

NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF SFP TECH HOLDINGS BERHAD (“SFP TECH” OR THE “COMPANY”) DATED 26 MAY 2022 (“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, Public Investment Bank Berhad (“**PIVB**”) or Tricor Investor & Issuing House Services Sdn Bhd. Alternatively, the applicant may obtain a copy of the Prospectus, from the participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective investors should note that the Application Forms are not available in electronic format.

Jurisdictional Disclaimer

This distribution of the Electronic Prospectus and the sale of the units are subject to Malaysian law. Bursa Securities, PIVB and SFP Tech 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 26 May 2022 and will close at 5.00 p.m. on 2 June 2022 or for such further period or periods as the Directors of SFP Tech in their absolute discretion may decide. In the event there is any change to the indicative timetable above, we will advertise the notice of the changes in a widely circulated daily English and Bahasa Malaysia newspapers in Malaysia.

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.



PLANT 1

Plot 350(B),
Lorong Perindustrian Bukit Minyak 20,
Penang Science Park, MK13,
Kawasan Perindustrian, Bukit Minyak,
14100 SPT, Pulau Pinang, Malaysia

PLANT 2

Plot 350(A),
Lorong Perindustrian Bukit Minyak 20,
Penang Science Park, MK13,
Kawasan Perindustrian, Bukit Minyak,
14100 SPT, Pulau Pinang, Malaysia

PLANT 3 (Artistic Impression)

Plot 322, Lorong Perindustrian Bukit Minyak 20,
Penang Science Park, MK13,
Kawasan Perindustrian, Bukit Minyak,
14100 SPT, Pulau Pinang, Malaysia

Tel : +6045062184, +6045059270
Fax : +6045057853
Email : info(at)sfptechholdings.com

www.sfptechholdings.com



SFP TECH HOLDINGS BERHAD

PROSPECTUS



SFP TECH HOLDINGS BERHAD

(Registration No. 202101004713 (1405012-M))
(Incorporated in Malaysia under the Companies Act 2016)

INITIAL PUBLIC OFFERING (“IPO”) IN CONJUNCTION WITH THE LISTING OF SFP TECH HOLDINGS BERHAD (“SFP TECH” OR “COMPANY”) ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING PUBLIC ISSUE OF 207,440,000 NEW ORDINARY SHARES IN SFP TECH (“SHARE(S)”) IN THE FOLLOWING MANNER:

- 40,000,000 NEW SHARES MADE AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
- 24,000,000 NEW SHARES MADE AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS, EMPLOYEES AND PERSON(S) WHO HAVE CONTRIBUTED TO THE SUCCESS OF SFP TECH AND ITS SUBSIDIARIES;
- 43,440,000 NEW SHARES MADE AVAILABLE BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS; AND
- 100,000,000 NEW SHARES MADE AVAILABLE BY WAY OF PRIVATE PLACEMENT TO SELECTED BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY, MALAYSIA

AT AN IPO PRICE OF RM0.30 PER SHARE, PAYABLE IN FULL UPON APPLICATION.

Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent



PUBLIC INVESTMENT BANK BERHAD

(Registration No. 197401002880 (20027-W))
A Participating Organisation Of Bursa Malaysia Securities Berhad
(Wholly-owned Subsidiary Of Public Bank Berhad)

**THIS PROSPECTUS IS DATED
26 MAY 2022**



PROSPECTUS

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

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, PLEASE SEE “RISK FACTORS” COMMENCING ON PAGE 137.

NO SECURITIES WILL BE ALLOTTED OR ISSUED BASED ON THIS PROSPECTUS AFTER SIX (6) MONTHS FROM THE DATE OF THIS PROSPECTUS.

THIS PROSPECTUS HAS BEEN REGISTERED BY THE SC. THE REGISTRATION OF THIS PROSPECTUS SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE OFFERING OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE, OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SHARES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

THE ACE MARKET IS AN ALTERNATIVE MARKET DESIGNED PRIMARILY FOR EMERGING CORPORATIONS THAT MAY CARRY HIGHER INVESTMENT RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED CORPORATIONS LISTED ON THE MAIN MARKET. THERE IS ALSO NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN THE SHARES OR UNITS OF SHARES TRADED ON THE ACE MARKET. YOU SHOULD BE AWARE OF THE RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION.

THE ISSUE, OFFER OR INVITATION FOR THE OFFERING IS A PROPOSAL NOT REQUIRING APPROVAL, AUTHORISATION OR RECOGNITION OF THE SC UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007.

RESPONSIBILITY STATEMENTS

OUR DIRECTORS AND PROMOTER (AS DEFINED IN THIS PROSPECTUS) HAVE SEEN AND APPROVED THIS PROSPECTUS. THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION. 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.

PUBLIC INVESTMENT BANK BERHAD (“**PIVB**”), BEING THE PRINCIPAL ADVISER, SPONSOR, SOLE UNDERWRITER AND SOLE PLACEMENT AGENT, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE OFFERING.

STATEMENTS OF DISCLAIMER

APPROVAL HAS BEEN GRANTED BY BURSA MALAYSIA SECURITIES BERHAD (“**BURSA SECURITIES**”) FOR THE LISTING OF AND QUOTATION FOR THE SECURITIES BEING OFFERED. ADMISSION TO THE OFFICIAL LIST OF BURSA SECURITIES IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF THE OFFERING, OUR COMPANY OR OUR SHARES.

BURSA SECURITIES IS NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR COMPANY’S PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

THIS PROSPECTUS, TOGETHER WITH THE APPLICATION FORMS (AS DEFINED IN THIS PROSPECTUS), HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES, WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

OTHER STATEMENTS

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 COMPANY.

SHARES ARE OFFERED TO THE PUBLIC ON THE PREMISE OF FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE OFFERING, FOR WHICH ANY PERSON SET OUT IN SECTION 236 OF THE CMSA, IS RESPONSIBLE.

OUR SHARES ARE CLASSIFIED AS SHARIAH COMPLIANT BY THE SHARIAH ADVISORY COUNCIL OF THE SC. THIS CLASSIFICATION REMAINS VALID FROM THE DATE OF ISSUE OF THE PROSPECTUS UNTIL THE NEXT SHARIAH COMPLIANCE REVIEW UNDERTAKEN BY THE SHARIAH ADVISORY COUNCIL OF THE SC. THE NEW STATUS IS RELEASED IN THE UPDATED LIST OF SHARIAH-COMPLIANT SECURITIES, ON THE LAST FRIDAY OF MAY AND NOVEMBER.

THIS PROSPECTUS HAS NOT BEEN AND WILL NOT BE MADE TO COMPLY WITH THE LAWS OF ANY JURISDICTION OTHER THAN MALAYSIA, AND HAS NOT BEEN AND WILL NOT BE LODGED, REGISTERED OR APPROVED PURSUANT TO OR UNDER ANY APPLICABLE SECURITIES OR EQUIVALENT LEGISLATION OR WITH 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.

THIS PROSPECTUS IS PREPARED AND PUBLISHED SOLELY FOR OUR IPO IN MALAYSIA UNDER THE LAWS OF MALAYSIA. OUR IPO SHARES ARE ISSUED IN MALAYSIA SOLELY BASED ON THE CONTENTS OF THIS PROSPECTUS. OUR DIRECTORS, PROMOTER, PRINCIPAL ADVISER, SPONSOR, SOLE UNDERWRITER AND SOLE PLACEMENT AGENT TAKE NO RESPONSIBILITY FOR THE DISTRIBUTION OF THIS PROSPECTUS (IN PRELIMINARY OR FINAL FORM) OUTSIDE MALAYSIA. OUR DIRECTORS, PROMOTER, PRINCIPAL ADVISER, SPONSOR, SOLE UNDERWRITER AND SOLE PLACEMENT AGENT HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THIS PROSPECTUS.

IT SHALL BE YOUR SOLE RESPONSIBILITY, IF YOU ARE OR MAY BE SUBJECTED TO THE LAWS OF ANY COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA, TO CONSULT YOUR PROFESSIONAL ADVISERS AS TO WHETHER YOUR APPLICATION FOR OUR IPO WOULD RESULT IN THE CONTRAVENTION OF ANY LAWS OF SUCH COUNTRIES OR JURISDICTIONS. NEITHER WE NOR OUR PRINCIPAL ADVISER NOR ANY OF OUR ADVISERS IN RELATION TO OUR IPO SHALL ACCEPT RESPONSIBILITY OR LIABILITY IN THE EVENT THAT ANY APPLICATION MADE BY YOU SHALL BECOME ILLEGAL, UNENFORCEABLE, VOIDABLE OR VOID IN ANY SUCH COUNTRY OR JURISDICTION.

FURTHER, IT SHALL BE YOUR SOLE RESPONSIBILITY TO ENSURE THAT YOUR APPLICATION FOR OUR IPO WOULD BE IN COMPLIANCE WITH THE TERMS OF OUR IPO AND WOULD NOT BE IN CONTRAVENTION OF ANY LAWS OF COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO WHICH YOU MAY BE SUBJECTED TO. 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 ACCEPTANCES AS INVALID IF WE BELIEVE THAT SUCH ACCEPTANCE MAY VIOLATE ANY LAW OR APPLICABLE LEGAL OR REGULATORY REQUIREMENTS.

ELECTRONIC PROSPECTUS

THIS PROSPECTUS CAN ALSO BE VIEWED OR DOWNLOADED FROM BURSA SECURITIES' WEBSITE AT www.bursamalaysia.com. THE CONTENTS OF THE ELECTRONIC PROSPECTUS (AS DEFINED IN THIS 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 IN THIS PROSPECTUS) IS SUBJECT TO THE RISK OF PROBLEMS OCCURRING DURING DATA TRANSMISSION, COMPUTER SECURITY THREATS SUCH AS VIRUSES, HACKERS AND CRACKERS, FAULTS WITH COMPUTER SOFTWARE AND OTHER EVENTS BEYOND THE CONTROL OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION (AS DEFINED IN THIS PROSPECTUS). THESE RISKS CANNOT BE BORNE BY THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

IF YOU ARE IN DOUBT AS TO THE VALIDITY OR INTEGRITY OF AN ELECTRONIC PROSPECTUS, YOU SHOULD IMMEDIATELY REQUEST FROM US, OUR PRINCIPAL ADVISER OR THE ISSUING HOUSE, A PAPER/PRINTED COPY OF THIS PROSPECTUS.

IN THE EVENT OF ANY DISCREPANCIES ARISING BETWEEN THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE CONTENTS OF THE PAPER/PRINTED COPY OF THIS PROSPECTUS FOR ANY REASON WHATSOEVER, THE CONTENTS OF THE PAPER/PRINTED COPY OF THIS PROSPECTUS, WHICH IS IDENTICAL TO THE COPY OF THE PROSPECTUS REGISTERED BY THE SC, SHALL PREVAIL.

IN RELATION TO ANY REFERENCE IN THIS PROSPECTUS TO THIRD PARTY INTERNET SITES ("THIRD PARTY INTERNET SITES"), WHETHER BY WAY OF HYPERLINKS OR BY WAY OF DESCRIPTION OF THE THIRD PARTY INTERNET SITES, YOU ACKNOWLEDGE AND AGREE THAT:

- (I) WE AND OUR PRINCIPAL ADVISER DO NOT ENDORSE AND ARE NOT AFFILIATED IN ANY WAY TO THE THIRD PARTY INTERNET SITES AND ARE NOT RESPONSIBLE FOR THE AVAILABILITY OF, OR THE CONTENTS OR ANY DATA, INFORMATION, FILES OR OTHER MATERIAL PROVIDED IN THE THIRD PARTY INTERNET SITES. YOU SHALL BEAR ALL RISKS ASSOCIATED WITH THE ACCESS TO OR USE OF THE THIRD PARTY INTERNET SITES;
- (II) WE AND OUR PRINCIPAL ADVISER ARE NOT RESPONSIBLE FOR THE QUALITY OF PRODUCTS OR SERVICES IN THE THIRD PARTY INTERNET SITES OR FOR FULFILLING ANY OF THE TERMS OF YOUR AGREEMENTS WITH THE THIRD PARTY INTERNET SITES. WE AND OUR PRINCIPAL ADVISER ARE ALSO NOT RESPONSIBLE FOR ANY LOSS, DAMAGE OR COST THAT YOU MAY SUFFER OR INCUR IN CONNECTION WITH OR AS A RESULT OF DEALING WITH THE THIRD PARTY INTERNET SITES OR THE USE OF OR RELIANCE ON ANY DATA, INFORMATION, FILES OR OTHER MATERIAL PROVIDED BY SUCH PARTIES; AND
- (III) ANY DATA, INFORMATION, FILES OR OTHER MATERIAL DOWNLOADED FROM THE THIRD PARTY INTERNET SITES IS DONE AT YOUR OWN DISCRETION AND RISK. WE AND OUR PRINCIPAL ADVISER ARE NOT RESPONSIBLE, LIABLE OR UNDER OBLIGATION FOR ANY DAMAGE TO YOUR COMPUTER SYSTEM OR LOSS OF DATA RESULTING FROM THE DOWNLOADING OF ANY SUCH DATA, INFORMATION, FILES OR OTHER MATERIAL.

WHERE AN ELECTRONIC PROSPECTUS IS HOSTED ON THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS, YOU ARE ADVISED THAT:

- (I) THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE LIABLE IN RESPECT OF THE INTEGRITY OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS, TO THE EXTENT OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS SITUATED ON THE WEB SERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS WHICH MAY BE VIEWED VIA YOUR WEB BROWSER OR OTHER RELEVANT SOFTWARE;
- (II) THE INTERNET PARTICIPATING FINANCIAL INSTITUTION SHALL NOT BE RESPONSIBLE IN ANY WAY FOR THE INTEGRITY OF THE CONTENTS OF THE 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
- (III) 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 THE ELECTRONIC PROSPECTUS CANNOT BE GUARANTEED AS THE INTERNET IS NOT A FULLY SECURED MEDIUM.

THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS SHALL NOT BE LIABLE (WHETHER IN TORT OR CONTRACT OR OTHERWISE) FOR ANY LOSS, DAMAGE OR COST, 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 THE ELECTRONIC PROSPECTUS WHICH MAY ARISE IN CONNECTION WITH OR AS A RESULT OF ANY FAULT OR FAULTS WITH THE WEB BROWSERS OR OTHER RELEVANT SOFTWARE, ANY FAULT OR FAULTS ON YOU 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

The following events are intended to take place on the following tentative dates:

Event	Date
Opening of the application period for the IPO	10.00 a.m., 26 May 2022
Closing of the application period for the IPO	5.00 p.m., 2 June 2022
Balloting of applications	8 June 2022
Allotment of IPO Shares to successful applicants	16 June 2022
Listing on the ACE Market	20 June 2022

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

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DEFINITIONS

The following abbreviations shall apply throughout this Prospectus, unless the abbreviations are defined otherwise or the context requires otherwise:

COMPANIES WITHIN OUR GROUP

SFP Tech or Company	: SFP Tech Holdings Berhad (202101004713 (1405012-M))
SFP Tech Group or Group	: SFP Tech and the Subsidiaries, collectively
STSB	: SFP Technology Sdn Bhd (201201034667 (1019148-U))
EEASB	: EST Exhibit Automation Sdn Bhd (201501021102 (1146438-P))
Subsidiaries	: STSB and EEASB, collectively

GENERAL

2D	: 2 dimensional
3D	: 3 dimensional
ACE Market	: ACE Market of Bursa Securities
Acquisitions	: Acquisition of STSB and Acquisition of EEASB, collectively
Acquisition of EEASB	: Acquisition by SFP Tech of the entire equity interest of EEASB, comprising 500,000 EEASB Shares for a purchase consideration of RM4,179,000, satisfied via the issuance of 41,790,000 new Shares at an issue price of RM0.10 each, which was completed on 18 March 2022
Acquisition of STSB	: Acquisition by SFP Tech of the entire equity interest of STSB, comprising 2,000,000 STSB Shares for a purchase consideration of RM55,076,900, satisfied via the issuance of 550,769,000 new Shares at an issue price of RM0.10 each, which was completed on 18 March 2022
Act	: Companies Act 2016
ADA	: Authorised depository agent
Applicant(s)	: Applicant(s) for the IPO Shares by way of Application Forms, Electronic Share Application and / or Internet Share Application
Application(s)	: Application(s) for the IPO Shares by way of Application Forms, Electronic Share Application and / or Internet Share Application
Application Form(s)	: Printed application form(s) for the application of the IPO Shares
Assembly Facility	: A 2-storey terrace office production facility and warehouse bearing the postal address of 21, Lintang Beringin 3, Diamond Valley Industrial Park, 11960 Batu Maung, Penang
ATM(s)	: Automatic Teller Machine(s)
BFR	: Base financing rate
BLR	: Base lending rate
Board	: Board of Directors

DEFINITIONS (*Cont'd*)

Bumiputera Investors	: Bumiputera investors including individuals, companies, societies, co-operatives and institutions, collectively
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (198701006854 (165570-W))
Bursa Securities	: Bursa Malaysia Securities Berhad (200301033577 (635998-W))
CA 1965	: Companies Act, 1965
CAGR	: Compounded annual growth rate
CCC	: Certificate of completion and compliance
CDS	: Central Depository System
CDS Account(s)	: Account(s) established for a Depositor by Bursa Depository for the recording of deposits or withdrawals of securities and for dealings in such securities by the Depositor
CF	: Certificate of fitness for occupation
CMSA	: Capital Markets and Services Act 2007
Constitution	: Constitution of SFP Tech
COVID-19	: Novel coronavirus disease 2019, an infectious respiratory disease which first broke out in 2019
CMCO	: Conditional Movement Control Order
D&D	: Design and development
Depositor	: A holder of a CDS Account
Director(s)	: Director(s) of SFP Tech and within the meaning given in Section 2 of the CMSA
DOE	: Department of Environment
DOSH	: Department of Occupational Safety and Health, Malaysia
E&E	: Electrical and electronic
EBITDA	: Earnings before interest, taxation, depreciation and amortisation
EEASB Share(s)	: Ordinary share(s) in EEASB
Electronic Prospectus	: A copy of this Prospectus that is issued, circulated or disseminated via the Internet, and / or an electronic storage medium, including but not limited to CD-ROMs (compact disc read-only memory)
Electronic Share Application	: Application for the IPO Shares through Participating Financial Institutions' ATM
Eligible Person(s)	: Eligible Director(s) and employee(s) of our Group and person(s) who have contributed to the success of our Group, collectively
EPF	: Employment Provident Fund
EPS	: Earnings per share

DEFINITIONS (*Cont'd*)

Equity Guidelines	:	Equity Guidelines issued by the SC
Executive Directors	:	Keoh Beng Huat and Chang Chee Jia, collectively
FMCO	:	Full Movement Control Order
FPE	:	Financial period ended
Financial Years Under Review	:	FYE 2018, FYE 2019, FYE 2020 and FYE 2021, collectively
FYE	:	Financial year ended / ending 31 December, as the case may be
Government	:	Government of Malaysia
GP	:	Gross profit
IFRS	:	International Financial Reporting Standards
IMR or Protégé	:	Protégé Associates Sdn Bhd (200401037256 (675767-H)), an independent market researcher
IMR Report	:	Independent Market Research Report on the Engineering Support Industry in Malaysia prepared by Protégé as set out in Section 7 of this Prospectus
Industry4WRD	:	The National Policy on Industry 4.0 that was launched by the MITI to drive digital transformation of the manufacturing and related services sectors in Malaysia
Industry 4.0	:	The Fourth Industrial Revolution which is the digitalisation of manufacturing industry that involves use of technology and real-time data to improve productivity as well as reduce costs
Internet Participating Financial Institution(s)	:	Participating financial institution(s) for the Internet Share Application, as listed in Section 14.6 of this Prospectus
Internet Share Application	:	Application for the IPO Shares through an online share application service provided by the Internet Participating Financial Institution(s)
IPO	:	Initial public offering of the IPO Shares in conjunction with the listing of and quotation for our entire enlarged issued share capital on the ACE Market
IPO Price	:	RM0.30 per IPO Share
IPO Share(s)	:	207,440,000 new Shares, representing 25.93% of our enlarged issued share capital, which will be issued pursuant to the Public Issue and subject to the terms and conditions of this Prospectus
Issuing House or TIIH	:	Tricor Investor & Issuing House Services Sdn Bhd (197101000970 (11324-H))
ISO	:	International Organisation for Standardisation
Key Senior Management	:	The key senior management team (excluding Executive Director) of our Company
Listing	:	Admission of SFP Tech to the Official List of Bursa Securities and the listing of and quotation for our entire enlarged issued share capital of RM121,488,000, comprising 800,000,000 Shares on the ACE Market
Listing Requirements	:	ACE Market Listing Requirements of Bursa Securities

DEFINITIONS (Cont'd)

Listing Scheme	:	The exercise undertaken by our Company comprising the Acquisitions, Public Issue and Listing, collectively
LPD	:	29 April 2022, being the latest practicable date prior to the issuance of this Prospectus
LSS	:	Large Scale Solar
M&E	:	Mechanical and electrical
Malaysian Public	:	Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Management	:	Executive Director and Key Senior Management, collectively
Manufacturing Plant 1	:	A single storey factory and warehouse with upper floor and a 3-storey office block constructed on Plot 350(B)
Manufacturing Plant 2	:	A 2-storey detached factory, a single storey warehouse, and a 2-storey office block constructed on Plot 350(A)
Manufacturing Plant 3	:	A proposed 3-storey factory and warehouse with 3-storey office building to be constructed on Plot 322
Market Day(s)	:	Any day(s) on which Bursa Securities is open for trading of securities
MCO	:	Nationwide Movement Control Order imposed by the Government under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 as a measure to contain the outbreak of COVID-19 pandemic
MFRS	:	Malaysian Financial Reporting Standards
MIA	:	Malaysian Institute of Accountants
MIDA	:	Malaysian Investment Development Authority
MITI	:	Ministry of International Trade and Industry, Malaysia
MNC	:	Multinational corporation
MoH	:	Ministry of Health, Malaysia
N/A	:	Not applicable
NA	:	Net assets
NBV	:	Net book value
NEM	:	Net Energy Metering
NRP	:	The National Recovery Plan comprising 4-phases, introduced by the Government on 15 June 2021
O&G	:	Oil and gas
OC	:	Occupancy Certificate
Official List	:	A list specifying all securities which have been admitted for listing on the ACE Market and not removed

DEFINITIONS (Cont'd)

Participating Financial Institution(s)	:	Participating financial institution(s) for the Electronic Share Application as listed in Section 14.5 of this Prospectus
PAT	:	Profit after taxation
PBB	:	Public Bank Berhad (196501000672 (6463-H))
PBT	:	Profit before taxation
PE Multiple	:	Price earnings multiple
Pink Form Allocation	:	Allocation of 24,000,000 IPO Shares for subscription by the Eligible Persons
PIVB or Principal Adviser or Sponsor or Sole Underwriter or Sole Placement Agent	:	Public Investment Bank Berhad (197401002880 (20027-W))
Plot 244	:	A double storey office and single storey production building bearing the postal address of Plot 244, Lorong Perindustrian Bukit Minyak 20, Penang Science Park, Mukim 13, Kawasan Perindustrian Bukit Minyak, 14100 Bukit Mertajam, Pulau Pinang
Plot 350(A)	:	A piece of leasehold land with a tenure of 60 years expiring on 27 January 2079 (approximately 58 years unexpired lease term) held under Pajakan Negeri No. Hakmilik 11626, Lot 20871, Mukim 13, Daerah Seberang Perai Tengah, Negeri Pulau Pinang bearing the postal address of Plot 350(A), Lorong Perindustrian Bukit Minyak 20, Penang Science Park, Mukim 13, Kawasan Perindustrian Bukit Minyak, 14100 Bukit Mertajam, Pulau Pinang
Plot 350(B)	:	A piece of leasehold land with a tenure of 60 years expiring on 12 June 2077 (approximately 56 years unexpired lease term) held under Pajakan Negeri No. Hakmilik 11643, Lot 20872, Mukim 13, Daerah Seberang Perai Tengah, Negeri Pulau Pinang bearing the postal address of Plot 350(B), Lorong Perindustrian Bukit Minyak 20, Penang Science Park, Mukim 13, Kawasan Perindustrian Bukit Minyak, 14100 Bukit Mertajam, Pulau Pinang
Plot 322	:	A piece of leasehold land with a tenure of 60 years expiring on 2 February 2072 (approximately 51 years unexpired lease term) held under Pajakan Negeri No. Hakmilik 10903, Lot 20161, Mukim 13, Daerah Seberang Perai Tengah, Negeri Pulau Pinang bearing the postal address of Plot 322, Lorong Perindustrian Bukit Minyak 20, Penang Science Park, Mukim 13, Kawasan Perindustrian Bukit Minyak, 14100 Bukit Mertajam, Pulau Pinang
PPE	:	Property, plant and equipment
Prescribed Security	:	Securities of a company that are prescribed by Bursa Securities to be deposited in the CDS subject to the provision of the SICDA and the Rules
Promoter	:	Keoh Beng Huat
Prospectus	:	This Prospectus dated 26 May 2022 in relation to the IPO
Prospectus Guidelines	:	Prospectus Guidelines issued by the SC
Public	:	All persons or members of the public but excluding our Group's directors, our substantial shareholders and persons associated with them (as defined in the Listing Requirements)

DEFINITIONS (Cont'd)

Public Issue	:	Public issue of 207,440,000 new Shares at the IPO Price, payable in full upon application, subject to the terms and conditions of this Prospectus
QC	:	Quality control
Reporting Accountants or GT	:	Grant Thornton Malaysia PLT (201906003682 & LLP0022494-LCA (AF 0737))
RMCO	:	Recovery Movement Control Order
Rules	:	Rules of Bursa Depository
SC	:	Securities Commission Malaysia
Share(s)	:	Ordinary share(s) in SFP Tech
SICDA	:	Securities Industry (Central Depositories) Act 1991
Singapore	:	Republic of Singapore
SOP(s)	:	Standard operating procedure(s)
STSB Share(s)	:	Ordinary share(s) in STSB
TNB	:	Tenaga Nasional Berhad
Underwriting Agreement	:	Underwriting agreement dated 20 April 2022 entered into between SFP Tech and the Sole Underwriter pursuant to the IPO
USA	:	United States of America

Currencies and units

EUR	:	Euro
RM and sen	:	Ringgit Malaysia and sen, respectively
USD	:	United States Dollar
SGD	:	Singapore Dollar
sq ft	:	Square feet
sq mt	:	Square metres
%	:	Per centum

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GLOSSARY OF TECHNICAL TERMS

The following technical terms in this Prospectus in connection with our Group and business bear the same meanings as set out below unless the terms are defined otherwise or the context requires otherwise. The terminologies and their meaning are based on the context of this Prospectus and may not correspond to the standard industry meanings or usage of these terms.

Automated equipment	:	Equipment that are used to automate processes in production lines. In the context of this Prospectus, the term automated equipment includes both single automated equipment and production line system unless otherwise stated
CAD	:	Computer aided design which is used to create computer models of the intermediate metal products to be produced as well as the automated equipment to be assembled
Chassis	:	Type of sub-assembled part fitted onto a testing equipment to conduct functional testing
CNC	:	Computer numerical control, which refers to the technology whereby a computer converts a design produced by a CAD software into numbers. The numbers represent coordinates of a graph where the computer is able to control the movement of the cutting machine to cut and shape the material according to the required design
Cold Plate	:	Type of sub-assembled part fit onto a testing equipment to conduct functional testing
EDM	:	Electrical discharge machining refers to a process where excessive materials from a workpiece are removed using thermal energy produced by EDM machines
EMS	:	Electronic manufacturing services
End-of-Line test	:	End of line test measure the overall functionality of the equipment during its manufacturing process
ESI	:	Engineering supporting industry
High mix	:	Manufacturing of high variety of products which usually are unique and consist multiple processes to derive a single finished product.
HiPot test	:	High potential test determines the adequacy of electrical insulation and to ensure no current flow from one point to another point
Integrated circuit	:	An electronic device made up of a number of interconnected discrete semiconductor components on a thin substrate
Intermediate metal products	:	Sheet metal and metal blocks that have undergone sheet metal fabrication and precision machining processes. Intermediate metal products may undergo further processing or assembly to produce the finished products. Intermediate metal products include metal piece parts and precision-machined components
IoT	:	Internet of things
LED	:	Light-Emitting Diode
Manipulator	:	Type of motorised handling equipment used for the manipulation and docking of test devices onto a testing equipment
MIG	:	Metal inert gas
Milling	:	A process where excessive materials from a workpiece are milled away using a rotating cutting tool

GLOSSARY OF TECHNICAL TERMS (Cont'd)

OLED	: Organic Light-Emitting Diode
PDMS	: Polydimethylsiloxane
Piece-part	: Single produced components or part as is with our assembly
Semiconductor	: A material that has electrical conductivity properties. The term “semiconductor” used in this Prospectus refers to “semiconductor devices or components” and not the material, unless otherwise stated
Semiconductor wafer	: Thin layer of materials used in the manufacturing of semiconductor components Semiconductor wafer is a round disc of semiconductor material such as silicon in which integrated circuits are simultaneously fabricated onto the wafer during the wafer fabrication process
Solar PV	: Solar photovoltaic is a system that convert sunlight directly into electricity
Stamping	: A process where sheet metal is transformed into desired shapes through the pressing of dies onto the flat metal sheet
Sub-modular mechanical assembly	: Process where parts and component so a finished product are assembled separately but designed to fit onto other units, often forming parts of a larger assembled product
TIG	: Tungsten inert gas
Turning	: A process to remove excess materials or reduce the diameter of a workplace using a moving cutting tool
Wafer	: A thin layer of semiconductor made of glass base material, used for the fabrication of integrated circuits
Wire cut machine	: A type of machine that is used to cut wires of various types and sizes

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to “**our Company**” and “**SFP Tech**” in this Prospectus are to SFP Tech Holdings Berhad, while references to “**our Group**” are to our Company and our Subsidiaries. References to “**we**”, “**us**”, “**our**” and “**ourselves**” are to our Company or our Group or any member of our Group, as the context requires. Unless the context otherwise requires, references to “**Management**” are to our Executive Director and Key Senior Management as disclosed in this Prospectus and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

Certain abbreviations, acronyms and technical terms used are defined in the “Definitions” and “Glossary of Technical Terms” sections of this Prospectus. Words denoting the singular shall, where applicable, include the plural and *vice versa*. Words denoting the masculine gender shall, where applicable, include the feminine and neuter genders, and *vice versa*. References to persons shall include companies and corporations.

In this Prospectus, references to the “Government” are to the Government of Malaysia, and references to “RM” and “sen” are to the lawful currency of Malaysia. 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 hundredth or 2 decimal places. Any discrepancies in the tables included in this Prospectus between the amounts listed and the total thereof are due to rounding.

Unless otherwise stated, any reference to dates and times in this Prospectus shall be a reference to dates and times in Malaysia.

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

This Prospectus includes statistical data provided by our Management and various third parties and cites third party projections regarding growth and performance of the market and industry in which our Group operates or are exposed to. 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, it can be assumed that the information originates from our Management.

In particular, certain information in this Prospectus is extracted or derived from the IMR Report. We believe that the statistical data and projections cited in this Prospectus are useful in helping you understand the major trends in the industry in which we operate.

The information on our website, or any website directly and indirectly linked to such website does not form part of this Prospectus and should not be relied upon.

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FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements, which include all statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Management for future operations. Some of these statements can be identified by words that have a bias towards or are forward-looking such as “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “estimate”, “aim”, “plan”, “forecast”, “project” or similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond our control that could cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements include, without limitation, statements relating to:

- (a) demand for our products and services;
- (b) our business strategies;
- (c) our plans and objectives for future operations;
- (d) our financial position; and
- (e) our future earnings, cash flows and liquidity.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we operate. Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to those discussed Section 8 - Risk Factors and Section 11.3 - Management’s Discussion and Analysis of Financial Conditions and Results of Operations of this Prospectus will be realised.

These forward-looking statements are based on information available to us as at the LPD and are made only as at the LPD. Should we become aware of any subsequent material change or development affecting a matter disclosed in this Prospectus arising from the date of registration of this Prospectus but before the date of allotment of the IPO Shares, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus).

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1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name / (Designation)	Address	Nationality
Dato' Hamzah Bin Mohd Salleh (M) <i>(Independent Non-Executive Chairman)</i>	B17-04 Mont Kiara Aman 4 Jalan Kiara 2 50480 Kuala Lumpur Wilayah Persekutuan Kuala Lumpur	Malaysian
Keoh Beng Huat (M) <i>(Managing Director)</i>	Blok 1-4-8 Halaman Bakau, Jelutong 11600 Georgetown Pulau Pinang	Malaysian
Chang Chee Jia (M) <i>(Executive Director cum Chief Executive Officer)</i>	No. 33 Solok Nuri Setia Pearl Island 11900 Bayan Lepas Pulau Pinang	Malaysian
Dato' Cheok Lay Leng (M) <i>(Independent Non-Executive Director)</i>	22, Lengkok Kenari 3 Desaria Sungai Ara 11900 Bayan Lepas Pulau Pinang	Malaysian
Chan Foong Ping (F) <i>(Independent Non-Executive Director)</i>	B-8-3A The Park Residence 1 2A Jalan 1/112H Bangsar South Off Jalan Kerinchi 59200 Kuala Lumpur Wilayah Persekutuan Kuala Lumpur	Malaysian
Yeoh Su Hui (F) <i>(Independent Non-Executive Director)</i>	23, Denai Endau 7 Tanjung Tokong 10470 Georgetown Pulau Pinang	Malaysian

Notes:

(M) Male.

(F) Female.

1. CORPORATE DIRECTORY (Cont'd)

AUDIT AND RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Chan Foong Ping	Chairman	Independent Non-Executive Director
Dato' Cheok Lay Leng	Member	Independent Non-Executive Director
Yeoh Su Hui	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Dato' Cheok Lay Leng	Chairman	Independent Non-Executive Director
Chan Foong Ping	Member	Independent Non-Executive Director
Yeoh Su Hui	Member	Independent Non-Executive Director

NOMINATING COMMITTEE

Name	Designation	Directorship
Yeoh Su Hui	Chairman	Independent Non-Executive Director
Dato' Cheok Lay Leng	Member	Independent Non-Executive Director
Chan Foong Ping	Member	Independent Non-Executive Director

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1. CORPORATE DIRECTORY (Cont'd)

COMPANY SECRETARIES	:	<p>Chew Siew Cheng Suite A, Level 9, Wawasan Open University 54 Jalan Sultan Ahmad Shah 10050 Georgetown Pulau Pinang</p> <p>Telephone No. : (604) 229 6318</p> <p>SSM Practicing Certificate No. : 202008001179</p> <p>Professional Qualification : Chartered Secretary, Malaysian Institute of Chartered Secretaries and Administrators (“MAICSA”) (Membership No.: MAICSA7019191)</p>
	:	<p>Chew Choy Moon Suite A, Level 9, Wawasan Open University 54 Jalan Sultan Ahmad Shah 10050 Georgetown Pulau Pinang</p> <p>Telephone No. : (604) 229 6318</p> <p>SSM Practicing Certificate No. : 202008000964</p> <p>Professional Qualification : Licensed Secretary: LS 0008134</p>
REGISTERED OFFICE	:	<p>Suite A, Level 9, Wawasan Open University 54 Jalan Sultan Ahmad Shah 10050 Georgetown Pulau Pinang</p> <p>Telephone No. : (604) 229 6318</p>
HEAD OFFICE	:	<p>Plot 350(B) Lorong Perindustrian Bukit Minyak 20 Penang Science Park, MK13 Kawasan Perindustrian Bukit Minyak Seberang Perai Tengah 14100 Bukit Mertajam Pulau Pinang</p> <p>Telephone No. : (604) 504 0233 Website : www.sfptechholdings.com Email : info@sfptechholdings.com</p>
PRINCIPAL SPONSOR, UNDERWRITER AND PLACEMENT AGENT	:	<p>ADVISER, SOLE SOLE PLACEMENT AGENT</p> <p>Public Investment Bank Berhad (197401002880 (20027-W)) Level 27, Menara Public Bank 2 No. 78, Jalan Raja Chulan 50200 Kuala Lumpur</p> <p>Telephone No. : (603) 2036 2800 Fax No. : (603) 2036 2860</p>

1. CORPORATE DIRECTORY (Cont'd)

AUDITORS AND REPORTING ACCOUNTANTS FOR THE IPO	<p>: Grant Thornton Malaysia PLT 201906003682 (LLP0022494-LCA) & AF 0737 Level 5, Menara BHL Bank 51, Jalan Sultan Ahmad Shah 10050 Georgetown Penang</p> <p>Telephone No. : (604) 228 7828</p> <p>Partner-in-charge : Terence Lau Han Wen Approval No. : 03298/04/2023 J Professional : Chartered Accountant, Member of Qualification : Malaysian Institute of Accountants ("MIA") (MIA Membership No.: CA 39074)</p>
SOLICITORS FOR THE IPO	<p>: Jeff Leong, Poon & Wong B-11-8, Level 11 Megan Avenue II Jalan Yap Kwan Seng 50450 Kuala Lumpur</p> <p>Telephone No. : (603) 2203 3388 Fax No. : (603) 2203 3399</p>
INDEPENDENT MARKET RESEARCHER	<p>: Protégé Associates Sdn Bhd (200401037256 (675767-H)) Suite C-09-12, Plaza Mont' Kiara 2, Jalan Kiara Mont' Kiara 50480 Kuala Lumpur</p> <p>Telephone No. : (603) 6201 9301 Fax No. : (603) 6201 7302</p> <p>Managing Director : Seow Cheow Seng Professional : Master in Business Administration Qualification : from Charles Sturt University, Australia Bachelor of Business majoring in Marketing from RMIT University, Australia</p>
ISSUING HOUSE AND SHARE REGISTRAR	<p>: Tricor Investor & Issuing House Services Sdn Bhd (197101000970 (11324-H)) Unit 32-01, Level 32 Tower A, Vertical Business Suite, Avenue 3, Bangsar South No. 8 Jalan Kerinchi 59200 Kuala Lumpur</p> <p>Telephone No. : (603) 2783 9299 Fax No. : (603) 2783 9222</p>
LISTING SOUGHT	<p>: ACE Market of Bursa Securities</p>
SHARIAH STATUS	<p>: Approved by Shariah Advisory Council of SC</p>

2. APPROVALS AND CONDITIONS

2.1 APPROVALS FROM RELEVANT AUTHORITIES

2.1.1 Bursa Securities

Bursa Securities had, via its letter dated 26 January 2022, approved the admission of our Company to the Official List and the listing of and quotation for the entire enlarged issued share capital of our Company of RM121,488,000 comprising 800,000,000 Shares on the ACE Market. The approval from Bursa Securities is subject to the following conditions:

Conditions		Status of compliance
(a)	Submit the following information with respect of the moratorium on the shareholdings of the Promoter to Bursa Depository: (i) Name of shareholders; (ii) Number of shares; and (iii) Date of expiry of the moratorium for each block of shares;	Complied
(b)	Approvals from other relevant authorities have been obtained for implementation of the listing proposal;	Complied
(c)	Make the relevant announcements pursuant to paragraph 8.1 and 8.2 of Guidance Notes 15 of the Listing Requirements;	To be complied
(d)	Furnish to Bursa Securities a copy of the schedule of distribution showing compliance with the public shareholding spread requirement based on the entire issued share capital of SFP Tech on the first day of Listing;	To be complied
(e)	In relation to the Public Issue to be undertaken by SFP Tech, to announce at least 2 Market Days prior to the listing date, the result of the offering including the following: (i) Level of subscription of public balloting and placement; (ii) Basis of allotment / allocation; (iii) A table showing the distribution for placement tranche; and (iv) Disclosure of placees who become substantial shareholdings of SFP Tech arising from the Public Issue, if any.	To be complied
(f)	SFP Tech / PIVB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval upon the admission of SFP Tech to the Official List of the ACE Market.	To be complied

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2. APPROVALS AND CONDITIONS (Cont'd)

2.1.2 SC

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

The SC had, via its letter dated 7 March 2022, approved the resultant equity structure of SFP Tech pursuant to our Listing under the equity requirements for public listed companies, subject to the following conditions:

Conditions		Status of compliance
(a)	SFP Tech allocating Shares equivalent to 12.50% of its enlarged number of issued shares at the point of Listing to Bumiputera investors to be approved by the MITI; and	To be complied.
(b)	SFP Tech is to make available at least 50% of the Shares offered to the Malaysian public investors via balloting to Bumiputera public investors at the point of Listing.	To be complied.

The SC had noted the effects of our Listing on the equity structure of our Group as follows:

Category of shareholders	As at 31 August 2021		After the Listing	
	No. of Shares	% of number of issued shares	No. of Shares	% of enlarged number of issued shares
Bumiputera				
- Bumiputera investors to be approved by the MITI	-	-	^(a) 100,000,000	12.50
- Bumiputera public investors via balloting	-	-	^(a) 20,000,000	2.50
- Others	-	-	^(b) 300,000	^(c) -
Total Bumiputera	-	-	120,300,000	15.00
Non-Bumiputera	1,000	100.00	679,700,000	85.00
Malaysians	1,000	100.00	800,000,000	100.00
Foreigners	-	-	-	-
Total	1,000	100.00	800,000,000	100.00

Notes:

- Based on the assumption that the shares allocated to Bumiputera investors to be approved by MITI and Bumiputera public investors via balloting shall be fully subscribed.
- Held by Bumiputera investor namely Dato' Hamzah Bin Mohd Salleh, who is not recognised by MITI.
- Represents less than 0.1%.

The Shariah Advisory Council of SC had, vide its letter dated 26 April 2022 classified our Shares as shariah-compliant, based on the pro forma consolidated financial statements for the FYE 2020.

2.1.3 MITI

MITI had, vide its letter dated 4 January 2022, taken note of and has no objection to our Listing.

2. APPROVALS AND CONDITIONS *(Cont'd)*

2.2 MORATORIUM ON SALE OF SHARES

In compliance with the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Promoter as follows:

- (a) the moratorium applies to our Promoter's entire shareholdings 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, we must ensure that our Promoter's aggregate shareholdings amounting to at least 45% of our issued ordinary share capital remain under moratorium for a further 6 months ("**Second 6-Month Moratorium**"); and
- (c) upon the expiry of the Second 6-Month Moratorium, our Promoter may sell, transfer or assign up to a maximum of one third (1/3) per annum (on a straight line basis) of its Shares held under moratorium.

Details of our Shares which will be subject to moratorium are as follows:

Name of Promoter / substantial shareholder	Moratorium shares during the First 6-Month Moratorium		Moratorium shares during the Second 6-Month Moratorium	
	No. of Shares	^(a) % of enlarged share capital	No. of Shares	^(a) % of enlarged share capital
<u>Promoter and substantial shareholder</u> Keoh Beng Huat	550,770,000	68.85	360,000,000	45.00

Note:

- (a) Based on our enlarged issued share capital of 800,000,000 Shares after the IPO.

Our Promoter and substantial shareholder, Keoh Beng Huat has provided written undertaking letter that he will not sell, transfer or assign his interest in the Shares during the moratorium period.

The moratorium, which is fully acknowledged by Keoh Beng Huat, is specifically endorsed on our share certificate representing its shareholdings, which is under moratorium to ensure that our Share Registrar will not register any transfer and sale that are not in compliance with the aforesaid restriction imposed.

3. 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.

3.1 PRINCIPAL DETAILS RELATING TO OUR IPO

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

Number of Shares to be issued under the Public Issue	207,440,000
- Malaysian Public	40,000,000
- Eligible Person(s)	24,000,000
- Private placement to selected investors	43,440,000
- Private placement to selected Bumiputera Investors approved by MITI	100,000,000
Enlarged issued share capital upon Listing	RM121,488,000 comprising 800,000,000 Shares
IPO Price	RM0.30
Market capitalisation upon Listing (based on the IPO Price and our enlarged issued share capital after the IPO)	RM240,000,000

Further details on our IPO are set out in Section 4.1 of this Prospectus.

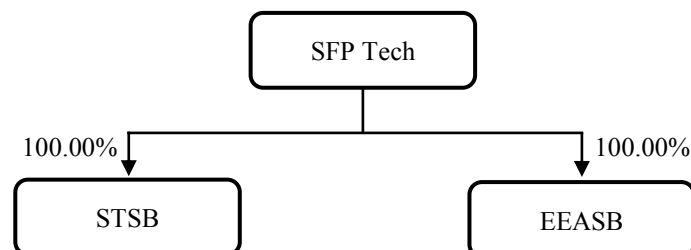
Our Promoter's entire shareholdings after IPO will be held under moratorium for 6 months from the date of our Listing. Thereafter, our Promoter's shareholdings amounting to 45.00% of our total number of issued Shares (adjusted for any bonus issue or subdivision of shares) will remain under moratorium for another 6 months. Our Promoter may sell, transfer or assign up to a maximum of one third (1/3) per year (on a straight-line basis) of its Shares held under moratorium upon expiry of the second 6-month period.

3.2 BACKGROUND AND OVERVIEW

Our Company was incorporated in Malaysia under the Act on 8 February 2021 as a private limited company under the name of SFP Tech Holdings Sdn Bhd and was subsequently converted to a public limited company on 3 September 2021. SFP Tech is an investment holding company and is engaged in the provision of management services to our Subsidiaries.

We are an engineering supporting service provider of sheet metal fabrication, CNC machining, mechanical assembly and automation equipment solutions.

Our corporate Group structure is as follows:

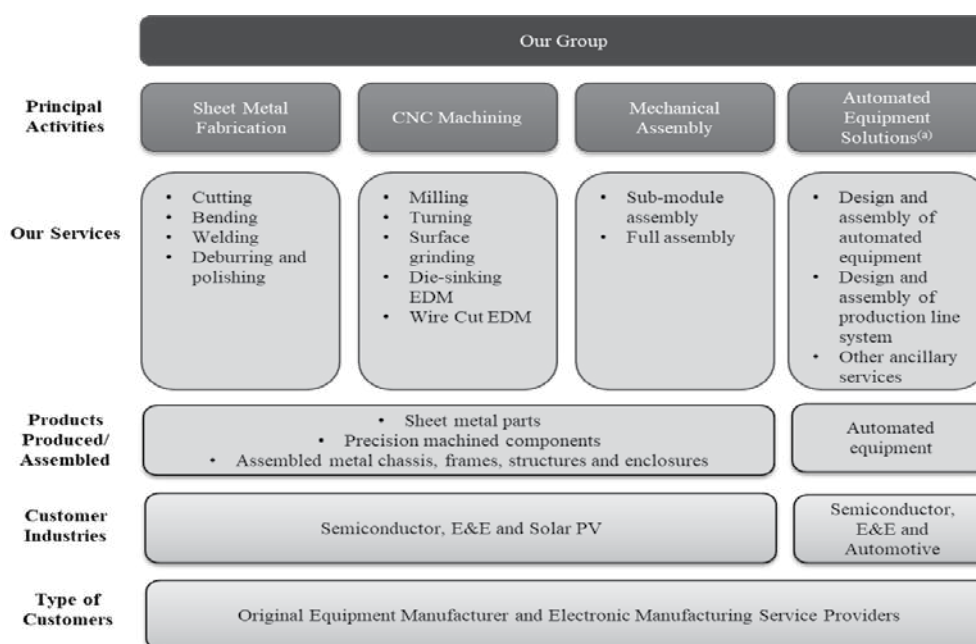


The principal activities of our Subsidiaries are as follows:

Subsidiaries	Principal activities
STSB	Provision of sheet metal fabrication, CNC machining and mechanical assembly services
EEASB	Provision of automation equipment solutions and trading of spare parts

3. PROSPECTUS SUMMARY (Cont'd)

The following is an overview of our Group's products and services:



Note:

(a) This segment is contributed by EEASB.

We are an engineering supporting service provider, principally involved in the provision of sheet metal fabrication, CNC machining and mechanical assembly services. Subsequent to the Acquisition of EEASB, we are also involved in the provision of automation equipment solutions. The addition of EEASB enables our Group to become a one-stop automation equipment solutions provider by providing in-house services for fabrication of component parts up to the assembly of the complete automated equipment.

We utilise various fabrication processes working with metal such as cutting, bending, and welding, and machining processes such as milling, turning, surface grinding, EDM cutting, as well as other processes such as deburring and polishing to produce intermediate metal products, ranging from metal piece-parts to precision-machined components. These intermediate metal products that we produce according to our customers' designs and specifications, are then used to produce various machines and / or finished products by our customers in a diverse range of industries, such as, amongst others, semiconductor, E&E and Solar PV. We also provide mechanical assembly services for sub-module and full assembly, whereby we assemble the intermediate metal products into metal chassis, frames, structures, and enclosures, according to our customers' designs and specification.

Further, we provide automated equipment solutions ranging from designing, assembling, and commissioning of automated equipment and production line systems (comprising multiple automated equipment) for our customers' manufacturing processes. These types of automated equipment are used in the manufacturing of automotive products, E&E and semiconductor. We also supply related consumable spare parts, as well as modification and upgrading on automated equipment.

The breakdown of our revenue by business segments for the Financial Years Under Review are as follows:

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Sheet metal fabrication	10,515	38.07	7,704	25.42	8,434	20.52	11,968	23.74
CNC machining	7,827	28.34	16,853	55.61	25,408	61.82	31,588	62.66
Mechanical assembly	9,275	33.59	5,749	18.97	7,258	17.66	6,856	13.60
Total	27,617	100.00	30,306	100.00	41,100	100.00	50,412	100.00

3. PROSPECTUS SUMMARY (Cont'd)

The breakdown of our revenue by geographical locations for the Financial Years Under Review are as follows:

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Malaysia	6,921	25.06	17,699	58.40	24,579	59.80	39,685	78.72
Foreign markets								
USA	5,192	18.80	3,536	11.67	9,026	21.96	3,041	6.03
Singapore	12,836	46.48	7,994	26.38	7,479	18.20	7,669	15.21
Vietnam	1,617	5.85	-	-	-	-	-	-
Thailand	1,032	3.74	1,077	3.55	-	-	-	-
Others ^(a)	19	0.07	-	-	16	0.04	17	0.04
Sub-total	20,696	74.94	12,607	41.60	16,521	40.20	10,727	21.28
Total	27,617	100.00	30,306	100.00	41,100	100.00	50,412	100.00

Note:

- (a) Others comprise Denmark and France.

Our Group only included the provision of automation equipment solutions in 2021 through one of our subsidiary namely, EEASB which was acquired as part of the Group's business expansion plan to provide additional services which complements our engineering supporting services thus enabling our Group to become a one-stop automation equipment solutions provider. The acquisition was completed on 18 March 2022. As such, for the Financial Years Under Review, our Group's business activities do not include this business segment.

The Acquisition of EEASB entails the purchase of the entire issued share capital in EEASB by SFP Tech. As such, the financial results of the EEASB, which reflects the automation equipment solutions business segment, will be consolidated from the date of completion of the Acquisition of EEASB. In view of the positive earnings of EEASB, we expect the automation equipment solutions business segment to contribute positively to the future earnings of our Group.

Please refer to Sections 6, 11.5 and Annexure B of this Prospectus for further details of our Group and our business, the pro forma consolidated financial statements of the Group and management discussion analysis of financial conditions and results of operations of EEASB respectively.

3.3 COMPETITIVE ADVANTAGES AND KEY STRENGTHS

Our Group's competitive advantages and key strengths are set out below:

- (a) **Integration capabilities to provide engineering supporting services and automated equipment solutions**

We provide services ranging from sheet metal fabrication, CNC machining to mechanical assembly services for our customers which are predominantly in the semiconductor, E&E and Solar PV industries. With the inclusion of the automated equipment solution business segment through the Acquisition of EEASB in 2021 which was completed in 2022, we are in a unique position with integrated capabilities within the ESI, to cross-sell both engineering supporting services and automated equipment solutions to our existing and potential customers. Accordingly, our integrated capabilities enable us to become a one-stop automated equipment solution provider and have complete control over the entire production and assembly process which enables us to better serve our customers.

3. PROSPECTUS SUMMARY *(Cont'd)*

(b) Established track record and business relationship with our customers in the engineering supporting services segment

We have an established track record and business relationship with our customers which includes well-established MNCs in the semiconductor industry, namely Customer S (as defined in Section 6.18 of this Prospectus), Electro Scientific Industries group of companies (through Electro Scientific Industries Pte Ltd and Electro Scientific Industries, Inc) and Teradyne group of companies (through Teradyne, Inc. and Teradyne (Asia) Pte Ltd). Our ability in establishing a track record and maintaining strong relationships with our customers are attributable to, amongst others, providing quality products and services, prompt delivery of our products and ability to comply with the supplier selection processes.

(c) Continuous investment in advanced machinery and equipment for our engineering supporting services segment

We have continuously invested in advanced machinery and equipment in order to expand our range of products and services, as well as to support our customers from various industries. We use a variety of machineries and equipment to produce metal workpieces and metal piece-parts in accordance to the designs and specifications of our customers. As at the LPD, we own and utilise 166 material machinery and equipment comprising of, amongst others, CNC machines, laser cut and punch machines, as well as welding machines.

For the FYE 2018, FYE 2019, FYE 2020 and FYE 2021, we invested RM1.53 million, RM13.71 million, RM3.78 million and RM25.78 million respectively in various machinery and equipment to support our production activities. Our continuous capital expenditure in advanced machinery and equipment allows us to increase our production efficiency through higher precision fabrication and machining at a faster speed, tighter tolerance finishes and better quality control.

(d) Experienced management and technical team

We have an experienced management team with vast knowledge and experience in their respective fields. The growth of our Group has been spearheaded by our Managing Director, Keoh Beng Huat, who has more than 38 years of experience in the engineering supporting services industry.

Please refer to Section 6.1.4 of this Prospectus for further details of our competitive advantages and key strengths.

3.4 BUSINESS STRATEGIES

Our Group's business strategies are summarised below:

(a) Expansion of product and service offerings in the automated equipment solutions segment

We plan to venture into the semiconductor back-end inspection industry by manufacturing vision inspection equipment handler platforms embedded with camera imaging and electronics system. Various specialised and purpose-built vision guided inspection equipment are used in the semiconductor front-end wafer fabrication industry whereby semiconductor wafers, dies, wires and components positioning, amongst others, are inspected for non-compliance and defects. Cameras installed in the machines will be able to capture and produce a combination of 2D imaging and 3D metrology to detect and pinpoint the positioning, defects and other detectable criteria. Designing and manufacturing of the generic machine frame is expected to begin in the first quarter of 2023. The venture will be carried out by both subsidiaries whereby STSB will focus on the fabrication of metal and component parts as well as assembly process while EEASB will focus on the automation process. The total expenditure for the venture is estimated to be approximately RM1.60 million of which will be funded by internally generated funds.

3. PROSPECTUS SUMMARY (Cont'd)

(b) Expansion of our production capacity and capabilities of our engineering supporting services segment

We intend to expand our production capacity and capabilities via the construction of Manufacturing Plant 3 and purchase of new machineries, which would enable our engineering supporting services segment to take on additional business opportunities from existing customers for additional recurring products and new products as well as to meet capacity commitments from potential customers.

The land filling and earthworks were completed in December 2020 and the construction works had begun in January 2021. The construction of Manufacturing Plant 3 is expected to be completed by the end of the second quarter of 2022 and fully operational by the fourth quarter of 2022. The total estimated construction cost for Manufacturing Plant 3 is approximately RM50.00 million, of which, RM30.00 million will be funded through bank borrowings, RM15.00 million from the Public Issue whilst the remaining balance of RM5.00 million will be funded via internally generated funds. In the event that additional funding is required, the costs will be funded by internally generated funds or additional bank borrowings.

In addition, we intend to purchase 1 new laser tube cutting machine and 41 new CNC 5-axis machines over the next 3 years. The purchases of new machineries are in preparation for anticipated increasing sales order over the longer term. The new machineries are expected to cumulatively increase our maximum manufacturing production hour capacity by approximately 25.30%. The total cost for the purchase of these new machineries of approximately RM24.50 million shall be fully funded from our IPO proceeds.

(c) Local market expansion

Upon completion of Manufacturing Plant 3, we will have additional space to increase our manufacturing capacity and take on larger and more orders. Moving forward, we intend to diversify our revenue stream by expanding into the vision inspection industry.

Further, we intend to expand both our engineering supporting services and automated equipment solutions' products and services into other industries when the opportunity arises. Malaysia's economy is widely diversified with companies operating in many different industries, such as, healthcare and automotive industry. To increase efficiency and productivity, companies have started to incorporate automated systems and production lines. With the vast knowledge and experience of our Group, we will be able to provide solutions which are customised specifically to each customer's requirement.

(d) In-house D&D expansion

We intend to expand our in-house D&D activities which will allow us to customise both our engineering supporting services and automated equipment solutions' products and services to better serve our customers. The D&D activities of our Group would also include the design and development of generic vision guided inspection machines which would allow us to venture into the vision inspection industry and other industries when the opportunity arises.

In anticipation of the increase in D&D activities, we intend to allocate a built-up area of approximately 2,000 sq ft in Manufacturing Plant 3 for a D&D centre. The D&D centre is expected to be operational by the end of the fourth quarter of 2022. The D&D centre will comprise analytical tools, vision station, lifters, carriers, pick-and-place machines, in-line curing and inspection machines for developing designs and prototypes of our products, machines and automated systems.

The total cost of setting up the D&D centre is estimated at RM3.00 million which will be funded using the proceeds raised from the Public Issue and if the actual cost is more than budgeted, it will be funded by internally generated funds.

Please refer to Section 6.26 of this Prospectus for further details of our future plans, strategies and prospects.

3. PROSPECTUS SUMMARY *(Cont'd)*

3.5 RISK FACTORS

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, certain risks and investment considerations (which may occur either individually or in combination, at the same time or around the same time) that may have a significant impact on our future financial performance. The following are some of the key risk factors that we are facing or may develop in the future:

(a) Dependency on our major customers

We are dependent on 3 of our major customers, namely, Electro Scientific Industries group of companies, Customer S (as defined in Section 6.18 of this Prospectus) and Teradyne. These companies in aggregate contributed approximately 78.09%, 86.44%, 92.16% and 81.92% to our revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively.

Our ability to continue to secure purchase orders from these major customers are dependent on several factors including, amongst others, our ability to meet customers' specification and requirements, competitive pricing, prompt delivery of products, as well as continued customer service. Any disruptions in customer orders which may result in the loss and / or any reduction in purchase orders could adversely affect our Group's business operations, and financials as well as a reduction in our profit margins. Further, even if we are able to secure new customers, there is no assurance that we will be able to register the same level of sales volume and / or profit margins. As such, if any adverse events occur, our financial performance would be adversely affected.

Further details on our major customers are disclosed in Section 6.18 of this Prospectus.

(b) We are subject to risk of fluctuation of foreign exchange rate

Our Group has foreign currency exposure arising from sales to both local and foreign country customers, as well as purchases of imported raw materials. For the FYE 2018, FYE 2019, FYE 2020 and FYE 2021, our Group recorded approximately 92.00%, 94.64%, 95.98% and 90.48% of sales in USD while approximately 17.59%, 3.30%, 5.85% and 10.02% respectively, of our purchases were in foreign currencies.

We are exposed to foreign currency exchange gains or losses arising from timing differences between billings / invoices and actual receipt from customers / actual payment to suppliers. Therefore, any unfavourable fluctuations in these foreign exchange rates may have an adverse impact on our financial performance and profitability.

(c) We are dependent on our Managing Director, Executive Director and Key Senior Management of the continuing success of our Group

The continuing success of our Group's business is dependent on the experience, knowledge and skills, efforts and capabilities of our Managing Director, Executive Director and Key Senior Management who play a significant role in our day-to-day operations as well as the development and implementation of our business strategies. Our Chief Executive Officer and Chief Financial Officer, who play significant roles in running our operations and implementing our business strategies are on service contracts up to 31 January 2024 and 30 November 2023, respectively. Please refer to Section 5.7 of this Prospectus for further details on our Chief Executive Officer and Chief Financial Officer's service contracts. As such, the loss of services from our Managing Director, Executive Director and / or any of our Key Senior Management without any suitable and prompt replacement may adversely impact on our business operations and financial performance.

The profiles of our Managing Director, Executive Director and Key Senior Management are set out in Section 5 of this Prospectus.

(d) Our financial performance may be materially affected in the event of revocation or expiry of the pioneer status of our Subsidiaries

Both our Subsidiaries have been granted pioneer status by MITI. STSB's pioneer status entitles it for tax exemption for design, development and manufacture of semi-conductor test head manipulator while EEASB's pioneer status entitles it for tax exemption for the production of factory automation machine and related modules.

3. PROSPECTUS SUMMARY (Cont'd)

The tax incentive period for the pioneer status of STSB is for a period of 5 years effective on 22 January 2015 to 21 January 2020, and has subsequently been extended for another 5-year period up to 21 January 2025. The tax incentive period for the pioneer status of EEASB is for a period of 5 years effective 1 November 2018 to 31 October 2023.

Assuming subsequent to 21 January 2025, STSB will not be entitled to the pioneer status tax exemption which would result in additional tax payable. For illustration purposes, in this regard, for the FYE 2021, computed based on taxable income and the prevailing tax rate of 24%, the tax payable by STSB would have been approximately RM4.69 million (STSB's actual tax payable for the FYE 2021 is RM1.37 million which translated to an effective tax rate of 6.56%).

The Acquisition of EEASB was completed on 18 March 2022 and hence, EEASB is currently not in compliance with a condition which states that "20% and above of the paid-up capital in respect of ordinary shares of the first mentioned company and the related company cannot be directly or indirectly owned by another company having shareholders' funds of more than RM500,000.00". Nonetheless, EEASB had on 13 September 2021 submitted an application for waiver of this condition ("**Waiver Application**"). As at the LPD, the application is being processed.

For illustration purposes, assuming that the Waiver Application is not approved, EEASB will not be able to maintain its pioneer status which would have resulted in additional tax payable. For the FYE 2021, computed based on taxable income and the prevailing tax rate of 24%, the tax payable by EEASB would have been approximately RM0.38 million (EEASB's actual tax payable for the FYE 2021 is RM6,556.00 which translated to an effective tax rate of 0.43%).

The effective tax rate of our Group for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 were 5.95%, 12.78%, 5.91% and 6.61%, respectively. Assuming that the Subsidiaries are not able to maintain their respective pioneer status, the tax payable will be based on the prevailing tax rate of 24%. As such, upon expiry and / or revocation of the pioneer status of any / all our Subsidiaries, income generated from the respective Subsidiaries will be subject to the applicable statutory tax rates and this will directly affect our financial performance.

(e) We are dependent on skilled workers and the availability of foreign workers for our manufacturing operations

Majority of our manufacturing operation is semi-automated with customised instructions programmed in the machineries. Notwithstanding the above, we are still dependent on skilled workers to program and operate the machineries to meet the specifications and requirements of each customer. In addition, the skilled workers are required to oversee the transfer process of intermediary products from one machine to another for the next step in the fabrication process.

As at the LPD, our Group has 43 foreign workers (representing approximately 18.30% of our total workforce), comprising 9 from Myanmar and 34 from Nepal. Apart from 2 foreign workers from Nepal who are security guards, the rest of the foreign workers are responsible in the production operations and such foreign workers account for approximately 21.58% of our production workforce. The total number of employees in the production operations is 190. As such, our Group, to a certain extent, is dependent on foreign workers for our production operations.

Effective from 1 January 2021, it is mandatory for employers to advertise job openings on MYFutureJobs before opening the job vacancy to foreigners. Notwithstanding the above, our Group has had difficulty hiring local workers for our production operations due to the higher salary demand from local workers as compared to foreign workers. As such, the cost associated to hiring local workers may be higher compared to hiring foreign workers.

Further details on our foreign workers are disclosed in Section 6.17 of this Prospectus.

(f) Absence of long-term contracts with our customers

Our Group's sales are secured based on confirmed purchase orders placed by our customers on an as-needed basis as we do not have any long-term contracts with our customers. The absence of long-term contracts with our customers is due to the nature of the industry that our customers operate in, which is subject to technological changes, market trends and rapid improvements in industry standards that would result in frequent changes in product design and specifications.

3. PROSPECTUS SUMMARY (Cont'd)

The absence of long-term contracts may pose a risk as our customers are not obliged to purchase products from us. The loss of any customer or reduction in any sale order or quantity from any customers, particularly our major customers, if not replaced with new customers or with additional orders from other existing customers in a timely manner, may result in a loss of revenue and adversely affect our financial condition and results of operation.

Over the years, despite the absence of long-term contracts with our customers, we have managed to increase our purchase orders from our customer by providing customised solutions and building strong relationships with them. Nonetheless, there can be no assurance that our customers will continue to purchase our products or that we will be able to meet their specification and requirements.

Please refer to Section 8 of this Prospectus for the full list of risk factors which should be considered before investing in our Shares.

3.6 PROMOTER AND SUBSTANTIAL SHAREHOLDER

The details of our Promoter and substantial shareholder and his shareholding in our Company before and after our IPO are as follows:

Promoter and substantial shareholder	Nationality	Before the IPO				After the IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	(a)%	No. of Shares	(a)%	No. of Shares	(b)%	No. of Shares	(b)%
Keoh Beng Huat	Malaysian	550,770,000	92.95	-	-	550,770,000	68.85	-	-

Notes:

- (a) Based on our issued share capital of 592,560,000 Shares after the Acquisitions but before the IPO.
 (b) Based on our enlarged issued share capital of 800,000,000 Shares after the IPO.

Please refer to Section 5.1.2 of this Prospectus for further details on our Promoter and Substantial Shareholder.

3.7 DIRECTORS AND KEY SENIOR MANAGEMENT OF OUR GROUP

Our Directors and Key Senior Management are as follows:

Name	Designation
Directors	
Dato' Hamzah Bin Mohd Salleh	Independent Non-Executive Chairman
Keoh Beng Huat	Managing Director
Chang Chee Jia	Executive Director cum Chief Executive Officer
Dato' Cheok Lay Leng	Independent Non-Executive Director
Chan Foong Ping	Independent Non-Executive Director
Yeoh Su Hui	Independent Non-Executive Director
Key Senior Management	
Thiang Koe Tat	Chief Financial Officer
Hong Lai Guan	Chief Technical Officer
Ooi Chong Soon	Head of Sales & Marketing
Foo Yee Chung	Head of Engineering

Please refer to Section 5 of this Prospectus for further details on our Directors and Key Senior Management.

3. PROSPECTUS SUMMARY (Cont'd)

3.8 USE OF PROCEEDS FROM OUR IPO

The total gross proceeds from our Public Issue amounting to RM62.23 million are intended to be used in the following manner:

Purposes	(RM'000)	(%)	Estimated time frame for use (from the Listing date)
Purchase of new machinery and equipment	24,500	39.37	Within 36 months
Construction of Manufacturing Plant 3	15,000	24.10	Within 24 months
Repayment of bank borrowings	10,000	16.07	Within 12 months
Working capital expenditure	5,132	8.25	Within 12 months
Estimated listing expenses	4,600	7.39	Within 3 months
D&D centre	3,000	4.82	Within 12 months
Total	62,232	100.00	

There is no minimum subscription level in terms of proceeds to be raised from our IPO. Further details on the use of proceeds are set out in Section 4.4 of this Prospectus.

The financial impact of the use of proceeds from our Public Issue is illustrated in the Pro Forma Consolidated Statements of Financial Position as at 31 December 2021 set out in Section 11.5 of this Prospectus.

3.9 FINANCIAL HIGHLIGHTS

The combined historical financial information of our Group has been prepared as if the Group had been operating as a single economic entity throughout the Financial Years Under Review. SFP Tech was only incorporated on 8 February 2021. As such, the historical audited combined financial information of our Group only represents those of SFP Tech and STSB since SFP Tech and STSB were under common control throughout the Financial Years Under Review by virtue of a common controlling shareholder. The financial results of EEASB were not incorporated into the historical combined financial information of the Group as EEASB was not under common control. The financial results of EEASB will only be incorporated from 18 March 2022, being the date of completion of the Acquisition of EEASB.

The following table sets out the key financial highlights based on our historical audited combined financial statements for the Financial Years Under Review:

	Audited			
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)
Revenue	27,617	30,306	41,100	50,412
Cost of sales	(13,316)	(13,545)	(17,791)	(23,266)
GP	14,301	16,761	23,309	27,146
PBT	9,880	12,074	18,756	20,795
PAT	9,292	10,531	17,647	19,421
GP margin (%) ^(a)	51.78	55.31	56.71	53.85
PBT margin (%) ^(b)	35.78	39.84	45.63	41.25
PAT margin (%) ^(c)	33.65	34.75	42.94	38.52

Notes:

- (a) GP margin is calculated based on GP divided by revenue.
- (b) PBT margin is calculated based on PBT divided by revenue.
- (c) PAT margin is calculated based on PAT divided by revenue.

3. PROSPECTUS SUMMARY (Cont'd)

Please refer to Sections 11.1 and 11.5 of this Prospectus for further discussion on our historical audited combined financial information and the pro forma consolidated financial statements of the Group.

3.10 DIVIDEND POLICY

It is our Board's policy to recommend dividends to allow our shareholders to participate in the profits of our Group. Nonetheless, our Company does not have any formal dividend policy. For the Financial Years Under Review and up to the LPD, our Group has not declared and paid any dividends.

Please refer to Section 11.4 of this Prospectus for further details on our dividend policy.

3.11 OUTBREAK OF COVID-19 PANDEMIC

The imposition of the MCO throughout Malaysia from 18 March 2020 to 3 May 2020 by the Government to curb the spread of COVID-19 had resulted in mandatory closure of all government and private premises during this period, except those involved in essential services, or unless written permission was obtained from MITI. On 1 May 2020, the Government announced a CMCO starting from 4 May 2020 to 9 June 2020 and allowed more businesses to operate under a set of strict SOPs. On 7 June 2020, the Government announced a RMCO starting from 10 June 2020 to 31 August 2020 with further easing of regulations such as interstate travel and recreational activities. Subsequently from 1 September 2020 and up to January 2021, the Government had re-imposed various stages of MCO nationwide that are targeted at specific states or areas, depending on the severity of the COVID-19 cases. The country transitioned into CMCO beginning 5 March 2021. However, increasing COVID-19 cases saw the MCO being re-imposed nationwide beginning 12 May 2021.

During the initial MCO periods, all businesses were required to temporarily suspend operations, except for essential services such as healthcare, food and beverage and manufacturing of essential goods. Our Group is considered an essential service as we are a part of the engineering supporting industry and involved in the supply chain of E&E products. As such, STSB and EEASB were permitted to resume its operations during the MCO after receiving approval from MITI on 3 April 2020 and 17 April 2020 respectively, but at a reduced capacity of 50% of our total workforce. We resumed operations with a full workforce during the CMCO and RMCO period. We have not had to reduce our production workforce during the subsequent MCO and CMCO periods.

In light of increases in COVID-19 positive cases nationwide, the Government announced on 28 May 2021 that it would impose a FMCO effective 1 June 2021, where all social and economic activities would not be allowed to operate, with exemptions provided to certain industries deemed as essential services. Like the initial MCO period in 2020, STSB and EEASB received approval from the MITI to continue operating during the FMCO, albeit with a reduced capacity of 60% of total workforce.

On 15 June 2021, the Government announced the NRP, which is a 4-phase strategy based on 3 indicators, which are number of symptomatic new hospital admissions, capability of public healthcare system based on the bed utilisation rate in intensive care unit (ICU) wards and percentage of the population protected against COVID-19, based on the number of people that have received two doses of vaccines. Amidst a higher vaccination rate, the Government announced on 7 August 2021 that the daily number of COVID-19 cases would no longer be indicator for NRP for states that have vaccinated 50% of its population. From 31 August 2021, our operations under Phase 2 of NRP were allowed to operate at full workforce capacity having complied with the necessary vaccination rates for our employees.

As we are categorised as a company providing essential services, we are allowed to operate during the various MCO periods and NRP period, provided that we follow and implement SOPs imposed by the Government. For the year 2021 and up to the LPD, we had incurred approximately RM0.42 million to implement new SOPs in relation to COVID-19. As for our production activities, we have not experienced material disruptions but the lockdown and movement control measures prevented us from conducting face-to-face meetings and site visits with potential customers, which in turn slowed down our business development process. Nevertheless, we did not experience a substantial adverse impact on our sales nor were there material financial impact to our Group for the FYE 2021. Further, our Group continues to receive additional and new orders from existing and new customers during this period and up to LPD and as such, we believe that our Group will not have any significant adverse impact on our business and financial performance for the FYE 2022.

Please refer to Section 6.25.1 of this Prospectus for further details of the impact of COVID-19 and the MCO on our Group.

4. PARTICULARS OF OUR IPO

4.1 DETAILS OF OUR IPO

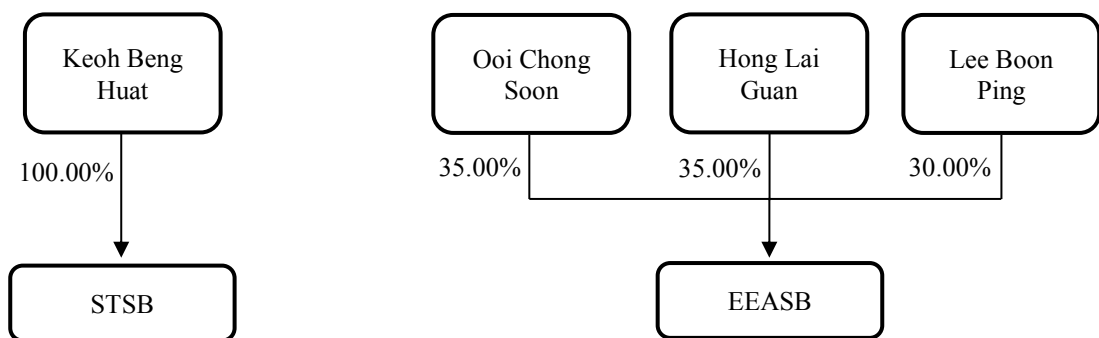
4.1.1 Listing scheme

Our Listing Scheme in conjunction with and as an integral part of the listing of and quotation for our entire enlarged issued share capital on the ACE Market involves the following:

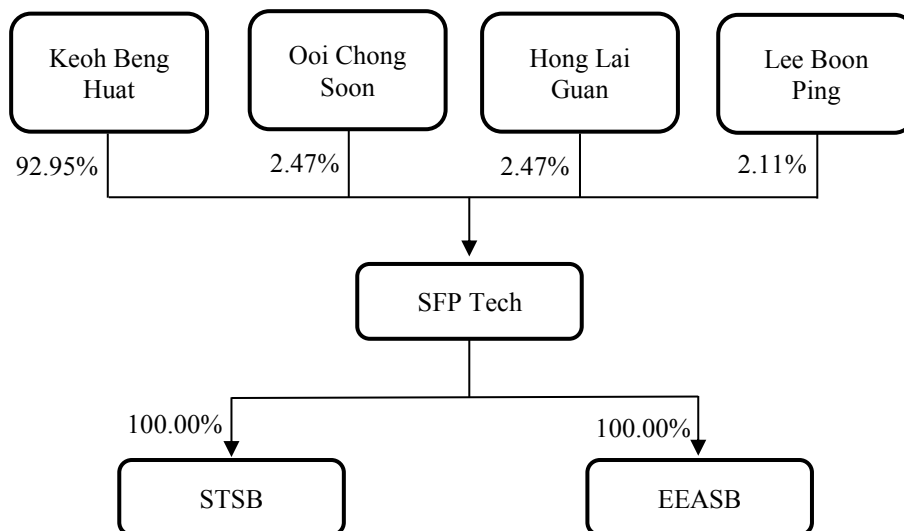
- (a) Acquisition of STSB;
- (b) Acquisition of EEASB;
- (c) Public Issue; and
- (d) Listing.

Our Group structure before and after the Acquisitions are as illustrated below:

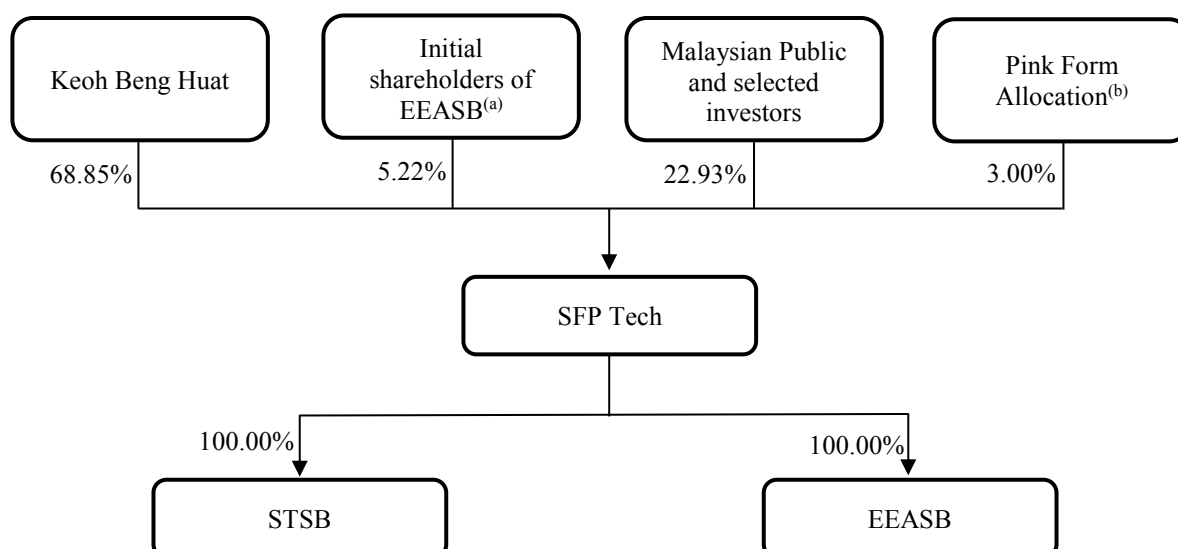
Before the Acquisitions



After the Acquisitions (before Public Issue)



4. PARTICULARS OF OUR IPO (Cont'd)

After the Acquisitions and after the Public Issue

Notes:

- (a) The initial shareholders and their shareholdings are as follows:

Name	Percentage of SFP Tech Shares held (%)
Ooi Chong Soon	1.83
Hong Lai Guan	1.83
Lee Boon Ping	1.56

- (b) Assuming that all our eligible Directors, employees and persons who have contributed to the success of our Group will subscribe for the Pink Form Allocation

(a) Acquisition of STSB

On 3 August 2021, SFP Tech entered into a conditional share sale agreement to acquire the entire issued share capital of STSB of RM2,000,000 comprising 2,000,000 STSB Shares from the vendor of STSB for a purchase consideration of RM55,076,900. The said purchase consideration was entirely satisfied by the issuance of 550,769,000 new Shares at an issue price of RM0.10 per Share, which were issued to the vendor of STSB as follows:

Vendor of STSB	No. of STSB Shares acquired	Shareholdings held in STSB (%)	Purchase consideration (RM)	No. of Shares issued
Keoh Beng Huat	2,000,000	100.00	55,076,900	550,769,000
Total	2,000,000	100.00	55,076,900	550,769,000

The purchase consideration of RM55,076,900 was arrived at on a willing buyer-willing seller basis and after taking into consideration the audited NA of STSB as at 31 December 2020 of RM55,077,253. The Acquisition of STSB was completed on 18 March 2022 and STSB became a wholly-owned subsidiary of our Company.

4. PARTICULARS OF OUR IPO (Cont'd)

(b) Acquisition of EEASB

On 3 August 2021, SFP Tech entered into a conditional share sale agreement to acquire the entire issued share capital of EEASB of RM500,000 comprising 500,000 EEASB Shares from the vendors of EEASB for a purchase consideration of RM4,179,000. The said purchase consideration was entirely satisfied by the issuance of 41,790,000 new Shares at an issue price of RM0.10 per Share, which were issued to the vendors of EEASB as follows:

Vendors of EEASB	No. of EEASB Shares acquired	Shareholdings held in EEASB (%)	Purchase consideration (RM)	No. of Shares issued
Ooi Chong Soon	175,000	35.00	1,462,650	14,626,500
Hong Lai Guan	175,000	35.00	1,462,650	14,626,500
Lee Boon Ping	150,000	30.00	1,253,700	12,537,000
Total	500,000	100.00	4,179,000	41,790,000

The purchase consideration of RM4,179,000 was arrived at on a willing buyer-willing seller basis and after taking into consideration the audited NA of EEASB as at 31 December 2020 of RM4,179,390. The Acquisition of EEASB was completed on 18 March 2022 and EEASB became a wholly-owned subsidiary of our Company.

The Acquisition of EEASB was part of STSB's business expansion plan in providing additional services to complement its existing engineering supporting services. EEASB which specialises in the provision of automation equipment solutions, will allow the Group to become an integrated equipment solution provider by providing designing, conceptualisation and automation solutions which are upstream services in comparison to STSB's current engineering supporting services. The Acquisition of EEASB allows our Group to have immediate presence in the automated equipment solutions business segment. Further, our Group is able to capitalise on the competency and experience of the directors, key management and technical team of EEASB to contribute to the future growth and development of our Group in becoming a one-stop automated equipment solution provider. We also intend to tap on the knowledge of the technical team to further enhance and improve the products and services for our engineering supporting service business segment.

(c) Public Issue

The Public Issue of 207,440,000 new Shares, representing approximately 25.93% of our enlarged issued share capital upon Listing, at the IPO Price will be allocated and allotted in the following manner:

(i) Malaysian Public

40,000,000 new Shares, representing 5.00% of our enlarged issued share capital, will be made available for application by the Malaysian Public via balloting, of which 50.00% is to be set aside for the Bumiputera Public.

Any IPO Shares under the Malaysian Public balloting portion which are not fully subscribed for by the Malaysian Public will be made available for subscription as follows:

- (aa) firstly, by the Eligible Persons under the Pink Form Allocation as described in Section 4.1.1(c)(ii) of this Prospectus;
- (bb) secondly, by our selected investors as described in Section 4.1.1(c)(iii) of this Prospectus; and
- (cc) lastly, by our Sole Underwriter based on the terms of the Underwriting Agreement.

4. PARTICULARS OF OUR IPO (Cont'd)

(ii) Eligible Person(s)

24,000,000 new Shares, representing 3.00% of our enlarged issued share capital, will be made available for application by our Eligible Persons under the Pink Form Allocation.

We will allocate the IPO Shares to the Eligible Persons in the following manner:

Eligibility	No. of persons	Aggregate no. of IPO Shares allocated
Directors of SFP Tech ^(a)	5	2,900,000
Employees of our Group ^(b)	189	12,000,000
Persons who have contributed to the success of our Group ^(c)	30	9,100,000
Total	224	24,000,000

Notes:

- (a) The criteria of allocation to our eligible Directors are based on, among others, their respective roles and responsibilities in our Group. The number of IPO Shares to be allocated to our Directors are as follows:

Name	Designation	No. of IPO Shares allocated
Dato' Hamzah Bin Mohd Salleh	Independent Non-Executive Chairman	300,000
Chang Chee Jia	Executive Director cum Chief Executive Officer	1,700,000
Dato' Cheok Lay Leng	Independent Non-Executive Director	300,000
Chan Foong Ping	Independent Non-Executive Director	300,000
Yeoh Su Hui	Independent Non-Executive Director	300,000
Total		2,900,000

- (b) The criteria of allocation to the eligible employees of our Group (as approved by our Board) are based on, among others, the following factors:

- (aa) the employee must be a full time employee of at least 18 years of age and on the payroll of our Group;
- (bb) the employee is not an undischarged bankrupt nor subject to any bankruptcy proceedings; and
- (cc) the number of IPO Shares allocated to the eligible employees are based on their position, their length of service and their past performance / contribution as well as other factors deemed relevant by our Board.

4. PARTICULARS OF OUR IPO (Cont'd)

The number of IPO Shares to be allocated to the Key Senior Management of our Group are as follows:

Name	Designation	No. of IPO Shares allocated
Thiang Koe Tat	Chief Financial Officer	1,200,000
Hong Lai Guan	Chief Technical Officer	(aa)_
Ooi Chong Soon	Head of Sales and Marketing	(aa)_
Foo Yee Chung	Head of Engineering	800,000
Total		2,000,000

(aa) Hong Lai Guan and Ooi Chong Soon had renounced any Pink Form Allocation so that the allocation can be reallocated to the employees of EEASB.

(c) The IPO Shares to be allocated to the persons who have contributed to the success of our Group, comprising our business associates, suppliers and customers, shall be based on their contribution to our Group and as approved by our Board.

Any IPO Shares reserved under the Pink Form Allocation which are not taken up will be made available for subscription by the following persons as follows:

- (aa) Firstly, by the Eligible Persons;
- (bb) Secondly, by the Malaysian Public and our selected investors as described in Sections 4.1.1(c)(i) and 4.1.1(c)(iii) of this Prospectus, respectively; and
- (cc) Lastly, by our Sole Underwriter based on the terms of the Underwriting Agreement.

As at the LPD, save as disclosed in Section 4.1.1(c)(ii) of this Prospectus, to the extent known to our Company:

- (aa) there are no substantial shareholders, Directors or Key Senior Management of our Company who have indicated to us that they intend to subscribe for the IPO Shares; and
- (bb) there are no person(s) who have indicated to us that they intend to subscribe for more than 5.00% of the IPO Shares.

(iii) Private placement to selected investors

43,440,000 new Shares, representing 5.43% of our enlarged issued share capital, will be made available by way of private placement to selected investors.

The IPO Shares reserved under the private placement to selected investors are not underwritten as written irrevocable undertakings to subscribe for these IPO Shares have been / will be obtained from the respective selected investors.

4. PARTICULARS OF OUR IPO (Cont'd)

(iv) **Private placement to selected Bumiputera Investors approved by MITI**

100,000,000 new Shares, representing 12.50% of our enlarged issued share capital, will be allocated by way of private placement to selected Bumiputera Investors approved by MITI (“MITI Tranche”).

Any IPO Shares allocated to, but unsubscribed by, the selected Bumiputera Investors approved by the MITI will be made available for application by Bumiputera public investors as part of the balloting process under Section 4.1.1(c)(i) of this Prospectus on a fair and equitable manner. Subsequently, any such IPO Shares unsubscribed by Bumiputera public investors will be made available for application by the Malaysian Public as part of the balloting process on a fair and equitable manner, by the eligible persons under Section 4.1.1(c)(ii) of this Prospectus and / or by way of placement to selected investors under Section 4.1.1(c)(iii) of this Prospectus.

The IPO Shares under the MITI Tranche will not be underwritten by the Sole Underwriter.

The basis of allocation of our IPO Shares shall take into account the desirability of distributing our IPO Shares to a reasonable number of applicants with a view to broadening the shareholding base of our Company to meet the public spread requirements and to establish a liquid and adequate market for our Shares. Applicants will be selected on a fair and equitable manner.

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

The salient terms of the Underwriting Agreement are set out in Section 4.6 of this Prospectus.

(d) **Listing**

Upon completion of our IPO, our Company’s entire enlarged issued share capital of RM121,488,000 comprising 800,000,000 Shares shall be listed on the ACE Market.

4.1.2 Minimum and over-subscription

There is no minimum subscription to be raised from our IPO. However, in order to comply with the public spread requirements of Bursa Securities, the minimum subscription in terms of the number of IPO Shares will be the number of IPO Shares required to be held by public shareholders to comply with the public 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 the ballot to be conducted in a manner approved by our Directors.

Under the Listing Requirements, at least 25.00% of our enlarged issued share capital for which listing is sought must be in the hands of a minimum of 200 public shareholders, each holding not less than 100 Shares upon our admission to the ACE Market. We expect to meet the public shareholding requirement at the point of our Listing. If we fail to meet the said requirement, we may not be allowed to proceed with our Listing on the ACE Market. In such an event, we will return in full, without interest, all monies paid in respect of all Applications. If any such monies are not repaid within 14 days after we become liable to do so, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

4. PARTICULARS OF OUR IPO (Cont'd)

4.1.3 Share capital

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

	No. of Shares	Share capital (RM)
Issued share capital as at the date of this Prospectus	592,560,000	59,256,000
New Shares to be issued pursuant to the Public Issue	207,440,000	62,232,000
Enlarged issued share capital upon Listing	800,000,000	121,488,000
IPO Price		RM0.30
- Pro forma consolidated NA per Share (based on our enlarged issued share capital after the IPO)		RM0.17
- Market capitalisation upon Listing (based on the IPO Price and our enlarged issued share capital after the IPO)		RM240,000,000

We have only 1 class of shares, being ordinary shares, all of which rank equally with each other. Our IPO Shares will, upon allotment and issue, rank equally in all respects with our existing Shares in issue, including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment of our IPO Shares.

Subject to special rights attaching to any Shares which may be issued by us in the future, our shareholders shall, in proportion to the Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions, and the whole of any surplus in the event of our liquidation, such surplus is to be distributed among the shareholders in proportion to the issued share capital at the commencement of the liquidation, in accordance with our Constitution and provisions of the Act.

At any general meeting of our Company, each shareholder shall be entitled to vote in person, or by proxy, or by his / its representative under the instrument of proxy or certificate of appointment of corporate or power of attorney (“**Representative**”). On a vote by a show of hands, each shareholder present (either in person, or by proxy, or by Representative) shall have 1 vote. On a vote by way of poll, each shareholder present (either in person, or by proxy, or by Representative) shall have 1 vote for each Share held. A proxy may but need not be a shareholder of our Company.

4.2 BASIS OF ARRIVING AT THE IPO PRICE

Our Directors and PIVB, as the Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent, had determined and agreed upon the IPO Price after taking into consideration the following factors:

(a) **Financial and operating history***

Based on the historical audited combined statements of profit or loss and other comprehensive income of our Group for the FYE 31 December 2021, we recorded a PAT of RM19.42 million, representing an EPS of 2.43 sen based on the enlarged issued share capital of 800,000,000 Shares upon Listing. The EPS translates into PE Multiple of 12.36 times based on the IPO Price.

Our detailed operating and financial history are set out in Sections 6 and 11 of this Prospectus, respectively.

4. PARTICULARS OF OUR IPO (Cont'd)

(b) Pro forma consolidated EPS*

Our pro forma EPS for the FYE 31 December 2021 of approximately 2.31 sen based on our enlarged issued share capital of 800,000,000 Shares in our Company and the pro forma PAT of RM18.50 million of our Group, after taking into consideration expenses amounting to RM2.37 million for the estimated listing expenses to be set-off against profit or loss and early settlement fee for the repayment of borrowings amounting to RM0.18 million. The pro forma EPS translates into PE Multiple of 12.98 times based on the IPO Price.

Kindly refer to the Reporting Accountants' Report on the Pro Forma Consolidated Financial Statements as set out in Section 11.5 of this Prospectus for details of the pro forma PAT.

Notwithstanding the above, assuming that the estimated listing expenses and the early settlement of fee are not taken into calculation, the pro forma PAT of the Group will amount to RM21.06 million whilst the pro forma EPS will translate into PE Multiple of 11.40 times, based on the IPO Price.

(c) Pro forma consolidated NA

Our pro forma consolidated NA per Share as at 31 December 2021 of RM0.17 based on our enlarged issued share capital of 800,000,000 Shares in our Company upon Listing and after use of proceeds raised from our Public Issue.

Kindly refer to the Reporting Accountants' Report on the Pro Forma Consolidated Financial Statements as set out in Section 11.5 of this Prospectus for details of the pro forma consolidated NA.

(d) Future plans, strategies and prospects

Our future plans, strategies and prospects are as set out below:

- (i) Expansion of product and service offerings;
- (ii) Expansion of our production capacity and capabilities;
- (iii) Local market expansion; and
- (iv) In-house D&D expansion.

Kindly refer to Section 6.26 of this Prospectus for further details of our future plans, strategies and prospects.

(e) Competitive advantages and key strengths and industry overview

Our competitive advantages and key strengths, and the industry overview, are as set out below:

- (i) Integration capabilities to provide engineering supporting services and automated equipment solutions;
- (ii) Established track record and business relationship with customers;
- (iii) Continuous investment in advanced machinery and equipment; and
- (iv) Experienced management and technical team.

Kindly refer to Sections 6.1.4 and 7 of this Prospectus, respectively for further details on our competitive advantages and key strengths and the industry overview.

4. PARTICULARS OF OUR IPO (Cont'd)

Note:

- * The historical PAT of the Group of RM19.42 million (as disclosed in section (a) above) represents the PAT recorded by STSB for the FYE 31 December 2021 whereas the pro forma PAT of the Group of RM18.50 million (as disclosed in section (b) above) represents the aggregate PAT recorded by STSB and EEASB for the FYE 2021 and after taking into consideration the estimated listing expenses to be set-off against profit and loss amounting to RM2.37 million and early settlement fee of term loans amounting to RM0.18 million.

You should note that the market price of our Shares upon and subsequent to our Listing is subject to the vagaries of market forces and other uncertainties, which may affect the trading price of our Shares. You are reminded to consider the risk factors set out in Section 8 of this Prospectus before deciding to invest in our Shares.

4.3 DILUTION

Dilution is the amount by which the IPO Price to be paid by investors for our IPO Shares exceeds our pro forma consolidated NA per Share after our IPO and it is illustrated as follows:

	(RM)
IPO Price	0.30
Pro forma consolidated NA per Share as at 31 December 2020 before Public Issue	0.10
Pro forma consolidated NA per Share after Public Issue and use of proceeds	0.17
Increase in pro forma consolidated NA per Share attributable to existing shareholders	0.07
Dilution to our new investors	0.13
Dilution to our new investors as a percentage of the IPO Price	43.33%

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

	No. of Shares held before IPO	No. of Shares held from IPO	Total consideration (RM)	Effective cash cost per Share (RM)
<u>Promoter, substantial shareholder and Director</u>				
Keoh Beng Huat	550,770,000	-	55,077,000	0.10
<u>Key Senior Management</u>				
Hong Lai Guan	14,626,500	-	1,462,650	0.10
Ooi Chong Soon	14,626,500	-	1,462,650	0.10
<u>Other existing shareholder</u>				
Lee Boon Ping	12,537,000	-	1,253,700	0.10
Total	592,560,000	-	59,256,000	0.10

Save for the Shares received by our existing shareholders pursuant to the Acquisitions, there has been no acquisition of any of our Shares by our Promoter, substantial shareholder, Directors and / or Key Senior Management or persons connected with them, or any transaction entered into by them, which grants them the right to acquire any of our Shares from the date of our incorporation up to the date of this Prospectus.

4. PARTICULARS OF OUR IPO (Cont'd)

4.4 USE OF PROCEEDS FROM OUR IPO

The total gross proceeds from the Public Issue amounting to RM62.23 million are intended to be used in the following manner:

Purposes	(RM'000)	(%)	Estimated time frame for use (from the Listing date)
Purchase of new machinery and equipment	24,500	39.37	Within 36 months
Construction of Manufacturing Plant 3	15,000	24.10	Within 24 months
Repayment of bank borrowings	10,000	16.07	Within 12 months
Working capital expenditure	5,132	8.25	Within 12 months
Estimated listing expenses	4,600	7.39	Within 3 months
D&D centre	3,000	4.82	Within 12 months
Total	62,232	100.00	

There is no minimum subscription level in terms of proceeds to be raised from our IPO.

4.4.1 Purchase of new machinery and equipment

We intend to allocate RM24.50 million of our gross proceeds from the Public Issue for the following:

Item	No. of units	Total estimated cost (RM'000)
<u>To support our sheet metal fabrication activities:</u>		
• Laser cut and punch machine	1	1,345
<u>To support our CNC machining activities:</u>		
• CNC milling machines	41	23,155
		24,500

The estimated cost for the purchase of machinery and equipment is inclusive of the installation cost and was derived based on suppliers' quotations. If the actual cost exceeds the amount budgeted above, the deficit will be funded out of the portion allocated for our general working capital requirements and / or our internally generated funds.

The new machines will increase our number of laser cut and punch machines from 6 units to 7 units and CNC milling machines from 93 units to 134 units. These machines are expected to increase our overall estimated maximum manufacturing capacity from 520,410 hours per annum to 652,080 hours per annum, or approximately 25.30%, which is in line with our plan to grow our customer base and serve more local and international customers. Further, the additional capacity would allow us to cater for increasing orders from both existing and new customers.

4. PARTICULARS OF OUR IPO (Cont'd)

4.4.2 Construction of Manufacturing Plant 3

The total estimated construction cost for Manufacturing Plant 3 is approximately RM50.00 million. As at the LPD, we have secured RM30.00 million of bank borrowings for the construction. For the remaining estimated construction cost of RM20.00 million, we intend to allocate RM15.00 million of our gross proceeds from the Public Issue for the construction of Manufacturing Plant 3 whilst the remaining balance of RM5.00 million will be funded via internally generated funds. The construction of Manufacturing Plant 3 is expected to be completed by the end of the second quarter of 2022 and fully operational by the fourth quarter of 2022.

The construction of Manufacturing Plant 3 is part of our business expansion plans and efforts to increase our production capacity to cater to the increasing demand of our engineering supporting services, mainly our CNC machining activities. In addition, Manufacturing Plant 3 will house our D&D centre which will be used for our venture into the vision inspection industry. Please refer to Sections 4.4.6, 6.26.1 and 6.26.2 (a) for further information on our D&D centre, our future plan to venture into the vision inspection industry and the construction of Manufacturing Plant 3. Construction works has begun and will comprise a 3-storey factory and warehouse with 3-storey office building with a built-up area of approximately 319,173 sq ft. Upon completion, Manufacturing Plant 3 will mainly house our CNC machining activities. The additional floor space will be utilised based on the demand and expansion of our other business segments.

Details of the estimated construction costs are as set out below:

Details	(RM'000)
Construction of factory building	33,000
Fixture and fitting	17,000
	50,000

If the actual construction expenses are higher than budgeted, the deficit will be funded by internally generated funds. Conversely, if the actual construction expenses are lower than budgeted, the excess will be used for working capital purposes.

Please refer to Sections 6.16.1, 6.26.2(a) and 6.26.2(b) of this Prospectus respectively, for further information on Plot 322, construction of Manufacturing Plant 3 and the types of machinery and equipment to be purchased, as well as the method of financing these activities.

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4. PARTICULARS OF OUR IPO (Cont'd)

4.4.3 Repayment of bank borrowings

We intend to allocate RM10.00 million of our gross proceeds from the Public Issue for the partial repayment of our borrowings as follows:

Banking facility	Purpose	Interest rate / Maturity date	Outstanding amount as at the LPD (RM'000)	Proposed repayment (RM'000)
Alliance Islamic Bank Berhad (Term loan)	Part finance the purchase of Plot 350(B)	BFR - 2.00% / 30 November 2036	1,379	1,379
Alliance Islamic Bank Berhad (Term loan)	Part finance the construction cost of Manufacturing Plant 1	BFR - 2.00% / 28 February 2038	2,748	2,748
Alliance Islamic Bank Berhad (Term loan)	Part finance the construction cost of Manufacturing Plant 1	BFR - 0.00% / 1 March 2039	546	546
Ambank Islamic Bank Berhad (Term loan)	Part finance the purchase of Plot 350(A)	BFR - 2.00% / 4 November 2037	2,521	2,521
Ambank Islamic Bank Berhad (Term loan)	Part finance the construction cost of Manufacturing Plant 2	BFR - 2.00% / 1 January 2039	7,288	2,806
Total			14,482	10,000

Based on the above, upon reducing our Group's total borrowing of RM39.32 million as at 31 December 2021 by the proposed repayment as set out above, we expect to achieve an annual interest savings of approximately RM0.35 million. However, the actual interest savings amount may vary depending on the applicable interest rate at that point of time. Notwithstanding the expected annual cost savings of RM0.35 million, we estimate to incur a one-off prepayment penalty of RM0.18 million in the event we repay the above banking facility by December 2022. The prepayment penalty cost of RM0.18 million will be paid via internally generated funds.

4.4.4 Working capital expenditure

We intend to set aside RM5.13 million of our gross proceeds from the Public Issue for our working capital purposes over 12 months from our Listing. Our working capital requirements are expected to increase in tandem with the expected growth in our business. The following is a breakdown of the expected utilisation for our working capital:

Details	(RM'000)
Purchase of raw materials ^(a)	4,132
General working capital ^(b)	1,000
	5,132

Notes:

- (a) Includes fabricated parts and components, aluminium, mild and stainless steel.
- (b) Includes staff costs and utility expenses.

4. PARTICULARS OF OUR IPO (Cont'd)

Raw materials are one of the largest component of our cost of sales, consistently constituting more than 25.00% of our total cost of sales for the Financial Years Under Review. The purchase of raw materials for the Financial Years Under Review were made using bank borrowings (i.e., bankers' acceptances for imported raw materials) and internally generated funds.

With the additional working capital of RM5.13 million, we intend to reduce our usage of bankers' acceptances to finance our purchase of aluminium, steel and fabricated parts, which in turn will reduce our interest expenses and improve our profitability.

General working capital includes payment of administration and operating expenses for 12 months. This includes payment of wages and salaries of our employees, utility expenses, and office related expenses.

4.4.5 Estimated listing expenses

Our listing expenses are estimated to be RM4.60 million, details of which are as follows:

Details	(RM'000)
Professional fees ^(a)	2,220
Fees to authorities	100
Estimated underwriting, placement and brokerage fees	1,400
Printing and advertising	350
Contingencies ^(b)	530
	4,600

Notes:

- (a) Includes professional and advisory fees for, amongst others, Principal Adviser, Solicitors, Reporting Accountants and IMR.
- (b) Other incidental or related expenses in connection with the IPO, which include translators, media related expenses and IPO event expenses.

If the actual listing expenses are higher than budgeted, the deficit will be funded by internally generated funds. Conversely, if the actual listing expenses are lower than budgeted, the excess will be used for working capital purposes.

4.4.6 D&D centre

We have earmarked RM3.00 million of our gross proceeds from the Public Issue for setting up our D&D centre. Approximately 2,000 sq ft of built-up area in Manufacturing Plant 3 is intended to be allocated for the D&D centre. Details of setting up the D&D centre expenditure are as set out below:

Details	(RM'000)
Purchase of equipment and software ^(a)	2,485
Renovation, furnishing and electrical appliances ^(b)	515
	3,000

4. PARTICULARS OF OUR IPO (Cont'd)

Notes:

- (a) The breakdown of the equipment and software are as follows:

Details	(RM'000)
Analytical tools	800
In-line curing machines and inspection systems	690
Lifters, carriers and pick and place machines	645
Vision station	350
	2,485

- (b) The breakdown of the renovation, furnishing and electrical appliances are as follows:

Details	(RM'000)
In-line curing machines and inspection systems	275
Renovation and furnishing	240
	515

As the construction of the D&D centre was not part of Manufacturing Plant 3's building plan, renovations are required to enable the functionality of the D&D centre. The construction of the D&D centre is expected to commence in the third quarter of 2022 and completed by the end of the fourth quarter of 2022.

The estimated construction cost of the D&D centre is RM3.00 million, which will be fully funded by our IPO proceeds. If the actual D&D centre expenditure are higher than budgeted, the deficit will be funded by internally generated funds. Conversely, if the actual D&D centre expenditure are lower than budgeted, the excess will be used for working capital purposes.

Pending the eventual utilisation of proceeds from the Public Issue for the abovementioned purposes, the funds will be placed in short term deposits with licensed financial institutions or short term money market instruments.

4.5 BROKERAGE FEE, UNDERWRITING COMMISSION AND PLACEMENT FEE**4.5.1 Brokerage fee**

We will bear the brokerage fees in respect of the IPO Shares under the Public Issue at the rate of 1.00% of the IPO Price in respect of successful Applications which bear the stamp of PIVB, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or the Issuing House.

4.5.2 Underwriting commission

PIVB, as our Sole Underwriter, has agreed to underwrite 64,000,000 IPO Shares as set out in Sections 4.1.1(c)(i) and 4.1.1(c)(ii) of this Prospectus. We will pay our Sole Underwriter an underwriting commission at the rate of 2.00% of the total value of the IPO Shares underwritten at the IPO Price.

Any IPO Shares which are not subscribed for by the Malaysian Public and Eligible Persons, will be made available to selected investors via private placement. Thereafter, any remaining IPO Shares which are not subscribed for, will be subscribed by our Sole Underwriter based on the terms of the Underwriting Agreement. However, in the event that all of our IPO Shares offered to the Malaysian Public are oversubscribed, any IPO Shares not subscribed for by the Eligible Persons, will be made available for the Malaysian Public.

4. PARTICULARS OF OUR IPO (Cont'd)

4.5.3 Placement fee

PIVB, as our Sole Placement Agent, has agreed to place out 143,440,000 IPO Shares available under the placement to selected investors as well as selected Bumiputera Investors approved by MITI as set out in Sections 4.1.1(c)(iii) and 4.1.1(c)(iv) of this Prospectus respectively, at the rate of up to 2.00% of the IPO Price for each IPO Share to be placed out by the Sole Placement Agent.

4.6 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

We had on 20 April 2022 entered into the Underwriting Agreement with the Sole Underwriter whereby the Sole Underwriter has agreed to underwrite 40,000,000 Public Issue Shares made available for application by the Malaysian Public and 24,000,000 shares made available to the Eligible Persons under the Pink Form Allocation (collectively known as “**Underwritten Shares**”) as set out in Sections 4.1.1(c)(i) and 4.1.1(c)(ii) of this Prospectus upon the terms and subject to the conditions as set out in the Underwriting Agreement.

A summary of the salient terms of the Underwriting Agreement are set out in the following Sections.

4.6.1 Agreement To Underwrite

The obligations of the Sole Underwriter the Underwriting Agreement are conditional upon:

- (i) the delivery by the Company to the Sole Underwriter before the last date and time for the applications and payment for the Public Issue in accordance with the Prospectus and the Application Form (“**Closing Date**”), or extended closing date for the receipt of the applications and payment for the Public Issue Shares pursuant to the Public Issue which will be advertised in a widely circulated Bahasa Malaysia and English daily newspaper in Malaysia (“**Extended Closing Date**”), a written confirmation by the Company that there having been on or prior to the Closing Date or Extended Closing Date, neither any material adverse change nor any development reasonably likely to result in any material adverse change, in the condition (financial, business, operations or otherwise) of the Group, which is material in the context of the IPO as set out in the Prospectus, nor the occurrence of any event or the discovery of any fact which is inaccurate, untrue or incorrect which makes any of the representations and warranties contained in the Underwriting Agreement untrue and incorrect in any material respect as though they had been given and made on such date with reference to the facts and circumstances then subsisting, nor the occurrence of any breach of the undertakings contained in the Underwriting Agreement and the said written confirmation shall be in the form and substance as attached in the Underwriting Agreement;
- (ii) the delivery by the Company to the Sole Underwriter, the following resolutions and a written confirmation that all the following resolutions are in full force and effect as at the Closing Date or Extended Closing Date and have not been rescinded, revoked, or varied:
 - (a) approving the IPO and the Listing and the transactions contemplated by each of the same;
 - (b) approving and authorising the execution of the Underwriting Agreement and authorising such person(s) as the board may resolve to execute the Underwriting Agreement for and on behalf of the Company;
 - (c) approving the issue and allotment of the Public Issue Shares under the IPO;
 - (d) approving and authorising the issuance of the Prospectus; and
 - (e) confirming that the Directors, collectively and individually, accept full responsibility for the accuracy of all information stated in the Prospectus;
- (iii) the Prospectus being in the form and substance satisfactory to the Sole Underwriter;

4. PARTICULARS OF OUR IPO (Cont'd)

- (iv) the delivery by the Company to the Sole Underwriter on the Closing Date or Extended Closing Date of such reports and confirmations dated the Closing Date or Extended Closing Date from the Directors of the Company as the Sole Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of the Underwriting Agreement that will adversely affect the performance or financial position of the Group;
- (v) on the Closing Date or Extended Closing Date, the IPO is not being prohibited or impeded by any statute, order, rule, regulation or directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia, including but not limited to Bursa Securities and the SC;
- (vi) on the Closing Date or Extended Closing Date, the Company having complied with and that the IPO is in compliance with the Act, the CMSA, policies, guidelines and requirements of Bursa Securities and/or the SC and all revisions, amendments and/or supplements thereto;
- (vii) the Prospectus having been issued within two (2) months after the date of the Underwriting Agreement or within such extended period as may be agreed in writing by the Sole Underwriter;
- (viii) the Sole Underwriter having been satisfied that the Underwriting Agreement has been duly executed and stamped and the Company has complied with and there is no breach of, or failure on the part of the Company to comply with, any of their obligations under the Underwriting Agreement, and that the Company have complied with, and that the IPO (including the offer, sale and issue of Public Issue Shares), the Listing and the transactions contemplated under the Underwriting Agreement are in compliance with, all relevant laws;
- (ix) the acceptance for registration by the SC of the Prospectus and such other documents as may be required in accordance with the CMSA in relation to the IPO and the lodgement of the Prospectus with the Registrar of Companies on or before their release under the IPO or in accordance with Section 154 of the Act and the CMSA together with copies of all documents required under the Act and CMSA; and
- (x) all approvals required in relation to the IPO and the Listing, including but not limited to approvals from the SC, Bursa Securities and the MITI having been obtained and are in full force and effect as at the Closing Date or Extended Closing Date and that all conditions of the approvals (except for any which can only be complied with after the IPO has been completed) have been complied with to the satisfaction of the Sole Underwriter and such approvals have not been withdrawn, amended, suspended, terminated, lapsed or been revoked.

If any of the conditions set out above is not satisfied by the Closing Date or Extended Closing Date, the Sole Underwriter shall thereupon be entitled to terminate the Underwriting Agreement by notice in writing and in that event, except for the liability of the Company for the payment of the Underwriting Commission, costs and expenses incurred prior to the termination and any claims pursuant to the Underwriting Agreement, there shall be no further claims by the Sole Underwriter against the Company, and the parties shall be released and discharged from their respective obligations hereunder provided that the Sole Underwriter may at its absolute discretion waive compliance with any of the provisions above except for any conditions required by any laws, rules, regulations and guidelines or by any regulatory or governmental authorities/bodies.

4.6.2 Termination / Lapse Of Agreement

Notwithstanding anything contained the Underwriting Agreement, the Sole Underwriter may by notice in writing to the Company given at any time before the Closing Date or Extended Closing Date, terminate, cancel or withdraw its commitment to underwrite the Underwritten Shares if:

- (i) any of the approvals of the SC and/or Bursa Securities for the Listing is revoked, withdrawn or procured but subject to the conditions not acceptable to the Sole Underwriter; or

4. PARTICULARS OF OUR IPO (Cont'd)

- (ii) there is any breach by the 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 satisfaction of the Sole Underwriter within such number of days as stipulated in a notice to be made by the Sole Underwriter to the Company of such breach, or by the Closing Date or Extended Closing Date, whichever is earlier; or
- (iii) there is withholding of information by the Company which is required to be disclosed to the Sole Underwriter pursuant to the Underwriting Agreement, and if capable of remedy, is not remedied within such number of days as stipulated in a notice to be made by the Sole Underwriter to the Company of such breach, which, in the opinion of the Sole Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the IPO, or the distribution or sale of Public Issue of 207,440,000 new Shares ("Public Issue Shares"); or
- (iv) there shall have occurred, happened or come into effect any material and adverse change to the business or financial conditions of the Company or the Group; or
- (v) approval for the IPO is withdrawn, modified and/or subject to terms and conditions not acceptable to the Sole Underwriter and which, in the reasonable opinion of the Sole Underwriter, would have or can reasonably be expected to have, a material adverse effect on and/or materially prejudice the business or the operations of the Company, the success of the IPO, or the distribution or sale of the Public Issue Shares, or which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or
- (vi) there is a failure on the part of the Company to perform any of its obligations in the Underwriting Agreement;
- (vii) any of the conditions precedent set out in Section 4.6.1 of this Prospectus are not duly satisfied by the Closing Date or Extended Closing Date; or
- (viii) if the Closing Date or Extended Closing Date is more than two (2) calendar months from the date of the Underwriting Agreement or falls on any later date as the Company and the Sole Underwriter may mutually agree upon in writing, the Underwriting Agreement will automatically lapse and thereafter, both parties shall be released and discharged from their obligations under the Underwriting Agreement and no party shall have any claims against the other, save for antecedent breaches.

Upon such notice(s) being given, the Sole Underwriter shall be released and discharged of its obligations under the Underwriting Agreement without prejudice to its rights whereby the Underwriting Agreement shall be of no further force or effect and no party shall be under any liability to any other in respect of the Underwriting Agreement, except that the Company shall remain liable in respect of the Underwriting Commission, any antecedent breaches and the payment of the costs and expenses already incurred up to the date of termination or in connection with such termination and for the payment of any taxes, duties or levies within seven (7) days from the date of the same being due.

In the event that the Underwriting Agreement is terminated due to the Company taking actions to not proceed with the IPO resulting in the Sole Underwriter not being able to perform its obligations under the Underwriting Agreement, the Sole Underwriter is entitled to the Underwriting Commission in addition to the costs and expenses incurred thereto. In the event that the Underwriting Agreement is terminated pursuant to this provision, the Sole Underwriter and the Company may confer with a view to defer the IPO by amending its terms or the terms of the Underwriting Agreement and may enter into a new underwriting agreement accordingly, but neither the Sole Underwriter nor the Company shall be under any obligation to enter into a fresh agreement.

4. PARTICULARS OF OUR IPO (*Cont'd*)

4.6.3 Force Majeure

It will be an event of force majeure if the Sole Underwriter is unable to perform its obligations under the Underwriting Agreement resulting from any event or series of events beyond the reasonable control of the Sole Underwriter, including without limitation any of the following:

- (i) acts of God, national disorder, armed conflict or serious threat of the same, hostilities, embargo, detention, revolution, riot, looting or other labour disputes, any unavailability of transportation or severe economic dislocation, earthquake, typhoon, outbreak of war, outbreak of disease, acts of terrorism or the declaration of a state of national emergency;
- (ii) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (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 foreign exchange controls or the occurrence of any combination of any of the foregoing which is likely to have a material adverse effect on the stock market in Malaysia. For the avoidance of doubt, if the FTSE Bursa Malaysia KLCI ("Index") is at the close of normal trading on Bursa Securities, on any Market Day:
 - (a) on or after the date of the Underwriting Agreement; and
 - (b) prior to the Closing Date or Extended Closing Date,
 - lower than eighty-five per centum (85%) of the Index level at the close of normal trading on the Market Day immediately prior to the date of the Underwriting Agreement and remain at or below that level for three (3) or more consecutive Market Days, it shall be deemed a material adverse change in the stock market condition in Malaysia; or
- (iii) any new law, regulation, directive, policy or ruling or any material change in law, regulation, directive, policy or ruling in any jurisdiction or any change in the interpretation or application thereof by any court or other competent authority which would prohibit or impede the obligations of the Sole Underwriter or any event or series of events beyond the reasonable control of the Sole Underwriter;
- (iv) the imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities for one (1) or more consecutive Market Days;

which would have or can reasonably be expected to have, a material adverse effect on and/or materially prejudice the business or the operations of the Company or the Group, the success of the IPO, or the distribution or sale of the Public Issue Shares, or which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms.

In the event of a force majeure pursuant to the Underwriting Agreement, the Sole Underwriter may, subject to prior consultation with the Company, at any time prior to or on the Closing Date or Extended Closing Date:

- (i) terminate the Underwriting Agreement by giving notice to the Company in the manner as set out in the Underwriting Agreement Upon delivery of the notice of termination, the Underwriting Agreement will terminate hereafter and each party's rights and obligations will cease and none of the parties will have any claim against each other save and except for any antecedent breach, claims in respect of the costs and expenses of the Sole Underwriter and the Underwriting Commission; or
- (ii) request for the Closing Date or Extended Closing Date to be extended to such reasonable date as the Sole Underwriter may decide. The Company shall consent to such request for the extension of the Closing Date or Extended Closing Date. The delivery of such a request shall not preclude the Sole Underwriter from giving a further request for extension or giving a notice to terminate.

5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT

5.1 PROMOTER AND SUBSTANTIAL SHAREHOLDER

5.1.1 Promoter's and substantial shareholder's shareholdings

The details of our Promoter and substantial shareholder, and his respective shareholdings in our Company before and after our IPO are as follows:

	Nationality	Before our IPO		After our IPO	
		Direct	Indirect	Direct	Indirect
		No. of Shares (a)(%)	No. of Shares (a)(%)	No. of Shares (b)(%)	No. of Shares (b)(%)
<u>Promoter and substantial shareholder</u> Keoh Beng Huat	Malaysian	550,770,000 92.95	- -	550,770,000 68.85	- -

Notes:

- (a) Based on our issued share capital of 592,560,000 Shares after the Acquisitions but before our IPO.
- (b) Based on our enlarged issued share capital of 800,000,000 Shares after the Public Issue.

5.1.2 Profile of Promoter and substantial shareholder

Keoh Beng Huat
Promoter, substantial shareholder and Managing Director

Keoh Beng Huat, a Malaysian, aged 54, is our Promoter, substantial shareholder and Managing Director. He was appointed to our Board on 16 August 2021 and is responsible for overseeing the business growth direction, strategic business planning, development and operations of our Group.

Keoh Beng Huat left Sekolah Menengah Kebangsaan Jelutong in 1983. He began his career in 1984 with Low Kim Teow Engineering Sdn Bhd as a machinist and was responsible for operating machineries involved in the manufacturing of precision metal parts. In 1991, he established Stampford Engineering, a partnership which was involved in the provision of lathe, milling, grinding and metal works. In 1998, he incorporated Stamp Ford Engineering Sdn Bhd to continue the business operations of Stampford Engineering under a private limited company, following which Stampford Engineering was terminated in 1999. In 2012, he co-founded Stampford Technology Sdn Bhd (now known as STSB), with his spouse, which was involved in sheet metal fabrication services and over the years has expanded its business activities to include CNC machining and mechanical assembly services.

5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

As the Managing Director of our Group, he has been actively involved in the management and day-to-day business operations of our Group, allocation of the Group's financial and human resources, as well as implementing our Group's operational and marketing strategies and objectives. He has more than 38 years of extensive experience and in-depth knowledge of the engineering services and support industry and this has enabled our Group to broaden our range of products and services towards becoming an integrated operation service provider.

5.1.3 Changes in our Promoter's and substantial shareholder's shareholdings

The changes in our Promoter's and substantial shareholder's shareholdings in our Company since incorporation up to the LPD are as follows:

	As at 8 February 2021 (Incorporation date)			After the Acquisitions (Before our IPO)			After our IPO			
	Direct		Indirect	Direct		Indirect	Direct		Indirect	
	No. of Shares	(a)(%)	No. of Shares	(b)(%)	No. of Shares	(b)(%)	No. of Shares	(c)(%)	No. of Shares	(c)(%)
<u>Promoter and substantial shareholder</u> Keoh Beng Huat	-	-	-	-	(d)550,770,000	92.95	-	550,770,000	68.85	-
<u>Substantial shareholders</u> Carmen Lau Kar Mann	500	50.00	-	-	(d)-	-	-	-	-	-
Eddie Lau Kei Lung	500	50.00	-	-	(d)-	-	-	-	-	-

Notes:

- (a) Based on our issued share capital of 1,000 Shares as at incorporation date.
- (b) Based on our issued share capital of 592,560,000 Shares after the Acquisitions but before our IPO.
- (c) Based on our enlarged issued share capital of 800,000,000 Shares after the Public Issue.
- (d) 1,000 Shares being subscribers' shares held by Carmen Lau Kar Mann and Eddie Lau Kei Lung were transferred to Keoh Beng Huat.

As at the LPD, our Promoter and substantial shareholder has the same voting rights as the other shareholders of our Company and there is no arrangement between SFP Tech and its shareholders with any third parties, the operation of which may at a subsequent date result in a change in control of SFP Tech.

5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

5.1.4 Persons exercising control over the corporation

Save for our Promoter and substantial shareholder who holds approximately 68.85% of our enlarged number of issued share capital after the IPO, we are not aware of any other person who are 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 aggregate remuneration and benefits paid or proposed to be paid to our Promoter and substantial shareholder for services rendered to our Group in all capacities for the FYE 2021 and FYE 2022 as set out in Section 5.4.1 of this Prospectus, there are no other amount or benefits that has been paid or intended to be paid to our Promoter and substantial shareholder within the 2 years preceding the date of this Prospectus.

5.2 DIRECTORS AND KEY SENIOR MANAGEMENT

5.2.1 Directors

Our Board comprises the following members:

Name	Age	Nationality	Date of appointment	Designation
Dato' Hamzah Bin Mohd Salleh (M)	73	Malaysian	16 August 2021	Independent Non-Executive Chairman
Keoh Beng Huat (M)	54	Malaysian	16 August 2021	Managing Director
Chang Chee Jia (M)	55	Malaysian	16 August 2021	Executive Director cum Chief Executive Officer
Dato' Cheok Lay Leng (M)	60	Malaysian	16 August 2021	Independent Non-Executive Director
Chan Foong Ping (F)	51	Malaysian	16 August 2021	Independent Non-Executive Director
Yeoh Su Hui (F)	49	Malaysian	16 August 2021	Independent Non-Executive Director

Notes:

(M) Male.

(F) Female.

None of our Directors represent any corporate shareholder on our Board. Further, there is no association or family relationships between our Directors.

5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT (*Cont'd*)

5.2.2 Profiles of our Directors

The profiles of our Directors are as follows:

Dato' Hamzah Bin Mohd Salleh

Independent Non-Executive Chairman

Dato' Hamzah Bin Mohd Salleh, a Malaysian, aged 73, is our Independent Non-Executive Chairman. He was appointed to our Board on 16 August 2021.

He graduated with a Diploma in Management from Malaysian Institute of Management in 1980. Subsequently in 1989, he obtained a Master of Business Administration from University of Bath, United Kingdom.

He articulated at Price, Waterhouse & Co. (now known as PricewaterhouseCoopers) in 1969. He left Price, Waterhouse & Co. as an Audit Assistant in 1974 to join Pillar Naco Malaysia Sdn Bhd, a company involved in the fabrication of architectural metal as the Finance and Administration Manager in 1975. In 1981, he left Pillar Naco Malaysia Sdn Bhd to join Pernas Sime Darby group where he held several senior managerial positions within the Pernas Sime Darby group and the Sime Darby group of companies. His last position was the General Manager of Sime Swede Distribution Services Sdn Bhd before he left in September 1994. After a one-year break, he joined Malaysia Aica Berhad (now known as Sunsuria Berhad) as an Executive Director in 1995 and was redesignated as a Non-Executive Director in January 1997. He resigned as a Non-Executive Director of Malaysia Aica Berhad in 2001.

In April 1996, he was appointed as a Non-Executive Director of Spanco Sdn Bhd, a company involved in providing fleet management services and subsequently redesignated to Executive Director in February 1997 and was the Chief Executive Officer of the company. In February 2022, he was redesignated to Deputy Chairman of Spanco Sdn Bhd.

He was appointed to the board of directors of companies that are listed on Bursa Securities, namely Techbond Group Berhad as the Independent Non-Executive Chairman on 2 January 2018, Rhone Ma Holdings Berhad on 1 April 2015 as the Independent Non-Executive Chairman and PRG Holdings Berhad on 21 July 2003 as Independent Non-Executive Director. On 27 December 2018, he resigned as the Independent Non-Executive Director of PRG Holdings Berhad. He also sits on the board of various other private limited companies based in Malaysia which are set out in Section 5.2.4 of this Prospectus.

Keoh Beng Huat

Managing Director

Please refer to Section 5.1.2 of this Prospectus for his profile.

Chang Chee Jia

Executive Director cum Chief Executive Officer

Chang Chee Jia, a Malaysian, aged 55, is our Executive Director cum Chief Executive Officer. He was appointed to our Board on 16 August 2021.

He graduated with a Bachelor of Engineering from the Polytechnic of Huddersfield in 1991. Subsequently in 1992, he obtained his Masters of Science in Business Studies from the University of Salford and later obtained his Doctorate in Business Administration from University Sains Malaysia in 2007.

He began his career as a Sales Engineer with Varitronix Ltd, Hong Kong, in 1991 and was responsible for the global sales and marketing of the company. In 1995, he was seconded to Varitronix (Malaysia) Sdn Bhd as the Senior Marketing Manager and was mainly involved in global sales and marketing of the company in which he liaised with overseas counterparts. In 2004, he left Varitronix (Malaysia) Sdn Bhd to join LKT Industrial Bhd as the Sales and Marketing Vice President. He was responsible for the policy deployment and sales of the company. He later joined Excel Technology Asia Sdn Bhd in 2005 as the Vice President of Sales where he was involved in the company's Asia Pacific region sales and technical support for the laser processing production.

5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Upon leaving Excel Technology Asia Sdn Bhd in 2006, he joined OSRAM Technologies (Malaysia) Sdn Bhd, as the OLED Business Unit Marketing Director and was in-charge of the sales and pricing strategy of the products offered. In 2009, he was transferred to OSRAM OPTO Semiconductors (M) Sdn Bhd as the Senior Manager of the R&D department, focusing on competitor product benchmarking. In 2012, he undertook additional responsibilities of managing the company's subcontractor works across the Asia Pacific region. Subsequently, in 2019, upon the internal restructuring of the company, he was designated Director of the Sensing Business Unit and was responsible for the selection and performance of external subcontractor for the company before leaving the company in January 2021.

He joined our Group in February 2021 and is currently responsible for formulating, directing and executing long-term investment and expansionary strategic initiatives for the development of our Group, overseeing compliance and regulatory matters as well as in-charge of the Group's investor relations activities.

He is also a director in another private limited company based in Malaysia of which is set out in Section 5.2.4 of this Prospectus.

Dato' Cheok Lay Leng

Independent Non-Executive Director

Dato' Cheok Lay Leng, a Malaysian, aged 60, is our Independent Non-Executive Director. He was appointed to our Board on 16 August 2021. He is the Chairman of the Remuneration Committee as well as a member of the Audit and Risk Management Committee and the Nominating Committee.

He graduated with a Bachelor of Computer Science and Technology from Universiti Sains Malaysia in 1987. Subsequently in 2002, he obtained his Masters of Business Administration from Nottingham Trent University, United Kingdom.

He began his career as a design engineer with Intel Malaysia Sdn Bhd in 1987. During his tenure with Intel Malaysia Sdn Bhd, he was seconded to the USA and Japan where he held various development engineering, business and senior management positions. His last position held was the General Manager for Communications Infrastructure Group-Asia where he was responsible for managing the product business and engineering development centers in Asia and Europe.

Upon leaving Intel Malaysia Sdn Bhd in 2005, he joined Flexcomm Limited, Hong Kong as the President. He was involved in the business turnaround, as well as overseeing the management and operations of the company. In 2007, he joined Netronome Systems Inc., USA as the President of Asia Region and was responsible for spearheading the company's data center, network security and cloud infrastructure before leaving in April 2016.

He later co-founded Infinecs Systems Sdn Bhd in 2016, an engineering services company that delivers semiconductor and embedded system development services. In January 2017, he joined Perbadanan Bukit Bendera Pulau Pinang (Penang Hill Corporation), a Penang state statutory body, as the General Manager and is still with the corporation. He is responsible for executing the strategic objectives, as well as the daily administrative functions of the company.

He was appointed as an Independent Non-Executive Director of Tenaga Nasional Berhad, a company listed on Bursa Securities, on 2 March 2020 and subsequently resigned on 1 October 2020. He is also a director in other private limited companies based in Malaysia which are set out in Section 5.2.4 of this Prospectus.

Chan Foong Ping

Independent Non-Executive Director

Chan Foong Ping, a Malaysian, aged 51, is our Independent Non-Executive Director. She was appointed to our Board on 16 August 2021. She is the Chairman of the Audit and Risk Management Committee as well as a member of the Remuneration Committee and the Nominating Committee.

She graduated with a Bachelor of Accountancy from Universiti Putra Malaysia in 1995. In 1998, she was admitted as a MIA member and was recognised as a Chartered Accountant in 2001.

5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

She began her career with Deloitte Touche Tohmatsu Kuala Lumpur in 1995 as an auditor. She assisted in audit works for both public listed and private companies in various industries. Subsequently, she joined Sepang Education Center Sdn Bhd as an Accounting Manager in 1998 where she was the bursar of the higher education college reporting to the holding company. She left Sepang Education Center Sdn Bhd in 2000 and joined Phillips Seafood (East Malaysia) Sdn Bhd, a subsidiary of Phillips Foods Inc. as the Financial Controller. She was mandated as the local company director and was in-charge of the overall financial and operational administration functions. In 2006, she was promoted within the Phillips Foods Inc. group of companies as the Executive Director of Phillips Foods International (Hong Kong) Limited and was responsible for overseeing the regional financial system of its 14 seafood processing plants covering 10 different countries.

She left Phillips Foods International (Hong Kong) Limited in 2011 and subsequently joined Resource Holding Management Limited, a public company then listed on the AIM Market of the London Stock Exchange ("LSE"), as Group Finance Director. After leaving Resource Holding Management Limited in 2014, she was appointed as corporate advisor of Swiss Biological Medicine Group Ltd. pursuing for a potential listing on LSE. In 2016, Swiss Biological Medicine Group Ltd became a subsidiary of Huapont Life Science Co. Ltd. which is listed on Shenzhen Exchange Board. Subsequently, she was appointed as a director of Paracelsus Biomedicine GmbH, a wholly owned subsidiary of Swiss Biological Medicine Group Ltd. She resigned as a director on 1 March 2022.

She was appointed to the board of directors of companies that are listed on Bursa Securities, namely Seremban Engineering Berhad on 22 April 2016 as the Independent Non-Executive Director and Success Transformer Corporation Berhad on 23 September 2016 as the Independent Non-Executive Director. She also sits on the board of various other private limited companies based in Malaysia of which are set out in Section 5.2.4 of this Prospectus.

Yeoh Su Hui

Independent Non-Executive Director

Yeoh Su Hui, a Malaysian, aged 49, is our Independent Non-Executive Director. She was appointed to our Board on 16 August 2021. She is the Chairman of the Nominating Committee as well as a member of the Audit and Risk Management Committee and Remuneration Committee.

She graduated with a Bachelor of Laws from University of Sheffield, United Kingdom in 1995. In 1996, she obtained her Certificate in Legal Practice and was called to the Malaysian Bar as an Advocate and Solicitor in 1997.

She began her career at Messrs Ghazi & Lim, Penang in 1997 as a legal assistant and was involved in spearheading the firm's Butterworth branch's conveyancing department. In 1999, she joined Messrs Lee Hishammuddin, Penang, as a legal assistant. She was responsible for housing development work. In 2002, she lectured and tutored Business Law at Disted College, Penang, for its twinning program with University of Deakin, South Australia. In 2003, she joined Messrs Shahrizat Rashid & Lee as a Senior Associate. She was in charge of expanding the corporate and conveyancing department. Subsequently, she joined Messrs Mureli Navaratnam in 2006 as a Partner, a position she still holds to-date, heading the corporate and conveyancing department of the firm.

She is also a director in another private limited company based in Malaysia which is set out in Section 5.2.4 of this Prospectus.

5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.2.3 Directors' shareholdings

The direct and indirect shareholdings of our Directors in our Company as at the LPD and after our IPO are as follows:

Directors	Before our IPO / As at the LPD				After our IPO			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(a)(%)	No. of Shares	(a)(%)	No. of Shares	(b)(%)	No. of Shares	(b)(%)
Dato' Hamzah Bin Mohd Salleh	-	-	-	-	(c)300,000	0.04	-	-
Keeoh Beng Huat	550,770,000	92.95	-	-	550,770,000	68.85	-	-
Chang Chee Jia	-	-	-	-	(c)1,700,000	0.21	-	-
Dato' Cheok Lay Leng	-	-	-	-	(c)300,000	0.04	-	-
Chan Foong Ping	-	-	-	-	(c)300,000	0.04	-	-
Yeoh Su Hui	-	-	-	-	(c)300,000	0.04	-	-

Notes:

- (a) Based on our issued share capital of 592,560,000 Shares after the Acquisitions but before our IPO.
- (b) Based on our enlarged issued share capital of 800,000,000 Shares after the Public Issue.
- (c) Assuming that he / she will fully subscribe for his / her entitlements under the Pink Form Allocation.

5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.2.4 Principal business activities and directorships in other corporations for the past 5 years

Save as disclosed below, as at the LPD, none of our Directors have any principal business activities performed outside our Group (including principal directorships in the past 5 years preceding the LPD):

(a) Dato Hamzah Bin Mohd Salleh

Company	Principal activities	Involvement in business activities	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
<u>Present involvement:</u> A2 Fresh Holdings Sdn Bhd	Investment holding company, where its subsidiaries are engaged in the wholesale and distribution of pharmaceutical and veterinary products as well as retail sales of livestock feeds. The subsidiaries are also involved in the provision of training, dairy farming and engaged in raising, breeding and production of semi-domesticated animals.	Director	11 January 2022	-	-	-
Autofleet Sdn Bhd	Investment holding company ^(a)	Director	15 October 2008	-	-	-
Best Auctions Global Sdn Bhd	Retail sale of second-hand goods ^(a)	Director / shareholder	23 December 2008	-	20.00	-
Best Autofleet Sdn Bhd	Renting and operational leasing of passenger cars ^(a)	Director / shareholder	1 December 2008	-	21.00	-
Cinria Sdn Bhd	General traders, manufacturers, importers, exporters and distributors, investment lands, houses, buildings and plantations, investment shares, stocks and debentures ^(b)	Shareholder	-	-	20.00	-
Doz Construction Sendirian Berhad	Investment holding in construction related field	Director	2 February 1996	-	-	-

5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Company	Principal activities	Involvement in business activities	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
Fleet Insurance Agency Sdn Bhd	Insurance agent	Director	9 July 1998	-	-	-
Kah Hong Precision Tooling Sdn Bhd	Manufacturing of automotive components, metal components and their related products with transportation services	Director	1 July 2021	-	-	-
Matagoda Holdings Sdn Bhd	Activities of holding companies ^(a)	Director / shareholder	19 October 2017	-	70.00	-
Nor Lazuli Nutrition Sdn Bhd	Livestock feeds manufacturing and distribution	Director	11 August 2020	-	-	-
Nor Livestock Farm Sdn Bhd	Raising, breeding and production of semi-domesticated animals and business of dairy farming	Director	11 August 2020	-	-	-
One Lazuli Sdn Bhd	Wholesale and distribution of pharmaceutical and veterinary products including animal feeds	Director	11 August 2020	-	-	-
Rhone Ma Holdings Berhad	Investment holding of non-listed shares of its subsidiary companies principally involved in providing end-to-end animal health solution, integrating the provision of animal health services, as well as the manufacturing and distribution of animal products focused mainly on the livestock industry ^(c)	Director	1 April 2015	-	-	-
Spanco Sdn Bhd	Investment holding and provision of fleet management involving the supply and lease of saloon vehicles	Director	2 April 1996	-	-	-

5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Company	Principal activities	Involvement in business activities	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
Techbond Group Berhad	Investment holding of non-listed shares of its subsidiary companies principally involved in developing, manufacturing and trading of industrial adhesives and sealants and providing supporting products and services ^(c)	Director / shareholder	2 January 2018	-	0.04	-
<u>Past involvement:</u> Harmin Delight Sdn Bhd	Dissoived on 4 December 2020	Director	28 August 2019	-	-	-
Mayang Ulung Sdn Bhd	Dissoived on 24 February 2017	Director	15 January 1996	-	-	-
PRG Holdings Berhad	Investment holding of non-listed shares of its subsidiary companies principally involved in manufacture and sale and marketing webbings, yarn, furniture components, rubber strips and fabrics, as well as being involved in the property development, construction, retail and healthcare industry ^(c)	Director	21 July 2003	27 December 2018	-	-

(b) Keoh Beng Huat

Company	Principal activities	Involvement in business activities	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
<u>Present involvement:</u> Stamp Ford Engineering Sdn Bhd	Manufacturing of metal turn parts ^(d)	Director / shareholder	6 August 1998	-	95.00	-

5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Company	Principal activities	Involvement in business activities	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
<u>Past involvement:</u> FAS Integration (Malaysia) Sdn Bhd	Fabrication of machine parts, sheet metal, precision machining and any other related products	Director	25 July 2013	12 March 2021	-	-
Laser Ford Engineering Sdn Bhd	Dissolved on 18 January 2019	Director / shareholder	27 February 2002	-	80.00	20.00 ^(c)
SFP Setia Sdn Bhd	Dissolved on 8 June 2018	Director	28 October 2013	-	-	-
Strait Fabrication Partner Sdn Bhd	Provision of mechanical manufacturing services, original equipment manufacturing and precision engineering services	Director	15 June 2017	5 July 2021	-	-

(c) Chang Chee Jia

Company	Principal activities	Involvement in business activities	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
<u>Present involvement:</u> Professional Golf Company Sdn Bhd	Trading of golf balls	Director / shareholder	14 May 2007	-	5.00	-

(d) Dato' Cheok Lay Leng

Company	Principal activities	Involvement in business activities	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
<u>Present involvement:</u> BSmart Technology Sdn Bhd	Providing research and development services related to telecommunication and information technology ^(b)	Shareholder	-	-	13.23	-

5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Company	Principal activities	Involvement in business activities	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
Infinecs Systems Sdn Bhd	Other information technology services activities, research and development on engineering and technology, research and development on information communication technology human resource consultancy services	Director / shareholder	27 April 2016	-	50.00	-
Olympic Cartel Sdn Bhd	Activities of holding companies	Director / shareholder	22 July 2010	-	57.13	-
Penang Tech Centre Bhd	To promote innovation, discovery and inspirational science and technology, to set up a technological centre and to encourage the next generation to develop skills and interest in science and technology and nature young scientific entrepreneurs	Director	5 September 2017	-	-	-
<u>Past involvement:</u> Tenaga Nasional Berhad	Investment holding of non-listed shares of its subsidiary companies principally involved in generation, transmission, distribution and sales of electricity ^(c)	Director	2 March 2020	1 October 2020	-	-
Netronome Malaysia Sdn Bhd	Dissolved on 30 June 2017	Director	10 August 2007	-	-	-
Adamas Consultants Sdn Bhd	Dissolved on 30 April 2020	Director / shareholder	6 April 2007	-	40.00	-

5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(e) Chan Foong Ping

Company	Principal activities	Involvement in business activities	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
<u>Present involvement:</u> PT Resources Holdings Berhad	Investment holding and provision of management services	Director	11 November 2020	-	-	-
Seremban Engineering Berhad	Investment holding of non-listed shares of its subsidiary companies principally involved in fabrication of process equipment and metal structures and the provision of maintenance, repair and shutdown works ^(c)	Director	22 April 2016	-	-	-
Success Transformer Corporation Berhad	Investment holding of non-listed shares of its subsidiary companies principally involved in distribution of electrical apparatus and industrial lighting ^(c)	Director	23 September 2016	-	-	-
<u>Past involvement:</u> Bionano Diagnostic System Sdn Bhd	Dissolved on 30 May 2017	Director / shareholder	27 January 2015	-	*	-
Paracelsus Biomedicine GmbH	Trading, biological medicine business development and product distribution, patient services call centre	Director	13 September 2016	1 March 2022	-	-

5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Company	Principal activities	Involvement in business activities	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
Wegmans Holdings Berhad	Investment holding of non-listed shares of its subsidiary companies principally involved in design, manufacture and sale of home furniture products ^(e)	Director / shareholder	29 May 2017	29 July 2020	*	-

(f) Yeoh Su Hui

Company	Principal activities	Involvement in business activities	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
Present involvement: Edtech Associates Sdn Bhd	Provision of analytical laboratory services	Director / shareholder	21 March 2005	-	3.40	-
Mureli Navaratnam	Provision of legal services	Partner	1 September 2007	-	-	-

Notes:

* Negligible

(a) Dormant, no immediate plans on carrying out any business operations.

(b) In the process of members' voluntary winding up.

(c) Company listed on Bursa Securities.

(d) In the process of liquidation. Please refer to Section 5.5 of this Prospectus for more information on the compulsory winding-up of Stamp Ford Engineering Sdn Bhd.

(e) Deemed interested by virtue of his spouse's direct shareholding in Laser Ford Engineering Sdn Bhd pursuant to Section 8 of the Act.

5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

5.2.5 Involvement of our Directors in other businesses or corporations

Save as disclosed in Section 5.2.4 of this Prospectus, our Directors are not involved in other businesses or corporations.

The involvement of our Executive Director in other directorship or business activity outside our Group is not expected to require a significant amount of his time or attention as he is not involved in the management and day-to-day operations of the business, other than attending the board of directors' meetings on which he serves. The business operations of the company are managed by its other directors and shareholders. As such, his involvement in the business activity outside our Group will not affect his ability to perform his roles and responsibilities, as well as his contribution to our Group.

The involvement of our Independent Non-Executive Chairman and Independent Non-Executive Directors in other directorships or business activities outside our Group are not expected to affect their contribution to our Group as they are not involved in our Group's day-to-day operations.

5.2.6 Key Senior Management

Our Key Senior Management comprises the following:

Name	Designation
Thiang Koe Tat (M)	Chief Financial Officer
Hong Lai Guan (M)	Chief Technical Officer
Ooi Chong Soon (M)	Head of Sales and Marketing
Foo Yee Chung (M)	Head of Engineering

Note:

(M) Male.

5.2.7 Key Senior Management's shareholdings

The direct and indirect shareholdings of our Key Senior Management in our Company before our IPO and after the Listing are as follows:

Name	Before our IPO / As at the LPD				After our IPO			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	^(a) (%)	No. of Shares	^(a) (%)	No. of Shares	^(b) (%)	No. of Shares	^(b) (%)
Thiang Koe Tat	-	-	-	-	^(c) 1,200,000	0.15	-	-
Hong Lai Guan	14,626,500	2.47	-	-	14,626,500	1.83	-	-
Ooi Chong Soon	14,626,500	2.47	-	-	14,626,500	1.83	-	-
Foo Yee Chung	-	-	-	-	^(c) 800,000	0.10	-	-

Notes:

- (a) Based on our issued share capital of 592,560,000 Shares after the Acquisitions but before our IPO.
- (b) Based on our enlarged issued share capital of 800,000,000 Shares after the Public Issue.
- (c) Assuming that he will fully subscribe for his entitlements under the Pink Form Allocations.

5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT (*Cont'd*)

5.2.8 Profiles of our Key Senior Management

The profiles of the Key Senior Management of our Group are as follows:

Thiang Koe Tat

Chief Financial Officer

Thiang Koe Tat, a Malaysian, aged 52, is our Chief Financial Officer. He graduated from Deakin University, Australia, with a Bachelor of Commerce in 1994. He became a member of the Certified Practising Accountant of Australia in 1997 and is a member of the MIA since 2001. Subsequently in 2003, he obtained his Master's in Business Administration / Management from Heriot-Watt University.

He began his career with Cooper & Lybrand (now known as PricewaterhouseCoopers) in 1995 as an Audit Assistant where he was involved in audit assignments of private and public listed companies. In 1996, he left Cooper & Lybrand to join Intel Technologies Sdn Bhd as a Finance Analyst where he was responsible for the budgeting and planning process for the company's Penang and Manila manufacturing factories. He then left Intel Technologies Sdn Bhd in 2000 to join Silterra (Malaysia) Sdn Bhd as the Finance Manager. He was responsible for the budgeting and accounting functions of the company. He left Silterra (Malaysia) Sdn Bhd in 2003 and subsequently joined Agilent Technologies Sdn Bhd as the Strategic Alliance / Commodity Manager. He was principally involved in cost management initiatives in contract manufacturer and sourcing of raw materials for the company's manufacturing activities. In 2006, he joined Marvell Semiconductor Sdn Bhd as the Financial Controller where he was responsible for overseeing the company's accounting and finance functions.

In 2007, he took up the Costing Manager position in Plexus Manufacturing Sdn Bhd where he was responsible for preparing and analysing cost and customer pricing strategy. He was later promoted to Costing Director in 2009 and was responsible for the company's pricing modelling and costing strategy. In 2015, he was promoted as the Asia Region Director of Operational Finance and was given the responsibility of overseeing the finance and operations of the company's factories in China and Malaysia. Upon leaving Plexus Manufacturing Sdn Bhd in 2017, he joined Aspion Sdn Bhd as the group Finance Director, providing financial guidance in cost management and cost reduction initiatives. He subsequently joined Ultra Clean Technologies Asia Pacific Pte Ltd as the Vice President of Finance Asia in 2018. He was responsible for providing financial leadership in cost optimisation strategies and improving the financial performance of the companies under Ultra Clean Technologies Asia Pacific Pte Ltd. In April 2020, he joined Comet Malaysia Sdn Bhd as the General Manager, in which he was responsible for supervising and assisting the company in setting up its operations.

He joined our Group in December 2020 and is currently responsible for overseeing the accounting and finance functions of our Group.

Hong Lai Guan

Chief Technical Officer

Hong Lai Guan, a Malaysian, aged 46, is our Chief Technical Officer. He graduated with a Diploma in Robotics Engineering from Institut First Robotics Industrial Science in 1996. Subsequently in 2008, he obtained his Master's in Business Administration from Edision University of Technology.

Upon completing his Diploma, he began his career with Pentamaster Technology (M) Sdn Bhd as a Technician. He was responsible for performing diagnostic tests on the assembly, test and support machineries. Within Pentamaster Technology (M) Sdn Bhd, he was promoted to Mechanical Designer in 1996, Senior Mechanical Designer in 1999, Section Manager in 2001, Senior Section Manager in 2002 and Department Manager in 2004. During his tenure with the company, he was responsible for the research and development of design and development of machines, as well as the sales and engineering activities of the company. In 2009, he was transferred within the Pentamaster group of companies to Pentamaster Engineering (M) Sdn Bhd and was promoted to Senior Department Manager where he was responsible for overseeing the department's production operations. Subsequently, he was promoted to Division Manager in 2010. He was responsible for overseeing the operations of the company which includes the production, sales and engineering activities.

5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Upon leaving Pentamaster Engineering (M) Sdn Bhd in 2011, he founded Mecades Technologies Sdn Bhd (now known as Ceneric Technologies Sdn Bhd) and was the Director of Design. The company was principally involved in the installation of industrial machinery and equipment. He subsequently resigned as the Director of Design in 2012 and disposed his shareholdings and resigned as a director of the company in 2013. He joined Marc16 Equipment Manufacturing Sdn Bhd in 2012 as the Business Development Manager and was promoted to Engineering Manager in 2015. The company was principally involved in trading, design and supplying machines while he was responsible for overseeing the company's engineering operations. In 2016, he left Marc16 Equipment Manufacturing Sdn Bhd and joined EEASB as the Director of Operation, mainly involved in the design and production operations of the company. In the same year, he engaged in a management buyout and became a major shareholder of EEASB. He assumed the role of Chief Technical Officer of our Group in 2021 and is responsible for our technical and integration works, as well as our Group's product design and development.

Ooi Chong Soon

Head of Sales & Marketing

Ooi Chong Soon, a Malaysian, aged 50, is our Head of Sales & Marketing. He graduated from Sultan Abdul Halim Muadzam Shah Polytechnic with a Certificate in Manufacturing Technology in 1993 and Diploma in Manufacturing Technology in 1995. Subsequently in 2007, he obtained his Master of Business Administration from Paramount University of Technology, USA.

Upon completing his Diploma in 1995, he began his career as a Mechanical Designer in the Mechanical Design Department of Pentamaster Technology (M) Sdn Bhd. He was responsible for the mechanical design of semiconductor equipment, as well as jigs and fixtures. In 2000, he was promoted to Section Manager where he led a team of design engineers. Subsequently, he was promoted to Senior Section Manager in 2001 and was responsible for the operations and research and development projects of the Mechanical Design Department. He was later transferred within the Pentamaster group of companies to Pentamaster Engineering (M) Sdn Bhd in 2002 and retained his existing position and responsibilities. During his tenure with Pentamaster Engineering (M) Sdn Bhd, he was promoted to Department Manager in 2003, Senior Department Manager of the Mechanical Design Department in 2005, before being promoted to Engineering Division Manager in 2008. He was mainly responsible for overseeing the operations of the department, as well as implementing quality management systems. In 2018, he was transferred back to Pentamaster Technology (M) Sdn Bhd as the Technology Division Manager. He was responsible for the department's operations, as well as implementation of ISO procedures and cost reduction initiatives.

Upon leaving in 2010, he joined Marc16 Equipment Manufacturing Sdn Bhd as a Director and Operation Manager. He was responsible for the sales and operations of the company. Subsequently, he joined Simplexity Automation Sdn Bhd in 2015 as the Automation Industries Operation Manager and was involved in expanding the company's overseas presence. He left the company in 2017 to join EEASB as a Director and became a shareholder of EEASB by acquiring shares in the company. He is in charge of the sales and marketing of the company. He assumed the role as Head of Sales & Marketing of our Group in 2021 and is responsible for overseeing the sales and marketing operations, as well as our Group's product and sales expansion plans.

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5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Foo Yee Chung
Head of Engineering

Foo Yee Chung, a Malaysian, aged 54, is our Head of Engineering. He graduated from the University of Canterbury, New Zealand, with a Bachelor of Mechanical Engineering in 1991. Subsequently in 2008, he obtained his Master in Business Administration from Heriot-Watt University, United Kingdom.

He started his career with Applied Magnetics (M) Sdn Bhd in 1991 as a Development Engineer where he was involved in the enhancement of the company's production line system. He then joined Read-Rite (M) Sdn Bhd in 1994 as a Senior Tooling Engineer and was involved in the research and development of tools, jig and fixtures for production usage. In 1995, he left Read-Rite (M) Sdn Bhd and joined Penang Seagate Industries (M) Sdn Bhd as a Staff Engineer and was involved in the research and development of tools, jig and fixtures used for production activities. Within Penang Seagate Industries (M) Sdn Bhd, he was promoted to Senior Staff Engineer in 2006 and Senior Engineering Manager in 2014. During his tenure with Penang Seagate Industries (M) Sdn Bhd, he was responsible for product development and integration, as well as the project cost budgeting.

He left Penang Seagate Industries (M) Sdn Bhd to join STSB in 2017 as our Technical Business Manager. On 1 July 2021, he was promoted to Head of Engineering of our Group and is primarily responsible for overseeing the production and engineering operations, as well as our Group's engineering activities expansion plans.

5.2.9 Involvement of our Key Senior Management in other businesses or corporations

Save as disclosed below, as at the LPD, none of our Key Senior Management have any principal business activities performed outside our Group (including principal directorships in the past 5 years preceding the LPD):

(a) Hong Lai Guan

Company	Principal activities	Involvement in business activities	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
Past involvement: CNE Holdings Sdn Bhd	Wholesale and installation of industrial machinery, equipment and supplies	Director	14 February 2020	24 December 2020	-	-
Newave Technologies Sdn Bhd (formally known as EST Exhibit Technology Sdn Bhd)	Provision of machinery, equipment, material and automation design	Director	16 June 2017	24 June 2021	-	-

5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(b) Ooi Chong Soon

Company	Principal activities	Involvement in business activities	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
Past involvement: Newave Technologies Sdn Bhd (formally known as EST Exhibit Technology Sdn Bhd)	Provision of machinery, equipment, material and automation design	Director	16 June 2017	24 June 2021	-	-

5.3 BOARD PRACTICES

5.3.1 Directorship

As at the LPD, the details of the date of expiration of the current term of office for each of the Directors and the period for which the Directors have served in that office are as follows:

Name	Designation	Date of expiration of the current term of office	No. of years in office
Dato' Hamzah Bin Mohd Salleh	Independent Non-Executive Chairman	At the 2 nd AGM of our Company	Less than 1 year
Keoh Beng Huat	Managing Director	At the 2 nd AGM of our Company	Less than 1 year
Chang Chee Jia	Executive Director cum Chief Executive Officer	At the 2 nd AGM of our Company	Less than 1 year
Dato' Cheok Lay Leng	Independent Non-Executive Director	At the 2 nd AGM of our Company	Less than 1 year
Chan Foong Ping	Independent Non-Executive Director	At the 2 nd AGM of our Company	Less than 1 year
Yeoh Su Hui	Independent Non-Executive Director	At the 2 nd AGM of our Company	Less than 1 year

5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT (*Cont'd*)

In accordance with our Company's Constitution, all the Directors shall retire from office at the first AGM of our Company and 1/3 (or the number nearest to 1/3) of our Directors for the time being, shall retire by rotation at the AGM of our Company in every subsequent year and shall be eligible for re-election provided always that all the Directors shall retire at least once in each 3 years but shall be eligible for re-election. Any Director appointed either to fill a casual vacancy or as an addition to the existing Directors shall hold office only until the next AGM and shall then be eligible for re-election. None of our Directors has been appointed for a fixed term.

5.3.2 Audit and Risk Management Committee

Our Audit and Risk Management Committee was established on 10 September 2021 and its members are appointed by our Board. Our Audit and Risk Management Committee comprises the following members:

Name	Designation	Directorship
Chan Foong Ping	Chairman	Independent Non-Executive Director
Dato' Cheok Lay Leng	Member	Independent Non-Executive Director
Yeoh Su Hui	Member	Independent Non-Executive Director

The main functions of the Audit and Risk Management Committee include:

- (a) to review major audit findings and management's response during the year with external auditors and internal auditors, including the status of previous audit recommendation;
- (b) to review the quarterly results to Bursa Securities and year-end financial statements of our Group before submission to our Board;
- (c) to consider the nomination and appointment of external auditors and, if found appropriate, to recommend their appointment and their audit fee;
- (d) to discuss with the external auditors, prior to the commencement of audit, their audit plan, which shall state the nature of the audit, and to ensure an effective co-ordination of audit, where more than one audit firm is involved;
- (e) to review, in respect of internal audit functions, amongst others, the adequacy of the audit scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its functions;
- (f) to monitor any related party transactions and situations where a conflict of interest may arise within our Group, including any transaction, procedure or course of conduct that raises questions of management integrity, as well as to assess the financial risks relating to such transactions, and to ensure that our Directors report such transactions annually to our shareholders via the annual report;
- (g) to review the reports in relation to the adequacy and integrity of our Group's internal control system and to review the results of the annual review done on the system of internal control and the risk management framework;
- (h) to discuss issues and matters arising from the interim and final external audits, and any matters the external auditors and / or internal auditors may wish to discuss (in the absence of management, where necessary);
- (i) to oversee the Group's overall risk management framework and policies, and to assess the effectiveness of the risk management framework, review and monitor risk reporting;
- (j) to report promptly to Bursa Securities and / or to SC on any matter reported to our Board, which has not been satisfactorily resolved resulting in the breach of the Listing Requirements, rules and guidelines issued by Bursa Securities and / or the SC;

5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

- (k) to review and re-assess the adequacy of its terms of reference annually, and when necessary, make recommendation to the Board to modify; and
- (l) to consider other matters as may be directed by our Board from time to time.

5.3.3 Remuneration Committee

Our Remuneration Committee was established on 10 September 2021 and its members are appointed by our Board. Our Remuneration Committee comprises the following members:

Name	Designation	Directorship
Dato' Cheok Lay Leng	Chairman	Independent Non-Executive Director
Chan Foong Ping	Member	Independent Non-Executive Director
Yeoh Su Hui	Member	Independent Non-Executive Director

The main functions of the Remuneration Committee include:

- (a) review and implement Group's policy and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Directors and senior management of the Group;
- (b) review the remuneration packages, annual salary increments and bonuses of Executive Directors and senior management, having regard to among others, Company's performance in managing material sustainability risks and opportunities, the Group's operating results, individual performance and comparable market statistics, and recommend to the Board for approval;
- (c) align remuneration with business strategy and long-term business objectives of the Group;
- (d) review compensation policy of Directors and senior management, and compensations offered are in line with market practice;
- (e) ensure fees and benefits payable to the Directors, and any compensation for loss of employment of executive Directors are approved by the shareholders at General Meetings;
- (f) recommend the engagement of external professional advisors to assist and / or advise the Committee, on remuneration matters, where necessary;
- (g) to carry out other responsibilities, functions or assignments as may be agreed by the Board from time to time; and
- (h) review and report to the Board the statement with regard to the state of remuneration committee and beneficiaries for inclusion in the annual report of the company.

5.3.4 Nominating Committee

Our Nominating Committee was established on 10 September 2021 and its members are appointed by our Board. Our Nominating Committee comprises the following members:

Name	Designation	Directorship
Yeoh Su Hui	Chairman	Independent Non-Executive Director
Dato' Cheok Lay Leng	Member	Independent Non-Executive Director
Chan Foong Ping	Member	Independent Non-Executive Director

5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

The main functions of the Nominating Committee include:

- (a) to recommend to the Board new candidate(s) for appointment (taking into account gender diversity) and to recommend to the Board re-appointment / re-election of Directors. In making a recommendation to the Board on the candidate(s) for directorship, the Nominating Committee will consider the skills, knowledge, ability, expertise, experience, professionalism and integrity of the candidate(s), and any potential conflict of interest. In the case of candidates for the position of independent non-executive directors, the Nominating Committee will also evaluate the candidates' ability to discharge such responsibilities or functions as expected from independent non-executive directors;
- (b) to conduct annual assessment on Board, Board Committees and individual Directors and to annually review, or as required, the required mix of skills, diversity, business and professional experiences that should be added to the Board;
- (c) to appraise each individual Director in terms of his experience, knowledge, credibility and credential, and assess their effectiveness and contribution in carrying out their obligations and duties as a Board member;
- (d) to examine the ability of each Director in contributing to the effective decision making process of the Board and ensure that the Board and Board Committees are functioning actively, efficiently and effectively in all its decision making;
- (e) to review, the independence of its Independent Directors and to review, when necessary, the criteria to assess independence of the Independent Directors of the Company;
- (f) to assess the effectiveness of the Board as a whole and the Committees of the Board;
- (g) to annually review the term of office and performance of the Audit and Risk Management Committee;
- (h) to review annually the Board diversity including gender, age, experience and ethnicity;
- (i) to review annually its own performance and Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval;
- (j) to review the Board and management's succession plans from time to time, taking into account the challenges faced by and / or opportunities available to the Company, the skills and knowledge, including diversity needed by the Board in future; and
- (k) to ensure orientation and educational programmes are provided for new members of the Board, and to review / evaluate and / or determine the Directors' continuing education programmes to aid the Directors in the discharge of their duties.

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5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.4 REMUNERATION OF DIRECTORS AND KEY SENIOR MANAGEMENT

5.4.1 Directors' remuneration and material benefits in-kind

The details of the remuneration and material benefits in-kind paid and proposed to be paid to our Directors for services rendered to our Group in all capacities for the FYE 2021 and FYE 2022 are as follows:

FYE 2021 (Actual)	Fees (RM)	Salary (RM)	Bonus (RM)	Allowances (RM)	Statutory contributions (EPF, SOCSO and EIS) (RM)	Benefits in- kind (RM)	Total (RM)
<u>Executive Directors:</u>							
Keoh Beng Huat	-	1,080,000	200,000	-	154,523	-	1,434,523
Chang Chee Jia ^(a)	-	271,154	40,893	22,423	40,869	-	375,339
<u>Independent Directors:</u>							
Dato' Hamzah Bin Mohd Salleh ^(b)	^(b) 22,500	-	-	-	-	-	22,500
Dato' Cheok Lay Leng ^(b)	^(b) 18,000	-	-	-	-	-	18,000
Chan Foong Ping ^(b)	^(b) 18,000	-	-	-	-	-	18,000
Yeoh Su Hui ^(b)	^(b) 18,000	-	-	-	-	-	18,000

Notes:

- (a) Joined our Group in February 2021.
- (b) The fees are pro-rated from 16 August 2021, being the date of their appointment to our Board.

5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

FYE 2022 (Proposed)	Fees (RM)	Salary (RM)	Bonus (RM)	Allowances (RM)	Statutory contributions (EPF, SOCSO and EIS) (RM)	Benefits in- kind (RM)	Total (RM)
<u>Executive Directors:</u>							
Keoh Beng Huat	-	1,080,000	(a)	-	130,380	-	1,210,380
Chang Chee Jia	-	300,000	(a)	24,000	39,590	-	363,590
<u>Independent Directors:</u>							
Dato' Hamzah Bin Mohd Salleh	60,000	-	-	-	-	-	60,000
Dato' Cheok Lay Leng	48,000	-	-	-	-	-	48,000
Chan Foong Ping	48,000	-	-	-	-	-	48,000
Yeoh Su Hui	48,000	-	-	-	-	-	48,000

Note:

(a) Final bonuses will be determined later based on the individual's performance as well as our Group's performance at the time of assessment.

The remuneration, which includes our Directors' salaries, bonuses, fees and allowances as well as other benefits of our Directors, must be considered and recommended by our Remuneration Committee and subsequently be approved by our Board. Our Directors' fees and / or benefits must be further approved by our shareholders at a general meeting.

5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

5.4.2 Key Senior Management's remuneration and material benefits in-kind

The aggregate remuneration and material benefits in-kind paid and proposed to be paid to our Key Senior Management for services rendered to our Group in all capacities for the FYE 2021 and FYE 2022 are as follows:

Key Senior Management	Remuneration band	
	FYE 2021	^(a) Proposed for the FYE 2022
	(RM'000)	(RM'000)
Thiang Koe Tat	250 to 300	250 to 300
Hong Lai Guan	^(b) 100 to 150	300 to 350
Ooi Chong Soon	^(b) 100 to 150	300 to 350
Foo Yee Chung	150 to 200	150 to 200

Notes:

- (a) Bonuses, if any, will be determined later based on the individual's performance as well as our Group's performance at the time of assessment.
- (b) The remuneration is pro-rated from 3 August 2021, being the date of signing of the conditional share sale agreement for the Acquisition of EEASB.

5.5 DECLARATIONS BY EACH PROMOTER, DIRECTOR AND KEY SENIOR MANAGEMENT

Save as disclosed below, none of our Promoter, Directors and Key Senior Management is or was involved in any of the following events, whether within or outside Malaysia:

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

5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Our Managing Director, Keoh Beng Huat, is a director of Stamp Ford Engineering Sdn Bhd (“SFE”). SFE was served with a creditor’s winding-up order by the High Court of Malaya on 13 May 2013 pursuant to legal action by a creditor for failure to pay an amount owing of RM192,519.04 for goods sold and delivered by the creditor to SFE at the request of SFE. Subsequent to the appointment of a liquidator on 13 May 2013, SFE has since been undergoing liquidation. Keoh Beng Huat had on 11 August 2014, in his capacity as a guarantor of SFE, paid the creditor in full. Subsequent to the lodgment of SFE’s statement of affairs, Keoh Beng Huat followed up with and is awaiting updates from the liquidator on the next steps such as the proposed timeline for submission to the High Court of Malaya of a preliminary report containing details of the share capital, assets and liabilities of SFE. This is a one-off incident and there is no other adverse incident on the character and integrity of Mr. Keoh. He has 38 years of experience and in-depth knowledge of the engineering support services industry and has spearheaded the growth of STSB over the years. As such the Board is confident that this one-off incident does not affect Keoh Beng Huat’s ability to discharge his duties and the Board believes that he is competent of executing his obligations and responsibilities as our Managing Director.

5.6 FAMILY RELATIONSHIPS AND ASSOCIATIONS

There are no family relationships or associations between our substantial shareholder, Promoter, Directors and Key Senior Management.

5.7 SERVICE AGREEMENTS

As at the LPD, save for the service contracts of Chang Chee Jia as our Chief Executive Officer and Thiang Koe Tat as our Chief Financial Officer as disclosed below, none of our Directors and / or Key Senior Management have any existing or proposed service agreement with our Group.

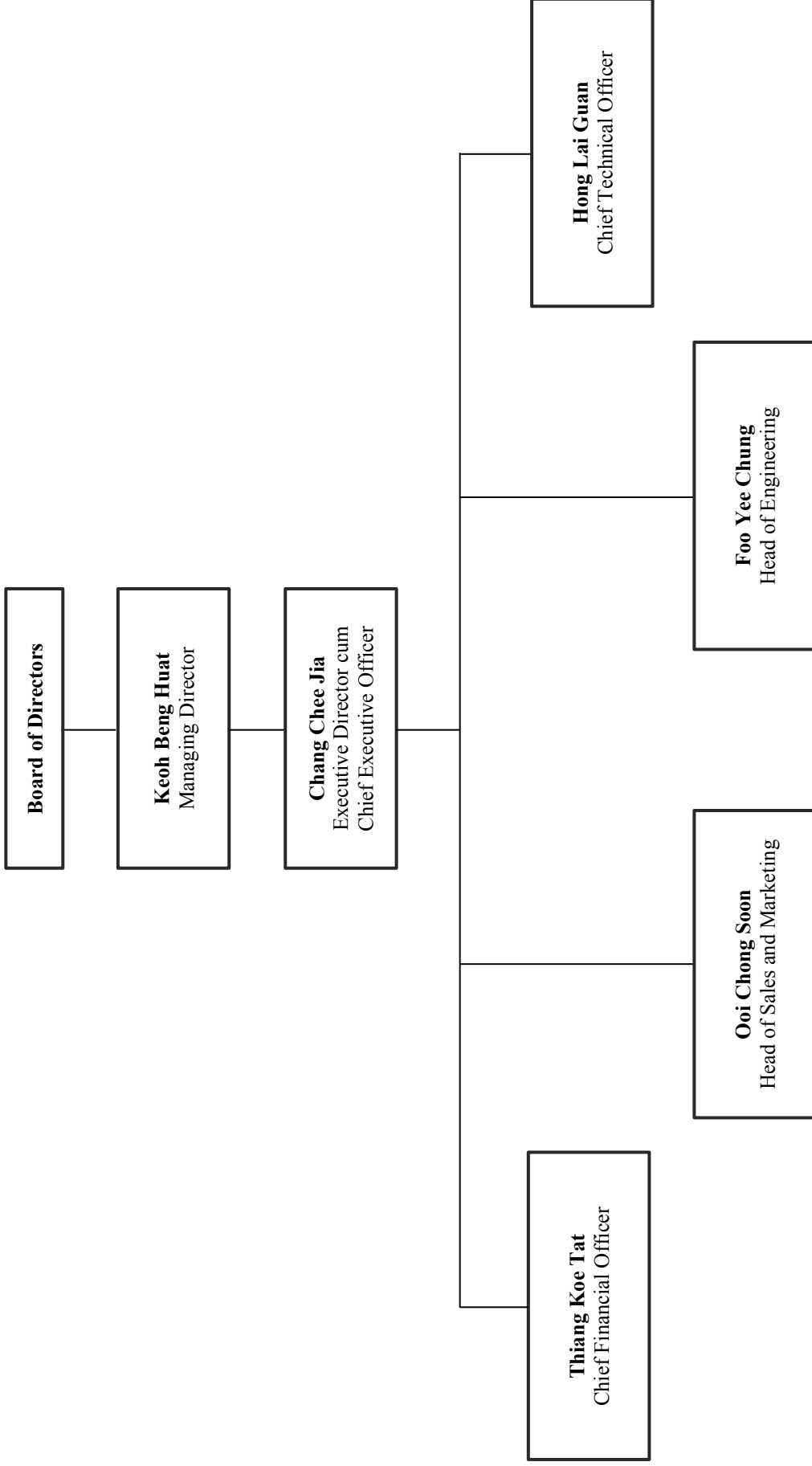
- (a) The salient terms of the service contract of Chang Chee Jia as our Chief Executive Officer are as follows:
 - (i) The duration of the service contract shall commence on 1 February 2021 and shall terminate on 31 January 2024 (“**Chief Executive Officer Service Period**”). The service contract of the Chief Executive Officer shall be extended for successive one-year periods or such other contract duration mutually agreed, unless either party serves notice to the other party of its intention not to extend the Chief Executive Officer Service Period; and
 - (ii) The service contract may be terminated by either party giving to their 6 months’ notice in writing or 6 months’ salary in lieu of such notice.

- (b) The salient terms of the service contract of Thiang Koe Tat as our Chief Financial Officer are as follows:
 - (i) The duration of the service contract shall commence on 1 December 2020 and shall terminate on 30 November 2023 (“**Chief Financial Officer Service Period**”). The service contract of the Chief Financial Officer shall be extended for successive one-year periods or such other contract duration mutually agreed, unless either party serves notice to the other party of its intention not to extend the Chief Financial Officer Service Period; and
 - (ii) The service contract may be terminated by either party giving to their 6 months’ notice in writing or 6 months’ salary in lieu of such notice.

5. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.8 MANAGEMENT REPORTING STRUCTURE

The management reporting structure of our Group is as follows:



6. INFORMATION ON OUR GROUP

6.1 INFORMATION ON OUR GROUP

Our Company (Registration No. 202101004713 (1405012-M)) was incorporated in Malaysia under the Act on 8 February 2021 as a private limited company under the name SFP Tech Holdings Sdn Bhd and was subsequently converted into a public limited company on 3 September 2021 and assumed our present name.

We are an investment holding company and are engaged in the provision of management services to our Subsidiaries. Our Subsidiaries are principally involved in the provision of sheet metal fabrication, CNC machining, mechanical assembly and automation equipment solutions.

Details of our Subsidiaries are set out below:

<u>Subsidiary</u>	<u>Date and place of incorporation</u>	<u>Date of commencement of business</u>	<u>Effective equity interest</u>	<u>Principal activities</u>
STSB	2 October 2012 / Malaysia	2 October 2012	100.00%	Provision of sheet metal fabrication, CNC machining and mechanical assembly services
EEASB	29 May 2015 / Malaysia	14 July 2015	100.00%	Provision of automation equipment solutions and trading of spare parts

6.1.1 History and background of the Group

The history of our business can be traced back to 2012, where Keoh Beng Huat together with his spouse incorporated Stampford Technology Sdn Bhd (now known as STSB) and was mainly involved in sheet metal fabrication services which included metal cutting, bending, welding as well as minor assembly of fabricated parts for our customers in the machinery and equipment, as well as the E&E industry. The operations of the company were carried out at a rented factory with a built-up area of approximately 24,218 sq ft in Bukit Minyak, Penang and catered to both local and foreign customers.

In 2013, we expanded our service offerings by providing sub-modular mechanical assembly services for frames and enclosures such as machine structures, machine frames and metal enclosures, to support our customers' assembly requirement. In the same year, we also ventured into the provision of CNC machining services to fabricate precision-machined components with tight tolerance of as low as 3 micrometres. Over the years, our continued expansion of our machinery and equipment allowed us to offer integrated engineering supporting services in a timely and cost-effective manner, enabling us to serve a more diversified semiconductor industry.

In 2015, STSB obtained pioneer status granted by MIDA under "design, development and manufacture of semiconductor test head manipulator" which was valid from 22 January 2015 up to 21 January 2020. The pioneer status granted was subsequently extended to 21 January 2025.

In 2016, in order to remain competitive amidst the growing demand from our customers in the semiconductor industry, we continuously invested in advanced machinery and equipment such as laser and turret punching combination machines. Further, in line with our business expansion plans on expanding our sheet metal fabrication segment and CNC machining segment and to cater to the increased demand from our existing customers and to facilitate the potential expansion of our customer base, we acquired Plot 350(B) in Bukit Minyak, Penang measuring approximately 60,967 sq ft for the construction of Manufacturing Plant 1.

6. INFORMATION ON OUR GROUP *(Cont'd)*

In 2017, we had expanded our customer base to include customers from the Solar PV industry as well as the test and measurement equipment industry. Additionally, we have been assessed and certified with ISO 9001:2008 under the scope of “Manufacturing of Sheet Metal Precision Engineering Parts, Including Assembly of Fabricated and Machined Components such as Tools, Jigs & Fixtures”. This accreditation was subsequently updated to ISO 9001:2015 in 2020. In 2017, we also began construction of Manufacturing Plant 1 which was completed in 2018 and subsequent thereto, we had relocated from our rented factory at Plot 244, Penang to Manufacturing Plant 1 in the same year. To further accommodate our business growth predominantly for our CNC machining segment, in 2017 we also acquired Plot 350(A), a piece of land adjacent to Plot 350(B), measuring approximately 106,304 sq ft for the construction of Manufacturing Plant 2.

In 2019, the construction of Manufacturing Plant 2 was completed and currently houses our machining, sub-modular mechanical and full assembly operations. In 2020, we acquired Plot 322 measuring approximately 176,173 sq ft in Bukit Minyak, which has been earmarked for the construction of Manufacturing Plant 3. STSB continued to expand its production capabilities by investing in CNC 5-axis machining machines and grinding machines which enabled it to fabricate products with more complex shapes, designs, and aesthetic surface finishes as well as greater precision in a shorter time.

In 2021, our Group acquired EEASB as part of our business expansion plan to provide additional services which complements our existing engineering supporting services. The acquisition was completed on 18 March 2022. EEASB specialises in automation equipment solution and was granted pioneer status by MIDA under “factory automation machine and related modules” which is valid from 1 November 2018 to 31 October 2023. The Acquisition of EEASB allows our Group to provide automation equipment solutions ranging from designing, assembling to commissioning of equipment, which complements our engineering supporting services to our customers. Upon completion of the Acquisition of EEASB, the business operations of EEASB will be relocated to Manufacturing Plant 2 and subsequent thereto, the Assembly Facility will be utilised as an additional warehouse for the storage of completed automated equipment solutions products. Our Group intends to undertake an internal restructuring to consolidate the administrative and finance functions of STSB and EEASB to avoid any duplication and for cost savings. We also intend to consolidate the D&D aspects of both our Subsidiaries in order to share technical and design knowledge, the mechanical and software skills as well as grow in terms product know-how and developments across the process supply chain thus enhancing and improving the products and services of our Group. STSB will continue to focus on the engineering supporting service segment whilst EEASB will focus on the automated equipment solution segment. Nonetheless, our Group will cross-sell both engineering supporting services and automated equipment solutions to the existing and potential customers of our respective Subsidiaries as well as promote our Group as a one-stop automated equipment solution provider.

Over the years, we have grown from a sheet metal fabricator to an integrated engineering supporting service provider with a range of services from fabrication process, CNC machining to sub-modular mechanical assembly and full assembly serving our customers in the semiconductor, E&E and Solar PV industries. We have also diversified our business activities to include automated equipment solutions.

6.1.2 Key achievement and milestones of our Group

The table below sets out our key achievements and milestones since establishment:

<u>Year</u>	<u>Key achievements and milestones</u>
2012	<ul style="list-style-type: none"> • Incorporation of Stampford Technology Sdn Bhd in Malaysia on 2 October 2012 and changed its name to STSB on 22 November 2012 • Commenced business operations as a sheet metal fabricator of machined parts and components
2013	<ul style="list-style-type: none"> • Expansion of service offerings to include sub-modular mechanical assembly and provision of CNC machining services

6. INFORMATION ON OUR GROUP *(Cont'd)*

Year	Key achievements and milestones
2015	<ul style="list-style-type: none"> Pioneer status granted by MIDA for design, development and manufacture of semiconductor test head manipulator effective 22 January 2015 to 21 January 2020 which was subsequently extended to 21 January 2025
2016	<ul style="list-style-type: none"> Invested in laser and turret punching combination machines via grant provided by MIDA Acquired Plot 350 (B) measuring approximately 60,967 sq ft at Kawasan Perindustrian Bukit Minyak
2017	<ul style="list-style-type: none"> Commenced construction of Manufacturing Plant 1 Assessed and certified with ISO 9001:2008 under the scope of “Manufacturing of Sheet Metal Precision Engineering Parts, Including Assembly of Fabricated and Machined Components such as Tools, Jigs & Fixtures”. This accreditation was subsequently updated to ISO 9001:2015 in 2020 Acquired Plot 350(A) which is adjacent to Plot 350(B) measuring 106,304 sq ft and commenced construction of Manufacturing Plant 2
2018	<ul style="list-style-type: none"> Completed construction of Manufacturing Plant 1 with a built-up area of approximately 57,049 sq ft Relocated our operations from our rented factory on Plot 244 to Manufacturing Plant 1
2019	<ul style="list-style-type: none"> Completed construction of Manufacturing Plant 2 with a built-up area of approximately 90,417 sq ft
2020	<ul style="list-style-type: none"> Acquired Plot 322 measuring approximately 176,173 sq ft, which is earmarked for our future plan for the construction of Manufacturing Plant 3
2021	<ul style="list-style-type: none"> Acquisition of EEASB which allowed our Group to provide automation equipment solutions which complements our engineering supporting services. The Acquisition was completed on 18 March 2022

6.1.3 Awards and recognition

Save for ISO 9001:2015 certification as mentioned in Sections 6.1.1 and 6.1.2 of this Prospectus, we do not have any other awards and recognition as at the LPD.

6.1.4 Our competitive advantages and key strengths

(a) Integration capabilities to provide engineering supporting services and automated equipment solutions

As an engineering supporting service provider, we provide services ranging from sheet metal fabrication, CNC machining to mechanical assembly services for our customers which are predominantly in the semiconductor, E&E and Solar PV industries. With the inclusion of the automated equipment solutions business segment through the acquisition of EEASB in 2021 which was completed in 2022, we are in a unique position with integrated capabilities within the ESI, to cross-sell both engineering supporting services and automated equipment solutions to our existing and potential customers, provide a wider range of services to our customers’ manufacturing needs, as well as becoming a one-stop automated equipment solutions provider from production of in-house component parts up to the assembly of the complete automated equipment.

6. INFORMATION ON OUR GROUP (Cont'd)

Our integrated capabilities have enabled us to:

- (i) become a one-stop automated equipment solution provider, from designing of the automated equipment based on the customers' requirement, development of the required software to operate the equipment, involve in the fabrication of the component parts up to the assembly of the complete automated equipment, resulting in lower cost of production, better margins and competitive pricing;
- (ii) have complete control over the entire production and assembly process for sheet metal parts, precision-machined components and automated equipment. This in turn, allows us to readily track and monitor the entire process thus enabling us to trace the source of any issue which may arise. The ability to quickly detect the root cause and diagnose the problem throughout the supply chain is critical for our customers; and
- (iii) better serve our customers by providing them one-stop solution for their manufacturing needs.

Accordingly, we benefit from stronger relationships with our customers by better serving them, while they benefit from increased efficiency, reduced lead time and minimised cost that would otherwise not be possible when dealing with multiple parties.

(b) Established track record and business relationship with our customers in the engineering supporting services segment

We have an established track record and business relationship with our customers which includes well-established MNCs in the semiconductor industry, namely Customer S (as defined in Section 6.18 of this Prospectus), Electro Scientific Industries group of companies (through Electro Scientific Industries Pte Ltd and Electro Scientific Industries, Inc) and Teradyne group of companies (through Teradyne, Inc. and Teradyne (Asia) Pte Ltd).

Please refer to Section 6.18 of this Prospectus for further information on the abovementioned companies.

Our ability in establishing a track record and maintaining strong relationships with our customers are attributable to our capabilities in providing quality products and services which meet their requirements, as well as prompt delivery of our products to meet their specified time frames. In addition, we are able to comply with the supplier selection processes required by some of our customers which include audits, assessments and factory visits.

Furthermore, we believe that our pro-active communications with our customers on their product D&D, as well as our commitment in ensuring product confidentiality have enabled us to gain our customers' trust and to build a strong business relationship with them. Our established track record and business relationships with customers provide us with a strong platform to attract future business opportunities.

(c) Continuous investment in advanced machinery and equipment for our engineering supporting services segment

We have continuously invested in advanced machinery and equipment in order to expand our range of products and services to include more complex products, larger size products and with higher accuracy / tolerance, as well as to better serve and support our customers from various industries, namely the semiconductor, E&E and solar PV industry. We use a variety of machinery and equipment to produce metal workpieces and metal piece-parts in accordance with the designs and specifications of our customers. As at the LPD, we own and utilise 166 material machinery and equipment comprising of, amongst others, 5-axis CNC machines, laser cut and punch machines, as well as welding machines.

Please refer to Section 6.16.2 of this Prospectus for further details of our material machinery and equipment.

6. INFORMATION ON OUR GROUP (Cont'd)

For the FYE 2018, FYE 2019, FYE 2020 and FYE 2021, we invested RM1.53 million, RM13.71 million, RM3.78 million and RM25.78 million respectively in various machinery and equipment to support our production activities. The higher investment in machinery and equipment for the FYE 2021 was mainly to purchase additional machineries to expand our manufacturing capabilities. Our continuous capital expenditure in advanced machinery and equipment allows us to increase our production efficiency through more complex fabrication and machining at higher precision and tighter tolerance finishes. We are also able to support one-stop finishing solutions, such as grinding, buffing and polishing for our customers. This enables our customers to reduce the number of suppliers to outsource from.

Additionally, to be qualified as an approved vendor, some of our customers require us to own certain machineries which meets their capacity and capabilities, such as 5-axis CNC machines which are capable of producing high precision-machined components. Potential customers are also able to measure our capability and capacity to undertake an order by analysing the number and types of machinery and equipment we own. Our machines are not reserved to cater to any one specific customer but can be utilised for orders from all customers.

(d) Experienced management and technical team

We have an experienced management team with vast knowledge and experience in their respective fields. The growth of our Group has been spearheaded by our Managing Director, Keoh Beng Huat, who has more than 38 years of experience in the engineering supporting services industry. Currently, he is supported by our Key Senior Management as follows:

Name	Designation	Years of relevant working experience
Chang Chee Jia	Executive Director cum Chief Executive Officer	31
Thiang Koe Tat	Chief Financial Officer	27
Hong Lai Guan	Chief Technical Officer	27
Ooi Chong Soon	Head of Sales and Marketing	27
Foo Yee Chung	Head of Engineering	31

Our Chief Executive Officer brings with him over 30 years of experience in the corporate world with exposure in several MNCs which would allow him to assist the Managing Director in the implementation of business strategies and plans, as well as work together to spearhead our Group forward.

Our Chief Executive Officer and Chief Financial Officer are on service contracts up to 31 January 2024 and 30 November 2023, respectively. Nonetheless, the services of the Chief Executive Officer and Chief Financial Officer would continue subsequent to the contracted duration as their services shall be extended for successive one year periods or such other contract duration mutually agreed, unless notice is given not to extend pursuant to their respective service contracts.

Please refer to Section 5.7 of this Prospectus for further information on the service contracts of our Chief Executive Officer and Chief Financial Officer.

In addition to our Key Senior Management, our Group is supported by an experienced engineering and technical team which comprises 171 technical and supervisory personnel as at the LPD. We believe that the experiences and expertise of our Managing Director and Key Senior Management will help sustain our business and provide the platform for future growth.

Please refer to Sections 5.1.2, 5.2.2 and 5.2.8 of this Prospectus for further details on the profiles of our Managing Director, Executive Director cum Chief Executive Officer and Key Senior Management, respectively.

6. INFORMATION ON OUR GROUP (Cont'd)

6.1.5 Share capital and changes in share capital

As at the LPD, our issued share capital is RM59,256,000 comprising 592,560,000 Shares.

The details of the changes in our issued share capital since incorporation up to the LPD are as follows:

Date of allotment	No. of Shares allotted	Consideration (RM)	Type of issue	Cumulative issued share capital (RM)
8 February 2021	1,000	100	Subscribers' shares	100
18 March 2022	592,559,000	59,255,900	Otherwise than cash for the Acquisitions	59,256,000

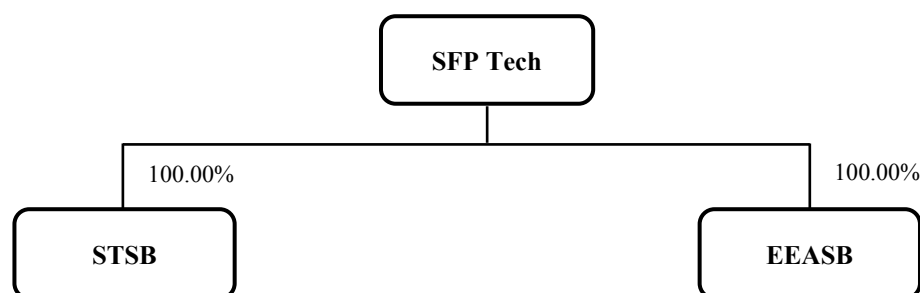
There were no discounts, special terms or instalment payment terms given in consideration of the above allotment.

As at the LPD, we do not have any outstanding warrants, options, convertible securities and uncalled capital.

Upon completion of our Listing, our issued share capital will increase to RM121,488,000 comprising 800,000,000 Shares.

6.1.6 Subsidiaries

Our corporate Group structure is illustrated below:



The details of our Subsidiaries are set out below:

Name and registration no.	Date and place of incorporation	Principal place of business	Issued share capital (RM)	Effective equity interest (%)	Principal activities
STSB (201201034667 (1019148-U))	2 October 2012 / Malaysia	Malaysia	2,000,000	100.00	Provision of sheet metal fabrication, CNC machining and mechanical assembly services
EEASB (201501021102 (1146438-P))	29 May 2015 / Malaysia	Malaysia	500,000	100.00	Provision of automation equipment solutions and trading of spare parts

6. INFORMATION ON OUR GROUP (Cont'd)

6.2 SHARE CAPITAL INFORMATION OF OUR SUBSIDIARIES

6.2.1 STSB

As at the LPD, the issued share capital of STSB is RM2,000,000 comprising 2,000,000 STSB Shares. There has been no change in the issued share capital of STSB for the Financial Years Under Review and up to the LPD.

None of the STSB Shares were issued at a discount, on special terms or based on instalment payment terms. As at the LPD, STSB does not have any outstanding warrants, options, convertible securities and uncalled capital.

6.2.2 EEASB

As at the LPD, the issued share capital of EEASB is RM500,000 comprising 500,000 EEASB Shares.

The changes in the issued share capital of EEASB during the Financial Years Under Review and up to the LPD are as follows:

Date of allotment	No. of EEASB Shares allotted	Consideration / Types of issue	Cumulative issued share capital	
			(RM)	No. of EEASB Shares
17 August 2018	240,000	RM240,000 / Cash	300,000	300,000
23 November 2018	200,000	RM200,000 / Cash	500,000	500,000

None of the EEASB Shares were issued at a discount, on special terms or based on instalment payment terms. As at the LPD, EEASB does not have any outstanding warrants, options, convertible securities and uncalled capital.

6.3 MATERIAL CAPITAL EXPENDITURE AND DIVESTITURE

6.3.1 Material capital expenditure

Our capital expenditure for the Financial Years Under Review and up to the LPD are summarised as follows:

Capital expenditure	Audited				Unaudited
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	As at the LPD (RM'000)
Capital work-in-progress ^(a)	6,447	8,699	717	6,869	5,720
Machinery and equipment ^(b)	1,534	13,711	3,776	25,783	7,860
Motor vehicles	960	82	-	315	318
Leasehold land ^(c)	-	-	8,809	872	-
Leasehold building	-	-	^(d) 63	720	-
Total	8,941	22,492	13,365	34,559	13,898

Notes:

- (a) Relates to the manufacturing facility under construction and machineries under installation.
- (b) Relates to machinery and equipment which were purchased during the Financial Years Under Review. The machineries and equipment purchased were for expansion purposes only and is detailed below:

6. INFORMATION ON OUR GROUP (Cont'd)

	FYE 2018	FYE 2019	FYE 2020	FYE 2021	As at the LPD
<i>CNC milling machines</i>	6	14	8	44	12
<i>CNC turning machines</i>	-	7	-	-	-
<i>Wire Cut EDM</i>	-	-	8	5	-
<i>Die-sinking EDM</i>	-	4	-	-	-
<i>Grinding machines</i>	-	8	1	1	-
<i>Laser cut and punch machines</i>	-	2	-	1	2
<i>Bending machines</i>	-	4	1	-	-
<i>Welding machines</i>	3	1	1	1	-
<i>Stamping machines</i>	-	2	-	-	-
Total	9	42	19	52	14

(c) Relates to the acquisition of Plot 322 from Penang Development Corporation.

(d) Relates to the construction of Manufacturing Plant 2.

Our capital expenditure for the Financial Years Under Review and up to the LPD were mainly driven by our business expansion. The above material capital expenditures were financed by a combination of bank borrowings and internally generated funds.

6.3.2 Material capital divestiture

We do not have any material capital divestitures for the Financial Years Under Review and as at the LPD.

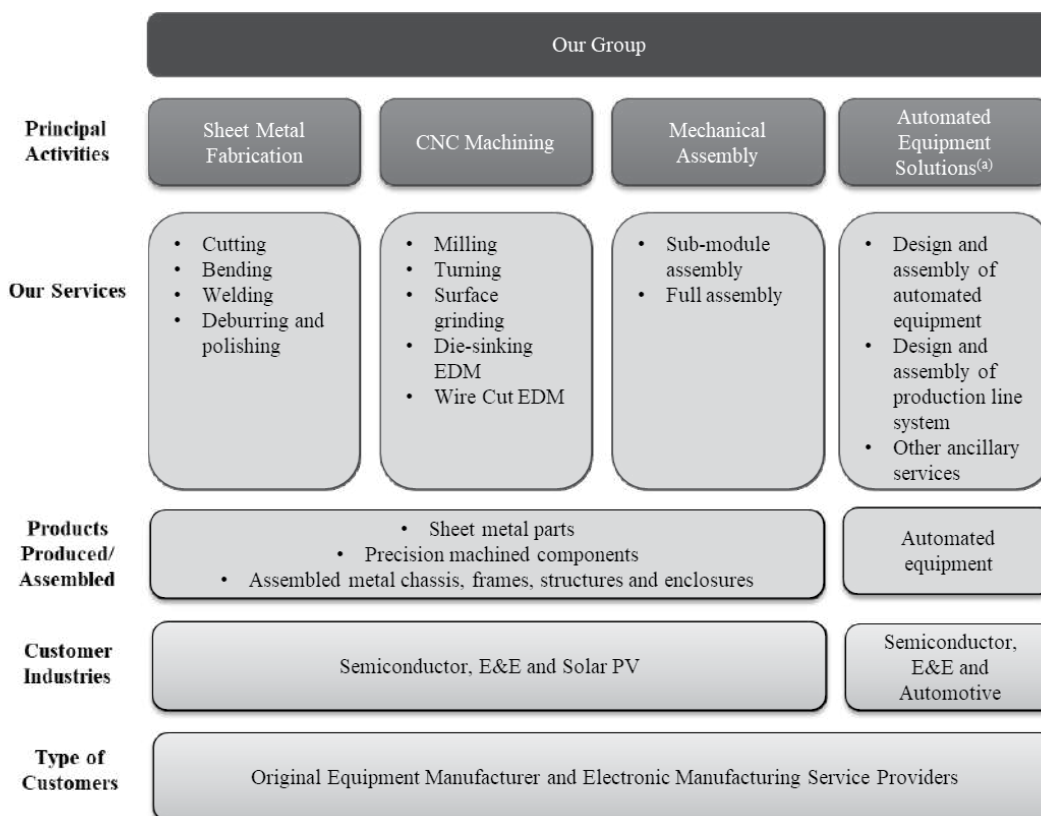
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6. INFORMATION ON OUR GROUP (Cont'd)

6.4 BUSINESS OVERVIEW

6.4.1 Principal Activities

Our products and services are as follows:



Note:

(a) This segment is contributed by EEASB.

We are an engineering supporting services provider, principally involved in the provision of sheet metal fabrication, CNC machining and mechanical assembly services. We utilise various fabrication processes working with metal such as cutting, bending and welding; machining processes such as milling, turning, surface grinding, EDM cutting, as well as other processes such as deburring and polishing to produce intermediate metal products, ranging from metal piece-parts to precision-machined components. These intermediate metal products that we produce according to our customers’ designs and specifications, are then used to produce various machines and / or finished products by our customers in a diverse range of industries, such as, amongst others, semiconductor, E&E and Solar PV.

We also provide mechanical assembly services for sub-module and full assembly, whereby we assemble the intermediate metal products into metal chassis, frames, structures and enclosures, according to our customers’ designs and specifications.

Subsequent to the Acquisition of EEASB, we are also involved in the provision of automation equipment solutions. We provide automated equipment solutions ranging from designing, assembling, and commissioning of automated equipment and production line systems (comprising multiple automated equipment) for our customers’ manufacturing processes. These types of automated equipment are customised according to our customers’ specification and are used in the manufacturing of amongst others, automotive products, E&E and semiconductor. We also supply related consumable spare parts, as well as modification and upgrading on automated equipment.

6. INFORMATION ON OUR GROUP *(Cont'd)*

The addition of EEASB enables our Group to become a one-stop automation equipment solutions provider by providing in-house services for fabrication of component parts up to the assembly of the complete automated equipment.

6.4.2 Products and services of our Group

STSB is involved in the provision of the engineering supporting services consisting of sheet metal fabrication, CNC machining and mechanical assembly services, whilst EEASB is involved in the provision of automated equipment solutions. The Acquisition of EEASB enabled the Group to enjoy synergic opportunities such as being able to cross-sell both engineering supporting services and automated equipment solutions to both existing and prospective customers, provide a wider range of services to our customers' manufacturing needs, as well as becoming a one-stop automated equipment solutions from production of in-house component parts up to the assembly of the complete automated equipment.

6.4.2.1 Sheet metal fabrication

Sheet metal fabrication refers to fabrication activities where we process sheet metal into intermediate metal products such as metal piece-parts through various types of processes, such as, cutting, bending and welding. These processes require the use of various machinery and equipment to achieve the precision and specifications required by our customers. Once the sheet metal has undergone the various fabrication processes, metal piece parts, if required, will undergo surface finishing treatments such as sandblasting, plating, painting, coating and silk screening. Our Group does not carry out these finishing treatments but we outsource them to our subcontractors. Once completed, the metal piece parts will then be assembled into sub-assembled products or finished machine structures, if required.

Details of the processes that are used in our operations are as follows:

(a) Cutting

Cutting process involves cutting sheet metal to produce metal piece-parts by removing excess metal from the metal sheet with the use of cutting tools and machines. We utilise two types of processes to cut sheet metal, namely laser cutting and a combination of laser and turret punching combination and laser tube cutting.

Fabrication method

Laser cutting

A fast and precise thermal cutting process where laser beam is used to cut the sheet metal into the required shape.



Laser cutting machine



Laser cutting process

6. INFORMATION ON OUR GROUP (Cont'd)

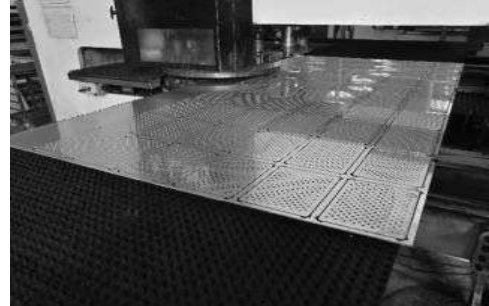
Fabrication method

Laser and turret punching combination

This process combines both laser cutting and turret punching in one machine, enabling the sheet metal to be processed via laser cutting and turret punching methods in a single setting. A punch press is a type of punch press that uses a single tool on the punching head. Different tools can be exchanged into the punching head to form different shapes into the sheet metal.



Laser and turret punching combination machine



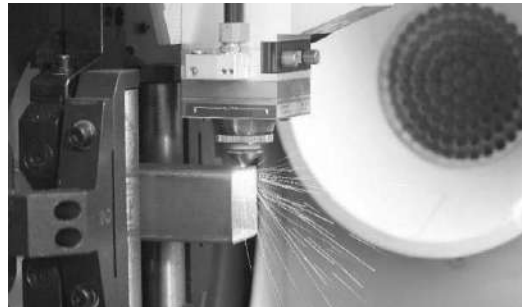
Turret punching process

Laser tube cutting

Laser tube cutting process is used to cut tubes and structural shapes into required lengths as well as cut out holes or designs in the tubes.



Laser tube cutting machine



Laser tube cutting process

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6. INFORMATION ON OUR GROUP *(Cont'd)*

(b) Bending

Bending process uses mechanical forces generated by pressing tools and machines to bend and form the shape out of a sheet metal.

Fabrication method

Press brake bending

Bending process applies force on a sheet of metal, causing it to bend at an angle to form the desired shape. The sheet metal is placed between a punch at the top and a die at the bottom, and the press brake machine is programmed to press the punch against the sheet metal into the die which exerts the required amount of force to bend the sheet to its desired angle or bend.



Bending machine



Bending process

(c) Welding

Welding process involves joining two or more separate metal workpieces through applying heat treatment. We utilise 4 different types of welding processes, namely MIG welding, TIG welding, spot welding and laser welding.

Fabrication method

MIG welding

MIG welding is a type of gas metal arc welding, which uses heat from an electric arc formed between a consumable metal electrode (filler) and sheet metal pieces. An inert gas is used as a shielding gas that protects the joint from contamination.



MIG welding



MIG welding process

6. INFORMATION ON OUR GROUP (Cont'd)

Fabrication method

TIG welding

TIG welding is a type of welding that produces a weld using a non-consumable tungsten electrode. An electric arc formed between the tungsten electrode and the sheet metal pieces melts the sheet metal and forms the joint. An inert gas is used as a shielding gas that protects the joint from contamination.



TIG welding



TIG welding process

Spot welding

Spot welding is a type of resistance welding whereby two or more metal sheets are welded together without the use of a filler. The metal sheets are clamped between two electrodes that will convey an electrical current through the metal sheets. The heat from the electrical current causes the metal sheets to melt at the point of contact. Pressure is maintained after the electrical current is removed to join the two metal sheets as the melted metal cools and solidifies.



Spot welding machine



Spot welding process

Laser welding

Laser welding is a type of automated welding process for clean and precise welding of two or more metal sheets.



Laser welding machine



Laser welding process

6. INFORMATION ON OUR GROUP (Cont'd)

(d) Deburring and Polishing

Once the sheet metal has undergone the various fabrication processes, the surface of the metal piece-parts undergoes deburring and polishing processes which are conducted in-house, to remove small imperfection and to enhance the aesthetic and quality of the metal surface. Once completed, the metal piece parts are then ready for mechanical assembly.



Deburring machine



Deburring process

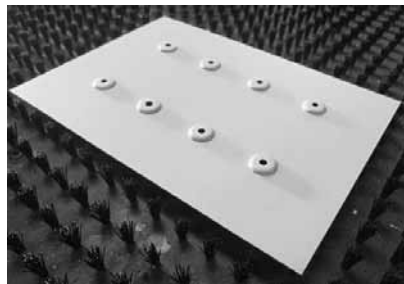


Hairline polishing machine

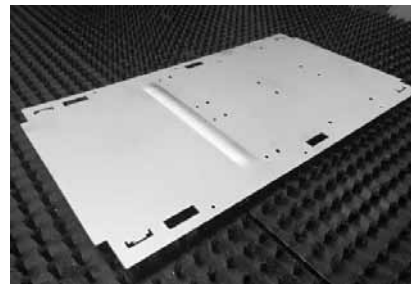


Hairline polished part

Below are some examples of the metal piece-parts that we fabricate for our customers:



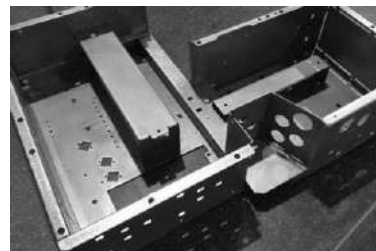
Base panel



Frames



Instrument enclosure



Module chassis

6. INFORMATION ON OUR GROUP (Cont'd)

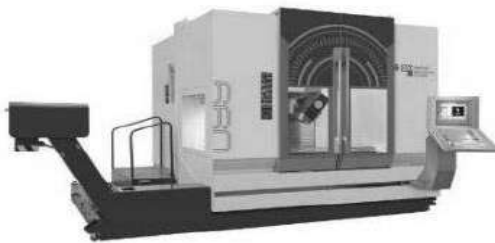
6.4.2.2 CNC machining

We also provide CNC machining services to produce intermediate metal products, such as, precision-machined components according to our customers’ designs and specifications. We use CNC machining processes such as milling, turning, surface grinding and EDM cutting to produce precision-machined components with close tolerance finishes. During the aforementioned processes, excess metal is removed from metal blocks to form its shape according to the customers’ designs and required specifications. Prior to undergoing assembly processes, the precision-machined components may undergo various surface finishing treatments.

The CNC machines utilised by our Group comprise of 3-axis, 4-axis and 5-axis machines. The number of axes on a CNC machine determines the type of work it can do, the level of detail it can cut, and the workpiece locations it can manipulate.

(a) Milling

During the milling process, a metal block is held stationary while a rotating cutting tool is held against the metal block to remove excess material and shape the metal block according to our customers’ designs and specifications. Different cutting tools are used depending on the type of cuts that are required. This process is suitable for cutting flat surfaces or deep cavities into metal blocks.



CNC 5-axis milling machine



CNC 5-axis milling process

(b) Turning

During the turning process, a metal block is rotated and a stationary cutting tool is pressed against the rotating metal block to cut away excess metal to shape the metal block. This process is suitable for producing cylindrical or rotational parts with varying diameters in different sections.



CNC turning machine

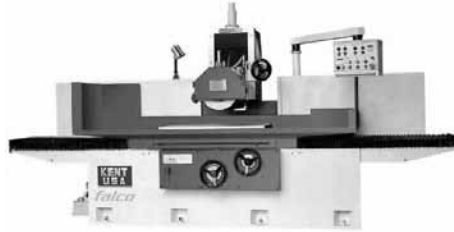


CNC turning process

6. INFORMATION ON OUR GROUP (Cont'd)

(c) Surface grinding

Surface grinding is an abrasive process where the metal surface is grinded down by a grinding wheel to remove any nicks and jagged edges creating a smooth finish.



Surface grinding machine



Surface grinding process

(d) EDM cutting

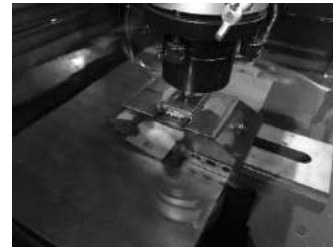
EDM machining is a process whereby excess metals are removed from metal blocks to produce required shape through the use of electrical discharges. We mainly utilise 2 types of EDM cutting namely, die-sinking EDM and wire cut EDM.

(i) Die-sinking EDM

Die-sinking EDM is a process during which a metal workpiece and a patterned die electrode is submerged in an insulating liquid such as oil, and when the machine is powered up, recurring sparked current passes through the electrode, and the electrode moves along the metal workpiece to remove excess metal and form a desired shape of the metal piece-part.



Die-sinking EDM

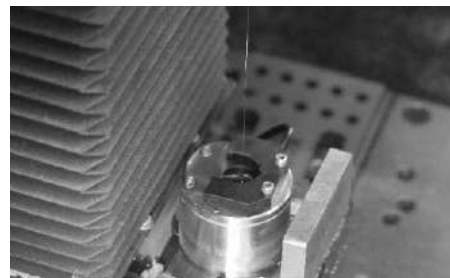


(ii) Wire cut EDM

Wire cut EDM is a process of metal machining in which a machine discharges electric current by means of a thin wire and guided alongside the cutting path, in order to melt or vapourise metal piece-parts.



Wire cut EDM



6. INFORMATION ON OUR GROUP (Cont'd)

Some examples of precision-machined components that we fabricate are as follows:



CNC turning parts



CNC turning parts



Enclosure

6.4.2.3 Mechanical assembly

We provide sub-module and full assembly of intermediate metal products such as metal piece-parts and precision-machined components into an assembled product / module for our customers.

(a) Sub-module assembly

Sub-module assembly refers to the assembly of intermediate metal products into sub-assembled products such as chassis and enclosures. Examples of sub-module mechanical assembly are as follows:



Duct assembly

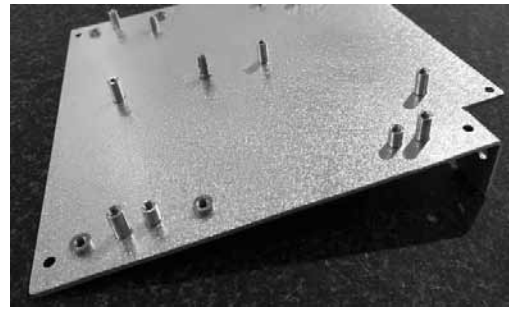


Plate assembly

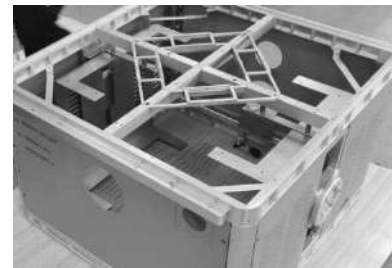
(b) Full assembly (finished machine structure)

Full assembly refers to the complete assembly of intermediate metal products into finished machine structure according to customers' designs and specification. Upon completing the mechanical assembly, electrical wiring and components are required to be installed into the machine structure to move or control the mechanical parts. Electrical assembly works are either outsourced to our subcontractors or the assembled products are delivered directly to our customers for final assembly into finished functional products.

Examples of full mechanical assembly are as follows:



Test head manipulators



Test head enclosure

6. INFORMATION ON OUR GROUP (Cont'd)

6.4.2.4 Automation equipment solutions

We provide design and assembly services for automated equipment solutions and production line systems. In addition, we supply related spare parts and components, as well as modification and upgrading on automated equipment. All automated equipment solutions and line systems are fully customised according to our customer’s requirements and specifications.

(a) Design and assembly of automated equipment

We design and assemble automated equipment that allows the equipment to carry out one or more functions. Our range of automated equipment are as follows:

<u>Description</u>	<u>Automated Equipment</u>
--------------------	----------------------------

Laser marking equipment

Laser marking equipment are used in the semiconductor industry to laser marking information on integrated circuit strip and / or moulded lead frame. The loading and unloading (input and output) can be stack, slot magazine or box.

This equipment provides high throughput rate of marking process and is equipped with vision inspection for product orientation to ensure consistent and accurate marking.

For higher accuracy solution, there is an option to add vision guided features towards the laser marking.



Smart humidity storage system

Smart humidity storage system is designed for product storing in a customisable controlled temperature and humidity environment. The equipment is equipped with safety lock system. It is available in mobile form and comes with a simple basic configuration to cater to a variety of temperature and humidification needs.



Vacuum chamber

This equipment is designed for bubble retraction on semiconductor wafer during the polydimethylsiloxane (“PDMS”) process. It comes with a locking system to prevent operational handling error as well as time control system that is configurable for easy setup and configuration.



6. INFORMATION ON OUR GROUP (Cont'd)

Description

Automated Equipment

Glass wafer separation equipment

This equipment is designed for glass wafer separation process. It comes with data control and reporting capability where incoming wafer identification and separation force are recorded to ensure quality outcome of the wafer.



Tools cut equipment

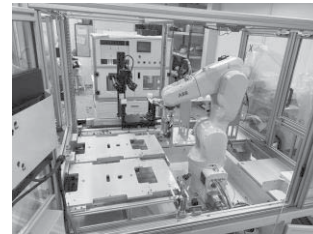
This equipment is designed for a high speed cutting process of PDMS-based semiconductor wafer with fully automatic 360-degree cutting functionality.

The built in vision guided feature allows for higher accuracy and precision cutting outcome.



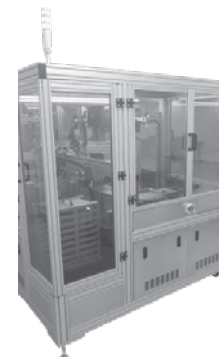
Robotic handling equipment

This equipment is designed to automate material handling processes such as picking up and placing items on the production line, through programmed motion control. It comes with vision inspection system for precision placement positioning.



Hard disk equipment

This equipment is designed with pick-and-place mechanism, as well as feeding mechanism to place and assemble parts such as screws into hard disk. It is suitable for clean room environment.



6. INFORMATION ON OUR GROUP (Cont'd)

(b) Production line systems

We design and assemble production line systems comprising multiple automated equipment that are incorporated into our E&E customers' manufacturing line. This back-end assembly line is designed with a selection of customisable workstations such as conveyor system, buffering system, flipping system, screwing system, rework system and vision inspection system based on the specification and requirements of our customers to form an inline system.

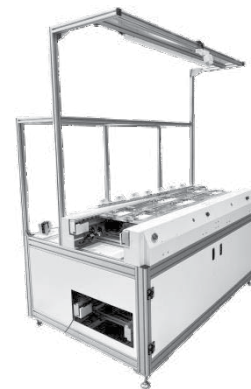
We work with external parties appointed by the customers to complete the assembly of the production line systems. For the 16-month FPE 31 December 2020, FYE 31 December 2021 and up to the LPD, we have designed, assembled, installed and commissioned 19 production line systems which are incorporated into our customers' manufacturing line used to manufacture automotive and E&E products.

<u>EMS back-end assembly line system</u>	<u>Description</u>
--	--------------------

Assembly system

Customisable workstations that can be combined to make an inline system. These workstations include:

- conveyor system;
- buffer workstation;
- flipping workstation;
- auto-screwing workstation;
- rework workstation; and
- product carrier design.



Testing system (with conveyor system)

Consist of multiple equipment as follows:

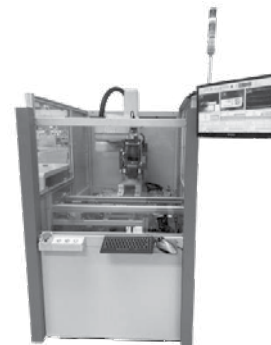
- conveyor systems to load, unload and transport E&E products; and
- testing equipment to perform various electrical tests such as HiPot, End-of-Line and Open and Short Circuit test in relation to performance and efficiency of E&E product.



Vision inspection system

The equipment provides imaging-based inspection to detect and provide identification for sorting defective semiconductor components.

The equipment can be a standalone system or incorporated as an inline system.



(c) Others

We supply related spare parts and components, as well as modification and upgrading on automated equipment.

6. INFORMATION ON OUR GROUP (Cont'd)

6.5 PRODUCTION FACILITIES AND PROCESSES

6.5.1 Location of operations

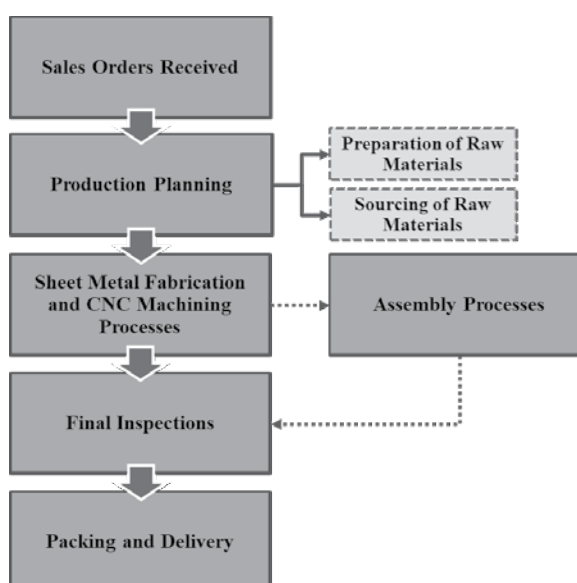
We currently operate from the following premises:

Subsidiary company	Purpose	Business operating segment	Description	Address	Approximate built-up area (sq ft)
STSB	Head office, manufacturing plant, assembly facility and warehouse	Sheet metal fabrication and CNC machining	Manufacturing Plant 1	Plot 350(B), Lorong Perindustrian Bukit Minyak 20, Penang Science Park, Mukim 13, Kawasan Perindustrian Bukit Minyak, 14100 Bukit Mertajam, Pulau Pinang	57,049
	Office, manufacturing plant and assembly facility	CNC machining, mechanical assembly	Manufacturing Plant 2	Plot 350(A), Lorong Perindustrian Bukit Minyak 20, Penang Science Park, Mukim 13, Kawasan Perindustrian Bukit Minyak, 14100 Bukit Mertajam, Pulau Pinang	90,417
EEASB	Office, assembly facility and warehouse	Automated equipment solutions	Assembly Facility	21, Lintang Beringin 3, Diamond Valley Industrial Park, 11960 Batu Maung, Pulau Pinang	5,059

6.5.2 Production Processes

6.5.2.1 Engineering supporting services

The main processes for our engineering supporting services consisting of sheet metal fabrication, CNC machining and mechanical assembly services are as follows:



6. INFORMATION ON OUR GROUP (Cont'd)

(a) Sales orders received

Once we receive the sales orders, our sales and marketing team will liaise with our production team to relay the customer's product design and specifications. In some cases, we are involved in early product development where we work closely with the customers, to provide design manufacturability and engineering feedback such as quality requirement, manufacturing processes, raw material requirement and criteria for product acceptance.

(b) Production planning

Once the matters related to sales orders are determined, our production team will plan and schedule the production, taking into account delivery timeline, raw materials, as well as equipment setup and programme the relevant machinery and equipment, if required.

Part of our production and planning stage includes the preparation and sourcing of raw materials, whereby our production team will inspect and ensure that there are sufficient raw materials to complete the sales order. Our inventory levels are monitored and replenished from time to time to ensure that there are sufficient raw materials to begin fulfilling sales orders immediately. The incoming raw materials are inspected and tested to determine its quality. Raw materials that fail to meet our requirements are rejected and returned to the suppliers.

(c) Sheet metal fabrication and CNC machining processes

The sheet metal fabrication and CNC machining processes used to produce intermediate metal products, such as metal piece-parts and precision-machined components are outlined in Sections 6.4.2.1 and 6.4.2.2 of this Prospectus. At each of the sheet metal fabrication and CNC machining processes, our quality control team will perform in-process QC inspections before proceeding to the next process for further fabrication and machining works. Metal piece-parts or precision-machined components that fail to meet the required specification will be sent for rework.

(d) Assembly processes

Depending on the sales order, some intermediate metal products are sent for further assembly where they are assembled with other intermediate metal products. Our production team will assemble the intermediate metal products to form sub-assembled products or fully-assembled products.

Assembled products are tested by our QC team to ensure the accuracy of the dimensions and quality of work. Assembled products that pass the inspection tests are sent for final inspection, while assembled products that fail the tests will be reworked.

(e) Final inspections

We will conduct visual inspections on the finished products and check the components' dimensions using specific measurement tools to ensure that the products' design and specification meets the requirements of our customers.

Finished products that pass the final inspection will be sorted accordingly, packed and stored in the warehouse awaiting delivery to customers.

(f) Packing and delivery

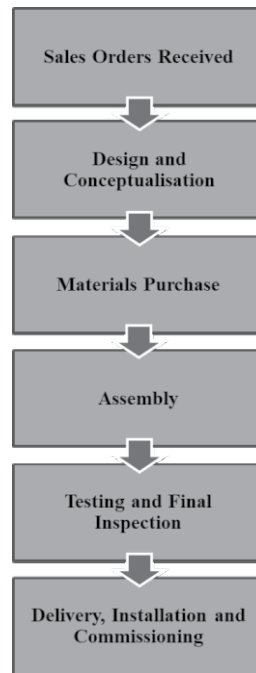
Finished products are then packaged and prepared for delivery. For local customers, the products are delivered by appointed logistic agents, as well as our company vehicles. For our overseas customers, the products are delivered by appointed forwarders.

6. INFORMATION ON OUR GROUP (Cont'd)

For sheet metal fabrication and CNC machining, the typical lead time from receipt of purchase order up to delivery of finished products is approximately 3 to 4 weeks. Meanwhile, for mechanical assembly, it takes approximately 4 to 5 weeks from receipt of purchase orders to delivery of finished products. We generally do not provide warranty for the sheet metal parts, precision machined components and the assembled products to our customers. Nonetheless, we carry out inspection of our finished products and ensure that the dimensions and specifications matches our customer's requirement before being packed and delivered.

6.5.2.2 Automation equipment solutions

The main processes for the design and assembly of automated equipment are as follows:



(a) Sales orders received

Once we received the sales orders for equipment, our engineering team will conduct discussion with the customer to understand the detailed requirements and specifications of the customers.

(b) Design and conceptualisation

The outcome of the discussion will then be passed on to the technical and engineering support team to create a conceptual automation design based on our customers' required specifications. This covers the equipment structure, functionalities and control software development that integrates a series of systems into the equipment or production lines to meet automation process requirements. We work continuously with our customers to develop and refine the equipment's design until it is acceptable by our customers. If the proposal is accepted by the customer, our technical and mechanical team will finalise the design and drawing of the equipment.

The software team is responsible for the development of software and programming of the automated equipment. The software development is involved in the coding of all the instructions to run the automated equipment including synchronising motion and control tasks such as movement, precision positioning control, speed control, as well as other programming functions which include real time control, data analysis and storage for management reporting and performance monitoring system. We utilise industry standard software tools such as Programmable Logic Controllers (PLC) and 3D CAD software.

In addition, the technical and mechanical team will determine the materials required to build the entire machine. The list of material to be purchased will then be handed over to the procurement department.

6. INFORMATION ON OUR GROUP (Cont'd)

(c) Materials purchase

The procurement department will proceed with the procurement of materials such as mechanical, E&E parts and components, steel materials, motors and cables.

Once we received the materials from our suppliers, the technical and mechanical team will conduct an inspection upon receipt to ensure that the materials received matches the delivery orders and specifications. Any products that do not meet the order specifications are returned to the vendors.

(d) Assembly

The approved equipment design and drawing is used for fabrication of metal structures and machined components. Thereafter, assembly work is carried out on modular basis to complete the equipment casing. This is then followed by the integration of the industrial and electrical parts and components, as well as system integration where the developed automation software is embedded into the semi-finished automated equipment.

(e) Testing and final inspection

When the equipment assembly and installation of automation software is completed, the technical and mechanical team then conducts the automation system, input and output programme and sequence testing (i.e. the programming logic and synchronisation of the entire equipment parts movements). Final inspection is conducted to check the functionality and fine-tune the equipment to ensure that it runs smoothly and meets the customers' requirements and specifications.

(f) Delivery, installation and commissioning

The equipment will then be transported to the customers' premises using appointed logistics agents, where the installation and commissioning works will be conducted. Our engineering team will carry out the configuration, connection to other production line equipment, instrument calibration to ensure that the equipment is operational.

For both our automated equipment and line system, the typical lead time from receipt of purchase order up to delivery of finished products is approximately 8 to 16 weeks. We generally provide 1-year warranty (excluding wear and tear parts) for the automated equipment and production line systems.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.6 PRODUCTION CAPACITY AND OUTPUT

(a) Production of sheet metal parts and precision-machined components

We utilise a number of machinery and equipment to produce sheet metal parts and precision-machined components in accordance with our customers' designs and specifications. The production time and the type of machinery and equipment used vary, depending on the complexity of the products required.

Our production capacity and utilisation rate based on production running time of our material machinery and equipment for the FYE 2021 are as follows:

<u>Machinery and equipment</u>	<u>No. of units as at 31 December 2021*</u>	<u>Estimated maximum annual capacity (hour)^(a)</u>	<u>Actual production running time (hour)</u>	<u>Annual production capacity utilisation rate (%)</u>
CNC milling machines	81	253,935	178,388	70.25
CNC turning machines	10	31,350	18,725	59.73
Wire Cut EDM	14	43,890	30,913	70.43
Die-sinking EDM	4	12,540	6,537	52.13
Grinding machines	14	43,890	26,038	59.33
Laser cut and punch machines	4	12,540	9,219	73.51
Bending machines	6	18,810	10,194	54.19
Welding machines	17	53,295	22,382	42.00
Stamping machines	2	6,270	5,318	84.82
Total	152	476,520	307,714	^(b)64.57

Notes:

* Includes machineries and equipment which are not in service and due for repair.

(a) Estimated maximum annual capacity = number of units x maximum production running time for each unit x 285 days per year^(aa). The maximum production running time is based on one (1) shift per day, 7 hours per shift and overtime of 4 hours a day.

(aa) Based on 365 days a year and subtracting 52 days for Sundays, 12 days for repair and maintenance work (average of 1 day a month) and 16 days for festive periods and other public holidays.

(b) Average annual production capacity utilisation rate for the FYE 31 December 2021.

As at the LPD, our sheet metal fabrication and CNC machining activities occupies approximately 91.72% of floor space in Manufacturing Plant 1. Our CNC machining activities occupies approximately 25.97% of floor space in Manufacturing Plant 2.

6. INFORMATION ON OUR GROUP (Cont'd)

(b) Automation equipment solutions

Our production capacity for automated equipment is based on a combination of factors such as the size and complexity of the automated equipment to be manufactured, floor space and height required for assembly and testing and availability of human resources.

As the assembly of automated equipment are dependent on availability of floor space, we have used our existing floor space to provide an indication of production capacity and utilisation rate. Our production capacity and utilisation rate based on the availability of floor space, for the FYE 2021 are as follows:

Assembly facilities	Space capacity (sq ft) ^(a)	Actual space occupied (sq ft) ^(b)	Utilisation rate (%) ^(c)
Assembly Facility	36,000	28,800	80.00
Manufacturing Plant 2	360,000	57,000	15.83
Total	396,000	85,800	

Notes:

- (a) Space capacity = total available working floor space (sq ft) x the number of available working months during the FYE 2021.
- (b) Actual space occupied = the number of units occupied x floor space required for each automated equipment x the number of months in which the automated equipment occupying the space.
- (c) Utilisation rate = Actual space occupied / Space capacity.

Previously, EEASB rented 2 premises for their assembly production. The actual space occupied for both premises were approximately 1,800 sq ft each and both had a utilisation rate of approximately 85.00%. EEASB had on 12 April 2021 ended the tenancy agreements for both rented premises, respectively. Subsequent thereto, the assembly of automated equipment were conducted in the Assembly Facility and if required new assembly projects can be undertaken at Manufacturing Plant 2.

As at the LPD, EEASB is in the transition to relocate its office and operations to Manufacturing Plant 2 and has begun its automated equipment solutions assembly activities in the said location. Nonetheless, EEASB is expected to complete the move into Manufacturing Plant 2 in the second quarter of 2022, subsequent to the completion of the Acquisition of EEASB. Subsequent to the relocation of EEASB to Manufacturing Plant 2, the Assembly Facility will be utilised as an additional assembly facility and warehouse for the storage of completed automated equipment solutions products.

For illustration purposes, assuming that EEASB has relocated all its operations to Manufacturing Plant 2 in the beginning of FYE 2021, the estimated utilisation rate of Manufacturing Plant 2 will be approximately 50.00%. CNC machining activities will utilise approximately 25.97% whilst mechanical assembly and automation equipment solutions will utilise approximately 24.03% of floor space in Manufacturing Plant 2.

6. INFORMATION ON OUR GROUP (Cont'd)

6.7 BUSINESS SEGMENTS AND PRINCIPAL MARKETS

The breakdown of our revenue by business segments for the Financial Years Under Review are as follows:

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Sheet metal fabrication	10,515	38.07	7,704	25.42	8,434	20.52	11,968	23.74
CNC machining	7,827	28.34	16,853	55.61	25,408	61.82	31,588	62.66
Mechanical assembly	9,275	33.59	5,749	18.97	7,258	17.66	6,856	13.60
Total	27,617	100.00	30,306	100.00	41,100	100.00	50,412	100.00

The breakdown of our revenue by geographical locations for the Financial Years Under Review are as follows:

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Malaysia	6,921	25.06	17,699	58.40	24,579	59.80	39,685	78.72
Foreign markets								
USA	5,192	18.80	3,536	11.67	9,026	21.96	3,041	6.03
Singapore	12,836	46.48	7,994	26.38	7,479	18.20	7,669	15.21
Vietnam	1,617	5.85	-	-	-	-	-	-
Thailand	1,032	3.74	1,077	3.55	-	-	-	-
Others ^(a)	19	0.07	-	-	16	0.04	17	0.04
Sub-total	20,696	74.94	12,607	41.60	16,521	40.20	10,727	21.28
Total	27,617	100.00	30,306	100.00	41,100	100.00	50,412	100.00

Note:

(a) Others comprise Denmark and France.

6.8 D&D ACTIVITIES

We undertake product development activities based on our customers' product specification. In this respect, majority of our product development process is undertaken jointly and in consultation with our customers, to develop and refine a product's design. As such, all our engineering supporting services, as well as automated equipment manufactured are customised in nature.

We participate in the early stages of our customers' product development, where our customers provide their preliminary product design and specification to our new product introduction (NPI) team, as well as production team to assess. We will then provide design manufacturability and engineering feedback such as quality requirement, manufacturing processes involved, raw material requirement and criteria for product acceptance. First article of metal piece-parts are produced and approved by our customers before being mass manufactured. Similarly, automated equipment is built based on conceptual designs and undergoes a series of fine-tuning with our customers before we proceed with the final manufacturing. The costs associated to our D&D activities such as, amongst others, raw materials and additional technical staffs, are insignificant as compared to our revenue. Additionally, the costs are recorded as part of our production costs.

6. INFORMATION ON OUR GROUP (Cont'd)

Currently, our D&D activities are carried out in both Manufacturing Plant 1 and Manufacturing Plant 2. The D&D activities carried out in Manufacturing Plant 2 are for our mechanical assembly services segment while certain D&D activities carried out in both Manufacturing Plant 1 and Manufacturing Plant 2 are for our sheet metal fabrication and CNC machining segment. Upon completion of the D&D centre in Manufacturing Plant 3, we intend to consolidate our D&D activities where we will allocate approximately 2,000 sq ft of floor space for the new D&D centre. Upon consolidation of our D&D activities to the D&D centre, the existing areas designated for D&D activities in both Manufacturing Plant 1 and Manufacturing Plant 2 will be utilised for our sheet metal fabrication activities and mechanical assembly services activities, respectively. The D&D centre is expected to be operational by the end of the fourth quarter of 2022.

Please refer to Section 6.26.4 of this Prospectus for further details on the future plans of our D&D activities.

6.9 TECHNOLOGY USED

We use various types of technologies including the following:

Technology	Description
CNC machines	We use CNC machines for cutting, milling, turning, EDM wire cut and die-sinking processes in our sheet metal fabrication and CNC machining activities. Drawings produced by our technical personnel using CAD software are translated into numbers by computers. These numbers act as coordinates for the CNC machines to determine where to cut the material, thus controlling the movement of the CNC machines.
CAD software	We use CAD software to create 2-dimensional and 3-dimensional computer models of the intermediate metal products that we are going to produce according to our customers' specifications. We also use CAD software to design and visualise the automated equipment that we are assembling. The types of CAD software that we used are AutoCAD and SolidWorks.

6.10 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES

The following are the major types of raw materials purchased for our business operations:

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	(RM'000)	% of total purchase	(RM'000)	% of total purchase	(RM'000)	% of total purchase	(RM'000)	% of total purchase
Raw materials								
Fabricated parts and components ^(a)	2,816	42.26	3,311	66.70	2,802	47.52	1,199	15.21
Mild and stainless steel	1,686	25.30	383	7.72	910	15.43	2,569	32.58
Tooling and standard parts	1,044	15.67	654	13.17	1,088	18.45	2,398	30.42
Aluminium	634	9.52	418	8.42	795	13.48	1,137	14.42
Consumables ^(b)	441	6.62	162	3.26	258	4.37	428	5.43
Others ^(c)	42	0.63	36	0.73	44	0.75	153	1.94
Total purchases	6,663	100.00	4,964	100.00	5,897	100.00	7,884	100.00

6. INFORMATION ON OUR GROUP (Cont'd)

Notes:

- (a) These are fabricated metal parts and components which require lower level of precision. We obtain such fabricated metal parts and components from third party fabricators.
- (b) Consumables comprise grease and lubricant.
- (c) Others comprises copper, engineering gas, stretch film and industrial adhesive.

The raw materials used in our business operations are mainly sourced from local suppliers. For the Financial Years Under Review, we have not experienced any difficulty in sourcing our raw materials as they are readily available from local markets.

Several of our raw materials are commodity-based products such as aluminium and steel, which are subject to the demand and supply conditions which may lead to fluctuation in market prices. Similarly, the prices of fabricated parts and components we procure are also affected by demand and supply conditions. We have not experienced any volatility of prices from our suppliers that have materially affected our business for the Financial Years Under Review.

6.11 SALES AND MARKETING STRATEGIES

Given the nature of our business which involves dealing with product information relating to customers' manufacturing processes, we employ a direct sales approach with customers, where we market our products and services directly to our potential and existing customers.

We maintain close business relationship with our customers through periodic follow-up visits and continuously seeking valuable feedback from them to understand their needs and improve on our service offerings. Through our business network, we receive referrals from our customers.

Our marketing strategy also involves promoting our products and services to a wider segment of potential customers through our official corporate websites www.sfptechholdings.com.

6.12 QUALITY CONTROL PROCEDURES AND MANAGEMENT

6.12.1 Quality management control

Our Group places emphasis on the quality of our products and services, with our production activities adhering to stringent quality management standards.

<u>Subsidiary company</u>	<u>Standard</u>	<u>Scope</u>	<u>Issuing party</u>	<u>Validity period</u>
STSB	ISO 9001:2015	Manufacturing of Sheet Metal Precision Engineering Parts, Including Assembly of Fabricated and Machined Components such as Tools, Jigs & Fixtures	TUV Nord (Thailand) Ltd	5 May 2020 to 4 May 2023

Having complied with the abovementioned standard, the processes and procedures that we have adopted to ensure that quality standards are maintained and adhered to are as follows:

- (a) Product realisation

Product realisation is a series of processes and sub-processes required to achieve the required results such as the design, development and production of our products that adhere to international quality standards. Under this stage, the quality objectives of the processes and product quality requirement are established and documented.

6. INFORMATION ON OUR GROUP *(Cont'd)*

(b) Measurement, analysis and improvements

We implement the monitoring, measurement, analysis and continual improvement processes needed to demonstrate conformity of the product requirements and achieve continuous improvement in the effectiveness of our quality management systems.

Our quality assurance department measures and monitors the characteristics of our product quality to ensure that the requirements are met. Our quality assurance department also ensures that product, which do not conform to the product quality requirements are identified and rectified to prevent unintended implementation. Corrective actions will be taken to eliminate the cause of non-conformities of the products in order to prevent recurrence of the problem.

(c) Management responsibilities

Our management plays an important role to the development and improvement of our quality management system by:

- (i) communicating the importance of meeting customers' needs as well as regulatory and legal requirement to our employees;
- (ii) ensuring quality objectives are established and communicated to all our employees;
- (iii) conducting management reviews; and
- (iv) ensuring the availability of necessary resources.

(d) Resource management

We plan resources that are required to ensure the smooth operation of our business. This includes new investment in machinery and equipment and hiring of new workers to meet our production requirement. We monitor our resource management regularly in order to improve our effectiveness.

6.12.2 Health, safety and environmental management

We understand the importance of ensuring the wellbeing of our employees, visitors as well as the environment. Our health, safety and environmental policy are as follows:

- (a) Committed towards sustaining the environment and protect the health, safety and welfare of employees, contractors, customers and the general public;
- (b) Ensuring personnel is properly trained and provided with appropriate safety gear and emergency equipment;
- (c) Taking appropriate action to minimise hazards or change conditions that endanger health, safety and the environment; and
- (d) Reviewing and revising the policy as necessary at regular intervals.

Scheduled wastes are periodically collected by our contractor, which is registered with the Department of Environment. As at the LPD, there are no major environmental issues which may materially affect our operations and utilisation of our assets.

In addition, in response to the COVID-19 pandemic, we have adopted the new SOP required by the Government as a measure to ensure a safe operating environment for our employees.

Please refer to Section 6.25.1(c) of this Prospectus for further details of the SOPs.

6. INFORMATION ON OUR GROUP (Cont'd)

6.13 APPROVALS, MAJOR LICENCES AND PERMITS

Details of major approvals, licences and permits applicable to us as at the LPD are as follows:

No.	Company	Description of licence / Certificate	Authority	Licence / Certificate / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
1.	STSB	Pioneer certificate for design, development and manufacture of semiconductor test head manipulator	MITI	5075 and 5759	22 January 2015 – 21 January 2025 ^{(a)(b)}	<p>(a) As proposed, the value added to the manufacture of the semiconductor test head manipulator shall be at least 52%.</p> <p>(b) The number of staff at the managerial, technical and supervisory level shall be at least 69% of the total employment of STSB as proposed.</p> <p>(c) STSB shall keep separate accounts for products approved in the grant of pioneer status and such grant is subject to the conditions of these accounts and shall be approved by the Inland Revenue Board of Malaysia.</p>	Complied

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6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company	Description of licence / Certificate	Authority	Licence / Certificate / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
2.	STSB	Manufacturing warehouse licence for electrical machine parts, production and furniture and equipment, articles of metal, articles of copper and jack screw on Plot 350(B)	Royal Malaysian Customs Department	P78G6201300000019	1 December 2021 – 30 November 2023	<p>(a) No dutiable goods other than raw materials / components and machinery used directly in manufacturing and manufactured goods which have been approved by the State Director of Customs may be stored in the licensed manufacturing warehouse.</p> <p>(b) Changes to the structure of buildings and equipment in the licensed premises are not permitted except with the written approval of the State Director of Customs.</p> <p>(c) At least 80% finished product (by value) are to be exported, and not exceeding 20% of the finished product can be sold in the local market as approved. Goods sold in domestic market are subject to any prevailing duties / tax at the time.</p> <p>(d) Disposal of waste including manufacturing waste is subject to the written approval of the State Director of Customs.</p>	Complied

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company	Description of licence / Certificate	Authority	Licence / Certificate / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
						(e) STSB shall notify the relevant officer in writing within 14 days if there is a change in the board of directors of STSB.	Noted
						(f) This licence can be revoked at any time in the event of breach of conditions under the Customs Act 1967 or regulations thereunder.	Noted
						(g) Only 1 entity is allowed to operate within the premises of the licensed warehouse. Any partnership with another entity within the same area is not allowed.	Complied
3.	STSB	Manufacturing warehouse licence for electrical machine parts, furniture production and equipment, articles of metal and copper, and jack screw on Plot 350(B)	Royal Malaysian Customs Department	P78G6 201300000019A	1 December 2021 – 30 November 2023	(a) No dutiable goods other than raw materials / components and machinery used directly in manufacturing and manufactured goods which have been approved by the State Director of Customs may be stored in the licensed manufacturing warehouse. (b) Changes to the structure of buildings and equipment in the licensed premises are not permitted except with the written approval of the State Director of Customs.	Complied Noted

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company	Description of licence / Certificate	Authority	Licence / Certificate / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
						(c) At least 80% finished product (by value) are to be exported, and not exceeding 20% of the finished product can be sold in the local market as approved. Goods sold in domestic market are subject to any prevailing duties / tax at the time.	Complied
						(d) Disposal of waste including manufacturing waste is subject to the written approval of the State Director of Customs.	Complied
						(e) STSB shall notify the relevant officer in writing within 14 days if there is a change in the board of directors of STSB.	Noted
						(f) This licence can be revoked at any time in the event of breach of conditions under the Customs Act 1967 or regulations thereunder.	Noted
						(g) Only 1 entity is allowed to operate within the premises of the licensed warehouse. Any partnership with another entity within the same area is not allowed.	Complied

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company	Description of licence / Certificate	Authority	Licence / Certificate / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
4.	STSB	Certificate of fitness for goods hoist	DOSH	PMA-PP/21 87692	22 November 2021 – 14 February 2023	Nil.	Noted
5.	STSB	Certificate of fitness for goods hoist	DOSH	PMA-PP/21 88255	22 November 2021 – 14 February 2023	Nil.	Noted
6.	STSB	Certificate of fitness for mobile scissor lift (working platform)	DOSH	PMA-PP/21 88927	2 December 2021 – 28 February 2023	Nil.	Noted
7.	STSB	Written declaration in relation to the design and construction of the air pollution control system on Plot 350(A)	DOE	AS(B)P38/221/900/003	24 September 2020 ^(c)	Nil.	Noted
8.	STSB	Industrial licence for the manufacturing and machining of CNC and sheet metal on Plot 350(B)*	Seberang Perai City Council	35/13099A/61379	9 November 2021 – 31 December 2022	Nil.	Noted

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company	Description of licence / Certificate	Authority	Licence / Certificate / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
9.	STSB	Manufacturing licence for manufacturing of jigs and fixtures, semiconductor test head manipulator and carrying out machining activities on Plot 350(B) ^(d)	MITI	A022903	Effective from 24 February 2021	<p>(a) MITI and MIDA shall be notified of any sale of shares in STSB.</p> <p>(b) STSB shall train its Malaysian employees to ensure that technology and expertise may be transferred to all positions in STSB</p> <p>(c) STSB shall implement its projects as approved subject to the conditions of this licence and in accordance with other laws and regulations in Malaysia.</p>	<p>Noted</p> <p>Complied</p> <p>Complied</p>
10.	STSB	Industrial licence for the manufacturing and machining of CNC and sheet metal on Plot 350(A)*	Seberang Perai City Council	35/13056A/68742	11 November 2021 – 31 December 2022	Nil.	Noted
11.	STSB	Manufacturing licence for machining and manufacturing of jigs and fixtures, semiconductor test head manipulator and carrying out machining activities on Plot 350(A) ^(e)	MITI	A024041	Effective from 28 July 2021	<p>(a) MITI and MIDA shall be notified of any sale of shares in STSB.</p> <p>(b) STSB shall train its Malaysian employees to ensure that technology and expertise may be transferred to all positions in STSB.</p> <p>(c) STSB shall ensure that its project's capital investment per employee is at least RM140,000.00.</p>	<p>Noted</p> <p>Complied</p> <p>Complied</p>

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company	Description of licence / Certificate	Authority	Licence / Certificate / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
						<p>(d) The total full-time workforce of STSB shall comprise at least 80% Malaysians. Employment of foreign workers including outsourced workers is subject to current policies.</p> <p>(e) STSB shall submit information on the performance of its investment and implementation of its projects under the Industrial Co-ordination Act 1975 (“ICA 1975”) and the MIDA (Incorporation) Act 1965 when required by MIDA. Failure to submit such information may result in the following:</p> <p>(i) STSB being guilty of an offence and liable to a fine not exceeding RM1,000.00 or to imprisonment for a term not exceeding 3 months or to both, and liable to a further fine not exceeding RM500.00 for each day the offence continues; or</p>	<p>Complied</p> <p>Noted</p>

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company	Description of licence / Certificate	Authority	Licence / Certificate / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
						(ii) STSB commits an offence if it provides any statement or other information that is false or misleading in any material particulars shall be liable to a fine not exceeding RM2,000.00 or to imprisonment for a term not exceeding 6 months, or to both.	
						(f) STSB shall implement its projects as approved subject to the conditions of this licence and in accordance with other laws and regulations in Malaysia.	Complied
12.	STSB	Certificate of fitness for overhead travelling crane	DOSH	PMA-PP/21 83971	7 September 2021 – 30 November 2022	Nil.	Noted.
13.	EEASB	Pioneer certificate for factory automation machine and related modules	MITI	5725	1 November 2018 – 31 October 2023	(a) At least 60% of EEASB's shares shall be purchased and held by Malaysian(s); and (b) EEASB shall achieve at least 25% value added in its activity or product annually during the tax incentive period.	Noted Complied

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company	Description of licence / Certificate	Authority	Licence / Certificate / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
						<p>(c) EEASB shall employ at least 20% of their workers at the managerial, technical and supervisory level.</p> <p>(d) Full-time employees of EEASB shall consist of at least 80% Malaysians, the employment of foreigners (including employees obtained through outsourcing) is subject to current policy.</p> <p>(e) EEASB shall keep separate accounts for products approved by grant of pioneer status and products not approved are subject to the conditions of these accounts and shall be approved by the Inland Revenue Board of Malaysia.</p> <p>(f) 20% and above of the paid-up capital in respect of ordinary shares in EEASB may not be owned directly or indirectly by any holding or related company which has shareholder funds of more than RM500,000.00</p>	<p>Complied</p> <p>Complied</p> <p>Noted</p> <p>Noted^(f)</p>
14.	EEASB	Business licence# premises	Penang Island City Council	PA009248/2021	7 December 2021 – 31 December 2022	Nil.	Noted

6. INFORMATION ON OUR GROUP (Cont'd)

Notes:

- * Industrial license is also known as business premise license.
- # EEASB has obtained all the necessary licenses to carry out its business operations.
- (a) MIDA had vide a letter dated 16 November 2016, informed STSB that MIDA had awarded STSB its pioneer status for a period of 5 years from 22 January 2015 to 21 January 2020, with the possibility of an extension for an additional 5 years.
- (b) MIDA had vide a letter dated 20 April 2021 informed STSB that MIDA had approved its pioneer status extension application for an additional 5 years from 22 January 2020 to 21 January 2025.
- (c) A declaration certifying that the design and construction of the air pollution control system has complied with the specifications as determined by the Director General of Environmental Quality (“**DGEQ**”) is required to be made after the commencement of operations on Plot 350(A) (Manufacturing Plant 2). The air pollution control system is part of the set up for the standby generator set located at Plot 350(A) (Manufacturing Plant 2). Subsequent declaration is not required. As Plot 350(B) (Manufacturing Plant 1) does not have a standby generator set, no air pollution control system is required. Our Group intends to install a standby generator set at Plot 322 (Manufacturing Plant 3) which would also require an air pollution control system. As such, our Group would submit a written declaration for compliance with the specification determined by DGEQ accordingly upon completion of Plot 322 (Manufacturing Plant 3).
- (d) STSB had a manufacturing licence for its previous place of operations on Plot 244. STSB had moved to Plot 350(B) and began manufacturing operations in December 2018. STSB had on 29 January 2020 submitted an application for a new manufacturing licence. Subsequently, STSB had on 11 November 2020 resubmitted an application for a change in address of its manufacturing licence from Plot 244 to Plot 350(B), which was approved on 24 February 2021. Prior to obtaining the approval or the change in address STSB was undertaking manufacturing activities based on its initial manufacturing licence for Plot 244.
As at the LPD, neither our Directors nor we were not fined or issued with any notice of non-compliance from the relevant authorities in relation to the above.
- (e) STSB started manufacturing activities on Plot 350(A) since the completion of the construction of the manufacturing plant on April 2019. STSB had on 11 May 2021 submitted an application for a new manufacturing licence. Subsequently, STSB had on 23 July 2021 resubmitted an application for a manufacturing licence for Plot 350(A), which was approved on 28 July 2021. Prior to obtaining the approval for the manufacturing licence, STSB was undertaking manufacturing activities based on the manufacturing licence for Plot 350(B) (that was approved with effect from 24 February 2021), which is adjacent to Plot 350(A).
As at the LPD, neither our Directors nor we were not fined or issued with any notice of non-compliance from the relevant authorities in relation to the above.
- (f) Upon completion of the Acquisition of EEASB, EEASB no longer fulfils this condition. Nonetheless, EEASB had on 13 September 2021 submitted an application for waiver of this condition. As at the LPD, the application is being processed. Any further developments and updates on this matter after the date of this Prospectus will be announced accordingly on Bursa Securities.



6. INFORMATION ON OUR GROUP (Cont'd)

As at the LPD, STSB has not been imposed any penalty by MITI with regard to the non-compliances in relation to Manufacturing Plant 1 and Manufacturing Plant 2 being unlicensed. Pursuant to the ICA 1975, any person who engages in any manufacturing activity without a manufacturing licence is guilty of an offence and such person shall be liable on conviction to a fine not exceeding RM2,000 or to a term of imprisonment not exceeding 6 months and to a further fine not exceeding RM1,000 for every day the business continues to operate without a licence. MITI may take action by issuing warnings, imposing penalties or additional conditions or restrictions, suspending and / or revoke the license for any breach or non-compliance of the conditions. Notwithstanding that MITI has the right to impose the relevant penalties or take legal action against STSB for its past non-compliance, the likelihood of such occurrence is low in view that such licences have already been obtained.

Our Group has an internal process to monitor and track the validity and submission of our approvals, certificates and licences applicable to our Group, and to ensure all the approvals, certificates and licences and permits are renewed in a timely manner prior to their expiry. Upon submission of the renewal applications, our Group will actively liaise and follow up closely with the relevant authorities on the progress of the renewal.

6.14 INTELLECTUAL PROPERTY RIGHTS

As at LPD, save for the trademark registrations below, we do not have any other intellectual property right registered and / or in the process of registration:

Registered owner / applicant	Authority	Trademark	Application no.	Class of Trademark	Status / Validity period
STSB	Intellectual Property Corporation of Malaysia		TM2021012298	40	Registered / 28 April 2022 – 28 April 2031
EEASB	Intellectual Property Corporation of Malaysia		TM2021012301	40	Registered / 28 April 2022 – 28 April 2031

6.15 MATERIAL DEPENDENCY ON CONTRACTS, INTELLECTUAL PROPERTY RIGHTS, LICENSES AND PERMITS OR PRODUCTION OF BUSINESS PROCESSES

As at the LPD, save as disclosed in Sections 6.13 and 6.14 of this Prospectus, there are no other contracts including commercial or financial contracts, intellectual property rights, licenses, permits or production of business processes which our Group's business or profitability is materially dependent on.

6. INFORMATION ON OUR GROUP (Cont'd)

6.16 MATERIAL PROPERTY, PLANT AND EQUIPMENT

6.16.1 Material properties owned

Property	Plot 350(B) (Manufacturing Plant 1)	Plot 350(A) (Manufacturing Plant 2)	Plot 322 (Manufacturing Plant 3)	Assembly Facility
Title details	PNI1643, Lot 20872	PN11626, Lot 20871	PN10903, Lot 20161	Geran 2311, Lot 9715 and Geran 2355, Lot 9759
Registered owner	STSB	STSB	STSB	EEASB
Postal address	Plot 350(B), Lorong Perindustrian Bukit Minyak 20, Penang Science Park, Mukim 13, Kawasan Perindustrian Bukit Minyak, 14100 Bukit Mertajam, Pulau Pinang	Plot 350(A), Lorong Perindustrian Bukit Minyak 20, Penang Science Park, Mukim 13, Kawasan Perindustrian Bukit Minyak, 14100 Bukit Mertajam, Pulau Pinang	Plot 322, Lorong Perindustrian Bukit Minyak 20, Penang Science Park, Mukim 13, Kawasan Perindustrian Bukit Minyak, 14100 Bukit Mertajam, Pulau Pinang	21, Lintang Beringin 3, Diamond Valley Industrial Park, 11960 Batu Maung, Penang
Description of Existing property	A single storey detached factory and warehouse with upper floor, a 3-storey office block with a guard house and TNB Substation / Head office, manufacturing plant, assembly facility and warehouse	A 2-storey detached factory, a single storey warehouse, a 2-storey office block with a guard house and a TNB substation / Office, manufacturing plant and assembly facility ^(a)	Proposed 3-storey factory and warehouse with 3-storey office building	A 2-storey terrace factory / Office, production facility and warehouse
Date of certificate of completion and compliance	5 July 2019	30 December 2020	To be obtained upon completion of construction	2 December 1994
Category of land use / Tenure	Industrial / Leasehold, 60 years, expiring on 12 June 2077 or 55 remaining years as at LPD	Industrial / Leasehold, 60 years, expiring on 27 January 2079 or 57 remaining years as at LPD	Industrial / Leasehold, 60 years, expiring on 2 February 2072 or 50 remaining years as at LPD	Industrial / Freehold
Land area	60,967 sq ft	106,304 sq ft	176,173 sq ft	2,551 sq ft
Built-up area	57,049 sq ft	90,417 sq ft	-	5,059 sq ft

6. INFORMATION ON OUR GROUP (Cont'd)

Property	Plot 350(B) Plant 1)	(Manufacturing Plant 2)	Plot 350(A) Plant 2)	(Manufacturing Plant 3)	Plot 322 (Manufacturing Plant 3)	Assembly Facility
Encumbrances	-	-	-	-	Charged to Hong Leong Islamic Bank Berhad on 10 July 2020	Charged to Public Bank Berhad on 10 January 2004
Audited NBV as at 31 December 2021 (RM'000)	10,348	12,307	8,484	2,366		

Note:

- (a) By virtue of the tenancy agreement dated 17 November 2021, STSB rented out first floor of the Plot 350(A) (Manufacturing Plant 2) to RPD MFG Connectivity Sdn Bhd.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.16.2 Material machinery and equipment

The material machinery and equipment used and owned by us are as follows:

Machinery and equipment	Average lifespan ^(a) (years)	Age range of machinery (years)	No. of units as at 31 December 2021	Audited NBV as at 31 December 2021 (RM'000)
CNC milling machines	15	1 to 9	81	29,324
CNC turning machines	15	1 to 9	10	1,695
Wire Cut EDM	15	1 to 9	14	183
Die-sinking EDM	15	6 to 9	4	- ^(b)
Grinding machines	15	1 to 9	14	1,767
Laser cut and punch machines	20	1 to 6	4	3,308
Bending machines	30	2 to 6	6	1,421
Welding machines	10	1 to 6	17	62
Stamping machines	30	2 to 3	2	225
Total			152	37,985

Notes:

- (a) The lifespan of the machinery and equipment is based on its average economic useful life. Although newer and more sophisticated machinery and equipment may be acquired from time to time, the existing machinery and equipment can still be used in the business operations for the manufacturing of less complex and lower tolerance products. Notwithstanding the average lifespan, our Group's depreciation policy is 10 years for all our machinery and equipment.
- (b) The machines have been fully depreciated.

6.17 EMPLOYEES

As at the LPD, we have a total workforce of 235 employees, of which 192 are local employees while 43 are foreign employees. Our foreign employees are predominantly involved in the production, delivery and warehousing duties. The following sets out the number of employees in both STSB and EEASB according to the business functions as at 31 December 2021 and the LPD:

Category	No. of employees					
	31 December 2021			As at LPD		
	Local	Foreign	Total	Local	Foreign	Total
Management	14	-	14	14	-	14
Sales and marketing	10	-	10	11	-	11
Administrative	23	2	25	18	2	20
Production	115	44	159	149	41	190
Total	162	46	208	192	43	235

6. INFORMATION ON OUR GROUP (Cont'd)

The breakdown of our contractual employees are as follows:

Category	FYE 31 December 2021	As at LPD
Management	2	2
Administrative	2	2
Production	44	41
Total	48	45

As at the LPD, we have 43 foreign employees which accounted for approximately 18.30% of our total workforce. All our foreign employees hold valid employment pass, which are subject to annual renewals.

None of our employees are members of any union. Save as disclosed below, there have been no material industrial dispute pertaining to our employees in the past.

Industrial Court of Malaysia (“Industrial Court”) Case No. 9/4-1611/21 Involving STSB (“Industrial Court Case”)

The claimant was employed as an engineer of STSB with effect from 1 April 2019, and was terminated by STSB with effect from 15 April 2020 due to poor performance. The claimant had on 18 May 2020 filed a representation to be reinstated to his former position in STSB pursuant to section 20 of the Industrial Relations Act 1967. After an unsuccessful conciliation on 9 June 2020 at the Department of Industrial Relations, the matter was referred to the Department of Industrial Relations’ Headquarters on 20 October 2020, and subsequently to the Industrial Court on 23 April 2021 by the Ministry of Human Resources. The first mention of this case was completed on 8 June 2021. Mediation sessions to facilitate an out-of-court settlement between the claimant and STSB took place on 13 September 2021, 27 September 2021, 4 October 2021 and 6 October 2021 but parties did not reach consensus. Hearing took place on 23 March 2022 and 24 March 2022. Thereafter, both parties were directed by the Industrial Court to file their respective written submissions by 27 April 2022 and any submission in reply by 30 May 2022. STSB’s counsels have filed written submissions on 25 April 2022 and have received the claimant’s written submission on 5 May 2022. STSB has instructed its counsel to file written submission in reply by 30 May 2022. Thereafter, the parties will await the Industrial Court’s award in due course.

Pursuant to paragraph 3.1 of the Guidelines Governing Awards in Dismissal Cases (Practice Note No.3 of 2019) issued by the Industrial Court, the maximum backwages that may be awarded by the Industrial Court is 24 months of the last drawn salary. Nonetheless, in the event that our Group is liable to pay the maximum backwages, the financial impact to the Group will not be significant and our Group has sufficient cash flow to meet such obligation which is not expected to have any significant impact on our Group’s liquidity.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.18 MAJOR CUSTOMERS

Our top 5 major customers (by revenue contribution) for the Financial Years Under Review are as follows:

Customers	Geographical location	Industry	Length of relationship as at the LPD Years	Services provided^(h)	Revenue contribution (RM'000)	(%)⁽ⁱ⁾
<u>FYE 2018</u>						
Electro Scientific Industries group of companies ^(a)	Singapore / USA	Semiconductor	9	(3)	13,742	49.75
Customer S ^(b)	Malaysia	E&E	4	(3)	4,123	14.93
Teradyne group of companies ^(c)	USA	Semiconductor	5	(2)	3,704	13.41
Customer F ^(d)	Malaysia / Vietnam	Solar PV	6	(1)	3,591	13.00
Customer T ^(e)	Thailand	Hard-disk drive	3	(1)	1,032	3.74
Total					26,192	94.83
<u>FYE 2019</u>						
Customer S ^(b)	Malaysia	E&E	4	(3)	15,093	49.80
Electro Scientific Industries group of companies ^(a)	Singapore / USA	Semiconductor	9	(3)	8,709	28.73
Teradyne group of companies ^(c)	USA	Semiconductor	5	(2)	2,397	7.91
Plexus group of companies ^(f)	Malaysia	E&E	9	(1)	1,532	5.05
Customer T ^(e)	Thailand	Hard-disk drive	3	(1)	1,077	3.55
Total					28,808	95.04
<u>FYE 2020</u>						
Customer S ^(b)	Malaysia	E&E	4	(3)	21,703	52.81
Teradyne group of companies ^(c)	USA	Semiconductor	5	(2)	8,459	20.58
Electro Scientific Industries group of companies ^(a)	Singapore / USA	Semiconductor	9	(3)	7,716	18.77
Plexus group of companies ^(f)	Malaysia	E&E	9	(1)	1,380	3.36
Customer B ^(g)	Malaysia	E&E	2	(1)	376	0.91
Total					39,634	96.43

6. INFORMATION ON OUR GROUP (Cont'd)

<u>Customers</u>	<u>Geographical location</u>	<u>Industry</u>	<u>Length of relationship as at the LPD Years</u>	<u>Services provided^(h)</u>	<u>Revenue contribution (RM'000)</u>	<u>(%)⁽ⁱ⁾</u>
<u>FYE 2021</u>						
Customer S ^(b)	Malaysia	E&E	4	(3)	30,754	61.00
Electro Scientific Industries group of companies ^(a)	Singapore / USA	Semiconductor	9	(3)	8,086	16.04
Plexus group of companies ^(f)	Malaysia	E&E	9	(1)	4,696	9.32
Teradyne group of companies ^(c)	USA	Semiconductor	5	(2)	2,460	4.88
Customer B ^(g)	Malaysia	E&E	2	(1)	1,011	2.01
Total					47,007	93.25

Notes:

- (a) Electro Scientific Industries group of companies consists of Electro Scientific Industries, Inc and Electro Scientific Industries (S) Pte Ltd. Electro Scientific Industries (S) Pte Ltd is a subsidiary of Electro Scientific Industries, Inc. Electro Scientific Industries, Inc. was acquired by MKS Instruments Inc. (a global provider of instruments, systems, subsystems, and process control solutions listed on Nasdaq Stock Market) in 2019. The Electro Scientific Industries Inc. group's portfolio consists of laser-based micro manufacturing systems and component test systems that are used worldwide by manufacturers in the electronics industry to process the materials and components that are an integral part of electronic devices and systems.
- (b) Customer S is involved in the design and assembly of modular or complete machine and equipment for the hard-disk drive, Solar PV, semiconductor, and the light-emitting diode (LED) industries. The company is a subsidiary of a listed company on Bursa Securities. The group manufactures production equipment and aerospace products which includes test handlers, laser mark handlers, material handling systems, vision inspection and automation solutions. The group has operations in Malaysia, Singapore and Thailand. A consent was sought for disclosure of the identity of Customer S, however the consent was not provided. As such, the identity of Customer S is not disclosed in this Prospectus.
- (c) Teradyne group of companies consists of Teradyne Inc. and Teradyne (Asia) Pte Ltd. Teradyne group of companies are a leading global supplier of automation equipment for test and industrial application and is listed on the Nasdaq Stock Market. The company design, develop, manufacture, and sell automatic test systems used to test semiconductors, wireless products, data storage and complex electronic systems in many industries including consumer electronics, wireless, automotive, industrial, computing, communication and aerospace and defence industries.
- (d) Customer F consists of 2 companies which are located in Malaysia and Vietnam. The companies are subsidiaries of leading global provider of comprehensive Solar PV solutions which is listed on the Nasdaq Stock Market. The group designs and manufactures solar PV modules. The group has operations in the USA, Malaysia, Singapore, Tokyo, Vietnam, Mexico, Brazil, Belgium Germany and India. A consent was sought for disclosure of the identity of Customer F, however the consent was not provided. As such, the identity of Customer F is not disclosed in this Prospectus.

6. INFORMATION ON OUR GROUP (Cont'd)

- (e) Customer T is a company located in Thailand and is a subsidiary of a provider of data storage technology and solutions which manufactures hard disk drives. The company is a subsidiary of a company which is listed on the Nasdaq Stock Market. The group has operations in USA, Ireland, United Kingdom, Malaysia, Germany, Singapore, Netherlands and Thailand. A consent was sought for disclosure of the identity of Customer T, however the consent was not provided. As such, the name of Customer T is not disclosed in this Prospectus.
- (f) Plexus group of companies consists of Plexus Corp. and Plexus Manufacturing Sdn Bhd (“**Plexus Group**”). Plexus Corp. is a corporation listed on the Nasdaq Stock Market. Plexus Group is a global leader that specializes in serving customers in the healthcare / life sciences, aerospace and complex industrial products sector. Plexus Group delivers customer service excellence to leading companies by providing integrated global design and development, supply chain solutions, new product introduction, manufacturing and aftermarket services. Our company provides sheet metal fabricated parts to the subsidiaries of the Plexus Group.
- (g) Customer B is a subsidiary of a provider of innovative design, engineering services, technology solutions and advanced manufacturing services in both E&E and precision technology industries which is listed on the Nasdaq Stock Market. The group provides contract electronics manufacturing and design services for the medical and telecommunications industry. The group has operations in USA, Mexico, Netherlands, Romania, Thailand, Malaysia, Singapore and China. A consent was sought for disclosure of the identity of Customer B, however the consent was not provided. As such, the identity of Customer B is not disclosed in this Prospectus.
- (h) Categories of products sold or services provided
- (1) Represents sheet metal fabrication.
 - (2) Represents sheet metal fabrication and CNC machining.
 - (3) Represents sheet metal fabrication, CNC machining and mechanical assembly.
- (i) Total revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 were RM27.62 million, RM30.31 million, RM41.10 million and RM50.41 million, respectively.

Our top 5 major customers contributed 94.83%, 95.04%, 96.43% and 93.25% of our Group’s total revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. We are dependent on 3 of our major customers namely, Electro Scientific Industries group of companies, Customer S and Teradyne group of companies. They have cumulatively contributed approximately 78.09%, 86.44%, 92.16% and 81.92% to our revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively.

Our customers typically do not enter into long-term contracts with us and our sales are based on purchase orders that we receive from time to time. As a result, our future performance, to a certain extent, depends on our ability to secure repeat orders from these customers.

Nevertheless, our Group has maintained good working relationships with our major customers. Specifically, we have been working with Electro Scientific Industries group of companies for 9 years, Customer S for 4 years and Teradyne group of companies for 5 years. Prior to servicing the aforementioned companies, we were required to undergo a stringent qualification process and we have since become one of their approved / preferred vendors. These companies also provide us with a forecast of their intended purchase volume for a rolling 3 to 6-months period. Nevertheless, the actual sales may vary from the forecasted volume. There has been no dispute with these customers over the time which has significantly affected our operations or financial performance.

Further, our Group envisage to secure more orders from other current customers, diversify our revenue stream through expansion into the vision inspection industry, expand our customer base in the semiconductor, E&E and Solar PV industries and penetrate other industries such as healthcare and automotive industry when the opportunities arises in order to reduce reliance on the above mentioned major customers.

6. INFORMATION ON OUR GROUP (Cont'd)

6.19 MAJOR SUPPLIERS

Our top 5 major suppliers (by total purchases) for the Financial Years Under Review are as follows:

Suppliers	Country	Purchases / Services	Length of relationship as at the LPD Years	Value of purchases	
				(RM'000)	(%)(a)
<u>FYE 2018</u>					
Wellsentech Sdn Bhd	Malaysia	Precision parts and components	5	1,121	16.83
CCK Precision Engineering PLT	Malaysia	Precision parts and components	5	1,117	16.77
Handan Zhengda Manufacturing Pipe Co. Ltd	China	Steel	4	718	10.78
FKT Engineering	Malaysia	Precision parts and components	5	512	7.68
UA Materials Sdn Bhd	Malaysia	Aluminium	7	188	2.82
Total				3,656	54.88
<u>FYE 2019</u>					
CCK Precision Engineering PLT	Malaysia	Precision parts and components	5	1,991	40.11
Landchart Sdn Bhd	Malaysia	Surface finishing	3	814	16.40
Wellsentech Sdn Bhd	Malaysia	Precision parts and components	5	603	12.15
FKT Engineering	Malaysia	Precision parts and components	5	295	5.94
Multifab Precision Technology Sdn Bhd	Malaysia	Precision parts and components	3	231	4.65
Total				3,934	79.25
<u>FYE 2020</u>					
Landchart Sdn Bhd	Malaysia	Surface finishing	3	1,337	22.67
CCK Precision Engineering PLT	Malaysia	Precision parts and components	5	1,138	19.30
Wellsentech Sdn Bhd	Malaysia	Precision parts and components	5	696	11.80
Scale Line Technology Sdn Bhd	Malaysia	Precision parts and components	2	597	10.12
Beye Aluminium Trading Sdn Bhd	Malaysia	Aluminium	6	209	3.54
Total				3,977	67.44

6. INFORMATION ON OUR GROUP (Cont'd)

Suppliers	Country	Purchases / Services	Length of relationship as at the LPD Years	Value of purchases	
				(RM'000)	(%)(a)
FYE 2021					
Landchart Sdn Bhd	Malaysia	Surface finishing	3	1,258	15.96
CinKoon Hardware Sdn Bhd	Malaysia	Mild Steel	7	547	6.94
Wong Tool Steel Sdn Bhd	Malaysia	Mild & Tool Steel	6	403	5.11
Dako Steel Sdn Bhd	Malaysia	Mild Steel	4	317	4.02
Wellsentech Sdn Bhd	Malaysia	Precision parts and components	5	236	2.99
				2,761	35.02

Note:

- (a) Total purchases for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 were RM6.66 million, RM4.96 million, RM5.90 million and RM7.88 million, respectively.

We are not dependent on any of our major suppliers as our raw materials are common and can be sourced from other suppliers. Our suppliers are selected based on their capacity, as well as the quality of their products and services. As we do not have any long term or exclusive contracts with our suppliers, we will not incur any switching cost associated to sourcing from other suppliers. We have maintained good working relationship with our major suppliers and there have been no material disputes with our major suppliers or disruption in supplies for the Financial Years Under Review and up to the LPD.

6.20 REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES

The following is an overview of regulatory requirements governing us which are material to our business operations:

(a) **Industrial Co-Ordination Act 1975 (“ICA 1975”)**

Pursuant to the ICA 1975, no person shall engage in any manufacturing activity unless he is issued a license in respect of such manufacturing activity. The ICA 1975 defines “manufacturing activity” as the “making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade”. Manufacturing companies with shareholders’ funds of RM2.5 million and above or engaging 75 or more full-time paid employees are required to apply for a manufacturing license.

As at the LPD, our subsidiary company, STSB, carries out manufacturing activities and holds 2 valid manufacturing licenses issued by the MITI.

(b) **Factories and Machinery Act 1967 (“FMA 1967”)**

FMA 1967 and the relevant regulations made thereunder, including the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations 1970 provide for the control of factories with respect to matters relating to the safety, health and welfare of persons in the factories, the registration and inspection of machinery and other matters connected therewith.

6. INFORMATION ON OUR GROUP (Cont'd)

Under the FMA 1967, the occupier of the factory has a duty to maintain the standards of safety of appliances and machineries in his factory, and the health and welfare of his factories and factory workers. These include provisions requiring the taking of precautions against fire, the proper maintenance of safety appliances and machinery, the keeping of a clean factory, and the mandatory reporting of accidents and dangerous occurrences to the inspector of factories and machineries.

The FMA 1967 further provides that no person shall operate or cause or permit to be operated any machinery in respect of which a certificate of fitness is prescribed, unless there is in force in relation to the operation of the machinery a valid certificate of fitness issued under the FMA 1967. In the case of any contravention, an inspector of factories and machineries appointed under the FMA 1967 shall forthwith serve upon the person aforesaid a notice in writing prohibiting the operation of the machinery or may render the machinery inoperative until such time a valid certificate of fitness is issued.

For the purposes of FMA 1967,

- (i) the term “machinery” includes steam boilers, unfired pressure vessels, fired pressure vessels, pipelines, prime movers, gas cylinders, gas holders, hoisting machines and tackle, transmission machinery, driven machinery, materials handling equipment, amusement device or any other similar machinery and any equipment for the casting, cutting, welding or electro-deposition of materials and for the spraying by means of compressed gas or air of materials or other materials but does not include:
 - (aa) any machinery used for the propulsion of vehicles other than steam boilers or steam engines;
 - (bb) any machinery driven by manual power other than hoisting machines;
 - (cc) any machinery used solely for private and domestic purposes; or
 - (dd) office machines; and
- (ii) the term “material handling equipment” includes any power driven equipment for handling materials, and includes forklift, conveyor, stacker, excavator, tractor, dumper or bulldozer but does not include hoisting machine.

As at the LPD, we hold valid certificates of fitness issued by DOSH for our machinery as defined in the FMA 1967. Nonetheless, our Group had submitted an application for the renewal of Certificate of fitness’ which expired in September 2021 and is currently pending approval.

The Factories and Machinery (Repeal) Act 2022 (the “**FM Repeal Act**”), which has been passed as law, has received the Royal Assent on 4 March 2022 and has been gazetted on 16 March 2022. However, the date on which the FM Repeal Act comes into operation has yet to be appointed and gazetted.

The FM Repeal Act, when comes into operation, will repeal the FMA 1967. However, any registration made, or order, notice, direction, written authority, approval, certificate of fitness, special scheme of inspection or certificate of competency given or issued, under the FMA 1967 shall, on the coming into operation of the FM Repeal Act, be dealt with under the Occupational Safety and Health Act 1994 and its subsidiary legislations, which will be the law of reference for all matters related to safety and welfare of persons at work.

(c) **Occupational Safety and Health Act 1994 (“OSHA 1994”)**

The OSHA 1994 makes provisions for securing the safety, health and welfare of persons at work, for protecting others against risks to safety or health in connection with the activities of persons at work, and to promote an occupational environment for persons at work which is adapted to their physiological and psychological needs.

6. INFORMATION ON OUR GROUP *(Cont'd)*

It shall be the duty of every employer to conduct its undertaking (including provision and maintenance of systems of work) in such a manner as to ensure, so far as is practicable, that he and other persons, not being its employees, who may be affected thereby are not exposed to risks to their safety or health. Every employer who provides, maintains or imports any machinery, equipment or appliance (“**Plant**”) for use at work shall ensure that the Plant (and the installation thereof) is safe and without risks to health when properly used, carry out testing and examination as may be necessary, and ensure that the results of such tests are available.

It shall be the duty of every employer to prepare a general policy with respect to the safety and health at work of his employees and the organisation and arrangements for the time being in force for carrying out that policy. Such safety and health policy shall be revised as often as it may be appropriate, and shall be brought to the notice of all employees.

The OSHA 1994 also requires a company to notify the nearest occupational safety and health office of any accident, dangerous occurrence, occupational poisoning or occupational disease which has occurred or is likely to occur at the place of work.

The Group’s Environment, Health and Safety Policy has been communicated to the employees of our Group.

Similar to the FM Repeal Act, the Occupational Safety and Health (Amendment) Act 2022 (“**OSH Amendment Act**”) has been passed as law, has received the Royal Assent on 4 March 2022 and has been gazetted on 16 March 2022. However, the date on which the OSH Amendment Act comes into operation has yet to be appointed and gazetted.

The OSH Amendment Act, when comes into operation, will provide amongst others:

- (i) a right to an employee to remove himself from the danger or the work if he has reasonable justification to believe there exist an imminent danger at his place of work, and the employer has failed to take any action to remove the danger;
- (ii) the obligation of an employer to conduct a risk assessment in respect of the safety and health risk posed to any person who may be affected by his undertaking at the place of work and the implementation of risk control to eliminate or reduce said safety and health risk; and
- (iii) provisions relating to notification of occupation of place of work, and installation and inspection of Plants, including the prescription of any Plant for which a certificate of fitness is required.

(d) **Environmental Quality Act 1974 (“EQA 1974”)**

The EQA 1974 sets out provisions in respect of prevention, abatement, control of pollution and enhancement of the environment. It is an offence under the EQA 1974 for any person, unless licensed to do so, to among others:

- (i) emit or discharge environmentally hazardous substances, pollutants or wastes into the atmosphere;
- (ii) emit or cause or permit to be emitted any noise greater in volume, intensity or quality;
- (iii) pollute or cause or permit to be polluted any soil or surface of any land; or
- (iv) emit, discharge or deposit any environmentally hazardous substances, pollutants or waste into any inland waters,

in contravention of the acceptable conditions specified in the EQA 1974.

6. INFORMATION ON OUR GROUP (*Cont'd*)

The EQA 1974 also empowers the Minister charged with the responsibility for environment protection to make regulations specifying acceptable conditions for the emission, discharge or deposit of environmentally hazardous substances, pollutants or wastes or the emission of noise into the environment.

Among other regulations, the Environmental Quality (Scheduled Waste) Regulations 2005 (“**Regulations 2005**”) specify the following requirements:

- (i) any person who generates scheduled wastes (“**Waste Generators**”) shall, within 30 days from the date of generation of scheduled wastes, notify the DGEQ of the new categories and quantities of scheduled wastes which are generated;
- (ii) scheduled wastes shall be disposed of at prescribed premises only and shall, as far as practicable, before disposal, be rendered innocuous;
- (iii) scheduled wastes be treated at prescribed premises or at on-site treatment facilities only and the residuals from treatment of scheduled wastes shall be treated and disposed of at prescribed premises.
- (iv) a Waste Generator may apply to the DGEQ in writing to have the scheduled wastes generated from their particular facility or process excluded from being treated, disposed of or recovered in premises or facilities other than at the prescribed premises, on-site treatment or recovery facilities. If the DGEQ is satisfied with the application made, the DGEQ may grant a written approval either with or without conditions; and
- (v) a Waste Generator shall keep an accurate and up-to-date inventory of scheduled wastes generated, treated and disposed of in accordance with the fifth schedule of the Regulations 2005 and of materials or product recovered from such scheduled wastes for a period up to 3 years from the date of the scheduled wastes was generated.

Further, the Environmental Quality (Clean Air) Regulations 2014 (“**Regulations 2014**”), which is applicable to industrial plants, specify the following requirements:

- (i) a written notification shall be submitted by the owner or occupier of a premises to the DGEQ not less than 30 days before the commencement of the following:
 - (aa) any change in operation of his premises;
 - (bb) any work on any premises that may result in a source of emission;
 - (cc) construction of any building or premises on any land designed or used for a purpose that may result in a new source of emission;
 - (dd) any change of, to, or in any plant, machine, or equipment used or installed at the premises that causes a material change in the quantity or quality of emission from an existing source; or
 - (ee) any changes or modifications to an existing facility designed and constructed for the purpose of preventing or reducing the potential emission that causes air pollution, and includes the extraction system, control equipment and chimney (“**Air Pollution Control System**”).
- (ii) every premises shall be equipped with an Air Pollution Control System in accordance with the specifications as determined by the DGEQ;
- (iii) the owner or occupier of the premises must operate and maintain the Air Pollution Control System in accordance with sound engineering practice and ensure that all components of the Air Pollution Control System are in good working condition; and

6. INFORMATION ON OUR GROUP *(Cont'd)*

- (iv) the owner or occupier of the premises and the professional engineer shall, within 30 days after the commencement of operations at the premises, submit a written declaration to the DGEQ certifying that the design and construction of the Air Pollution Control System have complied with the specifications as determined by the DGEQ.

We have appointed a licensed service provider to collect and transport scheduled wastes from our factory, and dispose, treat and carry out other waste management related services at premises of the licensed service provider.

We have submitted a written declaration to the DGEQ certifying that the design and construction of the Air Pollution Control System have complied with the specifications as determined by the DGEQ after the commencement of operations in Plot 350(A).

(e) Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 ("EMSHAAA 1990")

The EMSHAAA 1990 and its subsidiary regulations require employers and centralised accommodation providers to comply with the minimum statutory requirements relating to centralized accommodation provided to employees. A centralized accommodation provider is defined as any person who provides and manages any building used for the housing of employees employed by one or more employers and supervises the services provided in such building for one or more employers but does not include an employer who provides accommodations for his own employees.

The EMSHAAA 1990 was amended by the Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019 where effective from 1 June 2020, employers must abide by enhanced minimum standards on accommodation for employees which includes obtaining a Certificate of Accommodation from the Department of Labour Peninsular Malaysia. Notwithstanding, a 3 months' grace period up to 31 August 2020 was granted to allow employers to making necessary arrangements to ensure compliance with the EMSHAAA 1990. Nonetheless, in any event that the accommodation provided does not have a valid Certificate of Accommodation, the employer will be liable to a fine not exceeding RM50,000.

Our Group had appointed a third party accommodation provider to provide accommodation for our foreign workers. The said third party accommodation provider has obtained the Certificate of Accommodation for the hostel which are utilised for its operations. As at the LPD, we have submitted the Notice of Occupation for all our foreign employees with the Department of Labour Peninsular Malaysia. In the event additional foreign employees are employed by us, we will arrange for the necessary accommodation which complies with the EMSHAAA 1990.

6.21 ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Our Board approved our Sustainability Framework on 22 March 2021, which sets out policies in accordance with the Sustainability Reporting Guide issued by Bursa Securities, in meeting our sustainability reporting requirements. Through the implementation of these policies, we strive to comply with the environmental, social and governance best practices in relation to preserving and caring for the environment, commitment to act responsibly to all stakeholders in our business operations and committed to conduct our business ethically and in compliance with all relevant rules and regulations and achieving and sustaining good corporate governance. The key points of our Sustainability Framework are summarised below:

(a) Environmental practices

Our Group has engaged licensed third parties to collect our metal scraps and scheduled waste.

6. INFORMATION ON OUR GROUP (Cont'd)

(b) Social practices

Our Group believes in giving back to society and strengthening the local communities. We have collaborations with educational institutions such as, amongst others, University Malaysia Perlis, University Utara Malaysia and Penang Regional Development Authority for internship programs as well as providing donations (e.g. oxymeters donation) supported by the Government of Penang.

(c) Governance practices

Our Group has adopted the following practices in demonstrating good governance:

- (i) Formal organisational structure for clear lines of authority, accountability and responsibility, as well as training for better execution of responsibilities and personal development;
- (ii) Internal policies and procedures adopted which are in compliance with the relevant laws and regulations; and
- (iii) Anti-corruption and whistleblowing policies have been adopted to encourage reporting of malpractices or wrongdoings as well as discourage unethical and illegal conduct.

6.22 EXCHANGE CONTROLS

The Financial Services Act 2013 (“**FSA 2013**”) provides for, among others, the oversight of the money market and foreign exchange market to promote financial stability and for related matters. The FSA has replaced the Exchange Control Act 1953 on 30 June 2013.

The FSA 2013 and the notices issued by the Central Bank of Malaysia (“**BNM**”) (“**BNM Notices**”) set out transactions that are prohibited under the FSA 2013 but may be allowed with prior written approval of BNM.

The BNM Notices also governs the payment and receipt of local or foreign currencies and proceeds of export of goods from Malaysian entities and entities in overseas.

There is no restriction for Malaysian entities to make or receive payments from each other in RM, or to or from entities overseas in foreign currency.

Malaysian entities shall receive the full value (excluding any deductions approved by BNM such as handling charge including freight and insurance or takaful costs) of the proceeds of its export of goods in RM or foreign currency within 6 months from the date of shipment.

As at the LPD, we comply with the exchange control requirement in relation to the payments and receipt of local and foreign currencies with our customers and suppliers.

In addition, as at the date of this Prospectus, we do not have any foreign subsidiary or associated company which requires repatriation of capital and the remittance of profits by or to our Group. We do not have any non-resident shareholders who require the remittance of dividends, interest or other payments and the exchange controls do not affect the availability of cash and cash equivalents for use by our Group.

6. INFORMATION ON OUR GROUP (Cont'd)

6.23 TAXATION

All corporations in Malaysia are required to adopt a single-tier system. As such, all dividends distributed by Malaysian corporations under this system are not taxable. Furthermore, the Government does not levy withholding tax on dividends payment. Therefore, there is no withholding tax imposed on dividends paid to non-residents by Malaysian corporations. There is also no Malaysian capital gains tax arising from the disposal of listed shares.

As at the date of this Prospectus, we do not have any foreign subsidiary or associated company which requires repatriation of capital and the remittance of profits by or to our Group.

6.24 SEASONALITY

Generally, our business is not affected by seasonal trends.

6.25 INTERRUPTIONS IN BUSINESS

Save for the impact of COVID-19 on our business as detailed below, we did not experience any material interruptions in our business activities, which had a significant effect on our operations, during the past 12 months prior to the date of this Prospectus.

6.25.1 Impact of COVID-19 and the MCO on our Group

The imposition of the MCO throughout Malaysia from 18 March 2020 to 3 May 2020 by the Government to curb the spread of COVID-19 had resulted in mandatory closure of all government and private premises during this period, except those involved in essential services, or unless written permission was obtained from MITI. On 1 May 2020, the Government announced a CMCO starting from 4 May 2020 to 9 June 2020 and allowed more businesses to operate under a set of strict SOPs. On 7 June 2020, the Government announced a RMCO starting from 10 June 2020 to 31 August 2020 with further easing of regulations such as interstate travel and recreational activities. Subsequently from 1 September 2020 and up to January 2021, the Government had re-imposed various stages of MCO nationwide that are targeted at specific states or areas, depending on the severity of the COVID-19 cases. The country transitioned into CMCO beginning 5 March 2021. However, increasing COVID-19 cases saw the MCO being re-imposed nationwide beginning 12 May 2021.

During the initial MCO periods, all businesses were required to temporarily suspend operations, except for essential services such as healthcare, food and beverage and manufacturing of essential goods. Our Group was considered an essential service as we are a part of the engineering supporting industry and involved in the supply chain of E&E products. As such, STSB and EEASB were permitted to resume its operations during the MCO after receiving approval from MITI on 3 April 2020 and 17 April 2020 respectively, but at a reduced capacity of 50% of our total workforce. We resumed operations with a full workforce during the CMCO and RMCO period. We have not had to reduce our production workforce during the subsequent MCO and CMCO periods.

In light of increases in COVID-19 cases nationwide, the Government announced on 28 May 2021 that it would impose a FMCO effective 1 June 2021, where all social and economic activities would not be allowed to operate, with exemptions provided to certain industries deemed as essential services. Like the initial MCO period in 2020, STSB and EEASB received approval from the MITI to continue operating during the FMCO, albeit with a reduced capacity of 60% of total workforce.

On 15 June 2021, the Government announced the NRP, which is a 4-phase strategy based on 3 indicators, which are number of symptomatic new hospital admissions; capability of public healthcare system based on the bed utilisation rate in intensive care unit (ICU) wards and percentage of the population protected against COVID-19, based on the number of people that have received two doses of vaccines.

6. INFORMATION ON OUR GROUP (Cont'd)

Depending on the indicators, each Malaysian state would be in the various phases of the NRP, which would have different restrictions on economic and social activities. Amidst a higher vaccination rate, the Government announced on 7 August 2021 that the daily number of COVID-19 cases would no longer be indicator for NRP for states that have vaccinated 50% of its population. For such states, the indicator would be replaced by the daily number of hospitalisations of symptomatic COVID-19 patients.

From 31 August 2021, our operations under Phase 2 of NRP were allowed to operate at full workforce capacity having complied with the necessary vaccination rates for our employees. Penang state has since 8 November 2021 moved to Phase 4 of NRP.

(a) Impact on our production and sales

As we were permitted to operate during the initial MCO period, we were able to continue manufacturing our products and did not experience any material disruptions to our production output. We also did not experience any decrease in demand of products from our customers. However, the lockdown and movement control measures prevented us from conducting face-to-face meetings and site visits with potential customers, which in turn slowed down our business development process. Nevertheless, we did not experience a substantial adverse impact on our sales nor were there any material financial impact to our Group for the FYE 2021 due to COVID-19.

(b) Impact of COVID-19 on our supply chain

During the initial MCO periods, we experienced minor disruptions in our supply chain as delivery of raw material to our premises were briefly affected due to travel restrictions, as well as MITI's deferred approval for businesses which they deemed as non-essential. We did not experience material disruptions of raw materials from our suppliers.

Delivery of finished goods to our local customers was minimally affected as they are carried out by our own fleet of delivery trucks. We experienced slight delays in delivery of finished goods to overseas customers due to difficulty in obtaining cargo space for air and sea freight during the MCO periods. As at the LPD, our Group has fulfilled all delivery orders and has not experienced any further delays in delivery of finished goods to our overseas customers.

As for automated equipment solution, we experienced delays in delivery, installation and commissioning of the equipment at our customers' premises due to travel restrictions. We have informed our customers and we have not incurred nor expected to incur any penalties from our customers due to delayed delivery. For installation and testing of automated equipment in foreign countries, our customers have requested for the delivery of the automated equipment and installation of the equipment will be undertaken by the customers themselves.

(c) Measures to commence and continue our business operations

As part of the conditions set forth by the MITI permitting companies providing essential services to operate during the MCO period, we were required to follow and implement strict SOPs imposed by the Government which include the following:

- (i) reducing the number of employees working at our premises during the MCO period according to the SOPs provided by the Malaysian and Penang government. In addition, we developed a remote working system for our employees who are not involved in critical operating activities. We also submitted a list of employees who would be involved in the Company's critical operations during the MCO period, while limiting travels during working hours;
- (ii) preparing and providing employees with personal protective equipment which includes among others, face masks, face shields and gloves, ensuring all employees and visitors wear face masks at all times in our premises, sanitise their hands regularly and practice social distancing, and making available hand sanitisers or disinfecting kits at entrances and common areas in production facilities and office area;

6. INFORMATION ON OUR GROUP *(Cont'd)*

- (iii) measuring and recording the body temperature readings of all employees and visitors at the entrances of our premises. If the body temperature reading is above 37.5 degree Celsius, the employee or the visitor will be denied entry. If an employee exceeds the aforementioned body temperature, we will refer the employee to our panel clinics or the nearest government hospital;
- (iv) sanitising and disinfecting common areas of the premises such as our office, production floor and lobbies, in accordance to the SOPs provided by the Government;
- (v) ensuring that vehicles used to transport employees are sanitised and disinfected each time before use, and that employees wear face masks and practice social distancing during the ride; and
- (vi) laying distancing markers to guide general movement directions and seating arrangement that enforce physical distancing among those present in our premises in common areas.

For the year 2021 and up to the LPD, we had incurred approximately RM0.42 million to implement the SOPs in relation to COVID-19. In addition, we had arranged for the vaccination for all our permitted employees under the Program Imunisasi Industri COVID-19 Kerjasama Awam-Swasta (PIKAS) programme. The first dose of the COVID-19 vaccination programme for our employees was conducted on 20 July 2021 and 31 July 2021 while the second dose was conducted on 10 August 2021 and 21 August 2021. As at the LPD, 99.57% of our employees has been fully vaccinated.

In the event that our employee is tested positive for COVID-19, our Group will cooperate with the MoH and abide by their instructions for the next course of action. Our SOP in such an event will include the following measures:

- (i) compulsory COVID-19 screening for employees in the same department / section and employees who have come in contact with the affected employee;
- (ii) sanitising and disinfecting the affected work area and other premises according to the MoH's guidelines; and
- (iii) initiate work-from-home policy where possible for other employees in the same department / section.

(d) COVID-19 cases related to our Group

As at the LPD, there have been 34 COVID-19 cases related to our Group. The first case was detected on 7 May 2021 when a local employee of STSB had undergone the COVID-19 test. On 10 May 2021, the said employee was tested positive for COVID-19. Subsequently, the employee was under home quarantine from 10 May 2021 until 18 May 2021. The said employee returned to work on 19 May 2021. The incident did not cause any delay in our production line as the employee is responsible for delivery of products to our local customers. Nonetheless, our delivery schedules were not impacted as logistic agents were appointed to carry out the deliveries.

The second and third case were detected on 23 August 2021 and 29 August 2021, respectively. Both the local employees had undergone the COVID-19 test and obtained the results on the said dates. Upon confirmation of the positive results, the respective employee, as well as their respective production subdivision were placed under home quarantine. The said employees had returned to work on 1 September 2021 and 7 September 2021, respectively. The respective production areas were closed for 1 day for disinfection to be carried out. As both the employees were at their respective work areas, other areas of the manufacturing plant were not required to be closed. The incidents did not cause any delay in our production line nor delivery schedule as the orders were fulfilled by machines located at other areas of the manufacturing plant.

6. INFORMATION ON OUR GROUP (Cont'd)

Pursuant to the incidents, the respective sections of our facility had undergone through cleaning and disinfection. Other employees which were considered close contact were required to undergo the COVID-19 test had worked from home for a 10-day period upon testing.

In September 2021 and October 2021, there were 20 COVID-19 cases and 1 COVID-19 case respectively, related to our Group. Further, from 1 January 2022 up to the LPD, there were 10 COVID-19 cases related to our Group. The employees who tested positive for COVID-19 were required to undergo home quarantine for 7 days before returning to work. Upon confirmation of the positive COVID-19 case, the respective sections of our facilities would undergo through cleaning and disinfection. As such, our business operations were not affected.

As we are categorised as a company providing essential services, we are allowed to operate during the various MCO periods and NRP period. We have not experienced material disruptions to our business operations as the production activities were not affected.

6.26 FUTURE PLANS, STRATEGIES AND PROSPECTS

We intend to grow our business organically through the implementation of the following plans and strategies:

6.26.1 Expansion of Product and Service Offerings in the Automated Equipment Solutions Segment**Vision inspection handlers with embedded electronics system**

We plan to venture into the semiconductor back-end inspection industry by manufacturing vision inspection equipment handler platforms embedded with camera imaging and electronics system. Various specialised and purpose-built vision guided inspection equipment are used in the semiconductor front-end wafer fabrication industry whereby semiconductor wafers, dies, wires and components positioning, amongst others, are inspected for non-compliance and defects. Cameras installed in the machines will be able to capture and produce a combination of 2D imaging and 3D metrology to detect and pinpoint the positioning, defects and other detectable criteria.

Currently, EEASB design and assemble vision inspection systems which are customised to its customers' requirements and specifications. However, we intend to build our own generic machine frame which are customisable to each customers' needs and requirements. Such customisations can be made on the functional features of the vision inspection equipment such as, component size, imaging conditions and speed as well as may include installation of automated pick and place handlers. The total expenditure for the venture is estimated to be approximately RM1.60 million of which will be funded by internally generated funds.

Designing and manufacturing of the generic machine frame is expected to begin in the first quarter of 2023, upon setting up the D&D centre. The initial conceptualisation and D&D stage of the vision inspection handlers will be spearheaded by our Chief Technical Officer, Hong Lai Guan, who will be supported by a team of technical personnel from both our Subsidiaries. The commercialisation stage will be undertaken by both our Subsidiaries whereby STSB will focus on the fabrication of metal and component parts as well as assembly process while EEASB will focus on the automation process. Expansion into the semiconductor inspection industry will provide us with an additional source of revenue which complements our existing business activities. Majority of the works will be done in-house as we have the expertise and capabilities to design, fabricate, assemble and commission the assembled equipment.

6. INFORMATION ON OUR GROUP *(Cont'd)*

6.26.2 Expansion of Our Production Capacity and Capabilities of Our Engineering Supporting Services Segment

In anticipation of future business growth and expansion for our engineering supporting services segment, we intend to expand our production capacity and capabilities via the construction of Manufacturing Plant 3 and purchase of new machineries, which would enable us to take on additional business opportunities from existing customers for additional recurring products and new products as well as to meet capacity commitments from potential customers for our engineering supporting services segment.

(a) Construction of Manufacturing Plant 3

Currently, our operations are located at Manufacturing Plant 1 and Manufacturing Plant 2. The relocation of EEASB to Manufacturing Plant 2 is expected to occupy a large amount of floor space in Manufacturing Plant 2. Therefore, as part of our business expansion plans to house additional machines to produce more complex, higher precision and higher mix precision-machined components, as well as our efforts to increase our production capacity to cater to the increasing demand for our engineering supporting services, we are in the process of constructing Manufacturing Plant 3. Manufacturing Plant 3 is located approximately 300 meters away from Manufacturing Plant 1 and Manufacturing Plant 2 and will comprise a 3-storey factory and warehouse with 3-storey office building with a built-up area of approximately 319,173 sq ft. Premised on the increasing demand for our engineering supporting services, Manufacturing Plant 3 will be mainly utilised for our CNC machining activities.

The construction of Manufacturing Plant 3 is in line with our future plan of expanding our CNC machining capabilities and increasing our maximum production capacity for our CNC machining segment. The additional floor space from the construction of Manufacturing Plant 3 will provide our Group with sufficient space to accommodate the machineries to be purchased as disclosed in Section 6.26.3 (b). In addition, the construction of Manufacturing Plant 3 will provide our Group with sufficient floor space to carry out our future plan of setting up a D&D centre and venture into the vision inspection industry as disclosed in Section 6.26.1.

Illustrated below is the artist's impression of Manufacturing Plant 3.



We have appointed two construction consultancy companies for the overall project management in relation to the construction of Manufacturing Plant 3. We obtained the building plan approval for the construction of Manufacturing Plant 3 from Majlis Bandaraya Seberang Perai on 3 September 2020. The land filling and earthworks were completed in December 2020 and the construction works had begun in January 2021. Upon completion of the construction works, mechanical and electrical engineering works which include amongst others, installation of machinery and equipment, as well as testing and commissioning of the same, will be conducted. The construction of Manufacturing Plant 3 is expected to be completed by the end of the second quarter of 2022 and fully operational by the fourth quarter of 2022.

6. INFORMATION ON OUR GROUP *(Cont'd)*

The following are the material approvals, certificates and licences that we would require to commence our business operations in Manufacturing Plant 3:

- (i) industrial or business premises licence issued by Majlis Bandaraya Seberang Perai;
- (ii) certificate of completion and compliance issued by an architect;
- (iii) fire certificate issued by the Fire and Rescue Department of Malaysia, Penang;
- (iv) manufacturing licence issued by MITI;
- (v) warehouse licence and manufacturing warehouse licence issued by Royal Malaysian Customs Department;
- (vi) certificate(s) of fitness for machines issued by DOSH;
- (vii) approval(s) for installation of machines issued by DOSH;
- (viii) approval(s) for management of scheduled wastes issued by DOE Penang; and
- (ix) written declaration in relation to the design and construction of the air pollution control system issued by DOE Penang.

Save for the building plan approval for the construction of Manufacturing Plant 3 from Majlis Bandaraya Seberang Perai, we have yet to obtain the other approvals, certificates and licenses for Manufacturing Plant 3.

The total estimated construction cost for Manufacturing Plant 3 is approximately RM50.00 million. The construction costs will be primarily financed through bank borrowings. As at the LPD, we have secured RM30.00 million of bank borrowings for the construction. For the remaining estimated construction cost of RM20.00 million, we intend to allocate RM15.00 million from the Public Issue for the construction of Manufacturing Plant 3 whilst the remaining balance of RM5.00 million will be funded via internally generated funds. In the event that additional funding is required, the costs will be funded by internally generated funds or additional bank borrowings. As at the LPD, approximately RM11.69 million has been incurred for the construction of Manufacturing Plant 3 and deposit paid for the order purchase of CNC milling machines.

Please refer to Sections 6.16.1 and 6.26.2(b) of this Prospectus respectively, for further information on Plot 322 and the types of machinery and equipment to be purchased, as well as the method of financing these activities.

(b) Purchase of new machinery and equipment

As part of our business growth strategy, we keep a close working relationship with our customers to continue participating in their product design and development activities. Through active engagement with our customers, we are also able to gain early visibility into their requirement for new products such as design, material and functional requirements and latest technological trend in the markets such as new and innovative electronic devices, telecommunication technologies and IoT, enabling us to secure more sales from existing and new customers.

In preparation for anticipated increase in sales order over a longer term in view of growing demand from the end-user markets such as semiconductor and solar PV industries spurred by the latest technological trends, we plan to purchase new machineries to support our additional production activities. We intend to allocate 39.37% of our IPO proceeds to purchase 1 new laser cut and punch machine and 41 new CNC milling machines over the next 3 years. Laser tube cutting machines are used to cut tubes and structural shapes into required lengths as well as cut out holes or designs in the tubes. Details of laser cut and punch machine and CNC milling machines are set out in Sections 6.4.2.1(a) and 6.4.2.2(a) of this Prospectus, respectively.

6. INFORMATION ON OUR GROUP *(Cont'd)*

The new machineries to be purchased are in line with our plans to continuously expand our fleet of machinery and equipment and not for replacement purposes. The new machineries have more functionality and features, such as the capability to machine complex components with a single setup which reduces the overall setup time and prevents human error, as well as enable utilising shorter cutting tools to increase the cutting speed, thus enabling our Group to produce more complex, higher mix and higher precision products which existing machines may not be able to achieve or would require more time. Accordingly, the purchase of new machineries is expected to cumulatively increase our maximum manufacturing production capacity by approximately 25.30% from 520,410 hours per annum as at the LPD to 652,080 hours per annum. The total cost for the purchase of new machineries shall be fully funded from our IPO proceeds. If the actual cost of purchasing the new machinery and equipment are higher than budgeted, the deficit will be funded by internally generated funds.

6.26.3 Local market expansion

Our Group manufactures sheet metal parts and components as well as provide sub-modular mechanical assembly services which can cater to machinery and equipment manufacturers of various industries. Nonetheless, as at the LPD our Group predominantly serve customers in the semiconductor, E&E and Solar PV industries. Upon completion of Manufacturing Plant 3, we will have additional factory area to increase our manufacturing capacity to cater to the increase in future orders. Further, we also market ourselves as a one-stop solution provider for automated equipment solutions with the addition of EEASB. Our Group is able to provide a more comprehensive solution through the different areas of expertise of our Subsidiaries. Moving forward, we intend to diversify our revenue stream by expanding into the vision inspection industry which includes, amongst others, the semiconductor and printed circuit board assembly industry, whereby STSB will focus on the fabrication aspect while EEASB will focus on the automation process which in turn will enable our Group to reduce reliance on our major customers.

Further, we intend to expand both our engineering supporting services and automated equipment solutions' products and services into other industries when the opportunity arises. Malaysian economy is widely diversified with companies operating in many different industries, such as, healthcare and automotive industry. To increase efficiency and productivity, companies have started to incorporate automated systems and production lines. With the vast knowledge and experience of our Group, we will be able to provide solutions which are customised specifically to each customer's requirements.

As at the LPD, our Group has received enquiries for our engineering supporting services activities from prospective customers in the automotive, healthcare and agriculture industries.

6.26.4 In-house D&D expansion

We intend to further invest in our in-house D&D activities to maintain our competitive advantage. Apart from working closely with our customers, expanding our in-house D&D activities will allow us to customise and improve our products and services for both our engineering supporting services and automated equipment solutions segments to better serve our customers. The D&D activities of our Group would include the design and development of vision guided inspection machines which would allow us to venture into the vision inspection industry and other industries, such as, amongst others, the healthcare and automotive industry, when the opportunity arises. Please refer to Section 6.26.1 of this Prospectus for further details on our future plan to venture into the vision inspection industry.

In anticipation of the increase in D&D activities, we intend to allocate a built-up area of approximately 2,000 sq ft in Manufacturing Plant 3 for a D&D centre. The D&D centre is expected to be operational by the end of the fourth quarter of 2022. The D&D centre will comprise analytical tools, vision station, lifters, carriers, pick-and-place machines and in-line curing and inspection machines for developing designs and prototypes of our products, machines and automated systems. Additional personnel with engineering, automation and / or machining technical knowledge will be recruited if required, to assist in the D&D activities.

The total cost of setting up the D&D centre is estimated at RM3.00 million which will be funded using the proceeds raised from the Public Issue. In the event that the actual cost is more than budgeted, the deficit will be funded by internally generated funds. Please refer to Section 4.4.6 of this Prospectus for further details on the breakdown of the costs expected to be incurred for setting up the D&D centre.

6. INFORMATION ON OUR GROUP *(Cont'd)*

6.26.5 Prospects of the Group

According to the IMR Report, the ESI in Malaysia is projected to undergo cyclical growth in tandem with a fluctuation in global economic growth and uncertainties in the foreign currency exchange. Factors driving the growth of the ESI includes technology advancement, strong Government support towards the M&E industry and end-user markets, expansion with the ESI, as well as support from the Government through presence of various tax incentives.

For the year 2020, it was estimated that the ESI in Malaysia had experience a sharp decline of approximately 21.4% as compared to 2019. The weakened consumer sentiment caused by the COVID-19 pandemic has led to the falling demand from end-user markets. Despite that, as the global economy is recovering with countries implementing their respective guidelines to curb the COVID-19 virus and the roll-out of COVID-19 vaccines, the ESI in Malaysia is expected to remain resilient in the medium to long term.

The ESI in Malaysia is supported by technological advancement arising from the invention of new technologies, advancement in telecommunication technologies and IoT that spur demand from the end-user markets particularly in semiconductor and Solar PV industries. Despite substantial headwinds caused by the COVID-19 pandemic, the global semiconductor sales were USD440.39 billion in 2020, which was an increase of 6.8% over the previous year. The global semiconductor industry grew to USD552.96 billion in 2021 and is expected to reach USD601.49 billion in 2022, demonstrating the industry's resilience so far.

Whilst 2020 was a challenging year for the local Solar PV industry, a strong recovery in 2021 and 2022 is expected as projects implemented are gradually completing. The Solar PV industry will be mainly supported by government-led tariff selling programmes and various green investment tax incentives. These tariff selling programmes, namely the NEM and the LSS programmes are expected to bolster the growth of the Solar PV industry, and in turn drive demand for ESI.

From the supply side, strong government support is expected to boost the growth of the local ESI, whereby supportive government incentives including the Industry4WRD related financial facility support and incentives are expected to provide impetus for growth. Additionally, technological advancements such as enhanced automation, greater versatility and better reliability are also expected to support the growth of the Malaysian ESI. Industry players are increasingly expanding their technical capabilities to further strengthen their competitive edges. The ESI in Malaysia was estimated at RM7.62 billion in 2021, and is projected to expand from RM8.36 billion in 2022 to RM11.67 billion in 2026 at a CAGR of 8.9% for the period.

As such, the prospects of our Group remain positive as the ESI is expected to experience growth in the foreseeable future and we are well positioned to grow in tandem with the industry.

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7. INDUSTRY OVERVIEW

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Protégé
ASSOCIATES

BRAND | FINANCE | MARKET

The information in this Section 7 is based on the market research conducted by Protégé Associates commissioned by SFP for the purpose of the IPO.

The Board of Directors
SFP Tech Holdings Berhad
Suite A, Level 9, Wawasan Open University
54 Jalan Sultan Ahmad Shah
10050 Georgetown
Pulau Pinang

29 April 2022

Dear Sir/ Madam,

Strategic Analysis of the Engineering Supporting Industry in Malaysia

Protégé Associates Sdn Bhd ("Protégé Associates") has prepared this 'Strategic Analysis of the Engineering Supporting Industry in Malaysia' for inclusion in the prospectus of SFP Tech Holdings Berhad ("SFP Tech") in relation to its listing on the ACE Market of Bursa Malaysia Securities Berhad.

Protégé Associates is an independent market research and business consulting company. Our market research reports provide an in-depth industry and business assessment for companies raising capital and funding in the financial markets; covering their respective market dynamics such as market size, key competitive landscape, demand and supply conditions, government regulations, industry trends and the outlook of the industry.

Mr. Seow Cheow Seng is the Managing Director of Protégé Associates. He has 22 years of experience in market research starting his career at Frost & Sullivan where he spent 7 years. He has been involved in a multitude of industries covering Automotive, Electronics, Healthcare, Energy, IT, Oil and Gas, etc. He has also provided his market research expertise to government agencies such as Malaysia Digital Economy Corporation Sdn Bhd, Malaysia Debt Ventures Berhad and Malaysia Technology Development Corporation Sdn Bhd

We have prepared this report in an independent and objective manner and have taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a balanced and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.
Yours sincerely,



SEOW CHEOW SENG
Managing Director

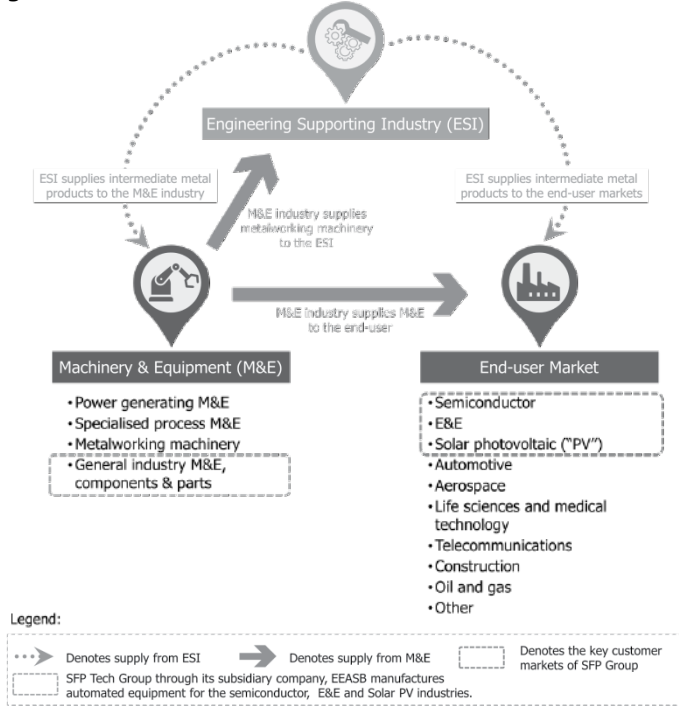
7. INDUSTRY OVERVIEW (Cont'd)



1.0 Introduction to Engineering Supporting Industry

Engineering supporting industry ("ESI") is an industry involved in the production of intermediate metal products that are used to produce various finished products. The ESI comprises of 2 user industries, namely the machinery and equipment ("M&E") industry and the end-user markets. According to the Malaysian Investment Development Authority ("MIDA"), the ESI in Malaysia comprises eight different segments, namely moulds and dies, machining, metal casting, metal stamping, surface engineering, heat treatment, forging and metal fabrication.

Figure 1: End-User Markets of the ESI



Moulds and dies segment manufactures moulds and dies that are used in the manufacturing industry. A mould is a container for liquid substance such as molten metal to be poured into it and form the metal products in the same shape as the mould as it solidified. On the other hand, a die is a block of metal of specific shape or pattern cut and is used for shaping a metal, plastic, or other material base through mechanical forces.

Machining segment uses advanced computer numerical control ("CNC") machines that are capable of multi-axis machining, and other technological equipment to produce high-precision machined parts and components. Some examples of precision machined parts are shafts, pins, brushes, jigs and other machined components like parts found in a hard disk drive.

Metal casting segment includes foundries, die casting, sand casting and investment casting. Foundries are factories that perform metal castings by melting metals into liquid form and subsequently pouring it into a mould to produce a specific metal product. Die casting is a process whereby molten metal is injected into dies at high pressures to form a casting of the same shape of the die used. On the other hand, sand casting uses sand in a flask to create moulds. Lastly, investment casting is a process that creates a three-dimensional ("3D") wax version of the desired product and subsequently dipped into a ceramic suspension that hardens over the wax structure, creating a ceramic mould. Investment casting is often seen in the aerospace, machinery and automotive industries due to its capability of producing complex shapes with accurate tolerances.

Metal stamping segment produces stamped metal parts for the electrical and electronics ("E&E"), automotive and M&E industries.

Surface engineering is the process of modifying the surface of a metal product with other components and is typically conducted via plating processes. An example is to improve corrosion resistance to prolong its life span or produce non-stick properties.

Heat treatment segment involves the heating and cooling of metals to alter their physical and mechanical properties.

Forging involves the application of physical force to bend and alter the physical shape of a metal into a desired form and is mainly used in manufacturing of iron and steel products.

Metal fabrication is the process of manufacturing metal products through cutting, bending, welding and assembling activities. Products can range from simple household items to large-scale metal fabricated structures which are used for skyscrapers and oil drilling platforms.

7. INDUSTRY OVERVIEW (Cont'd)



M&E industry is a user of intermediate metal products manufactured by the ESI. The M&E industry produces a wide range of M&E as follows:

- Power generating M&E refers to the M&E used to generate power from various energy resources, such as boilers, condensers, electric generating sets, turbines and engines.
- Specialised process M&E refers to M&E that are specifically designed and produced for the use in a particular process or industry.
- Metalworking machinery refers to machineries used to perform various metalworking processes to produce intermediate metal products. Examples of these machineries are laser-cutting machines, machining centres, electro-discharge machines, milling machines, drilling machines, lathes, shearing machines, bending rolls, stamping machines, press brakes, forging machines and presses.
- General industrial M&E, components and parts refer to common M&E and its components and parts which cater to multiple end-user markets. The sub-sector covers a broad category of products such as automated equipment, air-conditioning equipment, cold room equipment, elevators and cranes.

End-user markets are industries that use the intermediate metal products produced by the ESI. These end-users are primarily manufacturers of various products, ranging from semiconductor, E&E, to products of automotive, aerospace, renewable energy, life science and medical technology and telecommunication industries. Specifically, large-scale metal fabricated structures cater mainly to the oil and gas and construction industries.

2.0 Overview of the M&E Industry and Selected End-user Markets

2.1 Overview of the M&E Industry in Malaysia

The importance of the M&E industry is emphasised with its inclusion into the Third Industrial Master Plan ("IMP3") as well as one of the catalytic subsectors identified under the Eleventh Malaysia Plan ("11MP"), largely due to its cross cutting linkages with all economic sectors, the primary, manufacturing and services sectors. The availability of machinery and equipment technologies and automation solutions has been a strong factor for both domestic and foreign companies to invest and set up their production facilities in Malaysia. Through continuous promotion by the MIDA, investments have consistently poured into the local M&E industry. In 2020, a total of 87 M&E investment projects worth RM6.7 billion were approved, a significant increase compared to 99 M&E investment projects worth RM3.64 billion approved in 2019. Local companies are undertaking R&D, engineering design, innovation, system integration and developing proprietary M&E for global exports.

Malaysian exports of M&E have also been on the rise over the years. The export value of M&E had increased from RM40.20 billion in 2017 to RM41.60 billion in 2019. Similarly, due to the effects of COVID-19, M&E exports fell in 2020 to RM39.45 billion. Exports rebounded in 2021 in light of increased global demand for electronics and electrical products, with M&E exports reaching RM49.59 billion. The M&E produced in Malaysia was mainly exported to countries such as Singapore, the USA, Japan, Germany, the UK, Indonesia, Thailand, Hong Kong and Australia. As seen in the figure below, the value of imports of M&E had decrease from RM78.58 billion in 2013 to RM69.64 billion in 2019. The value of imports fell in 2020 to RM60.13 billion due to the COVID-19 pandemic disrupting global economic activities. The local M&E industry then registered a recovery in 2021, with imports reaching RM68.55 billion. M&E imported into Malaysia was mainly sourced from countries such as the US, Japan, Singapore, China, Thailand and Germany.

Figure 2: Exports and Imports of M&E Products, 2017-2021

	2017	2018	2019	2020	2021
Exports (RM billion)					
Power generating M&E	3.36	3.33	3.86	2.58	2.54
Specialised process M&E	16.21	16.13	16.21	17.37	23.70
Metalworking machinery	1.96	1.91	1.48	1.48	2.10
General industrial M&E, components and parts	18.67	19.29	19.84	17.94	21.25
Imports (RM billion)					
Power generating M&E	15.13	15.06	15.26	11.10	10.59
Specialised process M&E	25.17	23.89	21.01	19.06	24.38
Metalworking machinery	4.59	4.67	4.71	3.33	4.13
General industrial M&E, components and parts	33.69	30.16	28.66	26.21	29.45

Source: Department of Statistics Malaysia

The general industrial M&E segment is the major export contributor to the M&E industry. Within the general industrial M&E segment, automated equipment is gaining traction as the manufacturing sector is moving towards Industry 4.0 and smart manufacturing. Industry 4.0 refers to the fourth industrial evolution, the digitalisation of manufacturing industry that involves use of technology and real-time data to improve

7. INDUSTRY OVERVIEW (Cont'd)



productivity as well as reduce costs. It incorporates advanced robotics and automation, Internet of Things ("IoT"), big data and analytics as well as cloud computing technology.

Industrial automation plays a critical role as most of manufacturing work cannot be done manually due to miniaturisation where micron levels of precision are required and components are too small or fragile to be handled manually. In addition, industrial automation enables manufacturing of large volume in a short period of time, thereby increases efficiency, improves productivity and product quality while reducing cost. The adoption and transformation to Industry 4.0 will create opportunities for manufacturers of automated equipment as a supporting industry.

The Malaysian M&E industry is expected to continue on an expansionary trend going forward, supported by the expansion of its end-user markets in the manufacturing sector. As the manufacturing sector expands, higher investments are expected to increase or improve production, which would translate to increased demand for M&E in Malaysia.

2.2 Overview of the Global Semiconductor Industry

Semiconductors are crucial parts and components to the E&E industry, as they are used in manufactured electronic products that utilise electrical current. The global semiconductor industry is considered to be at the mature stage with the presence of a pool of established industry players. The global semiconductor industry recorded sales of USD412.31 billion in 2019, representing a 12.0% decline from USD468.78 billion in 2018, mainly due to global trade wars and cyclical in product pricing.

Despite substantial headwinds caused by the COVID-19 pandemic, the global semiconductor sales were USD440.39 billion in 2020, which was an increase of 6.8% over the previous year. In terms of contribution by region, the world's total semiconductor revenue can be divided into four regions, namely the Americas, Asia Pacific, Japan and Europe. The Asia Pacific region has continued to exert itself as a dominant force in the world's semiconductor industry. It retained its position as the highest revenue contributor to the world's semiconductor industry in 2020. This is not surprising given that Asia Pacific region is home to some of the major semiconductor companies in the world, such as Samsung Electronics (South Korea), MediaTek Inc. (Taiwan) and Hynix Semiconductor Inc. (South Korea). Total semiconductor sales generated in the Asia Pacific region in 2020 was estimated at around USD271.03 billion – accounting for 61.5% of the total worldwide semiconductor revenue. The Americas had the second highest contribution in terms of revenue, accounting for approximately 21.7%, while the remaining two regions accounted for around 8.5% (Europe) and 8.3% (Japan) respectively.

The world is currently facing a shortage in semiconductors, in which the shortage of integrated circuits has led to production disruptions in the global automotive as well consumer electronics industries. The shortage has also led to increased bookings for semiconductor by consumers to secure parts for production of end-products. The global semiconductor industry is estimated to reach 552.96 in 2021. There is currently a global shortage in semiconductors, whereby the insufficient supply of integrated circuits ("ICs") has led to production disruptions in various end-user markets including the automotive and consumer electronics industries. However, with various foundries ramping up capacity coupled with new production coming on stream, the global semiconductor is expected to reach USD601.49 billion in 2022.

2.3 Overview of the E&E Industry in Malaysia

Malaysia remains one of the key E&E manufacturing countries in the Association of Southeast Asian Nations ("ASEAN") region, and the continued growth of the local E&E industry has been supported by continuous inflows of foreign investment. In Malaysia, the E&E industry is an export-oriented industry (with more than 50% of its value-added is exported) that not only produces a wide range of products but also integrates the country into the global supply chain. This has allowed the E&E products cluster in Malaysia to perform relatively well despite a slowdown in the growth of the global economy. The production of E&E products in Malaysia declined by a marginal 0.5% in 2020, mainly due to the ongoing COVID-19 pandemic and resulting movement control order ("MCO") measures disrupting economic activity and the E&E manufacturing supply chain. Production rebounded in 2021 and increased by 14.5% to RM483.20 billion.

The trade for E&E products performed better in 2020. Total exports of E&E products increased 3.5% from RM373.12 billion in 2019 to RM386.29 billion in 2020. The value of exports further increased by 18.0% in 2021 to RM455.73 billion. At the same time, total imports of E&E products increased by 2.9% from RM245.54 billion in 2019 to RM253.00 billion in 2020. The value of imports also grew by 24.3% to 314.35 billion in 2021. While the industry had been characterized with challenging global economic situations due to the COVID-19 pandemic as well as the trade tension between the United States of America ("US") and China, Malaysia had been able to increase exports to major trading partners, in particularly China and the US. Notably, there had been an increase in exports for electronic ICs, apparatus for transmission or reception of voice, image and data as well as parts for electronic ICs to support work-from-home practices.

7. INDUSTRY OVERVIEW (Cont'd)



The EMS market provides key manufacturing support services to the E&E industry, which include designing, testing, building, supply chain and logistics management and aftermarket services. The EMS market is closely linked to growth of the E&E industry. As such, the performance of the EMS market is highly correlated with the overall development of the E&E industry. Hence, the EMS market in Malaysia is projected to continue growing as its performance is expected to mirror closely to the trend in the exports of E&E products.

2.4 Overview of the Solar PV Industry in Malaysia

In Malaysia, solar PV systems convert sunlight directly into electricity and they can be categorised into the off-grid system and the grid connected system. There are mainly three components in a solar PV system; the solar panel, inverter and meter. The solar panel consists of an assembly of multiple PV modules that are made up of semiconductors and its main function is to convert sunlight into direct current ("DC") electricity. The inverter then converts the DC electricity into alternating current ("AC") electricity. A meter is then used to measure the amount of power generated from the solar PV system.

According to the International Renewable Energy Agency, the size of solar PV industry in Malaysia measured in terms of total installed capacity stood at 1,493 megawatts ("MW") in 2020, an increase from 882MW in 2019. In 2020, the MIDA approved a total of 597 projects in renewable energy, of which 581 projects were made up of solar energy projects with investments amounting to approximately RM1.96 billion. The Government has implemented several initiatives to increase the use of solar energy as a renewable energy source. These initiatives include net energy metering, supply agreement of renewable energy programme and installation of large-scale solar projects. Malaysia has developed solar PV industry comprising upstream polysilicon production, ingot and wafer manufacturing, solar cell and solar module manufacturing, to downstream activities including systems integration, all of which increases demand for ESI. Malaysia is committed to developing the local solar PV industry in the long term, whereby the country is committed to reach a 20% renewable energy target in our national capacity mix by 2025, with solar PV projected to contribute more than half of the 20% renewable energy target. The growth of solar PV industry will be mainly supported by government-led tariff selling programmes and various green investment tax incentives. These tariff selling programmes, namely the NEM 2.0 and LSS programmes are expected to bolster the growth of the solar PV industry, and in turn drive demand for ESI.

3.0 Strategic Analysis of the ESI in Malaysia

3.1 Historical Industry Performance and Growth Forecast

The Malaysian ESI is reliant on export demand as the industry exports to multiple end-user markets, including the semiconductor, E&E, solar PV, M&E and others. Accordingly, the performance of the industry as a whole underwent cyclical year-on-year growth in tandem with the fluctuation in global economic growth and a volatile foreign currency exchange, notably the US Dollar that affects the export demand. The cyclical growth performance can also be attributed to the cyclical nature of technology-based end-user markets, notably the semiconductor industry. Frequent introduction of new or better electronic devices has resulted in older technology becoming obsolete at a faster pace, which led to fast depreciation of the pricing of existing devices in the marketplace. The downward pricing pressure is also passed on to the entire value chain of the semiconductor industry, including the ESI which supplies various parts and components.

Figure 3: Historical Performance and Growth Forecast of the ESI in Malaysia, 2019-2026

Year	Market Size (RM billion)	Growth Rate (%)
2019	7.93	-
2020	6.23	-21.4
2021 ^e	7.62	22.3
2022 ^f	8.36	9.6
2023 ^f	9.05	8.3
2024 ^f	9.84	8.8
2025 ^f	10.71	8.8
2026 ^f	11.67	9.0

CAGR (2022-2026) (base year of 2021): 8.9%

Note:

- 1) Figures are rounded, e denotes estimate, f denotes forecast;
- 2) The historical market size and growth forecast exclude sales of products from metal fabrication activities which range from simple household items to large-scale metal fabricated structures for skyscrapers and oil drilling platform.

Source: Protégé Associates

7. INDUSTRY OVERVIEW (Cont'd)



In 2020, the ESI in Malaysia registered a sharp contraction of 21.4% from RM7.93 billion in 2019 to RM6.23 billion in 2020, due to global economic slowdown amid the COVID-19 pandemic. Demand from end-user markets have been hampered by weak consumer sentiment during the year. During the year, governments around the world including Malaysia have imposed multiple travel and movement restrictions to curb the spread of COVID-19. This had affected the global supply chain with shortage of supplies, delays from suppliers and to customers, increase of raw materials prices and logistic costs. On the local front, ESI players were unable to/ partially proceed with manufacturing works which have led to overall drop in revenue. In 2021, while there had been a resurgence in COVID-19 cases, the recovery in economic activities in Malaysia and across the globe had led to the local ESI rebounding during the year.

Going forward, the ESI in Malaysia is projected to continue exhibiting cyclical growth throughout the period of 2022 to 2026, largely due to the uncertainties in the global economy in the long term and fluctuating foreign currency exchange that are expected to continue impacting the export demand for the intermediate metal products from the ESI in Malaysia.

Growth in the short term (2022-2023) is likely to be affected by the recovery in the global economy amidst the ongoing COVID-19 outbreak. According to the World Economic Outlook January 2022 released by the International Monetary Fund, the global economy is projected to register a growth of 4.4% in 2022 after an expansion of 5.9% in 2021. The local Ministry of Health had also announced the transition of COVID-19 into an endemic from 1 April 2022, signalling a normalisation of business operations to pre-COVID-19 times. Global efforts in boosting vaccination rate is also expected to stimulate economic recovery, which will promote the recovery of the ESI in Malaysia.

In the medium to long term (2023-2026), the ESI industry in Malaysia is likely to experience cyclical growth as the industry continues to be exposed to the fluctuation of global economic growth and a volatile foreign currency exchange that are expected to continue impacting the export demand for intermediate metal products from ESI in Malaysia. Factors driving the growth of the ESI include technology advancement, strong Government support towards the M&E industry and end-user markets, expansion with the ESI as well as support from the Government through presence of various tax incentives. The ESI in Malaysia was estimated at RM7.62 billion in 2021 and is projected to expand from RM8.36 billion in 2022 to RM11.67 billion in 2026 at a CAGR of 8.9% for the period.

3.2 Competitive Analysis

The ESI in Malaysia is competitive with around 2,000 market players comprising of domestic players as well as foreign players establishing their manufacturing facilities in Malaysia. In addition, these players possess different manufacturing capabilities depending on their production facilities. Another differentiation factor within the ESI attributes to their targeted end-user markets, ranging from semiconductor, E&E, computer and computer peripherals, automotive, aerospace, life science and medical technology, telecommunication to construction as well as oil and gas industries.

The ESI has relatively high barriers to entry. Factors attributing to the high entry barriers includes:

- High capital requirements including initial capital and continuous investment in technical competencies – New entrants to the ESI in Malaysia will need to possess strong financial resources and backing as investments into plants, machinery and human resources particularly those with technical competencies will be necessary. Furthermore, subsequent capital outlay is required for upgrade of newer technologies or innovations to the production facilities; and
- Established market players – New entrants to the ESI are likely to encounter difficulties competing with established market players. The dominance and reputation of large-scale companies may inhibit small market players from gaining a foothold in the ESI. In addition, these market players may have established strong relationships with upstream raw material suppliers as well as the end-users. New market players may encounter difficulty in securing raw material at affordable prices and attracting customers from the end-user markets.

3.2.1 Comparable Market Players

SFP Group is an engineering supporting service provider principally involved in the provision of sheet metal fabrication, CNC machining, assembly services as well as automation equipment solutions. For this report, Protégé Associates has used the following criteria when selecting industry players in Malaysia for comparison with SFP Group, based on the following criteria:

- Involved in production of sheet metal parts and precision machined components;
- Cater mainly to semiconductor industry;

7. INDUSTRY OVERVIEW (Cont'd)



- Registered an annual turnover of between RM25 million to RM220 million based on latest available financial information.

Grand Venture Technology Sdn Bhd ("GVT")

GVT was incorporated on 16 April 2006 as a private limited company under the Companies Commission of Malaysia. The principal activity GVT is manufacturing of machinery parts. GVT provide its services to customers whom are in semiconductor, life sciences and electronics industries.

Kobay Technology Berhad

Kobay is currently listed on the Main Market of Bursa Malaysia Securities Berhad. It is an investment holding company while principal activities of its subsidiaries include manufacture of metal works and structures, modules and parts for oil and gas production and extraction equipment, manufacture of semiconductor assembly and testing equipment, manufacture of precision moulds and parts for E&E, aerospace, telecommunication, semiconductor and life science and medical technology.

Optima Asia Pacific Sdn Bhd ("Optima Asia")

Optima Asia was incorporated on 21 December 1990 as a private limited company under the Companies Commission of Malaysia. The principal activities of Optima Asia is fabrication and precision engineering, trading industrial products and fabrication of sheet metal parts. Optima Asia provides its services to its customers whom are in the disk media, magnetic technologies, semiconductor test and equipment as well as oil and gas industries.

UWC Berhad

UWC is currently listed on the Main Market of Bursa Malaysia Securities Berhad. It is an investment holding company while principal activities of its subsidiaries include provision of precision sheet metal fabrication and value-added assembly services and provision of precision machined components. UWC's end-user markets include the semiconductor, E&E, life sciences and medical technology, telecommunications and M&E industries.

Figure 4: Financial Comparison between SFP Group and Selected Industry Players

Indicator	SFP Tech Group	GVT	Kobay	Optima Asia	UWC
Information from FYE	31 December 2021	31 December 2020	30 June 2021	31 December 2020	31 July 2021
Revenue (RM'000)	50,412	110,977	156,991 ³	30,052	285,024
Profit before Tax (RM'000)	20,795	17,299	35,383	7,448	114,789
Profit after Tax (RM'000)	19,421	14,893	26,933	5,936	91,533
Profit before Tax Margin ¹ (%)	41.3	15.6	22.5	24.8	40.3
Profit after Tax Margin ² (%)	38.5	14.3	17.2	19.8	32.1

Notes:

The above figures only provide an indication and are not considered directly comparable as not all companies carry out activities which are completely similar to each other or in the same geographical area

¹ Profit before Tax Margin = Profit before Tax / Revenue

² Profit after Tax Margin = Profit after Tax / Revenue

³ Include revenue generated from property development division of RM14.1 million

Sources: SFP Group, Annual Reports of Kobay and UWC, Companies Commission of Malaysia and Protégé Associates

The manufacture of automated equipment is part of the umbrella under general industry M&E, components and parts. As SFP Group is also involved in the automated equipment solutions segment with the acquisition of EEASB, some comparable public listed companies on Bursa Securities that are also involved in the manufacturing of automated equipment include companies like AT Systemization Berhad ("AT Systemization"), Greatech Group Berhad ("Greatech"), MMS Ventures Berhad ("MMS Ventures"), Pentamaster Corporation Berhad ("Pentamaster"), QES Group Berhad ("QES") and Visdynamics Holdings Berhad ("Visdynamics").

Figure 5: Financial Comparison for Selected Players in Automated Equipment Solutions Segments

Indicator	SFP Group ⁽¹⁾	AT Systemization	Greatech	MMS Ventures	Pentamas-ter	QES	Visdynamics
Information from FYE	31 December 2021	31 March 2021	31 December 2021	31 December 2021	31 December 2021	31 December 2021	31 October 2021
Revenue (RM'000)	12,101	30,927 ⁽²⁾	402,217	37,979	508,389	222,842	47,881
Profit/ (Loss) before Tax (RM'000)	1,641	(20,607)	145,242	9,366	119,466	25,385	12,494

7. INDUSTRY OVERVIEW (Cont'd)



Indicator	SFP Group ⁽¹⁾	AT Systemizat-ion	Greatech	MMS Ventures	Pentamas-ter	QES	Visdynam-ics
Profit/ (Loss) after Tax (RM'000)	1,634	(20,529)	141,751	8,248	115,637	19,594	9,604
Profit/ (Loss) before Tax Margin (%)	13.6	(66.6)	36.1	24.7	23.5	11.4	26.1
Profit/ (Loss) after Tax Margin (%)	13.5	(66.4)	35.2	21.7	22.7	8.8	20.1

Notes:

¹ Contributed by EEASB. For the 12 months ended 31 December 2021.

² Consist of revenue generated from fabrication & automation segment of RM22.1 million, gloves segment of RM8.1 million and renewable energy & property segment of RM0.7 million

Sources: Annual Reports of AT Systemization, Greatech, MMS Ventures, Pentamaster, QES and Visdynamics

Moving forward, SFP Group is able to achieve higher margins as they undertake more complex, high precision and high mix manufacturing which generally command higher margins as more planning, programming and process time have to be undertaken as well as usage of more advanced CNC machines will be required. Furthermore, SFP Group directly engage with OEM brand name test and measurement equipment design and manufacturers who are developing next-in-line machines for the market rather than customers in the EMS industry. As these manufacturers work on a tight timeline to deliver newly developed machineries; quick-turnaround of sheet metal components, CNC machinery and sub-assembly are crucial and by continue supporting these manufacturers, SFP Group should be able to sustain their higher margins.

3.2.2 SFP Group's Estimated Market Share

For the FYE 31 December 2021, SFP Tech Group registered revenue of RM50.4 million, which represents 0.7% share of the ESI in Malaysia during the year 2021. This market share is calculated based on SFP Tech Group revenue of RM50.4 million against the size of ESI in Malaysia of RM7.62 billion in 2021.

3.3 Demand Conditions

SFP Group caters its services mainly to the semiconductor and solar PV industries. As such, Protégé Associates presents the following demand factors with a focus on the semiconductor and solar PV industries.

Figure 6: Demand Conditions Affecting the ESI in Malaysia, 2022-2026

Impact	Demand Condition	Short-Term	Medium-Term	Long-Term
		2022-2023	2024-2025	2026
+	Technological Advancement	High	High	High
+	Strong Government Support towards the M&E Industry and End-User Markets	High	High	Medium
-	Disruption in Global Supply Chain Due to COVID-19	Medium	Low	Low
-	Trade Protectionism by Major Economies	Low	Low	Low

Source: Protégé Associates

Technological Advancement

Technological advancement has facilitated an increasing use of E&E products incorporating semiconductor technology products. As the ESI relies heavily on the performance of its end-user markets, the ESI stands to benefit from the rapid evolving technological trends which are expected to drive the demand for semiconductor products. Key technological trends driving the semiconductor industry are detailed below.

Creation of new and innovative electronic devices in the recent years include the introduction of augmented reality ("AR"), virtual reality ("VR"), and 3D printing, which came about from extensive R&D efforts by the technology and E&E companies. Occurring hand-in-hand is the creation of new electronic devices, namely AR glasses, VR headsets, and 3D printing machines. The inventions of new form of technologies are supported by the incorporation of new semiconductor and production technology to achieve the desired device performance.

Advancement of telecommunication technologies led to increased usage of integrated circuits used in telecommunication devices and transmission infrastructure. The latest telecommunication technologies attribute to the development of the fifth-generation wireless broadband technology ("5G") that provides faster speed and wider coverage. The greater data transmission rate alongside the expansion in input and output streams require the support of more advanced semiconductor technology. Furthermore, the rollout of 5G is set to increase the amount of data generated in the telecommunication ecosystem, leading to a higher demand for servers and storage devices. Accordingly, it fuels higher demand for the semiconductor industry.

7. INDUSTRY OVERVIEW (Cont'd)



Internet of Things has led to increasing use of sensors and semiconductors in both consumer and industrial products, ranging from cloud computing, drone cameras, smart home devices, wearable technology, to smart manufacturing where manufacturing equipment are connected via a network system. The continued growth in the number of connected 'things' will generate new sources of growth in the semiconductor industry.

Strong Government Support towards the M&E Industry and End-User Markets

Demand for the ESI is derived from both domestic and international markets. Similar to the international counterpart, the local demand for intermediate metal products from the ESI in Malaysia is driven by the M&E industry as well as end-user markets, including the semiconductor and solar PV industries. The three industries receive strong government support through their inclusion in various government policies to promote growth. The M&E industry has been identified as a growth node to the Malaysian economy through its inclusion in the IMP3 that focuses on strengthening the R&D and design and development ("D&D") capabilities of the M&E industry to produce specialised M&E and other technology-driven M&E for both local and export market. Examples of specialised and technology-driven M&E include specialised and high precision M&E for wafer processing for the semiconductor industry, nanotechnology-based manufacturing, biotechnology and food processing.

The development of local semiconductor capabilities is recognised as part of the growth node of the E&E industry in Malaysia. As outlined in the IMP3, the development of the entire semiconductor value chain is set to be strengthened. This includes the core activities of designing integrated circuits and fables, slicing and polishing of silicon wafers, photo masking, wafer fabrication and assembly, testing and packaging. The continuous demand for digitisation, mobility, connectivity, energy efficiency and miniaturisation by the consumers spurs the semiconductor companies to invest heavily in their R&D activities to come out with more efficient semiconductor chips in order to compete in the global marketplace. Furthermore, under the Twelfth Malaysia Plan ("12MP"), the Government is set on accelerating the development of eight strategic and high impact industries and activities, which includes the local E&E industry.

Renewable energy has been identified as a fifth energy source by the Government to supplement the existing energy sources. As such, various policies had been introduced to expedite the development of the renewable energy sector, in particular the solar PV industry, due to the abundance of sunlight in Malaysia. At present, some of the national solar PV programmes in place include the NEM programme, the LSS programme, the Supply Agreement with Renewable Energy ("SARE") programme. In addition, a Green Technology Financing Scheme ("GTFS") was also set up for the provision of financial support to all stakeholders within the green technology industry, including those in the solar PV industry. Under Budget 2021, the Government will continue the GTFS with a fund size of RM2 billion for two years up to 2022. The Government also announced that the Green Investment Tax Allowance and Green Income Tax Exemption incentives will be extended to 2023.

With the strong government support, the end-user markets are likely to experience expansion in terms of products offerings and improvement in technical capabilities in tandem with more R&D and D&D activities. As such, the ESI in Malaysia may anticipate growth in local demand from these user industries moving forward.

Trade Protectionism by Major Economies

The rising trend of trade protectionism on domestic industries can be traced back to early 2017 when the US withdrew from the negotiation of the Trans-Pacific Partnership, a trade deal to foster economic ties, slash tariffs and boost trade growth between the member countries, namely Japan, Malaysia, Vietnam, Singapore, Brunei, Australia, New Zealand, Canada, Mexico, Chile and Peru. Subsequently, the US continued the implementation of protective measures such as imposing import tariffs towards its domestic industries. In response to the rising protectionism by the major economies, other countries including China and the EU began to follow suit in order to protect their trade interests. The trend of trade protectionism has the potential to adversely impact global trading activities, posing a downside risk to global economic growth. Any adverse impact on the global economy, triggered by the trade protectionism policies and the resulted uncertainties, is likely to adversely affect the demand for intermediate metal products from the ESI in Malaysia.

Disruption in Global Supply Chain Due to COVID-19

According to the International Monetary Fund, the global economy contracted by 3.1% in 2020 but rebounded by 5.9% in 2021, which growth led by emerging markets and developing nations at 6.5%, followed by advanced economies growing by 5.0%. While global economic conditions had largely improved in 2021, the flare up in COVID-19 cases in various countries had led to shutdowns and had affected productions, which resulted in disruptions in the global supply chain. In particular, the arrival of the Omicron variant COVID-19 strain which is more transmittable than other variants is expected to prolong the combat against the virus. As a supporting industry to the manufacturing sector, the decline in industrial production across the world is expected to slow the overall demand for ESI in Malaysia in the short term. The impact of the COVID-19 is expected to diminish

7. INDUSTRY OVERVIEW (Cont'd)



over time as the pandemic is gradually brought under control as the global vaccination rate increases in 2022. This is supported by the IMF forecasting a further growth of 4.4% for 2022.

3.4 Supply Conditions

Figure 7: Supply Conditions Affecting the ESI in Malaysia, 2022-2026

Impact	Supply Condition	Short-Term	Medium-Term	Long-Term
		2022-2023	2024-2025	2026
+	Expansion within the ESI	High	High	High
+	Growing Sophistication of Manufacturing Technology	High	High	High
+	Support from the Malaysian Government	High	High	High
-	Downward Pricing Pressure from Customers	Medium	Medium	Medium

Source: Protégé Associates

Expansion within the ESI

The ESI players have been investing in upgrading facilities and acquiring latest manufacturing technologies in order to retain its competitive strengths and meet the expectation of their end-user clients. On top of that, market players may further strengthen their competitive strength by offering total manufacturing solutions and integrated services with niche production concept which require D&D capabilities to meet the stringent quality standards. Expansion within the ESI to move up the value chain allows the market players to shy away from the competitive low-cost production.

Growing Sophistication of Manufacturing Technology

Innovative manufacturing technology covering both hardware technology and software application results in machineries that are faster, intelligent and versatile. At present, manufacturing technology is very much shaped by digitalisation transformation, driven by connected technologies. It is described as the Industry 4.0, smart manufacturing or digital factories. Industry 4.0 introduces the combination of digitalised and automated manufacturing process and real time physical progress monitoring in order to make decentralized decisions. Accordingly, it eliminates or minimises human errors and increases productivity, efficiency, and consistency in product quality.

For example, the advancement in technology facilities and resources include the various state-of-the-art machine tools, the use of computer system along with advanced computer-aided design ("CAD") and other related design and engineering software, R&D facilities, quality control facilities, etc. The introduction of CNC machines together with the introduction of CAD and computer-aided manufacturing software has reduced the need for manual labour in making complicated mathematical calculation to produce complex shapes. Further advancement is attributed to the introduction of CAD and computer-aided manufacturing ("CAM") software for the design and production needs. At present, CNC machines are fully-automated and allows the combination of different machine tools to produce more complex parts and components. Such combinations are often called turning centre or machining centres, and represent the state-of-the-art technology in the ESI to complete jobs of higher complexity.

Support from the Malaysian Government

The Malaysian Government has been mindful of the economic contributions of the manufacturing sector including the ESI, as illustrated by the presence of various tax incentives that are relevant for manufacturing companies. These incentives include but are not limited to:

- **Reinvestment Allowance**
Given to existing companies engaged in manufacturing activities that reinvest for the purpose of expansion, automation, modernisation or diversification of its existing business. The reinvestment allowance will be given for 15 consecutive years beginning from the year the first reinvestment is made. Companies can only claim the reinvestment allowance upon the completion of the qualifying project, for example, after the building is completed or when the plant or machinery becomes operational.
- **Group Relief**
Group relief is provided under the Income Tax Act 1967 to all locally incorporated resident companies. Effective from the Year of Assessment 2009, group relief is increased from 50% to 70% of the current year's unabsorbed losses to be offset against the income of another company within the same group upon fulfilling specific conditions.
- **Industrial Building Allowance**
An Industrial Building Allowance is given to companies with capital expenditure on the construction or purchase of a building that is used for specific purposes, including manufacturing, agriculture, mining, infrastructure facilities, research, Approved Service Projects and hotels that are registered with the Ministry of Tourism. Such companies are eligible for an initial allowance of 10% and an annual allowance of 3%. The expenditure can be written off in 30 years.
- **Deduction of Audit Fees**
Expenses incurred on audit fees by companies are considered allowable expenses for deduction in the computation of income tax to reduce the cost of doing business and enhance corporate compliance.

7. INDUSTRY OVERVIEW (Cont'd)



In addition, the Government launched various Industry4WRD related financial facility supports and incentives to help SMEs to drive digital transformation in their manufacturing businesses. These include but are not limited to:

- **Industry4WRD Intervention Fund**
Eligible SMEs that have completed the government-funded Industry4WRD Readiness Assessment programme are provided a grant of up to RM500,000, whereby 70% of the total grant will be provided upfront to the companies, while the balance grant will be on a reimbursement basis.
- **Domestic Investment Strategic Fund**
Eligible SMEs that have completed the government-funded Industry4WRD Readiness Assessment programme are provided a grant, whereby 50% of the total grant will be provided upfront to the companies, while the balance grant will be on a reimbursement basis to cater for expenditure on R&D activities, training, upgrading of equipment, licensing and purchasing of new technology and international certification.
- **Automation Capital Allowance**
An automation capital allowance of 200% on the first RM4 million expenditure and RM2 million expenditure incurred within 5 years for labour intensive industries and other industries respectively.

Downward Pricing Pressure from Customers

The ESI face constant challenges of downward pricing pressure from technology-based user markets, notably the semiconductor industry. The cyclical nature of the semiconductor industry characterised with frequent introduction of new and innovative electronic devices has resulted in older technology becoming obsolete at a faster pace. This has resulted in the depreciation of pricing for existing products in the marketplace. The downward pricing pressure is passed through the entire value chain of the semiconductor industry, including the ESI which supplies various parts and components. As a result, market players in the ESI are obligated to lower their margin or seek alternatives to reduce production cost in order to fulfil the orders of their customers while maintaining sound financials.

Nonetheless, market players in the ESI have been investing in upgrading their manufacturing facilities and acquiring latest manufacturing technologies in order to provide total manufacturing solutions. Leveraging on their experience, market players also begin to venture into higher value-added niche production concept which require D&D capabilities. Such move allows the ESI to shy away from the competitive low-end production without hurting their financial performances.

3.5 Prospects and Outlook of the ESI in Malaysia

In 2020, the market size of the ESI in Malaysia is valued at RM6.23 billion, a sharp decline of 21.4% from 2019. Weakened consumer sentiment caused by the COVID-19 pandemic has led to the falling demand from end-user markets. However, the industry rebounded in 2021 along with a recovery in global economic activities supporting demand for various products, in particularly E&E parts, components and products. Going forward, the ESI in Malaysia is projected to undergo cyclical growth in tandem with a fluctuation in global economic growth and uncertainties in the foreign currency exchange.

Nonetheless, the ESI in Malaysia is supported by technological advancement arising from the invention of new technologies, advancement in telecommunication technologies and IoT that spur demand from the end-user markets particularly in semiconductor and solar PV industries. Despite substantial headwinds caused by the COVID-19 pandemic, the global semiconductor sales were USD440.39 billion in 2020, which was an increase of 6.8% over the previous year. The global semiconductor industry grew to USD552.96 billion in 2021 and is expected to reach USD601.49 billion in 2022.

In terms of installed capacity, the size of solar PV industry in Malaysia stood at 1,493MW in 2020. Whilst 2020 was a challenging year for the local solar PV industry, as COVID-19 disrupted operations within the industry, projects were continuously deployed throughout the year. Solar projects implemented are expected to be gradually rolled out and implemented in 2022. The solar PV industry will be mainly supported by government-led tariff selling programmes. These tariff selling programmes, namely the NEM and the LSS programmes are expected to bolster the growth of the solar PV industry, and in turn drive demand for ESI.

From the supply side, strong government support is expected to boost the growth of the local ESI, whereby supportive government incentives including the Industry4WRD related financial facility support and incentives are expected to provide impetus for growth. Additionally, technological advancements such as enhanced automation, greater versatility and better reliability are also expected to support the growth of the Malaysian ESI. Industry players are increasingly expanding their technical capabilities to further strengthen their competitive edges. However, the trade protectionism trend, if prolongs, is set to pose further uncertainties to the global economy as well as to the ESI in Malaysia. The ESI in Malaysia was estimated at RM7.62 billion in 2021, and is projected to expand from RM8.36 billion in 2022 to RM11.67 billion in 2026 at a CAGR of 8.9% for the period.

8. RISK FACTORS

OUR BUSINESS IS SUBJECT TO A NUMBER OF RISK FACTORS, MANY OF WHICH ARE OUTSIDE OUR CONTROL. THESE RISK FACTORS MAY HAVE A MATERIAL ADVERSE IMPACT ON OUR BUSINESS OPERATIONS, FINANCIAL POSITION AND PERFORMANCE. BEFORE INVESTING IN OUR SHARES, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING KEY RISK FACTORS.

If you are in any doubt as to the information contained in this section, you should consult your stockbroker, bank managers, solicitors, accountants or other professional advisers.

8.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

8.1.1 We are dependent on our major customers

We are dependent on 3 of our major customers namely, Electro Scientific Industries group of companies, Customer S and Teradyne group of companies. These companies in aggregate contributed approximately 78.09%, 86.44%, 92.16% and 81.92% to our revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021, respectively. The breakdown of their contribution are as follows:

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	Revenue contribution		Revenue contribution		Revenue contribution		Revenue contribution	
	(RM'000)	(%) ^(a)	(RM'000)	(%) ^(a)	(RM'000)	(%) ^(a)	(RM'000)	(%) ^(a)
Electro Scientific Industries group of companies	13,742	49.75	8,709	28.73	7,716	18.77	8,086	16.04
Customer S	4,123	14.93	15,093	49.80	21,703	52.81	30,754	61.00
Teradyne group of companies	3,704	13.41	2,397	7.91	8,459	20.58	2,459	4.88
Total	21,569	78.09	26,199	86.44	37,878	92.16	41,299	81.92

Note:

- (a) The total revenue of our Group for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 are RM27.62 million, RM30.31 million, RM41.10 million and RM50.41 million, respectively.

Electro Scientific Industries group of companies and Teradyne group of companies are involved in the semiconductor industry where we supply them with sheet metal parts and CNC machining precision components that are used to produce various testing equipment such as laser-based micro manufacturing systems, component test systems, and automatic testing equipment. Whilst, Customer S is involved in the E&E industry where we supply them with sheet metal parts and CNC machining precision components that are used to produce machinery and equipment used in manufacturing of, amongst others, hard-disk drive, semiconductor and LED. Further details on Electro Scientific Industries group of companies, Customer S and Teradyne group of companies are provided in Section 6.18 of this Prospectus.

We have not entered into any long-term agreements with these major customers, nor do we enforce minimum purchase commitments or exclusive pricing. Our sales from these major customers are based on confirmed purchase orders on an as-needed basis whilst the size and pricing of the orders are determined on a case-by-case basis. We are dependent on the purchased orders from our above major customers and any reduction in purchase orders and / or the loss of any of these major customers, if not replaced with new customers or with additional orders from other existing customers in a timely manner, may result in a loss of revenue and adversely affect our financial condition and results of operation. Nevertheless, our Group is not obligated to only cater to the purchase orders from these major customers as we may obtain purchase orders from other existing as well as new customers. Further, the ease of substitution risk is low as our Group has a proven track record with these major customers and is one of the suppliers on the approved vendor list.

8. RISK FACTORS (Cont'd)

Our Group is seeking to secure new orders from other current customers, diversify our revenue stream through expansion into the vision inspection industry, expand our customer base in the semiconductor, E&E and Solar PV industries and penetrate other industries such as healthcare and automotive industry when the opportunities arises in order to reduce reliance on our major customers.

Our ability to continue securing purchase orders from these major customers are dependent on several factors including, amongst others, our ability to meet customers' specification and requirements, competitive pricing, prompt delivery of products, as well as continued customer service. Any disruptions in customer orders which may result in the loss and / or any reduction in purchase orders could adversely affect our Group's business operations, financials as well as a reduction in our profit margins. Further, even if we are able to secure purchase orders from new customers, there is no assurance that we will be able to register the same level of sales volume and / or profit margins. As such, if any adverse events occur, our financial performance would be adversely affected. Additionally, in the event that there are delays in payment by the above mentioned major customers, this may have an adverse impact on our Group's cash flow position and may lead to our Group undertaking additional funding facilities for working capital.

8.1.2 We are subject to risk of fluctuation of foreign exchange rate

Our Group has foreign currency exposure arising from sales to both local and foreign country customers, as well as purchases of imported raw materials. For the Financial Years Under Review, our sales and purchases denominated in foreign currencies are as follows:

Sales

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	Revenue contribution		Revenue contribution		Revenue contribution		Revenue contribution	
	(RM'000)	(%) ^(a)	(RM'000)	(%) ^(a)	(RM'000)	(%) ^(a)	(RM'000)	(%) ^(a)
USD	25,408	92.00	28,681	94.64	39,449	95.98	45,613	90.48
Total	25,408	92.00	28,681	94.64	39,449	95.98	45,613	90.48

Purchases

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	Purchases contribution		Purchases contribution		Purchases contribution		Purchases contribution	
	(RM'000)	(%) ^(b)	(RM'000)	(%) ^(b)	(RM'000)	(%) ^(b)	(RM'000)	(%) ^(b)
USD	966	14.50	112	2.25	242	4.10	516	6.54
RMB	1	0.01	-	-	34	0.58	189	2.40
SGD	171	2.57	51	1.03	61	1.03	63	0.80
Others ^(c)	34	0.51	1	0.02	8	0.14	22	0.28
Total	1,172	17.59	164	3.30	345	5.85	790	10.02

Notes:

- (a) Based on the revenue of the Group for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 of RM27.62 million, RM30.31 million, RM41.10 million and RM50.41 million, respectively.
- (b) Based on the total purchases of raw materials of the Group for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 of RM6.66 million, RM4.96 million, RM5.90 million and RM7.88 million, respectively.
- (c) Comprises purchases denominated in Euro.

8. RISK FACTORS (*Cont'd*)

As shown above, we are exposed to foreign currency exchange gains or losses arising from timing differences between billings / invoices and actual receipt from customers / actual payment to suppliers. Therefore, any unfavourable fluctuations in these foreign exchange rates may have an adverse impact on our financial performance and profitability.

We currently do not use any financial instrument to hedge our exposure against transactions in foreign currency. Nonetheless, our Group maintains a foreign currency account to receive our USD denoted sales proceeds which to a certain extent acts as a natural hedge for payment of our USD denoted purchases from our overseas suppliers. However, as our revenue is largely denominated in USD, any fluctuation in the USD would have an impact on our revenue. Further, there can be no assurance that any other foreign exchange administrative rule imposed or varied by any relevant authority from time to time will not materially affect the business and / or financial performance of our Group. Neither can there be any assurance that our foreign currency exchange exposure will be adequately hedged. We also constantly monitor and review our need to hedge. Should this exposure become substantial, we may need to enter into derivatives contracts with banking institutions to minimise the impact of the foreign fluctuations.

For illustration purposes, assuming the exchange rate between the USD and RM fluctuates by 5.00%, this will result in an increase or decrease in our Group's revenue for the FYE 2021 by approximately RM2.28 million, depending on the strengthening or weakening of the USD against RM.

Please refer to Sections 11.3.1(ii), 11.3.4 and 11.3.5 of this Prospectus respectively, for the breakdown of foreign-denominated sales by currency and our foreign exchange gain / loss.

8.1.3 We are dependent on our Managing Director, Executive Director and Key Senior Management for the continuing success of our Group

The continuing success of our Group's business is dependent on the experience, knowledge and skills, efforts and capabilities of our Managing Director, Executive Director and Key Senior Management who play significant roles in our day-to-day operations as well as the development and implementation of our business strategies. Our Managing Director and Head of Engineering have been with the Group for 10 years and 5 years respectively whilst the remaining Key Senior Management has been with the Group for less than two years. As our Executive Director and majority of our Key Senior Management has only been with our Group for less than two years, there is no certainty that they are able to adapt to the existing corporate and work culture, morale or business direction of our Group or whether they are able to implement business strategies to lead and guide the existing employees of our Group. Nonetheless, our Executive Directors and Key Senior Management has each over 25 years of knowledge and experience in their respective fields.

In addition, our Chief Executive Officer and Chief Financial Officer, who play significant roles in running our operations and implementing our business strategies are on service contracts up to 31 January 2024 and 30 November 2023, respectively. Please refer to Section 5.7 of this Prospectus for further details on our Chief Executive Officer and Chief Financial Officer's service contracts. As such, the loss of service from our Managing Director, Executive Director and / or any of our Key Senior Management without any suitable and prompt replacement may adversely impact our business operations and financial performance. Nonetheless, the service contracts with our Chief Executive Officer and Chief Financial Officer would continue subsequent to the contracted duration as their service shall be extended for successive one year periods or such other contract duration mutually agreed unless notice is given not to extend pursuant to their respective service contract.

In order to ensure smooth succession planning, we have put in place human resource strategies, which include competitive remuneration packages, incentive scheme and a variety of on-going training and development programmes. Nonetheless, there can be no assurance that the abovementioned measures will be successful in retaining our key management or in ensuring a smooth management succession plan.

The profiles of our Managing Director, Executive Director and Key Senior Management are set out in Section 5 of this Prospectus.

8. RISK FACTORS (*Cont'd*)

8.1.4 Our financial performance may be materially affected in the event of revocation or expiry of the pioneer status of our Subsidiaries

Both of our Subsidiaries were granted pioneer status by MITI for the following activities:

- (a) STSB for the design, development and manufacture of semiconductor test head manipulator, which entitles STSB for tax exemption of Malaysian income tax for income derived from these activities. The tax incentive period for the pioneer status is for a period of 5 years effective on 22 January 2015 to 21 January 2020, and has subsequently been extended for another 5-year period up to 21 January 2025. STSB's pioneer status is only allowed a one-time extension for an additional 5 years. As such, there is no option for further extension of this pioneer status and STSB's pioneer status will expire on 21 January 2025.

Assuming subsequent to 21 January 2025, STSB will not be entitled to the pioneer status tax exemption which would result in additional tax payable. For illustration purposes, in this regard, for the FYE 2021, computed based on taxable income and the prevailing tax rate of 24%, the tax payable by STSB would have been approximately RM4.69 million (STSB's actual tax payable for the FYE 2021 is RM1.37 million which translated to an effective tax rate of 6.56%). Correspondingly, the PAT of STSB for the FYE 2021 would have decreased from RM19.51 million to RM16.19 million.

- (b) EEASB for the production of factory automation machine and related modules, which entitles EEASB for tax exemption of Malaysian income tax for income derived from these activities. The tax incentive period for the pioneer status is for a period of 5 years effective 1 November 2018 to 31 October 2023. EEASB's pioneer status is only for a period of 5 years without any option for extension. As such, EEASB's pioneer status will expire on 31 October 2023.

The Acquisition of EEASB was completed on 18 March 2022 and hence, EEASB is currently not in compliance with a condition which states that "20% and above of the paid-up capital in respect of ordinary shares of the first mentioned company and the related company cannot be directly or indirectly owned by another company having shareholders' funds of more than RM500,000.00". Nonetheless, EEASB had on 13 September 2021 submitted a Waiver Application. As at the LPD, the application is being processed.

For illustration purposes, assuming that the Waiver Application is not approved, EEASB will not be able to maintain its pioneer status which would have resulted in additional tax payable. For the FYE 2021, computed based on taxable income and the prevailing tax rate of 24%, the tax payable by EEASB would have been approximately RM0.38 million (EEASB's actual tax payable for the FYE 2021 is RM6,556.00 which translated to an effective tax rate of 0.43%). Correspondingly, the PAT of EEASB for the FYE 2021 would have decreased from RM1.63 million to RM1.26 million.

The effective tax rate of our Group for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 were 5.95%, 12.78%, 5.91% and 6.61%, respectively. As such, upon expiry and / or revocation of the pioneer status of any / all our Subsidiaries, income generated from the respective Subsidiaries will be subject to the applicable statutory tax rates and this will directly affect our financial performance.

Please refer to Section 6.13 for further information on the pioneer status conditions imposed for STSB and EEASB.

8.1.5 We are dependent on skilled workers and the availability of foreign workers for our manufacturing operations

Majority of our manufacturing operation is semi-automated with customised instructions programmed in the machineries. Notwithstanding the above, we are still dependent on skilled workers to program and operate the machineries to meet the specifications and requirements of each customer. In addition, the skilled workers are required to oversee the transfer process of intermediary products from one machine to another for the next step in the fabrication process.

8. RISK FACTORS (Cont'd)

As at the LPD, our Group has 43 foreign workers (representing approximately 18.30% of our total workforce), comprising 9 from Myanmar and 34 from Nepal. Apart from 2 foreign workers from Nepal who are security guards, the rest of the foreign workers are responsible in the production operations and such foreign workers account for approximately 21.58% of our production workforce. The total number of employee in the production operations is 190. As such, our Group, to a certain extent, is dependent on foreign workers for our production operations. Please refer to Section 6.17 of this Prospectus for more information on our foreign workers.

Effective from 1 January 2021, it is mandatory for employers to advertise job openings on MYFutureJobs before opening the job vacancy to foreigners. MYFutureJobs is a national online job portal which allows the Ministry of Human Resources to match local workers with job vacancies to ensure that local workers are given priority for employment opportunities. Notwithstanding the above, our Group has had difficulty hiring local workers for our production operations due to the higher salary demand from local workers as compared to foreign workers. As such, the cost associated to hiring local workers may be higher compared to hiring foreign workers. This may result in an increase in our production cost and reduction in our profit margins if we are unable to pass on the additional cost to our customers.

In addition to the above, any increase in levy of foreign workers, suspensions and quota restrictions for the hiring of foreign workers may cause difficulties in employing sufficient labour for our manufacturing process. Further, strict immigration rules and policies would also restrict the entrant of foreign workers into Malaysia. In addition, all foreign workers' permits are for a 1-year period and require yearly renewals. As at the LPD, the Ministry of Human Resources has allowed local employers to recruit foreign workers in the permitted sectors, including the manufacturing sector. Our Group may hire additional foreign workers for our production activities if deemed necessary. Nevertheless, any unfavourable changes in the policies on foreign workers and delays in foreign worker registrations may have a material and adverse effect on our operations and financial performance.

8.1.6 Absence of long-term contracts with our customers

Our Group's sales are secured based on confirmed purchase orders placed by our customers on an as-needed basis as we do not have any long-term contracts with our customers. The absence of long-term contracts with our customers is due to the nature of the industry that our customers operate in, which is subject to technological changes, market trends and rapid improvements in industry standards that would result in frequent changes in product design and specifications. Instead, our major customers would provide us with a forecast of their intended purchase volume on a rolling 3 to 6 months period. Nonetheless, our actual sales would still be based on purchase orders from our customers from time to time which may vary from the forecasted volume.

The absence of long-term contracts may pose a risk as our customers are not obliged to purchase products from us. As such, they may reduce the order quantity and / or could totally cease to purchase from us at any point of time. The loss of any customer or reduction in any sale order or quantity from any customers, particularly our major customers, if not replaced with new customers or with additional orders from other existing customers in a timely manner, may result in a loss of revenue and adversely affect our financial condition and results of operation.

For the Financial Years Under Review, despite the absence of long-term contracts with our customers, recurring orders from existing customers has been a key driver in our Group's revenue growth supported by increasing aggregate purchase orders from our existing customers and we have also managed to secure purchase orders from new customers by providing customised solutions and building strong relationships with them. Further, we aim to ensure customer satisfaction by meeting their product specifications and requirements, strengthening relationships with existing customers and establishing relationships with new customers to grow our customer base. Nonetheless, there can be no assurance that our customers will continue to purchase our products or that we will be able to meet their specification and requirements.

Please refer to Section 6.18 of this Prospectus for further information on our major customers.

8. RISK FACTORS (Cont'd)

8.1.7 We are subject to the risk of product liability

Our Group is exposed to the risk of product liability claims of up to 1 year for defects on our automated equipment and the performance of our automated equipment. The liability period begins upon our delivery of our products.

In the event of the occurrence of any defect as mentioned above, we will be required to repair or replace the products which may adversely impact our relationship with our customers, future business opportunities, as well as industry reputation which in turn may adversely affect our business operations and financial performance.

While our Group sets in place measures at every stage of manufacturing and assembly to prevent any defects in products and performance, there can be no assurance that our automated equipment products will not have any defects or malfunction that may lead to the disruptions of our customer's business activities.

For the Financial Years Under Review and up to the LPD, our Group has not experienced any warranty claims for our automated equipment products. Nevertheless, there is no assurance that we would not experience any product liability claims in the future.

8.1.8 Fluctuation in raw material prices

Amongst the raw materials used in our sheet metal fabrication and CNC machining activities are aluminium, steel, fabricated metal parts and components (which are predominantly made out of aluminium and steel). The aforementioned raw materials contributed a total of approximately 77.08%, 82.84%, 76.43% and 62.21% of our raw material purchases for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021, respectively. The price of aluminium, steel and fabricated metal parts and components are affected by factors including but not limited to supply and demand conditions.

The prices of both aluminium and steel fluctuate according to, amongst others, government regulations, global market supply and demand conditions and prevailing energy costs. Any unfavourable changes in conditions of the above factors may result in an increase in aluminium and / or steel prices thus resulting in an increase in manufacturing cost. As such, in the event that we are unable to pass on such cost increase to our customers, our Group would be required to bear the increase in cost which will adversely affect our financial performance.

8.1.9 Our business and operations are exposed to sudden disruption caused by the outbreak of disease such as the COVID-19 virus and the imposition of the MCO

Our business and operations may be subject to sudden disruptions caused by outbreaks of disease in Malaysia and other countries of our customers and suppliers. Disease outbreak may result in government authorities undertaking stringent precautionary measures to prevent the spread of the diseases, including temporarily ceasing of business activities.

As a result of the COVID-19 pandemic, the Government had implemented several precautionary measures to be undertaken to curb the spread of COVID-19 since year 2020, which also included the enforcement of the MCOs nationwide, closure of international borders and airspace and strict SOPs. Our Subsidiaries' business operations were fully halted from 18 March 2020. Subsequent thereto STSB and EEASB had on 4 May 2020 and 17 April 2020 respectively resumed operations at a capacity of 50% of its total workforce, as per the SOPs set out in the approval from MITI.

STSB also did not face any shortage of raw materials as it had purchased additional raw materials as buffer inventory prior to the enforcement of the MCO and its suppliers had also resumed operations by 4 April 2020. However, EEASB's suppliers and sub-contractors were unable to operate during the MCO which disrupted the supply of parts and components from its suppliers, as well as sub-contractor services were halted. This has resulted in a delay in completion of our automated system solutions for our customers. EEASB was subsequently able to commence, complete and deliver all delayed orders of automated systems solutions by the fourth quarter of 2020. Hence, we did not experience any material adverse impact to our financial performance for the FYE 2020 as a result of the MCO, CMCO and RMCO.

8. RISK FACTORS (Cont'd)

Our Group did not experience any material disruption to our operations, supply of raw materials, parts and components, as well as subcontracted services and was able to meet all orders for the FYE 2021 and up to the LPD, save for an order from our automated equipment solution segment for the installation and commissioning works delayed due to the travel restrictions. Notwithstanding that, the customer had mutually agreed to waive any delay charges. As such, our Group did not experience any material impact on our financial performance for the FYE 2021 arising from the imposition of the second MCO.

Notwithstanding that our Group had 34 positive COVID-19 cases, this did not materially impact our business operations or lead to a shutdown of our manufacturing plants. In response to the COVID-19 situation, our Group has incurred approximately RM0.42 million to implement new SOPs and put in place precautionary measures and steps to ensure the safety of our employees and the continuity of our business operations. Nonetheless, in the event that all or a portion of our employees are infected by the COVID-19 and are required to be quarantined, our business operations may be affected due to temporary shortage of workers which may delay the delivery of orders. Any such delays would adversely impact our business operations as it may lead to delays in fulfilling orders, which will consequently affect our financial performance.

However, in the event that the Government implements further tightening of restrictions in the future that may lead to a shutdown of our manufacturing plants or reduction in our workforce, there can be no assurance that our manufacturing activities will not be materially affected. In any such event, our Group may not be able to fulfil our purchase orders within the stipulated timeframe, which may lead to claims against our Group. As such, this could adversely affect our operations and financial performance.

Furthermore, any extension of the MCO or reduced capacity requirement set out by the Government could potentially prevent us from conducting face-to-face meetings and site visits with potential customers, as well as cause us to secure reduced orders from our customers as we are dependent on our customer's end user market. Please refer to Section 8.2.1 of this Prospectus for further details on our dependency on our customer's end user market. Hence, our financial performance could be adversely affected.

8.1.10 Disruptions to our business operations, manufacturing process, facilities and inadequate insurance coverage

Our business operations are dependent on our manufacturing facility running smoothly and efficiently. Our Group is dependent on a wide range of machinery and equipment such as cutting machines, milling machines, turning machines and polishing machines, amongst others for our production activities. Notwithstanding that we carry out regular service and maintenance on our machines and equipment, they may, on occasion, be out of service due to accidents, defects, unanticipated failures or damages sustained during our business operations.

Further, our daily operations are subject to risks outside our control such as outbreak of fire, flood, power failure, water supply disruption, burglary, shipment disruption, and other calamity. These unexpected events may cause interruptions in or prolonged suspension of all or any part of our manufacturing activities, which may in turn cause significant downtime or interruptions to our production activities and losses and / or damage to our products, manufacturing facilities, warehouse and office. Any interruptions to or suspension of our operations will affect our manufacturing schedules and timely delivery of our products, which may result in cancellation of purchase orders and may eventually impact our relationships with our customers. This could have an adverse impact on our business operations, financial performance and industry reputation of our Group.

We have not experienced major interruptions in our operations due to any past incidents of unanticipated machinery and equipment failures sustained during our operations or catastrophic damages as a result of fires or flood. However, there can be no assurance that such incidence will not happen in the future, or occurrence of which may result in interruptions to our operations and adversely affect our business operations and financial performance.

8. RISK FACTORS (Cont'd)

We have purchased insurance policies to insure against, amongst others, fire damage on our stocks, our moveable and immovable properties, burglary on our properties as well as for accidents covering bodily injury or property damage incurred on the premises. We ensure the continuity of our insurance coverage by reviewing and renewing all our insurance policies annually to ensure the adequacy of our existing insurance coverage for all our assets.

As at the LPD, we maintain various insurance policies covering amongst others, risks against fire, loss of goods, damage to property, plant, machinery and equipment. As at the LPD, the total sum insured amounted to approximately RM74.74 million.

However, the insurance coverages are subject to exclusion and limitations of liability in both amount and insured events. Our insurance may not be adequate to cover all losses or liabilities suffered in our operations. For instance, we are insured against losses resulting from fires but not floods, storms or any other events.

In addition, there is the risk that we may not be able to maintain or obtain insurance of the type and amount desired in the future. Hence, our business and financial performance may be adversely affected in the event that our insurance coverage is inadequate to fully cover all losses or liabilities incurred.

8.1.11 We may incur additional capital expenditure in the future and may require additional financing

As disclosed in Section 6.26.2(a) of this Prospectus, as part of our business expansion plans, we are currently constructing Manufacturing Plant 3 with an estimated construction cost of approximately RM50.00 million. As at the LPD, we have secured RM30.00 million of bank borrowings for the construction. For the remaining estimated construction cost of RM20.00 million, we intend to allocate RM15.00 million of our gross proceeds from the Public Issue whilst the remaining balance of RM5.00 million will be funded via internal generated funds.

In addition to the construction of the new manufacturing facility, our Group is expected to incur additional capital expenditure, which includes the purchase of new machinery and equipment for the current and new manufacturing facilities as part of our expansionary plans. In this regard, we have allocated RM24.50 million of our proceeds raised from the Public Issue to fully finance the purchase of new machinery and equipment for the new manufacturing facility. Upon full utilisation of such allocated proceeds, we may require additional funds to finance the purchase of additional new machinery and equipment for the new manufacturing facility, as well as for our current manufacturing facilities to facilitate the increase of our Group's manufacturing capacity arising from ventures into new business segments, expansion of our products and services offerings and to meet increasing orders from existing and new customers.

As such, in the event that we are unable to generate sufficient cash flows from operations or have the capital resources to meet our future capital expenditure, we may need to raise funds either in the form of debt or additional equity financing. There can be no assurance that we will be able to obtain additional bank borrowings at favorable rates. Further, additional bank borrowings, if obtained, will increase our exposure to interest rate fluctuations.

As at the LPD, our total bank borrowings amounted to approximately RM54.86 million. Any future increase in bank borrowings and / or interest rates will increase our borrowings costs, as well as reduce our profitability. Higher interest expenses may also adversely affect our ability to service our debt repayment obligations and limit our ability to obtain additional bank borrowings.

8. RISK FACTORS (Cont'd)

8.1.12 Investment and integration risk in respect of the Acquisition of EEASB

The Acquisition of EEASB was undertaken as part of our Group's expansion plan to provide additional services which complements our engineering supporting services. Previously, EEASB purchases sheet metal parts and CNC machining components required for its automated equipment from third party suppliers as well as appointing sub-contractor to undertake some assembly processes. Through our Subsidiaries, the Group has complete control over the entire production and assembly process, from designing to fabrication and assembly of a complete automated equipment which will allow our Group to reduce reliance on subcontractors and third party suppliers as well as reduce the lead time for the completion of our orders. As a result of having complete control over entire production and assembly process, our Group expects to obtain better profit margins due to lower cost of production and administrative expenses.

Although the Acquisition of EEASB is expected to contribute positively to the future earnings of our Group, there is no assurance that EEASB will be successfully integrated into the Group as there will be new risks associated with assimilation of new operations and personnel. There is also no assurance that the Acquisition of EEASB will not have a material adverse effect on the enlarged Group and quality of services and products currently offered.

8.1.13 We are subject to regulatory requirements for our business operation

Our business is subject to various laws, rules and regulations. As at the LPD, our Group has obtained the necessary licenses and permits to carry out its business operations. Please refer to Section 6.13 of this Prospectus for further information on the approvals, certificates and licences obtained by the Group.

The approvals, certificates and licences obtained are subject to conditions and regulatory requirements imposed by each respective issuing body. As such, in the event of non-compliance, the approval, certificate or license may be terminated, revoked or not be renewed upon expiry. In addition, the Group and / or our Directors may be subject to fines, penalties, or potential prosecution in the event of any non-compliance issues. Although the Group has an internal process to monitor compliance and track the validity of the approvals, certificates and licenses, there is no assurance that the Group will be able to renew the approvals, certificates and licences in a timely manner, nor be able to comply with the conditions imposed.

As at the LPD, save for EEASB's non-compliance with its pioneer status approval condition as disclosed in Section 6.13 of this Prospectus, our Group has complied with the conditions imposed on all our approvals, major licences and permits. Please refer to Sections 6.13 and 8.1.4 of this Prospectus for further information on the risk in regards to the termination / revocation of EEASB's pioneer status.

8.1.14 Past performance of EEASB does not reflect its future performance

The Acquisition of EEASB is expected to contribute positively to the future earnings of the Group, after taking into consideration of the past financial performance of EEASB and the operational integration capabilities within the Group. Nonetheless, there can be no assurance that EEASB will be able to generate similar financial profits as in the past, nor that the integration process will be successful.

Furthermore, in the event that the Waiver Application is rejected by MIDA, EEASB will be subject to the statutory tax rate of 24.00%. As mentioned in Section 8.1.4 above, EEASB's tax payable for the FYE 2021 is RM6,556.00 which translated to an effective tax rate of 0.43%. If EEASB were to be subjected to the statutory tax rate of 24.00% the tax payable would amount to RM0.38 million. Based on the above, there can be no assurance that the past financial performance of EEASB reflects its future performance.

8. RISK FACTORS (Cont'd)

8.1.15 We may not be able to successfully execute our future plans

We plan to increase our market presence in the semiconductor, E&E and Solar PV industry by capitalising on our competitive advantages and key strengths. Please refer to Section 6.1.4 of this Prospectus for further information on our competitive advantages and key strengths.

The future growth of our Group and successful implementation of our future business plans are dependent on, amongst others, the timely completion of Manufacturing Plant 3, our manufacturing capabilities, marketing efforts and sufficient human resources. There is no assurance that we will be able to successfully implement our future plans. Failure to execute our future plans may adversely affect our future growth, as well as financial performance.

8.2 RISKS RELATING TO OUR INDUSTRY

8.2.1 We are dependent on our customer's end user market

Our business is dependent on the end-user markets of our customers, particularly the E&E and semiconductor industry. We are dependent on 3 of our major customers, namely, Electro Scientific Industries group of companies, Customer S and Teradyne group of companies. Electro Scientific Industries group of companies and Teradyne group of companies are in the semiconductor industry whilst their customers are in the testing equipment industry. Customer S is involved in the E&E industry whilst their customers are in the hard-disk drive, semiconductor and LED industry.

Factors that may affect the performance of the end user markets are, amongst others, changes in foreign worker policies, changes in political leadership, higher tariffs imposed on our customers' products, economic stability and a rising interest rate environment that can hurt consumer sentiment, leading to dampened demand for our customers' products. If demand for the products of our customers' decrease, the production activities of our customers are likely to decrease, leading to lower demand for our products and services. Accordingly, a decline in performance from our customers' end user markets may adversely affect our business operations and financial performance.

8.2.2 Keeping up with technological advancements

The semiconductor and E&E industry undergo rapid technological development, evolving industry standards, as well as new product introduction and enhancements. As our Group mainly serve customers in the semiconductor and E&E industry, we constantly keep up with the latest technology innovations and advancements, such as the new, innovative and miniaturisation of electronic devices, telecommunication technologies and the IoT in order to address the increasing sophisticated needs of our customers.

For the FYE 2018, FYE 2019, FYE 2020 and FYE 2021, our Group had spent approximately RM1.53 million, RM13.71 million, RM3.78 million and RM25.78 million respectively on new machineries. Moving forward, our Group may require additional funds to purchase new machineries, as well as invest in D&D to maintain our competitive advantage and product quality. In the event that our Group is unable to generate sufficient cash flow or obtain financing at a favorable rate, we may seek to raise funds through equity financing to purchase new machineries.

Notwithstanding the above, there can be no assurance that our Group will successfully improve and adapt to the latest advancements in our operating industries in a timely and effective manner. Any inability to improve and adapt in a timely and effective manner may cause our Group's business to be adversely affected.

8. RISK FACTORS (Cont'd)

8.2.3 Changes in economic, political, legal and regulatory environment

Any changes in the political, economic and regulatory conditions in Malaysia and in the export markets, particularly the USA and Singapore, where our customers operate in, could materially affect our financial performance and business prospects. Changes in the political, economic and regulatory conditions could arise from, amongst others, changes in political leadership, risks of war or civil unrest, changes in import tariffs and related duties, foreign worker levy, deterioration of international bilateral relationship and regulatory structures.

Pursuant to the Minimum Wage Order 2022 which increased the minimum wage to RM1,500 effective 1 May 2022, our Group will incur additional wage expenditure due to the increase in salaries and bonus of our employees. For illustrative purposes, assuming that the Minimum Wage Order 2022 was effective 1 January 2021, our Group would have incurred additional wage expenditure of approximately RM0.21 million at the FYE 2021 which in turn would have affected our financial performance and reduced our profitability.

While we practice prudent financial management and efficient operating procedure, there is no assurance that any adverse political, economic, and regulatory development will not materially affect the financial performance of our Group.

8.2.4 Competition within the ESI

According to the IMR Report, the ESI in Malaysia is highly competitive with around 2,000 market players. We generally compete with our competitors on a variety of factors, such as reputation, delivery times, service range and quality, customer services and relationships with suppliers and customers.

There is no assurance that we will be able to compete effectively with our existing competitors and new market entrants. Some of our competitors may have longer operating history than us or possess greater manufacturing capabilities, technical knowledge and financial resources. Increased competition may result in lower demand for our services, lower profit margins and / or loss of market share. If we fail to compete effectively, adapt quickly to changing market trends and conditions, and maintain or grow our market share, our business operations and financial performance may be adversely affected.

8.3 RISKS RELATING TO OUR SHARES

8.3.1 There has been no prior market for our Shares

Prior to our Listing, there has been no public market for our Shares. Hence, there is no assurance that upon Listing, an active market for our Shares will develop, or, if developed, that such market can be sustained. The IPO Price was determined after taking into consideration a number of factors including but not limited to our business strategies, as well as our financial and operating history.

There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the ACE Market upon our Listing and the market price of our Shares will not decline below the IPO Price.

8.3.2 The trading price and volume of our Shares upon Listing may be volatile

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

8. RISK FACTORS *(Cont'd)*

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, among others, the following factors, some of which are beyond our control:

- (a) material variations in our financial results and operations;
- (b) success or failure of our management in implementing future plans, and business and growth strategies;
- (c) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (d) changes in conditions affecting the semiconductor, E&E and Solar PV industry, the prevailing global and local economic conditions or stock market sentiments or other events or factors;
- (e) changes in market valuations and share prices of companies with similar businesses to our Group that may be listed on Bursa Securities or other stock exchanges;
- (f) additions or departures of key personnel;
- (g) fluctuations in stock market prices and volumes; or
- (h) involvement in claims, litigation, arbitration or other form of dispute resolution.

8.3.3 Our Promoter will continue to hold a majority of our Shares after the IPO

Upon Listing, our Promoter will hold approximately 68.85% of our enlarged issued share capital upon Listing. As a result, they will be able to effectively control the business direction and management of our Group. They may also be able to 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.

8.3.4 There may be a potential delay to or failure of our Listing

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

- (a) the MITI approved Bumiputera investors fail to acquire the Shares allocated to them under the Public Issue;
- (b) our Sole Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations thereunder;
- (c) the revocation of approvals from the relevant authorities for the Listing and / or admission to the official list for whatever reason; or
- (d) we are unable to meet the public shareholding spread requirement of the Listing Requirements, i.e. at least 25.00% of our issued share capital for which listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the point of our Listing.

Where prior to the issuance and allotment of our IPO Shares:

- (a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and our Company shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which the Company shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (b) our Listing is aborted, investors will not receive any of our IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

8. RISK FACTORS (Cont'd)

Where subsequent to the issuance and allotment of our IPO Shares:

- (a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, the Company shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or
- (b) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by either:
 - (i) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or
 - (ii) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from our Directors.

8.3.5 There is no assurance of payment of dividends

Our ability to pay dividends or make other distributions to our shareholders is not guaranteed. Our Company is an investment holding company and we conduct substantially all of our operations through our Subsidiaries. Our Company derives income mainly from dividends received from our subsidiaries. Hence, our ability to pay future dividends is largely dependent on the financial performance of our subsidiaries. Further, in view that our Group intends to embark on our future plans as disclosed in Section 6.26 of this Prospectus, our ability to pay dividends may be limited. In addition, our ability to pay dividends could also be affected by our requirement to conserve cash to address uncertainties regarding any political, social, economic and regulatory conditions, for instance the prolonged COVID-19 pandemic.

Please refer to Section 11.4 of this Prospectus for further information on our dividend policy.

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9. RELATED PARTY TRANSACTIONS

Pursuant to the Listing Requirements, subject to certain exemptions, a “related party transaction” is a transaction entered into by a listed issuer or its subsidiary, which involves the interest, direct or indirect, of a related party. A “related party” is defined as a director, major shareholder or person connected with such director or major shareholder (including a person who is or was a director or major shareholder within the preceding 6 months before the transaction was entered into). “Major shareholder” means a shareholder with a shareholding of 10% or more (or 5% or more where such person is the largest shareholder in the company) of all the voting shares in the company.

9.1 RELATED PARTY TRANSACTIONS

9.1.1 Material related party transactions entered into by our Group

Save as disclosed below, our Directors have confirmed that there were no other related party transactions that we had entered into with related parties in respect of the FYE 2018, FYE 2019, FYE 2020, FYE 2021 and up to the LPD:

No.	Transacting parties	Interested person	Nature of relationship	Nature of transaction	FYE				1 January 2022 up to the LPD (RM'000)
					2018 (RM'000)	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	
1.	STSB and Chye Choon Fong	Keoh Beng Huat	Chye Choon Fong is the spouse of Keoh Beng Huat who is our Promoter, substantial shareholder and Managing Director Chye Choon Fong was a director and shareholder of STSB until 10 June 2021 and 23 June 2021, respectively	Rental expenses paid to Chye Choon Fong ^(a)	9 (0.10% of our Group's PAT)	8 (0.05% of our Group's PAT)	20 (0.11% of our Group's PAT)	-	-
2.	STSB and Strait Fabrication Partner Sdn Bhd (“Strait Fabrication”)	Keoh Beng Huat	Keoh Beng Huat is our Promoter, substantial shareholder and Managing Director Keoh Beng Huat was a director and shareholder of Strait Fabrication until 5 July 2021 and 27 August 2021, respectively	Sale of fabricated parts to Strait Fabrication	-	77 (0.25% of our Group's revenue)	*	-	-

9. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Interested person	Nature of relationship	Nature of transaction	FYE				1 January 2022 up to the LPD (RM'000)
					2018 (RM'000)	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	
3.	STSB and FAS Integration Sdn Bhd ("FISB")	Keoh Beng Huat	Keoh Beng Huat is our Promoter, substantial shareholder and Managing Director Keoh Beng Huat was a director and shareholder of FISB until 12 March 2021	Sale of fabricated parts to FISB	-	-	93 (0.23% of our Group's revenue)	-	-
4.	STSB and Strait Fabrication	Keoh Beng Huat	Keoh Beng Huat is our Promoter, substantial shareholder and Managing Director Keoh Beng Huat was a director and shareholder of Strait Fabrication until 5 July 2021 and 27 August 2021, respectively	Purchase of fabricated parts from Strait Fabrication	-	9 (0.07% of our Group's cost of sales)	-	-	-
5.	STSB and Strait Fabrication	Keoh Beng Huat	Keoh Beng Huat is our Promoter, substantial shareholder and Managing Director Keoh Beng Huat was a director and shareholder of Strait Fabrication until 5 July 2021 and 27 August 2021, respectively	Engineering consultancy services provided by Strait Fabrication ^(b)	85 (0.91% of our Group's PAT)	55 (0.52% of our Group's PAT)	110 (0.62% of our Group's PAT)	-	-

9. RELATED PARTY TRANSACTIONS *(Cont'd)*

Notes:

* Negligible.

- (a) STSB and Chye Choon Fong had on 1 August 2017 entered into a tenancy agreement for the rental of a condominium unit located at Bayan Lepas, Pulau Pinang for the accommodation of an employee. The tenancy was for a period commencing 1 August 2017 up to 31 July 2020 at a rental rate of RM700 per month. The rental amount was subsequently revised to RM2,200 per month pursuant to a new tenancy agreement entered into between STSB and Chye Choon Fong on 1 April 2020. The rental rates transacted were not within the market rental rate of between RM1,000 to RM1,850 per month and as such not on arm's length basis. The rental has ceased and the tenancy agreement was terminated on 30 November 2020 as the employee had obtained his own accommodation.
- (b) STSB and Strait Fabrication had on 1 August 2017 entered into an agreement of which Strait Fabrication will provide STSB with engineering consultancy services on a project basis for a period up to 31 December 2020. This agreement has lapsed and was not renewed.

Our Board, having considered all aspects of the related party transactions are of the opinion that save for the rental of the property from Chye Choon Fong (as listed in item 1 in the table above) and the engineering consultancy services provided by Strait Fabrication (as listed as item 5 in the table above), all the other above transactions were carried out on an arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not to the detriment to our minority shareholders.

After the Listing, we will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate. The interested person shall abstain from voting on resolution(s) pertaining to the respective transaction. Under the Listing Requirements, related party transactions may be aggregated to determine its materiality if the transactions occur within a 12-month period, are entered into with the same party or with parties related to one another or if the transactions involve the acquisition or disposal of securities or interests in one corporation / asset or of various parcels of land contiguous to each other.

Upon Listing, the Audit and Risk Management Committee will review the terms of all related party transactions and ensure that all related party transactions (including any recurrent related party transactions) are carried out on terms not more favorable to the related party than those generally available to the third parties dealing at arm's length basis with our Group and are not to the detriment of our minority shareholders. Our Group will seek such relevant shareholders' approval where required. We will make disclosures in our annual report of the aggregate value of the recurrent related party transactions entered into by us based on the nature of the transactions made, names of the related parties involved and their relationship with our Group.

9.2 RELATED PARTY TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITION

Our Directors have confirmed that there are no transactions that were unusual in its nature or condition, involving goods, services, tangible or intangible assets, to which we were a party in respect of the FYE 2018, FYE 2019, FYE 2020, FYE 2021 and up to the LPD.

9. RELATED PARTY TRANSACTIONS (Cont'd)

9.3 OUTSTANDING LOANS AND / OR FINANCIAL ASSISTANCE MADE TO OR FOR THE BENEFIT OF THE RELATED PARTIES

Save as disclosed below, our Board has confirmed that there are no outstanding loan and / or financial assistance (including guarantee of any kind) made to our Group / by our Group to or for the benefit of any related parties for the Financial Years Under Review and up to the LPD:

(a) Outstanding loans

No.	Loans made to or for the benefit of related parties	Interested related party and nature of relationship	Nature of transaction and purpose	Outstanding amount				
				FYE				1 January 2022 up to the LPD
				2018 (RM'000)	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	
1.	Advances made to STSB by Keoh Beng Huat	Keoh Beng Huat is our Promoter, substantial shareholder and Managing Director	Advances for working capital	438	1,881	-	-	-
2.	Advances made to STSB by Chye Choon Fong	Chye Choon Fong is the spouse of Keoh Beng Huat who is our Promoter, substantial shareholder and Managing Director. Chye Choon Fong was a director of STSB until 10 June 2021.	Advances for working capital	116	77	-	-	-

9. RELATED PARTY TRANSACTIONS (Cont'd)

(b) Financial assistance (including guarantees of any kind)**(i) STSB**

Our Promoter, substantial shareholder and Managing Director, Keoh Beng Huat has provided personal guarantees for banking facilities extended by Alliance Bank Berhad, Alliance Islamic Bank Berhad, CIMB Bank Berhad, AmBank Islamic (M) Berhad, Hong Leong Bank Berhad and Hong Leong Islamic Bank Berhad (collectively, “**Financers of STSB**”) to STSB.

In conjunction with the Listing, we have applied to the Financers of STSB to obtain a release and / or discharge of the guarantees by substituting the same with a corporate guarantee from our Company and / or other securities from our Group acceptable to the Financers of STSB. Until such release and / or discharge are obtained from the respective Financers of STSB, our Promoter, substantial shareholder and Managing Director, Keoh Beng Huat will continue to guarantee the banking facilities extended to STSB. As at the date of this Prospectus, we have received conditional approvals from the Financers of STSB to discharge the above guarantees by substituting the same with a corporate guarantee from our Company and / or other securities from our Group acceptable to the financial institutions.

(ii) EEASB

Our directors of EEASB, Hong Lai Guan, Ooi Chong Soon and Lee Boon Ping has provided personal guarantees for banking facilities extended by PBB and United Overseas Bank (Malaysia) Berhad (collectively, “**Financers of EEASB**”) to EEASB.

In conjunction with the Listing, we have applied to the Financers of EEASB to obtain a release and / or discharge of the guarantees by substituting the same with a corporate guarantee from our Company and / or other securities from our Group acceptable to the Financers of EEASB. Until such release and / or discharge are obtained from the respective Financers of EEASB, our directors of EEASB, Hong Lai Guan, Ooi Chong Soon and Lee Boon Ping will continue to guarantee the banking facilities extended to EEASB. As at the date of this Prospectus, we have received conditional approvals from the Financers of EEASB to discharge the above guarantees by substituting the same with a corporate guarantee from our Company and / or other securities from our Group acceptable to the financial institutions.

The advances from related parties to us were not made on an arm’s length basis and were not on normal commercial terms as they were interest-free, unsecured and without fixed repayment terms. However, these terms were not unfavourable to our Group. As at the LPD, the advances were fully repaid.

Our Directors are of the opinion that save for the advances as disclosed above, all the above transactions were carried out on an arm’s length basis, on normal commercial terms which are not more favourable to our related parties than those generally available to the public, and not to the detriment of our minority shareholders.

Moving forward, our Group has put in place strict internal control and compliance procedures in relation to loans and financial assistance from third parties, and no further loans or financial assistance will be taken from any related parties by the Group unless such advances and loans are permitted under law and the Listing Requirements. Our Audit and Risk Management Committee will review the terms of all related party transactions (including recurrent related party transactions) and our Directors will report such transactions, if any, annually in our Company’s annual report.

10. CONFLICT OF INTEREST

10.1 CONFLICT OF INTEREST

As at the LPD, none of our Directors and / or substantial shareholder has any other interest, whether direct or indirect, in any businesses or corporations which are carrying on a similar trade as our Group or which are the customers or suppliers of our Group.

10.2 DECLARATION BY ADVISERS ON CONFLICT OF INTEREST

10.2.1 Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent

PIVB is a wholly-owned subsidiary of PBB and PBB, has in its ordinary course of business, granted credit facilities to EEASB of RM3.25 million. As at the LPD, the outstanding balance of the total credit facilities extended by PBB to EEASB is approximately RM2.48 million. Notwithstanding that, PIVB is of the view that the aforementioned extension of credit facilities does not result in a conflict of interest situation as the outstanding balance of the total credit facilities granted to EEASB by PBB, which represents less than 0.01% of the net assets of PBB as at 31 December 2021 is considered immaterial.

Notwithstanding the above, PIVB hereby confirms that there is no material conflict of interest in its capacity as the Principal Adviser, Sole Underwriter and Sole Placement Agent in respect of our IPO and that the abovementioned relationship with our Group does not give rise to a material conflict of interest situation due to the following reasons:

- (a) PIVB's role as the Principal Adviser for our IPO has been carried out professionally and objectively in accordance with the relevant terms of the due diligence planning memorandum. The due diligence processes and the verification exercises (which were participated by our Directors and Key Senior Management, our Reporting Accountants, our solicitor, PIVB and other relevant advisers) have been duly undertaken and performed in relation to the preparation of relevant documents relating to our IPO;
- (b) None of the proceeds raised from our IPO are allocated for the repayment of bank borrowings by our Group to PIVB and / or PBB; and
- (c) PIVB does not receive or derive any financial interest or benefit from our IPO other than the normal advisory and underwriting / placement fees charged.

10.2.2 Solicitors to our Company as to the laws of Malaysia

Jeff Leong, Poon & Wong has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Solicitors to our Group in relation to the Listing.

10.2.3 External Auditors and Reporting Accountants

Grant Thornton Malaysia PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the External Auditors and Reporting Accountants to our Group in relation to the Listing.

10.2.4 Independent Market Researcher

Protégé Associates Sdn Bhd has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the IMR to our Group in relation to the Listing.

11. FINANCIAL INFORMATION

11.1 HISTORICAL AUDITED COMBINED FINANCIAL INFORMATION

The historical audited combined financial information of our Group for the Financial Years Under Review presented in this section have been extracted from the Accountants' Report set out in Section 12 of this Prospectus.

You should read the historical audited combined financial information below together with:

- Management's Discussion and Analysis of Financial Conditions and Results of Operations set out in Section 11.3 of this Prospectus; and
- Accountants' Report set out in Section 12 of this Prospectus.

The combined historical financial information of our Group has been prepared as if the Group had been operating as a single economic entity throughout the Financial Years Under Review. SFP Tech was only incorporated on 8 February 2021. As such, the historical audited combined financial information of our Group only represents those of SFP Tech and STSB since SFP Tech and STSB were under common control throughout the Financial Years Under Review by virtue of a common controlling shareholder. The financial results of EEASB were not incorporated into the historical combined financial information of the Group as EEASB was not under common control. The financial results of EEASB will only be incorporated from 18 March 2022, being the date of completion of the Acquisition of EEASB.

The historical audited combined financial information included in this Prospectus does not reflect our Group's results of operations, financial position and cash flows in the future. Moreover, our Group's past operating results are not indicative of our Group's future operating performance.

(a) Historical audited combined statements of comprehensive income of our Group

	Audited			
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)
Revenue	27,617	30,306	41,100	50,412
Cost of sales	(13,316)	(13,545)	(17,791)	(23,266)
GP	14,301	16,761	23,309	27,146
Other income	869	1,187	1,422	1,608
Administration expenses	(4,722)	(4,964)	(4,929)	(6,694)
Operating profit	10,448	12,984	19,802	22,060
Finance costs	(568)	(910)	(1,046)	(1,265)
PBT	9,880	12,074	18,756	20,795
Tax expense	(588)	(1,543)	(1,109)	(1,374)
PAT, representing total comprehensive income	9,292	10,531	17,647	19,421

	Audited			
	FYE 2018	FYE 2019	FYE 2020	FYE 2021
GP margin ^(a) (%)	51.78	55.31	56.71	53.85
PBT margin ^(b) (%)	35.78	39.84	45.63	41.25
PAT margin ^(c) (%)	33.65	34.75	42.94	38.52
Effective tax rate ^(d) (%)	5.95	12.78	5.91	6.61
EBITDA ^(e) (RM'000)	11,921	15,313	23,276	26,657
Assumed number of Shares in issue ^(f) (^000)	800,000	800,000	800,000	800,000
Basic and diluted EPS ^(g) (sen)	1.16	1.32	2.21	2.43

11. FINANCIAL INFORMATION (Cont'd)

Notes:

- (a) GP margin is calculated based on GP divided by revenue.
- (b) PBT margin is calculated based on PBT divided by revenue.
- (c) PAT margin is calculated based on PAT divided by revenue.
- (d) Effective tax rate is calculated based on income tax expense divided by PBT.
- (e) EBITDA is calculated as follows:

	Audited			
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)
PBT	9,880	12,074	18,756	20,795
Adjusted for:				
<i>Add:</i>				
Finance cost	568	910	1,046	1,265
Depreciation of PPE	1,154	2,037	3,253	4,409
Amortisation of intangible assets	1,028	1,028	1,028	1,028
<i>Less:</i>				
Interest income	(13)	(40)	(111)	(144)
Deferred income released	(696)	(696)	(696)	(696)
EBITDA	11,921	15,313	23,276	26,657

- (f) The assumed number of Shares in issue after our Public Issue.
- (g) Basic EPS is calculated based on PAT attributable to owners of the Company divided by the assumed number of Shares in issue. Diluted EPS are the same as basic EPS as there were no potential dilutive ordinary shares existing during the respective years / periods.

(b) Historical audited combined statements of financial position of our Group

	Audited			
	As at 31 December			
	2018 (RM'000)	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)
ASSETS				
Non-current assets				
Property, plant and equipment	20,121	40,937	51,470	81,801
Intangible asset	6,422	5,394	4,366	3,339
Total non-current assets	26,543	46,331	55,836	85,140
Current assets				
Inventories	289	1,220	2,090	3,776
Trade receivables	6,168	12,332	10,371	11,994
Other receivables, deposits and prepayments	9,828	2,266	3,005	6,576
Cash and cash equivalents	3,364	3,918	20,029	25,464
Total current assets	19,649	19,736	35,495	47,810
TOTAL ASSETS	46,192	66,067	91,331	132,950

11. FINANCIAL INFORMATION (Cont'd)

	Audited			
	As at 31 December			
	2018 (RM'000)	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)
EQUITY AND LIABILITIES				
Equity attributable to owner of the Company				
Share capital	-	-	-	*
Invested equity (denotes the share capital of STSB)	2,000	2,000	2,000	2,000
Retained earnings	24,899	35,430	53,077	72,499
TOTAL EQUITY	26,899	37,430	55,077	74,499
LIABILITIES				
Non-current liabilities				
Borrowings	8,934	15,568	24,523	30,839
Deferred tax liabilities	447	1,300	1,502	2,416
Deferred income	4,332	3,636	2,940	2,244
Total non-current liabilities	13,713	20,504	28,965	35,499
Current liabilities				
Trade payables	1,082	1,623	907	1,362
Other payables and accruals	517	1,117	761	13,082
Amount due to directors	1,004	1,958	-	-
Borrowings	2,703	2,775	4,645	8,480
Current tax liabilities	274	660	976	28
Total current liabilities	5,580	8,133	7,289	22,952
TOTAL LIABILITIES	19,293	28,637	36,254	58,451
TOTAL EQUITY AND LIABILITIES	46,192	66,067	91,331	132,950

(c) Historical audited combined statements of cash flows of our Group

	Audited			
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)
Cash flows from operating activities				
PBT:	9,880	12,074	18,756	20,795
Adjustments for:				
Amortisation of intangible assets	1,028	1,028	1,028	1,028
Bad debts written off	284	-	141	25
Deferred income released	(696)	(696)	(696)	(696)
Depreciation of property, plant and equipment	1,154	2,037	3,253	4,409
Interest expenses	568	910	1,046	1,265
Interest income	(13)	(40)	(111)	(144)
Unrealised (gain) / loss on foreign exchange	(91)	489	643	(517)
Operating profit before changes in working capital	12,114	15,802	24,060	26,165

11. FINANCIAL INFORMATION (Cont'd)

	Audited			
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)
<u>Changes in working capital</u>				
Increase in inventories	(223)	(931)	(870)	(1,686)
Decrease / (Increase) in receivables	2,911	(6,481)	443	(4,826)
(Decrease) / Increase in payables	(754)	1,140	(1,070)	839
Cash generated from operations	14,048	9,530	22,563	20,492
Income tax paid	(184)	(304)	(591)	(1,408)
Interest paid	(568)	(910)	(1,046)	(1,265)
Interest received	13	40	92	144
Net cash from operating activities	13,309	8,356	21,018	17,963
Cash flows from investing activities				
Prepayment made for purchase of machinery and equipment	(7,425)	-	-	(93)
Purchase of property, plant and equipment	(6,569)	(12,302)	(9,448)	(16,121)
Net cash used in investing activities	(13,994)	(12,302)	(9,448)	(16,214)
Cash flows from financing activities				
Drawdown of term loans	4,211	5,873	9,866	9,618
Fixed deposits pledged to a licensed bank	(560)	-	(1,000)	(45)
Net changes in directors' account	(1,254)	954	(1,958)	-
Proceeds from issuance of shares	-	-	-	*
Repayment of finance lease	(938)	(1,385)	(2,155)	(3,505)
Repayment of term loans	(344)	(907)	(1,224)	(2,643)
Net cash from financing activities	1,115	4,535	3,529	3,425
Net increase in cash and cash equivalents	430	589	15,099	5,174
Effect of changes in foreign exchange rate	58	(35)	(7)	216
Cash and cash equivalent at beginning of financial year	2,316	2,804	3,358	18,450
Cash and cash equivalents at end of financial year^(a)	2,804	3,358	18,450	23,840

11. FINANCIAL INFORMATION (Cont'd)

Notes:

* Amounting to RM100

(a) Cash and cash equivalents comprised the following:

	Audited			
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)
Fixed deposits with licensed banks	560	560	1,579	1,624
Cash and bank balances	2,804	3,358	18,450	23,840
Less: Fixed deposits pledged to licensed banks or maturity period more than 3 months	(560)	(560)	(1,579)	(1,624)
Cash and cash equivalents	2,804	3,358	18,450	23,840

11.2 CAPITALISATION AND INDEBTEDNESS

The following table sets out our Group's capitalisation and indebtedness:

- (a) as at 31 March 2022, after taking into account the Acquisitions but before Public Issue and use of proceeds; and
- (b) after adjusting for the proceeds arising from our Public Issue and use of proceeds from Public Issue.

Indebtedness	Unaudited As at 31 March 2022[^]	After Public Issue and use of proceeds
	(RM'000)	(RM'000)
<u>Current</u>		
Secured and guaranteed		
Finance lease	6,452	6,452
Term loans	4,036	5,062
Bank overdraft	147	147
	10,635	11,661
<u>Non-current</u>		
Secured and guaranteed		
Finance lease	8,368	8,368
Term loans	29,223	38,638
	37,591	47,006
Total indebtedness	48,226	58,667
Shareholders' equity	83,263	140,711
Total capitalisation and indebtedness	131,489	199,378
Gearing ratio (times)*	0.58	0.42

Notes:

[^] The Group's total capitalisation and indebtedness represents the capitalisation and indebtedness of SFP Tech, STSB and EEASB pursuant to the completion of the Acquisition of EEASB on 18 March 2022.

* Computed based on total indebtedness over our shareholders' equity.

The material contingent liabilities of our Group are set out in Section 11.3.15(ii) of this Prospectus.