
6. INFORMATION ON THE GROUP (cont'd)

Late delivery penalty or LAD

Depending on the terms stipulated in the purchase order and/or master supply agreement, we may be liable for the LAD claims. The LAD is a contractual term to compensate the customer for loss or damage suffered as a result of late delivery of orders based on the agreed delivery date stipulated on the purchase order and/or master supply agreement. The LAD charges ranged from 2% to 15% of the value of the products, depending on the length of late delivery from the committed delivery date. For the Financial Period Under Review and up to the LPD, we have not experienced any claims on LAD.

6.9 PRODUCTS AND SERVICES**6.9.1 Manufacture of machine vision equipment**

Our machine vision equipment is primarily designed to inspect semiconductor parts, components and devices to assess material and/or manufacturing defects or for sorting purposes. Our machine vision equipment can detect surface defects, contamination, breakages in circuits, undertake measurements or differentiate colours. Once the item has been inspected, identified or measured, the result is transmitted to a controller which is a computer processor to initiate the next action steps. Some of our equipment also incorporates reject handling, testing and sorting functions as the next action step after the visual inspection or identification process.

The need to ensure product quality is paramount as defects must be detected early in the manufacturing process before more time and costs are incurred further down the manufacturing process. Machine vision equipment is the only practical manner to check for product quality at the speed and accuracy which is required with the miniaturisation of semiconductor parts, components and devices.

In addition, machine vision equipment that is used for guidance purposes is commonly incorporated into robotics to guide the robot or robotic arm to a specific location or position with the aim of carrying out specific tasks such as picking and placing of semiconductor parts or components.

Our machine vision equipment is sometimes incorporated into one of the many contiguous steps in the full manufacturing line, also referred to as inline equipment. Some of our equipment is standalone to carry out one or more specific functions to supplement the manufacturing process, also referred to as offline equipment.

The main features of our machine vision equipment are based on the following key components:-

- **Light source** where the level of brightness will affect the resolution or sharpness of the image. We commonly use LED as our light source.
- **Camera, optics and lenses** including shutter mechanism and image sensors. The type and arrangement of lenses will affect the resolution as well as the magnification of the image. The shutter speed combined with the intensity of the light source will determine the resolution of the image especially if the object is moving at high speed. The type of image sensor used, for example, semiconductor charge-coupled devices ("**CCD**"), complementary metal-oxide semiconductor ("**CMOS**") or N-type metal oxide semiconductor has implications on cost, size and image quality. We commonly use CMOS and CCD image sensors for our cameras.

6. INFORMATION ON THE GROUP (cont'd)

- **Processor** which incorporates software to process the captured image and issue the next step of instructions. We use off-the-shelf computers with our in-house developed proprietary software.

Our machine vision equipment are categorised into the following types:-

- Optoelectronic inspection equipment;
- Discrete component and IC inspection equipment;
- Solar cell inspection equipment; and
- Vision guided robotic equipment.

(a) Optoelectronic inspection equipment

Optoelectronics are electronic or semiconductor devices that convert electricity to emit light such as the common LED used in household lighting as well as those used in cars for headlamps, interior lighting and indicators. Our optoelectronic inspection equipment is mainly focused on inspecting LED components for automotive related segment.

Our revenue from the manufacture of optoelectronic inspection equipment accounted for 10.56% (RM2.18 million), 19.06% (RM4.75 million), 40.05% (RM18.93 million) and 16.91% (RM4.63 million) of our total revenue for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively.

Our optoelectronic inspection equipment includes the following:-

- (i) AOI equipment** which is designed to inspect an object for specific things such as, among others, markings, scratches, defects, misalignments and deformities, as well as carry out measurements and colour recognition or differentiation, and commonly incorporates post-inspection handling functions such as reject handling (moving rejected items from the manufacturing line), sorting and carrying out additional steps such as marking on the item.

Our AOI equipment is used in the following manufacturing process of optoelectronics:-

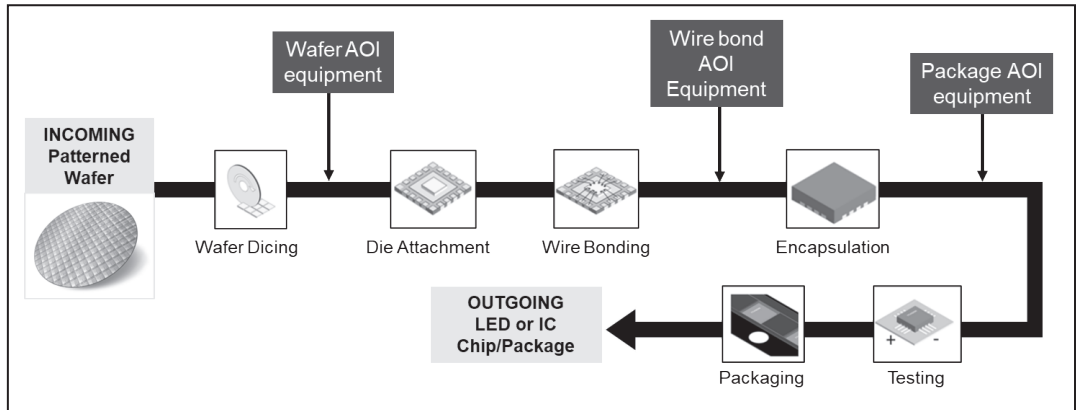
- assembly and packaging process including inspection of wafer after dicing, wire bonding and encapsulation; and
- wafer-level assembly and packaging process including inspection of package singulation.

The following diagrams depict the typical assembly and packaging processes, and the respective critical points where our key range of AOI equipment are placed and utilised.

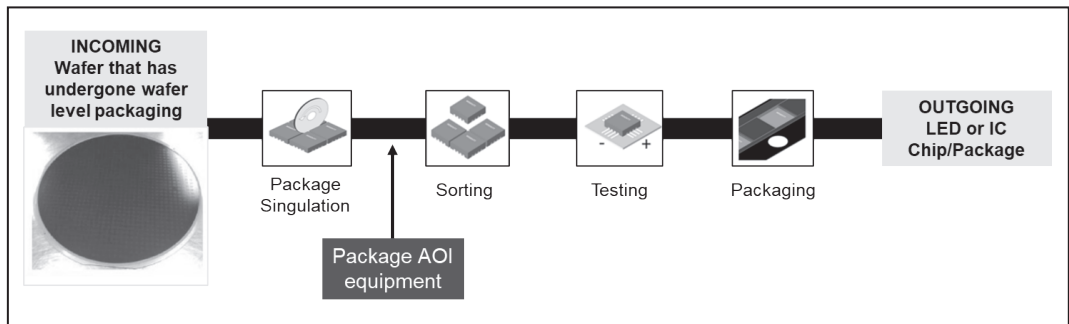
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6. INFORMATION ON THE GROUP (cont'd)


Typical assembly and packaging processes and our range of AOI equipment




Typical wafer-level assembly and packaging processes and our range of AOI equipment



The following is an illustration of some of the AOI equipment that we manufacture and sold in the Financial Period Under Review:-

Product	Features and Application
<p data-bbox="437 1339 740 1400">Wafer and package AOI equipment</p> 	<p data-bbox="804 1339 916 1368">Features</p> <ul data-bbox="804 1370 1401 1615" style="list-style-type: none"> • Optional 5-sided and 6-sided surface inspection • 3D depth technology • Modular and flexible • 64-bit operating system • Xeon processor • Throughput up to 50,000 uph • Camera resolution up to 12 megapixels at 66 fps <p data-bbox="804 1646 954 1675">Application</p> <ul data-bbox="804 1677 1401 1798" style="list-style-type: none"> • Inspection after die dicing to detect surface defects • Inspection after package singulation to detect package, mark, lead and plating defects

6. INFORMATION ON THE GROUP (cont'd)

Product	Features and Application
<p>Wire bond AOI equipment</p> 	<p>Features</p> <ul style="list-style-type: none"> • 2D or 3D inspection technology • 64-bit operating system • Xeon processor • Throughput up to 100,000 uph • CoaXPress interface • Optional table top semi-automated function <p>Application</p> <ul style="list-style-type: none"> • Inspection after die attachment and wire bonding to detect die, wire, wire bonding and epoxy defects.

(ii) **Vision inspection module** which is similar to an AOI equipment but functions solely to carry out vision inspection without any post-handling inspection functions. As a module, it is sold to customers on a standalone basis where it can be integrated onto a production line to perform vision inspection on products being manufactured. Some of the vision inspection modules that we manufacture and sell in the Financial Period Under Review include vision inspection module for test sorter, and vision inspection module for the plating process.

(b) Discrete component and IC inspection equipment

Discrete components are electronic components made of semiconductor material that does one elementary electronic function that cannot be further subdivided, such as transistors, diodes, capacitors and resistors. ICs are electronic devices containing a few to billions of electronic and discrete components such as transistors and resistors that are etched or imprinted onto a tiny slice of a semiconductor material such as silicon or germanium.

Our revenue from the manufacture of discrete component and IC inspection equipment accounted for 16.51% (RM3.41 million), 5.45% (RM1.36 million), 17.44% (RM8.24 million) and 71.10% (RM19.45 million) of our total revenue for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively.

Within this category, we manufacture the same type of inspection equipment as our optoelectronic inspection equipment, however certain modifications are being made to the camera modules and inspection parameters as the sizes of discrete components and ICs are comparatively larger than optoelectronics. This includes:-

- (i) AOI equipment such as wafer and packaging AOI equipment, and wire bond AOI equipment. For further details, please refer to Section 6.9.1(a)(i) of this Prospectus.
- (ii) Vision inspection modules. For further details, please refer to Section 6.9.1(a)(ii) of this Prospectus.

6. INFORMATION ON THE GROUP (cont'd)

(c) Solar cell inspection equipment

Our solar cell inspection equipment is designed to inspect any defects or irregularities in the manufacturing process of solar cells. Some of our solar cell inspection equipment also incorporates reject handling, testing and sorting functions as the next action step after the visual inspection or identification process.

Solar cell inspection equipment accounted for 57.60% (RM11.90 million), 63.11% (RM15.73 million), 34.02% (RM16.08 million) and 0.50% (RM0.14 million) of our total revenue for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively.

Our solar cell inspection equipment includes the following:-

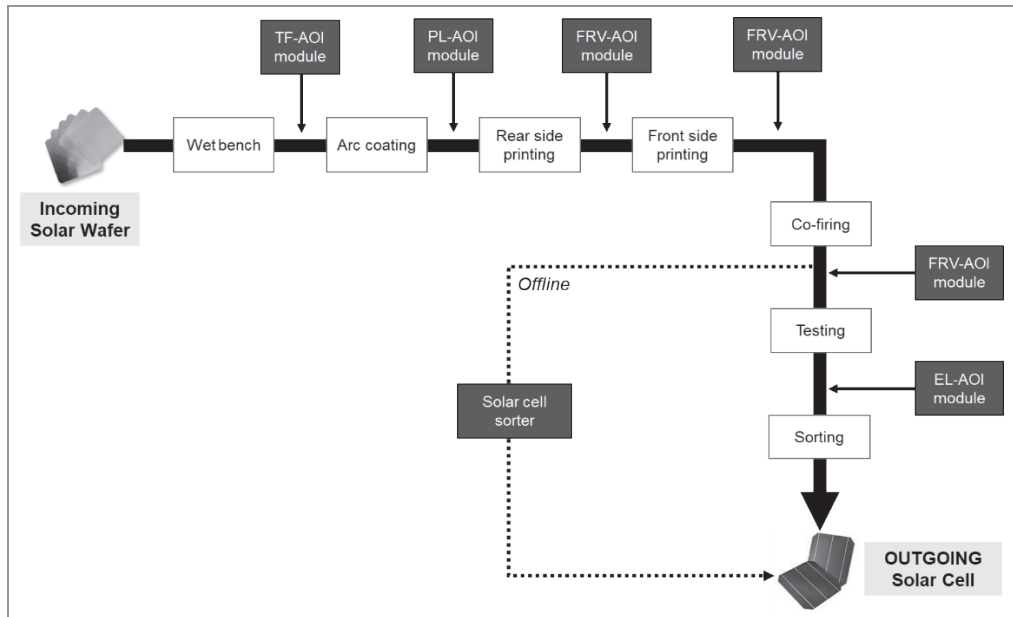
- **Vision inspection module** which comprises vision hardware and application software to undertake vision inspection of solar cells. It is typically integrated into our customer's existing process equipment conveyor and/or sorter. The 2 types of solar cell vision inspection modules that we manufacture include the following:-
 - **Solar cell front and/or rear side vision inspection module (FRV-AOI vision module)** which is capable of detecting visible defects commonly found on the front and rear surface of solar cells, namely colour, geometry, broken fingers, edge break, chipping, stain, scratch, oxidation and others; and
 - **Solar cell electroluminescence ("EL") and/or photoluminescence ("PL") and/or transflection ("TF") microcrack vision inspection module (PL/EL/TF-AOI vision module)** which uses EL and/or PL imaging technique to detect microcracks and other defects which are not visible under spectrum lighting conditions.
- **Solar cell sorter** which is equipped with various inspection stations including an I-V tester to test, categorise and sort each cell according to its efficiency. The efficiency of a solar cell is measured by the percentage of sunlight that is converted to electricity. It is commonly used as an offline equipment to carry out quality control of solar cells.

The following diagram depicts the typical solar cell manufacturing process and the respective critical points where our key range of solar cell inspection equipment is placed and utilised.

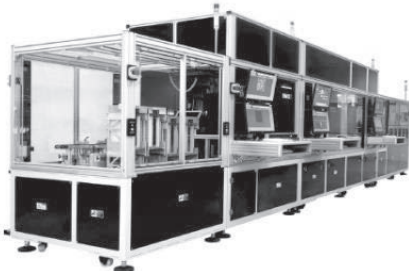
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6. INFORMATION ON THE GROUP (cont'd)




Solar cell manufacturing process and our solar cell inspection equipment



The following are some of our solar cell inspection equipment which we manufacture and sold in the Financial Period Under Review:-

Product	Features
<p style="text-align: center;">IBC solar cell sorter</p> 	<ul style="list-style-type: none"> • Full-fledged inspection, testing and sorting capabilities for IBC solar cells • Capable of handling solar cells ranging from 5 to 6 inches • 3D Line scan for rear side inspection • Combination of the colour line and area scan for front side inspection • PL for micro-crack and solder pads defects inspection • Infrared imaging for hot-spot measurement • Laser profilometer for metal line profile measurement • Vision aligner for cell positioning and alignment for probing • I-V tester and advanced data analysis • Interleaf paper placement before cell sorting • Combination of belt and walking-beam conveyor for high speed and high stability cell transportation • Throughput up to 2,400 uph

6. INFORMATION ON THE GROUP (cont'd)

Product	Features
<p data-bbox="491 300 735 327">Quad solar cell sorter</p> 	<ul style="list-style-type: none"> • Full-fledged inspection, testing and sorting capabilities for IBC solar cells • Capable of handling 4 solar cells simultaneously with sizes ranging from 4 inches to 10 inches • 2D colour area and line scan for front side inspection and line scan for rear side inspection • 3D dark field line scan for rear side inspection for embossed metallization defects • PL for micro-crack and solder pads defects inspection • Infrared imaging for hot-spot measurement • 3D laser profiler for metal line profile measurement • Vision aligner for cell positioning and alignment for probing • I-V tester and advanced data analysis • Laser scribing and cleaving for half-cut cell • Interleaf paper placement before cell sorting • Combination of belt and walking-beam conveyor for high speed and high stability cell transportation • Throughput up to 8,000 uph for dual track configuration
<p data-bbox="475 1043 751 1070">FRV- AOI vision module</p> 	<ul style="list-style-type: none"> • High resolution (up to 150MP) industrial camera and in-house R&D RGB illumination • Up to 12 inch cell size inspection capabilities • Accuracy up to 10 µm • Image processing speed of less than 1 second • Throughput up to 4,000 uph • Defects detection and inspection algorithm and multi-tier colour sorting capabilities • Semi Equipment Communication Standard (SECS) or Generic Equipment Model (GEM) enable • Easy integration on the production line or third-party sorter • User-friendly graphical user interface with multilingual interchange support
<p data-bbox="451 1543 775 1570">PL/EL/TF-AOI vision module</p> 	<ul style="list-style-type: none"> • High resolution (up to 25 MP) industrial camera and in-house R&D illumination technologies • Accuracy up to 46 µm • Throughput up to 3,600 uph • Robust and reliable algorithm for detection microcrack and other non-vision defects • Integrated with artificial intelligence and self-learning capabilities • SECS/GEM enable • Easy integration on the production line or third-party sorter • User-friendly graphical user interface with multilingual interchange support

6. INFORMATION ON THE GROUP (cont'd)

(d) Vision Guided Robotic Equipment

Our vision guided robotic equipment accounted for 1.42% (RM0.29 million), 2.00% (RM0.50 million) and 0.48% (RM0.23 million) of our total revenue for the FYE 2019, FYE 2020 and FYE 2021 respectively. There was no revenue contribution from the vision guided robotic equipment for the FPE 2022.

Our machine vision equipment for guidance purposes is commonly incorporated into robotics to guide the robot to a specific location or position to carry out specific tasks such as picking and placing semiconductor parts or components.

We manufacture vision guided robotic equipment using our vision module incorporated into purchased third party robotics. This product is commonly used in pick and place, packaging and palletising, auto welding as well as assembly applications.

Our vision guided robotic equipment is a robotic arm or cartesian robot fitted with our vision module to provide feedback signals to guide the robotic arm to a specific location or position to perform a certain task. Generally, vision guided robotic equipment has 3 main components namely the vision module, robotics and end-effector/handling component.

Vision module

We manufacture the vision module for our vision guided robotic equipment where our scope of work are as follows:-

- design the overall vision module including the type of lighting, camera and software;
- install and integrate the camera at the targeted location such as at the end of the robotic arm or monitoring workstation;
- programme the vision algorithm based on required applications; and
- calibrate the vision module to interact with the robotic arm and workplace.

Robotics

We procure and utilise robotic arm and cartesian robot sourced from external parties where our scope of work are as follows:-

- sequencing of robot motion based on the required applications; and
- calibration of the robot to integrate with our vision module.

End-effector


The end-effector is a device or tool that is connected to the end of the robotics and it is the part that has direct contact with the target subject to be picked up or moved. We design and assemble the end-effector internally as well as sourced them from external parties, depending on the functionality of the end-effector.

The following is our scope of work for the end-effector/handling component for our vision guided robotic equipment:-

- design the end-effector such as a vacuum pick-up head, hard gripper and soft gripper;
- assemble or procure the desired end-effector; and
- integrate the end-effector with the robotics.

6. INFORMATION ON THE GROUP (cont'd)

One example of our vision guided robotic equipment is as follows:-

Product	Features and specification
<p data-bbox="437 356 791 385">Robotic arm for pick and place</p> 	<p data-bbox="852 360 954 389">Features</p> <ul data-bbox="852 389 1401 663" style="list-style-type: none"> • Vision guided pick and place • Automated part assembly with robotic arm • Customised end effector with vacuum pickup • Modular system with docking capability, made possible with vision calibration • High-performance flexible component feeder system with an overhead camera to singulate bulk parts • Force torque sensor equipped for z-height measurement and force sensitive applications <p data-bbox="852 689 1002 719">Specification</p> <ul data-bbox="852 719 1401 882" style="list-style-type: none"> • Up to 10 kg payload • Repeatability up to 30 µm • Product loading format tray, cassette, magazine, etc. • Throughput up to 200 uph • Vision accuracy of 0.6 mm

6.9.2 Other related products and services

We also provide other related products and services to complement our machine vision equipment manufacturing business. The provision of other related products and services accounted for RM2.87 million (13.91%), RM2.59 million (10.38%), RM3.79 million (8.01%) and RM3.14 million (11.49%) of our total revenue for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively. Our other related products and services include the following:-

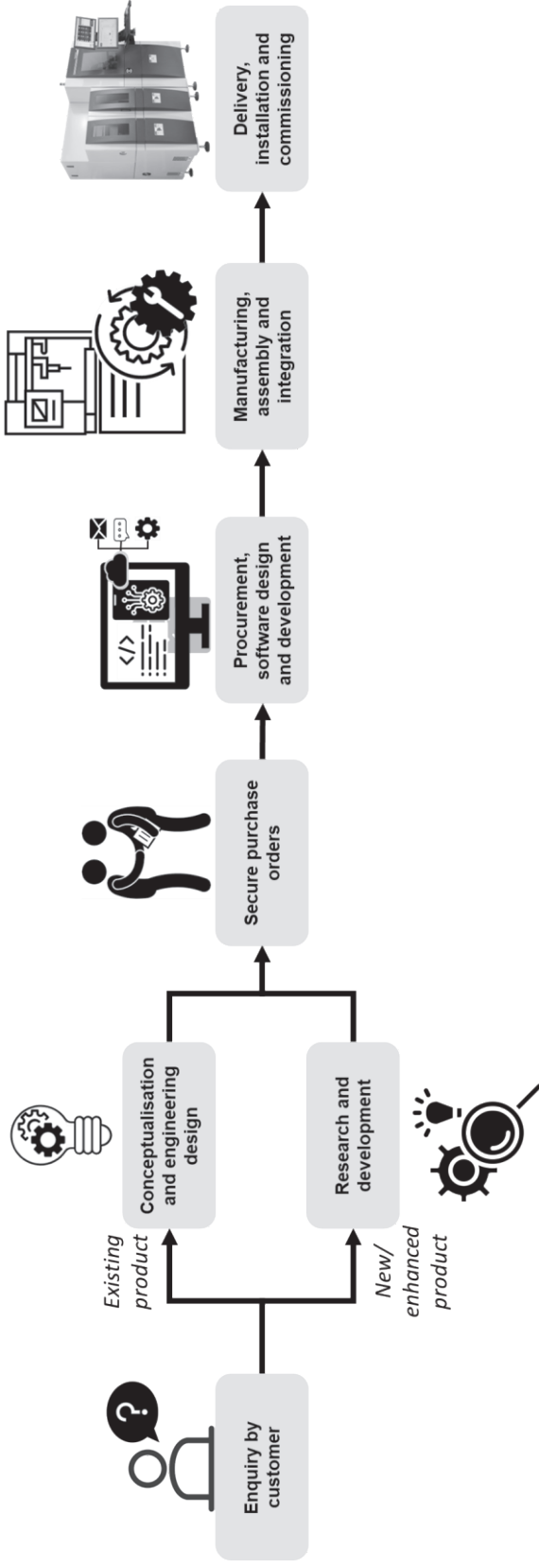
- Upgrading works on existing equipment such as upgrade of software, optics and automation module;
- Supply of spare parts for our manufactured equipment such as motors, sensors, cameras, lighting, and electrical, mechanical and pneumatic parts;
- Maintenance and repair work on our manufactured equipment which includes troubleshooting of software programmes and hardware, replacement and calibration of mechanical and electrical parts;
- Sales of proprietary software products such as 3D vision software, defect analysis software for display and data pattern recognition software; and
- Training is provided as part of the sales of equipment.

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6. INFORMATION ON THE GROUP

6.10 BUSINESS AND OPERATION PROCESS

The following diagram illustrates the general manufacturing process flow of our machine vision equipment:-



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6. INFORMATION ON THE GROUP

(a) Enquiry and request from customer

Our business and operational process begins with our business development department receiving an enquiry or request from potential or existing customers. Our team will then carry out preliminary consultation session with the customers to understand their requirements and specifications of the equipment as well as expected delivery time frame.

If the request is for an existing product, we will proceed to the conceptualisation and engineering design stage. If the request is for a new or enhanced product, we will proceed to the R&D stage.

(b) Conceptualisation and engineering design

For existing products, we will prepare conceptual design drawings for our customers upon approval of which, our team will proceed to prepare pricing proposals for their acceptance. Once accepted, the customer will issue a purchase order to secure the order and for us to proceed with the production. In some situations, the customer may issue a letter of intent before a purchase order is secured.

Depending on the type of equipment, the conceptual and engineering design stage may take 1 to 4 weeks' time before confirmation of order from customer.

(c) R&D

Typically, for new or enhanced products, we will conduct a feasibility study and detailed analysis for internal approval prior to conceptualisation and engineering design stage.

Upon approval, we will initiate project planning and detailed engineering design which may include building prototype models by utilising our existing modules and tools to proof a concept and/or accommodate customers' requirements.

Once the final prototypes are completed and pricing proposals accepted by the customers, purchase orders will be issued and we will proceed with the production process. Generally, the R&D stage may take approximately 1 to 6 months' time.

(d) Procurement

Upon receiving the purchase orders, we will then proceed with the procurement of materials and services. Standardised equipment purchase orders from suppliers will commence at this stage. Some of the materials that we procure include the following:-

- vision components such as cameras, lenses, sensors and light sources;
- automation parts such as electrical, mechanical and pneumatic parts;
- computer related devices such as processor, storage, interfaces, monitor, keyboard and mouse; and
- specialised modules such as solar cell test module for our solar cell sorter, and robotic arm for our vision guided robotic equipment.

The procurement process will take approximately a few weeks to a few months, especially for parts and components that are not in our inventory.

6. INFORMATION ON THE GROUP *(cont'd)*

(e) Software design and development

Concurrent with the procurement process, we will commence the software design and development using our vision software as a platform. Generally, the process of software design and development will take approximately 1 month for repeat orders or existing products and up to 6 months for new or enhanced products.

For our vision inspection equipment, we undertake the programming of the vision software to run the equipment in accordance with the specified sequence, conditions and parameters while programming the camera and lighting control to synchronise with the camera exposure and timing of light strobes to generate good quality images. For our vision guided robotic equipment, we undertake robot motion sequencing and robot vision calibration.

Our machine vision equipment is developed using common industry-standard software tools including operating system, object-oriented programming in C# language, and dot net framework development tools.

Our in-house development team (software engineers and developers) is focused on vision software development involving vision inspection algorithm programming, motion control programming as well as camera and lighting control software programming. In some cases, we subcontract the software design and programming services relating to certain motion control programming, dashboard management and reporting to external parties.

(f) Manufacturing, assembly and integration

The assembly and integration of mechanical and electrical parts, and components (using the metal casing, chassis, precision parts, jigs and fixtures) as well as systems integration are undertaken at our manufacturing facility. The process of manufacturing, assembly and integration will take approximately 3 to 12 weeks' time.

Under the supervision of our engineers, we engage external technicians and electricians to carry out the metal fabrication and assembly of mechanical parts and electrical wiring works at our or customers' premises. During the integration process, our software developer or applications engineer integrates the vision software into the machine vision equipment. We will then test and fine-tune the equipment to ensure it runs smoothly and in accordance with the customer's specifications.

(g) Delivery, installation and commissioning

The equipment are delivered to the customers' premises for onsite installation and commissioning works. We will work together with our customers' technical team to carry out the integration of our equipment with the customers' equipment or manufacturing line. We will then carry out acceptance testing at the customers' premises.

For equipment that are delivered to overseas locations, we engage subcontractors to carry out the installation and commissioning of equipment. We will also send our team to the customers' premises to supervise this process. The process of installation and commissioning will take approximately 1 week up to 2 months depending on the type and complexity of the equipment as well as the requirement to adhere to customers' production schedules.

6. INFORMATION ON THE GROUP (cont'd)

We provide on-site support service and training including basic troubleshooting and proper operation and maintenance of our equipment. We also provide operation and maintenance manuals and technical documentation of our equipment. For equipment that are delivered to overseas locations, we engage subcontractors to carry out after sales repair and maintenance services.

6.11 COMPETITIVE STRENGTHS**6.11.1 We have a track record of 20 years as a manufacturer of machine vision equipment**

Since the commencement of our business operations in 2002, we have accumulated a track record of approximately 20 years where we started with the manufacture of vision inspection modules and expanded to the manufacture of machine vision equipment incorporating multiple vision inspection modules with processing and multi-functional features to serve the optoelectronics, solar, discrete components and ICs sectors within the semiconductor industry.

Our proven track record years in the industry have provided us with the reference site and platform to secure potential customers while serving our existing customer base. This is supported by the growth in our total revenue from RM20.66 million in FYE 2019 to RM47.26 million in FYE 2021, representing a CAGR of 51.25%, as well as an increase in our total revenue from RM23.61 million in FPE 2021 to RM27.36 million in FPE 2022, representing a growth of 15.86%. As at the LPD, we have outstanding secured purchase orders amounting to RM20.81 million which demonstrate our ability to continue to address opportunities in industrial automation.

6.11.2 Established business relationships with our major customers who are market leaders in their respective fields which will provide us with a platform to grow our business

We have developed a customer base that includes market leaders in their respective industries which we believe will provide us with the platform to grow our business. This includes multinational manufacturers of optoelectronics, solar cells, discrete components and ICs.

Throughout our 20 years of operations, we have developed and established long-term relationships with some of our major customers namely Customer group A, Maxeon group, Hanwha Malaysia and Inari Technology Sdn Bhd who have been dealing with us for approximately 18 years, 9 years, 5 years and 11 years respectively, as at the LPD. Furthermore, in recent years, we have acquired new major customers to broaden our customer base such as Dominant Opto and Customer B. Please refer to Section 6.25 of this Prospectus for further details on our major customers.

We will continue to leverage our core competency in developing machine vision equipment to serve our existing customers. Our ability to serve these manufacturers will provide us with a platform for future references to secure new orders and prospective customers.

Our track record of successful delivery of equipment/modules is testament to our technical capability while demonstrating our ability to meet the requirements of our customers. This has placed us in good stead for future business opportunities and we will continue to proactively maintain and strengthen our business relationships with our customers.

6. INFORMATION ON THE GROUP *(cont'd)*

6.11.3 We have R&D capabilities to carry out product innovation and development

We leveraged our strengths in carrying out continuous product improvement and development as part of our R&D activities. R&D is important to our business as the semiconductor industry that we serve is subject to rapid changes in technologies including miniaturisation and higher speed of processing, the introduction of new semiconductor parts and products, and changing consumer preferences and behaviour. Our R&D capabilities enable us to meet and overcome various technological challenges to ensure continuing business sustainability and growth.

Our R&D efforts have also resulted in the approval of 2 utility innovation patents for “Solar Cell Sorting Conveyor and Methodology Thereof” and “Multiple Scan Single Pass Line Scan Apparatus for Solar Cell Inspection and Methodology Thereof”, which were granted in 2015 and 2016 respectively. The duration for both the utility innovation patents is valid up to 2031.

As highlighted in Section 6.22 of this Prospectus, for the Financial Period Under Review, we have carried out various R&D on new product developments and product enhancements. Our R&D expenditure as a percentage of revenue was 10.15% (RM2.10 million), 8.94% (RM2.23 million), 3.77% (RM1.78 million) and 2.17% (RM0.60 million) for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively. This has enabled us to further develop and enhance the features of our machine vision equipment to fulfil the needs of our customers as well as to keep abreast of the latest developments in technology.

Moving forward, we also aim to strengthen our R&D capabilities and focus on product development to strengthen our position in the industry. Please refer to Section 6.27 of this Prospectus for further details on our future plans and strategies.

6.11.4 We have experienced management, engineering, production and R&D team to grow our business

We have an experienced management team and technical personnel with knowledge and experience in their respective fields. Both our Executive Directors, Goon Koon Yin and Wong Yih Hsow have accumulated approximately 28 years of technical and operational experience in machine vision equipment business. They are supported by our Executive Director, Jennie Tan Yen-Li, who has about 26 years of experience in human resources and administration.

Our Group is also supported by a team of technical senior management including Loo Soon Kau, our Senior Engineering Manager with 22 years of engineering experience, Ooi Cowei, our R&D Manager with approximately 20 years of technical sales experience with an engineering background and Yii Veng Cheong, and our Business Development Manager with approximately 15 years of technical sales experience with an engineering background. In addition, our CFO, Deidre Yong Yee Mei brings with her approximately 28 years of experience mainly in accounting and finance related matters.

We believe our experienced management and technical team will help drive our business and provide a solid foundation for our future growth.

6.12 SEASONALITY

We do not experience any material seasonality in our business as the demand for our products and services are not subject to seasonal fluctuations.

6. INFORMATION ON THE GROUP (cont'd)**6.13 TYPES, SOURCES AND AVAILABILITY OF MAJOR MATERIALS AND SERVICES**

The major materials and services that we purchased/sourced for our operations for the Financial Period Under Review are as follows:-

	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Parts and materials	13,228	85.35	7,927	86.24	22,090	89.38	11,779	87.50
Vision components	2,714	17.51	2,203	23.97	10,110	40.91	4,137	30.73
Mechanical, electrical and pneumatic parts	5,796	37.40	3,956	43.04	9,349	37.83	6,522	48.45
Computer related devices	430	2.77	385	4.19	2,057	8.32	817	6.07
Solar cell test module	4,209	27.16	1,330	14.47	229	0.93	65	0.48
Others ⁽¹⁾	79	0.51	53	0.58	345	1.40	238	1.77
Services	2,271	14.65	1,265	13.76	2,624	10.62	1,682	12.50
Fabrication and mechanical assembly	933	6.02	253	2.75	1,503	6.08	396	2.94
Installation works and after sales repair and maintenance services	846	5.46	458	4.98	459	1.86	443	3.29
Electrical wiring works	170	1.10	229	2.49	356	1.44	237	1.76
Design services ⁽²⁾	322	2.08	325	3.54	306	1.24	606	4.50
Total purchases	15,499	100.00	9,192	100.00	24,714	100.00	13,461	100.00

Notes:-

- (1) Other parts and materials include cylinder, sensor, valve, controller, optics refuser, vacuum ejector, keyboard, sensor, antivibration pad, chassis, connector housing, scanner, laser, flat belt, stickers and metal box.
- (2) Design services include mainly software design services.

Our key materials and services for our business operations are as follows:-

- **Parts and materials:** Some of the main parts and materials that we purchased are as follows:-
 - vision components include cameras, optics, lenses, lighting and sensors which are off-the-shelf items that were mainly sourced from foreign suppliers and through local trading companies.
 - mechanical, electrical and pneumatic parts such as fabricated metal parts, motion guides, ball screws, machine covers, bolts and nuts, screws, robots and end-effectors. These parts are mainly sourced from local suppliers.
 - solar cell test module includes the I-V tester which is an electrical measurement instrument also known as a solar simulator used to measure the current and voltage parameters of a solar cell after it is illuminated with high power white lights. We purchased all our solar cell test module from foreign suppliers and integrate them into our solar cell sorter.
 - computer related devices such as processor, storage, interfaces, monitor, keyboard and mouse, which were mainly sourced from local suppliers.

6. INFORMATION ON THE GROUP *(cont'd)*

For the Financial Period Under Review, our purchases of parts and materials were sourced from both local and foreign suppliers. Parts and materials that were sourced locally represented 55.83% (RM7.38 million), 60.86% (RM4.82 million), 57.34% (RM12.67 million) and 58.52% (RM6.89 million) of our total purchases of parts and materials for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively. Meanwhile, imported parts and materials represented 44.17% (RM5.84 million), 39.14% (RM3.10 million), 42.66% (RM9.42 million) and 41.48% (RM4.89 million) of our total purchases of parts and materials for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively. Imported parts and materials were mainly sourced from Singapore, USA and Hong Kong.

- **Services:** As for services, we mainly engage external suppliers and/or subcontractors for fabrication, mechanical and installation services including metal fabrication works and parts modifications, as well as electrical works as it is not within our core business operations. In addition, we engage subcontractors to carry out installation works and after sales repair and maintenance services for our foreign customers. We also engage external parties to carry out software and mechanical design services.

For the Financial Period Under Review, our services were sourced from both local and foreign suppliers. Locally sourced services represented 24.00% (RM0.54 million), 41.66% (RM0.53 million), 30.98% (RM0.81 million) and 70.81% (RM1.19 million) of our total services for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively. Meanwhile, overseas sourced services represented 76.00% (RM1.73 million), 58.34% (RM0.74 million), 69.02% (RM1.81 million) and 29.19% (RM0.49 million) of our total services for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively. The purchases from foreign suppliers were mainly sourced from China and Hong Kong.

6.14 SALES AND MARKETING

As at the LPD, some of the sales and marketing activities that we have undertaken include:-

- A combination of proactive sales visits (local and foreign customers) as well as virtual sales meetings with existing and potential customers;
- Organising site visits (local and foreign customers) to showcase our manufacturing facilities and conduct both physical and virtual demonstrations at our R&D centre; and
- Participate as well as attend industry exhibitions and conventions either physically or virtually to cultivate new customers and foster relationships with existing customers.

With Malaysia transitioning to the endemic phase of COVID-19 and opening up of its borders effective from 1 April 2022, we expect to carry out more sales and marketing activities especially in foreign countries to raise our profile and further expand our coverage to other markets with the aim of creating more opportunities and securing orders from prospective customers.

As at the LPD, the sales and marketing is jointly headed by our CEO, Goon Koon Yin and our COO, Wong Yih Hsow, with 2 personnel assisting them.

6. INFORMATION ON THE GROUP (cont'd)

In addition, we also engage third-parties as agent to assist in sales and marketing in foreign markets including China and Thailand. As at the LPD, we have engaged the following companies to be our agent:-

Markets Covered	Agent	Date of Commencement
Thailand	A.E.I. Technologies Co. Ltd	January 2009
China	Visionary Electronics Products Co. Ltd	January 2019

Our agents can sell any of our products and are assigned to cover their respective market on a non-exclusive basis. Our agents are compensated based on a commission upon delivery of products and/or based on agreed sales contract.

Together with our agents, we will have discussion with the customers to understand the technical and specification requirement of the equipment prior to securing the purchase orders. Our agents are not involved in the invoicing and collection matters as we will deal with the customers directly.

For the Financial Period Under Review and up to the LPD, there were no sales generated by the appointed agents.

As part of our strategy to promote our products and services to potential customers in domestic and foreign markets, we actively participate in exhibitions, conventions and conferences where they have provided us with the platform to showcase our equipment and increase our visibility and presence especially to the overseas customers. In particular, our participation in international exhibitions in China has helped in improving revenue growth from China in recent years.

Some of the events that we have participated in since 2019 and up to the LPD include the following:-

Year	Event	Industry	Location	Nature of Participation
2019	Semicon China 2019	Semiconductor	Shanghai, China	Exhibitor
2019	Semicon SEA Malaysia 2019	Semiconductor	Kuala Lumpur, Malaysia	Exhibitor
2019	SNEC China 2019	Solar	Shanghai, China	Exhibitor and Presenter
2019	Semicon Taiwan 2019	Semiconductor	Taipei, Taiwan	Exhibitor
2019	Industry4wrld Summit Malaysia 2019	Industry 4.0	Kuala Lumpur, Malaysia	Exhibitor
2019	World Solar Congress 2019	Solar	Shanghai, China	Exhibitor
2020	Semicon China 2020 *	Semiconductor	Shanghai, China	Exhibitor
2020	SNEC China 2020 *	Solar	Shanghai, China	Exhibitor
2021	Semicon China 2021 *	Semiconductor	Shanghai, China	Exhibitor
2022	Intersolar Europe 2022	Solar	Munich, Germany	Exhibitor
2022	Semicon SEA Malaysia 2022	Semiconductor	Penang, Malaysia	Exhibitor

6. INFORMATION ON THE GROUP (cont'd)

Year	Event	Industry	Location	Nature of Participation
2022	Solar Power International 2022	Solar	California, USA	Exhibitor
2022	International Greentech & Eco Products Exhibition & Conference Malaysia	Solar	Kuala Lumpur, Malaysia	Exhibitor

Note:-

* We engaged our agent in China to participate on our behalf.

The events that we will be participating in 2023 include the following:-

Year	Event	Industry	Location	Nature of Participation
2023	Semicon SEA Malaysia 2023	Semiconductor	Penang, Malaysia	Exhibitor
2023	Solar Power International 2023	Solar	Las Vegas, Nevada, USA	Exhibitor
2023	Semicon China 2023	Semiconductor	Shanghai, China	Exhibitor

In addition, we also plan to participate in exhibitions and conferences in several other countries including Taiwan and Germany between 2023 and 2024. Please refer to Section 6.27.2 of this Prospectus for details on our future plans on our marketing activities.

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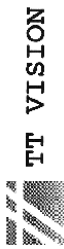
6. INFORMATION ON THE GROUP (cont'd)

6.15 INTELLECTUAL PROPERTIES

As at the LPD, save for the following, we do not have any other major intellectual property rights registration or application:-

6.15.1 Trade mark

As at the LPD, our Group has filed the following trade mark applications with the Registrar of Trade Marks, MyIPO:-

Registered Owner	Representation of Trade Mark	Issuing Authority/ Registration No.	Effective Date/ Expiry Date	Classification
TT Vision		MyIPO/ 08011249	10.06.2008/ 10.06.2028 *	Automatic inspection apparatus and instruments for industrial use; visual inspection apparatus and instruments; biller inspection systems for automatic defect inspection in biller surface; semiconductor wafers; glass wafers for integrated circuits; application software; computer software for business circuits; application software; computer software for business purposes; computer software programs for use in controlling machines; computer software for database management; integrated software packages for use in the automation of laboratories; mechanisms for use in positioning system (electric); computer operating systems programs; operating system programs; electric system control apparatus; all included in class 09
TT Vision		MyIPO/ 04002156	27.02.2004/ 27.02.2024 *	Application software; computer software for business purposes; computer software for use in controlling machines; computer software programs for database management; integrated software packages for use in automation of laboratories; mechanisms for use in positioning systems (electric); computer operating systems programs; operating system programs; electric system control apparatus; all included in class 09.

Note:-

* The trade mark has been registered and it is valid for 10 years from the date of effective and may be renewed every 10 years and subject to renewal fee paid to MyIPO.

Our Directors are of the view that the Group's business and profitability are not materially dependent on the above registered trade marks.

6. INFORMATION ON THE GROUP (cont'd)**6.15.2 Patents**

Registered Owner	Title of Invention	Issuing Authority	Filing No./ Grant No.	Filing Date/ Grant Date/ Expiry Date
TT Vision	Multiple scan single pass line scan apparatus for solar cell inspection and methodology thereof	MyIPO	PI 2011000436/ MY-159053-A	28.01.2011/ 15.12.2016/ 28.01.2031 ^(a)
TT Innovation	Solar cell sorting conveyor and methodology thereof	MyIPO	PI 2011000764/ MY-154354-A	21.02.2011/ 29.05.2015/ 21.02.2031 ^(a)
TT Vision	An apparatus for detecting defects in an object and method thereof	MyIPO	PI 2019002441/ Not available ^(b)	30.04.2019/ Not available/ Not available ^(b)
TT Vision	An apparatus for detecting defects in an object and method thereof	China National Intellectual Property Administration	201910829297.5/ Not available ^(b)	03.09.2019/ Not available/ Not available ^(b)
TT Vision	System and method of inspecting translucent object	MyIPO	PI 2021003515/ Not available ^(b)	22.06.2021/ Not available/ Not available ^(b)
TT Vision	A system for performing vision inspection on preinstalled photovoltaic modules	MyIPO	PI 2022002398/ Not available ^(b)	10.05.2022/ Not available/ Not available ^(b)
TT Vision	System and method for performing vision inspection and cleaning on preinstalled photovoltaic modules	MyIPO	PI 2022002399/ Not available ^(b)	10.05.2022/ Not available/ Not available ^(b)

Notes:-

- (a) The patent has been granted and is subject to payment of yearly renewal fee to MyIPO.
- (b) The patents have yet to be granted as at the LPD. Notwithstanding that, our Directors are of the opinion that these patents are not expected to have any material impact on the Group's business or operations.

Our Directors are also of the view that the Group's business and profitability are not materially dependent on the above patents.

6. INFORMATION ON THE GROUP (cont'd)

6.16 MAJOR LICENCES AND PERMITS

As at the LPD, save as disclosed below, there are no other major approvals, licenses and permits held by or issued to our Group to carry out our business operations:-

No.	Licence Holder	Issuing Authority	Effective/ Expiry Date	Nature of Approval	Major Conditions Imposed	Status of Compliance
1.	TTVHB	Majlis Bandaraya Pulau Pinang	02.12.2022/ 31.12.2023	General business licence for the Group's advertising signboard	Not applicable	Not applicable
2.	TT Vision	Majlis Bandaraya Pulau Pinang	02.12.2022/ 31.12.2023	General business licence for the manufacturing of electronic and electric tools	Not applicable	Not applicable
3.	TT Innovation	Majlis Bandaraya Pulau Pinang	02.12.2022/ 31.12.2023	General business licence for any manufacturing or other trades	Not applicable	Not applicable
4.	TT Vision	MIDA / MITI	29.11.2017/ Valid until it is revoked or surrendered	Manufacturing licence for the manufacturing of automated inspection equipment for semiconductor, optoelectronics and photovoltaic and advance robotic collaboration for manufacturing and commercial application	(a) Site: Plot 106, Hilir Sungai Keluang 5, Bayan Lepas Industrial Zone, Phase 4, 11900 Pulau Pinang (subject to the approval from the relevant state government and Environmental Department). (b) MITI and MIDA must be notified on any disposal of shares in TT Vision. (c) TT Vision shall train Malaysian citizens to ensure that the transfer of technology and expertise can be channelled to all levels of employment.	Complied. Complied. Complied.

6. INFORMATION ON THE GROUP (cont'd)

No.	Licence Holder	Issuing Authority	Effective/ Expiry Date	Nature of Approval	Major Conditions Imposed	Status of Compliance
					(d) TT Vision shall comply with the condition of the capital investment per employee (CIPE) ratio of at least RM140,000.00.	Complied.
					(e) Total full time employment of TT Vision shall consist of at least 80% Malaysians by 2020. Employment of foreign citizens including workers employed through outsourcing is subject to the current policy.	Complied.
					(f) TT Vision shall submit information on investment performance and project executed pursuant to the Industrial Coordination Act, 1975 and the MIDA Act, 1965 when requested by MIDA.	Noted.
					(g) TT Vision shall implement its projects as approved and in accordance with the laws and other regulations of Malaysia.	Complied.

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6. INFORMATION ON THE GROUP (cont'd)

6.17 MSC MALAYSIA STATUS

Our Group, via our subsidiary namely TT Vision ("**MSC status company**"), was granted the MSC Malaysia status by the MDeC via its letter dated 17 August 2004. To maintain its preferential status, TT Vision is expected to operate according to certain conditions imposed by MDeC as set out below:-

Conditions Imposed by MDeC	Status of Compliance
<p>The MSC status company hereby agrees to:-</p>	
<p>(a) complete business registration of the proposed entity as a locally incorporated company under the Companies Act, 1965 within 1 month from the date of the MDEC's letter, commence operations of the proposed entity within 6 months from the date of the MDEC's letter, and undertake such activities specified in the Company's business plan ("Business Plan") as approved by MDEC below ("MSC Qualifying Activities") within 6 months from the date of the MDEC's letter or by such date(s) as may be specified in the Business Plan, which date(s) may be extended or modified with the written consent of MDEC, and thereafter continue with such business and activities unless otherwise approved by MDEC. The MSC Qualifying Activities are as follows:-</p> <p>The development of the following TT Vision software system:-</p> <ul style="list-style-type: none"> - General purpose machine vision inspection software. - V1000 Series IC Vision inspection software. - V2000 Series Advanced Machine Vision inspection software. 	<p>Complied.</p>
<p>Any changes proposed to the above MSC Malaysia Qualifying Activities as detailed in the Business Plan must receive the prior written consent of MDEC;</p>	<p>Noted.</p>
<p>(b) locate the implementation and operation of the MSC Qualifying Activities in a Designated Cybercity within 6 months from the date of the MDEC's letter, and will MDEC's prior written approval in the event of any changes in the location or address of the Company;</p>	<p>Complied.</p>
<p>(c) ensure that at all times at least 15% of the total number of employees (excluding support staff) of the MSC Status Company shall be "knowledge workers" (as defined by MDEC).</p>	<p>Complied *.</p>
<p>Knowledge workers shall be recruited, employed and/or appointed solely for the purpose of undertaking the MSC Qualifying Activities.</p>	<p>Noted.</p>
<p>The recruitment, employment and/or appointment of foreign knowledge workers (if any) shall be the sole responsibility of the MSC Status Company and MDEC shall not be held responsible for any liability arising from such recruitment, employment and/or appointment;</p>	<p>Noted.</p>
<p>(d) continuously comply with the MSC's environmental guidelines as determined by MDEC from time to time;</p>	<p>Complied.</p>

6. INFORMATION ON THE GROUP (cont'd)

Conditions Imposed by MDeC		Status of Compliance
(e)	submit to MDEC a copy of the Company's Annual Report and audited statements in parallel with submission to the CCM;	Complied.
(f)	ensure that all information and/or documents furnished by the MSC Status Company to MDEC or any other authority or agency do not contain any false, untrue or inaccurate statements or omit to state any facts, the omission of which would make any statements made therein in the light of the circumstances under which they are made, misleading;	Complied.
(g)	inform and obtain the prior approval of MDEC for any proposed change in the name of the MSC Status Company;	Noted.
(h)	inform MDEC of any change in the equity structure or shareholding structure of the MSC Status Company, or such other changes that may affect the direction or operation of the MSC Status Company. MDEC must be informed of any change before steps are taken to effect such change; and	Complied.
(i)	comply with all such statutory regulatory and/or licensing requirements as may be applicable.	Noted.
(j)	The MSC Malaysia Status granted to the MSC Status Company shall not be transferable or assignable in any way whatsoever without the prior written consent of MDEC.	Noted.

Note:-

- * Our Group's knowledge workers are classified under all categories of employees as set out in Section 6.21 of this Prospectus. As at the LPD, more than 90% of our employees are regarded as knowledge workers.

With effect from 4 July 2022, the MSC Malaysia Status will be known as Malaysia Digital Status or MD Status and MSC Malaysia Status company will be known as MD Status Company. As one of the MD Status companies, TT Vision will continue to enjoy the various incentives or benefits under the MD Status as well as be required to comply with the existing conditions imposed including any approved variation of conditions.

6.18 DEPENDENCY ON CONTRACTS, INTELLECTUAL PROPERTY RIGHTS, LICENCES, PERMITS AND/OR PRODUCTION OR BUSINESS PROCESSES

As at the LPD, save as disclosed in Section 6.16 and Section 6.17 of this Prospectus, there are no other commercial or financial contracts, intellectual property rights, licences and permits and/or production or business processes, which we are highly dependent on or that are material to our business and/or profitability.

6. INFORMATION ON THE GROUP *(cont'd)*

6.19 MATERIAL CONTRACTS

Save as disclosed below, there are no contracts which are or may be material (not being contracts entered into in the ordinary course of business) which have been entered into by our Group within the Financial Period Under Review up to the date of this Prospectus:-

- (a) Underwriting Agreement dated 29 November 2022 between us and the Sole Underwriter for the underwriting of 41,500,000 Public Issue Shares for an underwriting commission of 2.5% of the total value of the Public Issue Shares underwritten at the IPO Price. Further details of the Underwriting Agreement are set out in Section 4.9 of this Prospectus.

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6. INFORMATION ON THE GROUP (cont'd)

6.20 PROPERTY, PLANT AND EQUIPMENT

6.20.1 Property Owned

Details of the property owned by our Group as at the LPD are as follows:-

Registered Owner	Location	Description/ Existing Use	Land/ Built-up Area (sq ft)	Date of CF/ CCC Issuance	Land Status/ Category of Land Used	Encumbrances	Audited NBV as at 30.6.2022 (RM'000)
TT Vision	Address Plot 106, Hilir Sungai Keluang 5, Bayan Lepas Free Industrial Zone, Phase IV, 11900 Bayan Lepas, Pulau Pinang Title Lot 17323, Mukim 12, Daerah Barat Daya, Negeri Pulau Pinang held under Pajakan Negeri 7900	Double storey detached factory used as the Group's main office building and principal manufacturing facility	89,394/ 53,000	28.04.2009 and 31.12.2019	60-years lease expiring on 30.06.2069/ Industrial	A private caveat lodged by CIMB Islamic Bank on 18.01.2019. A charge in favour of CIMB Islamic Bank Berhad created on 29.04.2019	30,077

Our property is not in breach of any land use conditions and/or is not in non-compliance with current statutory requirements, land rules or building by-laws and regulations, and environmental rules and regulations, which will have material adverse impact on our business operations and financial conditions as at the LPD.

As at the LPD, the Group does not have any rented property.

6. INFORMATION ON THE GROUP (cont'd)**6.20.2 Material Machinery and Equipment**

As at 30 June 2022, some of the key machinery and equipment for our business operations are as follows:-

Key Machinery and Equipment	No. of Units	NBV as at 30.6.2022 (RM'000)
Final operational product demo (prototype)	9	262
Testing and measurement instrument	13	137
Module for prototyping	6	11
Vision component	1	3
Total		413

6.20.3 Production Capacities and Output

Our production capacity and output for the manufacturing of our machine vision equipment and modules are based mainly on the production floor space to accommodate the type and size of equipment as well as the duration to manufacture and test them.

For the FYE 2021, based on our 3 separate production areas, namely P1, P2 and P3, our production capacity, output and utilisation rates are estimated as follows:-

	Annual Capacity ⁽¹⁾	Output ⁽²⁾	Utilisation rates ⁽³⁾ (%)
P1	213	163	77
P2	163	68	42
P3*	52	0	0
Total	428	231	54

* P3 is an extension to our production areas that was completed in 2019 and as at the LPD, the space was not utilised during FYE 2021.

Notes:-

- (1) Annual capacity is the estimated maximum number of units of equipment/module that can be manufactured in the year.
- (2) Output is the actual number of equipment/module manufactured in the year.
- (3) Utilisation rate = (output/annual capacity) x 100%.

6.20.4 Material Plans to Construct, Expand or Improve Facilities

As at the LPD, we have no immediate plans to construct, expand and improve our existing facilities.

6. INFORMATION ON THE GROUP (cont'd)**6.21 EMPLOYEES**

As at the LPD, our Group has a total of 113 employees (including our 3 Executive Directors), all of which are permanent employees and are based in Malaysia. We also have 3 foreign employees from Iran, India and Philippines, who are employed on contractual basis with valid working permits, and they are classified under the technical category.

As at 30 June 2022 and the LPD, the number of employees in our Group (including our Executive Directors) are as follows:-

Category	Number of Employees	
	As at 30.6.2022	As at LPD
Management	7	7
Technical:-		
- Engineering and Production	70	82
- R&D	8	7
Finance and administrative	15	16
Sales and marketing	1	1
Total	101	113

None of our employees belong to any labour union and as at the LPD, there has not been any past material industrial dispute between our management and our employees.

6.22 R&D**6.22.1 R&D Policies**

Our R&D policies are as follows:-

Our R&D activities are focused on the following areas:-

- development of new products;
- enhancement of features and functions on existing products; and
- development of software including vision software and motion control.

Our R&D processes are primarily focused on the following areas:-

- machine vision technology;
- control system engineering;
- artificial intelligence;
- mechanical engineering;
- computing and programming; and
- design of the equipment.

Our R&D policies are practical in approach and incorporate the following:-

- Continuing involvement in the design and manufacture of machine vision equipment to create marketable products;
- Focus on strategic products that complement and add value to our current portfolio of products and services;

6. INFORMATION ON THE GROUP (cont'd)

- Focus on providing competitive advantages that consider emerging technologies, customers' changing needs and preferences, changes in economic conditions affecting demand and preferences, industry trends and best practices; and
- Customer-focused and market-driven for ease of commercialisation and take-up of our products and services.

6.22.2 Achievements of R&D

Our achievements in R&D are supported by the commercialisation of our product development milestones including some of our submissions for patent/utility innovation applications as highlighted below:-

Year	Key Milestones of Products	Target Sector
2007	<ul style="list-style-type: none"> • Commercialised our first post-taping vision inspection equipment. 	Optoelectronics, discrete components and ICs
2009	<ul style="list-style-type: none"> • Commercialised an enhanced post-taping vision inspection equipment with automated tape and re-tape features. 	Discrete components and ICs.
2010	<ul style="list-style-type: none"> • Commercialised our first vision inspection module for solar cell manufacturing incorporating front and rear side inspection, which was incorporated into our solar cell sorter. 	Solar
2011	<ul style="list-style-type: none"> • Developed a conveyor system that can transport solar cells downstream and unload solar cells into a receiving bin vertically. • Developed an optical camera system that can capture multiple undistorted images of solar cells in a single pass. • Submitted 2 utility innovation patent applications, namely, "Solar Cell Sorting Conveyor and Methodology Thereof" and "Multiple Scan Single Pass Line Scan Apparatus for Solar Cell Inspection and Methodology Thereof". These patents were granted in 2015 and 2016 respectively. 	Solar
2011	<ul style="list-style-type: none"> • Commercialised our first wire bond AOI equipment. 	Optoelectronics, discrete components and ICs
2012	<ul style="list-style-type: none"> • Commercialised our first solar cell sorter for conventional solar cells with vision inspection and testing capabilities. 	Solar
2015	<ul style="list-style-type: none"> • Commercialised our first solar cell sorter for IBC solar cells.* • Commercialised our first solar wafer sorter. • Commercialised our first microcrack vision inspection module using EL or PL technology. 	Solar

6. INFORMATION ON THE GROUP (cont'd)

Year	Key Milestones of Products	Target Sector
2016	<ul style="list-style-type: none"> Commercialised an upgraded microcrack vision inspection module by incorporating both EL and PL technology into one system. 	Solar
2016	<ul style="list-style-type: none"> Commercialised an upgraded wire bond AOI equipment with 2.5-D technology and higher camera resolution. 	Optoelectronics, discrete components and ICs
2017	<ul style="list-style-type: none"> Commercialised an upgraded wire bond AOI equipment with 3D technology and higher camera resolution. Commercialised an enhanced wafer and package AOI equipment with a six-sided surface inspection. Commercialised our first wafer and package AOI equipment. 	Optoelectronics, discrete components and ICs
2017	<ul style="list-style-type: none"> Commercialised our first solar cell sorter for the manufacture of silicon heterojunction solar cells. 	Solar
2018	<ul style="list-style-type: none"> Commercialised our first substrate AOI equipment. 	Optoelectronics, discrete components and ICs
2019	<ul style="list-style-type: none"> Submitted a patent/utility innovation, namely "Apparatus for Detecting Defects in an Object and Method Thereof" to MyIPO for Malaysia and China. This patent is currently pending approval. The patent involves detecting defects using transflection imaging technology. 	Solar
2020	<ul style="list-style-type: none"> Commercialised our first IBC solar cell sorter with inspection handler that enable handling 4 cells in each inspection process.* 	Solar
2021	<ul style="list-style-type: none"> Commercialised an enhanced FRV-AOI which is able to inspect solar cell of 12 inches in size. Commercialised an enhanced PL-AOI inspection module to inspect solar cell of 12 inches in size. Commercialised our first solar wafer transflection inspection module. Commercialised our first solar cell inspection module with transflection imaging technology for micro-crack vision inspection.* Submitted a patent/utility innovation, namely "System and Method of Inspecting Translucent Object" to MyIPO. This patent is currently pending approval. The patent involves detecting bubbles in LEDs. 	Solar
2022	<ul style="list-style-type: none"> Developed and secured an order for our first AXI equipment. 	Optoelectronics, discrete components and ICs

6. INFORMATION ON THE GROUP (cont'd)

Year	Key Milestones of Products	Target Sector
2022	<ul style="list-style-type: none"> Submitted a patent namely "A system for performing vision inspection on preinstalled photovoltaic modules" to MyIPO. This patent is currently pending approval. The patent involves detecting microcracks in solar PV modules which are already installed on-site. Submitted a patent namely "System and method for performing vision inspection and cleaning on preinstalled photovoltaic modules" to MyIPO. This patent is currently pending approval. The patent involves solar panel inspection with an added cleaning function. 	Solar

Note:-

- * The R&Ds of these products were conducted in collaboration with certain customers of our Group.

In addition to the above, as at the LPD, we are also developing some new and enhanced products that are currently under prototyping stages, as follows:-

Type of equipment	Target Sector
New product development	
Solar wafer sorter with vision inspection and testing capabilities	Solar
PL inspection module for a new type of solar cell	Solar
Equipment with inspection and testing capabilities used in the production of solar panels	Solar
Solar panel TF scanner	Solar
Enhancement of existing products	
Wafer AOI equipment	Optoelectronics, ICs and discrete components
AXI equipment	Optoelectronics, ICs and discrete components
Wire bond AOI equipment with 3D depth-sensing capability	Optoelectronics, ICs and discrete components
FRV-AOI and EL/PL/TF vision module	Solar

Please refer to Section 6.27.1 of this Prospectus for further details on our future R&D activities.

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6. INFORMATION ON THE GROUP (cont'd)**6.22.3 R&D Facilities and Personnel**

Our R&D facility is carried out at our existing manufacturing facility where we conceptualise, design, manufacture prototypes and test our products. We have allocated about 1,200 sq ft of floor space in our manufacturing facility mainly to undertake assembly and testing of our prototypes and demo tools.

As at the LPD, we have 8 employees who are directly involved in R&D activities, including technical engineers and software developers. However, as and when needed, we will also deploy engineers from other departments to engage in R&D activities. Our R&D department is headed by Ooi Cowei, our R&D Manager.

The 8 employees who are engaged in R&D activities as follows:-

	Software Development	Product Development	Vision Development	Others
Staff engaged in R&D activities	1	2	2	3

As most of the R&D activities are focused on designing and engineering of machinery and equipment incorporating vision inspection, the main skills required are primarily in machine vision engineering, optics, mechanical engineering, control system engineering as well as computer software development.

Moving forward, we intend to hire 9 additional R&D personnel comprising software developers and application engineers who will focus on software design and development as well as mechanical designers who will focus on the design and development of the equipment.

6.22.4 R&D Expenditure

Our R&D expenses include salary, wages and training expenses for our R&D personnel as well as purchases of parts and materials for the development of prototypes and product demos. Our R&D expenses incurred during the Financial Period Under Review are set out below:-

	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FPE 2022 (RM'000)
R&D expenses capitalised as intangible assets ⁽¹⁾	2,068	2,142	1,357	472
R&D expenses charged out to profit or loss	28	87	425	123
Total R&D expenses incurred	2,096	2,229	1,782	595
% over total revenue	10.15%	8.94%	3.77%	2.17%

Note:-

(1) R&D expenses capitalised as intangible assets are amortised on a straight-line basis over the estimated useful life of 5 years. Please refer to Note 3.6 of the Accountants' Report in Section 11 of this Prospectus for further details on the amortisation of R&D expenses that were capitalised as intangible assets.

From 1 July 2022 and up to the LPD, our total R&D expenses incurred amounted to RM0.43 million.

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6. INFORMATION ON THE GROUP (cont'd)

6.23 QUALITY CONTROL MANAGEMENT AND CERTIFICATION

Our commitment to product quality is supported by the fact that our subsidiaries, namely TT Vision and TT Innovation, have received quality management system certifications, as detailed below:-

Standard	Certification Body	Scope of Certification	Initial Registration Date	Validity Period
ISO 9001:2015	TÜV Rheinland Cert GmbH	<ul style="list-style-type: none"> • Design, development and assembly of vision inspection equipment • R&D of vision inspection equipment 	22.07.2009	26.04.2022 until 21.07.2024

The first certification received in 2009 was ISO 9001:2008, in which our Group had regularly renewed the certification in accordance to the latest ISO standards. The renewal is subject to fulfilling the standard terms and conditions of the ISO 9001:2015 which include, amongst others, completing the annual certification audit carried out by the said certification body.

6.24 TECHNOLOGY USED

We utilise the following technologies for the development of our machine vision equipment and software:-

- (a) Computer vision;
- (b) Computing technology; and
- (c) Robotics.

(a) Computer vision

Computer vision refers to the scientific discipline of giving computers the ability to see, identify and process images in the same way human vision does, and then provide appropriate output. This process typically involves acquiring, processing, analysing, evaluating and understanding useful information from an image data source. The image data can be sourced from a single image, images from multiple cameras as well as videos. Some of the fundamentals of computer vision include image formation, camera imaging geometry, feature detection and matching, motion estimation and tracking, and classification. We incorporate and apply some of the fundamentals of computer vision into developing our machine vision equipment, modules and software.

(b) Computing technology

Automated equipment used for industrial automation systems today is controlled by software. Computing technology provides the man-machine interface where all the desired action steps, conditions and rules are coded and commonly sit in a server or computer dedicated to the industrial automated system. In addition, the software must run in real-time and be able to multi-task. This is because, in an industrial automation system, multiple tasks are executed at the same time. In addition, there is the need to be able to react to sudden and unscheduled situations that require instantaneous action, particularly in situations that affect operator safety and prevention of accidents. Computing technology also enables performance monitoring, tracking and feedback for further analysis.

6. INFORMATION ON THE GROUP *(cont'd)*

We use various computing technology and software development tools in our vision inspection equipment including:-

- Solidworks 3-D CAD;
- Auto CAD;
- Microsoft Visual Studio.

(c) Robotics

Robotics is a mechanism that can move automatically. Commonly it is a mechanical device for performing a task, which might otherwise be done by a human. Some of the major advantages of robotics include the following:-

- high speed;
- precise actions and highly accurate;
- consistent quality; and
- continuous work with minimal downtime.

Robots, commonly in the form of moving arms, are controlled through software. The software dictates its highly repetitive actions. We use robotics for the pick and place, loading and unloading, and sorting functions in our vision guided robotic equipment.

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6. INFORMATION ON THE GROUP (cont'd)

6.25 MAJOR CUSTOMERS

Our Group's top 5 major customers for each of the Financial Period Under Review are as follows:-

FYE 2019

Major Customers / Country	Main Type of Products/Services	RM'000	% of Total Revenue	⁽¹⁾ Length of Business Relationship (Year)
Maxeon group ⁽²⁾ / Malaysia, Philippines and USA	IBC solar cell sorters	11,896	57.58	6
Customer group A ⁽³⁾ / China and Malaysia	Wire bond AOI equipment	2,652	12.84	15
Inari Technology Sdn Bhd / Malaysia	Wafer and package AOI equipment	2,409	11.66	8
Jinko Solar Technology Haining Co, Ltd / China	Vision inspection module for solar cells	959	4.64	Less than 1 year
Lishun Technology HK Limited / Hong Kong	Wire bond AOI equipment	862	4.17	Less than 1 year
Total top 5 major customers		18,778	90.89	
Total Group revenue		20,660		

FYE 2020

Major Customers / Country	Main Type of Products/Services	RM'000	% of Total Revenue	⁽¹⁾ Length of Business Relationship (Year)
Maxeon group ⁽²⁾ / Malaysia, Philippines and USA	Quad solar cell sorter	14,831	59.50	7
Dominant Opto / Malaysia	Wire bond AOI equipment and vision inspection modules	4,227	16.96	Less than 1 year
Hanwha Malaysia ⁽⁴⁾ / Malaysia	PL-AOI vision modules	1,720	6.90	3
Customer group A ⁽³⁾ / China and Malaysia	Upgrading of machines, and wire bond AOI equipment	1,409	5.65	16
Customer B ⁽⁶⁾ / China	Wire bond AOI equipment	1,292	5.18	Less than 1 year
Total top 5 major customers		23,479	94.19	
Total Group revenue		24,927		

6. INFORMATION ON THE GROUP (cont'd)

FYE 2021

Major Customers / Country	Main Type of Products/Services	RM'000	% of Total Revenue	(1) Length of Business Relationship (Year)
Dominant Opto / Malaysia	Wire bond AOI equipment	17,093	36.17	1
Hanwha Malaysia and its related companies ⁽⁴⁾ / Malaysia, Korea and Germany	FRV-AOI and PL-AOI vision modules	15,668	33.15	4
Customer B ⁽⁶⁾ / China	Wire bond AOI equipment	4,385	9.28	1
Customer group A ⁽³⁾ / China, Malaysia and Germany	Upgrading of machines, sales of spare parts and vision inspection modules	2,262	4.78	17
Maxeon group ⁽²⁾ / Malaysia, Philippines and USA	Solar cell inspection equipment, upgrading of machines and sales of spare parts	1,832	3.88	8
Total top 5 major customers		41,240	87.26	
Total Group revenue		47,264		

FPE 2022

Major Customers / Country	Main Type of Products/Services	RM'000	% of Total Revenue	(1) Length of Business Relationship (Year)
Shenzhen Brightsemi Technology Co., Ltd./ China	Wire bond AOI equipment	11,790	43.10	1
Customer B ⁽⁶⁾ / China	Wire bond AOI equipment	5,614	20.52	2
Dominant Opto / Malaysia	Wire bond AOI equipment	3,765	13.76	2
Shanghai Xingyin Electronic Technology Co. Ltd. / China	Wire bond AOI equipment	1,520	5.56	Less than 1 year
Customer group A ⁽³⁾ / China and Malaysia	Wire bond AOI equipment	1,518	5.55	18
Total top 5 major customers		24,207	88.49	
Total Group revenue		27,358		

6. INFORMATION ON THE GROUP (cont'd)

Notes:-

- (1) Length of business relationship was determined at the end of each of the respective financial years/period.
- (2) Maxeon group consists of SunPower Corporation, SunPower Malaysia Manufacturing Sdn Bhd (“**SunPower Malaysia**”) and SunPower Philippines Manufacturing Ltd (“**SunPower Philippines**”). In 2020, SunPower Corporation went through a restructuring exercise and separated into two independent companies, SunPower Corporation and Maxeon Solar Technologies Ltd (“**Maxeon Solar**”), a newly formed company to focus on the manufacturing and marketing of solar panels. Our master supply agreement with SunPower Corporation has also been assigned to Maxeon Solar. After the restructuring exercise, SunPower Malaysia and SunPower Philippines, both principally involved in the manufacturing of solar cells and panels, becomes the wholly-owned subsidiaries of Maxeon Solar. The orders from Maxeon group were secured individually and separately from each of the companies.

For the Financial Period Under Review, our revenue contributed by Maxeon group, comprised the following:-

	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	RM'000	% of Total Revenue	RM'000	% of Total Revenue	RM'000	% of Total Revenue	RM'000	% of Total Revenue
Maxeon group								
SunPower Malaysia	11,432	55.33	9,655	38.74	1,422	3.01	990	3.62
SunPower Philippines	434	2.10	282	1.13	386	0.82	348	1.27
SunPower Corporation	30	0.15	4,894	19.63	24	0.05	4	0.01
Total	11,896	57.58	14,831	59.50	1,832	3.88	1,342	4.90

- (3) Customer group A consists of 3 wholly-owned subsidiaries of a SIX Swiss Exchange-listed company with headquarters in Premstaetten, Austria and a market capitalisation of about CHF2.11 billion as at the LPD. It is a global leader in optical solutions and is involved in the manufacturing of high-performance LEDs, lasers, optical sensors, traditional lamps and lighting with a group turnover of approximately EUR5.04 billion and over 24,000 employees worldwide according to its Annual Report 2021. All 3 wholly-owned subsidiaries are principally involved in the manufacturing of optoelectronics and LEDs in China, Malaysia and Germany. Customer group A's name has not been disclosed to comply with the non-disclosure agreement entered into with the customer. The orders from Customer group A were secured individually and separately from each of the companies.

6. INFORMATION ON THE GROUP (cont'd)

For the Financial Period Under Review, our revenue contributed by Customer group A, comprised the following:-

Customer group A	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	% of Total Revenue	RM'000	% of Total Revenue	RM'000	% of Total Revenue	RM'000	% of Total Revenue
Customer A1	1,312	6.35	1,342	5.38	1,623	3.43	361	1.32
Customer A2	1,340	6.49	67	0.27	616	1.30	1,157	4.23
Customer A3	-	-	-	-	23	0.05	-	-
Total	2,652	12.84	1,409	5.65	2,262	4.78	1,518	5.55

(4) The penultimate holding company of Hanwha Malaysia is a South Korea Exchange-listed company with headquarters in Seoul and with a market capitalisation of about KRW9.81 trillion as at the LPD. It is mainly engaged in the manufacturing and commercialisation of synthetic resins, other petrochemical products and photovoltaic module, photovoltaic power plant, department store and real estate development with group turnover of approximately KRW10.73 trillion based on its Report of Audit 2021. Hanwha Malaysia is principally involved in the design, development and manufacturing of silicon photovoltaic cells and modules. The related companies' names of Hanwha Malaysia have not been disclosed as consents were not provided by them. The orders from Hanwha Malaysia and its related companies were secured individually and separately from each of the companies.

For the Financial Period Under Review, our revenue contributed by Hanwha Malaysia and its related companies comprised the following:-

Hanwha Malaysia and its related companies	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	RM'000	% of Total Revenue	RM'000	% of Total Revenue	RM'000	% of Total Revenue	RM'000	% of Total Revenue
Hanwha Malaysia	30	0.14	1,720	6.90	14,832	31.38	709	2.59
Penultimate holding company of Hanwha Malaysia based in South Korea	-	-	-	-	564	1.19	-	-
Related company of Hanwha Malaysia based in Germany	-	-	-	-	272	0.58	2	0.01
Total	30	0.14	1,720	6.90	15,668	33.15	711	2.60

6. INFORMATION ON THE GROUP (cont'd)

- (5) Customer B is a company listed on the Shanghai Stock Exchange and Hong Kong Stock Exchange, with a market capitalisation of RMB66.21 billion and HKD72.88 billion respectively, and with headquarters in Zhuzhou City, Hunan Province in China. Customer B and its subsidiaries are principally engaged in R&D, design, manufacturing and sales of rail transit equipment, and related products and devices including, among others, rail transit electrical equipment, power semiconductor devices, industrial converter products, and sensor devices. It has a group turnover of RMB15.12 billion with over 8,000 employees according to its Annual Report 2021. Customer B's name has not been disclosed as consent was not provided. We have tendered for 3 projects with Customer B for the manufacture of machine vision equipment in 2022, 2 of which have been successfully secured as of the LPD.

We are dependent on certain major customers by virtue of their revenue contribution to our total revenue for the Financial Period Under Review.

In FPE 2022, Shenzhen Brightsemi Technology Co., Ltd., Customer B and Dominant Opto contributed 43.10%, 20.52% and 13.76% to our revenue respectively. Meanwhile, in FYE 2021, revenue contributions from Dominant Opto and Hanwha Malaysia and its related companies, grew from 16.96% and 6.90% in FYE 2020 to 36.17% and 33.15% respectively. However, in FPE 2022, the revenue contribution from Dominant Opto decreased to 13.76% as some of the sales orders are only expected to be fully fulfilled in the 2nd half of 2022 whilst the revenue contribution from Hanwha Malaysia and its related companies has reduced to 2.60% as a result of the deferment of its capital expenditure plan. Nonetheless, both Dominant Opto and Hanwha Malaysia and its related companies remain our major customers, presently and moving forward.

Prior to FYE 2021, Maxeon group contributed substantially to our revenue at 57.58% and 59.50% in FYE 2019 and FYE 2020 respectively. However, the revenue contribution reduced to 3.88% in FYE 2021 and 4.90% in FPE 2022. Similarly, Customer group A, which contributed 12.84% to our revenue in FYE 2019, has seen the contribution reduced to 5.65%, 4.78% and 5.55% in FYE 2020, FYE 2021 and FPE 2022 respectively. The decrease in revenue contribution from both Maxeon group and Customer group A was mainly due to the deferment of their internal capital expenditure plans which resulted in lower purchase of certain machine vision equipment from us. Such declining trend in revenue contribution from both Maxeon group and Customer group A indicates our decreasing dependency on this group of customers. Nonetheless, both Maxeon group and Customer group A remain as our major customers, presently and moving forward.

As the demand for our products is, to a certain extent, dependent on customer's capital expenditure plans, which may differ year to year, as such, our major customers and our dependency on them will also differ accordingly every year.

We do not have any long-term contracts with our customers. Instead, our sales are based on purchase orders which are typically issued by our customers with regards to their needs and capital expenditure plans. As such, there can be no assurance that we will be able to secure new purchase orders on a consistent basis or that the revenue contribution from these major customers will be sustained at the same level in the future. Furthermore, any significant reduction and/or cancellation in the purchase orders from these customers or the loss of any of our major customers, if not replaced in a timely manner, would materially and adversely affect our financial performance.

6. INFORMATION ON THE GROUP (cont'd)

Notwithstanding the absence of long-term contractual agreements with our customers and in order to reduce customer dependency, we aim to develop a more diversified portfolio of customers and markets both locally and internationally. We have also managed and will continuously strive to meet our customers' expectations by obtaining customer feedback and working together to meet their requirements. We believe our established track record provides us with the platform to continue to address growth and opportunities. In addition, we believe our capabilities and long-term relationships with some of our major customers over the years including Customer group A, Maxeon group, Hanwha Malaysia and Inari Technology Sdn Bhd who have been dealing with us for approximately 18 years, 9 years, 5 years and 11 years respectively, as at the LPD, will enable us to continue our business relationships in the foreseeable future. Furthermore, we have secured new major customers to broaden our customer base such as Dominant Opto and Customer B. Our Group will continuously and proactively seek to maintain longstanding and good relationships with our customers in order to ensure business continuity and growth. We are also listed in the approved supplier's list of our major customers in FYE 2021.

The main industry segments which our major customers serve include LED mainly for automotive sector, solar cell for solar PV sector and discrete component and ICs mainly for automotive (electric vehicles) and consumer electronic sectors. For the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, we have a total base of 25, 25, 21 and 14 customers respectively. The reduction in our total customers' base in FYE 2021 and FPE 2022 was mainly due to certain customers who did not place any orders during the year/period.

Please refer to Section 8.1.1 of this Prospectus for further details on the risk pertaining to dependency on major customers.

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6. INFORMATION ON THE GROUP (cont'd)

6.26 MAJOR SUPPLIERS

Our Group's top 5 major suppliers for each of the Financial Period Under Review are as follows:-

FYE 2019

Major Suppliers / Country	Main Materials/Services	RM'000	% of Total Purchases	(1) Length of Business Relationship (Year)
Tau Science Corporation / USA	Solar test modules	2,807	18.11	3
Sinton Instruments / USA	Solar test modules	1,463	9.44	4
Glomatic Technology Sdn Bhd / Malaysia	Fabrication, mechanical and installation services and parts and materials	1,036	6.68	15
Elcomp Trading Sdn Bhd / Malaysia	Electrical and electronic parts	559	3.61	15
Misumi Malaysia Sdn Bhd / Malaysia	Electrical, mechanical and pneumatic parts	517	3.34	7
Total top 5 major suppliers		6,382	41.18	
Total Group purchase		15,499		

FYE 2020

Major Suppliers / Country	Main Materials/Services	RM'000	% of Total Purchases	(1) Length of Business Relationship (Year)
Glomatic Technology Sdn Bhd / Malaysia	Fabrication, mechanical and installation services and parts and materials	1,133	12.33	16
Sinton Instruments / USA	Solar test modules	843	9.17	5
Vital Vision Technology Pte Ltd / Singapore	Camera, optics and lenses	709	7.71	12
Tau Science Corporation / USA	Solar test modules	589	6.41	4
Advance Ultravision Sdn Bhd / Malaysia	Camera, lenses and imaging card	326	3.55	17
Total top 5 major suppliers		3,600	39.17	
Total Group purchase		9,191		

6. INFORMATION ON THE GROUP (cont'd)

FYE 2021

Major Suppliers / Country	Main Materials/Services	RM'000	% of Total Purchases	⁽¹⁾ Length of Business Relationship (Year)
Giomatic Technology Sdn Bhd / Malaysia	Fabrication and installation services and parts and materials	4,268	17.27	17
Supplier A / China ⁽²⁾	Camera, optics and lenses	2,112	8.55	1
Linx Singapore Pte. Ltd. / Singapore	Camera, optics and lenses	2,043	8.27	1
Voltrium Systems Pte. Ltd / Singapore	Camera, optics and lenses	1,320	5.34	13
TMS Life Sdn Bhd / Malaysia	Lighting	1,259	5.09	18
Total top 5 major suppliers		11,002	44.52	
Total Group purchase		24,715		

FPE 2022

Major Suppliers / Country	Main Materials/Services	RM'000	% of Total Purchases	⁽¹⁾ Length of Business Relationship (Year)
Giomatic Technology Sdn Bhd / Malaysia	Fabrication and installation services and parts and materials	3,257	24.20	18
Linx Singapore Pte. Ltd. / Singapore	Camera, optics and lenses	996	7.40	2
Vital Vision Technology Pte Ltd / Singapore	Camera, optics and lenses	768	5.71	14
Crystal Equation Sdn Bhd / Malaysia	Software design services	646	4.80	12
OPT Vision Limited / Hong Kong	Lighting	625	4.64	10
Total top 5 major suppliers		6,292	46.74	
Total Group purchase		13,461		

6. INFORMATION ON THE GROUP (cont'd)

Notes:-

- (1) Length of business relationship was determined at the end of each of the respective financial years/period.
- (2) Supplier A is a subsidiary of a Shenzhen Stock Exchange-listed company with headquarters in Hangzhou, China with group turnover of RMB81.4 billion according to its Annual Report 2021 and market capitalisation of RMB297.24 billion as at the LPD. Supplier A and its group of companies is an internet of things solution provider with over 52,000 employees worldwide as of 31 December 2021. Supplier A is a global manufacturer and supplier of mobile robot and machine vision products. Supplier A's name has not been disclosed to comply with the non-disclosure agreement with the supplier.

We are not dependent on any of our top 5 suppliers for the purchases of materials or subcontracted services as they can be sourced from other suppliers.

Although our total purchases from Glomatic Technology Sdn Bhd (“**Glomatic Technology**”) increased from 6.68% in FYE 2019 to 24.20% in FPE 2022, we are not dependent on Glomatic Technology as the fabrication, mechanical assembly and installation services that we sourced from them can be procured from other suppliers. For the Financial Period Under Review, we also engaged other suppliers for similar fabrication and installation services. We prefer to engage Glomatic Technology for the fabrication and installation services due to our long-term business relationship of 18 years as at the LPD as well as the quality and timely delivery of their services.

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6. INFORMATION ON THE GROUP *(cont'd)*

6.27 FUTURE PLANS AND STRATEGIES

Moving forward, we will continue to leverage from our core competencies and strengths in the manufacturing of machine vision equipment by embarking on the following strategies to strengthen our position in the market as well as expand our business operations.

6.27.1 Strengthen the R&D capabilities and focus on product development

Our business strategy is to continue to engage in R&D activities to keep abreast with new developments/evolutions in technology, as well as to develop new products and enhance/upgrade existing equipment with the aim of strengthening our position in the industry.

The new product development and enhancement of existing machine vision equipment through the development of prototypes and product demonstration tools are expected to be carried out between 2023 and 2024 where we intend to develop prototypes which are early samples or model of a product that are built to test a concept or process. Subsequently, we will develop operational product demo for the purposes of marketing and demonstration to our existing and potential customers in the semiconductor and solar sectors.

We estimated that a sum of RM8.0 million will be required to strengthen our R&D capabilities which is expected to be funded through the gross proceeds from the Public Issue and this include the following:-

- (a) Purchase of materials and components for the development of prototypes and product demo. Some of the key materials and components include vision components (such as cameras, optics, lenses, lighting and sensors), and mechanical, electrical and pneumatic parts (such as fabricated metal parts, motion guides, ball screws, machine covers, bolts and nuts, screws, robots and end-effectors).
- (b) Purchase of R&D supporting tools, equipment and software for our R&D facilities including test and measurement instruments such as electronic test instruments, staff workstations, computer related devices such as laptops and desktops, and software for image processing, and engineering design and simulation.
- (c) Expansion of our R&D department by employing additional 9 R&D personnel comprising software developers and application engineers who will focus on software design and development as well as mechanical designers who will focus on the design and development of the equipment.
- (d) Protection of our intellectual property which includes expenses relating to the filing and registration of some of our future design and development with MyIPO in Malaysia as well as with relevant foreign authorities including China, South Korea and USA, our current key export markets.

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6. INFORMATION ON THE GROUP (cont'd)

Details of the estimated expenditure for the R&D activities are as follows:-

	Total Estimated Cost (RM'000)	Internally Generated Funds (RM'000)	IPO Proceeds (RM'000)
Purchase of materials/parts for the development of prototypes and product demos	3,380	-	3,380
Purchase of R&D supporting tools, equipment and software	2,780	-	2,780
Employing additional R&D personnel	1,040	-	1,040
Filing and registration of intellectual property rights	800	-	800
TOTAL	8,000	-	8,000

For the Financial Period Under Review, our R&D expenditure incurred was RM2.10 million, RM2.23 million, RM1.78 million and RM0.60 million for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively. This includes salary, wages and training expenses for our R&D employees, purchases of parts and materials for the development of prototypes and product demos.

Our R&D activities may be initiated by our customers or by our internal team as part of our efforts to keep abreast with new developments/evolutions in technology, as well as to develop new products and enhanced existing equipment with the aim of strengthening our position in the industry. As part of our future R&D activities, we have undertaken/plan to undertake the following new product developments as well as enhancements of existing products:

	Target Sector	Date of Commencement ⁽³⁾	Target Date for Marketing
<u>New product developments</u>			
- Solar wafer sorter with vision inspection and testing capabilities ⁽¹⁾	Solar	2 nd half of 2021 ⁽²⁾	2 nd half of 2023
- PL inspection module for a new type of solar cell ⁽¹⁾	Solar	2 nd half of 2022 ⁽²⁾	1 st half of 2024
- Equipment with inspection and testing capabilities used in the production of solar panels ⁽¹⁾	Solar	1 st half of 2023	2 nd half of 2023
- Solar panel TF scanner	Solar	2 nd half of 2021 ⁽²⁾	1 st half of 2024

6. INFORMATION ON THE GROUP (cont'd)

	Target Sector	Date of Commencement ⁽³⁾	Target Date for Marketing
<u>Enhancements of existing products</u>			
- Wafer AOI equipment ⁽¹⁾	Optoelectronics, ICs and discrete components	1 st half of 2022 ⁽²⁾	1 st half of 2023
- AXI equipment ⁽¹⁾	Optoelectronics, ICs and discrete components	2 nd half of 2022 ⁽²⁾	2 nd half of 2025
- Wire bond AOI equipment with 3D depth-sensing capability ⁽¹⁾	Optoelectronics, ICs and discrete components	1 st half of 2023	2 nd half of 2023
- FRV-AOI and EL/PL/TF vision module	Solar	1st half of 2023	2nd half of 2023

Notes:-

- (1) These products are being developed/enhanced in collaboration with our customers.
- (2) We have commenced the R&D activities for these equipment.
- (3) As mentioned above, the said sum of RM8.0 million earmarked from the total IPO proceeds will be used to strengthen the above R&D initiatives within 24 months upon Listing, which will cover the costs of the new product developments and enhancements of existing products. This includes the remaining costs to be incurred for some products that have commenced R&D but not completed prior to the Listing as well as to fund certain products, the R&D of which will only commence after the Listing. Any excess unutilised proceeds shall be used for our Group's working capital purpose whilst any shortage of sum required for our R&D activities will be funded from internally generated funds.

Please refer to Section 4.7 of this Prospectus for further details on the use of our IPO proceeds for strengthening of R&D capabilities.

6.27.2 Marketing activities

We intend to carry out proactive marketing activities by participating in more exhibitions and conferences in 2023 and 2024. During the Financial Period Under Review, our Group participated in exhibitions for the semiconductor and solar sectors in China, Taiwan, Malaysia and USA. With the opening of Malaysia's borders on 1 April 2022, we expect to carry out more sales and marketing activities especially in foreign countries.

As at the LPD, we have identified several exhibitions and conferences which are expected to take place between 2023 and 2024 in China, Taiwan, Malaysia, Germany and USA where we intend to participate. The purpose of such participations is to raise the profile of our Group and further expand our coverage to other markets with the aim of creating more opportunities and securing orders from prospective customers.

6. INFORMATION ON THE GROUP (cont'd)

We have allocated a total of RM0.85 million of the gross proceeds from the Public Issue to fund the cost of our future exhibitions in 2023 and 2024. We intend to participate in approximately 5 to 7 exhibitions and conferences in each year. We anticipate to utilise the proceeds on the following, among others:-

- (a) exhibition registration fees;
- (b) booth set-up expenses including booth design and build, and printing of brochures and banners;
- (c) travel and accommodation expenses; and
- (d) freight / logistics cost to transport the demonstration tools and related equipment to the exhibition centre.

Please refer to Section 4.7 of this Prospectus for further details on the use of proceeds from the IPO for marketing activities.

6.28 REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES

The relevant laws, regulations, rules and requirements governing the conduct of our Group's business and environmental issue which may materially affect our Group's businesses or operations are summarised below. The following does not purport to be an exhaustive description of all relevant laws and regulations of which our business is subject to.

(a) Local Government Act 1976 ("LGA")

The LGA is enacted to revise and consolidate the laws relating to local government in Peninsular Malaysia. Every licence or permit granted by the local authority shall be subject to such conditions and restrictions as the local authority may think fit and shall be revocable by the local authority at any time without assigning any reason therefor.

Pursuant to the LGA, a person fails to exhibit or produce his licence on the licensed premises shall be liable to a fine not exceeding RM500 or to imprisonment for a term not exceeding 6 months or to both.

(b) Industrial Co-ordination Act 1975 ("ICA 1975")

The ICA 1975 requires manufacturing companies with shareholders' funds of RM2.50 million and above or engaging 75 or more full-time paid employees to apply for a manufacturing licence from the MITI. Failure to observe and adhere to the licensing requirements under the ICA 1975 will constitute an offence which is punishable on conviction by 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 per day during which the non-compliance continues.

The licensing officer may also in his discretion revoke a licence if the manufacturer to whom a licence is issued:-

- (i) has not complied with any condition imposed in the licence;
- (ii) is no longer engaged in the manufacturing activity in respect of which the licence is issued; or
- (iii) has made a false statement in his application for the licence.

6. INFORMATION ON THE GROUP (*cont'd*)

The licensing officer may also withhold or suspend the revocation of the licence if he is satisfied that the act or omission on the part of the manufacturer under the above situations was due to some cause beyond his control and there is a reasonable prospect of such act or omission being remedied within such period as the licensing officer may direct.

(c) The Environmental Quality Act 1974 (“EQA 1974”)

The EQA 1974 governs the enforcement of waste disposal in Malaysia in order to control pollution.

The EQA 1974 regulates, among others, the deposit or disposal of any scheduled wastes on land or into Malaysian waters; receiving or sending, or causing or permitting to be received or sent any scheduled wastes in or out of Malaysia; or transiting or causing or permitting the transit of scheduled wastes. Any person who fails to comply with the relevant requirement shall be guilty of an offence and shall on conviction, be liable to a fine not exceeding RM500,000 or to imprisonment for a period not exceeding 5 years or to both.

The EQA 1974 further provides that where an offence against the EQA 1974 or any regulations made thereunder has been committed by a company, firm, society or other body of persons, any person who at the time of committing the offence is a director, chief executive officer, manager, or other similar officer or a partner of the company, firm, society or other body of persons or was purporting to act in such capacity shall be deemed to be guilty of that offence unless he provides that the offence was committed without his consent or connivance and that he has exercised all such diligence as to prevent committing the offence as he ought to have exercised having regard to the nature of his functions in that capacity and to all the circumstances.

As at the LPD, there is no non-compliance with the aforesaid laws, regulations, rules and requirements.

6.29 EXCHANGE CONTROLS

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

6.30 INTERRUPTIONS TO BUSINESS AND OPERATIONS

Save for the impact of the COVID-19 pandemic as disclosed below, we have not experienced any interruptions that had a significant effect on our operations during the past 12 months preceding the LPD.

The World Health Organisation declared COVID-19 a pandemic on 11 March 2020. As a result, we experienced some temporary interruptions to our business operations due to the MCO imposed by the Government to contain the COVID-19 pandemic. The impact of the COVID-19 pandemic on our business operations are described in the following sections.

6. INFORMATION ON THE GROUP *(cont'd)*

6.30.1 COVID-19 Pandemic

The Government implemented several measures to reduce and control the spread of COVID-19 commencing from 18 March 2020. These measures include restrictions on the movement of people within Malaysia and internationally, and restrictions on business, economic, cultural and recreational activities.

(a) Various MCO measures in 2020***Imposition of MCO in 2020***

During the MCO 1.0 period, our business was temporarily suspended for 42 days from 18 March 2020 to 28 April 2020. Our management and administrative staff worked from home during this period. We also notified our customers about the temporary suspension of our manufacturing operations and the delay in delivery of orders due to the constraints during the said period.

We received approvals from MITI on 17 April 2020 for TT Vision and 18 April 2020 for TT Innovation for the resumption of our business operations. On 29 April 2020, we resumed partial operations at 50% workforce based on the Government guidelines and SOP.

Imposition of CMCO and RMCO

The Conditional MCO (“**CMCO**”) was imposed between 4 May 2020 and 9 June 2020 and our operations continued to operate at 50% workforce capacity. The CMCO was followed by Recovery MCO (“**RMCO**”) which was implemented between 10 June 2020 and 9 June 2020. We increased our workforce capacity to 52% during the RMCO period. Subsequently, the Government reimposed CMCO between 9 November 2020 and 12 January 2021 following the resurgence in COVID-19 infections. We increased our workforce capacity to 74% under the guidelines and SOP from the Government during this period.

(b) Various MCO Measures in 2021***Reimposition of the MCO (MCO 2.0 and MCO 3.0) and CMCO***

Between 13 January 2021 and 31 May 2021, MCO 2.0, CMCO and MCO 3.0 measures were imposed depending on the number of COVID-19 infections in Penang. We received MITI approvals on 12 January 2021 for TT Vision which allowed us to operate during the various phases of MCO. During this period, we continued to operate at a workforce capacity of between 60% to 75% according to Government guidelines and SOP.

MCO measures under the National Recovery Plan

The National Recovery Plan (“**NRP**”) consisted of 4 phases including FMCO and Phase 1 of NRP which commenced from 1 June 2021 and subsequently transitioned to Phases 2, 3 and 4 depending on the number of new COVID-19 cases and vaccination rate.

We received MITI approvals on 30 May 2021, 5 July 2021 and 13 August 2021 for TT Vision and TT Innovation which allowed us to operate during the various phases of the NRP. On 1 June 2021, we achieved 80% full vaccination rate in our total number of employees and was allowed to operate at full workforce capacity during the various phases of NRP. As at the LPD, all of our employees were vaccinated with 2 doses, save for 1 employee who is not vaccinated due to health reasons.

6. INFORMATION ON THE GROUP (cont'd)**(c) Transition into endemic phase in 2022**

On 1 April 2022, Malaysia began its transition into endemic phase, and we continued to operate at full workforce capacity according to Government SOP and guidelines.

6.30.2 Measures and steps taken in our business operations in response to the COVID-19 pandemic

Since the resumption of our business after the temporary suspension during the MCO 1.0 period, we have taken precautionary measures and implemented standard operating procedures for our business operations.

Since March 2020 and up to the LPD, a total of 52 of our employees were tested positive for COVID-19. As at the LPD, there were no active cases.

Between March 2020 and up to the LPD, our additional medical and related costs incurred to implement precautionary measures to comply with the SOP amounted to approximately RM0.15 million.

6.30.3 Impact on our business and financial performance**(a) FYE 2020**

As a result of the implementation of MCO 1.0 by the Government, our business operations were temporarily suspended from 18 March 2020 to 28 April 2020. Hence, our financial performance was adversely affected due to the delay in fulfilment of orders to our customers.

Our revenue decreased from RM0.35 million in February 2020 to RM0.05 million in March 2020 and RM0.09 million April 2020. Subsequently, upon the resumption of our business operations on 29 April 2020, our manufacturing activities increased, and our revenue improved by 81.91% from 0.09 million in April 2020 to RM0.17 million in May 2020. Our overall revenue results for FYE 2020 by quarter are summarised in the table below:-

	Quarter 1 FYE 2020 (Jan 2020 – Mar 2020)	Quarter 2 FYE 2020 (Apr 2020 – June 2020)	Quarter 3 FYE 2020 (July 2020 – Oct 2020)	Quarter 4 FYE 2020 (Nov 2020 – Dec 2020)
Revenue (RM'000)	416	444	17,593	6,474
Quarter-on-quarter change (%)	-78.02	6.73	3,862.39	-63.20

After the resumption of our business operations, our manufacturing activities increased to make up for lost time from the lower manufacturing activities during the MCO 1.0 period. In the third quarter (Q3) of FYE 2020, our revenue grew by 3,862.39% from RM0.44 million in the second quarter (Q2) of FYE 2020 to RM17.59 million in the Q3 FYE 2020. This was mainly contributed by the delivery of 1 unit of quad solar cell sorter to Maxeon group totalling RM14.02 million. In the fourth quarter (Q4) of FYE 2020, our revenue declined due to the high base in the Q3 FYE 2020.

Our overall revenue for FYE 2020 grew by 20.65% from RM20.66 million in FYE 2019 to RM24.93 million in FYE 2020.

6. INFORMATION ON THE GROUP *(cont'd)*

(b) FYE 2021

In 2021, we were allowed to operate according to the Government's guidelines and SOP. We continued to fulfil customers' orders during the NRP period where we continued to record revenue of RM4.29 million in June 2021, RM2.70 million in July 2021 and RM2.54 million in August 2021.

Overall, our revenue for FYE 2021 grew by 89.61% to RM47.26 million compared to RM24.93 million in FYE 2020.

(c) FPE 2022

In 2022, we were allowed to operate according to the Government's guidelines and SOP. Overall, our revenue for FPE 2022 grew by 15.86% to RM27.36 million compared to RM23.61 million in FPE 2021.

The delivery of order to our customers is mainly based on purchase order with contractual delivery date specified on the purchase order. As such, we may be subject to LAD claims for the delay in the delivery of our machine vision equipment. During the COVID-19 pandemic, we experienced delay in delivery of orders to customers, however we have sought approval from the customers for the extension of time of delivery. As at the LPD, all purchase orders which were delayed have been fulfilled and we have not experienced any claims on LAD from our customers.

Since 18 March 2020 and up to the LPD, we did not experience any cancellation of purchase orders by our customers arising from the COVID-19 pandemic.

As at the LPD, we have cash and cash equivalents of RM8.36 million, banking facilities namely trade facilities of RM6.00 million of which RM3.58 million is available for utilisation. In addition, as at LPD, we have RM3.30 million invested in short term money market investment. Our working capital will be sufficient for our operating expenditure and will sustain our business, after taking into consideration our cash and bank balances, short term money market investment and banking facilities that are currently available to our Group.

As at the LPD, we have not received any claw-back or reduction in banking facility limits granted to us by financial institutions. We do not expect to face any difficulty in meeting our debt repayment obligations during the next 12 months.

6.30.4 Impact on our supply chain

During the MCO period between 2020 and 2022, we faced some delays in obtaining certain materials from our suppliers as there were disruptions in the global supply chain of semiconductors which is a component of some of our materials. Nevertheless, the delivery of equipment to our customers were not materially affected as our planning for the procurement of materials took into consideration our manufacturing timeline as well as the delivery time of the said materials.

According to the IMR, there was a global shortage of semiconductors that affected the E&E industry, which started approximately in the second quarter of 2020 and continued into 2022. This was mainly due to the increase in demand for electronic products caused by the COVID-19 pandemic as well as the increased use of semiconductors in automobiles. Nevertheless, as at the LPD, our business operations were not materially impacted by the global shortage of the semiconductors given the following factors:-

- Some of our customers agreed with the longer lead time, this allows us to have longer period to plan and source our materials.

6. INFORMATION ON THE GROUP *(cont'd)*

- Our long-standing business relationships with our major suppliers give us priority to procure materials.
- We plan and placed orders ahead with our suppliers to secure our materials.
- We streamline our product range to reduce the type of materials required for our manufacturing operations.

In addition, we experienced an increase in sea freight rates. We sourced our materials for our manufacturing activities from both local and foreign suppliers. According to the IMR Report, sea freight rates have been on an increasing trend since the second half of 2020 from USD2,032/forty-foot equivalent unit (FEU) on 2 July 2020 to USD10,377/FEU on 23 September 2021, and subsequently decreased to USD2,404/FEU on 24 November 2022. The increase in sea freight is reflected in our cost of sourcing materials. In addition, we experienced an increase in the prices of our materials such as lightings, lighting controllers and cameras where the average purchase price of these materials increased by approximately 27.85%, 9.83% and 3.29% between 2020 and 2021 respectively.

Despite the increase in material and transportation costs, we managed to pass the increase in costs to some of our customers.

6.30.5 Impact on our business and earning prospects

We are of the view that the COVID-19 pandemic will not have a material adverse impact on our prospects in the long run, taking into consideration the gradual recovery of Malaysia's economy as well as the growth in the demand for electrical and electronic products. In 2021, the real GDP of Malaysia's economy, the manufacturing industry and the E&E sector grew by 3.1%, 9.5% and 14.6% respectively. The real GDP growth in the E&E sector was supported by the robust external demand for semiconductor components. Overall, in 2022, the real GDP of the Malaysian economy is forecasted to grow between 6.5% and 7.0% underpinned by growth in domestic economy, steady expansion in the external demand and continued improvement in labour market conditions. *(Source: IMR Report)*

As at the LPD, we have outstanding secured purchase orders amounting to RM20.81 million which are expected to be recognised in our revenue progressively.

6.31 ENVIRONMENTAL, SOCIAL AND GOVERNANCE

6.31.1 Environmental

We are committed to promote environmental sustainability. The practices we have adopted are as follows:-

- (a) Promote reduce, reuse and recycle to increase recycling, recovery and reuse throughout our workplace. Dedicated collection place is allocated to collect the recycling materials such as carton boxes, plastic wastes, and metal parts.
- (b) Promote energy conservation throughout the plant where the facilities are equipped with LED lighting, and where high energy usage equipment such as air handling units, lightings are installed with auto timers to shut down the equipment after office hours or when not in use.
- (c) Enforce no smoking rule at our workplace as part of air pollution management.

6. INFORMATION ON THE GROUP *(cont'd)*

- (d) Practise paperless administration where practical in order to reduce carbon footprint.
- (e) Prepare dedicated catchment to collect rain water which is reused for general cleaning activities.
- (f) Provide adequate green areas by growing and maintaining plants inside and outside our workplace building. We are also committed to plant more trees on the land areas surrounding the building.

6.31.2 Social

Employees

We are committed to maintaining a safe and healthy workplace for employees. The practices we have adopted are as follows:-

- (a) Operational safety policies which include safety training, fire drills and first aid training by our Health and Safety Committee are in place.
- (b) Appointed an accident commander to record, investigate, and report any case of accident in the factory. We frequently remind our employees to maintain vigilance at the workplace to prevent any workplace accidents.
- (c) Practise non-bias policy when hiring new employees, where we adopt gender and cultural diversity.
- (d) Provide training to and continuing education for our employees for, amongst others, skill development and knowledge growth.
- (e) Provide gym room and organize weekly fitness programs for the employees.

Community

We continuously carry out corporate social responsibilities where our employees volunteer in various community activities which include, amongst others, beach cleaning, visiting aged care homes and orphanages. We donate to a variety of causes as we strive to support and provide benefits to our local communities. We also offer internships to increase the skill levels and provide jobs for our communities.

In addition, our CEO, Goon Koon Yin, is also a member of the Industry Advisory Panel (“IAP”) for the School of Science and Technology of Wawasan Open University and a member of the Industry/Community Advisory Panel (“ICAP”) for the School of Electrical and Electronic Engineering of University Sains Malaysia. As an IAP member, his scope of services include, amongst others, providing advice on any critical issues and challenges related to the field of study, and to review and provide feedback on the curriculum to ensure industry relevance with the programmes offered whilst the roles of the ICAP include providing inputs pertaining to teaching and learning, consultancy, continuous education, collaborative research, industry/community engagement projects, shared facilities and corporate social responsibility.

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6. INFORMATION ON THE GROUP *(cont'd)*

6.31.3 Governance

We are committed to uphold the standards of corporate governance where our Board and employees uphold a high standard of integrity and governance in business conducts and dealings.

Save for certain practices of the Malaysian Code on Corporate Governance (“**MCCG**”), the compliance of which could only be achieved or becomes applicable upon the listing of the Company (such as the recommended disclosures to be made in the Company’s Annual Report and Corporate Governance Report), we have adopted the MCCG practices by codifying the provisions of the practices into the Board Charter, Board Committee’s terms of reference and other board policies and procedures. We endeavour to ensure appropriate applications of these adopted practices accordingly when discharging our governance responsibilities.

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7. IMR REPORT



VITAL FACTOR CONSULTING

Creating Winning Business Solutions

1 December 2022

The Board of Directors
TT Vision Holdings Berhad
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Penang, Malaysia

Vital Factor Consulting Sdn Bhd

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Dear Sirs/Madam

Independent Assessment of the Semiconductor Manufacturing Equipment Industry

We are an independent business consulting and market research company in Malaysia. We commenced our business in 1993 and, among others, our services include the development of business plans incorporating financial assessments, information memorandums, commercial due diligence, feasibility and financial viability studies, and market and industry studies. We have been involved in corporate exercises since 1996, including initial public offerings and reverse takeovers for public listed companies on Bursa Malaysia Securities Berhad (Bursa Securities), acting as the independent business and market research consultants.

We have been engaged to provide an independent industry assessment on the above for inclusion into the prospectus of TT Vision Holdings Berhad concerning its proposed listing on the ACE Market of Bursa Securities. We have prepared this report independently and objectively and had taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, availability of up-to-date information, secondary information, and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibility for the decisions or actions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the shares of any company.

Our report may include assessments, opinions and forward-looking statements, which are subject to uncertainties and contingencies. Note that such statements are made based on, among others, secondary information and primary market research, and after careful analysis of data and information, the industry is subject to various known and unforeseen forces, actions and inactions that may render some of these statements to differ materially from actual events and future results.

Yours sincerely

Wong Wai Ling
Director

Wong Wai Ling has a Bachelor of Arts degree from Monash University, Australia and a Graduate Diploma in Management Studies from the University of Melbourne, Australia. She has more than 20 years of experience in business consulting and market research including initial public offerings for companies seeking listings on Bursa Securities.

7. IMR REPORT (cont'd)

VITAL FACTOR CONSULTING
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Date of Report: 1 December 2022

INDEPENDENT ASSESSMENT OF THE SEMICONDUCTOR MANUFACTURING EQUIPMENT INDUSTRY**1. INTRODUCTION**

- TT Vision Holdings Berhad and its subsidiaries (TTVHB Group) is principally a manufacturer of machine vision equipment for the semiconductor industry specifically for optoelectronics, solar cells, discrete components and integrated circuits. The main industry segments which TTVHB Group's customers serve include LED mainly for automotive sector, solar cell for solar PV sector and discrete components and ICs mainly for automotive (electric vehicles) and consumer electronic sectors.
- In this respect, this report will focus on the performance of the semiconductor industry, with additional discussion on the optoelectronics, solar cell, and integrated circuit segments of the semiconductor industry. The term semiconductor manufacturing equipment will be used interchangeably with semiconductor equipment in the context of this report.

2. MACHINE VISION EQUIPMENT

- Machine vision equipment are used for four main functions, namely, inspection, identification, measurement and guidance.
- Machine vision equipment comprises a combination of hardware and software and is based on capturing and processing images. The key hardware is the camera with its lenses, shutter mechanism and light source to capture images. Once the images are captured, the software is used to process them and subsequently issue actionable instructions.
- Some of the examples of the usage of machine vision equipment includes the following:
 - Inspection: To assess product quality to enable acceptance or rejection of manufactured products;
 - Identification: For sorting purposes based on shape, size and colour;
 - Measurement: Measuring two-dimension plane and distances between two points;
 - Guidance: The use of robotics in the movement of objects to specific locations.
- The key benefits of machine vision compared to human vision include faster, higher quality, higher productivity and lower cost throughput in examining objects. In situations where objects being handled are in microscale or throughput of several tens of thousands of units per hour, machine vision is the only practical means to undertake such tasks.
- Machine vision equipment are used in many industrial and non-industrial applications. Within the semiconductor manufacturing industry, machine vision equipment plays a supporting role as they are not directly involved in the process of manufacturing products. Nevertheless, they can be integrated in-line with other manufacturing machinery and equipment, or as standalone equipment to undertake off-line batch processing.

3. SEMICONDUCTOR MANUFACTURING EQUIPMENT

- Semiconductor manufacturing equipment refers to either standalone equipment or an integrated set of automated machinery used to perform a series of processing or manufacturing tasks. Semiconductor equipment plays a critical role in the manufacturing of electrical and electronics (E&E) products as most high-volume operations involve highly automated processes. This is due to the need to reduce per unit product costs, attain high volume output within a short timeframe, increase product quality, and in some situations handle very small items at high speed.
- TTVHB Group operates within the semiconductor manufacturing equipment sector for E&E products, which is part of the total umbrella under specialised machinery and equipment. Specialised

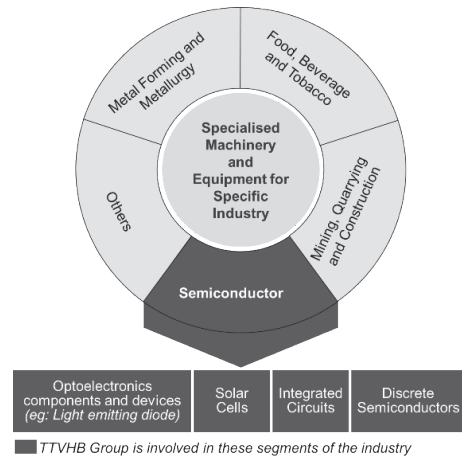
7. IMR REPORT (cont'd)



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machinery and equipment refer to those that are designed and customised to fulfill the needs of a specific industry including agriculture, metal, mining and quarrying, food and beverage, textile and apparel, E&E and others.

- TTVHB Group mainly manufactures machine vision equipment to perform a combination of functions including inspection, testing and sorting products during the production process.
- Vision inspection is an important process in the manufacturing of E&E products such as light emitting diode (LED) and solar cell components. This is because the production process of E&E products involves many complex manufacturing steps. If defects occur early in the process, all subsequent work undertaken would be wasted. Therefore, vision systems to inspect defects are set up at critical points in the manufacturing process to ensure that a certain yield of acceptable products can be confirmed and maintained.
- Malaysia's E&E industry is the largest contributor to the country's overall manufacturing sector and a major driver of growth for Malaysia's economy. In 2021, E&E exports accounted for 42.7% of Malaysia's total export of manufactured goods. For the first 9 months of 2022, E&E exports accounted for 44.9% of Malaysia's total export of manufactured goods. Semiconductor manufacturing equipment plays a major supporting role in E&E manufacturing.



4. SEMICONDUCTOR INDUSTRY

4.1 Types of Semiconductors

- Semiconductors are materials that allow electricity to pass through, but not as efficiently as conductors like most metals. In the context of this report, the term semiconductors are taken to refer to semiconductor components or devices.
- Semiconductors include the base substrate, which is referred to as wafer (which provides electrical connectivity), dies (which are cut-out small pieces of wafers with circuitries etched on it), as well as very small components placed within an electrical circuit etched in a die to perform certain functions. Semiconductors are used in all electronic devices including smart devices such as smartphones, tablets and wearables, computers, consumer electronics for example, digital televisions and automotive electronics.
- Semiconductors are the “brains” of many electronic products. With continuing technological innovation, the use of semiconductors is becoming more widespread in applications including connected devices in the home or workplace, also commonly known as the internet of things (IoT).
- TTVHB Group is involved in manufacturing machine vision equipment that are used mainly to inspect defects or irregularities, and test and sort items in the production of semiconductors.

Types of Semiconductors

	Wafers They are the substrate or base that provides electrical connectivity to various components to form electrical circuits.
	Integrated circuits (IC) Sometimes called a chip especially when it is packaged. Examples of IC include microprocessors (central processing unit), memory, power management, timers, microcontrollers and amplifiers.
	Optoelectronics They are semiconductors whose main function is to convert electricity to light (invisible and visible light) or vice-versa. An example is LED, which converts electricity to light.
	Solar cells Solar cells are special wafers that convert light to electricity. As such, they are also considered as optoelectronics.
	Discrete semiconductors An individual circuit that is contained within its own package which performs a single function and is not built on a common semiconductor substrate with other components. Examples include transistors, diodes and rectifiers.

TTVHB Group is involved in these categories

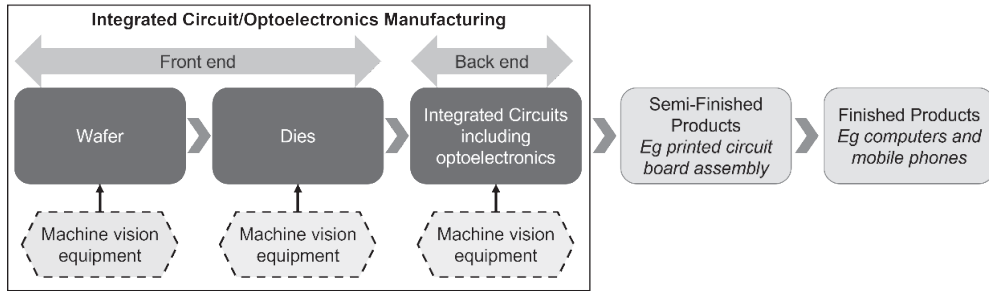
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4.2 Integrated Circuit and Optoelectronics Manufacturing Process

- The integrated circuit and optoelectronics manufacturing process is similar to one another. The manufacturing process of these products are separated into front end and back end processes.

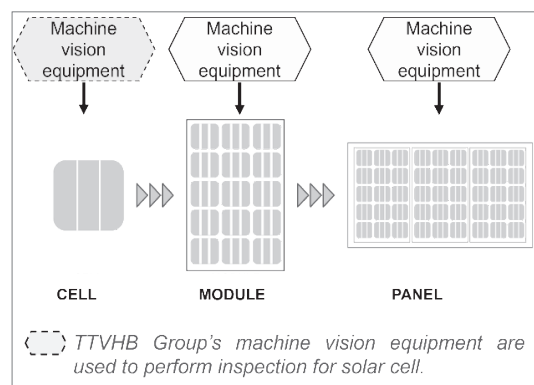


TTVHB Group's machine vision equipment are used to perform inspection at this stage of the integrated circuit and optoelectronics manufacturing process as part of product quality assessment.

- Front end manufacturing refers to wafer fabrication including forming the semiconductor ingot (commonly polycrystalline silicone), cutting the ingot into slices of wafer and etching circuitries on the wafer to form multiple dies in each wafer.
- Back end manufacturing refers to the assembly and packaging of integrated circuits including optoelectronics. Assembly and packaging comprise the process of placing discrete components onto the circuitry of each die and encapsulating them for protection.
- Semi-finished products include fully assembled printed circuit boards that incorporate all the various types of chips, and other semiconductor components like resistors, capacitors and power management module. Such semi-finished products include motherboards of smart devices and computers.
- Finished products is the end products of the assembly of all the semi-finished products. Some examples of finished products are mobile phones and televisions.

4.3 Solar Industry

- The solar industry in this report refers to the use of sunlight to generate electricity. It excludes solar energy that is used for illumination and heating. Photovoltaic (PV) is the process of converting sunlight directly to electricity using solar cells, sometimes known as PV cells.
- A solar cell is made up of semiconductors that converts sunlight directly to electricity. It is the basic building block of a solar module or solar panel. Each solar cell is small and generates a very small amount of electricity. These cells are then placed and connected together to become a solar module.



TTVHB Group's machine vision equipment are used to perform inspection for solar cell.

- The solar industry is a growing subsector of the E&E industry in Malaysia. This is supported by the fact that Malaysia has developed a solar industry cluster comprising upstream polysilicon production comprising ingot and wafer manufacturing, solar cell and solar module manufacturing, through to downstream activities including solar PV systems and power plants.

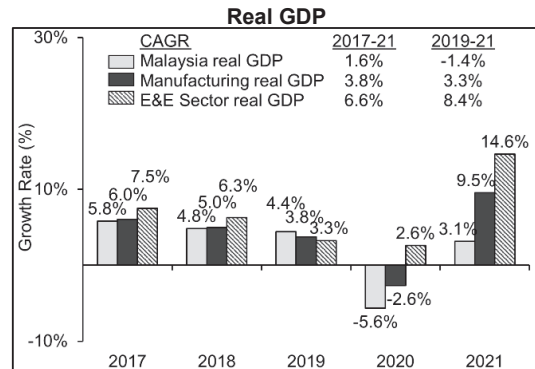
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5. MALAYSIA'S ECONOMY

- Gross Domestic Product (GDP) measures the gross value added in the output of goods and services in a country or sector during a specified period. Real GDP provides a measure of "real" changes in output over time, due to changes in the quantity of goods and services produced, rather than changes in their prices. In the context of this report, all GDP figures are nominal GDP, unless specified otherwise.
- In 2021, the real GDP of Malaysia's economy, the manufacturing industry and the E&E sector grew by 3.1%, 9.5% and 14.6% respectively compared to 2020. The real GDP growth in the E&E sector was supported by the robust external demand for semiconductor components. The E&E sector is the largest manufacturing sector in Malaysia which accounted for 31.1% of the real GDP of Malaysia's manufacturing industry, earning an export revenue of RM455.7 billion in 2021 (Source: DOSM).



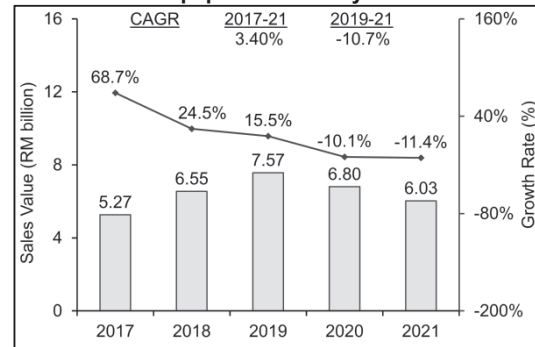
CAGR = compound annual growth rate (Sources: Department of Statistics Malaysia (DOSM))

- For the first 9 months of 2022, the real GDP of Malaysia's economy, the manufacturing sector and the E&E industry grew by 9.3%, 9.7% and 16.0% compared to the corresponding period in 2021 respectively (Source: DOSM). Overall, in 2022, the real GDP of the Malaysian economy is forecasted to grow between 6.5% and 7.0%, underpinned by the growth in domestic economy, steady expansion in external demand and a continued improvement in labour market conditions (Source: Ministry of Finance Malaysia (MoF)).

6. Manufacture of Specialised Machinery and Equipment in Malaysia

- Semiconductor manufacturing equipment is a subset of specialised machinery and equipment. The sales value of the manufacture of specialised machinery and equipment in Malaysia declined at an average annual rate of 10.7% from RM7.57 billion in 2019 to RM6.03 billion in 2021. For the first 9 months of 2022, sales value of this category increased by 29.6% to RM5.8 billion compared to RM4.5 billion in the first 9 months of 2021.

Manufacture of Specialised Machinery and Equipment in Malaysia



Note: (1) Includes specialised machinery and equipment for the semiconductor manufacturing sector as well as, among others, paper, rubber and plastic sectors. (Sources: DOSM)

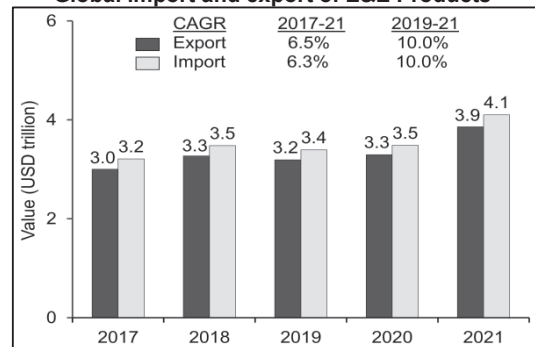
7. DEMAND DEPENDENCIES

- In general, favourable developments within the semiconductor industry such as an increase in sales and production of semiconductors, would benefit the semiconductor manufacturing equipment industry including machine vision equipment.

7.1 Performance of global E&E products

- As Malaysia's E&E industry is export-oriented, the following provides some indication of global trends in terms of exports, imports and sales value.

Global import and export of E&E Products



(Source: Vital Factor analysis)

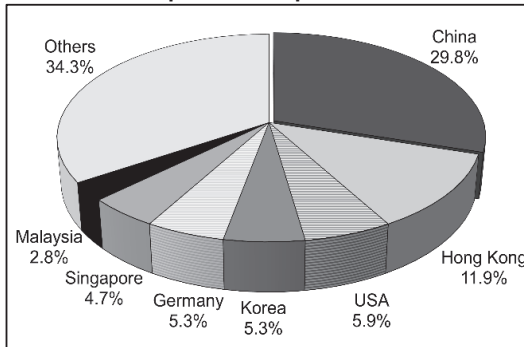
7. IMR REPORT (cont'd)



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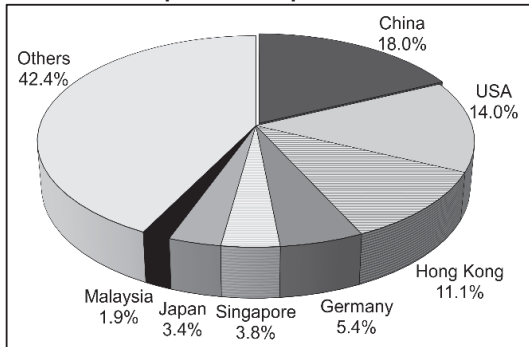
- The exports of E&E products from a global perspective recorded a compound annual growth rate (CAGR) of 6.5% between 2017 and 2021. Between 2019 and 2021, the global exports of E&E products grew at a CAGR of 10.0% which was in line with the recovery of the global economy from the COVID-19 pandemic. In 2021, the top three largest exporting countries for E&E products were China, Hong Kong and the US.

Global export of E&E products in 2021



Note: Latest available data * Others include countries with exports of E&E products of less than 4.7% (Source: Vital Factor analysis)

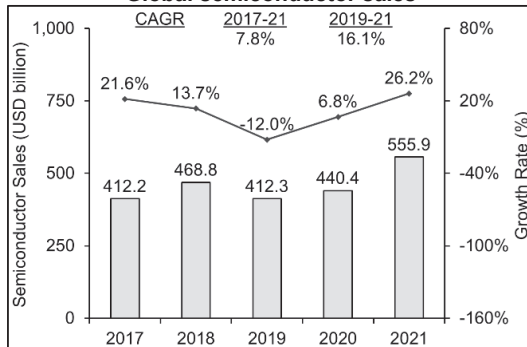
Global import of E&E products in 2021



Note: Latest available data * Others include countries with imports of E&E products of less than 3.4% (Source: Vital Factor analysis)

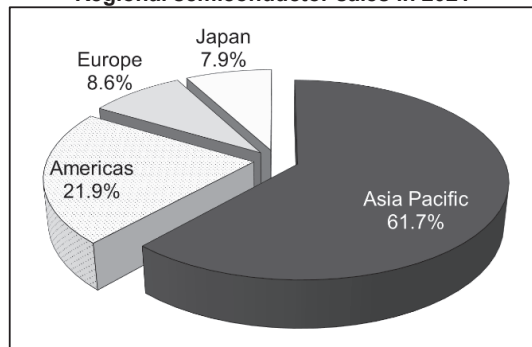
7.2 Performance of global and regional semiconductor industry

Global semiconductor sales



(Source: Vital Factor analysis)

Regional semiconductor sales in 2021



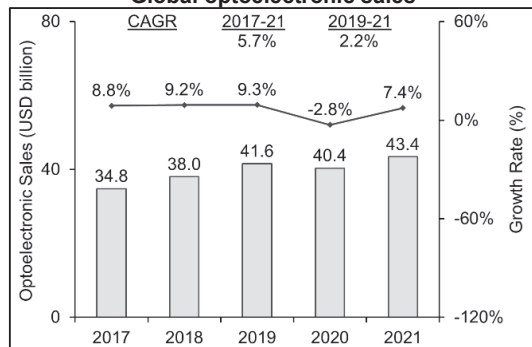
- The global sales of semiconductors grew by 6.8% to reach USD440.4 billion in 2020, mainly driven by sensors, memory and integrated circuit products. In 2021, the global sales of semiconductors grew by 26.2% to reach USD555.9 billion, mainly driven by significant growth across major product categories, particularly integrated circuit products, sensors and discrete semiconductors. For the first 9 months of 2022, the global sales of semiconductors grew by 9.9% compared to the corresponding period in 2021. However, in July, August and September 2022, the global sales of semiconductor declined by 1.8%, 4.8% and 2.5% compared to the corresponding periods in 2021. (Source: Vital Factor analysis)

- In 2021, semiconductor sales in Asia Pacific including Malaysia and China accounted for 61.7% or USD343.0 billion of the global semiconductor sales. TTVHB Group mainly serves the markets in Malaysia and China.

7.3 Optoelectronics Market Segment

- Optoelectronics segment includes LED displays and lamps, and other opto-sensing and emitting

Global optoelectronic sales



(Source: Vital Factor analysis)

7. IMR REPORT (cont'd)



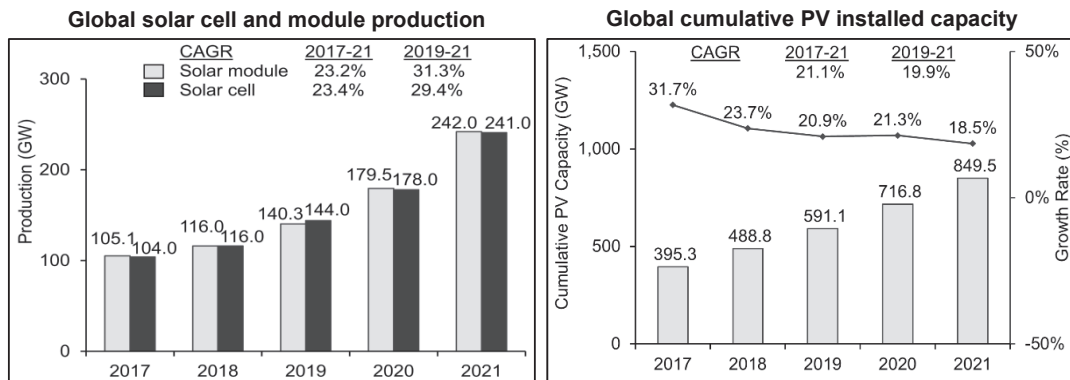
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semiconductor devices such as laser pick-up and transmitters, image sensors, infrared emitters and detectors, and light sensors.

- Between 2019 and 2021, global sales of optoelectronics grew at a CAGR of 2.2% from USD41.6 billion in 2019 to USD43.4 billion in 2021. In 2021, global optoelectronic sales grew by 7.4% compared to 2020.

7.4 Solar cell and module segment



(Source: Vital Factor analysis)

(Source: Vital Factor analysis)

- The global production of solar cells and modules recorded a CAGR of 29.4% and 31.3% respectively between 2019 and 2021. In 2020, global solar cell and module production grew by 35.4% and 34.8% respectively compared to the previous year.
- Based on latest available information, in 2021, China was the largest producer of solar cells and modules having accounted for 81.2% and 75.0% of the global production of such products respectively. In the same year, Malaysia was the second and third largest global producer of solar cells and modules, having accounted for 5.4% and 3.7% of the global production of such products respectively.
- The increase in the production of solar cells and modules between 2019 and 2021 indicates growth in demand for solar cells and modules. Therefore, this will continue to create opportunities for manufacturers of semiconductor equipment who are serving the solar cell and module segment.
- Between 2019 and 2021, the global cumulative PV installed capacity grew at a CAGR of 19.9%, from 591.1 gigawatt (GW) in 2019 to 849.5GW in 2021. The continuing growth in solar installed capacity and electricity generation will provide opportunities to manufacturers of semiconductor equipment serving the solar industry including machine vision equipment.

8. Import tariff on certain crystalline silicone solar cells and modules into the USA market

- In January 2018, the United States (US) Government imposed a tariff on the imports of certain crystalline silicone solar cells and modules (excluding thin film solar cells and modules) into the USA, effective February 2018. An import tariff of 30% was imposed on these types of products in 2018, and thereafter reduce by 5% every year for the next three years up to February 2022. In February 2022, the imposition of the said import tariff was extended to February 2026 at a rate of 14.75% and thereafter reduce by 0.25% every year up to February 2026.

The import tariff is likely to impact on the demand for certain imported crystalline silicone solar cells and modules into the USA. In this respect, manufacturers of semiconductor manufacturing equipment that serves customers who are exporters of such crystalline silicone solar cells and modules into the USA market, may be affected by this tariff. In September 2018 and February 2022, the United States Government exempted some types of crystalline silicone solar cells and modules from the above said import tariff. This exemption covers, among others, interdigitated back contact

7. IMR REPORT (cont'd)

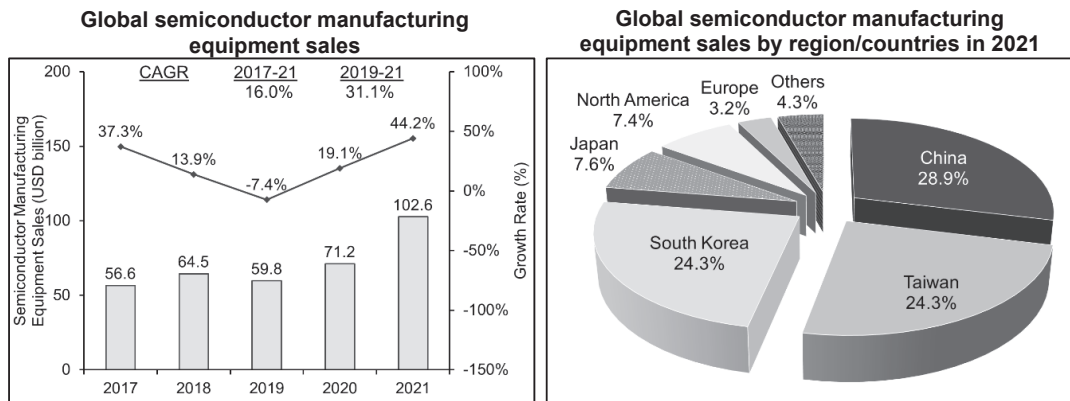


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(IBC) solar cells and modules as well as bifacial solar panel. In June 2022, the US Government declared a 24-month tariff exemption for solar products from Malaysia, Cambodia, Thailand and Vietnam.

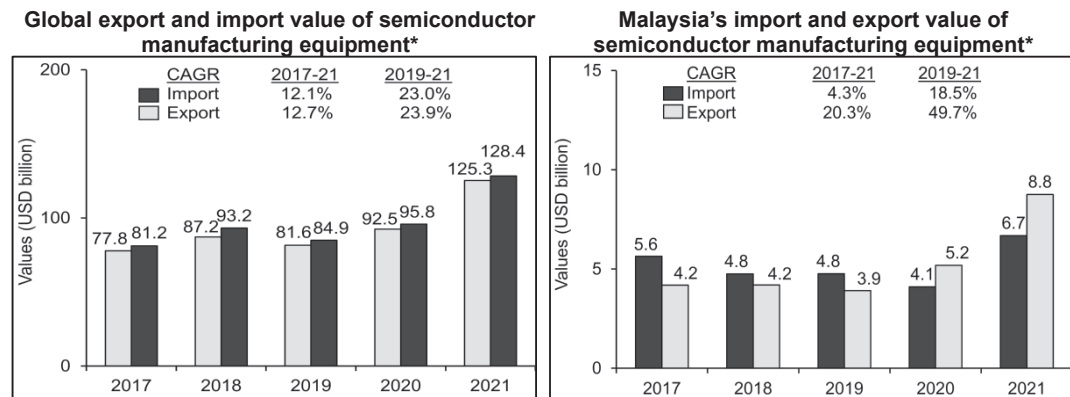
- TTVHB Group is involved in manufacture of solar cell inspection equipment mainly for IBC solar cell manufacturing and the Group's customers include solar cell manufacturers. The above import tariff would affect TTVHB Group's customers who are exporting their products into the US.

9. PERFORMANCE OF THE SEMICONDUCTOR MANUFACTURING EQUIPMENT INDUSTRY



(Source: Vital Factor analysis)

- Between 2019 and 2021, global sales of semiconductor manufacturing equipment grew at a CAGR of 31.1%. Semiconductor manufacturing equipment sales grew by 44.2% from USD71.2 billion in 2020 to USD102.6 billion in 2021, where China recorded the highest sales of USD29.7 billion. The growth in the sales of semiconductor manufacturing equipment were mainly driven by the expansion of production capacity by the semiconductor manufacturers amidst the shortage of semiconductors. The shortage of semiconductors started sometime in the second quarter of 2020 and continued into 2022. This was mainly due to the increase in demand for electronic products caused by the COVID-19 pandemic as well as the increased use of semiconductors in automotive industry. In the first half (H1) of 2022, the global sales of semiconductor manufacturing equipment grew by 5.5% to USD51.1 billion compared to USD48.4 billion in H1 2021.
- Imports and exports also provide indicators for the demand of semiconductor manufacturing equipment. The tables below present both the global and domestic trade flows of semiconductor manufacturing equipment:



* Includes machines and apparatus solely or principally used in the manufacturing of wafer, semiconductor devices, integrated circuits or flat panel displays, related parts and accessories, machines and apparatus solely or principally used for the manufacture or repair of masks and reticles, assembling semiconductor devices or electronic integrated circuits, and lifting, handling, loading/unloading of boules, wafers, semiconductor devices, electronic integrated circuits and flat panel displays. (Source: DOSM; Vital Factor analysis)

7. IMR REPORT (cont'd)



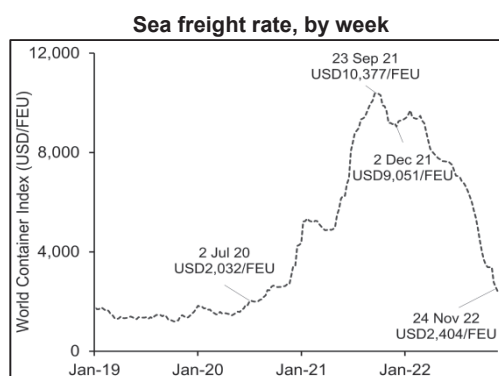
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- Between 2019 and 2021, the global import and export of semiconductor manufacturing equipment grew at a CAGR of 23.0% and 23.9% respectively. Between 2019 and 2021, Malaysia's import and export of semiconductor manufacturing equipment grew at a CAGR of 18.5% and 49.7% respectively. In 2021, import and export value of semiconductor manufacturing equipment in Malaysia grew by 62.9% and 69.0% respectively compared to the previous year, mainly due to the expansion in production capacity by the semiconductor manufacturers. The growth in the external trade of semiconductor manufacturing equipment augurs well for operators in this said industry.

10. SEA FREIGHT RATES

- TTVHB Group imports parts and materials as well as exports machine vision equipment to foreign countries, where the global economies and sea freight rate may impact on the overall product cost for its customers.
- The global economic growth is expected to moderate from 6.0% in 2021 to 3.2% in 2022, mainly due to the Russia-Ukraine conflict, frequent and wider-ranging lockdowns in China that could potentially add to the global supply chain disruptions, as well as the persistent price pressures that lead to a tightening of monetary policy in many countries (Source: Vital Factor analysis).



(Source: Vital Factor analysis)

- The global supply chain disruptions caused by the COVID-19 pandemic, combined with the US-China trade war have led to higher sea freight rates, which in turn led to higher input prices for global traders since the second half of 2020. Generally, the sea freight rates increased from USD2,032/forty-foot equivalent unit (FEU) on 2 July 2020 to a high of USD10,377/FEU on 23 September 2021, recording a growth of 410.7%. Following from the gradual relaxation of containment measures in various countries, the sea freight rates declined by 76.8% to USD2,404/FEU on 24 November 2022 despite uncertainties caused by the Russia-Ukraine conflict, the lockdowns in China and the threat of inflation.

11. COMPETITIVE ANALYSIS

11.1 Operators in the machine vision equipment

- The following table is a list of public listed companies or its subsidiaries on Bursa Securities that are involved in the manufacturing of machine vision equipment within the specialised machinery and equipment for the semiconductor industry. The list of operators and TTVHB Group is sorted in descending order of revenue.

Company name	Industries served		FYE ⁽¹⁾	RM million			%	
	Semi-conductor	Solar		Grp/Co Rev ⁽²⁾	Segment Rev ⁽³⁾	GP ⁽²⁾	GP Margin	NP Margin
Vitrox Corporation Bhd	√		Dec-21	680.1	680.1	n.a.	n.a.	24.9
Pentamaster Corporation Bhd	√		Dec-21	508.4	356.3	152.6	30.0	22.7
Mi Technovation Berhad	√	√	Dec-21	375.5	250.0	n.a.	n.a.	16.0
Genetec Technology Bhd	√	√	Mar-22	223.6	223.6	79.7	35.6	26.0
AT Systematization Bhd	√		Mar-22	78.1	35.5	0.6	0.8	-163.7
Aimflex Berhad	√		Dec-21	75.7	64.2	19.5	25.7	6.2
Visdynamics Holdings Bhd	√		Oct-21	47.9	47.9	31.2	65.1	20.1

7. IMR REPORT (cont'd)



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Company name	Industries served		FYE ⁽¹⁾	RM million			%	
	Semi-conductor	Solar		Grp/Co Rev ⁽²⁾	Segment Rev ⁽³⁾	GP ⁽²⁾	GP Margin	NP Margin
TTVHB Group	√	√	Dec-21	47.3	47.3	19.7	41.6	17.6
MMS Ventures Bhd	√		Dec-21	38.0	38.0	11.3	29.9	21.7
Qes Mechatronic S/B ⁽⁴⁾	√		Dec-21	24.9	24.9	7.3	29.1	14.5

FYE = financial year ended; Grp/Co = Group/Company; Rev = revenue; GP = gross profit; NP = net profit; Bhd = Berhad; S/B = Sdn Bhd; n.a. = not available; Notes: (1) Latest available audited information. (2) May include other business activities and products or may serve different user industry segments such as consumer electronics, healthcare, automotive, defence and aerospace segments within the E&E industry. (3) Segment revenue refers to the portion of the Group revenue which is derived from manufacturing of semiconductor manufacturing equipment including machine vision equipment and may also include other business activities such as factory automation solutions, maintenance services, fabrication of industrial and engineering parts. If Group and segment revenue are the same, the company/group has a single operating segment. (4) Subsidiary of QES Group Berhad, a listed entity on Bursa Securities.

The above list of public listed companies or its subsidiaries were selected based on their business activities where there was revenue generated from the manufacturing of machine vision equipment with operations in Malaysia based on latest publicly available information as at the date of this report. The methodology used to compile the above list of companies include secondary market research comprising annual reports, Companies Commission of Malaysia (CCM) and TTVHB Group. The above list of companies was compiled based on publicly available information as at the date of this report. The above is not an exhaustive list and is only used to provide an indication of some of the operators in the industry.

11.2 Market size and share

- The market size and market share of TTVHB Group within the manufacture of specialised machinery and equipment in Malaysia are estimated below.

2021	Market size in Malaysia ^(a) (RM million)	TTVHB Group's revenue ^(b) (RM million)	Market share of TTVHB Group ^(c)
Manufacture of specialised machinery and equipment ⁽¹⁾	6,030	43.5 ⁽²⁾	Less than 1%

Source: (a) DOSM; (b) TTVHB Group; (c) Vital Factor Analysis

(1) Includes specialised machinery and equipment for the semiconductor manufacturing sector as well as, among others, paper, rubber and plastic sectors.

(2) Based on TTVHB Group's revenue from the manufacturing of machine vision equipment for 2021.

12. BARRIERS TO ENTRY

- The barriers to entry for the manufacturing of machine vision equipment industry are **medium to high**. This is predicated by the need for technical and specialised skills in terms of machine vision equipment to be able to capture the images of micro-sized circuits and components at high processing speed and accuracy as well as quality of processing in terms of low error rates. From the market perspective, the barriers to entry are supported by the high concentration ratio of players where the revenue of the top three operators represented approximately three-quarters of the revenue from a selection of operators as disclosed in Section 11.1 of this report. The high concentration ratio would continue to exert competitive pressure on new entrants that have yet to establish a track record in the industry. However, machine vision equipment is not subject to any import or export tariffs and there are no special licences, regulations or restrictions governing the entry of new players into this industry. In addition, the capital requirement to enter the industry is low and the input materials required for the manufacturing of machine vision equipment are widely available.

13. INDUSTRY CONSIDERATION FACTORS

- The prospect of the semiconductor manufacturing equipment industry in Malaysia is dependent upon, among others, the continuing recovery of Malaysia as well as the global economies from the

7. IMR REPORT (cont'd)



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COVID-19 pandemic as well as other local and global factors that influenced the rising global prices of raw materials. Other considerations include the increased pace of digital transformation globally predicated by export demand for E&E products, and the performance of Malaysia's manufacture of E&E products, as well as socio-economic factors such as interest and unemployment rates, lending policies, business confidence and consumer sentiments, and the labour market in Malaysia.

- There is a global shortage of semiconductors that affected the E&E industry, which ultimately may affect the semiconductor manufacturing equipment industry. The shortage of semiconductors started approximately in the second quarter (Q2) of 2020 and continued into 2022, where the demand exceeded the supply of semiconductors.
- The shortage of semiconductors was initially due to the decline in semiconductor production as demand from automotive manufacturers was low amidst the COVID-19 pandemic. The supply of semiconductors is further interrupted by natural disasters, and conflicts including the US-China trade war and Russia-Ukraine conflict.
- Following the gradual recovery from the COVID-19 pandemic, the demand for semiconductors increased due to the mass production of electric vehicles, as well as the increase in the use of electronic products and devices to facilitate, among others, remote healthcare, work-from-home and virtual learning and virtual meetings. This is demonstrated by the sales of global semiconductors which grew by 6.8% and 26.2% in 2020 and 2021 respectively. For the first 9 months of 2022, the global sales of semiconductors grew by 9.9% compared to the corresponding period in 2021. Nevertheless, in the event there is a decline in the demand for semiconductors, the performance of operators in the semiconductor manufacturing equipment industry including TTVHB Group would be adversely affected. As TTVHB Group serves customers from various industry sectors including LED mainly for automotive sector, solar cell for solar PV sector and discrete components and ICs mainly for automotive (electric vehicles) and consumer electronic sectors, the Group is able to minimise, to a certain extent, the moderation in growth in any one end-user segment.
- For the first 9 months of 2022, the real GDP of Malaysia's economy, the manufacturing sector and the E&E industry grew by 9.3%, 9.7% and 16.0% respectively. The real GDP growth in the E&E industry was driven by the robust external demand for semiconductor components amidst the technological developments. In addition to the eight economic stimulus packages provided by the Malaysian government which amounted to RM530 billion, a further RM332.1 billion has been allocated to drive the recovery of the economy as provided by Budget 2022. Overall, Malaysia's economy is forecasted to achieve real GDP growth between 6.5% and 7.0% in 2022. In 2023, real GDP of Malaysia is forecasted to grow between 4.0% and 5.0%. (Source: Ministry of Finance (MoF))
- The on-going technological developments have the potential to influence the demand for electronic and semiconductor products and devices such as the increasing use of smartphones and smart devices, optoelectronics and increasing interconnectivity of devices. Overall, the semiconductor manufacturing equipment industry will be driven by growth in the following areas:
 - Smart devices (smartphones, wearables and tablets), storage devices (data centres);
 - Optoelectronics (photonics, fibre optics and LED);
 - Embedded technology (integrated circuits, printed circuit boards and LED); and
 - Renewable energy (especially solar PV)
- The short to medium term prospects of the semiconductor manufacturing industry is expected to be subdued mainly caused by lower demand in consumer electronics such as laptops and personal computers as well as inflationary pressure and lower global economic growth. The lower demand for consumer electronics is mainly due to its cyclical nature after the high sales volume during the COVID-19 period. Nevertheless, the demand for optoelectronics and solar within the semiconductor industry is expected to continue growing, mainly supported by the increasing adoption of renewable energy including solar PV systems as well as the use of energy efficient lighting such as LED lightings.

8. RISK FACTORS

YOU SHOULD EVALUATE AND CONSIDER CAREFULLY THE FOLLOWING RISKS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE ALONG WITH OTHER MATTERS IN THIS PROSPECTUS BEFORE INVESTING IN OUR SHARES.

8.1 RISKS RELATING TO THE GROUP'S BUSINESS AND OPERATIONS

8.1.1 We are dependent on certain major customers and the loss of any of these customers, if not replaced promptly, may affect our financial performance

We are dependent on the following major customers by virtue of their revenue contribution to our total revenue for the Financial Period Under Review:-

	Years of relationship as at the LPD	Audited							
		FYE 2019		FYE 2020		FYE 2021		FPE 2022	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%
Dominant Opto	2	-	-	4,227	16.96	17,093	36.17	3,765	13.76
Hanwha Malaysia and its related companies	5	30	0.14	1,720	6.90	15,668	33.15	711	2.60
Customer group A*	18	2,652	12.84	1,408	5.65	2,262	4.78	1,518	5.55
Maxeon group	9	11,896	57.58	14,831	59.50	1,832	3.88	1,342	4.90
Customer B*	2	-	-	1,292	5.18	4,385	9.28	5,614	20.52
Shenzhen Brightsemi Technology Co., Ltd.	1	-	-	-	-	1,661	3.51	11,790	43.10
Sub-total		14,578	70.56	23,478	94.19	42,901	90.77	24,740	90.43
Total revenue		20,660	100.00	24,927	100.00	47,264	100.00	27,358	100.00

Note:-

* Please refer to Section 6.25 on information relating to Customer group A and Customer B.

In FPE 2022, Shenzhen Brightsemi Technology Co., Ltd., Customer B and Dominant Opto contributed 43.10%, 20.52% and 13.76% to our revenue respectively.

Meanwhile, in FYE 2021, revenue contributions from Dominant Opto and Hanwha Malaysia and its related companies, grew from 16.96% and 6.90% in FYE 2020 to 36.17% and 33.15% respectively. However in FPE 2022, the revenue contribution from Dominant Opto decreased to 13.76% as some of the sales orders are only expected to be fully fulfilled in the 2nd half of 2022 whilst the revenue contribution from Hanwha Malaysia and its related companies has reduced to 2.60% as a result of the deferment of its capital expenditure plan. Nonetheless, both Dominant Opto and Hanwha Malaysia and its related companies remain our major customers, presently and moving forward.

Prior to FYE 2021, Maxeon group contributed substantially to our revenue at 57.58% and 59.50% in FYE 2019 and FYE 2020, respectively. However, the revenue contribution reduced to 3.88% in FYE 2021 and 4.90% in FPE 2022. Similarly, Customer group A, which contributed 12.84% to our revenue in FYE 2019, has seen the contribution reduced to 5.65%, 4.78% and 5.55% in FYE 2020, FYE 2021 and FPE 2022 respectively. The decrease in revenue contribution from both Maxeon group and Customer group A was mainly due to the deferment of their internal capital expenditure plans which resulted in lower purchase of certain machine vision equipment from us. The declining trend in revenue contribution from both Maxeon group and Customer group A indicates the decreasing dependency on this group of customers. Nonetheless, both Maxeon group and Customer group A remain as our major customers, presently and moving forward.

8. RISK FACTORS *(cont'd)*

As the demand for our products is, to a certain extent, dependent on customer's capital expenditure plans, which may differ year to year, as such, our major customers will also differ accordingly every year.

We do not have any long-term contracts with our customers. Instead, our sales are based on purchase orders which are typically issued by our customers with regards to their needs and capital expenditure plans. As such, there can be no assurance that we will be able to secure new purchase orders on a consistent basis or that the revenue contribution from these major customers will be sustained at the same level in the future. Furthermore, any significant reduction and/or cancellation in the purchase orders from these customers or the loss of any of our major customers, if not replaced in a timely manner, would materially and adversely affect our financial performance.

8.1.2 We face the risk of shortage in the supply of certain materials and disruption in global supply chain may affect our business operations

Our manufacturing operations are dependent on certain materials including vision components such as camera, lenses, lightings and sensors, computer related devices, and mechanical, electrical and pneumatic parts. We source these materials from suppliers in Malaysia as well as foreign countries.

While our Group is not dependent on any single supplier, any serious and prolonged global shortage of or supply disruptions to such materials may lead to a loss of business opportunities and delays in our production. Furthermore, we do not enter into any long-term supply agreements with our suppliers for continuous supply of materials. As such, there can be no assurance that we will be able to consistently source our materials at the quality and quantity required and at competitive prices. The delay in production could result in a delay in the delivery to our customers which may affect our reputation and/or subject us to LAD claims, which would adversely affect our financial performance.

During the MCO period in 2020 and 2021, we faced delays in obtaining certain materials from our suppliers as there were disruptions in the global supply chain of semiconductors which is a component of some of our materials. Nevertheless, the delivery of orders to our customers were not materially affected as our planning for the procurement of materials took into consideration our manufacturing timeline as well as the delivery time of the said materials. However, there can be no assurance that our business operations and financial performance will not be affected by the disruption in the global supply chain in the future.

According to the IMR Report, there were shortages of semiconductors which started approximately in the second quarter of 2020 and continued into 2022. This was mainly due to the increase in demand for electronic products caused by the COVID-19 pandemic as well as the increased use of semiconductors in automotive industry. The increase in demand for semiconductors was evidenced by the sales of global semiconductors which grew by 6.8% and 26.2% in 2020 and 2021 respectively. For the first 9 months of 2022, the global sales of semiconductor grew by 9.9% compared to the corresponding period in 2021. However, in July, August and September 2022, the global sales of semiconductor declined by 1.8%, 4.8% and 2.5% compared to the corresponding periods in 2021. *(Source: IMR Report)*.

The shortage of semiconductors such as processor and memory chips, and sensors has caused a shortage in computer related devices and sensors which are one of the materials used in the manufacturing of our machine vision equipment. In this respect, a sustained shortage of semiconductors and related E&E products which are used in the manufacturing of our products, will have an impact on our business operations such as delay in fulfilment of orders.

8. RISK FACTORS *(cont'd)*

Nevertheless, as at the LPD, our business operations were not materially impacted by the global shortage of the semiconductors given the following factors:-

- Some of our customers agreed with the longer lead time of up to 6 months, which allowed us to have longer period to plan and source our materials.
- Our long-standing business relationships with our major suppliers give us priority to procure materials.
- We planned and placed orders ahead with our suppliers to secure our materials.

We also streamline our product range to reduce the type of materials required for our manufacturing operations.

Save for the delays of materials as mentioned above, we have not experienced a shortage of materials for our manufacturing operations as at the LPD.

8.1.3 Our financial performance may be affected by the increase in the price of materials and increase in transportation costs

We face risks of increases in the costs for the manufacture of our products which may arise from price increases of our materials from our suppliers as well as cost of transportation. This may be affected by numerous factors such as macroeconomic and microeconomic factors, global shortage of freight containers, increasing sea freight rates, port congestions, disasters, riots, war, terrorist attacks or outbreak of epidemics or pandemics.

In 2020 and 2021, we experienced an increase in transportation costs for our exported products due to the increase in sea freight rates, which is reflected in our cost of sourcing materials. According to the IMR Report, sea freight rates have been on an increasing trend since the second half of 2020 from USD2,032/forty-foot equivalent unit (FEU) on 2 July 2020 to USD10,377/FEU on 23 September 2021, and subsequently decreased to USD2,404/FEU on 24 November 2022. *(Source: IMR Report)*.

In addition, we experienced an increase in the prices of our materials such as lightings, lighting controllers and cameras where the average purchase price of these materials increased by approximately 27.85%, 9.83% and 3.29% respectively between 2020 and 2021.

Cost increases will eventually require us to increase our selling prices, which may reduce our competitiveness in the market and affect our ability to retain customers and/or secure new orders. If we are unable to remain competitive, this would adversely affect our revenue and financial performance. Alternatively, if we were to absorb some of these costs to stay competitive, it may reduce our profit margins.

Furthermore, we may be exposed to price increase in the cost of the materials and services due to the unavoidable time lag between the time of our commitment to our customers and our subsequent purchases of such materials and services.

While we seek to minimise our exposure to price increase by monitoring and obtaining quotations from our suppliers prior to confirming customer's purchase orders, there can be no assurance that we will be able to pass on any increases in costs resulting from changes in the prices of our materials or services. In the event we are unable to pass on any of the cost increases to our customers or if we are unable to do so in a timely manner, we would have to absorb the increases in the costs and this would adversely affect our profitability and financial performance.

8. RISK FACTORS *(cont'd)*

8.1.4 We rely on our Directors and Key Senior Management for our business continuity

Our achievements are largely attributable to the continued efforts of our Executive Directors and key senior management who are directly responsible for the vision, strategic direction, leadership, business planning and development as well as management of our Group's business operations. The loss of any of our Executive Directors and/or key senior management, and our subsequent inability to recruit suitable replacement personnel in a timely manner, may adversely affect our business operations and financial performance as well as our continuing ability to compete effectively in the industry.

We recognise the importance of retaining our Executive Directors and key senior management and have in place a human resource strategy, which includes maintaining a competitive remuneration package and providing opportunities for career development for our employees. As part of our management succession plan, efforts have been made to promote and groom lower and middle management staff to gradually assume the responsibilities undertaken by the senior management team to ensure continuity in our management team.

8.1.5 Absence of long-term contractual agreement with our customers

Our Group does not have any long-term contracts with our customers. The absence of long-term contracts is consistent with the machine vision inspection business which is subject to rapid technology changes and thus frequent product specification changes. As such, the supply of our products and services are generally short-term in nature and subject to individual purchase orders. Hence, the financial performance of our Group would be dependent on the ability of our Group to secure new purchase orders on a consistent basis. Failure in securing new purchase orders on a sustainable basis may have a material adverse financial impact on our Group.

In some situations, we may proceed to build the equipment based on customer's sales forecast and letter of intent without any confirmed purchase orders. However, this was on a case-by-case basis for certain long-term customers. There is a risk that customers may not proceed with the purchase order as agreed upon completion of the equipment. If we are unable to sell the equipment to another customer, we may have to write off this equipment after a certain duration from our inventory as part of our accounting policy which may adversely affect our financial performance. For the FYE 2019, we have written-off inventory of RM0.69 million pertaining to a wire bond AOI equipment which was manufactured for a long-term customer who did not proceed with a confirmed purchase order in FYE 2018. This equipment was included in our Group's inventories in FYE 2018. Certain parts and components of the same equipment were subsequently recovered and used in the production of another equipment which was sold to another customer in 2020.

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8. RISK FACTORS (cont'd)**8.1.6 We are subject to foreign exchange fluctuation risks which may impact the profitability of our Group**

We are exposed to foreign exchange fluctuation risk as part of our revenue and purchases are transacted in foreign currencies. This can be demonstrated by our revenue and purchases of materials and services as shown below:

	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Revenue								
RM	5,628	27.24	8,474	34.00	37,532	79.41	6,682	24.42
USD ⁽¹⁾	15,032	72.76	16,453	66.00	9,732	20.59	20,676	75.58
Total	20,660	100.00	24,927	100.00	47,264	100.00	27,358	100.00
Purchases								
RM	7,930	51.16	5,351	58.22	13,480	54.54	8,097	60.15
USD	6,821	44.01	3,465	37.70	9,439	38.19	4,607	34.22
Euro	521	3.36	70	0.76	1,220	4.94	440	3.27
Others ⁽²⁾	227	1.47	305	3.32	576	2.33	317	2.36
Total	15,499	100.00	9,191	100.00	24,715	100.00	13,461	100.00

Notes:-

- (1) Included sales to a Malaysian customer which was billed in USD.
- (2) Included JPY, SGD and CNY.

A depreciation of the RM against the currencies which we transact in will lead to higher cost of purchases as well as higher revenue in RM after conversion. Conversely, appreciation of the RM against the currencies which we transact in will lead to lower cost of purchases but lower revenue in RM after conversion.

We currently do not use any financial instrument to hedge our exposure against transactions in foreign currencies as a portion of our business is naturally hedged due to some of our sales and purchases being denominated in the same currency, USD. We mitigate the exposure to this risk by maintaining a USD denominated bank account for the sales and purchases transactions denominated in USD. We also constantly monitor and review our need to hedge. Should this exposure become substantial in the future, we may need to enter into derivative contracts with financial institutions to minimise the impact of the foreign exchange fluctuations.

Nevertheless, there can be no assurance that any future fluctuations in exchange rates will not have a material and adverse effect on our financial condition and our profitability. In addition, there can be no assurance that other foreign exchange administrative rule imposed or varied by the any relevant authority from time to time will not materially affect our business, results of operations and financial condition.

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8. RISK FACTORS *(cont'd)*

8.1.7 We may not be able to effectively execute some of our business strategies and future plans

Our business strategies and future plans include strengthening our R&D capabilities where we will focus on new product developments and enhancements of existing machine vision /equipment, as well as carrying out proactive marketing activities by participating in more exhibitions and conferences. Please refer to Section 6.27 of this Prospectus for further information on our future plans and strategies.

The feasibility and implementation of such business strategies and future plans will also depend on, amongst others, favourable economic conditions and the timing of execution.

There is a risk that we may not be able to successfully implement our business strategies and future plans including our future R&D and marketing related activities in a timely manner nor can we provide assurance that our business strategies will be commercially successful or that we will be able to anticipate all the business and operational risks associated with our strategies. Although some of our R&D activities were initiated through enquiry and request from customers, however, there is a risk that we may fail to meet the customers' expectations and/or a risk that the customers may not follow through with the issuance of a purchase order after our extensive R&D efforts.

Our financial performance will be adversely affected if we are not able to secure sufficient purchase orders from existing and/or new customers following the implementation of the above business strategies and future plans due to the additional costs incurred. Furthermore, any postponement or delays due to the impact of the COVID-19 pandemic or failure in executing our business strategies effectively may adversely affect our expected financial performance.

As such, there is no assurance that the execution of our business strategies and future plans will be successful, nor will we be able to anticipate all the risks and uncertainties that may arise during the implementation of these business strategies and future plans, which may materially affect the business operations and financial performance of our Group.

8.1.8 We are subject to operational risks which may cause interruptions to our business operations

We currently have 1 plant in operation. Therefore, any significant operational disruptions at our sole manufacturing facility would have a material impact on our business operations and financial results. We face the risk of our operation facilities being compromised or face operational failures caused by accidents (such as fire and mechanical breakdown), natural disasters, wilful damage, sabotage or theft. Any interruption in, or prolonged suspension of any part of our operations, or any damage to or destruction of, our manufacturing facility arising from unexpected or catastrophic events may prevent us from carrying out our operations in a timely manner and thus affecting our product delivery to our customers within the stipulated time. This in turn may result in an adverse effect on our business and financial performance.

In addition, any prolonged interruptions to our production or failure to supply our products and services to our customers in a timely manner may result in a breach of purchase order and loss of sales, subsequently, exposing us to late delivery penalty, resulting in considerable costs as well as damages to our reputation. This could have an adverse effect on our reputation, business, results of operations and financial conditions.

8. RISK FACTORS *(cont'd)*

The implementation of the MCO in Malaysia as well as movement and business operation restrictions in other countries due to the COVID-19 pandemic have both caused temporary suspension to our operations and resulted in most economic activities in the affected countries coming to a halt or being disrupted. Prolonged disruption in economic activities will adversely impact businesses, employment and consumer purchasing power. Nonetheless, as at the LPD, we have not experienced any cancellation of orders or any indication of cancellation of orders from our customers arising from the COVID-19 pandemic. However, there is no assurance that there will be no negative impact on the demand for our products due to the COVID-19 pandemic. Any material cancellation of orders or reduction in the demand for our machine vision equipment will adversely impact our financial performance. Please refer to Section 6.30 of this Prospectus for further details on impact of COVID-19 pandemic on our Group.

During the Financial Period Under Review and up to the LPD, save for the foregoing, we have not experienced any incidents of prolonged operational interruptions which have materially affected our financial performance. Nonetheless, there is no assurance that we can prevent the occurrence of such incidents or that such incidents will not cause any disruptions to our production and delivery schedule in the future.

8.1.9 We face the risk of infringing intellectual property of third parties

Our Group may unknowingly infringe upon the intellectual property rights of third parties and may be held responsible for such infringements. As at the LPD, we have not been the subject of any intellectual property claims. However, any future litigation regarding patents or other intellectual property infringements could be costly and time consuming and divert significant management and staff resources. If our Group loses a claim, we may suffer significant liabilities, litigation costs or be prevented from selling our products if the products infringe upon the intellectual property of third parties.

We will take reasonable measures to conduct necessary search to ensure that our product designs do not infringe the intellectual property of third party. In addition, we will engage qualified lawyers or intellectual property agents to assist us to file for the registration of our intellectual properties.

8.1.10 We are subject to the risk of product warranty claims

The quality of our products is crucial to the success of our business. We are subject to the risk of product warranty claims in the event that our products are found to be defective. We provide a defect product warranty period ranging from 12 to 18 months depending on our arrangements with certain customers. In the event of any defects in our products, we are required to repair or rectify any defects at our own costs, which may include materials, labour, transportation and travel costs. Furthermore, in addition to the exposure of product warranty claims, major failures or malfunctions in our equipment may damage our reputation in the industry and erode our customers' confidence in our equipment. This, in turn, may materially and adversely affect our financial condition and results of operations.

During the Financial Period Under Review and up to the LPD, we have not experienced any material warranty claims which have materially affected our financial performance.

8.1.11 We are subject to the risk of inadequate insurance coverage

We maintain insurance coverage for our material assets and business operations. Currently, we have insurance policies in place to, amongst others, cover fire insurance for our building, inventories (including raw materials and finished goods) and machinery and equipment, burglary insurance and public liability insurance. All these insurance coverages are subject to exclusions and limitations of liability both in amount and with respect to the insured events. As at the LPD, the total sum insured amounted to approximately RM27.3 million.

8. RISK FACTORS *(cont'd)*

However, our current insurance coverage may be inadequate to cover all losses, damages or liabilities. For instance, floods, fires, storms or other events may cause damage to our production facilities in excess of the insurance coverage and may lead to significant costs incurred in connection with remedial and repair work that must be borne by us. If we suffer any losses or incur liabilities arising from insufficiently insured risk or any uninsured risk, our business and operating results may be adversely affected. In addition, our insurance premiums may also increase due to the insurance claims made. In such circumstances, our financial results may be materially and adversely affected.

As at the LPD, we have not encountered any major insurance claims which were inadequate to cover our losses, damages or liabilities.

8.2 RISKS RELATING TO OUR INDUSTRY**8.2.1 We are subjected to changes and uncertainties in the industries/sectors that we serve**

We supply machine vision equipment to customers from the semiconductor industry specifically for optoelectronics, solar cells, discrete components and integrated circuits. Therefore, the prospects of our business are dependent, to a certain extent, on the growth and performance of these industries, which in turn, are subject to global demand amongst others. If the demand for our machine vision equipment were to unexpectedly increase, we would require significant increase in production capacities and capabilities, including adequate fundings, manpower resources as well as materials, in order to fully capitalise on such opportunities. The failure to adjust to such unanticipated increase in the demand for our products could result in our Group losing existing customers or losing the opportunity to establish business relationships with potential customers. Such failures may adversely affect our Group's future financial results and market share.

We are also exposed to unfavourable domestic and global changes to our industry as well as our customers' industries such as shortage of semiconductors and related parts, decline in the demand for our customers' products, changes in consumer behaviour, global trade restrictions or interruptions, conflicts between countries, imposition of adverse government regulations and increase in tariffs. Such risks may affect our business and financial performance negatively.

In addition, the market for our products is characterised by rapidly changing technology as technology obsolescence is one of our business inherent risks. The Group's future growth and success will depend upon our ability to enhance existing products and introduce them on a timely and cost-effective basis, as well as to develop new products to meet and capitalise on new technological developments and changes. The failure of our Group to develop, manufacture and commercialise new and enhanced products could have a material adverse effect on our business, financial conditions and results of operations.

Our Group seeks to limit these risks through our continuous investment in R&D activities, active engagement with our customers and employment of strategic marketing activities in order to take cognisance of any possible fluctuations in these industries and to ensure that our products and services remain technologically relevant and meet customers' demands. Further, our participation in exhibitions and conferences and continuous engagement with our customers and suppliers enable us to keep abreast with the latest technology development which in turn allows us to design or improve our R&D activities more effectively.

8. RISK FACTORS *(cont'd)*

8.2.2 We face competition from industry players

We operate in a competitive industry and we face competition from existing and prospective industry players in terms of product quality, pricing, range of product offerings, production capabilities, timely delivery and after-sales services, amongst others. In addition, industry players are continuously seeking ways to differentiate themselves, often by improving technical capabilities.

We also face competition from existing and prospective industry players that are capable of producing similar products. Some of our competitors are more established and are producing industrial automation on a larger scale. As such, this may impact our revenue and profitability as we may be required to be more price competitive in order to secure purchase orders. Therefore, we are exposed to the risk that we may be unable to compete effectively against our existing or potential competitors, which will have adverse effects on our business operations and financial performance.

Nonetheless, with about 20 years of experience in the machine vision equipment business, we are able to advise our customers on each product features and also integrate our products as a comprehensive solution to meet our customers' specific requirements and preferences. Our experienced technical team also strive to provide our customers with faster and more effective after-sales services. We will take reasonable measures to expand our marketing and sales efforts to reach out to prospective customers, constantly engage with them to understand their needs and requirements, develop new or better products that embrace current technologies and meet customers' demands, and co-develop equipment with some of our customers.

Although we have our competitive strengths as set out under Section 6.11 of this Prospectus, there is no assurance that we will be able to compete effectively against our peers or new entrants into the industry. If we are unable to remain competitive, this may result in a reduction in our profit margins and/or reductions in orders or the loss of business from customers, all of which would adversely affect our financial performance.

8.2.3 We are subject to political, economic, social, market and regulatory considerations and occurrence of force majeure events

Any adverse developments in the political, economic, social, market and regulatory conditions in Malaysia or our export markets could adversely affect our business operations and financial performance. Such developments include, but are not limited to, changes in political leadership, geopolitical events, general economic and business conditions, fluctuations in foreign exchange rates and interest rates, acts of terrorism, riots, wars and/or sanctions, prolonged COVID-19 pandemic or emergence of new epidemics or pandemics, expropriation or nationalisation, fiscal and monetary policies of the Government such as inflation, deflation, methods of taxation, tax policies, foreign worker levy and exchange control measures, unemployment trends, deterioration of international bilateral relationships, and other matters that may influence consumer and business confidence and spending.

Increasing volatility in financial markets may also cause these factors to change with a greater degree of frequency and magnitude. Unfavourable developments in the socio-political environment in Malaysia may materially and adversely affect our business operations, financial performance and prospects.

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8. RISK FACTORS *(cont'd)*

8.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

8.3.1 No prior market for our Shares

Prior to our IPO, we were listed on the LEAP Market on 9 May 2019 until we were delisted on 12 May 2022. The trading on the LEAP Market was only restricted to sophisticated investors who are defined under Part I of Schedule 7 of the CMSA.

The listing of and quotation for our Shares on the ACE Market does not guarantee that an active market for the trading of our Shares will develop. There also can be no assurance that the IPO Price which has been determined after taking into consideration the factors as set out in Section 4.4 of this Prospectus will correspond to the price at which our Shares will be traded on the ACE Market upon or subsequent to our Listing.

8.3.2 Delay in or abortion of our Listing

Our IPO is exposed to the risk of potential failure or delay should the following events, amongst others, occur:-

- (a) our Company or our Sole Underwriter fails to honour its obligations under the Underwriting Agreement;
- (b) identified investors fail to subscribe for the portions of the IPO Shares allotted to them; and/or
- (c) we are unable to meet the public shareholding spread requirements of the Listing Requirements, i.e. at least 25% of our issued 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 time of Listing.

In the event that we fail to fulfil any of the events above, we will return in full, without interest, monies paid in respect of all applications, in compliance with Section 243(2) of the CMSA.

Nevertheless, we will endeavour to ensure compliance of the various listing requirements for our successful listing on the ACE Market.

8.3.3 Payment of dividends to our shareholders

Our Company, being an investment holding company, derives its income mainly from dividends receivable from our subsidiaries. Hence, our ability to pay dividend is largely dependent on the performance of our subsidiaries. In determining the amount of any dividend recommendation, we will also take into consideration a number of factors including, but not limited to, our financial performance, cash flow requirements, covenants of existing/future bank borrowings, debt service requirements, financing commitments, availability of distributable reserves and future expansion plans. We may not be able to record profits or have sufficient funds above our funding requirements, other obligations and business plans to declare dividend to our shareholders in future.

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8. RISK FACTORS *(cont'd)*

8.4 OTHER RISKS

8.4.1 Continued control by our Promoters

Upon Listing, our Promoters will collectively hold a total of approximately 45.50% of our enlarged issued share capital. Depending on how they choose to vote and due to their shareholdings, our Promoters will generally be expected to have significant influence on the outcome of certain matters requiring the vote of our shareholders unless they are required to abstain from voting by law and/or as required by the relevant authorities.

Nevertheless, as a step towards good corporate governance, our Independent Non-Executive Chairman as well as 3 Independent Non-Executive Directors have been appointed to ensure that, inter-alia, all future transactions involving related parties are entered into 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 are not detrimental to our minority shareholders.

8.4.2 Uncertainty of forward looking statements

Certain statements in this Prospectus are based on historical data which may not be reflective of our future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies. Although all forward-looking statements are based on estimates and assumptions which are believed to be reasonable at this time, such estimates and assumptions are subject to known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. In light of these uncertainties, the inclusion of forward-looking statements in this Prospectus should not be regarded as a representation or warranty by us or our advisers that the plans and objectives of our Group will be achieved.

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9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

9.1 RELATED PARTY TRANSACTIONS AND OTHER TRANSACTIONS

9.1.1 Non-Recurrent Related Party Transactions

As at the LPD, there are no existing and/or proposed related party transactions entered or to be entered into by our Group which involves the interest, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them during the Financial Period Under Review and the subsequent period up to the LPD.

Upon our listing, if there are any proposed related party transactions that involve the interest, direct or indirect, of our Directors and/or substantial shareholders, the interested Directors and/or substantial shareholders shall disclose to our Board their interests and the nature and extent of their interests, including all matters in relation to the proposed related party transactions that they are aware or should reasonably be aware of, which are not in our best interest. The interested Directors and/or substantial shareholders shall also abstain from any Board deliberation (where applicable) and voting on the relevant resolutions in respect of such proposed related party transactions.

If there are any proposed related party transactions that require the prior approval of our shareholders, the Directors, substantial shareholders and/or persons connected with them, which have any interest, direct or indirect, in the proposed related party transactions will also abstain from voting in respect of their direct and/or indirect shareholdings. Such interested Directors and/or substantial shareholders will also undertake to ensure that persons connected with them will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

9.1.2 Transactions That Are Unusual in Nature or Conditions

There are no other transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which we or any of our subsidiaries was a party in respect of the Financial Period Under Review and the subsequent period up to the LPD.

9.1.3 Outstanding Loans and Guarantees

Our Board has confirmed that there are no outstanding loans (including guarantees of any kind) that have been granted by our Group to or for the benefits of the related parties during the Financial Period Under Review and the subsequent period up to the LPD.

9.1.4 Financial Assistance Provided for the Benefit of a Related Party

There were no financial assistance provided by us for the benefit of any related party for the Financial Period Under Review and the subsequent period up to the LPD.

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9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST *(cont'd)*

9.2 CONFLICT OF INTEREST

As at the LPD, none of our Directors and/or substantial shareholders have any interest, directly or indirectly, 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.

None of our Directors or substantial shareholders has any other interest in other businesses and corporations which are our customers or suppliers as at the LPD.

In order to safeguard the interest of our Group and minority shareholders, the Nomination Committee will supervise and monitor any potential conflict of interest situation and report to the Board for further deliberation and action.

9.3 DECLARATION BY THE ADVISERS

- (a) KAF IB has confirmed that there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent in respect of our IPO.
- (b) Baker Tilly has confirmed that there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants in respect of our IPO.
- (c) Wong Beh & Toh has confirmed that there is no existing or potential conflict of interest in its capacity as the Due Diligence Solicitors in respect of our IPO.
- (d) Vital Factor has confirmed that there is no existing or potential conflict of interest in its capacity as the Independent Business and Market Research Consultant in respect of our IPO.

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10. FINANCIAL INFORMATION

10.1 REPORTING ACCOUNTANTS' REPORT ON THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



Date: 5 December 2022

The Board of Directors
TT Vision Holdings Berhad
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Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 Penang

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201906000600 (LLP0019411-LCA)
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Dear Sirs,

TT VISION HOLDINGS BERHAD ("TTVHB" or the "Company")

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022 INCLUDED IN A PROSPECTUS

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statement of financial position of TTVHB and its subsidiaries (the "Group"). The pro forma consolidated statement of financial position consists of the pro forma consolidated statement of financial position as at 30 June 2022 together with the accompanying notes thereon, as set out in the accompanying statements, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the Directors of TTVHB have compiled the pro forma consolidated statement of financial position are as described in Note 2 to the pro forma consolidated statement of financial position and in accordance with the requirements of the *Prospectus Guidelines – Equity* issued by the Securities Commission Malaysia ("Prospectus Guidelines") ("Applicable Criteria").

The pro forma consolidated statement of financial position of TTVHB has been compiled by the Directors of TTVHB, for illustrative purposes only, for inclusion in the prospectus of TTVHB ("Prospectus") in connection with the initial public offering of the IPO Shares in conjunction with the listing of and quotation for the entire enlarged issued share capital of TTVHB on the ACE Market of Bursa Malaysia Securities Berhad comprising the Public Issue and the Offer for Sale ("IPO"), after making certain assumptions and such adjustments to show the effects on the pro forma consolidated financial position of TTVHB as at 30 June 2022 adjusted for the Public Issue, Offer for Sale and use of proceeds as described in Notes 1.2.1, 1.2.2 and 3.2.1 respectively.

10. FINANCIAL INFORMATION *(contd)***TT VISION HOLDINGS BERHAD**

Reporting Accountants' Report on the Compilation of the
Pro Forma Consolidated Statement of Financial Position
as at 30 June 2022 Included in A Prospectus



As part of this process, information about TTVHB's pro forma consolidated financial positions has been extracted by the Directors of TTVHB from the accountants' report of the Group for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 and financial period ended 30 June 2022, which were reported by us to the Directors of TTVHB on 5 December 2022 without any modification.

Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Directors of TTVHB are responsible for compiling the pro forma consolidated statement of financial position based on the Applicable Criteria.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the By-Laws (on Professional Ethics, Conduct and Practice) issued by the Malaysian Institutes of Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies *International Standard on Quality Control 1 (ISQC 1), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, on whether the pro forma consolidated statement of financial position has been compiled, in all material respects, by the Directors of TTVHB based on the Applicable Criteria.

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE) 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors of TTVHB have compiled, in all material respects, the pro forma consolidated statement of financial position based on the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statement of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statement of financial position.

The purpose of the pro forma consolidated statement of financial position included in the Prospectus is solely to illustrate the impact of significant events or transactions on the unadjusted financial information of TTVHB as if the events had occurred or the transaction had been undertaken at an earlier date selected for illustrative purposes only. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

10. FINANCIAL INFORMATION (contd)

TT VISION HOLDINGS BERHAD

Reporting Accountants' Report on the Compilation of the
Pro Forma Consolidated Statement of Financial Position
as at 30 June 2022 Included in A Prospectus



Reporting Accountants' Responsibilities (Continued)

A reasonable assurance engagement to report on whether the pro forma consolidated statement of financial position has been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors of TTVHB in the compilation of the pro forma consolidated statement of financial position of TTVHB provide a reasonable basis for presenting the significant effects directly attributable to Listing Scheme as described in Note 1.2 to the pro forma consolidated statement of financial position, and to obtain sufficient appropriate evidence about whether:

- (a) The pro forma consolidated statement of financial position of TTVHB has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma consolidated statement of financial position, based on the accountants' report of the Group for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 and the financial period ended 30 June 2022, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited financial statements for the financial period ended 30 June 2022; and
- (b) Each material adjustment made to the information used in the preparation of the pro forma consolidated statement of financial position is appropriate for the purpose of preparing the pro forma consolidated statement of financial position.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the pro forma consolidated statement of financial position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statement of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our opinion

In our opinion:

- (a) the pro forma consolidated statement of financial position of TTVHB has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma consolidated statement of financial position, based on the accountants' report of the Group for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 and the financial period ended 30 June 2022, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited consolidated financial statements for the financial period ended 30 June 2022; and
- (b) each material adjustment made to the information used in the preparation of the pro forma consolidated statement of financial position of TTVHB is appropriate for the purpose of preparing the pro forma consolidated statement of financial position.

10. FINANCIAL INFORMATION (contd)

TT VISION HOLDINGS BERHAD

Reporting Accountants' Report on the Compilation of the
Pro Forma Consolidated Statement of Financial Position
as at 30 June 2022 Included in A Prospectus



Other matter

This report has been prepared for inclusion in the Prospectus of TTVHB in connection with the IPO. As such, this report should not be used, circulated, quoted or otherwise referred to in any document or used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Baker Tilly Monteiro Heng".

Baker Tilly Monteiro Heng PLT
LLP0019411-LCA & AF 0117
Chartered Accountants

A handwritten signature in black ink, appearing to read "Paul Tan Hong".

Paul Tan Hong
No. 03459/11/2023 J
Chartered Accountant

10. FINANCIAL INFORMATION (contd)

TT VISION HOLDINGS BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

1. INTRODUCTION

The pro forma consolidated statement of financial position of TT Vision Holdings Berhad (“TTVHB” or “Company”) has been compiled by the Directors of TTVHB, for illustrative purposes only, for inclusion in the prospectus of TTVHB (“Prospectus”) in connection with the initial public offering of the IPO Shares in conjunction with the listing of and quotation for the entire enlarged issued share capital of TTVHB on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) comprising the Public Issue and the Offer for Sale (“IPO”).

1.1 In conjunction with the admission of TTVHB to the Official List and the listing of and quotation for its entire enlarged issued share capital after the IPO and before utilisation of proceeds of RM70,010,000 comprising 468,000,000 Shares on the ACE Market of Bursa Securities (“Listing”), TTVHB had undertaken the following transactions:

1.2 Listing Scheme

1.2.1 Public Issue

The Public Issue of 84,500,000 new TTVHB Shares at the initial public offering (“IPO”) price of RM0.34 per Share, representing approximately 18.06% of the enlarged number of shares of TTVHB, will be allocated in the following manner:

- (i) 23,400,000 new TTVHB Shares made available to the Malaysian Public;
- (ii) 18,100,000 new TTVHB Shares made available for application by the eligible Directors, employees and persons who have contributed to the success of TTVHB Group; and
- (iii) 43,000,000 new TTVHB Shares made available by way of private placement to identified investors.

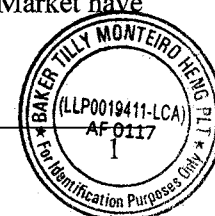
(Collectively hereinafter referred to as “Public Issue”).

1.2.2 Offer for Sale

Offer for sale of 10,500,000 existing TTVHB Shares at the IPO price of RM0.34 per Share representing 2.24% of the enlarged issued share capital by way of private placement to identified investors.

1.2.3 Listing

The admission of TTVHB to the Official List and the listing of and quotation for its entire enlarged issued share capital after the IPO and before utilisation of proceeds of approximately RM70.01 million comprising 468,000,000 Shares on the ACE Market have been approved by Bursa Securities.

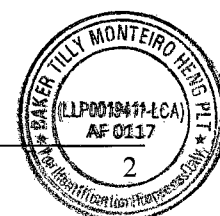


10. FINANCIAL INFORMATION (contd)

TT VISION HOLDINGS BERHAD

2. BASIS OF PREPARATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

- 2.1 The pro forma consolidated statement of financial position has been prepared to illustrate the pro forma consolidated financial position of TTVHB and its subsidiaries as at 30 June 2022, adjusted for the Public Issue, Offer for Sale and use of proceeds as described in Notes 1.2.1, 1.2.2 and 3.2.2 respectively.
- 2.2 The accountants' report of the TTVHB for the financial years ended ("FYE") 31 December 2019, 31 December 2020 and 31 December 2021 and the financial period ended ("FPE") 30 June 2022 were reported by the auditors to the directors of TTVHB on 5 December 2022 without any modifications.
- 2.3 The pro forma consolidated statement of financial position of TTVHB has been prepared for illustrative purposes only and, such information may not, because of its nature, give a true picture of the actual financial position and the results of TTVHB and does not purport to predict the future financial position and results of TTVHB.
- 2.4 The pro forma consolidated statement of financial position of TTVHB have been properly prepared on the basis set out in the accompanying notes to the audited financial statements of TTVHB for FPE 30 June 2022, which have been prepared in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.
- 2.5 The pro forma consolidated statement of financial position of TTVHB have been prepared in a manner consistent with both the format of the financial statements and accounting policies adopted by the Group in the preparation of its audited financial statements for the FPE 30 June 2022.
- 2.6 In connection with the Listing, the pro forma consolidated statement of financial position of TTVHB as at 30 June 2022 have been presented after adjusting for the Public Issue, Offer for Sale and use of proceeds as described in Notes 1.2.1, 1.2.2 and 3.2.2 respectively.



10. FINANCIAL INFORMATION (contd)**TT VISION HOLDINGS BERHAD****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF TT VISION HOLDINGS BERHAD**

- 3.1 The pro forma consolidated statement of financial position of TTVHB as set out below, for which the Directors of TTVHB are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited statement of financial position of TTVHB as at 30 June 2022, had the Public Issue, Offer for Sale and use of proceeds as described in Notes 1.2.1, 1.2.2 and 3.2.1 respectively, been effected on that date, and should be read in conjunction with the notes accompanying thereto.

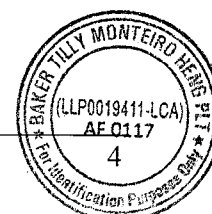
	Audited Consolidated Statement of Financial Position as at 30 June 2022 RM'000	Pro Forma I After Public Issue and Offer for Sale RM'000	Pro Forma II After Pro Forma I and Utilisation of Proceeds RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	999	999	999
Right-of-use assets	30,077	30,077	30,077
Intangible assets	4,148	4,148	4,148
	35,224	35,224	35,224
Current assets			
Inventories	10,791	10,791	10,791
Trade and other receivables	10,987	10,987	10,017
Contract assets	14,651	14,651	14,651
Other investments	6,333	6,333	6,333
Current tax assets	12	12	12
Cash and bank balances	9,457	38,187	30,307
	52,231	80,961	72,111
TOTAL ASSETS	87,455	116,185	107,335



10. FINANCIAL INFORMATION (contd)**TT VISION HOLDINGS BERHAD****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF TT VISION HOLDINGS BERHAD (CONTINUED)**

3.1 (Continued)

	Audited Consolidated Statement of Financial Position as at 30 June 2022 RM'000	Pro Forma I After Public Issue and Offer for Sale RM'000	Pro Forma II After Pro Forma I and Utilisation of Proceeds RM'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	41,280	70,010	69,040
Other reserves	(9,646)	(9,646)	(9,646)
Retained earnings	26,577	26,577	24,697
TOTAL EQUITY	58,211	86,941	84,091
Non-current liabilities			
Loans and borrowings	5,653	5,653	-
Deferred income	29	29	29
Deferred tax liabilities	8,611	8,611	8,611
	14,293	14,293	8,640
Current liabilities			
Loans and borrowings	3,112	3,112	2,765
Trade and other payables	8,508	8,508	8,508
Contract liabilities	3,331	3,331	3,331
Current tax liabilities	-	-	-
	14,951	14,951	14,604
TOTAL LIABILITIES	29,244	29,244	23,244
TOTAL EQUITY AND LIABILITIES	87,455	116,185	107,335

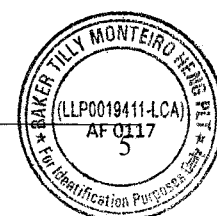


10. FINANCIAL INFORMATION (contd)**TT VISION HOLDINGS BERHAD****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF TT VISION HOLDINGS BERHAD (CONTINUED)**

3.1 (Continued)

	Audited Consolidated Statement of Financial Position as at 30 June 2022 RM'000	Pro Forma I After Public Issue and Offer for Sale RM'000	Pro Forma II After Pro Forma I and Utilisation of Proceeds RM'000
Number of ordinary shares in issue ('000)	383,500	468,000	468,000
Net Assets ("NA") attributable to the owners of the Company (RM'000)	58,211	86,941	84,091
NA per share attributable to the owners of the Company (RM)	0.15	0.19	0.18
Interest-bearing borrowings (RM'000)	8,765	8,765	2,765
Gearing (times) *	0.15	0.10	0.03

* *Gearing ratio is calculated based on total interest-bearing borrowings divided by total equity of the Group*



10. FINANCIAL INFORMATION (contd)**TT VISION HOLDINGS BERHAD****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF TT VISION HOLDINGS BERHAD (CONTINUED)**

3.2 Notes to the pro forma consolidated statement of financial position are as follows:

3.2.1 The proceeds from the Public Issue would be use in the following manner:

Purposes	RM'000	%	Estimated time for defrayment (from listing date)
Repayment of borrowings	6,000	20.88	Within 6 months
Research and development ⁽¹⁾	8,000	27.85	Within 24 months
Marketing activities ⁽¹⁾	850	2.96	Within 24 months
Working capital requirements	10,680	37.17	Within 24 months
Estimated listing expenses	3,200	11.14	Immediate
Total	28,730	100.00	

(1) As at the latest practicable date, TTVHB has yet to identify or commence research and development projects in relation to the proceeds earmarked for research and development and marketing activities. Accordingly, the utilisation of proceeds earmarked for research and development and marketing activities are not reflected in the pro forma consolidated statement of financial position.

3.2.2 The pro forma consolidated statement of financial position should be read in conjunction with the notes below:

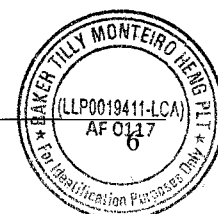
(a) Pro Forma I

Pro Forma I incorporate the effects of the Public Issue and Offer for Sale as described in Note 1.2.1 and Note 1.2.2 respectively.

The Public Issue will have the following impact on the pro forma consolidated statement of financial position of TTVHB as at 30 June 2022:

	Increase	
	Effects on Total Assets RM'000	Effects on Total Equity RM'000
Cash and bank balances	28,730	-
Share capital	-	28,730
	28,730	28,730

The Offer for Sale does not have an impact to the pro forma consolidated statement of financial position.



10. FINANCIAL INFORMATION (contd)**TT VISION HOLDINGS BERHAD****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF TT VISION HOLDINGS BERHAD (CONTINUED)**

3.2 (Continued)

3.2.2 (Continued)

(d) Pro Forma II

Pro Forma II incorporates the cumulative effects of Pro Forma I and the utilisation of proceeds from the Public Issue.

The proceeds arising from the Public Issue earmarked for the repayment of bank borrowings amounting to RM6.00 million will be debited to loans and borrowings account.

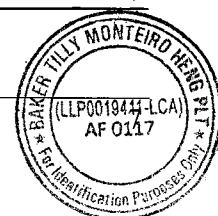
The proceeds arising from the Public Issue earmarked for research and development and marketing activities are not reflected in the pro forma consolidated statement of financial position as TTVHB has yet to identify or commence research and development projects and marketing activities. As such, these proceeds will be included in cash and bank balances account.

The proceeds arising from the Public Issue earmarked for working capital purposes will be debited to cash and bank balances.

Of the total estimated expenses of RM3.20 million, RM1.32 million had already been incurred as at 30 June 2022. The remaining RM1.88 million will be charged to retained earnings accounts. Of the RM1.32 million already incurred, RM0.97 million had been capitalised in prepayments and will be offset against share capital upon listing as these are directly attributable expenses relating to the new issuance of shares.

The utilisation of proceeds will have the following impact on the pro forma consolidated statement of financial position of TTVHB as at 30 June 2022:

	Decrease	
	Effects on Total Assets RM'000	Effects on Total Equity RM'000
Cash and bank balances	(7,880)	-
Prepayments	(970)	
Loans and borrowings	-	(6,000)
Share capital	-	(970)
Retained earnings	-	(1,880)
	(8,850)	(8,850)



10. FINANCIAL INFORMATION (contd)**TT VISION HOLDINGS BERHAD****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF TT VISION HOLDINGS BERHAD (CONTINUED)**

3.2 (Continued)

3.2.4 Movements in share capital and reserves are as follows:

	← Share Capital →		Other Reserves RM'000	Retained Earnings RM'000	Total RM'000
	Number of shares '000	Amount RM'000			
Audited as at 30 June 2022	383,500	41,280	(9,646)	26,577	58,211
Arising from Public Issue and Offer for Sale	84,500	28,730	-	-	28,730
As per Pro Forma I	468,000	70,010	(9,646)	26,577	86,941
Arising from Utilisation of Proceeds	-	(970)	-	(1,880)	(2,850)
As per Pro Forma II	468,000	69,040	(9,646)	24,697	84,091

3.2.5 Movements in cash and bank balances are as follows:

	RM'000
Audited as at 30 June 2022	9,457
Arising from Public Issue and Offer for Sale	28,730
As per Pro Forma I	38,187
Arising from Utilisation of Proceeds	(7,880)
As per Pro Forma II	30,307

3.2.6 Movements in loans and borrowings are as follows:

	RM'000
Audited as at 30 June 2022	8,765
Arising from Public Issue and Offer for Sale	-
As per Pro Forma I	8,765
Arising from Utilisation of Proceeds	(6,000)
As per Pro Forma II	2,765



10. FINANCIAL INFORMATION (contd)

TT VISION HOLDINGS BERHAD

APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of TT Vision Holdings Berhad in accordance with a resolution dated 05 DEC 2022


Goon Koon Yih
Director


Wong Yih Hsow
Director



10. FINANCIAL INFORMATION (cont'd)**10.2 HISTORICAL FINANCIAL INFORMATION**

Our historical financial information throughout the Financial Period Under Review has been prepared in accordance with MFRS and IFRS. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows.

Our historical financial information presented in this section should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations set out in Section 10.4 of this Prospectus and the Accountants' Report included in Section 11 of this Prospectus.

10.2.1 Statements of Profit or Loss and Other Comprehensive Income

The summary of our statements of profit or loss and other comprehensive income for the Financial Period Under Review is as follows:-

	Audited			Unaudited	Audited
	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FPE 2021 (RM'000)	FPE 2022 (RM'000)
Revenue	20,660	24,927	47,264	23,614	27,358
Cost of sales	(16,830)	(15,826)	(27,581)	(13,319)	(15,997)
GP	3,830	9,101	19,683	10,295	11,361
Other income	911	933	516	259	729
Distribution expenses	(680)	(683)	(623)	(417)	(645)
Administrative expenses	(6,626)	(5,816)	(6,422)	(3,215)	(3,565)
R&D expenses	(1,230)	(1,219)	(2,763)	(1,297)	(576)
Other expenses	(697)	-	-	-	-
Operating (loss)/profit	(4,492)	2,316	10,391	5,625	7,304
Finance income	75	80	162	80	9
Finance costs	(131)	(188)	(309)	(139)	(159)
(LBT)/PBT	(4,548)	2,208	10,244	5,566	7,154
Taxation	227	(692)	(1,905)	(1,227)	(1,956)
(LAT)/PAT	(4,321)	1,516	8,339	4,339	5,198
Other comprehensive income	-	313	76	-	38
Total comprehensive (loss)/income for the financial year/period	(4,321)	1,829	8,415	4,339	5,236
EBITDA ⁽¹⁾	(2,802)	4,708	12,204	6,774	8,229
GP margin (%) ⁽²⁾	18.54	36.51	41.64	43.60	41.53
(LBT)/PBT margin (%) ⁽³⁾	(22.01)	8.86	21.67	23.57	26.15
(LAT)/PAT margin (%) ⁽⁴⁾	(20.91)	6.08	17.64	18.37	19.00
Basic (LPS)/EPS (sen) ⁽⁵⁾	(1.13)	0.40	2.17	1.13	1.36
Effective tax rate (%)	(4.99)	31.34	18.59	22.04	27.34

10. FINANCIAL INFORMATION (cont'd)

Notes:-

- (1) The table below sets forth a reconciliation of our PBT/(LBT) to EBITDA/(LBITDA):-

	Audited			Unaudited	Audited
	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FPE 2021 (RM'000)	FPE 2022 (RM'000)
(LBT)/PBT	(4,548)	2,208	10,244	5,566	7,154
Adjusted for:					
Finance costs	131	188	309	139	159
Depreciation and amortisation *	1,690	2,392	1,813	1,149	925
Interest income	(75)	(80)	(162)	(80)	(9)
(LBITDA)/EBITDA	(2,802)	4,708	12,204	6,774	8,229

* Comprised the following:-

- (a) depreciation and amortisation of property, plant and equipment ("PPE") and right-of-use assets;
- (b) amortisation of intangible assets (representing the capitalised R&D expenses); and
- (c) amortisation of deferred income (representing the capitalised grant income).

The higher depreciation and amortisation for FYE 2020 was mainly attributable to the commencement of depreciation of our new factory building's extension which was completed in FYE 2019 and increase in amortisation of intangible assets due to additional R&D expenses capitalised in FYE 2020.

- (2) Computed based on GP divided by revenue.
- (3) Computed based on LBT or PBT divided by revenue.
- (4) Computed based on LAT or PAT divided by revenue.
- (5) Basic LPS or EPS is computed based on LAT or PAT attributable to owners of our Company divided by the issued share capital of 383,500,000 Shares before the IPO. There is no diluted LPS or EPS as there were no potential dilutive securities in issue throughout the Financial Period Under Review.

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10. FINANCIAL INFORMATION (cont'd)**10.2.2 Statements of Financial Position**

The statements of financial position as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022 are as follows:-

	Audited as at			
	31.12.2019 (RM'000)	31.12.2020 (RM'000)	31.12.2021 (RM'000)	30.06.2022 (RM'000)
ASSETS				
Non-Current Assets				
Property, plant and equipment *	12,634	1,513	1,149	999
Right-of-use assets *	20,265	31,030	30,396	30,077
Intangible assets	4,100	5,110	4,129	4,148
Total non-current assets	36,999	37,653	35,674	35,224
Current Assets				
Inventories	10,053	6,244	9,043	10,791
Trade and other receivables	3,455	3,952	6,963	10,987
Contract assets	2,176	4,225	12,016	14,651
Other investments	3,543	13,083	11,987	6,333
Current tax assets	-	-	-	12
Cash and bank balances	5,397	2,748	5,490	9,457
Total current assets	24,624	30,252	45,499	52,231
TOTAL ASSETS	61,623	67,905	81,173	87,455
EQUITY AND LIABILITIES				
Equity attributable to owners of the Group				
Share capital	41,280	41,280	41,280	41,280
Other reserves	(10,073)	(9,760)	(9,684)	(9,646)
Retained earnings	11,524	13,040	21,379	26,577
TOTAL EQUITY	42,731	44,560	52,975	58,211
Non-current liabilities				
Loans and borrowings	3,626	6,240	5,910	5,653
Deferred income	673	358	89	29
Deferred tax liabilities	4,510	5,108	6,935	8,611
	8,809	11,706	12,934	14,293
Current liabilities				
Loans and borrowings	306	2,035	2,868	3,112
Trade and other payables	4,573	4,905	7,395	8,508
Contract liabilities	4,871	4,144	4,805	3,331
Current tax liabilities	333	555	196	-
Total current liabilities	10,083	11,639	15,264	14,951
TOTAL LIABILITIES	18,892	23,345	28,198	29,244
TOTAL EQUITY AND LIABILITIES	61,623	67,905	81,173	87,455

Note:-

- * The decrease in PPE in 2020 from 2019 was mainly due to the reclassification of the Group's leasehold land and building from PPE to right-of-use assets in accordance with MFRS 16 Leases while the decreases in PPE and right-of-use assets in both 2021 and 2022 were mainly due to the depreciation/amortisation of the PPE and right-of-use assets.

10. FINANCIAL INFORMATION (cont'd)**10.3 CAPITALISATION AND INDEBTEDNESS**

The following table sets out our Group's capitalisation and indebtedness as at 31 October 2022 after taking into consideration the effects of our IPO and utilisation of proceeds from our Public Issue:-

	Unaudited As at 31.10.2022 (RM'000)	After IPO and Utilisation of Proceeds (RM'000)
Capitalisation		
Shareholders' equity *	63,397	88,927
Total capitalisation	63,397	88,927
Indebtedness		
<u>Current</u>		
Term loans	624	99
Bankers' acceptance	3,474	3,474
<u>Non-current</u>		
Term loans	5,475	-
Total indebtedness	9,573	3,573
Total capitalisation and indebtedness	72,970	92,500

Note:-

* Excluding non-controlling interest.

10.4 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read together with the Accountants' Report and related notes as set out in Section 11 of this Prospectus.

10.4.1 Review of Our Operations

We are primarily a manufacturer of machine vision equipment used for the inspection of optoelectronics (mainly LEDs), solar cells, discrete components and ICs (chips) as well as vision guided robotics. Our machine vision equipment also incorporates additional functions such as reject handling, testing and sorting depending on the customer's requirement. Our business activities typically entail equipment design, software development, manufacture, assembly and installation of equipment or modules.

A small proportion of our business involves the provision of other related products and services. These include upgrading of machines, sales of spare parts, repair and maintenance of machines, manufacture of other industrial automated equipment, sales of software and training services.

Please refer to Section 6 of this Prospectus for further information about our business activities and products.

10. FINANCIAL INFORMATION (cont'd)

(a) Revenue

The revenue recognition for our products and services are as follows:-

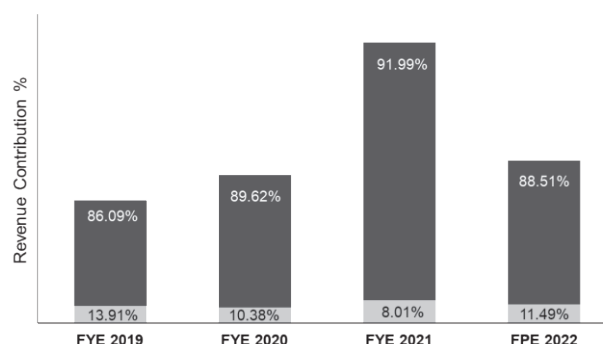
- Machine vision equipment:** Revenue generated from the sale of machine vision equipment is fully recognised at a point in time when the control of the products has been transferred and delivery of the products accepted by the customer.

In terms of invoicing, 70% to 90% of the total revenue amount will be invoiced while the remaining 10% to 30% will only be invoiced upon fulfilment of certain buy-off criteria which may be as short as 2 weeks or up to 1 year especially for new or customised equipment that are specifically developed.

- Other related products and services:** Revenue from the sale of spare parts, other manufactured products and software are recognised at a point in time when control of the products or software has been transferred and delivery accepted by the customer. Revenue from the provision of upgrading, repair and maintenance, and training services are recognised upon services rendered.

Our Group's total revenue increased from RM20.66 million in FYE 2019 to RM47.26 million in FYE 2021, representing a CAGR of 51.25%. This was mainly attributed to the increase in our revenue from the manufacturing of machine vision equipment. In FPE 2022, our Group's total revenue was RM27.36 million.

Revenue by business activities



The manufacturing of machine vision equipment constituted the largest revenue contributor having accounted for 86.09% (RM17.79 million), 89.62% (RM22.34 million), 91.99% (RM43.48 million) and 88.51%

	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FPE 2022 RM'000
Manufacturing of machine vision equipment	17,786	22,340	43,476	24,214
Other related products and services	2,874	2,587	3,788	3,144
Total revenue	20,660	24,927	47,264	27,358

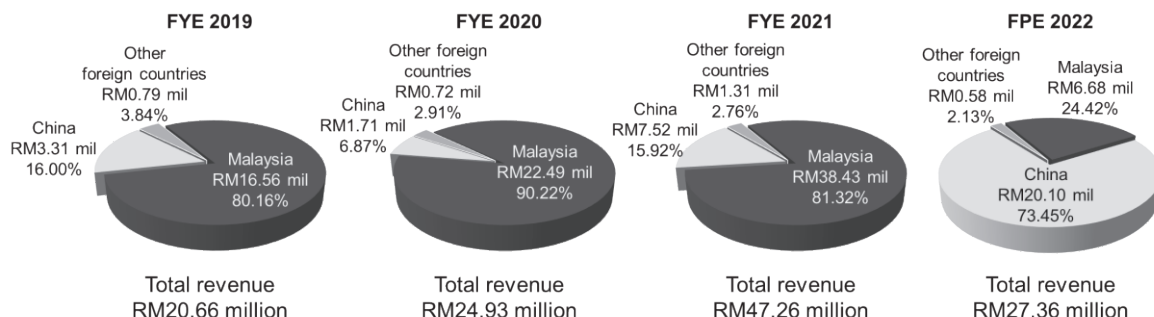
(RM24.22 million) of our total revenue for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively. The increase in revenue from this segment was mainly contributed by optoelectronic inspection equipment, solar cell inspection equipment as well as discrete component and IC inspection equipment.

The remaining revenue was contributed by the provision of other related products and services including upgrading of machines, sales of spare parts, repair and maintenance of machines, manufacture of other industrial automated equipment, and sales of software and training services. This business segment cumulatively accounted for 13.91% (RM2.87 million), 10.38% (RM2.59 million), 8.01% (RM3.78 million) and 11.49% (RM3.14 million) of our total revenue in FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively. The increase in revenue from this segment was mainly contributed by the provision of services to upgrade machines for existing customers as well as sales of spare parts.

Please refer to Section 10.4.1(a)(i) of this Prospectus for further analysis on revenue by business activities and products.

10. FINANCIAL INFORMATION (cont'd)

For the Financial Period Under Review, a large proportion of our revenue was contributed by sales to customers in Malaysia save for FPE 2022 where China based customers contributed significantly to our revenue. The breakdown of our revenue can be depicted as follows:-



Revenue from sales to customers in Malaysia represented 80.16% (RM16.56 million), 90.22% (RM22.49 million), 81.32% (RM38.43 million) and 24.42% (RM6.68 million) of our total revenue for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively with the balance 19.84% (RM4.10 million), 9.78% (RM2.44 million), 18.68% (RM8.83 million) and 75.58% (RM20.68 million) contributed from export sales to customers in foreign countries.

Our largest export market is China which contributed 16.00% (RM3.31 million), 6.87% (RM1.71 million), 15.92% (RM7.52 million) and 73.45% (RM20.10 million) of our total revenue for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively. The remaining export markets that contributed to our revenue for the Financial Period Under Review were South Korea, Philippines, Germany, USA, Hong Kong, Singapore, Thailand and Vietnam.

Please refer to Sections 6.8.1(c) and 10.4.1(a)(ii) of this Prospectus for the breakdown of our revenue by geographical markets.

(i) Revenue by business activities and products

The breakdown of our Group's revenue by business activities and products are as follows:-

	Audited						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Manufacturing of machine vision equipment										
• Optoelectronic inspection equipment	2,182	10.56	4,752	19.06	18,931	40.05	8,405	35.59	4,627	16.91
• Solar cell inspection and sorting equipment	11,899	57.60	15,732	63.11	16,079	34.02	9,720	41.16	137	0.50
• Discrete component and IC inspection equipment	3,411	16.51	1,357	5.45	8,240	17.44	3,212	13.60	19,450	71.10
• Vision guided robotic equipment	294	1.42	499	2.00	226	0.48	-	-	-	-
Sub-total	17,786	86.09	22,340	89.62	43,476	91.99	21,337	90.35	24,214	88.51
Other related products and services	2,874	13.91	2,587	10.38	3,788	8.01	2,277	9.65	3,144	11.49
Total	20,660	100.00	24,927	100.00	47,264	100.00	23,614	100.00	27,358	100.00

10. FINANCIAL INFORMATION (cont'd)**(ii) Revenue by geographical markets**

The breakdown of our Group's revenue by geographical markets is as follows:-

	Audited						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	16,562	80.16	22,490	90.22	38,433	81.32	20,423	86.49	6,681	24.42
Foreign countries										
China	3,305	16.00	1,713	6.87	7,524	15.92	2,939	12.45	20,095	73.45
Others	⁽¹⁾ 793	3.84	⁽²⁾ 724	2.91	⁽³⁾ 1,307	2.76	⁽⁴⁾ 252	1.07	⁽⁵⁾ 582	2.13
	4,098	19.84	2,437	9.78	8,831	18.68	3,191	13.51	20,677	75.58
Total	20,660	100.00	24,927	100.00	47,264	100.00	23,614	100.00	27,358	100.00

Notes:

- (1) Include Philippines, USA and Hong Kong.
- (2) Include Philippines, USA, Hong Kong and Thailand.
- (3) Include Philippines, USA, Hong Kong, Thailand, Vietnam, South Korea, Germany and Singapore.
- (4) Include Philippines, USA, Hong Kong, Thailand and Singapore.
- (5) Include Philippines, USA, Vietnam and Germany.

(iii) Commentaries on revenue**Comparison between FYE 2019 and FYE 2020**

Our revenue increased by 20.65% or RM4.27 million from RM20.66 million in FYE 2019 to RM24.93 million in FYE 2020. This was mainly due to the increase in revenue from the manufacturing of machine vision equipment segment.

Manufacturing of Machine Vision Equipment

The manufacturing of machine vision equipment increased by 25.60% or RM4.55 million from RM17.79 million in FYE 2019 to RM22.34 million in FYE 2020. This was achieved mainly due to sales of higher number of equipment albeit at relatively lower value on average as compared to the previous financial year as follows:-

- increase in revenue from the sales of solar cell inspection equipment by RM3.83 million, mainly due to the sales of 1 unit of quad solar cell sorter to a major customer in Malaysia which amounted to RM14.02 million in FYE 2020. In FYE 2019, we sold 2 units of IBC solar cell sorters to the same customer for a total of RM10.94 million. The increase in revenue was also partially due to the increase in sales of vision inspection modules by RM0.75 million arising from the increase in sales volume from 8 units in FYE 2019 to 16 units in FYE 2020;

10. FINANCIAL INFORMATION (cont'd)

- increase in revenue from the sales of optoelectronic inspection equipment by RM2.57 million, mainly due to the increase in sales orders for our optoelectronic inspection equipment. In FYE 2020, we recorded sales for 7 units of wire bond AOI equipment, and 12 units of vision inspection modules to 2 major customers in Malaysia. In comparison, in FYE 2019, we recorded sales of 3 units of wire bond AOI equipment and 4 units of vision inspection modules; and
- increase in revenue from the sales of vision guided robotic equipment by RM0.21 million, mainly due to the sales of 3 units of equipment in FYE 2020 as compared to 1 unit sold in FYE 2019.

This was partially offset by the decrease in revenue from the sales of discrete component and IC inspection equipment by RM2.05 million in FYE 2020. This was mainly attributed to a decrease in sales orders where we only sold 1 unit of wire bond AOI equipment in FYE 2020 as compared to 6 units of discrete component and IC inspection equipment in FYE 2019. This was mainly due to the decrease in orders from Customer group A which was attributed to the deferment of their internal capital expenditure plans.

Other related products and services

The increase in our total revenue was also partially offset by the decrease in revenue from other related products and services segment by RM0.29 million. This was mainly due to the decrease in sales of spare parts by RM0.41 million and provision of repair and maintenance services of machine vision equipment by RM0.04 million.

Comparison between FYE 2020 and FYE 2021

Our revenue increased by 89.61% or RM22.34 million from RM24.93 million in FYE 2020 to RM47.26 million in FYE 2021. This was due to the increase in revenue from our manufacturing of machine vision equipment segment as well as other related products and services segment.

Manufacturing of Machine Vision Equipment

The manufacturing of machine vision equipment increased by 94.61% or RM21.14 million from RM22.34 million in FYE 2020 to RM43.48 million in FYE 2021. This was mainly due to the following:-

- increase in revenue from the sales of optoelectronic inspection equipment by RM14.18 million, mainly due to the increase in sales volume for AOI equipment and vision inspection modules for the optoelectronics applications in FYE 2021. In FYE 2021, we sold a total of 30 units of wire bond AOI equipment, and 27 units of vision inspection modules to 3 major customers in Malaysia. In comparison, in FYE 2020, we recorded sales of 7 units of wire bond AOI equipment, and 12 units of vision inspection modules;
- increase in revenue from the sales of discrete component and IC inspection equipment by RM6.88 million, mainly due to the increase in sales volume for AOI equipment for semiconductor applications. In FYE 2021, we recorded sales of 12 units of wire bond AOI equipment to 4 customers in China and Malaysia. In comparison, in FYE 2020, we only sold 1 unit of wire bond AOI equipment; and

10. FINANCIAL INFORMATION (cont'd)

- increase in revenue from the sales of solar cell inspection equipment by RM0.35 million, mainly due to the increase in sales volume of vision inspection modules for solar cell applications. In FYE 2021, we sold a total of 125 units of vision inspection modules including FRV-AOI vision modules and PL-AOI vision modules mainly to a major customer, namely a solar cell manufacturer in Malaysia. In comparison, we sold 1 unit of quad solar cell sorter and 16 units of vision inspection modules in FYE 2020.

The increase in our total revenue was partially offset by the decrease in revenue from our sales of vision guided robotic equipment by RM0.27 million. This was mainly attributed to the decrease in sales volume for robotic equipment where we sold 2 units of robotic equipment in FYE 2021 as compared to 3 units of robotic equipment in FYE 2020.

Other related products and services

In FYE 2021, revenue from our other related products and services increased by 46.42% or RM1.20 million. This was mainly due to the increase in the provision of upgrading of machines for some of our existing customers by RM0.85 million as well as increase in sales of spare parts by RM0.53 million.

Comparison between FPE 2021 and FPE 2022

Our revenue increased by 15.86% or RM3.74 million from RM23.61 million in FPE 2021 to RM27.36 million in FPE 2022. This was due to the increase in revenue from both our manufacturing of machine vision equipment segment as well as other related products and services segment.

Manufacturing of Machine Vision Equipment

The manufacturing of machine vision equipment increased by 13.48% or RM2.88 million from RM21.34 million in FPE 2021 to RM24.22 million in FPE 2022.

This was mainly due to the increase in revenue from the sales of discrete component and IC inspection equipment by RM16.24 million contributed by an increase in sales orders for AOI equipment for semiconductor applications. In FPE 2022, we recorded sales of 23 units of wire bond AOI equipment to customers in China and Malaysia compared to 4 units of wire bond AOI equipment in FPE 2021.

This was partially offset by the decrease in revenue from the sales of solar cell inspection equipment and optoelectronic inspection equipment as follows:-

- decrease in revenue from the sales of solar cell inspection equipment by RM9.58 million mainly due to the decrease in sales volume from 71 units in FPE 2021 to 1 unit of vision inspection modules in FPE 2022. This was mainly due to the fulfilment of sales orders from Hanwha Malaysia and its related companies in FYE 2021; and

10. FINANCIAL INFORMATION (cont'd)

- decrease in revenue from the sales of optoelectronic inspection equipment by RM3.78 million mainly due to the sales of different product mix where there was an increase in the number of units of vision inspection modules associated with lower unit price, and a decrease in the number of units of the higher priced wire bond AOI equipment. Vision inspection module is similar to an AOI equipment but functions solely to carry out vision inspection without any post-handling inspection functions and thus is priced lower than the latter. In FPE 2022, we recorded sales of 6 units of AOI equipment and 17 units of vision inspection modules as compared to 14 units of AOI equipment and 7 units of vision inspection modules in FPE 2021.

There was no vision guided robotic equipment sold in FPE 2021 and FPE 2022.

Other related products and services

In FPE 2022, revenue from our other related products and services increased by 38.08% or RM0.87 million. This was mainly due to an increase in the sales of spare parts to our existing customers by RM0.91 million.

(b) Cost of Sales**(i) Cost of sales by business activities**

The breakdown of our Group's cost of sales by business activities are as follows:-

Cost of sales	Audited						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Manufacturing of machine vision equipment	15,000	89.13	14,703	92.90	25,935	94.03	12,266	92.09	13,744	85.92
Other related products and services	1,830	10.87	1,123	7.10	1,646	5.97	1,053	7.91	2,253	14.08
Total	16,830	100.00	15,826	100.00	27,581	100.00	13,319	100.00	15,997	100.00

(ii) Cost of sales by cost component

The breakdown of our Group's cost of sales by cost component are as follows:-

Cost of sales	Audited						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Material costs	9,654	57.36	11,478	72.53	19,261	69.84	9,673	72.62	10,002	62.52
Direct labour costs	4,575	27.18	2,838	17.93	4,954	17.96	2,441	18.33	3,322	20.77
Subcontractor costs	2,271	13.50	1,265	7.99	2,624	9.51	943	7.08	1,682	10.51
Other costs	330	1.96	245	1.55	742	2.69	262	1.97	991	6.20
Total	16,830	100.00	15,826	100.00	27,581	100.00	13,319	100.00	15,997	100.00

10. FINANCIAL INFORMATION *(cont'd)*

(iii) Commentaries on cost of sales**• Material costs**

Material costs mainly consists of vision components such as cameras, optics, lenses, lightings and sensors, mechanical, electrical and pneumatic parts such as fabricated metal parts, cables and wires, motion guide, ball screws, machine covers, bolts and nuts, screws, robots and end-effectors, computer related devices, and solar cell test modules.

For FYE 2019, FYE 2020, FYE 2021 and FPE 2022, material costs accounted for 57.36%, 72.53%, 69.84% and 62.52% of total cost of sales respectively.

For FYE 2020, our material costs increased by 18.89% or RM1.82 million which was in line with the increase in our revenue from manufacturing of machine vision equipment by 25.60% mainly arising from sales of solar cell inspection equipment and optoelectronic inspection equipment.

For FYE 2021, our material costs increased by 67.81% or RM7.78 million which was in line with the increase in our revenue from manufacturing of machine vision equipment by 94.71% mainly arising from sales of optoelectronic inspection equipment and discrete component and IC inspection equipment.

For FPE 2022, our material costs increased by 3.40% or RM0.33 million mainly due to the increase in our revenue from manufacturing of machine vision equipment by 13.48% mainly arising from sales of discrete component and IC inspection equipment.

For further information on the analysis of our revenue, please refer to Section 10.4.1(a) of this Prospectus.

• Direct labour costs

Direct labour costs comprise salaries, bonus and allowances, and employee contribution plans for employees who were involved in the core operations of the Group.

For FYE 2020, our direct labour costs decreased by 37.97% or RM1.74 million mainly due to the resignation of 13 employees in FYE 2020, comprising 12 technical personnel (Engineering and Production) and 1 sales and marketing personnel, as well as the reclassification of staff costs of 3 employees to selling and distribution expenses. The staff resignations have not resulted in any adverse impact on or interruption to the business operations of the Group.

For FYE 2021, our direct labour costs increased by 74.56% or RM2.12 million mainly due to the hiring of additional 11 employees, comprising 10 technical personnel from both Engineering and Production, and R&D and 1 finance and administration personnel, coupled with the group-wide increment of salary package.

10. FINANCIAL INFORMATION (cont'd)

For FPE 2022, our direct labour costs increased by 36.09% or RM0.88 million mainly due to the hiring of additional 13 technical personnel from both Engineering and Production, and R&D between January and June 2022, and an increase in group-wide salary package from January 2022 onwards.

- **Subcontractor costs**

We engage subcontractors to perform the following services:-

- Fabrication and mechanical assembly works;
- Installation work, and after sales repair and maintenance services;
- Electrical wiring works; and
- Software development and mechanical design services.

Our subcontractor costs decreased by 44.30% from RM2.27 million in FYE 2019 to RM1.26 million in FYE 2020. The higher subcontractor costs in FYE 2019 were mainly due to additional costs incurred after the delivery of equipment to customers amounted to RM1.22 million. This included cost of repair and rework as well as additional customisation and features that were subsequently incorporated following the customers' request prior to their acceptance and buy-off. These additional costs were incurred to meet customers' requirements and obtain machine performance acceptance, hence the costs were borne by us. These costs incurred were mainly for several customers based in China involving prior year's sales of AOI equipment. In situations where the equipment was delivered to foreign customers, we are responsible for the design of the customisation and additional features, while we engage external subcontractors to carry out the fabrication, assembly and installation related works.

For FYE 2021, subcontractor costs increased by 107.43% or RM1.36 million mainly due to more fabrication and mechanical assembly works which is normally carried out by external subcontractors while our technical personnel focuses on the integration of software and application of the equipment. The increase in subcontractor costs was also in line with the increase in sales orders for our machine vision equipment recorded during the financial year particularly due to the increase in sales to China market. In FYE 2021, we incurred subcontractor costs of RM1.35 million compared to RM0.18 million in FYE 2020 from our suppliers in China for fabrication and mechanical assembly works.

For FPE 2022, our subcontractor costs increased by 78.37% or RM0.74 million mainly due to the increase in software design and programming services, fabrication and mechanical assembly works as well as electrical wiring works. The increase in subcontractor costs was also in line with the increase in sales orders for our machine vision equipment recorded during the financial period particularly due to the higher export sales to China market.

10. FINANCIAL INFORMATION *(cont'd)*

- **Other costs**

Other costs comprise mainly freight charges, custom duties, packing material, insurance and consumable costs. In FPE 2022, it also includes travelling expenses incurred by our engineers for field machine installation and services.

For FYE 2020, other costs decreased by 25.76% or RM0.09 million. This was mainly due to the decrease in freight charges, custom duties and packing material costs as a result of 40.56% reduction in export sales.

For FYE 2021, other costs increased by 202.86% or RM0.50 million. This was mainly due to higher custom duties and insurance costs arising from the increase in export sales by 262.52% mainly to China and South Korea.

For FPE 2022, other costs increased by 278.24% or RM0.73 million mainly due to the increase in freight charges and custom duties by RM0.51 million which was in line with the increase in export sales (particularly from China based customers) by RM17.49 million in FPE 2022. In addition, other costs also increased due to travelling expenses incurred by our engineers for field machine installation and services totalling RM0.14 million.

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10. FINANCIAL INFORMATION

(c) GP and GP Margin

(i) GP and GP margin by business activities and products

Our Group's GP and GP margin by business activities are as follows:-

	Audited				Unaudited				Audited			
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022		FPE 2022	
	GP (RM'000)	% margin	GP (RM'000)	% margin	GP (RM'000)	% margin	GP (RM'000)	% margin	GP (RM'000)	% margin	GP (RM'000)	% margin
Manufacturing of machine vision equipment	2,786	72.74	7,637	83.91	17,541	89.12	9,071	88.11	10,470	92.16	43.24	43.24
Other related products and services	1,044	27.26	1,464	16.09	2,142	10.88	1,224	11.89	891	7.84	28.34	28.34
Total	3,830	100.00	9,101	100.00	19,683	100.00	10,295	100.00	11,361	100.00	41.53	41.53

(ii) GP and GP margin by geographical markets

Our Group's GP and GP margin by geographical markets are as follows:-

	Audited				Unaudited				Audited			
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022		FPE 2022	
	GP (RM'000)	% margin	GP (RM'000)	% margin	GP (RM'000)	% margin	GP (RM'000)	% margin	GP (RM'000)	% margin	GP (RM'000)	% margin
Malaysia	4,141	108.12	8,295	91.14	16,001	81.29	8,621	83.74	2,334	20.54	34.93	34.93
<u>Foreign countries</u>	(611)	(15.95)	377	4.14	3,045	15.47	1,525	14.81	8,892	78.27	44.25	44.25
China	300	7.83	429	4.72	637	3.24	149	1.45	135	1.19	23.20	23.20
Others	(311)	(8.12)	806	8.86	3,682	18.71	1,674	16.26	9,027	79.46	43.66	43.66
Total	3,830	100.00	9,101	100.00	19,683	100.00	10,295	100.00	11,361	100.00	41.53	41.53

10. FINANCIAL INFORMATION

(iii) Commentaries on GP and GP margin**Comparison between FYE 2019 and FYE 2020**

Our GP increased by 137.62% or RM5.27 million from RM3.83 million in FYE 2019 to RM9.10 million in FYE 2020, and total GP margin improved from 18.54% in FYE 2019 to 36.51% in FYE 2020. This was mainly due to the following:

Manufacturing of Machine Vision Equipment

Our GP for the manufacturing of machine vision equipment segment increased by 174.12% or RM4.85 million and GP margin improved from 15.66% in FYE 2019 to 34.19% in FYE 2020.

The increase in GP was due to the increase in revenue by 25.60% or RM4.55 million coupled with the decrease in cost of sales by 1.98% or RM0.30 million from our manufacturing segment. The increase was mainly attributed by the sales of 1 unit of quad solar cell sorter (which has a relatively higher GP) as well as higher sales volume of optoelectronic inspection equipment where the sales of wire bond AOI equipment increased by 4 units and the sales of vision inspection modules increased by 8 units.

Meanwhile, the decrease in cost of sales by 1.98% from RM15.00 million in FYE 2019 to RM14.70 million in FYE 2020 was mainly attributable to the decrease in direct labour cost by 37.97% or RM1.74 million due to the resignation of 13 employees as well as reclassification of staff costs of 3 employees to selling and distribution expenses, in FYE 2020.

In addition, there was a decrease in additional costs incurred after delivery of equipment to customers (mainly for repair and rework as well as additional customisation and features for several customers based in China) by RM0.99 million as well as a decrease in inventory write-off from RM0.69 million in FYE 2019 to RM0.18 million in FYE 2020. For the FYE 2019, we have written-off inventory totalling RM0.69 million pertaining to a wire bond AOI equipment which was manufactured in 2018 for a long-term customer who however did not proceed with a confirmed purchase order.

Consequently, this resulted to an improvement in our GP margin from 15.66% in FYE 2019 to 34.19% in FYE 2020. Additionally, the improvement in our GP margin was also attributed to an increase in the sales volume of machine vision equipment by 11 units which resulted in a decrease in unit manufacturing cost by 26.49% arising mainly from lower unit costs of direct labour and subcontractor.

Other related products and services

Our GP for the provision of other related products and services increased by 40.23% or RM0.42 million which was mainly due to the decrease in cost of sales for this segment by 38.63% or RM0.71 million. This was largely attributed to the decrease in our overall direct labour cost by 37.97% or RM1.74 million in FYE 2020 due to the reduction in number of employees and reclassification of staff costs as discussed above.

The GP margin from this segment improved from 36.33% in FYE 2019 to 56.59% in FYE 2020, mainly due to the lower unit direct labour cost.

10. FINANCIAL INFORMATION (cont'd)**Comparison between FYE 2020 and FYE 2021**

Our total GP increased by 116.27% or RM10.58 million from RM9.10 million in FYE 2020 to RM19.68 million in FYE 2021, and total GP margin improved from 36.51% in FYE 2020 to 41.64% in FYE 2021. This was mainly due to the following:

Manufacturing of Machine Vision Equipment

Our GP for the manufacturing of machine vision equipment segment increased by 129.68% or RM9.90 million, and GP margin improved from 34.19% in FYE 2020 to 40.35% in FYE 2021.

The increase in GP was due to the increase in our revenue from our manufacturing of machine vision equipment segment by 94.61% or RM21.14 million. This was mainly due to higher sales volume in FYE 2021 for our optoelectronic inspection equipment by 23 units of wire bond AOI equipment and 15 units of vision inspection modules, discrete component and IC inspection equipment by 11 units of wire bond AOI equipment, and solar cell inspection equipment by 109 units of vision inspection modules, as compared to FYE 2020.

The improvement in GP margin from 34.19% in FYE 2020 to 40.35% in FYE 2021 was mainly contributed by an increase in the sales volume of machine vision equipment by 156 units in FYE 2021 which in turn resulted in a decrease in unit manufacturing cost by 60.80% arising from lower unit costs of material, direct labour and subcontractor. The unit direct labour cost has taken into account the additional 11 employees hired in FYE 2021.

Other related products and services

Our GP for the provision of other related products and services improved by 46.31% or RM0.68 million which was in tandem with the increase in revenue by 46.42% from this segment mainly due to the increase in revenue of the provision of upgrading of machines for some of our existing customers by RM0.85 million, as well as increase in sales of spare parts by RM0.53 million.

Meanwhile, the GP margin from this segment was maintained at approximately 56% in FYE 2020 and FYE 2021.

Comparison between FPE 2021 and FPE 2022

Our GP increased by 10.35% or RM1.07 million from RM10.30 million in FPE 2021 to RM11.36 million in FPE 2022. This was mainly contributed by the manufacturing of machine vision equipment segment which are as follows:

Manufacturing of Machine Vision Equipment

Our GP for the manufacturing of machine vision equipment segment increased by 15.42% or RM1.40 million. This was mainly contributed by the GP from discrete component and IC inspection equipment which increased by 466.06% or RM6.92 million in line with the increase in revenue from this type of equipment by 505.54% or RM16.24 million attributed to the increase in sales volume of wire bond AOI equipment by 19 units in FPE 2022.

10. FINANCIAL INFORMATION *(cont'd)*

The increase in GP was partially offset by the decrease in GP from solar cell inspection equipment by RM4.27 million and optoelectronic inspection equipment by RM1.26 million. This was in line with the decrease in revenue in FPE 2022 from solar cell inspection equipment and optoelectronic inspection equipment by RM9.58 million and RM3.78 million respectively. Revenue from solar cell inspection equipment decreased due to the decrease in sales volume of vision inspection modules by 70 units, while the decrease in revenue from optoelectronic inspection equipment was due to sales of different product mix where there were higher sales of vision inspection modules associated with lower unit price, and lower sales of the higher priced wire bond AOI equipment in FPE 2022.

Other related products and services

The increase in our overall GP was partially offset by the decrease in GP for the provision of other related products and services by 27.21% or RM0.33 million. This was mainly due to higher labour costs incurred to upgrade certain solar cell vision inspection modules for an existing customer in FPE 2022. The said upgrade was one-off and involved new customisation and extra features which was carried out voluntarily with the aim of achieving certain machine performance acceptance. As such, the additional labour hours expended on such upgrade had resulted in higher cost of sales for this segment. The decrease in GP was also partly attributable to the overall increase in direct labour cost due to the hiring of additional 13 technical personnel in FPE 2022 as well as increase in group-wide salary package from January 2022 onwards.

Our total GP margin in FPE 2022 slightly decreased to 41.53% from 43.60% in FPE 2021. This was mainly contributed by the decrease in GP margin for the provision of other related products and services from 53.75% in FPE 2021 to 28.34% in FPE 2022. This was mainly attributed to higher labour costs incurred to upgrade certain solar cell vision inspection modules for an existing customer in FPE 2022, as mentioned above. Meanwhile, our GP margin for the manufacturing of machine vision equipment recorded a slight improvement from 42.51% in FPE 2021 to 43.24% in FPE 2022. Additionally, our total GP margin was partially affected by the increase in subcontractor costs by 78.37% or RM0.74 million attributed mainly by the increase in software design and programming services, fabrication and mechanical assembly works as well as electrical wiring works mainly for the manufacturing of discrete component and IC inspection equipment.

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10. FINANCIAL INFORMATION (cont'd)**(d) Other and Finance Income**

The detailed breakdown of our other and finance income for the Financial Period Under Review is as follows:-

	Audited						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Other Income										
Government grants ⁽¹⁾	801	81.24	720	71.08	270	39.82	149	43.95	60	8.13
- Amortisation of deferred income ⁽²⁾	309	31.34	315	31.10	270	39.82	149	43.95	60	8.13
- Grant income ⁽³⁾	492	49.90	405	39.98	*	#	-	-	-	-
Fair value gain on money market fund	4	0.40	4	0.39	58	8.55	-	-	-	-
Net realised gain on foreign exchange	92	9.33	-	-	-	-	-	-	437	59.21
Net unrealised gain on foreign exchange	-	-	-	-	42	6.20	43	12.68	122	16.53
Others ⁽⁴⁾	14	1.42	209	20.63	146	21.53	67	19.76	110	14.91
Sub-total	911	92.39	933	92.10	516	76.10	259	76.40	729	98.78
Finance Income										
Interest income on:										
- Other investments ⁽⁵⁾	38	3.85	75	7.40	161	23.75	79	23.30	6	0.81
- Bank balances	⁽⁶⁾ 37	3.76	5	0.50	1	0.15	1	0.29	3	0.41
Sub-total	75	7.61	80	7.90	162	23.90	80	23.60	9	1.22
Total	986	100.00	1,013	100.00	678	100.00	339	100.00	738	100.00

Notes:-

* RM200

Less than 0.01%.

- (1) Consists of both grant income received during the financial years/periods and amortisation of deferred income pertaining to grant income received in previous financial years/periods.
- (2) Refers to asset-related grant income where it was recognised as deferred income in the statements of financial position during the year the grant was received and amortised to profit or loss over 5 years being the expected useful life of the related asset. It included deferred grant income received from MIDA in 2016 and 2017, MTDC in 2017 and MDEC in 2019 which were amortised over 5 years. For further details on the grants awarded by MIDA, MTDC and MDEC, please refer to Section 6.1.2 of this Prospectus.
- (3) Refers to grant income for operational expenditure where it is recognised in profit or loss over the periods that the related cost, for which it is intended to compensate, is expensed. In FYE 2019 and FYE 2020, it included grant income received from MDEC for the development and commercialisation of solar cell sorter for high efficiency solar cells. In FYE 2020 and FYE 2021, it included grant income received from Universiti Sains Malaysia for industry-academia collaborative R&D projects.
- (4) Consists mainly of wage subsidy received from the Government as part of the economic stimulus package amidst the COVID-19 relief fund.

10. FINANCIAL INFORMATION (cont'd)

- (5) Other investments comprised short term money market funds in which excess monies were placed by the Group to earn additional interest pending utilisation/disbursement.
- (6) Included interest earned on placement monies raised from the LEAP listing and held in escrow by the placement agent.

Commentaries on other and finance income**Comparison between FYE 2019 and FYE 2020**

Other income increased by 2.41% or RM0.02 million to RM0.93 million, mainly due to wage subsidy received from the Government in FYE 2020 amounting to RM177,600 as part of the economic stimulus package amidst the COVID-19 relief fund and RM5,400 wage subsidy received from the Northern Corridor Implementation Authority (NCIA) for its Talent Enhancement Programme to encourage employment of fresh graduates.

The increase was partially offset by the decrease in net realised gain on foreign exchange by RM0.09 million due to the weakening of USD against RM in FYE 2020, and a decrease in grant income received in FYE 2020 by RM0.09 million due to the disbursement of the remaining amount from MDEC's grant in April 2020. The net realised gain on foreign exchange of RM0.09 million in FYE 2019 was mainly due to the strengthening of USD against RM in FYE 2019.

Finance income increased by 6.67% or approximately RM5,000 mainly due to the increase in interest income from other investments by approximately RM37,000 arising from our increase in investment in short term money market funds in FYE 2020. However, this was offset by the decrease in interest income from bank balances by approximately RM32,000.

Comparison between FYE 2020 and FYE 2021

Other income decreased by 44.69% or RM0.42 million to RM0.52 million mainly due to the decrease in government grants by RM0.45 million. The Group received RM0.41 million in grant income in FYE 2020 compared to only RM200 in FYE 2021. The decrease in grant income was due to the full disbursement of MDEC's grant in the previous financial years. In FYE 2021, we only received a grant income of RM200 from Universiti Sains Malaysia for industry-academia collaborative R&D projects.

In FYE 2021, we recorded a lower amortisation of deferred grant income of RM0.27 million compared to RM0.32 million in FYE 2020 as some deferred grant income has been fully amortised. In addition, we received lower wage subsidy from the Government by RM0.04 million in FYE 2021.

This was partially offset by the increase in fair value gain on money market fund of RM0.06 million due to the increase in the net asset value of the said money market fund as at 31 December 2021 and recognition of net unrealised gain on foreign exchange of RM0.04 million in FYE 2021 mainly due to the strengthening of USD against RM in FYE 2021.

Finance income increased by 102.50% or RM0.08 million mainly due to the increase in interest income from other investments by RM0.08 million in FYE 2021.

10. FINANCIAL INFORMATION (cont'd)**Comparison between FPE 2021 and FPE 2022**

Other income increased by 181.47% or RM0.47 million mainly due to the increase in realised and unrealised gains on foreign exchange by RM0.44 million and RM0.08 million respectively. This was mainly due to the increase in export sales (particularly to the China market) by 547.98% or RM17.49 million which were mainly denominated in USD coupled with the strengthening of USD against RM in FPE 2022. Our other income also increased due to wage subsidy received amounting to RM0.06 million from the NCIA for its Talent Enhancement Programme to encourage employment of fresh graduates.

The increase in other income was partially offset by the decrease in grant income in FPE 2022 by RM0.09 million mainly due to lower amortisation of deferred grant income as some deferred grant income has been fully amortised.

Finance income decreased by 88.75% or RM0.07 million mainly due to the decrease in interest income from other investments by RM0.07 million as a result of lower investment in short term money market funds in FPE 2022.

(e) Administrative Expenses

The breakdown of our administrative expenses for the Financial Period Under Review is as follows:-

Administrative expenses	Audited						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff related costs	1,216	18.35	954	16.40	1,492	23.23	548	17.04	728	20.42
Depreciation and amortisation of PPE and right-of-use assets	1,490	22.50	1,855	31.89	1,427	22.22	745	23.17	532	14.92
Directors' remuneration and fees	1,212	18.29	1,176	20.22	1,181	18.39	604	18.79	708	19.86
Upkeep expenses	293	4.42	361	6.21	509	7.93	316	9.83	169	4.74
Travelling and advertising expenses	521	7.86	296	5.09	441	6.87	205	6.38	57	1.60
Professional fees	858	12.95	311	5.35	385	6.00	169	5.26	767	21.52
Utility expenses	203	3.06	230	3.95	220	3.43	111	3.45	143	4.01
Realised and unrealised loss on foreign exchange	104	1.57	215	3.70	43	0.67	59	1.83	-	-
Others *	729	11.00	418	7.19	724	11.27	458	14.25	461	12.93
Total	6,626	100.00	5,816	100.00	6,422	100.00	3,215	100.00	3,565	100.00

Note:

* Included office expenses, donations, tender fee, security charges, insurance premium fees, printing and stationery, cleaning expenses, quit rent and assessment, fair value loss on money market funds, rental of office and other administrative expenses.

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10. FINANCIAL INFORMATION (cont'd)**Commentaries on administrative expenses****Comparison between FYE 2019 and FYE 2020**

Our administrative expenses decrease by 12.22% or RM0.81 million in FYE 2020 mainly due to the following:

- decrease in professional fees by RM0.55 million mainly due to fees to advisers/professionals for the LEAP listing exercise that took place in 2019;
- decrease in staff related cost by RM0.26 million largely due to decrease in staff welfare cost, which was higher in 2019 mainly due to RM0.13 million incurred for a company trip that year;
- decrease in travelling and advertising expenses by RM0.21 million mainly due to travel restrictions amidst the COVID-19 pandemic and also because of the higher advertisement related costs incurred in 2019 in connection with our LEAP listing exercise; and
- decrease in other administrative expenses by RM0.31 million mainly due to a consolidation adjustment of RM0.17 million recorded in FYE 2019 pertaining to an undercharge of depreciation and amortisation of PPE in respect of a controlled transfer of assets between the 2 subsidiaries that took place in FYE 2018.

This was partially offset by the increase in depreciation and amortisation of PPE and right-of-use assets by RM0.37 million, mainly due to the commencement of depreciation of our new factory building's extension which was completed in FYE 2019.

Comparison between FYE 2020 and FYE 2021

Our administrative expenses increased by 10.24% or RM0.61 million mainly due to the following:

- increase in staff related cost by RM0.54 million mainly attributed to the group-wide increment of salary package;
- increase in upkeep expenses by RM0.15 million mainly for the upkeep of office and office equipment;
- increase in travelling and advertising expenses by RM0.15 million mainly due to the increase in service trips; and
- increase in other administrative expenses by RM0.31 million mainly due to the increase in tender fees for certain projects/orders, and gifts and donations.

The increase was partially offset by the decrease in depreciation and amortisation of PPE and right-of-use assets by RM0.43 million due to certain PPE being fully depreciated. Additionally, there was a decrease in realised and unrealised loss on foreign exchange by RM0.17 million due to the weakening of USD against RM in FYE 2021.

10. FINANCIAL INFORMATION (cont'd)**Comparison between FPE 2021 and FPE 2022**

Our administrative expenses grew by 10.89% or RM0.35 million in FPE 2022 mainly due to the following:

- increase in professional fees by RM0.60 million mainly due to fees to advisers/professionals engaged for our Listing which was expensed off to profit or loss of RM0.35 million and auditor's remuneration in respect of FPE 2022 audit of RM0.18 million;
- increase in staff related costs by RM0.18 million mainly attributed to increment of salary package coupled with the hiring of additional 1 finance and administration personnel;
- increase in directors' remuneration and fees by RM0.10 million; and
- increase in other administrative expenses by RM0.03 million mainly due to the fair value loss on money market funds of RM0.07 million and rental of office of RM0.04 million incurred in FPE 2022 as well as an increase in quit rent and assessment by RM0.04 million. This was partially offset by the decrease in tender fees by RM0.12 million as there were no tender fees incurred in FPE 2022.

This was partially offset by the decrease in the following administrative expenses:

- decrease in depreciation and amortisation of PPE and rights-of-use assets by RM0.21 million due to certain PPE being fully depreciated;
- decrease in travelling and advertising expenses by RM0.15 million mainly due to the reclassification of travelling expenses to cost of sales incurred by our engineers for field machine installation and services; and
- decrease in upkeep expenses by RM0.15 million mainly due to lower upkeep of office expenses.

(f) R&D Expenses

R&D expenses comprise both write-off and amortisation of intangible assets (purchases of parts and materials relating to R&D that were incurred and capitalised prior to the respective financial years/periods) as well as expenses relating to R&D that were incurred in the respective financial years/periods and charged out to profit or loss such as staff costs and training expenses.

The breakdown of our R&D expenses for the Financial Period Under Review are as follows:-

R&D expenses	Audited						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Intangible assets written off ⁽¹⁾	693	56.34	280	22.97	1,683	60.91	-	-	-	-
Impairment loss on intangible assets ⁽²⁾	-	-	-	-	-	-	646	49.81	-	-
Amortisation of intangible assets ⁽³⁾	509	41.38	852	69.89	655	23.71	553	42.64	453	78.65
R&D and training expenses ⁽⁴⁾	28	2.28	87	7.14	425	15.38	98	7.55	123	21.35
Total	1,230	100.00	1,219	100.00	2,763	100.00	1,297	100.00	576	100.00

10. FINANCIAL INFORMATION (cont'd)

Notes:-

- (1) Refers to the write-off of R&D expenses that was capitalised in previous years (intangible assets) prior to its useful life of 5 years. Generally, the basis for writing off of intangible assets includes the following:
 - replacement of previous development scope with newer scope or version; or
 - development results which have no or minimal future commercial viability.
- (2) Refers to the impairment of R&D expenses that was capitalised in previous years and which were subsequently written off at the end of 2021.
- (3) Refers to the amortisation of R&D expenses that was capitalised in previous years (intangible assets) on a straight-line basis over the estimated useful life of 5 years.
- (4) Refers to staff costs for R&D personnel and training expenses that was incurred and expense off during the financial year/period.

Commentaries on R&D expenses**Comparison between FYE 2019 and FYE 2020**

Our R&D expenses decreased by 0.89% or RM0.01 million mainly due to the decrease in intangible assets written off by RM0.41 million in FYE 2020. In FYE 2019, we wrote off intangible assets of RM0.69 million pertaining to the development of prototypes and product demos for certain equipment which were no longer commercially viable.

This was partially offset by the increase in amortisation of intangible assets of RM0.34 million due to additional R&D expenditure capitalised in FYE 2020 of RM2.14 million.

Comparison between FYE 2020 and FYE 2021

Our R&D expenses increased by 126.66% or RM1.54 million mainly due to the increase in intangible assets written off by RM1.40 million in FYE 2021. In FYE 2021, we wrote off intangible assets of RM1.68 million pertaining to the development of prototypes and product demos for certain equipment which were no longer commercially viable.

Additionally, the increase in R&D expenses in FYE 2021 was also attributed to the increase in R&D and training expenses incurred during the financial year by RM0.34 million. The increase in expenses in FYE 2021 were mainly due to materials used for continuous product enhancement and improvements in some of the R&D projects including FRV-AOI and solar cell inspection module with transflection imaging technology for micro-crack vision inspection, as well as for the purchase of tools and testing materials for our R&D facilities.

This was partially offset by the decrease in amortisation of intangible assets by RM0.20 million as there were lower R&D expenses capitalised in FYE 2021 of RM1.36 million.

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10. FINANCIAL INFORMATION (cont'd)**Comparison between FPE 2021 and FPE 2022**

Our R&D expenses decreased by 55.59% or RM0.72 million mainly due to the decrease in impairment loss on intangible assets by RM0.65 million as no impairment on intangible assets was recorded in FPE 2022. Additionally, in FPE 2022, there was a decrease in amortisation of intangible assets by RM0.10 million mainly due to higher intangible assets written off in FYE 2021.

This was partially offset by an increase in R&D and training expenses of RM0.03 million incurred in FPE 2022.

(g) Distribution Expenses

The breakdown of our distribution expenses for the Financial Period Under Review are as follows:-

Distribution expenses	Audited						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff related cost	-	-	436	63.84	432	69.34	225	53.96	261	40.47
Travelling and marketing expenses	624	91.76	107	15.67	104	16.69	(1)121	29.02	371	57.52
Others ⁽²⁾	56	8.24	140	20.50	87	13.96	71	17.03	13	2.02
Total	680	100.00	683	100.00	623	100.00	417	100.00	645	100.00
	-	-	436	63.84	432	69.34	417	100.00	645	100.00

Notes:-

- (1) Included exhibition expenses of RM0.05 million that was reclassified to prepaid expenses in July 2021 due to the postponement of an exhibition to 2022.
- (2) Included marketing outsourced services and freight charges.

Commentaries on distribution expenses**Comparison between FYE 2019 and FYE 2020**

Our distribution expenses increased slightly by 0.44% or approximately RM3,000 mainly due to the recognition of staff related cost of RM0.44 million in FYE 2020. This was relating to the reclassification of the salaries of 3 employees from direct labour cost to distribution expenses.

This was partially offset by the decrease in travelling and marketing expenses of RM0.52 million mainly due to lesser travelling during the FYE 2020 amidst the travel restrictions caused by the COVID-19 pandemic.

Comparison between FYE 2020 and FYE 2021

Our distribution expenses decreased by 8.78% or RM0.06 million mainly due to the decrease in expenses for marketing outsourced services of RM0.05 million. This was mainly due to the lower requirement for such services.

10. FINANCIAL INFORMATION (cont'd)**Comparison between FPE 2021 and FPE 2022**

In FPE 2022, our distribution expenses increased by 54.68% or RM0.23 million mainly due to the increase in travelling and marketing expenses by RM0.25 million as there were increased travelling and marketing activities including participation in exhibitions and conferences in FPE 2022 compared to FPE 2021.

(h) Other Expenses

The breakdown of our other expenses for the Financial Period Under Review are as follows:-

Other expenses	Audited						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bad debts written off	697	100.00	-	-	-	-	-	-	-	-
Total	697	100.00	-	-	-	-	-	-	-	-

Commentaries on other expenses

In FYE 2019, there were bad debts written off totalling RM0.70 million pertaining to sales of several proprietary software products in FYE 2018 to a distributor in Malaysia. The write-off was carried out on prudence due to low chance of recovery despite several efforts made to collect the said debt. There were no bad debts written off since FYE 2019.

(i) Finance Costs

Our finance costs for the Financial Period Under Review are as follows:-

	Audited						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest expenses on:										
- Term loans	113	86.26	119	63.30	227	73.46	104	74.82	118	74.21
- Banker's acceptances	-	-	59	31.38	68	22.01	33	23.74	40	25.16
- Bank guarantee	3	2.29	1	0.53	12	3.88	1	0.72	1	0.63
- Finance lease liabilities	11	8.40	9	4.79	2	0.65	1	0.72	-	-
- Overdraft	4	3.05	-	-	-	-	-	-	-	-
Total	131	100.00	188	100.00	309	100.00	139	100.00	159	100.00

Commentaries on finance costs**Comparison between FYE 2019 and FYE 2020**

Our finance costs increased by 43.51% or RM0.06 million, mainly due to the recognition of interest expense on banker's acceptance of RM0.06 million in FYE 2020 due to the utilisation of the said trade facilities.

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10. FINANCIAL INFORMATION (cont'd)**Comparison between FYE 2020 and FYE 2021**

Our finance costs increased by 64.36% or RM0.12 million mainly due to the increase in interest expense on term loans by RM0.11 million due to the full year recognition of interest expenses on the drawdown of term loans of RM3.32 million and RM0.41 million in FYE 2020 and FYE 2021 respectively.

Comparison between FPE 2021 and FPE 2022

In FPE 2022, our finance costs increased by 15.22% or RM0.02 million mainly attributed by the increase in interest expense on term loans of RM0.01 million. This was due to the full period recognition of interest expense on the drawdown of a term loan of RM0.41 million in April 2021. Additionally, our interest expense on banker's acceptances also increased due to the utilisation of the said trade facilities.

(j) (LBT)/PBT, (LAT)/PAT and Taxation

The (LBT)/PBT, (LAT)/PAT and taxation for the Financial Period Under Review is set out below:-

	Audited			Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
(LBT)/PBT (RM'000)	(4,548)	2,208	10,244	5,566	7,154
(LBT)/PBT margin (%)	(22.01)	8.86	21.67	23.57	26.15
Tax income/(expense) (RM'000)	227	(692)	(1,905)	1,227	1,956
Effective tax rate (%)	(4.99)	31.34	18.59	22.04	27.34
Statutory tax rate (%)	24.00	24.00	24.00	24.00	24.00
(LAT)/PAT (RM'000)	(4,321)	1,516	8,339	4,339	5,198
(LAT)/PAT margin (%)	(20.91)	6.08	17.64	18.37	19.00

For the Financial Period Under Review, we do not have any outstanding or provision for withholding tax.

Commentaries on (LBT)/PBT, (LAT)/PAT and Taxation**Comparison between FYE 2019 and FYE 2020**

Our performance for the FYE 2019 had been impacted by the global challenging market condition as a result of the trade dispute between China and USA and coupled with our major customer's deferral of capital expenditures plans, which resulted in a decrease to our revenue that year. We recorded a LBT of RM4.55 million and LBT margin of 22.01% in FYE 2019 mainly due to the low GP of RM3.83 million and GP margin of 18.54% in FYE 2019. The low GP and GP margin in FYE 2019 was mainly attributed to the low revenue of RM20.66 million in FYE 2019 coupled with the following cost of sales:-

- (i) additional costs incurred of RM1.22 million after the delivery of equipment to customers. This included cost for repair and rework as well as additional customisation and features that were subsequently incorporated following the customers' requests prior to their acceptance and buy-off. These additional costs were incurred to meet customers' requirements and obtain machine performance acceptance, hence the costs were borne by us. These costs incurred were mainly for several customers based in China where it involved prior year's sales of AOI equipment.

10. FINANCIAL INFORMATION (cont'd)

- (ii) inventory write-off amounting to RM0.69 million pertaining to a wire bond AOI equipment that was manufactured in 2018 for a long-term customer who did not proceed with a confirmed purchase order, and therefore it was written off in accordance with our accounting policy. This equipment was included in our Group's inventories in FYE 2018.

Furthermore, we also recognised certain non-recurring expenses during the FYE 2019 including bad debts written off (RM0.70 million), listing related expenses (RM0.53 million), intangible assets written off (RM0.69 million), costs related to new office/factory extension (RM0.11 million) and special company trip following our LEAP listing (RM0.13 million), all of which contributed to higher operating expenses of RM9.23 million in FYE 2019.

Our overall low GP of RM3.83 million, and other and finance income of RM0.99 million were unable to cover our high total expenses (comprising administrative, R&D, distribution, other expenses and finance costs) of RM9.36 million which ultimately resulted in the LBT of RM4.55 million in FYE 2019.

Our performance improved from a LBT of RM4.55 million in FYE 2019 to a PBT of RM2.21 million in FYE 2020. This was the result of an improvement in our GP by 137.62% or RM5.27 million due to the increase in GP for the manufacturing of machine vision equipment segment by RM4.85 million and the GP for the provision of other related products and services by RM0.42 million, as well as a decrease in our operating expenses by 16.41% or RM1.52 million. The improvement in PBT had correspondingly resulted in the improvement in our Group's PBT margin from a LBT margin of 22.01% in FYE 2019 to a PBT margin of 8.86% in FYE 2020.

Following the improvement in our PBT, our total PAT had also improved from a LAT of RM4.32 million in FYE 2019 to a PAT of RM1.52 million in FYE 2020. Similarly, the PAT margin had also improved from a LAT margin of 20.91% in FYE 2019 to a PAT margin of 6.08% in FYE 2020.

For the FYE 2019, we recorded an income tax credit of RM0.23 million at the back of a LBT of RM4.55 million. The said LBT gave rise to a tax credit of RM1.09 million. In addition, there's grant income not subject to tax of RM0.22 million, which was offset by non-deductible expenses of RM0.53 million comprised mainly of professional fees and listing expenses incurred during our LEAP listing exercise as well as deferred tax asset not recognised from unclaimed tax losses from one of our subsidiaries namely, TT Innovation of RM0.52 million.

For the FYE 2020, we had an effective tax rate of 31.34%, which was higher than the statutory tax rate of 24.00% due to an adjustment in respect of prior year deferred tax liability of RM0.23 million.

Comparison between FYE 2020 and FYE 2021

Our PBT increased by 363.95% or RM8.04 million to RM10.24 million in FYE 2021 mainly due to the improvement in our GP by 116.27% or RM10.58 million, as a result from the increase in GP for the manufacturing of machine vision equipment segment by RM9.90 million and the GP for the provision of other related products and services by RM0.68 million. With the improvement in our PBT in FYE 2021, this had correspondingly resulted in the improvement in our PBT margin from 36.51% in FYE 2020 to 41.64% in FYE 2021.

10. FINANCIAL INFORMATION (cont'd)

Our PAT had also improved by 450.07% or RM6.82 million to RM8.34 million in FYE 2021 following from the improvement in our PBT. Similarly, our PAT margin had also improved from a PAT margin of 6.08% in FYE 2020 to 17.64% in FYE 2021.

In FYE 2021, we recorded an effective tax rate of 18.59%, which is lower than the statutory tax rate of 24.00%. This was mainly due to adjustment in respect of deferred tax of prior year amounted to RM0.84 million.

The decrease in effective tax rate of 31.34% in FYE 2020 to 18.59% in FYE 2021 was mainly due to the adjustments for utilisation of capital allowances, re-investment allowances and unabsorbed business loss.

Comparison between FPE 2021 and FPE 2022

Our PBT increased by 28.53% or RM1.59 million to RM7.15 million in FPE 2022 mainly due to the improvement in our GP by 10.35% or RM1.07 million. This was mainly due to the increase in GP for the manufacturing of machine vision equipment segment by RM1.40 million. Our PBT margin improved from 23.57% in FPE 2021 to 26.15% in FPE 2022 despite the decrease in our GP margin from 43.60% in FPE 2021 to 41.53% in FPE 2022. The improvement in PBT margin was mainly due to the lower R&D expenses of RM0.58 million recorded in FPE 2022 as we did not recognise any impairment on intangible assets during the period. Additionally, in FPE 2022, we recognised higher other income of RM0.73 million which was mainly attributed to the increase in realised and unrealised gains on foreign exchange.

Correspondingly, our PAT increased by 19.80% or RM0.86 million from RM4.34 million in FPE 2021 to RM5.20 million in FPE 2022, and our PAT margin increased from 18.37% in FPE 2021 to 19.00% in FPE 2022.

In FPE 2022, we recorded an effective tax rate of 27.34% which is higher than the statutory tax rate of 24.00%. This was mainly due to an increase in deferred tax liabilities arising from the increase in contract assets.

10.4.2 Significant Factors Affecting Our Financial Condition and Results of Operations

Our financial condition and results of operations have been, and are expected to be affected by, amongst others, the following factors:-

(a) Dependency on certain major customers and our ability to retain our major customers

During the Financial Period Under Review, we are dependent on certain major customers by virtue of their revenue contribution to our total revenue for the Financial Period Under Review.

In FPE 2022, Shenzhen Brightsemi Technology Co., Ltd., Customer B and Dominant Opto contributed 43.10%, 20.52% and 13.76% to our revenue respectively. Meanwhile, in FYE 2021, revenue contributions from Dominant Opto and Hanwha Malaysia and its related companies, grew from 16.96% and 6.90% in FYE 2020 to 36.17% and 33.15% respectively. However in FPE 2022, the revenue contribution from Dominant Opto decreased to 13.76% as some of the sales orders are only expected to be fully fulfilled in the 2nd half of 2022 whilst the revenue contribution from Hanwha Malaysia and its related companies has reduced to 2.60% as a result of the deferment of its capital expenditure plan. Nonetheless, both Dominant Opto and Hanwha Malaysia and its related companies remain our major customers, presently and moving forward.

10. FINANCIAL INFORMATION *(cont'd)*

Prior to FYE 2021, Maxeon group contributed substantially to our revenue at 57.58% and 59.50% in FYE 2019 and FYE 2020, respectively. However, the revenue contribution reduced to 3.88% in FYE 2021 and 4.90% in FPE 2022. Similarly, Customer group A, which contributed 12.84% to our revenue in FYE 2019, has seen the contribution reduced to 5.65%, 4.78% and 5.55% in FYE 2020, FYE 2021 and FPE 2022 respectively. The decrease in revenue contribution from both Maxeon group and Customer group A was mainly due to the deferment of their internal capital expenditure plans which resulted in lower purchase of certain machine vision equipment from us. The declining trend in revenue contribution from both Maxeon group and Customer group A indicates the decreasing dependency on this group of customers. Nonetheless, both Maxeon group and Customer group A remain as our major customers, presently and moving forward.

We do not have any long-term contracts with our customers. Instead, our sales are based on purchase orders which are typically issued by our customers with regards to their needs and capital expenditure plans. As such, there can be no assurance that we will be able to secure new purchase orders on a consistent basis or that the revenue contribution from these major customers will be sustained at the same level in the future. Furthermore, any significant reduction and/or cancellation in the purchase orders from these customers or the loss of any of our major customers, if not replaced in a timely manner, would materially and adversely affect our financial performance.

To reduce customer dependency, we aim to develop a more diversified portfolio of customers and markets both locally and internationally. We have also managed and will continuously strive to meet our customers' expectations by obtaining customer feedback and working together to meet their requirements. We believe our established track record provides us with the platform to continue to address growth and opportunities. In addition, we believe our capabilities and long-term relationships with some of our major customers over the years, spanning over 2 to 18 years, will enable us to continue our business relationships in the foreseeable future.

Please refer to Section 8.1.1 of this Prospectus for further details on the risk pertaining to dependency on major customers.

(b) Shortage in the supply of certain materials and disruptions in the global supply chain

Our manufacturing operations are dependent on certain materials including vision components such as camera, optics, lenses and lightings, mechanical, electrical and pneumatic parts, as well as computer related devices. We source these materials from suppliers in Malaysia as well as foreign countries.

While our Group is not dependent on any single supplier, any serious and prolonged global shortage of such materials may lead to a loss of business opportunities and delays in our production. There can be no assurance that we will be able to consistently source our materials at the quantity required and at competitive pricing. The delay in production could result in a delay in the delivery to our customers which may affect our reputation and/or subject us to LAD claims, which would adversely affect our financial performance.

Please refer to Section 8.1.2 of this Prospectus for further details on the risk relating to shortage in the supply of certain materials.

10. FINANCIAL INFORMATION *(cont'd)***(c) Cost fluctuations due to the price increases of our materials and/or transportation cost**

We face risks of increases in our costs for the manufacture of our products which may arise from price increases of materials from our suppliers as well as cost of transportation. This may be affected by numerous factors such as macroeconomic and microeconomic factors, global shortage of freight containers and increasing sea freight rates, disasters, riots, war, terrorist attacks or outbreak of epidemics or pandemics.

Cost increases will eventually require us to increase our selling prices, which may reduce our competitiveness in the market and affect our ability to retain customers and/or secure new orders. If we are unable to remain competitive, this would adversely affect our revenue and financial performance. Alternatively, if we were to absorb some of these costs to stay competitive, it may reduce our profit margins.

Furthermore, we may be exposed to price increase in the cost of materials and services due to the unavoidable time lag between the time of our commitment to our customers and our subsequent purchases of such materials and services.

While we seek to minimise our exposure to price increase by monitoring and obtaining quotations from our suppliers prior to confirming customer's purchase orders, there can be no assurance that we will be able to pass on any increases in our costs resulting from changes in the prices of our materials or services. In the event we are unable to pass on any of the cost increases to our customers or if we are unable to do so in a timely manner, we would have to absorb the increases in the costs and this would adversely affect our profitability and financial performance.

Please refer to Section 8.1.3 of this Prospectus for further details on the risk relating to fluctuations in costs of our materials.

(d) Foreign exchange fluctuations

We are exposed to the risk of foreign exchange fluctuations as part of our revenue and purchases are transacted in foreign currencies. Our total purchases of materials and services that are denominated in foreign currencies accounted for 48.84%, 41.78%, 45.46% and 39.85% of our total purchases for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively. This includes foreign currencies such as USD, Euro, JPY, SGD and CNY.

We also have sales transactions in foreign currencies where 72.76%, 66.00%, 20.59% and 75.58% of our total revenue for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively were mainly denominated in USD.

A depreciation of the RM against the currencies which we transact will lead to a higher cost of purchases in RM after conversion. Conversely, appreciation of the RM against the currencies which we transact will lead to a lower cost of purchases in RM after conversion.

As we maintain foreign currency accounts in USD, our revenue and purchases, to a certain extent, are naturally hedged. During the Financial Period Under Review, we did not carry out any currency hedging for our operations. Moving forward, any unfavourable foreign exchange fluctuations between foreign currencies and RM may adversely affect our financial performance including our profitability and margins.

10. FINANCIAL INFORMATION (cont'd)**(e) Disruptions in business operations due to COVID-19 pandemic**

The prolonged outbreak and spread of the COVID-19 pandemic had and will continue to affect our business operations. In association with the COVID-19 pandemic, there were various containment measures implemented such as lockdowns, movement restrictions and temporary suspension of our business operations as well as our customers' operations. The interruptions in our operations as well as our customers' operations will also affect the demand for our products and subsequently adversely affect our financial performance. This was demonstrated by the fact that our revenue performance for the second quarter of FYE 2020 was partially affected by the temporary suspension of our business operations between March 2020 and April 2020 as a result of MCO 1.0.

Please refer to Section 6.30.1 of this Prospectus for further details on the impact of the COVID-19 pandemic.

(f) Impact of interest rate fluctuations

As at 30 June 2022, our total borrowings were RM8.77 million, all of which were interest bearing, and was based on floating and fixed interest rates. Our finance cost increased from RM0.13 million for FYE 2019 to RM0.19 million in FYE 2020, RM0.31 million in FYE 2021 and RM0.16 million in FPE 2022. In this respect, any increase in interest rates may negatively impact our financial performance. Our finance cost mainly comprises interest charges on banking facilities including term loans, bankers' acceptance, bank guarantee and finance lease liabilities.

Apart from finance lease liabilities, all our borrowings were based on the prevailing bank's base lending rate or base financing rate plus/minus a margin agreed with banking institutions when the respective loans and financing were granted. Meanwhile, our finance lease liabilities were charged based on fixed rates.

In this respect, we face financial risks relating to the increase in interest rates which may impact our financial performance including profitability and margins. During the Financial Period Under Review and up to the LPD, we have not defaulted on any payments of either principal sums and/or interests in relation to our borrowings.

(g) Impact of inflation

Our financial performances during the Financial Period Under Review were not materially affected by the impact of inflation. However, there can be no assurance that future inflation would not have an impact on our business and financial performance.

(h) Changes in Government, political, economic, fiscal or monetary policies and regulatory risk, as well as occurrence of force majeure events

Our business is subject to risks relating to government, political, economic, fiscal or monetary policies and regulatory risks, geopolitical events, as well as occurrence of force majeure events in Malaysia. Any unfavourable changes in such government policies, economic conditions, or fiscal or monetary policies may materially affect our operations in Malaysia. Please refer to Section 8.2.3 of this Prospectus for further details on this risk.

10. FINANCIAL INFORMATION (cont'd)**10.4.3 Significant Changes on the Financial Position and Results**

Save as disclosed in Sections 6.30, 8.1.2 and 8.1.8 of this Prospectus in relation to interruptions to our business and operations as a result of the COVID-19 pandemic, there were no significant changes that have occurred which have a material effect on the financial position and results of our Group subsequent to the FPE 2022 and up to the LPD.

10.5 LIQUIDITY AND CAPITAL RESOURCES**10.5.1 Working Capital**

Our business has been financed by both internal and external sources of funds. Our internal sources of funds comprise cash generated from our business operations and shareholders' equity, while our external sources were mainly credit facilities from financial institutions. These funds were used for our business operations and growth.

As at 30 June 2022, our cash and bank balances amounted to RM9.46 million and our total borrowings were RM8.77 million. As at 30 June 2022, our gearing ratio is 0.15 times and current ratio is 3.49 times. As at the LPD, we have banking facilities namely trade facilities of RM6.00 million, of which RM3.58 million has yet to be utilised. In addition, as at the LPD, we have other investments in the form of short term money market funds totalling RM3.30 million.

Based on the above, expected cash flow to be generated from our operations, the amount that is available under our existing banking facilities, as well as proceeds to be raised from the Public Issue, our Board believes that we have adequate working capital to meet our present and foreseeable requirements for a period of 12 months from the date of this Prospectus.

10.5.2 Cash and cash equivalents

The table below sets out the summary of our cash and cash equivalents for the Financial Period Under Review and should be read in conjunction with the Accountants' Report as set out in Section 11 of this Prospectus:-

	Audited			Unaudited	Audited
	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FPE 2021 (RM'000)	FPE 2022 (RM'000)
Net cash from/(used in) operating activities	4,201	5,986	2,828	(995)	(1,126)
Net cash (used in)/from investing activities	(16,115)	(12,965)	(632)	2,095	5,049
Net cash from/(used in) financing activities	9,843	4,343	503	788	(14)
Net (decrease)/increase in cash and cash equivalents	(2,071)	(2,636)	2,699	1,888	3,909
Effects of exchange differences	(73)	(13)	43	40	58
Cash and cash equivalents at beginning of the financial year/period	7,541	5,397	2,748	2,748	5,490
Cash and cash equivalents at end of the financial year/period	5,397	2,748	5,490	4,676	9,457
Details of the cash and cash equivalents:-					
- Cash and bank balances	5,397	2,748	5,490	4,676	9,457

10. FINANCIAL INFORMATION (cont'd)

There are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer/receive funds to/from our Company, subject to availability of distributable reserves and compliance with financial covenants, in the form of cash dividends, loans or advances.

(a) Net cash from/(used in) operating activities**FYE 2019**

For the FYE 2019, our net cash from operating activities was RM4.20 million after taking into account the following:-

- decrease in trade and other receivables of RM7.74 million mainly due to lower billings during the last quarter of FYE 2019;
- increase in inventories of RM4.08 million mainly due to the increase in work in progress inventory relating to the order for 1 unit of quad solar cell secured in 3rd quarter of FYE 2019. The said equipment was subsequently delivered in 3rd quarter of FYE 2020. The increase in inventories was also due to pre-built orders of wire bond AOI equipment relating to a letter of intent received in FYE 2019. The said AOI equipment was subsequently sold and delivered in FYE 2020; and
- increase in trade and other payables of RM0.64 million mainly due to increase in trade payables by RM0.53 million arising from higher purchases at the end of FYE 2019.

Other payments include income tax payment of RM0.40 million and interest payment of RM0.13 million. This was partially offset by RM0.68 million of income tax refund and RM0.08 million of interest received mainly from our other investments.

FYE 2020

For the FYE 2020, our net cash from operating activities was RM5.99 million after taking into account the following:-

- decrease in inventories of RM3.63 million mainly due to the lower work in progress inventory and finished goods which was in line with the higher sales and delivery of equipment in the last quarter of FYE 2020 compared to the corresponding period in FYE 2019;
- increase in contract assets of RM2.05 million mainly due to an increase in unbilled progress payments by RM4.00 million from delivered orders during the FYE 2020 pending fulfilment of buy-off from customers. The higher unbilled progress payments were in line with the increase in revenue in the last quarter of FYE 2020. This was partially offset by the transfer of contract assets to trade receivables of RM1.95 million upon fulfilment of buy-off from customers in FYE 2020;
- decrease in contract liabilities of RM0.73 million mainly due to higher conversion of advances received from customers into revenue in FYE 2020 which was in line with the higher sales and delivery of equipment in the last quarter of FYE 2020 compared to the corresponding period in FYE 2019; and
- increase in trade and other receivables of RM0.52 million mainly due to the higher billings and sales in the last quarter of FYE 2020 compared to the corresponding period in FYE 2019.

10. FINANCIAL INFORMATION (cont'd)

Other payments include income tax payment of RM0.17 million and interest payment of RM0.19 million. This was partially offset by RM0.40 million of income tax refund and RM0.08 million of interest received mainly from our other investments.

FYE 2021

For the FYE 2021, our net cash from operating activities was RM2.83 million after taking into account the following:-

- increase in contract assets of RM7.79 million mainly due to an increase in unbilled progress payments by RM10.42 million from delivered orders during the FYE 2021 pending fulfilment of buy-off from customers. The higher unbilled progress payments were in line with the increase in sales in last quarter of FYE 2021. This was partially offset by the transfer of contract assets to trade receivables of RM2.63 million upon fulfilment of buy-off from customers in FYE 2021;
- increase in trade and other receivables of RM3.03 million mainly due to the higher billings and sales in the last quarter of FYE 2021 compared to the corresponding period in FYE 2020.
- increase in inventories of RM2.82 million mainly due to the higher work in progress inventory amidst the increase in orders from customers in the second half of FYE 2021;
- increase in trade and other payables of RM2.51 million mainly due to higher purchases made during the last quarter of FYE 2021 to meet the increased orders from customers for our machine vision equipment; and
- increase in contract liabilities of RM0.66 million mainly due to lower conversion of advances received from customers into revenue in FYE 2021 where we collected more advances in the last quarter of FYE 2021 but sales and delivery only took place in the following year.

Other payments include income tax payment of RM0.36 million and interest payment of RM0.31 million. This was partially offset by RM0.16 million of interest received mainly from our other investments.

FPE 2022

For the FPE 2022, our net cash used in operating activities was RM1.13 million after taking into account the following:-

- increase in trade and other receivables of RM3.91 million, mainly due to the increase in trade receivables by RM2.49 million arising from higher billings during the last quarter of FPE 2022 as well as increase in other receivables arising from prepayment of listing related expenses of RM0.97 million;
- increase in contract assets of RM2.64 million, mainly attributed to an increase in unbilled progress payments by RM10.34 million from delivered orders in FPE 2022 which were pending fulfilment of buy-off from customers. The higher unbilled progress payments were in line with the increase in sales in the last quarter of FPE 2022 compared to the last quarter in FYE 2021. This was partially offset by the transfer of contract assets to trade receivables of RM7.70 million upon fulfilment of buy-off from customers in FPE 2022;

10. FINANCIAL INFORMATION (cont'd)

- increase in inventories of RM1.75 million, mainly due to the increase in raw materials namely vision components and mechanical parts to fulfil our remaining orders for the second half of 2022;
- decrease in contract liabilities of RM1.47 million, mainly due to higher conversion of advances received from customers into revenue in FPE 2022 which was in line with the higher sales and delivery of equipment in the last quarter of FPE 2022; and
- increase in trade and other payables of RM1.06 million, mainly due to the increase in trade payables by RM0.41 million arising from higher purchases made during the last quarter of FPE 2022 to meet the increased orders from customers for our machine vision equipment, as well as increase in other payables by RM0.65 million arising from accruals of professional fees.

Other payments include income tax payment of RM0.45 million and interest payment of RM0.16 million.

(b) Net cash (used in)/from investing activities***FYE 2019***

For the FYE 2019, our net cash used in investing activities was RM16.12 million which was mainly used for the following:-

- RM10.58 million was used to fund the purchase of PPE mainly for factory construction expansion of RM10.17 million;
- RM3.54 million was used for other investments where we have invested our excess cash (pending disbursement/utilisation) into short term money market funds to earn additional interest income as the interest rates are comparatively higher than those offered by financial institutions. Such money market funds are relatively liquid as we can withdraw any funds in short notice, typically 1 to 2 working days; and
- RM2.07 million was used for expenditure on R&D activities that was capitalised as intangible assets. This includes R&D expenditure on R&D employees' salaries and purchases of materials for the development of lead frame AOI equipment, AXI equipment, FRV-AOI vision inspection modules, PL/EL/TF vision inspection modules and collaborative robotic equipment.

FYE 2020

For the FYE 2020, our net cash used in investing activities was RM12.97 million which was mainly used for the following:-

- RM9.54 million was used for other investments i.e. in the short term money market funds;
- RM2.14 million was used for expenditure on R&D activities that was capitalised as intangible assets. This includes R&D expenditure on R&D employees' salaries and purchases of materials for the development of AXI equipment, PL/EL/TF vision inspection modules and collaborative robotic equipment; and

10. FINANCIAL INFORMATION (cont'd)

- RM1.29 million was used to fund the purchase of PPE mainly for the remaining factory construction expansion of RM0.78 million, and machinery and equipment of RM0.33 million.

FYE 2021

For the FYE 2021, our net cash used in investing activities was RM0.63 million which was mainly used for the following:-

- RM1.36 million was used for expenditure on R&D activities that was capitalised as intangible assets. This includes R&D expenditure on R&D employees' salaries and purchases of materials for the development of FRV-AOI vision inspection modules and solar wafer sorter; and
- RM0.39 million was used to fund the purchase of PPE including mainly computers of RM0.14 million and RM0.13 million spent on renovation for existing demo room and installation of licence plate recognition system at our car park.

This was partially offset by the cash inflow of RM1.15 million from the partial withdrawal of other investments i.e. the short term money market funds.

FPE 2022

For the FPE 2022, our net cash from investing activities was RM5.05 million, which was mainly from the withdrawal of other investments i.e. the short-term money market funds totalling RM5.59 million.

This was partially offset by the cash used in the following investing activities:

- RM0.47 million used for expenditure on R&D activities that was capitalised as intangible assets. This includes R&D expenditure on R&D employees' salaries and purchases of materials; and
- RM0.07 million used to fund the purchase of computers and office equipment.

(c) Net cash from/(used in) financing activities**FYE 2019**

For the FYE 2019, our net cash from financing activities was RM9.84 million. This was mainly attributed to the following:-

- RM7.20 million of proceeds from issuance of new Shares pursuant to our listing on the LEAP market in May 2019; and
- RM4.78 million from drawdown of term loans for partial financing of factory construction expansion.

This was partially offset by the repayment of term loans of RM1.75 million, repayment of lease liabilities of RM0.12 million and payment of share issuances expenses of RM0.27 million.

10. FINANCIAL INFORMATION *(cont'd)*

FYE 2020

For the FYE 2020, our net cash from financing activities was RM4.34 million. This was mainly attributed to the following:-

- RM3.32 million from drawdown of term loans for working capital financing; and
- RM1.27 million from drawdown of banker's acceptance for working capital financing.

This was partially offset by the repayment of term loans of RM0.10 million and repayment of lease liabilities of RM0.15 million.

FYE 2021

For the FYE 2021, our net cash from financing activities was RM0.50 million. This was mainly attributed to the following:-

- RM2.14 million from drawdown of banker's acceptance for working capital financing; and
- RM0.41 million from drawdown of term loan for partial financing of the contractor's progress claim for the construction of our factory expansion.

This was partially offset by the repayment of banker's acceptances of RM1.27 million, repayment of term loans of RM0.66 million and repayment of lease liabilities of RM0.11 million.

FPE 2022

For the FPE 2022, our net cash used in financing activities was RM0.01 million. This was mainly attributed to the repayment of borrowings namely banker's acceptances and term loans of RM2.47 million.

This was partially offset by the drawdown of banker's acceptances of RM2.45 million for working capital financing.

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10. FINANCIAL INFORMATION (cont'd)**10.5.3 Borrowings**

The Group's total outstanding bank borrowings as at 30 June 2022 stood at RM8.77 million as set out below:-

Type	Purpose	Tenure	Interest rate per annum (%)	As at 30 June 2022		
				Payable within 12 months (RM'000)	Payable after 12 months (RM'000)	Total (RM'000)
Term loans *	To part finance factory expansion and to redeem outstanding term loan from another financial institution	60 and 198 months	BFR - 1.8% to 2.0%	658	5,653	6,311
Banker's acceptances	Working capital	Up to 180 days	BFR + 1.0%	2,454	-	2,454
Total				3,112	5,653	8,765
Gearing ratio (times)						0.15

Note:-

* The proposed repayment of the term loans using the Public Issue proceeds is not subject to any early settlement fee.

As at the LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currency.

There has been no default or any known events that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of our Group throughout the Financial Period Under Review and the subsequent financial period up to the LPD.

As at the LPD, neither our Company nor our subsidiaries are in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations or the investments by holders of our securities.

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10. FINANCIAL INFORMATION *(cont'd)*

10.5.4 Financial Instruments, Treasury Policies and Objectives

(a) Financial instruments for hedging purposes

For the Financial Period Under Review and up to the LPD, we do not use any financial instrument for hedging purposes.

(b) Treasury policies and objectives

Our Group's operations have been funded through shareholder's equity, cash generated from our business operations and external sources of funds. The external sources of funds consist primarily of borrowings from financial institutions. The normal credit terms granted by our suppliers ranges from 30 days to 90 days.

As at the LPD, our Group's borrowings from financial institutions mainly consist of the following:

- Term loans used to part finance the construction of factory expansion and to redeem outstanding term loan from another financial institution;
- Bankers' acceptances for working capital purposes; and
- Finance lease liabilities used for the purchase of motor vehicles.

Apart from finance lease liabilities, all our borrowings were based on the prevailing bank's base lending rate or base financing rate plus/minus a margin agreed with banking institutions when the respective loans and financing were granted. Meanwhile, our finance lease liabilities were charged based on fixed rates.

As at the LPD, our Group has available banking facilities amounting to RM6.00 million comprising trade credit facilities, of which RM3.58 million had yet to be utilised.

The main objective of our capital management is to maintain sustainable shareholder's equity to ensure our ability to support and grow our business in order to maximise shareholder's value. We review and manage our capital structure to maintain our debt-to-equity ratio at an optimal level based on our business requirements and prevailing economic conditions.

10.5.5 Material Capital Commitment

As at the LPD, we do not have any material capital commitments for capital expenditure contracted or known to be contracted which may have a material effect on the financial position of our Group.

10.5.6 Material Litigation, Claims or Arbitration

As at the LPD, neither our Company nor our subsidiaries are engaged in any material litigation or arbitration, either as plaintiff or defendant, which has a material effect on our financial position or business and our Directors do not know of any proceeding pending and threatened, and of any fact likely to give rise to any proceeding which might materially and adversely affect our business and financial position.

10. FINANCIAL INFORMATION (cont'd)**10.5.7 Contingent Liabilities**

As at the LPD, we do not have any contingent liabilities which, upon becoming enforceable, may have a material adverse impact on our results of operations or financial position of our Group.

10.5.8 Key Financial Ratios

Our key financial ratios are as follows:-

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
Trade receivables turnover period (days) ⁽¹⁾	49	51	52	61
Trade payables turnover period (days) ⁽²⁾	71	78	89	82
Inventories turnover period (days) ⁽³⁾	218	144	120	122
Current ratio (times) ⁽⁴⁾	2.44	2.60	2.98	3.49
Gearing ratio (times) ⁽⁵⁾	0.09	0.19	0.17	0.15

Notes:-

- (1) Based on the closing trade receivables divided by the revenue of the respective financial years/period, multiplied by 365 days.
- (2) Based on the closing trade payables divided by the cost of sales of the respective financial years/period, multiplied by 365 days.
- (3) Based on the closing inventories of the respective financial years/period divided by the cost of sales of the respective financial years/period, multiplied by 365 days.
- (4) Based on the current assets divided by the current liabilities as at the respective financial years/period ended.
- (5) Based on the borrowings divided by the total equity as at the respective financial years/period ended.

Commentaries**(a) Trade receivables turnover**

A summary of our trade receivables for the Financial Period Under Review is set out as follows:-

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
Trade receivables (RM'000)	2,744	3,487	6,783	9,271
Revenue (RM'000)	20,660	24,927	47,264	27,358
Trade receivables turnover period (days) *	49	51	52	61

Note:

- * Based on the closing trade receivables divided by the revenue of the respective financial years/period, multiplied by 365 days.

10. FINANCIAL INFORMATION (cont'd)

We deal with our customers on credit terms. The credit period that we generally grant to our customers ranges from 30 days to 120 days from date of invoices.

The credit terms granted to our customers are assessed and approved on a case-to-case basis. The factors that are taken into consideration when determining the credit period granted to customers include their creditworthiness, payment history, quantum of amount owing to us and length of relationship with us.

As part of our credit control policy, our finance team closely monitor our ageing report and assess the collectability of trade receivables on an individual customer basis regularly to ensure prompt payment within the credit period granted. For any trade receivables which have exceeded the normal credit period granted to customers, we will follow up with calls and send reminders and where appropriate, provide for specific impairments on those trade receivables where recoverability is uncertain based on our dealings with the customers.

For the FYE 2020, our trade receivables turnover period increased to 51 days from 49 days in FYE 2019. This was mainly due to the slower collections from 2 major customers namely a solar cell manufacturer and a LED manufacturer which were past due more than 120 days. These trade receivables were subsequently collected in the first quarter of FYE 2021.

For the FYE 2021, our trade receivables turnover period increased to 52 days from 51 days in FYE 2020. This was mainly due to the increase in billings in the last quarter of FYE 2021 where most of our trade receivables are not past due.

For the FPE 2022, our trade receivables turnover period increased from 52 days in FYE 2021 to 61 days in FPE 2022. This was mainly due to slower collection from a major customer, a LED manufacturer based in Malaysia.

The ageing analysis of our trade receivables as at 30 June 2022 is as follows:-

	Within Credit Period	Exceeded Credit Period				Total
		1-30 days	31-60 days	61-90 days	More than 90 days	
		RM'000	RM'000	RM'000	RM'000	
Trade receivables	2,134	3,431	224	2,319	1,163	9,271
% of total trade receivables	23.02	37.01	2.42	25.01	12.54	100.00
Subsequent collections as at the LPD	2,134	3,289	-	1,605	639	7,667
Trade receivables net of subsequent collections	-	142	224	714	524	1,604
% of total trade receivables net of subsequent collections	100.00	95.87%	0.09%	69.20%	54.96%	82.70%

As at the LPD, RM7.67 million or 82.70% of our total trade receivables outstanding as at 30 June 2022 have been collected. The remaining RM1.60 million or 17.30% of our total trade receivables are still outstanding as at the LPD.

10. FINANCIAL INFORMATION (cont'd)

The net trade receivables was mainly due to an amount owing that is past due totalling RM1.09 million by a major customer, a LED manufacturer based in Malaysia. We are of the opinion that this amount owing is deemed collectible as we still have on-going orders with the said major customer. As at the LPD, we have outstanding secured purchase orders from the said major customer amounting to RM8.35 million which are expected to be fulfilled progressively within the next 6 months.

In addition, the net trade receivables also included an amount outstanding of RM0.51 million owing by a customer based in China as at the LPD. The said customer is also one of our suppliers whom we owe an outstanding sum of RM0.24 million as at the LPD (included in our trade payables). We are currently in negotiation with the said customer to set-off the said outstanding balances with the net amount to be settled within a specific timeframe to be agreed upon.

We have not encountered any major disputes with our trade receivables during the Financial Period Under Review. Our Board is of the opinion that the remaining outstanding trade receivables are recoverable and we will be closely monitoring the recoverability of the said receivables on a regular basis, and when required, provide for impairment of these trade receivables.

(b) Trade payables turnover

A summary of our trade payables for the Financial Period Under Review is set out as follows:-

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
Trade payables (RM'000)	3,273	3,389	6,756	7,220
Cost of sales(RM'000)	16,830	15,826	27,581	15,997
Trade payables turnover period (days) *	71	78	89	82

Note:

* Based on the closing trade payables divided by the cost of sales of the respective financial years/period, multiplied by 365 days.

We deal with our suppliers on credit terms. Generally, our suppliers grant us credit terms that range from 30 days to 90 days.

For FYE 2020, our trade payables turnover period increased to 78 days from 71 days in FYE 2019. This was mainly due to higher purchases with longer credit period in the last quarter of FYE 2020 as compared to the corresponding period in FYE 2019. As such, there were higher trade payables which have not yet past due representing 83.93% of total trade payables as at 31 December 2020 compared to 80.85% of total trade payables as at 31 December 2019.

For the FYE 2021, our trade payables turnover period increased to 89 days from 78 days in FYE 2020. This was mainly due to slow payments to certain suppliers (due to outstanding remedial works that had to be carried out by them prior to the release of the payments) coupled with the increase in purchases in the last quarter of FYE 2021 compared to corresponding quarter in FYE 2020. Notwithstanding the increase, there were lower trade payables which have not yet past due representing 78.18% of total trade payables as at 31 December 2021 compared to 83.93% of total trade payables as at 31 December 2020.

10. FINANCIAL INFORMATION (cont'd)

For the FPE 2022, our trade payables turnover period improved to 82 days from 89 days in FYE 2021. This was mainly due to the timely payment to most suppliers for purchases made in FPE 2022. However, as at 30 June 2022, there are still some outstanding past due trade payables to certain suppliers mainly due to slow payment to a major supplier whom we have a long-term business relationship of approximately 18 years as at LPD while other outstanding trade payables were due to the timing of invoicing from several suppliers as well as the timing of processing of our payments. Nevertheless, we have been progressively making payments to them to reduce our outstanding trade payables.

The ageing analysis of our trade payables as at 30 June 2022 is as follows:-

	Within Credit Period	Exceeded Credit Period				Total
		1-30 days	31-60 days	61-90 days	More than 90 days	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	2,753	1,395	1,710	883	479	7,220
% of total trade payables	38.13	19.32	23.69	12.23	6.63	100.00
Subsequent payment as at the LPD	2,057	1,395	1,710	883	479	6,524
Trade payables net of subsequent payment	696	-	-	-	-	696
% of total trade payables net of subsequent payment	74.72	100.00	100.00	100.00	100.00	90.36

As at the LPD, RM6.52 million or 90.36% of our total trade payables outstanding as at 30 June 2022 have been paid. The remaining RM0.70 million or 9.64% our total trade payables are still outstanding as at the LPD. This was mainly due to outstanding payables owing to 2 of our suppliers. 1 of them, whom we owe RM0.24 million, is also one of our customers (which owed us RM0.51 million as at the LPD), where negotiation has been in progress to set off the outstanding balances. Please refer to Section 10.5.8(a) of this Prospectus for more details.

There have been no major disputes in respect of our trade payables and no legal action has been initiated by our suppliers to demand for payment during the Financial Period Under Review.

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10. FINANCIAL INFORMATION (cont'd)**(c) Inventories turnover period**

The breakdown of our inventories for the Financial Period Under Review are as follows:-

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
Total inventories (RM'000)				
Consisting of:				
– Raw materials	868	1,930	2,243	4,406
– Work in progress	8,463	4,314	6,800	6,385
– Finished goods	722	-	-	-
Total	10,053	6,244	9,043	10,791
Cost of sales (RM'000)	16,830	15,826	27,581	15,997
Inventories turnover period (days) *	218	144	120	122

Note:-

* Based on the closing inventories of the respective financial years/period divided by the cost of sales of the respective financial years/period, multiplied by 365 days.

Our inventory mainly comprises the following:

- Raw materials comprising vision components, mechanical, electrical and pneumatic parts, computer related devices and may include parts that were fabricated by our subcontractors and not yet used in the production of equipment;
- Work in progress comprise products which are undergoing further processing into finished goods and this may include parts that were fabricated by our subcontractor; and
- Finished goods comprise products that have completed its production and that are stored prior to final delivery to customers.

Our inventory turnover period decreased from 218 days in FYE 2019 to 144 days in FYE 2020. The higher inventory turnover period of 218 days in FYE 2019 was largely due to an order secured for the quad solar cell sorter in the 3rd quarter of 2019 which was still under work in progress as at the end of FYE 2019. This equipment was subsequently delivered in FYE 2020. The higher inventory turnover period was also due to pre-built order for wire bond AOI equipment relating to a letter of intent received in FYE 2019. The said AOI equipment was subsequently sold and delivered in FYE 2020.

The inventory turnover period of 144 days in FYE 2020 was largely due to the increase in orders for AOI equipment and vision inspection modules in the last quarter of 2020 with 13 orders totalling RM15.79 million as compared to the previous quarter of 5 orders totalling RM4.98 million.

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10. FINANCIAL INFORMATION (cont'd)

For FYE 2021, our inventory turnover period decreased to 120 days mainly due to the increase in cost of sales resulting from the increase in sales of machine vision equipment in FYE 2021 by 156 units. The increase in cost of sales in FYE 2021 was due to the increase in our material costs and subcontractor costs in line with the increase in sales orders during the financial year, increase in direct labour costs due to the hiring of additional employees as well as increase in other costs due to higher custom duties and insurance costs. For further details on cost of sales, please refer to Section 10.4.1(b)(iii) of this Prospectus.

For the FPE 2022, our inventory turnover period increased slightly to 122 days from 120 days in FYE 2021. This was mainly due to the increase in raw materials namely vision components and mechanical parts at the end of FPE 2022. These raw materials were intended to fulfil our remaining orders for the second half of 2022.

(d) Current ratio

The summary of our Group's current ratio for the Financial Period Under Review is as follows:-

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
Current assets (RM'000)	24,624	30,252	45,499	52,231
Current liabilities (RM'000)	10,083	11,639	15,264	14,951
Current ratio (times) *	2.44	2.60	2.98	3.49

Note:

* Based on the current assets divided by the current liabilities as at the respective financial years/period ended.

As at 31 December 2020, our current ratio was 2.60 times, which was higher than 2.44 times as at 31 December 2019. This was mainly due to the higher overall cash position generated from the Group's business operations (which included both cash and bank balances as well as other investments in short term money market funds) of RM15.83 million as at 31 December 2020 compared to RM8.94 million as at 31 December 2019.

As at 31 December 2021, our current ratio was 2.98 times, which was higher than 2.60 times as at 31 December 2020. This was mainly due to the higher contract assets of RM12.02 million as at 31 December 2021 compared to RM4.23 million as at 31 December 2020 as there were higher unbilled progress payment for some of our delivered orders.

As at 30 June 2022, our current ratio was 3.49 times which was higher than 2.98 times as at 31 December 2021. This was mainly due to the increase in current assets by RM6.73 million arising from the increase in contract assets and trade receivables by RM2.63 million and RM2.49 million respectively. The increase in contract assets was mainly due to an increase in unbilled progress payments from delivered orders in FPE 2022 pending fulfilment of buy-off from certain customers. The increase in trade receivables was mainly due to slow collection from a major customer namely a LED manufacturer in Malaysia.

10. FINANCIAL INFORMATION (cont'd)**(e) Gearing Ratio**

The summary of our Group's gearing ratio for the Financial Period Under Review is as follows:-

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
Total borrowings (RM'000)	3,932	8,275	8,778	8,765
Total equity (RM'000)	42,731	44,560	52,975	58,211
Gearing ratio (times) ⁽¹⁾	0.09	0.19	0.17	0.15

Note:-

* Based on the borrowings divided by the total equity as at the respective financial years/period ended.

As at 31 December 2020, our gearing ratio was 0.19 times, which was higher compared to 0.09 times as at 31 December 2019. This was mainly due to the increase in total borrowings by RM4.34 million attributed from drawdown of term loan of RM3.32 million and banker's acceptances of RM1.27 million for working capital purposes.

As at 31 December 2021, our gearing ratio was 0.17 times, which was lower compared to 0.19 times as at 31 December 2020. This was mainly due to the increase in retained earnings by RM10.21 million attributed from the higher PAT recorded in FYE 2021.

As at 30 June 2022, our gearing ratio was 0.15 times which was lower than the gearing ratio as at 31 December 2021 at 0.17 times. This was mainly due to the increase in total equity by RM5.24 million attributed to the Group's comprehensive income recorded for FPE 2022.

10.6 TREND INFORMATION

As at the LPD, our Board confirms that there are no:-

- (a) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations, other than those discussed in Sections 6, 8 and 10 of this Prospectus;
- (b) material commitments for capital expenditure;
- (c) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, other than those discussed in Sections 6, 8 and 10 of this Prospectus;
- (d) known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue and/or profits, other than those disclosed in this Section 10, the information on our Group as set out in Section 6 of this Prospectus and our future plans and strategies as set out in Section 6.27 of this Prospectus;

10. FINANCIAL INFORMATION *(cont'd)*

- (e) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position; and
- (f) known trends, demand, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our liquidity and capital resources.

10.7 ORDER BOOK

We do not maintain an order book as we do not have any long-term contracts with our customers as our sales are made based on confirmed purchased orders. As at the LPD, we have outstanding secured purchase orders amounting up to RM20.81 million, of which RM14.97 million are for domestic customers whilst the remaining RM5.84 million are in respect of overseas customers, that have not been recognised in our revenue. The said orders are expected to be fulfilled progressively over the next 6 to 9 months where RM5.46 million and RM15.35 million are expected to be recognised as revenue for the FYE 2022 and FYE 2023, respectively.

10.8 DIVIDEND POLICY

It is our Boards' 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.

As we are a holding company, our ability to declare and pay dividends or make other distributions to our shareholders are dependent upon the dividends we receive from our subsidiaries, present and future. The payment of dividends by our subsidiaries is dependent upon various factors, including but not limited to, their distributable profits, financial performance, and cash flow requirements for operations and capital expenditures, as well as other factors that their respective boards of Directors deem relevant. Save for certain banking restrictive covenants, which our subsidiaries are subject to, there is no other dividend restriction imposed on our subsidiaries as at LPD.

In addition to the factors above which may affect the ability of our subsidiaries to pay dividends to us, our Board will also consider, among others the following, when recommending the actual dividends for approval by shareholders or when declaring any interim dividends:-

- (a) the level of our cash, gearing, return on equity and retained earnings;
- (b) our expected financial performance;
- (c) our working capital requirements;
- (d) our other investment plans;
- (e) any material impact of tax laws and other regulatory requirements; and
- (f) any restrictive covenants contained in our current and future financing arrangements.

The payment and amount of any dividends and distributions to our shareholders will be at the discretion of our Board and will depend on the factors mentioned above (which may not be exhaustive). There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

10. FINANCIAL INFORMATION *(cont'd)*

Dividend payments will not be subject to Malaysian taxation and no withholding tax is imposed on our Company for any dividend payment. Further, dividend distributed by our Company, if any, will be exempt from tax in the hands of our shareholders.

During the Financial Period Under Review and up to the LPD, there was no dividend declared or payable by our Group.

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