

NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF I-STONE GROUP BERHAD ("I- STONE" OR THE "COMPANY") DATED 21 JUNE 2019 ("ELECTRONIC PROSPECTUS")

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

Website

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

Availability and Location of Paper/Printed Prospectus

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

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

Jurisdictional Disclaimer

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

Close of Application

Applications will be accepted from 10.00 a.m. on 21 June 2019 and will close at 5.00 p.m. on 8 July 2019.

In the event the Closing Date is extended, i-Stone will advertise the notice of the extension in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia prior to the original Closing Date.

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

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

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

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

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

M&A Securities Sdn Bhd, being our Adviser, Sponsor, Underwriter and Placement Agent to our IPO (as defined herein), acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

Approval has been obtained from Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for our Shares (as defined herein) on 11 March 2019. Our admission to the Official List of the ACE Market of Bursa Securities shall not to be taken as an indication of the merits of our IPO, our Company or our Shares.

Bursa Securities shall not be liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

This Prospectus, together with the Application Form (as defined herein), has also been lodged with the Registrar of Companies, who takes no responsibility for its contents.

You should note that you may seek recourse under Sections 248, 249 and 357 of the Capital Markets and Services Act 2007 ("CMSA") for breaches of securities laws including any statement in the Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to the Prospectus or the conduct of any other person in relation to our Group (as defined herein).

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 person set out in Section 236 of the CMSA, is responsible.

The Securities Commission Malaysia ("SC") has on 10 April 2019 approved the resultant equity structure of our Company under the equity requirement for public listed companies pursuant to our Listing (as defined herein).

Our securities are classified as Shariah compliant by the Shariah Advisory Council of SC based on the audited combined financial statements for the financial year ended 31 December 2018. This classification remains valid from the date of issue of this Prospectus until the next Shariah compliance review is undertaken by the Shariah Advisory Council of SC. The new status will be released in the updated list of Shariah compliant securities, on the last Friday of May and November.

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

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

It shall be your sole responsibility, if you are or may be subject to the laws of countries or jurisdictions other than Malaysia, to consult your legal and/or other professional advisers as to whether our IPO would result in the contravention of any law of such countries or jurisdictions.

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

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

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

ELECTRONIC PROSPECTUS

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

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

If you are in doubt of the validity or integrity of an Electronic Prospectus, you should immediately request from us, our Adviser or Issuing House (as defined herein), a paper printed copy of this Prospectus.

In the event of any discrepancy arising between the contents of the electronic and the contents of the paper printed copy of this Prospectus for any reason whatsoever, the contents of the paper printed copy of this Prospectus which are identical to the copy of the Prospectus registered with the SC shall prevail.

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

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

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

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

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

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INDICATIVE TIMETABLE

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

The indicative timing of events leading to our Listing is set out below:

| Event | Date |
|--|--------------|
| Issuance of this Prospectus/Opening of Application | 21 June 2019 |
| Closing Date / Closing of Application | 8 July 2019 |
| Balloting of Application | 10 July 2019 |
| Allotment of IPO Shares to successful applicants | 16 July 2019 |
| Date of Listing | 17 July 2019 |

In the event there are any changes to the timetable above, we will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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

All references to "i-Stone Group" and the "Company" in this Prospectus are to i-Stone Group Berhad (1273151-K). Unless otherwise stated, references to "our Group" are to our Company and our subsidiaries taken as a whole; and references to "we", "us", "our" and "ourselves" are to our Company, and, save where the context otherwise requires, our subsidiaries. Unless the context otherwise requires, references to "Management" are to our Directors 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.

The word "approximately" used in this Prospectus is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest thousand or million or one decimal place (for percentages) or one sen (for currency). Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding.

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

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

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

This Prospectus includes statistical data provided by our Management and various third parties and cites third party projections regarding growth and performance of the industry in which our Group operates. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, where no source is stated, such information can be assumed to originate from us.

In particular, certain information in this Prospectus is extracted or derived from report(s) prepared by the IMR. 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.

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

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FORWARD-LOOKING STATEMENTS

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

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

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

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

- (a) demand for our products and services;
- (b) our business strategies;
- (c) our future plans for future operations;
- (d) our financial position; and
- (e) our ability to pay future dividends.

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

- (a) the economic, political and investment environment in Malaysia and globally; and
- (b) Government policy, legislation or regulation.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed in "Section 9 - Risk Factors" and "Section 11 - Financial Information". We cannot give any assurances 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.

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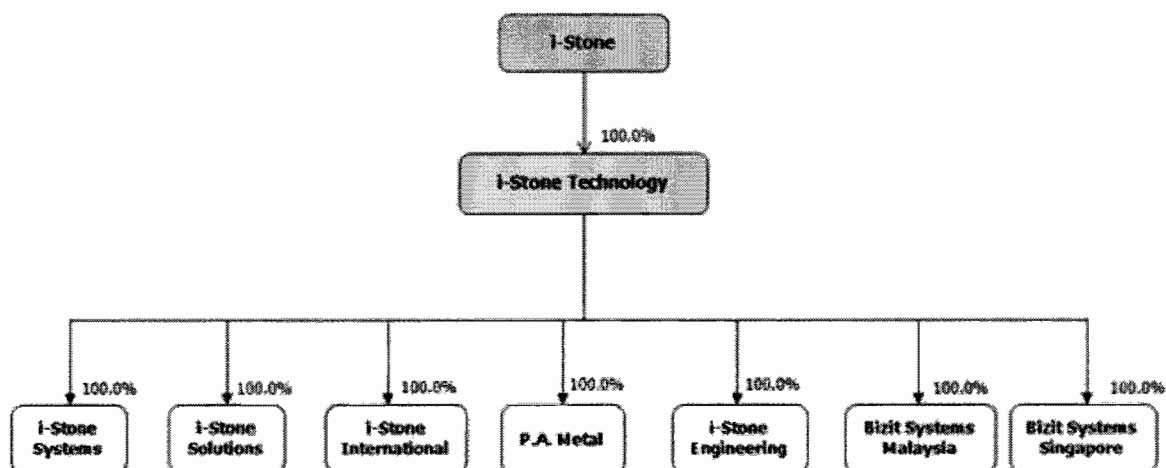
DEFINITIONS

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

COMPANIES WITHIN OUR GROUP:

| | |
|----------------------------|--|
| "Bizit Systems Malaysia" | : Bizit Systems (M) Sdn Bhd (770777-P) |
| "Bizit Systems Singapore" | : Bizit Systems and Solutions Pte Ltd (201112841R) |
| "i-Stone" or "Company" | : i-Stone Group Berhad (1273151-K) |
| "i-Stone Engineering" | : i-Stone Engineering Sdn Bhd (814843-P) |
| "i-Stone Group" or "Group" | : i-Stone and its subsidiaries, collectively |
| "i-Stone International" | : i-Stone International Pte Ltd (201305528C) |
| "i-Stone Solutions" | : i-Stone Solutions Sdn Bhd (1046947-U) |
| "i-Stone Systems" | : i-Stone Systems Sdn Bhd (1167928-K) |
| "i-Stone Technology" | : i-Stone Technology Sdn Bhd (760967-W) |
| "P.A. Metal" | : P.A. Metal Technics Sdn Bhd (392454-U) |

A diagrammatic illustration of our Group structure is as follows:



DEFINITIONS (cont'd)

INTERNAL RESTRUCTURING:

- "Acquisitions" : Collectively, the following:
- (i) Acquisitions by i-Stone Technology; and
 - (ii) Acquisition of i-Stone Technology
- "Acquisitions by i-Stone Technology" : Collectively, the following:
- (i) Acquisition of Bizit Systems Malaysia;
 - (ii) Acquisition of Bizit Systems Singapore;
 - (iii) Acquisition of i-Stone Engineering;
 - (iv) Acquisition of i-Stone International; and
 - (v) Acquisition of P.A. Metal
- "Acquisition of Bizit Systems Malaysia" : Acquisition by i-Stone Technology of the remaining 10,000 ordinary shares, representing 10.0% equity interest in Bizit Systems Malaysia, from Hing Fook Sern for a purchase consideration of RM30,800.96, satisfied via the issuance of 2,319 new i-Stone Technology Shares at an issue price of RM13.282 each, which was completed on 30 April 2019
- "Acquisition of Bizit Systems Singapore" : Acquisition by i-Stone Technology of:
- (i) 90,000 ordinary shares, representing 90.0% equity interest in Bizit Systems Singapore from Turnitin for a cash consideration of RM2,033,376.78; and
 - (ii) 10,000 ordinary shares, representing 10.0% equity interest in Bizit Systems Singapore from Hing Fook Sern for a purchase consideration of RM225,926.82, satisfied via the issuance of 17,010 new i-Stone Technology Shares at an issue price of RM13.282 each
- which were completed on 30 April 2019.
- "Acquisition of i-Stone Engineering" : Acquisition by i-Stone Technology of 75,000 ordinary shares, representing 30.0% equity interest in i-Stone Engineering from Siow Kim Wee for a purchase consideration of RM440,285.02, satisfied via the issuance of 33,149 new i-Stone Technology Shares at an issue price of RM13.282 each, which was completed on 30 April 2019
- "Acquisition of i-Stone International" : Acquisition by i-Stone Technology of 200,000 ordinary shares, representing 100.0% equity interest in i-Stone International, from Turnitin for a cash consideration of RM534,019, which was completed on 30 April 2019
- "Acquisition of i-Stone Technology" : Acquisition by i-Stone of 1,250,699 i-Stone Technology Shares, representing 100.0% equity interest in i-Stone Technology, from OUE, Tee Sook Sing, Chan Kok San, Chin Chung Lek, Chan Sai Kong, Siow Kim Wee, Hing Fook Sern, Tan See Guan, Peck Yok Kee and Seah Mee Lai for the total purchase consideration of RM16,612,078.70, satisfied via the issuance of 977,181,100 new Shares at an issue price of RM0.017 each, which was completed on 2 May 2019

DEFINITIONS (cont'd)

- "Acquisition of P.A. Metal" : Acquisition by i-Stone Technology of:
- (i) 13,334 ordinary shares, representing 13.34% equity interest in P.A. Metal from Peck Yok Kee for a purchase consideration of RM116,695.65, satisfied via the issuance of 8,786 new i-Stone Technology Shares at an issue price of RM13.282 each;
 - (ii) 13,333 ordinary shares, representing 13.33% equity interest in P.A. Metal from Seah Mee Lai for a purchase consideration of RM116,615.96, satisfied via the issuance of 8,780 new i-Stone Technology Shares at an issue price of RM13.282 each; and
 - (iii) 13,333 ordinary shares, representing 13.33% equity interest in P.A. Metal from Tan See Guan for a purchase consideration of RM116,615.96, satisfied via the issuance of 8,780 new i-Stone Technology Shares at an issue price of RM13.282 each,
- which were completed on 30 April 2019
- "Disposals by i-Stone Technology" : Collectively, the following:
- (i) Disposal of One Galaxy Capital;
 - (ii) Disposal of One Galaxy Equity;
 - (iii) Disposal of One Galaxy Systems;
 - (iv) Disposal of One Gourmet;
 - (v) Disposal of P.A. Engineering;
 - (vi) Disposal of Top One Technology; and
 - (vii) Disposal of Venture Primus
- "Disposal of One Galaxy Capital" : Disposal by i-Stone Technology of 2 ordinary shares, representing 40.0% equity interest in One Galaxy Capital to Eng Tze Lok for a cash consideration of RM250,000, which was completed on 8 May 2018
- "Disposal of One Galaxy Equity" : Disposal by i-Stone Technology of 51,000 ordinary shares, representing 51.0% equity interest in One Galaxy Equity to Chan Kok San for a cash consideration of RM160,000, which was completed on 5 July 2018
- "Disposal of One Galaxy Systems" : Disposal by i-Stone Technology of 49,500 ordinary shares, representing 47.1% equity interest in One Galaxy Systems to Chang Pei Pei for a cash consideration of RM87,120, which was completed on 5 July 2018
- "Disposal of One Gourmet" : Disposal by i-Stone Technology of 8 ordinary shares in One Gourmet, representing 50.0% equity interest in One Gourmet to Tee Sook Sing, Chan Kok San, Chin Chung Lek, Chan Sai Kong, Lee Yong Ho, Chiam Kok Thiam, Lee We Tar and Eng Tze Lok for a total cash consideration of RM8.00, which was completed on 15 May 2018
- "Disposal of P.A. Engineering" : Disposal by i-Stone Technology of 60,000 ordinary shares, representing 60.0% equity interest in P.A. Engineering to Teo Soo Hong for a cash consideration of RM4,800, which was completed on 25 June 2018

DEFINITIONS (cont'd)

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| "Disposal of Top One Technology" | : Disposal by i-Stone Technology of 51,000 ordinary shares, representing 51.0% equity interest in Top One Technology to Toh Cha Heng and Eng Tze Lok for a total cash consideration of RM51,000, which were completed on 27 April 2018 |
| "Disposal of Venture Primus" | : Disposal by i-Stone Technology of 250,000 redeemable convertible preference shares held in Venture Primus to Chan Kok San for a cash consideration of RM1.00, which was completed on 20 July 2018 |
| "Internal Restructuring" | : Collectively, the following: <ul style="list-style-type: none"> (i) Shareholdings Reorganisation; (ii) Disposals by i-Stone Technology; (iii) Acquisitions by i-Stone Technology; and (iv) Acquisition of i-Stone Technology |
| "One Galaxy Capital" | : One Galaxy Capital Sdn Bhd (formerly known as i-Stone Capital Sdn Bhd) (1212674-U) |
| "One Galaxy Equity" | : One Galaxy Equity Sdn Bhd (formerly known as i-Stone Electronics Sdn Bhd) (1040949-W) |
| "One Galaxy Systems" | : One Galaxy Systems Sdn Bhd (formerly known as Bizit Systems and Solutions Sdn Bhd) (842097-W) |
| "One Gourmet" | : One Gourmet Sdn Bhd (formerly known as i-Stone Gourmet Sdn Bhd) (1228320-H) |
| "OUE" | : One United Equity Sdn Bhd (1276883-M) |
| "P.A. Engineering" | : P.A. Metal Engineering Sdn Bhd (182803-H) |
| "Shareholdings Reorganisation" | : Shareholding reorganisation involving OUE and i-Stone Technology as detailed in Section 6.3.1 |
| "Turnitin" | : Turnitin Pte Ltd (201023317C) (formerly known as i-Stone Technology Pte Ltd) |
| "Top One Technology" | : Top One Technology Sdn Bhd (1177690-P) |
| "Venture Primus" | : Venture Primus Sdn Bhd (1053163-H) |

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DEFINITIONS (cont'd)

GENERAL:

| | |
|------------------------------------|--|
| "ACE Market" | : ACE Market of Bursa Securities |
| "Act" | : Companies Act 2016 |
| "Adviser" or "Sponsor" | : M&A Securities |
| "ADA" | : Authorised Depository Agent |
| "Application" | : The application for our IPO Shares by way of Application Form, Electronic Share Application and/or Internet Share Application |
| "Application Form(s)" | : The printed application form(s) for the application of our IPO Shares accompanying this Prospectus |
| "ATM" | : Automatic Teller Machine |
| "Board" | : Board of Directors of i-Stone |
| "Bursa Depository" or "Depository" | : Bursa Malaysia Depository Sdn Bhd (165570-W) |
| "Bursa Securities" | : Bursa Malaysia Securities Berhad (635998-W) |
| "CAGR" | : Compound annual growth rate |
| "CCM" | : Companies Commission of Malaysia |
| "CDS" | : Central Depository System |
| "CDS Account" | : An account established by Bursa Depository for a depositor for the recording of securities and for dealing in such securities by the depositor |
| "CF / CCC" | : Certificate of fitness for occupation or certificate of completion and compliance or its equivalent issued by the local authorities |
| "Closing Date" | : The date adopted in the Prospectus as the last date for acceptance and receipt of Application |
| "CMSA" | : Capital Markets and Services Act 2007 |
| "Constitution" | : Constitution of our Company |
| "D&D" | : Design and development |
| "DDWG" | : Due diligence working group for the purpose of our IPO |
| "Depository Rules" | : The Rules of Bursa Depository and any appendices thereto |
| "Digi" | : Digi International, Inc. (2200845) |
| "Director(s)" | : Either an executive director or a non-executive director of our Company within the meaning of Section 2 of the Act |

DEFINITIONS (cont'd)

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| "DOSH" | : Department of Occupational Safety and Health, Ministry of Human Resources, Malaysia |
| "Dyson Group of Companies" | : Collectively, Dyson Manufacturing Sdn Bhd (509962-T), Dyson Operations Pte Ltd (200711832N) and Dyson Electronics Pte Ltd – Philippine Branch (201601041D) |
| "EBIT" | : Earnings before interest and taxation |
| "EBITDA" | : Earnings before interest, taxation, depreciation and amortisation |
| "Electronic Prospectus" | : Copy of this Prospectus that is issued, circulated or disseminated via the Internet and/or an electronic storage medium |
| "Electronic Share Application" | : Application for our IPO Shares through a Participating Financial Institution's ATM |
| "EPS" | : Earnings per share |
| "FMA 1967" | : Factories and Machinery Act 1967 |
| "FPE" | : Financial period ended/ending 30 June, as the case may be |
| "FYE(s)" | : Financial year(s) ended/ending 31 December, as the case may be |
| "GP" | : Gross profit |
| "HRDF" | : Human Resources Development Fund, an organisation under the Ministry of Human Resources Malaysia governed by PSMB Act 2001 |
| "ICA 1975" | : Industrial Co-ordination Act 1975 |
| "IFRS" | : International Financial Reporting Standards |
| "IMR" or "Smith Zander" | : Smith Zander International Sdn Bhd (1058128-V), our Independent Market Researcher |
| "Industry Overview" | : Industry overview report dated 29 May 2019 on the Specialised Machinery and Equipment Industry in Malaysia prepared by Smith Zander |
| "Internet Share Application" | : Application for our IPO Share through an online share application service provided by the Internet Participating Financial Institutions |
| "Internet Participating Financial Institutions" | : Participating financial institutions for Internet Share Application as listed in Section 15 |
| "IPO" | : Our initial public offering comprising our Public Issue and Offer for Sale in conjunction with the Listing |
| "IPO Price" | : The issue/offer price of RM0.16 per Share pursuant to our Public Issue and Offer for Sale |
| "IPO Share(s)" | : The Issue Share(s) and Offer Share(s), collectively |

DEFINITIONS (cont'd)

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| "ISO" | : International Organisation for Standardisation |
| "i-Stone Technology Share(s)" | : Ordinary share(s) in i-Stone Technology |
| "Issue Share(s)" | : New Share(s) to be issued pursuant to our Public Issue and subject to the terms and conditions of this Prospectus |
| "Issuing House", "Share Registrar" or "Tricor" | : Tricor Investor & Issuing House Services Sdn Bhd (11324-H) |
| "LAT" | : Loss after taxation |
| "LPD" | : 23 May 2019, being the latest practicable date for ascertaining certain information contained in this Prospectus |
| "Listing" | : The admission to the Official List of Bursa Securities and the listing of and quotation for our entire enlarged share capital of RM55,699,538.70 comprising 1,221,477,200 Shares on the ACE Market |
| "Listing Requirements" | : ACE Market Listing Requirements of Bursa Securities |
| "Listing Scheme" | : Comprising our Public Issue, Offer for Sale and Listing, collectively |
| "M&A Securities" | : M&A Securities Sdn Bhd (15017-H), our Adviser, Sponsor, Underwriter and Placement Agent |
| "Malaysian Public" | : Malaysian citizens and companies, co-operatives, societies and institutions incorporated or organised under the laws of Malaysia |
| "Market Day(s)" | : Any day(s) between Monday to Friday (both days inclusive) which is not a public holiday and on which Bursa Securities is open for the trading of securities |
| "MBIP" | : Majlis Bandaraya Iskandar Puteri |
| "MDeC" | : Malaysia Digital Economy Corporation Sdn Bhd (389346-D), an agency under the purview of Ministry of Communications and Multimedia Malaysia |
| "MFRS" | : Malaysian Financial Reporting Standards |
| "MIDA" | : Malaysian Investment Development Authority |
| "Minitab" | : Minitab Inc. (775597) |
| "MITI" | : Ministry of International Trade and Industry, Malaysia |

DEFINITIONS (cont'd)

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|--------------------------------|-----------|---|
| "MSC" | : | Multimedia Super Corridor. The MSC status is a recognition by the Government of Malaysia through MDeC for information and communication technology and information and communication technology facilitated businesses that develop or use multimedia technologies to produce and enhance their products, services as well as process development and it is awarded to both local and foreign companies |
| "N/A" | : | Not applicable |
| "NA" | : | Net assets |
| "NBV" | : | Net book value |
| "New Factory" | : | Collectively: <ul style="list-style-type: none"> (a) a piece of leasehold land held under HS(D) 50239, PTD 87654, Mukim of Senai, District of Kulai, Johor together with 1 storey factory with a 2 storey office building used as office and manufacturing space of our Group bearing the postal address of 12-2, Jalan Persiaran Teknologi, Taman Teknologi Johor 81400 Senai, Johor; and (b) a piece of leasehold land held under HS(D) 50240, PTD 87663, Mukim of Senai, District of Kulai, Johor, being a vacant land with the postal address of PTD 87663, Jalan Persiaran Teknologi, Taman Teknologi Johor 81400 Senai, Johor |
| "NL" | : | Net liability |
| "Offer for Sale" | : | The offer for sale by our Offerors of 122,148,000 Offer Shares at the IPO Price by way of private placement to selected investors |
| "Offer Share(s)" | : | Existing Share(s) to be offered for sale pursuant to our Offer for Sale and subject to the terms and conditions of this Prospectus |
| "Offeror(s)" | : | Tee Sook Sing, Chan Kok San and Chin Chung Lek, collectively, who are undertaking the Offer for Sale |
| "Official List" | : | The official list specifying all securities which have been admitted for listing on Bursa Securities and not removed |
| "Participating Institution(s)" | Financial | Participating financial institution(s) for Electronic Share Application |
| "PAT" | : | Profit after taxation |
| "PBT" | : | Profit before taxation |
| "PE Multiple" | : | Price-to-earnings multiple |
| "PIA" | : | Promotion Investment Act 1986 |
| "Pink Form Allocations" | : | The allocation of 12,215,000 Issue Shares to our eligible Directors and employees pursuant to the Public Issue |

DEFINITIONS (cont'd)

| | |
|----------------------------------|---|
| "Placement Agent" | : M&A Securities |
| "PSMB Act 2001" | : Pembangunan Sumber Malaysia Berhad Act 2001 |
| "PMSB Regulations 2001" | : Pembangunan Sumber Manusia Berhad (Registration of Employers and Payment of Levy) Regulations 2001 |
| "Promoters" | : Collectively, OUE, Tee Sook Sing, Chan Kok San and Chin Chung Lek |
| "Prospectus" | : This prospectus dated 21 June 2019 in relation to our IPO |
| "Public Issue" | : The public issue of 244,296,000 Issue Shares at the IPO Price |
| "R&D" | : Research and development |
| "Rules" | : Rules of Bursa Depository |
| "SAC" | : Shariah Advisory Council of the SC |
| "SC" | : Securities Commission Malaysia |
| "Share(s)" or "i-Stone Share(s)" | : Ordinary share(s) in i-Stone |
| "SICDA" or "Depository Act" | : Securities Industry (Central Depositories) Act 1991 |
| "sq m" | : Square metre |
| "sq ft" | : Square foot |
| "Underwriter" | : M&A Securities |
| "Underwriting Agreement" | : The underwriting agreement dated 15 May 2019 entered into between our Company and the Underwriter pursuant to our IPO |
| "UK" | : United Kingdom |
| "Universal Robots" | : Universal Robots A/S (CVR No. 29138060) |
| "USA" | : United States of America |
| "UTM" | : Universiti Teknologi Malaysia |
| "V.S. Group of Companies" | : Collectively, V.S. Plus Sdn Bhd (363644-T), V.S. Electronics Sdn Bhd (684130-M) and V.S. Industry Berhad (88160-P) |

Currencies

| | |
|----------------|--|
| "RM" and "sen" | : Ringgit Malaysia and sen, respectively |
| "SGD" | : Singapore Dollar |
| "USD" | : United States Dollar |

TECHNICAL GLOSSARY

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

| | | |
|--------------------------------|---|---|
| "3D" | : | Three dimensionality |
| "AC/DC" | : | Alternating Current / Direct Current |
| "acoustic chamber" | : | An enclosure to completely absorb reflections of either sound or electromagnetic waves |
| "analyser" | : | An instrument which conducts chemical analysis and measures the chemical composition of substances |
| "brand owner(s)" | : | Owner(s) of the products' brands (i.e. home appliances, electrical equipment and automotive vehicles). Brand owners may purchase specialised automation machines, metal panels, frames, precision parts and/or DMS to be used in their production process of their products |
| "CAD tools" | : | Computer-aided design software tools used in developing E&E and mechanical designs of specialised automation machines |
| "CNC machine" | : | Computer Numerical Control machine, a machine executed and/or commanded by computers to perform tasks in high precision manner such as milling, cutting and grinding of metals and plastics to form precision parts |
| "Coordinate Measuring Machine" | : | A device which measures the physical geometrical characteristics of objects by sensing discrete points on the surface of the object with a probe |
| "Data acquisition unit" | : | A device used to measure and record an electrical or physical occurrence such as voltage, current, temperature, pressure or noise levels in real time |
| "DMS" | : | Data Management System, a customised system developed by our Group used for monitoring and controlling of manufacturing processes. This includes monitoring the efficiency and productivity of the machines and controlling the manufacturing sequence and production data flow of the machines throughout the manufacturing process on real time basis |
| "E&E" | : | Electrical and electronics |
| "embedded systems" | : | A programmable controlling and operating system which integrates hardware and software. It performs a dedicated function within a larger mechanical or electrical systems |
| "fixture" | : | A device or component to hold, support and locate tools during a multidimensional machining process such as milling and turning. Fixtures are typically fixed in a machine |
| "flow meter" | : | A device used to measure the flow rate, mass and volume of a gas or liquid |

TECHNICAL GLOSSARY (cont'd)

- "functional test machine" : A test machine which is used to test the electrical and mechanical functionalities of parts and components, such as noise levels, rotational speed, durability, air flows and restriction levels
- "HIPOT test machine" : High potential test machine, a functional test machine used to test the electrical insulation of a unit under test. Electrical insulation is to ensure no current will flow from one point to another point
- "i-FCT" : Intelligent Functional Testers, our own brand of fully automated joint test systems which we intend to develop
- "i-MES" : Intelligent Manufacturing Execution System, a more advanced version of our DMS which we intend to develop
- "Industry 4.0" : The digitalisation transformation of production or manufacturing based industries which is driven by connected technologies such as autonomous robots, big data analytics and IoT
- "integrated circuit programmer" : A hardware that is used to transform or load data into programmable integrated circuit, such as PCBAs
- "IoT" or "Internet of Things" : Internet of Things refers to a network of physical devices, machines, vehicles, and other items embedded with electronics, software and sensors which enable these things to connect, collect and exchange data over the internet
- "jig" : A device or component to hold, support and locate tools as well as to control the motion of tools during a unidimensional machining process such as drilling and boring. Jigs are typically not fixed in a machine
- "microcontroller" : A compact integrated circuit to control the operation of an embedded system
- "multimeter" : A multimeter, also known as a multitester or volt-ohm-milliammeter (VOM), is an electronic measuring instrument that combines several measurement functions in one unit. A typical multimeter can measure voltage, current, and resistance
- "oscilloscope" : A type of electronic test instrument that measures and displays varying signal voltages
- "PCB" : Printed circuit board
- "PCBA" : Printed circuit board assembly refers to the assembly of components and parts which have been soldered and installed on the PCB to accomplish the electronic function it was designed for
- "pneumatic components" : Components used to direct and control pneumatic energy which is power generated by compressed air. These components include, among others, air valve, air cylinder and pneumatic motor
- "pressure transmitter" : A pressure transmitter is a device that converts pressures into an analogue electrical signal

TECHNICAL GLOSSARY (*cont'd*)

| | | |
|-----------------------------------|---|---|
| "PCBA test machines" | : | Test machines which is used to test the electrical characteristics of PCBAs, such as voltage, current, resistance and communication protocol |
| "PLC" | : | Programmable Logic Controller is an industrial computer which has been adapted for the control of manufacturing processes, such as assembly lines, or robotic devices, or any activity that requires high reliability control and ease of programming and process fault diagnosis |
| "radio frequency wireless device" | : | Device which transmit and/or receive radio frequency energy for communication purposes such as modules, modems and adaptors |
| "RFID" | : | Radio-frequency identification, which uses electromagnetic fields to automatically identify and track tags attached to objects |
| "RPM" | : | Revolution Per Minute refers to the number of rotations per minute. It is used to illustrate the speed of rotation of an object |
| "spring-loaded contact probes" | : | Probes or pins used to connect an electronic test equipment in a machine to the UUT |
| "test cavity" | : | A compartment within a machine which holds the UUT |
| "UUT" | : | Unit under test is an object that is being tested. It is also known as device under test |

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1. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

| Name (Gender) | Designation | Address | Nationality |
|---|------------------------------------|--|--------------------|
| Dato' Azman bin Mahmood (M) | Independent Non-Executive Chairman | No. 5, Lorong 5/15E Section 5 46400 Petaling Jaya Selangor | Malaysian |
| Tee Sook Sing (F) | Managing Director | No. 26, Jalan Setia 2/22 Taman Setia Indah 81100 Johor Bahru Johor | Malaysian |
| Chan Kok San (M) | Executive Director | No. 1, Jalan Ria 6 Taman Skudai Ria 81300 Skudai Johor | Malaysian |
| Chin Chung Lek (M) | Executive Director | No. 1L, Jalan Perdana 2/1 Taman Sri Pulai Perdana 2 81300 Johor Bahru Johor | Malaysian |
| Professor Dr. Ruzairi bin Abdul Rahim (M) | Independent Non-Executive Director | No. 15, Jalan Utama 27 Taman Mutiara Rini 81300 Skudai Johor | Malaysian |
| Chia Gek Liang (M) | Independent Non-Executive Director | No. 34, Jalan Birah Bukit Damansara 50490 Kuala Lumpur | Malaysian |
| Law Lee Yen (F) | Independent Non-Executive Director | No. 7, Jalan Setia Indah 6 Taman Setia Indah 86000 Kluang Johor | Malaysian |

Notes:

M refers to male
F refers to female

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1. CORPORATE DIRECTORY (cont'd)**AUDIT AND RISK MANAGEMENT COMMITTEE**

| Name | Designation | Directorship |
|---------------------------------------|--------------------|------------------------------------|
| Law Lee Yen | Chairperson | Independent Non-Executive Director |
| Professor Dr. Ruzairi bin Abdul Rahim | Member | Independent Non-Executive Director |
| Chia Gek Liang | Member | Independent Non-Executive Director |

REMUNERATION COMMITTEE

| Name | Designation | Directorship |
|---------------------------------------|--------------------|------------------------------------|
| Chia Gek Liang | Chairman | Independent Non-Executive Director |
| Professor Dr. Ruzairi bin Abdul Rahim | Member | Independent Non-Executive Director |
| Law Lee Yen | Member | Independent Non-Executive Director |

NOMINATION COMMITTEE

| Name | Designation | Directorship |
|---------------------------------------|--------------------|------------------------------------|
| Chia Gek Liang | Chairman | Independent Non-Executive Director |
| Professor Dr. Ruzairi bin Abdul Rahim | Member | Independent Non-Executive Director |
| Law Lee Yen | Member | Independent Non-Executive Director |

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1. CORPORATE DIRECTORY (cont'd)

- REGISTERED OFFICE** : Lot 6.08, 6th Floor Plaza First Nationwide
No. 161, Jalan Tun H.S. Lee
50000 Kuala Lumpur

Telephone number: 03-2072 8100
- HEAD OFFICE** : 12-2, Jalan Persiaran Teknologi
Taman Teknologi Johor
81400 Senai
Johor

Telephone number: 07-595 5545
- EMAIL ADDRESS AND WEBSITE** : Email address: ir@i-stone.com.my
Website: <http://www.i-stone.com.my>
- COMPANY SECRETARIES** : **Ng Heng Hooi (MAICSA 7048492)**
Wong Mee Kiat (MAICSA 7058813)

(Chartered Secretaries, Members of Malaysian Institute of Chartered Secretaries and Administrators)

Wong Mee Ching (LS 9014)

(Licensed Secretary with the CCM)

Lot 6.08, 6th Floor Plaza First Nationwide
No. 161 Jalan Tun H.S. Lee
50000 Kuala Lumpur

Telephone number: 03-2072 8100
- AUDITORS AND REPORTING ACCOUNTANTS FOR OUR IPO** : **Ecovis Malaysia PLT (LLP0003185-LCA) & (AF 001825)**

54, Jalan Kempas Utama 2/2
Taman Kempas Utama
81200 Johor Bahru
Johor

Telephone number: 07-562 9000

Partner's name: Khor Keng Lieh
Approved number: 02733/07/2019 J

Chartered Accountant, Fellow member of the Association of Chartered Certified Accountants, United Kingdom (Member No: 0144726) and Member of the Malaysian Institute of Accountants (Membership No: 23890)

1. CORPORATE DIRECTORY (cont'd)

- ADVISER, SPONSOR,
UNDERWRITER AND
PLACEMENT AGENT** : **M&A Securities Sdn Bhd (15017-H)**
Level 11, No. 45 & 47, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Telephone number: 03-2284 2911
- SOLICITORS FOR OUR IPO** : **Ilham Lee**

Suite 7.1C, Level 7
Work@Clearwater
Changkat Semantan, Damansara Heights
50490 Kuala Lumpur

Telephone number: 03-2011 3221
- ISSUING HOUSE AND SHARE
REGISTRAR** : **Tricor Investor & Issuing House Services Sdn Bhd
(11324-H)**

Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

Telephone number: 03-2783 9299
- INDEPENDENT MARKET
RESEARCHER** : **Smith Zander International Sdn Bhd (1058128-V)**

15-01, Level 15
Menara MBMR
1, Jalan Syed Putra
58000 Kuala Lumpur

Telephone number: 03-2732 7537

Managing Director's name: Dennis Tan Tze Wen
*(Bachelor of Science from Memorial University of
Newfoundland, Canada)*
- LISTING SOUGHT** : ACE Market
- SHARIAH STATUS** : Approved by the SAC

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2. PROSPECTUS SUMMARY

THIS PROSPECTUS SUMMARY ONLY HIGHLIGHTS THE KEY INFORMATION FROM OTHER PARTS OF THIS PROSPECTUS. IT DOES NOT CONTAIN ALL THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ AND UNDERSTAND THE CONTENTS OF THE WHOLE PROSPECTUS PRIOR TO DECIDING ON WHETHER TO INVEST IN OUR SHARES.

2.1 PRINCIPAL DETAILS OF THE IPO

Our IPO is subject to the terms and conditions of this Prospectus and the allocation of the IPO Shares shall be in the following manner:

| Allocations | No. of Shares | ⁽¹⁾ % |
|--|---------------|------------------|
| Public Issue | | |
| Malaysian Public ⁽²⁾ | 61,074,000 | 5.0 |
| Eligible Directors and employees | 12,215,000 | 1.0 |
| Private placement to selected investors | 48,859,000 | 4.0 |
| Private placement to Bumiputera investors approved by MITI | 122,148,000 | 10.0 |
| Offer for sale | | |
| Private placement to selected investors | 122,148,000 | 10.0 |
| Enlarged number of Shares upon Listing | 1,221,477,200 | |
| IPO Price per Share (RM) | RM0.16 | |
| Market capitalisation ⁽³⁾ | RM195,436,352 | |

Notes:

- (1) Based on our enlarged share capital of 1,221,477,200 Shares after the IPO
- (2) 30,537,000 Issue Shares will be set aside strictly for Bumiputera public investors
- (3) Based on the IPO Price and our enlarged share capital of 1,221,477,200 Shares upon Listing

In compliance with the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Promoters. Further details of the moratorium are set out in Section 3.2. Save for the moratorium imposed on the Shares held by our Promoters, there is no other moratorium imposed on our Shares.

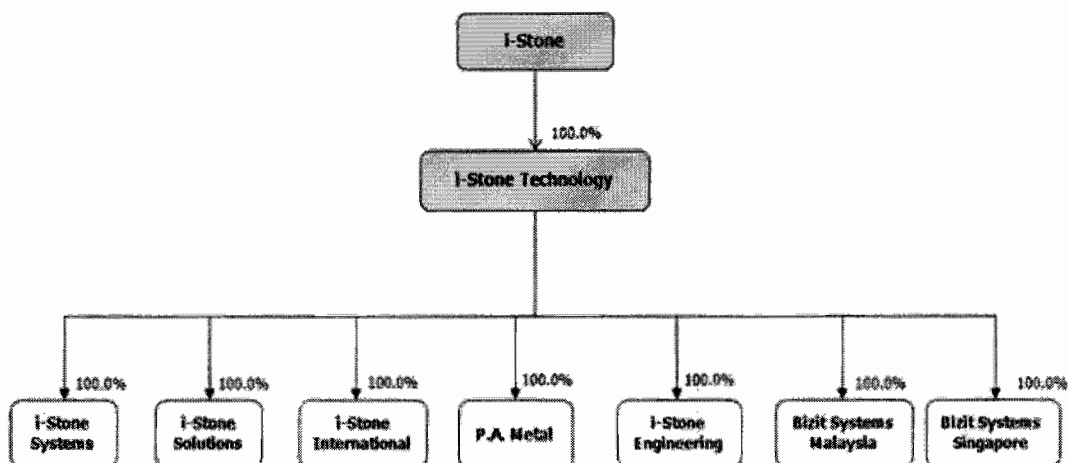
Further details on our IPO are set out in Section 4.4.

2.2 GROUP STRUCTURE AND BUSINESS MODEL

Our Company was incorporated in Malaysia on 22 March 2018 under the Act as a private limited company, and subsequently converted into a public limited company on 25 May 2018. We were incorporated to facilitate the Listing and our principal activity is that of investment holding.

2. PROSPECTUS SUMMARY (cont'd)

As at LPD, our Group structure is set out below:



We are principally involved in the manufacturing automation business segment, with a focus on specialised automation machines. Our core business activities are segmented as follows:

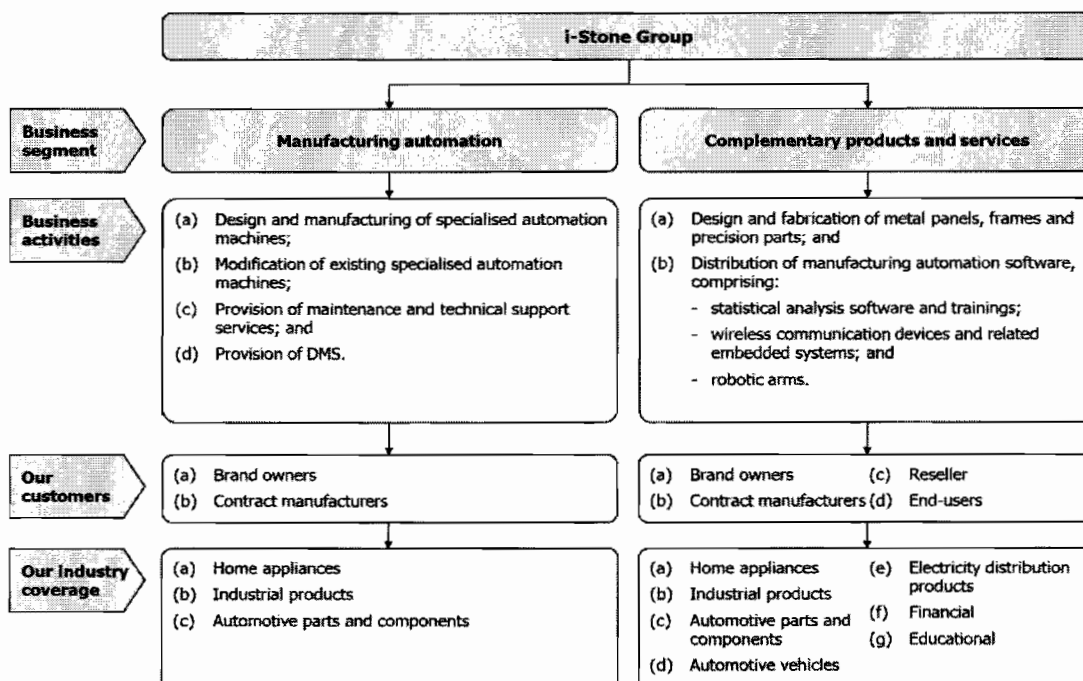
Manufacturing automation

- (a) design, manufacturing and modification of specialised automation machines used in automating manufacturing processes;
- (b) provision of maintenance and technical support services for our specialised automation machines; and
- (c) provision of DMS used for monitoring and controlling of manufacturing process.

Complementary products and services

- (a) design and fabrication of metal frames, panels and precision parts; and
- (b) distribution of manufacturing automation hardware and software.

An overview of our Group’s business model is depicted below:



2. PROSPECTUS SUMMARY (cont'd)

Our products are mainly sold to brand owners and contract manufacturers of home appliances, industrial products, automotive parts and components, which has manufacturing facilities located in Malaysia, Singapore and the Philippines. For the manufacturing automation business segment, our principal market is Malaysia, where we generated 61.4%, 65.6%, 51.9% and 68.6% of our Group's total revenue for FYE 2015 to 2018, respectively.

Our complementary related products and services are mainly sold to manufacturers of home appliances, industrial products, automotive parts and components as well as various research institutions and higher learning education institutions. For the complementary products and services business segment, our principal market is Malaysia, where we generated 9.2%, 9.4%, 9.8% and 9.6% of our Group's total revenue for FYE 2015 to 2018, respectively.

Further details of our Group and our business model are set out in Section 7.

2.3 COMPETITIVE STRENGTHS

Our Directors believe that our business sustainability and future growth is built on the following competitive strengths:

- (a) we have an experienced Directors and key management team with strong technical expertise and we are backed by our industry-certified project managers and engineers;
- (b) Our business model enables us to customise our specialised automation machines to suit the specifications and solutions required by our customers; and
- (c) our Group has developed and maintained long business relationships with our customers and suppliers

Further details of our competitive strengths are set out in Section 7.5.

2.4 BUSINESS STRATEGIES

Our business strategies are summarised as follows:

- (a) to improve our manufacturing efficiency by designing, developing and manufacturing standard modules that can be easily configured, integrated and fitted into all our specialised automation machines
- (b) development of new products and new features for our existing machines, comprising the following:
 - (i) development of deep learning system for vision inspection machines, which is a specialised test machine used for quality inspection processes, such as the quality checks for products packaging and labelling. It uses automation technology which involves the usage of cameras to capture the images of UUT in order to inspect the UUT and to identify potential defects of the UUT;
 - (ii) development of fully automated joint-test systems with multiple test stations, which will be known as i-FCT to reduce the manual labour of operators to load, unload, transfer and remove the UUT. i-FCT is an integration of multiple specialised test machines into a single fully automated joint-test system, with the integration of robotic arms and conveyor system, as well as fixed mount barcode reader and/or RFID scanner; and

2. PROSPECTUS SUMMARY (cont'd)

- (iii) development of a more advanced version of our DMS, to be known as i-MES, for the monitoring the efficiency and productivity of specialised automation machines and controlling the manufacturing sequence and production data flow of the machines, as well as having additional features such as IoT technology and integration of supply chain management. i-MES is intended to replace the DMS once it has been developed
- (c) enhance our manufacturing capabilities through the purchase of additional machineries and related software, comprising CNC machines, measuring instruments and accessories, welding stations, forming machines as well as Solidcam and Solidworks software; and
- (d) enhancing our D&D capabilities by setting up our new D&D centre, which will comprise an engineering office for the development of E&E and mechanical designs for our specialised automation machines, laboratories for D&D activities and prototyping labs for building prototypes and testing of newly developed machines and systems.

Further details on our business strategies are set out in the Section 7.12.

2.5 RISK FACTORS

An investment in our Shares is subject to risks. A summary of some of the more important risks is set out below. A more detailed description of the risks associated with our Group and IPO can be found in the Section 9.

Investors should read and understand all the risk factors before making a decision to invest in our Shares.

- (a) We are dependent on our key major customer, Dyson Group of Companies which contributed approximately 54.1%, 61.5%, 66.5% and 65.5% to our Group's overall revenue for FYE 2015 to FYE 2018, respectively. Our Group has not historically entered into and presently does not have any long-term contract with Dyson Group of Companies or any of our other customers. The loss of our major customer may adversely affect our business and financial performance.
- (b) We do not have any long-term contractual agreements or maintain any order books. Instead, our Group is dependent on the issuance of purchase orders by our customers, who purchase our products on an as-needed basis. Any changes in our customers' production plans and requirements may result in a postponement or cancellation of purchase orders for our specialised automation machines. In addition, any delays, premature termination of confirmed orders, or decrease in the capital expenditure spending or value of purchase orders or the loss of any of these customers would adversely affect our future business operations and financial performance.
- (c) We are potentially exposed to the risk of product warranty and liability claims from our customers for manufacturing defects and product liability claims for losses or damages suffered as a result of manufacturing defects, design defects or defective warnings or instructions. Any substantial claims relating to our machines could have an adverse impact on our business and financial performance.
- (d) We are constantly exposed to highly confidential information relating to our customer's products. Such information may include, but not limited to, proprietary technical know-how which is highly sensitive commercially. The occurrence of events such as malware attack, hacking, data theft, break-ins, internal security breaches and subsequent leakage of these confidential information to unauthorised third parties may expose our

2. PROSPECTUS SUMMARY (cont'd)

Group to complaints, claims, termination of business relationship as well as legal actions initiated by our customers for breach of confidentiality.

- (e) We are dependent on our Directors, key management personnel, project managers and engineers for continued success and the loss of their continued services may affect our business. The loss of any of our key management personnel, project managers and engineers simultaneously or within a short time may create an unfavourable or material impact on our Group' operations, if there is lack of succession planning or timely replacement or an inability to attract and retain personnel.
- (f) We are exposed to fluctuations to USD and SGD, and any adverse movements in the foreign exchange markets may have an adverse impact on our business performance, financial position and operating results. Further, the financial results of i-Stone International and Bizit Systems Singapore are denominated in SGD. As such, any future significant depreciation in SGD against RM may have a material negative impact on our Group's combined/consolidated financial statements which is reported in RM, as we are based in Malaysia.
- (g) Our Promoters will collectively hold in aggregate approximately 60.2% of our enlarged issued share capital upon Listing. As a result, they have, in the foreseeable future, effective control over the business direction and management of our Group including the election of directors, and the timing and payment of dividends as well as having voting control over our Group. As such, our Promoters will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and/or by the relevant guidelines or regulations. Therefore, there is a risk of whether the interests of our Promoters are aligned with those of our other shareholders.
- (h) Our products and solutions may potentially be rendered obsolete due to the rapid evolution and emergence of new and/or substitute technology and/or products. Our Group may not be successful in adapting to advances in technology, evolving standards or in addressing changing customer needs on a timely and effective basis. We also cannot guarantee that we will continue to generate competitive products and solutions for our customers, or that we will be able to address the on-going technological evolution in a timely manner. Further, there is no assurance that our D&D efforts to develop new products and solutions as well as enhancing our proprietary products and manufacturing process can be fully or partially recovered through the subsequent sales.
- (i) Our subsidiaries, namely i-Stone Systems and i-Stone Solutions are entitled to pioneer status incentives under the PIA which grants them certain tax exemptions. The pioneer status for i-Stone Solutions has expired on 4 December 2018 and has not been renewed as at the LPD. The expiry and revocation of i-Stone Systems' pioneer status and the non-renewal of i-Stone Solutions' pioneer status will directly affect our financial performance, as these companies will be subject to the prevailing tax rate for companies, which currently stand at 24.0% for the year of assessment 2019.

2. PROSPECTUS SUMMARY (cont'd)**2.6 DIRECTORS AND KEY MANAGEMENT PERSONNEL**

Our Directors and key management personnel are as follows:

| Name | Designation |
|--|--|
| <u>Directors</u> | |
| Dato' Azman bin Mahmood | Independent Non-Executive Chairman |
| Tee Sook Sing | Managing Director |
| Chan Kok San | Executive Director |
| Chin Chung Lek | Executive Director |
| Professor Dr. Ruzairi bin Abdul Rahim | Independent Non-Executive Director |
| Chia Gek Liang | Independent Non-Executive Director |
| Law Lee Yen | Independent Non-Executive Director |
| <u>Key Management Personnel</u> | |
| Lee Yong Ho | Head of Operations, Manufacturing Automation |
| Tee Mun Keong | Head of Fabrication |
| Teo Yeling | Head of Finance |

Further details of the aforementioned persons are set out in Section 5.

2.7 UTILISATION OF PROCEEDS

The estimated gross proceeds arising from the Public Issue of approximately RM39.09 million shall accrue entirely to us and will be utilised in the following manner:

| Utilisation of proceeds | RM'000 | % | ⁽¹⁾Estimated timeframe for utilisation |
|---------------------------------|---------------|--------------|--|
| Process and product development | 4,200 | 10.7 | Within 24 months |
| Repayment of borrowings | 13,482 | 34.5 | Within 12 months |
| Construction of new D&D centre | 6,800 | 17.4 | Within 48 months |
| Capital expenditure | 5,200 | 13.3 | Within 24 months |
| Working capital requirements | 5,905 | 15.1 | Within 36 months |
| Estimated listing expenses | 3,500 | 9.0 | Within 1 month |
| | 39,087 | 100.0 | |

Note:

(1) From the date of listing of our Shares on the ACE Market.

Detailed information on our utilisation of proceeds is set out in Section 4.10.

The gross proceeds arising from the Offer for Sale of approximately RM19.54 million shall accrue entirely to the Offerors.

2. PROSPECTUS SUMMARY (cont'd)**2.8 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS**

The shareholdings of our Promoters and substantial shareholders in our Company before and after our IPO are set out below:

| Names | Nationality/ Country of incorporation | Before IPO ⁽¹⁾ | | | After IPO ⁽²⁾ | | |
|--|--|---------------------------|------|------------------|--------------------------|------------------|----------|
| | | Direct | | Indirect | Direct | | Indirect |
| | | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| <u>Promoters and substantial shareholders</u> | | | | | | | |
| OUE | Malaysia | 329,614,300 | 33.7 | - | - | 329,614,300 | 27.0 |
| Tee Sook Sing | Malaysian | 87,897,100 | 9.0 | (3)329,614,300 | 33.7 | 67,539,100 | 5.5 |
| Chan Kok San | Malaysian | 322,289,500 | 33.0 | - | - | 247,643,500 | 20.3 |
| Chin Chung Lek | Malaysian | 117,196,200 | 12.0 | - | - | 90,052,200 | 7.4 |
| <u>Substantial shareholder</u> | | | | | | | |
| Chan Sai Kong | Malaysian | 58,598,100 | 6.0 | - | - | 58,598,100 | 4.8 |

Notes:

- (1) Based on the share capital of 977,181,200 Shares after the Acquisitions but before our IPO
(2) Based on the enlarged share capital of 1,221,477,200 Shares after our IPO
(3) Deemed interested by virtue of Section 8(4) of the Act through her interest held in OUE

Further details are set out in Section 5.

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2. PROSPECTUS SUMMARY (cont'd)

2.9 FINANCIAL AND OPERATIONAL HIGHLIGHTS

2.9.1 Financial highlights

The following key historical financial data for FYE 2015 to 2018 have been extracted from the Accountant Report included in Section 11.

The following key historical financial data should be read in conjunction with Section 11 and Section 12 of this Prospectus.

| | Audited | | | |
|--|-----------------|-----------------|-----------------|-----------------|
| | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 44,124 | 43,127 | 60,381 | 67,591 |
| GP | 13,836 | 13,146 | 19,612 | 22,227 |
| Profit from operations | 4,329 | 5,143 | 9,268 | 12,255 |
| PBT | 4,451 | 5,110 | 9,390 | 11,972 |
| PAT for the year / period | 4,092 | 4,708 | 8,550 | 11,470 |
| Total comprehensive income for the year/period | 4,609 | 4,801 | 8,461 | 11,479 |
| PAT attributable to: | | | | |
| - Owners of the Company | 4,010 | 4,747 | 8,216 | 11,248 |
| - Non-controlling interest | 82 | (40) | 334 | 222 |
| GP margin (%) ⁽¹⁾ | 31.4 | 30.5 | 32.5 | 32.9 |
| PBT margin (%) ⁽²⁾ | 10.1 | 11.8 | 15.6 | 17.7 |
| PAT margin (%) ⁽³⁾ | 9.3 | 10.9 | 14.2 | 17.0 |

Notes:

- (1) GP margin is calculated based on GP divided by revenue
- (2) PBT margin is calculated based on PBT divided by revenue
- (3) PAT margin is calculated based on PAT divided by revenue

There were no exceptional or extraordinary items during the financial years under review. Our audited financial statements for the financial years under review were not subject to any audit qualifications. Our subsidiary, i-Stone Solutions is entitled to pioneer status incentives under the PIA which grants tax exemption of up to 100% of the statutory income for a period of 5 years commencing from 5 December 2013, which has expired on 4 December 2018.

The expiry of the pioneer status of i-Stone Solutions will directly affect our financial performance from FYE 2019 onwards, as i-Stone Solutions would no longer enjoy tax savings from the pioneer status and will be subject to the prevailing tax rate for companies, which currently stand at 24.0% for the year of assessment 2019, thus increasing our Group's overall taxation expenses. In such circumstances, our Group's overall profitability levels would be affected as i-Stone Solutions is the largest PAT contributor to our Group for FYE 2018. In such an event, our Group may record lower profitability levels in the event that we are unable to increase our sales volume and price of our products and services to offset such additional tax liabilities.

2. PROSPECTUS SUMMARY (cont'd)**2.9.2 Operational highlights**

The breakdown of our Group's revenue by business segment and geographical segment are as follows:

Manufacturing automation

| | Audited | | | | | | | |
|-----------------------------------|---------------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|
| | FYE 2015 | | FYE 2016 | | FYE 2017 | | FYE 2018 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Malaysia | 27,085 | 61.4 | 28,291 | 65.6 | 31,360 | 51.9 | 46,362 | 68.6 |
| Singapore | 5,839 | 13.2 | 4,653 | 10.8 | 5,663 | 9.4 | 4,602 | 6.8 |
| Philippines | 1,266 | 2.9 | 875 | 2.0 | 11,516 | 19.1 | 4,595 | 6.8 |
| Taiwan | 1,742 | 4.0 | 553 | 1.3 | 895 | 1.5 | 756 | 1.1 |
| Others (UK, USA, India and Japan) | 124 | 0.3 | 144 | 0.3 | - | - | 190 | 0.3 |
| Total | 36,056 | 81.8 | 34,516 | 80.0 | 49,434 | 81.9 | 56,505 | 83.6 |

Complementary products and services

| | Audited | | | | | | | |
|--------------|--------------|-------------|--------------|-------------|---------------|-------------|---------------|-------------|
| | FYE 2015 | | FYE 2016 | | FYE 2017 | | FYE 2018 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Malaysia | 4,053 | 9.2 | 4,052 | 9.4 | 5,941 | 9.8 | 6,484 | 9.6 |
| Singapore | 3,599 | 8.1 | 3,961 | 9.2 | 4,573 | 7.6 | 3,825 | 5.7 |
| Indonesia | 416 | 0.9 | 598 | 1.4 | 433 | 0.7 | 777 | 1.1 |
| Total | 8,068 | 18.2 | 8,611 | 20.0 | 10,947 | 18.1 | 11,086 | 16.4 |

2. PROSPECTUS SUMMARY (cont'd)

2.10 DIVIDENDS

As our Company is an investment holding company, our income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiaries, present or future.

It is our intention to pay dividends to shareholders in the future; however, such payments will depend upon a number of factors, including our Group's financial performance, capital expenditure requirements, general financial condition and any other factors considered relevant by our Board.

Further details of our dividends are set out in Section 11.10.

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3. APPROVALS AND CONDITIONS

3.1 APPROVALS AND CONDITIONS

3.1.1 Bursa Securities

Bursa Securities had, vide its letter dated 11 March 2019, approved our admission to the Official List of the ACE Market and the listing of and quotation for our entire enlarged share capital on the ACE Market. The approval from Bursa Securities is subject to the following conditions:

| No. | Details of conditions imposed | Status of compliance |
|-----|--|----------------------|
| (1) | Submission of the following information with respect to the moratorium on the shareholdings of our Promoters to Bursa Depository: <ul style="list-style-type: none"> (i) Name of shareholders; (ii) Number of shares; and (iii) Date of expiry of the moratorium for each block of shares; | Complied |
| (2) | Approvals from other relevant authorities have been obtained for implementation of our Listing | Complied |
| (3) | Make the relevant announcements pursuant to Paragraphs 8.1 and 8.2 of Guidance Notes 15 of the Listing Requirements | To be complied |
| (4) | Furnish Bursa Securities a copy of the schedule of distribution showing compliance with the share spread requirements based on our entire issued share capital on the first day of listing | To be complied |
| (5) | Any director of our Company who has not attended the Mandatory Accreditation Programme must do so prior to our listing | Complied |
| (6) | In relation to the public offering to be undertaken by us, to announce at least 2 market days prior to the listing date, the result of the offering including the following: <ul style="list-style-type: none"> (i) Level of subscription of public balloting and placement; (ii) Basis of allotment/allocation; (iii) A table showing the distribution for placement tranche as per the prescribed format; and (iv) Disclosure of placees who become our substantial shareholder arising from our IPO, if any | To be complied |
| | M&A Securities is reminded to ensure that the overall distribution of our securities is properly carried out to mitigate any disorderly trading in the secondary market. | |
| (7) | i-Stone/M&A Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval upon our admission to the Official List of the ACE Market. | To be complied |

3. APPROVALS AND CONDITIONS (cont'd)

3.1.2 SC

Our Listing is an exempt transaction under Section 212(8) of the CMA and is therefore not subject to the approval of the SC.

The SC, vide its letter dated 10 April 2019, approved our resultant equity structure pursuant to our Listing under the equity requirement for public listed companies. The approval from the SC is subject to the following conditions:

| No. | Details of conditions imposed | Status of compliance |
|-----|---|----------------------|
| (1) | i-Stone to allocate Shares equivalent to at least 12.5% of its enlarged issued share capital at the point of Listing to Bumiputera investors. This includes the Shares offered under the balloted public offer portion, of which at least 50.0% are to be offered to Bumiputera investors. In the event that Bumiputera investors approved by MITI take up less than 10.0% of the Shares offered to them, the unsubscribed Shares shall be offered to Bumiputera public investors via balloting in addition to the Bumiputera balloting portion. | To be complied |

The effect of our Listing on our equity structure is as follows:

| Category of shareholders | As at 30 October 2018 | | After the Listing | |
|--------------------------|-----------------------|--------------|----------------------------|---------------|
| | No. of Shares | % | No. of Shares | % |
| Bumiputera | - | - | ⁽¹⁾ 152,885,000 | 12.52 |
| Non-Bumiputera | 1 | 100.0 | 1,068,592,200 | 87.48 |
| Malaysia | 1 | 100.0 | 1,221,477,200 | 100.00 |
| Foreigners | - | - | - | - |
| Total | 1 | 100.0 | 1,221,477,200 | 100.00 |

Note:

- (1) Based on the assumption that the Shares allocated to Bumiputera investors shall be fully subscribed as follows:

| Category | No. of Shares | % |
|---|--------------------|--------------|
| Bumiputera public investors via balloting | 30,537,000 | 2.50 |
| Private placement to identified Bumiputera investors approved by MITI | 122,148,000 | 10.00 |
| Sub total | 152,685,000 | 12.50 |
| Independent Non-Executive Bumiputera directors | | |
| - Dato' Azman bin Mahmood | 100,000 | 0.01 |
| - Professor Dr. Ruzairi bin Abdul Rahim | 100,000 | 0.01 |
| Total | 152,885,000 | 12.52 |

The SAC had, vide its letter dated 13 June 2019, classified our Shares as Shariah-compliant based on the audited combined financial statement of FYE 2018.

3. APPROVALS AND CONDITIONS (cont'd)

3.1.3 MITI

The MITI had, vide its letter dated 24 April 2019, taken note and has no objection to our Listing.

3.2 MORATORIUM ON OUR SHARES

In accordance with Rule 3.19 of the Listing Requirements and pursuant to the conditions imposed under the approval letter by Bursa Securities, a moratorium will be imposed on the sale, transfer or assignment of those i-Stone Shares held by our Promoters as follows:

- (a) the moratorium applies to the entire shareholdings of our Promoters after the Offer for Sale for a period of 6 months from the date of our admission to the ACE Market ("First 6-Month Moratorium");
- (b) upon the expiry of the First 6-Month Moratorium, our Company must ensure that our Promoters' aggregate shareholdings amounting to at least 45.0% of our total number of issued ordinary shares remain under moratorium for another period of 6 months ("Second 6-Month Moratorium"); and
- (c) on the expiry of the Second 6-Month Moratorium, our Promoters may sell, transfer or assign up to a maximum of one-third per annum (on a straight line basis) of those i-Stone Shares held under moratorium.

Details of our Promoters and their Shares which will be subject to the abovementioned moratorium, are set out below:

| Promoter | Moratorium shares during the First 6-Month Moratorium ⁽¹⁾ | | Moratorium shares during the Second 6-Month Moratorium | |
|----------------|---|------------------|---|------------------|
| | No. of Shares | ⁽²⁾ % | No. of Shares | ⁽²⁾ % |
| OUE | 329,614,300 | 27.0 | 246,550,300 | 20.0 |
| Tee Sook Sing | 67,539,100 | 5.5 | 50,519,100 | 4.0 |
| Chan Kok San | 247,643,500 | 20.3 | 185,236,600 | 15.0 |
| Chin Chung Lek | 90,052,200 | 7.4 | 67,358,800 | 6.0 |
| Total | 734,849,100 | 60.2 | 549,664,800 | 45.0 |

Notes:

- (1) After the Offer for Sale
- (2) Based on the enlarged share capital of 1,221,477,200 Shares after the Public Issue

The moratorium has been fully accepted by our Promoters, who have provided written undertakings that they will not sell, transfer or assign their shareholdings under moratorium during the moratorium period.

The moratorium restrictions are specifically endorsed on the share certificates representing the Shares under moratorium held by the Promoters to ensure that our Share Registrar does not register any transfer that contravenes with such restrictions.

The shareholders of OUE, namely Tee Sook Sing, Tee Mun Keong, Lee Yong Ho, Chiam Kok Thiam, Ong Kiam Aik, Lee We Tar, Wong Chin Kiong, Ho Siew Yee, Goh Wei Lih, Chong Kean Wah, Chang Wee Siang and Lee Sheng Yaw @ Lee Kok Tiam have undertaken not to sell, transfer or assign their shareholdings held in OUE during the moratorium period.

4. PARTICULARS OF OUR IPO

4.1 INTRODUCTION

This Prospectus is dated 21 June 2019. Our IPO is subject to the terms and conditions of this Prospectus.

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

We have obtained the approval from Bursa Securities vide its letter dated 11 March 2019, for, amongst others, our admission to the Official List and for the listing of and quotation for our entire enlarged issued share capital on the ACE Market.

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

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

Pursuant to the Listing Requirements, at least 25.0% of our enlarged share capital for which listing is sought must be in the hands of a minimum number of 200 public shareholders, each holding not less than 100 Shares upon admission to the ACE Market. We expect to meet the public shareholding spread requirement at the point of our Listing. In the event we fail to meet the said requirement pursuant to our IPO, we may not be allowed to proceed with our Listing on the ACE Market. In such an event, we will return in full, without interest, all monies paid in respect of all applications. If any such monies are not repaid within fourteen (14) days after we become liable to do so, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

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

We are not making any invitation to subscribe for our IPO Shares in any jurisdiction and in any circumstances in which such offer or invitation is not authorised or unlawful, or to any person to whom it is unlawful to make such an offer or invitation. As the distribution of this Prospectus and the sale of our IPO Shares in certain other jurisdictions may be restricted by law, persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. The distribution of this Prospectus and the making of our IPO in certain jurisdictions outside Malaysia may be restricted by law. The distribution of this Prospectus and the sale of any part of our IPO Shares are subject to Malaysian laws and we, together with M&A Securities as our Adviser, Sponsor, Underwriter and Placement Agent, take no responsibility for the distribution of this Prospectus and the offer of any part of our IPO Shares outside Malaysia, which may be restricted by law in certain other jurisdictions.

4. PARTICULARS OF OUR IPO (cont'd)

Applications for the Issue Shares may be made using either of the following:

| Type of application form | Category of investors |
|--|---|
| White Application Form or Electronic Share Application or Internet Share Application | Malaysian Public (for individuals) |
| White Application Form | Malaysian Public (for non-individuals, e.g. corporations, institutions etc) |
| Pink Form Applications | Our eligible Directors and employees |

You must have a CDS Account when applying for our IPO Shares. In the case of an application by way of Application Form, you must state your CDS Account number in the space provided in the Application Form. If you do not presently have a CDS Account, you should open a CDS Account at an ADA prior to making an application for our IPO Shares.

Please refer to Section 15 for further details on the procedures for application for our IPO Shares. Details of the ADAs where you may open a CDS Account can be obtained at the following link: <http://bursamalaysia.com/market/securities/equities/brokers>

In the case of an Application by way of Electronic Share Application, only an applicant who is an individual and has a CDS Account can make an Electronic Share Application and the applicant shall furnish your CDS Account number to the Participating Financial Institution by way of keying in your CDS Account number if the instructions on the ATM screen at which you enter your Electronic Share Application require you to do so. A corporation or institution cannot apply for our IPO Shares by way of Electronic Share Application.

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

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

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

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

4. PARTICULARS OF OUR IPO (cont'd)

4.2 OPENING AND CLOSING OF APPLICATION

The period for Application will open at 10.00 a.m. on 21 June 2019 and will remain open until at 5.00 p.m. on 8 July 2019. **LATE APPLICATIONS WILL NOT BE ACCEPTED.**

4.3 IMPORTANT TENTATIVE DATES

| Event | Date |
|--|--------------|
| Issuance of this Prospectus/Opening of Application | 21 June 2019 |
| Closing Date / Closing of Application | 8 July 2019 |
| Balloting of Application | 10 July 2019 |
| Allotment of our IPO Shares to successful applicants | 16 July 2019 |
| Date of Listing | 17 July 2019 |

In the event there are any changes to the timetable above, we will advertise the notice of such changes in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia.

4.4 DETAILS OF OUR IPO

4.4.1 Listing Scheme

(a) Public Issue

A total of 244,296,000 Issue Shares, representing 20.0% of our enlarged issued share capital are offered at the IPO Price. The Issue Shares shall be allocated in the following manner:

(i) Malaysian Public

61,074,000 Issue Shares, representing 5.0% of our enlarged issued share capital, will be made available for application by the Malaysian Public, to be allocated via balloting process, as follows:

- (a) 30,537,000 Issue Shares made available to public investors; and
- (b) 30,537,000 Issue Shares made available to Bumiputera public investors.

(ii) Our eligible Directors and employees

12,215,000 Issue Shares, representing 1.0% of our enlarged issued share capital, will be reserved for our eligible Directors and employees under the Pink Form Allocations. Further details of our Pink Form Allocations are set out in Section 4.4.3.

(iii) Private placement to identified Bumiputera investors approved by MITI

122,148,000 Issue Shares, representing 10.0% of our enlarged issued share capital, have been reserved for private placement to identified Bumiputera investors approved by MITI.

4. PARTICULARS OF OUR IPO (cont'd)

(iv) Private placement to selected investors to be identified

48,859,000 Issue Shares, representing 4.0% of our enlarged issued share capital, have been reserved for private placement to selected investors.

Upon completion of our Public Issue, our share capital will increase from RM16,612,178.70 comprising 977,181,200 Shares to RM55,699,538.70 comprising 1,221,477,200 Shares.

The basis of allocation for our IPO Shares shall take into account the distribution of the IPO Shares to a reasonable number of applicants to broaden our Company's shareholding base to meet the public shareholding spread requirements, and to establish a liquid market for our Shares. There is no over-allotment or 'greenshoe' option that will result in an increase in the number of our IPO Shares.

Our Public Issue is subject to the terms and conditions of this Prospectus.

(b) Offer for Sale

The Offerors will undertake an offer for sale of 122,148,000 Offer Shares, representing 10.0% our enlarged issued share capital at the IPO Price by way of private placement to selected investors to be identified.

Further details of the Offerors are set out in Section 5.2.2. The Offer for Sale is subject to the terms and conditions of this Prospectus.

(c) Listing

Upon completion of our IPO, our Company's entire enlarged issued share capital of RM55,699,538.70 comprising 1,221,477,200 Shares shall be listed on the ACE Market.

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4. PARTICULARS OF OUR IPO (cont'd)**4.4.2 Offer for Sale**

The details of the Offerors and their relationship with our Group are as follows:

| Name / residential address | Material relationship with our Group | ⁽¹⁾ Before IPO | | Offer Shares offered | | ⁽³⁾ After IPO | |
|--|---|---------------------------|-------------|----------------------|------------------|--------------------------|------------------|
| | | No. of Shares | % | No. of Shares | ⁽²⁾ % | No. of Shares | ⁽²⁾ % |
| Tee Sook Sing / No. 26, Jalan Setia 2/22 Taman Setia Indah 81100 Johor Bahru Johor | Managing Director, Promoter and substantial shareholder | 87,897,100 | 9.0 | 20,358,000 | 1.7 | 67,539,100 | 5.5 |
| Chan Kok San / No. 1, Jalan Ria 6 Taman Skudai Ria 81300 Skudai Johor | Executive Director, Promoter and substantial shareholder | 322,289,500 | 33.0 | 74,646,000 | 6.1 | 247,643,500 | 20.3 |
| Chin Chung Lek / No. 1L, Jalan Perdana 2/1 Taman Sri Pulai Perdana 2 81300 Johor Bahru Johor | Executive Director, Promoter and substantial shareholder | 117,196,200 | 12.0 | 27,144,000 | 2.2 | 90,052,200 | 7.4 |
| Total | | 527,382,800 | 54.0 | 122,148,000 | 10.0 | 405,234,800 | 33.2 |

Notes:

- (1) Based on the share capital of 977,181,200 Shares after the Acquisition of i-Stone Technology, but before the Public Issue and Offer for Sale
- (2) Based on our enlarged share capital of 1,221,477,200 Shares after the IPO
- (3) After the Public Issue and Offer for Sale

The Offerors shall bear all expenses such as placement fee and miscellaneous fees estimated at approximately RM0.52 million relating to the Offer Shares. The Offer Shares are not underwritten by our Underwriter.

4. PARTICULARS OF OUR IPO (cont'd)**4.4.3 Pink Form Allocations**

We have allocated 12,215,000 Issue Shares to our eligible Directors and employees under the Pink Form Allocations, as follows:

| Category | No. of eligible persons | Aggregate no. of Issue Shares allocated |
|------------------------|-------------------------|---|
| Our eligible Directors | 4 | 400,000 |
| Our eligible employees | 171 | 11,815,000 |
| Total | 175 | 12,215,000 |

The criteria for allocation to our eligible Directors are based on amongst others, the length of their service and their anticipated contributions to our Group. The criteria for allocation to our eligible employees are based on the following factors:

- (a) The employee must be at least 18 years of age;
- (b) The employee must have his/her employment confirmed in writing; and
- (c) The employees' seniority, position, length of service and contribution to our Group.

Tee Sook Sing, Chan Kok San and Chin Chung Lek have opted out of the Pink Form Allocations. Details of the proposed allocation to our remaining Directors and key management personnel are as follows:

| Names | Designation | No. of Issue Shares allocated |
|--|--|-------------------------------|
| <u>Directors</u> | | |
| Dato' Azman bin Mahmood | Independent Non-Executive Chairman | 100,000 |
| Professor Dr. Ruzairi bin Abdul Rahim | Independent Non-Executive Director | 100,000 |
| Chia Gek Liang | Independent Non-Executive Director | 100,000 |
| Law Lee Yen | Independent Non-Executive Director | 100,000 |
| <u>Key management personnel</u> | | |
| Lee Yong Ho | Head of Operations, Manufacturing Automation | 500,000 |
| Tee Mun Keong | Head of Fabrication | 500,000 |
| Teo Yeling | Head of Finance | 500,000 |
| Total | | 1,900,000 |

Pink Form Allocations which are not accepted by certain eligible Directors and employees will be re-allocated to the other eligible Directors mentioned in the table above and employees at the discretion of our Board.

4.4.4 Underwriting arrangement

Our Underwriter will underwrite 73,289,000 Issue Shares made available for application by the Malaysian Public and Pink Form Allocations. The balance 171,007,000 Issue Shares and 122,148,000 Offer Shares available for application by way of private placement to selected investors and Bumiputera investors approved by MITI will not be underwritten and shall be placed out by our Placement Agent.

4. PARTICULARS OF OUR IPO (cont'd)

Any of our Issue Shares which are not subscribed for by the Malaysian Public or Pink Form Allocations will be made available to selected investors via private placement. If all of our Issue Shares offered to the Malaysian Public are oversubscribed, Issue Shares not subscribed for under the Pink Form Allocations and private placement to selected investors to be identified, if any, will be made available for application by the Malaysian Public. Our Board will ensure that any excess Issue Shares will be allocated on a fair and equitable manner. Thereafter, any remaining Issue Shares that are not subscribed for will be subscribed by our Underwriter based on the terms of the Underwriting Agreement.

4.4.5 Minimum and over-subscription

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

In the event of an over-subscription, acceptance of Applications by the Malaysian Public shall be subject to ballot to be conducted in a manner approved by our Board. The basis of allocation shall take into account the distribution of our IPO Shares to a reasonable number of applicants to increase the number of our public shareholders to meet our public shareholding spread requirements and establish a liquid market for our Shares.

4.5 BASIS OF ARRIVING AT OUR IPO PRICE

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

- (a) the net PE Multiple of approximately 13.91 times based on our Group's net EPS of approximately 1.15 sen for FYE 2018 calculated based on our PAT attributable to the owners of the Company of RM11.25 million and our issued and paid-up share capital of 977,181,200 Shares before our IPO;
- (b) our pro forma consolidated NA per Share as at 31 December 2018 after our IPO and after the utilisation of IPO proceeds of RM0.05 and our enlarged share capital of 1,221,477,200 Shares upon Listing;
- (c) our historical financial track record for the past FYE 2015 to 2018 summarised as follows:

| | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 |
|----------------------------|-----------------|-----------------|-----------------|-----------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 44,124 | 43,127 | 60,381 | 67,591 |
| GP | 13,836 | 13,146 | 19,612 | 22,227 |
| PAT attributable to: | | | | |
| - Owners of the Company | 4,010 | 4,747 | 8,216 | 11,248 |
| - Non-controlling interest | 82 | (40) | 334 | 222 |

- (d) our competitive strengths as set out in Section 7.5; and
- (e) our Group's business strategies and prospects as further described in Section 7.12 and Section 7.13, respectively.

4. PARTICULARS OF OUR IPO (cont'd)

You should note that our market price upon Listing is subject to the vagaries of market forces and other uncertainties that may affect the price of our Shares. You should form your own views on the valuation of our IPO Shares before deciding to invest in them. You are reminded to carefully consider the risk factors as set out in Section 9 before deciding to invest in our Shares.

4.6 SHARE CAPITAL, CLASSES OF SHARES AND RANKING

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

| Details | No. of Shares | RM |
|--|----------------------|----------------------|
| Share capital | | |
| As at the date of this Prospectus | 977,181,200 | 16,612,178.70 |
| To be issued pursuant to our Public Issue | 244,296,000 | 39,087,360.00 |
| Enlarged share capital upon our Listing⁽¹⁾ | 1,221,477,200 | 55,699,538.70 |

Note:

(1) Our Offer for Sale will not have any effect on our enlarged issued share capital

As at the date of this Prospectus, we have only 1 class of shares, being ordinary shares, all of which rank *pari passu* amongst one another.

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

The Offer Shares shall rank *pari passu* in all respects with our existing ordinary shares including voting rights and will be entitled to all rights, dividends and other 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 may be issued by us in the future, our shareholders shall, in proportion to the amount of Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions and any surplus in the event of the liquidation of our Group, in accordance with our Constitution.

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

4.7 OBJECTIVES OF OUR IPO

The objectives of our IPO are as follows:

- (a) to provide an opportunity for the Malaysian Public, investors, our eligible Directors and employees to participate in our equity;
- (b) to enable our Group to raise funds for the purposes specified in Section 4.10;

4. PARTICULARS OF OUR IPO (cont'd)

- (c) to enable us to tap into the equity capital market for future fund raising and to provide us the financial flexibility to pursue future growth opportunities as and when they arise;
- (d) to gain recognition through our listing status, which will enhance our Group's reputation in the marketing of our products and services; and
- (e) to enhance the stature of our Group in retaining our existing employees and attracting new employees.

4.8 TOTAL MARKET CAPITALISATION UPON LISTING

Based on the IPO Price and our enlarged share capital of 1,221,477,200 Shares upon Listing, our total market capitalisation is estimated to be RM195,436,352 upon Listing.

4.9 DILUTION

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

Our Company was incorporated on 22 March 2018 to facilitate the Listing. Our pro forma consolidated NA per Share after adjusting for the Internal Restructuring and before Public Issue was RM0.02, based on the number of Shares in issue of 977,181,200 Shares. After giving effect to the Internal Restructuring and Public Issue including adjustments for the utilisation of IPO proceeds, our pro forma consolidated NA per Share as at 31 December 2018 is RM0.05, based on the number of Shares in issue of 1,221,477,200.

This represents an immediate increase in the pro forma consolidated NA per Share to our existing shareholders of RM0.03, and an immediate dilution in the pro forma consolidated NA per Share of RM0.11 to our new public investors. The following table illustrates such dilution on a per Share basis:

| | <u>RM</u> |
|---|-----------|
| IPO Price | 0.16 |
| Pro forma consolidated NA per Share as at 31 December 2018 after Internal Restructuring | 0.02 |
| Pro forma consolidated NA per Share as at 31 December 2018 after Internal Restructuring, Public Issue and utilisation of IPO proceeds | 0.05 |
| Dilution in the pro forma consolidated NA per Share to our new public investors | 0.11 |
| Dilution in the pro forma consolidated NA per Share as a percentage of our IPO Price | 68.8% |

Further details of our pro forma consolidated NA per Share as at 31 December 2018 is set out in Section 13.

4. PARTICULARS OF OUR IPO (cont'd)

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

| Shareholders | Total consideration RM | ⁽¹⁾ No. of Shares | Average effective cost per Share RM |
|-----------------------------------|------------------------------|---------------------------------|--|
| OUE | 5,603,443.10 | 329,614,300 | 0.017 |
| Tee Sook Sing | 1,494,250.70 | 87,897,100 | 0.017 |
| Chan Kok San | 5,478,921.50 | 322,289,500 | 0.017 |
| Chin Chung Lek | 1,992,335.40 | 117,196,200 | 0.017 |
| Chan Sai Kong | 996,167.70 | 58,598,100 | 0.017 |
| Siow Kim Wee | 440,293.20 | 25,899,600 | 0.017 |
| Hing Fook Sern | 256,732.30 | 15,101,900 | 0.017 |
| Peck Yok Kee | 116,698.20 | 6,864,600 | 0.017 |
| Seah Mei Lai | 116,618.30 | 6,859,900 | 0.017 |
| Tan See Guan | 116,618.30 | 6,859,900 | 0.017 |
| Loke Yuet Lee (Subscriber shares) | 100 | 100 | 1.00 |
| Total | 16,612,178.70 | 977,181,200 | |

Note:

- (1) Issued pursuant to the Acquisition of i-Stone Technology (save for the subscriber shares held by Loke Yuet Lee)

Save for the Shares received by our shareholders pursuant to the Acquisition of i-Stone Technology, there has been no acquisition or subscription of any of our Shares by our Directors or key management personnel, substantial shareholders or persons connected to them, or any transactions entered into by them which grants them the right to acquire any of our existing Shares, in the past three (3) years up to the LPD.

4.10 UTILISATION OF PROCEEDS**4.10.1 Public Issue**

The estimated total gross proceeds arising from the Public Issue of approximately RM39.09 million shall accrue entirely to us and will be utilised in the following manner:

| Utilisation of proceeds | Notes | RM'000 | % | ⁽¹⁾ Estimated timeframe for utilisation |
|---------------------------------|-------|---------------|--------------|---|
| Process and product development | (a) | 4,200 | 10.7 | Within 24 months |
| Repayment of borrowings | (b) | 13,482 | 34.5 | Within 12 months |
| Construction of new D&D centre | (c) | 6,800 | 17.4 | Within 48 months |
| Capital expenditures | (d) | 5,200 | 13.3 | Within 24 months |
| Working capital requirements | (e) | 5,905 | 15.1 | Within 36 months |
| Estimated listing expenses | (f) | 3,500 | 9.0 | Within 1 month |
| Total | | 39,087 | 100.0 | |

Note:

- (1) From the date of listing of our Shares on the ACE Market

4. PARTICULARS OF OUR IPO (cont'd)

Pending the deployment of the proceeds raised from our Public Issue as aforementioned, the funds will be placed in deposits with financial institutions as our Directors may deem appropriate.

Further information on the utilisation of proceeds raised from our Public Issue is as follows:

(a) Process and product development

RM4.20 million or 10.7% of the proceeds raised from our Public Issue is allocated for the following:

(i) Design, development and manufacturing of standard modules

We plan to design, develop and manufacture standard modules which can be used for our range of specialised automation machines to reduce our manufacturing lead time. Kindly refer to Section 7.12.1 for further details. We have allocated RM1.00 million of our Public Issue proceeds for this purpose to be utilised as follows:

| Details | RM'000 |
|---|---------------------|
| Staff cost relating to 4 new engineers to be recruited as permanent employees | 600 |
| Purchase of components to manufacture standard modules such as AC/DC power source and meter, E&E components and mechanical components | 400 |
| Total | <u>1,000</u> |

(ii) Development of new products and features

We intend to develop new products and introduce new features into our machines to meet our customers' increasing demands for higher productivity and efficiency of their manufacturing operations which comprise the following:

- Deep learning system that can learn and make intelligent decisions on its own for our vision inspection machines;
- i-FCT which is our own brand of fully automated joint-test systems to reduce the manual labour of operators to load, unload, transfer and remove the UUT; and
- i-MES, which is a more advanced version of our DMS. For the financial years under review, the provision of DMS has contributed less than 5.0% of our Group's total revenue. We have allocated RM1.10 million from our Public Issue proceeds for the development of i-MES, as we intend to increase the sales of i-MES, by leveraging on its additional features, such as IoT technology and integration of supply chain management.

The development of the above new products and features shall be undertaken on a one-off basis. Kindly refer to Section 7.12.2 for further details. We have allocated RM3.20 million of our Public Issue proceeds for this purpose to be utilised to fund the development cost as follows:

4. PARTICULARS OF OUR IPO (cont'd)

| Details | RM'000 | RM'000 |
|---|---------------|---------------|
| <u>Deep learning system</u> | | |
| - New staff cost relating to 1 new subject expert and 2 new software engineers to be recruited as permanent employees | 900 | |
| - Purchase of related programming tools and equipment, such as LED lights and cameras/lenses and software licenses | 200 | |
| Sub-total | | 1,100 |
| <u>i-FCT</u> | | |
| - Staff cost relating to 4 new engineers and 2 new mechanical engineers to be recruited as permanent employees | 500 | |
| - Purchase of equipment, mechanical and machining parts, materials and components such as PLC, computer peripherals, measuring instruments and accessories and LabView software license | 500 | |
| Sub-total | | 1,000 |
| <u>i-MES</u> | | |
| - Staff cost relating to 3 new software engineers to be recruited as permanent employees | 700 | |
| - Purchase of servers, computer peripherals and software license | 400 | |
| Sub-total | | 1,100 |
| Total | | 3,200 |

Upon completion of the development of new products and features, these employees are expected to be redeployed to participate in other new product development for our Group and perform E&E design, mechanical design and application software development that are required under the manufacturing automation segment. The proceeds allocated for the hiring of the new staffs above relates to the duration of the process and product development of up to 24 months from the date of our Listing only. The staff cost to be incurred subsequent to the end of the 24 months period will be funded via internally generated funds.

Any excess funds not utilised for this purpose will be utilised to meet the working capital requirements of our Group. However, in the event the allocated proceeds are insufficient for the above purpose, any shortfall will be funded through internally generated funds and/or borrowings.

(b) Repayment of borrowings

As at the LPD, our Group's total bank borrowings stood at RM18.17 million. We intend to utilise the amount of RM13.48 million or 34.5% of our proceeds from the Public Issue for the following:

- (i) We intend to utilise RM11.67 million to fully repay our outstanding term loan of RM11.67 million from Maybank Islamic Berhad. The said term loan was utilised to partially fund the balance purchase consideration of the New Factory of RM13,756,072.

4. PARTICULARS OF OUR IPO (cont'd)

With the full repayment of the term loan facility, we expect to achieve an annual interest savings of approximately RM0.55 million per annum (based on the interest rate of 4.7% per annum). However, the actual interest savings may vary depending on the then applicable interest rate.

- (ii) We intend to utilise the amount of RM1.81 million to reduce our outstanding overdraft facilities of RM3.00 million, which was utilised for our Group's working capital purposes.

With the repayment of the overdraft facility, we expect to achieve an annual interest savings of approximately RM0.10 million per annum (based on the interest rate of 5.5% per annum). However, the actual interest savings may vary depending on the then applicable interest rate.

(c) Construction of new D&D centre

We have earmarked the amount of RM6.80 million or 17.4% from our Public Issue proceeds for the construction of our new D&D centre. The breakdown for the construction cost of the new D&D centre is as follows:

| Details | RM'000 |
|---|--------------|
| Civil construction, structural works, mechanical and electrical works | 4,800 |
| Renovation and related works | 2,000 |
| Total | 6,800 |

Based on the above, the amount of RM6.80 million to be raised from the Public Issue shall be utilised to fund the construction costs of our new D&D centre. The preliminary details of the new D&D centre are as follows:

- Floor space : Approximately 50,000 sq ft, comprising an engineering office for the development of E&E and mechanical designs for our specialised automation machines, laboratories for D&D activities and prototyping labs for building prototypes and testing of newly developed machines and systems
- Location : HSD 50239, PTD 87654, Mukim of Senai, District of Kulai, Johor bearing the postal address of 12-2, Jalan Persiaran Teknologi, Taman Teknologi Johor, 81400 Senai, Johor (which is within the compound of our New Factory)
- No. of floors : 2 floors
- Other amenities : Guard house, bin center and substation

The construction of the new D&D centre is subject to the building plan and planning permit being approved by MBIP. The application for the building plan and planning permit is expected to be submitted by the second half of 2019. We expect to commence the construction of the new D&D centre within 12 months from our Listing, which is expected to be completed within 48 months from our Listing. As at LPD, we are in the process of designing the preliminary layout of this D&D centre.

If the actual cost of our new D&D centre is higher than the amount budgeted, the deficit will be funded out of the portion allocated for our general working capital requirements and/or internally generated funds. Conversely, if the cost of construction is lower than the amount budgeted, the excess will be utilised for our working capital requirements.

4. PARTICULARS OF OUR IPO (cont'd)**(d) Capital expenditures**

We intend to utilise RM5.20 million or 13.3% of our proceeds from the Public Issue for the following:

(i) Enhancing our manufacturing capabilities

We plan to allocate RM4.30 million of the proceeds from the Public Issue to enhance our manufacturing capabilities at our New Factory by acquiring the following:

| Type of machinery / software | Function | No. of units | Total estimated cost RM'000 |
|---------------------------------------|--|--------------|--------------------------------|
| CNC machines | For fabrication of precision parts, metal panels and frames. Details of the CNC machines are as follows: | | |
| | (a) CNC milling machine | 4 | 1,300 |
| | (b) CNC turning machine | 2 | 700 |
| | (c) CNC wire cutting machine | 1 | 200 |
| Measuring instruments and accessories | To perform inspection on the quality of fabricated precision parts, metal panels and frames | 2 | 450 |
| Welding stations | To support and locate our existing welding machines for improved welding process of metal parts | 4 | 250 |
| Forming machines | For bending, rolling and stamping of metal parts | 3 | 850 |
| Solidcam and Solidworks software | To support the development of mechanical designs of our specialised automation machines | 2 | 550 |
| Total | | | 4,300 |

Please refer to Section 7.12.3 for further details.

(ii) Robotic arms

RM0.90 million to purchase 10 units of robotic arm units from Universal Robots. These robotics arms will be used for marketing purposes such as to demonstrate product functionalities and features to potential customers in exhibitions, seminars and other marketing events. The benefits of purchasing the robotic arms are as follows:

- enable our potential customers to have a better understanding on the application of robotic arms in manufacturing automation business; and
- the physical demonstration units of robotic arms will enable us to instil more confidence in our potential customers on the usage and functionalities of the robotic arms in their manufacturing activities.

4. PARTICULARS OF OUR IPO (cont'd)**(e) Working capital requirements**

A total of RM5.91 million or 15.1% of our Public Issue proceeds will be used to finance additional working capital requirements in tandem with the expected growth in our business. The following is a breakdown of the utilisation of proceeds for our working capital requirements:

| No. | Details | Subtotal RM'000 | Total RM'000 |
|------------|--|----------------------------|-------------------------|
| (i) | Expansion of workforce ⁽¹⁾ | - | 2,400 |
| (ii) | Marketing expenses: | | |
| | • Participation fees for exhibitions | 200 | |
| | • Printing of marketing materials | 300 | |
| | • Travelling and accommodation expenses | 500 | |
| | | <u>1,000</u> | 1,000 |
| (iii) | Purchase of raw materials for the following segment: | | |
| | • Manufacturing automation (AC/DC power source and meter, E&E components, industrial computers, automation parts) | 1,800 | |
| | • Design and fabrication of metal panels and frames (aluminium profile, metal sheets, polycarbonate sheets, stainless steel/plates, rods and bars) | 350 | |
| | • Design and fabrication of precision parts (bolts, nuts, clips, screws and hinges) | 355 | |
| | | <u>2,505</u> | 2,505 |
| | Total | | <u>5,905</u> |

Note:

- (1) Our Group expects to utilise approximately RM2.40 million for payment of salaries to new staffs to be recruited, in addition to the number of new staffs to be recruited under the process and product development stage mentioned in Section 4.10.1(a) above. In this respect, we intend to hire the following new personnel:

| Positions | No. | Functions |
|-------------------------------|------------|---|
| Engineers | 3 | Provide design, analysis, build and test machines, systems, structures and materials for manufacturing automation segment |
| Technicians | 7 | Perform testing, installation and operating of machineries |
| Sales and marketing personnel | 4 | Perform sales and marketing activities |

Such amount is expected to be utilised over a period of 36 months and the payments of new staff salaries will subsequently be funded through internally generated funds.

4. PARTICULARS OF OUR IPO (cont'd)**(f) Estimated listing expenses**

The amount of RM3.50 million or 9.0% of our Public Issue proceeds is allocated to be utilised for the estimated costs of our Listing. If our actual listing expenses are higher than the amount budgeted, the deficit will be funded out of the portion allocated for our working capital requirements. The following summarises the estimated expenses of our Listing:

| Description | RM'000 |
|--|---------------------|
| Professional fees ⁽¹⁾ | 2,000 |
| Fees payable to authorities | 100 |
| Underwriting, placement and brokerage fees | 1,200 |
| Miscellaneous ⁽²⁾ | 200 |
| Total | <u>3,500</u> |

Notes:

- (1) Includes advisory fees for, amongst others, our Adviser, Solicitors, Reporting Accountants, IMR and Issuing House
- (2) Other incidental or related expenses in connection with our IPO, such as printing and advertising fees

4.10.2 Offer for Sale

The Offer for Sale is expected to raise gross proceeds of approximately RM19.54 million which will accrue entirely to the Offerors and we will not receive any of the proceeds.

The Offerors shall bear all of the expenses such as stamp duty, placement fees and miscellaneous fees relating to the Offer Shares, the aggregate of which are estimated to be approximately RM0.52 million.

4.11 UNDERWRITING COMMISSION, PLACEMENT FEES, COMMISSION AND BROKERAGE FEES**4.11.1 Underwriting arrangement and commission**

Our Underwriter will underwrite 73,289,000 Issue Shares made available for application by the Malaysian Public and Pink Form Allocations. We are obliged to pay our Underwriter an underwriting commission of 2.5% of the total value of the underwritten Issue Shares at our IPO Price.

4.11.2 Placement fees

We are obliged to pay our Placement Agent a placement fee of 2.5% of the value of those Issue Shares placed out to selected investors and Bumiputera investors approved by MITI. The placement fee of 2.5% of the value of those Offer Shares placed out to investors selected by our Placement Agent, will be borne entirely by the Offerors.

4.11.3 Brokerage fees

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

4. PARTICULARS OF OUR IPO (cont'd)

4.12 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

The salient terms of the Underwriting Agreement are as follows:

- 1.1 Subject to the terms and conditions of the Underwriting Agreement, M&A Securities has agreed to underwrite 73,289,000 Issue Shares ("Underwritten Shares") as set out in Section 4.4.4.
- 1.2 The obligations of the Underwriter under the Underwriting Agreement shall further be conditional upon *inter alia* the following ("Conditions Precedent"):
 - (a) The Underwriter being provided with such reports or confirmation and being satisfied on the Closing Date that:
 - (i) no material adverse change or any development likely to result in a material adverse change in the financial position, business operations or conditions (financial or otherwise) of our Group from the date of the Underwriting Agreement; or
 - (ii) there has not occurred any event or the discovery of any facts or circumstances which would render any representations, warranties or undertakings by our Company materially untrue or inaccurate or result in a material breach of the Underwriting Agreement by our Company;
 - (b) the Underwriter receiving a certificate in the form or substantially in the form dated the Closing Date signed by the duly authorised officers of our Company stating *inter alia* that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in the Underwriting Agreement;
 - (c) the Underwriter receiving copies certified by a Director of our Company or the secretary of our Company to be a true and accurate copy and in full force and effect of a resolution of the Directors and the shareholders of our Company in general meeting:
 - (i) approving the Prospectus and the application forms, the Public Issue, Offer for Sale, the Listing, the Underwriting Agreement and the transactions contemplated by it;
 - (ii) authorising a person to sign and deliver the Underwriting Agreement on behalf of our Company and the issuance of the Prospectus;
 - (d) the issue and subscription of the Issue Shares is not being prohibited or impeded by any statute, order, rule, directive, guideline (whether or not having a force of law) or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia or any condition imposed by the regulators in approving the IPO Shares and all consents, approvals, authorisations or other orders required by our Company under such laws for or in connection with the Public Issue, Offer for Sale and the Listing have been obtained and are in force on the Closing Date or the Underwriter being reasonably satisfied that the same will be in force on the Closing Date;
 - (e) the Underwriter being satisfied that our Company has complied with and that the issuance and subscription of the Issue Shares are in compliance with the policies, guidelines and requirements of the SC and Bursa Securities and all revisions, amendments and/or supplements to it;

4. PARTICULARS OF OUR IPO (cont'd)

- (f) the offering of the Issue Shares having been approved by Bursa Securities and any other relevant authority or authorities and remaining in full force and effect and that all conditions precedent to the approvals, to the extent possible have been complied with;
 - (g) the listing of and quotation for the Issue Shares / issued and paid-up share capital of our Company on the ACE Market of Bursa Securities having been unconditionally approved-in-principle by Bursa Securities or subject only to conditions which are acceptable to the Underwriter and such approval is not withdrawn;
 - (h) the launching of Prospectus taking place within three (3) months from the date of the Underwriting Agreement or such other later date as the Underwriter and our Company may from time to time agree in writing;
 - (i) the Prospectus having been lodged with the Registrar of Companies and registered with the SC together with all the required documents in accordance with the CMSA, the Act and the relevant laws and regulations;
 - (j) the Underwriting Agreement being duly signed by all parties and stamped;
 - (k) the Listing within one (1) month from the Closing Date or any later date as may be approved by the authorities and agreed in writing by the Underwriter;
 - (l) the Underwriting Agreement having become unconditional in all respects (save for any condition requiring the Underwriting Agreement to be unconditional) and not having been terminated or rescinded pursuant to the provisions of the Underwriting Agreement and upon the Underwriter's (in this regard, in its capacity as the placement agent for the shares to be placed out by the placement agent) receipt of the full subscription monies for the shares to be placed out by the placement agent on or before the last date for payment of the same.
- 1.3 If after the Conditions Precedent have been complied with and our Company decides not to proceed with the IPO, the Underwriter may treat itself as so released or discharged from its obligations and the Underwriting Agreement shall terminate and be of no further force or effect provided that our Company shall remain liable for the payment of the sum as set out in the Underwriting Agreement and all other costs and expenses incurred by the Underwriter in connection with the underwriting of the Underwritten Shares (including late interest payment, if applicable).
- 1.4 The Underwriter may waive all or any of the conditions except for any required by a mandatory rule of law or a mandatory requirement of governmental, public or regulatory authorities in connection with the Underwriting Agreement and such waiver or modification shall not prejudice the Underwriter's rights under the Underwriting Agreement.
- 1.5 Notwithstanding anything contained in the Underwriting Agreement, the Underwriter may at any time on or before the Closing Date, terminate its obligations under the Underwriting Agreement if:
- (a) any of the Conditions Precedent under the Underwriting Agreement is not duly satisfied by the Closing Date; or
 - (b) there is any material breach by our Company of any of the representations, warranties or undertakings contained in the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied to the

4. PARTICULARS OF OUR IPO (cont'd)

reasonable satisfaction of the Underwriter within ten (10) Market Days from the date our Company is notified by the Underwriter of such breach; or

- (c) there is withholding of material information by our Company which, in the reasonable opinion of the Underwriter, would have or can reasonably be expected to have a material adverse effect on the business or operations of our Group, the success of the IPO, or the distribution or sale of the Issue Shares; or
- (d) the approval of Bursa Securities in respect of the Listing or the approval-in-principle of Bursa Securities for the listing and quotation of its entire issued and paid-up share capital on the ACE Market is withdrawn; or
- (e) there shall have occurred, or happened any material and adverse change in the business or financial condition of our Company or our Group; or
- (f) our Company or any of its subsidiaries becomes insolvent or is unable to pay its debts or admits in writing its inability to pay its debts as they fall due or enters into any composition or arrangement with its creditors or makes a general assignment for the benefit of its creditors; or
- (g) there shall have occurred, or happened any of the force majeure event including, but not limited to:
 - (i) any government requisition or other occurrence of any nature whatsoever which in the opinion of the Underwriter seriously affects or will seriously affect the business and/or financial position of the Group;
 - (ii) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions or exchange control or currency exchange rates (including but not limited to conditions on the stock market in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or the occurrence of any combination of any of the foregoing which, would have or can reasonably be expected to have, in the reasonable opinion of the Underwriter, a material adverse effect on, and/or materially prejudice the business or the operations of our Company or our Group as a whole, the success of the IPO, or the distribution or sale of the Issue Shares, or which has or is reasonably likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or
 - (iii) any new law or regulation or any change in existing laws or regulations, directive, policy or ruling in any jurisdiction or any change in the interpretation or application thereof by any court or other competent authority, which in the opinion of the Underwriter has or is likely to have a material adverse effect on the condition (financial or otherwise) or the earnings, business affairs or business prospects (whether or not arising in the ordinary course of business) of the Group; or
 - (iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on ACE Market due to exceptional financial circumstances or otherwise; or
 - (v) there having been on or prior to the Closing Date and in the reasonable opinion of the Underwriter, any adverse and material change or development reasonably likely to involve a prospective adverse and

4. PARTICULARS OF OUR IPO (cont'd)

material change in the financial or business condition of the Group from that set out in the Prospectus which is material in the context of the offering of the Issue Shares and/or Offer Shares thereunder or any occurrence of any event rendering untrue or incorrect or misleading or not complied with to an extent which is material as aforesaid, any of the warranties and representations of our Company under the Underwriting Agreement as though given or made on such date; or

- (vi) any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of government, national disorder, declaration of a state of national emergency, pandemics, acts of terrorism, strikes, lockouts, fire, explosion, earthquake, flooding, civil commotion, acts of war, sabotage, acts of God or accidents) which would have, or can reasonably be expected to have, in the reasonable opinion of the Underwriter, a material adverse effect on, and/or materially prejudice the business or the operations of our Company or the Group as a whole, the success of the IPO, or the distribution or sale of the Issue Shares, or which has or is reasonably likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or
- (vii) if the FTSE Bursa Malaysia Kuala Lumpur Composite Index ("Index") is, at the close of normal trading on Bursa Securities, on any Market Day on or after the date of the Underwriting Agreement and prior to the allotment of the Issue Shares, lower than 80% of the level of 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 remains at or below that level for at least three (3) Market Days.

- (h) there is any failure on the part of our Company to perform any of its material obligations under the Underwriting Agreement.

1.6 In the event that the Underwriting Agreement is terminated pursuant to the terms and conditions therein, the Underwriter and our Company may confer with a view to deferring the Public Issue by amending its terms or the terms of the Underwriting Agreement and may enter into a new underwriting agreement accordingly, but neither the Underwriter nor our Company shall be under any obligation to enter into a fresh agreement.

1.7 If the Underwriter terminates its obligation pursuant to item 1.5 above, the parties shall be released and discharged from their respective obligations under the Underwriting Agreement, save for the Underwriter's rights to the following:

- (a) the payment of the sum of RM10,000, where termination occurs prior to issuance of the Prospectus or the underwriting commission, where the termination occurs subsequent thereto;
- (b) costs and expenses incurred by the Underwriter in connection with the underwriting of the Underwritten Shares (including late interest payment, if applicable); and
- (c) right to be indemnified by our Company.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

5.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Promoters' and substantial shareholders' shareholdings

The shareholdings of our Promoters and substantial shareholders in our Company before and after our IPO are set out below:

| Names | Nationality / Country of incorporation | Before IPO ⁽¹⁾ | | | After IPO ⁽²⁾ | | |
|---|--|----------------------------|------------------------------|------|----------------------------|------------------------------|------|
| | | Direct No. of Shares | Indirect No. of Shares | % | Direct No. of Shares | Indirect No. of Shares | % |
| Promoters and substantial shareholders | | | | | | | |
| OUE | Malaysia | 329,614,300 | - | 33.7 | 329,614,300 | - | 27.0 |
| Tee Sook Sing | Malaysian | 87,897,100 | (3)329,614,300 | 9.0 | 67,539,100 | (3)329,614,300 | 5.5 |
| Chan Kok San | Malaysian | 322,289,500 | - | 33.0 | 247,643,500 | - | 20.3 |
| Chin Chung Lek | Malaysian | 117,196,200 | - | 12.0 | 90,052,200 | - | 7.4 |
| Substantial shareholder | | | | | | | |
| Chan Sai Kong | Malaysian | 58,598,100 | - | 6.0 | 58,598,100 | - | 4.8 |

Notes:

- (1) Based on the share capital of 977,181,200 Shares after the Acquisitions but before our IPO
- (2) Based on the enlarged share capital of 1,221,477,200 Shares after our IPO
- (3) Deemed interested by virtue of Section 8(4) of the Act through her interest held in OUE

Our Promoters and substantial shareholders do not have different voting rights from the other shareholders of our Group.

5.1.2 Profiles of Promoters and/or substantial shareholders

The profiles of Tee Sook Sing, Chan Kok San and Chin Chung Lek, who are our Directors, Promoters and substantial shareholders, are set out in Section 5.2.2.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)

The profiles of OUE (our Promoter and substantial shareholder) and Chan Sai Kong (our substantial shareholder and Sales Manager of i-Stone International) are as follows:

(a) OUE

OUE was incorporated as a private limited company under the Act on 17 April 2018, for the purpose of holding shares in i-Stone Technology. As at the LPD, the issued share capital of OUE is RM48,960 comprising 48,960 ordinary shares. The Director and shareholders (as well as their respective shareholdings) in OUE are as follows:

| Name ⁽³⁾ | Nationality | Direct | | Indirect | |
|---------------------------------|--------------|------------------------|--------------|------------------------|---|
| | | No. of ordinary shares | % | No. of ordinary shares | % |
| Director and shareholder | | | | | |
| Tee Sook Sing ⁽¹⁾ | Malaysian | 28,560 | 58.2 | - | - |
| Shareholder | | | | | |
| Tee Mun Keong ⁽¹⁾ | Malaysian | 5,440 | 11.1 | - | - |
| Lee Yong Ho | Malaysian | 5,440 | 11.1 | - | - |
| Chiam Kok Tiam | Malaysian | 2,040 | 4.2 | - | - |
| Ong Kiam Aik | Malaysian | 2,040 | 4.2 | - | - |
| Lee We Tar | Malaysian | 1,360 | 2.8 | - | - |
| Wong Chin Kiong | Malaysian | 816 | 1.7 | - | - |
| Chong Kean Wah ⁽²⁾ | Malaysian | 816 | 1.7 | - | - |
| Goh Wei Lih | Malaysian | 816 | 1.7 | - | - |
| Ho Siew Yee ⁽²⁾ | Malaysian | 816 | 1.7 | - | - |
| Chang Wee Siang | Malaysian | 408 | 0.8 | - | - |
| Lee Sheng Yaw @ Lee Kok Tiam | Malaysian | 408 | 0.8 | - | - |
| | Total | 48,960 | 100.0 | - | - |

Notes:

- (1) Tee Sook Sing and Tee Mun Keong are siblings
- (2) Ho Siew Yee and Chong Kean Wah are spouses
- (3) All shareholders of OUE are currently employees of our Group as at LPD

(b) Chan Sai Kong

Chan Sai Kong, a Malaysian, aged 44, is our substantial shareholder and Sales Manager of i-Stone International.

He graduated with a Diploma in Electronics, Computer & Communication Engineering from Singapore Polytechnic, Singapore in 2003. He began his career in 1998 as an Assistant Production Supervisor at Petracarbon Pte Ltd, where he was involved in undertaking project planning, production scheduling as well as coordinating projects involving functional testers manufactured by the company. In 2002, he was promoted to its Sales and Project Engineer, where he was tasked to handle key customer accounts and provide technical support to customers.

He left Petracarbon Pte Ltd in 2004 and joined Sanmina-SCI Systems Singapore Pte Ltd as its Test Engineer, where he was responsible for monitoring and rectifying technical matters relating to functional and test equipment.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*cont'd*)

In 2006, he left Sanmina-SCI Systems Singapore Pte Ltd to pursue his personal business venture. He co-founded Univeztron Technology Pte Ltd with Chan Kok San and Chin Chung Lek in 2006 to undertake the provision of electronics design and firmware design business. He was responsible for the business development of Univeztron Technology Pte Ltd. In the same year, he was also appointed as the Director of Blue Tree EMS Pte Ltd (now known as Quantum Security Pte Ltd) in Singapore, where he was involved in overseeing the sales activities of the company. He subsequently resigned as its Director in 2008.

In 2007, he co-founded i-Stone Technology and was its director since its incorporation to 31 March 2018. In 2013, he co-founded i-Stone International with Tee Sook Sing, Chan Kok San and Chin Chung Lek to undertake the sales and marketing activities of computerised production test systems, where he was mainly responsible for its day-to-day operations as well as the development of its international sales. Due to his desire to eventually pursue other involvement mainly in spiritual activities and focus his time commitment with his family, he took a reduced role from management activities of i-Stone International to become the Sales Manager of i-Stone International since July 2018, where he is responsible for the sales and marketing activities of i-Stone International.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)**5.1.3 Changes in the Promoters' and substantial shareholders' shareholdings**

The changes in our Promoters and/or substantial shareholders' respective shareholdings since our incorporation on 22 March 2018 are as follows:

| Promoter/ Shareholder | As at incorporation | | | Before IPO ⁽¹⁾ | | | After IPO ⁽²⁾ | | |
|--------------------------|---------------------|----------|------------------|---------------------------|----------|------------------|--------------------------|----------------|------------------|
| | Direct | Indirect | No. of Shares | Direct | Indirect | No. of Shares | Direct | Indirect | No. of Shares |
| | No. of Shares | % | | No. of Shares | % | | No. of Shares | % | |
| OUE | - | - | - | 329,614,300 | 33.7 | - | 329,614,300 | - | - |
| Tee Sook Sing | - | - | - | 87,897,100 | 9.0 | (3)329,614,300 | 67,539,100 | (3)329,614,300 | 27.0 |
| Chan Kok San | - | - | - | 322,289,500 | 33.0 | - | 247,643,500 | - | 5.5 |
| Chin Chung Lek | - | - | - | 117,196,200 | 12.0 | - | 90,052,200 | - | 20.3 |
| Chan Sai Kong | - | - | - | 58,598,100 | 6.0 | - | 58,598,100 | - | 7.4 |
| Loke Yuet Lee | 100 | 100.0 | - | 100 | ~ | - | 100 | - | 4.8 |
| | | | | | | | | | ~ |

Notes:

~ Less than 0.1%

(1) Based on the share capital of 977,181,200 Shares after the Acquisitions but before our IPO

(2) Based on the enlarged share capital of 1,221,477,200 Shares after our IPO

(3) Deemed interested by virtue of Section 8(4) of the Act through her interest held in OUE

5.1.4 Persons exercising control over the corporation

Save for our Promoters, we are not aware of any other person(s) who is able to, directly or indirectly, jointly or severally, exercise control over our Company.

5.1.5 Benefits paid or intended to be paid

Save for the dividends paid to our Promoters and/or substantial shareholders as disclosed in Section 11.10 and our Directors/substantial shareholders' remuneration and benefits as disclosed in Section 5.2.4 below, there is no amount and benefit that has been or is intended to be paid or given to our Promoters, Directors and/or substantial shareholders within the 2 years preceding the date of this Prospectus.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)**5.2 DIRECTORS****5.2.1 Directors' shareholdings**

The shareholdings of our Directors in our Company before and after our IPO, assuming that our Directors will fully subscribe for their respective entitlements under the Pink Form Allocations, are set out below:

| Names | Designation / Nationality | Before IPO ⁽¹⁾ | | | After IPO ⁽²⁾ | | | | |
|---------------------------------------|--|---------------------------|------|----------------------------|--------------------------|---------------|----------|----------------------------|------|
| | | Direct | | Indirect | Direct | | Indirect | | |
| | | No. of Shares | % | No. of Shares | % | No. of Shares | % | | |
| Dato' Azman bin Mahmood | Independent Non-Executive Chairman / Malaysian | - | - | - | - | 100,000 | ~ | - | - |
| Tee Sook Sing | Managing Director / Malaysian | 87,897,100 | 9.0 | ⁽³⁾ 329,614,300 | 33.7 | 67,539,100 | 5.5 | ⁽³⁾ 329,614,300 | 27.0 |
| Chan Kok San | Executive Director / Malaysian | 322,289,500 | 33.0 | - | - | 247,643,500 | 20.3 | - | - |
| Chin Chung Lek | Executive Director / Malaysian | 117,196,200 | 12.0 | - | - | 90,052,200 | 7.4 | - | - |
| Professor Dr. Ruzairi bin Abdul Rahim | Independent Non-Executive Director / Malaysian | - | - | - | - | 100,000 | ~ | - | - |
| Chia Gek Liang | Independent Non-Executive Director / Malaysian | - | - | - | - | 100,000 | ~ | - | - |
| Law Lee Yen | Independent Non-Executive Director / Malaysian | - | - | - | - | 100,000 | ~ | - | - |

Notes:

- ~ Less than 0.1%
- (1) Based on the share capital of 977,181,200 Shares after the Acquisitions but before our IPO
- (2) Based on the enlarged share capital of 1,221,477,200 Shares after our IPO
- (3) Deemed interested by virtue of Section 8(4) of the Act through her interest held in OUE

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*cont'd*)

5.2.2 Profiles of Directors

The profiles of our Directors are as follows:

(a) Dato' Azman bin Mahmood
Independent Non-Executive Chairman

Dato' Azman bin Mahmood, a Malaysian, aged 67, was appointed to our Board on 1 October 2018. He began pursuing his professional qualification with the Institute of Chartered Accountants of England and Wales on a part time basis from 1971. He was then admitted as an Associate with the Institute of Chartered Accountants in England & Wales in July 1981 and as a member of the Malaysian Institute of Accountants in 1987.

In February 1971, he joined Safferys & Co as an Articled Clerk and subsequently joined Lim, Ali & Co in 1975 as a Branch Manager where he was involved in performing various financial audit assignments for companies. In 1979, he joined RD Neville & Co in Essex, England as an Audit Manager, where he was responsible in planning and conducting internal control and audit. In 1981, he joined MMC Services Limited in London, England as a Tin Trading Operations Manager, where he was responsible for overseeing the overall tin trading operations of the company covering Europe.

In February 1983, he left MMC Services Limited and returned to Malaysia to join MUI Bank Berhad (now known as Hong Leong Bank Berhad) in February 1983 as its Senior Manager, where he was mainly involved in the planning and setting up of new branches for the bank. He left MUI Bank Berhad and joined Kumpulan Perangsang Selangor Berhad in July 1983 as its Finance Controller to lead the Finance Division, where he was responsible for the overall financial and accounting affairs of the company up until his departure in 1990.

In 1991, he was appointed as the Managing Director of Worldwide Holdings Berhad, where he was responsible for the overall corporate direction and business strategies as well as overseeing the day-to-day operation of the company.

In 1994, he was appointed as the Executive Chairman of Fine Access Sdn Bhd, which was then a family investment holding company with interest in investment of quoted securities/property holding. In 1996, he left Worldwide Holdings Berhad and in 1997, he was appointed as a Corporate Advisor to Crystalville Sdn Bhd, a property development company.

Presently, he is the Independent Non-Executive Director of Jaks Resources Berhad and Independent Non-Executive Chairman of Cocoland Holdings Berhad. He currently also serves as director and is a shareholder for a number of private companies, details of which is set out in Section 5.2.3(a).

(b) Tee Sook Sing
Promoter, Managing Director and substantial shareholder

Tee Sook Sing, a Malaysian, aged 38, is our Managing Director and was appointed to our Board on 1 November 2018. She joined our Group in January 2008 as one of our pioneer members and has been instrumental to the business growth and development of our Group since then. She is principally responsible for the implementation of our Board's decisions, strategies and corporate directions, keeping our Board fully informed of all important aspects of our Group's operations as well as overseeing the day-to-day operations and implementation of the overall strategies and corporate direction of our Group.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)

She graduated with a Bachelor of Engineering (Electrical-Electronics) and a Master of Business Administration (Strategic Management) in 2003 and 2008, respectively from UTM. Since 2014, she has been certified by the Project Management Institute as a Project Management Professional. She has more than 15 years of working experience in the E&E industry, specialising in the design and manufacturing of specialised automation machines.

She started her career in Flextronics Technology (Malaysia) Sdn Bhd in 2003 as a Test Development Engineer, where she was responsible for undertaking the development of functional test machines. In 2004, she was promoted as a Senior Test Development Engineer, where she was responsible for managing a team of engineers and monitoring the progress of development projects for functional test machines. She left Flextronics Technology (Malaysia) Sdn Bhd in January 2006 and joined Dyson Manufacturing Sdn Bhd as a Senior Electronics Development Engineer in its R&D department. However, she left Dyson Manufacturing Sdn Bhd in March 2006 and re-joined Flextronics Technology (Malaysia) Sdn Bhd as its Assistant Test Development Manager.

In December 2007, she left Flextronics Technology (Malaysia) Sdn Bhd and joined i-Stone Technology in January 2008 as a Project Manager, where she was responsible for overseeing its manufacturing automation business segment. In 2010, she was re-assigned as the Sales Manager of i-Stone Technology where she was responsible for handling key customer accounts and implementing overall business development plans and strategies. She assumed her current position as our Managing Director in February 2018.

She currently serves as director and is a shareholder for a number of private companies, details of which are set out in Section 5.2.3(b).

(c) Chan Kok San

Promoter, Executive Director and substantial shareholder

Chan Kok San, a Malaysian, aged 41, is our Executive Director and was appointed to our Board on 1 November 2018. He is one of the co-founders of our Group and has been responsible in spearheading the business growth of our Group since its inception in 2007. As our Executive Director, he is primarily responsible for establishing our Group's internal policies as well as setting and monitoring key performance indicators for various departments. As our Head of Administration, he is responsible for overseeing the overall administrative and finance functions of our Group. As our Head of Distribution, he is responsible for overseeing the overall distribution of manufacturing automation hardware and software business segment.

He graduated with a Bachelor of Engineering (Electrical-Instrumentation and Control) and Master of Engineering (Electrical) in 2001 and 2003, respectively from UTM. In 2017, he obtained the Professional Diploma in Corporate Management from Southern University College, Johor. He has more than 16 years of experience in the E&E industry, specialising in specialised automation machines.

He began his career in Flextronics Technology (Malaysia) Sdn Bhd in 2002 as a Test Development Engineer, where he was responsible for the development of test machines. In March 2004, he was promoted to Senior Test Engineer, where he was responsible of overseeing the development and production operations of test and process machines. He left Flextronics Technology (Malaysia) Sdn Bhd in October 2004 and joined Dyson Manufacturing Sdn Bhd in November 2004 as its Senior Electronics Engineer, where he was involved in the D&D of electronic circuits and PCBAs.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)

In 2006, he left Dyson Manufacturing Sdn Bhd to pursue his own business venture and co-founded Univeztron Technology Pte Ltd in Singapore with Chin Chung Lek and Chan Sai Kong to undertake the provision of electronics design and firmware design business. He was mainly responsible for overseeing the electronics / firmware design of various electrical products and hardware in Univeztron Technology Pte Ltd. In 2007, he co-founded i-Stone Technology together with Chin Chung Lek and Chan Sai Kong to undertake the provision of design and manufacturing of specialised automation machines. He was mainly involved in the marketing, administrative and business expansion activities of i-Stone Technology.

He currently serves as director and is a shareholder for a number of private companies, details of which are set out in Section 5.2.3(c).

(d) Chin Chung Lek

Promoter, Executive Director and substantial shareholder

Chin Chung Lek, a Malaysian, aged 50, was appointed to our Board on 1 November 2018. He is one of the co-founders of our Group and is currently our Executive Director and Head of Procurement, Manufacturing Automation, where he is primarily responsible for the procurement functions of our manufacturing automation segment.

He graduated with a Bachelor of Business Administration from Tamkang University, Taiwan in 1995. He has more than 22 years of working experience in the E&E industry with in-depth knowledge on the procurement functions and business development operations.

In 1996, he started his career with V.S. Industry Berhad as its Sourcing Executive, where he was involved in the purchasing and production planning functions of the company. In April 2000, he left V.S. Industry Berhad and joined Champion Tools (Johor) Sdn Bhd as its Sales Executive, where he was responsible for developing new customer accounts. In February 2001, he left Champion Tools (Johor) Sdn Bhd and joined Farnell Components (M) Sdn Bhd in the same month as its Senior Field Sales Engineer, where he was responsible for developing new customer accounts as well as maintaining existing customer accounts in Johor.

In 2005, he left Farnell Components (M) Sdn Bhd and joined 3M Malaysia Sdn Bhd as its Senior Field Sales Executive, where he was responsible for handling and servicing key customer accounts in the southern region of Malaysia as well as undertaking sales and marketing activities. In 2006, while he was still working in 3M Malaysia Sdn Bhd, he co-founded Univeztron Technology Pte Ltd in Singapore with Chan Kok San and Chan Sai Kong to undertake the provision of electronics design and firmware design business. Chin Chung Lek's role in Univeztron Technology Pte Ltd when he was still under employment in 3M Malaysia Sdn Bhd (and subsequent to leaving the company) was only confined to handling the administrative matters of Univeztron Technology Pte Ltd during his personal time.

In 2007, he left 3M Malaysia Sdn Bhd and co-founded i-Stone Technology together with Chan Kok San and Chan Sai Kong to undertake the provision of design and manufacturing of specialised automation machines. He was mainly involved in the procurement activities of i-Stone Technology.

He currently serves as director and is a shareholder of a number of private companies, details of which are set out in Section 5.2.3(d).

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)

(e) Professor Dr. Ruzairi bin Abdul Rahim

Independent Non-Executive Director

Professor Dr. Ruzairi bin Abdul Rahim, a Malaysian, aged 52, is our Independent Non-Executive Director. He was appointed to our Board on 1 November 2018, and is a member of our Audit and Risk Management Committee, Remuneration Committee and Nomination Committee.

He graduated with a Bachelor Degree in Electronic System & Control Engineering from Sheffield City Polytechnic, UK (now known as Sheffield Hallam University) in 1992. In 1996, he received a Ph.D from Sheffield Hallam University, UK. He has been awarded as Professional Technologist by Malaysia Board of Technologists in 2018. He has over 25 years of experience in the field of R&D management.

He started his career in UTM in 1992 as a Tutor at the Department of Control & Instrumentation Engineering in the Faculty of Electrical Engineering. He was subsequently appointed as the Head of Instrumentation Engineering Laboratory in 1997 to manage and operate lectures, tutorials, practical as well as reviewing examination papers. In June 1998, he was appointed as the Head of Department (Control & Instrumentation Engineering), where he was responsible for overseeing the planning, development programme, distribution of academic workload and staff coordination. He was then made Associate Professor of UTM in 1999.

In 2006, he was promoted as the Professor of UTM and also appointed as the Deputy Dean (Corporate) at the Research Management Centre ("RMC") of UTM. He was then promoted to the position of Director of RMC in 2009, a position which he held until November 2016. RMC is the research arm of UTM which is responsible for managing and facilitating various R&D activities, intellectual property creation and management, technological development, promotion and exploitation of R&D findings. Since December 2016, he has been holding the position of Deputy Vice Chancellor (Research & Innovation) at Universiti Tun Hussein Onn Malaysia, where he is mainly responsible for the management of research, innovation and publication.

He is currently not a director and/or shareholder of any other company.

(f) Chia Gek Liang

Independent Non-Executive Director, Chairman of Nomination and Remuneration Committee

Chia Gek Liang, a Malaysian, aged 57, is our Independent Non-Executive Director and was appointed to our Board on 1 October 2018. He is the Chairman of our Remuneration Committee and Nomination Committee as well as a member of our Audit and Risk Management Committee.

He graduated with a Bachelor of Electrical Engineering and Master of Business Administration from the National University of Singapore in 1985 and 1993, respectively. He also holds a Bachelor of Laws from the University of London, UK which he obtained in 2010 and a Certificate in Legal Practice in 2011. He was admitted as an Advocate & Solicitor of the High Court of Malaya in 2012.

He began his career in 1985 as a Product Engineer with SGS-Thomson Microelectronics Pte Ltd in Singapore, where he was responsible for the product engineering and manufacturing processes of memory products. He left the engineering field in 1991 to pursue his Master of Business Administration. In 1992, he returned to Malaysia and joined the corporate finance division of Commerce International Merchant Bankers

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)

Berhad (now known as CIMB Investment Bank Berhad) as an Executive. He was involved in a wide variety of corporate advisory assignments which includes initial public offerings, debt and equity fund raising, mergers and acquisitions, reverse take-overs, corporate and debt restructuring and privatisation exercises. He left the bank in 2001 and joined Intelligent Edge Technologies Berhad as its Chief Financial Officer, where he was responsible for the overall financial management of the company up until his departure in 2002.

From 2002 to 2012, he mainly did freelance consulting work through Siri Mesra Sdn Bhd (a company involved in the investment holding and provision of management consultancy services), such as general management, formulating long term organisation plans and performing projects evaluation in Malaysia, while pursuing his professional qualification as a lawyer. He started practising law as an Associate with Deol & Gill in 2013 where he was involved in providing advisory on legal matters. He left Deol & Gill in October 2014 to undertake various general management consulting works on a freelance basis via Siri Mesra Sdn Bhd up until May 2015. From May 2015 to 2018, he was attached with Mai & Co as an Associate, where he was primarily involved in providing corporate legal services. Since January 2019, he has resumed performing general management consulting works through Siri Mesra Sdn Bhd.

Presently, he is the Independent Non-Executive Director of QES Group Berhad as well as director and is a shareholder for a number of private companies, details of which are set out in Section 5.2.3(f).

(g) Law Lee Yen

Independent Non-Executive Director, Chairperson of Audit and Risk Management Committee

Law Lee Yen, a Malaysian, aged 33, is our Independent Non-Executive Director and was appointed to our Board on 1 October 2018. She is also the Chairperson of our Audit and Risk Management Committee and a member of our Nomination Committee and Remuneration Committee.

She graduated from the University of Melbourne, Australia in 2006 with a Bachelor of Commerce. She has been a member of the Malaysian Institute of Accountants since August 2010 and member of CPA Australia since obtaining her full membership on 15 April 2010. She is also a member of Chartered Tax Institute of Malaysia since October 2012. She has more than 11 years of working experiences in the field of audit, corporate advisory and taxation services.

She started her career in 2007 with KPMG LLP Singapore as an Audit Associate. In 2010, she left KPMG LLP Singapore and joined Terry Law & Co, Malaysia (a non-audit firm in which her brother was Partner) as a Manager, responsible for tax advisory services. She was promoted as Partner of the firm in 2011, where she was responsible for providing tax advisory services. In January 2017, she set up her own firm, LY Law & Associates, as a partner after obtaining her audit practice license from the relevant ministry in Malaysia and with that, she was responsible for providing audit and tax advisory services under her new firm. Her tenure in Terry Law & Co. from January to May 2017 was a transitional arrangement to facilitate the transfer of tax clientele from Terry Law & Co. to LY Law & Associates. In May 2017, she resigned as a partner of Terry Law & Co.

She currently serves as director and is a shareholder for a number of private companies, details of which are set out in Section 5.2.3(g).

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)**5.2.3 Principal business performed outside our Group**

Save as disclosed below and under Section 6.3.1 in relation to the Internal Restructuring, none of our Directors has any other principal directorship and/or principal business activities performed outside our Group in the past 5 years up to the LPD:

(a) Dato' Azman bin Mahmood

| No. | Company | Principal activities | Position held | Date of appointment | Date of resignation | % of shareholdings as at LPD | |
|------------------------------------|---------------------------|--|------------------------------------|---------------------|---------------------|------------------------------|-----------------------|
| | | | | | | Direct | Indirect |
| <u>Present involvements</u> | | | | | | | |
| (i) | Cocoaland Holdings Berhad | Investment holding company involved in the manufacturing and trading of preserved foods and fruit | Independent Non-Executive Chairman | 8 October 2004 | - | 0.2 | - |
| (ii) | Crystalville Sdn Bhd | Property development | Director | 8 September 2006 | - | - | (¹)46.0 |
| (iii) | Cyber Lake Sdn Bhd | Property development | Director | 3 March 2010 | - | - | (²)74.0 |
| (iv) | Fine Access Sdn Bhd | Investment holding company | Executive Chairman | 9 September 1994 | - | - | (³)100.0 |
| (v) | Jaks Resources Berhad | Investment holding company principally involved in general trading of steel and other related products | Independent Non-Executive Director | 23 December 2003 | - | - | - |
| (vi) | Lunar Equity Sdn Bhd | Investment holding company | Director | 1 October 2006 | - | - | (⁴)100.0 |

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)

| No. | Company | Principal activities | Position held | Date of appointment | Date of resignation | % of shareholdings as at LPD | |
|--------|-------------------------|--|---------------|---------------------|---------------------|------------------------------|----------|
| | | | | | | Direct | Indirect |
| (vii) | Pelita Jauhari Sdn Bhd | Investment holding company | Director | 1 November 2006 | - | - | (5)49.0 |
| (viii) | Prisma Ville Sdn Bhd | Property holdings and property development | Director | 1 August 2008 | - | - | (6)46.0 |
| (ix) | Spectra Delight Sdn Bhd | Investment in companies involved in property development and general trading | Director | 17 May 2013 | - | 50.0 | - |
| (x) | Subang Alam Sdn Bhd | Property development | Director | 25 June 2007 | - | - | (7)46.0 |

Notes:

- (1) Deemed interested pursuant to Section 8(4) of the Act through his interest held in Spectra Delight Sdn Bhd, which in turn owns the 49% equity interest in Pelita Jauhari Sdn Bhd, which in turn owns 46.0% equity interest in Crystalville Sdn Bhd
- (2) Deemed interested pursuant to Section 59(11)(c) of the Act, by virtue of his wife and children's interests in Fine Access Sdn Bhd and Lunar Equity Sdn Bhd, which in turn hold 48.0% indirect interest via Prisma Ville Sdn Bhd and 26.0% direct interest in Cyber Lake Sdn Bhd, respectively
- (3) Deemed interested pursuant to Section 59(11)(c) of the Act by virtue of his wife and children, who collectively own 100.0% equity interest in Fine Access Sdn Bhd
- (4) Deemed interested pursuant to Section 59(11)(c) of the Act, by virtue of Fine Access Sdn Bhd and his children, who own 46.0% and 54.0% equity interest in Lunar Equity Sdn Bhd, respectively
- (5) Deemed interested pursuant to Section 8(4) of the Act through his interest held in Spectra Delight Sdn Bhd, which owns 49.0% equity interest in Pelita Jauhari Sdn Bhd
- (6) Deemed interested pursuant to Section 59(11)(c) of the Act by virtue of his wife and children's interests in Fine Access Sdn Bhd, which owns 46.0% equity interest in Prisma Ville Sdn Bhd
- (7) Deemed interested pursuant to Section 59(11)(c) of the Act by virtue of his wife and children's interests in Fine Access Sdn Bhd, which owns 46.0% equity interest in Subang Alam Sdn Bhd

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)**(b) Tee Sook Sing**

| No. | Company | Principal activities | Position held | Date of appointment | Date of resignation | % of shareholdings as at LPD | |
|------------------------------------|-----------------------------------|--|---------------------------------------|---------------------|---------------------|------------------------------|----------|
| | | | | | | Direct | Indirect |
| <u>Present involvements</u> | | | | | | | |
| (i) | Turnitin | Investment holding company | Director | 1 November 2010 | 21 February 2019 | 15.0 | - |
| (ii) | One Galaxy Capital ⁽²⁾ | Investment and trading of quoted securities | Preference shareholder ⁽¹⁾ | - | - | - | - |
| (iii) | One Gourmet ⁽²⁾ | Investment holding in Bistroomericana (J.B.) Sdn Bhd | - | - | - | 12.5 | - |
| (iv) | OUE | Investment holding company | Director ⁽³⁾ | 17 April 2018 | - | 58.2 | - |

Notes:

- (1) Tee Sook Sing currently holds 300,000 preference shares in One Galaxy Capital
(2) Disposed pursuant to the Disposals by i-Stone Technology
(3) Tee Sook Sing is the sole Director of OUE, which has only 1 activity i.e. investment in i-Stone Technology

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)

| No. | Company | Principal activities | Position held | Date of appointment | Date of resignation | Other previous involvements |
|--|-----------------------------------|--|-------------------------|----------------------------|----------------------------|------------------------------------|
| <u>Past involvements</u> | | | | | | |
| (i) | P.A. Engineering ⁽¹⁾ | Dormant since 29 August 2017 (previously involved in the fabrications of metal products and engineering works) | Director | 3 July 2016 | 21 June 2018 | - |
| (ii) | i-Stone Electronics Pte Ltd | Struck-off on 5 November 2018 | Director | 25 February 2008 | - | Shareholder |
| (iii) | Top One Gourmet Sdn Bhd | Food and beverage services | Director | 22 April 2016 | 20 March 2019 | Shareholder |
| Note: | | | | | | |
| (1) Disposed pursuant to the Disposals by i-Stone Technology | | | | | | |
| (c) Chan Kok San | | | | | | |
| No. | Company | Principal activities | Position held | Date of appointment | Date of resignation | % of shareholdings held |
| <u>Present involvements</u> | | | | | | |
| (i) | Bistroamericana (J.B.) Sdn Bhd | Food and beverage services | Director ⁽⁴⁾ | 3 November 2017 | - | - |
| (ii) | Turnitin ⁽⁵⁾ | Investment holding company | Director | 1 November 2010 | 21 February 2019 | 55.0 |
| (iii) | One Galaxy Equity ⁽³⁾ | Property investment | Director ⁽⁴⁾ | 3 April 2013 | - | 51.0 |
| (iv) | One Galaxy Capital ⁽³⁾ | Investment and trading of quoted shares | Director ⁽³⁾ | 16 December 2016 | 19 May 2018 | Note (1) |

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)

| No. | Company | Principal activities | Position held | Date of appointment | Date of resignation | % of shareholdings held | |
|------|-------------------------------|---|-------------------------|---------------------|---------------------|-------------------------|----------|
| | | | | | | Direct | Indirect |
| (v) | One Gourmet ⁽³⁾ | Investment holding in Bistroomericana (I.B.) Sdn Bhd | Director ⁽⁴⁾ | 25 April 2017 | - | 12.5 | - |
| (vi) | Venture Primus ⁽³⁾ | Dormant since 27 July 2018. Previously involved in investment holding | Director ⁽⁶⁾ | 5 July 2013 | - | 20.0 | Note (2) |

Notes:

- (1) Chan Kok San currently holds 1,200,000 preference shares in One Galaxy Capital
 - (2) Chan Kok San currently holds 519,940 preference shares in Venture Primus
 - (3) Disposed pursuant to the Disposals by i-Stone Technology
 - (4) Chan Kok San currently has executive functions in these companies. However, his involvements in these companies would not result in any potential conflict of interest situation after taking into consideration the following:
 - (a) the principal activities of these companies are mainly in investment holdings and as such does not require significant amount of time to oversee the day-to-day operations. These companies are currently being managed by the respective key management personnel of each business; and
 - (b) the daily operations of the food and beverage business of Bistroomericana (J.B.) Sdn Bhd is managed by the restaurant manager.
- Our Audit and Risk Management Committee shall conduct periodic review of the performance of Chan Kok San as our Executive Director to ensure that his involvement in the executive functions in the companies above does not affect his role as our Executive Director.
- (5) Turnitin was previously the investment holding company of i-Stone Electronics Pte Ltd (which was struck-off on 5 November 2018). Presently, the shareholders of Turnitin are Chan Kok San, Tee Sook Sing, Chin Chung Lek and Chan Sai Kong, whilst the sole Director is Chan Sai Kong. Turnitin does not hold any investments in other companies after the completion of the Acquisitions by i-Stone Technology. Turnitin also owns a factory unit in Woodlands, Singapore, which is currently being rented as the office of i-Stone International. Our Board takes cognisance that Turnitin was previously not and is presently not involved in any other business activities (including being a customer or supplier to our Group). Turnitin was not included as part of our Group pursuant to our Listing as we do not intend to own this factory unit post-Listing. However, i-Stone International intends to discontinue its rental arrangement with Turnitin and relocate its operations to a new premise in Singapore from the factory unit owned by Turnitin not later than 1 year after our Listing. After the relocation of our operations, the existing shareholders of Turnitin intends to either dispose their equity interest in the company or dispose the factory unit and wind-up the company.
 - (6) Chan Kok San does not perform any executive function in Venture Primus, as he only attends the board meetings held by this company

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)

| No. | Company | Principal activities | Position held | Date of appointment | Date of resignation | Other previous involvements |
|--------------------------|-----------------------------------|--|---------------|---------------------|---------------------|-----------------------------|
| Past involvements | | | | | | |
| (i) | Genesis Test Integration Pte Ltd | Struck-off on 17 March 2016 (previously involved in supply PCBA functional testers) | Director | 25 May 2012 | - | Substantial shareholder |
| (ii) | Kiddo Marketing Sdn Bhd | Trading of children toys, games, accessories, playground and rides | Director | 1 July 2012 | 29 December 2016 | Substantial shareholder |
| (iii) | One Galaxy Systems ⁽¹⁾ | Property investment company | Director | 29 May 2013 | 5 September 2018 | Substantial shareholder |
| (iv) | OUE | Investment holding company | - | - | - | Substantial shareholder |
| (v) | P.A. Engineering ⁽¹⁾ | Dormant since 29 August 2017 (previously involved in the fabrications of metal products and engineering works) | Director | 3 July 2016 | 21 June 2018 | Substantial shareholder |
| (vi) | Seco Advance Material Pte Ltd | Trading of plastic materials | Director | 6 May 2015 | 31 May 2018 | - |
| (vii) | Sepadu Selatan Sdn Bhd | Dissolved on 27 April 2016 | - | - | - | Substantial shareholder |
| (viii) | Top One Technology ⁽¹⁾ | Trading of electronic, electrical and industrial components | Director | 1 March 2016 | 24 May 2018 | Substantial shareholder |
| (ix) | Univeztron Technology Pte Ltd | Struck-off on 12 May 2014 | Director | 28 April 2006 | - | Substantial shareholder |
| (x) | Venture X Pte Ltd | Struck-off on 7 May 2018 | Director | 19 July 2013 | - | Substantial shareholder |
| (xi) | i-Stone Electronics Pte Ltd | Struck-off on 5 November 2018 | Director | 25 February 2008 | - | Substantial shareholder |

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)

| No. | Company | Principal activities | Position held | Date of appointment | Date of resignation | Other previous involvements |
|-------|---------------------|------------------------------|---------------|---------------------|---------------------|-----------------------------|
| (xii) | POD Systems Sdn Bhd | Dormant since 1 October 2017 | Director | 21 February 2012 | 11 December 2018 | - |

Note:

- (1) Disposed pursuant to the Disposals by i-Stone Technology

(d) Chin Chung Lek

| No. | Company | Principal activities | Position held | Date of appointment | Date of resignation | % of shareholdings as at LPD | |
|-----|---------|----------------------|---------------|---------------------|---------------------|------------------------------|----------|
| | | | | | | Direct | Indirect |

Present involvements

| | | | | | | | |
|-------|------------------------|--|----------|-----------------|------------------|------|----------|
| (i) | Global Instant Sdn Bhd | Provision of designs, creation and maintenance services of Internet webpages | Director | 27 April 1998 | - | 20.0 | - |
| (ii) | Turnitin | Investment holding company | Director | 1 November 2010 | 21 February 2019 | 20.0 | - |
| (iii) | One Gourmet | Investment holding in Bistromericana (J.B.) Sdn Bhd | - | - | - | 12.5 | - |
| (iv) | One Galaxy Capital | Investment and trading of quoted shares | - | - | - | - | Note (1) |

Notes:

- (1) Chin Chung Lek currently holds 200,000 preference shares in One Galaxy Capital
(2) Chin Chung Lek do not perform any executive function in Global Instant Sdn Bhd and only attend the board meetings held by this company

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)

| No. | Company | Principal activities | Position held | Date of appointment | Date of resignation | Other previous involvements |
|--|-----------------------------------|---|----------------------|----------------------------|----------------------------|------------------------------------|
| <u>Past involvements</u> | | | | | | |
| (i) | One Galaxy Systems ⁽¹⁾ | Property investment company | Director | 29 May 2013 | 5 September 2018 | Substantial shareholder |
| (ii) | OUE | Investment holding company | - | - | - | Substantial shareholder |
| (iii) | Sepadu Selatan Sdn Bhd | Dissolved on 27 April 2016 | Director | 26 September 2013 | - | Substantial shareholder |
| (iv) | Top One Technology ⁽¹⁾ | Trading of electronic, electrical and industrial components | Director | 1 March 2016 | 24 May 2018 | Substantial shareholder |
| (v) | Univeztron Technology Pte Ltd | Struck-off on 12 May 2014 | Director | 28 April 2006 | - | Substantial shareholder |
| (vi) | i-Stone Electronics Pte Ltd | Struck-off on 5 November 2018 | Director | 25 February 2008 | - | Substantial shareholder |
| Note: | | | | | | |
| (1) Disposed pursuant to the Disposals by i-Stone Technology | | | | | | |
| (e) Professor Dr. Ruzairi bin Abdul Rahim | | | | | | |
| No. | Company | Principal activities | Position held | Date of appointment | Date of resignation | Other previous involvements |
| <u>Past involvement</u> | | | | | | |
| (i) | UTHM Commercial Sdn Bhd | Training, consultancy and event management | Director | 27 September 2017 | 14 May 2018 | - |

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)**(f) Chia Gek Liang**

| No. | Company | Principal activities | Position held | Date of appointment | Date of resignation | % of shareholdings as at LPD | |
|-----------------------------|-------------------------------------|--|------------------------------------|---------------------|---------------------|------------------------------|----------|
| | | | | | | Direct | Indirect |
| Present involvements | | | | | | | |
| (i) | H.A.M. Creations (Malaysia) Sdn Bhd | Provision of interior design and installation services | Director | 6 July 2011 | - | 60.0 | |
| (ii) | Kreatif Evolusi Sdn Bhd | Dormant since 2010 | Director | 12 December 2001 | - | - | (1)100.0 |
| (iii) | QES Group Berhad | Investment holding company involved in the distribution of inspection, test and measurement equipment, materials and engineering solutions | Independent Non-Executive Director | 11 May 2015 | - | ~ | - |
| (iv) | Siri Mesra Sdn Bhd | Investment holding and provision of management consultancy services | Director | 24 June 2002 | - | 99.9 | - |
| (v) | Vati Industries Sdn Bhd | Property investment company | - | 14 July 2003 | - | 50.0 | - |

Notes:

~ Less than 0.1%

(1) Deemed interested pursuant to Section 8(4) of the Act through his shareholding in Siri Mesra Sdn Bhd, which currently holds 100.0% equity interest in Kreatif Evolusi Sdn Bhd

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)

| No. | Company | Principal activities | Position held | Date of appointment | Date of resignation | Other previous involvements |
|---------------------------------|--------------------------|---|----------------------|----------------------------|----------------------------|--|
| <u>Past involvements</u> | | | | | | |
| (i) | Vati Development Sdn Bhd | Struck off on 16 March 2016 | Director | 1 April 2010 | - | Shareholder |
| (ii) | Vati Resources Sdn Bhd | Investment holding in property development business | Director | 14 February 2008 | 2 March 2015 | Shareholder |
| (g) Law Lee Yen | | | | | | |
| No. | Company | Principal activities | Position held | Date of appointment | Date of resignation | % of shareholdings held as at LPD |
| | | | | | | Direct |
| | | | | | | Indirect |

Present involvements

| | | | | | | |
|-------|----------------------------------|---|----------|-----------------|---|------|
| (i) | LY Law & Associates | Audit and taxation advisory services | Partner | 4 January 2017 | - | - |
| (ii) | Duta Marina Sdn Bhd | Dormant since incorporation on 25 June 2012 | Director | 15 October 2014 | - | 50.0 |
| (iii) | Integro Plantations Sdn Bhd | Oil palm cultivation and trading of fresh fruit bunches | - | - | - | 20.0 |
| (iv) | Integro Risks Management Sdn Bhd | General insurance agent | Director | 28 May 2009 | - | 46.7 |
| (v) | JS Jadi Sdn Bhd | General contractor | Director | 1 November 2016 | - | 50.0 |
| (vi) | Tong Seng Plantations Sdn Bhd | Trading of fresh fruit bunches | - | - | - | 5.0 |
| (vii) | TS Plantations Sdn Bhd | Trading of fresh fruit bunches | - | - | - | 4.5 |

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)

| No. | Company | Principal activities | Position held | Date of appointment | Date of resignation | % of shareholdings held as at LPD | |
|--------|-------------------------------------|-----------------------------|---------------|---------------------|---------------------|-----------------------------------|----------|
| | | | | | | Direct | Indirect |
| (viii) | TLC Risks Management Sdn Bhd | Agent for general insurance | Director | 20 June 2018 | - | 100.0 | |
| (ix) | Olive Hill Development Sdn Bhd | Investment holding company | Director | 23 April 2018 | - | 25.0 | |
| (x) | Tong Seng Plantations (BTU) Sdn Bhd | Oil palm plantation | - | - | - | 4.1 | |

| No. | Company | Principal activities | Position held | Date of appointment | Date of resignation | Other previous involvements |
|------|----------------------------------|---|---------------|---------------------|---------------------|-----------------------------|
| (i) | G7 Ubiquitous (Malaysia) Sdn Bhd | Tracking Export and import of computer hardware, software and peripherals | Director | 14 March 2016 | 16 September 2016 | - |
| (ii) | Terry Law & Co | Company secretarial services and tax advisory services | Partner | 13 April 2011 | 31 May 2017 | - |

Past involvements

[The rest of this page is intentionally left blank]

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*cont'd*)

The involvements of our Directors in those business activities outside our Group do not give rise to any conflict of interest situation with our business activities, after taking into consideration the following factors:

- (a) the above companies in which our Directors are involved in are not in the specialised machinery and equipment market, and as such do not compete with our Group;
- (b) the involvements of our Managing Director and Executive Directors in those business activities do not require significant amount of their management time, as these other businesses represent their investments in businesses which are involved in owning a property for rental⁽ⁱ⁾, trading of quoted securities listed on Bursa Securities⁽ⁱ⁾ and webpage maintenance⁽ⁱⁱ⁾. The daily operations of their food and beverage business are managed by the restaurant manager

Notes:

- (i) The nature of these businesses do not require significant management time as one activity relates to the collection of rental income from the property owned in Singapore whilst the other is involved in the trading of quoted securities
 - (ii) The provision of design, creation and maintenance service of Internet webpages of Global Instant Sdn Bhd is currently being managed by its key management team and other Directors
- (c) Dato' Azman bin Mahmood, Professor Dr. Ruzairi bin Abdul Rahim, Chia Gek Liang and Law Lee Yen, being Independent Non-Executive Directors, are not involved in the day-to-day operations of our Group. Their involvement in other business activities outside our Group, especially in those companies where they hold executive functions, will not affect their contributions to our Group as they only attend Board meetings to provide oversight and check-and-balance to our Group's affairs. Their roles are to ensure that our Group have the proper corporate governance in conducting our business activities from time to time.

Based on the above considerations, our Board is of the view that the involvements of the Directors in other companies do not affect their abilities to perform their executive roles and responsibilities to our Group. Most of the time of the Managing Director and Executive Directors are spent in the operations and affairs of our Group. As such, their involvements in other businesses and operations outside of our Group are not expected to have any effect on their contribution to our Group.

In order to mitigate any possible conflict of interest situation in the future, our Directors will declare to our Audit and Risk Management Committee and our Board, their interests in other companies at the onset and as and when there are changes in their respective interests in the companies outside our Group. Our Audit and Risk Management Committee will evaluate if such Director's involvement give rise to an actual or potential conflict of interest with our Group's business activities. After a determination has been made on whether there is an actual or potential conflict of interest, our Audit and Risk Management Committee will then:

- (a) immediately inform our Board of the conflict of interest situation;
- (b) make recommendations to our Board to direct the conflicted Director to:
 - (i) withdraw from all his executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an Executive Director). After his withdrawal, he will remain

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)

in the said executive position to perform his executive role in matters that will not give rise to conflict of interest situation; and

- (ii) abstain from all Board deliberation and involvements in matters where he has a conflict of interest situation. The conflicted Director shall also be abstain from any Board discussions relating to the recommendation of our Audit and Risk Management Committee and the conflicted Director shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director may however, be present at our meeting for the purposes of answering any questions. The conflicted Director shall also abstain from voting in respect of their direct/indirect shareholdings in our Company, if any, on the resolutions pertaining to the said transactions to be tabled at the general meeting to be convened

In circumstances where a Director is determined to have a significant, ongoing and irreconcilable conflict of interest with our Group, and where such conflict of interest significantly impedes the Director's ability to carry out his fiduciary duties and responsibilities to our Group, our Nomination Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

- (c) to identify the persons connected to the conflicted Director (if any) and review any business dealings with such persons to establish whether a conflict of interest situation arises. Thereafter, the conflicted Director shall undertake to ensure that persons connected to him shall abstain from voting in respect of their direct/indirect shareholdings in our Company, if any, on the resolutions pertaining to the said transactions to be tabled at the general meeting to be convened. The Audit and Risk Management Committee shall also continue to monitor such business dealings to ensure that they are conducted on arms' length basis and based on terms that are fair to our Group.

It is the Director's fiduciary duty to avoid conflict. Our Directors are required to attend courses which provide guidelines to them on their fiduciary duties. In relation to matters or transactions requiring the approval of our Board, the relevant Directors who are deemed interested or conflicted in such matters or transactions shall be required to declare their interests and abstain from deliberations and voting on the resolutions relating to these matters or transactions. In view of the above, our Board is of the opinion that the measures outlined above are adequate in resolving possible conflict of interest situation in the future.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)

5.2.4 Remuneration and benefits

(a) Directors

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for FYE 2018 and FYE 2019 are as follows:

| Director | FYE 2018 | Directors' | | | Benefits | Total |
|--|----------|------------|----------|---------|----------|--------|
| | | fees | Salaries | Bonuses | -in-kind | |
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Dato' Azman bin Mahmood ⁽²⁾ | | 15 | - | - | - | 15 |
| Tee Sook Sing | | - | 403 | 125 | 11 | 539 |
| Chan Kok San | | - | 451 | 53 | 17 | 521 |
| Chin Chung Lek | | - | 174 | 37 | 5 | 216 |
| Professor Dr. Ruzairi bin Abdul Rahim | | 8 | - | - | - | 8 |
| Chia Gek Liang ⁽²⁾ | | 15 | - | - | - | 15 |
| Law Lee Yen ⁽²⁾ | | 12 | - | - | - | 12 |

| Director | Proposed for FYE 2019 | Directors' | | | Benefits- | Total |
|--|-----------------------|------------|----------|------------------------|------------------|--------|
| | | fees | Salaries | ⁽¹⁾ Bonuses | in-kind | |
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Dato' Azman bin Mahmood ⁽²⁾ | | 60 | - | - | ⁽⁴⁾ 4 | 64 |
| Tee Sook Sing ⁽³⁾ | | - | 412 | - | 12 | 424 |
| Chan Kok San ⁽³⁾ | | - | 368 | - | 17 | 385 |
| Chin Chung Lek ⁽³⁾ | | - | 169 | - | 12 | 181 |
| Professor Dr. Ruzairi bin Abdul Rahim ⁽³⁾ | | 48 | - | - | ⁽⁴⁾ 3 | 51 |
| Chia Gek Liang ⁽²⁾ | | 60 | - | - | ⁽⁴⁾ 4 | 64 |
| Law Lee Yen ⁽²⁾ | | 48 | - | - | ⁽⁴⁾ 3 | 51 |

Notes:

- (1) The final bonuses for FYE 2019 are not included. Such bonuses, if any, will be determined later depending on the performance of our Group, subject to the recommendation of the Remuneration Committee and approved by our Board
- (2) Appointed on 1 October 2018
- (3) Appointed on 1 November 2018
- (4) These benefits-in-kind comprises meeting attendance allowances and travelling allowances

(b) Substantial shareholder

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our substantial shareholder, namely Chan Sai Kong (who is also the Sales Manager of i-Stone International) for services rendered in all capacities to our Group for FYEs 2018 and 2019 are as follows:

| | Directors' | Salaries | Bonuses | Benefits | Total |
|----------|------------|----------|------------------|----------|--------|
| | fees | RM'000 | RM'000 | -in-kind | RM'000 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| FYE 2018 | - | 217 | 18 | 22 | 257 |
| FYE 2019 | - | 218 | ⁽¹⁾ - | 22 | 240 |

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(cont'd)*

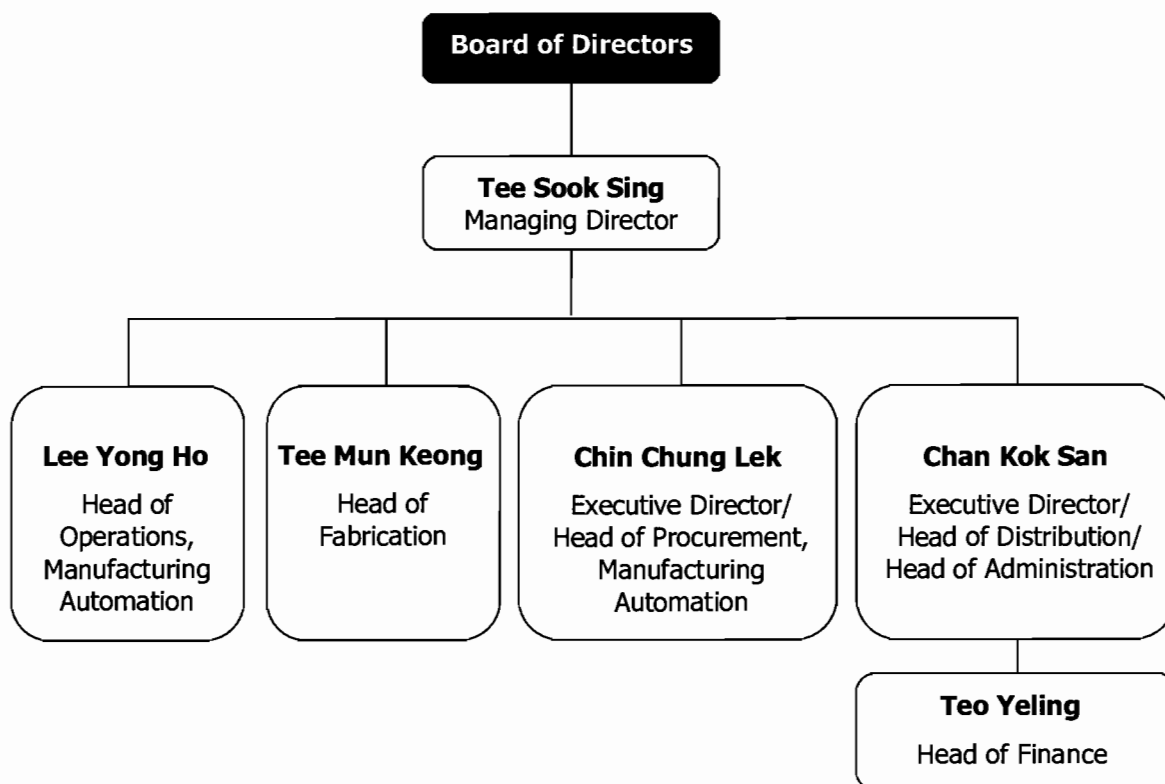
Note:

- (1) The bonuses for FYE 2019 are not included as it will be determined later depending on the financial performance of our Group

The remuneration which includes our Directors' fees, salaries, bonuses and allowances as well as other benefits, must be reviewed and recommended by our Remuneration Committee and subsequently, be approved by our Board. Fees and benefits payable to Directors must be approved by our shareholders pursuant to an ordinary resolution passed at a general meeting where appropriate notice of the proposed changes should be given.

5.3 KEY MANAGEMENT PERSONNEL

5.3.1 Management Structure



5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(cont'd)*

5.3.2 Key management personnel's shareholdings

The shareholdings of our key management personnel in our Company before and after our IPO are set out below:

| Names / Designation / Nationality | Before IPO | | | | After IPO ⁽¹⁾⁽²⁾ | | | |
|--|------------------|---|------------------|---|-----------------------------|---|------------------|---|
| | Direct | | Indirect | | Direct | | Indirect | |
| | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Lee Yong Ho / Head of Operations, Manufacturing Automation / Malaysian | - | - | - | - | 500,000 | ~ | - | - |
| Tee Mun Keong / Head of Fabrication / Malaysian | - | - | - | - | 500,000 | ~ | - | - |
| Teo Yeling / Head of Finance / Malaysian | - | - | - | - | 500,000 | ~ | - | - |

Notes:

~ Less than 0.1%

(1) Based on the enlarged share capital of 1,221,477,200 Shares after our IPO

(2) Assuming our key management personnel will fully subscribe for their respective entitlements under the Pink Form Allocations

5.3.3 Profiles of key management personnel

The profiles of our key management personnel are as follows:

(a) Lee Yong Ho

Lee Yong Ho, a Malaysian, aged 38, is our Head of Operations, Manufacturing Automation. He is responsible for overseeing the overall daily operations of our Manufacturing Automation segment.

He graduated with a Bachelor of Engineering (Electrical-Telecommunication) from UTM in 2003. Since 2014, he has been certified by Project Management Institute as a Project Management Professional. In 2016, he completed and passed the assessment for the training course on ISO 9001:2015 Auditor/Lead Auditor (Quality Management System) certified by the International Register of Certificated Auditors, which is valid for 3 years from 9 September 2016 to 8 September 2019. He has over 15 years of working experience specialising in the project management for test and measurement equipment development and manufacturing processes.

He began his career in 2003 as an Electronics Engineer at HPI Innovation Sdn Bhd, where he was responsible for electronics hardware product design and development. In 2004, he joined Flextronics Technology (Malaysia) Sdn Bhd as its Test Development Engineer where he was involved in the development of test and measurement equipment. In 2008, he left Flextronics Technology (Malaysia) Sdn Bhd and joined

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)

Qimonda Malaysia Sdn Bhd, as a Senior Engineer in the Unit Process Engineering Test Department, where he was involved in the prototyping, engineering and qualification of test processes.

He left Qimonda Malaysia Sdn Bhd in 2009 and joined i-Stone Technology as a Senior Project Engineer, where he was responsible for functional tester development activities such as machine wiring design, test software development, machine integration, deployment and support. He was then promoted to Project Manager (Electrical Engineering) in 2010 to oversee the overall planning, product development, manufacturing, field service and support as well as quality control activities of our Group. He assumed his current position on 1 October 2018.

He currently serves as director and is a shareholder for a number of private companies, details of which are set out in Section 5.3.4(a).

(b) Tee Mun Keong

Tee Mun Keong, a Malaysian, aged 35, is our Head of Fabrication for the design and fabrication of metal panels, frames and precision parts business segment. He is mainly responsible for overseeing the day-to-day administration and operations of the design and fabrication activities of our Group.

He graduated with a Diploma in Mechanical Engineering (Agriculture) from Politeknik Kota Bharu, Kelantan in 2006. Since 2015, he has been certified by the Project Management Institute as a Project Management Professional. He has more than 12 years of working experiences in production planning, engineering support and sales.

He started his career at D&E Works Sdn Bhd in 2006 as a Draftsman, where he was involved in making detailed technical drawings, developing CNC program used by various CNC machines. In 2007, he was transferred to the Sales Department of D&E Works Sdn Bhd as its Sales Coordinator and was responsible for indoor sales and production job coordination. He left D&E Works Sdn Bhd in 2008 and joined Libra 2002 Pte Ltd in Singapore as its Production Engineer, where he was responsible for formulating production plan, supervising production workers and providing engineering support. In January 2010, he left Libra 2002 Pte Ltd and returned to Malaysia to join Formach Asia Sdn Bhd as its Mechanical Engineer, where he was responsible in project planning, execution and providing engineering support.

In August 2010, he left Formach Asia Sdn Bhd and joined i-Stone Technology as its Sales Engineer, where he was responsible for handling sales and application of specialised automation machines. In January 2013, he was transferred to the Mechanical Department as a Mechanical Engineer and was involved in product design and sales support. He was then promoted to Assistant Project Manager in July 2013, where he was responsible for managing and leading the mechanical team. In 2017, he was promoted as a Project Manager (Mechanical Engineering), where he was responsible for overseeing the product development and manufacturing, field service & support and quality control activities of our Group. He assumed his current position on 1 October 2018.

Tee Mun Keong is the brother of Tee Sook Sing, the Managing Director of our Group. He currently serves as a director and is a shareholder for a company, details of which are set out in Section 5.3.4(b).

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)

(c) Teo Yeling

Teo Yeling, a Malaysian, age 36, is our Head of Finance. She is responsible for our Group's overall financial and accounting functions, which include treasury, financial review, credit risk, cash flow management and financial planning.

She graduated with a Bachelor of Business (Accountancy) from the Royal Melbourne Institute of Technology, Australia in 2004. She was then admitted to full membership of CPA Australia as a Certified Practising Accountant in 2009 and has been a member of the Malaysian Institute of Accountants since 2010. She has accumulated over 13 years of combined working experiences in accounting and finance field.

In 2005, she began her career as an Audit Assistant with KPMG Malaysia and was then promoted to Senior Audit Associate in 2007. In July 2008, she was assigned to the Advisory-Transaction Services Division of KPMG Malaysia, where she was involved in pre-deal evaluations and special audits for merger and acquisition exercises. In November 2008, she was seconded to KPMG Indonesia, where she was placed under its Assurance Division, where she was involved in various audit assignments for clients involved in the energy, natural resources and automotive industries.

Upon the completion of her secondment to KPMG Indonesia in April 2009, she returned to the Assurance Division of KPMG Malaysia and was promoted as its Assistant Audit Manager. In January 2010, she was promoted as Audit Manager, where she was responsible for overseeing audit assignments. She left KPMG Malaysia in April 2010 to join Ok Yau & HowYong PLT as an Audit Manager. In 2013, she was promoted to Senior Audit Manager. During her stint with Ok Yau & HowYong PLT, she was responsible for managing a portfolio of clientele, supervising audit and tax teams as well as overseeing audit assignments. In March 2018, she joined our Group and assumed her current position.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)**5.3.4 Principal business performed outside our Group**

Save as disclosed below, none of our key management personnel has any other principal directorships and/or principal business activities performed outside our Group in the past 5 years up to the LPD:

(a) Lee Yong Ho

| No. | Company | Principal activities | Position held | Date of appointment | Date of resignation | % of shareholdings as at LPD | |
|------------------------------------|--------------------------------|--|-------------------------|---------------------|---------------------|------------------------------|----------|
| | | | | | | Direct | Indirect |
| <u>Present involvements</u> | | | | | | | |
| (i) | Bistroamericana (J.B.) Sdn Bhd | Food and beverage services | Director ⁽²⁾ | 3 November 2017 | - | - | - |
| (ii) | One Gourmet ⁽¹⁾ | Investment holding in Bistroomericana (J.B.) Sdn Bhd | - | - | - | 12.5 | - |
| (iii) | OUE | Investment holding company | - | - | - | 11.1 | - |

Notes:

- (1) Disposed by i-Stone Technology pursuant to the Disposals by i-Stone Technology
(2) He presently does not perform any executive functions in this company as he only attends the board meeting held by this company

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)**(b) Tee Mun Keong**

| No. | Company | Principal activities | Position held | Date of appointment | Date of resignation | % of shareholdings as at LPD | |
|-----------------------------------|---------------------------------|--|---------------|---------------------|---------------------|------------------------------|----------|
| | | | | | | Direct | Indirect |
| <u>Present involvement</u> | | | | | | | |
| (i) | OUE | Investment holding company | - | - | - | 11.1 | - |
| <u>Past involvement</u> | | | | | | | |
| (i) | P.A. Engineering ⁽¹⁾ | Dormant since 29 August 2017 (previously involved in the fabrications of metal products and engineering works) | Director | 3 July 2016 | 21 June 2018 | - | - |

Note:

(1) Disposed pursuant to the Disposals by i-Stone Technology

(c) Teo Yeling

| No. | Company | Principal activities | Position held | Date of appointment | Date of resignation | Other previous involvements | |
|---------------------------------|-------------------------------|----------------------------------|---------------|---------------------|---------------------|-----------------------------|---|
| | | | | | | | |
| <u>Past involvements</u> | | | | | | | |
| (i) | Kheng Eng Corporation Sdn Bhd | Trading of used textile products | Director | 10 February 2014 | 11 March 2014 | - | - |
| (ii) | Kuraray Malaysia Sdn Bhd | Commission agent | Director | 1 June 2015 | 1 March 2017 | - | - |

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)

| No. | Company | Principal activities | Position held | Date of appointment | Date of resignation | Other previous involvements |
|-----|---------|----------------------|---------------|---------------------|---------------------|-----------------------------|
|-----|---------|----------------------|---------------|---------------------|---------------------|-----------------------------|

| | | | | | | |
|-------|---------------------------------|--|----------|------------------|------------------|---|
| (iii) | Veka Plastic (Malaysia) Sdn Bhd | Manufacturing and trading of plastic window and door profile systems | Director | 14 November 2013 | 1 September 2018 | - |
|-------|---------------------------------|--|----------|------------------|------------------|---|

The involvements of Lee Yong Ho and Tee Mun Keong in those business activities outside our Group will not give rise to any conflict of interest situation with our business activities, after taking into consideration the following factors:

- (a) they do not perform any executive functions in the abovementioned companies and only attends the board meetings as and when it is conducted; and
- (b) the above companies in which they are involved are not in the specialised machinery and equipment market, and as such do not compete with our Group.

Based on the above considerations, our Board is of the view that the involvements of Lee Yong Ho and Tee Mun Keong in other companies will not affect their abilities to perform their roles and responsibilities to our Group. Most of their time is spent in the operations and affairs of our Group. As such, their involvements in other businesses and operations outside of our Group are not expected to have any effect on their contribution to our Group.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*cont'd*)

5.3.5 Remunerations and benefits

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our key management personnel for services rendered in all capacities to our Group for FYEs 2018 and 2019 are as follows:

| FYE 2018 | Remuneration band (in bands of RM50,000) | | |
|---------------|--|------------------|-----------|
| | Remuneration | Benefits-in-kind | Total |
| | RM'000 | RM'000 | RM'000 |
| Lee Yong Ho | 200 – 250 | 0 – 50 | 200 – 250 |
| Tee Mun Keong | 100 – 150 | 0 – 50 | 150 – 200 |
| Teo Yeling | 150 – 200 | 0 – 50 | 200 – 250 |

| Proposed for FYE 2019 | Remuneration band (in bands of RM50,000) | | |
|--------------------------|--|------------------|-----------|
| | Remuneration | Benefits-in-kind | Total |
| | RM'000 | RM'000 | RM'000 |
| Lee Yong Ho | 200 – 250 | 0 – 50 | 250 – 300 |
| Tee Mun Keong | 150 – 200 | 0 – 50 | 200 – 250 |
| Teo Yeling | 200 – 250 | 0 – 50 | 200 – 250 |

5.4 BOARD PRACTICE

5.4.1 Board

Our Board has adopted the following responsibilities for effective discharge of its functions:

- (a) to provide leadership and oversee the overall conduct of our Group's businesses to ensure that our businesses are being properly managed;
- (b) to review and adopt strategic plans for our Group and to ensure that such strategic plans and the risk, performance and sustainability thereon are effectively integrated and appropriately balanced;
- (c) to review and adopt corporate governance best practices in relation to risk management, legal and compliance management and internal control systems to safeguard our Group's reputation, and our employees and assets and to ensure compliance with applicable laws and regulations;
- (d) to ensure that our Company has effective Board committees as required by the applicable laws, regulations, rules, directives and guidelines and as recommended by the Malaysian Code of Corporate Governance;
- (e) to review and approve our annual business plans, financial statements and annual reports;
- (f) to monitor the relationship between our Group and our management, shareholders and stakeholders, and to develop and implement an investor relations programme or shareholders' communications policy for our Group; and

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)

- (g) to appoint our Board committees, to delegate powers to such committees, to review the composition, performance and effectiveness of such committees, and to review the reports prepared by our Board committees and deliberate on the recommendations thereon.

All our Directors were only appointed to our Board in October and November 2018, and have served for less than one year as at LPD. All our Directors will retire and be eligible for re-election at our forthcoming first annual general meeting. In accordance with our Constitution, an election of Directors shall take place each year at the annual general meeting of the Company, where one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to one-third shall retire from office and be eligible for re-election. This is provided always that all Directors shall retire from office once at least in each 3 years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires. All our Directors have served for less than 3 years as at the LPD.

5.4.2 Audit and Risk Management Committee

The main function of our Audit and Risk Management Committee is to assist our Board in fulfilling its oversight responsibilities. Our Audit and Risk Management Committee has full access to both internal and external auditors who in turn have access at all times to the Chairman of our Audit and Risk Management Committee.

The key duties and responsibilities of our Audit and Risk Management include, amongst others, the following:

- (a) to review the engagement, compensation, performance, qualification and independence of our external auditors, its conduct of the annual statutory audit of our financial statements, and the engagement of external auditors for all other services;
- (b) to review and recommend our quarterly and annual financial statements for approval by our Board before announcement to regulatory bodies, focusing in particular on any changes in or implementation of major accounting policies and practices, significant and unusual events, significant adjustments arising from our audit, going concern assumption and compliance with accounting standards and other regulatory or legal requirements;
- (c) to conduct periodic review of the involvements of the Managing Director and Executive Directors in the companies outside of our Group, in which they have executive functions to ensure that it does not affect their role and responsibilities within our Group;
- (d) to review and monitor any related party transaction/business dealings entered into by our Group and any conflict of interest situation that may arise within our Group to ensure that they are conducted on arms' length basis and based on terms that are fair to our Group;
- (e) to oversee and recommend the risk management policies and procedures of our Group;
- (f) to review and recommend changes as needed to ensure that our Group has in place at all times a risk management policy which address the strategies, operational, financial and compliance risk;
- (g) to implement and maintain a sound risk management framework which identifies, assesses, manages and monitors our Group's business risks;

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*cont'd*)

- (h) to set reporting guidelines for our Management to report to the committee on the effectiveness of our Group's management of its business risks;
- (i) to review the risk profile of our Group and to evaluate the measure taken to mitigate the business risks;
- (j) to review the adequacy of Management's response to issues identified to risk registers, ensuring that our risks are managed within our Group's risk appetite;
- (k) to perform the oversight function over the administration of whistleblowing policy that is approved and adopted by the Board and to protect the values of transparency, integrity, impartiality and accountability where the Group conducts its business and affairs;
- (l) to enhance its accountability in preserving its integrity and to withstand public scrutiny which in turn enhances and builds the Group's credibility to all our stakeholders;
- (m) to consider the major findings of internal investigations and Management's response; and
- (n) to perform such other functions as may be requested by our Board.

The recommendations of our Audit and Risk Management Committee are subject to the approval of our Board. The members of our Audit and Risk Management Committee as at the LPD are as follows:

| Names | Designation | Directorship |
|---------------------------------------|-------------|------------------------------------|
| Law Lee Yen | Chairperson | Independent Non-Executive Director |
| Professor Dr. Ruzairi bin Abdul Rahim | Member | Independent Non-Executive Director |
| Chia Gek Liang | Member | Independent Non-Executive Director |

Our Board will review the composition, performance and effectiveness of our Audit and Risk Management Committee annually.

5.4.3 Remuneration Committee

The main function of our Remuneration Committee is to assist our Board in fulfilling its responsibility on matters relating to our Group's compensation, bonuses, incentives and benefits. The key duties and responsibilities of our Remuneration Committee include, amongst others, the following:

- (a) to recommend to our Board the appropriate remuneration packages for the Managing Director, Executive Directors, Non-Executive Directors and key management personnel in all forms;
- (b) assist our Board in developing and administering a fair and transparent procedure for setting policy on remuneration of directors and key management personnel;
- (c) review the remuneration package for the Non-Executive Directors and the committees to be aligned with their responsibilities and contribution;
- (d) review at least once a year the performance of the Managing Director and Executive Directors and recommend to our Board specific adjustments in remuneration and/or reward payments, if any, reflecting their contributions for the year;

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*cont'd*)

- (e) ensure that the remuneration packages are determined on the basis of the directors' and key management personnel's merit, qualification and competence, having regard to the Company's operating results, individual performance and comparable market statistics;
- (f) ensure that the level of remuneration are aligned with the business strategy and long-term objectives of the Company and reflects the experience and level of responsibilities undertaken by the Directors and key management personnel;
- (g) review the fees of the Directors and benefits payable to directors including any compensation for loss of employment of director or former director and recommend to our Board and thereafter to be approved at a general meeting; and
- (h) recommend the engagement of external professional advisors to assist and/or advise the Committee on remuneration matters, where necessary.

The recommendations of our Remuneration Committee are subject to the approval of our Board. The members of our Remuneration Committee as at the LPD are as follows:

| Names | Designation | Directorship |
|---------------------------------------|-------------|------------------------------------|
| Chia Gek Liang | Chairman | Independent Non-Executive Director |
| Professor Dr. Ruzairi bin Abdul Rahim | Member | Independent Non-Executive Director |
| Law Lee Yen | Member | Independent Non-Executive Director |

5.4.4 Nomination Committee

The Nomination Committee's duties and responsibilities as stated in its terms of reference include, amongst others, the following:

- (a) recommend to our Board, candidates for all directorships and the protocol for accepting new directorships. In making the recommendations, the committee should also consider candidates proposed by the Managing Director/Executive Director and within the bounds of practicability, by any other senior executive, Director or shareholder. The Nomination Committee shall also utilise independent sources to identify suitably qualified candidates;
- (b) make recommendations to our Board for the appointment of the Chairman, Managing Director/Executive Director and Independent Director, including an assessment of the time commitment expected and recognising the need for availability in the event of crises;
- (c) develop, maintain and review the criteria to be used in the recruitment process and annual assessment of our Directors. The nomination and the election process should be disclosed in the annual report of our Company;
- (d) review our Board's succession plans;
- (e) assess annually the independence of its independent directors. This activity shall be disclosed in the annual report of our Company and in any notice of a general meeting for the appointment and re-appointment of independent directors;
- (f) review, at least once a year, its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to our Board for approval;

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*cont'd*)

- (g) recommend to our Board, Directors to fill the seats on Board Committees;
- (h) review annually the required mix of skills, experience and other qualities of our Board, including core competencies which Non-Executive Directors should bring to our Board. This activity shall be disclosed in the annual report of our Company;
- (i) assess annually the effectiveness and performance of our Board as a whole, the committees of our Board and the contribution of each individual Director including his time commitment, character, experience and integrity vide a formal and objective assessment. All assessments and evaluations carried out by the committee in the discharge of all its functions shall be properly documented and disclosed to the annual report of our Company;
- (j) assess the training needs of each director, review the fulfilment of such training, and disclose details in the Annual Report as appropriate;
- (k) consider the size of our Board with a view to determine the impact of the number upon our Board's effectiveness and recommend it to our Board;
- (l) consider and recommend the Directors for re-election/ re-appointment at each Annual General Meeting of our Company; and
- (m) assess annually the term of office and performance of the Audit and Risk Management Committee and each of its members to determine whether the Audit and Risk Management Committee and its members have carried out their duties in accordance with their terms of reference.

The recommendations of our Nomination Committee are subject to the approval of our Board.

The members of our Nomination Committee as at the LPD are as follows:

| Names | Designation | Directorship |
|---------------------------------------|-------------|------------------------------------|
| Chia Gek Liang | Chairman | Independent Non-Executive Director |
| Professor Dr. Ruzairi bin Abdul Rahim | Member | Independent Non-Executive Director |
| Law Lee Yen | Member | Independent Non-Executive Director |

5.5 RELATIONSHIPS AND/OR ASSOCIATIONS

Tee Mun Keong and Tee Sook Sing are siblings. Other than that, there are no family relationships or association between or amongst our Promoters, substantial shareholders, Directors and key management personnel as at the LPD.

5.6 EXISTING OR PROPOSED SERVICE AGREEMENTS

As at the LPD, there are no existing or proposed service agreements (contracts for services) entered into between the companies within our Group, with our Directors or key management personnel.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (cont'd)

5.7 DECLARATION FROM PROMOTERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

As at the LPD, none of our Directors, Promoters or key management personnel is or has been involved in any of the following events (whether within or outside Malaysia):

- (a) in the last 10 years, a petition under any bankruptcy or insolvency law filed (and not struck out) against such person or any partnership in which he/she was a partner or any corporation of which he/she was a Director or a member of key management personnel;
- (b) disqualified from acting as a Director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (c) in the last 10 years, charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (d) in the last 10 years, any judgment that was entered against him/her, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (e) in the last 10 years, was the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his/her part that relates to the capital market;
- (f) being the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activities;
- (g) being the subject of any current investigation or disciplinary proceeding, or in the last 10 years has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; or
- (h) has any unsatisfied judgment against him/her.

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6. GENERAL INFORMATION ON OUR GROUP

6.1 INFORMATION ON OUR COMPANY

Our Company was incorporated in Malaysia on 22 March 2018 under the Act as a private limited company, and was subsequently converted into a public limited company on 25 May 2018. Please refer to Section 7.1 for detailed information of our Group's history.

We are an investment holding company, and through our subsidiaries, we are principally involved in the manufacturing automation business, with a focus on specialised automation machines. Our core business activities are segmented as follows:

- (a) design, manufacturing and modification of specialised automation machines used in automating manufacturing processes;
- (b) provision of maintenance and technical support services for our specialised automation machines; and
- (c) provision of DMS used for monitoring and controlling of manufacturing processes.

In addition, we are also involved in offering complementary products and services to the manufacturing automation business, as follows:

- (a) design and fabrication of metal frames, panels and precision parts; and
- (b) distribution of manufacturing automation hardware and software.

Kindly refer to Section 7.2 for details on our principal business activities and products.

There has been no material change in the manner in which our Company conducts our business or activities since our incorporation up to the LPD. Please refer to Section 7.1 for detailed information of our Group's history.

6.2 SHARE CAPITAL

As at LPD, our share capital is RM16,612,178.70 comprising 977,181,200 Shares. The movements in our share capital since the date of our incorporation are set out below:

| Date of Allotment | No. of Shares allotted | Consideration/ Type of Issue RM | Cumulative share capital RM |
|--------------------------|-------------------------------|---|--|
| 22 March 2018 | 100 | 100 / Subscribers' shares | 100.00 |
| 2 May 2019 | 977,181,100 | 16,612,078.70 / Consideration for the Acquisition of i-Stone Technology | 16,612,178.70 |

As at LPD, we do not have any outstanding warrant, option, convertible securities and uncalled capital in respect of our Shares. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment of our Shares.

Upon completion of our IPO, our enlarged share capital will be increased to RM55,699,538.70 comprising 1,221,477,200 Shares from the issuance of 244,296,000 Issue Shares at the IPO Price.

6. GENERAL INFORMATION ON OUR GROUP (cont'd)

6.3 OUR INTERNAL RESTRUCTURING

In preparation for our Listing, we have undertaken a series of internal restructuring exercises to achieve the following objectives:

- (a) reorganisation of our shareholdings structure to reflect the leadership role of our Managing Director and allow equity participation by our key employees. This is encapsulated under Shareholdings Reorganisation (see Section 6.3.1)
- (b) disposal of assets which do not form part of our core business activities, as encapsulated under the Disposals by i-Stone Technology (see Section 6.3.2);
- (c) consolidation of our equity interest in our subsidiaries through the acquisition of minority stakes and formalisation of our corporate structure for i-Stone Technology group of companies. This is encapsulated under Acquisitions by i-Stone Technology (see Section 6.3.3); and
- (d) to separate the listing entity from our operations via the Acquisition of i-Stone Technology (see Section 6.3.4).

6.3.1 Shareholdings Reorganisation

The Shareholdings Reorganisation was undertaken to facilitate the equity participation of our key employees and to reflect the importance of these employees to the future of our Group.

On 17 April 2018, Tee Sook Sing subscribed for 1 new ordinary share in OUE for a cash subscription consideration of RM1.00. On 3 July 2018, Tee Sook Sing, Chan Kok San, Chin Chung Lek and Chan Sai Kong subscribed for a total of 48,959 new ordinary shares in OUE for a total cash subscription consideration of RM48,959. Thereafter, OUE had on 11 July 2018 subscribed for a total of 421,875 i-Stone Technology Shares, representing 36.0% of its enlarged ordinary share capital for a total cash subscription consideration of RM4,218.75.

Upon completion of the above, the shareholders of OUE, namely Chan Kok San, Chin Chung Lek and Chan Sai Kong then disposed their ordinary shares representing 85.0% equity interest held in OUE to certain key employees of our Group for a total cash consideration of RM13,770,000, which was fully paid and completed as at the LPD.

The cash purchase consideration of RM13,770,000 was arrived at on a willing-buyer willing-seller basis after taking into consideration OUE's 36.0% equity interest in i-Stone Technology. The amount paid for the 85% equity stake in OUE was based on an agreed valuation of RM16.2 million for OUE (i.e. the 100.0% equity interest of i-Stone Technology valued at RM45.0 million multiplied by the 36.0% equity interest). i-Stone Technology's valuation of RM45.0 million represents a PE Multiple of 5.82 times based on the unaudited PAT of i-Stone Technology of RM7.73 million for FYE 2017.

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6. GENERAL INFORMATION ON OUR GROUP (cont'd)

The changes in the shareholdings structure of OUE are as follows:

| Name | Before the Shareholdings Reorganisation | | Changes in no. of OUE shares held | Cash purchase Consideration (RM) | After the Shareholdings Reorganisation | |
|---------------------------------|--|--------------|--|---|---|--------------|
| | No. of shares | % | No. of shares | | No. of shares | % |
| Chan Kok San | 26,928 | 55.0 | (26,928) | - | - | - |
| Chin Chung Lek | 9,792 | 20.0 | (9,792) | - | - | - |
| Chan Sai Kong | 4,896 | 10.0 | (4,896) | - | - | - |
| Tee Sook Sing | 7,344 | 15.0 | 21,216 | 7,020,000 | 28,560 | 58.2 |
| Tee Mun Keong | - | - | 5,440 | 1,800,000 | 5,440 | 11.1 |
| Lee Yong Ho | - | - | 5,440 | 1,800,000 | 5,440 | 11.1 |
| Chiam Kok Thiam | - | - | 2,040 | 675,000 | 2,040 | 4.2 |
| Ong Kiam Aik | - | - | 2,040 | 675,000 | 2,040 | 4.2 |
| Lee We Tar | - | - | 1,360 | 450,000 | 1,360 | 2.8 |
| Wong Chin Kiong | - | - | 816 | 270,000 | 816 | 1.7 |
| Chong Kean Wah | - | - | 816 | 270,000 | 816 | 1.7 |
| Goh Wei Lih | - | - | 816 | 270,000 | 816 | 1.7 |
| Ho Siew Yee | - | - | 816 | 270,000 | 816 | 1.7 |
| Chang Wee Siang | - | - | 408 | 135,000 | 408 | 0.8 |
| Lee Sheng Yaw @ Lee Kok Tiam | - | - | 408 | 135,000 | 408 | 0.8 |
| Total | 48,960 | 100.0 | | 13,770,000 | 48,960 | 100.0 |

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6. GENERAL INFORMATION ON OUR GROUP (cont'd)**6.3.2 Disposals by i-Stone Technology**

i-Stone Technology undertook the following disposals as part of our move to streamline our core business activities. The companies disposed by i-Stone Technology as well as Bizit Systems Singapore (pursuant to the Disposal of One Galaxy Systems) were either dormant or are not related to our Group's core activities as detailed below:

| Company | Principal activities | (1) Audited NA / (NL) (RM) | (1) Audited PAT / (LAT) (RM) | Equity disposed (%) | Carrying amount (RM) | Disposal consideration (RM) | Original cost of investment (RM) | Gain / (loss) on disposal (RM) |
|--------------------|---|---|---|------------------------------------|-------------------------------------|--|---|---|
| One Galaxy Capital | Investment and trading of quoted shares | 517,739 | 617,734 | 40.0 | 2 | 250,000 | 2 | 249,998 |
| One Galaxy Equity | Property investment | (4)303,149 | 13,622 | 51.0 | 51,000 | 160,000 | 51,000 | (6)92,814 |
| One Galaxy Systems | Property investment | 171,707 | 840 | (5)94.7 | 156,420 | 175,120 | 49,500 | (6)(5,895) |
| One Gourmet | Investment holding in food and beverage, namely in Bistromericana (J.B.) Sdn Bhd | 76,092 | (123,972) | 50.0 | 8 | 8 | 8 | - |
| P.A. Engineering | Dormant since 29 August 2017. Previously involved in the fabrications of metal products and engineering works | 7,651 | 617 | 60.0 | 22,000 | 4,800 | 22,000 | (17,200) |
| Top One Technology | Trading of electronic, electrical and industrial components | (112,127) | (77,483) | 51.0 | 51,000 | 51,000 | 51,000 | - |
| Venture Primus | Dormant since 27 July 2018. Previously involved in investment holding | (2)209,447 | (2)(135,307) | 250,000 preference shares | # | 1 | (3)250,000 | # |
| Total | | | | | 280,430 | 640,929 | 423,510 | (7)319,718 |

6. GENERAL INFORMATION ON OUR GROUP (cont'd)**Notes:**

- # Less than RM1.00
- (1) Based on the audited financial statements of the respective companies as at 31 December 2017
- (2) Based on the audited financial statement of Venture Primus as at 31 July 2017
- (3) Based on the original cost of investment made by i-Stone Technology on the preference shares in Venture Primus of RM0.25 million
- (4) After adjusting for the revaluation deficit on the property held by One Galaxy Equity
- (5) Comprises 47.1% equity interest in One Galaxy Systems held by i-Stone Technology and 47.6% equity interest in One Galaxy Systems held by Bizit Systems Singapore which were disposed pursuant to the Disposal of One Galaxy Systems
- (6) This amount represents the gain/(loss) after taking into consideration real property gains tax and foreign translation differences
- (7) The total gain on disposal of RM0.32 million for the Disposals by i-Stone Technology is classified in our financial statements as:-
- (i) gain on disposal of investments in companies under Other Income of RM0.358 million (which also includes the gain on disposal of 47.1% equity interest held in One Galaxy Systems by i-Stone Technology and RM0.0320 million and loss arising from the Disposal of P.A. Engineering of RM0.017 million); and
- (ii) loss on disposal of other investments (for the disposal of 47.6% equity interest held by Bizit Systems Singapore in One Galaxy Systems) of RM0.038 million under Other Expenses

Further details of the Disposals by i-Stone Technology are as follows:

(i) Disposal of One Galaxy Capital

Prior to the Disposal of One Galaxy Capital, the Directors of One Galaxy Capital are Chan Kok San and Eng Tze Lok, whilst the shareholders of One Galaxy Capital are as follows:

| Name | No. of ordinary shares in One Galaxy Capital | % of share capital |
|--------------------|--|--------------------|
| i-Stone Technology | 2 | 40.0 |
| Eng Tze Lok | 2 | 40.0 |
| Toh Cha Heng | 1 | 20.0 |
| Total | 5 | 100.0 |

On 1 May 2018, i-Stone Technology entered into a share purchase agreement with Eng Tze Lok (a third party not related to our Directors, Promoters and substantial shareholders) for the disposal of 2 ordinary shares held in One Galaxy Capital for a cash consideration of RM250,000.

The disposal consideration was arrived at on a willing-buyer willing-seller basis, based on the audited NA of One Galaxy Capital as at 31 December 2017 of RM517,739. The Disposal of One Galaxy Capital was completed on 8 May 2018.

Chan Kok San has resigned as Director of One Galaxy Capital on 19 May 2018.

6. GENERAL INFORMATION ON OUR GROUP (cont'd)**(ii) Disposal of One Galaxy Equity**

Prior to the Disposal of One Galaxy Equity, the Directors of One Galaxy Equity are Chan Kok San, Toh Cha Heng and Eng Tze Lok, whilst the shareholders of One Galaxy Equity are as follows:

| Name | No. of ordinary shares in One Galaxy Equity | % of share capital |
|--------------------|---|--------------------|
| i-Stone Technology | 51,000 | 51.0 |
| Eng Tze Lok | 24,500 | 24.5 |
| Toh Cha Heng | 24,500 | 24.5 |
| Total | 100,000 | 100.0 |

On 1 July 2018, i-Stone Technology entered into a share purchase agreement with Chan Kok San (our Executive Director, Promoter and substantial shareholder) for the disposal of 51,000 ordinary shares held in One Galaxy Equity for a cash consideration of RM160,000. The disposal consideration was arrived at on a willing-buyer willing-seller basis, after taking into consideration the adjusted audited NA of One Galaxy Equity as at 31 December 2017 of RM303,149 after adjusting for the revaluation deficit, provision of real property gain tax and reversal of industrial building allowance on the property sold by One Galaxy Equity of RM249,655. The Disposal of One Galaxy Equity was completed on 5 July 2018.

Chan Kok San is presently a Director of One Galaxy Equity.

(iii) Disposal of One Galaxy Systems

Prior to the Disposal of One Galaxy Systems, the Directors of One Galaxy Systems are Chan Kok San, Chin Chung Lek and Hing Fook Sern, whilst the shareholders of One Galaxy Systems are as follows:

| Name | No. of ordinary shares in One Galaxy Systems | % of share capital |
|-------------------------|--|--------------------|
| i-Stone Technology | 49,500 | 47.1 |
| Bizit Systems Singapore | 50,000 | 47.6 |
| Hing Fook Sern | 5,500 | 5.3 |
| Total | 105,000 | 100.0 |

On 1 July 2018, i-Stone Technology and Bizit Systems Singapore entered into a share purchase agreement with Chang Pei Pei (a third party not related to our Directors, Promoters and substantial shareholders) in relation to the disposal of 49,500 ordinary shares and 50,000 ordinary shares in One Galaxy Systems for a total cash consideration of RM87,120 and RM88,000, respectively.

The disposal consideration was arrived at on a willing-buyer willing-seller basis, based on the audited NA of One Galaxy Systems as at 31 December 2017 of RM171,707. The Disposal of One Galaxy Systems was completed on 5 July 2018. Chan Kok San and Chin Chung Lek have resigned as the Directors of One Galaxy Systems on 5 September 2018.

6. GENERAL INFORMATION ON OUR GROUP (cont'd)**(iv) Disposal of One Gourmet**

Prior to the Disposal of One Gourmet, the Directors of One Gourmet are Chan Kok San, Eng Tze Lok and Chiam Kok Thiam, whilst the shareholders of One Gourmet are as follows:

| Name | No. of ordinary shares in One Gourmet | % of share capital |
|--------------------|--|--------------------|
| i-Stone Technology | 8 | 50.00 |
| Tee Sook Sing | 1 | 6.25 |
| Chan Kok San | 1 | 6.25 |
| Chin Chung Lek | 1 | 6.25 |
| Chan Sai Kong | 1 | 6.25 |
| Lee Yong Ho | 1 | 6.25 |
| Chiam Kok Thiam | 1 | 6.25 |
| Lee We Tar | 1 | 6.25 |
| Eng Tze Lok | 1 | 6.25 |
| Total | 16 | 100.0 |

On 1 May 2018, i-Stone Technology entered into a share purchase agreement with Tee Sook Sing, Chan Kok San, Chin Chung Lek, Chan Sai Kong, Lee Yong Ho, Chiam Kok Thiam, Lee We Tar and Eng Tze Lok for the sale of 8 ordinary shares held in One Gourmet for a total cash consideration of RM8.00, in the following manner:

| Name | Relationship with our Group | No. of ordinary shares in One Gourmet | % of share capital | Disposal consideration (RM) |
|-----------------|--|--|--------------------------|-----------------------------------|
| Tee Sook Sing | Promoter, Managing Director and substantial shareholder | 1 | 6.25 | 1 |
| Chan Kok San | Promoter, Executive Director and substantial shareholder | 1 | 6.25 | 1 |
| Chin Chung Lek | Promoter, Executive Director and substantial shareholder | 1 | 6.25 | 1 |
| Chai Sai Kong | Sales Manager of i-Stone International and our substantial shareholder | 1 | 6.25 | 1 |
| Lee Yong Ho | Head of Operations, Manufacturing Automation | 1 | 6.25 | 1 |
| Chiam Kok Thiam | Employee of i-Stone Solutions | 1 | 6.25 | 1 |
| Lee We Tar | Employee of i-Stone Systems | 1 | 6.25 | 1 |
| Eng Tze Lok | Third party not related to our Directors, Promoters and substantial shareholders | 1 | 6.25 | 1 |
| | Total | 8 | 50.0 | 8 |

The disposal consideration was arrived at on a willing-buyer willing-seller basis, based on the issued share capital of One Gourmet as at 31 December 2017 of RM16 after taking into consideration the loss after tax position of One Gourmet of RM123,972 for FYE 2017 and taking into consideration that One Gourmet is expected to continue making losses for FYE 2018. The Disposal of One Gourmet was completed on 15 May 2018. Chan Kok San is presently an Executive Director of One Gourmet.

6. GENERAL INFORMATION ON OUR GROUP (cont'd)**(v) Disposal of P.A. Engineering**

Prior to the Disposal of P.A. Engineering, the Directors of P.A. Engineering are Chan Kok San, Tee Sook Sing, Tee Mun Keong, Peck Yok Kee and Seah Mee Lai, whilst the shareholders of P.A. Engineering are as follows:

| Name | No. of ordinary shares in P.A. Engineering | % of share capital |
|--------------------|---|---------------------------|
| i-Stone Technology | 60,000 | 60.0 |
| Seah Mee Lai | 40,000 | 40.0 |
| Total | 100,000 | 100.0 |

On 16 June 2018, i-Stone Technology entered into a share purchase agreement with Teo Soo Hong (a third party not related to our Directors, Promoters and substantial shareholders) for the disposal of 60,000 ordinary shares held in P.A. Engineering for a cash consideration of RM4,800. The disposal consideration was arrived at on a willing-buyer willing-seller basis, based on the audited NA of P.A. Engineering as at 31 December 2017 of RM7,651. The Disposal of P.A. Engineering was completed on 25 June 2018.

Tee Sook Sing, Chan Kok San, and Tee Mun Keong have resigned as Directors of P.A. Engineering on 21 June 2018.

(vi) Disposal of Top One Technology

Prior to the Disposal of Top One Technology, the Directors of Top One Technology are Chan Kok San, Chin Chung Lek, Toh Cha Heng and Eng Tze Lok, whilst the shareholders of Top One Technology are as follows:

| Name | No. of ordinary shares in Top One Technology | % of share capital |
|--------------------|---|---------------------------|
| i-Stone Technology | 51,000 | 51.0 |
| Chin Chung Lek | 20,000 | 20.0 |
| Toh Cha Heng | 14,500 | 14.5 |
| Eng Tze Lok | 14,500 | 14.5 |
| Total | 100,000 | 100.0 |

On 16 April 2018, i-Stone Technology entered into a share purchase agreement with Toh Cha Heng and Eng Tze Lok (third parties not related to our Directors, Promoters and substantial shareholders) in relation to the disposal of 51,000 ordinary shares held in Top One Technology for a total cash consideration of RM51,000, in the following manner:

| Name | No. of ordinary shares in Top One Technology | % of share capital | Disposal consideration RM |
|--------------|---|---------------------------|----------------------------------|
| Toh Cha Heng | 15,500 | 15.5 | 15,500 |
| Eng Tze Lok | 35,500 | 35.5 | 35,500 |
| Total | 51,000 | 51.0 | 51,000 |

6. GENERAL INFORMATION ON OUR GROUP (cont'd)

The disposal consideration was arrived at on a willing-buyer willing-seller basis, based on the issued share capital of Top One Technology as at 31 December 2017 of RM100,000 and after taking into consideration the NL position of RM112,127 as at 31 December 2017. The Disposal of Top One Technology was completed on 27 April 2018. Chan Kok San and Chin Chung Lek have resigned as Directors of Top One Technology on 24 May 2018.

(vii) Disposal of Venture Primus

Prior to the Disposal of Venture Primus, the Directors of Venture Primus are Chan Kok San and Mun Sang Yip, whilst the shareholders of Venture Primus are as follows:

| Name | No. of ordinary shares in Venture Primus | % of ordinary share capital | No. of preference shares in Venture Primus |
|--------------------------|--|-----------------------------|--|
| i-Stone Technology | - | - | 250,000 |
| Chan Kok San | 60 | 20.0 | 269,940 |
| Innate Resources Pty Ltd | 60 | 20.0 | 69,940 |
| Wong Pui Fun | 60 | 20.0 | 19,940 |
| Chin Chan Kiong | 60 | 20.0 | 19,940 |
| Chiam Yaw Chung | 60 | 20.0 | 19,940 |
| Total | 300 | 100.0 | 649,700 |

On 10 July 2018, i-Stone Technology entered into a share purchase agreement with Chan Kok San (our Executive Director, Promoter and substantial shareholder) to dispose to him 250,000 redeemable preference shares held in Venture Primus for a cash consideration of RM1.00. The disposal consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration the carrying amount of i-Stone Technology's investment in Venture Primus of RM1 as at 31 December 2017 as i-Stone Technology had written down its carrying amount after taking into account the adjusted NA position of Venture Primus. The adjusted NA position of Venture Primus as at 31 July 2017 is RM14,498 after its disposal of its 2 subsidiaries, namely Venture Inc. Sdn Bhd for RM1.00 (disposed on 26 December 2017) and POD Systems Sdn Bhd for RM1.00 (disposed on 27 July 2018). The residual value left in Venture Primus was set aside to pay the necessary expenses to be incurred for the dissolution of Venture Primus in due course.

The Disposal of Venture Primus was completed on 20 July 2018. Chan Kok San is presently a Director of Venture Primus.

6.3.3 Acquisitions by i-Stone Technology

As part of our restructuring exercise, we have acquired the equity interests held in the relevant entities, which were either:

- (a) remaining minority interests not already held by i-Stone Technology in P.A. Metal, Bizit Systems Malaysia and i-Stone Engineering; and
- (b) subsidiaries of Turnitin (a company wherein Chan Kok San, Tee Sook Sing and Chin Chung Lek was previously its Directors and currently its shareholders as well as Chan Sai Kong who is currently its Director and shareholder, whose only business activity is property investment and currently the owner of a factory unit in Woodlands, Singapore), namely i-Stone International and Bizit Systems Singapore. Subsequent to the completion of the Acquisitions by i-Stone Technology, specifically the acquisitions of i-Stone International and Bizit Systems Singapore, we will continue to rent the factory

6. GENERAL INFORMATION ON OUR GROUP (cont'd)

unit belonging to Turnitin located in Woodlands, Singapore, details of which is set out under Section 6.9 below.

These entities that we acquired form an integral part of our Group's core activities. The Acquisitions by i-Stone Technology are subject to the approval of Bursa Securities being obtained for our IPO.

Under the Acquisitions by i-Stone Technology, the following transactions were entered into:

(a) Acquisition of i-Stone International

On 31 October 2018, i-Stone Technology entered into a conditional share purchase agreement with Turnitin (a company wherein Chan Kok San, Tee Sook Sing and Chin Chung Lek was previously its Directors and currently its shareholders as well as Chan Sai Kong who is currently its Director and shareholder) in relation to the acquisition of 200,000 ordinary shares, representing 100.0% equity interest in i-Stone International for a cash consideration of RM534,019.

The purchase consideration was arrived at on a willing-buyer willing-seller basis, after taking into consideration of the audited NA position of i-Stone International as at 30 June 2018 of SGD180,478.89 (equivalent to RM534,019 based on the exchange rate of SGD1.00:RM2.9589 as at 30 June 2018). The exchange rate as at 30 June 2018 is used as the basis of the purchase consideration for i-Stone International as the financial statements of the respective companies under the Acquisitions by i-Stone Technology for FPE 2018 are used as bases to determine the said purchase consideration. The Acquisition of i-Stone International was completed on 30 April 2019 and thereafter i-Stone International became a wholly-owned subsidiary of i-Stone Technology.

(b) Acquisition of Bizit Systems Malaysia

i-Stone Technology acquired additional equity interests in Bizit Systems Malaysia as follows:

| Name | Relationship with our Group | No. of ordinary shares in Bizit Systems Malaysia | % of share capital | Purchase consideration (RM) |
|----------------|--|---|---------------------------|------------------------------------|
| Tay Puay Hoon | Third party not related to our Directors, Promoters and substantial shareholders | ⁽¹⁾ 5,000 | 5.0 | 4,512.50 |
| Chan Sai Kong | Sales Manager of i-Stone International and our substantial shareholder | ⁽²⁾ 10,000 | 10.0 | 9,025.00 |
| Chin Chung Lek | Promoter, Executive Director and substantial shareholder | ⁽²⁾ 10,001 | 10.0 | 9,025.90 |
| Total | | 25,001 | 25.0 | 22,563.40 |

Notes:

- (1) Acquired on 17 July 2018
(2) Acquired on 2 August 2018

The purchase considerations of the above were arrived at on a willing-buyer willing-seller basis, after taking into consideration of the audited NA position of Bizit Systems Malaysia as at 31 December 2017 of RM90,233.

6. GENERAL INFORMATION ON OUR GROUP *(cont'd)*

With the above acquisitions, i-Stone Technology's equity interest held in Bizit Systems Malaysia prior to the Acquisition of Bizit Systems Malaysia increased from 65.0% to 90.0%.

On 31 October 2018, i-Stone Technology entered into a conditional share purchase agreement with Hing Fook Sern (Executive Director of Bizit Systems Malaysia and Bizit Systems Singapore) in relation to the acquisition of the remaining 10,000 ordinary shares, representing 10.0% equity interest in Bizit Systems Malaysia for a purchase consideration of RM30,800.96, satisfied via the issuance of 2,319 new i-Stone Technology Shares at an issue price of RM13.282 each.

The purchase consideration was arrived at on a willing-buyer willing-seller basis, after taking into consideration the audited NA position of Bizit Systems Malaysia as at 30 June 2018 of RM307,955.

The Acquisition of Bizit Systems Malaysia was completed on 30 April 2019 and thereafter Bizit Systems Malaysia became a wholly-owned subsidiary of i-Stone Technology.

(c) Acquisition of Bizit Systems Singapore

On 31 October 2018, i-Stone Technology entered into a conditional share purchase agreement to acquire:

- (i) 90,000 ordinary shares, representing 90.0% equity interest in Bizit Systems Singapore from Turnitin (a company wherein Chan Kok San, Tee Sook Sing and Chin Chung Lek was previously its Directors and currently its shareholders as well as Chan Sai Kong who is currently its Director and shareholder) for a cash consideration of RM2,033,376.78; and
- (ii) 10,000 ordinary shares, representing 10.0% equity interest in Bizit Systems Singapore from Hing Fook Sern (Executive Director of Bizit Systems Malaysia and Bizit Systems Singapore) for a purchase consideration of RM225,926.82, satisfied via the issuance of 17,010 new i-Stone Technology Shares at an issue price of RM13.282 each.

The aggregate total purchase consideration of 100.0% equity interest in Bizit Systems Singapore of RM2,259,303.60 was arrived at on a willing-buyer willing-seller basis, after taking into consideration of the audited NA position of Bizit Systems Singapore as at 30 June 2018 of SGD763,561.99 (equivalent to RM2,259,303.60 based on the exchange rate of SGD1.00:RM2.9589 as at 30 June 2018). The exchange rate as at 30 June 2018 is used as the basis of the purchase consideration for Bizit Systems Singapore as the financial statements of the respective companies under the Acquisitions by i-Stone Technology for FPE 2018 are used to determine the said purchase consideration.

The Acquisition of Bizit Systems Singapore was completed on 30 April 2019 and thereafter Bizit Systems Singapore became a wholly-owned subsidiary of i-Stone Technology.

(d) Acquisition of i-Stone Engineering

i-Stone Technology acquired additional 75,000 ordinary shares, representing 30.0% equity interests in i-Stone Engineering from Tai Wai Chai (previously a Director of i-Stone Engineering until 28 February 2018) for a cash consideration of RM750,000 on 1 January 2018. The said cash consideration was arrived at on a willing-buyer willing-seller basis based after taking into consideration the earnings of i-Stone Engineering.

6. GENERAL INFORMATION ON OUR GROUP (cont'd)

The purchase consideration of RM750,000 (which translates to a valuation of RM2,500,000 for the entire equity stake of i-Stone Engineering) represents a PE Multiple of 3.0 times based on the PAT of i-Stone Engineering of RM811,487 for FYE 2017. The purchase consideration was based on a PE Multiple to reflect the change in statutory control in i-Stone Engineering from an associate to being a subsidiary of i-Stone Technology.

On 31 October 2018, i-Stone Technology entered into a conditional share purchase agreement with Siow Kim Wee (Executive Director of i-Stone Engineering) for the acquisition of the remaining 75,000 ordinary shares, representing 30.0% equity interest in i-Stone Engineering for a purchase consideration of RM440,285.02, satisfied via the issuance of 33,149 new i-Stone Technology Shares at an issue price of RM13.282 each.

The purchase consideration which is satisfied via the issuance of new i-Stone Technology Shares as opposed to a cash consideration was arrived at on a willing-buyer willing-seller basis, after taking into consideration the audited NA position of i-Stone Engineering as at 30 June 2018 of RM1,467,603 and the new i-Stone Shares to be issued pursuant to the Acquisition of i-Stone Technology as set out in Section 6.3.4.

The Acquisition of i-Stone Engineering was completed on 30 April 2019 and thereafter i-Stone Engineering became a wholly-owned subsidiary of i-Stone Technology.

(e) Acquisition of P.A. Metal

Prior to the Acquisition of P.A. Metal, i-Stone Technology held 60.0% equity interests in P.A. Metal.

On 31 October 2018, i-Stone Technology entered into a conditional share purchase agreement with Peck Yok Kee, Seah Mee Lai (non-executive Directors of P.A. Metal) and Tan See Guan (Assistant Project Engineer of P.A. Metal) in relation to the acquisition of 40,000 ordinary shares in P.A. Metal for a total purchase consideration of RM349,927.57. The purchase consideration was wholly satisfied by the issuance of 26,346 new i-Stone Technology Shares at an issue price of RM13.282 per i-Stone Technology Share. Details are as follows:

| Name | No. of ordinary shares in P.A. Metal acquired | % of share capital | Purchase consideration (RM) | No. of i-Stone Technology Shares issued |
|--------------|--|---------------------------|------------------------------------|--|
| Peck Yok Kee | 13,334 | 13.34 | 116,695.65 | 8,786 |
| Seah Mee Lai | 13,333 | 13.33 | 116,615.96 | 8,780 |
| Tan See Guan | 13,333 | 13.33 | 116,615.96 | 8,780 |
| Total | 40,000 | 40.00 | 349,927.57 | 26,346 |

The purchase consideration was arrived at on a willing-buyer willing-seller basis, after taking into consideration the audited NA of P.A. Metal as at 30 June 2018 of RM874,783.

The Acquisition of P.A. Metal was completed on 30 April 2019 and thereafter P.A. Metal became a wholly-owned subsidiary of i-Stone Technology.

6. GENERAL INFORMATION ON OUR GROUP (cont'd)

The issue price of RM13.282 per i-Stone Technology Share was arrived at after taking into account the audited consolidated NA per share of i-Stone Technology as at 30 June 2018 of RM13.282 each (based on 1,171,875 i-Stone Technology Shares in issue after the Shareholdings Reorganisation). The new i-Stone Technology Shares issued pursuant to the Acquisitions by i-Stone Technology shall rank equally in all respect with the existing i-Stone Technology Shares including the voting rights and will be entitled to all rights and dividends and other distributions, that may be declared subsequent to the date of allotment of those new i-Stone Technology Shares.

Upon completion of the Shareholdings Reorganisation and Acquisitions by i-Stone Technology, the resultant shareholdings structure of i-Stone Technology is as follows:

| Names | After Shareholdings Reorganisation | | | | After Shareholdings Reorganisation and Acquisitions by i-Stone Technology | | | |
|-----------------------------|------------------------------------|--------------|---------------|---------------------|---|--------------|---------------|---------------------|
| | Direct | | Indirect | | Direct | | Indirect | |
| | No. of shares | % | No. of shares | % | No. of shares | % | No. of shares | % |
| OUE | 421,875 | 36.0 | - | - | 421,875 | 33.7 | - | - |
| Tee Sook Sing | 112,500 | 9.6 | 421,875 | ⁽²⁾ 36.0 | 112,500 | 9.0 | 421,875 | ⁽²⁾ 33.7 |
| Chan Kok San | 412,500 | 35.2 | - | - | 412,500 | 33.0 | - | - |
| Chin Chung Lek | 150,000 | 12.8 | - | - | 150,000 | 12.0 | - | - |
| Chan Sai Kong | 75,000 | 6.4 | - | - | 75,000 | 6.0 | - | - |
| Siow Kim Wee | - | - | - | - | 33,149 | 2.7 | - | - |
| Hing Fook Sern | - | - | - | - | 19,329 | 1.5 | - | - |
| Peck Yok Kee ⁽¹⁾ | - | - | - | - | 8,786 | 0.7 | - | - |
| Seah Mee Lai ⁽¹⁾ | - | - | - | - | 8,780 | 0.7 | - | - |
| Tan See Guan | - | - | - | - | 8,780 | 0.7 | - | - |
| Total | 1,171,875 | 100.0 | - | - | 1,250,699 | 100.0 | - | - |

Notes:

- (1) Peck Yok Kee and Seah Mee Lai are spouses
- (2) Deemed interested by virtue of Section 8(4) of the Act through her interest held in OUE

6.3.4 Acquisition of i-Stone Technology

We had on 31 October 2018 entered into the conditional share purchase agreement with OUE, Tee Sook Sing, Chan Kok San, Chin Chung Lek, Chan Sai Kong, Siow Kim Wee, Hing Fook Sern, Tan See Guan, Peck Yok Kee and Seah Mee Lai for the acquisition of the entire enlarged share capital of i-Stone Technology of 1,250,699 i-Stone Technology Shares for a total purchase consideration of RM16,612,078.70.

The purchase consideration was wholly satisfied via the issuance of 977,181,100 new Shares at an issue price of approximately RM0.017 per Share on 2 May 2019. Immediately thereafter, i-Stone Technology became a wholly-owned subsidiary of our Company. The conditions precedent for the Acquisition of i-Stone Technology includes:

- (a) the approval of the Board of our Company and if required the approval of our shareholders;
- (b) the completion of the Acquisitions by i-Stone Technology; and
- (c) the approval of Bursa Securities being obtained for our IPO.

6. GENERAL INFORMATION ON OUR GROUP (cont'd)

The purchase consideration of i-Stone Technology of RM16,612,078.70 was arrived at on a willing-buyer willing-seller basis, after taking into consideration the pro forma audited consolidated NA position of i-Stone Technology as at 30 June 2018 of RM17,881,042.

The new Shares issued pursuant to the Acquisition of i-Stone Technology shall rank equally in all respects with our existing Shares including the voting rights and will be entitled to all rights and dividends and other distributions that may be declared subsequent to the date of allotment of those new Shares.

Upon completion of the Acquisition of i-Stone Technology, the following table shows the eventual shareholdings of our Company prior to our Listing:

| Shareholder | After Acquisition of i-Stone Technology | | | | |
|----------------|---|----------------------|--------------|----------------------------|------|
| | Purchase Consideration (RM) | Direct No. of Shares | (1)% | Indirect No. of Shares | % |
| OUE | 5,603,443.10 | 329,614,300 | 33.7 | - | - |
| Tee Sook Sing | 1,494,250.70 | 87,897,100 | 9.0 | ⁽³⁾ 329,614,300 | 33.7 |
| Chan Kok San | 5,478,921.50 | 322,289,500 | 33.0 | - | - |
| Chin Chung Lek | 1,992,335.40 | 117,196,200 | 12.0 | - | - |
| Chan Sai Kong | 996,167.70 | 58,598,100 | 6.0 | - | - |
| Siow Kim Wee | 440,293.20 | 25,899,600 | 2.7 | - | - |
| Hing Fook Sern | 256,732.30 | 15,101,900 | 1.5 | - | - |
| Peck Yok Kee | 116,698.20 | 6,864,600 | 0.7 | - | - |
| Seah Mee Lai | 116,618.30 | 6,859,900 | 0.7 | - | - |
| Tan See Guan | 116,618.30 | 6,859,900 | 0.7 | - | - |
| Loke Yuet Lee | - | 100 | ~ | - | - |
| Total | 16,612,078.70 | 977,181,200 | 100.0 | | |

Notes:

~ Less than 0.1%

(1) Based on the share capital of 977,181,200 Shares after the Acquisitions but before our IPO

(2) Based on the enlarged share capital of 1,221,477,200 Shares after our IPO

(3) Deemed interested by virtue of Section 8(4) of the Act through her interest held in OUE

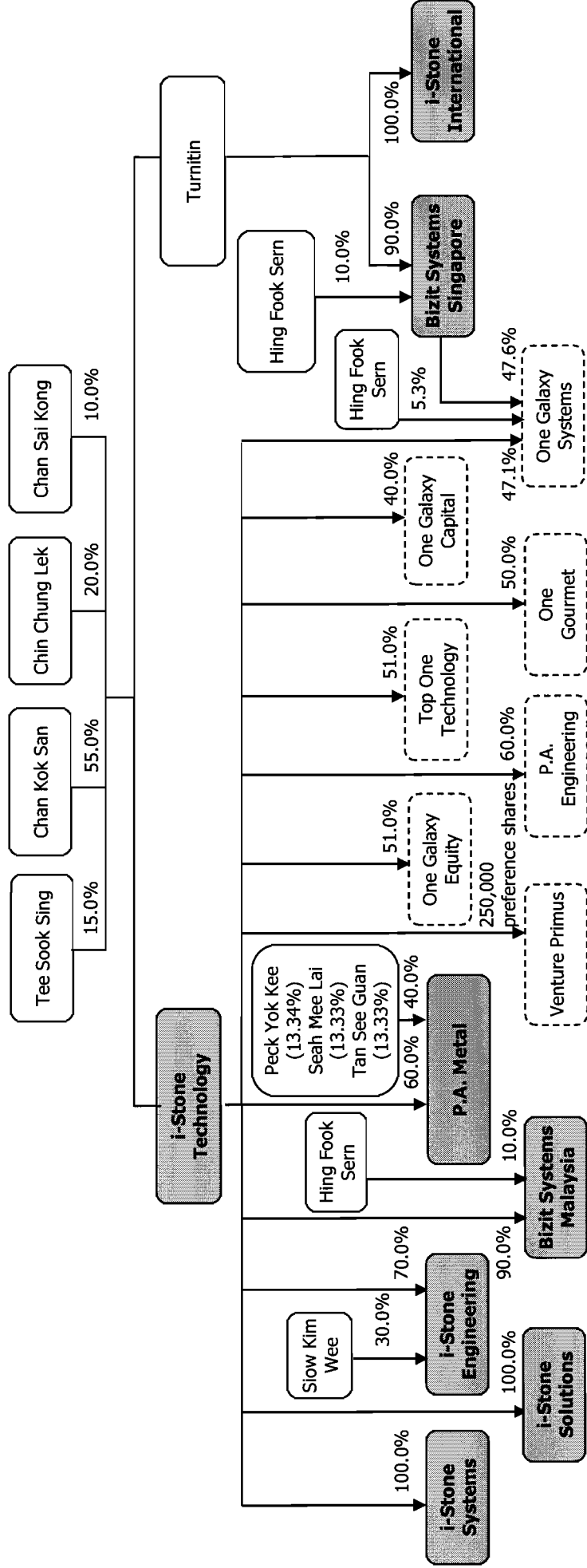
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6. GENERAL INFORMATION ON OUR GROUP (cont'd)

6.3.5 Group structure

Our Group structure before and after the Internal Restructuring and IPO is as follows:

Before the Internal Restructuring



Notes:

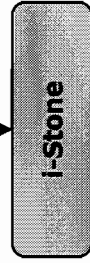
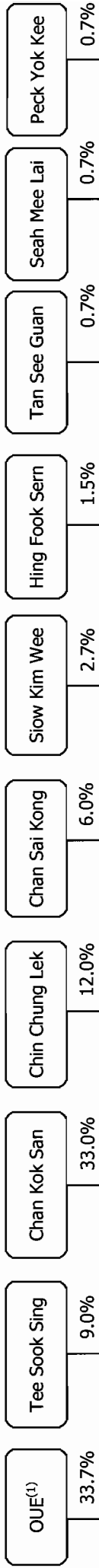
 Entities which shall remain part of our Group upon our Listing

 Entities which have been disposed as at LPD as part of our Internal Restructuring

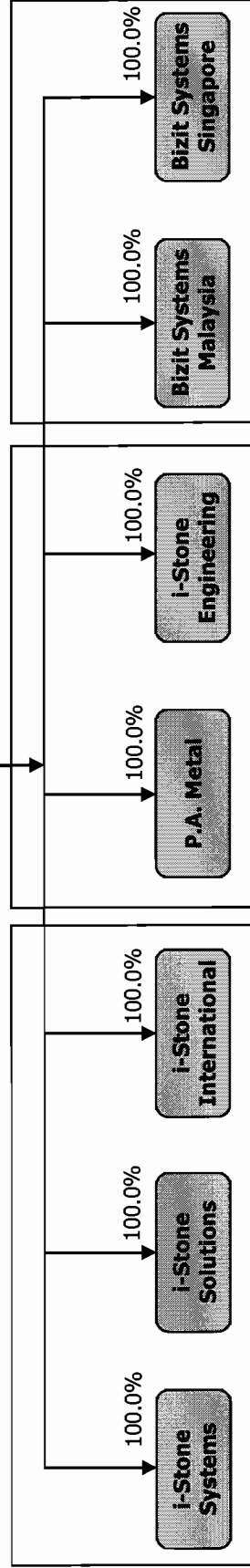
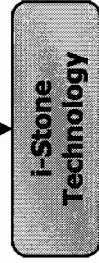
The above diagram only illustrates the entities involved in the Internal Restructuring

6. GENERAL INFORMATION ON OUR GROUP (cont'd)

After the Internal Restructuring but before the IPO



100.0%



Manufacturing automation

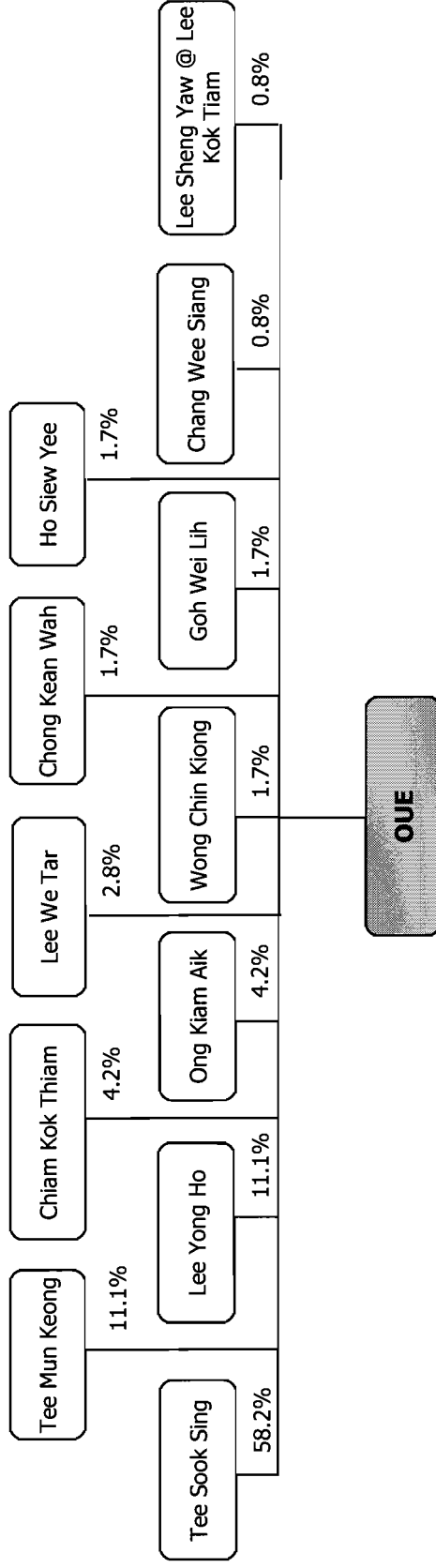
Design and fabrication of metal panels, frames and precision parts

Distribution of manufacturing automation hardware and software

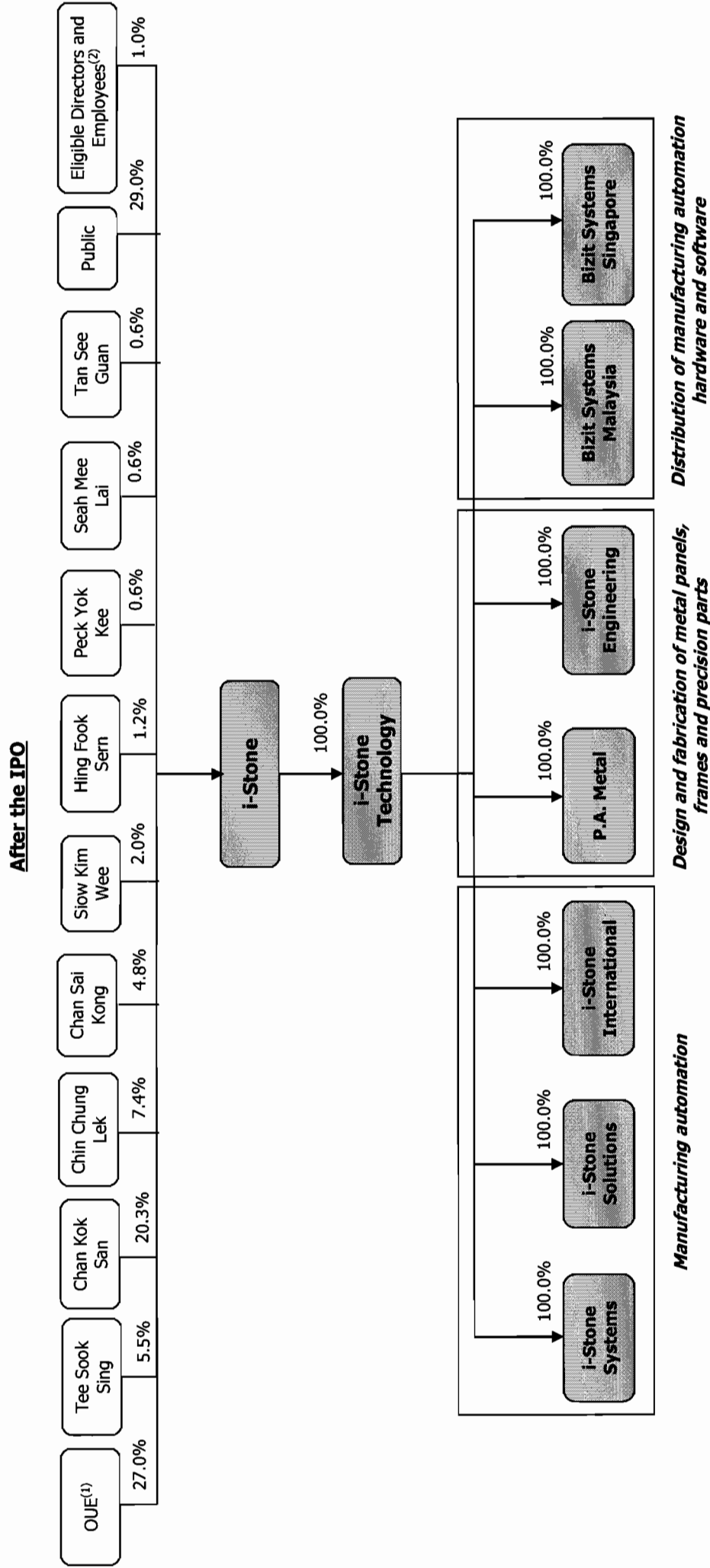
6. GENERAL INFORMATION ON OUR GROUP (cont'd)

Note:

(1) The shareholdings structure of OUE is as follows:



6. GENERAL INFORMATION ON OUR GROUP (cont'd)



Notes:

- (1) Please refer to the previous chart for details of the shareholding structure of OUE
- (2) Assuming that the eligible Directors and employees of our Group subscribes for their respective entitlements under the Pink Form Allocations

6. GENERAL INFORMATION ON OUR GROUP (cont'd)**6.4 DETAILS OF OUR SUBSIDIARIES**

As at the LPD, we do not have any associated companies. Details of our subsidiaries are set out below:

| Company | Company No. | Date of commencement of business | Date/Place of incorporation | Principal place of business | Effective equity interest % | Principal activities |
|--|--------------------|---|------------------------------------|------------------------------------|------------------------------------|--|
| i-Stone Technology | 760967-W | 28 February 2007 | 29 January 2007 / Malaysia | Malaysia | 100.0 | Investment holding company |
| <u>Subsidiaries of i-Stone Technology</u> | | | | | | |
| Bizit Systems Malaysia | 770777-P | 11 July 2007 | 23 April 2007 / Malaysia | Malaysia | 100.0 | Distribution of statistical analysis software, wireless communication devices and robotic arms |
| Bizit Systems Singapore | 201112841R | 7 July 2011 | 30 May 2011 / Singapore | Singapore | 100.0 | Distribution of statistical analysis software and wireless communication devices |
| i-Stone Engineering | 814843-P | 2 May 2008 | 23 April 2008 / Malaysia | Malaysia | 100.0 | Design and fabrication of precision parts |
| i-Stone International | 201305528C | 8 March 2013 | 1 March 2013 / Singapore | Singapore | 100.0 | Sales of specialised automation machines |
| i-Stone Solutions | 1046947-U | 5 December 2013 | 21 May 2013 / Malaysia | Malaysia | 100.0 | Provision of DMS and engineering design services |
| i-Stone Systems | 1167928-K | 5 April 2016 | 2 December 2015 / Malaysia | Malaysia | 100.0 | Manufacturing and modification of specialised automation machines, provision of maintenance and technical support services and supply of spare parts |
| P.A. Metal | 392454-U | 1 July 1996 | 1 July 1996 / Malaysia | Malaysia | 100.0 | Design and fabrication of metal panels and frames |

6. GENERAL INFORMATION ON OUR GROUP (cont'd)**6.4.1 Information on i-Stone Technology****(a) Share capital**

As at the LPD, i-Stone Technology's issued share capital is RM1,801,159.12 comprising 1,250,699 i-Stone Technology Shares. Details of the changes in i-Stone Technology's share capital since its incorporation are as follows:

(i) Ordinary shares

| Date of allotment | No. of ordinary shares allotted | Consideration/ Type of issue | Cumulative share capital RM |
|--------------------------|--|---|--|
| 29 January 2007 | 100,000 | RM100,000 / Subscribers' shares | 100,000 |
| 27 July 2009 | 150,000 | RM150,000 / Bonus issue | 250,000 |
| 5 July 2013 | 500,000 | RM500,000 / Issue for cash | 750,000 |
| 11 July 2018 | 421,875 | RM4,218.75 / Issue for cash pursuant to the Shareholdings Reorganisation | 754,219 |
| 30 April 2019 | 2,319 | RM30,800.96 / Consideration for the Acquisition of Bizit Systems Malaysia | 785,020 |
| 30 April 2019 | 17,010 | RM225,926.82 / Consideration for the Acquisition of Bizit Systems Singapore | 1,010,947 |
| 30 April 2019 | 33,149 | RM440,285.02 / Consideration for the Acquisition of i-Stone Engineering | 1,451,232 |
| 30 April 2019 | 26,346 | RM349,927.57 / Consideration for the Acquisition of P.A. Metal | 1,801,159 |

(ii) Preference shares

| Date of allotment | No. of preference shares allotted/ (redeemed) | Consideration/ Type of issue | Cumulative share capital RM |
|--------------------------|--|-------------------------------------|--|
| 27 September 2013 | 32 | RM32 / Preference shares | 32 |
| 27 August 2014 | 68 | RM68 / Preference shares | 100 |
| 17 April 2015 | 100 | RM100 / Preference shares | 200 |
| 10 January 2017 | (200) | Redemption of preference shares | - |
| 21 January 2017 | 5,000 | RM5,000 / Preference shares | 5,000 |
| 31 March 2017 | (5,000) | Redemption of preference shares | - |
| 1 July 2017 | 5,000 | RM5,000 / Preference shares | 5,000 |
| 2 April 2018 | (5,000) | Redemption of preference shares | - |

Note:

Pursuant to the terms of the conditional share purchase agreement in relation to the Acquisition of i-Stone Technology, i-Stone Technology is prohibited from issuing additional securities (including preference shares) and we do not intend to issue any new preference shares in i-Stone Technology.

As at LPD, there are no outstanding preference shares as they have all been fully redeemed. There are no outstanding warrant, option, convertible securities or uncalled capital in respect of i-Stone Technology. In addition, there are no discounts, special

6. GENERAL INFORMATION ON OUR GROUP (cont'd)

terms or instalment payment terms applicable to the payment of the consideration for the allotment of i-Stone Technology Shares.

(b) Shareholders and directors

As at LPD, i-Stone Technology is our wholly-owned subsidiary and its Directors are Tee Sook Sing, Chan Kok San and Chin Chung Lek.

(c) Subsidiary and associate companies

As at the LPD, i-Stone Technology has seven (7) subsidiaries, namely i-Stone Systems, i-Stone Solutions, i-Stone Engineering, P.A. Metal, i-Stone International, Bizit Systems Malaysia and Bizit Systems Singapore. i-Stone Technology does not have any associate company as at the LPD.

6.4.2 Information on i-Stone Systems**(a) Share capital**

As at the LPD, i-Stone Systems' issued share capital is RM1,000,000 comprising 1,000,000 ordinary shares. Details of the changes in i-Stone Systems' share capital since its incorporation are as follows:

| Date of allotment | No. of ordinary shares allotted | Consideration/ Type of issue | Cumulative share capital RM |
|--------------------------|--|-------------------------------------|------------------------------------|
| 2 December 2015 | 100 | RM100 / Subscribers' shares | 100 |
| 10 March 2016 | 99,900 | RM99,900 / Issue for cash | 100,000 |
| 25 July 2016 | 450,000 | RM450,000 / Issue for cash | 550,000 |
| 11 August 2018 | 450,000 | RM450,000 / Bonus Issue | 1,000,000 |

As at the LPD, there are no outstanding warrant, option, convertible securities or uncalled capital in respect of i-Stone Systems. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment of the ordinary shares in i-Stone Systems.

(b) Shareholders and directors

As at LPD, i-Stone Systems is a wholly-owned subsidiary of i-Stone Technology and its Directors are Tee Sook Sing, Chan Kok San and Chin Chung Lek.

(c) Subsidiary and associate companies

As at LPD, i-Stone Systems does not have any subsidiary and/or associate company.

6.4.3 Information on i-Stone Solutions**(a) Share capital**

As at the LPD, i-Stone Solutions' issued share capital is RM100,000 comprising 100,000 ordinary shares. Details of the changes in i-Stone Solutions' share capital since its incorporation are as follows:

6. GENERAL INFORMATION ON OUR GROUP (cont'd)

| <u>Date of allotment</u> | <u>No. of ordinary shares allotted</u> | <u>Consideration/ Type of issue</u> | <u>Cumulative share capital RM</u> |
|--------------------------|--|-------------------------------------|------------------------------------|
| 21 May 2013 | 100 | RM100 / Subscribers' shares | 100 |
| 16 December 2013 | 99,900 | RM99,900 / Issue for cash | 100,000 |

As at the LPD, there is no outstanding warrant, option, convertible securities or uncalled capital in respect of i-Stone Solutions. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment of the ordinary shares of i-Stone Solutions.

(b) Shareholders and directors

As at LPD, i-Stone Solutions is a wholly-owned subsidiary of i-Stone Technology and its Directors are Tee Sook Sing, Chan Kok San and Chin Chung Lek.

(c) Subsidiary and associate companies

As at LPD, i-Stone Solutions does not have any subsidiary and/or associate company.

6.4.4 Information on i-Stone Engineering**(a) Share capital**

As at the LPD, i-Stone Engineering's issued share capital is RM250,000 comprising 250,000 ordinary shares. Details of the changes in i-Stone Engineering's share capital since its incorporation are as follows:

| <u>Date of allotment</u> | <u>No. of ordinary shares allotted</u> | <u>Consideration/ Type of issue</u> | <u>Cumulative share capital RM</u> |
|--------------------------|--|-------------------------------------|------------------------------------|
| 23 April 2008 | 60,000 | RM60,000 / Subscribers' shares | 60,000 |
| 5 March 2009 | 140,000 | RM140,000 / Issue for cash | 200,000 |
| 12 August 2016 | 50,000 | RM50,000 / Bonus issue | 250,000 |

As at the LPD, there are no outstanding warrant, option, convertible securities or uncalled capital in respect of i-Stone Engineering. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment of the ordinary shares of i-Stone Engineering.

(b) Shareholders and directors

As at LPD, i-Stone Engineering is a wholly-owned subsidiary of i-Stone Technology and its Directors are Chan Kok San, Tee Mun Keong and Siow Kim Wee.

(c) Subsidiary and associate companies

As at LPD, i-Stone Engineering does not have any subsidiary and/or associate company.

6. GENERAL INFORMATION ON OUR GROUP (cont'd)**6.4.5 Information on P.A. Metal****(a) Share capital**

As at the LPD, P.A. Metal's issued share capital is RM100,000 comprising 100,000 ordinary shares. Details of the changes in P.A. Metal's share capital since its incorporation are as follows:

| Date of allotment | No. of ordinary shares allotted | Consideration/ Type of issue | Cumulative share capital RM |
|--------------------------|--|-------------------------------------|--|
| 1 July 1996 | 2 | RM2 / Subscribers' shares | 2 |
| 17 July 1996 | 62,998 | RM62,998 / Issue for cash | 63,000 |
| 30 November 2016 | 37,000 | RM37,000 / Issue for cash | 100,000 |

As at the LPD, there are no outstanding warrant, option, convertible securities or uncalled capital in respect of P.A. Metal. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment of the ordinary shares in P.A. Metal.

(b) Shareholders and directors

As at LPD, P.A. Metal is a wholly-owned subsidiary of i-Stone Technology and its Directors are Tee Sook Sing, Chan Kok San, Tee Mun Keong, Peck Yok Kee and Seah Mee Lai.

(c) Subsidiary and associate companies

As at LPD, P.A. Metal does not have any subsidiary and/or associate company.

6.4.6 Information on i-Stone International**(a) Share capital**

As at the LPD, i-Stone International's issued share capital is SGD200,000 comprising 200,000 ordinary shares. There has been no changes in the issued share capital of i-Stone International since its incorporation.

As at the LPD, there are no outstanding warrant, option, convertible securities or uncalled capital in respect of i-Stone International. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment of the ordinary shares in i-Stone International.

(b) Shareholders and directors

As at LPD, i-Stone International is a wholly-owned subsidiary of i-Stone Technology and its Directors are Tee Sook Sing, Chan Kok San and Chin Chung Lek.

(c) Subsidiary and associate companies

As at LPD, i-Stone International does not have any subsidiary and/or associate company.

6. GENERAL INFORMATION ON OUR GROUP (cont'd)

6.4.7 Information on Bizit Systems Malaysia

(a) Share capital

As at the LPD, Bizit Systems Malaysia's issued share capital is RM100,000 comprising 100,000 ordinary shares. Details of the changes in Bizit Systems Malaysia's issued share capital since its incorporation are as follows:

| <u>Date of allotment</u> | <u>No. of ordinary shares allotted</u> | <u>Consideration/ Type of issue</u> | <u>Cumulative share capital RM</u> |
|--------------------------|--|-------------------------------------|------------------------------------|
| 23 April 2007 | 2 | RM2 / Subscribers' shares | 2 |
| 20 August 2007 | 99,998 | RM99,998 / Issue for cash | 100,000 |

As at LPD, there are no outstanding warrant, option, convertible securities or uncalled capital in respect of Bizit Systems Malaysia. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment of the ordinary shares of Bizit Systems Malaysia.

(b) Shareholders and directors

As at LPD, Bizit Systems Malaysia is a wholly-owned subsidiary of i-Stone Technology and its Directors are Chan Kok San and Hing Fook Sern.

(c) Subsidiary and associate companies

As at the LPD, Bizit Systems Malaysia does not have any subsidiary and/or associate company.

6.4.8 Information on Bizit Systems Singapore

(a) Share capital

As at the LPD, Bizit Systems Singapore's issued share capital is SGD100,000 comprising 100,000 ordinary shares. There have been no changes in the issued share capital of Bizit Systems Singapore since its incorporation.

As at the LPD, there are no outstanding warrant, option, convertible securities or uncalled capital in respect of Bizit Systems Singapore. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment of the ordinary shares in Bizit Systems Singapore.

(b) Shareholders and directors

As at LPD, Bizit Systems Singapore is a wholly-owned subsidiary of i-Stone Technology and its Directors are Chan Kok San and Hing Fook Sern.

(c) Subsidiary and associate companies

As at LPD, Bizit Systems Singapore does not have any subsidiary and/or associate company.

6. GENERAL INFORMATION ON OUR GROUP (cont'd)**6.5 MATERIAL CONTRACTS**

Save as disclosed below, there are no contracts which are or may be material (not being contracts entered into in the ordinary course of business) which have been entered into by our Company or our subsidiaries during the past 4 FYEs 2015 to 2018 and up to the date of this Prospectus:

- (a) sale and purchase agreement dated 2 March 2015 entered into between i-Stone Technology and Pang Chin Liong for the purchase of a piece of freehold land measuring 557 sq m held under Geran 151728, Lot 32240, Mukim of Pulai, Johor Bahru, Johor together with a double storey semi-detached factory measuring approximately 506 sq m erected thereon bearing the postal address of No. 12, Jalan Perdagangan 8, Taman Universiti 81300 Kangkar Pulai, Johor for a purchase consideration of RM1,270,000. The purchase of this property was completed on 6 July 2015 and was utilised as the manufacturing facilities of our Group. This property was subsequently disposed to Chan Sai Kong for disposal consideration of RM1,300,000, as described under Section 6.5(o) below.
- (b) sale and purchase agreement dated 21 April 2015 entered into between i-Stone Technology, Ong Bee Eng and Ong Kok Peng for the purchase of a piece of freehold land measuring 143 sq m held under Geran 182996, Lot 60523 (formerly known as HS(D) 298239 PTD 102937) in Mukim Pulai, Johor Bahru, Johor together with a double storey shop office measuring approximately 286 sq m erected thereon bearing the postal address of No. 25 & 25A, Jalan Pulai 26, Taman Pulai Utama 81110 Kangkar Pulai, Johor for a purchase consideration of RM450,000. The purchase of this property was completed on 31 July 2015 and was previously utilised as our storage space between 2015 and 2017, before it was classified as an investment property in FYE 2017 and was rented out to third parties. This property was subsequently disposed to Chan Kok San for disposal consideration of RM480,000, as described under paragraph 6.5(r) below.
- (c) sale and purchase agreement dated 25 September 2015 entered into between i-Stone Technology and Chan Sun Cheong for the purchase of a piece of freehold land measuring 143 sq m held under GRN 182991, Lot No. 60519, Mukim Pulai, Johor Bahru, Johor with a double storey shop house measuring approximately 286 sq m erected thereon bearing the postal address of No. 17 & 17A, Jalan Pulai 26, Taman Pulai Utama 81300 Kangkar Pulai, Johor for a purchase consideration of RM445,000. The purchase of this investment property was completed on 4 November 2015 and was subsequently rented out to third parties. This property was subsequently disposed to Chin Chung Lek for disposal consideration of RM480,000, as described under paragraph 6.5(p) below.
- (d) tenancy agreement dated 12 November 2015 entered into between i-Stone Technology and Aurum Healthcare Sdn Bhd in respect of the rental of the property situated at No. 33, Jalan Laman Setia 7/8, Taman Laman Setia 81550 Ulu Choh, Johor measuring 932 sq m for a period of three (3) years from 1 October 2015 to 30 September 2018, for:
 - (i) a rental amount of RM114,000 per annum or RM9,500 per month for the period between 1 October 2015 and 30 September 2017; and
 - (ii) a rental amount of RM120,000 per annum or RM10,000 per month for the period between 1 October 2017 and 30 September 2018.

The tenanted property was disposed by i-Stone Technology (as described in paragraph 6.5(s)) together with the tenancy.

6. GENERAL INFORMATION ON OUR GROUP (cont'd)

- (e) share sale and purchase agreement dated 23 May 2016 entered into between i-Stone Technology, Peck Yok Kee, Seah Mee Lai and Tan See Guan in relation to the purchase of the following:
- (i) 37,800 ordinary shares, representing 60.0% equity interest in P.A. Metal, for a total cash consideration of RM378,000; and
 - (ii) 60,000 ordinary shares, representing 60.0% equity interest in P.A. Engineering, for a total cash consideration of RM22,000,
- from Peck Yok Kee, Seah Mee Lai and Tan See Guan. The said share sale and purchase agreement was completed on 30 June 2016.
- (f) shareholders' agreement dated 31 July 2016 entered into between i-Stone Technology and Seah Mee Lai relating to the conduct and management of P.A. Metal and P.A. Engineering and its business as well as to regulate their rights as shareholders of P.A. Metal and P.A. Engineering. This agreement was terminated upon the completion of the Disposal of P.A. Engineering and Acquisition of P.A. Metal.
- (g) sale and purchase agreement dated 17 August 2016 entered into between i-Stone Technology, Chin Leong Hing and Chin Yung Heng for the disposal of a piece of freehold land measuring 143 sq m held under GRN 183348, Lot. No. 60291, Mukim Pulai, Johor Bahru, Johor with a double storey shop office measuring approximately 286 sq m erected thereon bearing the postal address of No. 8 & 8A, Jalan Pulai 25, Taman Pulai Utama, Kangkar Pulai 81300 Johor Bahru, Johor for a disposal consideration of RM510,000. This property was disposed as i-Stone Technology does not intend to utilise it for its future operations. The disposal of this property was completed on 31 October 2016.
- (h) sale and purchase agreement dated 24 August 2016 entered into between i-Stone Technology and Adventpoint Sdn Bhd for the purchase of a commercial office unit measuring 128 sq m held under Lot No. 21393, Strata Title No. GRN 102261/M1/17/50, Johor Bahru, Johor bearing the postal address of No. 17-07, Level 17, Menara MSC Cyberport, Jalan Bukit Meldrum 80300 Johor Bahru, Johor for a purchase consideration of RM520,000. The purchase of this property was completed on 5 October 2016 and is currently being utilised as the office premise of Bizit Systems Malaysia.
- (i) sale and purchase agreement dated 26 August 2016 entered into between i-Stone Solutions and Ling Hsin Ying for the purchase of a commercial office unit measuring 82 sq m held under Master Lot No. 21393, Strata Title No. GRN 102261/M1/18/61, Johor Bahru, Johor bearing the postal address of No. 18-09, Level 18, Menara MSC Cyberport, Jalan Bukit Meldrum 80300 Johor Bahru, Johor for a purchase consideration of RM300,000. The purchase of this investment property was completed on 11 October 2016 and is currently being rented out to third parties.
- (j) sale and purchase agreement dated 6 September 2016 entered into between i-Stone Technology and Unclezam Frozen Food Network Sdn Bhd for the disposal of a piece of freehold land held under HS(D) 64380, Lot PTD 107882, Mukim Kulai, District of Kulai, Johor measuring 0.0786 hectares together with a single storey cluster factory with mezzanine office measuring approximately 517 sq m thereon bearing the postal address of No. 74, Jalan SME 3, Kawasan Perindustrian SME, Bandar Indahpura 81000 Kulai, Johor by i-Stone Technology for a disposal consideration of RM1,750,000. This agreement was terminated on 22 November 2017 due to Unclezam Frozen Food Network Sdn Bhd's failure to settle the balance purchase price of RM1,650,000. This property was subsequently disposed to Chan Kok San for disposal consideration of RM1,600,000, as described under paragraph 6.5(t) below.

6. GENERAL INFORMATION ON OUR GROUP (cont'd)

- (k) sale and purchase agreement dated 1 November 2017 entered into between i-Stone Technology and Food Discoveries (M) Sdn Bhd for the disposal of a piece of freehold land held under Geran No. 71047, Lot No 13119, Mukim 12, Daerah Barat Daya, Negeri Pulau Pinang measuring 112 sq m with a double storey shop house measuring approximately 224 sq m erected thereon bearing the postal address of No. 18 and 18 – First Floor, Persiaran Mahsuri 1/2, Sunway Tunas 11900 Bayan Lepas, Pulau Pinang for a disposal consideration of RM1,250,000. This property was disposed as i-Stone Technology does not intend to utilise it for our future operations. The disposal of this property was completed on 30 April 2018.
- (l) agreement dated 1 January 2018 entered into between i-Stone Technology and Tai Wai Chai in relation to the acquisition of 75,000 ordinary shares, representing 30.0% equity interest in i-Stone Engineering, for a total cash consideration of RM750,000. The agreement was completed on 1 January 2018.
- (m) sale and purchase agreement dated 5 March 2018 entered into between i-Stone Systems and Drilmaco Sdn Bhd for the purchase of the following:
- (i) a piece of leasehold land held under HS(D) 50239, PTD 87654, Mukim of Senai, District of Kulai, Johor measuring 1.884 hectares together with a single storey factory and two (2) storey office measuring approximately 6,169 sq m erected thereon bearing the postal address of 12-2, Jalan Persiaran Teknologi, Taman Teknologi Johor, 81400 Senai, Johor for a purchase consideration of RM14,500,000; and
- (ii) a piece of leasehold land held under HS(D) 50240, PTD 87663, Mukim of Senai, District of Kulai, Johor measuring 0.286 hectares, being a vacant land with the postal address of PTD 87663, Jalan Persiaran Teknologi, Taman Teknologi Johor 81400 Senai, Johor for a cash consideration of RM920,636.
- The sale and purchase agreement has been completed on 22 November 2018 and the New Factory is currently being utilised as the centralised manufacturing facilities of our Group.
- (n) sale and purchase agreement dated 19 June 2018 entered into between i-Stone Technology and Leng Pau Chung for the disposal of an apartment unit measuring 63 sq m held under Geran 184504/M1/2/2, Lot 75235, Mukim Pulau, Johor Bahru, Johor bearing the postal address of 55-1-2, Jalan Pulau 44, Taman Pulau Utama 81110 Kangkar Pulau, Johor by i-Stone Technology for a disposal consideration of RM135,000. This property was disposed as i-Stone Technology does not intend to utilise it for our future operations. The disposal of this property was completed on 20 September 2018.
- (o) sale and purchase agreement dated 25 June 2018 entered into between i-Stone Technology and Chan Sai Kong for the disposal of a piece of freehold land measuring 557 sq m held under GRN 151728, Lot 32240, Mukim of Pulau, Johor Bahru, Johor together with a double storey semi-detached factory measuring approximately 506 sq m erected thereon bearing the postal address of No. 12, Jalan Perdagangan 8, Taman Universiti 81300 Kangkar Pulau, Johor by i-Stone Technology for a disposal consideration of RM1,300,000. This property was disposed as i-Stone Technology does not intend to utilise it for our future operations. The disposal of this property was completed on 26 June 2018.
- (p) sale and purchase agreement dated 25 June 2018 entered into between i-Stone Technology and Chin Chung Lek for the disposal of a piece of freehold land measuring 143 sq m held under GRN 182991, Lot 60519, Mukim Pulau, Johor Bahru, Johor together with a double storey shop office measuring approximately 286 sq m erected

6. GENERAL INFORMATION ON OUR GROUP (cont'd)



thereon bearing the postal address of No. 17 & 17A, Jalan Pulai 26, Taman Pulai Utama 81300 Kangkar Pulai, Johor by i-Stone Technology for a disposal consideration of RM480,000. This property was disposed as it was vacant and i-Stone Technology does not intend to utilise it for our future operations. The disposal of this property was completed on 26 June 2018.

- (q) sale and purchase agreement dated 25 June 2018 entered into between i-Stone Technology and Chin Chung Lek for the disposal of a piece of freehold land measuring 557 sq m held under GRN 151738, Lot 32246, Mukim Pulai, Johor Bahru, Johor together with a double storey semi-detached factory measuring 704 sq m erected thereon bearing the postal address of No. 24, Jalan Perdagangan 8, Taman Universiti 81300 Kangkar Pulai, Johor by i-Stone Technology for a disposal consideration of RM1,300,000. This property was disposed as i-Stone Technology does not intend to utilise it for our future operations. The disposal of this property was completed on 21 September 2018.
- (r) sale and purchase agreement dated 25 June 2018 entered into between i-Stone Technology and Chan Kok San for the disposal of a piece of freehold land measuring 143 sq m held under GRN 182996, Lot 60523, Mukim Pulai, Johor Bahru, Johor together with a double storey shop office measuring approximately 286 sq m erected thereon bearing the postal address of No. 25 & 25A, Jalan Pulai 26, Taman Pulai Utama 81110 Kangkar Pulai, Johor by i-Stone Technology for a disposal consideration of RM480,000. This property was disposed as i-Stone Technology does not intend to utilise it for our future operations. The disposal of this property was completed on 25 June 2018.
- (s) sale and purchase agreement dated 25 June 2018 entered into between i-Stone Technology and Chan Kok San for the disposal of a piece of freehold land held under HS(D) 508114, Lot PTD 186492, Mukim Pulai, Johor Bahru, Johor measuring 0.1486 hectares together with a semi-detached factory measuring approximately 932 sq m erected thereon bearing the postal address of No. 33, Jalan Laman Setia 7/8, Taman Laman Setia 81550 Ulu Choh, Johor by i-Stone Technology for a disposal consideration of RM2,600,000. This property was disposed as i-Stone Technology does not intend to utilise it for our future operations. The disposal of this property was completed on 25 June 2018.
- (t) sale and purchase agreement dated 25 June 2018 entered into between i-Stone Technology and Chan Kok San for the disposal of a piece of freehold land measuring 0.0786 hectares held under HS(D) 64380, Lot PTD 107882, Mukim Kulai, District of Kulai, Johor together with a single storey cluster factory with mezzanine office measuring approximately 517 sq m thereon bearing the postal address of No. 74, Jalan SME 3, Kawasan Perindustrian SME, Bandar Indahpura 81000 Kulai, Johor by i-Stone Technology for a disposal consideration of RM1,600,000. This property was disposed as i-Stone Technology does not intend to utilise it for our future operations. The disposal of this property was completed on 1 November 2018.
- (u) conditional share purchase agreements in relation to the Disposals by i-Stone Technology, Acquisitions by i-Stone Technology and Acquisition of i-Stone Technology as set out in Section 6.3.
- (v) Underwriting Agreement.

6. GENERAL INFORMATION ON OUR GROUP (cont'd)

6.6 INTELLECTUAL PROPERTIES

Save as disclosed below, we have not registered any brand names, patents, trademarks or other intellectual property rights:

| Registration no./ Class | Registered owner | Design | Description | Approval date/ Expiry date |
|------------------------------------|-----------------------------|---|---|---|
| 2012000904 / Class 42 | i-Stone Technology |  | <ul style="list-style-type: none"> • Scientific and technological services and research and design relating thereto • Industrial analysis and research services • D&D of computer hardware and software | 17 January 2012 to 17 January 2022 |
| 2016072333 / Class 42 | i-Stone Solutions |  | <ul style="list-style-type: none"> • Software development, programming and implementation • Development of software application solutions • D&D of software for R&D test and manufacturing test • D&D or manufacturing shop floor system design and development of manufacturing test instrument and equipment • Development of software for use with programmable controllers • D&D for mechanical jig, fixture and machine • D&D for electronics PCB, electronics hardware and embedded system | 25 November 2016 to 25 November 2026 |

Our Group's business or profitability is not dependent on any intellectual properties. However, the above intellectual properties have been registered with the Intellectual Property Corporation of Malaysia to protect the intellectual properties belonging to our Group.

6.7 MAJOR APPROVALS, LICENSES AND PERMITS

Kindly refer to **Appendix I** for further details of our major approvals, licenses and permits.

6. GENERAL INFORMATION ON OUR GROUP (cont'd)**6.8 MATERIAL PROPERTIES OWNED BY OUR GROUP**

Details of the material properties owned by our Group as at the LPD are as follows:

| No. | Registered owner/ Title details/ Postal address | Category of land use/ Expiry of lease | Description of property/ Existing use/ Age of building | Express Conditions / Restriction-in- interest / Encumbrances | Date of issuance of CF/CCC | Land area/ Built up area sq m | Audited NBV |
|-----|---|---|---|---|--|--|--|
| | | | | | | | as at 31 December 2018 RM'000 |
| (a) | i-Stone Systems HS(D) 50239, PTD 87654, Mukim of Senai, District of Kulai, Johor bearing the postal address of 12-2, Jalan Persiaran Teknologi, Taman Teknologi Johor 81400 Senai, Johor | Building / Leasehold, 60 years (expiring on 1 April 2068) | 1 storey factory with a 2 storey office building used as our centralised main office and manufacturing space of our Group ⁽²⁾ Leasehold land 4 years | Express Conditions (i) This land shall be used for medium industry area for the purpose of 'Electrical Products Activities' and other related use, constructed in accordance with the plans as approved by the relevant local authorities ⁽¹⁾ (ii) All dirt and pollution arising from the activities must be channelled / disposed to such places as determined by the relevant local authorities (iii) All policies and conditions as determined and enforced by the local authority from time to time must be complied with | 13 August 2014 and 2 January 2019 | 18,840 / 6,169 | 14,965 |

Restriction-in-interest

This land shall not be sold, leased or transferred in any way including by way of an agreement for the sale of this land, without the consent of the State Authority

Major encumbrances

Charged to Maybank Islamic Berhad

6. GENERAL INFORMATION ON OUR GROUP (cont'd)

| No. | Registered owner/ Title details/ Postal address | Category of land use/ Expiry of lease | Description of property/ Existing use/ Age of building | Express Conditions / Restriction-in- interest / Encumbrances | Date of issuance of CF/CCC | Land area/ Built up area sq m | Audited NBV |
|-----|--|---|---|---|----------------------------------|--|--|
| | | | | | | | as at 31 December 2018 RM'000 |
| (b) | i-Stone Systems HS(D) 50240, PTD 87663, Mukim of Senai, District of Kulai, Johor bearing postal address of PTD 87663, Jalan Persiaran Teknologi, Taman Teknologi Johor 81400 Senai, Johor | Industrial / Leasehold, 60 years (expiring on 1 April 2068) | Vacant land ⁽²⁾ Leasehold land N/A | (i) This land shall be used for medium industry area for the purpose of 'Printing Activities' and other related use, constructed in accordance with the plans as approved by the relevant local authorities. (ii) All dirt and pollution arising from the activities must be channelled / disposed to such places as determined by the relevant local authorities (iii) All policies and conditions as determined and enforced by the local authority from time to time must be complied with | N/A | 2,860 | 333 |

Restriction-in-interest

This land shall not be sold, leased or transferred in any way including by way of an agreement for the sale of this land, without the consent of the State Authority

Major encumbrances

None

6. GENERAL INFORMATION ON OUR GROUP (cont'd)

| No. | Registered owner/ Title details/ Postal address | Category of land use/ Expiry of lease | Description of property/ Existing use/ Age of building | Express Conditions / Restriction-in- interest / Encumbrances | Date of issuance of CF/CCC | Land area/ Built up area sq m | Audited NBV |
|-----|--|--|--|---|----------------------------------|--|--|
| | | | | | | | as at 31 December 2018 RM'000 |
| (c) | i-Stone Technology Master Lot No. 21393, Strata Title No. GRN 102261/M1/17/49, Johor Bahru, Johor No. 17-06, Level 17, Menara MSC Cyberport, Jalan Bukit Meldrum, 80300 Johor Bahru, Johor | Building / Freehold | Office unit located on the 17 th floor of a commercial building Office premise of i-Stone Solutions 20 years | Express Conditions (i) This land shall be used for multi-level commercial building constructed in accordance with the plans as approved by the relevant local authority (ii) All policies and conditions as determined and enforced by the local authority from time to time must be complied with Restriction-in-interest The registered owner of the land is not permitted to sell the units to the building constructed on this land unless the construction of the building has commenced in accordance with the plans approved by the relevant local authority. Once the title of the land is subdivided into 'subsidiary' titles and as such subsidiary title changes ownership to a Bumiputera, it cannot subsequently be sold, leased or charged or transferred in any way to a non-Bumiputera without the consent of the state authority | 5 November 1998 | N/A / 128 | 507 |
| | | | | Encumbrances None | | | |

6. GENERAL INFORMATION ON OUR GROUP (cont'd)

| No. | Registered owner/ Title details/ Postal address | Category of land use/ Expiry of lease | Description of property/ Existing use/ Age of building | Express Conditions / Restriction-in- interest / Encumbrances | Date of issuance of CF/CCC | Land area/ Built up area sq m | Audited NBV |
|-----|--|--|--|---|----------------------------------|--|------------------------------|
| | | | | | | | as at 31 December 2018 |
| | | | | | | | RM'000 |
| (d) | i-Stone Technology Master Lot No. 21393, Strata Title No. GRN 102261/M1/17/50, Johor Bahru, Johor | Building / Freehold | Office unit located on the 17 th floor of a commercial building | Express Conditions (i) This land shall be used for multi-level commercial building constructed in accordance with the plans as approved by the relevant local authority (ii) All policies and conditions as determined and enforced by the local authority from time to time must be complied with | 5 November 1998 | N/A / 128 | 503 |
| | No. 17-07, Level 17, Menara MSC Cyberport, Jalan Bukit Meldrum, 80300 Johor Bahru, Johor | | Office premise of Bizit Systems Malaysia 20 years | Restriction-in-interest The registered owner of the land is not permitted to sell the units to the building constructed on this land unless the construction of the building has commenced in accordance with the plans approved by the relevant local authority. Once the title of the land is subdivided into 'subsidiary' titles and as such subsidiary title changes ownership to a Bumiputera, it cannot subsequently be sold, leased or charged or transferred in any way to a non-Bumiputera without the consent of the state authority | | | |

Encumbrances

None

6. GENERAL INFORMATION ON OUR GROUP (cont'd)

| No. | Registered owner/ Title details/ Postal address | Category of land use/ Expiry of lease | Description of property/ Existing use/ Age of building | Express Conditions / Restriction-in- interest / Encumbrances | Date of issuance of CF/CCC | Land area/ Built up area sq m | Audited NBV |
|-----|--|--|--|---|----------------------------------|--|--|
| | | | | | | | as at 31 December 2018 RM'000 |
| (e) | i-Stone Technology GRN 75551 Lot 20000 (formerly held under HS(D) 117437, PT 462) Seksyen 90, Kuala Lumpur | Building / Freehold | Office unit located on the 8 th floor of a commercial building | Express Condition The land shall only be used for commercial building only. | 30 June 2016 | N/A / 88.5 | 667 |
| | No. 8-23A, Block V03, Sunway Velocity Designer Office, Lingkaran SV, Off Jalan Peel 55100 Kuala Lumpur | | Office premise of Bizit Systems Malaysia | Restriction-in-interest None | | | |
| | | | 5 years | Major encumbrances Assigned to Public Bank Berhad | | | |
| (f) | i-Stone Solutions Master Lot No. 21393, Strata Title No. GRN 102261/M1/18/61, Johor Bahru, Johor | Building / Freehold | Office unit located on the 18 th floor of a commercial building | Express Conditions (i) This land shall be used for multi-level commercial building constructed in accordance with the plans as approved by the relevant local authority (ii) All policies and conditions as determined and enforced by the local authority from time to time must be complied with. | 5 November 1998 | N/A / 82 | 290 |
| | No. 18-09, Level 18, Menara MSC Cyberport, Jalan Bukit Meldrum, 80300 Johor Bahru, Johor | | Rented out as office premises 20 years | | | | |

6. GENERAL INFORMATION ON OUR GROUP (cont'd)

| No. | Registered owner/ Title details/ Postal address | Category of land use/ Expiry of lease | Description of property/ Existing use/ Age of building | Express Conditions / Restriction-in- interest / Encumbrances | Date of issuance of CF/CCC | Land area/ Built up area sq m | Audited NBV |
|-----|---|--|---|---|----------------------------------|--|--|
| | | | | | | | as at 31 December 2018 RM'000 |

Restriction-in-interest

The registered owner of the land is not permitted to sell the units to the building constructed on this land unless the construction of the building has commenced in accordance with the plans approved by the relevant local authority. Once the title of the land is subdivided into 'subsidiary' titles and as such subsidiary title changes ownership to a Bumiputera, it cannot subsequently be sold, leased or charged or transferred in any way to a non-Bumiputera without the consent of the state authority

Encumbrances

None

Notes:

- (1) On 19 July 2018, Drilmaco Sdn Bhd had submitted an application to the District Land Office, Kulai ("Land Office"), for the change in the express condition of the land, from 'Medium Industry (Biotechnology Activities)' to 'Medium Industry (Electrical Products Activities) and other related use' ("Change in Express Condition"), pursuant to Section 124 of the National Land Code. The Land Office had approved the application for the Change in Express Condition *vide* a letter dated 23 October 2018, subject to payment of a fee amounting to RM4,029, which was fully paid on 30 October 2018. The Change in Express Condition has been effected by the Land Office on 7 May 2019.

6. GENERAL INFORMATION ON OUR GROUP (cont'd)

- (2) This property is our New Factory which comprises:
- (a) a piece of leasehold land held under HS(D) 50239, PTD 87654, Mukim of Senai, District of Kulai, Johor measuring 1.884 hectares, where our centralised office and manufacturing facility is erected thereon.
 - (b) an adjacent piece of vacant leasehold land held under HS(D) 50240, PTD 87663, Mukim of Senai, District of Kulai, Johor measuring 0.286 hectares.

Our subsidiary, i-Stone Systems has on 5 March 2018 entered into a sale and purchase agreement with Drilmaco Sdn Bhd (a third party not related to our Directors, Promoters and substantial shareholders) for the acquisition of the New Factory, which was completed on 22 November 2018. We have renovated the internal structures, which includes setting up new manufacturing spaces for our manufacturing automation business, internal partitions of our office space as well as setting up 72 assembly bays in the New Factory ("Renovations").

The certificate of completion and compliance for the Renovations was subsequently issued by MBIP on 2 January 2019.

However, as i-Stone Systems had undertaken the Renovations prior to obtaining the permission of MBIP pursuant to the Uniform Building By-Laws 1986, i-Stone Systems has been imposed with a fine of RM16,940 by MBIP, which was fully paid.

Save as disclosed above, none of the properties disclosed above are in breach of any land use conditions and/or is in non-compliance with current statutory requirements, land rules or building regulations or is subject to any environmental issues that would have a material adverse impact on our Group's business operations and/or our financial position.

6.9 PROPERTIES OCCUPIED WHICH ARE RENTED BY OUR GROUP

As at the LPD, the material properties rented by our Group are disclosed as follows:

| No. | Postal address | Owner/ Tenant | Description of property/ Existing Use | Built- up area sq m | Period of tenancy/ Rental per annum | Date of issuance of CF/CCC |
|------------|--|----------------------------------|--|--|--|---|
| (a) | 280 Woodlands Industrial Park E5, #04-39 Harvest Woodlands, Singapore 757322 | Turnitin / i-Stone International | Factory unit / Utilised by i-Stone International as office premises Sublet to Bizit Systems Singapore as office space | 182 | 1 October 2018 to 30 September 2021/ SGD36,000 (equivalent to RM0.11 million) | 7 March 2013 |

The property disclosed above is not in breach of any land use conditions and/or is in non-compliance with current statutory requirements, land rules or building regulations or is subject to any environmental issues that would have a material adverse impact on our Group's business operations and/or our financial position.

6. GENERAL INFORMATION ON OUR GROUP (cont'd)**6.10 REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES**

Save as disclosed in Section 6.8 above, there are no other regulatory requirements and/or major environmental issues which may materially affect our operations and utilisation of our property, plant and equipment.

6.11 MATERIAL INVESTMENTS AND DIVESTITURES**6.11.1 Material investments**

Save as disclosed below, there were no other material investments made by us, for the past 4 FYEs and up to the LPD:

| Description | Original cost of investment | | | | |
|--|-----------------------------|--------------------|----------------------|-----------------------|------------------|
| | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | Up to the LPD |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Computer & software | 118 | 55 | 111 | 172 | 36 |
| Furniture, fittings, renovation and electrical installation | 13 | 275 | 28 | ⁽¹⁾ 2,165 | 121 |
| Motor vehicles, tools and equipment | 255 | 171 | 401 | 606 | 39 |
| Plant and machinery | - | 170 | 41 | ⁽²⁾ 1,918 | 72 |
| Properties | ⁽³⁾ 3,102 | ⁽³⁾ 982 | - | ⁽⁴⁾ 15,330 | - |
| Other investments | - | 73 | ⁽⁵⁾ 1,500 | - | - |
| Investments in quoted securities | ⁽⁶⁾ 1,002 | 188 | - | - | - |
| Total | 4,490 | 1,914 | 2,081 | 20,191 | 268 |

Notes:

- (1) This comprise renovations undertaken at our New Factory of approximately RM1.71 million in the 2nd half of FYE 2018, with the remaining amount of RM0.46 million relating to the purchase of various furnitures, fittings and various electrical installation of air conditioner units for our New Factory
- (2) Purchase of machineries and equipment for our manufacturing automation business
- (3) Mainly comprises the following items:

| No. | Description | Original cost of investment | |
|-----|--|-----------------------------|-----------------------------|
| | | FYE 2015 | ⁽ⁱⁱ⁾ FYE 2016 |
| | | RM'000 | RM'000 |
| (a) | Double storey semi-detached factory measuring approximately 506 sq m bearing the postal address of No. 12, Jalan Perdagangan 8, Taman Universiti 81300 Kangkar Pulai, Johor | 1,338 | - |
| (b) | Double storey shop house measuring approximately 286 sq m bearing the postal address of No. 17 & 17A, Jalan Pulai 26, Taman Pulai Utama 81300 Kangkar Pulai, Johor | 471 | - |
| (c) | Double storey shop office measuring approximately 286 sq m bearing the postal address of No. 25 & 25A, Jalan Pulai 25, Taman Pulai Utama, Kangkar Pulai 81300 Johor Bahru, Johor | 476 | - |

6. GENERAL INFORMATION ON OUR GROUP (cont'd)

| No. | Description | Original cost of investment | |
|--------------|---|-----------------------------|--------------------------|
| | | FYE 2015 | ⁽ⁱⁱ⁾ FYE 2016 |
| | | RM'000 | RM'000 |
| (d) | Commercial office unit bearing the postal address of No. 17-06, Level 17, Menara MSC Cyberport, Jalan Bukit Meldrum, 80300 Johor Bahru, Johor ⁽ⁱ⁾ | 492 | - |
| (e) | Commercial office unit measuring 128 sq m bearing the postal address of No. 17-07, Level 17, Menara MSC Cyberport, Jalan Bukit Meldrum, 80300 Johor Bahru, Johor | | 535 |
| (f) | Commercial office unit bearing the postal address of No. 8-23A, Block V03, Sunway Velocity Designer Office, Lingkaran SV, Off Jalan Peel, 55100 Kuala Lumpur ⁽ⁱ⁾ | 325 | 81 |
| (g) | Commercial office unit bearing the postal address of No. 18-09, Level 18, Menara MSC Cyberport, Jalan Bukit Meldrum 80300 Johor Bahru, Johor | - | 308 |
| Total | | 3,102 | 924 |

Notes:

- (i) The sale and purchase agreements for these properties were entered into by i-Stone Technology during FYE 2014 and were completed in the first quarter of FYE 2015, which was not disclosed in Section 6.5
- (ii) The above amounts include the renovation costs, stamp duties and legal fees incurred for the acquisitions of the above properties by our Group

Kindly refer to Section 6.5 for further details of the acquisitions of the above properties acquired by our Group during FYE 2015 and FYE 2016 (save for the acquisitions of the properties under note (i) above)

- (4) This relates to the acquisition of our New Factory from Drilmaco Sdn Bhd for the total purchase consideration of RM15.33 million
- (5) This mainly relates to the subscription of the 1,500,000 preference shares by i-Stone Technology in One Galaxy Capital for the total amount of RM1.50 million
- (6) This relates to the investments made by i-Stone Technology in various quoted shares listed on Bursa Securities

The above material investments were located in Malaysia and primarily financed by a combination of hire purchase financing, term loans and internally generated funds.

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6. GENERAL INFORMATION ON OUR GROUP (cont'd)**6.11.2 Material divestitures**

Save as disclosed below, there were no other material capital divestitures and write-offs (including interest in other corporations) made by our Group, for the past 4 FYEs up to 2018, and up to the LPD:

| Description | At NBV | | | | Up to the LPD RM'000 |
|---|-------------|--------------|-------------|--------------|----------------------------|
| | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | |
| | RM'000 | RM'000 | RM'000 | RM'000 | |
| Computer and software | - | 2 | - | 8 | - |
| Furniture, fittings, renovation, electrical installation | - | - | - | 211 | - |
| Motor vehicles, tools, plant and equipment | - | 49 | 1 | 137 | 42 |
| Properties | - | (1)380 | - | (1)1,773 | - |
| Assets held for sale/ Investment properties | - | - | - | (4)5,924 | - |
| Other investments | - | 46 | - | (2)1,780 | - |
| Investments in quoted securities ⁽³⁾ | 668 | 566 | - | - | - |
| Total | 668 | 1,043 | 1 | 9,833 | 42 |

Notes:

(1) Details of the properties disposed by our Group are as follows:

| No. | Description | NBV | |
|-----|---|-------------|--------------|
| | | FYE 2016 | FYE 2018 |
| | | RM'000 | RM'000 |
| (a) | Double storey semi-detached factory bearing the postal address of No. 12, Jalan Perdagangan 8, Taman Universiti 81300 Kangkar Pulai, Johor | - | 1,273 |
| (b) | Double storey semi-detached factory bearing the postal address of No. 24, Jalan Perdagangan 8, Taman Universiti 81300 Kangkar Pulai, Johor | - | 382 |
| (c) | Apartment unit held bearing the postal address of 55-1-2, Jalan Pulai 44, Taman Pulai Utama 81110 Kangkar Pulai, Johor | - | 118 |
| (d) | Double storey shop office bearing the postal address of No. 8 & 8A, Jalan Pulai 25, Taman Pulai Utama, Kangkar Pulai 81300 Johor Bahru, Johor | 380 | - |
| | Total | 380 | 1,773 |

The above amounts reflect the carrying amount of the said properties owned by i-Stone Technology (inclusive of stamp duties and legal fees incurred for the disposals of these properties). The disposals of the above properties have been completed as at the LPD.

(2) This mainly relates to the redemption of 1,500,000 redeemable preference shares by i-Stone Technology in One Galaxy Capital for the total amount of RM1.50 million as well as disposals of non-core subsidiaries/associate pursuant to the Disposals by i-Stone Technology for the total carrying amount of RM0.28 million during FYE 2018

6. GENERAL INFORMATION ON OUR GROUP (cont'd)

- (3) This relates to the disposal of investments made by i-Stone Technology in various quoted shares listed on Bursa Securities. As at the LPD, the Group does not hold any quoted shares listed on Bursa Securities.
- (4) This relates to the disposal of four (4) units of investment properties and 1 unit of property held for sale held by i-Stone Technology, as follows:

| No. | Description | NBV FYE 2018 RM'000 |
|------------------------------|---|---------------------------|
| Asset held for sale | | |
| (a) | Double storey shop house bearing the postal address of No. 18 and 18 – First Floor, Persiaran Mahsuri 1/2, Sunway Tunas 11900 Bayan Lepas, Pulau Pinang | 746 |
| Investment properties | | |
| (b) | Single storey cluster factory with mezzanine office bearing the postal address of No. 74, Jalan SME 3, Kawasan Perindustrian SME, Bandar Indahpura 81000 Kulai, Johor | 1,446 |
| (c) | Double storey shop house erected the postal address of No. 17 & 17A, Jalan Pulau 26, Taman Pulau Utama 81300 Kangkar Pulai, Johor | 447 |
| (d) | Double storey shop house erected the postal address of No. 25 & 25A, Jalan Pulau 26, Taman Pulau Utama 81300 Kangkar Pulai, Johor | 456 |
| (e) | Semi-detached factory erected thereon bearing the postal address of No. 33, Jalan Laman Setia 7/8, Taman Laman Setia 81550 Ulu Choh, Johor | 2,829 |
| Total | | 5,924 |

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

Other than the proposed utilisation of IPO proceeds as disclosed in Section 4.10, our Directors confirm that there are no material commitments for capital expenditures contracted which may have a material impact on our Group's financial position or business as at the LPD.

6.11.3 Material plans to construct, expand or improve facilities

Save for as disclosed in Section 4.10 and Section 7.12.3(b), our Group has no immediate plans to construct, expand and improve our existing facilities.

6.12 PUBLIC TAKE-OVERS

Since our incorporation up to the LPD, there were:

- (a) no public take-over offers by third parties in respect of our Shares; and
- (b) no public take-over offers by our Company in respect of other companies' shares.

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7. BUSINESS OVERVIEW

7.1 OUR HISTORY

Our Company was incorporated in Malaysia on 22 March 2018 under the Act as a private limited company, and was subsequently converted into a public limited company on 25 May 2018.

Our historical milestones are set out below.

History of our business

We commenced our manufacturing automation business with the incorporation of i-Stone Technology

The history of our Group can be traced to the establishment of i-Stone Technology on 29 January 2007 by Chan Kok San (our Executive Director), Chin Chung Lek (our Executive Director) and Chan Sai Kong (one of our substantial shareholders).

In February 2007, our Group commenced operations with our in-house E&E engineering team developing E&E design and programming application software used to operate specialised automation machines. In 2007, we achieved the following milestones:

- (i) commenced our business of assembly of new specialised automation machines and modification services of our specialised automation machines purchased by our customers. Our specialised test and process machines are customised according to our customers' requirements; and
- (ii) developed the DMS, our system used for monitoring and controlling of manufacturing processes, such as monitoring the efficiency and productivity of the machines and controlling the manufacturing sequence and production data flow of the machines throughout the manufacturing process on real time basis.

In January 2008, Tee Sook Sing (our Managing Director) joined our Group as our Project Manager, where she was responsible for overseeing its manufacturing automation segment, including leading our E&E engineering team.

In 2010, we set up our in-house mechanical engineering team to develop mechanical designs for our specialised automation machines. With this, we are able to undertake the entire engineering and software design of our specialised automation machines, comprising E&E design, mechanical design, and application software design, which further increased our flexibility in customising specialised automation machines for our customers, which are mainly brand owners and contract manufacturers.

We ventured into the distribution of manufacturing automation hardware and software

In order to expand our product offerings and customer base, we decided to distribute products that we use or are related to our specialised automation machines. In 2011, we ventured into the distribution of manufacturing automation hardware and software, namely:

- (i) Minitab brand of statistical analysis software used for statistical analysis of manufacturing processes; and
- (ii) Digi brand of wireless communication devices and related embedded modules, which are mainly used for IoT systems.

7. BUSINESS OVERVIEW (cont'd)**We enhanced our in-house manufacturing capabilities by designing and fabricating precision parts and metal panels and frames**

In 2013, we ventured into the design and fabrication of precision parts used in our specialised automation machines via the acquisition of 40.0% equity interest in i-Stone Engineering, by i-Stone Technology. This has enabled us to reduce our dependency on third party suppliers, whilst allowing us to have more flexibility in designing and fabricating precision parts with specific dimensions and/or designs required by our customers used for their specialised automation machines.

In July 2016, we further expanded our in-house capabilities to include the design and fabrication of metal panels and frames used mainly as casings and structure for our specialised automation machines via the acquisition of 60.0% equity interest in P.A. Metal by i-Stone Technology. This expansion enabled us to further increase our flexibility in customising our specialised automation machines by designing and fabricating the specialised automation machines' metal panels and frames in-house.

With our in-house design and fabrication capabilities, we have better control of our product quality and manufacturing lead time. In addition, we gained a new source of revenue stream as we are able to offer metal and precision parts fabrication services to other customers (on a standalone basis).

We further enhanced our product offerings under our distribution business

In April 2018, we became a distributor of Universal Robots to sell, install and provide supporting activities of their robotics technology equipment in Malaysia. The supporting activities include, amongst others, integration service of robotic arms into our specialised automation machines and training for the use and application of robotic arms to customers. Universal Robots is a company based in Denmark which is engaged in the development, manufacturing and marketing of robotics technology equipment.

We centralised all our manufacturing operations to improve efficiency and productivity

Prior to October 2018, our manufacturing operations were located at separate manufacturing facilities as follows:

| Activities | Location |
|--|--|
| Manufacture and modification of specialised automation machines and provision of DMS | No. 12, Jalan Perdagangan 8, Taman Universiti 81300 Kangkar Pulai, Johor ("Factory 1") |
| Design and fabrication of metal frames and panels | No. 6, Jalan Kempas 5/5, Kawasan Perindustrian Jalan Kempas 81200 Johor Bahru, Johor ("Factory 2") |
| Design and fabrication of precision parts | No. 10, Jalan Perdagangan 8, Taman Universiti 81300 Kangkar Pulai, Johor ("Factory 3") |

Without a centralised manufacturing location, our ability to optimise our manufacturing process flow is limited.

7. BUSINESS OVERVIEW (cont'd)

In August 2018, we began relocating our manufacturing operations to the New Factory and have fully relocated and commenced full operations in October 2018. Upon our relocation to the New Factory, we ceased all operations at our previous manufacturing facilities which have been disposed (Factory 1) and the tenancy agreements have been terminated (Factory 2 and Factory 3). With the centralisation of our manufacturing and fabrication activities at a single manufacturing facility, we are able to optimise our entire manufacturing processes into a seamless flow to increase our efficiency and productivity. Pursuant to our relocation, our Group anticipates an increase in operating costs of up to RM40,000 per month due to higher utilities costs, quit rent, depreciation costs as well as higher maintenance costs (such as security, cleaning, insurance and facilities costs).

Stages of our product development

The evolution of our specialised automation machines can be broadly divided into 3 phases as follows:

| Notable improvements | | Phase 1 (2007 – 2010) | Phase 2 (2010 – 2018) | Phase 3 (2018 onwards) |
|-------------------------|----------------------|--|--|--|
| Automation level | Testing and assembly | <ul style="list-style-type: none"> Fully automated testing and assembly | | |
| | Handling of UUT | <ul style="list-style-type: none"> Manual loading of UUT (which is to be tested) or parts and components (which are to be assembled) Manual placing and positioning of UUT onto the test cavity using manual toggle clamps | <ul style="list-style-type: none"> Manual loading of UUT or parts and components Semi-automated placing and positioning of UUT using spring-loaded contact probes | <ul style="list-style-type: none"> Fully automated loading of UUT or parts and components using robotic arms and conveyor belt Fully automated placing and positioning of UUT using robotic arms and conveyor belt |
| Capability and capacity | | <ul style="list-style-type: none"> Limited number of test cavities Limited types of test per specialised automation machine | <ul style="list-style-type: none"> Multiple test cavities allowing more UUTs to be tested at once Multiple types of test can be carried out per specialised automation machine | <ul style="list-style-type: none"> Joint test system comprising multiple test stations that connects various specialised automation machines Development of fully automated joint-test systems with multiple test stations, known as i-FCT⁽¹⁾ Development of more advanced version of DMS known as i-MES⁽¹⁾ |

7. BUSINESS OVERVIEW (cont'd)

| Notable improvements | Phase 1 (2007 – 2010) | Phase 2 (2010 – 2018) | Phase 3 (2018 onwards) |
|------------------------------|---|---|---|
| Design and appearance | <ul style="list-style-type: none"> Designed with basic profile racks with exposed test cavities without frames or panels | <ul style="list-style-type: none"> Designed with enclosed metal frames where the machines' wiring and E&E components are kept inside the frames and panels | <ul style="list-style-type: none"> Design with standard modules⁽¹⁾ Develop own proprietary deep learning system to be embedded in our vision inspection machines for better performance and efficiency with minimum configuration needed⁽¹⁾ |

Note:

- (1) Under Phase 3, our Group intends to develop these new products and introduce new features for our machines. Please refer to Section 7.12.1 and Section 7.12.2 for the detailed plans of the abovementioned new products and new features

Phase 1: Fully automated testing and assembly with manual loading of UUT/ parts and components and manual placing and positioning of UUT

During the initial stage of our business prior to 2010, we developed specialised automation machines which carry out fully automated testing and assembly with limited mechanical automation technology. Our customers relied highly on human operators to manually load and unload the UUT into and out of our specialised automation machines for tests to be carried out and to manually load and unload parts and components for assembly to take place. Other than loading and unloading the UUT, human operators were also required to manually place and position the UUT onto the test cavity precisely using a manual toggle clamp before the machine can start the testing.

Further, our specialised automation machines were mainly designed with minimal number of test cavities, which only allowed limited number and/or types of tests to be carried out at any one time. Our specialised automation machines were also designed as basic profile racks without panels as casings/enclosures for safety and protection purposes which directly exposed most of the test cavities to the external environment.

Please refer to Section 7.10 for the examples of our product development along the years.

Phase 2: Fully automated testing and assembly with manual loading of UUT/ parts and components and semi-automated placing and positioning of UUT

Since 2010, following the setup of our in-house mechanical engineering team, we increased the automation levels of our specialised automation machines. While the loading and unloading of the UUT and parts and components remained manually operated, we developed semi-automated placing and positioning of the UUT using spring-loaded contact probes. This improved the alignment of the UUT within the test cavity which enabled better testing precision as opposed to using a manual toggle clamp.

In addition to the increase in automation levels, we improved the capability and capacity of our specialised automation machines by integrating multiple cavities in a single machine which allowed for more number/type of tests to be carried out at any one time. This has allowed customers to save space by utilising less machines for multiple testing. We also

7. BUSINESS OVERVIEW (cont'd)

began to design our machines with metal enclosures confining the wiring and E&E components within the metal frames and panels.

Phase 3: Fully automated testing and assembly with fully automated loading of UUT/ parts and components and fully automated placing and positioning of UUT.

Phase 3 comprises future improvements in the handling of UUT, capacity and capability as well as design and appearance of our specialised automation machines, which we intend to develop pursuant to the Listing of our Group. As at the LPD, these future improvements are in the process of conceptualisation whereas the process of design and manufacture will commence after the Listing of our Group.

In 2018, with the addition of robotic arms in our product offerings, our Group is able to further increase the automation level of our specialised automation machines. We began to use robotic arms to facilitate the improvement in the automation level of our machines, such as the loading and unloading of the UUT and parts and components into and out from our specialised automation machines, and the placing and positioning of the UUT onto our machines. Moving forward, we intend to integrate robotic arms together with conveyor belts to fully automate the loading, unloading, placing and positioning of UUT.

We intend to develop fully automated joint-test systems, which comprise multiple testing and/or assembly stations to combine and automate a series of tests and/or assembly processes using robotic arms and conveyor belt system. The integration of robotic arms will enable fully automated loading and unloading of the UUT and parts and components as well as fully automated placing and positioning of the UUT. We believe that this will be able to help our customers in reducing their reliance on human operators during the manufacturing process.

The adoption of fully automated joint-test systems is in line with the vision of Industry 4.0 and is expected to enable our customers to eliminate dependency on human operators in certain manufacturing processes. Our venture into the distribution of robotics technology equipment in April 2018 is in line with our development of fully automated joint-test systems.

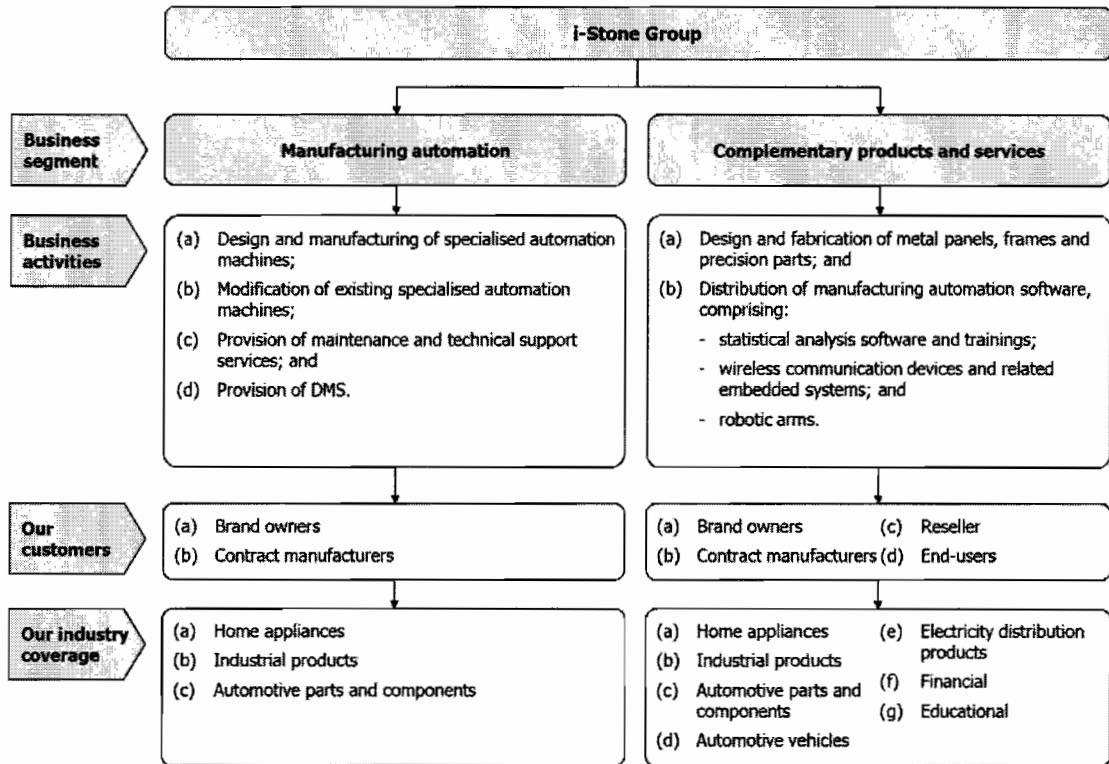
Please refer to Section 7.12.1 and Section 7.12.2(b) for more details of our future plans in manufacturing standard modules and developing fully automated joint-test systems respectively, which indicates our move into the third phase of product development.

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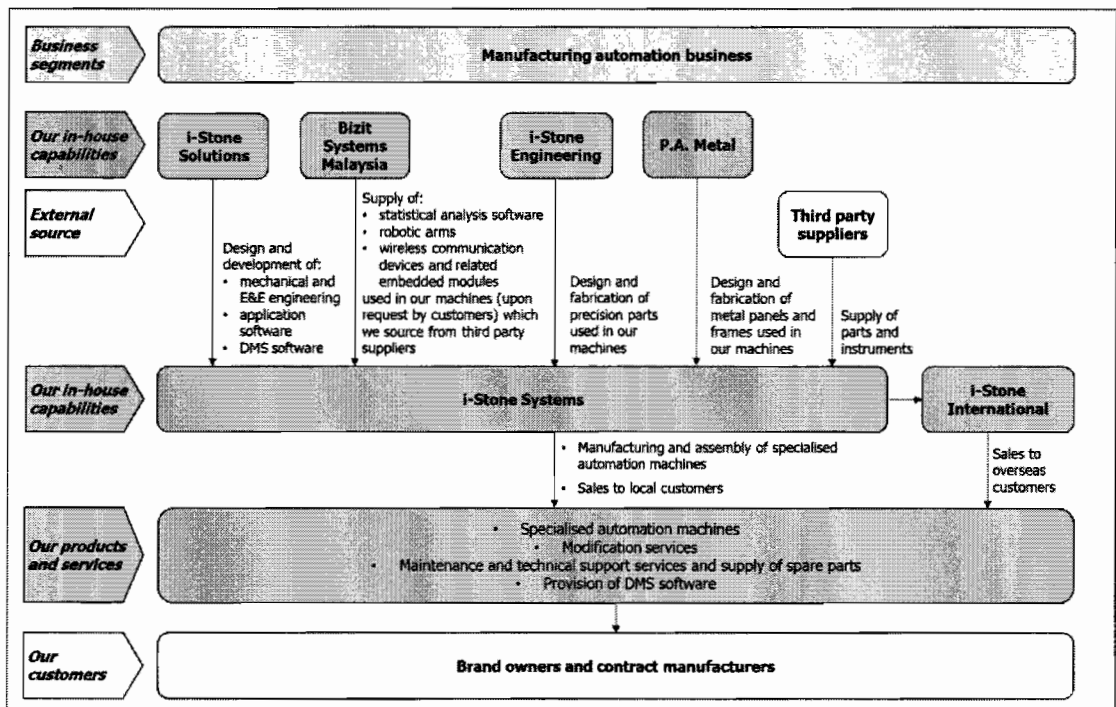
7. BUSINESS OVERVIEW (cont'd)

7.2 PRINCIPAL BUSINESS ACTIVITIES AND PRODUCTS

We are principally involved in the manufacturing automation business segment with a focus on specialised automation machines used in automating manufacturing processes. Our business can be divided into 2 business segments as set out below:



Manufacturing automation segment



7. BUSINESS OVERVIEW (cont'd)

Our business activities under this core business segment can be segmented as follows:

(a) Design and manufacturing of specialised automation machines

We provide solutions to our customers' manufacturing and testing needs by developing specialised automation machines which are used to fully or partially automate manufacturing processes including fabrication, assembly, test and inspection, transporting, packaging and storage. As such, all our specialised automation machines are customised based on our customers' requirements.

Our specialised automation machines are manufactured and assembled using parts, components and products which includes the following:

- (i) parts and instruments such as sensor, gauge, oscilloscope and multimeter sourced from third party suppliers;
- (ii) precision parts, metal panels and frames to form the structure and casing of our specialised automation machines which we fabricate in-house; and
- (iii) manufacturing automation hardware and software products such as statistical analysis software, wireless communication devices and related embedded modules and robotic arms, which we also distribute.

(b) Modification of existing specialised automation machines

We provide machine modification services to modify our customers' existing specialised automation machines which are manufactured by our Group. We modify such machinery to conform to the new specifications set by our customers.

(c) Provision of maintenance and technical support services

Our maintenance and technical support services comprise the provision of scheduled maintenance and fault rectification upon request by customers. As part of our maintenance and technical support services, we supply spare parts for our specialised automation machines.

(d) Provision of DMS

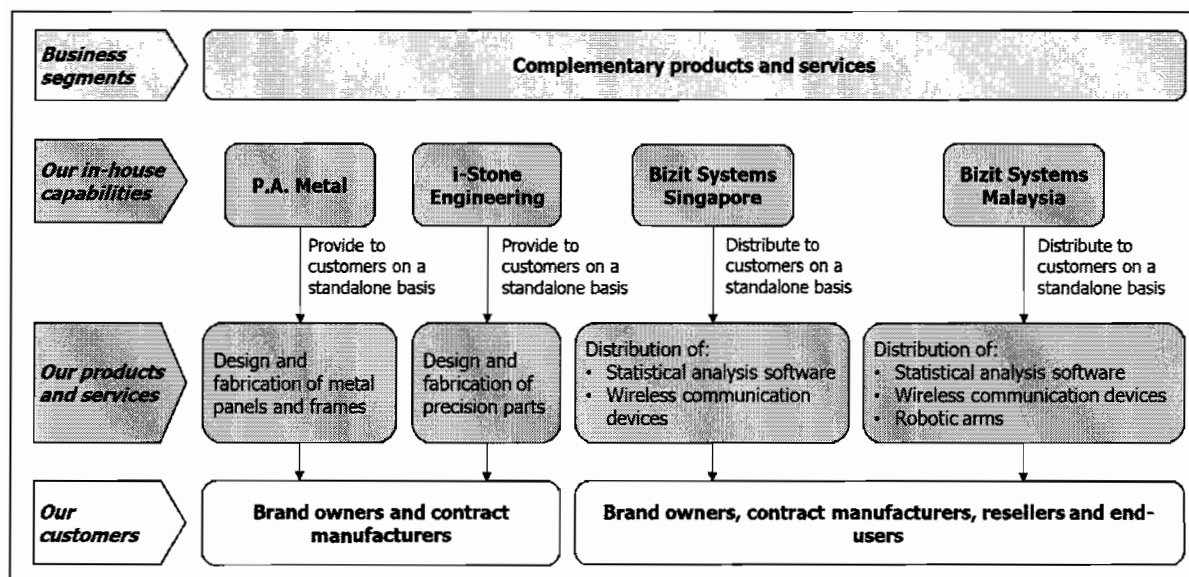
DMS is our in-house developed system used for monitoring and controlling of manufacturing processes, such as monitoring the efficiency and productivity of the machines and controlling the manufacturing sequence and production data flow of the machines throughout the manufacturing process on real time basis. DMS links various machines (including specialised automation machines) in a production line which allows the system to collect production data. DMS ensures the correct manufacturing sequence as it is able to track whether a UUT has gone through required manufacturing processes before it proceeds to the next machine in the manufacturing line. DMS will trigger an alarm to notify the machine operators when it detects a disruption in the manufacturing sequence of a product. With this, the production data will be recorded and stored in the server for further analysis.

Such data is then used to monitor and control the manufacturing processes. The data can also be used by statistical analysis software such as Minitab to facilitate quality control and cost improvement process. The DMS comprises our in-house developed DMS software and other third-party hardware components such as servers, networking devices, scanners and display devices.

7. BUSINESS OVERVIEW (cont'd)

Complementary products and services segment

Our Group also provides related products and services on a standalone basis, as follows:



(a) Design and fabrication of metal panels, frames and precision parts

We have the in-house capabilities to design and fabricate metal panels, frames and precision parts for our specialised automation machines under our manufacturing automation business. To further leverage on our capabilities, we design and fabricate metal panels and frames and precision parts on a standalone basis. Such fabricated products include external metal frames of switchboards and metal gas cylinder racks.

(b) Distribution of manufacturing automation hardware and software

We distribute manufacturing automation hardware and software that we use or related to our specialised automation machines. We distribute the following principal products to customers on a standalone basis:

- (i) Minitab brand of statistical analysis software used for statistical analysis of manufacturing processes;
- (ii) Digi brand of wireless communication devices and related embedded modules, which are mainly used for IoT systems; and
- (iii) Robotic technology equipment (such as robotic arm) manufactured by Universal Robots.

7. BUSINESS OVERVIEW (cont'd)

7.2.1 Our principal products and services

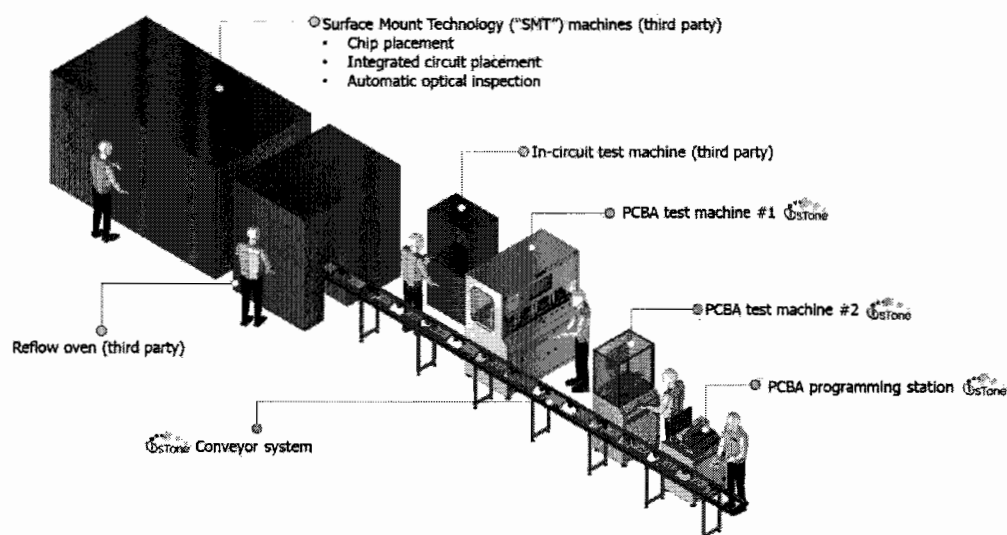
(a) Specialised automation machines

Our specialised automation machines comprise specialised test and process machines used in automating manufacturing processes. They are mainly sold to brand owners and contract manufacturers of home appliances, industrial products, automotive parts and components.

As each customer will have different manufacturing lines to manufacture different products, our specialised test and process machines are customised according to our customers' manufacturing requirements. Our specialised automation machines are essential components within a manufacturing line as they perform in-process testing on products during the manufacturing process to ensure it is being manufactured to specifications as well as to automate certain processes in a manufacturing process. The details of our specialised test machines (i.e. PCBA test machines and functional test machines) and specialised process machines will be described in the following sub-sections.

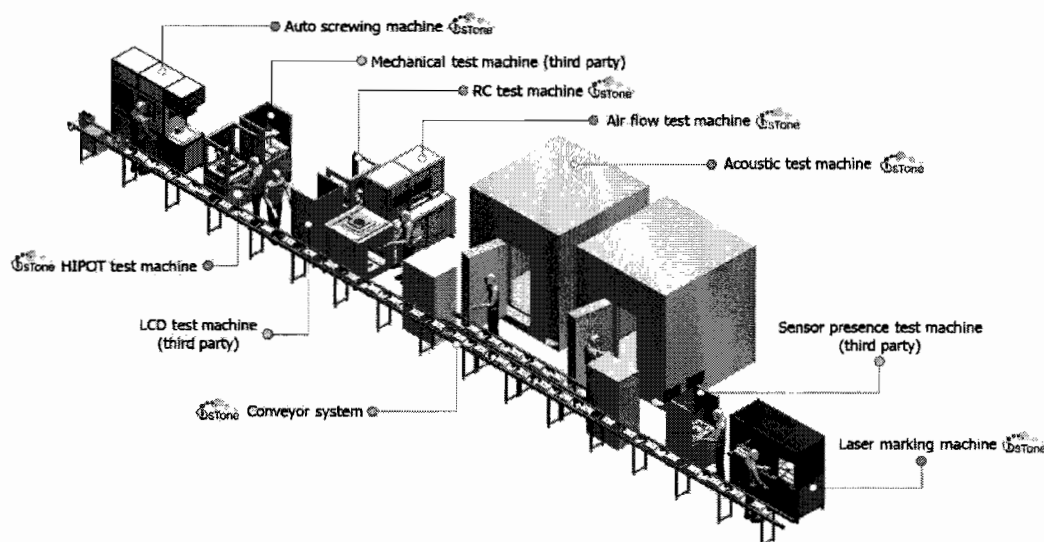
The following diagram illustrates the use of our PCBA test machines for certain processes within a typical manufacturing line of PCBAs. Our PCBA test machines are installed in a manufacturing line together with other machines and are usually installed towards the end of the manufacturing line to test the electrical characteristics of PCBAs, such as voltage, current, resistance and communication protocol. Please refer to Section 7.2.1(a)(i)(aa) for further details on our PCBA test machines.

We also manufacture PCBA programming station which is a machine consisting of an application software programmed by our Group alongside other third-party components such as integrated circuit programmer, computer and scanner. The programming station is used to load product firmware into the finished PCBAs. A product firmware is a software which is embedded into an electronic product to perform specific function.



7. BUSINESS OVERVIEW (cont'd)

The following diagram illustrates the use of our functional test machines and specialised process machines for certain processes within a typical manufacturing line of bladeless fans. Our functional test machines and process machines are installed in a manufacturing line together with other machines. Within part of the bladeless fan manufacturing line, examples of our functional test machines are HIPOT test machine, RC test machine, air flow test machine and acoustic test machine, while examples of our specialised process machines are auto screwing machine and laser marking machine. Please refer to Section 7.2.1(a)(i)(bb) for further details on our functional test machines and Section 7.2.1(a)(ii) for further details on our specialised process machines.



Note:

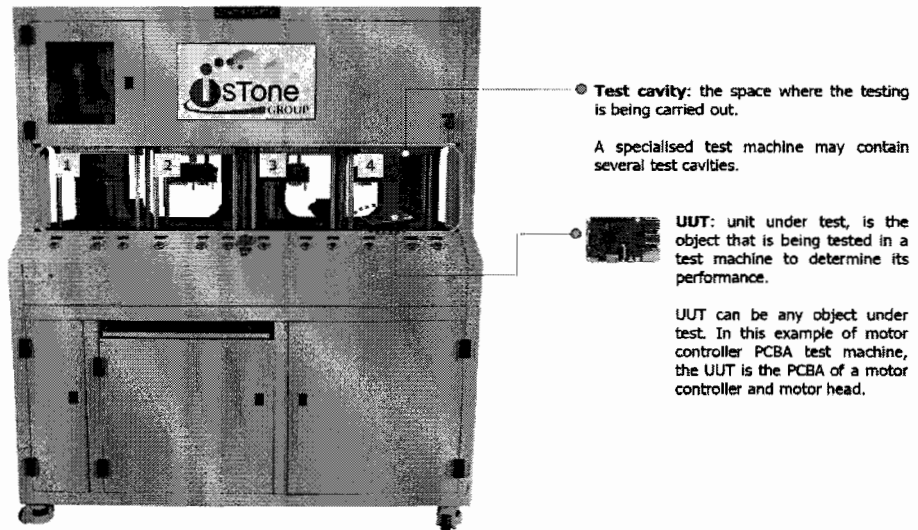
The machines included in the diagram above do not represent the full set of our specialised automation machine offerings and thus is not exhaustive. Save for acoustic test machine and air flow test machine, our specialised automation machines included in the diagram above are not included in the top 5 machines in terms of sales revenue in the past financial years/period under review, hence they are not described in the following Section 7.2.1(a)(i) and Section 7.2.1(a)(ii).

The details of our specialised test and process machines are as follows:

(i) Specialised test machines

Specialised test machines are machines used to fully or partially automate in-process testing in different manufacturing lines of various different products. All our specialised test machines are customised in accordance to our customers' manufacturing needs in order to fit those different manufacturing lines. An example of our specialised test machine (i.e. motor controller PCBA test machine) is illustrated as below:

7. BUSINESS OVERVIEW (cont'd)

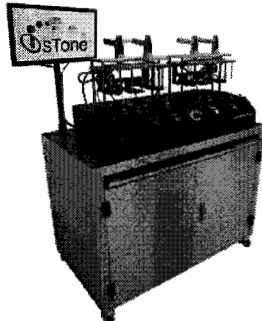


Our specialised test machines can be broadly divided into 2 categories, namely PCBA test machines and functional test machines. PCBA test machines are used to test the electrical characteristics of PCBAs, such as voltage, current, resistance and communication protocol. Functional test machines are used to test the electrical and mechanical functionalities of parts and components, such as noise levels, rotational speed, durability, air flows and pressure levels.

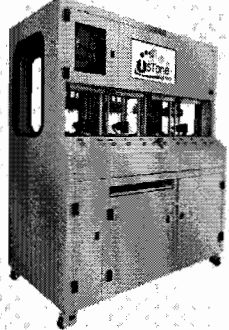
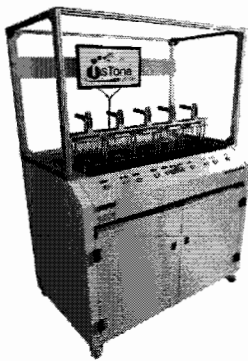
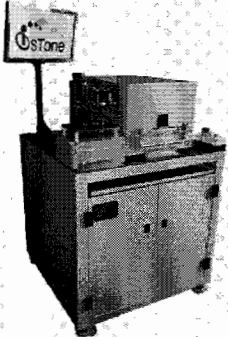
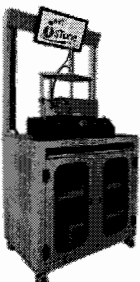
All of our PCBA test machines and functional test machines are customised and made-to-order as per customer requirements. In the past 4 FYEs 2015 to 2018, we manufactured 112 types of PCBA test machines and 140 types of functional test machines.

The following sets out our top 5 PCBA test machines and our top 5 functional test machines in terms of sales revenue in the past 4 financial years under review. As our entire specialised test machines are customised according to our customers' requirements, the following does not represent a complete list of our specialised test machines.

(aa) PCBA test machines

| PCBA test machines | Descriptions |
|--|--|
| <p>Battery PCBA test machine</p>  | <p>A battery PCBA test machine is used to test the electrical characteristics of the PCBA of a battery pack controller. This battery PCBA is used to control the charging of the battery to ensure the battery will not be undercharged or overcharged. The battery PCBA test machine tests the ability of the PCBA to cut off power when the battery is fully charged by testing the flow of current through the PCBA to the battery.</p> |

7. BUSINESS OVERVIEW (cont'd)

| PCBA test machines | Descriptions |
|--|---|
| <p data-bbox="331 315 646 376">Motor controller PCBA test machine</p>  | <p data-bbox="678 315 1423 573">A motor controller PCBA test machine is used to test the electrical characteristics of the PCBA of a motor controller. This motor controller PCBA is used to control the amount of power delivered to the motor. The motor controller PCBA test machine tests the ability of the PCBA to control the motor at different speed settings. This is done by testing the flow of current through the PCBA to the motor and ensuring that the correct speed of motor is achieved.</p> |
| <p data-bbox="341 725 633 786">Fan controller PCBA test machine</p>  | <p data-bbox="678 725 1423 983">A fan controller PCBA test machine is used to test the electrical characteristics of the PCBA of a fan controller. This fan controller PCBA is used to control the direction and speed of a fan motor. The fan controller PCBA test machine tests the ability of the PCBA to control the fan functions such as fan speed, temperature and oscillation mode by testing the flow of current through the PCBA to the motors and to the temperature controller.</p> |
| <p data-bbox="336 1216 632 1245">Wi-Fi PCBA test machine</p>  | <p data-bbox="678 1216 1423 1406">A Wi-Fi PCBA test machine is used to test the electrical characteristics of the PCBA of a Wi-Fi product. This Wi-Fi PCBA is used to control the Wi-Fi signal and connectivity. The Wi-Fi PCBA test machine tests the ability of the PCBA to control the Wi-Fi functions on the PCBA by testing the Wi-Fi signal strength and response.</p> |
| <p data-bbox="316 1641 652 1702">Washing machine PCBA test machine</p>  | <p data-bbox="678 1641 1423 1899">A washing machine PCBA test machine is used to test the electrical characteristics of the PCBA of a washing machine. This washing machine PCBA is used to control the overall function of a washing machine. The washing machine PCBA test machine tests the ability of the PCBA to control the washing machine functions such as washing machine motor, sensors and valves. This is done by testing the flow of current through the PCBA to motor and valves.</p> |

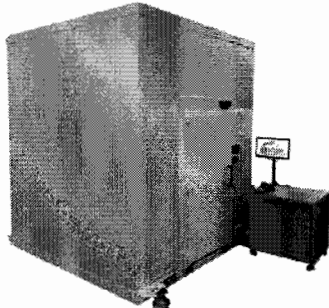
7. BUSINESS OVERVIEW (cont'd)

(bb) Functional test machines

Functional test machines

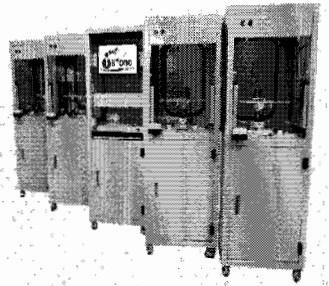
Descriptions

Acoustic test machine



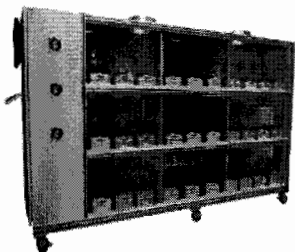
An acoustic test machine is used to test the sound levels produced by the motor when turned on. The testing is done by using microphones and a signal analyser to measure and analyse the sound level produced by the UUT. This test is to ensure the noise level falls within the product specifications.

RPM test machine



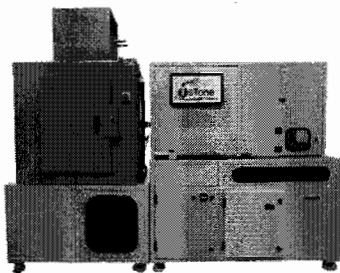
A RPM test machine is used to test the speed of rotation of the motor when turned on. The testing is done by using sensors to measure the speed of the motor of the UUT. This test is to ensure the rotational speed falls within the product specifications.

Life test machine



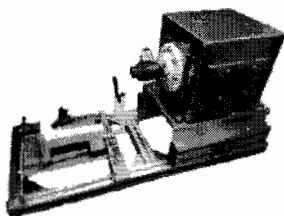
A life test machine is used to test the life span or durability of a product. The testing is done by performing stress tests on the product such as repeatedly actuating the buttons of the product, repeatedly powering on and off the product for hundred thousands of cycles or continuously running the product until the specified number of test cycles are completed. This test is used to ensure the products can be used for a specified life span.

Air flow test machine



An air flow test machine is used to test the volume of air flow generated by a product. The testing is done by using flow or pressure sensors to measure the air flow in and out of the product. This test is to ensure specified volume of air can be generated by the product when turned on.

Air watt test machine

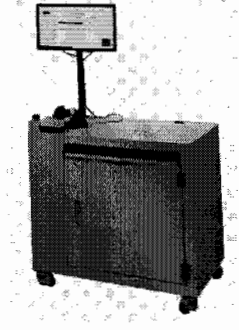
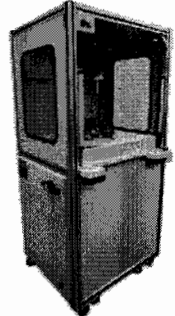
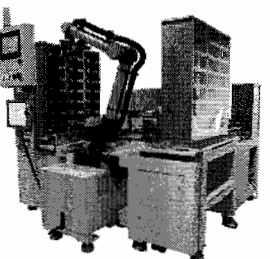


An air watt test machine is used to test suction power. The testing is done by measuring the current, voltage and pressure drawn by the product during operation mode. This test is to ensure specified suction power is produced to operate the product.

7. BUSINESS OVERVIEW (cont'd)

(ii) Specialised process machines

Specialised process machines are machines used to fully or partially automate certain processes in a manufacturing process such as to assemble, screw, trim, glue, sort and laser mark various parts and components. The following sets out our top 5 specialised process machines in terms of sales revenue in the past 4 financial years under review. As our entire specialised process machines are customised according to our customers' requirements, the following does not represent a complete list of our specialised process machines.

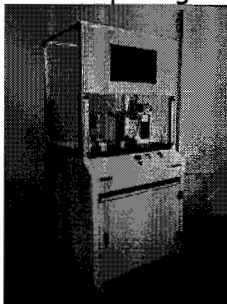
| Specialised process machines | Descriptions |
|--|---|
| <p data-bbox="311 607 614 640">Barcode printing machine</p>  | <p data-bbox="678 607 1412 674">A barcode printing machine is used to automatically print barcode labels onto parts of products</p> |
| <p data-bbox="279 1041 646 1075">Motor mount insertion machine</p>  | <p data-bbox="678 1041 1412 1108">A motor mount insertion machine is used to assemble the motor onto parts of products</p> |
| <p data-bbox="327 1444 598 1478">Robot machine tending</p>  | <p data-bbox="678 1444 1412 1556">A robot machine tending is used to perform repetitive works such as the conveying of parts and components from one machine to another</p> |

7. BUSINESS OVERVIEW (cont'd)

Specialised process machines

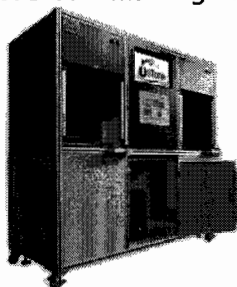
Descriptions

Serial number pairing machine



A serial number pairing machine is used to scan the serial numbers of parts and components and log the data into database for future tracking and pairing

QR code laser marking machine



A Quick Response ("QR") code laser marking machine is used to laser mark the QR code onto parts of products

Other than design and manufacturing of specialised automation machines, we provide machine modification services to modify our customers' existing specialised automation machines which were manufactured by our Group as part of our strategy to retain customers. Machine modification refers to the change of certain parts or mechanisms of an existing specialised automation machine. For example, adding additional number of test cavities on an existing PCBA test machine to test more PCBAs simultaneously, changing the test cavities of an existing PCBA test machine to test different type of PCBAs, or replacing the holder in an existing process machine to hold items of different size or shape and adjusting the mechanism of the process machine to accommodate the assembly of these items.

Some of our customers may request us to modify their existing specialised automation machines rather than purchase new machines. Based on our customer's machine modification request and specifications, we will design and manufacture the required machine parts which will thereafter be assembled onto an existing specialised automation machine. This gives our customers the option to upgrade and/or re-adapt their existing specialised automation machines without having to invest in new machines while also providing our Group with an additional revenue stream.

Our Group does not modify machines that are manufactured by other manufacturers as we do not have the details of the machine designs such as the E&E and mechanical designs as well as the programming code of the application software. Instead, if such requests arise, our Group will encourage the customers to purchase our new specialised automation machines.

(b) Maintenance and technical support services

Our maintenance and technical support services comprise the provision of maintenance and fault rectification which are both upon the request of customers. We do not enter into any maintenance contract as our maintenance services are executed based on purchase orders issued by customers, and it is likely that our customers will turn to us for maintenance services, given that our specialised automation machines are customised.

7. BUSINESS OVERVIEW (cont'd)

Our customers may also raise purchase orders for technical support services on ad-hoc basis for fault rectification of specialised automation machines which experience any malfunctions. However, our customers may opt for third party or their in-house maintenance and technical support team if they deem it to be more cost effective to do so.

As part of our maintenance and technical support services, we also supply the following spare parts and components of our specialised automation machines to our customers:

- instruments such as multimeter, pressure transmitter, flow meter, microphone and power supply;
- electronic components, precision parts and mechanical components such as sensors, resistors, capacitors and pneumatic cylinders; and
- consumables such as switches, belts, seals, test probes, sockets, cables and acoustic foams.

(c) DMS

DMS is our in-house developed system used for monitoring and controlling of manufacturing processes, such as monitoring the efficiency and productivity of the machines and controlling the manufacturing sequence and production data flow of the machines throughout the manufacturing process on real time basis.

DMS links various machines (including specialised automation machine) in a production line which allows the system to collect data. Such data is then used to monitor and control the manufacturing processes. For example, when a machine does not perform within its acceptable range, the system will trigger an alarm to notify the machine operators immediately. The data can also be used by statistical analysis software such as Minitab to facilitate quality control and cost improvement process.

Through the data collected, DMS system can detect any faults in machine operations which will adversely affect the quality of a manufactured product. Once a fault is detected within a machine, machine operations will be halted until the fault is corrected. As a result of early detection of faults in the manufacturing process, our customers are able to minimise wastage and thus reduce manufacturing cost.

The DMS comprises our in-house developed DMS and other hardware components such as servers, networking devices, scanners and display devices.

We offer our DMS to customers who purchase our specialised automation machines as well as to customers on a standalone basis. Our customers of DMS are mainly brand owners and contract manufacturers of home appliances. We customise our DMS according to the setup and functions of our customers' manufacturing lines. We charge customers based on the purchase order of our DMS and do not impose any licensing fees.

(d) Metal panels, frames and precision parts

We have the in-house capability to design and fabricate metal panels and frames and precision parts for the assembly of our specialised automation machines as well as for standalone sales to our non-manufacturing automation customers, (i.e. customers that do not purchase our products and services under the manufacturing automation segment). For the FYE 2018, approximately 70% of our total production volume for metal frames and panels and precision parts is for the assembly of our specialised automation machines.

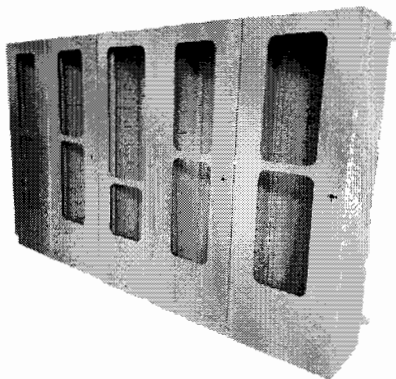
7. BUSINESS OVERVIEW (cont'd)

We design and fabricate metal panels and frames and precision parts on a standalone basis for our non-manufacturing automation customers which are mainly brand owners and contract manufacturers from various manufacturing industries.

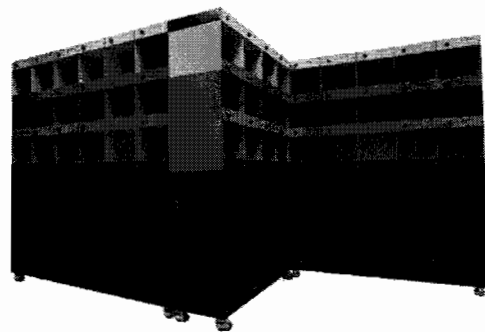
These manufacturing industries include home appliances, electricity distribution products and automotive vehicles. Such fabricated products include external metal frames of switchboards and metal gas cylinder racks. Precision parts (such as jigs and fixtures) are used to form certain components of our specialised automation machines which require high precision in the dimensions.

The following illustrates the products that we typically fabricate for our standalone sales:

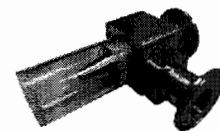
Metal panels



Metal frames



Precision parts



(e) Manufacturing automation hardware and software

We are appointed as the authorised non-exclusive independent distributors/representatives for Minitab, Digi and Universal Robots in Malaysia, Singapore and/or Indonesia. These authorised distributorships arrangement are renewed automatically/shall continue to be in effect until terminated.

(i) Statistical analysis software

Bizit Systems Singapore distributes Minitab software, a third party statistical analysis software owned by Minitab Inc., a company based in the USA, in Malaysia, Singapore and Batam, Indonesia on a non-exclusive basis.

Minitab software is a statistical analysis software that can be used to analyse large amounts of data collected from machines used in manufacturing, including our specialised automation machines and using the DMS, to facilitate quality control and cost improvement process. It is sold to brand owners, contract manufacturers and resellers. It is also sold to end-users including financial institutions for data processing and research departments in educational institutions to facilitate the teaching of statistics subjects and academic research. There are 2 types of Minitab statistical analysis software subscriptions available, namely perpetual license and annual subscription. A perpetual license, comprising single user license and multi-user license, allows a user to install the

7. BUSINESS OVERVIEW (cont'd)

software on computers or machines after paying a one-off licensing fee; while an annual subscription, comprising multi-user license, allows a user to install the software on computers or machines in return for payment of annual licensing fees.

As part of our Minitab software distribution services, we also provide technical support services and training on Minitab software for our customers in Malaysia and Singapore.

(ii) Wireless communication devices and related embedded modules

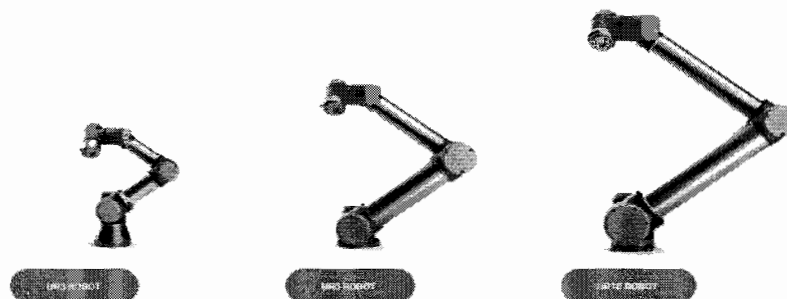
Bizit Systems Singapore and Bizit Systems Malaysia sell Digi products comprising wireless communication devices such as radio frequency wireless devices and related embedded modules in Malaysia, Singapore and Indonesia. This includes Rabbit & 32 bits), related embedded modules (RF Embedded for Rabbit's customer users) as well as iDigi services (a cloud network that serves as a platform to connect and integrate the communications between Digi's wireless communication devices and related embedded modules. This enables Bizit Systems Singapore to represent Digi in providing guidance on the usage of iDigi service and value added services to its customers as part of its service offerings in distributing the wireless communication devices and related embedded module).

Related embedded modules are sub-assembled electronic devices containing an operating system which will be integrated into a device such as a radio frequency wireless device to control its intended functions. The Digi brand is owned by Digi, a company based in the USA. These products are used mainly for IoT applications.

(iii) Robotic arms

Bizit Systems Malaysia distributes robotic arms and its spare parts on a non-exclusive basis for Universal Robots in Malaysia. The robotic arms manufactured by Universal Robots are also known as collaborative robots, where the robotic arms can work alongside humans without any additional safety devices and/or fencing.

We presently distribute 6 types of robotic arms manufactured by Universal Robots, namely UR3, UR5, UR10, UR3e, UR5e and UR10e. The number indicates the maximum payload in kg of the robotic arm. Each robotic arm has 6 rotating joints to imitate the motion of human arms. We distribute all 6 types of robotic arms to customers on a standalone basis and also integrate them into our specialised automation machines as an additional automated function for our machines. The appearance of each of the robotic arms is similar to each other, as illustrated below:



7. BUSINESS OVERVIEW (cont'd)

All our manufacturing automation hardware and software as described above are sold according to the recommended retail price based on a range provided by our suppliers. Our Group purchases these products at a distributor price from our suppliers and thus we earn a margin on these products.

Whilst the above distributorships/representative arrangements have been complementary to our manufacturing automation business segment, we are not highly dependent on the above distributorship/representative arrangements in view of the following considerations:

- (a) for the 4 financial years under review, the revenue contribution from the distribution of manufacturing automation hardware and software segment has been on a declining trend, decreasing from 18.2% during FYE 2015 to 12.4% during FYE 2018;
- (b) in the event that the distributorship/representative arrangements from Minitab, Digi and Universal Robots are terminated, we are able to seek for alternative brands of manufacturing automation hardware and software from other alternative suppliers; and
- (c) Minitab brand of statistical analysis software and Digi brand of wireless communication devices and related embedded modules are sold to customers on a standalone basis (i.e. customers who do not purchase specialised automation machines from our Group, such as higher education institutions, oil and gas companies, research laboratories and others). While we use Minitab's statistical analysis software internally to facilitate the testing of our specialised automation machines during the customer acceptance stage in the manufacturing of our machines, we do not integrate Minitab's software into our specialised automation machines unless they are requested by our customers to do so. At our customer's request, we will reconfigure the systems of our specialised automation machines to be compatible and integrated with the Minitab's statistical analysis software to perform analysis of data produced from our specialised automation machines in their manufacturing lines. We can also install the Digi brand of wireless communication devices and related embedded modules as an optional module to enable our specialised automation machines to perform IoT applications. However, we are able to integrate robotic arms from Universal Robots into our specialised automation machines and we also sell these robotic arms to customers on a standalone basis.

7.2.2 Warranty

We provide our customers with a warranty period of 1 year for our new specialised automation machines starting from the approval of final customer acceptance of our machine. Consumables and wear and tear parts are not included under the said warranty. Our warranty covers manufacturing defects, where we replace defective parts and components manufactured by us (such as metal panels, metal frames and precision parts) free of charge to our customers at our cost. For parts and components which are sourced from our suppliers (such as spare parts and manufacturing automation hardware including parts and instruments, wireless communication devices and related embedded modules and robotic arms), our suppliers provide us with 1 year warranty. With this, we also provide our customers with warranty of 1 year for the same spare parts and manufacturing automation hardware on a back-to-back basis with our suppliers. In the event where these spare parts and manufacturing automation hardware are found defected within the warranty period, we will send the defected parts and hardware to our suppliers and request for repair or replacements at suppliers' cost.

However, we charge our customers for repair services if the specialised automation machines' failure is due to our customers not following our recommended operating procedures or caused by their fault.

7. BUSINESS OVERVIEW (cont'd)

For our DMS system, we do not provide warranty to our customers but we provide complementary support for up to 3 months where we assist our customers in amending user settings such as interface layouts, language and file storage, amongst others, according to our customers' preferences.

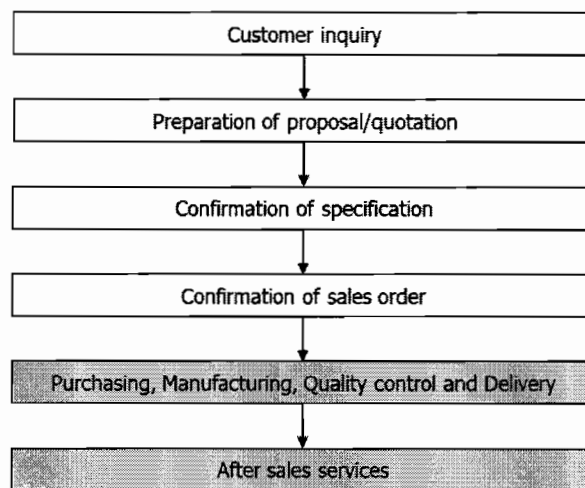
For specialised automation machines that we modify, we typically provide a warranty period of up to 1 year on the new parts and components that we use in the modification services for specialised automation machines. No warranty is provided for metal frames and panels and precision parts that we fabricate for standalone sales.

Upon the expiry of the warranty period, we charge our customers for providing maintenance and technical support services. For the past 4 FYEs 2015 to 2018, our warranty claims was less than 1.0% of our Group's revenue.

7.3 DESCRIPTION OF OUR BUSINESS

The typical process flow for our Group's business activities is categorised into 3 types of sales, as depicted below:

- (i) Specialised automation machine sales (new machines and modification of machines);
- (ii) DMS sales; and
- (iii) Standalone sales (metal panels, frames and precision parts and manufacturing automation hardware and software).



The business process for all 3 types of sales are similar from customer inquiry to confirmation of sales order, while the processes for the 3 types of sales in purchasing, manufacturing, quality control and delivery differ with each other, hence it will be described separately in Section 7.3.1, Section 7.3.2 and Section 7.3.3, respectively.

Upon receipt of inquiries from a potential customer, our sales team will prepare a proposal or quotation in accordance to the customer's requirements and specifications. For specialised automation machine, our proposal consists of the specifications of the machine as well as visual presentation and functionality design presentation of the machine. Functionality design presentation provides a step-by-step illustration on how the machine functions to fulfil the customer's manufacturing needs. For DMS, our proposal consists of the specifications of the system as well as illustration of the graphical user interface. For standalone sales, our proposal or quotation consists of, amongst others, the dimensions and materials of metal

7. BUSINESS OVERVIEW (cont'd)

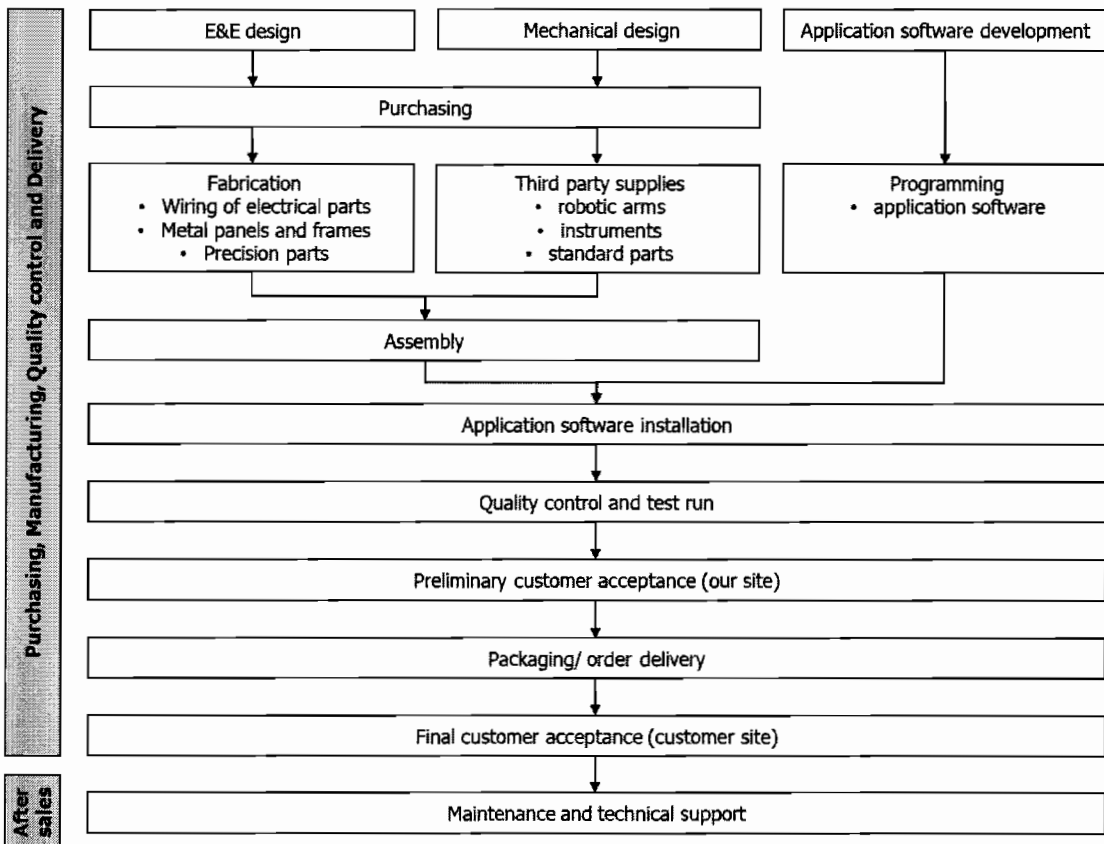
panels and frames, subscription types of statistical analysis software, types of wireless communication devices and related embedded modules or quotation of different types of robotic arms. Our customers then provide a confirmation on the product specifications with a purchase order to confirm their purchase.

The lead time for completing a purchase order of new specialised automation machine (from the point of confirmation of purchase order to the delivery of machines which includes the design, development and manufacturing processes) and machine modification is 8 to 12 weeks and 2 to 4 weeks, respectively. The lead time for completing a repeat purchase order of existing range of specialised automation machine is 7 to 11 weeks, subject to the availability of raw materials. DMS will take approximately 4 to 8 weeks from the point of confirmation of purchase order to the delivery of system.

We price our specialised automation machines based on the estimated production cost (which includes D&D manhour cost, raw materials used and assembly cost), with a certain mark-up on such estimated production cost.

A deposit payment of between 20% and 30% will be collected from our customers when they place purchase orders for new specialised automation machines, while the remaining payment will be invoiced to the customers upon final customer acceptance. All our sales are carried out on a credit basis with a credit period between 30 days and 120 days. We do not collect deposit payments from our customers for the complementary products and services business segment. There is no amount of payment retained by our customers after final customer acceptance or delivery.

7.3.1 Specialised automation machines sales



7. BUSINESS OVERVIEW (cont'd)

The manufacturing process of our specialised automation machines and machine modification works begin with the formation of a team led by a project manager and supported by an E&E engineer, a mechanical engineer, a software engineer, a quality control engineer and a production manager. The project manager oversees the entire manufacturing process of a machine order, from the design and production of electronic and mechanical drawings, fabrication of the parts, assembly, application software programming and installation, quality test and customer acceptances.

Based on the machine specifications confirmed by the customer in the purchase order, our E&E engineer prepares the E&E design of the machine in the form of a circuit diagram and determine the programming required for the application software to operate the machine, while our mechanical engineer prepares the structural 3D design of the machine which includes the metal frame and panel and internal mechanical parts of the machine. Our customer will review and approve the design of the machine to ensure the machine can function in accordance to their requirements before fabrication works begin.

Once the design of the machine is approved by our customer, our purchasing team will source materials and components such as, among others, E&E components, mechanical components, automation parts and metal sheets to be used in our in-house fabrication. Our purchasing team will also source third party components such as standard parts, instruments or robotic arms if they are required by our customers to be assembled as part of the specialised automation machine. If the materials and/or third party components are not available in our inventory, our purchasing team will source them from our list of appointed suppliers. Once all the required raw materials and components are procured, we will commence the following fabrication works:

| Machine parts | Descriptions |
|-------------------------|--|
| Metal panels and frames | Our metal panels and frames are fabricated based on the approved drawings prepared by our mechanical engineer. We conduct quality checks to ensure the metal panels and frames fabricated follow the dimensions as indicated in the drawings. The completed parts will be sent to the assembly line in accordance to the manufacturing schedule of our machine |
| Precision parts | Our precision parts are fabricated based on the approved drawings prepared by our mechanical engineer. We fabricate our precision parts using CNC machines which are programmed to carry out high precision shaping processes such as milling, grinding, drilling and tapping. The fabrication process is completed with surface treatment such as buffing, hairline, anti-scratch and anti-static treatment and coating for aesthetic value and durability. As at the LPD, we outsource our anti-static treatment and coating processes. The completed precision parts will be sent to the assembly line in accordance with the manufacturing schedule of our machine |
| Electrical parts | Our wiring technicians will assemble the wiring and electrical components required in the machine based on the approved drawings prepared by our E&E engineering team |

Concurrently, we will program the application software to be installed in the specialised automation machine. There are 2 platforms available for the application software to be programmed and operated, namely Windows-based computer and PLC. The application software will be customised and programmed according to customer machine requirements. All the required parts of the machine including the fabricated parts (i.e. metal panels and frames, precision parts and electrical parts) and the third party components (i.e. standard

7. BUSINESS OVERVIEW (cont'd)

parts, instruments or robotic arms) will be assembled to form a specialised automation machine based on the approved drawings, followed by the installation of the required application software into the machine.

We conduct quality control throughout the manufacturing process, including visual and electrical inspection of the test boards, electrical wiring and connections and mechanical parts to ensure that there are no electrical and physical defects or faults. Upon completion of quality control, we will then conduct debug and testing, stress run and the test run of our specialised automation machine or part of the specialised automation machine to ensure every part of the specialised automation machine is functioning according to the specifications.

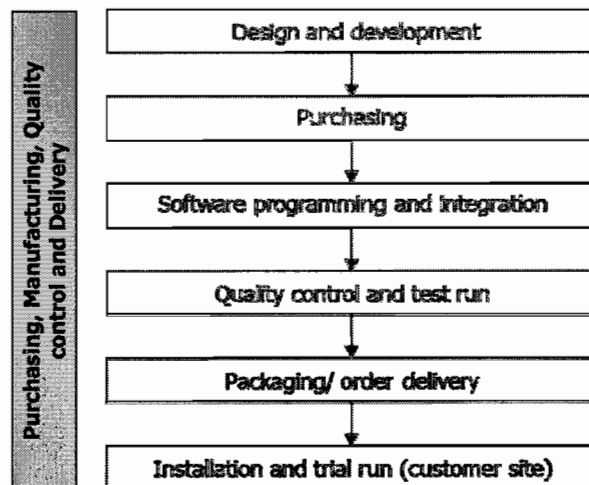
Thereafter, we conduct a preliminary customer acceptance in our plant. During the preliminary customer acceptance, we will set the specialised automation machine to run the customer's product. A customer representative will be present to observe and ensure that the customer acceptance is conducted according to the customer's acceptance test criteria. The customer's acceptance test criteria will set out the items for qualification and the requirements and passing conditions. For example, the quantity to run for analysis and accuracy, as determined by our customer.

Further, we will also perform gauge repeatability and reproducibility test on the machine using statistical analysis software (i.e. Minitab statistical analysis software) to ensure the stability of the machine performance using different measuring devices and different test operators. The preliminary customer acceptance procedure is completed once the machine is proven to operate within the customer's acceptance test criteria. Following the preliminary customer acceptance, our specialised automation machine will be packed and sent for delivery to our customer.

After our specialised automation machine has been delivered to our customer, we will conduct the final customer acceptance at our customer's premises with similar procedures as per the preliminary customer acceptance in our plant. Once the final customer acceptance is approved by our customer, we will install our specialised automation machine at our customer's premises.

As part of our after-sales services, we provide maintenance and technical support services to our customers on request basis which comprise the provision of scheduled maintenance, fault rectification and improvements to application software performance.

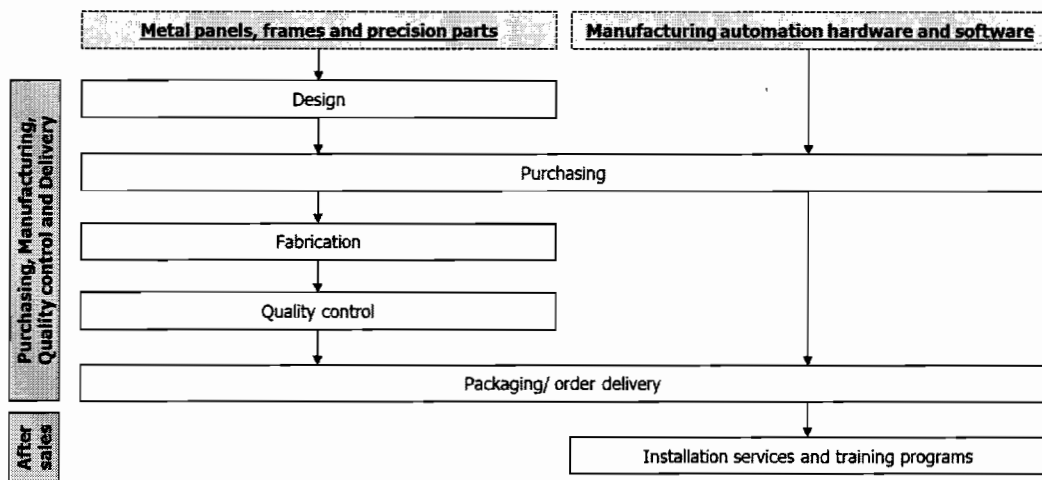
7.3.2 DMS sales



7. BUSINESS OVERVIEW (cont'd)

Once the sales order of our DMS is confirmed, our software engineering team will design and customise our system according to customer's specifications. Our purchasing team will also source hardware components required such as servers, networking devices, scanners and display devices. Next, our software engineering team will program our DMS software and integrate it with the hardware components. Upon the completion of DMS software programming and integration, our software engineering team will perform quality checks and test runs to ensure the DMS software is able to function as specified. Thereafter, our software engineer will supervise the installation of the DMS hardware and integration with our DMS software. When the installation process is completed, we will perform a trial run. Once our customer approves the trial run results, the DMS will be officially commissioned.

7.3.3 Standalone sales



(i) Metal panels, frames and precision parts

For standalone sales of metal panels, frames and precision parts, we design the metal panels, frames and precision parts based on customer's requirements. Once the design is approved by our customers, we will begin the fabrication process if the raw materials (i.e. metal sheets) are available in our inventory, which is managed on a first-in, first-out (FIFO) basis. Otherwise, we will carry out the purchasing of raw materials required for the fabrication of metal panels, frames and precision parts and begin the fabrication process. We conduct quality checks to ensure the metal panels, frames and precision parts fabricated follow the dimensions as indicated in the drawings. The completed metal panels, frames and precision parts are then packed and sent for delivery to our customers.

(ii) Manufacturing automation hardware and software

Manufacturing automation hardware and software comprises Minitab's statistical analysis software, Digi's wireless communication devices and related embedded modules and Universal Robots' robotic arms.

For standalone sales of statistical analysis software, our sales team will confirm with the customers the type of software subscription (i.e. perpetual license or annual subscription). Upon confirmation of the sales order and the availability of the subscription, we will deliver the statistical analysis software to customers electronically or on Compact Disc media. For the statistical analysis software that we deliver to our customers electronically, we provide our customers with a link and an activation code to download and activate the software. For the statistical analysis software in the form of Compact Disc media, we practice FIFO for the management of our inventory.

7. BUSINESS OVERVIEW (cont'd)

For standalone sales of wireless communication devices, our purchasing team checks the availability of the devices in our inventory which is managed on a FIFO basis. If they are available in our inventory, the devices are packed and sent for delivery to our customers. If the devices are not available, our purchasing team will order them from Digi.

For standalone sales of robotic arms, we do not hold inventory and will order them from Universal Robots upon confirmation of purchase orders from customers.

We also offer installation services and training programs upon request by our customers on statistical analysis software (i.e. Minitab statistical analysis software) and robotic arms to demonstrate the functionalities and usage of these software.

For Minitab statistical analysis software, we provide 2-day on-site training programs conducted at our customers' premises upon request by our customers. In addition, we also provide 2-day training programs to any participants who wish to attend the training which we conduct at various locations held in Malaysia and Singapore where we charge the participants a fee.

For robotic arms, we provide 2-day on-site training programs for customers in Malaysia where we charge the participants a fee. We conduct all our on-site training programs at a maximum of 20 persons per session.

7.4 OPERATING CAPACITIES AND OUTPUT

Our capacity to manufacture and modify specialised automation machines are largely dependent on the number of assembly bays available at our factory and the size of each bay. These assembly bays can be used to either manufacture or modify our specialised automation machines inter-changeably.

The average time taken to manufacture 1 new specialised automation machine is equivalent to modifying 4 specialised automation machines. For purposes of illustrating the utilisation rate, we have presented the operating capacity in terms of manufactured machines and we have restated the number of machines that we modified into the equivalent number of manufactured machines as set out below:

| | Annual capacity⁽¹⁾ (Number of machines) | Actual production (Number of machines) | Utilisation rate (%) |
|----------|---|---|---------------------------------|
| FYE 2017 | 600 | 600 ⁽³⁾ | 100.00 |
| FYE 2018 | 756 ⁽²⁾ | 687 ⁽⁴⁾ | 90.87 |

Notes:

(1) Based on average number of assembly bays as follows:

| | 40 sq ft bays (Number) | 48 sq ft bays (Number) | Total bays (Number) |
|----------------------------------|---|-----------------------------------|--------------------------------|
| FYE 2017 | 30 | 10 | 40 |
| FYE 2018 | | | |
| - January 2018 to September 2018 | 40 | 10 | 50 |
| - October 2018 to December 2018 | <i>**Average bay size of 50 sq ft**</i> | | 72 |

7. BUSINESS OVERVIEW (cont'd)

A 40 sq ft bay is able to fit 1 machine at any one time, while a 48 sq ft bay is able to fit 2 machines at any one time. In January 2018, we rented an adjacent factory with 10 assembly bays (of 40 sq ft each) to support our operations in manufacturing and modifying specialised automation machines, which increased our annual capacity by 120 new machines or by 90 new machines between January 2018 to September 2018.

In October 2018, we relocated our entire manufacturing operations to the New Factory that has 72 bays with an average bay size of 50 sq ft each. Each 50 sq ft bay is designed to fit 1 machine at any one time. A larger space for each bay is allocated in our New Factory which allows for a more spacious and better working environment to our employees to enhance efficiency, as compared to fitting 2 machines in a smaller bay (i.e. 48 sq ft) at our previous factories. The annual capacity is calculated based on single shift operation of eight (8) hours in a day, and five (5) working days in a week.

- (2) Based on an aggregate of 9 months capacity in the previous factories (monthly capacity stands at 60 machines) and 3 months capacity in the New Factory (monthly capacity stands at 72 machines), hence the annual capacity for FYE 2018 was 756 ($9 \times 60 + 3 \times 72$)
- (3) Actual production comprises the aggregate of 482 new machines and 471 modified machines, where the 471 modified machines is equivalent to 118 new machines (as set out above, the average time taken to manufacture 1 new specialised automation machine is equivalent to modifying 4 specialised automation machines), hence the total actual production in the FYE 2017 was 600 (482+118)
- (4) Actual production comprises the aggregate of 568 new machines and 477 modified machines, where the 477 modified machines is equivalent to 119 new machines (as set out above, the average time taken to manufacture 1 new specialised automation machine is equivalent to modifying 4 specialised automation machines), hence the total actual production in FYE 2018 was 687 (568+119)

In October 2018, we relocated our entire manufacturing operations to the New Factory, which has a total of 72 assembly bays, which translates to an annual capacity to manufacture 864 new specialised automation machines in our New Factory. The capacity in our New Factory increased by 20% as compared to the capacity in our previous manufacturing sites. We can only achieve this production capacity if we acquire new machines, equipment and software (as set out in Section 7.12.3(a)) or through the sourcing of external fabrication of metal frames, panels and precision parts services from our existing suppliers. Without these, our Group is only able to achieve the annual production capacity of 540 new specialised automation machines.

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7. BUSINESS OVERVIEW (cont'd)**7.4.1 Key machinery and equipment**

A summary of the key machinery and equipment owned by us are set out below:

| Machinery and equipment | Function | Average life span (years) | Average age⁽¹⁾ (years) | No. of units | NBV as at 31 December 2018 RM'000 | |
|--------------------------------|--|----------------------------------|--|---------------------|--|--------------|
| CNC milling machine | To shape metals using rotary cutters to form precision parts using CNC technology | 20 | 4 | 6 | 873 | |
| Milling machine | To shape metals using rotary cutters to form precision parts | 9 | 5 | 8 | 47 | |
| CNC cutting machine | To cut metals and plastic to form metal panels and frames, and parts and components using CNC technology | 30 | 3 | 3 | 581 | |
| Cutting machine | To cut metals and plastic to form metal panels and frames, and parts and components | 18 | 7 | 8 | 155 | |
| CNC turning machine | To shape metals by rotating them about an axis against the cutting tools using CNC technology | 20 | 3 | 1 | 53 | |
| Turning machine | To shape metals by rotating them about an axis against the cutting tools | 10 | 5 | 4 | 4 | |
| Forming machine | To shape metals through various forming activities such as such as bending, rolling and stamping | 18 | 11 | 5 | 464 | |
| Finishing machine | To improve the durability and appearance of metals through activities such as surface coating | 8 | 6 | 7 | 38 | |
| Grinding machine | To grind or polish the surfaces of metals | 15 | 4 | 1 | - | |
| Welding machine | To join various materials by melting the joining parts and creating a fusion between the materials | 10 | 9 | 12 | - | |
| Engraving machine | To engrave information and/or logo on metals | 10 | 2 | 1 | - | |
| Air compressor | To compress air by converting power into potential energy | 10 | 7 | 3 | 28 | |
| Air receiver | To store compressed air | 20 | 5 | 5 | 7 | |
| Vision measuring system | To perform quality check on UUT by measuring and inspecting through images of UUT | 10 | 4 | 1 | 6 | |
| | | | | Total | 65 | 2,257 |

Note:

(1) As at 31 December 2018

7. BUSINESS OVERVIEW (cont'd)

7.4.2 Certifications

Our Group has obtained the following certifications:

| Certification | Certification scope | Certification body | Description of certification body | Year first achieved | Current validity period |
|--|--|----------------------|---|---------------------|--|
| i-Stone Solutions MS ⁽¹⁾ ISO 9001:2015 Management System | D&D for functional tester, fixture and jig | TUV NORD (M) Sdn Bhd | TUV NORD (M) Sdn Bhd provides inspection and certification services to ensure that industrial systems and products are designed, manufactured, installed and commissioned in accordance with the appropriate standards. | 2016 | 20 December 2016 – 19 December 2019 |
| BS EN ⁽¹⁾ 9001:2015 Management System | D&D for functional tester, fixture and jig | TÜV UK Ltd | TÜV UK Ltd is based in UK and it provides inspection and certification services to ensure that industrial systems and products are designed, manufactured, installed and commissioned in accordance with the appropriate standards. | 2017 | 3 January 2017 – 2 January 2020 |
| i-Stone Systems MS ISO 9001:2015 Management System | Engineering solution provider for functional tester, fixture and jig, including mechanical, software and electrical design and fabrication | TUV NORD (M) Sdn Bhd | TUV NORD (M) Sdn Bhd provides inspection and certification services to ensure that industrial systems and products are designed, manufactured, installed and commissioned in accordance with the appropriate standards. | 2016 | 20 December 2016 – 19 December 2019 |
| BS EN 9001:2015 Management System | Fabrication for functional tester, fixture and jig | TÜV UK Ltd | TÜV UK Ltd is based in UK and it provides inspection and certification services to ensure that industrial systems and products are designed, manufactured, installed and commissioned in accordance with the appropriate standards. | 2017 | 3 January 2017 – 2 January 2020 |

7. BUSINESS OVERVIEW (cont'd)

Notes:

- (i) MS is an abbreviation of Malaysian Standards
- (ii) BS EN is an abbreviation of British Standard European Norm

7.4.3 Interruptions to business and operations

Our Group has not experienced any interruptions in our business and operations which had a significant effect on our operations during the past 12 months preceding the LPD.

7.5 COMPETITIVE STRENGTHS

7.5.1 We have an experienced key management team with strong technical expertise and we are backed by our industry-certified project managers and engineers

Our Group is led by experienced Managing Director, Executive Directors and key management team, whom possesses in-depth knowledge and experience in specialised automation machines. Our Managing Director, Tee Sook Sing and our Executive Directors, namely Chan Kok San and Chin Chung Lek, have 16, 17 and 23 years of experience in the manufacturing automation business, respectively, and they are instrumental to the growth of our Group. They are supported by a group of dedicated employees with diverse backgrounds and experiences.

Our team possesses the relevant professional qualifications and have well-developed practical skills and experience. They have played an instrumental role in promoting our growth and are expected to continue to play an important role in the future.

Our workforce is one of our Group's main assets. Our project managers are responsible for the entire manufacturing process of a machine order, from the D&D of detail E&E and mechanical drawings, fabrication of the parts of the machines, assembly of machines, application software programming and installation, quality test and customer acceptance. Our engineers comprise E&E engineers, mechanical engineers, software engineers and quality control engineers. As at the LPD, we have a total of 18 existing employees who have obtained internationally recognised industry certifications (with a validity period of between 3 to 6 years, save for the industry certifications certified by Dassault Systemes and Minitab which do not have an expiry to its certifications) as follows:

7. BUSINESS OVERVIEW (cont'd)

| Certification | Description of certification | Certification body | Description of certification body | Number of existing employees who have obtained the respective certifications⁽¹⁾ | Importance of certification to our Group |
|---|--|------------------------------|---|---|--|
| Project Management Professionals | Endorses skillsets and performance in initiating, planning, executing, monitoring and controlling, and closing of projects | Project Management Institute | Project Management Institute is a USA non-profit professional organisation that provides project management services such as the development of standards, research, hosting conferences and training seminars, and providing accreditation in project management | 4 | Certified employees possess the skillsets to manage a project and ensure our Group achieves the targeted outcome of the project. Certified employees will also have the skillsets to optimise resources and manage multiple projects concurrently |
| Certified LabVIEW Developer | Endorses the ability to design and develop functional programs while minimizing development time and ensuring maintainability through proper documentation and style | National Instruments | National Instruments is a USA multinational engineering solutions provider that produces automated test equipment and virtual instrumentation software | 6 | Certified employees possess the ability to design and develop software for projects which require high level of customisation |
| Certified Solidworks (Mechanical Design) Professional | Endorses the ability of utilising a variety of complex features in Solidworks software to design and analyse parametric parts and moveable assemblies | Dassault Systemes | Dassault Systemes is a European software company that develops 3D design, 3D digital mock-up, and product lifecycle management (PLM) software | 8 | Certified employees possess the ability to design and analyse parametric parts and moveable assemblies using a variety of complex features in Solidworks software, to ensure the parametric parts and moveable assemblies to function as per the predetermined or desired output |

7. BUSINESS OVERVIEW (cont'd)

| Certification | Description of certification | Certification body | Description of certification body | Number of existing employees who have obtained the respective certifications⁽¹⁾ | Importance of certification to our Group |
|--|--|---------------------------|---|---|--|
| Certified Solidworks (Advanced Drawing Tools) Professional | Endorses the ability of utilising a variety of complex drawing tools and functionality in Solidworks software for the overall design of our specialised automation machines | Dassault Systemes | Dassault Systemes is a European software company that develops 3D design, 3D digital mock-up, and product lifecycle management (PLM) software | 1 | Certified employees possess the ability to produce detailed drawings of our specialised automation machines which aids fabrication and assembly as well as enable us to produce comprehensive proposals to our customers |
| Certified Solidworks (Advanced Sheet Metal) Professional | Endorses the ability of utilising a variety of complex tools and functionality in Solidworks software for the design of sheet metal components | Dassault Systemes | Dassault Systemes is a European software company that develops 3D design, 3D digital mock-up, and product lifecycle management (PLM) software | 1 | Certified employees possess the ability to produce detailed designs of our metal frames and panels to meet specific requirements of our customers and our specialised automation machines |
| Certified Solidworks (Advanced Weldments) Professional | Endorses the ability of welding tools and functionality in Solidworks software for welding processes such as weldment profile creation, and welding part creation and modification | Dassault Systemes | Dassault Systemes is a European software company that develops 3D design, 3D digital mock-up, and product lifecycle management (PLM) software | 1 | Certified employees possess the ability to set precise measurements of metal components which will be welded, thus ensuring accurate welding processes |

7. BUSINESS OVERVIEW (cont'd)

| Certification | Description of certification | Certification body | Description of certification body | Number of existing employees who have obtained the respective certifications⁽¹⁾ | Importance of certification to our Group |
|--|--|---------------------------|--|---|---|
| Minitab Training Certification | Endorses the ability to teach topics such as Minitab Essentials, Statistical Quality Analysis and Automating Analyses in Minitab | Minitab | Minitab develops software and services quality improvement and statistics education | 1 | Certified employee possesses the ability to train our customers on the usage of Minitab software, as a value added service which enhance our credentials as a distributor of Minitab software |
| International Registered of Certified Auditors Certified ISO 9001:2015 | Endorses the ability to assess the conformance and performance of an organisation's quality management systems to fulfil the requirements of ISO 9001:2015 | Neville Clarke | Neville Clarke is an organisational training service provider that provides various trainings to organisations such as IRCA trainings for ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 | 2 | Certified employees possess the ability to perform internal audit to ensure our Group will constantly comply to the requirements of ISO 9001, which in turn provides confidence to our customers on our product quality |

Note:

(1) The number of existing employees who have obtained the respective certifications (i.e. 24) differs from the total number of project managers and engineers who have obtained these certifications (i.e. 18) as some of them have multiple certifications.

These certifications demonstrate the capabilities of our staff and attest that they have been fully trained and equipped with the required technical skills and knowledge. The strength of our workforce has enabled our Group to deliver projects that meet our customers' standards and requirements within the scheduled timelines.

We believe that the development of our employees will drive our business and thus we will continue to invest in their technical knowledge as well as support more of our employees in obtaining the above internationally recognised industry certifications. The strengthening of our workforce will contribute to the sustainability and growth of our business.

7. BUSINESS OVERVIEW (cont'd)

7.5.2 Our business model enables us to customise our specialised automation machines to suit the specifications and solutions required by our customers

Our specialised automation machines are customised based on customer requirements. We customise our specialised automation machines by understanding and assessing the manufacturing needs of our customers which require customised machines for automated testing and assembly. Our Group's ability in customising and manufacturing these specialised automation machines is backed by our business model that integrates various in-house design and machining expertise.

Throughout our history, we have expanded our in-house capabilities for our manufacturing automation activities that has led to the establishment of our business model that enables us to manufacture and modify specialised automation machines from the initial design to manufacturing. As such, we have specific in-house teams with designated engineering expertise to carry out the various functions in the manufacturing of our specialised automation machines. We also provide machine maintenance and technical support services as well as supply of spare parts to our manufacturing automation customers.

Our in-house teams with different expertise are streamlined according to the respective subsidiaries to ensure efficient resource allocation. This leads to better workflow from one process to the next during the manufacturing of our machines, thus enabling us to control quality and production lead time. It also provides us the flexibility to design and manufacture customised machines for our customer as we have the control over the entire design and manufacturing stages. i-Stone Systems is the manufacturing, assembly and sales arm of our Group. It is supported by our in-house expertise, as follows:

- D&D of mechanical and E&E engineering solutions, application software and DMS under i-Stone Solutions;
- design and fabrication of precision parts under i-Stone Engineering;
- design and fabrication of metal panels and frames under P.A. Metal; and
- supply of statistical analysis software and robotic arms under Bizit Systems Malaysia.

i-Stone International principally handles our sales in Singapore and overseas markets. Please refer Section 7.2 above for details of our business model that integrates different subsidiaries.

Through the integration of our in-house manufacturing expertise and capabilities, we are capable and flexible of providing customised solutions to our customers. This has enabled us to be more responsive to the needs of our customers as we are able to manufacture specialised automation machines based on their specific requirements within a shorter production lead time.

We consider our business model that integrates our in-house expertise and capabilities to be our competitive advantage as it enhances our ability to control the quality and production lead time as well as provides flexibility to design and manufacture of our specialised automation machines.

7.5.3 Our Group has developed and maintained long business relationships with our customers and suppliers

We have established long business relationships with both our customers and suppliers which have enabled us to remain competitive in the specialised machinery and equipment industry. Due to our expertise and track record, we have developed long relationships with a portfolio of reputable customers such as, amongst others, Dyson Group of Companies, V.S. Group of Companies and Mitsumi Philippines, Inc. as evidenced by the recurrent orders from these customers over the years.

7. BUSINESS OVERVIEW (cont'd)

Our capability in the manufacturing of specialised automation machines that meet the specifications and manufacturing standards required by our customers has enabled us to maintain customer relationships as well as expand our customer base through the recommendations of our existing customers. Further, we have complied with stringent supplier selection processes prior to securing our customers and have been able to accommodate any further assessments required by them such as business reviews and factory visits.

Besides maintaining customer relationships, our Group also values our relationships with our suppliers. We have maintained our relationship with Minitab and Digi since 2011. Additionally, since April 2018, we began to distribute, install and provide supporting activities for Universal Robots products, specifically its robotic arms. Other than our suppliers of distribution products, we also maintain good relationships with our raw materials suppliers to ensure timely delivery of raw materials. Please refer to Sections 7.14 and 7.15 for the details of the length of our business relationships with our major customers and major suppliers, respectively.

By maintaining long and established business relationships with our customers and suppliers, we are able to establish the reputation of our Group in the specialised machinery and equipment industry. Our customer relationships have sustained our growth over the years as well as expand our expertise by developing new solutions with advanced technology to meet our customers' changing needs. Meanwhile, our supplier relationships provide an advantage for us to procure components with competitive pricing that contributes to better profit margins.

7.6 PRINCIPAL MARKETS

Our products are mainly sold to brand owners and contract manufacturers of home appliances, industrial products, automotive parts and components, which has manufacturing facilities located in Malaysia, Singapore and the Philippines. For the manufacturing automation business, our principal market is Malaysia, where we generated 61.4%, 65.6%, 51.9% and 68.6% of our Group's total revenue for FYE 2015 to 2018, respectively.

Our complementary products and services are mainly sold to manufacturers of home appliances, industrial products, automotive parts and components as well as various research institutions and higher learning education institutions. For the complementary products and services segment, our principal market is Malaysia, where we generated 9.2%, 9.4%, 9.8% and 9.6% of our Group's total revenue for FYE 2015 to 2018, respectively.

7.7 SEASONALITY OR CYCLICAL EFFECTS

Our operations are not affected by seasonal/cyclical effects. Our customers and suppliers generally operate throughout the year, thus we may receive purchase orders at any time during the year.

7.8 TYPES, SOURCES AND AVAILABILITY OF RAW MATERIALS

The key raw materials and components that we use are readily available and sourced from local and foreign suppliers. We generally take into account supplier lead time to prevent potential major disruptions to our production. All selected suppliers are evaluated in terms of pricing, production capacities, range and technical specifications of materials and components, ability to meet our quality requirements and delivery in a timely manner. We also carry out annual review for our list of suppliers to evaluate their quality of products and

7. BUSINESS OVERVIEW (cont'd)

services throughout the year to ensure the quality of materials, components and parts used in our business operations. We did not experience any major interruption from the sourcing of raw materials in the past 4 FYEs 2015 to 2018.

The breakdown of the purchases of key materials and components by our Group during past 4 FYEs 2015 to 2018 is as follows:

| Materials/ components/ parts | FYE 2015 | | FYE 2016 | | FYE 2017 | | FYE 2018 | |
|-------------------------------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| AC/DC power source and meter | 6,207 | 22.7 | 2,762 | 11.6 | 6,283 | 18.4 | 5,284 | 13.6 |
| Distributed products ⁽¹⁾ | 5,077 | 18.6 | 4,815 | 20.2 | 4,648 | 13.6 | 5,354 | 13.8 |
| Automation parts | 1,043 | 3.8 | 1,269 | 5.3 | 2,922 | 8.5 | 4,973 | 12.8 |
| Data acquisition unit | 1,828 | 6.7 | 1,211 | 5.1 | 2,372 | 6.9 | 3,328 | 8.6 |
| Industrial computer and accessories | 1,570 | 5.7 | 1,668 | 7.0 | 2,652 | 7.8 | 4,130 | 10.6 |
| Mechanical components | 434 | 1.6 | 500 | 2.1 | 1,237 | 3.6 | 2,420 | 6.2 |
| Metallic raw materials | - | - | 205 | 0.9 | 979 | 2.9 | 3,062 | 7.9 |
| Electronics components | 1,684 | 6.2 | 1,441 | 6.1 | 1,695 | 5.0 | 2,054 | 5.3 |
| Sensor/ gauge | 648 | 2.4 | 775 | 3.3 | 1,209 | 3.5 | 1,768 | 4.6 |
| Acoustic chamber | 461 | 1.7 | 1,462 | 6.1 | 1,618 | 4.7 | 1,473 | 3.8 |
| Flow meter | 531 | 1.9 | 479 | 2.0 | 517 | 1.5 | 797 | 2.1 |
| Oscilloscope/analyser/multimeter | 1,508 | 5.5 | 918 | 3.9 | 1,011 | 3.0 | 857 | 2.2 |
| Pneumatic components | 578 | 2.1 | 404 | 1.7 | 547 | 1.6 | 846 | 2.2 |
| Precision parts | 4,041 | 14.8 | 3,426 | 14.4 | 4,529 | 13.2 | 535 | 1.4 |
| Others ⁽²⁾ | 1,710 | 6.3 | 2,475 | 10.4 | 1,988 | 5.8 | 1,951 | 5.0 |
| Total purchases | 27,321 | 100.0 | 23,808 | 100.0 | 34,206 | 100.0 | 38,832 | 100.0 |

Notes:

- (1) Distribution products include statistical analysis software and Digi wireless communication devices and related embedded modules
- (2) Others include products and components such as, among others, robotic arms, hardware such as printers and scanners, radio frequency equipment, wires and cables and logistics services

7.9 MARKETING AND DISTRIBUTION CHANNELS

Our sales and marketing activities are executed by our sales and marketing department. As at the LPD, we have a total of 22 personnel in our sales and marketing department and they are responsible for the advertising, promotion and sales of our Group's products and solutions, as well as maintaining relationships with our customers.

Our sales and marketing activities include:

(a) Referrals from business associates

We have been in the manufacturing automation business for 11 years and have built our reputation based on quality products and solutions provided to our customers. This has resulted in the development and establishment of mutually beneficial relationships with our customers. This has enabled us to secure new customers through referrals from our existing customers and business associates.

7. BUSINESS OVERVIEW (cont'd)

In addition, we regularly obtain feedback from our customers to better understand market trends and customer preferences. Our sales and marketing team, who has in-depth knowledge of our products and services will conduct regular visits with our customers to better understand their manufacturing requirements and processes. This will enable us to ascertain customers' current and future manufacturing needs and requirements. Furthermore, the relationships we have built with our customers act as a source of market intelligence, allowing us to keep abreast with industry trends and developments, enabling us to adapt to market demands.

(b) Trade exhibitions and events

We exhibit our products and solutions in various trade exhibitions and events. We believe that participation in these trade exhibitions and roadshows enhances our brand visibility as these trade exhibitions and roadshows enable us to showcase our product offerings. Additionally, such participation also provides us with significant opportunities to meet potential customers, and stay updated on market trends.

The following are examples of the major trade exhibitions that our Group has exhibited in over the past 4 FYEs 2015 to 2018:

| Year | Name of exhibitions | Organiser | Location |
|-------------|---|---|------------------------|
| 2015 | NEPCON Malaysia 2015 | Reed Exhibitions Sdn Bhd | Penang |
| | 3rd Annual Seminar on Quality, Standards and Best Practices (QBest 2015) | Sirim Training Services Sdn Bhd | Shah Alam, Selangor |
| | INATRONICS The Indonesia International Electronics, Components and Technology Exhibition 2015 | GEM Indonesia | Jakarta, Indonesia |
| | Manufacturing Solutions Expo 2015 | Sphere Exhibits Pte Ltd | Singapore |
| | Process Excellence Asia Summit 2015 Asian Downstream Week 2015 | IQC Worldwide Pte Ltd Clarion Events Pte Ltd | Singapore Singapore |
| 2016 | 2nd International Conference on Mathematical Sciences and Statistics (ICMSS2016) | Universiti Putra Malaysia | Kuala Lumpur |
| | Manufacturing Solutions Expo 2016 | Sphere Exhibits Pte Ltd | Singapore |
| 2017 | Automex 2017 | Trade Link ITE Sdn Bhd | Kuala Lumpur |
| | INATRONICS The Indonesia International Electronics, Components and Technology Exhibition 2017 | GEM Indonesia | Jakarta, Indonesia |
| | Manufacturing Technology Asia 2017 | Singapore Exhibition Services Pte Ltd | Singapore |
| | Manufacturing Solutions Expo 2017 | Sphere Exhibits Pte Ltd | Singapore |
| 2018 | INATRONICS The Indonesia International Electronics, Components and Technology Exhibition 2018 | GEM Indonesia | Jakarta, Indonesia |
| | 3rd International Conference on Mathematical Sciences and Statistics (ICMSS2018) | Universiti Putra Malaysia | Putrajaya |
| | International Conference on Robust Quality Engineering (ICRQE) and Engineering Business Management (ICEBM) 2018 | UTM | Kuala Lumpur |

7. BUSINESS OVERVIEW (cont'd)

| Year | Name of exhibitions | Organiser | Location |
|-------------|---|--|-----------------|
| | Industrial Automation Fiesta 2018 | AALL Corporation Pte Ltd and Orange Media Malaysia Sdn Bhd | Johor Bahru |
| | Industrial Transformation Asia Pacific 2018 | SingEx Exhibitions Pte Ltd and Deutsche Messe AG | Singapore |
| | Malaysia's Manufacturing Exhibition (MYMEX) 2018 | Expoworks Sdn Bhd | Johor Bahru |

(c) Corporate website

We have established a corporate website at <http://www.i-stone.com.my> which provides information on our Group, including our products and services to potential customers. Enquiries through our corporate website are channelled back to our sales and marketing team.

7.10 D&D

As at the LPD, we do not have a formal D&D plan or policy. Nevertheless, we recognise the importance of D&D in ensuring that we remain competitive to sustain the continuous growth of our business. Thus, we presently undertake D&D efforts to continuously improve our specialised automation machines and DMS by constantly exploring and keeping abreast of the latest technology trends and market development.

Also owing to the nature of our business, we are continuously involved in D&D activities as all our specialised automation machines are customised according to customer requirements, hence every machine is distinct and would need to be designed and developed separately. Through our continuous D&D efforts in customising our specialised automation machines to meet customer requirements, we have constantly met the standards set by our customers and at the same time complied with the relevant safety standards and requirements.

Our D&D activities are carried out by our engineering department and led by our engineering Manager. Our D&D activities centred on improving the design and efficiency of our specialised automation machines and DMS as well as on developing new machines to expand our product offerings.

Throughout the years, we have been able to roll out more advanced machines to our customers. The development of our specialised automation machines has been driven by our in-house E&E engineering team and mechanical engineering team. Further, as the features and functionalities of our customers' products continuously change to adapt to the latest market trends and consumer preferences, we have to actively engage in D&D activities to meet the demands of our customers.

Our Group's D&D expenses comprise of our engineering staff costs, and the amount of our D&D expenses for FYE 2015 to FYE 2018 are as follows:

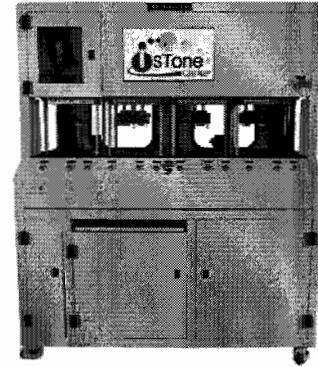
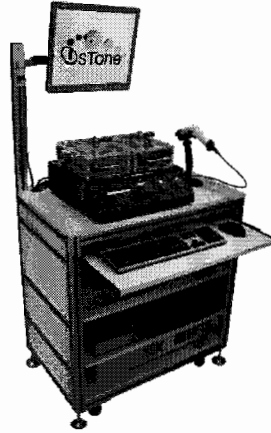
| | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 |
|------------------|-----------------|-----------------|-----------------|-----------------|
| Amount (RM'000) | 366 | 412 | 423 | 496 |
| No. of employees | 3 | 4 | 6 | 5 |

7. BUSINESS OVERVIEW (cont'd)

Through our D&D initiatives, we have improved the features and functionalities of our specialised automation machines. Some of such machine improvements are as follows:

(a) PCBA test machines

Machine image



**Year
Key
difference/
improvement**

2008

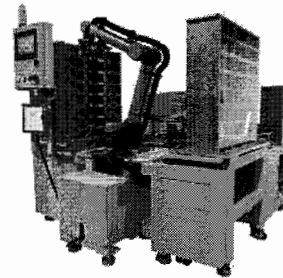
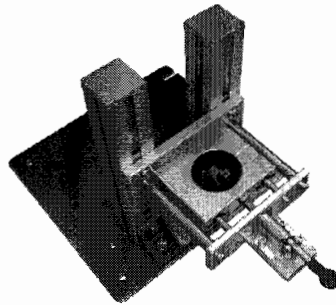
- Consist of 2 test cavities
- Manual positioning of testing contact probes onto PCBA using toggle clamp
- Machine layout and appearance which is built with profile rack

2018

- Consist of 4 test cavities
- Automated positioning of spring-loaded contact probes onto PCBA
- Machine layout and appearance with enclosed metal frames

(b) Process machines

Machine image



**Year
Key
difference/
improvement**

2008

Manual loading and unloading and assembly of parts and components

2018

Automated loading and unloading and assembly of parts and components with robotic arm

7. BUSINESS OVERVIEW *(cont'd)*

7.11 TECHNOLOGIES USED

Our Group uses, and will continue to use, the following technologies for our manufacturing automation business:

| Business activities | Technologies used |
|---|--|
| Development of E&E and mechanical designs | <p>We use the following software tools to develop the E&E and mechanical designs of our specialised automation machines:</p> <ul style="list-style-type: none"> (i) CAD tools, such as Altium Designer for the E&E design; and (ii) CAD tools, such as SolidWorks and GC Prevue for the mechanical design |
| Fabrication of precision parts | <p>We use the following tools and techniques in the fabrication of precision parts to be used in our specialised automation machines:</p> <ul style="list-style-type: none"> (i) CNC machines, a set of machines executed and/or commanded by computers to perform various tasks in high precision manner such as milling, cutting and grinding of metals and plastics to form precision parts; (ii) 3D printer, a machine used to produce prototypes to be used in the fabrication of precision parts; and (iii) Silicone rubber moulding, a process to form silicone precision parts using rubber mould |
| Programming of application software | <p>We use the following software tools to program application software to be used in our specialised automation machines:</p> <ul style="list-style-type: none"> (i) Software developed by National Instruments Corporation ("NI"), a programming environment to develop application software, specifically for measurement and control application; (ii) NI Vision Development Kit, a development kit to program and develop vision inspection solution; (iii) Microsoft programming software, namely Microsoft C# and Microsoft Visual Basic, a programming language to develop application software; (iv) Python programming software, a programming environment with general-purpose and simple programming language, to develop application software; (v) MPLAB software, a development environment for the development of application software embedded in Microchip Peripheral Interface Controller microcontrollers; (vi) Programmable Logic Controller & Ladder Diagram software, a software used to command the machines to perform different functions; and (vii) Human Machine Interface Programming Software, a programming software to develop the user interface of machines |
| Automation technology | <p>We integrate and adopt the following software and automation solutions to enhance the features of our specialised automation machines:</p> <ul style="list-style-type: none"> (i) Minitab software, a statistical analysis software used to analyse data collected from machines during manufacturing processes. We also use Minitab software prior to the stage of machine customer acceptance as part of our quality control procedures; |

7. BUSINESS OVERVIEW (cont'd)

| Business activities | Technologies used |
|---------------------|---|
| | <ul style="list-style-type: none"> (ii) Robotic arms from Universal Robots, are integrated into our specialised automation machines to increase the automation level by facilitating the loading and unloading of UUT and/or parts and components from one machine to another; (iii) Conveyor systems from Bosch Rexroth Sdn Bhd, where the programmable conveyor belt with higher level of automation (by adding additional robotic arms) in loading and unloading of UUT or products (with human intervention for operating the conveyor systems) will be used in our future machine development, a fully automated manufacturing system, namely i-FCT. This conveyor system is not part of our existing products. Our existing conveyor system only facilitates the movement of UUT or products from 1 point to another and does not facilitate the loading and unloading of UUT or products. Please refer to Section 7.12.2(b) for the details of the development of i-FCT; and (iv) Laser engraving solution, a process to engrave information, barcode and/or logo onto parts of products. |
| Development of DMS | <p>We use the following software tools for the development of DMS:</p> <ul style="list-style-type: none"> (i) Microsoft SQL Server, a database management system for storing and retrieving data collected from the machines during the manufacturing processes; (ii) MySQL Server, a database management system for storing and retrieving data collected from the machines during the manufacturing processes; and (iii) Microsoft C#, a programming language for software development |

7.12 BUSINESS STRATEGIES

7.12.1 We intend to improve our manufacturing efficiency by manufacturing standard modules

The specialised automation machines manufactured by our Group are all designed and customised according to customer manufacturing requirements and product specifications. However, certain machine modules of the specialised automation machines are standard in terms of their features and functionalities, such as power and signal switching module, interconnect module, safety input module for pneumatic air and power, panel box for systems and microcontroller module.

Based our current manufacturing process, our engineers will design and manufacture all modules of a machine upon receiving new machine orders. Even though some types of modules are similar across all specialised automation machines, our engineers will re-design and manufacture these modules again for each machine. As such, the time spent to repetitively design and manufacture these similar types of modules can be reduced by developing and manufacturing standard modules. These standard modules will be developed and manufactured in a way that they can be easily configured, integrated and fitted into all our specialised automation machines.

The manufacturing of standard modules will reduce the time required for the design of our specialised automation machines from 4 weeks to 3.6 weeks. In addition, the time required for assembly of our specialised automation machines will also be reduced from 4 weeks to 3.6 weeks. As such, our project lead time for the manufacturing of a new specialised

7. BUSINESS OVERVIEW (cont'd)

automation machine will be reduced by a total of 0.8 week from 8 to 12 weeks to 7.2 to 11.2 weeks. As a result of time-saving in our manufacturing process, we will be able to increase our annual production capacity at our New Factory from 864 machines to 960 machines⁽¹⁾ of new specialised automation machines. As our project lead time will be reduced by 10% as shown above, we anticipate that we will be able to reduce our labour cost by up to 10%.

Note:

- (1) Computed based on 5 working days a week and cost savings of 0.4 week (2 working days) from the time required to assemble our specialised automation machines. As such, the new annual production capacity is calculated based on the following formula:

$$\begin{aligned}
 \text{New annual capacity} &= \frac{\text{Existing capacity}}{(1 - \% \text{ of lead time reduction})} \\
 &= \frac{864}{0.9} \\
 &= \mathbf{960 \text{ machines}}
 \end{aligned}$$

In order to carry out the design, development and manufacturing of standard modules, we plan to set up a dedicated development and manufacturing team immediately upon our Listing, which will comprise 2 E&E engineers and 2 mechanical engineers to focus on the design, development and manufacturing of these standard modules. Further, we will also be required to purchase materials and components such as AC/DC power source and meter, E&E components and mechanical components ahead of actual orders from our customers, as we will manufacture the standard modules to be stocked as our inventory. The cost expected to be incurred for this purpose over a period of 2 years upon our Listing will be approximately RM1.00 million, which we will fund using proceeds from our Public Issue.

The manufacturing of these standard modules will enable us to achieve better economies of scale as we will be able to speed up and have better organisation of our manufacturing processes by having these ready-built standard modules.

7.12.2 We intend to develop new products and new features for our existing machines

We intend to develop new products and introduce new features into our machines to meet our customers' increasing demands for higher productivity and efficiency of their manufacturing operations. We have identified the following new machines and features that we intend to develop:-

(a) Deep learning system for vision inspection machines

A vision inspection machine is a specialised test machine used for quality inspection processes, such as the quality checks for products packaging and labelling. It uses automation technology which involves the usage of cameras to capture the images of UUT in order to inspect the UUT and to identify potential defects of the UUT.

Our Group has been producing vision inspection machines integrating third party vision inspection systems. These systems do not utilise a deep learning system and require frequent re-configurations. As such, our Group plans to develop and manufacture our own proprietary deep learning system to be embedded in our vision inspection machines for better performance and efficiency with minimum configuration needed.

7. BUSINESS OVERVIEW (cont'd)

Deep learning is an artificial intelligence that structures algorithms in layers to create an "artificial neural network" that can learn and make intelligent decisions on its own. A deep learning system is widely used for many artificial intelligence applications including image recognition which is used in vision inspection machines. It studies the patterns of the UUT through learning algorithms which then enables it to identify potential defects when a UUT differs from the usual pattern.

The development cost up to the commercialisation of the deep learning system is estimated to be RM1.10 million, which will comprise the hiring and maintenance cost for 1 subject expert and 2 software engineers to focus on the development of deep learning system, as well as purchase of related programming tools and equipment, such as LED lights, cameras and software licenses. We intend to fund this development from the proceeds of RM1.10 million from our Public Issue, and this development is expected to be completed within 2 years from the date of our Listing.

(b) Fully automated joint-test systems

We intend to increase our range of product offerings by developing fully automated joint-test systems with multiple test stations, which will be known as i-FCT.

As at the LPD, we design and manufacture individual specialised test machines to carry out specific tests on the UUT. In order for the specialised test machine to begin testing, operators are required to load and unload the UUT into the machine. As such, if there are multiple tests to be performed subsequently, our customer will need to purchase multiple machines which require operators to transfer the UUT from one test machine to another. Operators are also required to remove the rejected UUT from the test machine if defects are detected during the testing process.

Premised on the above, we plan to develop our own brand of fully automated joint-test systems, namely i-FCT to reduce the manual labour of operators to load, unload, transfer and remove the UUT. i-FCT is an integration of multiple specialised test machines into a single fully automated joint-test system, with the integration of robotic arms and conveyor system from Bosch Rexroth Sdn Bhd, as well as fixed mount barcode reader and/or RFID scanner. By using i-FCT, the UUT will automatically flow from one test station (i.e. specialised test machine) to the next through the conveyor system.

Robotic arms will be integrated at each test station to load and unload the UUT by picking from and placing it on the conveyor system. Robotic arms will also remove the UUT when a defect is detected within the i-FCT. Each test station is designed to carry out specific type of test(s), and it can be removed or replaced with other test stations with different test functions when different tests are needed to be carried out. Further, i-FCT is also integrated with fixed mount barcode reader and/or RFID scanner to automate the scanning and tracking of each UUT, which eliminates the need for manual scanning and tracking by operators which is expected to reduce our operational cost. Though i-FCT is conceptualised to combine multiple specialised test machines, it will also be possible to include specialised process machines into the system upon request by customers.

The development cost up to commercialisation for i-FCT is estimated to be RM1.00 million, which will comprise the hiring and maintenance cost for 2 E&E engineers and 2 mechanical engineers to focus on the development of i-FCT, as well as equipment, mechanical and machining parts, materials and components including PLC, computers, measuring instruments and accessories and LabView software license. We intend to fund this development from the proceeds of our Public Issue and this development is expected to be completed within 24 months from our Listing.

7. BUSINESS OVERVIEW (cont'd)

(c) i-MES, our in-house developed system for monitoring and controlling manufacturing processes

Our DMS is used for monitoring and controlling of manufacturing processes on a real time basis. It allows the operators to monitor the efficiency and productivity of the machines and control the manufacturing sequence and production data flow of the machines throughout the manufacturing process on real time basis.

We designed and developed our DMS in 2007 and have since offered customised versions of the system to our customers. We intend to develop a more advanced version of our DMS, to be known as i-MES. The key functions of i-MES will remain in monitoring the efficiency and productivity of specialised automation machines and controlling the manufacturing sequence and production data flow of the machines, but will have additional features such as IoT technology and integration of supply chain management. i-MES is intended to replace the DMS once it has been developed.

The development cost up to commercialisation of i-MES is expected to be approximately RM1.10 million, comprising the hiring and maintenance cost of 2 software engineers and 1 lead software engineer to focus on the development of i-MES, as well as the purchase of server and software license, which we intend to fund from the proceeds of our Public Issue and is expected to be completed within 2 years.

As at the LPD, our engineering team is in the midst of conceptualising and researching the various solutions and methods that will enable our Group to achieve the development of the abovementioned products/systems and improvements to be made.

7.12.3 We aim to enhance our manufacturing and D&D capabilities

We have relocated to and centralised our manufacturing operations in our New Factory in October 2018. We intend to leverage on the additional available space of our New Factory to enhance our manufacturing and D&D capability.

(a) Manufacturing

We plan to enhance our capability by acquiring the following machinery, equipment and related software:

(i) CNC machines

As at the LPD, our Group has a total of 6 units of CNC milling machines, 1 unit of CNC turning machines and 3 units of CNC cutting machines. These CNC machines are mainly used to fabricate precision parts and metal panels and frames.

We intend to expand our fabrication capacity of precision parts and metals panels and frames by purchasing 4 units of CNC milling machines, 2 units of CNC turning machine and 1 units of CNC wire cutting machine.

The purchasing cost of the CNC machines is estimated to be RM2.20 million.

7. BUSINESS OVERVIEW (cont'd)**(ii) Measuring instruments and accessories**

We intend to purchase 2 units of measuring instruments, namely Coordinate Measuring Machine and profile projector which allow us to have a higher precision measurement instruments to inspect the quality of our fabricated metal panels, frames and precision parts. As at the LPD, our Group has 1 unit of vision inspection instrument. We also plan to purchase related accessories such as checking gauge and pin set to enhance our quality control process.

The purchasing cost of these measuring instruments and accessories will cost approximately RM0.45 million.

(iii) Welding stations

Welding is a process of joining two metal pieces by the application of heat. Welding machines are often used in the fabrication of metal panels and frames for the specialised automation machines.

As at the LPD, our Group has 12 units of welding machines. We plan to upgrade our existing welding processes by purchasing 4 units of welding stations. These welding stations will support our existing welding machines whereby the welding machines as well as the metal parts to be welded will be held in place by the welding stations. Our welding machines are currently placed on the floor and the metal parts are supported manually. As such, the welding stations will improve our welding precision and quality. The purchase of these welding stations will cost approximately RM0.25 million.

(iv) Forming machines

Forming is the metalworking process of fashioning metal parts and objects through mechanical deformation without adding or removing material. Forming machine is primarily used to shape components and parts through various forming activities such as bending, rolling and stamping.

As at the LPD, our Group has 5 units of forming machines. We intend to purchase an additional 3 units of forming machines with an estimated cost of RM0.85 million.

(v) Software

As at the LPD, our Group has 1 standalone license of Solidcam software and 1 network license of Solidworks software. These software are used to produce our specialised automation machines. Solidcam is a software used together with CNC machines in the fabrication of precision parts where the software converts mechanical 3D drawings to a readable format in a CNC machine. Solidworks is a software used in the development of mechanical design of our specialised automation machines.

We plan to purchase additional copies of Solidcam and Solidworks software. An additional copy of Solidcam software will be required with the purchase of our new CNC machines. Please refer to Section 7.12.3(a)(i) for details on our intended purchase of CNC machines. Further, an additional copy of Solidworks software will be required for our development of i-FCT. Please refer to Section 7.12.2(b) for details on our intended development of i-FCT.

The total cost to purchase additional copies of Solidcam and Solidworks software will be approximately RM0.55 million.

7. BUSINESS OVERVIEW (cont'd)

We intend to purchase the machines and software within 2 years upon our Listing. The estimated total cost of the purchase of RM4.30 million will be funded from the proceeds of our Public Issue.

The acquisition of these machineries, equipment and software will allow us to support the 72 assembly bays in our New Factory, thus enabling our Group to achieve the capacity of 864 new specialised automation machines without the need to source external fabrication of metal frames, panels and precision parts services from our existing suppliers. Without the purchase of the additional new machineries, software and equipment, our Group can still achieve the capacity of 864 new specialised automation machines at our New Factory by sourcing certain fabrication services from our existing suppliers.

However, without the acquisition of the above machineries, equipment and software as well as sourcing of external fabrication of metal frames, panels and precision parts services from our existing suppliers, our Group is only able to achieve the annual production capacity of 540 new specialised automation machines.

(b) D&D

As part of our business strategy involves the expansion of our product offerings such as the development of deep learning system for vision inspection machines, i-FCT and i-MES, we will be required to expand our D&D team. There are also on-going design activities to be carried out by our engineers due to the nature of our business as all our specialised automation machines are customised according to customer requirements.

Due to the anticipated increase in D&D activities, we intend to set up a dedicated space for all our D&D activities. As such, we plan to build a new D&D centre within the compound of our New Factory. The new D&D centre will have a built-up area of approximately 50,000 sq ft comprising an engineering office for the development of E&E and mechanical designs for our specialised automation machines, laboratories for D&D activities and prototyping labs for building prototypes and testing of newly developed machines and systems.

The total cost of construction of the D&D centre is estimated at RM6.80 million and will be funded from the proceeds of our Public Issue. We expect to commence the construction of the new D&D centre within 12 months from our Listing and it is expected to be completed within 48 months from our Listing.

7.13 PROSPECTS OF OUR GROUP

Our Board is positive of our Group's prospects, after taking into consideration our future plans as elaborated above, our key competitive strengths set out in Section 7.5 above, as well as the positive outlook of the specialised machinery and equipment market in Malaysia from 2018 to 2020.

According to the Industry Overview, the manufacturing sales value of specialised machinery and equipment in Malaysia increased from RM1.00 billion in 2015 to RM2.46 billion in 2018 at a CAGR of 35.0%, driven by the following:

- (a) growing demand for automation in the manufacturing industry – the manufacturing industry is shifting towards automation in the production lines to achieve higher productivity, accuracy as well as cost-efficiency and reliability. This results in demand for more specialised machinery and equipment, including robotic arms, which are increasingly being used in manufacturing industries

7. BUSINESS OVERVIEW (cont'd)

- (b) E&E industry being among the main drivers for automation – one of the most prevalent trends in the E&E industry is the rise of mobile and portable engineering designs which promote convenience. With the increase in demand for mobile devices, industry players are constantly developing newer E&E products to meet market requirements for smaller, and more lightweight, products. Over the years, Malaysia has built a reputation as a producer and assembler of quality parts, components and finished products for the E&E industry. This has led to continuous demand for Malaysia's E&E products from various end-user industries such as home appliances, consumer electronics and telecommunications for both the domestic and export markets;
- (c) continuous technological advancements – the manufacturing industry experiences continuous developments in terms of the end-user products manufactured. Rapid technological developments within the manufacturing industry will continue to promote new product advancements in the market as industry players need to ensure their products remain competitive; and
- (d) Government initiatives – in order to remain competitive, the Government intends to reduce reliance on foreign and/or low-skilled labour and embrace Industry 4.0.

The specialised machinery and equipment industry combines mechanical engineering, electrical engineering capabilities and/or software engineering expertise, and hence industry players are usually able to develop and customise machinery and equipment for various end user industries. As the specialised machinery and equipment industry is a technology industry requiring mechanical engineering, electrical engineering capabilities and/or software engineering expertise, the industry in Malaysia is moderately competitive. However, in order to keep up with the rapid technological evolution in the manufacturing industry, the specialised machinery and equipment industry has to adapt accordingly through technological innovation to remain competitive.

Driven by the above factors, the IMR forecasts the specialised machinery and equipment industry in Malaysia, represented by the manufacturing sales value of specialised machinery and equipment in Malaysia, to increase from RM3.11 billion in 2019 to RM5.25 billion in 2021, at a CAGR of 29.9% during the period.

(Source: Industry Overview)

Please refer to Section 8 for further details of the outlook of the specialised machinery and equipment industry in Malaysia as well as the outlook of the E&E industry.

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7. BUSINESS OVERVIEW (cont'd)**7.14 MAJOR CUSTOMERS**

Our major customers for each of the FYEs 2015 to 2018 are as follows:

FYE 2015

| Rank | Customer | Description | Sales | | Length of relationship (years) ⁽¹⁾ |
|--------------|------------------------------|---|---------------|------------------|---|
| | | | RM'000 | % of total sales | |
| (1) | Dyson Group of Companies | Brand owner of home appliances | 23,866 | 54.1 | 12 |
| (2) | V.S. Group of Companies | Contract manufacturer of home appliances and consumer electronics | 2,988 | 6.8 | 12 |
| (3) | Wistron NeWeb Corporation | Manufacturer of communication radio frequency devices, telecommunication equipment and electronic parts and components | 1,365 | 3.1 | 5 |
| (4) | Season Manufacturing Sdn Bhd | Contract manufacturer of electromechanical assembly, cable and harness assembly and PCBAs | 965 | 2.2 | 7 |
| (5) | Mitsumi Philippines, Inc. | Manufacturer of components for electrical machinery, home appliances, electronic devices, optical equipment, medical equipment; metal products and ceramic products | 884 | 2.0 | 6 |
| Total | | | 30,068 | 68.2 | |

7. BUSINESS OVERVIEW (cont'd)**FYE 2016**

| Rank | Customer | Description | Sales | | Length of relationship (years) ⁽¹⁾ |
|--------------|---------------------------------------|---|---------------|------------------|---|
| | | | RM'000 | % of total sales | |
| (1) | Dyson Group of Companies | Brand owner of home appliances | 26,536 | 61.5 | 12 |
| (2) | V.S. Group of Companies | Contract manufacturer of home appliances and consumer electronics | 1,389 | 3.2 | 12 |
| (3) | Celestica Electronics (S) Pte Ltd | Contract manufacturer of consumer electronics, aerospace and defence electronics, telecommunication equipment, optical equipment, semiconductor equipment and other industrial products | 1,031 | 2.4 | 3 |
| (4) | Season Malaysia Manufacturing Sdn Bhd | Contract manufacturer of electromechanical assembly, cable and harness assembly and PCBAs | 772 | 1.8 | 7 |
| (5) | Quantum Automation (Asia) Pte Ltd | Manufacturer of building automation products, including smart direct digital control system and other supplementary products for smart building control systems | 748 | 1.7 | 8 |
| Total | | | 30,476 | 70.6 | |

FYE 2017

| Rank | Customer | Description | Sales | | Length of relationship (years) ⁽¹⁾ |
|------|-----------------------------|---|--------|------------------|---|
| | | | RM'000 | % of total sales | |
| (1) | Dyson Group of Companies | Brand owner of home appliances | 40,131 | 66.5 | 12 |
| (2) | V.S. Group of Companies | Contract manufacturer of home appliances and consumer electronics | 1,267 | 2.1 | 12 |
| (3) | Sunlight Electrical Pte Ltd | Manufacturer of power distribution products such as panel boards and switchgear power systems | 1,225 | 2.0 | 3 |

7. BUSINESS OVERVIEW (cont'd)

| Rank | Customer | Description | Sales | | Products sold | Length of relationship (years) ⁽¹⁾ |
|--------------|---------------------------|---|---------------|------------------|---------------------------------|---|
| | | | RM'000 | % of total sales | | |
| (4) | Wistron NeWeb Corporation | Manufacturer of communication equipment and devices, telecommunication radio frequency equipment and electronic parts and components | 852 | 1.4 | Specialised automation machines | 7 |
| (5) | Mitsumi Philippines, Inc. | Manufacturer of components for electrical machinery, home appliances, electronic devices, optical equipment, medical equipment; metal products and ceramic products | 769 | 1.3 | Specialised automation machines | 6 |
| Total | | | 44,244 | 73.3 | | |

FYE 2018

| Rank | Customer | Description | Sales | | Products sold | Length of relationship (years) ⁽¹⁾ |
|--------------|-----------------------------------|---|---------------|------------------|--------------------------------------|---|
| | | | RM'000 | % of total sales | | |
| (1) | Dyson Group of Companies | Brand owner of home appliances | 44,256 | 65.5 | Specialised automation machines, DMS | 12 |
| (2) | V.S. Group of Companies | Contract manufacturer of home appliances and consumer electronics | 1,569 | 2.3 | Specialised automation machines | 12 |
| (3) | ATA Industrial (M) Sdn Bhd | Contract manufacturer of home appliances, consumer electronics, automotive parts and components and medical devices | 2,047 | 3.0 | Specialised automation machines | 11 |
| (4) | Mitsumi Philippines Inc. | Manufacturer of components for electrical machinery, home appliances, electronic devices, optical equipment, medical equipment; metal products and ceramic products | 817 | 1.2 | Specialised automation machines | 6 |
| (5) | Quantum Automation (Asia) Pte Ltd | Manufacturer of building automation products, including smart direct digital control system and other supplementary products for smart building control systems | 775 | 1.1 | Specialised automation machines | 8 |
| Total | | | 49,464 | 73.1 | | |

7. BUSINESS OVERVIEW (cont'd)**Note:**

- (1) Length of relationship between our customer and our Group is calculated based on the date of our first invoice to the LPD.

For the past 4 FYEs 2015 to 2018, our largest customer was the Dyson Group of Companies with sales ranging from 54.1% to 66.5% of our total revenue and hence we are dependent on the Dyson Group of Companies as our major customer. The Dyson Group of Companies has been our major customer for the past 12 years since our incorporation in 2007. We have not entered into any long term agreement or long term contract with Dyson Group of Companies and all our sales with them are transacted based on purchase order basis. We have undergone qualification process before becoming an approved specialised automation machines supplier to Dyson Group of Companies.

Besides the Dyson Group of Companies, we also have 2 other major customers, namely V.S. Group of Companies and ATA Industrial (M) Sdn Bhd which are also suppliers to the Dyson Group of Companies. We are also aware that another 11 of our customers (excluding V.S. Group of Companies and ATA Industrial (M) Sdn Bhd) which also supply to the Dyson Group of Companies. The percentage of sales contribution from these customers is as follows:

| | <u>FYE 2015</u> | <u>FYE 2016</u> | <u>FYE 2017</u> | <u>FYE 2018</u> |
|--|-----------------|-----------------|-----------------|-----------------|
| | <u>%</u> | <u>%</u> | <u>%</u> | <u>%</u> |
| V.S. Group of Companies | 6.8 | 3.2 | 2.1 | 2.3 |
| ATA Industrial (M) Sdn Bhd | 0.7 | 0.7 | 1.2 | 3.0 |
| Other 11 customers (excluding V.S. Group of Companies and ATA Industrial (M) Sdn Bhd) who supply to the Dyson Group of Companies | 2.0 | 2.8 | 1.9 | 2.4 |

Note:

The above customers are manufacturers that also supply to other third parties (other than the Dyson Group of Companies)

Apart from the Dyson Group of Companies, we are not dependent on any particular customers including V.S. Group of Companies and ATA Industrial (M) Sdn Bhd.

Moving forward, our Group expects Dyson Group of Companies to continue contributing to our Group's revenue. We have maintained a long and mutually beneficial relationship with them over the years and this has provided our Group with a strong platform for future growth. We have periodic business review meetings with our major customers where they will brief us on their manufacturing plans relating to their future production requirements.

However, if the Dyson Group of Companies reduces their order for our products and/or services significantly or if they choose not to be our customer, our Group's financial results will be adversely affected if we are not able to quickly replace the decrease or loss in sales to the Dyson Group of Companies.

Although our top 5 major customers contributed a major portion of our Group's revenue for the past financial years/period, we have a diversified customer base of more than 100 active customers from various industries such as E&E (household appliances and consumer electronics), automotive, robotics, mechanical and engineering and semiconductor. In addition, we have also begun our venture into the distribution of robotic arms where we distribute robotic arms on a standalone basis, and also integrate them into our specialised

7. BUSINESS OVERVIEW (cont'd)

automation machines. We believe this will enhance the features of our machines and enable us to expand our customer base.

However, there is no assurance that such endeavours will be successful or if we are successful in securing other customers, we may not be able to achieve the same level of profit margins that we achieved over the past financial years/period. We have in October 2018 centralised all our manufacturing operations at our New Factory. We also plan to introduce new products and new features to our existing machines as well as enhance our manufacturing capabilities as described in Section 7.12.2 and Section 7.12.3, respectively. This is expected to enhance our product offerings and broaden our customer base as it provides us with the flexibility to manufacture and sell these new or enhanced products to our existing customers and potential new customers, which is expected to reduce our sales concentration risk on our major customers, in particular Dyson Group of Companies.

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7. BUSINESS OVERVIEW (cont'd)**7.15 MAJOR SUPPLIERS**

Our major suppliers for each of the FYEs 2015 to 2018 are as follows:

FYE 2015

| Rank | Supplier | Country of origin | Purchases | | Products sourced | Length of relationship (years) ⁽¹⁾ |
|--------------|--|-------------------|---------------|----------------------|--|---|
| | | | RM'000 | % of total purchases | | |
| (1) | i-Stone Engineering ⁽²⁾ | Malaysia | 3,755 | 13.7 | Precision parts | 11 |
| (2) | Measurement & Metrology (S) Pte Ltd | Singapore | 2,998 | 11.0 | AC/DC power source and meter | 6 |
| (3) | Digi | USA | 2,950 | 10.8 | Wireless communication devices and related embedded modules | 8 |
| (4) | Minitab | USA | 2,075 | 7.6 | Minitab statistical analysis software | 8 |
| (5) | i-Stone Electronics Pte Ltd ⁽³⁾ | Singapore | 1,696 | 6.2 | Electronics components, industrial computer and accessories, data acquisition unit and mechanical components | 6 |
| Total | | | 13,474 | 49.3 | | |

FYE 2016

| Rank | Supplier | Country of origin | Purchases | | Products sourced | Length of relationship (years) ⁽¹⁾ |
|--------------|---------------------------------------|-------------------|---------------|----------------------|---|---|
| | | | RM'000 | % of total purchases | | |
| (1) | i-Stone Engineering ⁽²⁾ | Malaysia | 3,088 | 13.0 | Precision parts | 11 |
| (2) | Digi | USA | 2,788 | 11.7 | Wireless communication devices and related embedded modules | 8 |
| (3) | Minitab | USA | 1,950 | 8.2 | Minitab statistical analysis software | 8 |
| (4) | NAP Acoustics South East Asia Pte Ltd | Singapore | 1,335 | 5.6 | Acoustic chamber | 5 |
| (5) | NI Southeast Asia Sdn Bhd | USA | 1,189 | 5.0 | Industrial computers and accessories | 4 |
| Total | | | 10,350 | 43.5 | | |

7. BUSINESS OVERVIEW (cont'd)**FYE 2017**

| Rank | Supplier | Country of origin | Purchases | | Products sourced | Length of relationship (years) ⁽¹⁾ |
|------|-------------------------------------|-------------------|---------------|----------------------|---|---|
| | | | RM'000 | % of total purchases | | |
| (1) | i-Stone Engineering ⁽²⁾ | Malaysia | 4,153 | 12.1 | Precision parts | 11 |
| (2) | Measurement & Metrology (S) Pte Ltd | Singapore | 3,202 | 9.4 | AC/DC power source and meter | 6 |
| (3) | Minitab | USA | 2,448 | 7.2 | Minitab statistical analysis software | 8 |
| (4) | Digi | USA | 2,178 | 6.4 | Wireless communication devices and related embedded modules | 8 |
| (5) | NI Southeast Asia Sdn Bhd | USA | 1,942 | 5.7 | Industrial computers and accessories | 4 |
| | | Total | 13,923 | 40.8 | | |

FYE 2018

| Rank | Supplier | Country of origin | Purchases | | Products sourced | Length of relationship (years) ⁽¹⁾ |
|------|---------------------------------------|-------------------|---------------|----------------------|---|---|
| | | | RM'000 | % of total purchases | | |
| (1) | Minitab | USA | 2,808 | 7.2 | Minitab statistical analysis software | 8 |
| (2) | Keyence (Malaysia) Sdn Bhd | Japan | 2,751 | 7.1 | Sensor/ gauge | 3 |
| (3) | NI Southeast Asia Sdn Bhd | USA | 2,463 | 6.3 | Industrial computers and accessories | 4 |
| (4) | Digi. | USA | 1,861 | 4.8 | Wireless communication devices and related embedded modules | 8 |
| (5) | NAP Acoustics South East Asia Pte Ltd | Singapore | 1,473 | 3.8 | Acoustic chamber | 5 |
| | | Total | 11,354 | 29.2 | | |

Notes:

- (1) Length of relationship between our supplier and our Group is calculated based on the date of our first purchase order to the LPD
- (2) i-Stone Engineering has been included as our major supplier for the FYEs 2015, 2016 and 2017 as it was our 40.0% associate company prior to FYE 2018
- (3) i-Stone Electronics Pte Ltd was struck off on 5 November 2018. Prior to that, i-Stone Electronics Pte Ltd was a subsidiary of Turnitin

7. BUSINESS OVERVIEW (cont'd)

During the past 4 FYEs 2015 to 2018, our purchases from these major suppliers ranged from 29.2% to 49.3% of our total purchases. Our materials, components and parts are sourced from these suppliers selected based on their pricing, production capacities, range and technical specifications of materials and components, ability to meet our quality requirements and delivery in a timely manner. We have not faced any material supply disruption or delays by our major suppliers.

Save for the purchases of Minitab statistical analysis software from Minitab and the purchases of wireless communication devices and related embedded modules from Digi, the materials, components and parts needed for our business operations can be easily sourced from other suppliers in the market. Hence, we are not dependent on any of these suppliers. Our purchases from Minitab and Digi are usually not integrated into our specialised automation machines, thus they are not critical to our Group's manufacturing automation business. However, we have maintained relationships with Minitab and Digi since 2011 and we intend to continue distributing their products as part of our complementary offerings to our customers.

Nevertheless, in the event that we cease to become the representative or distributor of Minitab and Digi, our Group's financial results will be adversely affected as we will lose part of the revenue streams contributed from the distribution of manufacturing automation hardware and software, which comprises Minitab's statistical analysis software, Digi's wireless communication devices and related embedded modules as well as Universal Robots' robotic arms (since FYE 2018). During the past 4 FYEs 2015 to 2018, the percentage of sales contributed from the distribution of manufacturing automation hardware and software segment (comprising sales of Minitab's statistical analysis software, Digi's wireless communication devices and related embedded modules as well as Universal Robots' robotic arms) was 18.2%, 18.3%, 13.9% and 12.4%, respectively.

7.16 EMPLOYEES

As at the LPD, we have a workforce of 232 employees, of which 215 are permanent employees and 17 are contractual workers. Among the 232 employees, 4 local (Malaysian) permanent employees are based in our Singapore office, 2 foreign permanent employees (Filipino) are based in the Philippines, while the rest are based in Kuala Lumpur and Johor Bahru. The following depicts the breakdown of our employees as at the LPD:

| Department/Division | Permanent employees | | Contractual employees | | Total number of employees |
|-----------------------------------|---------------------|----------|-----------------------|-----------|---------------------------|
| | Local | Foreign | Local | Foreign | |
| Executive Directors | 3 | - | - | - | 3 |
| Project management | 5 | - | - | - | 5 |
| Engineering | 60 | 1 | - | - | 61 |
| Purchasing | 7 | - | - | - | 7 |
| Production | 75 | - | - | 17 | 92 |
| Quality control | 9 | - | - | - | 9 |
| Service | 13 | 2 | - | - | 15 |
| Sales and marketing | 22 | - | - | - | 22 |
| Finance and accounting | 11 | - | - | - | 11 |
| Human resource and administration | 7 | - | - | - | 7 |
| Total | 212 | 3 | - | 17 | 232 |

7. BUSINESS OVERVIEW (cont'd)

As at the LPD, local employees accounted for approximately 91.4% of total workforce while the remaining 8.6% were foreign employees. Our foreign workers are mainly involved in the fabrication of precision parts and metal panels and frames and managing our inventory in store, including operating machines, carrying out quality checks and performing stock count.

As at the LPD, we have a total of 18 foreign employees working in Malaysia, all of whom have the necessary working permits. As at the LPD, our Group has a total of 161 skilled employees and 71 non-skilled employees.

None of our employees belong to any labour union. During the past FYE 2015 to 2018, there is no industrial dispute pertaining to our employees.

7.17 HIGH DEPENDENCY ON CONTRACTS, AGREEMENTS, DOCUMENTS OR OTHER ARRANGEMENTS

As at LPD, there are no contracts, agreements, documents or other arrangements which have been entered into by our Group on which we are highly dependent on and is material to our Group's business operations save for the major approvals, licenses and permits as set out in **Appendix I** of this Prospectus.

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8. INDUSTRY OVERVIEW

SMITH ZANDER INTERNATIONAL SDN BHD (1058128-V)
15-01, Level 15, Menara MBMR, 1 Jalan Syed Putra, 58000 Kuala Lumpur, Malaysia
T : +603 2732 7537 W : www.smith-zander.com

SMITH ZANDER

Date: 29 May 2019

The Board of Directors

i-Stone Group Berhad
Lot 6.08, 6th Floor
Plaza First Nationwide
No 161, Jalan Tun H.S. Lee
50000 Kuala Lumpur

Dear Sirs/Madam,

Industry Overview of the Specialised Machinery and Equipment Industry in Malaysia (“Industry Overview”) for i-Stone Group Berhad (“i-Stone Group”)

This Industry Overview has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD (“SMITH ZANDER”) for inclusion in the Prospectus in conjunction with the Listing of i-Stone Group on the ACE Market of Bursa Malaysia Securities Berhad.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants and industry experts. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this Industry Overview in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this Industry Overview presents a balance view of the industry. Our research has been conducted with an “overall industry” perspective and may not necessarily reflect the performance of individual companies in this Industry Overview. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this report or otherwise.

For and on behalf of SMITH ZANDER:



DENNIS TAN TZE WEN
MANAGING PARTNER

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8. INDUSTRY OVERVIEW (*cont'd*)

SMITH ZANDER

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No part of this Industry Overview may be given, lent, resold, or disclosed to non-customers or any other parties, in any format, either for commercial or non-commercial reasons, without express consent from SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER"). Further, no part of this Industry Overview may be extracted, reproduced, altered, abridged, adapted, modified, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, for purposes other than the listing of i-Stone Group Berhad on the ACE Market of Bursa Malaysia Securities Berhad, without express consent from SMITH ZANDER.

Any part of this Industry Overview used in third party publications, where the publication is based on the content, in whole or in part, of this Industry Overview, or where the content of this Industry Overview is combined with any other material, must be cited and sourced to SMITH ZANDER.

The research for this Industry Overview was completed on 24 May 2019.

For further information, please contact

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About SMITH ZANDER INTERNATIONAL SDN BHD

SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.

Profile of the signing partner, Dennis Tan Tze Wen

Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has 21 years of experience in market research and strategy consulting, including over 16 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.

8. INDUSTRY OVERVIEW (cont'd)

SMITH ZANDER

1 INTRODUCTION

Objective of the Study

This Industry Overview has been prepared in conjunction with the listing of i-Stone Group Berhad on the ACE Market of Bursa Malaysia Securities Berhad.

The objective of this Industry Overview is to provide an independent view of the industry and market(s) in which i-Stone Group Berhad and its subsidiaries ("i-Stone Group") operate in and to offer a clear understanding of the industry and market dynamics.

Rationale and Scope of Work

i-Stone Group is principally involved in the manufacturing automation business. The scope of work for this Industry Overview will thus address the following two (2) areas:

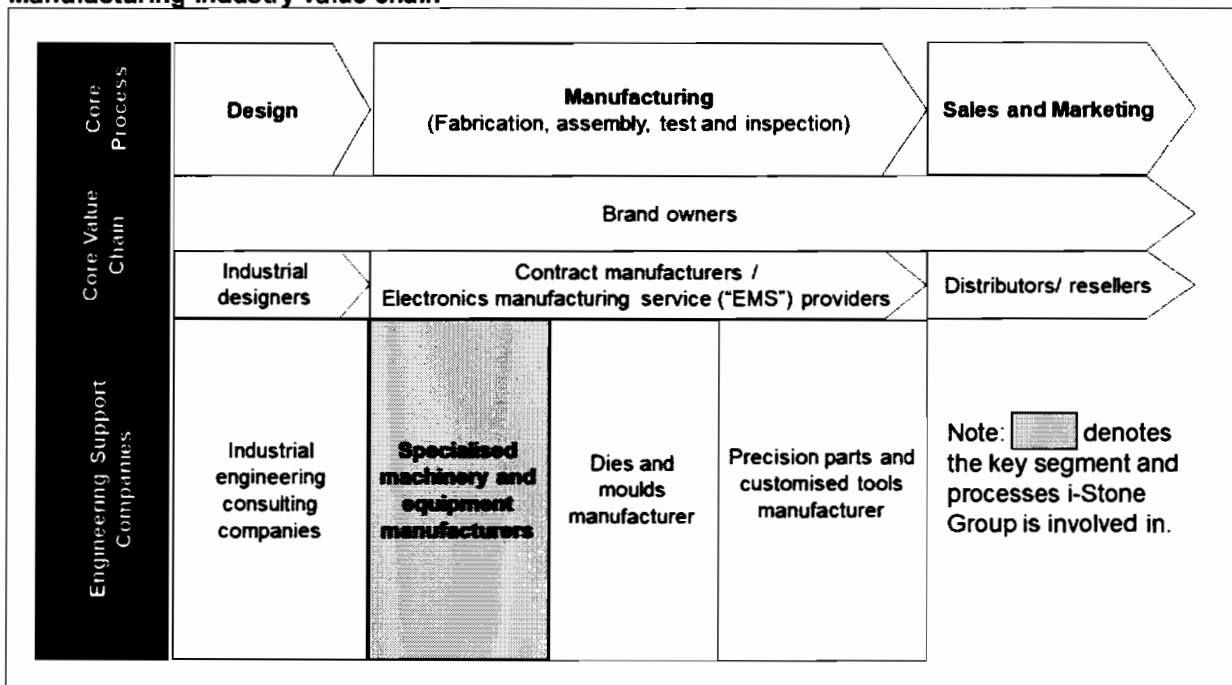
- (i) Introduction to manufacturing automation, which is the industry in which i-Stone Group operates; and
- (ii) The specialised machinery and equipment industry in Malaysia, which is the industry category used commonly in Malaysia to represent manufacturing automation.

2 INTRODUCTION TO MANUFACTURING AUTOMATION

Overview

Over the years, the manufacturing industry has evolved from mass production to lean manufacturing to address the issue of rising costs and to cater for rapidly evolving end-user markets. In lean manufacturing, continuous improvements are made to manufacturing processes to reduce wastage in terms of materials, time and defective products. This is relevant for manufacturing industries involved in the manufacturing of high-technology products and consumer products such as the Electrical & Electronics ("E&E") industry and semiconductor industry. In addition, technological advancements drive and promote new product design and development in the end-user industries.

Manufacturing industry value chain



Source: SMITH ZANDER

8. INDUSTRY OVERVIEW (*cont'd*)

SMITH ZANDER

The machinery and equipment industry serves as an engineering support industry to the manufacturing industry. One of the key functions of the usage of machinery and equipment in manufacturing is to fully or partially automate manufacturing processes including fabrication, assembly, test and inspection, transporting, packaging and storage. Manufacturing automation improves production efficiency by reducing reliance on manpower and manual work, subsequently shortening manufacturing cycles and reducing workplace hazards. With the combination of advanced technological equipment such as robotic arms, high speed and high definition cameras and artificial intelligence in automation machines, manufacturers are able to continuously expand their manufacturing capabilities to cater for the demand for high technology products in the market.

Different types of machinery and equipment are used in different parts of the manufacturing process such as raw material supply, parts and components manufacturing, manufacturing and assembly as well as quality control. For instance, testing machinery and equipment are used in incoming quality checks in the raw material supply stage and also during the quality control stage. Machinery and equipment may also be used for purposes such as automation, picking, placing, loading and unloading throughout the manufacturing line from raw material supply to quality control. In addition, machinery and equipment can perform specific functions such as assembling and also high-precision product testing.

In some industries such as the E&E industry, brand owners may possess their own in-house manufacturing facilities or may opt to outsource manufacturing activities to contract manufacturers or OEMs for the purpose of focusing on product design and development. Thus, machinery and equipment manufacturers support the brand owners, contract manufacturers and OEMs in their manufacturing activities.

Industry 4.0

The global manufacturing industry undergoes constant transformation and change. The first industrial revolution was brought about by mechanical production powered by steam and water. This was followed by the second industrial revolution through mass production machines powered by electricity, and the third industrial revolution with the adoption of automation through IT and electronics. Currently, the fourth industrial revolution or Industry 4.0 involves further transformation of manufacturing-based industries to include digitalisation and autonomous manufacturing activities.

Industry 4.0, which is also known as smart manufacturing, involves the use of technology to perform real-time monitoring of a manufacturing line. Data collected during monitoring is shared between the different components of the manufacturing line, and is used to assist in resource planning and decision making. This will result in increased efficiency and productivity, thus leading to higher profits and long-term sustainability. In Malaysia, among the industries which are more advanced in terms of Industry 4.0 are the E&E, aerospace and automotive industries.¹ Among the significant enabling technologies driving Industry 4.0 that are of relevance to i-Stone Group are the Internet of Things ("IoT"), autonomous robots and big data analytics.

- ▶ IoT refers to a network of devices and objects which are connected to each other through the Internet, to facilitate data exchange or remote access. Examples of such devices and objects are home appliances, home security systems, health monitoring devices and cars. The application of IoT in the manufacturing industry is known as Industrial Internet of Things ("IIoT"). IIoT is also applicable in other industries such as energy, logistics, mining as well as oil and gas. IIoT in smart manufacturing encompasses the real-time communication between each component of the manufacturing line, whereby the performance and/or inputs of one component determines the parameters for other components. IIoT's real-time monitoring also allows for intelligent and autonomous decision-making, therefore optimising production processes.
- ▶ Autonomous robots are robotic equipment which are able to work together with other robots or humans, and have the ability to learn, sense and act independently. This results in more streamlined manufacturing processes, improved efficiency and reduced errors.
- ▶ Big data analytics refers to the technology of managing and processing large data sets within a short timeframe. Data on equipment condition and performance is collected and used to detect abnormal patterns, therefore predicting any potential equipment malfunctions before they happen. This is known

¹ Source: MITI

8. INDUSTRY OVERVIEW (cont'd)

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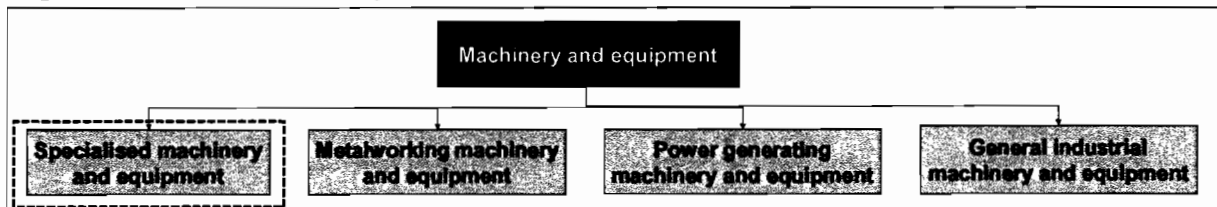
as predictive maintenance, and reduces maintenance costs and downtime. Among the ways that data can be collected are through thermal imaging, oil analysis and vibration analysis.

3 THE SPECIALISED MACHINERY AND EQUIPMENT INDUSTRY IN MALAYSIA

Introduction

The machinery and equipment industry can be broadly divided into four (4) segments, namely specialised machinery and equipment, metalworking machinery and equipment, power generating machinery and equipment, as well as general industrial machinery and equipment.

Segmentation of the machinery and equipment industry



Note:

 denotes the key segment in which i-Stone Group is involved in.

Sources: Malaysian Investment Development Authority ("MIDA"), SMITH ZANDER

Specialised machinery and equipment refers to machinery and equipment that are specially designed and customised for use in specific sectors such as E&E, oil and gas, packaging, agricultural and plastics sectors. Some of the purposes of these specialised machinery and equipment include:

- ▶ facilitating manufacturing automation within the production line to reduce dependency on manual labour;
- ▶ facilitating handling of hazardous or fragile materials;
- ▶ achieving output consistency of manufactured products in terms of precision, speed and quality;
- ▶ specialised production processes that require custom-made machinery and equipment with specific parameters; and
- ▶ specialised testing processes that require custom-made machinery and equipment to carry out specific functional tests on certain parameters of specific products.

Hence, these specialised machinery and equipment are usually specially designed and customised according to the specifications and requirements of the individual customers. Customers of the specialised machinery and equipment industry are generally manufacturers and contract manufacturers providing manufacturing services.

Some examples of specialised machinery and equipment in the E&E industry include customised automated material handlers and customised test and measurement machinery or equipment. Specialised machinery and equipment manufacturers have the engineering capabilities to customise and fabricate the machinery and equipment to suit the needs of the various sectors.

Industry Performance, Size and Growth

The manufacturing sales value of specialised machinery and equipment in Malaysia increased from RM1.00 billion in 2015 to RM2.46 billion in 2018 at a compound annual growth rate ("CAGR") of 34.99%. The manufacturing sales value includes the manufacture of specialised machinery and equipment for the E&E industry as well as other industries such as oil and gas, packaging, agricultural and plastics, as further breakdown of the figure is not publicly available.

8. INDUSTRY OVERVIEW (cont'd)**SMITH ZANDER****Manufacturing sales value of specialised machinery and equipment, 2015-2018**

| | | | | |
|--|------|------|------|------|
| Manufacturing sales value of specialised machinery and equipment | 1.00 | 1.17 | 1.97 | 2.46 |
|--|------|------|------|------|

Source: Department of Statistics Malaysia

SMITH ZANDER forecasts the specialised machinery and equipment industry in Malaysia, represented by the manufacturing sales value of specialised machinery and equipment in Malaysia, to increase from RM3.11 billion in 2019 to RM5.25 billion in 2021, at a CAGR of 29.93% during the period, supported by growing demand for automation in the manufacturing industry, the E&E industry among the main drivers for automation, continuous technological advancement and also investments and government initiatives.

Demand Conditions – Key Demand Drivers**► Growing demand for automation in the manufacturing industry**

The manufacturing industry is shifting towards automation in the production lines to achieve higher productivity, accuracy as well as cost-efficiency and reliability. This results in demand for more specialised machinery and equipment, including robotic arms.

Malaysia offers a conducive environment for the manufacturing industry, due to lower labour costs, competent and skilled workforce, as well as tax incentives. Malaysia's location and developed infrastructure also facilitate intermodal transportation of goods to and from Asia Pacific. For global industry players, Malaysia is a popular investment destination, with over 5,000 foreign companies from 40 countries setting up manufacturing facilities in the country.²

As a supporting industry to the manufacturing industry, the specialised machinery and equipment industry is driven by the prospects and demands from the various manufacturing industries. The manufacturing industry, as measured by total manufacturing sales value increased from RM664.28 billion in 2015 to RM824.84 billion in 2018, registering a CAGR of 7.48%. The growth in the manufacturing industry signifies the need for more specialised machinery and equipment to expand their manufacturing capacities when production capacity is maximised.

The demand for automation in the manufacturing industry is expected to result in an increase in the demand for specialised machinery and equipment.

► E&E industry is among the main drivers for automation

E&E products developed today play essential roles in various industries such as retail, medical, manufacturing and telecommunications. Many of these industries cannot function without the use of E&E products.

One of the most prevalent trends in the E&E industry is the rise of mobile and portable engineering designs which promote convenience. With the increase in demand for mobile devices, industry players are constantly developing newer E&E products to meet market requirements for smaller, and more lightweight, products. The global market for E&E products is estimated to have grown from EUR4.01 trillion (RM17.38 trillion)³ in 2015 to EUR4.40 trillion (RM20.96 trillion)⁴ in 2018, registering a CAGR of 3.14% during this period⁵. In 2016⁶, Asia constituted more than half (i.e. 74.00%) of the global market for E&E products. The global home appliances segment, being a key end-user industry of i-Stone Group, registered a CAGR of 2.53% between 2015 and 2018⁷.

Over the years, Malaysia has built a reputation as a producer and assembler of quality parts, components and finished products for the E&E industry. This has led to continuous demand for Malaysia's E&E products

² Source: MIDA.³ Exchange rate from EUR to RM in 2015 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at EUR1 = RM4.3336.⁴ Exchange rate from EUR to RM in 2018 was converted based on average annual exchange rates in 2018 extracted from published information from Bank Negara Malaysia at EUR1 = RM4.7643.⁵ Source: German Electrical and Electronic Manufacturers' Association.⁶ Latest publicly available as at 24 May 2019.⁷ Source: German Electrical and Electronic Manufacturers' Association.

8. INDUSTRY OVERVIEW (cont'd)

SMITH ZANDER

from various end-user industries such as home appliances, consumer electronics and telecommunications for both the domestic and export markets.

The home appliances market in Malaysia, represented by the consumption of home appliances in Malaysia, grew at CAGR of 16.06% between 2015 and 2018, from RM2.68 billion to RM4.19 billion. As of the date of this Industry Overview, i-Stone Group's largest group of customer is mainly involved in the manufacturing of home appliances. The consumer electronics market in Malaysia, represented by the consumption of consumer electronics in Malaysia declined at a negative CAGR of 19.37% between 2015 and 2018 from RM21.67 billion to RM11.36 billion. Nevertheless, manufacturing activities of consumer electronics in Malaysia remained active to support increasing exports of consumer electronics from RM18.29 billion to RM28.59 billion during the same period.

In terms of investments, E&E attracted the second highest amount of investments under the manufacturing industry, after petroleum products. According to MIDA, a total of 56 projects were approved in the E&E industry in Malaysia amounting to investments worth RM11.20 billion in 2018, of which 95.54%⁸ comprised foreign direct investment ("FDI").

► Continuous technological advancements of end-user products leading to increase in demand for specialised machinery and equipment

The manufacturing industry experiences continuous developments in terms of the end-user products manufactured. Rapid technological developments within the manufacturing industry will continue to promote new product advancements in the market as industry players need to ensure their products remain competitive.

The E&E segment has seen developments in terms of the performance, size and technology of various electronic products. For instance, new computer models are constantly introduced to the market with advancements made in terms of processor performance and reductions in weight and size. Likewise, mobile phones have experienced similar advancements and are no longer just a telecommunication tool for making calls and sending and receiving messages. Instead, they are being replaced by smartphones which have functions for Internet access, photography, data storage, entertainment and social media networking.

Further, the IoT is an emerging technology trend which refers to the network of devices and objects which can be connected to each other through the Internet, to facilitate data exchange and remote access, including home appliances. These smart appliances feature Wi-Fi connectivity, whereby they can be linked to the homeowner's smartphone via a mobile application. Smart appliances are expected to gain popularity in the future as they allow homeowners to monitor and control the appliance from another location, enabling them to save time and providing convenience. Home appliances such as vacuum cleaners, now do not just have standard features but have variations based on aesthetic design, suction power and also energy consumption. Consumers are now given options beyond the standard function of cleaning the floor, and instead choose vacuum cleaners that suit their desired cleaning capability as well as energy saving level.

Consumers are highly receptive to these new product innovations, resulting in relatively shorter product lifecycles for most E&E products. As a result, new and enhanced versions of products are constantly introduced to the market, and these new introductions have been the key driving factor for E&E sales. Moving forward, it is expected that the number of E&E products which are integrated with the lifestyle of today's society will only increase further.

As such, for manufacturers, a standard production line will no longer be sufficient to cater for the increasing needs and demands from consumers. The continuous technological advancement of end-user products drives investments in more specialised machinery and equipment to expand production lines. These specialised end-user products require the specialised machinery and equipment to be customised according to its functions and features. In addition, continuous technological advancements leading to product innovations drives the demand for specialised machinery and equipment to support the manufacturing of the end-user products.

⁸ Source: MIDA.

8. INDUSTRY OVERVIEW (*cont'd*)

SMITH ZANDER

► Government initiatives in promoting the manufacturing industry

The government of Malaysia plays an active role in driving the manufacturing industry in Malaysia. Among some of the government initiatives which have been introduced are as follows:

National Policy on Industry 4.0 (“Industry4WRD Policy”)

The manufacturing industry in Malaysia is constantly being challenged by lower labour costs in neighbouring countries and the demand for better technologies and machinery which can boost productivity. In order to remain competitive, the government intends to reduce reliance on foreign and/or low-skilled labour and embrace Industry 4.0. In line with this strategy, MITI has implemented the Industry4WRD Policy, with the objective of transforming the Malaysian manufacturing industry and its related services to be smart, systematic and resilient. Among the action plans that have been identified are providing funding and incentives, ensuring adequate supporting infrastructure, establishing regulatory framework, upskilling the workforce and providing access to smart technologies. The framework also identifies the need to increase awareness about Industry 4.0, particularly for small and medium enterprises (SMEs), as they make up the bulk of manufacturing companies in the country.

Further, the government of Malaysia has announced several tax incentives for manufacturing and manufacturing-related services industries, in line with the Industry4WRD Policy in the Budget 2019 announced in November 2018. This policy targets for Malaysia to become strategic partners for smart manufacturing and manufacturing-related services in Asia Pacific, and for Malaysia to be a preferred destination for high-technology industry investment and total solution provider for advanced technology. The tax incentives include income tax incentive for the “I4.0 Readiness Assessment” which is a comprehensive assessment process to assess the readiness of the company and its current capability as well as its potential to shift to Industry 4.0 technology. In addition, the government has also announced income tax incentives for “Industry4WRD Vendor Development Program” where anchor companies that develop local vendors in Industry 4.0 are eligible to claim double deduction on expenses incurred in implementing the “Industry4WRD Vendor Development Program”. Further, income tax incentives for human capital development to enhance skills of existing workforce and talent development to be in line with the Industry 4.0 requirement was also announced.

Investments in specialised machinery and equipment industry

According to MIDA, total investments amounting to RM911.20 million was approved in 2018 for 27 projects in the specialised machinery and equipment industry. This total investment comprised RM779.80 million (85.58%) of domestic investments and RM131.40 million (14.42%) of foreign investments.

The outlook for the specialised machinery and equipment industry in Malaysia is positive in line with the investments and government’s plan to further spur the industry.

Industry Risks and Challenges

► Constant technological evolution and advancement resulting in the need for continuous innovation to remain competitive

In order to keep up with the rapid technological evolution in the manufacturing industry, the specialised machinery and equipment industry has to adapt accordingly through technological innovation to remain competitive. In particular, the E&E industry is constantly coming up with new product designs with more advanced technological developments, which may require enhanced specialised machinery and equipment to manufacture.

In addition, manufacturers are moving towards the trend of manufacturing automation where manufacturers are able to save on labour costs and increase efficiency by including robotic arms amongst others. For instance, E&E manufacturers are constantly demanding high levels of specialised machinery and equipment in order to keep pace with the higher performance requirements of E&E products.

Further, with the enabling technologies driving Industry 4.0 such as IoT, autonomous robots and big data analytics, specialised machinery and equipment manufacturers have to constantly manufacture machinery that is able to produce more high technology products.

With the industry constantly changing and developing to keep up with market needs and trends, the onus falls on the specialised machinery and equipment industry players to continuously upgrade their

8. INDUSTRY OVERVIEW (cont'd)**SMITH ZANDER**

technologies to stay ahead of the competition. Failure on the industry players' part to adapt and remain relevant with the latest technological advancements could have an adverse impact on the industry players' business and financial performance.

Competitive Landscape

i-Stone Group is principally involved in the manufacturing automation business. Manufacturing automation machines are part of the specialised machinery and equipment industry and these machines may include amongst others, test machines and process machines used in manufacturing processes.

The specialised machinery and equipment industry combines mechanical engineering, electrical engineering capabilities and/or software engineering expertise, and hence industry players are usually able to develop and customise machinery and equipment for various end user industries. However, these companies typically have specific industries which they focus their product offerings or services on, for example an industry player may focus on supplying to the consumer electronics industry, or to the home appliance industry. As the specialised machinery and equipment industry is a technology industry requiring mechanical engineering, electrical engineering capabilities and/or software engineering expertise, the industry in Malaysia is moderately competitive.

The following list of specialised machinery and equipment industry players has been derived on the basis that these industry players are involved in the manufacturing of specialised machinery and equipment, based on publicly available information on the products and services they offer. As such, they are deemed as key industry players.

The following sets out the latest available revenue of the key industry players. In instances where the segmental revenues of certain key industry players are not publicly available, they are included in this report on the basis that they offer similar types of test machines and process machines as i-Stone Group. The key specialised machinery and equipment industry players were identified by SMITH ZANDER manually through extensive research based on sources available, such as the internet, published documents, industry directories and interviews. The list is not exhaustive as there is no complete list of industry players in the key specialised machinery and equipment industry due to the following reasons:

- There may be companies that have no online and/or published media presence, or are operating with minimal public advertisement.
- There is no centralised record of the list of industry players tracked by any Government agencies in Malaysia as there are no specific licenses and/or permits required to manufacture and sell specialised machinery and equipment in Malaysia.

Therefore, the list of key industry players below is representative of the specialised machinery and equipment industry, based on the extensive research carried out by SMITH ZANDER and the availability of information.

Specialised machinery and equipment industry in Malaysia – profiles of selected identified industry players

| Company Name | Principal Activities ^a | Latest Available Financial Year | Revenue ^b (RM million) |
|--|---|---------------------------------|-----------------------------------|
| Asmech Handling Equipment (M) Sdn Bhd | Automated manufacturing solutions of product assembly, inspection, testing and packaging equipment. | 31 December 2017 | 1.92 |
| AT Systemization Berhad | Principally involved in the fabrication of industrial and engineering parts, as well as the design and manufacturing of industrial automation systems and machinery. | 31 March 2018 | 23.09 |
| BBS Automation Penang Sdn Bhd | Specialists in automation technology, with a strong history in solar technology and leak detection systems | 31 December 2017 | 279.63 |
| Creative Tech Engineering Sdn Bhd | Embedded controllers, PC based software program, mechanical design and fabrication, R&D. | 31 December 2017 | 2.38 |
| Genetec Technology Berhad ^d | Specialises in designing and building of customised factory automation process equipment with integrated vision systems from conceptual design, development of prototype to mass replication equipment. | 31 March 2018 | 101.03 |

8. INDUSTRY OVERVIEW (cont'd)**SMITH ZANDER**

| Company Name | Principal Activities ^a | Latest Available Financial Year | Revenue ^b (RM million) |
|--|--|---------------------------------|-----------------------------------|
| Greotech Technology Berhad | Manufacturer of equipment used to automate processes in production lines | 31 December 2018 | 219.58 |
| Hirata FA Engineering (M) Sdn Bhd ^d | Manufacture and sales of various manufacturing line systems, industrial robots and logistics equipment | 31 December 2017 | 32.59 |
| Hot Air Technology Sdn Bhd ^d | Specialises in industrial automation, material handling and thermal system. | 31 May 2018 | 17.22 |
| i-Stone Group | Principally involved in the manufacturing automation business with a focus on specialised automation machines used in automating manufacturing processes. | 31 December 2018 | 67.59 |
| MMS Ventures Berhad | Designs and manufactures industrial automation systems and machinery, design of precision die sets, jigs and fixtures and provision of software development. | 31 December 2018 | 47.84 |
| P.I.E Eratech Sdn Bhd ^d | Design, fabrication, machining, assembly, testing and installation of designed jigs, fixtures and semi-automated equipment. | 31 August 2018 | 20.46 |
| Pentamaster Corporation Berhad ^d | Specialises in the production of tailor made systems and automated equipment based on the requirements of its customers. | 31 December 2018 | 422.20 |
| RC Precision Engineering Sdn Bhd ^c | Machine part fabricator, contract manufacturing in OEM equipment, equipment assembly and integration, mechanical assembly and box build services. | Not available | Not available |
| Vitrox Corporation Berhad | Designs and manufactures automated vision inspection equipment and system-on-chip embedded electronics devices for the semiconductor and electronics packaging industries. | 31 December 2018 | 394.68 |
| Vepro Group Sdn Bhd | Automation, robotic, packaging, processing and software technology. | 31 December 2017 | 25.55 |

Notes:

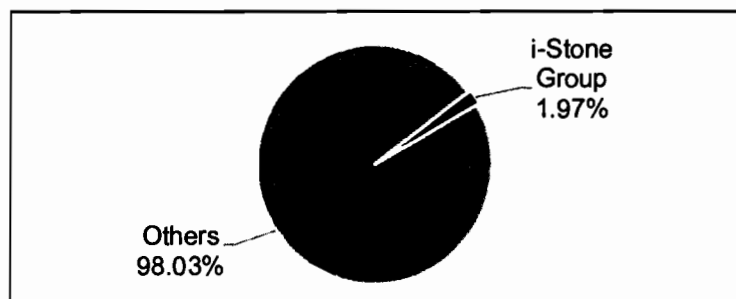
- Latest available as of 24 May 2019.
- ^a Extracted from industry players' annual report or company website.
- ^b Revenue may derive from other businesses and countries outside Malaysia as segmental revenue is not publicly available from the Companies Commission of Malaysia.
- ^c Financial information not publicly available as it is a private exempt company.
- ^d Based on publicly available information and representation by i-Stone Group, these industry players share similar clientele as one of i-Stone Group's major customer (i.e. Dyson Group of Companies) and/or have supplied similar types of specialised machinery and equipment to Dyson Group of Companies.

Sources: Various company websites, i-Stone Group, Companies Commission of Malaysia, SMITH ZANDER

Market Share

In 2018, the specialised machinery and equipment industry size, as represented by the manufacturing sales value of specialised machinery and equipment was recorded at RM2.46 billion.

For the year ended 31 December 2018, i-Stone Group's segmental revenue from design, manufacturing and modification of specialised automation machines revenue was recorded at RM48.55 million and thereby captured a market share of 1.97% in Malaysia.

Specialised machinery and equipment industry revenue share in Malaysia, 2018

Sources: Department of Statistics Malaysia, SMITH ZANDER

8. INDUSTRY OVERVIEW (cont'd)**SMITH ZANDER****4 PROSPECTS AND OUTLOOK**

Over the years, the manufacturing industry has evolved from mass production to lean manufacturing to address the issue of rising costs and to cater for rapidly evolving end-user markets. In lean manufacturing, continuous improvements are made to manufacturing processes to reduce wastage in terms of materials, time and defective products. This is relevant for manufacturing industries involved in the manufacturing of high-technology products and consumer products such as the E&E industry and semiconductor industry. In addition, technological advancements drive and promote new product design and development in the end-user industries.

The machinery and equipment industry can be broadly divided into four (4) segments, namely specialised machinery and equipment, metalworking machinery and equipment, power generating machinery and equipment, as well as general industrial machinery and equipment.

Specialised machinery and equipment refers to machinery and equipment that are specially designed and customised for use in specific sectors such as E&E, oil and gas, packaging, agricultural and plastics sectors.

The manufacturing sales value of specialised machinery and equipment in Malaysia increased from RM1.00 billion in 2015 to RM1.97 billion in 2018 at a CAGR of 34.99%, driven by the following:

- Growing demand for automation in the manufacturing industry – the manufacturing industry is shifting towards automation in the production lines to achieve higher productivity, accuracy as well as cost-efficiency and reliability. This results in demand for more specialised machinery and equipment, including robotic arms, which are increasingly being used in manufacturing industries;
- E&E industry being among the main drivers for automation – one of the most prevalent trends in the E&E industry is the rise of mobile and portable engineering designs which promote convenience. With the increase in demand for mobile devices, industry players are constantly developing newer E&E products to meet market requirements for smaller, and more lightweight, products. Over the years, Malaysia has built a reputation as a producer and assembler of quality parts, components and finished products for the E&E industry. This has led to continuous demand for Malaysia's E&E products from various end-user industries such as home appliances, consumer electronics and telecommunications for both the domestic and export markets;
- Continuous technological advancements – the manufacturing industry experiences continuous developments in terms of the end-user products manufactured. Rapid technological developments within the manufacturing industry will continue to promote new product advancements in the market as industry players need to ensure their products remain competitive; and
- Government initiatives – in order to remain competitive, the government intends to reduce reliance on foreign and/or low-skilled labour and embrace Industry 4.0. In addition, the government has announced several tax incentives for manufacturing and manufacturing-related services industries, in line with the Industry4WRD Policy. This policy targets for Malaysia to become strategic partners for smart manufacturing and manufacturing-related services in Asia Pacific, and for Malaysia to be a preferred destination for high-technology industry investment and total solution provider for advanced technology.

Driven by the above factors, SMITH ZANDER forecasts the specialised machinery and equipment industry in Malaysia, represented by the manufacturing sales value of specialised machinery and equipment in Malaysia, to increase from RM3.11 billion in 2019 to RM5.25 billion in 2021, at a CAGR of 29.93% during the period.

The specialised machinery and equipment industry combines mechanical engineering, electrical engineering capabilities and/or software engineering expertise, and hence industry players are usually able to develop and customise machinery and equipment for various end user industries. As the specialised machinery and equipment industry is a technology industry requiring mechanical engineering, electrical

8. INDUSTRY OVERVIEW (cont'd)

SMITH ZANDER

engineering capabilities and/or software engineering expertise, the industry in Malaysia is moderately competitive. However, in order to keep up with the rapid technological evolution in the manufacturing industry, the specialised machinery and equipment industry has to adapt accordingly through technological innovation to remain competitive.

In light of the growth in the specialised machinery and equipment industry in Malaysia and the corresponding industry drivers, the outlook for the industry remains positive.

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