/04371 1501003210 14/647,789 1-2015-02104	28 November 2012 28 May 2015 11 June 2015 25 June 2015 25 May 2015 8 June 2015 27 May 2015 22 May 2015 23 June 2015 27 May 2015 17 June 2015 9 June 2015 27 May 2015 12 June 2015	Completed Pending Pending Pending Pending Pending Pending Pending Pending Pending Pending Pending Pending Pending Pending

6. BUSINESS OVERVIEW (Cont'd)

No.	Proprietor	Title of Invention / Descriptions	Country(ies) where patent protection is sought	Application reference no.	Date of application	Status of registration
3.	Salutica Allied	Websearchme: a wireless pairing and/or tracking system for locating lost items	International application through PCT ⁽¹⁾ Malaysia US European Union	PCT/MY2013/000017 PI 2012004064 14/418,120 13837949.0	31 January 2013 13 September 2012 29 January 2015 19 February 2015	Completed Pending Pending Pending
4.	Salutica Allied	FOBO Tire: a wireless tire monitoring system	International application through PCT ⁽¹⁾ International application through PCT ⁽¹⁾	PCT/MY2014/000186 PCT/MY2015/000048	19 June 2014 16 June 2015	Pending Pending
5.	Salutica Allied	FOBO Antenna	Malaysia	PI 2014703332	7 November 2014	Pending

Note:-

(1) An international patent application under the PCT enables applicant to seek patent protection for an invention simultaneously in each of the PCT contracting country. An application under the PCT procedure includes:-







- (i) international phase: international patent application is filed with the World Intellectual Property Organisation (WIPO) International Bureau; and
- (ii) national phase: national patent application is filed with the relevant patent offices of the designated PCT contracting countries.

Save for Myanmar and Taiwan, the countries that we sell our FOBO products to are PCT contracting countries.




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6. BUSINESS OVERVIEW (Cont'd)**6.16.2 Trademark**

The following trademarks have been registered for:-

No.	Proprietor	Trademark	Registration No.	Class(es)	Date registered	Expiry date	Country of recognition
1.	Salutica Allied		011138633	9, 10 and 12	18 January 2013	23 August 2022	European Community
2.	Salutica Allied		5568610	9	22 March 2013	23 March 2023	Japan
3.	Salutica Allied		40-1018203	9	16 January 2014	16 January 2024	Republic of Korea
4.	Salutica Allied		2012056453	9	17 August 2012	17 August 2022	Malaysia
5.	Salutica Allied		T1213800G	9	19 September 2012	19 September 2022	Singapore
6.	Salutica Allied		01596349	9	1 September 2013	31 August 2023	Taiwan

6. BUSINESS OVERVIEW (Cont'd)

No.	Proprietor	Trademark	Registration No.	Class(es)	Date registered	Expiry date	Country of recognition
7.	Salutica Allied		4516970	9	22 April 2014	22 April 2024	US
8.	Salutica Allied		11525570	9	14 July 2014	13 July 2024	PRC
9.	Salutica Allied		TMA889278	9	4 November 2014	4 November 2029	Canada

6.16.3 Industrial designs

The following industrial designs we have been registered for:-

No.	Proprietor	Title	Registration No.	Date registered	Expiry date	Country of recognition
1.	Salutica Allied	SECURITY TAG	MY 12-01483-0101	25 October 2012	25 October 2037	Malaysia

6.17 Dependency on contracts/arrangements/licenses/patents

As at the LPD, save as disclosed below, our Group is not highly dependent on any other contracts/arrangements/licenses/patents:-

- (a) Approvals, major licenses and permits as set out in **Section 6.15** of this Prospectus; and
- (b) Patents, trademarks and industrial designs as set out in **Section 6.16** of this Prospectus.

6. BUSINESS OVERVIEW (Cont'd)**6.18 Major customers**

Major customers of Salutica Allied which have contributed more than 10% of our total revenue for the past three (3) FYE 30 June 2013, FYE 30 June 2014 and FYE 30 June 2015 as well as the seven (7) months FPE 31 January 2016 are as follows:-

Major customers	FYE 30 June				Seven (7) months FPE 31 January 2016 ⁽²⁾		Length of business relationship (years)
	2013 ⁽¹⁾		2014 ⁽¹⁾		2016 ⁽²⁾		
	(RM'000)	%	(RM'000)	%	(RM'000)	%	
Plantronics	26,593	33.9	65,491	28.0	61,726	42.4	5
Jaybird	9,910	12.6	34,664	14.8	63,479	43.6	4
Sony	13,464	17.1	114,497	48.9	5,149	3.5	10*
Canon Opto Sdn Bhd	14,086	17.9	3,162	1.4	640	0.4	18

Notes:-

- (1) Based on Salutica Allied's figures for FYE 30 June 2013 and 2014, respectively.
(2) Based on Salutica Group's figures for FYE 30 June 2015 and the seven (7) months FPE 31 January 2016, respectively.

* The length of business relationship with Sony is based from the date of our first Sony Ericsson engagement.

We are engaged by the above customers for the design, development and manufacture of Bluetooth devices and the manufacture of other electronics and precision parts and components.

We are dependent on Plantronics, Jaybird and Sony, as they collectively contributed to approximately 90.0% of our total revenue in the seven (7) months FPE 31 January 2016. However, due to our close collaboration, technical elements and design expertise required for the provision of goods and services to these customers, we believe that we are not easily replaced or substituted by other manufacturing companies. We believe we can maintain the existing relationship and service track record with the aforementioned customers and aspire to support their growth ambitions globally.

6. BUSINESS OVERVIEW (Cont'd)**6.19 Major suppliers**

Major suppliers of Salutica Allied which have contributed to more than 10% of our purchases, for the past three (3) FYE 30 June 2013, 2014 and 2015 as well as the seven (7) months FPE 31 January 2016 are as follows:-

Major suppliers	Country of origin	FYE 30 June				Seven (7) months FPE 31 January 2016 ⁽²⁾		Length of business relationship (years)		
		2013 ⁽¹⁾		2014 ⁽¹⁾		2015 ⁽²⁾				
		(RM'000)	%	(RM'000)	%	(RM'000)	%			
Cotron Corporation	Taiwan	5,749	10.8	16,226	8.9	20,872	15.3	20,613	19.9	5
WPG South Asia Pte Ltd	Singapore	2,475	4.6	20,120	11.0	17,998	13.2	14,287	13.8	14
TPK Universal Solutions Limited	Taiwan	222	0.4	36,951	20.2	9,758	7.2	-	-	4
SDKM Technologies Sdn Bhd	Malaysia	782	1.5	6,831	3.7	13,024	9.6	12,213	11.8	9

Notes:-

- (1) Based on Salutica Allied's figures for FYE 30 June 2013 and 2014, respectively.
(2) Based on Salutica Group's figures for FYE 30 June 2015 and the seven (7) months FPE 31 January 2016, respectively.

Our purchases from major suppliers comprises, amongst others, speakers, general components and touchscreens. Our suppliers can be categorised into suppliers specified by our customers and our own approved suppliers. TPK Universal Solutions Limited, Cotron Corporation and SDKM Technologies Sdn Bhd are suppliers specified by our customers for the purchase of certain materials, while WPG South Asia Pte Ltd is our own approved supplier.

As our major suppliers are located overseas, the delivery of certain materials may take up to four (4) months. Therefore, we practice prudent material and production planning to ensure our orders for materials are made and delivered to us on a timely basis. During the financial period under review, we have not faced any material supply disruptions or delays by our major suppliers.

With the exception of our suppliers specified by our customers, we are able to source most of our material supplies from our own approved list of suppliers, which reduce our dependency on our major suppliers. Thus, we are not wholly dependent on any one of our major suppliers.

We deal directly with our major suppliers' manufacturers or their authorised distributors and the selection criteria are as follows: -

- (a) Suppliers' capabilities to supply as per our products specifications;
- (b) Costs;
- (c) Commercial terms such as credit terms, delivery terms and lead time; and
- (d) Suppliers' assessment evaluation which includes review of company profile such as number of years established, financial information such as historical revenue, their major customers, number of employees and their quality control system.

6. BUSINESS OVERVIEW (Cont'd)

6.20 Future plans, strategies and prospects

6.20.1 Future plans and strategies

(i) Continued focus on R&D and expansion of the *FOBO* product range

We will continue to focus on our R&D capabilities to expand and enhance our current *FOBO* products with new features and functionalities. We believe that the expansion of our *FOBO* brand and improvement in product features will drive our business and broaden our customer base, as we anticipate increasing demand for Bluetooth related devices in the automotive and consumer electronics applications.

Premised on the above, as at the LPD, our R&D team is in the midst of the following product development:-

Product / Device	Description	Target launch
Bluetooth-enabled TPMS		
<i>FOBO</i> Ultra	Bluetooth-enabled TPMS for multi-axle heavy vehicles	2016
<i>FOBO</i> Ultra Pro	Enhanced Bluetooth-enabled TPMS for multi-axle heavy vehicles	2017
Bluetooth-enabled electronic sensors and tracking devices		
<i>FOBO</i> Tag 2	Enhanced Bluetooth electronic sensor and tracking device	2017

As set out in **Section 3.8** of this Prospectus, we have allocated RM8.2 million from our IPO proceeds for R&D expenditure, as follows:-

- (a) RM5.0 million will be allocated to upgrade our R&D facilities with the purchase of R&D machinery and equipment;
- (b) RM2.2 million will be allocated to hire additional experienced and skilled R&D personnel, as well as engage our current R&D staff in key development and training programmes; and
- (c) RM1.0 million will be allocated to undertake vigorous testing (includes providing free field testing samples), verification and certification for our new *FOBO* products.

This expenditure will enable us to develop the above *FOBO* products as well as the creation of potential new in-house brands as disclosed in **Section 6.20.1(v)(b)** of this Prospectus.

(ii) Increase sales, marketing and branding initiatives for *FOBO*

We launched our first Bluetooth device under our in-house brand, *FOBO*, in 2013. Over the last three (3) financial years, the revenue derived from our *FOBO* products have grown from approximately RM0.3 million in FYE 30 June 2013 to approximately RM3.5 million in the in FYE 30 June 2015, registering a three (3) year CAGR of approximately 226.1%. The sales of our *FOBO* products have been generated globally, primarily from North America, Europe, Asia and Africa, which contributed approximately 0.4%, 0.1%, 1.8% and 1.1% to our revenue for FYE 30 June 2013, 2014 and 2015 as well as the seven (7) months FPE 31 January 2016, respectively.

6. BUSINESS OVERVIEW (Cont'd)

We intend to increase our marketing and sales activities for our *FOBO* products through the following:-

(i) Expand our sales and distribution channels

Our Group aims to increase our direct sales and distribution channels for our *FOBO* products. As highlighted under **Section 6.12** of this Prospectus, our primary modes of sales and distribution are directly through our website; third party e-commerce platforms; and through local and overseas distributors and retail outlets. The revenue breakdown from our primary mode of sales and distribution for our *FOBO* products for FYE 30 June 2015 are as follows:-

Primary mode of sales and distribution	Percentage of <i>FOBO</i> revenue by sales channel (%)
<u>e-Commerce platforms</u>	
- Own website	27.9
- Third party	0.1
<u>Distributors</u>	
- Local	19.3
- Overseas	35.1
<u>Retail outlets / customers / staff purchases</u>	17.6
Total	100.0

For the next twelve (12) months from the LPD, we intend to increase our sales and distribution channels as follows:-

Distribution channels	Number of channels (as at the LPD)	Number of additional channels within 12 months from the LPD (planned)
Direct third party e-commerce platforms	4	3
Distributors	29	8
Direct retail chain outlets	2	3

All of our planned additional distribution channels are overseas distributors, which will comprise exclusive and non-exclusive distributors, direct third party e-commerce platforms and direct retail chain outlets.

(ii) To participate in more trade exhibitions and events

Our Group plans to participate in more trade exhibitions and events related to automotive accessories and consumer electronics. This will enable our Group to showcase our *FOBO* products to consumers, wholesalers, distributors and vehicle fleet owners, who are our key target customers, and to gain greater visibility and exposure for our products in the global market.

6. BUSINESS OVERVIEW (Cont'd)

The major trade exhibitions and events that we intend to participate in are as follows:-

Year	Name of Exhibition/ Trade Show/ Event	Organiser	Location
2016	The SEMA Show	Speciality Equipment Market Association	Las Vegas, US
2016	Hong Kong Trade Development Council Hong Kong Electronics Fair	Hong Kong Trade Development Council	Hong Kong
2017	The Consumer Electronics Show	Consumer Electronics Association	Las Vegas, US
2017	Hong Kong Trade Development Council Hong Kong Electronics Fair	Hong Kong Trade Development Council	Hong Kong
2017	The SEMA Show	Speciality Equipment Market Association	Las Vegas, US

(iii) To increase branding, advertising and promotional activities

To strengthen our *FOBO* brand, we plan to increase our branding, advertising and promotional activities via physical billboards, television and radio advertisements, and sponsorship for motorsports events.

The marketing and sales activities for our *FOBO* products thus far have been mainly funded through internally generated funds. We intend to utilise approximately RM3.0 million of the proceeds from our Group's Public Issue to fund the abovementioned marketing and sales initiatives. This will provide us with greater resources to aggressively expand our market reach and customer base for our existing *FOBO* products and more importantly for our new *FOBO Ultra* in mid-2016 and *FOBO Ultra Pro* and *FOBO Tag 2* in 2017.

(iii) **Expansion of our business in the design, development and manufacture of Bluetooth devices for external brands**

Our success to-date has been built on our design, development and manufacturing capabilities where we serve major multinational electronic devices and mobile communication product corporations such as *Plantronics*, *Jaybird* and *Sony*. Our Group designs, develops and manufactures some of the prominent Bluetooth devices in the market including Bluetooth audio headsets and Bluetooth smartwatches.

Moving forward, we intend to continue positioning our Group as a one-stop solutions provider for our multinational corporation customers and continue to leverage on our proven track record, experience and technical capabilities to secure more business. Having developed a good working relationship with our existing customers and being an authorised/qualified supplier that has gone through stringent selection processes, we are well placed to grow and expand in tandem with our customers as they seek to expand their global customer reach and market presence. As the global consumer electronics market for Bluetooth devices advances with new technologies, our Group will have further opportunities as new models and enhancements of Bluetooth devices are regularly introduced.

6. BUSINESS OVERVIEW (Cont'd)

According to the IMR report, global Bluetooth device shipments grew from approximately 1.8 billion units in 2011 to approximately 3.0 billion units in 2014 representing a CAGR of approximately 18.6%, with projected growth to approximately 4.9 billion units in 2018. This will present significant growth opportunities for our Group, and with our proven track record in the design and manufacturing of Bluetooth devices, we are poised to benefit from these opportunities. Please refer to **Section 7** "Industry Overview" of this Prospectus for further details.

(iv) Expansion and upgrade of manufacturing facilities

In our manufacturing operations, we utilise machinery and equipment which includes, amongst others, engineering moulds, surface mount equipment, plastic injection moulding machines, and nano-coating equipment. Most of our machinery and equipment are of European and Japanese brands. All of our machinery and equipment undergoes regular maintenance and timely upgrades, in order to keep up with new and up-to-date technologies whilst ensuring high level of manufacturing quality.

In line with our Group's expansion plans, we intend to acquire new machinery and equipment which will incorporate recent up-to-date and new technologies, as this will allow our Group to keep abreast with the latest manufacturing technologies and enable us to increase our efficiency, productivity and competitiveness. We also intend to upgrade our manufacturing facilities which will entail upgraded infrastructure and equipment as well as new test machines and expansion in our testing laboratories. The purchase of new machinery and equipment, as well as the upgrade of our manufacturing facilities will enable us to increase our capacity, expand our product range, replace old machinery and improve our testing capabilities. The cost of these new machinery and equipment and upgrades is estimated to be RM13.6 million as set out in **Section 3.8** of this Prospectus.

We also intend to invest in new software and hardware to upgrade our Group's IT infrastructure in order to keep abreast with the rapid changes and development in the information and communications technology and electronics industries. In addition, the investment in our IT infrastructure will also facilitate the expansion of our *FOBO* products. The cost of the upgrades to our IT infrastructure is estimated at RM1.4 million as further set out in **Section 3.8** of this Prospectus.

The total estimated cost of our planned equipment purchase and facility upgrade as well as the upgrade to our IT infrastructure is RM15.0 million, which we intend to fund via proceeds from our Public Issue.

(v) New product expansion

As at the LPD, we have identified the following areas in which to expand our range of consumer electronic products:-

(a) Devices for touchscreen functionality

Leveraging on our capabilities and experience in precision part and components manufacturing involving light-guide technology, we are currently in the advanced stages of securing a contract for the manufacture of a USB powered device that adds touchscreen functionality to non-touch laptop screens. The new device uses infrared together with proprietary software to detect the touch position on the display monitor of laptops by users. The device is placed at the bottom of the laptop screen and is connected via USB to the laptop. With this device, new and/or existing non-touchscreen laptops will have touch and gesture sensing functionality. At this juncture, the device is only applicable for non-touch laptop screens and has not been developed for use with standalone monitors.

6. BUSINESS OVERVIEW (Cont'd)

This device is a new product developed by our customer and we will mainly be involved in the functional design of the test samples as well as the manufacturing process of the device. Due to the complexities of manufacturing this device, investments in a new automated production line is required. This new production line is an automated wafer chip and electronic component encapsulation production system with additional capability to mount wafer chips and perform wire bonding, which is different from our SMT production line. This new production line will allow our Group to diversify our current and future product mix as well as increase our revenue stream.

The demand for this touchscreen device/gadget will be driven by the pervasive use of laptops globally arising from the growth in global income levels that have brought consumer electronics such as laptops within economic reach of larger portions of the global population. Please refer to **Section 7** "Industry Overview" of this Prospectus for the key demand drivers.

In this regard, our Group intends to utilise approximately RM10.0 million from the IPO proceeds to finance the purchase of one (1) automated production line with an estimated production capacity of approximately 3.0 million devices per annum. We plan to purchase and fully install the production line at our factory by the fourth quarter of calendar year 2016, with mass production estimated to commence at the end of 2016/early 2017.

(b) Bluetooth devices for use in other industries

We have identified the healthcare industry as a new area of focus, where we are evaluating the potential of developing electronic devices for personal health monitoring (i.e. blood pressure monitor and glucose monitor for home usage). Although still at the product feasibility stage, we plan to commence R&D by 2017 and if viable, to rollout such healthcare related products within two (2) to three (3) years from commencement of R&D.

If our venture into the healthcare industry is successful, such new products will contribute to additional revenue and earning streams for our Group, thereby providing long-term sustainability to our Group's financial performance.

6.20.2 Prospects

Premised on our future plans and strategies as highlighted above, our competitive strengths as highlighted in **Section 6.3** of this Prospectus, and the prospects and outlook of the consumer electronics industry and automotive industry as set out in **Section 7** of this Prospectus, our Board is of the view that our Group will enjoy positive growth and favourable prospects in the long-term.

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