7. BUSINESS OVERVIEW

7.1 BUSINESS MODEL

Our business model is summarised as follows:-

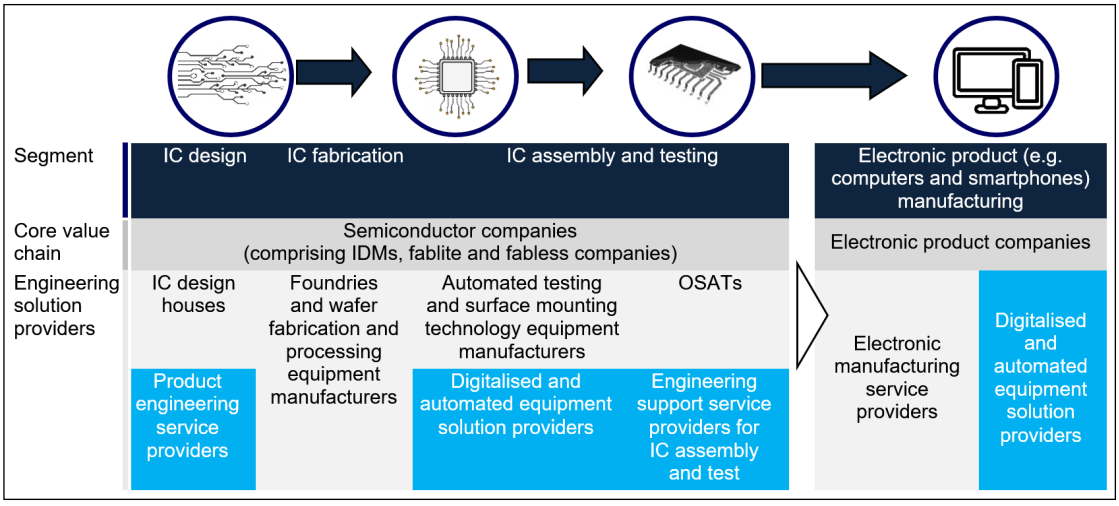
	Product Engineering Services	Engineering Support Services for IC Assembly and Testing	Digitalised Solution	Automated Equipment
SOLUTIONS	Post silicon validation, software development and NPI	Assembly and testing	Customised digitalised solutions	Standalone machinery and equipment
END-USER INDUSTRIES	Semiconductor and electronics industry	Semiconductor and electronics industry	Manufacturing, including the semiconductor and electronics industry	Manufacturing, including the semiconductor and electronics industry

7.1.1 Business Segments

We are an automation solutions and engineering services provider. Our Group's principal business activities and solutions are segmented as follows:-

(a) Provision of product engineering services;
(b) Provision of engineering support services for IC assembly and testing;
(c) Design, development and sale of digitalised solutions; and
(d) Design, development and sale of automated equipment.

Our principal business activities serve various segments of the semiconductor and electronics industry value chain, as illustrated below:-



Notes:-

Denotes the type of core processes which our Group principally carries out.

Denotes the customer segment which our Group presently serves.

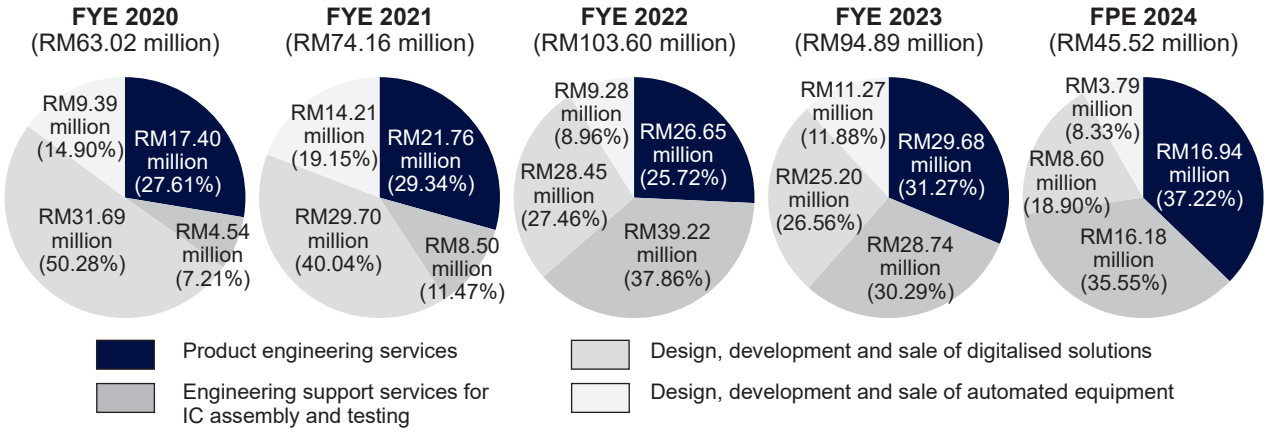
(Source: IMR Report)

7. BUSINESS OVERVIEW *(cont'd)*

Apart from the above, our digitalised solutions and automated equipment are also developed and sold to customers in the manufacturing industries and other sectors such as automotive, healthcare, and industrial as well as local city councils.

7.1.2 Revenue Streams

For the Financial Periods Under Review, our revenue contribution by business segment are as follows:-

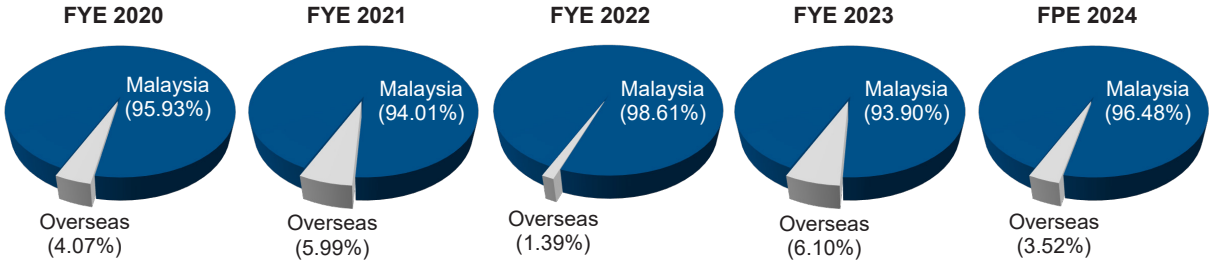


For the Financial Periods Under Review, our Group's total revenue increased at a CAGR of 14.62%, from RM63.02 million in FYE 2020 to RM94.89 million in FYE 2023, mainly contributed by the increased sales from the product engineering services as well as the engineering support services for IC assembly and testing segments.

We do not have any long-term purchase agreements with our customers. Our sales of solutions/equipment and provision of engineering services are based on purchase orders as and when issued by our customers.

7.1.3 Principal Markets

A breakdown of our revenue from our principal markets for the Financial Periods Under Review is depicted below:-



For the Financial Periods Under Review, our revenue was substantially contributed by sales to customers based in Malaysia across all business segments with contribution of more than 94% whilst the balance from overseas countries which include Singapore, USA, Vietnam, Mexico, China, Philippines, Thailand, Costa Rica, Taiwan, Canada and India.

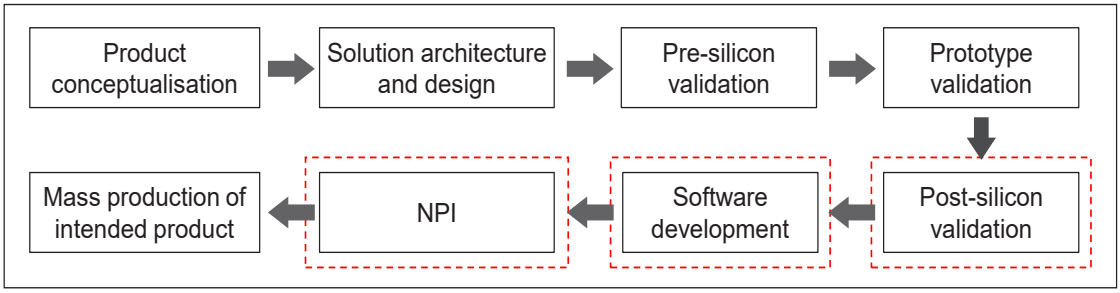
Further details on our principal markets are set out in Section 12.4.2(a)(ii) of this Prospectus.

7. BUSINESS OVERVIEW *(cont'd)*

7.2 BUSINESS ACTIVITIES AND SOLUTIONS

7.2.1 Provision of Product Engineering Services

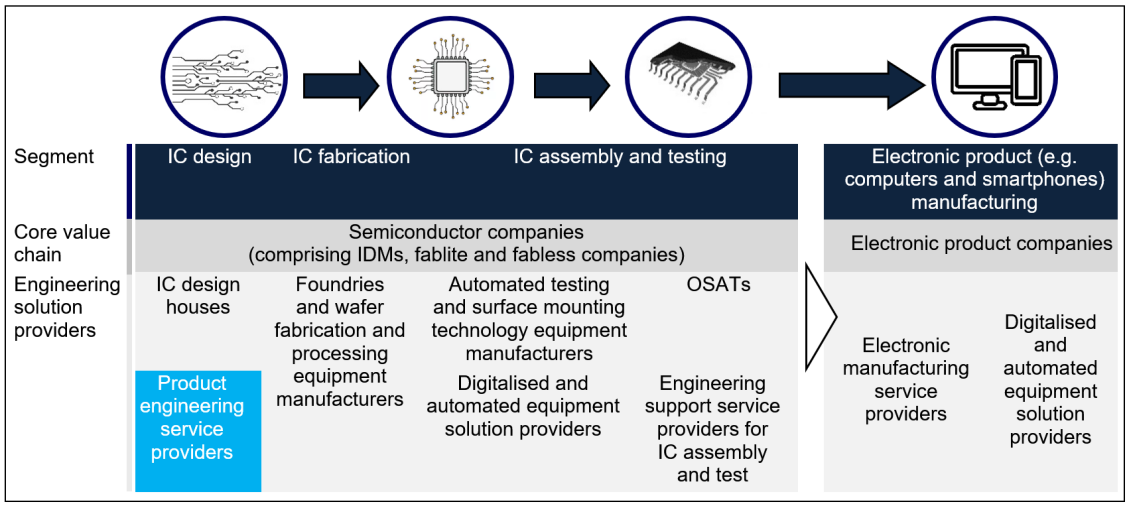
The typical product engineering lifecycle of a semiconductor product (such as for a microchip) is as follows:-



Denotes the areas of product engineering services which are outsourced to and managed by our Group on behalf of our customers.

Product engineering processes are traditionally carried out by semiconductor companies or IDMs for the design, development and fabrication of semiconductor products such as ICs or chips which are widely used in electronic products such as computers, smartphones, electric vehicles and automotive electronics. They, in turn, outsource these processes or activities to external solutions providers in order to scale up their product range, focus on conceptualisation of new products, reduce the burden of training and optimise resources.

A typical semiconductor and electronics industry process chain can be illustrated in the diagram below:-



Notes:-

Denotes the type of core processes which our Group principally carries out.

Denotes the customer segment which our Group presently serves.

(Source: IMR Report)

7. BUSINESS OVERVIEW *(cont'd)*

We have the expertise and a team of skilled personnel (including software engineers and validation engineers) to:-

- manage and undertake product engineering services for any semiconductor products, including ICs or chips used in electronic products as well as those used in the fabrication of hardware for smart solutions that enable digitalisation of operational processes;

- carry out complex product engineering services by leveraging on our employees' technical expertise in development of digitalised solutions and automated equipment; and

- progressively report the deliverables based on analytics dashboard and visualisation platform.

The types of product engineering services we provide to our customers include:-

(a) Post-silicon validation

Post-silicon validation is where we validate the design of product prototypes during its product lifecycle. During post-silicon validation, the functions of product prototypes are tested repeatedly across a specific number of prototype samples to verify that the intended design specifications are met. While there are many areas of post-silicon validation, we are currently focusing on electrical validation, functional validation, AI system and software validation, circuit marginality validation and system level testing debug.

- *Electrical Validation*

  Electrical Validation refers to the validation of the electrical performance and electrical characteristics including Signal Integrity of an IC to ensure the intellectual properties meet the design requirements as well as specific industry standards. Signal Integrity focuses on the quality of the signals transmitted within and between ICs. We validate these electrical characteristics using various customised and industry-standardised tests and equipment such as oscilloscopes, protocol analysers and synthetic signal generators. The intellectual properties we validate are High-speed Input/Output (such as PCIe, USB and UFS), Display, Memory, General-purpose-IO and Fuse.

  We have the capability to design test boards and the test sequences required during validation. We can also develop development kits which will accelerate the process of developing electronic systems on the IC.

- *Functional Validation*

  We validate the functionality of an IC to ensure that the various intellectual properties of an IC functions as per design. We perform these using customised equipment such as protocol analysers and logic analysers, customised tests and scripts as well as commercially available applications and benchmarks.

  We have the capability to design the validation boards and programs required for testing.

7. BUSINESS OVERVIEW *(cont'd)*

- *AI Systems and Software Validation*

  We validate the various AI software use-cases related to computer vision and AI technologies as well as use-cases to be used on Edge devices in the IoT space. We perform edge graphics processing system validation to ensure that those systems can perform well based on customers' use-cases.

- *Circuit Marginality Validation*

  We validate the minimum operation voltage performance of ICs by comparing the minimum operation voltage measured by automated testing equipment with the specifications provided. We perform these validations using object-code based tests (testing of codes to identify any errors) as well as applications on prototype firmware, software and hardware.

- *System Level Test Debug*

  We validate the test contents in the SLT test program, a type of testing that evaluates the functionality and performance of a complete integrated system. This will be used for internal engineering sample generation as well as for manufacturing reject validation. We perform these reject validation on defective engineering samples and defective production samples which are returned from customers as part of the failure analysis and customer return process.

(b) Software development

With our technical expertise and advanced capabilities in software development across a variety of industry verticals, we can architect, design and productize various software applications such as:-

- Cloud based remote debug software – remote engineering toolset which helps engineers to remotely reserve, control, manage, maintain, and update a cluster of remote computing systems. This cloud based remote debug software includes remote operating system provisioning and remote login capabilities, enabling organisations to view and optimise resource allocation, view usage statistics, and reduce idle time and wastage.

- Lab usage management application – Allows lab management to monitor the utilisation of any registered testing and measurement equipment and capital assets, with their locations in a lab environment. This application adds value by reducing idle time and wastage and enables quick tracking of expensive equipment and capital assets.

- System-under-test utilisation tracker – Allows for tracking of platform usage, including power status and consumption.

- Announcement portal - allows users to disseminate information, sharing process updates and training material as well as messages to a target audience with a target due date requiring acknowledgment by the reader.

- Reporting dashboard – Visualises the data reported by the lab usage management application and system-under-test utilisation tracker. Provides insight into utilisation in visual form to be viewed by stakeholders and can be further scrutinised.

7. BUSINESS OVERVIEW *(cont'd)*

- Asset management system - Used when registered equipment is faulty in a manufacturing environment. Users use this system to file tickets in the event of equipment failures, to set up new equipment, and schedule preventive maintenance downtime for any equipment. For asset and equipment management, the asset management system tracks details for inventory purposes such as location, machine time, machine name, machine owner and machine type.

- Software for automated testing equipment of ICs during NPI stage.

- Database and web application of user-registered subnetwork on an intranet network.

- Database and portal for users to register an intranet domain name and IP address for the customers' IT team to manage.

- Ticketing system – Maintenance and continuous improvement of a ticketing system within a single user-interface for customers' lab management team to manage tickets submitted by lab users to manage inventories, lab infrastructure, equipment maintenance, and board repair.

These software applications are fully developed in-house for our customer based on their needs and requirements stipulated in the scope of work. We thus charge a one-off fee for the design, development, deployment and enhancement of the software.

(c) NPI

NPI is the process of establishing a product from its conceptual stages to its final form. The NPI process includes manufacturing of prototype products in the stage of its product lifecycle where engineering samples are produced for both internal and external customers of an IDM. The activities during these NPI production stages include test processes almost identical to a high-volume manufacturing environment, but in an engineering environment and at a smaller scale for the following purposes:-

- The development of test programs used for Burn-in, Class Test, Fusing, Binning, and SLT test processes.

- Discovering potential issues with new tools, designs, and processes in preparation for mass production, in order for these potential issues to be ironed out and fixed before then.

- Enabling estimations of potential yields and run rates which impact output, as well as to determine if quality targets are meeting projections in preparation for mass production.

In addition, we are also involved in carrying out the following engineering test processes:-

- Setting up, operating, and maintaining test equipment in the engineering lab environment.

- Assisting engineers by providing remote support while test equipment is being used remotely.

- Collecting and reporting of engineering data, test results, and output data of engineering samples.

- Performing various engineering activities while using and implementing new changes to hardware, software, and processes in a dynamic environment.

- Providing procurement support and inventory management of ICs, materials (such as memory cards, graphic cards and motherboards), test and measurement equipment, general tools and computer accessories.

For the Financial Periods Under Review, we primarily provide product engineering services, directly and indirectly, to Intel group of companies. We have entered into a master purchase agreement with Intel group of companies where they set out the standard terms and conditions, general scope of services, payment arrangement as well as validity period, amongst others. The agreement is not exclusive and does not constitute a commitment to procure any services from us. Notwithstanding that, our provision of product engineering services is based on purchase orders issued by them from time to time.

Apart from our own permanent-based employees under the Product Engineering Services team (comprising mostly software engineers, software developers and validation engineers), we also employ contract-based skilled personnel (including engineers and technicians) to jointly manage and implement the projects. Whilst these contract-based employees are part of our Product Engineering Services team, they are not responsible for supervising and monitoring the project team. Having the contractual workforce would, not only able to complement our team, but also allows us to control our overall cost structure and manage our resources more effectively depending on the project needs/requirements. Currently, while we are able to carry out certain software development work and remote support at our own offices, our personnel are mostly placed at Intel group of companies' various fabrication facilities in Penang and Kedah. Going forward, we intend to set up our own delivery centres to carry out certain product engineering services.

7.2.2 Provision of Engineering Support Services for IC Assembly and Testing

We provide engineering support services to semiconductor companies or IDMs in their process of IC assembly and testing. In particular, we provide services such as equipment installation and tool conversion, equipment maintenance and troubleshooting, PCB rework, material transfer and management, quality, safety and control management, inventory control management as well as production operation.

In a typical semiconductor and electronics industry process chain shown below, assembly and testing process are one of the core processes (apart from design and fabrication) in producing ICs or chips that are widely used in electronics products such as computers, smartphones, electric vehicles and automotive electronics. Our engineering support services are mainly focused on the assembly and testing operations for ICs or chips.

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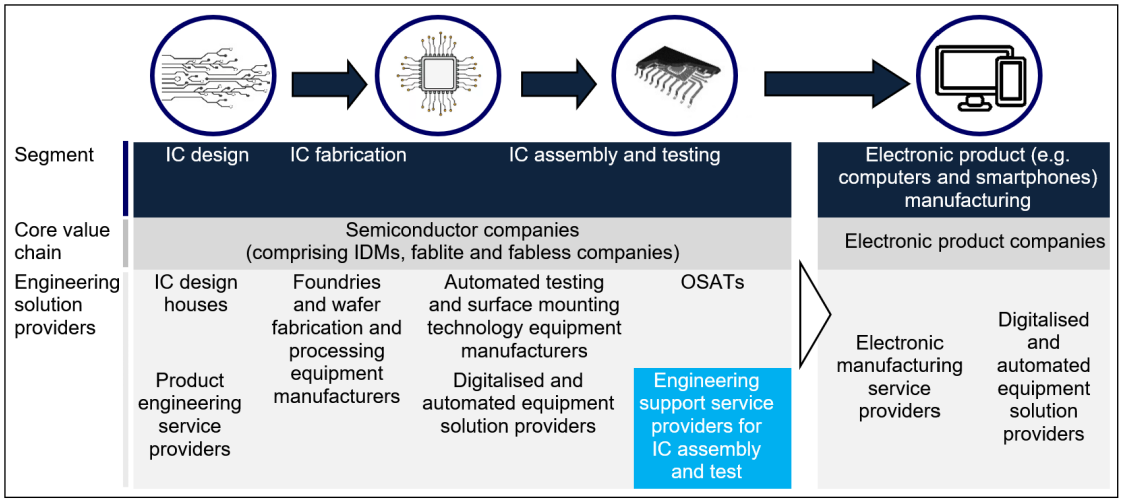
7. BUSINESS OVERVIEW *(cont'd)*

This is as illustrated in the diagram below:-



Notes:-

Denotes the type of core processes which our Group principally carries out.

Denotes the customer segment which our Group presently serves.

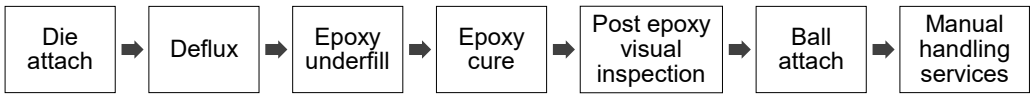
(Source: IMR Report)

Details of the primary services we have provided under this segment during the Financial Periods Under Review include the following:-

(a) IC Assembly

We undertake IC assembly projects for ICs or chips used in various electronics products such as computers, smartphones, servers and graphics cards that are used by data centres, enterprises and consumers.

For the Financial Periods Under Review, we have undertaken the following IC assembly processes:-



- *Die attach* – The process of attaching a die to a substrate using either epoxy or solder. For die attach processes using epoxy, a drop of epoxy adhesive is dispensed on the substrate and the die is placed on top of it. For die attach processes using soldering, a silver sintering layer is placed on the substrate to solder the die with the substrate;
- *Deflux* – Removal of flux, which is an acidic mixture that is used to remove metal oxide and create a good bond during the die attach process;
- *Epoxy underfill* – Application of underfill, which is an epoxy which will fill the gap between the die and substrate to reinforce its mechanical strength;

7. BUSINESS OVERVIEW *(cont'd)*

- *Epoxy cure* – The process of heating the IC under a required temperature in order to harden and set the underfill material;

- *Post epoxy visual inspection* – The process of visually inspecting the IC to ensure that is adhered properly, no foreign materials are present and there are no overflows of epoxy outside of the substrate;

- *Ball attach* – The process of attaching solder spheres or solder "balls" onto the metal pads of a Ball Grid Array package. These solder spheres will be used during the soldering process to attach the Ball Grid Array package to a circuit board; and

- *Manual handling services* – manual handling of packaged parts to remove the retention mechanism which holds down the metal or ceramic lid during the lid attach process.

(b) IC Testing

We undertake IC testing projects for ICs or chips used in various electronics products such as computers, smartphones, servers and graphics cards that are used by data centres, enterprises and consumers.

During the Financial Periods Under Review, we have undertaken the following IC testing processes:-

- *Burn-in test* – Burn-in test which is used to detect early issues and defects of ICs. This is done by elevating electrical and temperature conditions for a specific time period using specialised algorithms and studying the ICs to determine if there are any issues or defects;

- *Class test* – Class test involves the execution of various test programmes which include:-

  – Parametric testing: Determining the variations in electrical parameters of the ICs based on the statistical distribution of ICs;

  – Scan testing: Analysing output based on test patterns used on the IC;

  – Functional testing: Testing the functionality of ICs is as per design;

  – Performance testing: Testing the performance of ICs in terms of frequency and timing tests, and other performance tests;

  – Power testing: Measuring power consumption and efficiency of the different intellectual properties within the IC.

- *Binning* – Separation of units to "Bins" based on test and performance results from the class test step;

- *Fusing* – The process of permanently configuring an IC to operate in a specific way in terms of parameters such as device specifications, device identifications, frequency, power and operating voltage; and

- *System level testing (SLT)* - Execution of test programmes which includes customised object-code tests, customised scripts, and end-user applications on standard IDM equipment using end-user firmware, operating system, software, drivers, and motherboards.

We support IDM(s) in the planning of the resources required to carry out the abovementioned IC assembly and testing processes including the setting up, installation, maintenance and troubleshooting of assembly and test equipment, and tool conversion. We also monitor the progress and performance of project delivery to ensure that the key performance indicators or performance standards provided to us by IDMs are met.

For the Financial Periods Under Review, we have only provided engineering support services for IC assembly and testing to Intel group of companies and such activities are carried out entirely at their facilities/plants. We have entered into a master purchase agreement with Intel group of companies where they set out the standard terms and conditions, general scope of services, payment arrangement as well as validity period, amongst others. The agreement is not exclusive and does not constitute a commitment to procure any services from us. Notwithstanding that, our provision of engineering support services is based on purchase orders issued by them from time to time.

Given the nature and demand of these services where significant skilled workforce involvement is required to support mass production at scale to meet high standard expectation and compliances, we typically employ a large pool of contract-based workforce (comprising mostly engineers, technicians and manufacturing specialists) to carry out the assignments under the supervision of our Engineering team. Having a large number of contract-based personnel allows us to manage our cost structure more effectively. It also offers us more flexibility to manage our work plan in meeting the demand and job scope required by Intel group of companies as it involves the placement of our personnel at their various assembly and test facilities located in Penang and Kedah. These contract-based personnel are typically sourced through various channels such as internship programmes, job portals, social media platforms, recruitment agencies, career fairs and referrals from existing employees.

7.2.3 Design, development and sale of digitalised solutions

Digitalised solutions refer to solutions that enable and manage the digitalisation of processes and services to allow for IoT, which facilitates the real time interconnectivity and data exchange between equipment and devices. The information gathered through these digitalised solutions can then allow for big data analytics, which refers to the analysis of large amounts of information in terms of patterns and correlations to provide actionable insights. These can then be incorporated into the pre-programmed parameters used in the digital system to further automate operations and enable machine learning or AI. Thus, information gathered through big data analytics, machine learning and AI will enable businesses to make more informed business decisions with regard to the business operations and processes.

These digitalised solutions are also termed as smart solutions, which enable the formation of smart factories.

A smart factory is a factory environment that adopts Industry 4.0 and 5.0 which generally uses automated equipment and/or digitalised solutions that are connected over the Internet/intranet to fully automate manufacturing processes and allow for collection and analysis of data to further improve and automate multiple manufacturing processes.

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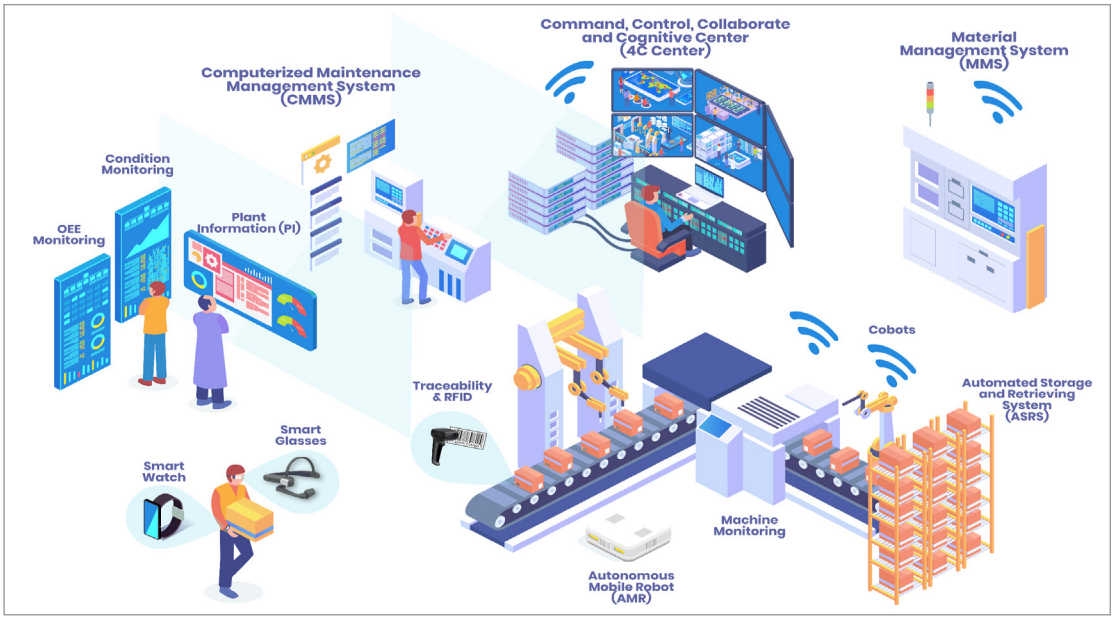
7. BUSINESS OVERVIEW *(cont'd)*

An illustration of our digitalised solutions in a typical smart factory is as follows:-



These digitalised solutions provide the following benefits:-

(a) improve operational efficiency, as well as quality and speed of processes;

(b) minimise human intervention, as processes can be automated to enable consistency, enhance precision, extend working hours and reduce health and safety risks;

(c) allow interoperability across premises or facilities via real time remote management of operations; and

(d) enable paperless operations as information are recorded digitally to achieve single source of truth (the practice of aggregating data from various systems within an organisation), which will improve data accuracy.

All our digitalised solutions are customised according to our customers' requirements and needs, which involves the following activities performed by us:-

(i) Solution design development

We work closely with our customers to develop digitalised solutions that are customised to their operational needs and requirements. Our in-house Software Innovation and Engineering team have the expertise to design and develop the required software that work with automated equipment and digitalised solutions through our "Connected Production Suite". The Connected Production Suite acts as a base platform which facilitates the customisation of digitalised solutions, thus enabling us to expand our range of solutions and enhance the features in our solutions.

The required software is bundled with our digitalised solution, and is included as part of the one-off fee charged for the design, development and sale of digitalised solutions.

7. BUSINESS OVERVIEW *(cont'd)*

(ii) Assembly, integration and configuration

We also source for hardware components from established Principals. The hardware components are then configured with our in-house developed and third-party software to cater for pre-programmed parameters, and assembled to form a digitalised solution. The third-party software is bundled with our digitalised solutions and is included as part of the fee charged for the design, development and sale of digitalised solutions. In some cases where third-party software is procured on a subscription basis, the required software is bundled with after-sales services (which include technical support services) and our customers will continue to pay for the subscription fee to the Principals through our Group. However, customers who do not procure after-sales services from us will pay the Principals directly. We typically do not enter into contracts with customers for such arrangements.

We will also integrate our solutions with our customers' existing manufacturing systems (if required). This process involves the configuration of our digitalised solutions to enable connectivity with the existing manufacturing systems, in order for the processes performed to be sequenced and coordinated. We use our Tofl, which forms part of our Connected Production Suite, to facilitate the integration process.

(iii) Testing and commissioning

Upon the assembly, integration and configuration, we carry out tests to ensure that the functionality and integration of our solutions perform according to requirements before we handover the solution to our customers.

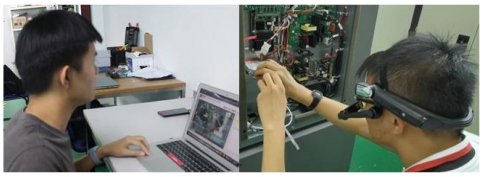
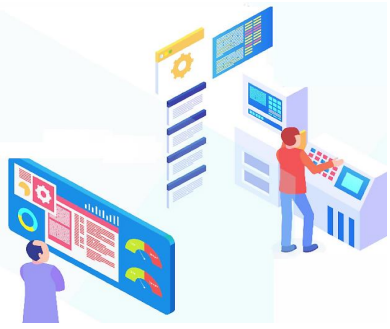
(iv) Technical support

In addition to the activities performed in (i), (ii) and (iii), we provide after-sales and technical support services for digitalised solutions, including for solutions that were not designed and developed by us. These technical support services include one-off troubleshooting and repair services.

Descriptions of some of the key digitalised solutions offered during the Financial Periods Under Review are as follows:-

No.	Solutions / Platform	Description
1.	***Command and control centre*** 	Command and control centre enables monitoring and control of functions at the operations control centre and/or backup control centre. This will allow for remote supervision and status control of machinery and equipment in a manufacturing line or smart city operations.

7. BUSINESS OVERVIEW *(cont'd)*

No.	Solutions / Platform	Description
2.	***Operational efficiency solution*** 	Operational efficiency solution is used to measure productivity, as well as enable improvement in targeted areas of the manufacturing process. This solution helps to improve performance through visualisation of data, measuring machine availability, quantifying quality of output and production cycle time, and systematically eliminating sources of production loss. The information gathered from the solution can also provide insights to enable decision making in relation to the acquisition of new machineries and equipment as well as resource planning.
3.	***Workforce efficiency solutions*** 	Workforce efficiency solution is digital system with smart wearable devices equipped with our in-house designed software application which will assist in various functions of any business operations. The solution also digitally records the activity performed allowing for managers to manage and assess the performance of workers and enable paperless operations.
4.	***Asset management system*** 	Asset management system receives and analyses maintenance data for key assets such as machinery and equipment, on a real-time basis. It centralises all maintenance information and data (such as asset parts and costs, as well as asset repaired and repair time) and facilitates the processes of maintenance activities (such as scheduling maintenance and track work orders). This facilitates predictive maintenance where the condition and performance of assets are monitored on a real-time basis for maintenance planning purposes. Asset management system optimises asset utilisation and availability, thereby improving asset management by eliminating the need for managing spreadsheets. This is done through consolidating all maintenance data, information and activities in a single database. It also allows for real-time response to any equipment failures or breakdowns.

At present, the digitalised solutions we have designed and developed have been largely developed for and used in the semiconductor and electronics industry, as well as manufacturing industries and other sectors such as automotive and healthcare, industrial and local city councils.

7.2.4 Design, development and sale of automated equipment

Automated equipment is machinery, equipment and devices which are typically used to perform mundane, repetitive and tedious tasks. This allows workers to be relieved from the said consuming tasks and to focus on more value-added tasks which require more decision making and governance. The use of automated equipment in the workplace will contribute to increased processing speed, higher precision and accuracy, lower headcount and labour related costs, extended work-hours and reduced health and safety risks.

We design and develop customised automated equipment to carry out one or more functions. Meanwhile, we also internally develop all key software systems. We may source hardware components and software applications from third-party Principals as and when required.

Our automated equipment is sold as standalone products. Nevertheless, all of our automated equipment is designed to interconnect with one another, or with other third-party automated equipment, to form an integrated production line system.

Our automated equipment can be integrated with our digitalised solutions (detailed in Section 7.3.2 of this Prospectus) or other third-party smart solutions or robotic systems. By doing so, this creates a fully autonomous process flow, facilitating smart factories. If required by our customers, we have the capability to undertake the integration of our automated equipment with our customers' existing production line systems as well as their manufacturing execution systems.

At present, the automated equipment we have designed and developed have been largely developed for and sold to semiconductor and electronics companies. In addition, we also develop and sell some of our automated equipment to customers in the manufacturing industries and other sectors such as the automotive and healthcare industries.

Examples of automated equipment we have designed and developed for customers during the Financial Periods Under Review are as follows:-

No.	Assets	Description	Application
1.	***Automated test and handler equipment*** 	The automated test and handler equipment comprise robotic arms that are engineered to undertake assembly, disassembly, pick and place, switching and sorting processes to sort products and/or perform testing processes.	Assemble, dissemble, pick and place and switch products to different process tray for testing, and sorts products based on its quality level during semiconductor and electronics manufacturing.

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7. BUSINESS OVERVIEW *(cont'd)*

No.	Assets	Description	Application
2.	***Automated visual inspection equipment*** 	The automated visual inspection equipment is designed for conducting visual inspections activities to enable greater accuracy during quality control processes.	Allows for inspection on:- • measurements • marking inspection; • orientation / positioning of parts and components; and • absence or presence of parts and components, during semiconductor and electronic product manufacturing.
3.	***Automated material management system*** 	The automated material management system stores and retrieves materials on a real-time basis. This system enables:- • management of operations with an actionable dashboard; • analytics and reporting on material usage. This system is designed to work collaboratively with other complementary robots or equipment, including material transfer equipment	Manages and stores high value manufacturing materials such as, but not limited to, gold wires, epoxy, rubber tips, solder balls, solder pastes, reels, test sockets, bonding capillaries and probe pins, which are used in semiconductor and electronics manufacturing.

Apart from the above, we are also able to provide other customised automated equipment based on our customers' requirements and needs.

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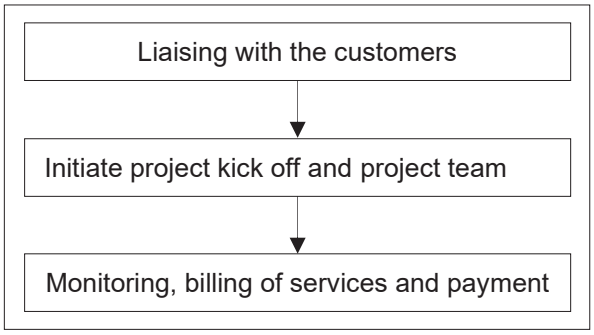
7. BUSINESS OVERVIEW *(cont'd)*

7.3 BUSINESS AND OPERATION PROCESS FLOW

7.3.1 Provision of Engineering Support Services and Product Engineering Services

The process flow for engineering support services and product engineering services is as depicted below:-



(a) Liaising with the customers

The customers will first initiate a scope of work after which we will carry out detailed discussions with our customers to understand their exact needs and required scope of works. The customers will then request for a quotation, following which we will prepare a proposal detailing our quotation and commercial terms based on the pre-agreed scope of works and contract period. Once the proposal is agreed/accepted, the customers will then issue a purchase or work order.

(b) Initiate project kick off and project team

Based on scope of works provided by our customers, we will mobilise and set up a project team (comprising mostly contract-based workforce including engineers, technicians and manufacturing specialists) accordingly to initiate the project execution. Our Human Resource department may, if necessary, carry out resource recruitment and we have an engineering team that is responsible for the supervision and monitoring of the project team.

The processes are as follows:-

(i) Talent fulfilment

Based on our customer's requirements and needs, we will first determine the talent resources necessary to perform the required scope of works under the engineering support services or product engineering services. The number of workforce required depends on the scope of works and complexity of the project. For the Financial Periods Under Review, the project team size for our engineering support services and product engineering services projects ranged between 3 and 120 personnel per project. We will then select and allocate suitable personnel to form the project team to carry out the engagements. For certain projects, we may need to source and recruit suitable personnel based on our customers' requirements and needs.

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We generally source contract-based workers through various channels such as internship programmes, job portals, social media platforms, recruitment agencies, career fairs and referrals from existing employees. Recruitment of personnel is based on our criteria according to our project requirements and needs. This includes, but not limited to, relevant academic qualification, work experience and technical skills. Potential candidates are then shortlisted and subsequently evaluated via an assessment interview led by our Head of Product Engineering Services, Lai Goey Choo. Should they pass the assessment interview, we will conduct a background check on their relevant credentials, past working experience and referrals. Successful candidates will be informed with the recruitment formalised accordingly.

Our Group offers contract periods typically range from 6 to 12 months based on the competency and skills required to support our projects, and their contracts may be renewed or converted to permanent basis, depending on their performance and upon recommendation by our Head of Product Engineering Services.

(ii) Training and briefing

New recruited personnel (especially the contract-based ones) are required to attend briefings and training sessions carried out by our Engineering team. This is to assist them in familiarising themselves with the project as well as our customers' standard operating procedures. Occasionally, they may be required to attend briefing sessions held by our customers to gain a deeper understanding of the project requirements. These sessions are carried out to ensure that they have the necessary skills and are fully certified to perform the processes required to successfully complete the project. Some examples of training that our personnel attended are material handling training, reject management training, software development principles, business analytics training and statistic data analysis training.

(iii) Project execution

Once our project team have completed the training and certification process, they will be deployed to perform their assigned duties. Depending on the project, our project team will be based at our customers' sites, plants or facilities, or off-site at our Setia Spice Office.

Our Engineering team will supervise and monitor the progress and performance of the project team to ensure that they meet their performance standards and deliverables for both engineering support services and product engineering services segments.

(c) Monitoring, billing of services and payment

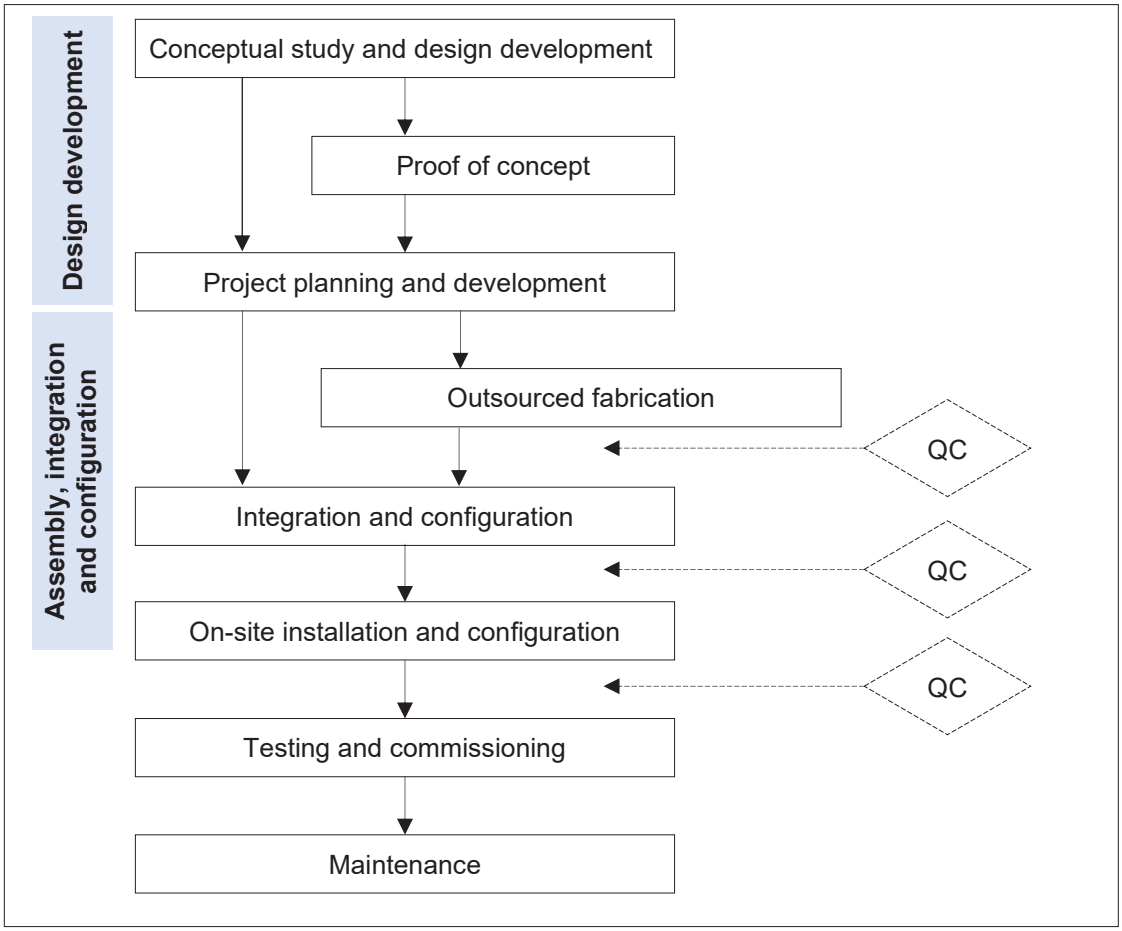
We will present our performance of our projects progress and delivery on a weekly and monthly basis to our customers. Based on these periodic reports, our customers will be informed on whether we have performed the tasks that we have been assigned to, in an orderly manner and within the time frame stipulated.

On a monthly basis, customers will validate the progress of tasks performed before we can issue an invoice to them for the services provided.

Typically, the duration of engineering support services projects (on a per order basis) range between 1 and 3 months, while the duration of product engineering services projects (on a per order basis) can range between 3 months and 2 years.

7.3.2 Design Development and Sale of Digitalised Solutions and Automated Equipment

The process flow for the provision of digitalised solutions and automated equipment are as depicted below:-



(i) Conceptual study and design development

Upon receipt of a purchase order from a customer, we will form a review team comprising representatives from the Business Development, Engineering and Software Innovation departments. The review team will be responsible for completing a conceptual study to review the technical specifications and design of the project. The technical specifications and design will include, but not limited to the functions, specifications, parts and equipment, software systems and connectivity of the automated equipment and digitalised solutions.

We will then demonstrate our conceptual study to the customer and work closely with the customer in the validation of the technical specifications and design of the conceptual study.

Upon approval of the conceptual design by the customer and if requested by the customer, we will provide them with a simple or partial demonstration of the solution. This demonstration is conducted by our review team.

7. BUSINESS OVERVIEW *(cont'd)*

(ii) Proof of concept

If the customer has requested a proof of concept, our Engineering and Software Innovation team will begin the development of the proof of concept of the solution. Further discussions with the customer may be carried out by our Engineering, Software Innovation as well as Business Development team to further understand the specifications and requirements of the solution. This is to ensure that the proof of concept will demonstrate and validate the functionality of our conceptual design of the solution.

Thereafter, the proof of concept will be demonstrated to the customer for approval.

(iii) Project planning and development

Once the order is confirmed, a project team will be formed, consisting of personnel from Business Development, Engineering and Software Innovation departments.

The project team will prepare a project plan which entails the detailed project schedule and deliverables, project costing, resource allocation, operational processes, quality requirements and other administrative procedures.

Following the customer's specifications, our project team will develop the final solution design in terms of:-

- system functionalities and user interfaces, design requirements and/or site requirements of the software system; and

- final design of the automated equipment and/or ancillary structures for digitalised solutions and automated equipment.

Throughout the project development stage, our project team will continuously liaise with the customer to ensure that the final solution design complies with the customer's requirements.

Thereafter, our project team will begin the fabrication of mechanical components. We outsource fabrication of mechanical components to external parties depending on the cost, resources and complexity of the fabrication works. In addition, we also outsource wiring works to sub-contractors.

Our Engineering team will then conduct a quality inspection to ensure that the mechanical components and wiring works are in accordance to our design specifications.

(iv) Assembly, integration and configuration

Our Engineering team will then assemble the mechanical components and products procured to form the complete equipment used in our digitalised solutions and automated equipment. The mechanical aspects of the equipment will then be tested to ensure that the functionality of the equipment meets the specifications set out in the final solution design.

In parallel, our Software Innovation team will design and customise the necessary software required in the digitalised solutions and automated equipment.

Next, both our Engineering and Software Innovation team will work together to integrate and configure the software with the equipment to form the digitalised solutions or automated equipment.

Thereafter, a Factory Acceptance Test will be conducted by our Engineering team on the digitalised solutions or automated equipment, prior to the delivery of the solution to our customer's location, to ensure that the configuration of the solution is in accordance with the customers' specifications.

(v) On-site installation and configuration

The digitalised solutions or automated equipment will then be delivered to our customer's location.

If required, our Engineering and Software Innovation team will then configure our digitalised solutions or automated equipment to integrate with other existing machinery, equipment and devices on-site, to ensure that they are interconnected. At this stage, we will utilise our TofI to facilitate integration of our digitalised solutions or automated equipment with other equipment or manufacturing system of our customers.

Depending on the type of digitalised solutions or automated equipment, we will also integrate our mobile application platform for smart devices and/or analytics dashboard and visualisation platform. As an illustration, our command and control centre, and asset management system require the integration of our analytics dashboard and visualisation platform, while our workforce efficiency solution requires the use of mobile application platform for smart devices.

(vi) Testing and commissioning

Thereafter, a Site Acceptance Test will be conducted on the digitalised solutions or automated equipment to ensure that all the machinery, equipment, devices and software performs according to our customer's requirements. Typically, the Site Acceptance Test involves the setup and running of the entire solutions, under a simulated and/or real-time environment, to validate that the functionality and performance are in accordance with the customer's requirements.

The Site Acceptance Test is conducted with and witnessed by the customer together with our Engineering and Software Innovation team. This is to ensure that the solutions are fully functional and readily integrated with the customer's existing machinery, equipment or devices seamlessly, if required, and the entire digitalised solutions or automated equipment is ready.

During the Site Acceptance Test stage, the parameters in the pre-agreed buyoff checklist will be evaluated by the customer and our Engineering and Software Innovation team, and once all parameters are met, the buyoff checklist will be signed by the customer. This signifies the completion of the project.

(vii) Maintenance

If and when requested by our customer, we are able to provide maintenance and after sales support services which include maintenance, software upgrade and technical support services for the solutions. Typically, a warranty period of 1 year is provided for our solutions/equipment, during which hardware parts repair and replacement will be under the suppliers' warranty.

It typically takes 3 to 9 months to complete a project/order from the time a purchase order from a customer is confirmed till the delivery and/or fulfilment of buy-off criteria, depending on the types and complexities of the solution/equipment.

7. BUSINESS OVERVIEW *(cont'd)*

7.4 QUALITY ASSURANCE AND QUALITY CONTROL

We recognise the importance of providing consistent quality solutions and services to ensure that our customers' needs and requirements are met. We presently comply with the following international standards:-

Standard	Certification Body	Year First Awarded	Validity Period	Scope
QMS ISO 9001:2015	Pearl Certification Sdn Bhd (Malaysia)	2016	17.03.2023 to 23.11.2025	Smart manufacturing system and automation solution provider including design, development and commissioning
ISO/IEC 27001:2022	ARES International Certification Co Ltd (Taiwan)	2024	21.02.2024 to 20.02.2027	The provision of professional software services delivery, application managed services, software development, customisation and training

The following are the quality control procedures which are implemented at various stages of the digitalised solutions' and automated equipment's process flow:-

Process Flow Stage	Quality Control Procedure
Assembly	• Upon receipt of completed mechanical components of the equipment, our Engineering team will conduct a buyoff process to ensure that the components are in good condition and meets the specifications set out in our final solution design.
Integration and configuration	• A Factory Acceptance Test will be conducted on the digitalised solution or automated equipment, prior to the delivery, to verify the configurations are in accordance with the customers' specifications.
Testing and commissioning	• A Site Acceptance Test will be conducted on the digitalised solution or automated equipment that has been installed at our customer's site to ensure that the solutions are fully functional and readily integrated with the customer's existing manufacturing systems seamlessly. • The Site Acceptance Test involves the setup and running of the entire solutions, under a simulated environment and/or real-time environment, to validate that the functionality and performance are in accordance with the customer's requirements.

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We have developed and adopted the following quality assurance measures for our engineering support services and product engineering services segments, namely:-

(a) Selection of quality resources

Prior to recruitment, we conduct thorough interviews and assessments based on a pre-determined selection criteria to ensure that skilled-based personnel with the appropriate qualification and experience are employed. Such selection criteria include their academic qualification, career history, portfolio of customers, and detailed work experience in handling requisite tasks (or similar tasks).

(b) Regular inspections and site visits

Our Engineering team conducts routine inspections and site visits at the relevant work sites to ascertain our customers' satisfaction with our service quality and to ensure that the workers perform their duties with care and diligence and adhere to the standards set by our customers. In addition, we also work closely with our customers to obtain their feedbacks and attend to complaints/issues raised. Our key senior management conducts monthly progress meetings with the engineering team to ensure that our customers' feedback and complaints/issues are dealt with promptly.

7.5 COMPETITIVE STRENGTHS

The following competitive strengths are important in sustaining our business as well as providing us with future business growth:-

(a) We have a wide range of solutions and services that are complementary and can cater to different industries and manufacturing needs

Our Product Engineering Services and Engineering Support Services team (supported by our contract-based skilled personnel) have the necessary skillsets, expertise and experience to manage IC assembly and testing related activities as well as to undertake product engineering services such as post-silicon validation, software development and NPI. These services are generally catered for the semiconductor and electronics industry particularly the IDMs who carry out design, development, fabrication, and assembly and testing of semiconductor products such as ICs or chips which are widely used in electronic products such as computers, smartphones, electric vehicles and automotive electronics.

Meanwhile, we are able to develop and sell digitalised solutions and automated equipment to companies from various industries including the semiconductor and electronics industry, as well as manufacturing industries and other sectors that seek to digitalise and automate their manufacturing processes. Our Engineering and Software Innovation team have the capability to conceptualise and customise the digitalised solutions or automated equipment used in carrying out numerous operational processes.

In particular, we provided various types of services and solutions to one of our major customer, Intel group of companies, during the Financial Periods Under Review including the provision of engineering support services for IC testing and assembly, and product engineering services, and development and sale of certain digitalised solutions and automated equipment.

In addition, we also develop and sell some of our digitalised solutions and automated equipment to manufacturing industries and other sectors such as automotive, healthcare, and industrial as well as local city councils. Our solutions/equipment can be customised to cater to various manufacturing needs and industry applications. For the Financial Periods Under Review, 74.34% to 95.41% of our Group's revenues are generated from the semiconductor and electronics industry. Meanwhile, the remaining 4.59% to 25.66% of our Group's revenues are generated from manufacturing industries and other sectors.

(b) We secure projects/orders from wide-range of customers mostly comprising multinational companies

Most of our customers are multinational companies, such as the Intel group of companies, KellyOCG, Customer A, Customer C, Customer D, Customer E and Customer F. Apart from our ability to maintaining long-term business relationships with some of our major customers such as Intel group of companies (14 years) and KellyOCG (8 years), we have been able to secure new customers such as Customers D, E and F which we acquired in 2023 to broaden our customer base.

Our ability in securing new and retaining existing clients is a testament to our service competence, product quality and proven industry track record. Since securing these customers, we have managed to retain many of them over the years. For the FPE 2024, we have a total of 70 customers of which 77.14% are recurring customers.

Some of our customers have stringent supplier selection processes, whereby they conduct detailed reviews, site visits and/or assessment on their suppliers/service providers prior to selection to ensure that their product quality and operating standards have been met, and that the suppliers have a proven track record. Some customers also carry out regular follow-up assessments to ensure compliance have been maintained. Further, we may be required to fulfil their requirements for environmental, social and governance practices. We have had to undergo these reviews and assessments, which is evidence of our standing as a proven industry player.

Further, our operational processes comply with international compliance standards. We were awarded the ISO 9001:2015 certification in 2016 for smart manufacturing system and automation solution provider including design, development and commissioning as well as ISO/IEC 27001:2022 in 2024 for professional software services delivery, application managed services, software development, customisation and training. These ISO certifications serve as a testimony of the quality of our solutions and services. As such, our ability to comply with these requirements in accordance to international standards has enabled us to be effective and successful in both securing and retaining our multinational customers.

Having such a strong portfolio of multinational and established local customers has given us the credentials to secure even more customers over the years, and moving forward, will help us grow our business further.

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(c) We have an experienced and technically-strong key senior management team

We are led by an experienced and committed key senior management team. Both our Executive Directors, Koh Dim Kuan (CEO) and Lee Chee Hoo (CDO), have played vital roles and been instrumental in the development, growth and success of our Group. Dim Kuan has been involved in the semiconductor industry for more than 15 years with extensive knowledge in automation solutions and engineering services whilst Chee Hoo has been involved in the automation and digitalisation industry for more than 20 years and has vast knowledge in the area of design and development of automated and digitalised solutions.

They are supported by a team of experienced and dedicated key senior management with extensive experience across a range of business activities, from operations to technical and finance to sales and marketing. This includes Liew Chee Kin, our Director of Sophic MSC, Elwyn Toh Jiern Wae, our Head of Software Innovation, Lai Goey Choo, our Head of Product Engineering Services, Wong Shin Guey, our Head of R&D, and Yeap Siew Wen, our Head of Finance. Their expertise and passion for our business have been instrumental in our Group's growth strategies. These key senior management have between 7 and 33 years of working experiences in their respective fields.

Since our inception, we have built an established reputation in the industry through our management's engineering experience and expertise, as well as our ability to provide quality products/services and consistent levels of customer service. The competencies of our key senior management will enable us to sustain our future growth and improve the overall financial performance of our Group. Please refer to Sections 5.1.3 and 5.5.2 of this Prospectus for the detailed profiles of our CEO, CDO and key senior management.

(d) We are well-positioned to benefit from the positive outlook of the industries we serve and involved in

As stated in the IMR Report:-

(i) the product engineering service industry in Malaysia is forecast to grow by 19.7% between 2024 and 2026 to reach RM1.2 billion in 2026, whilst the global product engineering service industry is expected to grow by 15.4% between 2024 and 2026 to reach USD2.0 billion in 2026;

(ii) the IC assembly and test services industry in Malaysia is anticipated to grow by 10.2% between 2024 and 2026, to reach RM23.3 billion in 2026, whilst the global IC assembly and test services industry is projected to grow at a CAGR of 4.5% between 2024 and 2026, to reach USD37.0 billion in 2026; and

(iii) the automated manufacturing and digitalised solutions industry in Malaysia is predicted to grow at a CAGR of 13.1% to RM17.4 billion in 2026, whilst the global automated manufacturing and digitalised solutions industry is estimated to grow at a CAGR of 12.7% between 2024 and 2026 to reach USD448.6 billion in 2026.

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7. BUSINESS OVERVIEW *(cont'd)*

Amongst the key demand drivers for the above forecasted growths include:-

- growing semiconductor and electronic industries and manufacturing-related industries which have largely been driven by the technological revolution with 5G adoption and the emergence of 6G, IoT, AI, machine learning and big data analytics that has resulted in the introduction of new electronic products, as well as the rise in demand for electric vehicles (EV) and solar energy is also expected to boost the demand for semiconductor chips.

- modernisation and transformation of manufacturing facilities towards Industry 4.0 and 5.0 technologies to enable smart factories and sustainable operations.

- increased outsourcing and relocation of manufacturing activities to Southeast Asia particularly foreign multinational companies that have intention to set up production facilities in Malaysia.

- Government initiatives to develop the automation manufacturing and digitalised solution industry as well as to set up the National Semiconductor Strategy to develop the nation's semiconductor ecosystem through partnerships between global and local companies.

The IMR Report further highlights that, despite the global semiconductor and electronics industry decreased to USD526.8 billion as a result of a decrease in demand for consumer electronics due to excess inventory stocks of consumer electronics in the first half of 2023, the global semiconductor and electronics industries rebounded towards the later part of 2023, which is mainly driven by demand for AI applications. The global semiconductor and electronics industry is expected to rebound further in 2024 and is forecast to grow by 11.6% to reach USD588.0 billion in 2024. This is expected to be driven by demand for ICs for AI and high-performance computing and electric vehicles as well as government initiatives in China to support semiconductor production. Further, the semiconductor and electronics industry is expected to be driven by rapid technological developments for product innovations and advancements, and the technological revolution with 5G adoption and the emergence of 6G, IoT, AI, machine learning and big data analytics, which have resulted in the emergence of new electronic products.

As an industry player in the IC design, assembly and test segment in Malaysia as well as in the automated manufacturing and digitalised solutions industry in Malaysia, our Group stand to benefit from the positive outlook of these industries, which will be driven by the growing semiconductor and electronics industry as well as manufacturing related industries.

Thus, our Group is well-positioned to capitalise and leverage on the outlook and growth opportunities as set out in Section 8 of this Prospectus.

7.6 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.

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7. BUSINESS OVERVIEW *(cont'd)*

7.7 TYPES, SOURCES AND AVAILABILITY OF RAW MATERIALS

The key supplies for our digitalised solution and automated equipment business segments include hardware components, engineering services and fabrication services for mechanical components and sheet metal. Our engineering support services and product engineering services segments require minimal materials as they are service-centric activities.

For hardware components, the products include mechanical, electrical and pneumatic parts as well as computer related devices such as computers, sensors, smart wearables and touch screen monitors. We source these hardware components from Principals. These supplies are generally readily available from our Principals and we are able to obtain these from both local and foreign suppliers. In addition, we also ensure that the hardware components supplied to us meets our customer's specifications and expectations.

For software, we procure the necessary software licenses and cloud subscriptions which are generally readily available from our Principals.

In addition, we will also outsource certain services to external suppliers and/or subcontractors including fabrication of mechanical components/sheet metal, engineering and wiring related works, which we will subsequently assemble to form our automated equipment. Such services were mainly sourced from local suppliers.

The breakdown of the purchases of these products and services are as follows:-

	FYE 2020		FYE 2021		FYE 2022		FYE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Hardware										
- Mechanical, electrical and pneumatic parts	4,723	18.04	7,470	27.32	7,267	33.05	8,250	55.97	7,198	67.56
- Computer related devices	7,371	28.15	5,433	19.87	3,325	15.12	2,486	16.87	1,277	11.98
Services										
- Fabrication services	3,300	12.61	5,342	19.54	4,754	21.62	2,028	13.76	996	9.35
- Engineering services	7,911	30.22	7,653	27.99	4,821	21.92	1,109	7.52	648	6.08
- Electrical/Wiring services	643	2.46	505	1.85	587	2.67	161	1.09	68	0.64
Software	1,858	7.10	351	1.28	293	1.33	192	1.30	5	0.05
Others *	373	1.42	590	2.15	944	4.29	515	3.49	463	4.34
Total purchases	**26,179**	**100.00**	**27,344**	**100.00**	**21,991**	**100.00**	**14,741**	**100.00**	**10,655**	**100.00**

Note:-

* Others include logistics and packaging costs, jigs and tools, metal parts, personal protective equipment and other consumables such as battery and cables.

We have not experienced any major volatility in the prices of our supplies, which have materially affected our business during the Financial Periods Under Review.

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7. BUSINESS OVERVIEW *(cont'd)*

7.8 BUSINESS DEVELOPMENT AND MARKETING STRATEGIES

Our Business Development and marketing department is responsible for expanding our brand awareness and to capture the interest of a wider market. We adopt the following business development and marketing strategies:-

7.8.1 Business Development Activities

(a) Direct approach

Our business development activities are led by our CEO and CDO and assisted by the Business Development team, which typically targets semiconductor and electronics, and manufacturing companies.

(b) Building relationship with existing customers

We also emphasise on maintaining and building our existing relationship with our current customers. We aim to provide our customers with efficient and reliable after-sales services and follow ups, as a method to maintain good business relationships and to ensure that they are satisfied with our services/products.

As our business includes products and solutions that are customised, our customer relationship management is anchored by our technological know-how, mutual trust, technical support services as well as understanding of customers operations, which has to be cultivated over time. We encourage direct involvement of our Engineering team with our customers' operations team. The direct involvement of our personnel enables us to showcase our technological strengths whilst encouraging technological collaboration with our customers. Through such direct involvement, our personnel are able to convey to our customers our latest innovation.

(c) Referrals and cross-selling

We also secure new customers through referrals from our business associates, particularly Principals. At times, end-users will reach out to Principals to procure hardware components and software applications. As these Principals are typically only involved in the sales and marketing of these hardware and software applications, the Principals will direct these leads to us for us to follow up and offer our solutions. Further, our trade name is also advertised through brochures and pamphlets of some of these Principals, thus generating leads for us in cases where potential customers (usually end-users) contact us.

As we offer a wide range of digitalised solutions and automated equipment, we are able to leverage on our existing customer base to optimise revenue generation by offering more comprehensive solutions to cater to our customers' needs. The cross-selling of our solutions are a value-add to our customers as they only need to deal with a single solution provider instead of multiple solution providers.

(d) Corporate website

We have our own corporate website at https://sophicautomation.com and https://www.3ren.com.my which provides searchable information on our Group, our principal activities and details of our solutions and services.

(e) Social media platforms

We recognise the importance of social media platforms to create awareness of our solutions. We maintain a profile on social media platforms such as Facebook and Linked-In where we post videos and online content to attract customers as well as interact with our customers. We also post videos and online content on YouTube. Periodically, we share online newsletters with our customers to keep our customers abreast on product information and events. Our marketing personnel are in charge of overseeing the marketing activities on social media platforms.

7.8.2 Marketing Strategies

(a) Exhibitions and events

We participate in exhibitions and events organised by Government ministries, associations and/or third-party technological partners, both locally and internationally to gain further exposure. These exhibitions and events enable us the opportunity to showcase our solutions and capabilities to expand our network of customers.

These exhibitions and events are great opportunities to attract prospective customers, while keeping up-to-date with the latest trends and developments in the automated manufacturing and digitalised solutions industry.

Some of the exhibitions and events we have been involved since 2020 and up to the LPD include:-

Name of Event	**Organiser**	**Date**	**Location**
TECHFEST 2020	World Congress on Information Technology 2020	November 2020	Virtual
Advanced Semiconductor Technology Conference 2021	SEMI South Asia	January 2021	Virtual
RMK 12: Boosting Electrical and Electronics Industry in Moving up the Value Chain	Malaysia Productivity Corporation, Malaysia Semiconductor Industry Association	October 2021	Virtual
Malaysia National Electrical and Electronics Forum 2021	Malaysia Semiconductor Industry Association	October 2021	Virtual
PETRONAS Experience Ventures 2022	PETRONAS	September 2022	Kuala Lumpur
World Congress on Innovation and Technology 2022 Malaysia	PIKOM	September 2022	Penang
Technology Roadshow 2022	PETRONAS	October 2022	Sabah
Corporate and Limited Partners Roadshow 2022: Penang Chapter	MDEC	October 2022	Penang
Malaysian Digital Dialogue Penang	MDEC	December 2022	Penang
ICONICS ASEAN Regional Partner Enablement 2022	Mitsubishi Electric Sales Malaysia Sdn Bhd	December 2022	Singapore

7. BUSINESS OVERVIEW *(cont'd)*

Name of Event	Organiser	Date	Location
SEMICON SEA 2023	SEMI Southeast Asia	May 2023	Penang
Converge Customer Success Conference Asia Pacific 2023	Siemens	July 2023	Thailand
MTDC Technology Conference & Exhibition 2023	MTDC	September 2023	Kuala Lumpur
Converge Asia Pacific Executive Partner Forum 2024	Siemens	January 2024	Vietnam
SEMICON SEA 2024	SEMI Southeast Asia	May 2024	Kuala Lumpur

While we have been mainly participating in local exhibitions and events in Malaysia in the past, we have begun to participate in international exhibitions and events in Singapore and Thailand beginning from 2022. In light of our future business plan to expand our presence internationally, particularly in Singapore, we intend to continue participating in international exhibitions and events.

We have also been invited by large multinational corporations and government associations such as MDEC, Malaysian Global Innovation and Creativity Centre SEMI Southeast Asia and MTDC as speakers at their company events to discuss our solutions and capabilities. Through these events, we are able to gain exposure and share our expertise in the industry/sector we are involved.

Some of these events include:-

Name of Event	Organiser	Date	Location
Malaysia Smart City Project Industry Exchange Conference	MDEC and Overseas Community Affairs Council, Taiwan	September 2020	Virtual
Step by Step Go Towards IR4.0	Federation of Malaysian Manufacturers	October 2020	Ipoh
AI in Manufacturing: GAIN your competitive edge	MDEC	November 2020	Virtual
FMM - Startups Pitch Day 2020	Malaysian Global Innovation and Creativity Centre	November 2020	Virtual
MTDC Industry 4.0 Techweek	MTDC	April 2021	Virtual
4IR + Medtech: Are you future ready?	MDEC, Malaysia Medical Devices Manufacturers Association, Messe Worldwide Sdn Bhd	September 2021	Virtual
Beckhoff Symposium	Beckhoff Automation Sdn Bhd	November 2021	Virtual
Industry 4.0: Market Trend and Technology from Malaysian Companies	Japan External Trade Organisation Kuala Lumpur, MDEC	March 2022	Virtual
SEMICON SEA 2022	SEMI Southeast Asia	June 2022	Penang

Name of Event	Organiser	Date	Location
Your Sustainable Competitive Edge for Product Development Utilising ISO 56000 Innovation Management System Standards	PSDC	September 2023	Penang
Academic & Industry Symposium	Wawasan Open University	January 2024	Penang
Penang – The Rising IC Design & Digital Hub in ASEAN	Maybank Investment Bank Berhad	June 2024	Penang

7.9 INTELLECTUAL PROPERTIES

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

7.9.1 Trademarks

As at the LPD, the Group has filed the following trademark applications with MyIPO:-

Representation of Trademark	Registered Owner	Issuing Authority/ Application No.	Effective Date/ Expiry Date	Classification
	3REN	MyIPO/ TM2024011609	24.04.2024/ Pending approval	Class 36 (1)
	Sophic Automation	MyIPO/ 2016006427	14.06.2016/ 14.06.2026 (2)	Class 9 (3)
	Sophic Automation	MyIPO/ TM2024011253	22.04.2024/ Pending approval	Class 9 (4)
	Sophic Automation	MyIPO/ TM2024011254	22.04.2024/ Pending approval	Class 42 (5)

Notes:-

(1) Administration of capital investment; Administration of fund investment; Administration of funds and investments; Financial administration of capital investment; Financial administration of fund investment; Financial administration of funds and investments; Equity capital investment; Financial management and investment services relating to equities; Financial management and investment services relating to securities; Investment management; Investment portfolio management; Investment performance monitoring; Investment trust management; Management of a capital investment fund; Management of financial investments; Management of investment portfolios; Portfolio management and investment services; Preparation of reports relating to finance and investments; Financial management of holding companies; Management of corporate finances; Funding of product development; Private equity investment management; Administration of shares; Financial administration of shares; Financial management of shares.

7. BUSINESS OVERVIEW *(cont'd)*

(2) The trademark has been registered and is valid for 10 years from the effective date and may be renewed every 10 years, subject to a renewal fee paid to MyIPO.

(3) Sensors integrated system, monitoring cloud solution, remote wireless technology, statistical analytic information for factory activity, deployment for small, medium and large scale industries factory, industrial IoT solutions; all included in Class 9.

(4) Application software; Application software for cloud computing; Application software for cloud computing services; Application software for computers; Application software for use in virtual environments; Application software for wireless devices; Business software; Cloud-based software; Cloud computing software; Cloud network monitoring software; Cloud server software; Cloud software; Communications software; Computer application software; Computer application software for use in implementing internet of things [iot]; Computer programs and software; Computer software; Computer software applications; Computer software for business purposes; Computer software for controlling and managing access server applications; Computer software for data processing; Computer software for database management; Computer software for processing information; Computer software products; Computer software programs; Computer software to enable the provision of information via communications networks; Data and file management software; Database software; Data communication computer software; Data communication software; Data processing software; Downloadable application software; Downloadable business software; Downloadable cloud-based software; Downloadable cloud-computing software; Downloadable computer software; Downloadable computer software applications; Downloadable computer software for the transmission of data; Downloadable software; Machine learning software; Local area network operating software; Networking software; Project management software; Recorded and downloadable software; Software; Software applications, downloadable; Web application software.

(5) IT services relating to the installation, maintenance and repair of software; Advice relating to the design of computer software; Advisory services relating to computer software; Computer and software design and development; Computer programming and design of computer software; Computer programming and design of software; Computer programming being programming of software to the specifications of others; Computer software consultancy and development; Computer software consultancy; Computer software customisation; Computer software design and development; Computer software design for others; Computer software design, development and programming services; Computer software engineering; Computer software programming; Configuration of computer software; Consultancy in the field of software design; Consultancy relating to software maintenance; Consultancy relating to the design and development of computer software; Creating, maintaining, and updating computer software; Custom design and development of software; Custom design of software packages; Custom software development for others; Customization of software; Design and development of computer software; Design and development of data processing software; Design and development of software; Design and updating of software; Design of computer software and systems; Design of software; Design, development and implementation of software; Design, development and programming of computer software; Design, development, installation and maintenance of computer software; Developing customized software for others; Development of software application solutions; Hosting computer software applications for others; Hosting of software as a service; Information technology [it] services relating to the installation, maintenance and repair of software; Installation and customization of computer applications software; Professional advisory services relating to computer software; Programming of computer software; Programming of software; Providing non-downloadable computer software for use in input/output communications between computers and users; Providing non-downloadable software on data networks; Providing on-line non-downloadable computer software; Providing on-line non-downloadable software; Providing online non-downloadable web-based software; Research and development services relating to software; Software as a service; Software consultancy; Software customization; Software design; Software development; Software engineering; Software programming.

The Board is of the view that the Group's business and profitability are not materially dependent on the registered trademarks above.

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7. BUSINESS OVERVIEW *(cont'd)*

7.9.2 Patents

As at the LPD, the Group has filed the following patents with MyIPO:-

Registered Owner	Title of Invention	Issuing Authority	Filing No./ Grant No.	Filing Date/ Grant Date/ Expiry Date
Sophic Automation	Wearable data extractor	MyIPO	PI 2016702378/ MY-193020-A	27.06.2016/ 22.09.2022/ 27.06.2036 (1)
Sophic Automation	Fluid leakage prevention system for thermal management system	MyIPO	PI 2023007915/ Not applicable	26.12.2023/ Not applicable/ (2) Not applicable (2)

Notes:-

(1) The patent is subject to an annual payment of a renewal fee to MyIPO.

(2) The patent is still pending approval from MyIPO.

The Board is of the view that the Group's business and profitability are not materially dependent on the patents above.

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7. BUSINESS OVERVIEW *(cont'd)*

7.10 MAJOR LICENCES AND PERMITS

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

7.10.1 Business Licence

No.	Licence Holder	Issuing Authority	Effective Date/ Expiry Date	Nature of Approval	Major Conditions Imposed	Status of Compliance
1.	3REN	MBSP	20.05.2024/ 31.12.2024	Business licence for office and advertising signage located at our Tangkas 9 Plant	Nil.	Not applicable.
2.	Sophic Automation	MBSP	21.09.2023/ 31.12.2024	Business licence for machine automation factory, office, warehouse/storage and advertising signage located at our Tangkas 9 Plant	Nil.	Not applicable.
3.	Sophic Automation	MBSP	21.09.2023/ 31.12.2024	Business licence for machine automation factory, office and warehouse/storage located at our Tangkas 3 Plant	Nil.	Not applicable.
4.	Sophic Automation	MBSP	21.09.2023/ 31.12.2024	Business licence for machine automation factory, office, warehouse/storage and advertising signage located at our Bukit Minyak Plant	Nil.	Not applicable.
5.	Sophic Automation	MBPP	21.12.2023/ 31.12.2024	Business and advertising signage licence located at our Setia Spice office	Nil.	Not applicable.

7. BUSINESS OVERVIEW *(cont'd)*

No.	Licence Holder	Issuing Authority	Effective Date/ Expiry Date	Nature of Approval	Major Conditions Imposed	Status of Compliance
6.	Pinkypye	MBSP	21.09.2023/ 31.12.2024	Business licence for electrical and mechanical precision and assembly work, office and warehouse/storage located at our Tangkas 3 Plant	Nil.	Not applicable.
7.	Sophic MSC	MBSJ	02.09.2024/ 02.09.2025	Business licence for office and advertising signage located at our Stellar Suites Office	(a) The licence has to be renewed within 3 months before the expiry date except for temporary licence. (b) Implement the Selangor State Plastic Free Campaign, 'NO POLYSTERE' and 'NO STRAW'. Disposable plastic bags (disposable/single use) is no longer supplied for free. The company must be registered under the Plastic Bag Charge Collection Program of Selangor at the MBSJ Licensing Department for control and adjustment purposes. (c) The Licensing Department must be informed if the premise has closed or ceased operation for a security claim (if any).	Noted. Complied. Noted.

The application for the renewal of the business licences above is expected to be submitted to the relevant authorities at least 1 month before the expiry of the said licences.

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7. BUSINESS OVERVIEW *(cont'd)*

7.10.2 Manufacturing and Other Licences

No.	Licence Holder	Issuing Authority	Effective Date/ Expiry Date	Nature of Approval	Major Conditions Imposed	Status of Compliance
1.	Sophic Automation	MIDA / MITI	23.12.2019/ Valid until it is revoked or surrendered	Manufacturing licence for factory automation system and related modules	(a) Site: 6 & 8, Lorong Perindustrian Bukit Minyak 1/1, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Penang.	Complied.
					(b) MITI and MIDA must be notified on any disposal of shares in Sophic Automation.	Complied.
					(c) Sophic Automation shall train Malaysian citizens to ensure that the transfer of technology and expertise can be channelled to all employment levels.	Complied.
					(d) Sophic Automation shall comply with the Capital Investment Per Employee (CIPE) of at least RM140,000.	Complied.
					(e) The total number of full time employees of Sophic Automation must consist of at least 80% Malaysian citizens. The employment of foreign workers, including outsource workers, is subject to the current policy.	Complied.
					(f) Sophic Automation shall submit information in relation to the performance of investment and implementation of the project under the Industrial Coordination Act, 1975 (Act 156) and MIDA Act 1965 when required by MIDA. Failure to submit the said information may result in Sophic Automation:-	Noted.

7. BUSINESS OVERVIEW *(cont'd)*

No.	Licence Holder	Issuing Authority	Effective Date/ Expiry Date	Nature of Approval	Major Conditions Imposed	Status of Compliance
					(i) guilty of an offence and may be fined not more than RM1,000 or imprisonment for more than 3 months or both and may be further fined of not more than RM500 for every day of continuing offence; and (ii) committing an offence if it provides any false or misleading statement or information and may be fined not more than RM2,000 or imprisonment of not more than 6 months or both.	
					(g) Sophic Automation shall implement its projects as approved and in accordance with the laws and other regulations of Malaysia.	Complied.
2.	Sophic Automation	MIDA / MITI	24.02.2023/ Valid until it is revoked or surrendered	Manufacturing licence for factory automation system and related modules and automated guided vehicle/ automated mobile robot and augmented reality smart glass	(a) Site: 9, Jalan Industri Tangkas 1, Taman Industri Tangkas, Seberang Perai Tengah, 14000, Bukit Mertajam, Penang.	Complied.
					(b) MITI and MIDA must be notified on any disposal of shares in Sophic Automation.	Complied.
					(c) Sophic Automation shall train Malaysian citizens to ensure that the transfer of technology and expertise can be channelled to all employment levels.	Complied.
					(d) Sophic Automation shall comply with the Capital Investment Per Employee (CIPE) of at least RM140,000.	Complied.

7. BUSINESS OVERVIEW *(cont'd)*

No.	Licence Holder	Issuing Authority	Effective Date/ Expiry Date	Nature of Approval	Major Conditions Imposed	Status of Compliance
					(e) The total number of full time employees of Sophic Automation must consist of at least 80% Malaysian citizens. The employment of foreign workers, including outsource workers, is subject to the current policy.	Complied.
					(f) Sophic Automation shall submit information in relation to the performance of investment and implementation of the project under the Industrial Coordination Act, 1975 (Act 156) and MIDA Act 1965 when required by MIDA. Failure to submit the said information may result in Sophic Automation:- (i) guilty of an offence and may be fined not more than RM1,000 or imprisonment for more than 3 months or both and may be further fined of not more than RM500 for every day of continuing offence; and (ii) committing an offence if it provides any false or misleading statement or information and may be fined not more than RM2,000 or imprisonment of not more than 6 months or both.	Noted.
					(g) Sophic Automation shall implement its projects as approved and in accordance with the laws and other regulations of Malaysia.	Complied.

7. BUSINESS OVERVIEW *(cont'd)*

No.	Licence Holder	Issuing Authority	Effective Date/ Expiry Date	Nature of Approval	Major Conditions Imposed	Status of Compliance
3.	Sophic Automation	Royal Malaysian Customs Department	01.04.2024/ 31.03.2026 *	Manufacturing warehouse licence pursuant to Section 65A of the Customs Act 1967	(a) No dutiable goods other than raw materials/ components and machinery used directly in manufacturing and manufactured goods which have been approved by the State Director of Customs may be stored in the licensed manufacturing warehouse.	Complied
					(b) Changes to the structure of buildings and equipment in the licenced premises are not permitted except with the written approval of The State Director of Customs.	Complied
					(c) At least 80% finished product (by value) are to be exported, and not exceeding 20% of the finished product can be sold in the local market as approved. Goods sold in domestic market are subject to any prevailing duties/ tax at the time.	Complied
					(d) Disposal of waste including manufacturing waste is subject to the written approval of the State Director of Customs.	Noted
					(e) Licensee shall notify the Office of Customs in writing within 14 days if:- (i) There is a change in the board of directors of Sophic Automation; (ii) Sophic Automation has been wound up; (iii) An application for winding-up of Sophic Automation is made;	Complied. Notifications on the changes in the board of directors were made on 25 October 2023 and 25 March 2024.

7. BUSINESS OVERVIEW *(cont'd)*

No.	Licence Holder	Issuing Authority	Effective Date/ Expiry Date	Nature of Approval	Major Conditions Imposed	Status of Compliance
					(iv) Receiver or liquidator is appointed; and (v) Sophic Automation is subjected to civil claims, bankruptcy, closure and other similar matters.	
4.	Sophic Automation	Ministry of Finance Malaysia ("**MOF**")	17.01.2022/ 20.03.2025	Certificate of registration with the MOF as a supplier/service provider in the sector and sub-sector listed therein the certificate.	(a) Any changes to the information submitted to the MOF must be updated within 21 days from the date the change takes place.	Complied, save for the notification for Dato' Boonler Somchit's resignation which was not made within the required 21 days. Notwithstanding the above, MOF has approved the notification without any action taken against Sophic Automation as at the LPD.
					(b) The company must ensure that the fields that have been registered in the certificate do not overlap with the fields that have been approved above any of the following companies:-	
					(i) having the same owner or board of directors/directors, management and employees; or	Complied.
					(ii) operates on the same premises.	Complied.

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

As at the LPD, save as disclosed in Section 7.10 of this Prospectus, there are no other commercial or financial contracts, intellectual property rights, licences, permits and/or production or business processes, which we are highly dependent on or that are material to our business and/or profitability.

7.12 MATERIAL CONTRACTS

Save as disclosed below, the Group has not entered into any other material contracts (which include material contracts the Group's business or profitability is materially dependent on and material contracts not in its ordinary course of business), including those which could have a material adverse impact to the Group's business operations and financial condition, during the Financial Periods Under Review and the subsequent period up to LPD:-

(a) On 16 March 2020, Sophic Automation entered into an investment agreement with MTDC and its shareholders, Lee Chee Hoo, Koh Dim Kuan and Low Chee Onn where MTDC agrees to subscribe for 6,100,000 RCPS at an issue price of RM1.00, with preference rights attached. The 6,100,000 RCPS was issued to MTDC in June 2021.

On same date, Sophic Automation entered into a shareholders' agreement together with its shareholders, Lee Chee Hoo, Koh Dim Kuan and Low Chee Onn ("**the Shareholders**") and MTDC to specify and regulate the relationship of the Shareholders and MTDC as shareholders of Sophic Automation. The shareholders' agreement shall be terminated upon the completion of the Acquisition of Sophic Automation.

On 14 March 2024, both MTDC and Sophic Automation have mutually agreed to vary the conversion clause of the RCPS pursuant to the RCPS Conversion to simplify and synchronise the conversion methodologies for the entire RCPS which are not similar in both tranches, wherein the entire 8,800,000 RCPS will be converted into 71,700 new ordinary shares in Sophic Automation based on a conversion ratio of 2.1 multiple over the nominal value of the entire RCPS. The RCPS Conversion was completed on 5 July 2024.

(b) On 26 July 2021, Sophic Automation entered into a sale and purchase agreement ("**SPA**") with Tangkas Properties Sdn Bhd to purchase a unit of freehold 3-storey terraced light industrial factory erected on Lot 31599 (formerly known as PT 31599), Mukim 14, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under GM 9712 (formerly known as HS(M) 9502), bearing the assessment address of No. 9, Jalan Industri Tangkas 1, Taman Industri Tangkas, 14000 Bukit Mertajam, Pulau Pinang for a cash consideration of RM5,000,000. The SPA was completed on 29 October 2021.

(c) On 31 December 2021, Sophic MSC entered into a SPA with Flora Development Sdn Bhd to purchase a commercial unit known as Parcel No.: SS-21-16, Type: C1, Storey No.: 21, Car Park Bay No: L5-05 under the commercial development project known as Stellar Suites erected on the freehold land held under mater title Geran 335256 Lot 115900, Mukim Petaling, Daerah Petaling, Negeri Selangor for a cash consideration of RM628,000. The SPA was completed on 19 July 2022.

7. BUSINESS OVERVIEW *(cont'd)*

(d) On 31 December 2021, Sophic MSC entered into a SPA with Flora Development Sdn Bhd to purchase a commercial unit known as Parcel No.: SS-21-13A, Type: B1, Storey No.: 21, Car Park Bay No: L8-29 under the commercial development project known as Stellar Suites erected on the freehold land held under mater title Geran 335256 Lot 115900, Mukim Petaling, Daerah Petaling, Negeri Selangor for a cash consideration of RM589,000. The SPA was completed on 19 July 2022.

(e) On 31 January 2022, Sophic Automation entered into a SPA with Tangkas Properties Sdn Bhd to purchase a unit of freehold three (3) storey terraced light industrial factory erected on Lot 31605 (formerly known as PT 31605), Mukim 14, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under GM 9718 (formerly known as HS(M) 9508), bearing the assessment address of No. 3, Jalan Industri Tangkas 2, Taman Industri Tangkas, 14000 Bukit Mertajam, Pulau Pinang for a cash consideration of RM3,700,000. The SPA was completed on 29 April 2022.

(f) On 9 November 2022, Sophic Automation entered into a capital transfer agreement to dispose its entire 64% equity interest in SVN Automation to Koh Dim Kuan, Lee Chee Hoo and Low Chee Onn for a transfer price of VND 8,242,027,175 (equivalent to RM1,566,000). The payment of the transfer price was settled by way of set off against the dividend-in-specie of RM1,566,000 declared by Sophic Automation to its shareholders. The capital transfer agreement was completed on 3 February 2023.

(g) Conditional share sale agreement ("**SSA**") dated 20 March 2024 entered into between our Company and Lee Chee Hoo, Koh Dim Kuan, Low Chee Onn and MTDC in relation to the Acquisition of Sophic Automation, which was completed on 23 July 2024.

(h) Conditional SSA dated 20 March 2024 entered into between our Company and Sophic Automation and Liew Chee Kin in relation to the Acquisition of Sophic MSC, which was completed on 30 July 2024.

(i) Conditional SSA dated 20 March 2024 entered into between our Company and Sophic Automation in relation to the Acquisition of Pinkypye, which was completed on 30 July 2024.

(j) Underwriting Agreement dated 2 September 2024 between 3REN and the Sole Underwriter for the underwriting of 62,500,000 Public Issue Shares for an underwriting commission of 2.50% 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 4.10 of this Prospectus.

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7. BUSINESS OVERVIEW *(cont'd)*

7.13 PROPERTY, PLANT AND EQUIPMENT

7.13.1 Own Material Properties

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

Registered Owner	Location	Description and Existing Use	Land Area/ Built-up Area (sq ft)	Date of CF/CCC Issuance	Land Status/ Category of Land Used	Encumbrances	Audited NBV as at 30.06.2024
Sophic Automation	**Address** No. 9, Jalan Industri Tangkas 1, Taman Industri Tangkas, 14000, Bukit Mertajam, Penang **Title** Lot 31599, Mukim 14, Daerah Seberang Perai Tengah, Pulau Pinang held under GM 9712	Tangkas 9 Plant comprised three-storey link terraced factory used as the Group's corporate headquarters, production facility and future innovation lab	9,332.31/ 11,981	18.03.2020 and 05.12.2022	Freehold/ No restriction of category of land used and it is currently being used as industrial land	A charge in favour of RHB Islamic Bank Berhad and RHB Bank Berhad registered on 29.11.2021 and 28.03.2023 respectively.	5,150
Sophic Automation	**Address** No. 3, Jalan Industri Tangkas 2, Taman Industri Tangkas, 14000, Bukit Mertajam, Penang **Title** Lot 31605, Mukim 14, Daerah Seberang Perai Tengah, Pulau Pinang held under GM 9718	Tangkas 3 Plant comprised three-storey link terraced factory. Ground and 1st floor Office cum precision and assembly facility for Pinkypye. 2nd floor Engineering office for Sophic Automation.	5,995.50/ 11,981	18.03.2020	Freehold/ No restriction of category of land used and it is currently being used as industrial land	A charge in favour of RHB Islamic Bank Berhad and RHB Bank Berhad registered on 27.04.2022 and 28.03.2023 respectively	3,704
Sophic Automation	**Address** 6, Lorong Perindustrian Bukit Minyak 1/1, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Penang **Title** Lot 20839, Mukim 13, Daerah Seberang Perai Tengah, Pulau Pinang held under PN11572	Double-storey semi-detached terrace factory used as the production facility and engineering office	3,153.83/ 3,087.10	22.11.2016 and 16.11.2021	60-year lease expiring on 13 April 2075/ Industrial	A charged in favour of Maybank Islamic Berhad registered on 09.10.2018 and 22.08.2019	910

7. BUSINESS OVERVIEW *(cont'd)*

Registered Owner	Location	Description and Existing Use	Land Area/ Built-up Area (sq ft)	Date of CF/CCC Issuance	Land Status/ Category of Land Used	Encumbrances	Audited NBV as at 30.06.2024
Sophic Automation	**Address** 8, Lorong Perindustrian Bukit Minyak 1/1, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Penang **Title** Lot 20840, Mukim 13, Daerah Seberang Perai Tengah, Pulau Pinang held under PN11573	Double-storey semi-detached terrace factory used as the warehouse and office	3,153.83/ 3,087.10	22.11.2016 and 16.11.2021	60-year lease expiring on 13 April 2075/ Industrial	A charged in favour of Maybank Islamic Berhad registered on 09.10.2018 and 22.08.2019	910
Sophic MSC	**Address** 21-13A, Stellar Suites, Jalan Puteri 4/7, Bandar Puteri Puchong, 47140 Puchong, Selangor **Title** Bangunan M1, Tingkat No. 21 Petak No. 198 Petak Aksesori No. A334 held under Hakmilik Strata No. Geran 33526/M1/21/198, Lot No. 115900, Mukim Petaling, Daerah Petaling, Negeri Selangor	A unit on the 21st floor of a 31-storey building used as an office	861/ 861	29.06.2022 and 05.03.2024	Freehold/ Industrial	A charged in favour of Maybank Islamic Berhad registered on 29.05.2023	470
Sophic MSC	**Address** 21-16, Stellar Suites, Jalan Puteri 4/7, Bandar Puteri Puchong, 47140 Puchong, Selangor **Title** Bangunan M1, Tingkat No. 21 Petak No. 199 Petak Aksesori No. A157 held under Hakmilik Strata No. Geran 33526/M1/21/199, Lot No. 115900, Mukim Petaling, Daerah Petaling, Negeri Selangor	A unit on the 21st floor of a 31-storey building used as an office	893/ 893	29.06.2022 and 05.03.2024	Freehold/ Industrial	A charged in favour of Maybank Islamic Berhad registered on 29.05.2023	501

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

7. BUSINESS OVERVIEW *(cont'd)*

Rented Properties

Details of our Group's rented properties as at the LPD are as follows:-

Landlord / Tenant	Postal Address	Description and Existing Use	Built-up Area (sq ft)	Date of CF/CCC Issuance	Tenancy Period	Annual Rental (RM)
Eco Meridian Sdn Bhd/ Sophic Automation	No. 108-B-01-28B, Setia Spice Canopy, Jalan Tun Dr Awang, 11900, Penang	Setia Spice Office comprising a unit on the 1st floor of a 5-storey building used as the product engineering services office	4,808	15.12.2015	01.01.2023 to 31.12.2025	184,627
Penang Development Corporation/ Sophic Automation	Unit Nos. 1.2-1.5, GBS @ Mayang, Bandar Bayan Baru, 11950 Bayan Lepas, Penang	4 adjoining units on the 1st floor of a 4-storey building to be used as the First Delivery Centre	1,960	22.02.2018	01.05.2024 to 30.04.2027	87,204

As at the LPD, none of our rented properties is in breach of any category of land use and express condition imposed on the land titles nor in breach of any prevailing statutory requirements, land rules or building regulations/by-laws, which would have a material adverse impact on the Group's business operations and financial conditions.

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7.13.2 Key Machinery and Equipment

A summary of the key machinery and equipment owned and used by our Group as at 30 June 2024 are as follows:-

Machinery/ equipment	Description	No. of units	Average age as at the LPD	NBV as at 30.06.2024 (RM' million)
Computer numerical control (CNC) 3-axis milling machines	A computerised machine used to perform various processes such as cutting, drilling or milling for purpose of our fabrication of mechanical components	4	2 years	0.95

Apart from the abovementioned machinery and equipment, there are no other material machinery and equipment used in the design and development of digitalised solutions and automated equipment. Further, due to the nature of our operations presently, we do not utilise any machinery and equipment in the provision of engineering support services for IC assembly and testing, and product engineering services.

7.13.3 Operating Capacities and Output

For our engineering support services for IC assembly and testing segment, we have a contract-based workforce of 151, 214, 873, 809 and 843 personnel as at 31 December 2020, 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024 respectively.

The utilisation rate of our engineering support services personnel for the Financial Periods Under Review are as follows:-

	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FPE 2024
Total billable time (hours)	296,223	537,063	2,101,080	1,539,644	866,802
Total available time (hours) (1)	386,784	541,008	2,161,584	2,012,256	1,050,192
Utilisation rate (%) (2)	76.59	99.27	97.20	76.51	82.54

Notes:-

(1) Calculated based on total number of engineering support services personnel, the available working hours in the respective financial years/period.

(2) Calculated based on the total billable time divided by total available time in the respective financial years/period.

The utilisation rate increased from 76.59% in FYE 2020 to 99.27% FYE 2021 as we undertook more orders from Intel group of companies during the year with higher headcount. Notwithstanding that, we have to manage and optimise our workforce resources (including working overtime) in order to meet a more stringent responsible business alliance ("**RBA**") compliance requirements imposed by Intel group of companies brought upon by the challenges faced during the COVID-19 pandemic and the ensuing MCOs during the year.

The utilisation rate decreased marginally from 99.27% in FYE 2021 to 97.20% in FYE 2022. During the year, we have to hire a larger headcount in contract-based personnel in a short period of time to fulfil the additional orders taken over from another supplier of Intel group of companies, which came with increased scope of work and timeline constraints.

Meanwhile, the utilisation rate decreased from 97.20% in FYE 2022 to 76.51% in FYE 2023 mainly due to decrease in number of engineering support services personnel as we undertook lower orders from Intel group of companies. During the year, we have also implemented several cost-optimisation measures (which include non-renewal and transfer of contract-based personnel to another department such as the product engineering services team) with the aim of improving our overall competency and operating efficiency in the delivery of our engineering support services.

The utilisation rate increased from 76.51% in FYE 2023 to 82.54% in FPE 2024. Notwithstanding an increase in headcount from 809 as at 31 December 2023 to 843 as at 30 June 2024 to cater for higher orders from Intel group of companies, our utilisation rate improved in FPE 2024 as a result of the Group's cost optimisation measures implemented since FYE 2023 which have improved our overall competency and operational efficiency.

We do not adopt calculation of operating capacity for our product engineering services segment as our operating capacity varies based on the complexity and type of the project as well as performance standards set by the client based on the scope of works for the project. Currently, while we are able to carry out certain software development work and remote support at our own offices, our personnel are mostly placed at Intel group of companies' various fabrication facilities in Penang and Kedah.

Our digitalised solution and automated equipment projects also vary in terms of complexities and requirements and thus, we are not able to quantify our operational capacities and utilisation rate for these business segments. Instead, the output of our digitalised solutions and automated equipment would be dependent on a combination of the following factors:-

(a) Availability of floor space required for assembly works

We currently undertake our manufacturing and/or assembly processes of certain digitalised solutions and automated equipment from our Bukit Minyak Plant, Tangkas 3 Plant and Tangkas 9 Plant which have a combined built-up area size of 30,136 sq ft., of which a total of 7,094 sq. ft. in floor area is dedicated for manufacturing and/or assembly processes.

(b) Manpower capacity and capability

The output of digitalised solutions and automated equipment is also dependent on the size and technical expertise of our Software Innovation and Engineering team. They play critical role in the initial design and conceptualisation, assembly and configuration, integration, installation and provision of after sales technical support. As at the LPD, we have a total of 78 permanent employees in these departments which accounted for approximately 21.85% of our total permanent employee workforce.

As it is a combination of factors, and the requirements of assembly space and manpower required vary from project to project, the capacities and utilisation rates cannot be quantifiable based on these factors.

For clarification, the capacity and utilisation rate of the CNC milling machines which are used to fabricate certain mechanical components do not indicate our Group's capacities and utilisation rates for our digitalised solutions and automated equipment segments. This is because we do not fabricate standard mechanical parts or components for each digitalised solution and automated equipment project, as the requirements vary from project to project. In addition, in some cases, we do not undertake the fabrication of these mechanical components in-house. As such, the capacity and utilisation rate of the CNC milling machines have not been quantified and disclosed in this Prospectus.

7.13.4 Material Plans to Construct, Expand or Improve Facilities

Save for our plan to set up new Deliver Centres and a new office in Singapore as disclosed in Sections 7.19.2 and 7.19.3 of this Prospectus, we have no other material plans to construct, expand and improve our existing facilities.

7.14 EMPLOYEES

As at the LPD, our Group has a workforce of 1,421 employees of whom 357 are permanent employees and 1,064 are contract-based employees. Apart from 3 foreign employees from Egypt, Yemen and Philippines (who are employed on a contract basis), all our employees are Malaysian. Save for 11 employees who are based in the central region, the remaining 1,410 of our employees are all based in the northern region as at the LPD. For FPE 2024, we employed an average of 1,164 contract-based employees.

As at 30 June 2024 and the LPD, the breakdown of our employees are as follows:-

	As at 30 June 2024			As at the LPD		
Category of employees	**Permanent**	**Contract**	**Total**	**Permanent**	**Contract**	**Total**
Management	7	-	7	7	-	7
Business development, marketing and sales	20	4	24	20	4	24
Finance, human resources and administration	18	-	18	19	-	19
Engineering	25	1	26	24	1	25
R&D	13	-	13	15	-	15
Software innovations						
- *Software engineers and developers*	48	6	54	50	4	54
- *Data analysts*	5	-	5	4	1	5
Engineering support services						
- *Managerial and administration*	7	19	26	7	18	25
- *Engineers*	5	46	51	5	44	49
- *Technicians*	3	457	460	5	403	408
- *Manufacturing specialists*	-	321	321	-	282	282
Product engineering services						
- *Managerial and administration*	28	38	66	29	40	69
- *Engineers*	144	39	183	155	32	187
- *Technicians*	16	225	241	16	227	243
- *Manufacturing specialists*	1	8	9	1	8	9
	340	**1,164**	**1,504**	**357**	**1,064**	**1,421**

None of our employees in Malaysia belongs to any trade union and there was no labour dispute between our management and our employees in Malaysia in the past that have materially affected our operations during the Financial Periods Under Review and the subsequent period up to the LPD.

As at the LPD, we have 3 foreign employees (software engineer) from Egypt, Yemen and Philippines, all of which have valid working permits. During the Financial Periods Under Review, there has been no non-compliances with the relevant laws in relation to employee statutory contributions in Malaysia.

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

Training and Development

During the Financial Periods Under Review, some of the courses, seminars and training programmes our employees have attended include:-

Year	Training programmes	Organiser
FYE 2021	Scrum Master Certification	SCRUMstudy™
	Deep Learning for Computer Vision	Elite Indigo Consulting (M) PLT
	Plant Information Monitoring System Technical Training	Supplier A
FYE 2022	IoT: Equipment Connectivity Using SECS/GEM	PSDC
	Introduction to Augmented Reality (AR) Development for Industry and Mobile Application	Supplier A
	Firebase Fundamentals Course	Supplier A
	Introduction to Software Debugging – Towards Practical Development Course	Supplier A
	Big Data Analysis and Interactive Dashboard Reporting Course	Supplier A
	JAVA Mobile Development Course	Supplier A
	WebRTC Fundamentals	Supplier A
FYE 2023	Model Deployment	Supplier A
	Data Manipulation & Visualisation Learn Programming in Python	Supplier A
	Programming C Visual Studio - Advanced	Supplier A
	Machine Learning and AI	Supplier A
	Prevention and Elimination of Forced Labour & Introduction to Responsible Business Alliance	HR Forum Malaysia Sdn Bhd
	Agile Fundamentals	Supplier A
	ISO 9001:2015 Requirements Training Course	BSI Training Academy
	ISO 31000:2018 Implementation Training Course	BSI Training Academy
	Mastering The Employment Act 1955	HR Act Sdn Bhd
	Occupational Safety & Health 1994 Act514 Amendment 2022	Safety Training Consultancy Plt
	Software Development Principles	Trainocate (M) Sdn Bhd
	Tax Seminar on Budget 2024: Empowering Financial Sustainability	BDO Tax Services Sdn Bhd
	Investigation Techniques for Misconduct at Workplace	HR Act Sdn Bhd
	Getting Ready for e-Invoicing in Malaysia	Malaysia Institute of Accountants
	Supervisory Skills for Team Lead	Supplier A

Year	Training programmes	Organiser
FYE 2024	Introduction to SA 8000 Social Accountability	BSI Training Academy
	Procedure for termination & retrenchment of employees *(Prosedur Penamatan & Pemecatan Pekerja)*	Department of Trade Union Affairs
	EQ vs IQ	Surge Connection Sdn Bhd
	Communication & Negotiation Skills	Surge Connection Sdn Bhd
	Kepware Fundamental Training	Supplier A
	Understanding & Awareness of RBA Version 8.0	HR Act Sdn Bhd
	3D Modelling for 3D Printing	Supplier A
	E-Invoice: Quickstart and Compliance for Malaysian Businesses	HR Act Sdn Bhd
	Occupational Safety & Health Coordinator Competency Programme	HR Act Sdn Bhd
	Foreign Worker & Expatriate Payroll Management *(Pengurusan Penggajian Pekerja Asing & Ekspatriat)*	Department of Trade Union Affairs

7.15 R&D

We carry out R&D activities for digitalised solutions and automated equipment for the design and development of new solutions/equipment as well as the enhancement of features and functions of existing solutions/equipment. As at the LPD, the R&D activities are led by Wong Shin Guey, our Head of R&D, with a team of 15 personnels comprising software and mechanical engineers, and analysts. Moving forward, we intend to hire an additional 9 staff as part of our initiatives to empower our R&D team in supporting the ongoing efforts to develop new/enhanced products and solutions. The new employees to be hired include software engineer, data scientist/engineer, cloud engineer, AI engineer, mechanical engineer, and developer and programmer.

There are no design and development or R&D activities carried out for our product engineering services and engineering support services due to the nature of these services.

7.15.1 R&D Initiatives and Activities

We are cognisant that R&D is an investment that will ensure that we remain competitive and able to sustain our continuous growth. Hence, our Group has continuously invested in R&D during the Financial Periods Under Review.

Our R&D direction is guided by the following policies:-

(a) Continuous development of platforms and applications to meet evolving market needs, customer demands and emerging technologies to remain competitive and commercially relevant;

(b) Create marketable and cost competitive digitalised solutions and automated equipment; and

(c) Build on strengths, competencies and domain knowledge of digitalised solutions and automated equipment in developing future products.

In the past, we were largely involved in design and development activities for customised digitalised solutions and automated equipment. These activities are typically undertaken in consultation with our customers, and carried out during the development of our solutions/equipment involving the design, configuration and integration of machinery, equipment and tools utilised. We work with our customers and suppliers to develop optimised design plans and configurations, to meet the customers' specifications and intended output.

We also undertake R&D activities to enhance our operational processes, by developing in-house software applications and platforms. These software applications and platforms form our Connected Production Suite, as detailed in Section 7.16.1 of this Prospectus.

Moving forward, we intend to undertake the development of some new and enhanced digitalised solutions and automated equipment, as set out below:-

- Nervii platform - A base platform for integrating all supporting systems and software utilised by the customer with the customers' digitalised solutions used in their manufacturing processes. This will enable information flow between departments to be even more seamless, and lead to greater operational efficiency not only in manufacturing processes but across the entire company. This base platform can be tailored to the respective customers' needs.

- Standardised automated test and handler equipment - By offering standardised solution, we are also able to lower our development costs, thus developing more cost-effective automated equipment. This will allow us to reduce our development time taken, which will enable us to enhance our operational efficiency in the future.

- Material transport system equipment - This new equipment will be based on the concept of the modulation of robotic mobile units that can move on a railway structure from one point to another.

Please refer to Section 7.19.1 of this Prospectus for further details on our future R&D activities.

7.15.2 R&D Expenditure

Our R&D expenses during the Financial Periods Under Review, includes salaries, wages and training expenses for our R&D personnel as well as purchases for parts and materials. Our R&D expenses during the Financial Periods Under review are set out below:-

	FYE 2020 (RM'000)	FYE 2021 (RM'000	FYE 2022 (RM'000	FYE 2023 (RM'000)	FPE 2024 (RM'000)
R&D expenses capitalised as intangible assets *	-	1,715	2,120	1,660	519
R&D expenses directly charged out to profit or loss	502	76	949	1,015	281
Total R&D expenses incurred	**502**	**1,791**	**3,069**	**2,675**	**800**
% over total revenue	0.80	2.41	2.96	2.82	1.76

Note:-

* R&D expenditure capitalised as intangible assets are amortised on a straight-line basis over the estimated commercial life of 5 to 10 years. Please refer to Note 5 of the Accountants' Report in Section 13 of this Prospectus for further details on the amortisation of R&D expenditure that were capitalised as intangible assets.

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

7.16 TECHNOLOGY USED

7.16.1 Connected Production Suite

Our Connected Production Suite comprises the following modules:-

(a) TofI

There are various software and hardware or devices used in the development of machinery and equipment in a manufacturing environment, and these software and hardware or devices may utilise different interfaces and protocols. As they utilise different interfaces and protocols, the machinery and equipment may not have been designed to communicate seamlessly with other machinery and equipment, which could lead to inefficiencies in the manufacturing operations.

We have designed our in-house universal data bridge and connectivity solution called TofI which enables connection between various hardware and devices such as sensors and actuators, machinery, equipment and control hardware, as well as software systems within a business premises or manufacturing facility. With the use of TofI, businesses can integrate their existing machinery, equipment and/or hardware and/or devices and software systems with our newly developed automated equipment and digitalised solutions.

As TofI allows for integration of machinery and equipment and/or other hardware or devices used in a business premises or manufacturing facility, this will enhance automation. Consequently, this would lead to reduced dependency on human intervention for manual processes and decision making, thereby contributing to greater efficiency and productivity to the business with increased processing speed, higher accuracy, higher quality and extended work-hours.

The core functionality of TofI includes:-

- A universal data and protocol bridge, which enables connection between various machinery, equipment, control hardware/ devices and software systems in a business premises or manufacturing facility. It will allow digitalisation across most software systems and control hardware/ devices in the business premises or manufacturing facility;

- Peripheral connection via analog or digital input and output connections and other computer peripheral connections such as serial or parallel ports, ethernets and USBs and GPIO pins;

- Image or video interface, where control of keystrokes, character, mouse cursor movements on the host computer can be controlled, and various video interfaces such as HDMI and VGA are supported. TofI utilises OCR technology to enable the data acquisition from legacy or standalone machinery, equipment and other hardware or devices which doesn't support any communication protocol. The OCR processing involves image acquisition, pre-processing, text detection, character detection, post-processing and lastly output generation of the data that required.

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

(b) Mobile application platform for smart devices

This platform digitalises SOPs and automates workflows. It will automatically coordinate workflows by deploying tasks to the assigned smart devices (such as smartphones and smart wearables such as smart watches and smart glasses) which are held by workers. With the digitalisation of task management and automation of workflow, this encourages paperless operations as information can be recorded digitally.

This solution enables the following:-

- Monitoring and management of workforce efficiency and performance;
- Ensuring that all parties are aware of the entire process and the stage of the process;
- Allow for efficiency as tasks are deployed automatically to the assigned device held by the respective workers;
- Prompt response to issues that occur during the manufacturing/operational process as it enables for remote trouble-shooting and technical support;
- Real-time visualisation guide using Augmented Reality in our operational efficiency solutions; and
- Encourage paperless operations as information are recorded digitally.

(c) Analytics dashboard and visualisation platform

Our analytics dashboard and visualisation platform is a platform which will display historical and real-time data unto a single dashboard for ease of view and understanding. This will allow for data to be viewed and visualised in the form of graphs and charts. As a result, this will assist businesses to understand its operations' as well as machinery and equipment performance. The data collated through the platform is also descriptive and actionable, allowing for businesses to undertake predictive analytics on the performance and maintenance of their machinery and equipment.

This platform enables the following:-

- Overall view of the hardware and software systems as well as processes across any data sources on any electronic device;
- Generate informative and actionable visuals from historical and real-time data; and
- Gain an understanding of all assets and processes in a single modifiable view.

7.16.2 Business intelligence tools

For our engineering support services and product engineering services segments, our Group utilises a third-party interactive data visualisation software, namely Microsoft Power Business Intelligence (BI), as per customer requirements. This third-party software is used to monitor and manage the progress and performance of our Engineering team and output of the services carried out. The interactive data visualisation software will analyse the data and enable us to visualise this analysis in the form of charts, thus allowing us to have meaningful insights in optimising our costs and work performance.

7.16.3 Machine Learning and AI

(a) Visual Analytics

We use visual or video data for custom object detections. Object detection in a manufacturing environment can help improve safety, efficiency, and quality control. Some applications of object detections are:-

- Quality control: Object detection can be used to identify defects or irregularities in products as they move through the manufacturing process. This can help reduce waste and ensure that only high-quality products are shipped to customers;

- Inventory management: Object detection can be used to track inventory in real-time, allowing manufacturers to optimise their supply chain and ensure that they have the right materials on hand to meet demand;

- Safety: Object detection can be used to monitor the movement of workers and equipment, helping to prevent accidents and ensure that safety protocols are being followed.

(b) AI / Big Data Analytics

The use of AI and big data analysis in manufacturing can vary depending on needs and objectives. The focus of the implementations is usually to reduce workload, ensure safety, ease maintenance, and assist in decision making.

Some applications of AI and big data analysis in manufacturing:-

- Predictive maintenance: AI can be used to predict machines' downtimes based on data from sensors and other sources. Reducing downtime will also reduce maintenance costs;

- Quality control: AI can be used to inspect products for defects and ensure that they meet quality standards. This can help reduce waste and improve customer satisfaction;

- Supply chain optimisation: AI can be used to optimise the supply chain by predicting demand, optimising inventory levels, and identifying opportunities for cost savings;

- Robotics and automation: AI can be used to control robots and other automated systems, improving efficiency, and reducing the need for manual labour;

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

- Process optimisation: AI can be used to analyse data from the manufacturing process and identify opportunities for optimisation and improvement;

- Safety: AI can be used to monitor workers and equipment to ensure that safety protocols are being followed and to detect potential safety hazards.

7.16.4 Cloud technology

We utilise the following types of cloud solutions:

- Amazon Web Services ("AWS") ElastiCache, which retrieves web applications from its database management system as opposed to retrieving from databases stored on the random access memory (RAM) of the computer. It improves data access speed and allows for real-time insights with better stability and availability that prevent any disruptions when using the system;

- AWS Relational Database Service (RDS), which simplifies the setup, operation and scaling of relational database for use in applications as all of these activities are fully managed and multiple data engines such as Amazon Aurora, MySQL, PostgreSQL, Oracle, MariaDB and Microsoft SQL, which are commonly used in manufacturing industries.

- Amazon S3 (Simple Storage Service), which enables storage of data on a cloud infrastructure which is scalable. It also easy to integrate with various AWS services like EC2 Compute, RDS and ElastiCache. It is also eases development of new software and allows for third-party system integration.

- ModelArts - Machine learning (AI solution) offered by Huawei Cloud. It enables software developers and data scientist to manage data, combine cloud resource with development tools, train, import models, simplify deployment processes and customise models and engines.

The abovementioned technological tools are used to facilitate the development or used in our solutions and we do not charge our customers a separate fee for the use of these technological tools.

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

7.17 MAJOR CUSTOMERS

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

FYE 2020

Major Customers	Country	Type of Solutions / Services	RM'000	% of Total Revenue	[1] No. of Years
Intel group of companies [2]	Malaysia, Vietnam, Costa Rica, China and USA	Automated equipment, digitalised solutions, engineering support services and product engineering services	24,312	38.58	10
Customer A	Malaysia	Automated equipment and digitalised solutions	11,570	18.36	4
KellyOCG [3]	Malaysia	Product engineering services	10,588	16.80	4
Customer B	Malaysia	Digitalised solutions	5,975	9.48	3
Top Glove group of companies [4]	Malaysia and Thailand	Digitalised solutions	5,792	9.19	5
Total top 5 major customers			**58,237**	**92.41**	
Total Group revenue			**63,020**	**100.00**	

FYE 2021

Major Customers	Country	Type of Solutions / Services	RM'000	% of Total Revenue	[1] No. of Years
Intel group of companies [2]	Malaysia, Vietnam, Costa Rica, China, USA and India	Automated equipment, digitalised solutions, engineering support services and product engineering services	33,578	45.28	11
KellyOCG [3]	Malaysia	Product engineering services	12,200	16.45	5
Customer A	Malaysia	Automated equipment and digitalised solutions	11,612	15.66	5
Top Glove group of companies [4]	Malaysia and Thailand	Digitalised solutions	6,947	9.37	6
Mah Sing Group Berhad	Malaysia	Automated equipment and digitalised solutions	1,524	2.05	1
Total top 5 major customers			**65,861**	**88.81**	
Total Group revenue			**74,164**	**100.00**	

FYE 2022

Major Customers	Country	Type of Solutions / Services	RM'000	% of Total Revenue	[1] No. of Years
Intel group of companies [2]	Malaysia, Vietnam, Costa Rica, China and USA	Automated equipment, digitalised solutions, engineering support services and product engineering services	69,227	66.82	12
KellyOCG [3]	Malaysia	Product engineering services	14,548	14.04	6
Customer A	Malaysia	Automated equipment and digitalised solutions	6,177	5.97	6
Top Glove group of companies [4]	Malaysia	Digitalised solutions	2,589	2.50	7
Customer C	Malaysia	Digitalised solutions	1,212	1.17	2
Total top 5 major customers			**93,753**	**90.50**	
Total Group revenue			**103,598**	**100.00**	

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

FYE 2023

Major Customers	Country	Type of Solutions / Services	RM'000	% of Total Revenue	[1] No. of Years
Intel group of companies [2]	Malaysia, Vietnam, Costa Rica, China, USA and Taiwan	Automated equipment, digitalised solutions, engineering support services and product engineering services	53,776	56.67	13
KellyOCG [3]	Malaysia	Product engineering services	14,313	15.08	7
Customer C [5]	Malaysia and USA	Automated equipment and digitalised solutions	3,403	3.59	3
Customer D	Malaysia	Automated equipment	3,178	3.35	1
Customer E	Singapore	Digitalised solutions	2,224	2.34	1
Total top 5 major customers			**76,894**	**81.03**	
Total Group revenue			**94,891**	**100.00**	

FPE 2024

Major Customers	Country	Type of Solutions / Services	RM'000	% of Total Revenue	[1] No. of Years
Intel group of companies [2]	Malaysia, Vietnam, Costa Rica, China, USA and Taiwan	Automated equipment, digitalised solutions, engineering support services and product engineering services	31,670	69.58	14
KellyOCG [3]	Malaysia	Product engineering services	7,190	15.79	7
Customer C [5]	Malaysia and USA	Automated equipment and digitalised solutions	1,122	2.46	4
Customer F group of companies [6]	Malaysia and Singapore	Automated equipment	1,117	2.45	< 1
Customer A	Malaysia	Automated equipment and digitalised solutions	1,000	2.20	7
Total top 5 major customers			**42,099**	**92.48**	
Total Group revenue			**45,518**	**100.00**	

Notes:-

(1) Approximate length of business relationship is determined as at end of each of the respective financial years/period.

(2) For the Financial Periods Under Review, our Group's revenue contribution from Intel group of companies comprised the following entities:-

	FYE 2020		FYE 2021		FYE 2022		FYE 2023		FPE 2024	
Intel group of companies	**RM'000**	**% of Total Revenue**	**RM'000**	**% of Total Revenue**	**RM'000**	**% of Total Revenue**	**RM'000**	**% of Total Revenue**	**RM'000**	**% of Total Revenue**
Intel Technology Sdn Bhd	11,081	17.58	14,574	19.65	45,642	44.06	33,081	34.86	19,518	42.88
Intel Microelectronics (M) Sdn Bhd	7,396	11.74	17,134	23.10	21,438	20.69	16,327	17.21	9,397	20.65
Intel Products (M) Sdn Bhd	1,243	1.97	832	1.12	1,885	1.82	2,894	3.05	1,925	4.23
Intel Electronics (Malaysia) Sdn Bhd	-	-	-	-	-	-	492	0.52	698	1.53
Intel MSC Sdn Bhd	3,462	5.49	-	-	-	-	-	-	-	-
	23,182	36.78	32,540	43.87	68,965	66.57	52,794	55.64	31,538	69.29
Others *	1,130	1.80	1,038	1.41	262	0.25	982	1.03	132	0.29
Total	**24,312**	**38.58**	**33,578**	**45.28**	**69,227**	**66.82**	**53,776**	**56.67**	**31,670**	**69.58**

* *Include subsidiaries within the Intel group of companies that are based in Vietnam, Costa Rica, China, USA, India and Taiwan.*

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

In general, each of these companies within the Intel group of companies maintains and manages their own costs and operations. Although they are provided with a recommended list of vendors, they are generally able to independently select from the recommended list of vendors. As such, any decision undertaken by a single company under the Intel group of companies to appoint a solution/service provider may not impact the decisions of the other entities.

(3) Whilst KellyOCG is principally involved in the provision of workforce solutions, the company was engaged by Intel group of companies as one of its managed service providers to manage certain product engineering services (such as post-silicon validation and NPI) and in certain countries including Malaysia. KellyOCG, in turn, outsourced these projects to our Group during the Financial Periods Under Review. Whilst the invoicing/billing is made directly to KellyOCG, insofar as the work scope of the product engineering services is concerned, we liaise and work directly with Intel group of companies in carrying out the engagements.

(4) Included in Top Glove group of companies is revenue contribution from its Malaysian-based subsidiaries which have contributed RM4.44 million (7.04%), RM4.29 million (5.79%), RM2.17 million (2.09%), RM0.34 million (0.36%) and RM0.09 million (0.19%) during the Financial Periods Under Review respectively whilst the balance from its overseas-based subsidiaries (Thailand and Vietnam) which have contributed RM1.36 million (2.15%), RM2.66 million (3.58%), RM0.42 million (0.41%) and RM0.02 million (0.02%) to our revenue for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023, respectively. There's no revenue contributed by its overseas-based subsidiaries for the FPE 2024.

(5) Represents the total revenue for the FYE 2023 contributed by Customer C and its holding company based in the USA of RM2.70 million and RM0.70 million respectively.

(6) Included in Customer F group of companies are revenue contribution from its overseas-based subsidiaries (Singapore) which have contributed RM1.10 million whilst the balance from Malaysian-based subsidiaries which have contributed RM0.02 million for the FPE 2024 respectively.

None of our Promoters, substantial shareholders, Directors and key senior management has any interest, direct or indirect, in all of the abovementioned major customers.

Our top 5 major customers for the FYE 2020, FYE 2021, FYE 2022, FYE 2023 and FPE 2024 have contributed in aggregate approximately 92.41%, 88.81%, 90.50%, 81.03% and 92.48% to our Group's total revenue respectively.

We are dependent on the following major customers by virtue of their revenue contributions to the Group during the Financial Periods Under Review:-

- Intel group of companies, where the total revenue contribution grew from RM24.31 million (38.58%) in FYE 2020 to RM53.78 million (56.67%) in FYE 2023. For the FPE 2024, total sales generated from Intel group of companies were RM31.67 million (69.58%); and

- KellyOCG, where the revenue contribution increased from RM10.59 million (16.80%) in FYE 2020 to RM14.31 million (15.08%) in FYE 2023. For the FPE 2024, KellyOCG contributed RM7.19 million (15.79%) to our Group.

Customer A is a long term customer of the Group with over 7 years of business relationship as at the LPD. While we were dependent on Customer A in FYE 2020 (18.36%) and FYE 2021 (15.66%), its contribution to our Group's revenue declined to less than 10% for FYE 2022 (5.96%), FYE 2023 (2.19%) and FPE 2024 (2.20%), primarily due to decrease in orders from Customer A.

The growth in revenue contributions from Intel group of companies and KellyOCG is mainly due to increase in orders for our services and solutions (particularly for the engineering support services and product engineering services segments). Such increase in revenue contribution from Intel group of companies and KellyOCG is a testament to the good business relationships they have with our Group. Moving forward, we expect them to continue contributing significantly to our revenue. We have maintained long-term and mutual beneficial business relationships with them over the years (approximately 14 and 8 years respectively as at the LPD) and these have provided us with a strong platform for future growth.

Save for Intel group of companies and KellyOCG, the other top 5 customers generally vary over the Financial Periods Under Review, and we are not dependent on any one of these customers.

For the FPE 2024, we have a total of 70 customers of which 77.14% are recurring customers.

Please refer to Section 9.1.1 of this Prospectus for further information on the dependency to our major customers.

There has been no major dispute with these major customers during the Financial Periods Under Review which has significantly affected our operations or financial performance.

7.18 MAJOR SUPPLIERS

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

FYE 2020

Major Suppliers	Country	Type of Materials / Services	RM'000	% of Total Purchases	* No. of Years
Beckhoff Automation Sdn Bhd	Malaysia	Supply of industrial PCs, motor drives and product transport systems	2,336	8.92	3
Mexcel Technologies Sdn Bhd	Malaysia	Outsourced mechanical engineering services	1,616	6.17	5
Panamech (Penang) Sdn Bhd	Malaysia	Supply of industrial robots and controllers	867	3.31	1
Superior Mascot Sdn Bhd	Malaysia	Outsourced precision machining and fabrication works	824	3.15	6
Iplanet Solution Sdn Bhd	Malaysia	Supply of IT servers and storage systems and computer related devices	613	2.34	3
Total top 5 major suppliers			**6,256**	**23.89**	
Total Group purchases			**26,179**	**100.00**	

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

FYE 2021

Major Suppliers	Country	Type of Materials / Services	RM'000	% of Total Purchases	* No. of Years
Beckhoff Automation Sdn Bhd	Malaysia	Supply of industrial PCs, motor drives and product transport systems	2,700	9.87	4
SCG Control Solution Sdn Bhd	Malaysia	Supply of control panels and controllers	1,880	6.88	4
Superior Mascot Sdn Bhd	Malaysia	Outsourced precision machining and fabrication works	1,204	4.40	7
NYP Engineering Works Sdn Bhd	Malaysia	Outsourced civil engineering and piping systems	1,065	3.90	1
Supplier A	Malaysia	Outsourced PCB engineering and electronic components	1,051	3.84	6
Total top 5 major suppliers			**7,900**	**28.89**	
Total Group purchases			**27,344**	**100.00**	

FYE 2022

Major Suppliers	Country	Type of Materials / Services	RM'000	% of Total Purchases	* No. of Years
Superior Mascot Sdn Bhd	Malaysia	Outsourced precision machining and fabrication works	1,210	5.50	8
Supplier B	Malaysia	Outsourced fabrication works	1,042	4.74	7
Supplier A	Malaysia	Outsourced PCB engineering and electronic components	980	4.46	7
Supplier C	Malaysia	Supply of mechanical, electrical and pneumatic parts	968	4.40	1
Hangzhou Iplusmobot Technology Co., Ltd	China	Autonomous mobile robots	874	3.97	1
Total top 5 major suppliers			**5,074**	**23.07**	
Total Group purchases			**21,991**	**100.00**	

FYE 2023

Major Suppliers	Country	Type of Materials / Services	RM'000	% of Total Purchases	* No. of Years
Supplier C	Malaysia	Supply of mechanical, electrical and pneumatic parts	1,578	10.70	2
SCG Control Solution Sdn Bhd	Malaysia	Supply of control panels and controllers	1,199	8.13	6
Hume Resources Sdn Bhd	Malaysia	Supply of electronic components and test instruments	810	5.49	3
Supplier D	Malaysia	Outsourced precision machining and fabrication works	626	4.25	2
D&C Engineering Solution	Malaysia	Supply of electronic components, mechanical, electrical and pneumatic parts	486	3.30	4
Total top 5 major suppliers			**4,699**	**31.87**	
Total Group purchases			**14,741**	**100.00**	

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

FPE 2024

Major Suppliers	Country	Type of Materials / Services	RM'000	% of Total Purchases	* No. of Years
Supplier C	Malaysia	Supply of mechanical, electrical and pneumatic parts	1,580	14.83	3
Hume Resources Sdn Bhd	Malaysia	Supply of electronic components and test instruments	1,042	9.78	3
SCG Control Solution Sdn Bhd	Malaysia	Supply of control panels and controllers	518	4.86	6
Provision Source Sdn Bhd	Malaysia	Supply of electronical components and mechanical parts	423	3.97	2
Value Sources (M) Sdn Bhd	Malaysia	Supply of automation components	391	3.67	5
Total top 5 major suppliers			**3,954**	**37.11**	
Total Group purchases			**10,655**	**100.00**	

Note:-

* Approximate length of business relationship is determined as at end of each of the respective financial years/period.

For the Financial Periods Under Review, the Group was not dependent on any of major suppliers as the supply of materials, parts and services can be sourced from other suppliers.

Supplier C is our major supplier for mechanical, electrical and pneumatic parts for our automated equipment and digitalised solutions, contributing approximately 10.70% and 14.83% of our total purchases in FYE 2023 and FPE 2024 respectively. Nevertheless, we are not dependent on Supplier C as there are many other available local and foreign suppliers of these parts as they are considered generic products. We chose to purchase most of these parts from Supplier C as working with a single supplier for these parts provides us with the flexibility of placing frequent/small orders as and when required. As Supplier C was familiar with our requirements, we could place orders for these parts as and when they are needed. In addition, as we often procure from them, Supplier C does not impose any minimum quantity for purchases. Thus, this minimises our inventory holding costs.

As at the LPD, we have not encountered any significant production disruption due to a shortage of supplies from our suppliers to meet our production requirements.

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7.19 FUTURE PLANS AND STRATEGIES

7.19.1 We plan to strengthen our R&D capabilities including development and enhancement of new and existing solutions

As part of our continuing R&D efforts, we strive for innovation and keep abreast with technology evolution and market needs. We also look to develop new/enhanced solutions and equipment with the aim of strengthening our position in the industry.

We have also taken cognisance of the prospects of the automated manufacturing and digitalised solutions industry in both Malaysia and globally as set out in the IMR Report where they are projected to grow at CAGRs of 13.1% to RM17.4 billion in 2026 and 12.7% to reach USD448.6 billion in 2026, respectively.

As such, we intend to utilise approximately RM5.1 million of the Public Issue proceeds for our continuing R&D initiatives which would include setting up of a dedicated innovation centre, hiring of additional R&D personnel as well as purchase of related IT software and hardware as well as R&D supporting tools and equipment. The dedicated innovation centre will be housed at out Tangkas 9 Plant with a built-up area of about 1,300 sq ft. Most of our R&D related activities will be carried out in the innovation centre which will also consists of demo room, display area and workstations for our personnels.

The details of the proposed utilisation of the said proceeds for our R&D expenditures over a period of 24 months are as follows:-

Details		**RM'000**
(i)	Employing additional R&D personnel	1,935
(ii)	Purchase of IT hardware and software	2,195
(iii)	Purchase of R&D supporting tools and equipment	850
(iv)	Others (including workstations, fittings and office equipment)	120
Total		**5,100**

Please refer to Section 4.8(b) of this Prospectus for further details on the proposed utilisation.

As part of our future R&D activities, we have undertaken/plan to undertake the development of the following new and enhanced solutions/equipment:-

(a) Ongoing R&D project

We intend to continue undertaking on-going R&D activities on the Nervii platform which began in the fourth quarter of 2022. The Nervii platform is intended to be a scalable platform for integrating all supporting systems and software (such as enterprise resource planning system, production planning and scheduling system, warehouse management system, customer relation management system, logistic management system and inventory management system) utilised by the customer in their manufacturing processes (such as manufacturing execution system, supervisory control and data acquisition). These systems, software and digital solutions may either be designed and developed by us or by third-party solution providers. By doing so, the information flow between departments will be even more seamless. This would lead to greater operational efficiency not only in manufacturing processes but across the entire business process of the company.

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

We plan to develop the Nervii platform in the following phases:-

Phase	Description	Commencement quarter/year	Expected commercialisation quarter/year
1	We plan to launch a platform that can integrate all supporting systems and software with digital solutions. The entire infrastructure hosting the Nervii platform that has been integrated with the digital solutions for manufacturing and supporting systems and software will be hosted on on-premise infrastructure.	Quarter 4 of 2022 (on-going)	Quarter 4 of 2026
2	We plan to allow for:- • the migration of the infrastructure hosting the Nervii platform (comprising the digital solutions and supporting systems and software) to cloud-based infrastructure. This will enable us to offer customers the use of Nervii platform on a subscription basis. It will also ease scalability of the infrastructure hosting the Nervii platform to cater for our customer's business expansion. • the integration of Nervii platform with automated equipment.	Quarter 1 of 2025	
3	AI – integration of large language model and RPA (for automated workflow) into the Nervii platform. This will allow for data analytics to enable machine optimisation (such as predictive and prescriptive maintenance)	Quarter 1 of 2026	

Prior to commercialisation of the Nervii platform, we will adopt and implement the Nervii platform internally so that we can perform necessary testing and enhancement.

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(b) New R&D projects

We also intend to standardise the automated test and handler equipment by developing an Universal Test Automation Platform (Uni-TAP).

Uni-TAP is a platform that acts as the building block which can be reused for future automated test and handler equipment development. We will create a proprietary test software platform and universal tester solution which can be easily customised for future development of the automated test and handler equipment. Thus, Uni-TAP will act as the reference design or building block from where the respective tester design requirements can be derived.

The Uni-TAP will be effective in responding to the needs of electronic manufacturing services as the range of automated test and handler equipment designs vary from customer to customer. This will allow us to grow our customer base of electronic manufacturing service providers.

By offering standardised solutions, we are also able to lower our development costs, thus developing more cost-effective automated equipment. This will allow us to reduce our development time taken, which will enable us to enhance our operational efficiency in the future.

Further, we also intend to expand our range of automated equipment to include the material transport system equipment. This new equipment will be based on the concept of the modulation of robotic mobile units that can move on a railway structure from one point to another. There are a lot of potential fields of application for material transport system in manufacturing industries such as the healthcare, food and beverage, automotive and electrical manufacturing industries as well as the semiconductor and electronics industry.

The timeline for launching the abovementioned solutions are as follows:-

Description	**Commencement quarter/year**	**Expected commercialisation quarter/year**
Uni-TAP	Quarter 1 of 2025	Quarter 4 of 2026
Material transport system	Quarter 1 of 2025	Quarter 4 of 2026

We expect our solutions/equipment to enhance our competitiveness amongst other solutions providers in the market. Our success in developing new and innovative solutions that cater to market demand and requirements is envisaged to contribute towards further growth in our operations and financial performance.

For more information on the estimated cost breakdown for our R&D initiatives, kindly refer to Section 4.8(b) of this Prospectus.

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

7.19.2 We intend to set up new Delivery Centres

As part of our future business strategies, we intend to set up our own dedicated Delivery Centres to specifically undertake certain product engineering services projects which are usually performed at various premises/locations of our customers.

From FYE 2020 to FYE 2023, our product engineering services segment has registered revenue growth at a CAGR of 19.48% from RM17.40 million to RM29.68 million. For the FPE 2024, we recorded revenue of RM16.94 million from the same segment (FPE 2023: RM14.03 million). In tandem with the foregoing, we have increased our headcounts in the team from a total of 388 personnel (including 357 contract-based employees) as of the end of FYE 2020 to a total of 500 personnel (including 310 contract-based employees) as of the end of FPE 2024. As at the LPD, we have a total of 509 personnel (including 307 contract-based personnel) under our Product Engineering Services team.

The advantages of having our own Delivery Centre are as follows:-

- Enhanced efficiency - Establishing a dedicated Delivery Centre allows us to streamline our operations, resulting in increased efficiency and productivity. Our Product Engineering Services team will have a more focused environment to carry out specified projects leading to faster turnaround times and improved service delivery. We can also introduce our digitalised solution or automated equipment to enhance operational efficiency, if required.

- Cost optimisation - Operating at our own Delivery Centre enables us to optimise costs associated with on-site operations. This includes reduced travel expenses, lower dependency on client facilities and potential savings in terms of infrastructure and logistics.

- Enhanced business continuity - Having a dedicated facility allows us to build on a sustainable and long term relationship with our customers and encourage knowledge-transfer continuity in a controlled and secured environment.

- Flexibility and scalability - Our own Delivery Centre provides us with the flexibility to scale operations according to project requirements. This adaptability is crucial in meeting the dynamic needs of our customers (including other potential clients), ensuring that our services remain agile and responsive.

- Knowledge retention and skill development - With a dedicated Delivery Centre, we can foster a more specialised and focused workforce. This contributes to better knowledge retention within our organisation, as teams can consistently work on similar projects. Additionally, it offers opportunities for skill development and specialisation, which is beneficial for both employee growth and project excellence.

The Delivery Centre is aimed at fulfilling customers' requirements in terms of physical and network securities. Such dedicated centre, which includes facilities comprising dedicated design space with security and access controls and a server room with independent network infrastructure, would enable utilisation of customers' proprietary tools, hardware and software in a secured environment as well as remote log-in features. These capabilities would allow the Delivery Centre to provide lab space and more sophisticated engineering services. Further, we would be able to utilise the Delivery Centre to provide value added offering as turnkey embedded design services through our technical expertise with necessary infrastructure / tools to enable customer product development.

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

We plan to set up 2 Delivery Centres. For the first one, we are in the midst of negotiating with one of our existing customers, a multinational semiconductor producer, whilst the second one is intended for other customers.

Insofar as timing is concerned, the First Delivery Centre is expected to be set up and commence operations by the fourth quarter of 2024 with the second Delivery Centre by the end of 2025.

We have on 6 May 2024 entered into a tenancy agreement to rent our First Delivery Centre, which is located at Bayan Lepas, Penang, with a total built-up area of 1,960 sq ft for a period of 36 months. The setting up cost for the First Delivery Centre is approximately RM0.50 million (based on a combination of quotations obtained from suppliers/contractors as well as management's estimate), which includes renovation cost, fittings, workstations and equipment, and IT infrastructure, all of which will be financed via our internal funds.

The second Delivery Centre is also expected to be situated in Penang although we have yet to identify the specific location as at the LPD.

The total costs for the 2 Delivery Centres are estimated at RM7.70 million of which RM7.20 million shall be funded from the Public Issue proceeds over a period of 36 months whilst the remaining RM0.50 million is to be financed via our internal funds. The details are set out below:-

Details	**First Delivery Centre RM'000**	**Second Delivery Centre RM'000**	**Total Costs RM'000**
Hiring of new staff for Product Engineering Services team	*	*	5,550
Rental expenses	360	360	720
Renovation, fittings, office equipment and IT infrastructure	500	500	1,000
General utility and operating expenses	215	215	430
Total			**7,700**
To be financed via the Public Issue proceeds			7,200
To be financed via internal funds			500

* The breakdown of additional staff costs by Delivery Centre cannot be determined at this juncture as it would depend on, amongst others, the commencement date of the centres, nature and timing of orders secured and placement of employees at either of the centres (which will be decided by our management).

Further details of the total costs breakdown are set out in Section 4.8(a) of this Prospectus.

We believe that the setting up of our new dedicated Delivery Centres and particularly the expansion of our workforce will allow our Group to meet the demands of our existing and potential customers. This in turn will continue to enhance our Group's earnings and facilitate our future plans and strategies.

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The expansion of our product engineering services segment is aligned with the expected growth of the IC design, assembly and test segment of the semiconductor industry in Malaysia. According to the IMR Report, the product engineering service industry in Malaysia to grow by 19.7% between 2024 and 2026 to reach RM1.2 billion by 2026 whilst the IC assembly and test services industry in Malaysia to grow by 10.2% between 2024 and 2026, to reach RM23.3 billion in 2026. The growth of the industry and the rising worldwide demand for semiconductor and electronic products has been and is expected to be driven by the following factors:-

- the technological revolution with 5G adoption and the emergence of 6G, IoT, AI, machine learning and big data analytics, which have resulted in the emergence of new electronic products such as smart factories, autonomous cars and smart home devices.

- the rapid technological advancements which have led to continuous introductions of new product innovations and advancements.

- the rise in demand for electric vehicles and solar energy is also expected to boost the demand for semiconductor chips. Sales of electric vehicles in Malaysia grew at a strong CAGR of 459.5%, from 58 units sold in 2020 to 10,159 units sold in 2023.

- increased outsourcing and relocation of manufacturing activities to Malaysia, which has become a destination for foreign multinational companies who have set up their production facilities here, due to the favourable exchange rate, availability of manpower and strategic location. This has resulted in many local and multinational OSATs and EMSs as well as semiconductor and electronics manufacturing solution industry players emerging in the country.

- recent launch by the Malaysian Government of the National Semiconductor Strategy to develop the nation's semiconductor ecosystem through partnerships between global and local companies which is expected to attract at least RM500.0 billion in domestic and foreign investments.

Please refer to Section 8 of this Prospectus for further details of the IMR Report.

7.19.3 We plan to establish a new office in Singapore

At present, a large proportion of our business is carried out through our headquarters in Penang. We also have offices in Selangor.

We intend to set-up a marketing and sales office in Singapore by the first half of 2025 to increase our market presence and enhance our sales and marketing initiatives. During the Financial Periods Under Review, we have secured orders from customers based in Singapore. These orders are mainly from related companies of multinational companies that had operations in Singapore.

We are currently exploring potential locations within the Central Business District. The estimated floor space for our Singapore office is about 600 sq ft. As at the LPD, we have yet to identify the exact office location for our Singapore office.

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There are several multinational companies involved in semiconductor and manufacturing sectors that have their offices and plants located in Singapore including some of our existing customers. Our new Singapore office would provide us direct access/sales support to our existing customers as well as close proximity to prospective customers. By leveraging on our new Singapore office as a base, we will be able to expand our reach to other international countries in the future, which could grow our sales from a larger pool of multinational companies, as this would enhance our corporate profiling. The setting up of our Singapore office will initially involve hiring a small team of technician/marketing personnel to be based in Singapore on a fulltime basis.

We intend to fully finance the establishment costs and working capital of our new Singapore office, estimated at RM3.0 million, from our Public Issue proceeds. These expenses would include initial company set-up costs and professional fees, rental expenses, office renovation, office equipment and IT infrastructure (hardware and software), staff costs for 1 business development personnel and 2 software technicians, and utility expenses for a period of 36 months. The breakdown of these estimated costs is set out in Section 4.8(c) of this Prospectus.

We also intend to set up new offices in other countries including India and USA within the next 5 years.

7.20 GOVERNING LAWS AND REGULATORY REQUIREMENTS

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.

(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.

Our subsidiaries, Sophic Automation, Sophic MSC and Pinkypye had previously operated without business licences prior to 5 April 2022, 17 October 2019 and 8 November 2022, respectively. Notwithstanding the above, as at the LPD, our Group has not been imposed with any fine, penalty or action taken by local authority for the non-compliance with the LGA which would have material impact to our Group's business operations or financial performance.

Further, as at the LPD, our Group holds valid business licenses issued by relevant local authorities and has complied with the LGA.

(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.

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

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.

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.

There has not been any non-compliance of the above provisions of ICA 1975 by our Group since the commencement of our business operations up to the LPD. As at the LPD, our Group holds valid manufacturing licences issued by MITI/MIDA to Sophic Automation for our Tangkas 9 Plant and Bukit Minyak Plant for the assembly of our automation systems and related modules.

(c) Customs Act 1967

The customs related matters in Malaysia are governed by the Customs Act 1967 **("CA 1967")**. The Director General of Customs and Excise of Malaysia may, at his absolute discretion, on payment of such fees as may be fixed by him in each case, grant a licence to any person, hereinafter referred to as the licensee and when granted withdraw any licence, for warehousing goods liable to customs duties and any other goods in a place or places specified in such licence.

If it appears at any time that in any licensed warehouse or any part thereof there is a deficiency in the quantity of dutiable goods which ought to be found therein, the licensee of such warehouse shall, in the absence of proof to the contrary, be presumed to have illegally removed such goods and shall, without prejudice to any proceedings under CA 1967, be liable to pay to the proper officer of customs the customs duty leviable on the goods found deficient provided that if it is shown to the satisfaction of the Director General that such deficiency has been caused by unavoidable leakage, breakage or other accident, the Director General may remit the whole or any part of the customs duty leviable on the goods found deficient.

In respect of a warehouse licensed under Section 65 of CA 1967, the Director General may, at his absolute discretion, on payment of such fees as may be fixed by him in each case, grant an additional licence to the licensee and when granted withdraw any such licence, to carry on any manufacturing process and other operation in respect of the goods liable to customs duties and any other goods. No goods which have undergone any manufacturing process in the warehouse may be released for home consumption or export without the prior approval of the Director General. If such goods are released from the warehouse for home consumption the customs duly thereon shall be calculated on the basis as if such goods had been imported.

The Minister may in any particular case exempt any person from the payment of the whole or part of such duty which may be payable by such person on any such goods and in granting such exemption the Minister may impose such conditions as he may deem fit.

Where in the course of any operation permissible to any goods liable to customs duty there is waste or refuse customs duty shall be remitted on the quantity of goods liable to customs duty in so much of the waste or refuse as has arisen from the operations carried on in relation to the goods which have undergone any manufacturing process. Such waste or refuse is destroyed subject to such conditions as the Director General may impose or duty is paid on such waste or refuse as if it had been imported in that form.

Every omission or neglect to comply with, and every act done or attempted to be done contrary to, the provisions of the CA 1967, or any breach of the conditions and restrictions subject to, or upon which, any licence or permit is issued or any exemption is granted under the CA 1967, shall be an offence against the CA 1967 and in respect of any such offence for which no penalty is expressly provided the offender shall be liable to a fine of not exceeding RM50,000 or to imprisonment for a term not exceeding 5 years or to both.

There has not been any non-compliance of the above provisions of CA 1967 by our Group since the commencement of our business operations up to the LPD. As at the LPD, we have valid manufacturing warehouse licence issued by the Royal Malaysian Customs Department. The said license is valid until its expiry date and will subsequently be renewed.

(d) 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.

There has not been any non-compliance of the above provisions of EQA 1974 by our Group since the commencement of our business operations up to the LPD.

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

7.21 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 profit by or to our Group.

7.22 INTERRUPTIONS TO BUSINESS AND OPERATIONS

Save for the impact of 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.

Since COVID-19 was officially declared a pandemic by the Director General of the World Health Organisation on 11 March 2020, we closely monitored the development of the outbreak of COVID-19. As at the LPD, all of our employees have been fully vaccinated.

7.22.1 Impact of COVID-19 on our business operations

On 16 March 2020, the Government announced the MCO under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 which took effect from 18 March 2020.

As an automation solutions and engineering service provider, our Group serves several manufacturing industries that are categorised as essential sectors exempted from the MCO. As such, our Group was able to partially resume our operations in office on 17 April 2020 after receipt of approval from MITI, and subsequently fully resumed our operations in office on 6 July 2021. Although our operations were temporarily suspended between 18 March 2020 and 17 April 2020 due to the MCO, it did not have any major material impact on our business operation as our employees worked remotely from home.

Further, most of our business operations including engineering support services, product engineering services and design, development and sale of digitalised solutions and automated equipment continued during this period and were not adversely affected by the various phases of the MCO.

Due to the resurgence in high number of daily new COVID-19 cases during the CMCO in certain States, the Government of Malaysia has re-imposed the MCO from 13 January 2021 to 26 January 2021 and further extensions of the MCO were re-imposed from 22 January 2021 till 18 February 2021. A nationwide state of emergency was further declared from 12 January 2021 till 1 August 2021, to further tackle the daily surge in the COVID-19 cases nationwide. On 10 May 2021, the Prime Minister of Malaysia had announced that the third nation-wide MCO will be implemented from 12 May 2021. However, most businesses, including our Group's businesses, were still allowed to operate as usual subject to compliance with the SOPs imposed by our Government.

7.22.2 Impact of COVID-19 on our sales performance

As mentioned in the IMR Report, during the COVID-19 pandemic, there was a shortage of semiconductor and certain hardware parts (caused by a shortage of semiconductor chips) which was attributable to the surge in demand for consumer electronic products and restrictions in manufacturing activities of semiconductor chip manufacturers caused by the COVID-19 pandemic.

Consequently, our Group benefitted from the growth in global semiconductor and electronics industries and our revenues improved from RM63.02 million in FYE 2020 to RM74.16 million and RM103.60 million in FYE 2021 and FYE 2022 respectively. Our Group expect to continue benefiting as our digitalised solutions and automated equipment become increasingly essential in carrying out daily operational tasks.

7.22.3 Impact of COVID-19 on our supply chain

In 2021, we experienced delays in shipping of hardware components from our suppliers largely due to:-

(a) shortage in components, in particular semiconductor chips, used by our suppliers to manufacture the hardware components.

(b) delays in shipments due to congestion of shipping ports arising from limited capacity; and

Apart from the foregoing, we did not experience any major cancellation of orders for our solutions.

7.23 ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACT AND CORPORATE GOVERNANCE PRACTICES

We recognise the importance of promoting positive impacts on the environment and the communities which we are part of, and maintaining good governance practices. As part of our commitment in these areas, we have adopted the following the economic, environmental and social impact and corporate governance practices, amongst others, as elaborated below.

7.23.1 Environmental

Our Group designs and develops digitalised solutions and automated equipment, both of which enable and manage the digitalisation of processes and services, and automation of manufacturing processes. This allows for automation and digitalisation of manufacturing operations which would improve overall operational efficiency in terms of quality and speed of processes and enable paperless operations as information are recorded digitally to achieve single source of truth (the practice of aggregating data from various systems within an organisation), which will improve data accuracy.

The act of improving efficiency and minimising paper usage is expected to positively impact the environment.

In addition, we have also been engaged by a local city council to design and develop a flood monitoring and pump house system, which helps to mitigate floods.

Internally, we are also conscious of our impact on the environment and we have adopted responsible approaches in our daily operations to promote environmental sustainability. These approaches include:-

- **Building automation feature in premises**

  We have implemented building automation feature in our headquarters whereby we have a control and command solution to enable remote monitoring and management of temperature and lighting in our premises. To enable this building automation feature, we have implemented temperature and light sensors. We believe that the efficient utilisation of electricity will promote energy conservation and reduce equipment stresses leading to lower maintenance needs.

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- **Encouraging digitalisation and recycling**

  In order to reduce carbon footprint, employees are encouraged to communicate via electronic methods such as through email and instant messaging and only print hard copies when necessary. Our Group also ensures that material waste is recycled where possible, and that non-recyclable material waste is disposed of responsibly. As part of our efforts, we organised a 5R awareness campaign with the help of Tzu Chi Environment Protection Team to create awareness among our employees and enrich their knowledge in the recycling practices. To that end, we volunteered to help Tzu Chi Environment Protection Centre to repurpose and recycle rubbish while learning the recycling process.

- **Tree planting**

  To reduce our carbon footprint and spread awareness, our employees took part in tree planting programmes and had planted trees and plants around our head office. In addition, we installed an auto sprinkler system to help water the plants and are working to implement rainwater collection system whereby the rainwater can be collected and sent to our underground water tank to be used for outdoor cleaning and plant watering.

7.23.2 Social

We recognise that our employees are valuable assets and as such, we strive to create a conducive environment to promote employee wellbeing and personal development through the following goals:-

- We are committed to provide our employees with safe workplace and conducive environment. We have put in place standard operating procedures to reduce the possibility of harm to our employees, visitors and contractors. Our employees also are required to attend orientation programmes in the initial stage of their employment to create awareness of the importance of safety.

- We are committed to providing compensation and benefits programs and policies that support the needs of our employees. With the establishment of the LTIP, we will be able to reward and retain the Eligible Persons with an opportunity to participate in our equity and to benefit from the capital gain or the income from dividend as and when the Company declares any in the future. The LTIP will also align the interests of the Eligible Persons with the interests of our shareholders.

- We have equipped our headquarters with games, snooker table, karaoke and a smart television. These facilities enable our employees to socialise with other employees and release work stress. We also organise team events to foster team-building.

- We promote gender diversity and provide equal opportunity to individuals from diverse backgrounds in our recruitment process. Thus, our workforce comprises individuals of diverse backgrounds, ethnicities and gender. As at LPD, approximately 29% of our Group's employees are female.

- We retain skilled employees and attract new talents through providing continuous technical training (as elaborated in Section 7.14 of this Prospectus) and rewarding employees with competitive remuneration packages. By doing so, we believe that we are supporting our employees' professional development which would enhance their performance and productivity while increasing their value and future marketability.

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

- Apart from focusing on the personal development of our own employees, we have also offered scholarships and career talks to students who are furthering, or intend to further, their studies in the field of engineering. Through these initiatives, we aim to not only provide an opportunity for students to further their studies but also impart relevant industry knowledge as well as practical trainings to the candidates. Some of these initiatives include:-

Date	Name	Description
September 2021	Scholarship Programme	Provided financial assistance to deserving candidates(s) for the studies at the PSDC.
January 2022	Collaboration for Talent Programme with Politeknik Seberang Perai	Recruitment and training of suitable graduates
October 2022	Collaboration for Talent Programme with Wawasan Open University	Recruitment and training of suitable graduates
February 2023	Career Talk	Provision of knowledge regarding the latest technology used in the manufacturing industry as well as recruitment of suitable graduates
March 2024	Sponsorship for Engineering, Entrepreneurship, Technology Project and Innovation Exhibition 2024	Provision of knowledge regarding the latest technology used in the manufacturing industry as well as recruitment of suitable graduates
April 2024	Industrial Visit to Sophic Automation from Advanced Technology Training Center, Kulim and Politeknik Sultan Abdul Halim Mu'adzam Shah	Provision of knowledge regarding the latest technology used in the manufacturing industry as well as recruitment of suitable graduates
May 2024	Sponsorship for The Makerthon 2024	Supported the event
May 2024	Career Fair	Provision of knowledge regarding the latest technology used in the manufacturing industry as well as recruitment of suitable graduates
June 2024	Career Fair	Provision of knowledge regarding the latest technology used in the manufacturing industry as well as recruitment of suitable graduates
August 2024	STEM Showcase 2024	Provision of knowledge regarding the latest technology used in the manufacturing industry

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

We also organise or participate in charity events for a cause, as illustrated below:-

Date	Name	Beneficiary Party	Description
September 2022	Mooncake Festival Distribution	REACH Autism	Supported REACH Autism by purchasing REACH's mooncakes.
	Social Volunteering Activity	Be Home	Participated in social welfare activities at Be Home.
December 2022	Book Sponsor	Young Enterprise Penang 2022 Annual Showcase	Participated as the Guest of Honor to deliver award to winner.
	Social Volunteering Activity	Pertubuhan Penyayang Chi Yun	Participated in social welfare activities at Pertubuhan Penyayang Chi Yun.
March 2023	Social Volunteering Activity	Sekolah Sinar Harapan	Participated in social welfare activities at Sekolah Sinar Harapan.
September 2023	Glo-Walk 2023	Techdome Penang	Sponsored and participated in the walk event
September 2023	Glo-Walk 2023	Techdome Penang	Sponsored and participated in the walk event
February 2024	Social Volunteering Activity	Thean Oon Senior Home	Participated in social welfare activities at Thean Oon Senior Home.
April 2024	Social Volunteering Activity	Tzu Chi Environmental Protection & Recycle Centre	Participated in social welfare activities at Tzu Chi Environmental Protection & Recycle Centre.

7.23.3 Corporate Governance

We are committed to uphold the good corporate governance and ethical conduct in accordance with the principles and guidance of corporate governance as set out in the Malaysian Code on Corporate Governance 2021 ("**MCCG 2021**").

Save for certain practices of the MCCG 2021, 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 2021 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. INFORMATION ON THE GROUP *(cont'd)*

The following are some of our key corporate governance practices in line with the recommendations under the MCCG 2021:-

Appointment of Chairman of the Board	Dato' Boonler Somchit, our Non-Independent Non-Executive Chairman, will be responsible for instilling good corporate governance practices, providing leadership and effectiveness of the Board.
The positions of Chairman and CEO	The positions of Chairman and CEO of our Company are held by different individuals, namely by Dato' Boonler Somchit and Koh Dim Kuan respectively.
The Chairman of the board should not be a member of committees of the Board	Dato' Boonler Somchit, our Non-Independent Non-Executive Chairman is not a member of the Audit and Risk Management, Nomination and Remuneration Committees.
Governance of sustainability	Our Board together with senior management will be responsible for the governance of our Group's sustainability initiatives.
Board membership	Half of the Board comprises independent directors. Currently, none of our independent directors has served on the Board for more than 9 years. Annual performance evaluation of our Board members will be conducted by the Nomination Committee, which is chaired by our Independent Non-Executive Director, Teresa Tan Siew Kuan.
Audit and Risk Management Committee	We have established an Audit and Risk Management Committee comprising 3 Independent Non-Executive Directors.
Board Charter, Code of Conducts and Ethics, Whistleblowing Policy, Directors' Fit and Proper Policy and other policies and procedures	Our Board Charter, Code on Ethics and Conduct, Policy on Directors' Remuneration, Policy on Risk Management, Policy on Related Party Transactions, Policy on Anti-Bribery & Anti-Corruption, and Whistleblowing Policy are made available on our company website and will be reviewed periodically.
At least 30% of the Board comprises female directors	3 out of 8 of our Board members are women.

Our Board believes that our current Board composition provides the appropriate balance in terms of skills, knowledge and experience to promote the interests of our shareholders and to govern our Group effectively. Our Nomination Committee will be tasked to ensure there is diversity among our board members regardless of age, ethnicity, cultural background and gender, and at the same time, ensuring they possess the requisite skills, knowledge, experience, foresight and sound judgement to serve on our Board.

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8. IMR REPORT

PROVIDENCE STRATEGIC PARTNERS SDN BHD
(1238910-A)
67-1, Block D, Jaya One, Jalan Prof Diraja Ungku Aziz
46200 Petaling Jaya, Selangor, Malaysia.
T: +603 7625 1769

Date: 9 September 2024

The Board of Directors
3REN BERHAD
170-09-01, Livingston Tower
Jalan Argyll
10050 George Town
Penang.

Dear Sirs,

Independent Market Research ("IMR") Report on the Integrated Circuit ("IC") Design, Assembly and Test Segments of the Semiconductor Industry, Automated Manufacturing and Digitalised Solutions Industry, and Semiconductor and Electronics Industries in conjunction with the Listing of 3REN BERHAD and its subsidiaries (collectively referred to as "3REN GROUP") on the ACE Market of Bursa Malaysia Securities Berhad

PROVIDENCE STRATEGIC PARTNERS SDN BHD ("**PROVIDENCE**") has prepared this IMR report on the IC Design, Assembly and Test Segments of the Semiconductor Industry, Automated Manufacturing and Digitalised Solutions Industry, and Semiconductor and Electronics Industries for inclusion in the Prospectus of 3REN BERHAD.

PROVIDENCE has taken prudent measures to ensure reporting accuracy and completeness by adopting an independent and objective view of these industries within the confines of secondary statistics, primary research and evolving industry dynamics. We believe that this IMR report presents a balanced view of the industries within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive.

For and on behalf of PROVIDENCE:

MELISSA LIM
EXECUTIVE DIRECTOR

About PROVIDENCE STRATEGIC PARTNERS SDN BHD:

PROVIDENCE is an independent research and consulting firm based in Petaling Jaya, Selangor, Malaysia. Since our inception in 2017, PROVIDENCE has been involved in the preparation of independent market research reports for capital market exercises. Our reports aim to provide an independent assessment of industry dynamics, encompassing aspects such as industry performance, demand and supply conditions and competitive landscape.

About MELISSA LIM:

Melissa Lim is the Executive Director of PROVIDENCE. She has more than 10 years of experience in market research for capital market exercises. Melissa Lim holds a Bachelor of Commerce (Double major in Marketing and Management) from Murdoch University, Australia.

PROVIDENCE

3REN Berhad and its subsidiaries (collectively referred to as "**3REN Group**" or "**the Group**") is an automation solution and engineering service provider. 3REN Group's principal business activities are in the provision of engineering support services for IC assembly and testing; design, development and sale of digitalised solutions; provision of product engineering services; and design, development and sale of automated equipment. During the Financial Periods Under Review, its main market was Malaysia, as well as other countries including Thailand, Singapore, the United States of America ("**USA**"), People's Republic of China ("**China**"), Vietnam, the Philippines, Canada, Costa Rica, Mexico, India and Taiwan. As such, this IMR report focuses on the following:

- **The IC design, assembly and test segments of the semiconductor industry (Global and Malaysia)**, as these are the segments of the semiconductor industry which 3REN Group supports with its engineering support services and product engineering services segments;
- **The automated manufacturing and digitalised solutions industry (Global and Malaysia),** which is the industry in which 3REN Group operates in with its digitalised solution and automated equipment segments; and
- **The semiconductor and electronics industries**, which are major end-user markets to the abovementioned industries.

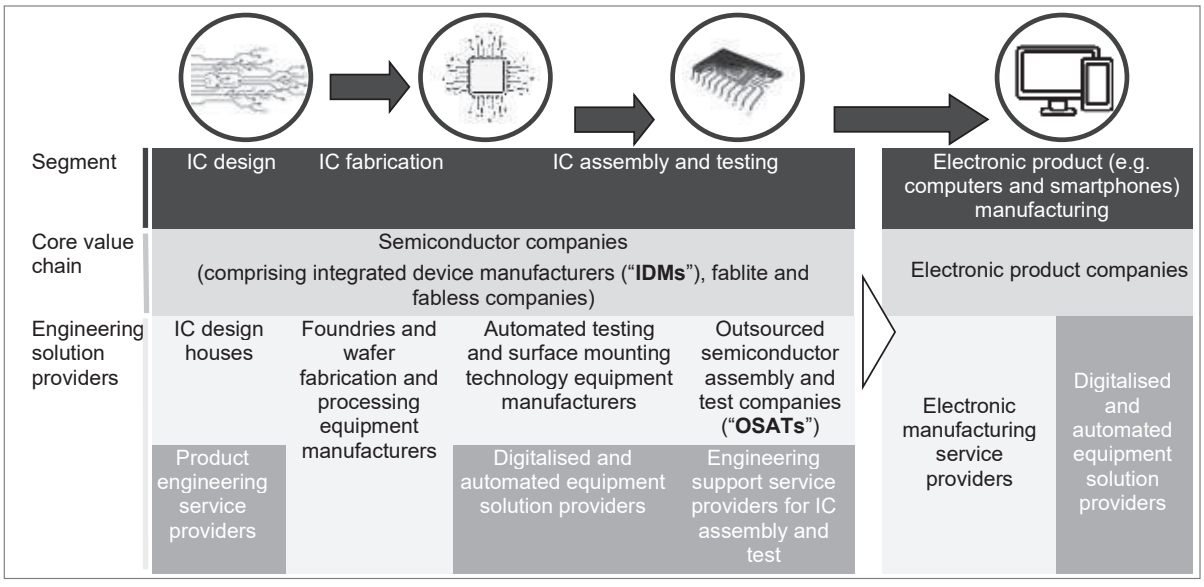
1 THE IC DESIGN, ASSEMBLY AND TEST SEGMENTS OF THE SEMICONDUCTOR INDUSTRY (GLOBAL AND MALAYSIA)

INTRODUCTION

Semiconductor products refer to microchips and advanced semiconductor packaging, which are sets of miniaturised ICs comprising electronic components such as transistors, diodes, capacitors and resistors that are layered on a thin wafer, substrate or printed circuit board. These microchips and advanced semiconductor packaging are technology enablers for electronic products such as computers, smartphones, electric vehicles, aerospace equipment, high-end testers, medical equipment and automotive electronics.

The diagram below illustrates the semiconductor industry value chain:

Semiconductor industry value chain



Note:

Denotes 3REN Group's role in the semiconductor industry

Source: PROVIDENCE

The semiconductor industry comprises companies involved in the following core segments:

- **Design:** The design segment comprises 2 main processes, i.e. design conceptualisation and design verification. Design conceptualisation refers to the conceptualisation and design of IC functions and architecture. Meanwhile, design verification refers to the verification of the IC's functionalities on the IC prototype or simulation to ensure the ICs manufactured meet the required functional specifications of the IC design under different operating conditions;

8. IMR REPORT *(cont'd)*

- **Fabrication:** Upon completion of the design of ICs, the ICs are then mass-produced and fabricated. The IC fabrication process is where semiconductor components are formed on a semiconductor wafer/ substrate (which is a thin silicon-based material) based on the IC design; and
- **Assembly and testing:** The fabricated ICs then undergo a series of assembly processes wherein the main processes are die cutting to cut semiconductor wafers into individual chips (die), die attaching to attach the die onto a substrate, wire bonding, encapsulating the die with a metal or ceramic lid, and attaching the die onto a printed circuit board to form a microchip or advanced semiconductor packaging. The assembly process protects the ICs, enables heat dissipation from ICs and facilitates integration of ICs into electronic systems in electronic products.

  Thereafter, the microchip or advanced semiconductor packaging will undergo a series of testing which will include burn-in tests to detect early issues and defects of ICs and class tests which involves the execution of various test programmes. Examples of class tests include parametric tests (to determine if there are any variations in electrical parameters of the ICs), scan tests (to analyse output based on test patterns used on the IC), functional tests (to test if the functionality of the IC is as per design), performance tests (to test performance of the ICs) and power tests (to measure power consumption and efficiency of the ICs).

In the past, IDMs, which are typically brand owners or intellectual property ("**IP**") owners of ICs for various electronic devices, undertake all of the abovementioned processes in-house. Over the years, rapid technology advancement and product innovation have increased the complexity in IC production, leading to the outsourcing of some or all of the abovementioned processes to companies specialising in specific activities within the semiconductor industry. As a result, IDMs presently may either undertake all or some of the abovementioned processes. There are also some brand owners or IP owners of ICs which outsource all of the abovementioned processes, based on their conceptualised IC design. Such companies are known as "fablite or fabless companies".

In particular, the design process can be outsourced to IC design houses and product engineering service providers. IC design houses are focused on undertaking the design of ICs, which includes both front-end (which refers to the functionality design of an IC) and back-end (which refers to the design of the physical implementation of an IC such as the physical design and layout of an IC). Meanwhile, product engineering service providers can undertake the following services:

- Product conceptualisation – which involves the generation of ideas and concepts for new products based on research and feasibility studies;
- Solution architecture and design – which involves the front-end and back-end design of an IC;
- Pre-silicon validation – which involves validation of the functionality of a chip's design before a prototype is manufactured in its individual block form or as a sub-system or as a system on chip;
- Post-silicon validation – which involves the validation of the prototypes to ensure the functionality of the prototype meets the intended design specifications;
- Software development – which involves the architecture, design and development of software applications that can be used either to integrate with the IC or as a support tool in the product engineering process; and
- New product introduction – which refers to the manufacturing and testing of products in a high volume manufacturing environment, but in an engineering environment and at a smaller scale. This is to develop test programmes, discover potential issues with the tools, designs and processes, and estimate potential yields and run rates and determine if quality targets are meeting the projections.

IC fabrication can be outsourced to foundries, while assembly and test processes can be outsourced to OSATs and engineering support service providers. While both OSATs and engineering support service providers support semiconductor companies in undertaking IC assembly and testing processes, the key differences between OSATs and engineering support service providers are as follows:

OSATs	Engineering support service providers
• Engaged for IC assembly and testing processes to deliver a final semiconductor product	• Engaged only to undertake a particular or several IC assembly and test process(es)
• Operate in their own facility and may invest in machinery and equipment to perform IC assembly and testing in-house	• Typically operate in the customers' facility using the customers' machinery and equipment

Semiconductor products are ultimately sold to electronic product companies or electronic manufacturing service providers. Such companies are involved in the manufacturing of electronic products such as mobile and wireless devices, automotive electronics and consumer electronics.

3REN Group supports various facets of the semiconductor industry value chain. The Group provides product engineering services for the IC design segment of the semiconductor industry and provides engineering support services to support the IC assembly and testing segment of the semiconductor industry. The Group also designs and develops customised digitalised solutions and automated equipment used to support semiconductor and electronic product companies.

8. IMR REPORT *(cont'd)*

PROVIDENCE

INDUSTRY SIZE, PERFORMANCE AND GROWTH

The industry size for product engineering services in Malaysia, in terms of product engineering service revenue, grew from RM480.7 million in 2020 to RM691.8 million in 2022 and further grew to RM844.0 million in 2023, registering a compound annual growth rate ("**CAGR**") of 20.6%.[1] Meanwhile, the global industry size for product engineering services, in terms of product engineering service revenues, grew from USD778.3 million (RM3.3 billion[2]) in 2020 to USD1.1 billion (RM4.8 billion[2]) in 2022, and further grew to USD1.2 billion (RM5.5 billion[2]) in 2023. The global product engineering services industry registered a CAGR of 15.5% between 2020 and 2023.[1] PROVIDENCE forecasts the product engineering services industry in Malaysia to grow by 19.7% between 2024 and 2026 to reach RM1.2 billion by 2026, and the global product engineering services industry to grow by 15.4% between 2024 and 2026 to reach USD2.0 billion (RM9.4 billion[2]) by 2026.

Meanwhile, the industry size for IC assembly and test services in Malaysia grew from RM15.0 billion in 2020 to RM17.4 billion in 2022 and RM19.2 billion in 2023, registering a CAGR of 8.6% between 2020 and 2023.[3] The global industry size for IC assembly and test services increased from USD30.1 billion (RM126.5 billion[2]) in 2020 to USD32.5 billion (RM143.0 billion[2]) in 2022 and USD33.9 billion (RM154.8 billion[2]) in 2023, recording a CAGR of 4.0%.[3] PROVIDENCE forecasts the IC assembly and test services industry in Malaysia to grow by 10.2% between 2024 and 2026, to reach RM23.3 billion in 2026. PROVIDENCE also forecasts the global IC assembly and test services industry to grow at a CAGR of 4.5% between 2024 and 2026, to reach USD37.0 billion (RM173.1 billion[2]) in 2026.

COMPETITIVE OVERVIEW

As 3REN Group is focused on the provision of product engineering services (specifically post-silicon validation, software development and new product introduction) and engineering support services for IC assembly and testing within Malaysia, PROVIDENCE has identified 9 industry players, including 3REN Group, on the basis that:

(i) They are involved in the provision of product engineering services and/or engineering support services for IC assembly and testing;

(ii) They are based in Malaysia; and

(iii) They have a revenue of RM1.0 million and above, based on their latest audited financial year end ("**FYE**").

These identified industry players[(a)] are as detailed below:

Company name	Product engine-ering services [(b)]	IC assembly and test enginee-ring support services [(b)]	Digitalised solutions and automated equipment [(b)]	Latest available FYE	Revenue (RM'000)	Gross Profit ("GP") (RM'000)	Profit After Tax/Loss After Tax ("PAT /LAT") (RM'000)	GP margin [(c)] (%)	PAT margin [(d)] (%)
3REN Group	✓	✓	✓	31 December 2023	58,417[(e)]	12,823[(e)]	11,597[(f)]	22.0	12.2[(g)]
Dreamedge Sdn Bhd	✓	-	✓	31 December 2023	14,173	10,146	(12,710)	71.6	-
Infinecs System Sdn Bhd	✓	✓	-	31 December 2022	12,185	2,505	1,147	20.6	9.4
Key ASIC Berhad[(h)]	✓	-	-	31 May 2023	20,816	7,329	(5,368)	35.2	-
NCS Global Technology Sdn Bhd	✓	-	✓	31 December 2023	20,861	7,207	5,110	34.5	24.5
Nityo Infotech Services Sdn Bhd	-	✓	-	31 December 2022	185,015	46,048	13,552	24.9	7.3

[1] Source: Zion Market Research, PROVIDENCE analysis

[2] Exchange rates from USD to RM were converted based on average annual exchange rates extracted from published information from Bank Negara Malaysia for:
2020: USD1 = RM4.2016
2022: USD1= RM4.4005
2023: USD1 = RM4.5653
Exchange rates from USD to RM for 2024 and 2026 were converted based on average annual exchange rates extracted from published information from Bank Negara Malaysia for January to August 2024 at USD1= RM4.6780

[3] Source: Market Research Future

8. IMR REPORT *(cont'd)*

PROVIDENCE

Company name	Product engine-ering services (b)	IC assembly and test enginee-ring support services (b)	Digitalised solutions and automated equipment (b)	Latest available FYE	Revenue (RM'000)	Gross Profit ("GP") (RM'000)	Profit After Tax/Loss After Tax ("PAT /LAT") (RM'000)	GP margin (c) (%)	PAT margin (d) (%)
Oppstar Berhad(i)	✓	-	-	31 March 2024	56,947	26,909	15,519	47.3	27.3
Symmid Corporation Sdn Bhd	✓	-	-	31 December 2019	9,777	3,438	(5,011)	35.2	-
UST Global (Malaysia) Sdn Bhd	✓	-	✓	31 March 2023	166,606	23,913	19,317	14.4	11.6

Notes:

(1) [a] The list is not exhaustive. It contains information based on publicly disclosed information as at 9 September 2024 and excludes private exempt companies
(2) [b] Based on publicly available information
(3) [c] GP margin is computed based on GP over revenue
(4) [d] PAT margin is computed based on PAT over revenue
(5) [e] Based on segmental financial information for product engineering services and engineering support services for IC assembly and test
(6) [f] Based on consolidated financial information as segmental information for product engineering services and engineering support services for IC assembly and test is not available
(7) [g] PAT margin is based on consolidated PAT over consolidated revenue for the Group as the segmental PAT for product engineering services and engineering support services is not available
(8) [h] The company is a listed company on the Main Market of Bursa Malaysia Securities Berhad
(9) [i] The company is a listed company on the ACE Market of Bursa Malaysia Securities Berhad

Source: Various company websites, Companies Commission of Malaysia, PROVIDENCE

Although OSATs are also involved in the provision of IC assembly and testing services, these companies are not comparable to engineering service support service providers as they generate revenues based on the production of final semiconductor products as opposed to provision of services and they have their own facilities, and may invest in machineries and equipment. Thus, they have not been included in the list above.

MARKET SHARE

In 2022, 3REN Group garnered an industry revenue share of 3.8% of the product engineering services industry in Malaysia, based on the industry size for product engineering services in Malaysia of RM691.8 million in 2022 and its revenue from product engineering services of RM26.6 million for FYE 2022. 3REN Group also garnered an industry revenue share of 0.2% of the IC assembly and test services industry in Malaysia based on the IC assembly and test services industry size in Malaysia of RM17.4 billion and its revenue from engineering support services for IC assembly and test of RM39.2 million for FYE 2022.

In 2023, 3REN Group garnered an industry revenue share of 3.5% of the product engineering services industry in Malaysia, based on the industry size for product engineering services in Malaysia of RM844.0 million in 2023 and its revenue from product engineering services of RM29.7 million for FYE 2023. 3REN Group also garnered an industry revenue share of 0.1% of the IC assembly and test services industry in Malaysia based on the IC assembly and test services industry size in Malaysia of RM19.2 billion and its revenue from engineering support services for IC assembly and test of RM28.7 million for FYE 2023.

PROVIDENCE

2 THE AUTOMATED MANUFACTURING AND DIGITALISED SOLUTIONS INDUSTRY (GLOBAL AND MALAYSIA)

INTRODUCTION

Introduction to automated manufacturing and digitalised solutions

Automated manufacturing and digitalised solutions refer to purpose-built solutions and are typically used in factories to enable manufacturing processes as well as non-manufacturing processes such as procurement, inventory management and warehousing.

The different types of automated manufacturing and digitalised solutions are as follows:

Automated equipment, which refers to standard equipment or custom-built equipment that can perform specific roles or tasks. This equipment is customised to perform a particular process of a manufacturing activity, such as testing and inspection, transfer and loading, laser drilling and packaging. As it typically performs a specific function, it can operate on a standalone basis and does not need to be integrated to form a production line system. 
Digitalised solutions, which are solutions that enable and manage the digitalisation of processes and services to allow for Internet of Things ("**IoT**"), which facilitates the real-time interconnectivity and data exchange between equipment and devices. This includes **smart solutions**, which are collaborative manufacturing solutions that respond and adapt to real-time changes on the factory floor. Examples include autonomous material transfer which can work with production systems to arrange and transfer inventories, components or finished products during the manufacturing process, as well as analytics systems to enhance efficiency of the manufacturing processes. Artificial intelligence ("**AI**") is utilised to control and monitor the system, especially to predict and prevent issues which cause downtime. 

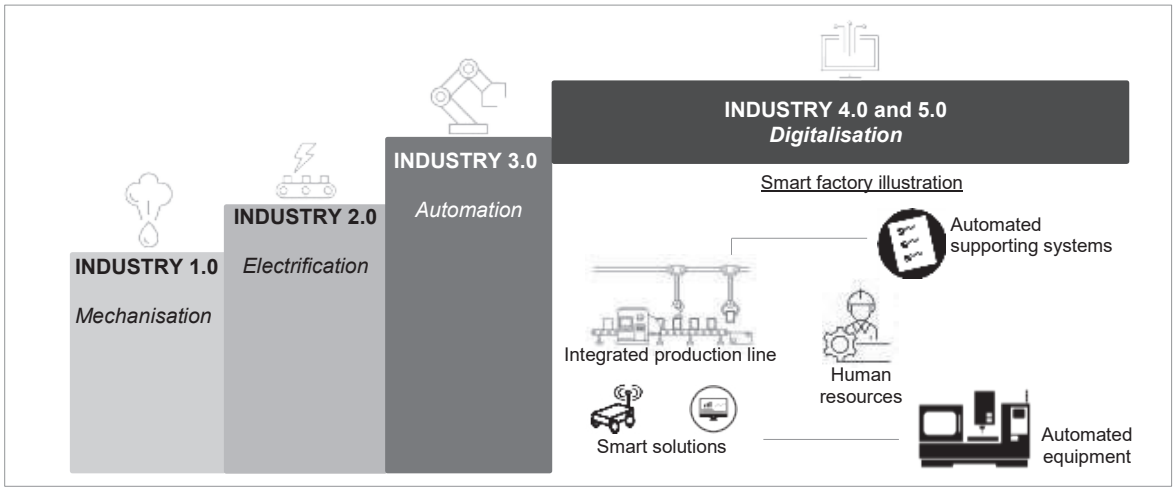
Source: PROVIDENCE

Automated equipment and digitalised solutions can be integrated to set up a smart factory. Smart factories refer to production facility environments that are highly digitalised where machinery and equipment are interconnected using IoT technology. The factory environment is interconnected on a real-time basis, where the monitoring and management of processes may be performed remotely. This includes every process on the factory floor, and is not limited to manufacturing processes.

Industrial technology revolution

The technologies used in manufacturing processes have evolved and advanced over time. Industry 1.0 occurred in the 1780s when the steam engine was invented and used to power machines used in manufacturing processes. During Industry 2.0 which occurred in the 1870s, electrical technology was developed and thus, the machines developed for manufacturing processes were electrical-based. The emergence of computer-controlled machines used for manufacturing processes in the 1960s marked the birth of Industry 3.0.

Technologies used in manufacturing processes shifted to Industry 4.0 in the 2000s, where machineries used were able to integrate and communicate with one another to form a seamless integrated production line. These include automated manufacturing and digitalised solutions. There is also a concurrent move towards Industry 5.0 since 2020, which aims to harness the cognitive ability of human resources to maximise use of machineries, in order to create a sustainable manufacturing environment. With the automation and real-time interconnection of processes other than manufacturing activities performed in the factory, this will form smart factories.



8. IMR REPORT *(cont'd)*

PROVIDENCE

INDUSTRY PERFORMANCE, SIZE AND GROWTH

The global automated manufacturing and digitalised solutions industry grew at a CAGR of 8.2%, from USD275.9 billion (RM1.2 trillion[2]) in 2020 to USD321.2 billion (RM1.4 trillion[2]) in 2022 and then to USD349.2 billion (RM1.6 trillion[2]) in 2023.[4] Moving forward, PROVIDENCE estimates that the global automated manufacturing and digitalised solutions industry will grow at a CAGR of 8.7% between 2024 and 2026 to reach USD448.6 billion (RM2.1 trillion[2]) in 2026.

The automated manufacturing and digitalised solutions industry in Malaysia grew at a CAGR of 17.3% between 2020 and 2023, from RM7.5 billion in 2020 to RM10.3 billion in 2022 and then to RM12.1 billion in 2023.[4] Moving forward, PROVIDENCE estimates that the automated manufacturing and digitalised solutions industry in Malaysia will grow at a CAGR of 12.7% between 2024 and 2026, to RM17.4 billion in 2026.

COMPETITIVE OVERVIEW

3REN Group is involved in the design and development of digitalised solutions and automated equipment, and is based in Malaysia. As such, PROVIDENCE has identified the following industry players on the basis that:

- They are involved in the design and development of automated equipment. Companies that only design and develop automated test equipment for testing and packaging equipment of ICs and printed circuit boards has been excluded; and/or
- They are involved in the design and development of digitalised solutions; and
- They are based in Malaysia.

These identified industry players[(a)] are as detailed below:

Company name	Automated equipment [(b)]	Digitalised solutions [(b)]	Latest available FYE	Revenue (RM'000)	GP (RM'000)	PAT/LAT (RM'000)	GP margin[(c)] (%)	PAT margin[(d)] (%)
3REN Group	✓	✓	31 December 2023	36,474[(e)]	14,680[(e)]	11,597[(f)]	40.2	12.2[(g)]
BBS Automation Penang Sdn Bhd	✓	✓	31 December 2023	156,798	36,775	4,542	23.5	2.9
Cardos Automation System Sdn Bhd	-	✓	31 December 2022	3,501	1,276	(643)	36.4	-
DNC Automation (M) Sdn Bhd	✓	✓	31 December 2023	15,232	4,972	71	32.6	0.5
DOEKA Asia Sdn Bhd	✓	-	31 December 2023	4,876	2,411	151	49.4	3.1
ECA Integrated Solution Berhad[(h)]	✓	✓	31 October 2023	35,601	18,543	10,787	52.1	30.3
Elliance Sdn Bhd	-	✓	31 July 2021	3,260	1,958	(28)	60.0	-
Epsilon Group								
Epsilon Automation Sdn Bhd	✓	-	31 December 2022	2,401	577	(400)	24.0	-
Epsilon Technology (M) Sdn Bhd	✓	-	28 February 2023	4,638	465	3,960	10.0	85.4
Fuka Packaging Solutions Sdn Bhd	✓	-	30 September 2023	2,474	597	89	24.1	3.6
Genetec Technology Berhad[(i)]	✓	-	31 March 2023	294,591	98,434	67,887	33.4	23.0
IMA Automation Malaysia Sdn Bhd	✓	-	31 December 2022	47,076	13,529	2,732	28.7	5.8
JM Automation Solution Sdn Bhd	✓	✓	31 December 2022	776	306	(143)	39.4	-
Kinetec Automation (M) Sdn Bhd	-	✓	30 April 2023	5,924	1,358	(354)	22.9	-
MMS Ventures Berhad[(i)]	✓	-	31 December 2023	12,952	(2,418)	(3,081)	-	-

[4] Source: Allied Market Research, PROVIDENCE analysis

Company name	Automated equipment (b)	Digitalised solutions (b)	Latest available FYE	Revenue (RM'000)	GP (RM'000)	PAT/LAT (RM'000)	GP margin(c) (%)	PAT margin(d) (%)
Neptrix Sdn Bhd	-	✓	31 December 2022(j)	1,188	1,028	(163)	86.5	-
Pentamaster Corporation Berhad(i)	✓	✓	31 December 2023	691,944	207,471	140,474	30.0	20.3
Sky-Tag Robotics Sdn Bhd	✓	✓	30 September 2023	27,187	2,472	(2,332)	9.1	-
TT Vision Holdings Berhad(h)	✓	-	31 December 2023	58,190	24,067	10,727	41.4	18.4
TTOT Sdn Bhd	✓	-	31 December 2022	8,565	13	(2,616)	0.2	-
UBCT Industrial Solution Sdn Bhd	-	✓	30 September 2022	23,577	9,465	(936)	40.1	-
Xtrotech Sdn Bhd	✓	-	31 December 2023	2,392	1,470	301	61.5	12.6
XTS Technologies Sdn Bhd	✓	-	31 December 2023	20,711	11,018	2,916	53.2	14.1
YNY Technology Sdn Bhd	-	✓	31 December 2022	13,201	10,389	588	78.7	4.5

Notes:

(1) [a] The list is not exhaustive. It contains information based on publicly disclosed information as at 9 September 2024 and excludes exempt private companies
(2) [b] Based on publicly available information
(3) [c] GP margin is computed based on GP over revenue
(4) [d] PAT margin is computed based on PAT over revenue
(5) [e] Based on segmental financial information for digitalised solutions and automated equipment
(6) [f] Based on consolidated financial information as segmental information for digitalised solutions and automated equipment is not available
(7) [g] PAT margin is based on consolidated PAT over consolidated revenue for the Group as the segmental PAT for digitalised solutions and automated equipment is not available
(8) [h] The company is a listed company on the ACE Market of Bursa Malaysia Securities Berhad
(9) [i] The company is a listed company on the Main Market of Bursa Malaysia Securities Berhad
(10) [j] Based on an 18-month financial period from 1 July 2021 to 31 December 2022

Source: Various company websites, Companies Commission of Malaysia, PROVIDENCE

MARKET SHARE

Based on an industry size for automated manufacturing and digitalised solutions in Malaysia of RM10.3 billion in 2022 and 3REN Group's combined revenue from automated equipment and digitalised solutions of RM37.7 million in the FYE 2022, 3REN Group garnered an industry revenue share of 0.4% in 2022.

Based on an industry size for automated manufacturing and digitalised solutions in Malaysia of RM12.1 billion in 2023 and 3REN Group's combined revenue from automated equipment and digitalised solutions of RM36.5 million in the FYE 2023, 3REN Group garnered an industry revenue share of 0.3% in 2023.

3 KEY DEMAND DRIVERS AND SUPPLY CONDITIONS

KEY DEMAND DRIVERS

Growth in the semiconductor and electronics industries and manufacturing-related industries

The IC design, assembly and test segments of the semiconductor industry and automated manufacturing and digitalised solutions industry are generally driven by the increase in manufacturing activities undertaken in the semiconductor and electronics industry as well as other manufacturing-related industries.

Specifically, the semiconductor and electronics industries has been growing as indicated in Chapter 4 of this IMR report. The rising worldwide demand for semiconductor and electronic products has been largely driven by:

(i) the technological revolution with 5G adoption and the emergence of 6G to increase network speed from 20 gigabytes per second to 1 terabyte per second, IoT, AI, machine learning and big data analytics, have resulted in the emergence of new electronic products. New electronic products that have been introduced to the market as a result of these technologies include smart factories (where machinery, equipment and tools are fully interconnected), autonomous cars (which are self-driving or driverless cars) and smart home devices (such as smart lighting, door locks and home appliances). This technological revolution of

semiconductor and electronic products is expected to continue driving new developments in the semiconductor and electronics industry to produce more advanced semiconductor and electronic products in terms of performance, capacity and technology; and

(ii) rapid technological advancements which have led to continuous introductions of new product innovations and advancements. Electronic products, especially consumer electronic products, are subject to relatively shorter product lifecycles, given that consumers are highly receptive to new product innovations and advancements.

The rise in demand for electric vehicles ("**EV**") and solar energy is also expected to boost the demand for semiconductor chips. An EV is a vehicle that is powered by electricity. Instead of using fuel-related components in the vehicle to power the motor of the vehicle, EVs use batteries to power the motor and the batteries must be charged to function. Sales of EVs in Malaysia grew at a strong CAGR of 459.5%, from 58 units sold in 2020 to 10,159 units sold in 2023.[5] The EV market has been, and is expected to continue to be, driven by Government incentives to promote EV sales, lower battery costs for EVs and increase in manufacturing of EVs by vehicle manufacturers.

Modernisation and transformation of manufacturing facilities towards Industry 4.0 and 5.0 technology to enable smart factories and sustainable operations

There is a continuous need for manufacturers to reduce cost and achieve economies of scale, in order to remain competitive. There is also a move towards more sustainable operations by optimising the usage of energy and introducing Industry 5.0 to encourage collaboration between human resources and machineries. In order to do so, these companies are shifting towards full automation of processes to increase operational efficiency and reduce operational costs with less human resources required. As such, smart factory solutions which enable Industry 4.0 and 5.0 production facility environments (or smart factories) have become increasingly popular.

The interconnectivity of machinery and equipment in smart factories enables automation of not only the semiconductor and electronics manufacturing process but also all other processes in the production facility, from the receipt of raw materials and supplies to the production and assembly of end-products. As a result, minimal human intervention is required in the production facility. Workers can remotely supervise the status of various machinery and equipment throughout the entire production facility in a control room, as well as monitor and control the operations of the semiconductor and electronics manufacturing solutions.

Further, smart factory solutions also provide visibility over the entire organisation, as interconnected processes throughout an entire system would mean that data can be shared throughout the organisation. Data collected from smart factory solutions can be used to make better business decisions, identify areas of concern for improvement as well as determine under-utilised resources.

As more semiconductor and electronic product companies transition to smart factories, this is expected to bode well for the growth of the automated manufacturing and digitalised solutions industry.

Further, there is also increased awareness and focus on environmental, social and governance as well as sustainability practices. This is expected to encourage manufacturing companies to digitalise their operations in order to reduce greenhouse gas emissions and carbon footprint. Consequently, this is expected to drive demand for automated manufacturing and digitalised solutions.

Increased outsourcing and relocation of manufacturing activities to Southeast Asia

Southeast Asia has become a destination for foreign multinational companies to set up their production facilities, due to the favourable exchange rate, availability of manpower and strategic location. Many major multinational semiconductor and electronics companies have established production facilities in Southeast Asian countries such as Malaysia, Thailand and Vietnam.

The establishment of production facilities in these countries has resulted in many local and multinational OSATs and electronics manufacturing service providers emerging in these countries. Further, while the Russia-Ukraine war could impact new manufacturing facilities being set up in these 3 countries, multinational companies are still expected to set up their facilities in Southeast Asia.

In light of this, semiconductor and electronics manufacturing solution industry players have also emerged in these countries in order to cater for the growing need of the industry. Examples of such expansions include Intel Corporation which intends to invest approximately USD7.0 billion (approximately RM30.0 billion) in a new chip packaging and testing factory in Malaysia[6] which is expected to begin production in 2025[7], as well as Infineon Technologies AG which invested EUR5.0 billion (approximately RM24.7 billion) to expand its operations in Malaysia by constructing a new semiconductor manufacturing plant in Kulim, Kedah.[8] In August 2024, Infineon Technologies AG opened the first phase of the world's largest 200-millimeter silicon carbide power semiconductor

[5] Source: Malaysian Automotive Association
[6] Source: "Intel to invest USD7 billion in chip packaging facility in Malaysia", The Economic Times, 14 December 2021
[7] Source: "Intel tech tour Malaysia: Behind the scenes of cutting-edge chip manufacturing", Hot Hardware, 5 September 2023
[8] Source: "Infineon to invest RM8bil to build wafer fab in Kulim, set for completion by 3Q24", The Star, 7 July 2022

fabrication factory in Kulim, Kedah with an investment volume of EUR2.0 billion (approximately RM9.9 billion), while the second phase will have an investment volume of up to EUR 5.0 billion (approximately RM24.7 billion).[9] In particular, exports of electrical and electronic products from Malaysia grew from RM386.1 billion in 2020 to RM575.5 billion in 2023 at a CAGR of 14.2%.[10]

As such, the outsourcing and relocation trend has, and is expected to continue to, support the growth of the IC design, assembly and test segments of the semiconductor industry as well as the automated manufacturing and digitalised solutions industry in Malaysia.

Government initiatives to develop the automated manufacturing and digitalised solutions industry

In October 2018, the Ministry of International Trade and Industry launched the National Policy on Industry 4.0 ("**Industry4WRD**") to drive digital transformation of the manufacturing industry and its related services. The policy's goals are to increase labour productivity, increase the manufacturing sector's contribution to the economy, increase innovation and increase the number of high-skilled jobs. The Industry4WRD Readiness Assessment programme is designed to help small and medium enterprises ("**SMEs**") to assess their capabilities and readiness to adopt Industry 4.0 technologies and processes, identify areas for improvement and develop feasible strategies to perform outcome-based intervention projects.

In February 2021, the Government of Malaysia launched MyDIGITAL, a national initiative which aims to transform Malaysia into a digitally-driven, high-income nation and a regional leader in the digital economy. The Malaysia Digital Economy Blueprint maps out the strategies which will be undertaken in 3 phases (2021-2022, 2023-2025 and 2026-2030) to achieve the targeted outcomes of MyDIGITAL. The key thrusts in the Malaysia Digital Economy Blueprint pertaining to the automated manufacturing and digitalised solutions industry are:

(i) Build enabling digital infrastructure – providing access to extensive and high-quality digital infrastructure (such as broadband, data centres and cable landing stations) to better enable people, businesses and the Government of Malaysia to participate in the digital economy; and

(ii) Build a trusted, secure and ethical digital environment – creating a conducive environment for businesses and society to reap the benefits of digital services without compromising safety, data security, privacy, reliability and ethical standards.

Under Budget 2024, the Government of Malaysia aims to strengthen competitiveness among SMEs via the utilisation of technology and digitalisation. Through Budget 2024, the Government intends to allocate a RM900.0 million fund through Bank Negara Malaysia to encourage SMEs to improve business productivity via automation and digitalisation. Further, under the Budget, the Government plans to reduce dependency on foreign workers and build on local talent. As such, a special fund will be implemented for the utilisation of automation and training of local workers. Additionally, automation tax incentives will be expanded to cover the commodities sector in order to improve the productivity of plantation products and to reduce foreign labour dependency through mechanisation and automation such as drones and self-driving vehicles.

In May 2024, the National Semiconductor Strategy was launched to develop the nation's semiconductor ecosystem through partnerships between global and local companies. This will be done through 3 phases, namely leveraging on existing capacity and capabilities, attracting leading advanced chip manufacturers and developing world-class Malaysian semiconductor design and advanced packaging and manufacturing equipment firms. The National Semiconductor Strategy is expected to attract at least RM500.0 billion in domestic and foreign investments. In addition, the Government of Malaysia will allocate at least RM25.0 billion in fiscal support and targeted incentives.

These Government initiatives are expected to further increase awareness and adoption of smart factory solutions, which will contribute to the growth of the semiconductor and electronics manufacturing solutions industry.

SUPPLY CONDITIONS

Availability of hardware and software and semiconductor chip supply

Hardware and software are critical components of automated manufacturing and digitalised solutions, and semiconductor chips are integral components of hardware. During the Coronavirus Disease ("**COVID-19**") pandemic, there was a shortage of semiconductor and certain hardware parts (caused by a shortage of semiconductor chips) which was attributable to the surge in demand for consumer electronic products and restrictions in semiconductor chip manufacturers' manufacturing activities caused by the COVID-19 pandemic. In 2022, the global semiconductor chip shortage situation turned into oversupply in some semiconductor segments such as in the memory and data centre segments, and this situation persisted in 2023.

Availability of human resources

A critical element of being able to provide automated manufacturing solutions is the availability of qualified and experienced talent. It is essential that industry players offering engineering support services, product engineering services, digitalised solutions and automated equipment are able to hire, train and retain talented employees with

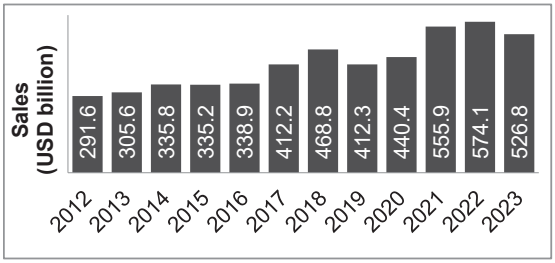
[9] Source: "Infineon opens the world's largest and most efficient SiC power semiconductor fab in Malaysia", Infineon, 8 August 2024
[10] Source: Department of Statistics Malaysia

the required technical skills and engineering capabilities. Generally, there is no shortage of skilled resources in the engineering sector. According to the Department of Statistics Malaysia, the number of persons employed in the electrical, electronics and optical industry increased from 575,000 in 2020 to 616,800 in 2023.

4 THE SEMICONDUCTOR AND ELECTRONICS INDUSTRIES

The global semiconductor and electronics industries are cyclical, influenced by factors such as market demand and supply as well as macroeconomic conditions. Despite the cyclicality of the semiconductor and electronics industries, the global semiconductor and electronics industries size grew from USD291.6 billion (RM901.0 billion[11]) in 2012 to USD526.8 billion (RM2.4 trillion[2]) in 2023, registering a CAGR of 5.5% over the period.[12] From 2012 to 2016, the global semiconductor and electronics industries increased from USD291.6 billion (RM901.0 billion[11]) to USD338.9 billion (RM1.4 trillion[11]), despite a temporary dip in 2015 caused by currency fluctuation and market cyclicality.

Global semiconductor and electronics industries sales



In 2017, the global semiconductor and electronics industries recorded USD412.2 billion (RM1.8 trillion[11]) in sales, driven by rapid technology advancement such as IoT. In 2019, as a result of decreased demand for memory chips which led to oversupply as well as cyclicality in product pricing, the global semiconductor and electronics industries decreased to USD412.3 billion (RM1.7 trillion[11]). Despite the COVID-19 pandemic and supply chain disruptions, the global semiconductor and electronics industries continue to grow in 2020 and 2021. This growth was primarily driven by the surging demand for semiconductors in electronic devices and equipment. In 2023, the global semiconductor and electronics industries decreased to USD526.8 billion (RM2.4 trillion[2]) as a result of a decrease in demand for consumer electronics due to excess inventory stocks of consumer electronics in the first half of 2023. Nevertheless, the global semiconductor and electronics industries rebounded towards the later part of 2023, driven by demand for AI applications. The global semiconductor and electronics industries is expected to rebound further in 2024 and is forecast to grow by 11.6% to reach USD588.0 billion (RM2.8 trillion[2]) in 2024.[10] This is expected to be driven by demand for ICs for AI, high-performance computing and EVs as well as Government initiatives to support semiconductor production.

The semiconductor and electronics industries are expected to be driven by rapid technological developments leading to product innovations and advancements, as well as the technological revolution with 5G adoption and the emergence of 6G, IoT, AI, machine learning and big data analytics, which have resulted in the emergence of new electronic products. This is elaborated in Chapter 3 of this IMR report.

Intel Corporation also recently set up its foundry in 2021. Although the foundry is still new and may not be able to cater for high volume production in the short term, its foundry business is expected to gain traction in the long term with the launch of Intel 18A process node, which is its manufacturing technology designed to improve performance, power efficiency, and overall semiconductor capabilities.

5 PROSPECTS AND OUTLOOK FOR 3REN GROUP

As an industry player in the IC design, assembly and test segments in Malaysia as well as in the automated manufacturing and digitalised solutions industry in Malaysia, 3REN Group stands to benefit from the positive outlook of these industries, which will be driven by the growing semiconductor and electronics industries as well as manufacturing-related industries. In this respect, the Group stands to benefit from the technological revolution with the emergence of 6G, IoT, AI, machine learning and big data analytics which is expected to result in the emergence of new final electronic products, as well as rapid technological advancements which have led to continuous introductions of new product innovations and advancements. In addition, the modernisation and transformation of manufacturing facilities towards Industry 4.0 and 5.0 and sustainable operations, increased outsourcing and relocation of manufacturing activities in Malaysia, and Government initiatives to develop the automated manufacturing and digitalised solution industry are also expected to drive the growth of the industries in which 3REN Group operates.

[11] Exchange rates from USD to RM were converted based on average annual exchange rates extracted from published information from Bank Negara Malaysia for:
2012: USD1 = RM3.0898
2016: USD1 = RM4.1457
2017: USD1 = RM4.3008
2019: USD1 = RM4.1427

[12] Source: Semiconductor Industry Association

9. 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.

9.1 RISKS RELATING TO OUR BUSINESS OPERATIONS

9.1.1 We are dependent on certain major customers

We are dependent on the following major customers which had contributed more than 10% of our total revenue during the Financial Periods Under Review:-

	Audited										Years of relation-ship as at the LPD
	FYE 2020		FYE 2021		FYE 2022		FYE 2023		FPE 2024		
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	
Intel group of companies	24,312	38.58	33,578	45.28	69,227	66.82	53,776	56.67	31,670	69.58	14
KellyOCG	10,588	16.80	12,200	16.45	14,548	14.04	14,313	15.08	7,190	15.79	8
Sub-total	**34,900**	**55.38**	**45,778**	**61.73**	**83,775**	**80.87**	**68,089**	**71.75**	**38,860**	**85.37**	
Total revenue	**63,020**	**100.00**	**74,164**	**100.00**	**103,598**	**100.00**	**94,891**	**100.00**	**45,518**	**100.00**	

Please refer to Section 7.17 of this Prospectus for the information relating to the abovementioned customers.

KellyOCG was engaged by Intel group of companies as one of its managed service providers to manage certain product engineering services (including post-silicon validation and NPI services) and in certain countries including Malaysia. KellyOCG, in turn, outsourced these projects to our Group during the Financial Periods Under Review. Whilst the invoicing/billing is made directly to KellyOCG, insofar as the work scope of the product engineering services is concerned, we liaised and worked directly with Intel group of companies in carrying out the engagements. As such, we are ultimately dependent on the Intel group of companies for sales generated through KellyOCG.

We expect Intel group of companies and KellyOCG to continue contributing significantly to our Group's future revenue. During the Financial Periods Under Review, we have not experienced any material delay, suspension or termination of the purchase orders by Intel group of companies, directly or indirectly through KellyOCG.

Our inability to secure purchase orders from Intel group of companies, both directly or through KellyOCG as well as any early termination by them may adversely impact our Group's business and financial performance. As a result of our ultimate dependency on Intel group of companies, we are exposed to the risks that we may fail to secure sufficient orders in the future, or encounter delays in payments from them, which may adversely affect our Group's business operations and financial performance.

Although our Group has established business relationships with the Intel group of companies, both directly and indirectly through KellyOCG for several years and believes that it has built up a good rapport, there can be no assurance that they would continue to be the Group's major customers, or that the failure to maintain this business relationships or reduction in orders from them would not affect our Group's operating results.

Our ability to continue to secure purchase orders from the Intel group of companies, whether directly or indirectly through KellyOCG are based on several factors including, amongst others, our ability to provide solutions and services that meet the respective customer's specifications and requirements, competitive pricing of our solutions, timely delivery as well as continuing customer satisfaction with our solutions and services. Nevertheless, any delays, premature termination of confirmed orders, decrease in the value of purchase orders or the loss of sales from Intel group of companies, either directly or indirectly through KellyOCG, would adversely affect our future business operations and financial performance.

9.1.2 We are dependent on our Executive Directors and key senior management

Our achievements and success are largely attributable to the continued efforts and abilities of our Executive Directors, namely, Koh Dim Kuan and Lee Chee Hoo, who are directly responsible for the vision, strategic direction, leadership, business planning and development as well as management of our Group's business operations. They are assisted by our key senior management, who possess the relevant knowledge and experience in their respective fields of work to ensure the smooth operations of our business. With extensive knowledge and insights of the industry, they together with our key senior management have played a critical role in our Group's success as well as in formulating and implementing our business strategies to drive the future growth of our Group.

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.

9.1.3 We are dependent on our ability to hire and retain skilled contractual and permanent personnel

The nature of our business is such that we are dependent on the ability to hire and retain skilled personnel, such as engineers, developers, technicians and manufacturing specialists. Since our Group is operating in a rapidly emerging technology industry, the management and operation of our core business segments entail the employment of employees with the required expertise, technical skills and engineering capabilities in order to remain competitive in the industry.

Further, due to the vicinity of our primary business operations in Penang, being one of the technology hubs in Malaysia, we face competition to seek highly competent employees and are exposed to the risk of our skilled employees pursuing better career opportunities in Penang or elsewhere.

Having a team of experienced employees is crucial in implementing our Group's business strategies while sustaining and improving our technical capabilities. Any loss of services from any of our skilled workforce, without any prompt and proper replacement may cause disruptions to our business operations, which may, in turn, adversely impact our Group's business and financial performance. Our experienced employees' continuous service would allow us to maintain the quality of our solutions and services. As such, our capacity to hire and retain our skilled workforce is vital to achieving our Group's continuous success and growth.

In the event we are unable to hire and/or retain the skilled workforce with the required expertise and capabilities, it may adversely impact our operations and affect our capacity to secure new orders/contracts, which may negatively impact our ability to maintain and/or improve our financial performance.

9. RISK FACTORS *(cont'd)*

Further, the hiring or retention of skilled personnel may be subject to factors such as remuneration packages and continuous training and development programmes. Should there be any significant increase in the remuneration packages due to whatever reasons including market competition and government policies, it may have a negative impact on our margins and thus affecting our financial performance.

Although we have not previously experienced any major disruptions to our business operations due to a shortage of skilled personnel, there is no assurance that we will be able to recruit and retain skilled personnel necessary for our future success.

9.1.4 We do not have long-term contracts and we are dependent on our ability to secure new purchase orders

Our orders are primarily secured via individual purchase orders issued by our customers on a project-to-project basis. As such, our financial performance depends on our ability to secure new purchase orders and/or contracts on a consistent basis to sustain our order book. If we are unable to do so, our order book may decline and this would adversely affect our sustainability and future business performance.

Thus, there is no assurance that there will be continuity from one project to the next project as our orders are primarily dependent on individual capital expenditure, expansion requirements of our customers as well as the demand for their products. Further, the absence of long term contractual arrangements may result in the fluctuation of our Group's sales and overall business performance.

Notwithstanding the absence of long-term contracts with our customers, our Group has an established track record in providing quality products and services, which has earned the recognition of various local and foreign customers of the Group.

However, any failure on our part to meet the operational and technical requirements of our customers, may subsequently impact our business relationship with our customers, and adversely affect our business, financial conditions and results of operations.

9.1.5 We are subject to project risks including delay/termination of secured orders

Notwithstanding the purchase orders secured from our customers, our business is exposed to various project risks including delay and/or termination of the purchase orders. This may be attributable to numerous causes such as the level of complexity of the projects/orders we undertake as well as a shift in technology or market conditions.

Delay and/or cancellation of projects due to unforeseen circumstances such as unexpected changes in project requirements or timelines that are beyond our control. Any delay in customers' expansion projects will accordingly affect the implementation of digitalised solutions and automated equipment as well as the rolling out of engineering support services and product engineering services. This would affect the recognition of revenues from the relevant projects, which would consequently impact our Group's financial performance.

We have an order book of RM30.43 million based on the total amount of purchase orders secured, which has not been recognised in our revenue as at the LPD. Notwithstanding this, our business is still exposed to the risk of delay and/or termination of orders by customers, which would adversely affect our financial performance.

Further, we may be required to negotiate a termination fee based on the work we have performed to date should any termination by the customers occur as we may have consumed a substantial amount of time and resources to execute the work orders. However, although negotiation for a termination fee is possible, the termination fee is subject to mutual agreement between both parties. There is no assurance that we would be able to attain any compensation from our customers for the work that we have performed to date.

In addition, we face project cost overruns due to unanticipated difficulties encountered during the project implementation stage or changes in project requirements. We may be unable to accurately estimate the costs required to deliver our solutions and services and there can be no assurance that the actual time taken and costs incurred for each project would not exceed our estimation. These project cost overruns could impact our Group's profitability which would impact our Group's financial performance.

During the Financial Periods Under Review and up to the LPD, we have not had any major termination of secured orders by our customers as well as major project cost overruns which have materially affected our business operations or financial performance.

9.1.6 We may be unable to effectively implement our business plans and strategies

Our business strategies are aimed at growing and expanding all our core business segments. It is vital that our Group remains competitive to enhance our market presence. As part of our business plans and strategies, we aim to strengthen our R&D activities, set up new Delivery Centres, and expand our reach internationally by setting up a sales office in Singapore. Please refer to Section 7.19 of this Prospectus for further details of our business plans and strategies.

Our business growth is reliant upon our ability to realise our business plans and strategies. We may not be able to promptly carry out our business strategies according to business and financial expectations, which may in turn, affect our future business and financial performance. The execution of our business plans and strategies is subject to production costs, additional capital expenditures and limitations in human capital. Further, elements beyond our control such as changes in the global and local economic, political, and market conditions, may adversely affect our future plans.

9.1.7 We may be affected by the changes in labour laws and regulations

Our workforce consists of both permanent and contract-based employees. As at the LPD, our workforce comprised 1,421 employees (including 1,064 contract-based). All our employees are entitled to statutory employment benefits.

We are subject to various labour laws and regulations governing our relationships with our employees, including in relation to minimum wages, working hours, overtime, working conditions, hiring and terminating the contracts of contract-based employees and work permits which may have an adverse impact on our Group's business operations and results of operations.

Currently, our employees are not members of a labour union, but we can give you no assurance that they will not, in the future, join or form a labour union, or eventually wish to engage in collective bargaining. In the event of a labour dispute, protracted negotiations and strike action may impair our ability to carry on our day-to-day operations, which could materially and adversely affect our business, future financial performance and results of operations.

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9.1.8 We may not be able to protect our intellectual property rights or may inadvertently infringe on the intellectual property rights of others

Our business is dependent to a certain degree on our ability to protect our intellectual property rights. As at the LPD, we have registered or applied for registration for certain trademarks and patents with MyIPO as set out in Section 7.9 of this Prospectus, so as to prevent third parties from using or copying trademark or patents similar to ours in the jurisdiction in which they have been or would be registered. Nevertheless, there can be no assurance that there will be no unauthorised third party copying, using or exploiting of our intellectual property rights. Unauthorised use of our trademarks and patents may harm our reputation in the industry and may result in an adverse impact on our business and financial performance.

Conversely, we may unknowingly infringe upon the intellectual property rights of third parties and may be held responsible for such infringements. Any such infringement could result in disputes, financial penalties and/or litigation costs. Such future litigation involving intellectual property infringements may damage our reputation in the industry or be prevented from selling our solutions, which in turn, could adversely affect our business, financial condition and financial performance.

9.1.9 We are exposed to product warranty claims and quality-related risks

We are exposed to the risk of liability claims and product warranty from our customers for claims of losses or damages suffered due to defective design, components/parts, warnings or instructions.

We commonly provide our customers with a warranty period of 12 months for our automated equipment and digitalised solutions and if necessary, on-site maintenance and technical support. Our warranty also includes the replacement or repair of defective parts of the digitalised solutions and automated equipment. A significant number of defects would inflate project overheads and subsequently may adversely affect our Group's profitability.

Further, any defects in our solutions may result in negative customer feedback and perception of our Group. These may comprise adverse publicity, resulting in lower demand for our solutions. Further, our Group may incur supplementary costs to fix claims against us. Any substantial claims relating to our digitalised solutions and automated equipment could have an adverse impact on our business and financial performance. There is no assurance that we will not face such claims in the future.

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

9.1.10 We may not be able to obtain, renew or maintain our major licences, permits and approvals

We depend on certain licences, permits and approvals issued by various government authorities and regulatory agencies in Malaysia. Our major licences, permits and approvals are generally subject to a variety of conditions which are either stipulated within the licences, permits and approvals themselves or under the particular legislation and/or regulations governing the issuing authorities. Certain of these major licences, permits and approvals need to be renewed on a periodic basis or reassessed by the relevant regulatory authorities. Please refer to Section 7.10 of this Prospectus for details of our major licences and approvals including the applicable authorities, expiration dates and status of our compliance.

During the 12-month period prior to the date of this Prospectus, we have not faced any suspension, withdrawal or termination of our major licences, permits and approvals, financial penalties or cessation of our operations which have materially and adversely affected our business and results of operations. Further, we have not encountered any issues in renewing or obtaining any of our major licences, permits and approvals required to carry out our operations

However, there can be no assurance that we will be able to renew our major licences, permits and approvals in future or that we will not be subject to suspension, withdrawal or termination of our major licences, permits and approvals despite our best efforts to maintain full compliance and any such failure to secure renewal or obtain major licences, permits and approvals would adversely affect our financial condition, results of operations and prospects.

9.2 RISKS RELATING TO THE INDUSTRY WE OPERATE IN

9.2.1 We are subject to changes and uncertainties in the industries/sectors that we serve

Majority of our solutions/services are provided to customers from the semiconductor and electronics industry. Therefore, the prospects of our business are dependent, to a certain extent, on the growth and performance of the industry, which in turn, are subject to global demand amongst others. If the demand for our solutions/services were to unexpectedly increase, we would require a significant increase in operating capacities, resources and capabilities, including adequate funding, manpower resources as well as materials, in order to fully capitalise on such opportunities. The failure to adjust to such an unanticipated increase in the demand for our solutions/services 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 solutions 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 solutions and introduce them on a timely and cost-effective basis, as well as to develop new ones to meet and capitalise on new technological developments and changes. The failure of our Group to design, develop and commercialise new and enhanced solutions could have a material adverse effect on our business, financial conditions and results of operations.

We seek 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 solutions and services remain technologically relevant and meet customers' demands. Notwithstanding that, as we are operating in a fast-changing industry, there is no assurance that our Group would be able to respond favourably to any new technological advancements.

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9. RISK FACTORS *(cont'd)*

9.2.2 We face competition from other industry players

Notwithstanding our competitive advantages and key strengths, we continue to face competition from other existing and prospective local and international industry players which may be capable of offering similar services and solutions. The key areas of competition for our business comprise quality of services/solutions, pricing, proximity to customers, range of solutions and services provided, timely delivery and after-sales services. Industry players are continuously seeking ways to differentiate themselves, often by improving technical capabilities and providing a wider range of offerings. Some of our competitors are more established and are capable of providing more services/solutions 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.

Whilst we strive to remain competitive, there can be no assurance that we will be able to compete effectively against our competitors and also new market entrants which may in turn affect our profit margins and/or a reduction in orders from our customers which may have a material and adverse impact on our business and financial performance.

9.2.3 We are exposed to the legal, regulatory, political and economic risks

We are susceptible to legal, regulatory, political and economic conditions as well as operational risks in Malaysia or our export markets, as well as global supply chain changes arising from such risks. Our business may be subject to risks associated with conducting business internationally as we offer our solutions and services to customers and purchase parts and components from suppliers based overseas. Therefore, our financial condition and results of operations could be affected by a variety of factors, including:-

- political and economic instability, including global and regional macroeconomic disruptions such as natural calamities, epidemics or other risks related to countries where we procure our components and parts or sell our solutions;

- unfavourable changes in government policies such as the introduction of new regulations, including trade protection measures, sanctions, import or export restrictions and licencing regulations, duties, tariffs or subsidies; and

- risks with respect to social and political crises resulting from riots, terrorism, war or civil unrest as well as outbreak of pandemics, amongst others.

Recent tensions in Europe and the Middle East have resulted in elevated geopolitical instability, trade restrictions, sanctions, disruptions to global supply chains, and a potential adverse impact on markets and a downturn in the regional and global economy. For example, the conflict in Europe is expected to lead to a shortage of microchips globally considering both Russia and Ukraine are key suppliers of raw materials used in microchip manufacturing. A prolonged war could affect the supply of microchips globally which would consequently have an adverse impact on the investments in new digitalised solutions and automated equipment as well as the need for skilled workers for engineering support services and product engineering services. In the short term, the conflict could lead to less demand for our solutions and services. Any of such circumstances may adversely affect our business, financial conditions and results of operations.

Any other unfavourable changes in the political, economic, and regulatory settings in the countries where our Group operates and exports our products to, could also adversely affect our financial performance, operational conditions and generally, the profitability of our Group. Our overall business would also be affected by any global or regional economic slump. In addition, this downturn may affect consumer confidence which may cause our customers to reduce their purchases and correspondingly affect the demand for our solutions and services.

9. RISK FACTORS *(cont'd)*

9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

9.3.1 No prior market for our Shares

Prior to our IPO, there has been no prior market for our Shares. As such, there is no assurance that upon Listing, an active market for our Shares will develop, or, if developed, that such a market can be sustained. There is also no assurance that there will be a liquid market for our Shares. Upon the Listing, our Share price may fluctuate based on a variety of factors such as demand and supply for our Shares, the expectations of our future financial performance as well as the general stock market conditions.

Investors of our IPO Shares should be aware of such risks before deciding to invest in our Shares as there is no certainty that our Shares will trade above the IPO Price upon our Listing.

9.3.2 The trading price and volume of our shares following our IPO may be volatile

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and global bourses and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as the economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares. Nevertheless, the profitability of our Group is not dependent on the performance of Bursa Securities as the business activities of our Company have no direct correlation with the performance of securities listed on Bursa Securities.

It is expected that there will be about 8 Market Days after the closing date of our IPO before the commencement of trading of our Shares on Bursa Securities. We cannot assure you that there will be no event or occurrence that will have an adverse impact on the securities market, our industry or us specifically during this period that would adversely affect the market price of our Shares when they begin trading.

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, amongst others, the following factors, some of which are beyond our control:-

- material deterioration in our financial performance and operations;
- failure of our management team in implementing business strategies;
- adverse changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- adverse changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;
- departures of our key senior management;
- decline in stock market prices and volumes; and
- involvement in any material litigation.

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9. RISK FACTORS *(cont'd)*

9.3.3 There may be potential delay to or cancellation 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 Sole Underwriter fails to honour their respective obligations under the Underwriting Agreement;

(b) the revocation of approvals from the relevant authorities and/or parties for our Listing and/or admission for whatever reason; and/or

(c) we are unable to meet the public shareholding spread requirements of the Listing Requirements, i.e. at least 25% of our enlarged number of Shares for which listing is sought to be held by a minimum 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, our Board will endeavour to ensure compliance with the various requirements for our successful listing on the ACE Market.

9.4 OTHER RISKS

9.4.1 Uncertainty of dividend payments

Our Company is an investment holding company and we conduct all of our operations through our subsidiaries. Accordingly, our income will be derived mainly from dividends received from our subsidiaries. Hence, our ability to pay future dividends to our shareholders is dependent on, amongst others, the performance of our subsidiaries. The ability of our subsidiaries to pay dividends to us will depend upon their financial performance and availability of their distributable reserves, capital requirements for their operational needs and debt servicing commitment.

There can be no assurance that we would be able to pay future dividends on our Shares, as a result of the factors stated above. Furthermore, if we do not pay dividends or pay dividends at a level lower than that anticipated by investors, the trading price of our Shares may be negatively affected and the value of any investment in our Shares might be reduced.

9.4.2 Our Promoters will be able to exert significant influence over our Company as they will continue to hold the majority of our Shares after the IPO

As disclosed in Section 5 of this Prospectus, our Promoters will collectively hold approximately 64.19% of our enlarged issued share capital upon Listing. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group. They may also be able to influence the outcome of certain matters requiring the vote of our shareholders unless they are required to abstain from voting either by law and/or as required by the relevant guidelines or regulations.

Nevertheless, our Company has appointed Ahmad Khairuddin Bin Abdul Rahim, Hanita binti Othman, Joyce Wong Ai May and Teresa Tan Siew Kuan as our Independent Directors and they will play an active role in our Board's deliberations to ensure future transactions involving related parties are entered into on an arms-length basis, so as to facilitate good corporate governance whilst promoting greater corporate transparency.

9.4.3 We have conditionally adopted the LTIP effective from the Listing Date, which may lead to share-based expenses that may negatively impact our profitability

We conditionally adopted the LTIP effective from the Listing Date to recognise and reward the contribution of Eligible Persons for our growth and development and to provide them with incentives in order to retain them for our continual operation, development and long-term growth and to attract suitable personnel for our further development. We therefore expect to incur expenses based on the fair value of share-based compensation measured at the date of grant under the SGP, which will be recorded in our consolidated financial statements for the relevant future periods. Any significant share-based compensation expenses may result in a material and adverse impact on our results of operations.

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10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

Our Board has confirmed that save as disclosed below, there are no other material related party transactions that we have entered into with any related parties during the Financial Periods Under Review and up to the LPD:-

Transacting Parties	Nature of Relationships	Nature of Transaction	Value of Transactions (RM'000)					
			FYE 2020	FYE 2021	FYE 2022	FYE 2023	FPE 2024	1.7.2024 up to LPD
Sophic Automation, Koh Dim Kuan, Lee Chee Hoo and Low Chee Onn	• Koh Dim Kuan and Lee Chee Hoo are our Directors and substantial shareholders. They are also Directors and substantial shareholders of Sophic Automation. • Low Chee Onn was a substantial shareholder and Director of Sophic Automation.	Disposal of Sophic Automation's entire 64% equity interest in SVN Automation by Sophic Automation to Koh Dim Kuan, Lee Chee Hoo and Low Chee Onn.	-	-	-	1,566 (2.65% of the NA for FYE 2023)	-	-

Sophic Automation entered into a capital transfer agreement dated 9 November 2022 with Koh Dim Kuan, Lee Chee Hoo and Low Chee Onn to dispose of its entire 64% registered charter capital in SVN Automation for a sale consideration of VND 8,242,027,175 (equivalent to RM1,566,000). The consideration, which was derived after taking into account the NA of SVN Automation as at 31 December 2021 based on its audited financial statements for the FYE 2021, was satisfied via a declaration of dividend-in-specie by Sophic Automation in November 2022 to its shareholders (Koh Dim Kuan, Lee Chee Hoo and Low Chee Onn) amounting to RM1,566,000. The audited NA as at 31 December 2021 was used as the agreed cut-off date as the audited financial statements for FYE 2021 of SVN Automation was the latest available accounts at the point in time when the capital transfer agreement was executed. The transaction was completed on 3 February 2023. SVN Automation is a company incorporated in Vietnam and is principally involved in, amongst others, trading of office and factory furniture and repair and installation services.

Our Board is of the view that the related party transaction above was conducted on an arm's length basis and on competitive commercial terms not more favourable to the related parties. This was in view of the said sale consideration was arrived at after taking into consideration the NA of SVN Automation based on the latest available audited financial statements of the company for the FYE 2021.

10. RELATED PARTY TRANSACTIONS

After our Listing, we will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions are recurrent of a revenue or trading in nature and which are necessary for our day-to-day operations, we may seek a general mandate from our shareholders to enter into such recurrent related party transactions without having to seek separate shareholders' approval each time we wish to enter into such recurrent related party transactions during the validity period of the mandate.

If there are any proposed related party transaction that require the prior approval of our shareholders, the Directors, major shareholders and/or persons connected with them, which have any interest, direct or indirect, in the proposed related party transactions will be required to abstain from voting in respect of their direct and/or indirect shareholdings. Such interested Directors and/or major shareholders are also required to undertake to ensure that persons connected with them abstain from voting on the resolution approving the proposed related party transaction at the general meeting. The relevant directors who are deemed interested or conflicted in such transactions shall also abstain from our Board deliberations and voting on the Board resolutions relating to these transactions.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. If a member of our Audit and Risk Management Committee has an interest in any related party transaction, he/she is to abstain from participating in the review and approval process in relation to that transaction. Where necessary, our Board would make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

10.2 OTHER TRANSACTIONS

10.2.1 Transactions That Are Unusual in Nature or Conditions

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party for the Financial Periods Under Review and the subsequent period up to the LPD.

10.2.2 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 Periods Under Review and the subsequent period up to the LPD.

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10. RELATED PARTY TRANSACTIONS *(cont'd)*

Certain Directors of our Group have jointly and severally provided personal guarantees for the banking and leasing facilities extended by several financial and non-financial institutions, the details of which are set out below:-

Financiers	Type of Facilities	Guarantors	Facility Limit (RM'000)	Amount Outstanding as at LPD (RM'000)
RHB Bank Berhad	Tradeline facilities, overdraft, bank guarantee, term loan and foreign exchange contract (Sophic Automation)	Koh Dim Kuan Lee Chee Hoo Low Chee Onn (1)	7,296	71
	Commercial card (Sophic MSC)	Koh Dim Kuan Lee Chee Hoo Liew Chee Kin (2)	50	15
RHB Islamic Bank Berhad	Commodity Murabahah Term Financing-i (Sophic Automation)	Koh Dim Kuan Lee Chee Hoo Low Chee Onn (1)	8,529	8,029
Maybank Islamic Berhad	Commodity Murabahah Term Financing-i (Sophic Automation)	Koh Dim Kuan Lee Chee Hoo Low Chee Onn (1)	2,335	1,591
	Cash Line-i (Sophic MSC)	Koh Dim Kuan Lee Chee Hoo	160	-
	Commodity Murabahah Term Financing-i (Sophic MSC)	Koh Dim Kuan Lee Chee Hoo Liew Chee Kin (2)	1,034	986
Malayan Banking Berhad	Hire purchase facility (Sophic MSC)	Liew Chee Kin (2)	90	26

Notes:-

(1) Low Chee Onn is a former director of Sophic Automation.
(2) Liew Chee Kin is an existing director of Sophic MSC.

In conjunction with the Listing, the respective financiers had agreed to discharge the abovementioned personal guarantees upon the completion of the Listing.

10.2.3 Financial Assistance Provided for the Benefit of a Related Party

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

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11. CONFLICT OF INTEREST

11.1 INTEREST IN SIMILAR BUSINESSES

As at LPD, none of our Directors and substantial shareholders has any interest, direct or indirect, in the following:-

(a) other businesses and corporations which are carrying on a similar trade as our Group; and

(b) the business of our customers and suppliers.

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

11.2 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) Grant Thornton 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 Solicitors in respect of our IPO.

(d) Providence has confirmed that there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher in respect of our IPO.

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