

# P R O S P E C T U S



億利達控股有限公司

**Globaltec Formation Berhad**

(formerly known as Temasek Formation Berhad) (953031-A)  
(Incorporated in Malaysia under the Companies Act, 1965)

JOTECH

AutoV

GLOBALTEC FORMATION BERHAD  
(formerly known as Temasek Formation Berhad) (953031-A)

[www.globaltec.com.my](http://www.globaltec.com.my)



億利達控股有限公司  
**Globaltec Formation Berhad**

(formerly known as Temasek Formation Berhad) (953031-A)  
(Incorporated in Malaysia under the Companies Act, 1965)

**Head Office**

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Seksyen 16, 40200 Shah Alam  
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**LISTING OF GLOBALTEC FORMATION BERHAD  
(FORMERLY KNOWN AS TEMASEK FORMATION BERHAD)  
ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD**

*Principal Adviser/Joint Financial Adviser*



Maybank Investment Bank Berhad (15938-H)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

*Joint Financial Adviser*



ASTRAMINA ADVISORY SDN BHD  
(810705-K)

PROSPECTUS

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

FOR INFORMATION CONCERNING CERTAIN RISKS FACTORS WHICH YOU SHOULD CONSIDER, SEE "RISK FACTORS" IN SECTION 5 OF THIS PROSPECTUS.

THIS PROSPECTUS IS ISSUED FOR INFORMATION PURPOSE ONLY. NO OFFER FOR SUBSCRIPTION OR PURCHASE OF, OR INVITATION TO SUBSCRIBE FOR OR PURCHASE OF OUR SHARES IS OR WILL BE MADE ON THE BASIS OF THIS PROSPECTUS.

THIS PROSPECTUS IS NOT TO BE DISTRIBUTED OUTSIDE MALAYSIA.

LISTING SOUGHT: MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

This Prospectus is dated 25 May 2012

**RESPONSIBILITY STATEMENTS**

OUR DIRECTORS AND PROMOTER HAVE REVIEWED AND APPROVED THIS PROSPECTUS AND THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY AND CORRECTNESS OF THE INFORMATION GIVEN IN THIS PROSPECTUS. THEY CONFIRM, AFTER MAKING ALL REASONABLE ENQUIRIES AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO FALSE OR MISLEADING STATEMENTS OR OTHER FACTS WHICH, IF OMITTED, WOULD MAKE ANY STATEMENT IN THIS PROSPECTUS FALSE OR MISLEADING.

MAYBANK INVESTMENT BANK BERHAD ("**MAYBANK IB**") AS OUR PRINCIPAL ADVISER AND JOINT FINANCIAL ADVISER, AND ASTRAMINA ADVISORY SDN BHD ("**ASTRAMINA**"), AS THE JOINT FINANCIAL ADVISER, ACKNOWLEDGE THAT, BASED ON ALL AVAILABLE INFORMATION AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS IN CONNECTION WITH OUR LISTING ON BURSA MALAYSIA SECURITIES BERHAD ("**BURSA SECURITIES**") ("**LISTING**").

**STATEMENTS OF DISCLAIMER**

THE SECURITIES COMMISSION MALAYSIA ("**SC**") HAS APPROVED OUR LISTING AND A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SC. THE APPROVAL OF THE SC, AND THE REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS OUR LISTING OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORT EXPRESSED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF OUR COMPANY, THE ORDINARY SHARES OF RM0.10 EACH IN OUR COMPANY ("**SHARES**") OR THE ACQUISITIONS (AS DEFINED HEREIN) OR OUR LISTING.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE IN THIS PROSPECTUS BY US. THE SC ALSO TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS AND MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS THAT YOU MAY SUFFER AS A RESULT OF YOUR RELIANCE ON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

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

OUR COMPANY HAS OBTAINED THE APPROVAL FROM BURSA SECURITIES FOR THE LISTING OF AND QUOTATION FOR OUR SHARES. OUR ADMISSION TO THE OFFICIAL LIST OF BURSA SECURITIES IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF OUR COMPANY, OUR SHARES, THE ACQUISITIONS OR OUR LISTING.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT, 2007 ("**CMSA**").

THIS PROSPECTUS HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES OF MALAYSIA WHICH TAKES NO RESPONSIBILITY FOR ITS CONTENTS. THIS PROSPECTUS CAN BE VIEWED OR DOWNLOADED FROM BURSA MALAYSIA BERHAD'S WEBSITE AT [www.bursamalaysia.com](http://www.bursamalaysia.com).

OUR SHARES TO BE LISTED ON BURSA SECURITIES ARE DISTRIBUTED TO THE RESPECTIVE SHAREHOLDERS OF JOTECH HOLDINGS BERHAD ("JOTECH"), AIC CORPORATION BERHAD ("AIC") AND AUTOV CORPORATION BERHAD AND WARRANT HOLDERS OF JOTECH AND AIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE LISTING FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

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

THIS PROSPECTUS IS NOT INTENDED TO BE ISSUED, CIRCULATED OR DISTRIBUTED, AND THE ISSUANCE WILL NOT BE MADE IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA OR TO PERSONS WHO ARE SUBJECT TO THE LAWS OF ANY COUNTRY OR JURISDICTION OTHER THAN THE LAWS OF MALAYSIA. THE ISSUANCE TO WHICH THIS PROSPECTUS RELATES IS ONLY AVAILABLE TO PERSONS RECEIVING THIS PROSPECTUS WITHIN MALAYSIA.

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

FURTHER, IT SHALL ALSO BE YOUR SOLE RESPONSIBILITY TO ENSURE THAT THE ISSUANCE WOULD NOT BE IN CONTRAVENTION OF ANY LAWS OF COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO WHICH YOU MAY BE SUBJECTED TO. WE WILL FURTHER ASSUME THAT YOU HAD ACCEPTED THE ISSUANCE IN MALAYSIA AND WILL AT ALL APPLICABLE TIMES BE SUBJECTED ONLY TO THE LAWS OF MALAYSIA IN CONNECTION TO IT.

#### **ELECTRONIC PROSPECTUS**

CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC ARE THE SAME.

THE INTERNET IS NOT A FULLY SECURE MEDIUM. IF YOU DOUBT THE VALIDITY OR INTEGRITY OF AN ELECTRONIC PROSPECTUS, YOU SHOULD IMMEDIATELY REQUEST FROM OUR COMPANY OR THE SHARE REGISTRAR, A PAPER/PRINTED COPY OF THIS PROSPECTUS. IF THERE IS ANY DISCREPANCY BETWEEN THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE PAPER/PRINTED COPY OF THIS PROSPECTUS, THE CONTENTS OF THE PAPER/PRINTED COPY OF THIS PROSPECTUS WHICH ARE IDENTICAL TO THE COPY OF THE PROSPECTUS REGISTERED WITH THE SC SHALL PREVAIL.

## GENERAL INFORMATION AND INDICATIVE TIMETABLE

Please refer to "Definitions" commencing on pages vii to xiv respectively, for defined terms.

On 29 July 2011, we simultaneously made offers on substantially the same terms and conditions to Jotech, AIC and AutoV to acquire the Jotech Business, AIC Business and AutoV Business. Such simultaneous offers shall constitute a single consolidated offer for the purposes of achieving the merger of the Jotech Business, AIC Business and AutoV Business under a merged listed entity, being our Company, to create a more sizeable listed entity, thus enhancing economies of scale and giving rise to a stronger consolidated balance sheet and realising improved operational and administrative efficiencies.

On 15 September 2011, we entered into the Merger Agreement with Jotech, AIC and AutoV respectively.

We, Jotech, AIC and AutoV have received all requisite approvals for the Acquisitions (including the Share Issue), Distributions and Warrant Schemes. The Merger Agreement became unconditional on 20 April 2012 and as at the date of this Prospectus, the Acquisitions are completed. On completion of the Acquisitions, we own the Jotech Business, AIC Business and AutoV Business. The completion of the Distributions and Warrant Schemes took place on the same day as the completion of the Acquisitions.

Pursuant to the Acquisitions, a total of 5,273,646,228 Shares were issued as full consideration for settlement of the Aggregate Offer Consideration, as described in Section 4.3.1 of this Prospectus. The Issuance was made directly to the Entitled Holders as nominated by Jotech, AIC and AutoV respectively to be the recipients of the Aggregate Offer Consideration as part of the Distributions and Warrant Schemes.

We have set out below the total number of our Shares that were issued and paid to the Entitled Holders as nominated by Jotech, AIC and AutoV.

| <u>Company</u> | <u>Our Shares</u>           |
|----------------|-----------------------------|
| Jotech         | 1,810,500,505               |
| AIC            | 2,406,330,853               |
| AutoV          | 1,056,814,870               |
| <b>Total</b>   | <b><u>5,273,646,228</u></b> |

The timing of events leading up to our Listing is as follows:

| <u>Events</u>  | <u>Date</u>   |
|--|---------------|
| Announcement of the Entitlement Date                         | 20 April 2012 |
| Entitlement Date   | 11 May 2012   |
| Distribution of our Shares to the Entitled Holders           | 25 May 2012   |
| Listing of our Shares on the Main Market of Bursa Securities | * 31 May 2012 |

**Note:**

\* *Tentative date*

Our Shares will be credited into your CDS account(s) prior to the listing of our Shares on the Main Market of Bursa Securities.

**You do not need to take any action nor make any payment to receive our Shares.**

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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All defined terms used in this Prospectus are defined under **“Presentation of financial and other information”**, **“Definitions”** and **“Glossary of technical terms”** commencing on pages iv, vii and xv respectively.

All references to **“you”** are to the Entitled Holders; references to **“our Company”** are to Globaltec Formation Berhad; references to **“the Group”** and **“our Group”** in this Prospectus are to our Company and our subsidiaries, including our Group; and references to **“we”**, **“us”**, **“our”** and **“ourselves”** are to our Company and save where the context otherwise requires or permits, shall include our subsidiaries. References to **“our subsidiaries”** and **“our associated companies”** are to our subsidiaries and associated companies respectively. Unless the context otherwise requires, references to **“Management”** are to our Directors and key management personnel as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

All references to shares or treasury shares in respect of Jotech, AIC and AutoV are to the ordinary shares or treasury shares of Jotech, AIC and AutoV. All references to shareholders in respect of Jotech, AIC and AutoV are to the shareholders of Jotech, AIC and AutoV.

Any discrepancies in the tables between the amounts listed and the totals in this Prospectus are due to rounding. Other abbreviations used are defined in the **“Definitions”** section appearing on pages vii to xiv of this Prospectus while certain acronyms and technical terms used are defined in the **“Glossary of technical terms”** section appearing on pages xv to xvi of this Prospectus. Words denoting the singular only shall include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender and vice versa. Reference to persons shall include companies and corporations.

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

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

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding growth and performance of the industry in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originates from us. In particular, certain information in this Prospectus is extracted or derived from the report prepared by Infobusiness Research & Consulting Sdn Bhd for inclusion in this Prospectus. We have appointed Infobusiness Research & Consulting Sdn Bhd to provide an independent market and industry review. In compiling their data for the review, Infobusiness Research & Consulting Sdn Bhd relied on industry sources, published materials, its own private databanks and direct contacts within the industry. The information on the industry as contained in this Prospectus and the other statistical data and projections cited in this Prospectus is intended to help you understand the major trends in the industry in which we operate. However, we and our advisers have not independently verified these figures.

Further, certain background information on substantial shareholders contained in this Prospectus was obtained from publicly available sources, which neither we nor our advisers have verified.

We and our advisers do not make any representation as to the correctness, accuracy or completeness of such data and accordingly, you should not place undue reliance on the statistical data cited in this Prospectus. Further, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures.

You should not place undue reliance on the third-party projections cited in this Prospectus.

**PRESENTATION OF FINANCIAL AND OTHER INFORMATION (Cont'd)**

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The information on our website or the websites of any of the companies within the Jotech Group, AIC Group and AutoV Group or any website directly or indirectly linked to such websites does not form part of this Prospectus and you should not rely on it.

All references to the “**LPD**” in this Prospectus are to 30 April 2012 which is the latest practicable date for certain information to be obtained and disclosed in this Prospectus prior to the registration of this Prospectus with the SC.

All the information set out in this Prospectus is presented as at the LPD, unless otherwise indicated.

All references to the “**year ended**” in this Prospectus are to the respective financial year ended 31 December, as the case may be. References to the “**period ended/ending**” in this Prospectus are to the financial period in the number of months as stated in this Prospectus.

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## FORWARD LOOKING STATEMENTS

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This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, financial estimates, business strategies, prospects, plans and objectives of our Management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our Management's current view with respect to future events and are not a guarantee of future performance. Forward-looking statements can be identified by the use of forward-looking terminology such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- (i) the demand for our products and services and general industry environment;
- (ii) our business strategies, trends and competitive position and future plans;
- (iii) plans and objectives of our Management for future operations;
- (iv) our financial position;
- (v) the regulatory environment and the effects of future regulation; and
- (vi) our future earnings, cash flows and liquidity.

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

- (i) the general economic, business, social, political and investment environment in Malaysia and globally;
- (ii) government policy, legislation or regulation;
- (iii) interest rates, foreign exchange rates and tax rates;
- (iv) the competitive environment of our industry;
- (v) delays, cost overruns, shortages in labour or problems with the execution of our growth plans;
- (vi) the activities and financial health of our customers and suppliers;
- (vii) fixed and contingent obligations and commitments; and
- (viii) any other factors beyond our control.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to those discussed in Sections 5 and 8 of this Prospectus. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus. Subject to us complying with the provisions of Section 238 of the CMSA, we expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statement contained in this Prospectus to reflect any change in our expectations with regard to it or any change in events, conditions or circumstances on which any such statement is based.

## DEFINITIONS

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

|                               |   |   |
|-------------------------------|---|---|
| Act                           | : | Companies Act, 1965   |
| Acquisitions                  | : | The acquisition of the Jotech Business, AIC Business and AutoV Business, collectively, based on the terms and conditions set forth in the Merger Agreement  |
| Aggregate Offer Consideration | : | The Jotech Offer Consideration, the AIC Offer Consideration and the AutoV Offer Consideration, collectively   |
| AIC                           | : | AIC Corporation Berhad (194514-M)   |
| AIC Business                  | : | The entire business and undertakings of AIC, including all Assets and Liabilities of AIC as at the Completion Date  |
| AIC Group                     | : | AIC and its subsidiaries, collectively  |
| AIC Offer Consideration       | : | The total offer consideration payable by us to AIC for the purchase of the AIC Business as set out in Section 4.3.1(ii) of this Prospectus  |
| AIC Shares                    | : | Ordinary shares of RM1.00 each in AIC   |
| AIC Warrants                  | : | Warrants of 2008/2018 issued by AIC constituted by a deed poll executed by AIC on 29 January 2008   |
| Articles                      | : | Articles of Association of our Company  |
| ASSB                          | : | AutoV Systems Sdn Bhd (318982-W)  |
| Assets                        | : | All the rights, properties and assets of Jotech, AIC and AutoV to be sold and purchased pursuant to the terms and conditions of the Merger Agreement which includes the following but excluding the Excluded Assets: <ul style="list-style-type: none"> <li>(i) the shares in each subsidiaries and associate companies held by Jotech, AIC and AutoV, with the intent and agreement that at Completion, the registered and/or beneficial ownership of those number of shares (and their representative equity interest) in the companies directly held by Jotech, AIC and AutoV shall be transferred to us or our nominee(s);</li> <li>(ii) the rights, title, interest and benefits in, to and under any of the agreements in respect of the Jotech Business, AIC Business and AutoV Business, whether in oral, written or electronic form, to which Jotech, AIC and AutoV are a party and which are wholly or partly to be performed after Completion, subject to the conditions and in accordance with the terms thereof;</li> <li>(iii) the sum of the cash balances of Jotech, AIC and AutoV (including, but not limited to cash in hand and credited to any account with a bank, including fixed deposits) as at Completion Date;</li> </ul> |



DEFINITIONS (*Cont'd*)

|                          |   |  |
|--------------------------|---|--|
| Assets ( <i>Cont'd</i> ) | : | <ul style="list-style-type: none"> <li>(iv) the real properties registered in the name of and/or beneficially owned by Jotech, AIC and AutoV;</li> <li>(v) the goodwill of Jotech, AIC and AutoV;</li> <li>(vi) the motor vehicles of Jotech, AIC and AutoV;</li> <li>(vii) the office equipment of Jotech, AIC and AutoV;</li> <li>(viii) the plant and machinery of Jotech, AIC and AutoV;</li> <li>(ix) all industrial and intellectual property rights and interests of Jotech, AIC and AutoV;</li> <li>(x) the benefit (so far as the same can lawfully be assigned or transferred to us) of all rights and claims of Jotech, AIC and AutoV arising before the Completion Date out of or in connection with the Jotech Business, AIC Business and AutoV Business insofar as they relate to any of the assets or liabilities of Jotech, AIC and AutoV but excluding receivables;</li> <li>(xi) the book and other debts receivable by or owing to Jotech, AIC and AutoV in connection with the Jotech Business, AIC Business and AutoV Business and the benefit of all securities therefore and all guarantees, indemnities and rights in respect of the same;</li> <li>(xii) inventories and stock in trade;</li> <li>(xiii) all other property, rights, permits, licences and assets used, enjoyed or exercised or intended to be used, enjoyed or exercised in connection with the Jotech Business, AIC Business and AutoV Business;</li> <li>(xiv) the assumption that all the debts, liabilities, duties and obligations of Jotech, AIC and AutoV in respect of carrying on of the Jotech Business, AIC Business and AutoV Business or in respect of their Assets or otherwise; and</li> <li>(xv) the benefit and assumption of all inter-company payables and other non-trade payables relating to the Jotech Business, AIC Business and AutoV Business</li> </ul> |
| Astramina                | : | Astramina Advisory Sdn Bhd (810705-K)  |
| AutoV                    | : | AutoV Corporation Berhad (108253-W)  |
| AutoV Business           | : | The entire business and undertakings of AutoV, including all Assets and Liabilities of AutoV as at the Completion Date   |
| AutoV Group              | : | AutoV and its subsidiaries, collectively   |

**DEFINITIONS (Cont'd)**

|                           |   |   |
|---------------------------|---|---|
| AutoV Offer Consideration | : | The total offer consideration payable by us to AutoV for the purchase of the AutoV Business as set out in Section 4.3.1(iii) of this Prospectus   |
| AutoV Shares              | : | Ordinary shares of RM1.00 each in AutoV   |
| Board                     | : | Our Board of Directors  |
| Bursa Depository          | : | Bursa Malaysia Depository Sdn Bhd (165570-W)  |
| Bursa Securities          | : | Bursa Malaysia Securities Berhad (635998-W)   |
| Business Day              | : | A day (other than a Saturday, Sunday or public holiday) on which banks, licenced to carry on banking business under the provisions of the Banking and Financial Institutions Act 1989, are open for business in Kuala Lumpur  |
| Capital Reduction         | : | The capital reduction exercise in accordance with Section 64 of the Act, involving a reduction of the share capital and/or share premium reserve (if applicable) of Jotech, AIC and AutoV via cancellation of the issued and paid-up share capital of Jotech, AIC and AutoV, which shall require confirmation by the High Court of Malaya pursuant to Section 64 of the Act   |
| Capital Repayment         | : | The capital repayment exercise involving: <ul style="list-style-type: none"> <li>(i) distribution-in-specie to all the Entitled Shareholders of our Shares to be received by Jotech, AIC and AutoV upon Completion; and</li> <li>(ii) distribution-in-specie to all the Entitled Shareholders of our Shares to be received by Jotech and AIC arising from their respective entitlement to our Shares (as shareholders of AIC and AutoV respectively) pursuant to the Distributions undertaken by AIC and AutoV</li> </ul> |
| CCM                       | : | Companies Commission of Malaysia  |
| CDS                       | : | Central Depository System   |
| CEO                       | : | Chief Executive Officer   |
| CFSB                      | : | Cergas Fortune Sdn Bhd (738406-U)   |
| CMSA                      | : | Capital Markets and Services Act, 2007  |
| Completion                | : | Completion of the sale and purchase of the Jotech Business, the AIC Business and the AutoV Business as contemplated under the terms of the Merger Agreement   |
| Completion Date           | : | 25 May 2012, being the date the Completion took place in accordance with the terms of the Merger Agreement  |
| Distributions             | : | The Capital Reduction and Capital Repayment, collectively   |
| EBIT                      | : | Earnings before interest and taxation   |
| EBITDA                    | : | Earnings before interest, taxation, depreciation and amortisation   |

**DEFINITIONS (Cont'd)**

|                          |   |   |
|--------------------------|---|---|
| EGM                      | : | Extraordinary general meeting   |
| Entitlement Date         | : | 11 May 2012, being the date set by our Board in accordance with the Listing Requirements to determine the shareholders who are entitled to participate in the benefits and distribution pursuant to the Distributions   |
| Entitled Holders         | : | The Entitled Shareholders and Entitled Warrant Holders, collectively  |
| Entitled Shareholders    | : | The holders of the Jotech Shares, AIC Shares and AutoV Shares (as the case may be) whose names appear on the ROD of Jotech, AIC and AutoV respectively as at the Entitlement Date   |
| Entitled Warrant Holders | : | The holders of the Jotech Warrants and AIC Warrants (as the case may be) whose names appear on the ROD of Jotech and AIC respectively as at the Entitlement Date  |
| EPS                      | : | Earnings per share  |
| Excluded Assets          | : | The assets that shall not be part of the sale and purchase and transfer of the Jotech Business, AIC Business and AutoV Business and shall remain the property of Jotech, AIC and AutoV after Completion as set out below: <ul style="list-style-type: none"> <li>(i) the shares of Jotech, AIC and AutoV held in treasury (if any);</li> <li>(ii) the common seal, statutory records and corporate records required by law to be retained by Jotech, AIC and AutoV; and</li> <li>(iii) all the rights of Jotech, AIC and AutoV under the Merger Agreement (including all rights in respect of the Aggregate Offer Consideration) and any other documents or instruments executed by Jotech, AIC and AutoV in connection with the Merger Agreement and our Shares to be received by Jotech, AIC and AutoV in settlement thereof</li> </ul> |
| E&E                      | : | Electrical and electronics  |
| FRS                      | : | Financial Reporting Standards   |
| GFB or Company           | : | Globaltec Formation Berhad ( <i>formerly known as Temasek Formation Berhad</i> ) (953031-A)   |
| Group                    | : | Our Company and our subsidiaries, collectively  |
| IMR Report               | : | The Independent Market Research Report titled "Strategic and Competitive Analysis of Integrated Manufacturing Services in Malaysia" issued by Infobusiness Research and Consulting Sdn Bhd dated 12 October 2011 and updated on 4 April 2012  |
| IMS                      | : | Integrated manufacturing services   |
| Indonesia                | : | The Republic of Indonesia   |
| Issuance                 | : | Issuance of our Shares to the Entitled Holders pursuant to the Distributions and Warrant Schemes  |

**DEFINITIONS (Cont'd)**

|                            |   |   |
|----------------------------|---|---|
| Joint Financial Advisers   | : | Maybank IB and Astramina, collectively  |
| Jotech                     | : | Jotech Holdings Berhad (334818-P)   |
| Jotech Business            | : | The entire business and undertakings of Jotech, including all Assets and Liabilities of Jotech as at the Completion Date  |
| Jotech Group               | : | Jotech and its subsidiaries, collectively   |
| Jotech Offer Consideration | : | The total offer consideration payable by us to Jotech for the purchase of the Jotech Business as set out in Section 4.3.1(i) of this Prospectus   |
| Jotech Shares              | : | Ordinary shares of RM0.10 each in Jotech  |
| Jotech Warrants            | : | Warrants of 2007/2012 issued by Jotech constituted by the deed poll of Jotech executed on 28 September 2007   |
| Liabilities                | : | All the debts, liabilities, duties and obligations in respect of the carrying on of the Jotech Business, AIC Business and AutoV Business or in respect of the Assets or otherwise, of every description, whether deriving from contract, common law, statute or otherwise, whether in Malaysia or elsewhere and whether present or future, actual or contingent, ascertained or unascertained or disputed and whether owed or incurred severally or jointly and as principal or surety, vested or unvested, determined, determinable or otherwise howsoever and whether or not the same is required to be accrued in the accounts or financial statements of Jotech, AIC and AutoV, which for the avoidance of doubt shall include all amounts owing by Jotech, AIC and AutoV to their creditors in connection with the Jotech Business, AIC Business and AutoV Business as at the Completion Date (whether or not invoiced and whether or not due and payable at that time), to be transferred to and/or assumed by us |
| Listing                    | : | Admission to the Official List and the listing of and quotation for our entire issued and paid-up share capital comprising of 5,273,646,248 Shares on the Main Market of Bursa Securities   |
| Listing Requirements       | : | Main Market Listing Requirements of Bursa Securities  |
| LPD                        | : | 30 April 2012, being the latest practicable date prior to the registration of this Prospectus   |
| LTAT                       | : | Lembaga Tabung Angkatan Tentera   |
| MPSB                       | : | Malgreen Progress Sdn Bhd (245268-T)  |
| Market Day                 | : | Day on which Bursa Securities is open for securities trading  |
| Maybank IB                 | : | Maybank Investment Bank Berhad (15938-H)  |
| Merger Agreement           | : | Merger agreement entered into between our Company, Jotech, AIC and AutoV on 15 September 2011 (as amended and varied by the Supplemental Agreement) in respect of the Acquisitions  |
| MITI                       | : | Ministry of International Trade and Industry, Malaysia  |

**DEFINITIONS (Cont'd)**

|                   |   |  |
|-------------------|---|--|
| MNC               | : | Multinational corporation  |
| N/A               | : | Not applicable   |
| NA                | : | Net assets   |
| NTA               | : | Net tangible assets  |
| Offer Letter      | : | The offer letters dated 29 July 2011 issued by our Company to Jotech, AIC and AutoV respectively setting out the offer by our Company to acquire the Jotech Business, AIC Business and AutoV Business upon the terms and subject to the conditions more specifically stated in the respective offer letters  |
| Official List     | : | A list specifying all securities which have been admitted for listing on the Main Market of Bursa Securities and not removed   |
| PAT               | : | Profit after taxation  |
| PATAMI            | : | Profit after taxation and minority interests   |
| PBT               | : | Profit before taxation   |
| PE Multiple       | : | Price-earnings multiple  |
| PRC               | : | The People's Republic of China   |
| Principal Adviser | : | Maybank IB   |
| Prodelcon         | : | Prodelcon Sdn Bhd (130535-A)   |
| Promoter          | : | Datuk Dr. Goh Tian Chuan   |
| Proreka           | : | Proreka (M) Sdn Bhd (512454-M)   |
| Proreka SPA       | : | <p>Sale and purchase agreement entered into between AutoV with the Proreka Vendors on 1 June 2011 (as amended and varied by Supplemental Proreka SPA) for the acquisition of 1,831,000 ordinary shares of RM1.00 each in Proreka, representing the entire equity interest of Proreka, for a purchase consideration of RM27,880,000 to be satisfied by:</p> <p>(i) cash payment of RM2,788,000;</p> <p>(ii) issuance of 6,525,000 new AutoV Shares at an issue price of RM1.44 each; and</p> <p>(iii) issuance of 10,900,000 RCPS of RM0.01 each in AutoV at an issue price of RM1.44 each.</p> <p>The Proreka SPA was completed on 9 November 2011</p> |
| Proreka Vendors   | : | Yong Nam Yun, Chu Yoon Kong, Sim Mou Hooi, Lim Teck Ling, Lim Ted Huat and Kua Siah Heng, collectively   |
| PROTON            | : | PROTON Holdings Berhad (623177-A)  |

**DEFINITIONS (Cont'd)**

|                          |   |  |
|--------------------------|---|--|
| RCPS                     | : | Redeemable convertible preference shares   |
| R&D                      | : | Research and development   |
| Rockhill                 | : | Rockhill Resources Ltd (1514476)   |
| ROD                      | : | Record of Depositors   |
| ROM                      | : | Register of Members  |
| SC                       | : | Securities Commission Malaysia   |
| Shares                   | : | Ordinary shares of RM0.10 each in our Company  |
| Share Issue              | : | Allotment and issuance of twenty (20) new Jotech Shares at an issue price of RM0.10 each, two (2) new AIC Shares at an issue price of RM1.00 each and two (2) new AutoV Shares at an issue price of RM1.00 each by Jotech, AIC and AutoV respectively to our Company following Completion and simultaneously with the implementation of the Distributions  |
| SICDA                    | : | Securities Industry (Central Depositories) Act, 1991   |
| sq. ft.                  | : | Square feet  |
| Supplemental Agreement   | : | Supplemental agreement entered into between our Company, Jotech, AIC and AutoV on 22 December 2011 in respect of the Merger Agreement for purposes of recording the variations to certain terms of the Acquisition of the AutoV Business, including revising the terms of the RCPS of RM0.01 each to be issued/issued by AutoV to the Proreka Vendors under the Proreka SPA  |
| Supplemental Proreka SPA | : | Supplemental agreement entered into between AutoV and the Proreka Vendors on 22 December 2011 to amend the terms of the Proreka SPA, in which the RCPS of AutoV (" <b>AutoV RCPS</b> ") shall be substituted with the RCPS to be issued by our subsidiary, ASSB, whereby every six (6) RCPS of ASSB shall be entitled to be converted into one hundred and nineteen (119) Shares, provided Proreka and its group of companies attains a PAT of RM4.5 million for each of the respective year ended 31 December 2011 and year ending 31 December 2012 |
| U.S.                     | : | United States of America   |
| VWAMP                    | : | Volume weighted average market price   |
| Warrant Schemes          | : | The scheme of arrangement under Section 176 of the Act to pay the Entitled Warrant Holders their entitlement to the Aggregate Offer Consideration in consideration for the cancellation of the exercise rights pursuant to the Jotech Warrants and the AIC Warrants and thereafter the cancellation of all the Jotech Warrants and the AIC Warrants so that all such outstanding Jotech Warrants and the AIC Warrants are effectively and validly cancelled  |

**DEFINITIONS (Cont'd)**

---

**CURRENCIES**

|            |   |   |
|------------|---|---|
| IDR        | : | Indonesian Rupiah, the lawful currency of the Republic of Indonesia |
| RM and sen | : | Ringgit Malaysia and sen, the lawful currency of Malaysia           |
| RMB        | : | Renminbi, the lawful currency of PRC                                |
| USD        | : | U.S. Dollar, the lawful currency of U.S.                            |

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## GLOSSARY OF TECHNICAL TERMS

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This glossary of technical terms contains terms used in this Prospectus as they relate to our businesses. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

|                            |   |   |
|----------------------------|---|---|
| Blow moulding              | : | A manufacturing process by which hollow plastic parts are formed  |
| Computer aided design      | : | A computer technology used in the process of design and design documentation  |
| Computer numerical control | : | A control system in which numerical values corresponding to desired tool or control positions are generated by computer   |
| Die set                    | : | A die set refers to the holder for a self-contained set of dies, where tool and die alignment is maintained without the aid of a press  |
| EDM                        | : | Electrical discharge machining, a manufacturing process whereby a desired shape is obtained using electrical discharges (sparks)  |
| Electro-galvanised steel   | : | Steel that has been applied with a protective zinc coating to prevent rust  |
| Epoxy                      | : | A high-strength adhesive, often made of two (2) different materials that must be mixed together just prior to use   |
| FFB                        | : | Fresh fruit bunch and it refers to the bunch harvested from the oil palm  |
| Fixture                    | : | A work holding device and assist the jig by holding and positioning the work piece  |
| IC                         | : | Integrated circuit, a device in which all the interconnected electronic circuit elements that enables the component to perform a specific function are fabricated on a single substrate of semiconductor material, most commonly silicon              |
| IC packaging               | : | The protective container or housing for an IC   |
| IMS Solutions provider     | : | A company with the ability to offer synergistic combinations of different skill-sets and technologies from different business divisions to deliver seamless services, combining design and manufacturing capabilities with logistics to its customers |
| Injection moulding         | : | A moulding process in which resin is heated in a barrel and then injected into a mould by a reciprocating screw. The resin then cools in the mould and is ejected as a solid part   |
| ISO                        | : | International Organisation for Standardisation, the world's largest developer and publisher of international standards  |
| Jig                        | : | A device which holds and positions the work piece, locates and guides the cutting tool to cut and shape a work piece  |
| LCD                        | : | Liquid crystal display, a flat panel display, electronic visual display, or video display that uses the light modulating properties of liquid crystals  |
| LED                        | : | Light emitting diode, a semiconductor device that emits visible light when an electric current passes through it  |



**GLOSSARY OF TECHNICAL TERMS (Cont'd)**

---

|                           |  |
|---------------------------|--|
| Medical devices           | : An instrument, appliance, implant, machine, material, calibrator, apparatus, in vitro reagent, or other similar or related article which is used to cope with human diseases, care for human injuries, meet human anatomical needs, maintain human physiological functions, support or sustain human life, control human conception, disinfect medical devices and examine specimens taken from human bodies |
| Mould compound            | : A type of ready-made composite in which the matrix and reinforcement have already been combined. Moulding compound is available in bulk form and in sheet form   |
| OEM                       | : Original equipment manufacturer, a type of contract manufacturing  |
| Photonics                 | : An area of technology associated with the generation and harnessing of light and other forms of radiant energy   |
| QFN                       | : Quad-flat no-leads, a type of IC packaging   |
| Quality management system | : A system by which an organisation aims to reduce and eventually eliminate non-conformance to specifications, standards, and customer expectations in the most cost effective and efficient manner  |
| RF                        | : Radio frequency, which is the wireless transmission of data by digital radio signals at a particular frequency   |
| SCM 435                   | : Chromium molybdenum steels, a common steel grade which is used to produce high strength bolt   |
| Semiconductor             | : An electronic device which can be switched on to conduct or block electric currents  |
| SPHC PO                   | : Steel plate hot rolled coiled (pickled oiled). Steel sheets for general uses and welded structural uses  |
| Supply chain              | : Consists of all parties involved, directly or indirectly, in fulfilling a customer request. Supply chains form a network of resources, raw materials, components, and finished products that flow in and out of a system of factories  |

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**1. CORPORATE DIRECTORY****DIRECTORS**

| <b>Name</b>              | <b>Address</b>  | <b>Occupation</b>   | <b>Nationality</b> |
|--------------------------|---|---|--------------------|
| Datuk Dr. Goh Tian Chuan | No. 2 Jalan Paku Pakis 1A<br>Miles 2½, Jalan Tuaran<br>88300 Kota Kinabalu<br>Sabah                                     | Group Executive<br>Chairman/CEO<br>of our resources<br>division                                     | Malaysian          |
| Kong Kok Keong           | 62, Jalan Midah 14<br>Taman Midah<br>56000 Kuala Lumpur   | Group Deputy<br>Executive<br>Chairman/CEO<br>of our<br>automotive<br>division                       | Malaysian          |
| Ooi Boon Pin             | 76-10-6, Jalan Tg Tokong<br>Marina Bay<br>10470 Georgetown<br>Pulau Pinang  | Executive<br>Director/CEO of<br>our medical<br>devices division<br>and<br>semiconductor<br>division | Malaysian          |
| Lim Siok Hui             | No. 97 # 03 – 05<br>Cashew Road<br>679668 Singapore   | Executive<br>Director/CEO of<br>our E&E division  | Singaporean        |
| Chen Heng Mun            | No. 2, Jalan BU 2/7<br>Bandar Utama<br>47800 Petaling Jaya<br>Selangor Darul Ehsan                                      | Executive<br>Director/Group<br>Chief Financial<br>Officer   | Malaysian          |
| Ash'ari bin Ayub         | 22, Jalan Camar 4/25<br>Villa Damansara<br>Kota Damansara<br>47810 Petaling Jaya<br>Selangor Darul Ehsan                | Independent<br>Non-Executive<br>Director  | Malaysian          |
| Ng Kok Hok               | 2A, Jalan 52<br>Taman Bukit Mewah<br>43000 Kajang<br>Selangor Darul Ehsan   | Independent<br>Non-Executive<br>Director  | Malaysian          |
| Wong Zee Shin            | Taman Tyng, Blok R, Lot T-5<br>Peti Surat 2061<br>90723 Sandakan<br>Sabah   | Independent<br>Non-Executive<br>Director  | Malaysian          |
| Hon Poh Chow             | 19, Jalan Setia Nusantara U13/22N<br>Seksyen U13 Setia EcoPark<br>Setia Alam<br>40170 Shah Alam<br>Selangor Darul Ehsan | Independent<br>Non-Executive<br>Director  | Malaysian          |

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

| <b>Name</b>      | <b>Designation</b> | <b>Directorship</b>                |
|------------------|--------------------|------------------------------------|
| Ash'ari bin Ayub | Chairman           | Independent Non-Executive Director |
| Ng Kok Hok       | Member             | Independent Non-Executive Director |
| Wong Zee Shin    | Member             | Independent Non-Executive Director |
| Hon Poh Chow     | Member             | Independent Non-Executive Director |

**NOMINATING COMMITTEE**

| <b>Name</b>      | <b>Designation</b> | <b>Directorship</b>                |
|------------------|--------------------|------------------------------------|
| Ng Kok Hok       | Chairman           | Independent Non-Executive Director |
| Ash'ari bin Ayub | Member             | Independent Non-Executive Director |
| Wong Zee Shin    | Member             | Independent Non-Executive Director |

**REMUNERATION COMMITTEE**

| <b>Name</b>              | <b>Designation</b> | <b>Directorship</b>                                    |
|--------------------------|--------------------|--|
| Ash'ari bin Ayub         | Chairman           | Independent Non-Executive Director                     |
| Datuk Dr. Goh Tian Chuan | Member             | Group Executive Chairman/CEO of our resources division |
| Ng Kok Hok               | Member             | Independent Non-Executive Director                     |
| Wong Zee Shin            | Member             | Independent Non-Executive Director                     |

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


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- COMPANY SECRETARIES** : Seow Fei San (MAICSA 7009732)  
 A-17-16, Block A  
 Kondominium Sterling  
 No. 3 Jalan SS 7/19  
 47301 Petaling Jaya  
 Selangor Darul Ehsan
- Law Mee Poo (MAICSA 7033423)  
 No. 11, Jalan Puteri 10/2  
 Bandar Puteri Puchong  
 47100 Puchong  
 Selangor Darul Ehsan
- REGISTERED OFFICE** : 802, 8th Floor  
 Block C, Kelana Square  
 17 Jalan SS7/26  
 47301 Petaling Jaya  
 Selangor Darul Ehsan
- Tel: (603) 7803 1126  
 Fax: (603) 7806 1387
- HEAD OFFICE/MANAGEMENT OFFICE** : Wisma AIC  
 Lot 3, Persiaran Kemajuan  
 Seksyen 16  
 40200 Shah Alam  
 Selangor Darul Ehsan
- Tel: (603) 5543 1413  
 Email: corporate@globaltec.com.my  
 Website: www.globaltec.com.my
- AUDITORS AND REPORTING ACCOUNTANTS** : KPMG (AF No. 0758)  
 Level 10, KPMG Tower  
 8, First Avenue  
 Bandar Utama  
 47800 Petaling Jaya  
 Selangor Darul Ehsan
- Tel: (603) 7721 3388  
 Fax: (603) 7721 3399
- PRINCIPAL BANKERS/PRINCIPAL FINANCIER** : Bank Islam Malaysia Berhad (98127-X)  
 11th Floor, Wisma Bank Islam  
 Jalan Dungun, Bukit Damansara  
 50490 Kuala Lumpur
- Tel: (603) 2088 8000
- CIMB Bank Berhad (13491-P)  
 8th Floor, Bangunan KWSP  
 Lot 3009, Off Lebuhr Tenggiri 2  
 Pusat Bandar Seberang Jaya  
 13700 Seberang Jaya
- Tel: (604) 397 8036

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


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**PRINCIPAL  
BANKERS/PRINCIPAL  
FINANCIER (Cont'd)**

: Citibank Berhad (297089-M)  
Level 42, Menara Citibank  
165 Jalan Ampang  
50450 Kuala Lumpur

Tel: (603) 2383 0000

Malaysian Industrial Development Finance Berhad  
(3755-M)  
Level 19, Menara MIDF  
82, Jalan Raja Chulan  
50200 Kuala Lumpur

Tel: (603) 2173 8888

Malayan Banking Berhad (3813-K)  
Menara Maybank  
100, Jalan Tun Perak  
50050 Kuala Lumpur

Tel: (603) 2070 8833

OCBC Bank Malaysia Berhad (295400-W)  
Head Office  
Menara OCBC  
18 Jalan Tun Perak  
50050 Kuala Lumpur

Tel: (603) 2034 5034

United Overseas Bank (Malaysia) Berhad (271809-K)  
North Regional Centre  
1st Floor, 64E-H, Lebuh Bishop  
10200 Penang

Tel: (604) 258 8000

**SOLICITORS AND DUE  
DILIGENCE SOLICITORS FOR  
OUR COMPANY**

: Mah-Kamariyah & Philip Koh  
3A-07, Block B, Phileo Damansara II  
15 Jalan 16/11, Off Jalan Damansara  
46350 Petaling Jaya  
Selangor Darul Ehsan

Tel: (603) 7956 8686  
Fax: (603) 7956 2208

**SOLICITORS AND DUE  
DILIGENCE SOLICITORS FOR  
JOTECH AND AUTOV**

: Teh & Lee  
A-3-3 & A-3-4, Northpoint Offices  
Mid Valley City  
No.1, Medan Syed Putra Utara  
59200 Kuala Lumpur

Tel: (603) 2283 2800  
Fax: (603) 2283 2500



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


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- SOLICITORS AND DUE DILIGENCE SOLICITORS FOR AIC** : Lee Choon Wan & Co  
No 12, Lorong Dungun  
Damansara Heights  
50490 Kuala Lumpur
- Tel: (603) 2093 0078  
Fax: (603) 2094 1750/2094 5631
- INDEPENDENT MARKET RESEARCHER** : Infobusiness Research & Consulting Sdn Bhd  
(498926-P)  
C4-3A-2, Solaris Dutamas  
No.1 Jalan Dutamas 1  
50480 Kuala Lumpur
- Tel: (603) 6205 3930  
Fax: (603) 6205 3927
- PRINCIPAL ADVISER AND JOINT FINANCIAL ADVISER** : Maybank Investment Bank Berhad (15398-H)  
(A Participating Organisation of Bursa Securities)  
32nd Floor, Menara Maybank  
100 Jalan Tun Perak  
50050 Kuala Lumpur
- Tel: (603) 2059 1888  
Fax: (603) 2070 6521
- JOINT FINANCIAL ADVISER** : Astramina Advisory Sdn Bhd (810705-K)  
Level 3, Menara Hap Seng, Letter Box 53  
Jalan P. Ramlee  
50250 Kuala Lumpur
- Tel: (603) 2026 7282  
Fax: (603) 2026 7281
- SHARE REGISTRAR** : Tricor Investor Services Sdn Bhd (118401-V)  
Level 17, The Gardens North Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur
- Tel: (603) 2264 3883  
Fax: (603) 2282 1886
- LISTING SOUGHT** : Main Market of Bursa Securities

## 2. INTRODUCTION

---

This Prospectus is dated 25 May 2012.

We have registered this Prospectus with the SC. We have also lodged a copy of this Prospectus with the Registrar of Companies of Malaysia, who takes no responsibility for its contents.

We, Jotech, AIC and AutoV have obtained all the requisite approvals to effect the Acquisitions (including the Share Issue), the Distributions and the Warrant Schemes. The Merger Agreement has become unconditional on 20 April 2012 and as at the date of this Prospectus, the Acquisitions are completed. The completion of the Distributions and the Warrant Schemes took place on the same day as the Completion.

**The approval of the SC, and the registration of this Prospectus, should not be taken to indicate that the SC recommends our Listing. You are advised to make your own independent assessment of our Company and should rely on your own evaluation to assess the merits and risks of our Listing and an investment in our Company.**

We have received Bursa Securities' approval on 8 May 2012 for the admission of our Shares to the Official List and our Listing. Admission to the Official List shall not be taken as an indication of the merits of our Company, our Shares, the Acquisitions, or our Listing.

**Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as prescribed securities. Consequently, our Shares issued pursuant to the Issuance will be deposited directly with Bursa Depository. Any dealings in our Shares will be carried out in accordance with the SICDA and the Rules of Bursa Depository. We will not issue any share certificates to the Entitled Holders.**

In accordance with the Listing Requirements, at least 25% of the total number of our Shares for which listing is sought must be held by at least one thousand (1,000) public shareholders holding not less than one hundred (100) shares each at the point of our Listing. In the event that the above requirement is not met, we may not be allowed to proceed with our Listing. As at the LPD, Jotech, AIC and AutoV are in compliance with their public shareholding spread requirement prescribed under Listing Requirements ("**Public Shareholding Spread Requirement**"). As a result, it is therefore envisaged that our Company will upon our Listing on Bursa Securities be in compliance with the Public Shareholding Spread Requirement.

You should rely only on the information contained in this Prospectus. We have not authorised any person to provide you with information that is different from those contained in this Prospectus. The delivery of this Prospectus or any issue made in connection with this Prospectus shall not, under any circumstances, represent or imply that there has been no material change in our affairs since the date of this Prospectus. Nonetheless, should we become aware of any material change or development affecting a matter disclosed in this Prospectus from the date of registration of this Prospectus with the SC up to the date of our Listing, we shall further issue a supplemental or replacement Prospectus, as the case may be, in accordance with the provision of Section 238 of the CMSA.

This Prospectus does not constitute and may not be used for the purpose of an offer for subscription or purchase of, or an invitation to subscribe for or purchase securities in any jurisdiction or circumstances in which such offer or invitation is not authorised or lawful, or to any person to whom it is unlawful to make such offer or invitation.

**THIS PROSPECTUS IS ISSUED FOR INFORMATION PURPOSE ONLY. NO OFFER FOR SUBSCRIPTION OR PURCHASE OF, OR INVITATION TO SUBSCRIBE FOR OR PURCHASE OF OUR SHARES IS OR WILL BE MADE ON THE BASIS OF THIS PROSPECTUS.**

### 3. INFORMATION SUMMARY

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This section is only a summary of the salient information about us and our Listing the Issuance, which is extracted and summarised from the full text of this Prospectus. You should read and understand this section together with the entire Prospectus.

#### 3.1 Overview of our Group

We were set up as a special purpose company to facilitate the Acquisitions. Upon Completion, the Jotech Group, AIC Group and AutoV Group had been merged under our Group.

We were incorporated in Malaysia under the Act on 15 July 2011 as a private limited company under the name of Temasek Formation Sdn Bhd. On 18 October 2011, we were converted into a public limited company and we assumed our present name on 4 April 2012. Accordingly, our Group will consist of two (2) main divisions, namely, the IMS division and resources division.

Our business and operations are further disclosed in Sections 6 and 9 of this Prospectus.

#### 3.2 Our competitive strengths

Following the Acquisitions, we believe our competitive strengths include the following:

- 3.2.1 Provision of IMS solutions to our clients, in particular, our MNC customers and blue chip customers;
- 3.2.2 Product design, development and fabrication capabilities;
- 3.2.3 Geographical diversification;
- 3.2.4 Diversified customer base; and
- 3.2.5 A proven and stable copper wire bonding technology.

Our competitive strengths are further discussed in Section 6.4 of this Prospectus.

#### 3.3 Business strategies, future plans and prospects

We plan to implement the following business strategies in order to realise our future plans and prospects:

- 3.3.1 Broaden and diversify our range of manufacturing service offering;
- 3.3.2 Attain better cost efficiencies;
- 3.3.3 Initiate cross-selling activities;
- 3.3.4 Initiate technical collaborations; and
- 3.3.5 Expand our Group's resources division.

We aim to expand our operations as an IMS Solutions provider of metal, plastic and electronic parts, components, and sub-assemblies and completed products for our MNC customers and blue chip customers. Our business strategies, future plans and prospects are further discussed in Sections 6.5.2 and 6.5.3 of this Prospectus.

### 3. INFORMATION SUMMARY (Cont'd)

#### 3.4 Financial information

The following proforma consolidated statements of comprehensive income and the proforma consolidated statements of financial position are provided for illustrative purposes only, after incorporating appropriate adjustments and assuming that our Group has been in existence throughout the years under review.

You should read the proforma consolidated statements of comprehensive income and the proforma consolidated statements of financial position in conjunction with the management's discussion and analysis of financial condition and results of operations in Section 8.2 of this Prospectus and the Reporting Accountants' letters on the proforma consolidated financial information and the proforma consolidated statements of financial position as set out in Section 8.5 of this Prospectus.

#### Proforma consolidated statements of comprehensive income

|  | Year ended 31<br>December 2008 | Year ended 31<br>December 2009 | Year ended 31<br>December 2010 |
|--|--------------------------------|--------------------------------|--------------------------------|
|  | RM'000                         | RM'000                         | RM'000                         |
| <b>Continuing operations:</b>  |                                |                                |                                |
| Revenue  | 339,209                        | 331,798                        | 394,839                        |
| Cost of sales  | (288,716)                      | (278,181)                      | (326,157)                      |
| <b>Gross profit</b>  | 50,493                         | 53,617                         | 68,682                         |
| Administrative expenses  | (28,182)                       | (28,933)                       | (35,086)                       |
| Distribution costs   | (3,284)                        | (3,454)                        | (3,285)                        |
| Other operating expenses   | (8,079)                        | (3,560)                        | (5,223)                        |
| Other operating income   | 8,007                          | 5,458                          | 8,804                          |
| <b>Results from operating activities</b>                               | 18,955                         | 23,128                         | 33,892                         |
| Finance income   | 1,159                          | 856                            | 742                            |
| Finance costs  | (5,870)                        | (5,172)                        | (3,975)                        |
| <b>Operating profit</b>  | 14,244                         | 18,812                         | 30,659                         |
| Share of results of associates   | -                              | 30                             | (6)                            |
| <b>Profit before taxation</b>  | 14,244                         | 18,842                         | 30,653                         |
| Taxation   | (4,806)                        | (2,294)                        | (3,328)                        |
| <b>Profit for the year from continuing operations</b>                  | 9,438                          | 16,548                         | 27,325                         |
| Loss from discontinued operations and loss on disposal of subsidiaries | (9,660)                        | -                              | -                              |
| <b>(Loss)/Profit for the year</b>                                      | (222)                          | 16,548                         | 27,325                         |
| <b>Other comprehensive expense, net of tax</b>                         |                                |                                |                                |
| Foreign currency translation differences for foreign operations        | (103)                          | (94)                           | (2,143)                        |
| <b>Total comprehensive (loss)/income for the year</b>                  | (325)                          | 16,454                         | 25,182                         |
| <b>(Loss)/Profit attributable to:</b>                                  |                                |                                |                                |
| Owners of our Company  | (762)                          | 15,408                         | 25,991                         |
| Minority interests   | 540                            | 1,140                          | 1,334                          |
| <b>(Loss)/Profit for the year</b>                                      | (222)                          | 16,548                         | 27,325                         |
| <b>Total comprehensive (loss)/income attributable to:</b>              |                                |                                |                                |
| Owners of our Company  | (936)                          | 15,351                         | 24,292                         |
| Minority interests   | 611                            | 1,103                          | 890                            |
| <b>Total comprehensive (loss)/income for the year</b>                  | (325)                          | 16,454                         | 25,182                         |

### 3. INFORMATION SUMMARY (Cont'd)

|   | Year ended 31<br>December 2008 | Year ended 31<br>December 2009 | Year ended 31<br>December 2010 |
|---|--------------------------------|--------------------------------|--------------------------------|
|   | RM'000                         | RM'000                         | RM'000                         |
| <b>Other selected financial data:</b>                                   |                                |                                |                                |
| Depreciation  | 23,524                         | 24,704                         | 23,180                         |
| EBITDA <sup>(1)</sup>   | 42,699                         | 48,636                         | 57,901                         |
| No. of Shares in issue ('000)   | 5,273,646                      | 5,273,646                      | 5,273,646                      |
| Gross profit margin (%) <sup>(2)</sup>                                  | 14.89                          | 16.16                          | 17.39                          |
| PBT margin (%) <sup>(3)</sup>   | 4.20                           | 5.68                           | 7.76                           |
| (Loss after tax and minority interest)/PATAMI margin (%) <sup>(4)</sup> | (0.22)                         | 4.64                           | 6.58                           |
| Basic gross EPS (sen) <sup>(5)</sup>                                    | 0.27                           | 0.36                           | 0.58                           |
| Basic net (loss per Share)/EPS (sen) <sup>(6)</sup>                     | (0.01)                         | 0.29                           | 0.49                           |

**Notes:**

<sup>(1)</sup> EBITDA represents earnings before finance cost, finance income, taxation, depreciation and amortisation. The table below sets out a reconciliation of our consolidated PAT to consolidated EBITDA:

|                | Year ended 31<br>December 2008 | Year ended 31<br>December 2009 | Year ended 31<br>December 2010 |
|----------------|--------------------------------|--------------------------------|--------------------------------|
|                | RM'000                         | RM'000                         | RM'000                         |
| <b>EBITDA:</b> |                                |                                |                                |
| PAT            | 9,438                          | 16,548                         | 27,325                         |
| Taxation       | 4,806                          | 2,294                          | 3,328                          |
| PBT            | 14,244                         | 18,842                         | 30,653                         |
| Finance costs  | 5,870                          | 5,172                          | 3,975                          |
| Finance income | (1,159)                        | (856)                          | (742)                          |
| Depreciation   | 23,524                         | 24,704                         | 23,180                         |
| Amortisation   | 220                            | 774                            | 835                            |
|                | <b>42,699</b>                  | <b>48,636</b>                  | <b>57,901</b>                  |

EBITDA, as well as the related ratios presented in this Prospectus are supplemental measures of our performance and liquidity and are not required by, or presented in accordance with the FRS in Malaysia. Furthermore, EBITDA is not a measure of our financial performance or liquidity under FRS in Malaysia and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with the FRS in Malaysia or as an alternative to cash flow from operating activities or as a measure of liquidity. In addition, EBITDA is not a standardised term, hence a direct comparison between companies using such a term may not be possible.

<sup>(2)</sup> Computed based on the consolidated gross profit over total revenue of our Group.

<sup>(3)</sup> Computed based on the consolidated PBT over total revenue of our Group.

<sup>(4)</sup> Computed based on the consolidated PATAMI over total revenue of our Group.

<sup>(5)</sup> Basic gross EPS is computed based on the consolidated PBT over our 5,273,646,248 Shares in issue.

<sup>(6)</sup> Basic net EPS is computed based on the consolidated PATAMI over our 5,273,646,248 Shares in issue.

## 3. INFORMATION SUMMARY (Cont'd)

## Proforma consolidated statements of financial position

|   | Unaudited<br>statement of<br>financial position at<br>31 December 2010<br>RM'000 | Proforma I                                | Proforma II  | Proforma III   | Proforma IV   |
|---|--|---|--|--|---|
|   |  | After drawdown of<br>borrowings<br>RM'000 | After Proforma I and<br>the Acquisitions<br>RM'000 | After Proforma II<br>and our estimated<br>listing expenses<br>RM'000 | After Proforma III and<br>drawdown of borrowings<br>post the Acquisitions<br>RM'000 |
| <b>Assets</b>   |  |   |  |  |   |
| Property, plant and equipment                                     | -  | -   | 252,594  | 252,594  | 252,594   |
| Intangible asset  | -  | -   | 4,001  | 4,001  | 4,001   |
| Goodwill  | -  | -   | 176,179  | 176,179  | 176,179   |
| Investment properties   | -  | -   | 11,033   | 11,033   | 11,033  |
| Trade and other receivables                                       | -  | -   | 707  | 707  | 707   |
| Other investments   | -  | -   | 7,303  | 7,303  | 7,303   |
| Deferred tax assets   | -  | -   | 1,001  | 1,001  | 1,001   |
| <b>Total non-current assets</b>                                   | -  | -   | <b>452,818</b>                                     | <b>452,818</b>   | <b>452,818</b>  |
| Trade and other receivables                                       | -  | -   | 94,237   | 94,237   | 94,237  |
| Other investments   | -  | -   | 1,740  | 1,740  | 1,740   |
| Prepayments   | -  | -   | 2,838  | 2,838  | 2,838   |
| Inventories   | -  | -   | 47,232   | 47,232   | 47,232  |
| Current tax assets  | -  | -   | 981  | 981  | 981   |
| Cash and cash equivalents   | *  | 4,000                                     | 55,946   | 54,466   | 204,466   |
| <b>Total current assets</b>                                       | *  | <b>4,000</b>                              | <b>202,974</b>                                     | <b>201,494</b>   | <b>351,494</b>  |
| <b>Total assets</b>   | *  | <b>4,000</b>                              | <b>655,792</b>                                     | <b>654,312</b>   | <b>804,312</b>  |
| <b>Equity</b>   |  |   |  |  |   |
| Share capital   | (1) *  | (1) *                                     | 527,365  | 527,365  | 527,365   |
| Share premium   | -  | -   | 105,473  | 103,993  | 103,993   |
| Business combination deficit                                      | -  | -   | (192,093)  | (192,093)  | (192,093)   |
| <b>Total equity attributable to equity holders of the Company</b> | *  | *   | <b>440,745</b>                                     | <b>439,265</b>   | <b>439,265</b>  |
| Minority interest   | -  | -   | 35,959   | 35,959   | 35,959  |
| <b>Total equity</b>   | *  | *   | <b>476,704</b>                                     | <b>475,224</b>   | <b>475,224</b>  |

## 3. INFORMATION SUMMARY (Cont'd)

|                                      | Unaudited<br>statement of<br>financial position at<br>31 December 2010<br>RM'000 | Proforma I                                | Proforma II  | Proforma III   | Proforma IV   |
|--------------------------------------|--|---|--|--|---|
|                                      |  | After drawdown of<br>borrowings<br>RM'000 | After Proforma I and<br>the Acquisitions<br>RM'000 | After Proforma II<br>and our estimated<br>listing expenses<br>RM'000 | After Proforma III and<br>drawdown of borrowings<br>post the Acquisitions<br>RM'000 |
| <b>Liabilities</b>                   |  |   |  |  |   |
| Loans and borrowings                 | -  | -   | 56,901   | 56,901   | 206,901   |
| Government grant                     | -  | -   | 253  | 253  | 253   |
| Deferred tax liabilities             | -  | -   | 12,865   | 12,865   | 12,865  |
| <b>Total non-current liabilities</b> | -  | -   | <b>70,019</b>                                      | <b>70,019</b>  | <b>220,019</b>  |
| <b>Provision for warranties</b>      | -  | -   | 406  | 406  | 406   |
| Government grant                     | -  | -   | 69   | 69   | 69  |
| Trade and other payables             | -  | -   | 68,706   | 68,706   | 68,706  |
| Current tax liabilities              | -  | -   | 2,554  | 2,554  | 2,554   |
| Loans and borrowings                 | -  | 4,000                                     | 37,334   | 37,334   | 37,334  |
| <b>Total current liabilities</b>     | -  | <b>4,000</b>                              | <b>109,069</b>                                     | <b>109,069</b>   | <b>109,069</b>  |
| <b>Total liabilities</b>             | -  | <b>4,000</b>                              | <b>179,088</b>                                     | <b>179,088</b>   | <b>329,088</b>  |
| <b>Total equity and liabilities</b>  | *  | <b>4,000</b>                              | <b>655,792</b>                                     | <b>654,312</b>   | <b>804,312</b>  |
| NA                                   | *  | *   | 440,745  | 439,265  | 439,265   |
| NA per share (RM)                    | 0.10   | 0.10                                      | 0.08   | 0.08   | 0.08  |
| Total loans and borrowings           | -  | 4,000                                     | 94,235   | 94,235   | 244,235   |
| Gearing ratio (times)                | -  | 2,000                                     | 0.21   | 0.21   | 0.56  |

**Notes:**

\* Negligible.

<sup>(1)</sup> RM2.00 comprising twenty (20) Shares

### 3. INFORMATION SUMMARY (Cont'd)

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#### 3.5 Dividend policy

The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividend for the year is subject to shareholders' approval. We intend to pay dividends to our shareholders in the future. However, such payments will depend upon a number of factors, including our earnings, capital requirements, general financial condition, our distributable reserves, the covenants contained in our banking facilities and other factors considered relevant by our Board. As we are a holding company, our income, and therefore our ability to pay dividends, is dependent upon the dividends and other distributions that we receive from our subsidiaries. The payment of dividends or other distributions by our subsidiaries will depend upon their financial results, business operations, capital expenditure plans and other factors that their respective boards of directors deem relevant. Dividends may only be paid out of distributable reserves. In addition, covenants in the loan agreements, if any, for our subsidiaries may limit their ability to declare or pay cash dividends.

We currently do not have a formal dividend policy as we intend to adopt a policy of active capital management. The form, frequency and amount of future dividends on our Shares will depend on our earnings and financial results, business operations, our capital needs, our plans for expansion and other factors as our Directors may deem appropriate.

Our dividend policy is also discussed in Section 8.4 of this Prospectus.

#### 3.6 Details of our Issuance and Listing

The objectives of our Listing are to enhance our profile and recognition within the investing community and provide us better access to the capital market in the future to give us the financial flexibility to pursue future expansion and growth opportunities.

Pursuant to the Acquisitions, a total of 5,273,646,228 Shares were issued as full consideration of the Aggregate Offer Consideration. The Issuance was made directly to the Entitled Holders as nominated by Jotech, AIC and AutoV respectively to be the recipients of the Aggregate Offer Consideration as part of the Distributions and the Warrant Schemes.

Section 4 of this Prospectus sets out further information in relation to our Issuance.

#### 3.7 Proceeds

We are not receiving any proceeds as there is no offer for subscription or purchase of our Shares.

#### 3.8 Risk factors

**You should be aware of the risks relating to our Shares and businesses, along with other matters in this Prospectus. The following is not an exhaustive list of challenges that we currently face or that may develop in the future.**

##### 3.8.1 Risk factors relating to our Shares

- (i) Upon the issuance of our Shares to you, you are exposed to the performance of our Group's businesses;
- (ii) There has been no prior trading market for our Shares and our Listing may not result in an active or liquid market for our Shares;
- (iii) Like all other companies listed on Bursa Securities, the price of our Shares may be volatile and may also be subjected to risk of suspension by Bursa Securities and this may affect your investment in our Shares;



### 3. INFORMATION SUMMARY (Cont'd)

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- (iv) Delay or failure in our Listing;
- (v) We may face integration risks when integrating the Jotech Business, AIC Business and AutoV Business;
- (vi) Our ability to pay dividends and our general financial results are affected by various factors; and
- (vii) The interests of our Group's major shareholders may not be aligned with those of our other shareholders.

#### 3.8.2 Risk factors relating to our Group's businesses

##### **General risks**

- (i) Our Group operates in a globally competitive environment and is exposed to substantial competition from local and global players;
- (ii) The revenue of the automotive, semiconductor and metal stamping businesses of our Group is derived from a few major customers;
- (iii) The semiconductor business of our Group is dependent on our major suppliers and any disruptions in supplies may materially and adversely affect the production of our semiconductor business;
- (iv) Our Group's semiconductor and metal stamping businesses are dependent on the prospects of the global E&E industry and our Group's ability to adapt to technological changes;
- (v) The development of our Group's automotive components manufacturing business depends, to a certain extent, on technical assistance from foreign partners;
- (vi) Exposure to foreign exchange fluctuations may impact our Group's revenue and earnings;
- (vii) We are dependent on the supply of foreign labour and our Group may face labour shortages;
- (viii) Our Group may face risks associated with shortage of skilled labour;
- (ix) An increase in the cost of operations of our Group's businesses may result in lower profit margins;
- (x) Any non-renewal or suspension of our Group's operating licences, certifications and clearances will affect our Group's operations;
- (xi) We are exposed to risks arising from our Group's overseas business operations in Indonesia and PRC;
- (xii) Current insurance coverage may not be sufficient to cover the risks related to our Group's operations;
- (xiii) We are exposed to risks associated with new products;
- (xiv) We are exposed to risks associated with investments;

**3. INFORMATION SUMMARY (Cont'd)**

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- (xv) Our Group's business operations may face significant production or operations risks;
- (xvi) We are exposed to risks associated with rented premises;
- (xvii) Cost of borrowings;
- (xviii) Bad debts;
- (xix) Inability to retain our directors and key management and failure to attract suitable replacements may affect our Group's performance;
- (xx) Our Group is subject to political, economic, market and regulatory considerations;
- (xxi) Failure to comply with laws and regulations relating to environment, health and safety may result in penalties;

***Industry specific risks***

- (xxii) Our automotive division may be materially and adversely affected by the purported changes to the National Automotive Policy 2009;
- (xxiii) Our automotive division may be materially and adversely affected by DRB-HICOM Berhad's acquisition of PROTON, a major customer of our automotive division; and
- (xxiv) Exposure to inherent risks in our Group's oil palm plantations business.

**3.8.3 Other risks**

- (i) Forward-looking statements are subject to uncertainties and contingencies; and
- (ii) Impairment of goodwill.

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## 4. DETAILS OF OUR LISTING

### 4.1 Timetable

The timing of events leading up to our Listing is as follows:

| <b>Events</b>  | <b>Date</b>   |
|--|---------------|
| Announcement of the Entitlement Date                         | 20 April 2012 |
| Entitlement Date   | 11 May 2012   |
| Distribution of our Shares to the Entitled Holders           | 25 May 2012   |
| Listing of our Shares on the Main Market of Bursa Securities | * 31 May 2012 |

**Note:**

\* *Tentative date*

### 4.2 Rationale for the Acquisitions

The rationale for the Acquisitions are as follows:

- (i) Our Group will be able to provide an extended range of manufacturing services from precision metal and plastic parts stamping, to high volume manufacturing and assembly and logistics management.
- (ii) We expect to have better access to larger scale business opportunities, and an enhanced ability to raise funds in both debt and equity markets as a result of an improved balance sheet position, financial strength and resources to realise the full potential of the respective business segments that we are involved in. A larger and stronger balance sheet following Completion will allow us to undertake larger manufacturing contracts and to capitalise on growth opportunities domestically and internationally. We will be able to offer our customers a more complete manufacturing solution through our IMS service by consolidating the various supply chain as currently practiced by the different companies, into a single supply chain.
- (iii) Our Group is expected to realise operational and administrative synergies and efficiencies resulting from the centralisation of back office operations, enhanced cash management arising from the pooling of cash resources, joint marketing, improved branding and cost savings through joint procurement of materials and services.

We entered into the Merger Agreement with Jotech, AIC and AutoV on 15 September 2011, and our Company, Jotech, AIC and AutoV have received all requisite approvals for the Acquisitions (including the Share Issue), the Distributions and the Warrant Schemes.

The Merger Agreement became unconditional on 20 April 2012 and as at the date of this Prospectus, the Acquisitions are completed. The completion of the Distributions and the Warrant Schemes took place on the same day as the Completion.

## 4. DETAILS OF OUR LISTING (Cont'd)

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### 4.3 Details of our Issuance

The merger was facilitated by the Acquisitions (including the Share Issue), the Distributions and the Warrant Schemes.

#### 4.3.1 Acquisitions

The Acquisitions involved the acquisitions by our Company of the Jotech Business, the AIC Business and the AutoV Business which were satisfied by the Aggregate Offer Consideration in the following manner:

##### (i) Acquisition of the Jotech Business

- (a) RM0.18 for each Jotech Share, being 20.00% above the VWAMP of the Jotech Shares for the five (5) market days up to and including 26 July 2011 of RM0.15, multiplied by 1,104,300,000 Jotech Shares, being the total issued and fully paid-up share capital of Jotech (less treasury shares, if any) as at the Entitlement Date; and
- (b) RM0.09 for each Jotech Warrant, being 16.88% above the VWAMP of the Jotech Warrants for the five (5) market days up to and including 26 July of RM0.077, multiplied by 205,400,000 Jotech Warrants which are outstanding as at the Entitlement Date.

##### (ii) Acquisition of the AIC Business

- (a) RM1.80 for each AIC Share, being 20.00% above the VWAMP of the AIC Shares for the five (5) market days up to and including 26 July 2011 of RM1.50, multiplied by 173,873,659 AIC Shares, being the total issued and fully paid-up share capital of AIC as at the Entitlement Date; and
- (b) RM1.00 for each AIC Warrant, being 17.37% above the VWAMP of the AIC Warrants for the five (5) market days up to and including 26 July 2011 of RM0.852, multiplied by 26,230,129 AIC Warrants which are outstanding as at the Entitlement Date.

##### (iii) Acquisition of the AutoV Business

RM2.38 per AutoV Share, being 20.20% above the VWAMP of the AutoV Shares for the five (5) market days up to and including 26 July 2011 of RM1.98, multiplied by 64,884,747 AutoV Shares, being the total issued and fully paid-up share capital of AutoV (less treasury shares, if any) as at the Entitlement date.

#### 4. DETAILS OF OUR LISTING (Cont'd)

Pursuant to the Acquisitions, a total of 5,273,646,228 Shares were issued as full consideration for settlement of the Aggregate Offer Consideration. The Issuance was made directly to the Entitled Holders as nominated by Jotech, AIC and AutoV respectively to be the recipients of the Aggregate Offer Consideration as part of the Distributions and Warrant Schemes. These Shares will be credited into the CDS accounts of the Entitled Holders, the entitlements of which are derived as follows:

- (i) in the case of the Entitled Shareholders, the Distributions whereby all the Jotech Shares, AIC Shares and AutoV Shares are cancelled with the objective of distributing to the Entitled Shareholders, their entitlement to the Aggregate Offer Consideration of RM0.18 per Jotech Share, RM1.80 per AIC Share and RM2.38 per AutoV Share respectively. Simultaneously with the implementation of the Distributions, our Company subscribed for and Jotech, AIC and AutoV each allotted and issued twenty (20) new Jotech Shares at an issue price of RM0.10 each, two (2) new AIC Shares at an issue price of RM1.00 each and two (2) new AutoV Shares at an issue price of RM1.00 each. Upon completion of the Distributions, the entire share capital of Jotech, AIC and AutoV are held by our Company; and
- (ii) in the case of the Entitled Warrant Holders, the Warrant Schemes whereby the Jotech warrant holders are paid RM0.09 and the AIC warrant holders are paid RM1.00 for each outstanding warrant in consideration for the cancellation of the exercise rights pursuant to the Jotech Warrants and the AIC Warrants respectively and thereafter the cancellation of all the Jotech Warrants and the AIC Warrants so that all such outstanding warrants are effectively and validly cancelled.

##### 4.3.2 Distributions

- (i) Upon Completion, Jotech, AIC and AutoV implemented the Distributions comprising:
  - (a) a capital reduction exercise in accordance with Section 64 of the Act, involving a reduction of the share capital and/or share premium reserve (if applicable) of Jotech, AIC and AutoV via cancellation of the respective issued and paid-up share capital, which require confirmation by the High Court pursuant to Section 64 of the Act; and
  - (b) a capital repayment exercise involving:
    - (i) distribution-in-specie to all the Entitled Shareholders of our Shares to be received by Jotech, AIC and AutoV upon Completion; and
    - (ii) distribution-in-specie to all the Entitled Shareholders of our Shares to be received by Jotech and AIC arising from their respective entitlement to our Shares (as shareholders of AIC and AutoV respectively) pursuant to the Distributions undertaken by AIC and AutoV respectively.
- (ii) In order to facilitate the Distributions, Jotech had, prior to the implementation of the Capital Reduction, undertaken the following inter-conditional proposals:
  - (a) increase in the authorised share capital of Jotech; and
  - (b) amendment of the memorandum and articles of association of Jotech.

#### 4. DETAILS OF OUR LISTING (Cont'd)

- (iii) In addition, Jotech, AIC and AutoV had, prior to the implementation of the Capital Reduction, undertaken the bonus issue, which was not credited into the individual securities accounts of the Entitled Shareholders and was immediately cancelled pursuant to the Capital Reduction and which was effected by way of capitalising all sums standing to the credit of the share premium reserve, retained profits and/or any other reserves which may be capitalised, including the net gain arising from the disposal of the Jotech Business, the AIC Business and the AutoV Business to our Company.
- (iv) As the bonus issue together with the Capital Reduction form part of the process undertaken to facilitate the implementation of the Distributions, none of the bonus shares pursuant to the bonus issue was credited into the individual securities accounts of the respective Entitled Shareholders. Further, no physical share certificates were issued.

##### 4.3.3 Warrant Scheme

Jotech and AIC had carried out the Warrant Schemes to pay the Jotech warrant holders and the AIC warrant holders their entitlement to the Aggregate Offer Consideration in consideration for the cancellation of the exercise rights pursuant to the Jotech Warrants and the AIC Warrants and thereafter proceed to cancel all the Jotech Warrants and the AIC Warrants so that all the outstanding Jotech Warrants and AIC Warrants are effectively and validly cancelled. The Jotech warrant holders are paid RM0.09 whereas the AIC warrant holders are paid RM1.00, for each outstanding warrant, in the form of our Shares.

##### 4.3.4 Share Issue

Upon completion of the Distributions, Jotech, AIC and AutoV issued twenty (20) Jotech Shares, two (2) AIC Shares and two (2) AutoV Shares to our Company, resulting in Jotech, AIC and AutoV becoming our subsidiaries and each having a share capital of RM2 comprising, in the case of Jotech, twenty (20) ordinary shares of RM0.10 each and in the case of AIC and AutoV, two (2) ordinary shares of RM1.00 each.

#### 4.4 Share capital

|   | <u>No. of Shares</u> | <u>RM</u>          |
|---|----------------------|--------------------|
| Authorised share capital  | 10,000,000,000       | 1,000,000,000      |
| Issued and fully paid-up share capital as at the date of this Prospectus <b>before</b> Completion         | 20                   | 2                  |
| Shares issued pursuant to the Issuance  | 5,273,646,228        | 527,364,623        |
| Enlarged issued and fully paid-up share capital as at the date of this Prospectus <b>after</b> Completion | <u>5,273,646,248</u> | <u>527,364,625</u> |

Based on the issue price of RM0.12 per Share and our enlarged issued and paid-up share capital of 5,273,646,248 Shares, our market capitalisation upon listing on the Main Market of Bursa Securities will be RM632,837,550.

#### **4. DETAILS OF OUR LISTING (Cont'd)**

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##### **4.5 Classes of shares and ranking**

As at the date of this Prospectus, we only have one (1) class of shares, being ordinary shares of RM0.10 each.

Our new Shares issued to satisfy the Aggregate Offer Consideration will, upon allotment and issue, rank equally in all respects with our existing Shares save and except that the holders of our new Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to our shareholders, the entitlement date of which is prior to the date of allotment of such new Shares.

At any of our Company's general meeting, each of our shareholders shall be entitled to vote in person or by proxy or by attorney or by duly authorised representative and, on a resolution to be decided by show of hands, every person who is a shareholder or proxy or attorney or representative of a shareholder shall have one (1) vote and on a poll, every shareholder present in person or by proxy or by attorney or by a duly authorised representative shall have one (1) vote for each Share he holds. A proxy may but need not be a member and the provisions of Section 149(1)(b) of the Act shall not apply to our Company.

Subject to any special rights attaching to any shares that we may issue in the future, our shareholders shall in proportion to our Shares held by them, be entitled to share in the profits paid out by us in the form of dividends and other distributions and any surplus in the event of our liquidation, in accordance with our Articles and provisions of the Act.

##### **4.6 Basis of arriving at the issue price of our Share**

The issue price of each of our Shares of RM0.12 each was arrived at after taking into account among others, the Aggregate Offer Consideration paid to the Entitled Holders and our enlarged issued and paid-up share capital upon Completion which we have determined with the objective of managing the dilutive effect on the EPS of our Group and achieving an appropriate trading liquidity of our Shares upon listing.

The settlement of the Aggregate Offer Consideration involves the issuance of 5,273,646,228 Shares. At an issue price of RM0.12 per Share and earnings per Share (based on the proforma consolidated financial information of our Group for the year ended 31 December 2010) of 0.49 sen, the PE multiple is approximately 24.49 times. We believe that, based on the business strategies, future plans and prospects of our Group, it will generate future value which may have an effect on the PE multiple of our Company.

Please refer to Sections 6.5.2 and 6.5.3 of this Prospectus for the business strategies, future plans and prospects of our Group.

##### **4.7 Underwriting arrangement**

Our Issuance is not required to be underwritten because no subscription monies are receivable by us. Our Shares are issued as full consideration for settlement of the Aggregate Offer Consideration.

##### **4.8 Objectives of our Listing**

The objectives of our Listing are to enhance our profile and recognition within the investing community and provide us with better access to the capital market in the future to give us the financial flexibility to pursue future expansion and growth opportunities.

#### 4. DETAILS OF OUR LISTING (Cont'd)

##### 4.9 Proceeds

We are not receiving any proceeds from our Issuance as there is no offer for subscription or purchase of our Shares.

##### 4.10 Estimated expenses pursuant to our Listing

The estimated expenses of RM1.48 million pursuant to the Listing to be borne by us comprise the following:

|  | <u>RM'000</u>       |
|--|---------------------|
| Professional fees <sup>(1)</sup>                         | 780                 |
| Fees to authorities pursuant to our Listing              | 502                 |
| Other fees and expenses and contingencies <sup>(2)</sup> | 198                 |
| <b>Total estimated listing expenses</b>                  | <b><u>1,480</u></b> |

**Notes:**

<sup>(1)</sup> Include fees for, among others, the Joint Financial Advisers, Solicitors and the Reporting Accountants.

<sup>(2)</sup> Include printing, advertisement and public relations related expenses.

##### 4.11 Trading and settlement in the secondary market

Upon our Listing, our Shares will be traded through Bursa Securities and settled by book-entry settlement through CDS (which is operated by Bursa Depository), which will be effected in accordance with the Rules of Bursa Depository for the operation of CDS accounts and the provisions of the SICDA. Accordingly, we will not deliver any share certificates to the Entitled Holders.

Beneficial owners of our Shares are required under the Rules of Bursa Depository to maintain CDS accounts, either directly in their name or through authorised nominees. Persons whose names appear in our ROD will be treated as our shareholders in respect of the number of Shares credited to their respective CDS accounts.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS account being debited with the number of Shares sold and the buyer's CDS account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for our Shares that are settled on a book-entry basis, although there is a nominal transfer fee of RM10 payable for each transfer not transacted on the market. All Shares held in CDS accounts may not be withdrawn from CDS except in the following instances:

- (i) to facilitate a share buy-back;
- (ii) to facilitate conversion of debt securities;
- (iii) to facilitate company restructuring process;
- (iv) where a body corporate is removed from the Official List;
- (v) to facilitate a rectification of any error; and
- (vi) in any other circumstances as determined by Bursa Depository from time to time, after consultation with the SC.



**4. DETAILS OF OUR LISTING (Cont'd)**

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Trading of securities of companies listed on Bursa Securities is normally done in "board lots" of one hundred (100) units. Investors who desire to trade less than one hundred (100) units shall trade under the odd lot board. Settlement of trades done on a "ready" basis on Bursa Securities generally takes place on the third (3rd) Market Day following the transaction date, and payment for the securities is generally settled on the third Market Day following the transaction date.

**Prior to our Listing, there has been no trading market for our Shares within or outside Malaysia. You should take note that the market prices of our Shares upon Listing are subject to the vagaries of market forces and other uncertainties that may affect the price of our Shares. You are reminded to read the risk factors as set out in Sections 5 and 8 of this Prospectus.**

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## 5. RISK FACTORS

***Please take note that our operations are subject to the legal, regulatory and business environment in Malaysia and other countries in which we have businesses in and also to the markets we export our products to. Our business is subject to a number of factors, many of which are outside our control. The risks and investment considerations set out below are not an exhaustive list of the challenges that we currently face or may develop in the future that may have a significant impact on our current and future performance. These and other risks, whether known or unknown, may have a material adverse effect on us and/or our Shares.***

### 5.1 Risk factors relating to our Shares

#### 5.1.1 Upon the issuance of our Shares to you, you are exposed to the performance of our Group's businesses

Upon Completion, we have two (2) main business divisions namely, the:

- (i) IMS division; and
- (ii) Resources division.

Our Group's IMS division comprises the following four (4) divisions namely, the:

- (i) automotive division which is involved in the provision of manufacturing services for various levels of automotive components and modules/systems which involve the integration of electrical devices with metal, rubber and plastic based components;
- (ii) medical devices division which is involved in the provision of metal and plastic based manufacturing services of medical devices;
- (iii) semiconductor division which is involved in the provision of design, development, procurement, testing and assembly of IC packages and smart card modules; and
- (iv) E&E division which is involved in the provision of metal and plastic based manufacturing services for E&E products including, among others, consumer products, photonics and RF microwave components and industrial products.

Our Group's IMS division offers the following multi-disciplinary manufacturing services:

- (i) precision metal stamping;
- (ii) precision machining and assembly of RF microwave, photonics and medical components;
- (iii) design and fabrication of precision tooling and automation equipment;
- (iv) injection moulding and blow moulding;
- (v) test and assembly of semiconductor and smart card modules; and
- (vi) design, manufacturing and assembly of automotive components and modules/system.

## 5. RISK FACTORS (Cont'd)

Our Group's resources division comprises two (2) divisions namely, the:

- (i) oil palm plantations division which is involved in the operations and management of our Group's oil palm plantations; and
- (ii) coal mining division which is involved in the extraction and marketing of coal. As at the LPD, the extraction and marketing of coal has yet to commence.

Upon the issuance of our Shares to you, you are exposed to the inherent risks of our businesses. These inherent risks are set out in Section 5.2 of this Prospectus.

You should note that the profile of your investment will change upon the issuance of our Shares to you pursuant to the Distributions and the Warrant Schemes.

Upon issuance of our Shares, you will be exposed to new businesses/industries.

Shareholders of Jotech (which are in the metal stamping, oil palm and coal mining businesses), who received our Shares are exposed to new businesses, namely, the semiconductor, precision machining and automation, and automotive businesses.

Shareholders of AIC (which are in the semiconductor, precision machining and automation businesses) who received our Shares are exposed to new businesses, namely, the oil palm, coal mining, automotive and metal stamping businesses.

Shareholders of AutoV (which are in the automotive business) who received our Shares are exposed to new businesses, namely, the oil palm, coal mining, semiconductor, precision machining and automation, and metal stamping businesses.

In line with our intention to expand our main businesses, opportunities may arise that may require substantial capital outlay and are subject to risks which will be assessed in totality before we undertake any plans. Our business strategies, future plans and prospects are set out in Sections 6.5.2 and 6.5.3 of this Prospectus.

Nonetheless, you should note that whilst you will be subject to the risks inherent in the businesses/industries that you previously had no or less exposure to, the varied and market lifecycles of its different businesses/industries provide an opportunity for risk diversification. Further, you would also be able to have exposure to the collective performance of each business, as well as the potential opportunities and benefits arising from the Acquisitions.

### 5.1.2 There has been no prior trading market for our Shares and our Listing may not result in an active or liquid market for our Shares

Whilst a trading market had existed for the securities of Jotech, AIC and AutoV prior to the suspension of their trading in conjunction with the Distributions and Warrant Schemes, there has been no prior trading market for our Shares.

There can be no assurance as to the liquidity of any market that may develop for our Shares, nor can we assure that the trading price of our Shares will reflect our financial and operating conditions, our prospects and the prospects of the industries in which we operate in. We have no obligation to make a market for our Shares, nor is there any assurance that we will be able to maintain our listing status.

## 5. RISK FACTORS (Cont'd)

### 5.1.3 Like all other companies listed on Bursa Securities, the price of our Shares may be volatile and may also be subjected to risk of suspension by Bursa Securities and this may affect your investment in our Shares

The market price of our Shares could be affected by numerous factors, including:

- (i) general market, political and economic conditions;
- (ii) trading and liquidity of our Shares;
- (iii) changes in earnings estimates and recommendations by financial analysts;
- (iv) changes in market valuations of listed shares in Malaysia and other securities exchanges' shares in particular;
- (v) changes in governmental policy, legislation or regulation; and
- (vi) general operational and business risks.

In addition, many of the risks described elsewhere in Section 5 of this Prospectus could materially and adversely affect the market price of our Shares.

The Malaysian, regional and global equity markets have experienced price and volume volatility that have affected the prices of securities of many companies. Prices of securities of many companies have experienced wide fluctuations that have often been unrelated to the financial performance of those companies. Such fluctuations in price may materially and adversely affect the market price of our Shares.

### 5.1.4 Delay or failure in our Listing

The occurrence of certain events, including the following, may cause a delay in or termination of our Listing:

- (i) the approval for our Listing is revoked by the authorities for whatever reason; or
- (ii) the occurrence of certain events or circumstance beyond our control (including any legal suit filed by any party).

Based on the existing market conditions and shareholding spread of Jotech, AIC and AutoV, the public spread requirements as set out in the Listing Requirements, i.e. having at least 25% of our issued and paid-up Shares in the hands of at least one thousand (1,000) public shareholders holding at least one hundred (100) Shares each at the point of our Listing, will be met upon issuance of our Shares to the Entitled Holders.

After our Shares have been credited to your account with the CDS, which would occur prior to the anticipated date of our Listing, you will be our shareholder even if the admission into and the commencement of trading of our Shares on the Main Market of Bursa Securities does not occur. Delays in admission and the commencement of trading of our Shares on Bursa Securities have also previously occurred.

## 5. RISK FACTORS (Cont'd)

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### 5.1.5 We may face integration risks when integrating the Jotech Business, AIC Business and AutoV Business

Integration risks can arise when distinct companies are integrated under a single entity due to, among others, differences in culture, business processes, practices and policies. In addition, there is no assurance that the anticipated benefits of the Acquisitions, such as creating a platform for sustainable continuous growth or the strengthening of the balance sheet, will be realised, or if realised, will be realised within the expected timeframe. The anticipated benefits do not represent a forecast of our Group's future performance and is subject to the assumptions set out under the business strategies, future plans and prospects in Sections 6.5.2 and 6.5.3 of this Prospectus.

To ease the integration process, an integration committee has been set up upon the execution of the Merger Agreement. The composition of the integration committee comprises representatives from our Company, Jotech, AIC and AutoV. Part of the role of the integration committee is to chart and facilitate our integration and rationalisation activities. The decision of the integration committee is on a unanimous basis and is final in respect of all matters within its jurisdiction. The integration committee shall be disbanded after our Listing on Bursa Securities whereupon the activities of the integration committee shall be assumed by our Board.

### 5.1.6 Our ability to pay dividends and our general financial results are affected by various factors

Our ability to pay dividends or make any distributions to our shareholders will be dependent on the financial performance and cash flow position of our operating subsidiaries and any applicable law, licence and contractual obligations, including restrictions in our financial covenants.

Dividend payments are not guaranteed and may be less than the dividends previously paid by Jotech, AIC and AutoV respectively (if any), prior to the Acquisitions.

Historically, Jotech, AIC and AutoV have been declaring and paying different amount of dividends to their respective shareholders. However, the historical trend of the dividend policies of Jotech, AIC and AutoV are not indicative of the level of dividend to be expected from us. For example, AutoV did not declare dividends for the year ended 31 December 2008. However, AutoV declared a dividend of 3.5 sen and 4.0 sen for each AutoV Share for the years ended 31 December 2009 and 31 December 2010 respectively. In contrast, Jotech and AIC have not declared dividends for the past three (3) years ended 31 December 2008, 31 December 2009 and 31 December 2010. Our future dividend payments are not guaranteed and may be less than the dividends previously paid by Jotech, AIC and AutoV respectively, prior to Completion. As Jotech, AIC and AutoV do not currently have a fixed dividend policy on the percentage of dividend to be paid and whether dividend should be paid at all, there is no guarantee that we will have a fixed dividend policy after Completion.

There is no assurance that our Group will be able to record profits and have sufficient funds above our Group's funding requirements, to pay dividends to our shareholders. In addition, changes in the applicable accounting standards may affect our ability to declare and pay dividends.

## 5. RISK FACTORS (Cont'd)

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### 5.1.7 The interests of our Group's major shareholders may not be aligned with those of our other shareholders

Our Group's major shareholders may be able to influence the outcome of certain matters requiring the vote of our shareholders, including approval of final dividends, certain corporate exercises, business transactions and the appointment of directors, unless our major shareholders are required to abstain from voting by law and/or by the relevant authorities. There can be no assurance that the interests of our major shareholders will be aligned with the interests of our other shareholders.

## 5.2 Risk factors relating to our Group's businesses

### *General risks*

#### 5.2.1 Our Group operates in a globally competitive environment and is exposed to substantial competition from local and global players

Our Group is exposed to competition risk in all of our businesses.

Our Group's manufacturing business operates in a highly competitive industry. Many of our customers are mainly MNCs derived from Malaysia and overseas, where the selection process of their suppliers are based on stringent criteria such as good after sales services support, competitive pricing, timely delivery of products, quality and dependability of the products and services. If our Group's manufacturing capabilities or services fail to keep abreast with the needs of our customers or the quality of products and services offered by our competitors, our customers may decide to discontinue purchasing from our Group, which may materially and adversely affect our Group's performance and financial results.

Our Group's resources business also faces competition from other companies operating in the same business. Our Group is a relatively new player in the oil palm plantation business and coal mining business and competes with other larger oil palm plantation companies and coal mining companies which may have better cost efficiencies than us. Intense competition may result in highly competitive pricing which would affect our profit margins. No assurance can be given that our Group will be able to compete effectively with current and new entrants into the oil palm plantations and coal mining businesses in the future.

If our Group is unable to differentiate itself from our competitors or stay competitive for any of our businesses, our profitability may be materially and adversely affected.

#### 5.2.2 The revenue of the automotive, semiconductor and metal stamping businesses of our Group is derived from a few major customers

As set out in Section 6.13 of this Prospectus, our automotive division is highly dependent on orders from PROTON. For the years ended 31 December 2008, 31 December 2009 and 31 December 2010, PROTON contributed 50.02%, 76.66% and 71.78% to the revenue of the automotive components manufacturing business of our Group. As set out in Section 6.17.1 of this Prospectus, PROTON contributed 9.11%, 20.01% and 18.65% to our Group's revenue for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 respectively. Our automotive division does not have any long-term contractual agreement with PROTON and in practice, PROTON will usually continue to purchase products from our automotive division until a particular car model has been phased out. If our Group loses PROTON as our customer, or if PROTON chooses to reduce or terminate orders with our Group, the financial results of our automotive components manufacturing business would suffer. It is possible that major customers may influence their terms of trade with our Group, including demands on product pricing and contractual terms.

## 5. RISK FACTORS (Cont'd)

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For the semiconductor business of our Group, our top three (3) major customers contributed 53%, 51% and 34% of our semiconductor business' total revenue for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 respectively. Despite the fact that some of these customers have been our customers for the last fourteen (14) years, there is no assurance that these customers will continue purchasing from our Group and our financial performance will be affected if they cease to purchase from our Group or cease to be our Group's major customers. Due to the competitive nature of the semiconductor industry, if our Group's customers were to lower the prices for their products, they could in turn force our Group to reduce the prices for our products. If a reduction in price is not offset by larger volume orders, this could result in lower revenue and gross margins for our Group.

For the metal stamping business of our Group, our single largest customer contributed 31.78%, 27.26% and 20.95% of our metal stamping business' total revenue for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 respectively. Thus, our metal stamping business is dependent on our single largest customer and we compete with other suppliers for the business of this single largest customer. Despite the long standing relationship with this single largest customer, there is no long term contract made with this single largest customer. Thus, our ability to supply products to the satisfaction of this single largest customer is vital to our profitability. Nevertheless, our dependency on this single largest customer has been on a reducing trend, as evidenced by the reducing contribution for the past three (3) years ended 31 December 2008, 31 December 2009 and 31 December 2010, as mentioned above. Despite our reduced dependency on this single largest customer in the last three (3) financial years, there is no assurance that our financial performance will not be adversely and materially affected if our metal stamping business loses its single largest customer or if its single largest customer reduces or terminates orders with our metal stamping business.

### **5.2.3 The semiconductor business of our Group is dependent on our major suppliers and any disruptions in supplies may materially and adversely affect the production of our semiconductor business**

The purchases of raw materials from our top three (3) suppliers for our semiconductor business in respect of each of the years ended 31 December 2008, 31 December 2009 and 31 December 2010 accounted in aggregate for approximately 40.43%, 40.15% and 37.41% of the total purchases of raw materials of our semiconductor business. There is no assurance that our semiconductor business will be able to reduce our dependence on these suppliers over time or be able to source for alternative suppliers who can supply the required products to us with the same level of quality on a timely basis. If the suppliers of our Group's raw materials are unable to deliver the required products to us for whatever reasons, including general shortages of raw materials, in accordance with the quality that we require or on time, our Group's production may be affected which will have a material adverse effect on our Group's financial performance. There is no assurance that our Group's existing suppliers will continue to supply to us or continue to supply to us on similar terms as in the past.

## 5. RISK FACTORS (Cont'd)

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### 5.2.4 Our Group's semiconductor and metal stamping businesses are dependent on the prospects of the global E&E industry and our Group's ability to adapt to technological changes

We sell our products and services to customers from various segments of the E&E industry. As such, our Group's performance will, to a large extent, depend on the outlook of the global E&E industry, in particular, the market for semiconductors which is cyclical in nature. This is due to the relatively short product lifecycle and rapid technological changes of semiconductors. Any slow-down in consumer demand locally and globally will present a risk to the demand for our Group's products and services.

In addition, the demand for our Group's products and services can be characterised by rapid technological developments, evolving industry standards, swift changes in customer requirements, new product introductions and enhancements. If our Group requires new technologies and equipment to remain competitive, the development, acquisition and implementation of those technologies and equipment may require us to make significant capital investments. The emergence of new industry standards which reduces the use of metal parts in our Group's metal stamping business may also render some of our Group's products unnecessary. Thus, the future success of our semiconductor and metal stamping business will depend on our Group's ability to maintain and enhance our technological capabilities and develop and market our manufacturing services to meet the ever changing consumer needs and successfully anticipate and adapt to technological changes.

### 5.2.5 The development of our Group's automotive components manufacturing business depends, to a certain extent, on technical assistance from foreign partners

We, through the subsidiaries of AutoV, are involved in the automotive components manufacturing business. Certain of these subsidiaries ("Licencee") have entered into several technical assistance agreements with foreign partners in Korea, PRC, India and Japan for the provision of technical assistance for the development of window regulators, side mirrors, wiper systems and sunvisors. These technical assistance agreements may range from two (2) years to twenty (20) years and may be terminated, due to, among others, the occurrence of events such as an act of bankruptcy by the Licencee, force majeure circumstances, essential changes in the capital structure of the Licencee, merger of the Licencee or capital reduction undertaken by the Licencee.

While our Licencee enjoys a cordial relationship with its foreign partners and our Licencee believes that these foreign partners intend to maintain their presence in Malaysia, there is no assurance that the technical assistance agreements will not be terminated earlier. There is also no assurance that upon termination of the technical assistance agreements, our Licencee would have adequately absorbed the requisite technological knowledge from its foreign partners or it would be able to obtain technical assistance from other replacement technology partners in a timely manner.



## 5. RISK FACTORS (Cont'd)

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### 5.2.6 Exposure to foreign exchange fluctuations may impact our Group's revenue and earnings

We have metal stamping operations in Indonesia and PRC. Our coal mining operations are in Indonesia and a majority of our customers for our semiconductor manufacturing operations are derived from U.S. and Taiwan. As a result, we are subject to foreign exchange fluctuation risks through revenue earned and purchases made that are denominated in foreign currencies, in particular, USD despite our Group's financial results being reported in RM. The appreciation of the RM against foreign currencies may reduce our Group's revenue in RM terms as well as raise the prices of our Group's products and services against other currencies causing our products and services delivered abroad to be less competitive. On the other hand, the depreciation of RM against foreign currencies may increase the costs of the raw materials which our Group purchases from overseas in RM terms and lead to consequential increase in the cost of our products. In addition, our Group is also exposed to foreign exchange fluctuations in the event of mismatches between the amount and timing of receipts and payments in foreign currencies. To the extent there are any such mismatches, a significant fluctuation in the applicable foreign currencies against the RM arising from such timing differences, for example in respect of credit terms given to our customers or by our suppliers, we may incur foreign exchange losses. There is no assurance that our Group's profitability and financial position will not be materially and adversely affected by foreign exchange fluctuation. Our Group maintains a natural hedge, whenever possible, by buying materials and selling our products and services in foreign currencies. In addition to the management of foreign currency risk, our Group enters into foreign currency forward contracts in the normal course of business, where appropriate, to manage our exposure against foreign currency fluctuations on sales and purchases transactions denominated in foreign currencies.

### 5.2.7 We are dependent on the supply of foreign labour and our Group may face labour shortages

Our Group is dependent on the availability of labour, especially foreign labour. Our Group's businesses are labour intensive and we may experience difficulty in attracting/obtaining and retaining sufficient number of employees to work in our manufacturing facilities and oil palm plantations. As at the LPD, our Group employed 2,194 employees of which 1,900 employees are based in Malaysia, 185 are based in PRC, 106 are based in Indonesia and 3 are based in Taiwan. Of the total workforce based in Malaysia, 636 are foreign employees, representing approximately 33.47% of our total workforce in Malaysia. Of these 636 foreign employees, 539 are for our Group's IMS division and 97 are for our Group's resources division. Our Group's foreign employees are employed on a contractual basis, typically for a period of three (3) years and renewable for a period of up to two (2) years and are mainly sourced from Bangladesh, Indonesia, Myanmar, Nepal and Vietnam.

Any change in government policies which restricts the inflow of foreign labour to Malaysia or imposes additional conditions for the entry of foreign labour to countries in which our Group operates (including Malaysia) will decrease the number of foreign labour available for employment by our Group and this may affect our businesses and operations. There is also no assurance that the cost of labour, whether local or foreign, will not increase or that we will be able to offset such increase in labour cost against corresponding increase in the prices of our products. If our Group is unable to pass on increasing labour costs to our customers, our financial performance may be materially and adversely affected.

## 5. RISK FACTORS (Cont'd)

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### 5.2.8 Our Group may face risks associated with shortage of skilled labour

The ability of our Group to create a bigger pool of skilled personnel is crucial to sustaining our existing operations and remaining competitive. For example, the shift towards production of higher value medical devices requires skilled personnel, equipped with knowledge of medical technologies, which are presently short in supply in the country. Similarly, the E&E/semiconductor business too, faces constraints in employing and retaining more experienced technical personnel with specialised skills. With rapid development of new and innovative products, the E&E/semiconductor business requires employees experienced in areas such as physics, chemistry, electronics, material sciences and E&E engineering, to be able to translate R&D findings to market applications and for mass production. Our Group's inability to attract suitably qualified personnel could have an impact on the growth of our businesses.

### 5.2.9 An increase in the cost of operations of our Group's businesses may result in lower profit margins

Any increase in raw material prices, labour costs, overheads, energy costs or other costs of operations may result in lower profit margins, culminating in a need to increase the prices of our Group's products and services which inadvertently makes them less attractive and competitive. For example, our semiconductor business relies on raw materials such as gold and copper (to a lesser extent) whilst our metal stamping and precision tooling businesses requires metals such as aluminium and different types of steel. Our automotive component manufacturing business relies on plastic resins, some of which are still imported and pegged to and exposed to the fluctuation of price of crude oil as it is a petroleum by-product. These raw materials are commodities whose prices are dictated by global demand and supply and may face volatile price fluctuations. Any material increase in the aforesaid costs and raw material prices will have a material and adverse impact on the profit margins of our Group or our ability to break even or stay competitive. If our Group fails to manage the price movements of these raw materials or is unable to pass on the increase in costs by increasing the prices of our products and services and in a timely manner, our businesses, operations and financial performance may be materially and adversely affected.

### 5.2.10 Any non-renewal or suspension of our Group's operating licences, certifications and clearances will affect our Group's operations

Our Group has inherited various licences, certificates and other clearances granted by the authorities to the Jotech Group, the AIC Group and the AutoV Group, and some of these licences, certificates and clearances are subject to periodical renewals for their businesses. There can be no assurance that our licences, certificates and other clearances from authorities will not be revoked or suspended prior to their expiration. There can also be no assurance that we will be able to renew such licences, certificates and other clearances from authorities. Even if renewed, there is no assurance that the authorities will not impose new terms which are unfavourable to us. Any revocation or non-renewal of our licences, certificates and other clearances from authorities or failure by us to obtain new licences, certificates and other clearances from authorities (if so required) will have a material impact on our ability to continue our operations and hence will affect our profitability.

## 5. RISK FACTORS (Cont'd)

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### 5.2.11 We are exposed to risks arising from our Group's overseas business operations in Indonesia and PRC

Our Group's metal stamping and coal mining businesses in countries such as PRC and Indonesia are exposed to added risks given the different business operating conditions and regulatory environments in those countries such as, among others, the general economy, political stability, legal and tax legislation, credit environment and foreign exchange rules, when compared to Malaysia. If our Group fails to fully understand the local environment of our overseas ventures, it may cause our Group to make decisions which may lead to a negative outcome which could affect our financial performance.

### 5.2.12 Current insurance coverage may not be sufficient to cover the risks related to our Group's operations

Although our Group has taken the necessary measures to ensure that all our assets are adequately covered by insurance in accordance with standard industry practice, there can be no assurance that the coverage would be adequate for the replacement cost of our assets or any consequential losses arising therefrom. Any losses or liabilities that are not covered by insurance taken by our Group may have a material adverse effect on our businesses and financial results of our operations.

As an OEM for automotive components, our Group will, at times be required to provide warranties to our customers.

Our Group may be subject to warranty claims from our customers, which also include PROTON, for any defects in our products. We generally do not take product liability insurance. If we are faced with any significant product liability claims or any other form of adverse event where we have insufficient or no insurance coverage, our business and financial performance may be materially and adversely affected. Even if our Group is able to successfully defend such claims, there can be no assurance that our customers will not lose confidence in our automotive products, thereby reducing orders from us or terminating their relationship with us. A product liability claim, even without merit, could result in our Group incurring reputational damage, significant expenses and substantial time and efforts of our management in defending and proving such claim to be without merit.

There can be no assurance that the insurance coverage that our Group has obtained will be adequate to safeguard us from the impact of losses, reputational damage or potential third party claims or litigation.

### 5.2.13 We are exposed to risks associated with new products

As set out in Sections 6.5.2 and 6.15.2(i) of this Prospectus, our Group intends to develop and sell new products such as automotive floor console module and supercharger. Both the floor console and supercharger are intended to be mass manufactured by mid-2012. Diversification into these new products are subject to certain risks such as whether there will be a demand for these new products, ease of securing raw materials, constraints of trained and experienced production staff, threat of substitute products and increase in production costs.

There is no assurance that our Group might be able to recoup the investment expended in developing and commercialising these products.

## 5. RISK FACTORS (Cont'd)

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### 5.2.14 We are exposed to risks associated with investments

Our Group may from time to time invest in new ventures which we believe to be beneficial to our business or is synergistic with our Group's current operations. Although we exercise prudence in our decision-making, there is always the potential risk that the returns from these investments may have a longer payback period than expected or the investments may fail. For example, although our Group ventured into the coal mining business in 2009 with the acquisition of a 40% equity stake in Rockhill, the coal mining business has yet to contribute to the revenue of our Group as it has yet to commence operations pending the issuance of the "Izin Pinjam Pakai Hutan" licence from the Kementerian Kehutanan Indonesia, to PT Sarana Putra Perdana (the coal concession owner).

### 5.2.15 Our Group's business operations may face significant production or operations risks

Our Group's revenue is dependent on our production processes running smoothly and efficiently. Our Group's daily operations are susceptible to emergencies such as breakdown of machineries, explosion, fires, floods, energy crises, health crises, sabotage, strikes, civil commotions or natural disasters which could cause significant downtime and/or damage to our manufacturing facilities and may delay and disrupt the operations of our Group.

For example, on 16 January 2011, a fire accident occurred at the plating department of our wholly-owned subsidiary, namely, Prodelcon's factory premises located in Bayan Lepas, Penang, which damaged its plant, equipment and inventories. Insurance claim for the losses related to the said fire accident have already been made but not yet received as at the LPD. Our Group has assessed the damages to be in the region of RM1 million, however, there can be no assurance that the insurance company will agree and concur to our Group's assessment of the damages.

Whilst our Group has taken up certain insurance policies such as all risks insurance and fire insurance for our buildings, plant and machineries and inventories, there is no assurance that these production or operational risks have been fully mitigated and will not have an adverse and material impact on the business, operations and financial performance of our Group. Failure by the insurance company to compensate our Group in part or in whole of any damages sustained by us may have an adverse and material impact on the financial results of our Group.

### 5.2.16 We are exposed to risks associated with rented premises

Some of our Group's manufacturing operations are located on rented premises. For example, our automotive division's manufacturing plant is located at Lot No. 3, Persiaran Kemajuan, Seksyen 16, 40200, Shah Alam, Selangor Darul Ehsan which is leased for a period of ten (10) years, with an option to renew the lease for a further period of ten (10) years after the end of the initial lease period ending on 12 September 2016.

The risks associated with rented premises includes the refusal of the landlord to extend the tenancy upon expiry, the failure by both the tenant and the landlord to agree on acceptable terms upon renewal of the lease or the sudden termination of the lease agreement. Any one of these factors could result in our Group being required to move out from the tenanted premises and this could lead to a disruption in operations of our Group. The failure by our Group to minimise such disruptions could have a material and adverse impact on our business performance.

## 5. RISK FACTORS (*Cont'd*)

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### 5.2.17 Cost of borrowings

Interest rate exposure arises mainly from our Group's borrowings. Any increase in the interest rates may lead to higher borrowing costs, and in turn, affect our Group's profitability. Further, our credit facilities agreements with banks and financiers contain, among others, covenants that may limit our operating and financing flexibility. Any act falling within the ambit or scope of such covenants will require the consent of the relevant banks or financiers.

### 5.2.18 Bad debts

Credit risks arise when sales are made on credit terms in particular for our Group's IMS division. If our debtors do not pay them and the debts turn bad, our Group would be required to write-off such debt which would affect our Group's cashflow and profitability.

### 5.2.19 Inability to retain our directors and key management and failure to attract suitable replacements may affect our Group's performance

Our Group's success depends to a significant extent on the abilities and continuing efforts of our directors and key management personnel. Please refer to Sections 10.1.1 and 10.2 of this Prospectus for the profiles of our Directors and key management personnel respectively. The loss of any of these persons without a suitable and timely replacement, or our inability to attract and retain qualified and skilled key management personnel, could affect our continued ability to compete in our industries which may then materially and adversely affect our business operations, financial results and prospects.

### 5.2.20 Our Group is subject to political, economic, market and regulatory considerations

Like all other business entities, our Group could be materially and adversely affected by changes in the political, economic, market and regulatory conditions in Malaysia and the countries in which we currently operate in and will operate in, source our supplies from or market our products. These uncertainties include changes in political leadership, risks of war and riots, expropriation, nationalisation, changes in interest rates, methods of taxation, exchange control policies or rules and immigration policies or rules. In addition, countries could change their interpretation of existing laws, policies and regulations which would impose and/or increase restrictions on the conduct of our businesses in Malaysia and/or overseas, restrict our businesses or export licences and introduce trade barriers. An example of a regulatory development which could impact our Group would be the Malaysian Ministry of Health's drafting of regulations on the production of medical devices. The implementation of these regulations could pose a challenge to our Group's medical devices business as additional costs and efforts may be incurred to comply with the requirements imposed by these regulations.

In terms of economic risks, our Group's business operations and financial performance may be affected by a downturn in the Malaysian or global economy. Our Group's IMS division is likely to be affected by an economic downturn. The recent global financial crisis, the recent European sovereign debt crisis, political upheavals and general weakness of the global economy have increased the uncertainties involving the global economy and may continue to affect the key markets in Asia which our Group operates in. Any future decline of the Malaysian and the global economy could materially affect the financial results and business operations of our Group.

## 5. RISK FACTORS (Cont'd)

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There can be no assurance that any changes to political, economic, market and regulatory factors will not have a material and adverse effect on the businesses and prospects of our Group.

### **5.2.21 Failure to comply with laws and regulations relating to environment and health and safety may result in penalties**

In general, some of our Group's operations generate dust, waste and noise pollution. We are required to comply with various environmental laws and regulations relating to water, air and noise pollution, and the disposal of waste materials. Our Group's failure to comply with such environmental laws and regulations may result in penalties being imposed and in serious cases, closure of our operations. Should this occur, our financial performance would be materially and adversely affected. Any tightening of environmental laws may require us to invest significantly in equipment and machinery or to implement added processes to our current operations in order to meet such changes in environmental laws and regulations. Further, some of our operations may be affected by changes in health and safety laws and regulations where compliance with these new laws and regulations may entail significant expenses to us. There can be no assurance that the future costs of compliance with such laws and regulations will not have a material and adverse impact on our businesses and profitability.

Our Group has not experienced any of the risks set out in Sections 5.2.1 to 5.2.21 of this Prospectus which had a material and adverse impact on the businesses of our Group.

### ***Industry specific risks***

### **5.2.22 Our automotive division may be materially and adversely affected by the purported changes to the National Automotive Policy 2009**

The business of our automotive division could be materially and adversely affected by the purported changes to the National Automotive Policy 2009, which is expected to be announced within the first half of year 2012. If the Malaysian government grants manufacturing licences to foreign marque vehicle manufacturers to allow the production of vehicles in Malaysia, PROTON, our main customer whom our automotive division is highly dependent on, will be exposed to greater competition from foreign marque vehicle manufacturers such as those from Japan, Korea and Germany. These foreign marque vehicle manufacturers may wish to set up their production plants in Malaysia following the liberalisation and this could result in the retail price for foreign marque vehicle becoming more competitive against PROTON. Locally assembled and manufactured foreign marque vehicles will become more affordable, resulting in an increase in demand for the said vehicle and a fall in demand for PROTON cars, assuming both vehicles share the same segment. Unless our automotive division reduces its dependency on PROTON by manufacturing for other types of vehicles, the demand for automotive parts produced by our automotive division is likely to fall should there be a reduced demand for PROTON cars. Our automotive division will also face increased competition as new automotive parts suppliers may emerge following the liberalisation, which could result in intense price competition.

To mitigate the risks of reduced sales volume and falling prices, our automotive division will continue its efforts to maintain and improve on the quality and pricing of our products, improve production efficiency as well as secure new customers for our Group.

## 5. RISK FACTORS (Cont'd)

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Despite the efforts taken by us to penetrate into other carmakers and maintain our position as an established and preferred components vendor locally, there is no assurance that the introduction of the new objectives into the National Automotive Policy will not materially and adversely affect the business and contributions of our automotive division to the profits of our Group.

### 5.2.23 Our automotive division may be materially and adversely affected by DRB-HICOM Berhad's acquisition of PROTON, a major customer of our automotive division

As at the LPD, DRB-HICOM Berhad ("DRB-HICOM") has acquired 50.01% equity interest in PROTON. As set out in Section 6.13 of this Prospectus, our automotive division is highly dependent on orders from PROTON. Following its acquisition by DRB-HICOM, PROTON may be required to streamline its auto parts suppliers. Should this occur and if our automotive division is not appointed as one of PROTON'S preferred auto parts suppliers, the operating and financial performance of our automotive division will be materially and adversely affected.

We believe that the likelihood of DRB-HICOM not appointing us as PROTON's preferred auto parts suppliers is low due to our pre-existing relationship with DRB-HICOM. Our automotive division has been supplying auto parts to associated and jointly-controlled companies of DRB-HICOM for production of various Honda and Isuzu vehicles and our business relationship with the said companies have been well maintained over the past years.

Despite our pre-existing relationship, there is no assurance that DRB-HICOM will not source for other auto parts suppliers who may offer automotive components with similar or better quality at a more competitive price and on more attractive terms.

### 5.2.24 Exposure to inherent risks in our Group's oil palm plantations business

Although our Group's oil palm plantations business presently is not the main contributor to our revenue, nonetheless, the following are the inherent risks that we would face should we, in future, invest more of our resources in the oil palm plantations business:

- (i) Threat of palm oil being replaced with other oils such as soybean, sunflower and rapeseed oil;
- (ii) Crude palm oil is a commodity which are susceptible to global supply and demand conditions such that the earnings from our oil palm plantations business are subject to market price fluctuations;
- (iii) Our Group faces difficulty in recruiting Malaysian workers and instead relies on foreign labour for the cultivation and harvesting of oil palm;
- (iv) Effects of severe and prolonged drought will usually result in low crop production while very wet weather may materially and adversely affect harvesting of FFB;
- (v) Pests and outbreak of diseases may affect our crops; and
- (vi) Negative publicity alleging that palm oil is detrimental to health and that oil palm plantations business materially and adversely affect the environment, including destroying the habitat of endangered wildlife, could result in a reduced demand for palm oil related products.

## 5. RISK FACTORS (Cont'd)

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### 5.3 Other risks

#### 5.3.1 Forward-looking statements are subject to uncertainties and contingencies

Certain statements in this Prospectus in relation to us are based on historical data, which may not be reflective of the future results. Other statements, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Group for future operations, which are forward-looking in nature, will be subject to uncertainties and contingencies. Although we believe that the expectations reflected in such forward looking statements are reasonable at this time, there can be no assurance that such expectations will subsequently materialise. For example, any unforeseen changes to economic, regulatory or labour conditions could materially and adversely affect our business strategies and future plans which will affect our operations and profitability. As such, forward looking statements presented in this Prospectus should not be regarded as a representation or warranty by us or any of our advisers that our plans and objectives will be achieved.

#### 5.3.2 Impairment of goodwill

Based on our proforma consolidated financial information and proforma consolidated statements of financial position as at the year ended 31 December 2010, we have goodwill of about RM176.18 million which is subject to annual tests of impairment. Some examples of events/changes in circumstances that may cause impairment of goodwill are as follows:

- (i) Evidence of obsolescence or physical damage of an asset in the cash generating units ("CGUs") which may materially affect the cash generating capability of such asset;
- (ii) Significant changes in the event to which, or manner in which, an asset in the CGU is used or is expected to be used, that have taken place in the period under review or soon thereafter and that will have an adverse effect on it. These changes include the asset becoming idle, plans to dispose of an asset sooner than expected, reassessing the asset's useful life as finite rather than infinite or plans to restructure the operation to which the asset belongs;
- (iii) Significant adverse changes that have taken place during the period under review, or will take place in the near future, in the technological, market, economic or legal environment in which the CGU operates; and
- (iv) Economic performance of the CGU is, or will be worse than expected.

In the event of goodwill impairment, the profitability of our Group may be adversely affected and may have a corresponding effect on the shareholders' value.

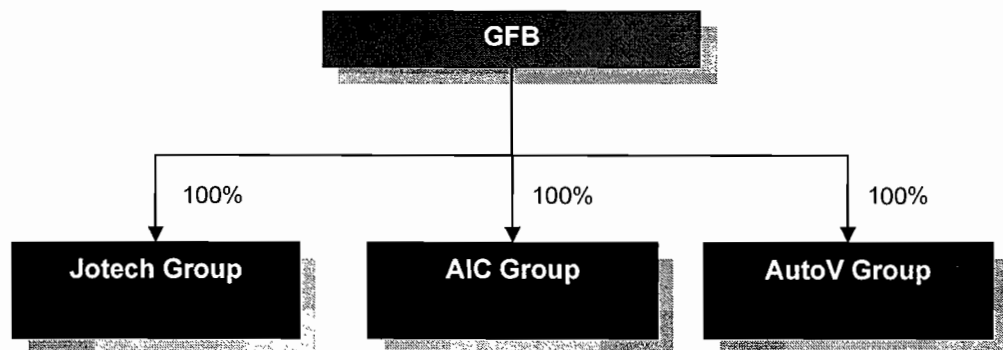


## 6. BUSINESS OVERVIEW

### 6.1 Business overview

We were set up as a special purpose company in Malaysia under the Act on 15 July 2011, to facilitate the Acquisitions. We were subsequently converted into a public limited company on 18 October 2011 and we assumed our current name on 4 April 2012. Our current principal business activity is investment holding while the principal business activities of our subsidiaries and associated companies are further set out in Section 9.2 of this Prospectus. With the Completion, we have overseas operations in Indonesia via PT Indotech Metal Nusantara which is involved in metal stamping and also via Rockhill, whose subsidiary, PT Sarana Rockhill Resources was assigned the coal mining services and marketing rights from PT Sarana Putra Perdana (the coal concession owner) to provide all coal mining and sale services to it. As at the LPD, extraction and marketing of coal has yet to commence as PT Sarana Putra Perdana is in the process of obtaining the "Izin Pinjam Pakai Hutan" licence to be issued by the Kementerian Kehutanan Indonesia. Our overseas operations in PRC is represented by GuangDong Jotech Kong Yue Precision Industries Ltd which is involved in the manufacturing and fabrication of tools, dies and stamped metal components for the E&E industries.

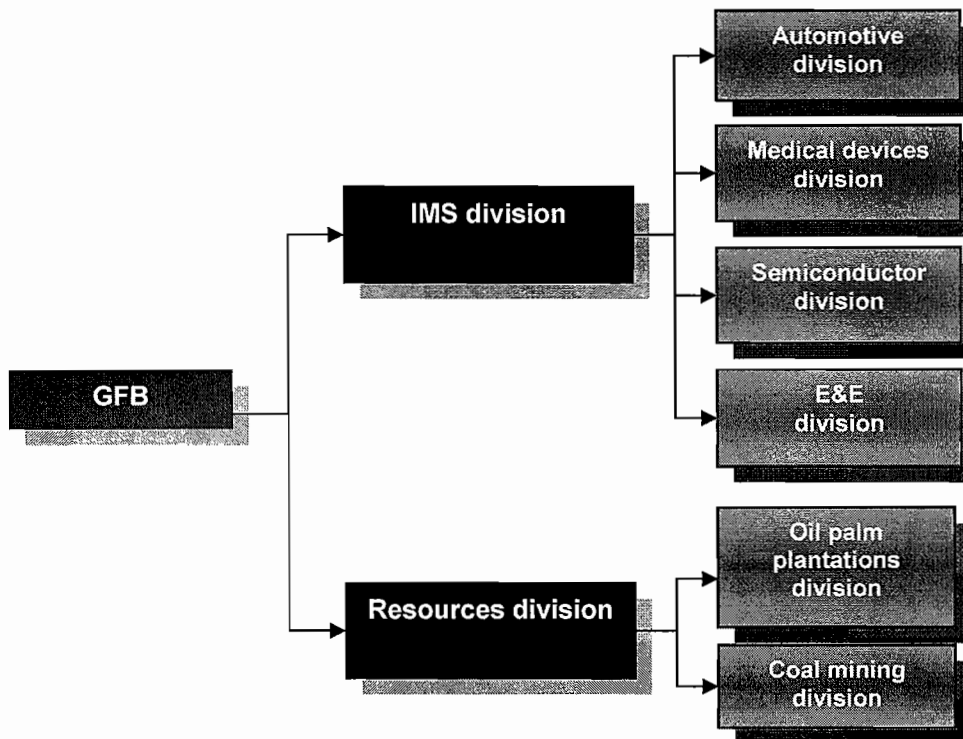
Our Group comprises the Jotech Group, AIC Group and AutoV Group. Our corporate structure upon Completion is as follows:



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## 6. BUSINESS OVERVIEW (Cont'd)

Our Group's principal activities are divided into two (2) main divisions being the IMS division and the resources division which comprises the following sub-divisions:



### 6.2 Our IMS division

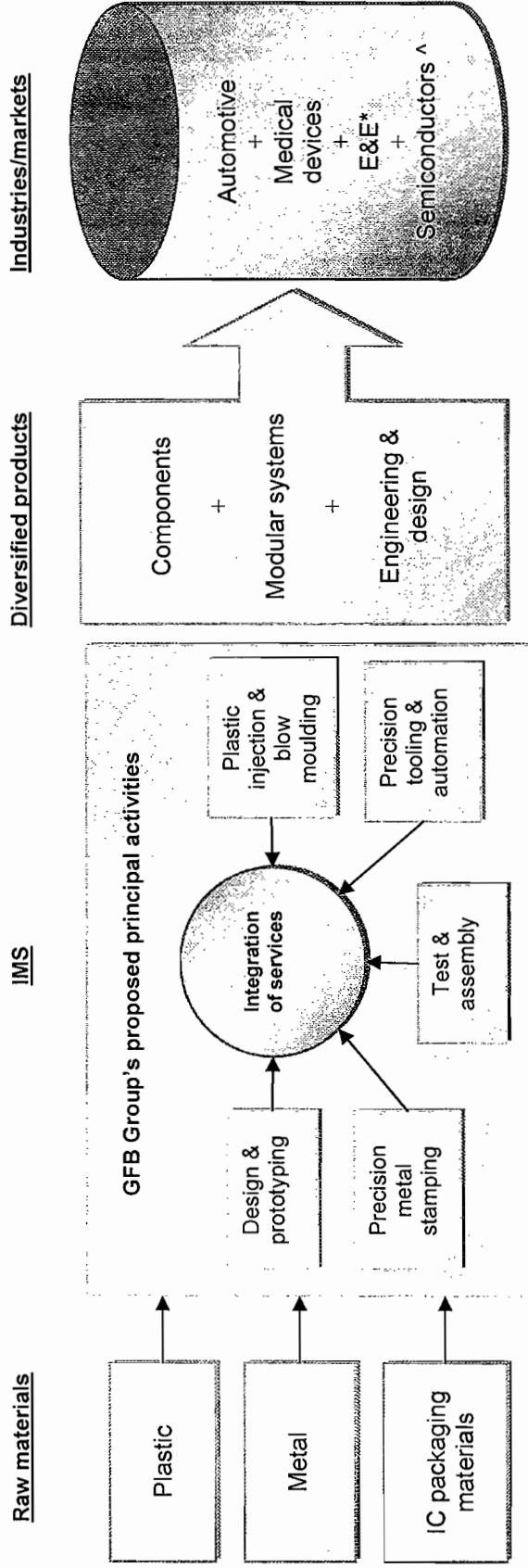
As an IMS Solutions provider, we are able to offer the following multi-disciplinary manufacturing services:

- (i) precision metal stamping;
- (ii) precision machining and assembly of RF microwave, photonics and medical components;
- (iii) design and fabrication of precision tooling and automation equipment;
- (iv) injection moulding and blow moulding;
- (v) test and assembly of semiconductors and smart card modules; and
- (vi) design, manufacturing and assembly of automotive components and module/systems.

In addition, we are able to ride on the outsourcing trends that are increasingly practiced by MNCs globally as they concentrate on their core competencies. We aim to do this by offering synergistic combinations of different skill-sets and technologies from different business divisions to deliver seamless services, combining design and manufacturing capabilities with logistics to our customers. By manufacturing key components and undertaking sub-assemblies for our customers, we will be able to enhance the continuity of supply and may also reduce costs for our customers. Through the current global outsourcing trends, we also hope to gain a wider market and client base.

6. BUSINESS OVERVIEW (Cont'd)

The diagram below sets out a pictorial illustration of the multi-disciplinary manufacturing services that can be offered by our Group.



Notes:

\* Refers to E&E products including, among others, photonic, RF, consumer E&E components.

^ Refers to the design, development, procurement, assembly, testing, and sale of IC packages.

## 6. BUSINESS OVERVIEW (Cont'd)

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Our Group's IMS division comprises the following four (4) divisions, namely:

- (i) automotive division which is involved in the provision of manufacturing services for various levels of automotive components and modules/systems which involves the integration of electrical devices with metal, rubber and plastic based components;
- (ii) medical devices division which is involved in the provision of metal and plastic based manufacturing services for medical devices;
- (iii) semiconductor division which is involved in the provision of design, development, procurement, testing and assembly of IC packages and smart card modules; and
- (iv) E&E division which is involved in the provision of metal and plastic based manufacturing services for E&E products including, among others, consumer products, photonics, RF microwave components and industrial products.

For our Group's IMS division, our customers are principally MNCs and blue chip companies and our principal markets are spread between the automotive components and E&E industries such as the semiconductor industry, RF industry and the photonics industry. We have also made in-roads to the following industries:

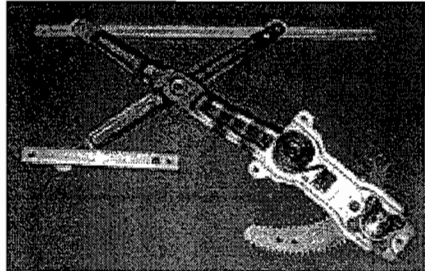
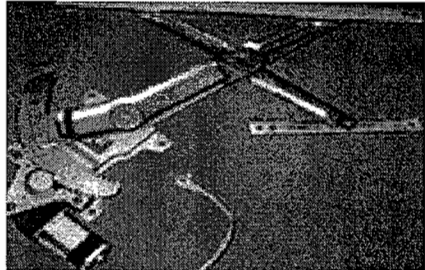
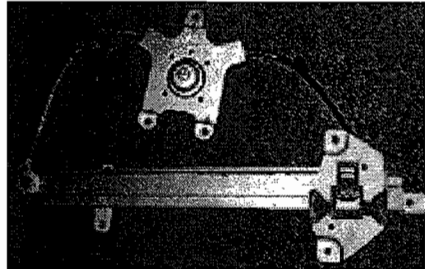
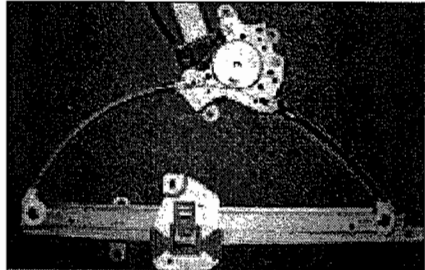
- (i) medical devices industry; and
- (ii) household appliances industry (LCD, plasma, LED televisions) with customers such as Panasonic and TDK Lambda.

### 6.2.1 Our automotive division

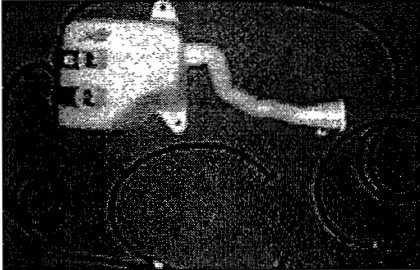
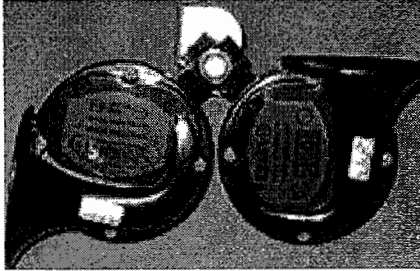
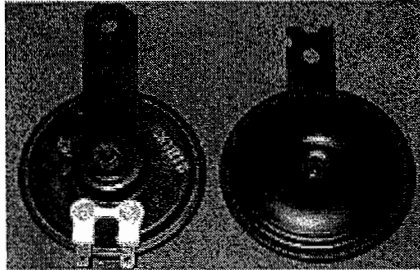
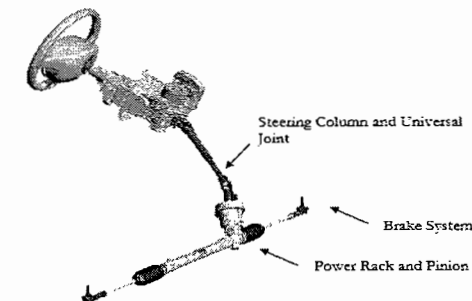
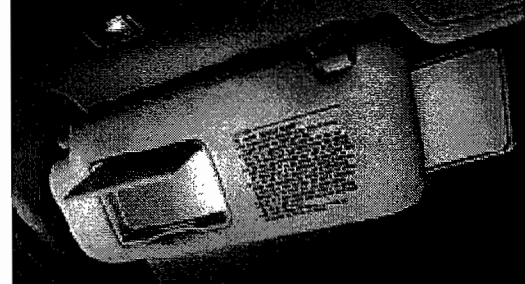
The operations of our automotive division is carried out by AutoV Group, which is principally involved in the manufacturing of automotive components for the automotive industry in Malaysia. AutoV Group is a Tier-1 and Tier-2 vendor of automotive components to PROTON, Perodua, Honda, Toyota and other international automotive manufacturers and assemblers. A Tier-1 vendor is a preferred vendor that provides products and services directly to OEM automotive manufacturers, and assemblers due to the recognition and acceptance of our capabilities to deliver products and the desired quality with competitive pricing. Tier-1 companies assemble major automotive components into large modules which are created using parts from Tier-2, Tier-3 or even smaller vendors, and these companies are generally paid by their larger Tier-1 siblings.

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


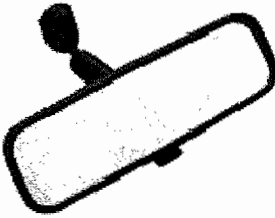
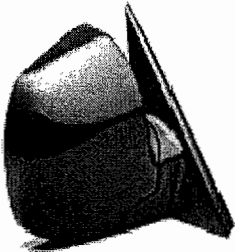
Our AutoV Group manufactures a range of automotive components, such as:

| No. | Type of automotive components | Pictorial illustration   |
|-----|-------------------------------|--|
| (i) | Window regulators;            |    |
|     |                               | Manual scissor arm regulator   |
|     |                               |   |
|     |                               | Power scissor arm regulator  |
|     |                               |  |
|     |                               | Manual cable type regulator  |
|     |                               |  |
|     |                               | Power cable type regulator   |

6. BUSINESS OVERVIEW (Cont'd)

| No.   | Type of automotive components | Pictorial illustration   |
|-------|-------------------------------|--|
| (ii)  | Washer system;                |    |
| (iii) | Electronic horns;             |  <p data-bbox="788 949 954 972">Shell type horn</p>    |
|       |                               |  <p data-bbox="788 1272 943 1294">Flat type horn</p> |
| (iv)  | Steering systems;             |    |
| (v)   | Sun visors;                   |    |

## 6. BUSINESS OVERVIEW (Cont'd)

| No.    | Type of automotive components | Pictorial illustration  |
|--------|-------------------------------|---|
| (vi)   | Wipers;                       |   |
| (vii)  | Internal rear view mirror     |   |
| (viii) | Side rear view mirror         |  |

To complement our automotive components manufacturing business, AutoV Group also offers plastic processing services such as injection moulding, blow moulding, vacuum forming and fiber reinforcement process. Our car components manufactured through plastic processing services includes, among others, engine cover, gear shift module, parking brake cover, radiator grille and rear spoiler.

### 6.2.2 Our medical devices division

The operations of our medical devices division is carried out by AIC Group and its activities (which also include precision machining, tooling and automation activities) comprise:

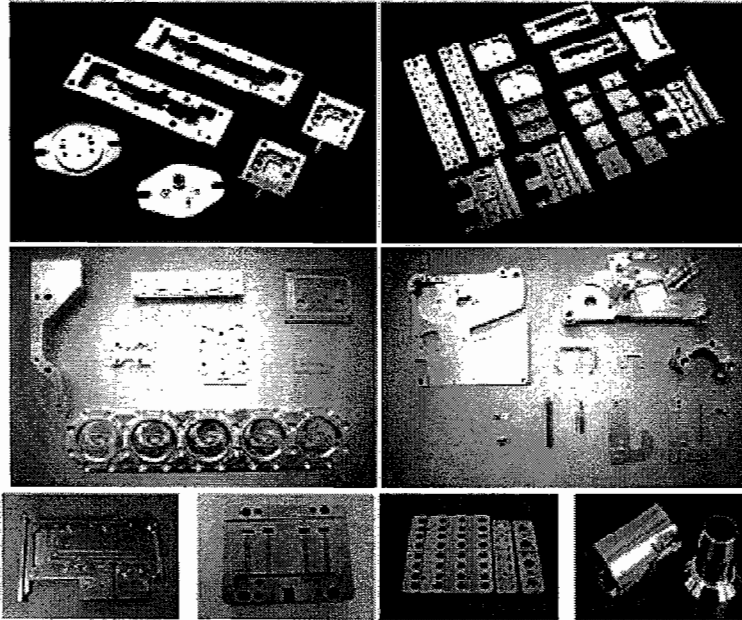
- (i) the manufacturing and provision of high precision machining services for components of medical devices; and
- (ii) manufacturing of high precision tooling, mould and die sets.

The manufacturing of high precision tooling, mould and die sets also complement our semiconductor division as we are also able to develop and manufacture automation machines and systems for the semiconductor industry. These include the design and building of customised machines and system to automate the manufacturing processes of semiconductors.

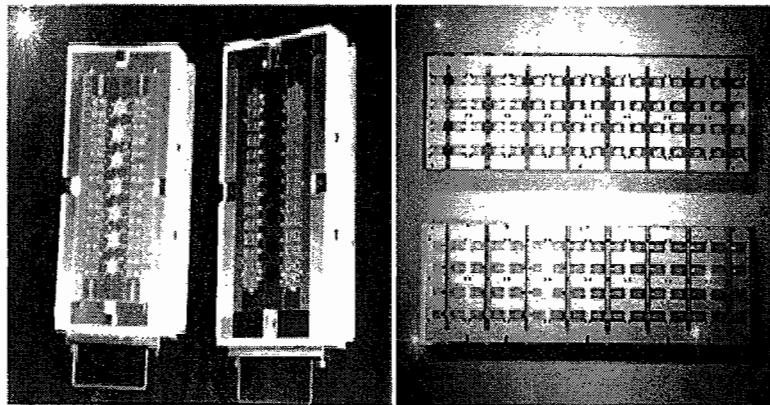
**6. BUSINESS OVERVIEW (Cont'd)**

The products from our medical devices division are segmented into the following categories:

- (i) high precision components for medical devices, photonics and RF microwave products;



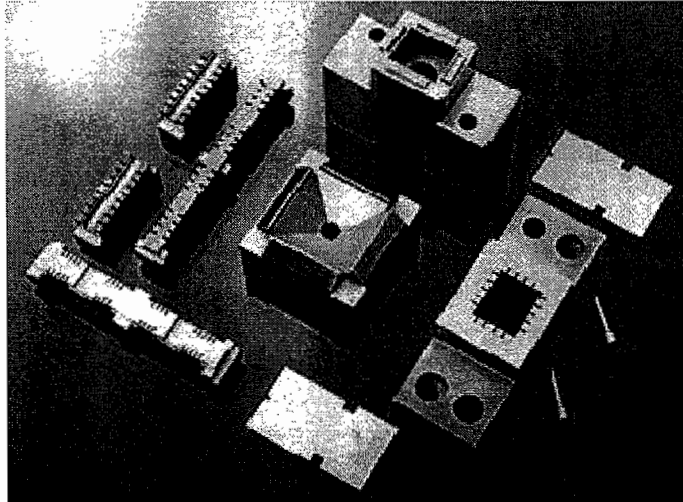
- (ii) mould and dies for encapsulation of ICs, die-sets and die-parts; and





## 6. BUSINESS OVERVIEW (Cont'd)

- (iii) jigs and fixtures, equipment spare parts, gauges, sheet metal work, tooling and jobs that require high precision computer numerical control milling, turning, grinding, EDM, die sinking and wire cut.



Our medical devices division is currently the supplier for five (5) international customers in the medical devices and life-sciences industries. As at the LPD, a total of twenty-seven (27) components were qualified by our respective international customers, out of which eighteen (18) items are undergoing mass production and nine (9) items are pending mass production and fifty-three (53) components are currently undergoing qualification.

### 6.2.3 Our semiconductor division

The operations of our semiconductor division is principally carried out by AIC Group which is engaged in the design, development, procurement, assembly, testing and sale of semiconductor products. It provides one-stop solution services, including package design and development, engineering and test development, assembling and testing of IC packages/smart card modules and drop shipment and distribution services.

Through the AIC Group, we offer a range of advanced IC packages while our core area is in leaded IC packages. We use advance packaging simulation techniques, advanced materials and process characterisation. Our package development team has successfully developed a wide range of chip scale packages, multi-chip module and smart card module products.

We believe that our process technology and manufacturing system allows us to deliver reliable and quality products with high yield and within a short production time. Our semiconductor products ranges from plastic leaded chip carrier, plastic dual-in-line package, small outline integrated circuit, very small outline package/thin small outline package, QFN and thin shrink small outline package to chip scale package, IC packages, some of which are shown below:

## 6. BUSINESS OVERVIEW (Cont'd)

### Leaded Packages



**DFN**  
Dual Flat-pack No-Lead



**PDIP**  
Plastic Dual-In-Line Package



**PLCC**  
Plastic Leaded Chip  
Carrier



**QFN**  
Quad Flat-pack No-Lead

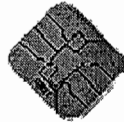


**SOIC**  
Small Outline Integrated  
Circuit



**TSSOP**  
Thin Shrink Small Outline  
Package

### Smart Card Modules



**SCM**  
Smart Card Modules

#### 6.2.4 Our E&E division

The operations of our E&E division is carried out by Jotech Group and its activities comprise the design and fabrication of toolings, prototyping, precision metal stamping and sub-assembly services.

The precision metal stamping operations are carried out by our four (4) subsidiaries, namely Jotech Metal Fabrication Industries Sdn Bhd, Yee Heng Precision Stamping Sdn Bhd, PT Indotech Metal Nusantara in Indonesia and GuangDong Jotech Kong Yue Precision Industries Ltd in PRC.

Jotech Group is a supplier to many major MNCs in the E&E and automotive industries to the local and overseas markets. It mainly focuses its manufactured metal stamped components for electrical, consumer electronics and automotive products.

#### 6.3 Our resources division

Our resources division is involved in the following activities:

- (i) oil palm plantations division which is involved in the operating and management of our oil palm plantations; and
- (ii) coal mining division which is involved in the extraction and marketing of coal. As at the LPD, the extraction and marketing of coal has yet to commence.

##### 6.3.1 Our oil palm plantations division

Our oil palm plantations related activities are carried out by our subsidiaries, namely CFSB and MPSB. Jotech completed the acquisitions of CFSB and MPSB on 22 March 2011 and these acquisitions represent part of our strategy of diversifying into the resources industry, which we foresee to have growth prospects and also to reduce our dependency on our Group's IMS division.

## 6. BUSINESS OVERVIEW (Cont'd)

As at the LPD, we have approximately 916.25 hectares of plantations situated at Sandakan Lahad-Datu Highway, Kinabatangan, Sabah, with approximately 836.96 hectares planted with oil palm.

The oil palm plantations of our Group are as follows:

### (i) Oil palm plantations held by CFSB

The oil palm plantations are located at Sungai Lokan locality in the district of Kinabatangan, Sabah and will continue to be used for oil palm plantation purposes. The approximate age of the oil palm trees in the plantations ranges from four (4) years to fourteen (14) years and their planted area sizes are as follows:

| <b>Year of planting</b> | <b>Planted hectares</b> |
|-------------------------|-------------------------|
| 1996 - 1997             | 85.49                   |
| 2007                    | 9.40                    |
| <b>Total</b>            | <b>94.89</b>            |

The net book value of the oil palm plantations, based on the unaudited financial statements of CFSB as at 31 December 2011 amounted to RM2,277,747.

### (ii) Oil palm plantations held by MPSB

The oil palm plantations are located at the Sungai Lokan locality in the district of Kinabatangan, Sabah and will continue to be used for oil palm plantation purposes. The approximate age of the oil palm trees in the plantation ranges from three (3) years to fifteen (15) years and their planted area sizes are as follows:

| <b>Year of planting</b> | <b>Planted hectares</b> |
|-------------------------|-------------------------|
| 1996                    | 57.44                   |
| 1997                    | 11.00                   |
| 1998                    | 51.66                   |
| 1999                    | 100.81                  |
| 2000                    | 74.83                   |
| 2002                    | 143.73                  |
| 2003                    | 15.00                   |
| 2004                    | 16.18                   |
| 2005                    | 153.06                  |
| 2007                    | 75.89                   |
| 2008                    | 42.47                   |
| <b>Total</b>            | <b>742.07</b>           |

The net book value of the oil palm plantations, based on the unaudited financial statements of MPSB as at 31 December 2011 amounted to RM28,109,299.

## 6. BUSINESS OVERVIEW (Cont'd)

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### 6.3.2 Our coal mining division

As part of our plan to diversify our future income stream, our Group had, in 2009, embarked on our maiden investment in the coal mining business by acquiring a 40% equity interest in Rockhill from Concord Alliance (HK) Ltd for a cash consideration of USD2 million. Rockhill is a company incorporated in the British Virgin Islands and is principally involved in locating high potential precious metal properties. The other shareholders of Rockhill are Concord Alliance (HK) Ltd and Jersey Gold Ltd, each holding 40% and 20% equity interest respectively. Concord Alliance HK Ltd has secured an exclusive and irrevocable right from PT Sarana Putra Perdana (the coal concession owner) to provide all coal mining and sales services that may be necessary for the production and sale of the entire coal reserves in the mining area.

Based on an exploration study conducted on the mining area and the exploration report dated November 2008, the indicative coal reserves in the mining area is at least 1.22 million metric tonnes, with an average quality of more than 7,000 calorie per kilogram.

As stipulated in the conditional sale and purchase agreement between Jotech and Concord Alliance (HK) Ltd dated 12 March 2009, Concord Alliance (HK) Ltd has assigned its exclusive and irrevocable rights to provide all coal mining and sales services in the mining area to PT Sarana Rockhill Resources, a subsidiary of Rockhill. PT Sarana Rockhill Resources was incorporated on 6 April 2009 and its principal activity is trading of coal and mineral resources. As at the LPD, Rockhill and Concord Alliance (HK) Ltd own 99.9% and 0.1% equity interest in PT Sarana Rockhill Resources respectively.

As at the LPD, the extraction and marketing of coal has yet to commence as PT Sarana Putra Perdana is in the process of obtaining the "Izin Pinjam Pakai Hutan" licence to be issued by the Kementerian Kehutanan Indonesia. Extraction and marketing of coal can only commence after obtaining this approval.

The surge in the prices of crude oil in recent years has forced the Indonesian government to look for alternative sources of energy. It is keen to take advantage of the growing role of coal, so as to maximise the potential of coal energy. Indonesia is seeking to expand the use of coal to fuel industries, especially to feed coal-fired power plants, replacing expensive oil fuels. There are also plans to electrify rural areas as it is estimated that only about 65% of the population has access to electricity. (Source: IMR Report)

Therefore, our Group stands to benefit from these developments.

With our exposure to the five (5) distinct industries, namely, automotive, medical devices, E&E (which includes semiconductor), palm oil and mining, our Group possesses a more diversified revenue stream as well as be less susceptible to the risk of a downturn that may affect a particular industry and our dependency on a single customer.

## 6. BUSINESS OVERVIEW (Cont'd)

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### 6.4 Our competitive strengths

Our competitive strengths include the following:

#### 6.4.1 Provision of IMS Solutions to our clients, in particular our MNC customers and blue chip customers

Due to finite resources, MNCs prefer to deal with fewer suppliers as possible in the supply chain. MNCs prefer suppliers that are able to offer a more integrated range of manufacturing services, in order to save time, resource allocation, integrate technical solutions and deliver better quality performance. We believe that with the Completion, we are able to provide our MNC customers and blue chip customers with a comprehensive range of manufacturing services and solutions for metal, plastic and electronic components and modules/semi-finished products including, among others, design, high volume manufacturing, assembly and logistics management services.

Our manufacturing services and solutions will comprise component design/design improvement, design and fabrication of precision tooling and automation equipment, precision machining and precision metal stamping, plastic injection moulding and blow moulding, assembly and testing, sub-assembly, packaging and logistics management services. We believe that with the Acquisitions, we are able to offer our customers a more competitive value-added IMS Solutions which includes:

##### (i) Provision of a more complete assembled component

As an IMS Solutions provider, we are able to manufacture metal, plastic and/or electronic components and assemble these components into modules/semi-finished products. For example, in addition to the production of precision machined components (which are primarily internal parts), we would also be able to manufacture plastic housings and casings and pre-assemble some of the precision machined parts and plastic housings into a more complete assembled component.

##### (ii) Reduced time to market

As a result of a more complete assembled component, our customers are able to source from a single supplier instead of having to source multiple unassembled components from multiple suppliers. In turn, our customers will be able to shorten their assembly process and accelerate the production of their finished products.

##### (iii) Reduced capital investment and improved inventory management

Our Group's ability to provide our customers with a comprehensive range of multi-disciplinary manufacturing services would assist our customers by reducing their capital investments since our customers would outsource a larger portion of their manufacturing activities to us. As a result, our customers can expect to reduce the holding of inventory of their unassembled components and improve their inventory management system by reducing the warehouse space and cost.

## 6. BUSINESS OVERVIEW (Cont'd)

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### (iv) Improved purchasing power

As an IMS Solutions provider, our Group will be able to undertake larger role of manufacturing and assembly of more modules/semi-finished products from the customers.

This in turn increases the purchasing power of our Group for the purchase of raw materials like metals, plastic and/or electronic components from the suppliers and hence our Group can procure raw materials at cheaper prices. Such cost savings will be able to pass on to our customers, who will then enjoy better margins for their products.

### (v) Improved product quality

When we are able to manufacture more components for our customers, we are also able to manage the quality control process to minimise any defective products. Any manufacturing defects will be rectified, thus improving the overall quality of the products manufactured as well as enabling additional cost savings for our customers.

#### 6.4.2 Product design, development and fabrication capabilities

We have the manufacturing and engineering capabilities to provide customers with product design, development and fabrication services.

An example of our ability in design and development is the supercharger project undertaken by the AutoV Group. The objective of the supercharger joint venture is to produce the supercharger systems in Malaysia for the global market, commencing with the PROTON Satria Neo model for PROTON Motorsports and subsequently progressing to other car manufacturers.

As our joint venture partner which owns the intellectual property ("IP") of the supercharger is very protective of its IP and require the main components to be produced in-house, our wholly owned subsidiary, Prodelcon, which is part of the AIC Group can, as a result of the Acquisitions, jointly participate in the manufacturing process required by the joint venture partner.

The introduction of supercharger will also enable car body kits manufactured by our wholly owned subsidiary, Proreka for OEM car makers to make a product differentiation as it will be difficult for after-market competition to imitate the added power of the supercharger when combined with Proreka's in-house designed new styling theme for car body kits.

Apart from the supercharger project, we are also exploring the possibility of introducing "Cyclone" products which can improve air intake into car engines and reduces carbon emission when fitted onto car engines. The products are currently undergoing tests to prove their effectiveness.

## 6. BUSINESS OVERVIEW (Cont'd)

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### 6.4.3 Geographical diversification

Our geographical diversification provides us with the advantages of close proximity to our customers, access to a larger pool of skilled labour, and other potential cost savings and efficiencies. We have manufacturing plants and offices in Malaysia, Indonesia and PRC. Our close proximity to our customers enables us to reduce our logistic and storage costs, shorten delivery and response time, forge closer working relationship as we are close to our customers' design centres thus enabling us to be more involved in collaborations, resource planning and project management. Other competitive advantages derived from our geographical diversification include:

- (i) flexibility in the utilisation of resources where production orders/processes can be carried out in other locations where deemed beneficial; and
- (ii) the overall impact on our Group is minimised should operational problems be encountered in a specific manufacturing plant.

### 6.4.4 Diversified customer base

We have a more diversified customer base comprising mainly MNCs and OEMs, with global operations and serving wide markets. Our customer base includes major corporations in the E&E (which includes consumer electronics), telecommunications, information technology, medical and life-sciences and automotive industries.

Our diversified customer base will help lessen any business and financial impact in the event of a downturn in a specific industry and/or reduction/non-continuation of orders from a single customer.

### 6.4.5 A proven and stable copper wire bonding technology

We have a proven and stable copper wire bonding technology. The use of copper materials to replace gold is more cost effective and reduces cost by 60%.

## 6.5 Business strategies, future plans and prospects

### 6.5.1 Value of the merger

The Acquisitions will allow us to generate value in the following manner:

- (i) **The shareholding structures of the Jotech Group, AIC Group and the AutoV Group will be restructured and optimised**

Prior to the Acquisitions, Jotech held 16.12% equity interest in AIC and AIC held 17.88% equity interest in AutoV. The AIC Shares and the AutoV Shares are relatively illiquid compared to Jotech Shares. The Acquisitions will unlock the multi-tiered shareholdings and create a single common share base, thereby increasing the number of outstanding shares and liquidity for retail and institutional participation. The increased liquidity will also create greater visibility among the larger institutional funds.

## 6. BUSINESS OVERVIEW (Cont'd)

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### (ii) Strengthening of financial position

With the Completion, we have a larger and stronger balance sheet which allows us to undertake larger projects, capitalise on growth opportunities, in line with globalisation. We will be able to consolidate the various supply chains practiced by the different companies into a single supply chain, thus enabling us to achieve a level of efficiency to reprice our end products at a level which our competitors may find difficulty in matching. We may also be able to seek more favourable terms from our suppliers that would enable us to provide our customers with greater cost reductions than they can obtain themselves.

Lastly, a larger and stronger balance sheet will allow us to better tap the debt and equity markets to fund future acquisition activities and investments for expansion, and also reduce our borrowing or funding costs.

### (iii) Reduce exposure and dependency on a single industry

Prior to the Acquisitions, the Jotech Group, AIC Group and AutoV Group are individually dependent, wholly or to a large extent on a single industry and, are vulnerable to its cyclical effects. The Acquisitions will create five (5) key business pillars for us, namely the automotive, medical devices, E&E (among others, RF and photonics), semiconductor and resources industries. The Acquisitions will also integrate value added design and development services through Prodelcon and Proreka into our overall IMS Solutions offerings that help enhance our profit margins. Our future plan to expand our Group's resources division, in particular the oil palm plantations business will further reduce our exposure and dependency on a single industry. The five (5) revenue generating business pillars will help minimise the adverse impacts from any downturns, resulting in better earnings stability and visibility for our Group.

### (iv) Cost savings, improve efficiencies and initiate cross-selling activities to enhance revenue and profit potentials

We are able to capture cost savings by reducing operational redundancies (for example through streamlining back office operations) and improving efficiencies through the sharing of technologies, know-how and best practices. This includes potential cost savings derived from pooling raw material procurement resources, in-sourcing and distribution management. We will also save on compliance cost as a single public listed company as compared to the total compliance costs of three (3) public listed companies.

We will also have the opportunity to enhance our revenue and profit growth through cross-selling additional design and/or manufacturing and/or sub-assembly services to existing customers, with the objective of deepening the relationship of our existing accounts, enhance customer loyalty and becoming an integral part of our customer's manufacturing supply chain.

### (v) Sharing of facilities within our Group

With the Completion, we are able to derive additional efficiencies through the sharing of facilities between the Jotech Group, the AIC Group and the AutoV Group. We will also be able to position our operations in the best possible proximity to our customers and enable us to be more involved in the collaborations, resource planning and project management of our customers.



## 6. BUSINESS OVERVIEW (Cont'd)

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For example, one of Prodelcon's main customer is based in Singapore. Upon the Completion, Prodelcon will be able to share the use of the Jotech Group's factory infrastructure and logistics capabilities in Johor so as to better service that customer.

### (vi) Strengthen direct and indirect barriers to entry

We also aim to create value by improving our competitive advantage by creating direct and indirect barriers to entry. A more integrated supply chain may achieve a level of efficiency that enables our Group to price the end product at a level that is competitive with its competitors.

### 6.5.2 Future plans and business strategies

Our future plans and business focus is to expand our Group's resources division and expand our operations as an IMS Solutions provider of metal, plastic and electronic parts, components, and sub-assemblies and completed products for MNCs and blue chip customer. Our business strategy is to further develop and leverage our multi-disciplinary manufacturing strengths, our cost structure, our logistical advantages, our reputation as a high-quality manufacturer, and our existing relationships with blue chip Malaysian, Japanese, U.S. and Taiwanese customers to further expand our Group's manufacturing operations and product offerings. To achieve our future plans, we will focus our energy and resources on the following strategic paths:

#### (i) Broaden and diversify our range of manufacturing service offering

Unlike many of our manufacturing competitors in Malaysia that are limited to either metal stamping or plastic moulding, we intend to offer our customers a more integrated range of multi-disciplinary manufacturing services that combines design, manufacture and assembly of more complex component and sub-assemblies, utilising our metal, plastic and electronic manufacturing capabilities. An example of such multi-disciplinary manufacturing service that we intend to offer would be the manufacturing of automotive components such as automotive floor console module. This will utilise all our manufacturing capabilities, starting with mould and die making for the metal and plastic parts, computer numerical control machining, metal stamping, plastic injection moulding, soldering and assembling all the parts.

Another example is the automotive window regulator which substantially comprises metal, plastic and electronic components. With Proreka now in our Group, our automotive division can now jointly develop or produce two (2) main components (metal and plastic) in house for integration with electronics to complete the window regulator. In addition, better collaboration and development work can be undertaken to substitute metal with plastic to produce lighter weight components, which is more desirable to our OEM customers.

As part of our business focus and growth strategy, a new manufacturing plant is being built in Indonesia to cater for our automotive customers and to increase our manufacturing capacity and product range. We intend to finance the acquisition of new machinery and construction of our new manufacturing plant through internally generated funds and/or bank borrowings. We have budgeted approximately RM15.23 million for the construction of the first phase of a new manufacturing plant and acquisition of new machinery to be operated on a piece of land situated at Karawang, Indonesia.

## 6. BUSINESS OVERVIEW (Cont'd)

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We have so far incurred expenditures of approximately RM12.86 million as at the LPD for the construction of the first phase of our new manufacturing plant. Construction of our new manufacturing plant commenced in May 2011 and will be carried out in two (2) phases over the next three (3) years until the end of 2014.

As at the LPD, the first phase of our manufacturing plant is targeted to be fully completed and operational by June 2012 with a built-up area of approximately 32,000 sq. ft, a 74% increase from our current manufacturing plant at Karawang, Indonesia. Upon completion of the first phase of our manufacturing plant, the production capacity of the Indonesian operations is expected to increase to 7.93 million strokes per annum or approximately 25.4% of additional capacity from our present capacity of approximately 6.32 million strokes per annum.

Upon construction and full completion of our new manufacturing plant, we expect to double our production capacity within the next two (2) to three (3) years.

We also intend to develop our medical devices division by taking the following steps:

- (a) obtain the ISO 13485 certification in order to secure more customers in the medical devices industry;
- (b) increase our participation in medical technology exhibitions globally to identify and court potential customers; and
- (c) identify and construct a dedicated facility for medical devices production.

Our semiconductor division has started the development of copper wire bonding as an alternative to gold wire bonding in 2007 in order to reduce our material cost and the risks associated with the fluctuating price of gold, which is the main component of our semiconductor division. In view of the escalating gold prices, our semiconductor division plans to increase our copper wire bonding capacity from the current level of 30% to 75% within the next two (2) years. This will improve the cost structure of our semiconductor division and increase the overall capacity utilisation.

### (ii) **Attain better cost efficiencies**

We aim to attain better cost efficiencies by improving our operational, procurement and administrative system. We plan to achieve such operational, procurement and administrative efficiencies by taking the following steps:

#### (a) **Centralisation of back office operations**

Upon Completion, our Group will centralise the back office operations (i.e. administration, human resource, finance and sales and marketing departments and others) of Jotech, AIC and AutoV, thus resulting in the reduction of any duplication, increased efficiency and operational costs savings.

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

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**(b) Enhanced cash management arising from pooling of cash resources**

Upon Completion, the excess cash arising from the Acquisitions can be pooled together for more effective and efficient cash management and with a larger cash balance, our Group is able to negotiate for better interest rates/returns with the financial institutions.

**(c) Joint marketing and improved branding**

Our Group is also able to jointly market our manufacturing services to our common pool of customers. For example, instead of Jotech marketing only its metal stamping services, our Group can market our IMS Solutions services which include, among others, plastic injection moulding, assembly services and logistics management services to our prospective customers. In terms of branding, our Group can be marketed as an IMS Solutions provider, providing a comprehensive range of multi-disciplinary manufacturing services and solutions.

**(d) Cost savings through joint procurement of materials and services**

Upon Completion, our Group is able to combine the procurement of raw materials of Jotech Group, AIC Group and AutoV Group which enables us to make bulk purchases and negotiate for better terms and lower costs from our suppliers.

**(iii) Initiate cross-selling activities**

We intend to focus on cross-selling additional design and/or manufacturing and/or sub-assembly services to existing customers, with the objective of deepening the relationship of our existing accounts, enhancing customer loyalty and becoming an integral part of our customers' manufacturing supply chain.

The Acquisitions will allow the sales and marketing activities to be streamlined and broadened whereby our services will be marketed to every customer. Our sales force will share common facilities and services to synergise the sales and marketing activities while leveraging on the enlarged business networks to reach out to both existing and potential customers.

For example, our automotive division, run by the AutoV Group, is now able to tap into the buoyant Indonesia and PRC automotive markets due to Jotech Group's presence in those countries. Currently, the primary products which Jotech Group markets in Indonesia and PRC are metal based automotive components. The merger will allow AutoV Group to cross-sell its full range of products comprising metal and plastic based components and modular/semi finished automotive products to the existing customers of Jotech Group. Apart from that, Jotech Group can also offer its precision metal stamping services to AIC Group's existing customers who require metal stamped components for their medical, photonics or RF microwave products.

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

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**(iv) Initiate technical collaborations**

We intend to initiate technical collaborations within our subsidiaries to share manufacturing technologies, process abilities and skill sets.

For example, as a result of the Acquisitions, Prodelcon is able to collaborate with Jotech in the design and fabrication of precision stamping tools, tool maintenance and automation equipment to improve productivity and yield.

**(v) Expand our Group's resources division**

We have earmarked our oil palm plantations for expansion with the intention to move down the value chain by acquiring sufficient oil palm plantation hectareage to justify the construction of a palm oil mill in Sabah. We believe that by having a palm oil mill, we will be able to have better control over our end product quality and profit margins. With a stronger balance sheet and increased financial capability as a result of the Acquisitions, we will be able to acquire additional oil palm plantations to accelerate the growth and contribution of our Group's resources division.

We have approximately 916.25 hectares of oil palm plantations situated at Sandakan Lahad-Datu Highway, Kinbatangan, Sabah. The expansion of our oil palm plantations will be focused in Sabah to achieve greater economies of scale to justify the construction of a palm oil mill.

Our Group's resources division is anticipated to benefit from the promotion of the palm oil industry as one of the twelve (12) national key economic areas under the Economic Transformation Programme. Over the next ten (10) years, the palm oil industry in Malaysia is expected to be driven by the following factors:

**(a) The expansion of existing upstream activities**

This growth will be driven by the expansion of Malaysian plantations abroad and organic growth in yield levels. Due to the scarcity of land in the country, Malaysian companies are anticipated to invest more aggressively in plantations abroad.

**(b) Development of existing downstream activities**

Malaysia is a major global oleochemical player, accounting for about 18.6% of global oleochemical production capacity. Palm feedstock availability, lower operating costs and increasing regional demand are expected to further shift oleochemical production to South East Asia, including Malaysia, in the future. This in turn, will boost the consumption of palm oil.

**(c) Development of national biodiesel activities**

The Malaysian Biofuel Industry Act 2007 complements the development of palm based biodiesel. It provides for mandatory blending of biofuel with petroleum diesel. The utilisation of palm oil for biofuel production will augur well for the demand of palm oil.

## 6. BUSINESS OVERVIEW (Cont'd)

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It is envisaged that the palm oil industry will remain a major contributor to the Malaysian economy over the next ten (10) years, building on a core set of advantages, including rising demand globally, continued high oil-yield per hectare, distinctive edge in yield and quality over competing countries such as Indonesia, as well as a conducive regulatory environment.

We have also ventured into the coal mining business via our 40% equity interest in Rockhill as part of our plan to diversify our future income stream and allow us to capitalise on the prospects of the coal industry in Indonesia. As at the LPD, the extraction and marketing of coal has yet to commence.

The surge in the prices of crude oil in recent years has forced the Indonesian government to look for alternative sources of energy and reduce the dependency on crude oil or fossil fuels. It is keen to take advantage of the growing role of coal, so as to maximise the potential of coal energy. Indonesia is seeking to expand the use of coal to fuel industries, especially to feed coal-fired power plants, replacing expensive oil fuels. There are also plans to electrify rural areas as it is estimated that only about 65% of the population has access to electricity. (Source: IMR Report)

Therefore, we stand to benefit from these developments.

### 6.5.3 Prospects of our Group

In light of the industry prospects, condition and competition, and as disclosed in Section 7 of this Prospectus, our Directors expect the results of our Group's operations for the eighteen (18)-month period ending 30 June 2012 to be satisfactory. The prospects and outlook of the main industries which we are involved in are disclosed in Section 7 of this Prospectus.

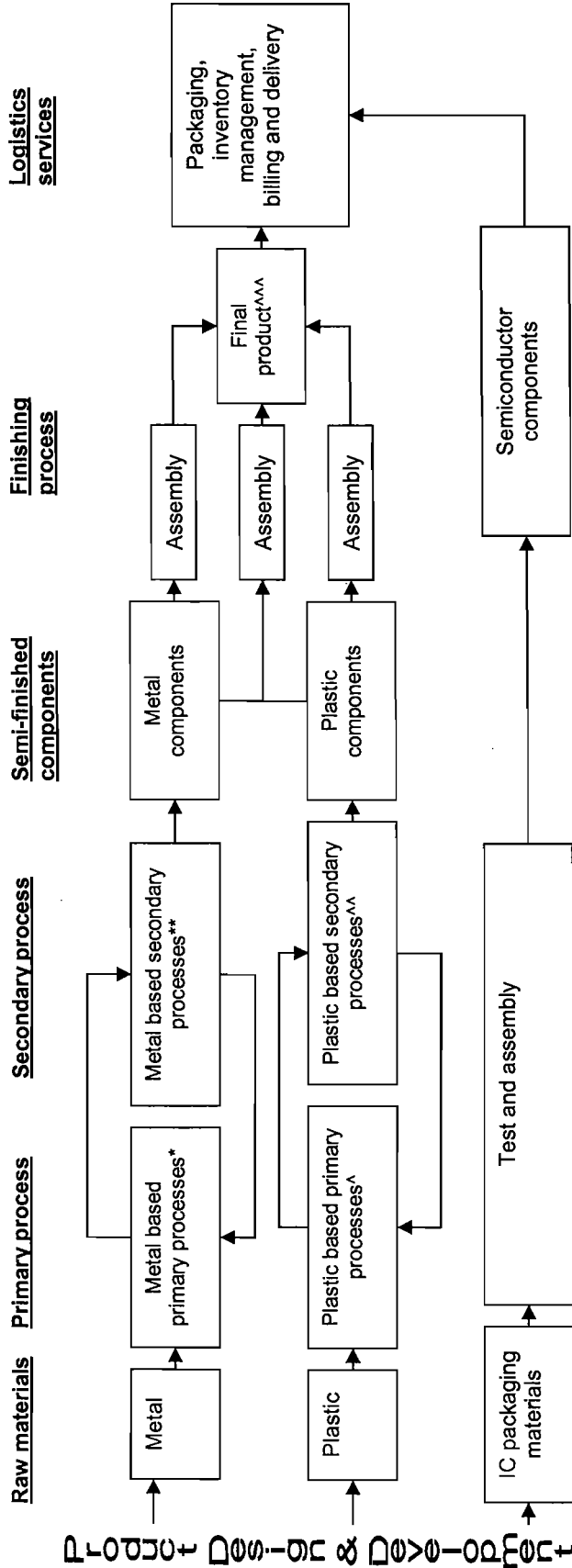
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6. BUSINESS OVERVIEW (Cont'd)

6.6 Our operating or trading mechanisms

6.6.1 IMS division

We generally adopt the following process for our Group's IMS division:



Notes:

- \* Metal based primary processes such as computer numerical control, milling, lathing/turning, wire cut, EDM, grinding, boring, stamping, drilling, surface grinding, bending, threading/riveting, caulking, hardening, welding, binding and shearing.
- \*\* Metal based secondary processes such as polishing, tapping, plating, coating, baking, drying and sub-assembly.
- ^ Plastic based primary processes such as injection moulding and blow moulding.
- ^^ Plastic based secondary processes such as plating on plastic, coating, baking, drying and sub-assembly.
- ^^^ Individual metal or plastic components and modular systems of the final end product.

## 6. BUSINESS OVERVIEW (Cont'd)

### 6.6.2 Resources division

Our Group's resources division comprising our oil palm plantations division and coal mining division does not involve any operating or trading mechanisms. The extraction and marketing of coal has yet to commence.

## 6.7 Technology used and processes

### 6.7.1 Automotive division

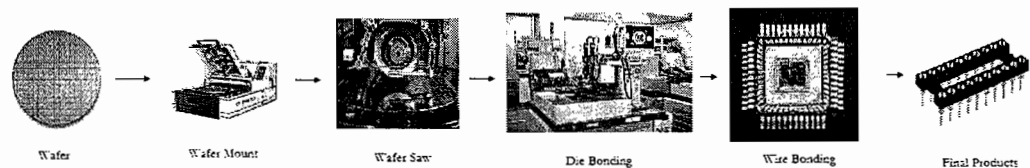
Our activities in the automotive division are primarily related to the assembly and sub-assembly of automotive components and modules and/or systems. Parts are either manufactured internally, for example, metal stamped parts and plastic moulded/injected parts, or sourced externally, for example, motors and pumps. Internally manufactured parts require specific technologies relative to the processes while product development of certain systems like door modules and wiper systems require more advanced technology which our automotive division procures through strategic collaborations with technical partners from Korea (in respect of window regulators), India (in respect of wiper system), Japan (in respect of sunvisors) and PRC (in respect of side mirrors). Our automotive division has started setting up the facility for the production of superchargers in Malaysia. Please refer to Sections 6.4.2 and 6.15.2(i) for further details.

### 6.7.2 Medical devices division

The technology used is mainly determined by the type of machine used in the fabrication of parts and the knowledge and skill level of our machinists or engineers. We continually upgrade our machineries to stay in the forefront of technology. Our machinists and engineers are sent for training to upgrade their skills. Our machinists and engineers are constantly exposed to complex design challenges and this helps to improve their skill level.

### 6.7.3 Semiconductor division

Our semiconductor assembly and testing technology involves the following processes, from raw wafer to testing and assembly of IC packages:



Our semiconductor division has a proven and stable copper wire bonding technology.

### 6.7.4 E&E division

Our E&E division is engaged in the design and fabrication of toolings, prototyping, precision metal stamping and sub-assembly services. Our technology lies in the metal stamping machines and our skills and knowledge in prototyping, designing and fabrication of precision tooling.

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

Our precision metal stamping tools are used to produce high precision metal components in various sizes, designs, thickness and materials. We specialise in designing and fabricating precision metal stamping tools which produce precision stamped metal parts that meet our customers' stringent and high quality requirement, which has tight tolerance in dimensional and flatness requirement at optimum costs. We use the latest state-of-the-art machineries, computer aided designing and computer aided machining software in the design and fabrication of our tools.

Our tooling facility is equipped with comprehensive tool manufacturing machinery to produce quality progressive and compound tools. We collaborate with experienced tool makers who have more than ten (10) years of experience in the design and fabrication of quality tools.

Our tool design and fabrication process is set out below:



**6.7.5 Resources division**

Our Group's resources division comprising our oil palm plantations division and coal mining division does not involve any production process. The extraction and marketing of coal has yet to commence.

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## 6. BUSINESS OVERVIEW (Cont'd)

### 6.8 Our major equipments and machineries

Our major equipments and machineries comprises of machines used in the assembly and test of ICs, manufacturing of metal and plastic parts, assembly machines, moulds, tools and jigs, as well as three dimensional designing software. Our major equipments and machineries are set out below:

| Equipment/Machinery   | No. of units | Net book value as at 31<br>December 2010<br>RM'000 |
|---|--------------|--|
| Wire/Die bonder   | 259          | 21,890   |
| Metal stamping machine  | 150          | 17,154   |
| Tester  | 83           | 7,491  |
| Handler system  | 64           | 7,478  |
| Automotive mould  | 33           | 5,276  |
| Package/wafer saw   | 23           | 5,264  |
| Computer numerical control milling machine  | 61           | 4,603  |
| Assembly machine  | 131          | 4,203  |
| Micro vision machine  | 24           | 1,850  |
| Glob top machine  | 8            | 1,788  |
| Laser cutting machine   | 3            | 1,595  |
| Automould machine   | 22           | 1,552  |
| Spray machine line  | 1            | 1,369  |
| Computer numerical control lathe machine  | 10           | 1,344  |
| Marking machine   | 21           | 934  |
| Metal sheet/roll feeder machine   | 36           | 878  |
| Plastic injection machine   | 7            | 869  |
| Trim and form machine   | 10           | 614  |
| EDM wire cutting machine  | 1            | 577  |
| Metal grinding machine  | 10           | 574  |
| Ultrasonic degreasing machine, bending machine and computer numerical control machine | 5            | 567  |
| Three dimensional measurement machine   | 1            | 524  |

## 6. BUSINESS OVERVIEW (Cont'd)

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### 6.9 R&D

Our Group's IMS division's R&D activities are core to our business as our IMS Solutions that we offer requires significant analysis, evaluation and testing with various metal, plastics and electronic materials. We have seven (7) R&D teams with a total of forty (40) R&D staff in our Group's IMS division focusing on component design/design improvement, design and fabrication of precision tooling and automation equipment, precision machining and precision metal stamping, plastic injection moulding, blow moulding, assembly and testing.

#### 6.9.1 Automotive division

Our automotive division continuously focus on efforts to improve product quality, production technologies, processes as well as product design. The primary duties of our R&D team includes, among others, product development, engineering design, styling rendering, clay modeling, prototyping and class A surface development. The achievements of the R&D team of our automotive division includes becoming the first local supplier for sun visors in 1990, introducing steering column models for PROTON and being presented with the award of "Automotive Component Supplier of Year 2011" by Frost & Sullivan.

#### 6.9.2 Medical devices division

Our medical devices division only came into existence following Completion and we do not have an R&D team in place for this division as at the date of this Prospectus. Our Group would like to focus on being an OEM supplier of medical devices at this stage. However, we do have an engineering team for the medical division to review and plan the specifications for the medical devices required by the customers.

#### 6.9.3 Semiconductor and E&E division

Our semiconductor division's R&D activities include development of new IC packages as well as manufacturing processes to meet customer demands and to keep up with the technological advancements in semiconductor assembly and test. The division has strong capabilities in the development of test methods and programmes to enhance the value-add in the support of business growth. At the same time, we are also involved with the development and introduction of new materials/processes to achieve better production efficiencies through lower production cost, better product quality and production speed.

Some of the recent significant achievements of the R&D team include, among others, the development and introduction of copper wire bonding technology as well as the installation of microelectromechanical systems production and test capabilities which has improved the semiconductor division's competitiveness and product portfolios.

In addition, we also have a development team in Prodelcon to undertake the design and fabrication of fully integrated automation equipment, moulds and tooling to support the development of new IC packages. This added capability has proven to be effective in reducing our IC package development lead times, time to market for our new products and our overall manufacturing costs.

Our E&E division's (represented by Jotech Group) R&D activities relate to tool design and prototype development. These activities are primarily aimed to improve cost and efficiency of production processes as well as to minimise the product development time of our customers. With the state-of-the-art computer numerical control laser and turret presses equipped in our R&D facility, it provides flexibility and quick turnaround to our customers in making changes to the design of prototypes.

## 6. BUSINESS OVERVIEW (Cont'd)

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This facility also provides our customers with a low up-front cost option for production of parts until the viability of product commercialisation is established.

### 6.9.4 Resources division

Our Group's resources division comprising the oil palm plantations division and coal mining division, does not engage in any R&D activity.

### 6.10 Quality assurance

As an IMS Solutions provider to MNC and blue chip companies, we place great emphasis on our quality assurance. We are dedicated to providing products and services that meet and exceed the expectations of our customers.

#### 6.10.1 Procurement policy

Our procurement process is efficiently managed to ensure materials or services purchased meet the requirements of our clients and the specifications of the established contracts. For example, the quality assurance of our automotive division starts from the procurement of quality raw materials (i.e. proper screening of reputable and reliable suppliers). It also carries out quality assurance programmes such as supplier/vendor audit, joint-check, alarm briefing and vendor quality assessment meeting.

#### 6.10.2 Quality management

The quality of our products and services is our priority as we strive to position ourselves in the upper echelon of IMS Solutions providers. We implement stringent quality management systems that are certified and recognised internationally to ensure that our products reliable and are of consistent quality. Our products undergo stringent quality tests from component design/design improvement, design and fabrication of precision tooling and automation equipment, precision machining and precision metal stamping, plastic injection moulding and blow moulding as well as assembly and testing.

For example, our automotive division's products undergo testing to reaffirm that the standards imposed by the Japan Industrial Standards, Mitsubishi Motor Corporation, American Society for Testing and Materials, European Economic Community and Society of Automotive Engineers, are followed.

Similarly, our semiconductor division has a control system to ensure that processes that are outsourced comply with customer requirements with reference to specifications or drawings in order to achieve customer satisfaction.

## 6. BUSINESS OVERVIEW (Cont'd)

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### 6.11 Health, safety and environmental policy

Apart from our dedication to quality products and services, we are also committed to maintaining certain health and safety standards and protecting and preserving the environment.

#### 6.11.1 Health and safety

We constantly promote a safe and healthy work culture for a more conducive working environment. To this end, different initiatives have been introduced with the support from various internal and external parties ranging from developing and extensive fire and building safety system to ensuring transparency via independent audits conducted by external qualified professionals. Our quality environment safety and health policy has, among others, the objective of striving towards zero injuries at all our production sites.

#### 6.11.2 Environment

We endeavor to protect, preserve and improve the environment through the conservation of resources by reducing, reusing, recycling and minimising the generation of inevitable waste. We also comply with all legal and other relevant environmental requirements with the aim of preventing or minimising environmental pollution. As a result of such practices, several subsidiaries within our Group were awarded the ISO 14001 certification from TUV Rheinland Cert GmbH, Bureau Veritas Certification and SGS United Kingdom Limited for our environmental management system. This certification demonstrates our commitment in protecting the environment through the establishment of an environmental policy, setting of objectives and the implementation of programs to eliminate or reduce the impact to the environment. In order to maintain this ISO 14001 certification, Jotech, for example, performs audits via independent laboratory testing on materials supplied and conducts training on the Restrictions of Hazardous Substances ("RoHS") and green procurement policy. Jotech Group also carefully chooses materials certified as free from hazardous substances to be used in our products to ensure that the parts and raw materials used by Jotech Group are in compliance with the RoHS requirements and are environmentally friendly.

### 6.12 Business location and summary of landed properties

Please refer to **Appendix I** of this Prospectus for details of properties owned and rented by our Group and also details of our oil palm plantations.





### 6.13 Dependency on any contract and arrangements

We are not highly dependent on any other contracts and arrangements, save for our automotive division which is highly dependent on orders from PROTON, which accounted for 50.02%, 76.66% and 71.78% to revenue of the automotive components manufacturing business of our Group. Our automotive division does not have any long-term contractual agreement with PROTON and in practice, PROTON will usually continue to purchase products from our automotive division until a particular car model has been phased out.


## 6. BUSINESS OVERVIEW (Cont'd)

## 6.14 Our trademarks

Save for our trademarks registered or in the process of being registered with the Intellectual Property Corporation of Malaysia as disclosed below, we do not hold any other patents, trademarks or registrations.

| Trademark  | Description of class heading of trademark                    | Class | Trademark No. | Validity period                        |
|--|--|-------|---------------|--|
| PROREKA<br>             | (i) Vehicles; apparatus for locomotion by land, air or water | 11    | 02011712      | 23 September 2002 to 23 September 2012 |
|  | (ii) Vehicles; apparatus for air conditioners                | 12    | 02011711      | 2012 for both                          |
| PRIM<br>                | (i) Vehicles; apparatus for locomotion by land, air or water | 11    | 07022888      | 21 November 2007 to 21 November 2017   |
|  | (ii) Vehicles; apparatus for air conditioners                | 12    | 07022887      | 2017 for both                          |
| PROMOS<br>             | (i) Vehicles; apparatus for locomotion by land, air or water | 11    | 06016252      | 7 September 2006 to 7 September 2016   |
|  | (ii) Vehicles; apparatus for air conditioners                | 12    | 06016253      | 2016 for both                          |
| Passion in Motion<br> | (i) Vehicles; apparatus for locomotion by land, air or water | 11    | 05009570      | 16 June 2005 to 16 June 2015           |
|  | (ii) Vehicles; apparatus for air conditioners                | 12    | 05009571      | 2015 for both                          |

As at the LPD, the following trademark is pending for approval from the Intellectual Property Corporation of Malaysia:

| Trademark  | Description of class heading of trademark   | Class | Trademark Application No. | Validity period                      |
|--|---|-------|---------------------------|--------------------------------------|
| LED-O<br> | Apparatus for lighting, heating, steam generating, cooking, refrigerating, drying, ventilating, water supply and sanitary purposes. | 11    | 2010015976                | N/A as trademark is pending approval |

## 6. BUSINESS OVERVIEW (Cont'd)

### 6.15 Sales and marketing plans

#### 6.15.1 Our principal markets and percentage of sales

The table below sets out our breakdown of principal markets by geographical regions and the respective percentage of sales for the years ended 31 December 2008, 31 December 2009 and 31 December 2010.

|                          | Year ended 31<br>December 2008 |               | Year ended 31<br>December 2009 |               | Year ended 31<br>December 2010 |               |
|--------------------------|--------------------------------|---------------|--------------------------------|---------------|--------------------------------|---------------|
|                          | RM'000                         | %             | RM'000                         | %             | RM'000                         | %             |
| <b>Countries</b>         |                                |               |                                |               |                                |               |
| Malaysia                 | 135,002                        | 39.80         | 134,196                        | 40.44         | 183,457                        | 46.46         |
| Taiwan                   | 50,953                         | 15.02         | 57,734                         | 17.40         | 59,420                         | 15.05         |
| Indonesia                | 33,915                         | 10.00         | 38,011                         | 11.46         | 49,497                         | 12.54         |
| Singapore                | 44,495                         | 13.12         | 37,769                         | 11.38         | 34,621                         | 8.77          |
| U.S.                     | 34,017                         | 10.03         | 28,389                         | 8.56          | 21,945                         | 5.56          |
| PRC                      | 13,831                         | 4.08          | 14,888                         | 4.49          | 21,082                         | 5.34          |
| United Kingdom           | 3,014                          | 0.89          | 9,549                          | 2.88          | 13,154                         | 3.33          |
| Other countries *        | 23,982                         | 7.07          | 11,262                         | 3.39          | 11,663                         | 2.95          |
| <b>Total Group sales</b> | <b>339,209</b>                 | <b>100.00</b> | <b>331,798</b>                 | <b>100.00</b> | <b>394,839</b>                 | <b>100.00</b> |

**Note:**

\* Other countries comprise of the Philippines, Thailand, Ireland, Korea, Germany, India, Czech Republic, Switzerland and Japan.

Please refer to Section 8.2.4 of this Prospectus for the breakdown of our Group's revenue and operating profit by geographical segment (based on location of operations).

Our major customers by revenue comprise mainly PROTON, which specialises in the automotive industry.

We believe our ability to manufacture products for the automotive, medical devices, semiconductor and E&E divisions has created diverse markets for our products. We also believe that our track record and export market share have also positioned us among the major IMS Solutions provider in Malaysia.

As at the LPD, we employ a total of thirty-seven (37) sales and marketing staff for our five (5) business sub-divisions.

## 6. BUSINESS OVERVIEW (Cont'd)

### 6.15.2 Sales and marketing plans

#### (i) Automotive division

Our automotive division is a Tier-1 vendor for certain automotive components such as window regulators, sun visors and steering columns for many automotive manufacturers and assemblers such as PROTON, Perodua, Toyota and Honda. We are also a Tier-2 vendor for certain products such as wiper systems for PROTON.

Our automotive division's marketing strategies includes working closely with customers in designing automotive parts to ensure that our products are efficiently infused into our client's products and accurately represents the image that our customers aspire to achieve. We also collaborate with our strategic partners in mould design and development to manufacture plastic parts for our new product range. An example of such collaboration is with Sprintex Limited of Australia ("**Sprintex**") to develop and produce superchargers for the model, PROTON Satria Neo. Furthermore, Sprintex and Proreka have entered in to a joint-venture agreement to manufacture Sprintex superchargers in Malaysia. We participate actively in conventions, exhibitions and conferences to promote our products and services. Such participations are significant as we are able to demonstrate and present our full range of products to attendees effectively via face-to-face demonstration. We have previously participated in local exhibitions, conventions and trade fairs such as that organised by the International Greentech & Eco Product Exhibition and Conference and the Kuala Lumpur International Motorshow held in Kuala Lumpur. Internationally, we have participated in conventions in India, Taiwan, Iran, Vietnam, the United Arab Emirates, Japan and Indonesia.

#### (ii) Medical devices division

Our medical devices division is relatively new, and like our automotive division, we intend to participate actively in conventions, exhibitions and conferences to promote our products and services. We deliver primarily precision machined components directly to our medical devices customers.

#### (iii) Semiconductor and E&E division

We have a sales and marketing team, comprising a sales representative each based in the U.S. and Korea. We also have a marketing office in Taiwan. Our team is experienced in the sales and marketing of our products and services and works closely with our customers in coming up with customised solutions as well as filling up repeat orders. We have participated in trade shows and exhibitions in Singapore and the U.S..

#### (iv) Resources division

Our oil palm plantations division derives its revenue from the sale of FFB to palm oil mills.

We have yet to extract and market the coal.

### 6.16 Our approvals, major licences and permits obtained

Please refer to **Appendix II** for further details on our key approvals, licences and permits that we require for our Group's operations.

## 6. BUSINESS OVERVIEW (Cont'd)

### 6.17 Major customers, major suppliers, raw materials and arrangements

#### 6.17.1 Our Group's major customers

Our Group's major customers that have contributed 10% or more of our revenue for each of the last three (3) years ended 31 December 2008, 31 December 2009 and 31 December 2010 are as follows:

| Customer                     | Country                | Nature/ type of service | No. of years of relationship<br>Years | Year ended 31 December 2008 |              | Year ended 31 December 2009 |              | Year ended 31 December 2010 |              |
|------------------------------|------------------------|-------------------------|---------------------------------------|-----------------------------|--------------|-----------------------------|--------------|-----------------------------|--------------|
|                              |                        |                         |                                       | RM'000                      | %            | RM'000                      | %            | RM'000                      | %            |
| PROTON                       | Malaysia               | Automotive components   | 25                                    | 30,893                      | 9.11         | 66,383                      | 20.01        | 73,627                      | 18.65        |
| Panasonic group of companies | Malaysia and Singapore | Audio video metal parts | 17                                    | 38,089                      | 11.23        | 31,500                      | 9.49         | 27,191                      | 6.89         |
| <b>Total</b>                 |                        |                         |                                       | <b>68,982</b>               | <b>20.34</b> | <b>97,883</b>               | <b>29.50</b> | <b>100,818</b>              | <b>25.54</b> |

Save for our automotive division's dependency on PROTON as set out in Section 6.13 of this Prospectus, our other divisions are not highly dependent on any other particular customer for our revenue contribution. In addition, we also do not have any long-term contractual agreements with our customers.

#### 6.17.2 Our Group's major suppliers

None of our Group's suppliers contributed 10% or more of our purchases for each of the last three (3) years ended 31 December 2008, 31 December 2009 and 31 December 2010.

Our Group is not highly dependent on any single supplier as the various purchases from our suppliers mainly relate to items utilised for our automotive, semiconductor and E&E businesses. These comprise, among others, goldwires, leadframes, steel, electro-galvanised steel, SPHC PO, SCM 435, mold compounds, side mirror parts, epoxy and plastic resins of which we have the option of sourcing from various suppliers.

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## 6. BUSINESS OVERVIEW (Cont'd)

### 6.17.3 Raw materials and arrangements

The major raw materials, together with their sources of supply as used by our Group are set out below:

| <u>Raw material</u>                | <u>Description</u>   | <u>Country of origin/purchased from</u>       |
|------------------------------------|--|---|
| Goldwire/Copperwire                | Used to connect the bond pads of the IC die to external leads  | Malaysia, Singapore, Korea, Philippines       |
| Leadframe                          | Copper based lead frames used to hold the IC die and to provide the leads or pins to connect to the printed circuit boards   | Malaysia, Singapore, Taiwan, Hong Kong, Japan |
| Mold compound                      | Thermoset plastic used to encapsulate the die and interconnect wires protecting it from the effects of the environment. The mold compound is used in all the IC products apart from smartcard and RF modules | Singapore, Taiwan, Korea                      |
| Electro-galvanised steel           | Used for forming all sorts of components mainly for transformer casing, airbag housing, wiper parts and window regulator using specific stamping tool and power press  | Japan   |
| Mirror assy                        | Used as a component for side mirror assembly   | PRC   |
| Motor and cable                    | Used as a component for window regulators  | Korea   |
| Steering assy/rack and pinion assy | Used as a component for steering column and rack   | Korea   |
| Brake assy                         | Used as component for steering column and brake assembly   | Korea   |
| Motor and linkage                  | Used as a component for the wiper system   | India   |
| Alloy steel SCM 435                | Used in the metal stamping process to produce plate clutch, which is an automotive component   | Japan   |

Our raw materials are sourced locally and overseas. The major raw materials for our automotive division comprise mainly of a varied range of electro-galvanised steel, stamping parts and plastic resin, as well as electrical, electronic and semi-finished parts for its components assembly. The major raw materials for our medical devices division, semiconductor division and E&E division are aluminium bars, goldwire and lead-frame and electro-galvanised steel respectively. These raw materials are available locally and/or overseas.

Although we may be affected by raw material price fluctuations, we have, over the years, built strong working relationships with our suppliers and have established a good track record for our purchases and payment obligations. This has provided us access to regular supply of raw materials at competitive prices.

## 6. BUSINESS OVERVIEW (Cont'd)

### 6.18 Production capacity

As our Company is an investment holding company, the production activities are carried out by our subsidiaries and/or associated companies. Our primary production activities are focused in our Group's IMS division.

As for our resources division, only the oil palm plantations sub-division is active while the coal mining sub-division has yet to begin extraction and marketing of coal.

#### 6.18.1 The production capacity of our Group's IMS division

Our production capacity for the past three (3) years ended 31 December 2008, 31 December 2009, 31 December 2010 and for the twelve (12)-month period ended 31 December 2011 are set out below:

| Division/Activity                     |  | Year ended 31 December |         |         | Twelve (12)-month period ended 31 December |
|---------------------------------------|--|------------------------|---------|---------|--|
|                                       |  | 2008                   | 2009    | 2010    | 2011                                       |
| <b>Automotive division</b>            |  |                        |         |         |  |
| Window regulator production           | Maximum capacity per annum (units) <sup>(1)</sup>  | 367,000                | 475,000 | 475,000 | 475,000                                    |
|                                       | Actual production per annum (units) <sup>(1)</sup> | 283,000                | 351,000 | 355,000 | 307,025                                    |
|                                       | Utilisation rate (%)                               | 77.1                   | 73.9    | 74.7    | 64.6                                       |
| Washer system production              | Maximum capacity per annum (units) <sup>(1)</sup>  | 605,000                | 907,000 | 907,000 | 907,000                                    |
|                                       | Actual production per annum (units) <sup>(1)</sup> | 603,000                | 747,000 | 844,000 | 725,050                                    |
|                                       | Utilisation rate (%)                               | 99.7                   | 82.4    | 93.1    | 79.9                                       |
| Wiper system production               | Maximum capacity per annum (units) <sup>(1)</sup>  | 432,000                | 605,000 | 605,000 | 605,000                                    |
|                                       | Actual production per annum (units) <sup>(1)</sup> | 392,000                | 347,000 | 393,000 | 389,720                                    |
|                                       | Utilisation rate (%)                               | 90.7                   | 57.4    | 65.0    | 64.4                                       |
| Horn assembly                         | Maximum capacity per annum (units) <sup>(1)</sup>  | 259,000                | 259,000 | 259,000 | 259,000                                    |
|                                       | Actual production per annum (units) <sup>(1)</sup> | 200,000                | 180,000 | 202,000 | 180,008                                    |
|                                       | Utilisation rate (%)                               | 77.2                   | 69.5    | 78.0    | 69.5                                       |
| Sun visors and interior lamp assembly | Maximum capacity per annum (units) <sup>(1)</sup>  | 798,000                | 778,000 | 750,000 | 750,000                                    |
|                                       | Actual production per annum (units) <sup>(1)</sup> | 708,000                | 648,000 | 610,000 | 527,889                                    |
|                                       | Utilisation rate (%)                               | 88.7                   | 83.3    | 81.3    | 70.4                                       |
| Rear and side view mirrors assembly   | Maximum capacity per annum (units) <sup>(1)</sup>  | 198,000                | 180,000 | 203,000 | 203,000                                    |
|                                       | Actual production per annum (units) <sup>(1)</sup> | 180,000                | 174,000 | 144,000 | 141,707                                    |
|                                       | Utilisation rate (%)                               | 90.9                   | 96.7    | 70.9    | 69.8                                       |

## 6. BUSINESS OVERVIEW (Cont'd)

| Division/Activity                              |  | Year ended 31 December |           |           | Twelve (12)-<br>month<br>period<br>ended 31<br>December |
|--|--|------------------------|-----------|-----------|---|
|  |  | 2008                   | 2009      | 2010      | 2011  |
| <b>Automotive division<br/>(Cont'd)</b>        |  |                        |           |           |   |
| Metal stamping                                 | Maximum capacity per annum (Strokes/month) <sup>(2)</sup>  | 6,000,000              | 6,000,000 | 6,000,000 | 5,000,000   |
|  | Actual production per annum (Strokes/month) <sup>(2)</sup> | 2,380,000              | 2,140,000 | 2,640,000 | 2,420,000   |
|  | Utilisation rate (%)                                       | 39.7                   | 35.7      | 44.0      | 47.3  |
| Steering column production                     | Maximum capacity per annum (pieces) <sup>(3)</sup>         | 270,000                | 270,000   | 270,000   | 270,000   |
|  | Actual production per annum (pieces) <sup>(3)</sup>        | 160,191                | 153,586   | 196,000   | 204,786   |
|  | Utilisation rate (%)                                       | 59.3                   | 56.9      | 72.6      | 76.0  |
| Injection moulding and assembly                | Maximum capacity per annum (pieces) <sup>(4)</sup>         | 1,838,508              | 1,838,508 | 1,838,508 | 1,838,508   |
|  | Actual production per annum (pieces) <sup>(4)</sup>        | 1,178,987              | 1,257,137 | 1,424,844 | 1,228,556   |
|  | Utilisation rate (%)                                       | 64.1                   | 68.4      | 77.5      | 66.8  |
| Fibre reinforced process and vacuum forming    | Maximum capacity per annum (pieces) <sup>(4)</sup>         | 84,792                 | 84,792    | 84,792    | 84,792  |
|  | Actual production per annum (pieces) <sup>(4)</sup>        | 7,626                  | 22,140    | 49,102    | 37,746  |
|  | Utilisation rate (%)                                       | 9.0                    | 26.1      | 57.9      | 44.5  |
| <b>Indonesian operations</b>                   |  |                        |           |           |   |
| Production of automotive components            | Maximum capacity per annum (strokes) <sup>(5)</sup>        | 6,322,511              | 6,322,511 | 6,322,511 | 7,930,266   |
|  | Actual production per annum (strokes) <sup>(5)</sup>       | 4,954,213              | 5,272,376 | 5,310,910 | 5,715,622   |
|  | Utilisation rate (%)                                       | 78.4                   | 83.4      | 84.0      | 72.1  |
| <b>Medical devices division</b>                |  |                        |           |           |   |
| Photonics and microwave products manufacturing | Maximum capacity (Machine hours/week) <sup>(6)</sup>       | 5,745                  | 5,889     | 6,463     | 6,463   |
|  | Actual production (Machine hours/week) <sup>(6)</sup>      | 4,653                  | 3,533     | 5,442     | 5,180   |
|  | Utilisation rate (%)                                       | 81.0                   | 60.0      | 84.2      | 80.1  |

## 6. BUSINESS OVERVIEW (Cont'd)

| Division/Activity  |  | Year ended 31 December |            |             | Twelve (12)-<br>month<br>period<br>ended 31<br>December |
|--|--|------------------------|------------|-------------|---|
|  |  | 2008                   | 2009       | 2010        | 2011  |
| <b>Medical devices division (Cont'd)</b>                 |  |                        |            |             |   |
| Medical devices manufacturing                            | Maximum capacity (Machine hours/week) <sup>(6)</sup>       | * -                    | * -        | 2,389       | 2,389   |
|  | Actual production (Machine hours/week) <sup>(6)</sup>      | * -                    | * -        | 1,887       | 1,890   |
|  | Utilisation rate (%)                                       | * -                    | * -        | 79.0        | 79.1  |
| Mold, die set, automation, precision tools manufacturing | Maximum capacity (Machine hours/week) <sup>(6)</sup>       | 2,890                  | 2,897      | 2,259       | 2,552   |
|  | Actual production (Machine hours/week) <sup>(6)</sup>      | 1,686                  | 1,754      | 1,491       | 1,684   |
|  | Utilisation rate (%)                                       | 58.3                   | 60.6       | 66.0        | 66.0  |
| <b>E&amp;E division</b>                                  |  |                        |            |             |   |
| <b>Malaysian operations</b>                              |  |                        |            |             |   |
| Metal stamping   | Maximum capacity per annum (machine hours) <sup>(7)</sup>  | 249,888                | 237,120    | 228,463     | 115,299   |
|  | Actual production per annum (machine hours) <sup>(7)</sup> | 185,367                | 161,313    | 188,580     | 77,193  |
|  | Utilisation rate (%)                                       | 74.2                   | 68.0       | 82.5        | 67.0  |
| Laser cutting  | Maximum capacity per annum (machine hours) <sup>(7)</sup>  | 15,088                 | 12,221     | 22,632      | 10,457  |
|  | Actual production per annum (machine hours) <sup>(7)</sup> | 12,070                 | 11,243     | 16,580      | 6,566   |
|  | Utilisation rate (%)                                       | 80.0                   | 92.0       | 73.3        | 62.8  |
| <b>PRC operations</b>                                    |  |                        |            |             |   |
| Metal stamping   | Maximum capacity per annum (strokes) <sup>(8)</sup>        | 41,270,720             | 73,568,000 | 113,365,600 | 113,365,600   |
|  | Actual production per annum (strokes) <sup>(8)</sup>       | 31,391,440             | 59,773,817 | 76,403,732  | 61,104,002  |
|  | Utilisation rate (%)                                       | 76.1                   | 81.2       | 67.4        | 53.9  |
| <b>Semiconductor division</b>                            |  |                        |            |             |   |
| Assembly and test of IC                                  | Maximum capacity per annum (million units) <sup>(9)</sup>  | 1,275                  | 1,326      | 1,419       | 1,419   |
|  | Actual production per annum (million units) <sup>(9)</sup> | 773.0                  | 759.2      | 895.0       | 619.0   |
|  | Utilisation rate (%)                                       | 60.6                   | 57.3       | 63.1        | 43.6  |

## 6. BUSINESS OVERVIEW (Cont'd)

### Notes:

- \* Our medical devices related activities started operations in January 2010.
- <sup>(1)</sup> The measurement of production capacity is calculated based on a one (1) 8-hour production shift per day.
- <sup>(2)</sup> The measurement of production capacity is calculated based on two (2) 8-hour production shifts running daily and on the average output of year 2010.
- <sup>(3)</sup> The measurement of production capacity is calculated based on one and a half (1.5) 8-hour production shifts per day.
- <sup>(4)</sup> The measurement of production capacity is calculated based on a two (2) 8-hour production shifts per day.
- <sup>(5)</sup> The measurement of production capacity is calculated based on three (3) 8-hour production shifts per day.
- <sup>(6)</sup> The measurement of production capacity is calculated based on two 12-hour production shifts per day (from Monday to Friday) and one 10-hour shift per day (for Saturday and Sunday).
- <sup>(7)</sup> The measurement of production capacity is calculated based on one and a half (1.5) 8-hour production shifts per day.
- <sup>(8)</sup> The measurement of production capacity is calculated based on three (3) 8-hour production shifts per day.
- <sup>(9)</sup> The measurement of production capacity is calculated based on two 12-hour production shifts per day.

### 6.18.2 The production capacity of our resources division

The production capacity of our oil palm plantations division for the past three (3) years ended 31 December 2008, 31 December 2009, 31 December 2010 and for the twelve (12)-month period ended 31 December 2011 are set out below:

|   | Year ended 31 December |           |           | Twelve (12)-month period ended 31 December |
|---|------------------------|-----------|-----------|--|
|   | 2008                   | 2009      | 2010      | 2011                                       |
| FFB production (Metric tonnes)              | 9,500.63               | 13,289.77 | 12,914.94 | 14,735.31                                  |
| Net weighted average mature area (hectares) | 423.71                 | 689.20    | 709.20    | 794.49                                     |
| Average yield per hectare (%)               | 22.42                  | 19.28     | 18.21     | 18.55                                      |

### 6.19 Seasonality

We do not experience any material seasonality in our business.

### 6.20 Interruption in our businesses in the past twelve (12) months

We have not experienced any major business interruptions which had a significant effect on our operations during the past twelve (12) months.

### 6.21 Our material capital expenditures and divestitures (including interests in other corporations) for the past three (3) financial years

Save as disclosed in Section 8.2.9 of this Prospectus, there were no other material capital expenditure and divestitures (including interests in other corporations) made by us for the past three (3) years ended 31 December 2008, 31 December 2009 and 31 December 2010.

## 7. INDUSTRY OVERVIEW

(Prepared for inclusion in this Prospectus)

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18 MAY 2012

The Board of Directors  
Globaltec Formation Berhad (formerly known as Temasek Formation Berhad)  
802, 8th Floor  
Block C, Kelana Square  
17 Jalan SS7/26  
47301 Petaling Jaya  
Selangor Darul Ehsan

Attn: Datuk Goh Tian Chuan, Group Executive Chairman

Dear Sirs,

**EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (“EXECUTIVE SUMMARY”) FOR GLOBALTEC FORMATION BERHAD (FORMERLY KNOWN AS TEMASEK FORMATION BERHAD) (“GFB” OR THE “COMPANY”)**

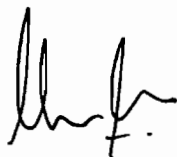
This Executive Summary has been prepared for inclusion in the Prospectus pursuant to the listing of and quotation for the entire issued and paid-up capital of GFB on the Main Market of Bursa Malaysia Securities Berhad.

This research is undertaken with the purpose of providing an overview on The Strategic and Competitive Analysis of Integrated Manufacturing Services in Malaysia. The research methodology includes both primary research, involving in-depth interviews with pertinent companies, as well as secondary research such as reviewing press articles, periodicals, government literatures, in-house databases, Internet research and online databases.

Infobusiness Research & Consulting Sdn Bhd (“Infobusiness”) has prepared this Executive Summary in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the Executive Summary. In addition, Infobusiness acknowledges that if there are significant changes affecting the contents of the Executive Summary after the issue of the Prospectus and before the issue of securities, then Infobusiness has an on-going obligation to either cause the Executive Summary to be updated for the changes and, where applicable, cause the Company to issue a Supplementary Prospectus, or withdraw our consent to the inclusion of the Executive Summary in the Prospectus.

The Executive Summary is highlighted in the following sections.

for and on behalf of  
INFOBUSINESS RESEARCH & CONSULTING SDN BHD



Mark Lee  
Director

**infobusiness research**

# infobusiness

## EXECUTIVE SUMMARY

### 1.1 Introduction

For the purpose of facilitating a strategic market overview in relation to the businesses of Globaltec Formation Berhad (“GFB”) (formerly known as Temasek Formation Berhad), this Executive Summary has been prepared to provide an overview of the Integrated Manufacturing Services (“IMS”) business model. After the merger, GFB will become an IMS provider, offering the following multi-disciplinary manufacturing services:

- Precision metal stamping;
- Precision machining and assembly of radio frequency (“RF”) microwave, photonics and medical components;
- Design and fabrication of precision tooling and automation equipment;
- Injection moulding and blow moulding;
- Test and assembly of semiconductors and smart card devices; and
- Design, manufacturing and assembly of automotive components and modules / systems.

The prospects of GFB are highly correlated with the application markets in which it services, namely:

- Automotive;
- Medical devices; and
- Electronics and electrical (“E&E”), including semiconductors, consumer electronics, photonics components, RF components, and electrical products.

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## 1.2 Overview of IMS

The Integrated Manufacturing Services (“IMS”) business model is described as a modern manufacturing model to assist manufacturers in achieving more efficient designs, manufacturing processes and logistical capabilities at mass production efficiency and at competitive cost. An IMS provider is defined as a company with the ability to offer synergistic combinations of different skill-sets and technologies from different business divisions to deliver seamless services, combining design and manufacturing capabilities with logistics to its customers.

There is a gradual shift towards the IMS business model among manufacturing companies. Due to intense competition, multinational corporations (“MNCs”) around the world have to focus on their core competencies and divest their non-core related activities, so as to streamline their operations. Customers prefer suppliers that are able to offer the entire range of services in a particular area, as they can assist to save time and improve resource allocation, integrate technical solutions and deliver better quality performance. MNCs prefer to work with a few selected manufacturers than to deal with numerous manufacturers in the supply chain. This necessitates the need for manufacturers to provide a wider range of manufacturing services so as to fulfil the needs of their customers.

Under the IMS business model, products manufactured from complementary technologies such as precision tooling and metal stamping can be combined into sub-assemblies or modules for customers. This provides customers who prefer to obtain a more complete assembled component from one manufacturer, than in many, separate distinct components from different manufacturers, thus saving them time and resources. IMS companies interact internally and share information and knowledge across all phases of the product development and deployment cycle, namely design, manufacturing, sales and after-sales service. The provision of good services to customers is expected to improve product sales and the feedback received from service operations can assist in designing and producing more reliable products.



## 7. INDUSTRY OVERVIEW (Cont'd)

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Customers are constantly looking for simple and convenient solutions that satisfy their immediate needs and desires without the need of getting tangled in associated activities and processes that do not directly serve their interests. The suppliers have to design, manufacture and sell offerings that are able to satisfy the demands of the customers.

The major characteristics of an IMS company include, inter alia:

- combining design and manufacturing capabilities with logistics, so as to offer turnkey services to the MNCs in the various application markets;
- Single source contract manufacturing solution;
- A value proposition of a high degree of vertical integration, with in-house capabilities so as to provide products at globally competitive prices; and
- Manufacturing facilities closely linked with flexible engineering resources, providing a fast ramp up from prototype to high volume production.

### 1.3 Supply Chain

A supply chain consists of all parties involved, directly or indirectly, in fulfilling a customer request. Supply chains form a network of resources, raw materials, components, and finished products that flow in and out of a system of factories.

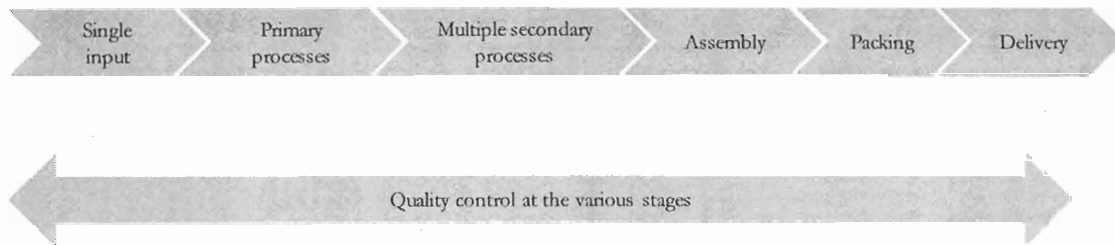
The MNCs outsource portions of their production activities to external suppliers on their approved vendor lists. This enables them to increase their operational flexibility during peak and trough periods.

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## 7. INDUSTRY OVERVIEW (Cont'd)

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**Figure 1: Supply Chain of a Typical Single Input Manufacturer**



Source: Infobusiness

Figure 1 illustrates the supply chain of a typical single input manufacturer. In the case of a metal stamping company, the metal-based input which comes in as a raw material undergo various primary processes such as punching, bending and stamping. Subsequently, the product will undergo multiple secondary processes such as coating and printing, before it is assembled, packed and delivered to the MNC.

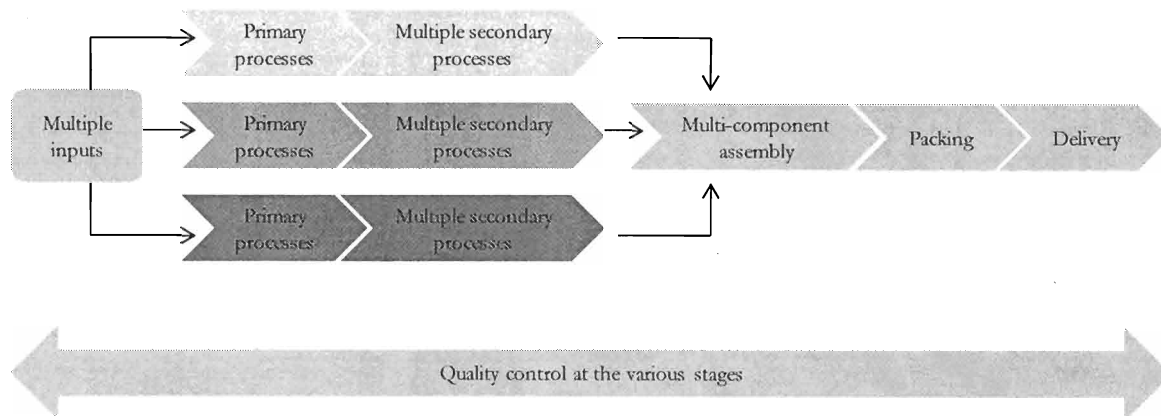
As the core competency of the metal stamping company is only confined to fabrication of metal components, it is not able to undertake additional manufacturing activities such as plastic components manufacturing, if requested to do so by the MNC. This order will have to be given to a separate company specialising in plastic product manufacturing. Ultimately, the assembling of the two (2) different products will be conducted at the premises of the MNC, or even at another supplier's premises. On the part of the MNC, it requires considerable resources to manage the various different suppliers.

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## 7. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

**Figure 2: Supply Chain of a Typical IMS Company**



Source: Infobusiness

Figure 2 illustrates the typical supply chain of an IMS company. An IMS company would strive to participate in as much of the supply chain activities for its MNC customers as possible, and in the process, generate a seamless operation. For example, an IMS company, through its precision tooling division, would be able to provide the moulds for the manufacturing of plastic components; while concurrently, its precision metal stamping division would manufacture metal components. Subsequently, after undergoing multiple secondary processes, multi-component assembly would take place, before packing and delivery to its MNC customer.

The MNC would save resources and time from having to interact with a few selected suppliers operating under the IMS business model, as opposed to dealing with many suppliers.

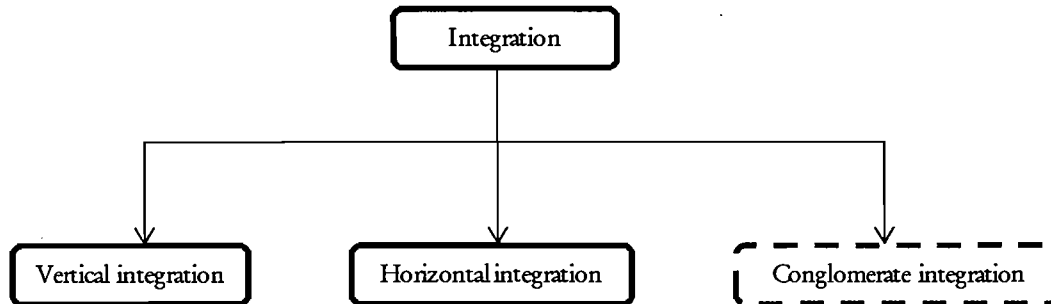
## 1.4 Integration of Manufacturing Services

Faced with global competition and rapidly changing customer demands, a manufacturer's supply chain has to evolve to become more integrated. An IMS company would strive to participate in as much of the supply chain activities of its MNC customers as possible. These trends have driven global merger and acquisition ("M&A") activities among manufacturing companies in their need to become more integrated, through the following forms of integration, as described and illustrated in the diagram below:

## 7. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

Figure 3: Forms of Integrations



Note: GFB is involved in a conglomerate integration  
Source: Infobusiness

## Conglomerate integration

- a merger between two (2) or more companies offering complementary technologies to customers from different industries. The companies that are merging with each other are doing so with the main purpose of gaining access to a wider market and client base, or for expanding the range of products and services that are being provided by them;

## Vertically integration

- a merger of two (2) or more companies along the same value chain of an industry. The outputs of a company become the inputs of another company further down the value chain. It also translates into the ownership and complete control over the neighbouring stages of production or distribution. Vertical integration can be either backward integration (expansion of activities upstream) or forward integration (expansion of activities downstream); and

## Horizontal integration.

- a merger between two (2) or more companies producing similar products. It leads to the expansion of the company at the same level in the value chain.

## 7. INDUSTRY OVERVIEW (Cont'd)

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# infobusiness

### 1.5 Government Legislations, Policies and Incentives

Manufacturing companies in Malaysia, including those operating under the IMS business model, are subjected to the following government legislations, policies and incentives.

#### 1.5.1 Government Legislations in Malaysia

Under the Factory and Machineries Act, 1967, any employees in the factory exposed to a wet or dusty process, to heat or any poisonous, corrosive or other injurious substance which is likely liable to cause bodily injury to them, may be provided with suitable and adequate personal protective clothing and appliances. They include goggles, gloves, leggings, caps, foot wear and protective ointment or lotion. Both the foundations and floors of the factory shall be of sufficient strength to sustain the loads for which they are designed; and no foundation or floor shall be overloaded.

Manufacturers are also subjected to the Occupational Safety and Health Act, 1994. This Act is enforced by the Ministry of Human Resources under the Department of Occupational Safety and Health. Under this Act, the employer has a duty to protect the safety, health and welfare of all his employees. The Act requires the employer to:

- provide and maintain plant or equipment and systems of work that are safe and without risks to health;
- make arrangements for ensuring safety and absence of risks to health in connection with the use or operation, handling, storage and transport of plant;
- provide information, instruction, training and supervision as is necessary to ensure the safety and health of the workers; and
- maintain his place of work to ensure it is safe and without risks to health.

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## 7. INDUSTRY OVERVIEW (Cont'd)

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# infobusiness

The employer shall also ensure that no worker shall be employed at any machine or in any process, being a machine or any process liable to cause bodily injury, unless he has been fully instructed as to the dangers likely to arise in connection therewith and the precautions to be observed. The worker must received sufficient instruction in work at the machine or process; or is under adequate supervision by a person who has knowledge and experience of the machine or process.

Lastly, both effective and suitable provision shall be made for securing and maintaining adequate ventilation by the circulation of fresh air in every part of the factory and for rendering harmless, so far as practicable, all gases, fumes, dust and other impurities that may be injurious to health arising in the course of any process or work carried on in the factory.

### 1.5.2 Government Policies in Malaysia

#### Third Industrial Master Plan 2006-2020 (“IMP3”)

Following the progress achieved by the First and Second Industrial Master Plans in laying a foundation for industrial development and transforming the manufacturing sector to become a major contributor to economic growth, the IMP3 which was launched in 2006 serves as an important planning instrument in expanding the sources of growth and positioning Malaysia’s long term industrial competitiveness.

The IMP3 places significant emphasis on an integrated approach towards industrial development. This is to enable targeted industries and services to develop their potential, without undue constraints, as well as maximise the various synergies and positive externalities that emanate from such a holistic approach.

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## 7. INDUSTRY OVERVIEW (Cont'd)

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# infobusiness

The IMP3 has identified 12 targeted industries with growth potential in the manufacturing sector for further development and they are as follows:

- E&E industry;
- Medical devices industry;
- Textiles and apparel industry;
- Machinery and equipment industry;
- Metals industry;
- Transport equipment industry;
- Petrochemicals industry;
- Pharmaceutical industry;
- Wood-based industry;
- Rubber products industry;
- Oil palm-based industry; and
- Food processing industry.

### **Economic Transformation Programme (“ETP”)**

The ETP, which was launched in 2010, is Malaysia’s action plan to reach high income nation status by 2020. It prioritises 12 National Key Economic Areas (“NKEAs”), relying heavily on private sector-led growth, contains very specific investments and policy actions, and is based on a clear implementation roadmap.

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## 7. INDUSTRY OVERVIEW (Cont'd)

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# infobusiness

An NKEA is defined as a driver of economic activity that has the potential to directly and materially contribute a quantifiable amount of economic growth to the Malaysian economy. The Government realises that it needs to focus on a limited number of sectors and geographies in order to achieve its goal of becoming a high income nation. The following NKEAs were identified:

- Oil, gas and energy;
- Financial services;
- Wholesale and retail;
- Palm oil;
- Tourism;
- E&E;
- Business services;
- Communications content and infrastructure;
- Education;
- Agriculture;
- Healthcare; and
- Greater Kuala Lumpur / Klang Valley.

### 1.5.3 Government Incentives in Malaysia

The major tax incentives for companies investing in the manufacturing sector are the pioneer status and the investment tax allowance. Eligibility for pioneer status and investment tax allowance is based on certain priorities, including the level of value-added, technology used and industrial linkages. Eligible activities and products are termed as “promoted activities” or “promoted products”.

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## 7. INDUSTRY OVERVIEW (Cont'd)

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### **Pioneer Status**

A company granted pioneer status enjoys a 5-year partial exemption from the payment of income tax. It pays tax on 30% of its statutory income, with the exemption period commencing from its production day (defined as the day its production level reaches 30% of its capacity).

### **Investment Tax Allowance**

As an alternative to Pioneer Status, a company may apply for an investment tax allowance. A company granted an investment tax allowance is entitled to an allowance of 60% on its qualifying capital expenditure (factory, plant, machinery or other equipment used for the approved project), incurred within five (5) years from the date the first qualifying capital expenditure is incurred.

The company can offset this allowance against 70% of its statutory income for each year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised. The remaining 30% of its statutory income will be taxed at the prevailing company tax rate.

### **1.5.4 Government Legislations in the People's Republic of China ("PRC") and Indonesia**

For the purpose of this Report, the relevant legislations on manufacturing companies operating in the PRC and companies operating in the automotive and mining industries in Indonesia are also discussed.

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## 7. INDUSTRY OVERVIEW (Cont'd)

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# infobusiness

### PRC

The principal laws and regulations affecting manufacturing companies in the PRC are as follows:

- **Company Law of the PRC**  
This law is enacted for the purposes of regulating the organisation and operation of companies, protecting the legitimate rights and interests of companies, shareholders and creditors, maintaining the socialist economic order, and promoting the development of the socialist market economy;
- **Law of the PRC on Foreign-funded Enterprises**  
With a view to expanding economic cooperation and technical exchange with foreign countries and promoting the development of the national economy, the PRC permits foreign investors to set up foreign-funded enterprises in the country and to protect the legitimate rights and interests of such enterprises;
- **Customs Laws of the PRC**  
This law is formulated for the purpose of supervision and control over the means of transport, goods, travellers' luggage, postal items and other articles entering or leaving the customs territory; and the collection of custom duties, taxes and other fees;
- **Regulations of the PRC on Import and Export Duties**  
All goods permitted to be imported into or exported out of the PRC shall, unless provided by the State Council, be subject to payment of custom duties;
- **Labour Law of the PRC**  
This law has been formulated according to the constitution with a view to protecting the legitimate rights and interests of workers, regulating labour relations, establishing and safeguarding a labour system that is adaptable to a socialist market economy and promoting economic development and social progress;

## 7. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

- Production Safety Law of the PRC  
This law has been enacted for the production safety of entities that are engaged in the production and business operation activities within the PRC; and
- Environmental Protection Law of the PRC  
This law is established for the purpose of protecting and improving the environment, preventing and controlling pollution and other public hazards, safeguarding human health and facilitating the development of socialist modernisation.

### Indonesia

In the automotive industry in Indonesia, the relatively large domestic automotive market has been the main attraction to foreign companies, as well as the modest incentives such as the 2008 regulation that provides a six (6) year income tax break on up to 5% of the total investment and exemption of import duties for certain raw materials.

The Indonesian government is working on a system of incentives and an industrial concept to turn the country into one (1) of Asia's automotive production hubs. This is through the implementation of the following policies:

- Development of the domestic market through tariff harmonisation and taxation;
- Increasing domestic automotive component manufacturing capability;
- Providing incentives for the development of R&D; and
- Providing fiscal incentives to attract investment in high technology automotive component manufacturing.

The Mining Law and associated regulations in Indonesia provide for coal mining production licences to be issued for up to 20 years. Under the Mining Law, licensed coal mining operators are required to carry out in-country processing and refining so as to increase the value added. The main challenges facing investors in the Indonesian coal mining industry are the still-evolving mining laws and the low infrastructural capacity in certain coal producing areas.

**7. INDUSTRY OVERVIEW (Cont'd)**

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## 1.6 Demand and Supply Conditions

### 1.6.1 Demand Conditions

The automotive, medical devices and the E&E (including semiconductors, consumer electronics, RF components, photonics components and electrical products) industries are the main industries in which the GFB is involved in. Below are the respective industry overviews.

#### **Automotive Industry**

The establishment of the national car projects in the 1980s and 1990s has boosted the development of the engineering supporting industries, and this has in return, further enhance the attractiveness of the country as a base for the global automotive manufacturers.

The relatively rapid growth of the economy has made Malaysia the largest passenger car market in the countries of the Association of South East Asian Nations. To take advantage of buoyant consumer demand, some global automotive companies have established operations in Malaysia, and they include Toyota, Honda, Nissan, Mercedes Benz, Volvo, BMW and Peugeot. The production and assembly of automobiles in Malaysia had expanded by a compounded annual growth rate ("CAGR") of 3.1% between 2006 and 2010, from 503,248 units in 2006 to 567,715 units in 2010.

#### **Medical Devices Industry**

There exists a growing network of companies in the supporting industries involved in precision tooling, precision metal stamping, plastic injection moulding, electronics, printed circuit assembly and automation equipment conforming to world-class standards which is able to assist the expansion of the medical devices industry in Malaysia.

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## 7. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

Currently, there are more than 180 medical devices manufacturers in Malaysia. They are also undertaking the production of more sophisticated components of the manufacturing value chain from their parent companies in the United States (“US”) and Europe, which have been affected by rising direct and indirect production costs. The market for medical devices will continue to benefit from the gradually aging population, improving healthcare systems, growing population, extended life expectancy rates worldwide and rising affluence. Sales of medical devices products increased strongly from RM986.8 million in 2006 to RM1.4 billion in 2010, representing a CAGR of 8.5% during the period.

### **E&E Industry**

The E&E industry is the leading contributor to Malaysia’s industrial development, although sales of E&E products declined from RM209 billion in 2006 to RM166.8 billion in 2010, yielding a CAGR of -5.5%. After experiencing a decline for three (3) consecutive years, sales of E&E products improved by 3.9% in 2010.

The selected segments of the E&E industry are further discussed below.

### *Semiconductors*

A progressive integration into the global E&E production networks has been the primary driver of Malaysia’s success in the semiconductor industry. Sales of semiconductors account for the largest share of E&E products in Malaysia. Although the CAGR growth rate in sales of semiconductor devices was -3.2% between 2006 and 2010, from RM48.6 billion to RM42.7 billion, the semiconductor industry remains the backbone of the E&E industry in Malaysia.

### *Consumer Electronics*

The majority of consumer electronics manufactured in Malaysia are audio visual products. Due to the current life style trends, first time consumers are purchasing flat screen televisions, such as plasma televisions and liquid crystal display televisions. There are also customers switching over to flat screen televisions from the cathode ray tube televisions. These factors would continue to spur the demand for audio visual products in the market. The production of audio visual products increased from 36.0 million units in 2006 to 70.6 million units in 2010, registering a CAGR of 18.3%.

## 7. INDUSTRY OVERVIEW (Cont'd)

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### *RF Components*

RF is the wireless transmission of data by digital radio signals at a particular frequency. As the technology can be used in warehouses and distribution centres, as well as in manufacturing activities, the scope for RF applications is very wide. RF is also widely used in communications products such as cellular phones and walkie-talkies. Between the years 2006 and 2010, the export of RF components increased by a CAGR of 8.8%, from RM325.6 million to RM456.4 million.

### *Photonics Components*

Photonics is an area of technology associated with the generation and harnessing of light and other forms of radiant energy. Efficient and sophisticated supporting industries for the manufacturing of photonics components are already in place, having grown in tandem with the country's semiconductor industry. These industries include companies involved in automation equipment, metal surface treatment, precision metal stamping, precision tooling and plastic injection mouldings. The export of photonics components increased from RM719.3 million in 2006 to about RM1 billion in 2010, yielding a CAGR of 8.9%.

### *Electrical Products*

Both the foreign-owned and some of the Malaysian-owned companies manufacture their own brands of electrical appliances, a number of which are exported. The foreign-owned companies operate on a larger scale and some of them undertake R&D activities. Several of the foreign-owned companies also outsource their manufacturing activities to domestic companies. Sales of electrical products increased from RM66.8 billion in 2006 to RM67.6 billion in 2010, yielding a CAGR of 0.3%.

### 1.6.2 Supply Conditions

For the purpose of this Report, in addition to the supply conditions in terms of reliance and vulnerability to imports, supply conditions from the automotive components, precision metal stamping, precision tooling, and test and assembly industries are also discussed.

## 7. INDUSTRY OVERVIEW (Cont'd)

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# infobusiness

### **Reliance and Vulnerability to Imports**

The main raw materials used in the manufacturing of components for the automotive, medical devices and E&E (including semiconductors, consumer electronics, RF components, photonics components and electrical products) industries are both imported and available domestically. The main raw materials include, inter alia, plastic resins, different metals, different types of steel, and IC packaging materials.

For the main raw materials that are easily available in the market, switching costs are very low for manufacturers as they can easily switch their suppliers of raw materials.

### *Supply of IC Packaging Materials*

The leadframe, which is the “skeleton” of the IC package, and which provides mechanical support to the die during its assembly into a finished product, is available mainly from domestic sources, while some are imported.

Both copper and gold wires used as interconnect materials in IC packages are mainly imported, although some are obtained domestically.

Materials used for encapsulating semiconductor devices are known as plastic moulding compounds and are mainly sourced from overseas sources.

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## 7. INDUSTRY OVERVIEW (Cont'd)

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# infobusiness

### *Supply of Metals*

Both precision metal stamping and precision tooling requires metals such as aluminium as well as different types of steel, as their raw materials.

Sheet metal used in precision metal stamping is available in either sheet or coil form, in a variety of sizes and thickness. The main raw materials used in the precision tooling industry are steel (tool steel, stainless steel and mild steel), aluminium and carbide (a chemical compound formed between carbon and metals).

These metals are already commoditised in the market. They can be obtained from either the manufacturer's representatives or stockists based in the country. Alternatively, they can also be imported directly from the overseas manufacturers.

### *Supply of Plastic Resins*

Plastic resins, both commodity and engineering types, are widely used in the manufacturing of automotive components. Commodity resins such as polypropylene can be sourced locally while engineering plastics such as polyamide resins, polycarbonate resins and acrylonitrile butadiene styrene resins are sourced from overseas. Most engineering plastics are imported as Malaysia only produces limited amounts of engineering plastics, such as polyacetyl and polybutylene terephthalate.

### **Automotive Components Industry**

There are more than 690 automotive components manufacturers in Malaysia, producing over 5,000 components, such as body panels, brake components, engine components, transmission and steering components and rubber components. The components are manufactured to meet the stringent standards of the automotive companies.



## 7. INDUSTRY OVERVIEW (Cont'd)

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# infobusiness

The automotive components industry serves two (2) market segments:

- the original components demanded by the manufacturers and assemblers of automotives, and
- the replacement equipment market where the components are bought by the repair shops and individual customers.

The automotive components industry is a multi-billion Ringgit business. Sales of components and accessories for motor vehicles and their engines in Malaysia increased from RM5.2 billion in 2006 to RM6.7 billion in 2010, yielding a CAGR of 6.2% during the period.

### **Precision Metal Stamping Industry**

The precision metal stamping industry is a very important supporting industry for the automotive, medical devices and E&E industries. There are approximately 300 metal stamping companies in Malaysia. A number of these companies undertake secondary processes, such as electroplating or spray painting and surface finishing treatment of stamped components.

The sales statistics for precision metal stamping is classified under forging, pressing, stamping, roll forming metal and powder metallurgy by the Department of Statistics. Sales of forging, pressing, stamping, roll forming metal and powder metallurgy increased by a CAGR of 3.6% between 2006 and 2010, from RM1.9 billion to RM2.2 billion.

### **Precision Tooling Industry**

The precision tooling industry is a critical and important supporting industry to the E&E and medical devices industries, as well as the automotive components industry. The increasing incorporation of locally manufactured components has significantly fuelled the demand for precision tooling. There are about 170 companies involved in the provision of precision tooling in Malaysia.

## 7. INDUSTRY OVERVIEW (Cont'd)

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Precision tooling covers a wide range of production activities, ranging from the manufacture of complete moulds to the production of components in support of manufacturing activities. It is the pre-requisite for manufacturing activities encompassing mass production. This includes the repairs, maintenance and reconditioning of used moulds and dies.

### **Test and Assembly Industry**

Test and assembly plants supply IC packages to both integrated device manufacturers (“IDMs”) and fabless IC design companies, as well as the electronics manufacturing services (“EMS”) companies. An IDM is a company that performs every step of the chip-making process, including design, manufacture, test and packaging. Fabless IC design companies design, but do not fabricate IC chips.

EMS is a term used for the companies that design, test, manufacture, distribute and provide return / repair services for electronic components and assemblies for the IDMs. Traditionally, they were focussed on the fabrication of printed circuit boards. In recent years, EMS companies have add substantial vertical capabilities, stretching from original design manufacturing through system assembly, test, delivery and logistics, warranty and repair, network services, software and silicon design, and customer service.

IC packaging is the final stage of semiconductor device fabrication. IC packages are the protective housing for the IC, providing both physical and chemical protection. The semiconductor industry utilises a very wide variety of ICs that have different packaging requirements. Package attributes that are taken into consideration when choosing a package type for a particular semiconductor device include size, lead count, power dissipation, field operating conditions and cost.

The production of ICs in Malaysia increased from 35.5 billion units in 2006 to 38 billion units in 2010, yielding a CAGR of 1.7%.

## 7. INDUSTRY OVERVIEW (Cont'd)

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### 1.7 Substitute

A direct substitute to the IMS providers is the companies that manufacture the components separately. For instance, a MNC may need a product which requires it to be manufactured from a few different materials. Instead of approaching an IMS company to manufacture and assemble this product in a more complete form, the MNC may subcontract the manufacturing work out to a few different suppliers, each of which specialise in a particular component. The MNC itself, or one (1) of the suppliers may need to assemble all the different components manufactured by the various suppliers.

### 1.8 Company Positioning

There is a gradual shift towards the IMS business model among the suppliers of the MNCs, spurred by global competition, rapidly changing customer demands and the corresponding demand for flexibility and efficiency.

As an IMS provider, GFB will be able to ride on the outsourcing trends that are increasingly practiced by MNCs globally as they concentrate on their core competencies. GFB aims to do this by offering synergistic combinations of different skill-sets and technologies from different business divisions to deliver seamless services, combining design and manufacturing capabilities with logistics to its customers. By manufacturing key components and undertaking sub-assemblies for its customers, it will be able to enhance the continuity of supply and may also reduce costs for its customers. Through the current global outsourcing trends, GFB also hopes to gain a wider market and client base.

GFB's three (3) application markets will be the automotive, medical devices and E&E industries. This is based on its core competencies in the manufacturing of automotive components, precision metal stamping, precision tooling, and test and assembly of semiconductor devices. With its exposure to three (3) distinct industries, GFB will possess a more diversified revenue stream as well as be less susceptible to the risk of a downturn that may affect a particular industry and its dependency on a single customer.

## 7. INDUSTRY OVERVIEW (Cont'd)

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GFB will become an IMS provider, offering the following multi-disciplinary manufacturing services:

- Precision metal stamping;
- Precision machining and assembly of RF microwave, photonics and medical components;
- Design and fabrication of precision tooling and automation equipment;
- Injection moulding and blow moulding;
- Test and assembly of semiconductors and smart card devices; and
- Design, manufacturing and assembly of automotive components and modules/systems.

For the purpose of comparison, the criteria for selecting the closest comparable companies to GFB are based on Malaysian public listed companies that offer between four (4) and six (6) manufacturing services that are aforementioned.

Table 1 presents a list of selected Malaysian public listed companies that are comparable to GFB.

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## 7. INDUSTRY OVERVIEW (Cont'd)

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**Table 1: List of Comparable Public Listed Companies in Malaysia, by Selected Manufacturing Services**

| Name of Company                     | Precision metal stamping | Precision machining and assembly of RF microwave, photonics and medical components | Design and fabrication of precision tooling and automation equipment | Injection moulding and blow moulding | Test and assembly of semiconductors and smart card devices | Design, manufacturing and assembly of automotive components and modules/systems |
|-------------------------------------|--------------------------|--|--|--------------------------------------|--|---|
| GFB                                 | √                        | √ (RF, photonics and medical)  | √ (precision tooling and automation equipment)                       | √                                    | √  | √   |
| BSL Corporation Bhd                 | √                        |  | √ (precision tooling)  |                                      |  |   |
| Sunchirin Industries (Malaysia) Bhd | √                        |  | √ (precision tooling)  |                                      |  | √   |
| Kein Hing International Bhd         | √                        |  | √ (precision tooling)  |                                      |  | √   |
| New Hoong Fatt Holdings Bhd         | √                        |  | √ (precision tooling)  | √                                    |  | √   |
| Eng Teknologi Holdings Bhd          | √                        | √ (medical)  | √ precision tooling and automation equipment)                        |                                      |  |   |
| Notion VTec Bhd                     | √                        |  | √ (precision tooling)  |                                      |  | √   |
| Dufu Technology Corporation Bhd     | √                        | √ (medical)  | √ (precision tooling)  | √                                    |  |   |
| Ewein Bhd                           | √                        | √ (RF)   |  | √                                    |  |   |
| Lipo Corporation Bhd                | √                        | √ (RF and medical)   | √ (precision tooling and automation equipment)                       |                                      |  | √   |
| Rapid Synergy Bhd                   |                          | √ (photonics)  | √ (precision tooling)  |                                      |  |   |
| Unisem (M) Bhd                      |                          |  |  |                                      | √  |   |

## 7. INDUSTRY OVERVIEW (Cont'd)

## infobusiness

| Name of Company                  | Precision metal stamping | Precision machining and assembly of RF microwave, photonics and medical components | Design and fabrication of precision tooling and automation equipment | Injection moulding and blow moulding | Test and assembly of semiconductors and smart card devices | Design, manufacturing and assembly of automotive components and modules/systems |
|----------------------------------|--------------------------|--|--|--------------------------------------|--|---|
| MQ Technology Bhd                |                          | √ (photonics and medical)  | √ (precision tooling and automation equipment)                       | √                                    |  | √   |
| Malaysian Pacific Industries Bhd |                          |  |  |                                      | √  |   |
| Impressive Edge Group Bhd        | √                        |  | √ (precision tooling)  |                                      |  |   |
| Globetronics Technology Bhd      |                          |  |  |                                      | √  |   |
| Inari Bhd                        |                          |  |  |                                      | √  |   |
| D&O Green Technologies Bhd       |                          | √ (RF and photonics)   |  |                                      | √  |   |
| KESM Industries Bhd              |                          |  |  |                                      | √  |   |
| APM Automotive Holdings Bhd      | √                        |  | √ (precision tooling)  | √                                    |  | √   |
| Autoair Holdings Bhd             | √                        |  | √ (precision tooling)  | √                                    |  | √   |
| Hirota Holdings Bhd              | √                        |  |  | √                                    |  | √   |
| EP Manufacturing Bhd             | √                        |  | √ (precision tooling)  | √                                    |  | √   |
| Delloyd Ventures Bhd             | √                        |  |  | √                                    |  | √   |

*Source: Companies' websites and annual reports*

## 7. INDUSTRY OVERVIEW (Cont'd)

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Table 2 presents the shortlisted closest comparable Malaysian public listed companies that offer between four (4) and six (6) manufacturing services that are similar to GFB. There are seven (7) such Malaysian public listed companies.

**Table 2: Comparable Public Listed Companies in Malaysia, with Four (4) to Six (6) Manufacturing Services**

| Name of Company                            | Principal Activities   | Markets Served                       | Major Products  |
|--|--|--------------------------------------|---|
| Four (4) to six (6) manufacturing services |  |                                      |   |
| GFB  | IMS provider of precision metal stamping, precision machining and assembly of RF microwave, photonics and medical components, design and fabrication of precision tooling and automation equipment, injection moulding and blow moulding, test and assembly of semiconductors and smart card devices, and design, manufacturing and assembly of automotive components and modules/systems. | Automotive, medical devices and E&E. | Semiconductor devices, and automotive, RF microwave, photonics and medical components.            |
| New Hoong Fatt Holdings Bhd                | Manufacturer and marketing of automotive components.   | Automotive.                          | Automotive components.  |
| Dufu Technology Corp. Bhd                  | A one-stop facility offering manufacturing, engineering capabilities and services.   | E&E and medical devices.             | Components for hard disc drives, computer peripherals, electronics equipment and medical devices. |
| Lipo Corporation Bhd                       | Provision of precision metal stamping and precision tooling.   | E&E, medical devices and automotive. | Components for RF, medical, PCs, printers and automotives.  |
| MQ Technology Bhd                          | One-stop centre for precision tooling.   | E&E and medical devices.             | Semiconductor cavity / encapsulation moulds, components for hard disc drives and medical devices. |
| Autoair Holdings Bhd                       | Manufacturing, trading and distribution of automotive air conditioning components.   | Automotive.                          | Automotive components.  |
| EP Manufacturing Bhd                       | Manufacturer of automotive components.   | Automotive and water.                | Automotive components and water meters.   |
| APM Automotive Holdings Bhd                | Manufacture and sale of automotive components.   | Automotive.                          | Automotive components.  |

Source: Companies' websites and annual reports

## 7. INDUSTRY OVERVIEW (Cont'd)

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In terms of revenue, GFB is ranked number three (3) among the public listed companies that have between four (4) and six (6) manufacturing services, based on the latest publicly available annual reports. The number one (1) and two (2) positions are held by APM Automotive Holdings Bhd and EP Manufacturing Bhd, respectively, as shown in Table 3.

**Table 3: Revenue Comparison of Comparable Public Listed Companies with Four (4) to Six (6) Manufacturing Services, to GFB**

| Company                     | FYE      | Revenue (RM '000) |
|-----------------------------|----------|-------------------|
| APM Automotive Holdings Bhd | 31/12/10 | 1,178,846.0       |
| EP Manufacturing Bhd        | 31/12/10 | 587,519.0         |
| GFB                         | 31/12/10 | 394,839.0         |
| New Hoong Fatt Holdings Bhd | 31/12/10 | 227,473.4         |
| Dufu Technology Corp. Bhd   | 31/12/10 | 128,495.5         |
| Lipo Corporation Bhd        | 30/06/11 | 67,466.5          |
| MQ Technology Bhd           | 31/12/10 | 42,171.5          |
| Autoair Holdings Bhd        | 30/06/11 | 18,825.8          |

*Note*

*N. A. = Not Applicable*

*Source: Bursa Malaysia*

## 1.9 Market Share

The market size for automotive components, medical devices and E&E industries in terms of sales, amounted to RM174.8 billion in Malaysia in 2010. As GFB generated revenues of RM394.8 million in the same year, its market share in the automotive components, medical devices and E&E industries collectively is computed at 0.2% in 2010.

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## 7. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

The market size for the automotive components, medical devices, semiconductor devices, and precision metal stamping industries in terms of sales, was reported at RM6.7 billion, RM1.4 billion, RM42.7 billion and RM2.2 billion, respectively, in Malaysia in 2010. GFB's market shares in these industries are computed at 2.3%, 0.4%, 0.3% and 5.9%, respectively, in 2010, as shown in Table 4.

**Table 4: Market Shares of GFB in the Various Industries**

| Industries               | Sales (RM Million) | GFB's revenue (RM Million) | Market share of GFB (%) |
|--------------------------|--------------------|----------------------------|-------------------------|
| Automotive components    | 6,676.2            | 152.7                      | 2.3                     |
| Medical devices          | 1,367.6            | 4.9                        | 0.4                     |
| Semiconductor devices    | 42,715.4           | 120.4                      | 0.3                     |
| Precision metal stamping | 2,167.3            | 129.8                      | 5.9                     |

Source: Department of Statistics and GFB

As the sales figures of RF components and photonics components in Malaysia are not available, Infobusiness will use the national exports of RF components and photonic components to compute GFB's export market shares. The export market share of GFB in RF components and photonics components amount to 0.004 % and 0.3%, respectively, in 2010, as shown in Table 5.

**Table 5: Export Market Shares of GFB in RF Components and Photonics Components**

| Industries           | National exports in 2010 (RM Million) | GFB's export revenue (RM Million) | Export market share of GFB (%) |
|----------------------|---------------------------------------|-----------------------------------|--------------------------------|
| RF components        | 456.4                                 | 0.019 *                           | 0.004                          |
| Photonics components | 1,011.8                               | 3.3                               | 0.3                            |

Note

\*GFB's revenue in RF components in 2010 was mainly derived from indirect exports, and not direct exports or local sales. Only a small amount of revenue was generated from direct exports.

Source: Department of Statistics and GFB

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## 7. INDUSTRY OVERVIEW (Cont'd)

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### 1.10 Prospects and Outlook

The outlooks on the various industries in Malaysia, the PRC, Taiwan and Indonesia are discussed below.

#### 1.10.1 Malaysia

##### *Automotive Industry*

The automotive market in Malaysia is driven by the launching of new models, aggressive sales campaigns and the expanding middle class. Nevertheless, the automotive market is already pretty saturated, with an average of one (1) car per four (4) Malaysians. Another factor is that the extra long term hire purchase (ranging between five (5) years and ten (10) years) were offered around 2005 and this means that there are going to be a large number of motor vehicle owners who will still be paying for instalments for their motor vehicles in the coming years. With depreciation occurring every year, there will be a big gap between the motor vehicle's residual value and how much is owed to the banks, making it difficult for owners to trade-in for new motor vehicles.

Sales of motor vehicles reached 605,156 units in Malaysia in 2010 and are expected to grow at a CAGR of 1.4% between 2010 and 2014, due to the maturing market.

##### *Medical Devices Industry*

The medical devices industry is one of the most vital and dynamic industries in the world and it is constantly driven by R&D which needs to keep pace with increasing demand from the medical fraternity.

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## 7. INDUSTRY OVERVIEW (Cont'd)

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The development of innovative medical technologies has contributed to the introduction of new medical products and the expansion of production of medical devices. Technological convergence between diagnostic, monitoring and treatment devices will be another major driver as the merging of technology is the next big step in accurately delivering drug treatments on time and in specific doses, while conducting regular diagnostic and monitoring procedures. This trend is continuing at a rapid pace, aided by advances in electronics and biotechnology. The market for medical devices will continue to benefit from the improving healthcare systems, growing population, extended life expectancy rates and rising affluence.

In Malaysia, the medical devices industry is still in the initial stages of development. The country's medical devices are mainly imported, especially the more technologically advanced items. There is scope for import substitution of these products. Opportunities are present for investors to venture into the manufacturing of medical devices such as cardiovascular, wound care, orthopaedic, transplant and medical imaging equipment, patient monitoring systems, electrocardiography equipment, blood flow measurement equipment and dialysis equipment. Sales of medical devices in Malaysia were about RM1.4 billion in 2010. It is anticipated to expand at a CAGR of 8% between 2010 and 2014.

### *E&E/Semiconductor Industry*

The E&E industry in Malaysia is mainly driven by semiconductors. Semiconductor technology lies at the heart of the amazing revolution we are witnessing in computing, communications, consumer electronics, transportation and health care. This revolution is enabled by designing and building successive generations of chips that perform an ever increasing number of functions, run faster, and cost less.

The development of the IC package is a dynamic technology. Applications that were unattainable only a few years ago are today common place thanks in part to advances in packaging design. From mobile telecommunications and satellite broadcasting to aerospace and automotive applications, each imposes its own individual demands on semiconductor packaging.

## 7. INDUSTRY OVERVIEW (Cont'd)

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Malaysia is anticipated to benefit from the growth in demand for semiconductors from both the developed and emerging economies, as a result of the further integration of existing semiconductor companies into the global production networks. Sales of semiconductor devices amounted to RM42.7 billion in Malaysia in 2010. It is anticipated to grow at a CAGR of 8.1% between 2010 and 2014.

### 1.10.2 The PRC

#### *Automotive Industry*

The automotive industry is a key catalyst in the PRC's industrialisation and modernisation efforts, due to its widespread linkages. With labour cost remaining relatively low, the PRC is beginning to produce reasonable quality cars for a fraction of the cost of cars built anywhere else. There is still a lot of growth potential in the automotive industry in the PRC, as less than five (5) people in 1,000 own a car. In an effort to make the Chinese automotive industry more competitive internationally, the Chinese government has encouraged car companies to consolidate, combining the fourteen (14) largest car makers into ten (10) manufacturers and weaning them off their dependence on government subsidies and joint ventures with foreign companies. Sales of automotives reached 18.1 million units in the PRC in 2010, with growth forecasted at a CAGR of 7.6% between 2010 and 2014.

#### *Medical Devices Industry*

The prospects for medical device spending is promising as the Chinese government has committed heavily in the construction of thousands of hospitals, healthcare centres, clinics and this will inevitably lead to spending on medical devices. Priority has been given to the construction and renovation of around 2,000 county level hospitals, so that each county will have at least one such facility. Foreign companies, especially large medical devices manufacturers from Japan, Germany and the US have a competitive advantage in terms of technology. The market size for medical devices in the PRC is about USD14.8 billion (approximately RM47.8 billion) in 2010. It is projected to grow at a CAGR of 10.9% between 2010 and 2014.

## 7. INDUSTRY OVERVIEW (Cont'd)

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### *E&E/Semiconductor Industry*

In the E&E industry, the PRC has emerged to become the world's largest producer of video compact disc players, digital versatile disc players, colour televisions, cellular phones, desktop PCs, radios, telephone sets, loudspeakers, magnetic heads, monitors, compact disc drives and printers. The semiconductor industry is the backbone of the E&E industry in the PRC. Due to the great importance of the semiconductor industry to the country's industrialisation, the Chinese government is pursuing a policy that will make the country nearly self-reliant in semiconductor manufacturing, and the semiconductor industry is recognised as one of the main pillars of the Chinese economy. The semiconductor market amounted to about USD80.1 billion (approximately RM258.8 billion) in the PRC in 2010. It is projected to grow at a CAGR of 12% between 2010 and 2014.

### 1.10.3 Taiwan

#### *Automotive Industry*

Automotive drivers owned some 2.70 million cars older than ten (10) years in Taiwan, or 47% of the total passenger cars registered on the island. Although Taiwan has no national car brands, the expansion of the Chinese market on the mainland creates a new opportunity for the Taiwanese automotive industry. The Chinese automotive industry is still in an embryonic stage and Taiwanese automotive manufacturers should find plenty of opportunities for cooperation. About 320,000 new cars were sold in Taiwan in 2010 and sales are forecasted to grow at a CAGR of 6.3% between 2010 and 2014.

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## 7. INDUSTRY OVERVIEW (Cont'd)

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### *Medical Devices Industry*

The relatively lower costs of production and quality proven manufacturing standards have allowed Taiwanese companies to gain a foothold in manufacturing medical devices for the region. As it is still at an early stage of development, most of the manufacturing activities revolves around safety syringes, medical disposables, blood glucose monitors, electronic and infra-red thermometers, and home use medical appliances. In tandem with rising costs, medical device manufacturers in Taiwan have shown a gradual move into investing in R&D which adds value to the products they produce, while at the same time moving their manufacturing base outside of Taiwan. The output of medical devices in Taiwan is estimated at approximately USD1.5 billion (approximately RM4.9 billion) in 2010. It is projected to grow at a CAGR of 15.7% between 2010 and 2014.

### *E&E/Semiconductor Industry*

The semiconductor industry, which is the mainstay of the E&E industry in Taiwan, is heavily intertwined with its counterparts in the PRC. Taiwanese companies have been moving production capabilities from Taiwan to the PRC since the late nineties. The major reason that Taiwanese companies have migrated to the PRC is to take advantage of the country's great pool of relatively educated and talented young people who are willing to work on assembly lines for labour rates that are significantly lower than in Taiwan. The market size of the semiconductor industry in Taiwan is about USD42.2 billion (approximately RM136.3 billion) in 2010 and is expected to grow at a CAGR of 6.5% between 2010 and 2014.

### **1.10.4 Indonesia**

#### *Automotive Industry*

Currently, the Indonesian automotive market is the second largest in South East Asia, after the Thai market. The Indonesian government has positioned the automotive industry as one of the country's priority industries to focus on. Wages for workers are competitive in the automotive industry in Indonesia.

## 7. INDUSTRY OVERVIEW (Cont'd)

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In 2010, Indonesia sold 764,710 units of automotives, a new record high and just behind Thailand's sales of 800,357 units. Indonesia also offers a domestic automotive market that is potentially larger than Thailand, due to its large population and an expanding middle class. The automotive industry in Indonesia is poised for further growth and could take Thailand's position as the regional leader.

There were twenty (20) automotive assemblers, 150 Tier-1 automotive component manufacturers and 350 Tier-2 automotive component manufacturers in Indonesia in 2010. The domestic automotive component manufacturers produce less sophisticated items that lack value added processes. They are still highly dependent on imported raw materials as the industries producing them are still not well established. Most of the raw materials are imported from countries such as Japan, South Korea, Taiwan and the PRC. Developing a domestic production base for environmentally-friendly and low cost cars is a key goal.

As at January 2011, eighteen (18) foreign companies have submitted proposals for a combined investment of more than USD900 million (approximately RM2.9 billion) in Indonesia's automotive industry. US-based General Motors Company announced that it would start producing cars in Indonesia in 2013, investing USD150 million (approximately RM484.5 million) to reactivate its abandoned manufacturing plant in West Java.

Japanese automotive manufacturers Nissan Motor Company and Suzuki Motor Corporation recently announced expansion plans, investing USD250 million (approximately RM807.5 million) and USD800 million (approximately RM2.5 billion), respectively, while France's Peugeot SA and India's Tata Motors Ltd have both expressed interest in building production bases in Indonesia.

Daihatsu Motor Company of Japan and the German manufacturer Bayerische Motoren Werke AG, better known as BMW, have just carried out expansions to their Indonesian facilities with investments of USD246 million (approximately RM794.6 million) and USD12 million (approximately RM38.8 million), respectively.

## 7. INDUSTRY OVERVIEW (Cont'd)

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Japanese automotive assemblers of vans and compact city cars still rule the Indonesian market with more than 90% of market share, but the premium segment is dominated by German automotive assemblers. Automotive sales in Indonesia are anticipated to grow by a CAGR of 6.9% between 2010 and 2014.

### *Medical Devices Industry*

The medical devices industry has a huge potential in Indonesia, due to its population of more than 220 million. The bulk of the Indonesian medical devices market is supplied by imports. However, foreign manufacturers of medical devices have always been faced with numerous obstacles and challenges in entering the industry. Penetrating the medical device market is difficult due to the wide and extensive geographical boundaries in the country. The highly bureaucratic medical device import and trading regulations have made it more difficult for foreign manufacturers. The market size for medical devices in Indonesia is estimated at USD304 million (approximately RM982 million) in 2010. It is projected to grow at a CAGR of 15.3% between 2010 and 2014.

### *E&E Industry*

The E&E industry in Indonesia is dominated by the manufacturing of consumer electronics, albeit the manufacturing of electronic components is gradually growing in importance. Many foreign companies venture into the E&E industry in Indonesia to take advantage of its low cost labour force, as well as being attracted by Indonesia's potential as a large market. The size of the electronics market in Indonesia in 2010 is estimated at USD10.5 billion (approximately RM33.9 billion) and is projected to grow at a CAGR of 10.5% between 2010 and 2014.

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## 7. INDUSTRY OVERVIEW (Cont'd)

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### 1.10.5 Outlook on The Palm Oil Industry in Malaysia

GFB is also involved in oil palm plantation activities.

Palm oil is currently the leading edible oil traded and consumed globally, with a share of 55% and 26%, respectively, of total oils and fats. Although the palm oil industry in Malaysia spans the entire value chain from plantations to downstream manufacturing activities, its development is heavily skewed towards upstream activities, namely production and processing of fresh fruit bunches, palm oil refining and palm kernel crushing activities.

The palm oil industry is one of the 12 national key economic areas promoted under the Economic Transformation Programme. Over the next (10) years, the palm oil industry in Malaysia is expected to be driven by the following factors:

- The expansion of existing upstream activities

This growth will be driven by the expansion of Malaysian plantations abroad and organic growth in yield levels. Due to the scarcity of land in the country, Malaysian companies are anticipated to invest more aggressively in plantations abroad.

- Development of existing downstream activities

Malaysia is a major global oleochemical player, accounting for about 18.6% of global oleochemical production capacity. Palm feedstock availability, lower operating costs and increasing regional demand are expected to further shift oleochemical production to South East Asia, including Malaysia, in the future. This in turn, will boost the consumption of palm oil.

- Development of National Biodiesel Activities

The Malaysian Biofuel Industry Act 2007 complements the development of palm-based biodiesel. It provides for mandatory blending of biofuel with petroleum diesel. The utilisation of palm oil for biofuel production will assist to strengthen the consumption of palm oil.

## 7. INDUSTRY OVERVIEW (Cont'd)

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It is envisaged that the palm oil industry will remain a major contributor to the Malaysian economy over the next 10 years, building on a core set of advantages, including rising demand globally, continued high oil-yield per hectare, distinctive edge in yield and quality over competing countries such as Indonesia, as well as a conducive regulatory environment.

In terms of output, the palm oil industry in Malaysia is expected to grow at a CAGR of 4.3%, from about RM17.3 billion in 2010 to approximately RM20.9 billion in 2014, in view of the bright outlook of the palm oil industry.

### 1.10.6 Outlook on The Coal Mining Industry

GFB will also be involved in coal mining activities in Indonesia.

Coal has become one of the main sources of electric energy in the world and this is expected to continue as it is the most abundant fossil fuel. The world is geologically endowed with abundant proved reserves of coal. Coal reserves are more widely spread than oil and gas reserves, which mean that coal is a more reliable than other fossil fuels in many countries. At the current rate of production, the global proved reserves are estimated to be able to last for another 118 years. The global demand for coal is expected to expand at a CAGR of 2.3% between 2010 and 2014.

The surge in the prices of crude oil in recent years has forced the Indonesian government to look for alternative sources of energy. It is keen to take advantage of the growing role of coal, so as to maximise the potential of coal energy. Indonesia is seeking to expand the use of coal to fuel industries, especially to feed coal-fired power plants, replacing expensive oil fuels. There are also plans to electrify rural areas as it is estimated that only about 65% of the population has access to electricity.

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## 7. INDUSTRY OVERVIEW (Cont'd)

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Most of the coal deposits in Indonesia lies in east and central Kalimantan, and south Sumatera. As at end 2010, Indonesia has proved reserves of 5.5 billion tonnes of coal, accounting for 0.6% of the world's proved reserves. At the rate of production for 2010, the proved reserves are able to last for another 18 years. Indonesia was the fifth largest coal producer in the world in 2010, and its coal production expanded at a CAGR of 12.1% during the years between 2006 and 2010, from 119.2 million tonnes oil equivalent to 188.1 million tonnes oil equivalent. An increasing share of the country's total coal output is expected to be consumed locally as new coal-fired generating capacity is installed to meet growing energy demands. The production of coal in Indonesia is projected to grow at a CAGR of 4.1% between 2010 and 2014.

### 1.11 The Global Economy

The world economy entered 2011 with expectations for a healthy economic growth during the year, supported by optimism over the favourable growth performance in the fourth quarter of 2010. In the second half of 2011, despite diminishing supply disruptions and the moderation in oil prices, the global environment became increasingly challenging. Escalation of the sovereign debt crisis in the euro area and the downgrade of the US sovereign credit rating in August had intensified fiscal and financial stress in the advanced economies and dampened consumer and business sentiments.

The global economic recovery, which began in the second half of 2009, is expected to slow in 2012 largely due to the ongoing sovereign debt issues in the euro area. Growth in these economies would be largely constrained by fiscal consolidation and private sector deleveraging following the impairment of the balance sheets of financial institutions. The extent of the moderation in global growth is largely contingent on how the debt crisis evolves and the nature and timeliness of the policy actions in restoring market confidence. In particular, given the region's integration with the rest of the world, the spillover from the sovereign debt crisis will affect growth in both the advanced and emerging economies to varying degrees, through both trade and financial channels.

## 7. INDUSTRY OVERVIEW (Cont'd)

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In view of the deterioration in the external environment, growth in the emerging economies will continue to moderate. In addition, expansion in domestic demand is also expected to slow. More cautious private sector sentiments amid high uncertainties in the global economic and financial environment would restrain domestic activity as both companies and consumers reduce their spending. Emerging economies could also be adversely affected by the large quantity of liquidity being injected by the advanced economies and the consequent low interest rate environment which will continue to spur investors' search for yields. The implication is that many emerging economies will continue to experience large capital flows and significant volatility in their financial markets.

**Table 6: Global Real Gross Domestic Product ("GDP"), 2003-2012<sup>f</sup>**

| Growth (%)  | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 <sup>e</sup> | 2012 <sup>f</sup> |
|-------------|------|------|------|------|------|------|------|------|-------------------|-------------------|
| World GDP   | 3.9  | 5.1  | 4.9  | 4.9  | 5.2  | 3.0  | -0.5 | 5.2  | 3.8               | 3.3               |
| US          | 3.0  | 4.2  | 3.2  | 2.9  | 1.9  | -0.3 | -3.5 | 3.0  | 1.7               | 1.8               |
| Japan       | 1.4  | 2.3  | 1.9  | 2.2  | 2.2  | -1.0 | -5.5 | 4.4  | -0.7              | 1.7               |
| Euro area * | 0.5  | 2.1  | 1.4  | 2.8  | 3.0  | 0.4  | -4.3 | 1.9  | 1.4               | -0.5              |
| China       | 10.1 | 10.1 | 11.3 | 12.7 | 14.2 | 9.6  | 9.2  | 10.4 | 9.2               | 8.2               |

Notes:

\* = Indicates member countries of the Euro area (Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovak Republic, Slovenia, Spain)

e = estimate

f = forecast

Source: Ministry of Finance, Bank Negara Malaysia

## 1.12 The Malaysian Economy

Amid the more challenging external environment, Malaysia's economy is projected to experience a steady pace of growth of between 4% and 5% in 2012. Domestic demand is expected to remain resilient and will continue to be the anchor for growth. Private investment will be supported by continued investment by domestic-oriented industries and the ongoing implementation of projects under the ETP.

## 7. INDUSTRY OVERVIEW (Cont'd)

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# infobusiness

On the supply side, most sectors will continue to expand in 2012. Nevertheless, the slower growth in global demand may adversely affect export-oriented industries in the manufacturing sector as well as trade-related industries in the services sector. The performance of domestic-oriented industries, on the other hand, is expected to remain firm, benefiting from resilient domestic demand conditions. In particular, the construction sector is projected to record a stronger growth, supported by the implementation of major infrastructure projects.

Growth in the services sector will be supported by consumer-related sub-sectors, which is likely to cushion the effects of slower trade-related activity during the year. The manufacturing sector is expected to grow at a slower pace due to the anticipated slower activity in the export-oriented industries. The E&E cluster will be particularly vulnerable to sluggish growth in the advanced economies, as it would adversely affect demand for personal computers and semiconductors. The cluster will also be supported by new growth areas such as the renewable energy and light emitting diode industries. Construction-related manufacturing industries are expected to move in tandem with the broad construction sector but the outlook for the cluster remains constrained by the weaker external demand for its products.

The construction sector is anticipated to record a stronger growth, driven by the civil engineering sub-sector. Growth will be contributed mainly by the launch of key infrastructure projects. The mining sector is projected to improve, recording a positive growth rate in 2012, due to higher production of natural gas. Growth in the non-residential sub-sector is expected to be sustained, owing to public sector expenditure on hospitals and schools. In contrast, the residential sub-sector is projected to grow at a slower pace as developers shift focus to mass market housing from the high-end segment.

The output of crude oil is expected to remain subdued amidst maturing fields and delays in the commencement of production of some new fields. However, measures such as the enhanced oil recovery and tax incentives to promote production from marginal fields are anticipated to contribute favourably to crude oil production in the longer term.

## 7. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

Growth in the agriculture sector is expected to be more moderate, caused mainly by lower growth of both palm oil and natural rubber following the strong performance seen in 2011 and the moderation in commodity prices. Growth will be supported by food production, namely fish and poultry.

**Table 7: Annual Change in Real GDP by Sector, 2003-2012<sup>f</sup> (2000 prices)**

| Growth (%)    | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 <sup>p</sup> | 2012 <sup>f</sup> |
|---------------|------|------|------|------|------|------|------|------|-------------------|-------------------|
| GDP           | 5.3  | 7.1  | 5.2  | 5.9  | 6.3  | 4.8  | -1.6 | 7.2  | 5.1               | 4.0-5.0           |
| Agriculture   | 5.7  | 5.0  | 2.5  | 5.2  | 2.2  | 4.3  | 0.6  | 2.1  | 5.6               | 3.8               |
| Manufacturing | 8.3  | 9.8  | 5.1  | 7.1  | 3.1  | 1.2  | -9.3 | 11.4 | 4.5               | 3.9               |
| Mining        | 5.9  | 3.9  | 0.8  | -0.4 | 3.3  | -2.4 | -6.3 | 0.2  | -5.7              | 0.6               |
| Construction  | 1.9  | -1.5 | -1.6 | -0.5 | 4.6  | 4.2  | 5.9  | 5.1  | 3.5               | 6.6               |
| Services      | 4.4  | 6.8  | 6.5  | 7.2  | 9.7  | 7.6  | 3.1  | 6.8  | 6.8               | 5.1               |

Notes:

*p* = preliminary

*f* = forecast

Source: Ministry of Finance, Bank Negara Malaysia

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## 8. FINANCIAL INFORMATION

### 8.1 Historical financial information

We have prepared the proforma consolidated financial results for illustrative purposes only, for the years ended 31 December 2008, 31 December 2009 and 31 December 2010, after making adjustments that were considered necessary based on the results of Jotech, AIC and AutoV and on the assumption that we have been in existence throughout the years. The proforma consolidated financial results have been prepared on the basis set out in Section 8.5 of this Prospectus, using financial statements prepared in accordance with FRS in Malaysia and in a manner consistent with both the format of our financial statements and accounting policies.

The proforma financial statements of our Group for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 were not audited. The audited consolidated financial statements/annual reports of Jotech, AIC and AutoV for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 may be obtained or downloaded from Bursa Malaysia Berhad's website at [www.bursamalaysia.com](http://www.bursamalaysia.com). The audited consolidated financial statements of Jotech, AIC and AutoV were not subject to any audit qualification for the years ended 31 December 2008, 31 December 2009 and 31 December 2010.

For information purposes, on 30 December 2011, the financial year end of Jotech, AIC and AutoV have been changed from 31 December 2011 to 30 June 2012 and the next audited financial statements shall be for a period of eighteen (18) months ending 30 June 2012.

You should read the financial information that we have presented below together with the notes, assumptions and basis of preparation included in the Reporting Accountants' letters on the proforma consolidated financial information and the proforma consolidated statements of financial position as set out in Section 8.5 of this Prospectus.

#### Proforma consolidated statements of comprehensive income

|  | Year ended 31<br>December 2008 | Year ended 31<br>December 2009 | Year ended 31<br>December 2010 |
|--|--------------------------------|--------------------------------|--------------------------------|
|  | RM'000                         | RM'000                         | RM'000                         |
| <b>Continuing operations:</b>  |                                |                                |                                |
| Revenue  | 339,209                        | 331,798                        | 394,839                        |
| Cost of sales  | (288,716)                      | (278,181)                      | (326,157)                      |
| <b>Gross profit</b>  | <b>50,493</b>                  | <b>53,617</b>                  | <b>68,682</b>                  |
| Administrative expenses  | (28,182)                       | (28,933)                       | (35,086)                       |
| Distribution costs   | (3,284)                        | (3,454)                        | (3,285)                        |
| Other operating expenses   | (8,079)                        | (3,560)                        | (5,223)                        |
| Other operating income   | 8,007                          | 5,458                          | 8,804                          |
| <b>Results from operating activities</b>                               | <b>18,955</b>                  | <b>23,128</b>                  | <b>33,892</b>                  |
| Finance income   | 1,159                          | 856                            | 742                            |
| Finance costs  | (5,870)                        | (5,172)                        | (3,975)                        |
| <b>Operating profit</b>  | <b>14,244</b>                  | <b>18,812</b>                  | <b>30,659</b>                  |
| Share of results of associates   | -                              | 30                             | (6)                            |
| <b>Profit before taxation</b>  | <b>14,244</b>                  | <b>18,842</b>                  | <b>30,653</b>                  |
| Taxation   | (4,806)                        | (2,294)                        | (3,328)                        |
| <b>Profit for the year from continuing operations</b>                  | <b>9,438</b>                   | <b>16,548</b>                  | <b>27,325</b>                  |
| Loss from discontinued operations and loss on disposal of subsidiaries | (9,660)                        | -                              | -                              |
| <b>(Loss)/Profit for the year</b>                                      | <b>(222)</b>                   | <b>16,548</b>                  | <b>27,325</b>                  |
| <b>Other comprehensive expense, net of tax</b>                         |                                |                                |                                |
| Foreign currency translation differences for foreign operations        | (103)                          | (94)                           | (2,143)                        |
| <b>Total comprehensive (loss)/income for the year</b>                  | <b>(325)</b>                   | <b>16,454</b>                  | <b>25,182</b>                  |

## 8. FINANCIAL INFORMATION (Cont'd)

|   | Year ended 31<br>December 2008 | Year ended 31<br>December 2009 | Year ended 31<br>December 2010 |
|---|--------------------------------|--------------------------------|--------------------------------|
|   | RM'000                         | RM'000                         | RM'000                         |
| <b>(Loss)/Profit attributable to:</b>                                   |                                |                                |                                |
| Owners of our Company   | (762)                          | 15,408                         | 25,991                         |
| Minority interests  | 540                            | 1,140                          | 1,334                          |
| <b>(Loss)/Profit for the year</b>                                       | <b>(222)</b>                   | <b>16,548</b>                  | <b>27,325</b>                  |
| <b>Total comprehensive (loss)/income attributable to:</b>               |                                |                                |                                |
| Owners of our Company   | (936)                          | 15,351                         | 24,292                         |
| Minority interests  | 611                            | 1,103                          | 890                            |
| <b>Total comprehensive (loss)/income for the year</b>                   | <b>(325)</b>                   | <b>16,454</b>                  | <b>25,182</b>                  |
| <b>Other selected financial data:</b>                                   |                                |                                |                                |
| Depreciation  | 23,524                         | 24,704                         | 23,180                         |
| EBITDA <sup>(1)</sup>   | 42,669                         | 48,636                         | 57,901                         |
| No. of Shares in issue ('000)   | 5,273,646                      | 5,273,646                      | 5,273,646                      |
| Gross profit margin (%) <sup>(2)</sup>                                  | 14.89                          | 16.16                          | 17.39                          |
| PBT margin (%) <sup>(3)</sup>   | 4.20                           | 5.68                           | 7.76                           |
| (Loss after tax and minority interest)/PATAMI margin (%) <sup>(4)</sup> | (0.22)                         | 4.64                           | 6.58                           |
| Basic gross EPS (sen) <sup>(5)</sup>                                    | 0.27                           | 0.36                           | 0.58                           |
| Basic net (loss per Share)/EPS (sen) <sup>(6)</sup>                     | (0.01)                         | 0.29                           | 0.49                           |

**Notes:**

<sup>(1)</sup> EBITDA represents earnings before finance cost, finance income, taxation, depreciation and amortisation. The table below sets out a reconciliation of our consolidated PAT to consolidated EBITDA:

|                | Year ended 31<br>December 2008 | Year ended 31<br>December 2009 | Year ended 31<br>December 2010 |
|----------------|--------------------------------|--------------------------------|--------------------------------|
|                | RM'000                         | RM'000                         | RM'000                         |
| <b>EBITDA:</b> |                                |                                |                                |
| PAT            | 9,438                          | 16,548                         | 27,325                         |
| Taxation       | 4,806                          | 2,294                          | 3,328                          |
| PBT            | 14,244                         | 18,842                         | 30,653                         |
| Finance costs  | 5,870                          | 5,172                          | 3,975                          |
| Finance income | (1,159)                        | (856)                          | (742)                          |
| Depreciation   | 23,524                         | 24,704                         | 23,180                         |
| Amortisation   | 220                            | 774                            | 835                            |
|                | <b>42,699</b>                  | <b>48,636</b>                  | <b>57,901</b>                  |

EBITDA, as well as the related ratios presented in this Prospectus are supplemental measures of our performance and liquidity and are not required by, or presented in accordance with the FRS in Malaysia. Furthermore, EBITDA is not a measure of our financial performance or liquidity under the FRS in Malaysia and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with the FRS in Malaysia or as an alternative to cash flow from operating activities or as a measure of liquidity. In addition, EBITDA is not a standardised term, hence a direct comparison between companies using such a term may not be possible.

<sup>(2)</sup> Computed based on the consolidated gross profit over total revenue of our Group.

<sup>(3)</sup> Computed based on the consolidated PBT over total revenue of our Group.

<sup>(4)</sup> Computed based on the consolidated PATAMI over total revenue of our Group.

<sup>(5)</sup> Basic gross EPS is computed based on the consolidated PBT over our 5,273,646,248 Shares in issue.

<sup>(6)</sup> Basic net EPS is computed based on the consolidated PATAMI over our 5,273,646,248 Shares in issue.



**8. FINANCIAL INFORMATION (Cont'd)**

The preparation of the proforma financial statements above have not taken into consideration the following standards and interpretations that have been issued but not yet effective as at 31 December 2010.

The standards and interpretations in mention are as follows:

| <b>Description</b>   | <b>Effective for annual periods<br/>beginning on or after</b> |
|--|---|
| Amendments to FRS 132 Classification of Rights Issues  | 1 March 2010  |
| FRS 1 First-time Adoption of Financial Reporting Standards (Revised)   | 1 July 2010   |
| FRS 3 Business Combinations (Revised)  | 1 July 2010   |
| FRS 127 Consolidated and Separate Financial Statements (Revised)   | 1 July 2010   |
| Amendments to FRS 2 Share-based Payment  | 1 July 2010   |
| Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations   | 1 July 2010   |
| Amendments to FRS 138 Intangible Assets  | 1 July 2010   |
| Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives   | 1 July 2010   |
| IC Interpretation 12 Service Concession Arrangements   | 1 July 2010   |
| IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation   | 1 July 2010   |
| IC Interpretation 17 Distributions of Non-cash Assets to Owners  | 1 July 2010   |
| Amendments to FRS 1 Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters   | 1 January 2011  |
| Amendments to FRS 1 Additional Exemptions for First-Time Adopters  | 1 January 2011  |
| Amendments to FRS 2 Group Cash-settled Share-based Payment Transactions  | 1 January 2011  |
| Amendments to FRS 7 Improving Disclosures about Financial Instruments  | 1 January 2011  |
| IC Interpretation 4 Determining Whether an Arrangement contains a Lease  | 1 January 2011  |
| IC Interpretation 18 Transfer of Assets from Customers   | 1 January 2011  |
| Improvements to FRSs (2010)  | 1 January 2011  |
| IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments   | 1 July 2011   |
| Amendments to IC Interpretation 14 Prepayments of a Minimum Funding Requirement  | 1 July 2011   |
| FRS 124 Related Party Disclosures (Revised)  | 1 January 2012  |
| IC Interpretation 15, Arrangements for the Construction of Real Estate   | 1 January 2012  |
| Improvements to FRSs (2011)  | 1 January 2012  |
| Amendments to FRS 1, First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters | 1 January 2012  |
| Amendments to FRS 7, Financial Instruments: Disclosures – Transfers of Financial Assets  | 1 January 2012  |
| Amendments to FRS 112, Income Taxes – Deferred Tax: Recovery of Underlying Assets  | 1 January 2012  |
| Amendments to FRS 101, Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income                                    | 1 July 2012   |
| FRS 10 Consolidated Financial Statements   | 1 January 2013  |
| FRS 11 Joint Arrangements  | 1 January 2013  |
| FRS 12 Disclosure of Interests in Other Entities   | 1 January 2013  |

**8. FINANCIAL INFORMATION (Cont'd)**

| <b>Description</b>   | <b>Effective for annual periods<br/>beginning on or after</b> |
|--|---|
| FRS 13, Fair Value Measurement   | 1 January 2013  |
| FRS 119, Employee Benefits (2011)  | 1 January 2013  |
| FRS 127, Separate Financial Statements (2011)  | 1 January 2013  |
| FRS 128, Investments in Associates and Joint Ventures (2011)                           | 1 January 2013  |
| IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine        | 1 January 2013  |
| Amendments to FRS 132, Offsetting Financial Assets and Financial Liabilities           | 1 January 2014  |
| FRS 9 Financial Instruments (2009)   | 1 January 2015  |
| FRS 9 Financial Instruments (2010)   | 1 January 2015  |
| Amendments to FRS 7, Disclosures-Offsetting Financial Assets and Financial Liabilities | 1 January 2015  |

The initial application of the above standards (and its consequential amendments) and interpretations are not expected to have any material impact on the financial statements of our Group other than expected changes in accounting policies as discussed below:

**FRS 3 (Revised) Business Combinations**

FRS 3 (Revised) incorporates the following changes that are likely to be relevant to the Group's operations:

- (i) The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations;
- (ii) Contingent consideration will be measure at fair value, with subsequent changes therein recognised in profit or loss;
- (iii) Transaction costs, other than share and debt issue costs, will be expensed as incurred;
- (iv) Any pre-existing interest in the acquire will be measured at fair value with the gain or loss recognised in profit or loss; and
- (v) Any minority (will be known as non-controlling) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

FRS 3 (Revised), which becomes mandatory for our Group's June 2012 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in our Group's June 2012 consolidated financial statements.

**FRS 127 (2010), Consolidated and Separate Financial Statements**

- (i) The amendments to FRS 127 require changes in group composition to be accounted for as equity transactions between the group and its minority (will be known as non-controlling) interest holders; and
- (ii) The amendments to FRS 127 require all losses attributable to minority interest to be absorbed by minority interest i.e. the excess and any further losses exceeding the minority interest in the equity of a subsidiary are no longer charged against the Group's interest.

## 8. FINANCIAL INFORMATION (Cont'd)

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The above changes in accounting policies are not expected to have material impacts to our Group.

Following the announcement made by the Malaysian Accounting Standards Board on 19 November 2011, our Group's financial statements for June 2013 will be prepared in accordance with International Financial Reporting Standards framework. The change of the financial reporting framework is not expected to have any significant impact on the financial position and performance of our Group.

### 8.2 Management's discussion and analysis of financial condition and results of our Group's operations

The discussion and analysis of our performance on a proforma basis for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 are set out in this section.

Our proforma consolidated financial statements as at and for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 have been prepared on the basis set out in the notes in Section 8.5 of this Prospectus, using financial statements prepared in accordance with FRS in Malaysia and in a manner consistent with both the format of our financial statements and accounting policies.

#### 8.2.1 Introduction

Our Company was set up as a special purpose company to facilitate the Acquisitions. Our current principal business activity is investment holding while the principal business activities of our subsidiaries and associated companies are further set out in Section 9.2 of this Prospectus. We have overseas operations in Indonesia via PT Indotech Metal Nusantara which is involved in metal stamping and also via Rockhill, whose subsidiary, PT Sarana Rockhill Resources, was assigned the mining services and marketing rights from PT Sarana Putra Perdana (the coal concession company) to provide all coal mining and sale services to it. As at the LPD, the extraction and marketing of coal has yet to commence as PT Sarana Putra Perdana is in the process of obtaining the "Izin Pinjam Pakai Hutan" licence to be issued by the Kementerian Kehutanan Indonesia. Our overseas operations in PRC is represented by GuangDong Jotech Kong Yue Precision Industries Ltd which is involved in the manufacturing and fabrication of tools, dies and stamped metal components for the E&E industries.

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## 8. FINANCIAL INFORMATION (Cont'd)

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### 8.2.2 Factors affecting our Group's financial condition and results of our Group's operations

Our financial condition and results of operations are expected to be affected by a number of external factors, which may not be within our control including the following:

**(i) An increase in the cost of operations of our Group's businesses may result in lower profit margins**

Any increase in raw material prices, labour costs, overheads, energy costs or other costs of operations may result in lower profit margins, culminating in a need to increase the prices of our Group's products and services which inadvertently makes them less attractive and competitive. For example, our semiconductor business relies on raw materials such as gold and copper (to a lesser extent) whilst our metal stamping and precision tooling businesses requires metals such as aluminium and different types of steel. Our automotive component manufacturing business relies on plastic resins, some of which are still imported and pegged to and exposed to the fluctuation of price of crude oil as it is a petroleum by-product. These raw materials are commodities which prices are dictated by global demand and supply and may face volatile price fluctuations. Any material increase in the aforesaid costs and raw material prices will have a material and adverse impact on the profit margins of our Group or our ability to break even or stay competitive. If our Group fails to manage the price movements of these raw materials or is unable to pass on the increase in costs by increasing the prices of our products and services and in a timely manner, our businesses, operations and financial performance may be materially and adversely affected.

**(ii) The semiconductor business of our Group is dependent on our major suppliers and any disruptions in supplies may materially and adversely affect production of our semiconductor business**

The purchases of raw materials from our top three (3) suppliers for our semiconductor business in respect of each of the years ended 31 December 2008, 31 December 2009 and 31 December 2010 accounted in aggregate for approximately 40.43%, 40.15% and 37.41% of the total purchases of raw materials of our semiconductor business. There is no assurance that the semiconductor business of our Group will be able to reduce our dependence on these suppliers over time or be able to source for alternative suppliers who can supply the required products to us with the same level of quality on a timely basis. If the suppliers of our Group's raw materials are unable to deliver the required products to us for whatever reasons, including general shortages of raw materials, in accordance with the quality that we require or on time, our Group's production may be affected which will have a material adverse effect on our Group's financial performance. There is no assurance that our Group's existing suppliers will continue to supply to us or continue to supply to us on similar terms as in the past.

## 8. FINANCIAL INFORMATION (Cont'd)

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- (iii) **Our Group's semiconductor and metal stamping businesses are dependent on the prospects of the global E&E industry and our Group's ability to adapt to technological changes**

We sell our products and services to customers from various segments of the E&E industry. As such, our Group's performance will, to a large extent, depend on the outlook and cyclical nature of the global E&E industry, in particular the market for semiconductors which is cyclical in nature. This is due to the relatively short product lifecycle and rapid technological changes of semiconductors. Any slow-down in consumer demand locally and globally will present a risk to the demand for our Group's products and services.

In addition, the demand for our Group's products and services can be characterised by rapid technological developments, evolving industry standards, swift changes in customer requirements, new product introductions and enhancements. If our Group requires new technologies and equipment to remain competitive, the development, acquisition and implementation of those technologies and equipment may require us to make significant capital investments. The emergence of new industry standards which reduces the use of metal parts in our Group's metal stamping business may also render some of our Group's products unnecessary. Thus, the future success of our semiconductor and metal stamping businesses will depend on our Group's ability to maintain and enhance our technological capabilities and develop and market our manufacturing services to meet the ever changing consumer needs and successfully anticipate and adapt to technological changes.

- (iv) **Our Group operates in a globally competitive environment and is exposed to substantial competition from local and global players**

Our Group is exposed to competition risk in all of our businesses.

Our Group's manufacturing business operates in a highly competitive industry. Many of our customers are MNCs in Malaysia and overseas, where the selection process of their suppliers are based on stringent criteria such as good after sales services support, competitive pricing, timely delivery of products, quality and dependability of the products and services. If our Group's manufacturing capabilities or services fail to keep abreast with the needs of our customers or the quality of products and services offered by our competitors, our customers may decide to discontinue purchasing from our Group, which may materially and adversely affect our Group's performance and financial results.

Our Group's resources business also faces competition from other companies operating in the same business. Our Group is a relatively new player in the oil palm plantations business and coal mining business and competes with other larger oil palm plantation companies and coal mining companies which may have better cost efficiencies than them. Intense competition may result in highly competitive pricing which would affect our profit margins. No assurance can be given that our Group will be able to compete effectively with current and new entrants into the oil palm plantation and coal mining businesses in the future.

If we are unable to differentiate ourselves from our competitors or stay competitive for any of our businesses, our profitability may be materially and adversely affected.

**8. FINANCIAL INFORMATION (Cont'd)**

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**(v) We are dependent on the supply of foreign labour and our Group may face labour shortages**

Our Group is dependent on the availability of labour, especially foreign labour. Our Group's businesses are labour intensive and we may experience difficulty in attracting/obtaining and retaining sufficient number of employees to work in our manufacturing facilities and oil palm plantations. As at the LPD, our Group employed 2,194 employees of which 1,900 employees are based in Malaysia, 185 are based in PRC, 106 are based in Indonesia and 3 are based in Taiwan. Of the total workforce based in Malaysia, 636 are foreign employees, representing approximately 33.47% of our total workforce in Malaysia. Of these 636 foreign employees, 539 are for our Group's IMS division and 97 are for our Group's resources division. Our Group's foreign employees are employed on a contractual basis, typically for a period of three (3) years and renewable for a period of up to two (2) years and are mainly sourced from Bangladesh, Indonesia, Myanmar, Nepal and Vietnam.

Any change in government policies which restricts the inflow of foreign labour to Malaysia or imposes additional conditions for the entry of foreign labour to countries in which our Group operates (including Malaysia) will decrease the number of foreign labour available for employment by our Group and this may affect our businesses and operations. There is also no assurance that the cost of labour, whether local or foreign, will not increase or that we will be able to offset such increase in labour cost against corresponding increase in the prices of our products. If our Group is unable to pass on increasing labour costs to our customers, our financial performance may be materially and adversely affected.

**(vi) Exposure to foreign exchange fluctuations may impact our Group's revenue and earnings**

We have metal stamping operations in Indonesia and PRC. Our coal mining operations are in Indonesia and a majority of our customers for our semiconductor manufacturing operations are from U.S. and Taiwan. As a result, we are subject to foreign exchange fluctuation risks through revenue earned and purchases made that are denominated in foreign currencies, in particular, USD despite our Group's financial results being reported in RM. The appreciation of the RM against foreign currencies may reduce our Group's revenue in RM terms as well as raise the prices of our Group's products and services against other currencies causing our products and services delivered abroad to be less competitive. On the other hand, the depreciation of RM against foreign currencies may increase the costs of the raw materials which our Group purchases from overseas in RM terms and lead to consequential increase in the price of our products. In addition, our Group is also exposed to foreign exchange fluctuations in the event of mismatches between the amount and timing of receipts and payments in foreign currencies. To the extent there are any such mismatches, a significant fluctuation in the applicable foreign currencies against the RM arising from such timing differences, for example in respect of credit terms given to our customers or by our suppliers, we may incur foreign exchange losses.

## 8. FINANCIAL INFORMATION (Cont'd)

### (vii) Our Group is subject to political, economic, market and regulatory considerations

Like all other business entities, our Group could be materially and adversely affected by changes in the political, economic, market and regulatory conditions in Malaysia and the countries in which we currently operate in and will operate in, source our supplies from or market our products. These uncertainties include changes in political leadership, risks of war and riots, expropriation, nationalisation, changes in interest rates, methods of taxation, exchange control policies or rules and immigration policies or rules. In addition, countries could change their interpretation of existing laws, policies and regulations which would impose and/or increase restrictions on the conduct of our businesses in Malaysia and/or overseas, restrict our businesses or export licenses and introduce trade barriers. An example of regulatory development which could impact our Group would be the Malaysian Ministry of Health's drafting of regulations on the production of medical devices. The implementation of these regulations could pose a challenge to our Group's medical devices production business as additional costs and efforts may be incurred to comply with the requirements imposed by these regulations.

In terms of economic risks, our Group's business operations and financial performance may be affected by a downturn in the Malaysian or global economy. Our Group's IMS division is likely to be affected by an economic downturn. The recent global financial crisis, the recent European sovereign debt crisis, political upheavals and general weakness of the global economy have increased the uncertainties involving the global economy and may continue to affect the key markets in Asia which our Group operates in. Any future decline of the Malaysian and the global economy could materially affect the financial results and business operations of our Group.

There can be no assurance that any changes to political, economic, market and regulatory factors will not have a material and adverse effect on the businesses and prospects of our Group.

### 8.2.3 Results by business segments

The following table sets out the revenue and operating profit of our Group by business segments:

|  | Year ended 31<br>December 2008 |       | Year ended 31<br>December 2009 |       | Year ended 31<br>December 2010 |       |
|--|--------------------------------|-------|--------------------------------|-------|--------------------------------|-------|
|  | RM'000                         | %     | RM'000                         | %     | RM'000                         | %     |
| <b>Revenue:</b>                        |                                |       |                                |       |                                |       |
| <b>IMS</b>                             |                                |       |                                |       |                                |       |
| - Precision metal stamping and tooling | 118,125                        | 34.82 | 112,670                        | 33.96 | 126,733                        | 32.10 |
| - Semiconductor                        | 112,939                        | 33.30 | 106,642                        | 32.14 | 120,357                        | 30.48 |
| - Precision tooling and automation     | 41,881                         | 12.35 | 25,163                         | 7.58  | 45,214                         | 11.45 |
| - Automotive components manufacturing  | 65,685                         | 19.36 | 86,590                         | 26.10 | 101,684                        | 25.75 |

## 8. FINANCIAL INFORMATION (Cont'd)

|   | Year ended 31<br>December 2008 |               | Year ended 31<br>December 2009 |               | Year ended 31<br>December 2010 |               |
|---|--------------------------------|---------------|--------------------------------|---------------|--------------------------------|---------------|
|   | RM'000                         | %             | RM'000                         | %             | RM'000                         | %             |
| <b>Revenue (Cont'd):</b>                      |                                |               |                                |               |                                |               |
| <b>Resources</b>                              |                                |               |                                |               |                                |               |
| - Oil palm plantations <sup>(1)</sup>         | -                              | -             | -                              | -             | -                              | -             |
| - Coal mining <sup>(2)</sup>                  | -                              | -             | -                              | -             | -                              | -             |
| Investment holding                            | 579                            | 0.17          | 733                            | 0.22          | 851                            | 0.22          |
| <b>Total revenue</b>                          | <b>339,209</b>                 | <b>100.00</b> | <b>331,798</b>                 | <b>100.00</b> | <b>394,839</b>                 | <b>100.00</b> |
| <b>Profit from operating activities:</b>      |                                |               |                                |               |                                |               |
| <b>IMS</b>                                    |                                |               |                                |               |                                |               |
| - Precision metal stamping and tooling        | 7,009                          | 37.00         | 5,623                          | 24.31         | 6,846                          | 20.20         |
| - Semiconductor                               | 7,336                          | 38.70         | 9,550                          | 41.29         | 6,598                          | 19.47         |
| - Precision tooling and automation            | 8,908                          | 47.00         | 806                            | 3.49          | 10,153                         | 29.96         |
| - Automotive components manufacturing         | 3,238                          | 17.08         | 7,680                          | 33.21         | 13,421                         | 39.60         |
| <b>Resources</b>                              |                                |               |                                |               |                                |               |
| - Oil palm plantations <sup>(1)</sup>         | -                              | -             | -                              | -             | -                              | -             |
| - Coal mining <sup>(2)</sup>                  | -                              | -             | -                              | -             | -                              | -             |
| Investment holding                            | (7,536)                        | (39.78)       | (531)                          | (2.30)        | (3,126)                        | (9.23)        |
| <b>Total profit from operating activities</b> | <b>18,955</b>                  | <b>100.00</b> | <b>23,128</b>                  | <b>100.00</b> | <b>33,892</b>                  | <b>100.00</b> |

**Notes:**

<sup>(1)</sup> The acquisitions of CFBSB and MPSB were completed on 22 March 2011.

<sup>(2)</sup> The acquisition of Rockhill was completed on 19 June 2009. As at the LPD, the extraction and marketing of coal has yet to commence as PT Sarana Putra Perdana (the coal concession owner) is in the process of obtaining the "Izin Pinjam Pakai Hutan" license to be issued by the Kementerian Kehutanan Indonesia.

## 8.2.4 Results by geographical segment

The following table sets out the revenue and operating profit of our Group by geographical segments (based on location of operations):

|                      | Year ended 31<br>December 2008 |               | Year ended 31<br>December 2009 |               | Year ended 31<br>December 2010 |               |
|----------------------|--------------------------------|---------------|--------------------------------|---------------|--------------------------------|---------------|
|                      | RM'000                         | %             | RM'000                         | %             | RM'000                         | %             |
| Malaysia             | 285,970                        | 84.30         | 276,261                        | 83.26         | 324,945                        | 82.30         |
| Overseas:            |                                |               |                                |               |                                |               |
| - Indonesia          | 44,707                         | 13.18         | 41,570                         | 12.53         | 49,314                         | 12.50         |
| - PRC                | 8,532                          | 2.52          | 13,967                         | 4.21          | 20,580                         | 5.20          |
| <b>Total revenue</b> | <b>339,209</b>                 | <b>100.00</b> | <b>331,798</b>                 | <b>100.00</b> | <b>394,839</b>                 | <b>100.00</b> |



## 8. FINANCIAL INFORMATION (Cont'd)

|   | Year ended 31<br>December 2008 |               | Year ended 31<br>December 2009 |               | Year ended 31<br>December 2010 |               |
|---|--------------------------------|---------------|--------------------------------|---------------|--------------------------------|---------------|
|   | RM'000                         | %             | RM'000                         | %             | RM'000                         | %             |
| Malaysia  | 16,964                         | 89.50         | 19,545                         | 84.51         | 28,427                         | 83.88         |
| Overseas:   |                                |               |                                |               |                                |               |
| - Indonesia                                       | 2,768                          | 14.60         | 2,857                          | 12.35         | 4,245                          | 12.52         |
| - PRC   | (777)                          | (4.10)        | 726                            | 3.14          | 1,220                          | 3.60          |
| <b>Total profit from<br/>operating activities</b> | <b>18,955</b>                  | <b>100.00</b> | <b>23,128</b>                  | <b>100.00</b> | <b>33,892</b>                  | <b>100.00</b> |

**Note:**

\* *Loss from operating activities of our PRC operations for the year ended 31 December 2008 is due to the various expansion initiatives undertaken to increase our production capacity in order to cater for the expected increase in customer base and a wider product range.*

### 8.2.5 Components of revenue

For the years ended 31 December 2008, 31 December 2009 and 31 December 2010, the revenue of our Group was mainly derived from precision metal stamping and tooling, semiconductor and automotive components manufacturing businesses.

Precision metal stamping and tooling and semiconductor businesses were the major contributors of our revenue, which contributed in aggregate approximately 68.12%, 66.10% and 62.58% for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 respectively.

Further details on the revenue generated from our main business contributors are set out below:

#### **IMS**

##### **Precision metal stamping and tooling**

The precision metal stamping and tooling business of our Group contributed about 34.82%, 33.96% and 32.10% to our revenue for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 respectively.

The income of our precision metal stamping and tooling business is generated from the sales of metal stamped components for electrical, consumer electronics and automotive products.

##### **Semiconductor**

The semiconductor business of our Group contributed about 33.30%, 32.14% and 30.48% to our revenue for years ended 31 December 2008, 31 December 2009 and 31 December 2010 respectively.

The income of our semiconductor business is generated from the design, development, assembly, testing and sale of IC packages.

##### **Precision tooling and automation**

The precision tooling and automation business of our Group contributed about 12.35%, 7.58% and 11.45% to our revenue for years ended 31 December 2008, 31 December 2009 and 31 December 2010 respectively.

**8. FINANCIAL INFORMATION (Cont'd)**

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The income of our precision tooling and automation business is generated from the following:

- (i) manufacturing and provision of high precision machining services for the components of medical devices, photonics and microwave transmissions;
- (ii) manufacturing of high precision tooling, mould and die sets; and
- (iii) design and manufacturing of turnkey automation systems.

**Automotive components manufacturing**

The automotive components manufacturing business of our Group contributed about 19.36%, 26.10% and 25.75% to our revenue for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 respectively.

The income of our automotive components manufacturing business is generated from the manufacturing and sale of a wide range of automotive components namely window regulators, steering systems, sun visors, wipers, internal and side rear view mirrors.

**Resources**

The acquisitions of CFSB and MPSB were completed on 22 March 2011. The oil palm plantations commenced contribution to the revenue of our Group in 2011.

The acquisition of Rockhill was completed on 19 June 2009. As at the LPD, the extraction and marketing of coal has yet to commence.

**Investment holding**

The investment holding segment of our Group contributed about 0.17%, 0.22% and 0.22% to our revenue for years ended 31 December 2008, 31 December 2009 and 31 December 2010 respectively.

The income of our investment holding business mainly comprises of rental income.

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## 8. FINANCIAL INFORMATION (Cont'd)

## 8.2.6 Components of operating costs

The table below sets out the principal components of our operating costs and such costs expressed as a percentage of total operating costs:

|  | Year ended 31<br>December 2008 |               | Year ended 31<br>December 2009 |               | Year ended 31<br>December 2010 |               |
|--|--------------------------------|---------------|--------------------------------|---------------|--------------------------------|---------------|
|  | RM'000                         | %             | RM'000                         | %             | RM'000                         | %             |
| <b>IMS</b>                             |                                |               |                                |               |                                |               |
| - Precision metal stamping and tooling | 104,499                        | 31.83         | 98,215                         | 31.27         | 108,881                        | 29.45         |
| - Semiconductor                        | 100,069                        | 30.48         | 92,131                         | 29.33         | 106,877                        | 28.90         |
| - Precision tooling and automation     | 29,805                         | 9.08          | 18,718                         | 5.96          | 31,184                         | 8.43          |
| - Automotive components manufacturing  | 54,343                         | 16.56         | 69,117                         | 22.00         | 79,215                         | 21.42         |
| <b>Resources</b>                       |                                |               |                                |               |                                |               |
| - Oil palm plantation <sup>(1)</sup>   | -                              | -             | -                              | -             | -                              | -             |
| - Coal mining <sup>(2)</sup>           | -                              | -             | -                              | -             | -                              | -             |
| Investment holding                     | -                              | -             | -                              | -             | -                              | -             |
| <b>Total cost of sales</b>             | <b>288,716</b>                 | <b>87.95</b>  | <b>278,181</b>                 | <b>88.56</b>  | <b>326,157</b>                 | <b>88.20</b>  |
| Administrative expenses                | 28,182                         | 8.59          | 28,933                         | 9.21          | 35,086                         | 9.50          |
| Distribution expenses                  | 3,284                          | 1.00          | 3,454                          | 1.10          | 3,285                          | 0.89          |
| Other operating expenses               | 8,079                          | 2.46          | 3,560                          | 1.13          | 5,223                          | 1.41          |
| <b>Total operating expenses</b>        | <b>328,261</b>                 | <b>100.00</b> | <b>314,128</b>                 | <b>100.00</b> | <b>369,751</b>                 | <b>100.00</b> |

**Notes:**

<sup>(1)</sup> The acquisitions of CFBSB and MPSB were completed on 22 March 2011.

<sup>(2)</sup> The acquisition of Rockhill was completed on 19 June 2009. As at the LPD, the extraction and marketing of coal has yet to commence as PT Sarana Putra Perdana (the coal concession owner) is in the process of obtaining the "Izin Pinjam Pakai Hutan" license to be issued by the Kementerian Kehutanan Indonesia.

Our operating costs consist of cost of sales, administrative expenses, distribution expenses and other operating expenses.

Further details of our operating costs are set out below:

**Cost of sales**

Cost of sales accounted for about 87.95%, 88.56% and 88.20% of our total operating costs for years ended 31 December 2008, 31 December 2009 and 31 December 2010 respectively. Our cost of sales comprises the following:

- (i) cost of sales in relation to our precision metal stamping and tooling business which accounted for about 31.83%, 31.27% and 29.45% of our total operating costs for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 respectively;

**8. FINANCIAL INFORMATION (Cont'd)**

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- (ii) cost of sales in relation to our semiconductor business which accounted for about 30.48%, 29.33% and 28.90% of our total operating costs for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 respectively;
- (iii) cost of sales in relation to our precision tooling and automation business which accounted for about 9.08%, 5.96% and 8.43% of our total operating costs for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 respectively; and
- (iv) cost of sales in relation to our automotive components manufacturing business which accounted for about 16.56%, 22.00% and 21.42% of our total operating costs for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 respectively.

**Administrative expenses**

Administrative expenses accounted for about 8.59%, 9.21% and 9.50% of our total operating costs for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 respectively and mainly consist of indirect labour expenses, staff related costs, statutory expenses, rental expenses, depreciation not directly attributable to the cost of sales, repairs and maintenance of assets, office facilities, utilities and insurance costs.

**Distribution expenses**

Distribution expenses accounted for about 1.00%, 1.10% and 0.89% of our total operating costs for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 respectively and mainly consist of sales commission and remuneration of the employees in the sales and marketing department, outbound transportation and packing expenses.

**Other operating expenses**

Other operating expenses accounted for about 2.46%, 1.13% and 1.41% of our total operating costs for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 respectively and mainly consist of professional and legal fees and impairment losses on receivables and plant and equipment and foreign currency losses (if any in a particular year).

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**8. FINANCIAL INFORMATION (Cont'd)****8.2.7 Results of operations****(i) The year ended 31 December 2009 as compared to the year ended 31 December 2008****Revenue**

Our Group recorded a decrease in revenue of about RM7.41 million or 2.18% to RM331.80 million for the year ended 31 December 2009 as compared to the year ended 31 December 2008 of RM339.21 million. The decrease in revenue was mainly due to the following:

- (a) decrease in revenue contribution from our precision metal stamping and tooling business of RM5.46 million or 4.62% to RM112.67 million for the year ended 31 December 2009 from RM118.13 million for the year ended 31 December 2008. The decrease was mainly due to the decline in revenue of our Indonesian operations as a direct result of the weakening IDR against the USD which affected the translation of revenue denominated in IDR to USD as well as the global business downturn in 2009. The decrease was partially offset by a growth in revenue of our PRC operations for the year ended 31 December 2009 resulting from the successful widening of its customer base despite the adverse business conditions in PRC;
- (b) decrease in revenue contribution from our semiconductor business of RM6.30 million or 5.58% to RM106.64 million for the year ended 31 December 2009 from RM112.94 million for the year ended 31 December 2008, was in line with the decline in global semiconductor sales. The global semiconductor sales fell by 9% year-on-year in response to the global economic crisis in 2009. The decrease in revenue from the semiconductor business was mainly represented by a decline in the revenue derived from the production of smart card modules. The smart card module customers had reduced their sales volume significantly as a result of loss of business due to competitive pricing given by competitors;
- (c) decrease in revenue contribution from our precision tooling and automation business of RM16.72 million or 39.92% to RM25.16 million for the year ended the 31 December 2009 from RM41.88 million for the year ended 31 December 2008. In view of the overall economic contraction in 2009, our customers reduced or withheld their planned capital expenditure, resulting in decline in the demand experienced by the precision tooling and automation business; and
- (d) was partially offset by an increase in the revenue contribution from our automotive components manufacturing business of RM20.90 million or 31.82% from RM65.69 million for the year ended 31 December 2008 to RM86.59 million for the year ended 31 December 2009. The improvement was attributable to the supply of automotive components for the production of the Proton Exora model launched in 2009 and the supply of steering column for the production of the Perodua VIVA model. In addition, the increased supply of steering column and brake assembly for the production of the Chery models also contributed to the increase in revenue in 2009.

**8. FINANCIAL INFORMATION (Cont'd)**

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**Cost of sales**

Our Group recorded a decrease in cost of sales of about RM10.54 million or 3.65% to RM278.18 million for the year ended 31 December 2009 as compared to the year ended 31 December 2008 of RM288.72 million. The decrease in cost of sales was mainly due to the following:

- (a) decrease in cost of sales of our precision metal stamping and tooling business of RM6.28 million or 6.00% to RM98.22 million for the year ended 31 December 2009 from RM104.50 million for the year ended 31 December 2008. The decrease was in tandem with the decrease in revenue of our precision metal stamping and tooling business;
- (b) decrease in cost of sales of our semiconductor business of RM7.94 million or 0.08% to RM92.13 million for the year ended 31 December 2009 from RM100.76 million for the year ended 31 December 2008. The decrease was in tandem with the semiconductor business's decrease in its revenue and also a drop in direct material costs due to a higher conversion of gold wire bonding to the less expensive copper wire bonding;
- (c) decrease in cost of sales of our precision tooling and automation business of RM11.09 million or 35.65% to RM18.72 million for the year ended 31 December 2009 from RM29.81 million for the year ended 31 December 2008. The decrease was mainly in tandem with the decrease in revenue of our precision tooling and automation business; and
- (d) increase in the cost of sales of our automotive components manufacturing business of RM14.78 million or 27.20% to RM69.12 million for the year ended 31 December 2009 from RM54.34 million for the year ended 31 December 2008. The increase was in line with the increase in revenue of our automotive components manufacturing business.

**Gross profit and gross profit margin**

Our Group recorded an increase in gross profit of about RM3.13 million or 6.20% to RM53.62 million for the year ended 31 December 2009 as compared to the year ended 31 December 2008 of RM50.49 million. The increase in gross profit was mainly due to an increase in the gross profit contribution from all our business segments except for the precision tooling and automation business. The semiconductor, precision metal stamping and tooling and automotive components manufacturing businesses registered an increase of RM1.64 million, RM0.83 million and RM6.13 million in their gross profit respectively whereas the precision tooling and automation business suffered a decline of RM5.63 million in its gross profit to RM6.45 million for the year ended 31 December 2009 compared to RM12.08 million for the year ended 31 December 2008.

**8. FINANCIAL INFORMATION (Cont'd)**

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Gross profit margin for the year ended 31 December 2009 increased 1.27% to 16.16% (Year ended 31 December 2008: 14.89%) in line with the increase in gross profit. The breakdown of the gross profit margin by respective business segments are as follows:

- (a) increase in the gross profit margin of our precision metal stamping and tooling division of 1.29% to 12.83% for the year ended 31 December 2009 from 11.54% for the year ended 31 December 2008;
- (b) increase in the gross profit margin of our semiconductor business of 2.21% to 13.61% for the year ended 31 December 2009 from 11.40% gross profit margin for the year ended 31 December 2008;
- (c) decrease in the gross profit margin of our precision tooling and automation division of 3.22% to 25.61% for the year ended 31 December 2009 from 28.83% for the year ended 31 December 2008; and
- (d) increase in the gross profit margin of our automotive components manufacturing division of 2.91% to 20.18% for the year ended 31 December 2009 from 17.27% for the year ended 31 December 2008.

**Administrative expenses**

Our Group recorded an increase in administrative expenses of about RM0.75 million or 2.66% to RM28.93 million for the year ended 31 December 2009 as compared to the year ended 31 December 2008 of RM28.18 million. The increase in administrative expenses was mainly due to a reclassification of certain staff remuneration which was recorded in cost of sales for the previous financial year.

**Distribution costs**

Our Group recorded an increase in distribution costs of about RM0.17 million or 5.18% to RM3.45 million for the year ended 31 December 2009 as compared to the year ended 31 December 2008 of RM3.28 million. The increase in distribution costs was mainly due to additional expenses incurred to increase the customer base in the PRC for the precision metal stamping and tooling business and increase in sales commission paid for increase in sales brought in by the semiconductor business's sales office in Taiwan.

**Other operating expenses**

Our Group recorded a decrease in other operating expenses of about RM4.52 million or 55.94% to RM3.56 million for the year ended 31 December 2009 as compared to the year ended 31 December 2008 of RM8.08 million. The decrease in other operating expenses was mainly due to a decrease in professional and other fees incurred in respect of corporate exercises undertaken by the Jotech Group, AIC Group and AutoV Group which were mainly undertaken and completed in 2008.

**8. FINANCIAL INFORMATION (Cont'd)**

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**Other operating income**

Our Group recorded a decrease in other operating income of about RM2.55 million or 31.84% to RM5.46 million for the year ended 31 December 2009 as compared to the year ended 31 December 2008 of RM8.01 million. The decrease in other operating income was mainly due to a decrease in the foreign exchange gain recognised by our Group and a lower net gain on the disposal of property, plant and equipment during the financial year.

**Finance income**

Our Group recorded a decrease in finance income of about RM0.30 million or 25.86% to RM0.86 million for the year ended 31 December 2009 as compared to the year ended 31 December 2008 of RM1.16 million. The decrease in finance income was mainly due to an overall reduction in cash and cash equivalents of our Group and also an overall reduction in the interest rates. The decrease in cash and cash equivalents was mainly due to a higher cash outflow for investing activities and financing activities. The higher cash outflow for investing activities in 2009 was incurred for the investment in Rockhill, our associated company and less proceeds from disposal of property, plant and equipment. The higher cash outflow for financing activities in 2009 relative to 2008 was mainly due to a rights issue exercise undertaken by AIC in 2008.

**Finance costs**

Our Group recorded a decrease in finance costs of about RM0.70 million or 11.93% to RM5.17 million for the year ended 31 December 2009 as compared to the year ended 31 December 2008 of RM5.87 million. The decrease in finance costs was mainly due to repayment of bank borrowings and partly due to a reduction in interest rates by about 100 basis points in 2009 versus 2008. The net repayment of bank borrowings in 2009 amounted to RM18.07 million.

**Share of results of associates**

Our Group completed the acquisition of a 40% equity interest in Rockhill, our associated company on 19 June 2009. Rockhill has not commenced operations as at the LPD. Our share of profit from associate in 2009 represents our share of interest income and currency exchange gains in Rockhill.

**PBT and PBT margin**

Our Group recorded an increase in PBT of about RM4.60 million or 32.30% to RM18.84 million for the year ended 31 December 2009 as compared to the year ended 31 December 2008 of RM14.24 million. The increase in PBT was mainly due to an increase in the gross profit and a reduction in the other operating expenses as mentioned above. PBT margin for the year ended 31 December 2009 increased 1.48% to 5.68% (Year ended 31 December 2008: 4.20%) in line with the increase in the gross profit margin and decrease in other operating expenses.



## 8. FINANCIAL INFORMATION (Cont'd)

### Taxation

Despite an increase in our PBT, our Group recorded a decrease in taxation of about RM2.52 million or 52.39% to RM2.29 million for the year ended 31 December 2009 as compared to the year ended 31 December 2008 of RM4.81 million. The decrease in taxation was mainly due to a reduction in the Malaysian income tax rate, higher over provision of tax expenses in 2009 of RM0.4 million and lower deferred tax charge of RM1.3 million.

### PATAMI and PATAMI margin

Our Group recorded an increase in PATAMI of about RM16.17 million or 2,122.05% to RM15.41 million for the year ended 31 December 2009 as compared to a loss after tax and minority interest of RM0.76 million for the year ended 31 December 2008. The increase in PATAMI was mainly due to the increase in gross profit and reduction in other operating expenses and tax expenses. In addition, included in the net loss for the year ended 31 December 2008 was the loss from discontinued operations and loss on disposal of subsidiaries of RM9.67 million. The discontinued operations were disposed in 2008.

The PATAMI margin for the year ended 31 December 2009 increased 4.86% to 4.64% (Year ended 31 December 2008: -0.22%) in line with the increase in the gross profit margin and PBT margin.

### (ii) Year ended 31 December 2010 as compared to the year ended 31 December 2009

#### Revenue

Our Group recorded an increase in revenue of about RM63.04 million or 18.99% to RM394.84 million for the year ended 31 December 2010 as compared to the year ended 31 December 2009 of RM331.80 million. The increase in revenue was mainly due to the following:

- (a) increase in revenue contribution from our precision metal stamping and tooling business of RM14.06 million or 12.48% to RM126.73 million for the year ended 31 December 2010 from RM112.67 million for the year ended 31 December 2009. The increase was contributed by the regional businesses in Indonesia and PRC which recorded revenues of RM49.31 million and RM20.58 million respectively for the year ended 31 December 2010 attributed to the rapidly growing automotive industry in Indonesia, while our PRC subsidiary managed to successfully increase its market share in the electronics sector in the PRC;
- (b) increase in revenue from our semiconductor business of RM13.72 million or 12.87% to RM120.36 million for the year ended 31 December 2010 from RM106.64 million for the year ended 31 December 2009, was in line with the global growth of the semiconductor industry. The increase in revenue from the semiconductor business was felt across all the semiconductor packages;

## 8. FINANCIAL INFORMATION (Cont'd)

- (c) increase in revenue contribution from our precision tooling and automation business of RM20.05 million or 79.69% to RM45.21 million for the year ended 31 December 2010 from RM25.16 million for the year ended 31 December 2009. The increase was in line with the improving economic condition in 2010 which resulted in the increase in demand from our customers. The increase in revenue was also partly due to our strategy to diversify into other industries which may be more resilient to an economic downturn; and
- (d) increase in revenue contribution from our automotive components manufacturing business of RM15.09 million or 17.43% to RM101.68 million for the year ended 31 December 2010 from RM86.59 million for the year ended 31 December 2009. The increase was mainly due to the increase in the supply of automotive components for the production of the Proton Exora model by AutoV Group.

### Cost of sales

Our Group recorded an increase in cost of sales of about RM47.98 million or 17.25% to RM326.16 million for the year ended 31 December 2010 as compared to the year ended 31 December 2009 of RM278.18 million. The increase in cost of sales was mainly due to the following:

- (a) increase in cost of sales of our precision metal stamping and tooling business of RM10.66 million or 10.85% to RM108.88 million for the year ended 31 December 2010 from RM98.22 million for the year ended 31 December 2009. The increase was in tandem with the division's increase in revenue of our precision metal stamping and tooling business;
- (b) increase in cost of sales of the semiconductor business of RM14.75 million or 16.08% to RM106.88 million for the year ended 31 December 2010 from RM92.13 million for the year ended 31 December 2009. The increase was in tandem with the increase in the revenue of our semiconductor business, coupled with the year-on-year increase in commodity prices, namely gold and copper, resulting in the increase in direct material costs;
- (c) increase in cost of sales of our precision tooling and automation business of RM12.46 million or 66.56% to RM31.18 million for the year ended 31 December 2010 from RM18.72 million for the year ended 31 December 2009. The increase was in tandem with the increase in revenue of the precision tooling and automation business; and
- (d) increase in cost of sales of our automotive components manufacturing business of RM10.10 million or 14.61% to RM79.22 million for the year ended 31 December from RM69.12 million for the year ended 31 December 2009. The increase was in tandem with the increase in revenue of the automotive components manufacturing business.

## 8. FINANCIAL INFORMATION (Cont'd)

### Gross profit and gross profit margin

Our Group recorded an increase in gross profit of about RM15.06 million or 28.09% to RM68.68 million for the year ended 31 December 2010 as compared to the year ended 31 December 2009 of RM53.62 million. The increase in gross profit was mainly due to the increase in gross profit contribution from all our businesses except for the semiconductor business segment. The precision tooling and automation, precision metal stamping and tooling and automotive components manufacturing businesses registered increases in gross profit of RM7.59 million, RM3.40 million and RM5.00 million respectively. The semiconductor business however, suffered a decline in gross profit of RM1.03 million, despite an increase in its revenue due to escalating commodity prices as a major portion of its raw materials comprise of commodities such as gold wire. In addition, the weakening of the USD against the RM also resulted in lower gross profit contribution as its sales are mainly denominated in USD.

Gross profit margin of our Group for the year ended 31 December 2010 increased 1.23% to 17.39% (Year ended 31 December 2009: 16.16%) in line with the increase in gross profit. The breakdown of the gross profit margin by respective business segments are as follows:

- (a) increase in the gross profit margin of our precision metal stamping and tooling business of 1.26% to 14.09% for the year ended 31 December 2010 from 12.83% for the year ended 31 December 2009;
- (b) decrease in the gross profit margin of our semiconductor business of 2.41% to 11.20% for the year ended 31 December 2010 to 13.6% for the year ended 31 December 2009;
- (c) increase in the gross profit margin of our precision tooling and automation business of 5.42% to 31.0% for the year ended 31 December 2010 from 25.6% for the year ended 31 December 2009; and
- (d) increase in the gross profit margin of our automotive components manufacturing business of 1.92% to 22.10% for the year ended 31 December 2010 from 20.18% for the year ended 31 December 2009.

### Administrative expenses

Our Group recorded an increase in administrative expenses of about RM6.16 million or 21.29% to RM35.09 million for the year ended 31 December 2010 as compared to the year ended 31 December 2009 of RM28.93 million. The increase in administrative expenses was mainly due to the increase in staff remuneration and increase in foreign exchange losses suffered by our semiconductor business.

### Distribution costs

Our Group recorded a decrease in distribution costs of about RM0.16 million or 4.64% to RM3.29 million for the year ended 31 December 2010 as compared to the year ended 31 December 2009 of RM3.45 million. The decrease in distribution costs was mainly due to decrease in sales commission paid as a result of the termination of the services of a sales and marketing agent in 2010.

**8. FINANCIAL INFORMATION (Cont'd)**

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**Other operating expenses**

Our Group recorded an increase in other operating expenses of about RM1.66 million or 46.63% to RM5.22 million for the year ended 31 December 2010 as compared to the year ended 31 December 2009 of RM3.56 million. The increase in other operating expenses was mainly due to an increase in foreign exchange losses suffered by our precision metal stamping and tooling business due to the appreciation of the RM against the USD and the RMB.

**Other operating income**

Our Group recorded an increase in other operating income of about RM3.34 million or 61.17% to RM8.80 million for the year ended 31 December 2010 as compared to the year ended 31 December 2009 of RM5.46 million. The increase in other operating income was mainly due to a gain recognised on disposal of investment properties, comprising two (2) lots of factory buildings in Penang, under the precision tooling and automation business.

**Finance income**

Our Group recorded a decrease in finance income of about RM0.12 million or 13.95% to RM0.74 million for the year ended 31 December 2010 as compared to the year ended 31 December 2009 of RM0.86 million. The decrease in finance income was mainly due to a decrease of deposits with licenced banks and financial institutions and decrease of placements in short-term placement funds.

**Finance costs**

Our Group recorded a decrease in finance costs of about RM1.19 million or 23.02% to RM3.98 million for the year ended 31 December 2010 as compared to the year ended 31 December 2009 of RM5.17 million. The decrease in finance costs was mainly due to a net repayment of bank borrowings of about RM10.93 million.

**Share of results of associates**

Our Group recorded a decrease in share of results of associates of about RM0.036 million or 120% to a loss of RM0.006 million for the year ended 31 December 2010 as compared to the year ended 31 December 2009 of RM0.03 million. The increase in share of results of associate was mainly due to higher administrative expenses incurred by the associate which has yet to commence operations as at LPD.

**PBT and PBT margin**

Our Group recorded an increase in PBT of about RM11.81 million or 62.69% to RM30.65 million for the year ended 31 December 2010 as compared to the year ended 31 December 2009 of RM18.84 million. The increase in PBT was mainly due to an increase in the gross profit and the other operating income as mentioned above. PBT margin for the year ended 31 December 2010 increased 2.08% to 7.76% (Year ended 31 December 2009: 5.68%) in line with the increase in gross profit margin and further supported by the increase in other operating income.

**8. FINANCIAL INFORMATION (Cont'd)**

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**Taxation**

Our Group recorded an increase in taxation of about RM1.04 million or 45.41% to RM3.33 million for the year ended 31 December 2010 as compared to the year ended 31 December 2009 of RM2.29 million. The increase in taxation was mainly due to the increase in the PBT.

**PATAMI and PATAMI margin**

Our Group recorded an increase in PATAMI of about RM10.58 million or 68.66% to RM25.99 million for the year ended 31 December 2010 as compared to the year ended 31 December 2009 of RM15.41 million. The increase in PATAMI was mainly due to an increase in the gross profit and the other operating income of our Group. PATAMI margin for the year ended 31 December 2010 increased 1.94% to 6.58% (Year ended 31 December 2009: 4.64%) in line with the increase in gross profit margin and PBT margin.

**8.2.8 Liquidity and capital resources**

Our principal sources of liquidity are through internal cash generated from operations, borrowings and trade credit from suppliers. Our ability to rely on these sources of funding could be affected by our results of operations and financial position and by the conditions in the financial markets.

**(i) Working capital**

As at 31 December 2010, we had cash and cash equivalents of RM65.02 million and total borrowings of RM94.24 million. Our working capital, calculated as current assets minus current liabilities, was RM92.43 million as at 31 December 2010.

Our principal source of liquidity is cash flow from operations, borrowings and trade credit from suppliers. After taking into consideration our funding requirements, the expected funds to be generated from cash flow from operations, as well as our existing level of cash and cash equivalents and credit sources, our Board is of the opinion that we will have sufficient working capital for a period of twelve (12) months from the date of issue of this Prospectus to meet our needs and foreseeable requirements.

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## 8. FINANCIAL INFORMATION (Cont'd)

### (ii) Cash flows

The following table sets out our proforma consolidated statement of cash flows with respect to operating activities, investing activities and financing activities for the year ended 31 December 2010:

|   | <b>Year ended 31<br/>December 2010</b> |
|---|--|
|   | <b>RM'000</b>                          |
| Net cash flow generated from operating activities       | 52,122                                 |
| Net cash flow generated from investing activities       | (28,026)                               |
| Net cash flow used in financing activities              | (14,646)                               |
| Net decrease in cash and cash equivalents               | 9,450                                  |
| Effect of exchange rate changes                         | (1,371)                                |
| Cash and cash equivalents at the beginning of the year  | 54,414                                 |
| <b>Cash and cash equivalents at the end of the year</b> | <b>*62,493</b>                         |

**Note:**

\* Cash and cash equivalents at the end of the year comprise the following:

|                                 | <b>RM'000</b> |
|---------------------------------|---------------|
| (a) Cash and bank balances      | 23,986        |
| (b) Deposits                    | 41,038        |
| Total cash and cash equivalents | 65,024        |
| Less: Deposits pledged          | (2,531)       |
| Net cash and cash equivalents   | 62,493        |

### Net cash flow from operating activities

Net cash flow from operating activities for the year ended 31 December 2010 of our Group was an inflow of RM52.12 million, of which cash inflows of RM17.33 million, RM6.13 million, RM8.41 million and RM21.56 million was generated from our automotive components manufacturing, precision metal stamping and tooling, precision tooling and automation and semiconductor businesses respectively. The cash inflows were reduced by a cash outflow of RM1.31 million from our investment holding business segment.

### Net cash flow from investing activities

Net cash flow from investing activities for the year ended 31 December 2010 of our Group was an outflow of RM28.03 million, which comprised mainly of the purchase of property, plant and equipment of RM21.30 million and the acquisition of an parcel of vacant land in Sabah by the investment holding business segment of RM11.03 million. The purchase of property, plant and equipment were made up of purchases of RM11.09 million, RM3.03 million, RM7.65 million and RM0.97 million made by our semiconductor, precision tooling and automation, precision metal stamping and tooling and automotive components manufacturing businesses respectively. The purchases of property, plant and equipment were mainly made for the purpose of expanding the production capacity of the respective business segments. The cash outflows were offset partially mainly by an inflow arising from the disposal of investment properties in Penang by our precision tooling and automation business segment.

## 8. FINANCIAL INFORMATION (Cont'd)

**Net cash flow from financing activities**

Net cash flow from financing activities for the year ended 31 December 2010 of our Group was an outflow of RM14.65 million, which was mainly due to a net repayment of bank borrowings totalling RM10.93 million of which RM4.30 million, RM0.43 million, RM0.19 million and RM7.97 million were made by the semiconductor, precision tooling and automation, automotive components manufacturing and investment holding segments respectively. The net repayments of bank borrowings above was partially offset by a net drawdown in borrowings of RM1.96 million made by the precision metal stamping and tooling business segment.

In addition to the overall net repayment of bank borrowings, the net cash outflow from financing activities were also mainly due to repayment of interest totalling RM3.87 million of which RM0.74 million, RM0.03 million, RM0.71 million, RM0.06 million and RM2.33 million were paid by the semiconductor, precision tooling and automation, precision metal stamping and tooling, automotive components manufacturing and investment holding segments respectively.

**(iii) Borrowings**

The table below sets out our total borrowings as at 31 December 2010, which was based on the assumption that we have been in existence as at 31 December 2010.

| <b>Borrowings</b>                                 | <b>Total</b>    |
|---|-----------------|
|   | <b>RM'000</b>   |
| <b>Short-term borrowings</b>                      |                 |
| - Secured   | 33,334          |
| - Unsecured                                       | 4,000           |
|   | 37,334          |
| <b>Long-term borrowings</b>                       |                 |
| - Secured   | 56,901          |
| - Unsecured                                       | -               |
|   | 56,901          |
| <b>Total borrowings</b>                           | <b>* 94,235</b> |
| <b>Gross gearing ratio (times) <sup>(1)</sup></b> | <b>0.21</b>     |
| <b>Net gearing ratio (times) <sup>(2)</sup></b>   | <b>0.09</b>     |

**Notes:**

\* Total borrowings exclude RM150 million borrowings which is expected to be raised via a proposed fund raising exercise subsequent to our Listing.

<sup>(1)</sup> Total borrowings over shareholders' fund.

<sup>(2)</sup> Total borrowings less deposits, cash and bank balances over shareholders' fund.

## 8. FINANCIAL INFORMATION (Cont'd)

The table below sets forth our outstanding borrowings by currency in which they are denominated as at 31 December 2010.

| <u>Borrowings</u>       | <u>Year ended 31<br/>December 2010</u> |
|-------------------------|--|
|                         | <u>RM'000</u>                          |
| RM                      | 82,668                                 |
| USD                     | 2,639                                  |
| RMB                     | 8,928                                  |
| <b>Total borrowings</b> | <b>* 94,235</b>                        |

**Note:**

\* Total borrowings exclude RM150 million borrowings which is expected to be raised via a proposed fund raising exercise subsequent to our Listing.

Our borrowings are mainly obtained from various local and international financial institutions. These borrowings are undertaken for working capital purposes, acquisition of investments, plant and machinery, equipment used in our business operations.

Our secured borrowings are secured by either single security or combination of securities, freehold and leasehold lands, buildings, plant and equipment, fixed and floating charges on our assets as well as corporate guarantees.

To the best knowledge of our Board, neither we nor our subsidiaries are in breach of any terms and conditions or covenants associated with credit arrangement or bank loan, which can materially affect our financial results or business operations, or the investments by holders of our securities in our Group as at the LPD.

The maturity profile of our borrowings as at 31 December 2010 are as follows:

| <u>Borrowings</u>       | <u>Year ended 31<br/>December 2010</u> |
|-------------------------|--|
|                         | <u>RM'000</u>                          |
| Within 1 year           | 37,334                                 |
| 1 to 5 years            | 49,874                                 |
| More than 5 years       | 7,027                                  |
| <b>Total borrowings</b> | <b>* 94,235</b>                        |

The interest rate profile of our borrowings as at 31 December 2010 are as follows:

| <u>Borrowings</u>         | <u>Year ended 31<br/>December 2010</u> |
|---------------------------|--|
|                           | <u>RM'000</u>                          |
| Fixed rate instruments    | 13,532                                 |
| Floating rate instruments | 80,703                                 |
| <b>Total borrowings</b>   | <b>* 94,235</b>                        |

**Note:**

\* Total borrowings exclude RM150 million borrowings which is expected to be raised via a proposed fund raising exercise subsequent to our Listing.



## 8. FINANCIAL INFORMATION (Cont'd)

### 8.2.9 Material capital expenditure and divestitures

In line with the plans to expand our operations, we have invested a total of RM22.80 million, RM17.68 million and RM34.46 million in capital expenditure for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 respectively. The capital expenditure were mainly incurred to increase our production capacity, improve the quality of our products and to accommodate our expansion plans. Our Group funded the capital expenditure mainly through a combination of new borrowings and internally generated funds.

The following table sets out the composition of our Group's capital expenditure for the years ended 31 December 2008, 31 December 2009 and 31 December 2010.

|   | Year ended 31<br>December 2008 | Year ended 31<br>December 2009 | Year ended 31<br>December 2010 |
|---|--------------------------------|--------------------------------|--------------------------------|
|   | RM'000                         | RM'000                         | RM'000                         |
| Buildings   | 487                            | 126                            | 17                             |
| Plant and equipment   | 19,562                         | 13,086                         | 19,020                         |
| Furniture, fittings, office<br>equipment, renovation and<br>signboard | 1,562                          | 1,133                          | 2,047                          |
| Motor vehicles  | 544                            | 123                            | 1,939                          |
| Tools, jigs and fixtures  | 649                            | 3,216                          | 399                            |
| Investment properties   | -                              | -                              | 11,033                         |
| <b>Total capital expenditures</b>                                     | <b>22,804</b>                  | <b>17,684</b>                  | <b>34,455</b>                  |

For the year ended 31 December 2008, we incurred the following material capital expenditures:

- (i) the purchase of various plant and equipment by our precision metal stamping and tooling business of RM10.04 million for our Indonesia and PRC operations, in line with our Group's regional expansion plan;
- (ii) the purchase of various plant and equipment by our semiconductor business of RM7.61 million to increase our QFN package and copper wire production capacity as part of our Group's expansion plan;
- (iii) the purchase of various plant and equipment by our precision tooling and automation business of RM2.55 million to increase our production capacity; and
- (iv) the purchase of various plant and equipment by our automotive components manufacturing business of RM2.60 million for the production of steering column for new Perodua VIVA.

For the year ended 31 December 2009, we incurred the following material capital expenditures:

- (i) the purchase of various plant and equipment by our precision metal stamping and tooling business of RM6.91 million for our PRC operations and Johor plant to enable it to undertake a project for one of its client, Panasonic AVC Networks Singapore Pte Ltd;
- (ii) the purchase of various plant and equipment under our semiconductor business amounted to RM6.31 million primarily related to the continued expansion of the QFN package and copper wire bonding capacities;

## 8. FINANCIAL INFORMATION (Cont'd)

- (iii) the purchase of various plant and equipment by our precision tooling and automation business of RM0.78 million to replace and upgrade the existing plant and equipment of the business; and
- (iv) the purchase of various plant and equipment, tools, jigs and fixtures by our automotive components manufacturing business of RM3.68 million for the production of automotive parts for the new Proton Exora model (which was launched in April 2009).

For the year ended 31 December 2010, we incurred the following material capital expenditures:

- (i) the purchase of various plant and equipment under our precision metal stamping and tooling business amounted to RM7.70 million primarily due to the continuous local and regional expansion plans undertaken by our Johor plant, Indonesian and PRC operations;
- (ii) the purchase of various plant and equipment by our semiconductor business of RM11.10 million for the continuous expansion of the production capacities of the QFN package and copper wire bonding;
- (iii) the purchase of various plant and equipment by our precision tooling and automation business of RM3.01 million for the purpose of improving our production capacity to meet the increase in demand from customers;
- (iv) the investments in property of RM11.03 million incurred to acquire an unencumbered parcel of vacant leasehold land, measuring 3.159 hectares (7.808 acres), held under Country Lease No. 015028234 and is located at Kg Gudon, Off Jalan UMS, (Kota Kinabalu-Sulaman Highway), District of Kota Kinabalu, Sabah with a lease tenure of 999 years effective from 14 October 1925 and expiring on 13 October 2924; and
- (v) the purchase of various plant and equipment, tools; jigs and fixtures by our automotive components manufacturing business of RM1.62 million for the production of Proton Inspira sunvisors and the Perodua Viva steering columns.

Save for the following, we do not have any material capital expenditure between 1 January 2011 and the LPD:

- (i) the additional investment of approximately RM2.97 million for the purchase of an unencumbered parcel of vacant industrial leasehold land, identified as Plot 321 at Penang Science Park, Bukit Minyak, measuring approximate 4.011 acres; and
- (ii) the additional investment of approximately RM29.15 million for the purchase of plant, equipment, motor vehicles, fixtures and fittings for our Group's IMS division and oil palm plantations division.

Save for the construction of our new manufacturing plant in Karawang, Indonesia and the acquisition of new machinery for our new manufacturing plant, we do not have immediate material plans to construct, expand or improve our facilities.

We have budgeted approximately RM15.23 million for the construction of the first phase of a new manufacturing plant and acquisition of new machinery to be operated on a piece of land situated at Karawang, Indonesia.

## 8. FINANCIAL INFORMATION (Cont'd)

We have so far incurred expenditures of approximately RM12.86 million as at the LPD for the construction of the first phase of our new manufacturing plant. Construction of our new manufacturing plant commenced in May 2011 and will be carried out in two (2) phases over the next three (3) years until the end of 2014.

As at the LPD, the first phase of our manufacturing plant is targeted to be fully completed and operational by June 2012 with a built-up area of approximately 32,000 sq. ft, a 74% increase from our current manufacturing plant at Karawang, Indonesia.

We fund the abovementioned planned capital expenditures mainly through a combination of borrowings and internally generated funds.

Save as disclosed below, there were no other material divestitures made by our Group for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 and up to the LPD:

- (i) The sale of plant and machinery for RM0.74 million for year ended 31 December 2008, on which we realised a gain of RM0.01 million;
- (ii) The sale of non-core display business for RM1.00 million for year ended 31 December 2008, on which we incurred a loss of RM15,000. The sale was in line with our restructuring plans to refocus on our core businesses;
- (iii) The sale of investment properties comprising two (2) parcels of leasehold industrial land and buildings (office and factories) located at Lot 7 and 9, Lintang Bayan Lepas 2, Phase IV, Kawasan Perindustrian Bayan Lepas, 11900 Pulau Pinang for a total cash consideration of RM4.60 million for year ended 31 December 2010, on which we realised a gain of RM2.60 million; and
- (iv) The sale of plant and machinery for RM0.83 million for year ended 31 December 2010, on which we realised a gain of about RM0.01 million.

### 8.2.10 Material commitments

As at the LPD, save as disclosed below, our Board is not aware of any other material commitments incurred or known to be incurred by our Group.

The material commitments of our Group as at the LPD are as follows:

| Material commitments                       | RM'000        |
|--|---------------|
| Purchase of property, plant and equipment  |               |
| - Amount authorised and contracted for     | 4,824         |
| - Amount authorised and not contracted for | 2,547         |
| Lease rental commitments *                 | 6,460         |
| <b>Total material commitments</b>          | <b>13,831</b> |

**Note:**

\* Based on the remaining lease obligation for the leasing of certain leasehold land and buildings.

## 8. FINANCIAL INFORMATION (Cont'd)

Capital commitments which are authorised and contracted for above are incurred in relation to the factory building, machinery, and equipment for a second plant expansion currently being undertaken by our precision metal stamping and tooling subsidiary, PT Indotech Metal Nusantara, purchases of new moulds, jigs and tools for PROTON's new model, Prevé and purchase of equipment for our semiconductor business.

Capital commitments which are authorised but not contracted for above are mainly incurred in relation to the planned capital expenditure for our semiconductor business.

### 8.2.11 Contingent liabilities and material litigation

As at the LPD, our Board is not aware of any contingent liabilities which may, upon becoming enforceable, have a material adverse effect on our Group's profits or NA.

Save as disclosed in Section 14.4 of this Prospectus, neither our Company nor any of our subsidiaries are engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and our Board is not aware of any proceedings pending or threatened against our Company or our subsidiaries or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of our Group, as at the LPD.

### 8.2.12 Key financial ratios

The following table sets forth certain key financial ratios based on our proforma consolidated financial statements:

|   | Year ended 31<br>December 2008 | Year ended 31<br>December 2009 | Year ended 31<br>December 2010 |
|---|--------------------------------|--------------------------------|--------------------------------|
| Trade receivable turnover days <sup>(1)</sup> | 57                             | 69                             | 69                             |
| Trade payable turnover days <sup>(2)</sup>    | 37                             | 37                             | 43                             |
| Inventory turnover days <sup>(3)</sup>        | 56                             | 52                             | 45                             |
| Current ratio (times) <sup>(4)</sup>          | 2.26                           | 2.56                           | 3.22                           |
| Gross gearing ratio (times) <sup>(5)</sup>    | 0.20                           | 0.15                           | 0.56                           |
| Net gearing ratio (times) <sup>(6)</sup>      | 0.05                           | 0.02                           | 0.09                           |

**Notes:**

<sup>(1)</sup> Average trade receivables after allowance for doubtful debts, over revenue.

<sup>(2)</sup> Average trade payables over total costs of sales.

<sup>(3)</sup> Average inventory over total costs of sales.

<sup>(4)</sup> Current assets over current liabilities.

<sup>(5)</sup> Total borrowings over shareholders' fund.

<sup>(6)</sup> Total borrowings less deposits, cash and bank balances over shareholders' fund.

#### **Trade receivables**

##### **Trade receivables turnover days**

Trade receivables turnover days increased from 57 days for the year ended 31 December 2008 to 69 days for the year ended 31 December 2009. The decline was mainly due to higher sales to customers with longer credit terms granted towards year end.

Trade receivables turnover days remain unchanged at 69 days for the years ended 31 December 2009 and 31 December 2010 respectively.

**8. FINANCIAL INFORMATION (Cont'd)**

As at 31 December 2010, our trade receivables amounted to about RM77.40 million, which can be analysed as follows:

|   | Not past<br>due | Past due<br>0 – 30<br>days | Past due<br>31 – 120<br>days | Past due<br>more than<br>120 days | Total         |
|---|-----------------|----------------------------|------------------------------|-----------------------------------|---------------|
|   | RM'000          | RM'000                     | RM'000                       | RM'000                            | RM'000        |
| <b>IMS</b>                                |                 |                            |                              |                                   |               |
| - Precision metal stamping<br>and tooling | 15,427          | 3,417                      | 1,139                        | 712                               | 20,695        |
| - Semiconductor                           | 12,526          | 7,985                      | 4,915                        | 50                                | 25,476        |
| - Precision tooling and<br>automation     | 7,466           | 1,081                      | 717                          | 269                               | 9,533         |
| - Automotive components<br>manufacturing  | 12,334          | 6,028                      | 1,608                        | 1,033                             | 21,003        |
| <b>Resources</b>                          |                 |                            |                              |                                   |               |
| Oil palm plantation                       | 691             | -                          | -                            | -                                 | 691           |
| <b>Trade receivables</b>                  | <b>48,444</b>   | <b>18,511</b>              | <b>8,379</b>                 | <b>2,064</b>                      | <b>77,398</b> |
| <b>% of trade receivables</b>             | <b>62.59</b>    | <b>23.92</b>               | <b>10.83</b>                 | <b>2.67</b>                       | <b>100.00</b> |

The normal credit period granted to the customers of our precision metal stamping and tooling, semiconductor, and precision tooling and automation businesses range from 30 to 90 days. The normal credit period granted to the customers of our automotive components manufacturing and oil palm plantations businesses are within 60 days and 48 days respectively. As at 31 December 2010, about RM28.95 million or 37.40% out of a total of RM77.40 million trade receivables as at 31 December 2010 have exceeded our normal credit terms due to slower payment by some of our customers.

A significant portion of these receivables are made up of our regular customers. Our customers are normally assessed based on their credit risk profile and reputation and approved on a case-by-case basis. Credit evaluations are performed on all customers requiring credit over a certain amount with clear approving authority and limits. Credit risk is managed via limiting business relationships to business customers with high creditworthiness and strict monitoring procedures. Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. As at the LPD, about RM76.31 million or 98.59% of the total outstanding trade receivables as at 31 December 2010 have been collected.

**Trade payables****Trade payables turnover days**

Trade payables turnover days remained constant at 37 days for the years ended 31 December 2008 and 31 December 2009 respectively.

Trade payables turnover days increased by 6 days from 37 days for the year ended 31 December 2009 to 43 days for the year ended 31 December 2010.

Our Group's trade payables turnover ratio for the past three (3) years ended 31 December 2010 has been consistently within the credit period granted by suppliers.

## 8. FINANCIAL INFORMATION (Cont'd)

As at 31 December 2010, our trade payables amounted to about RM45.31 million, which can be analysed as follows:

|                     | 0 – 30<br>days | 31 – 60<br>days | 61 – 90<br>days | 91 – 120<br>days | Over 120<br>days | Total   |
|---------------------|----------------|-----------------|-----------------|------------------|------------------|---------|
|                     | RM'000         | RM'000          | RM'000          | RM'000           | RM'000           | RM'000  |
| Trade payables      | 14,274         | 14,145          | 9,440           | 3,506            | 3,949            | 45,314  |
| % of trade payables | 31.50%         | 31.22%          | 20.83%          | 7.74%            | 8.71%            | 100.00% |

The normal credit period granted by our suppliers for precision metal stamping and tooling, precision tooling and automation, automotive components manufacturing and oil palm plantation businesses are within 90 days. The normal credit periods granted by our suppliers for semiconductor business are within 45 days. As at 31 December 2010, RM13.21 million or 29.15% of the total trade payables of RM45.31 million have exceeded our normal credit terms, mainly due to higher amount owing to suppliers arising from higher orders received from customers in our automotive components manufacturing business. A significant portion of these payables are regular suppliers that have been transacting with us and there are no significant matters in dispute with respect to the trade payables as at the LPD.

### ***Inventory***

#### ***Inventory turnover days***

Inventory turnover days decreased by 4 days from 56 days for the year ended 31 December 2008 to 52 days for the year ended 31 December 2009. Subsequently, the inventory turnover days decreased by 7 days to 45 days for the year ended 31 December 2010. The decrease of inventory turnover days was mainly due to improved inventory management across all divisions by reducing the raw materials lead time.

#### ***Current ratio***

Current ratio increased by 0.3 times from 2.26 times for the year ended 31 December 2008 to 2.56 times for the year ended 31 December 2009, mainly due to increase in receivables and decrease in short-term borrowings.

Current ratio increased by 0.66 times from 2.56 times for the year ended 31 December 2009 to 3.22 times for the year ended 31 December 2010, mainly due to increase in cash and cash equivalents generated from operating activities.

#### ***Gearing ratio***

Gross gearing ratio increased from 0.20 times for the year ended 31 December 2008 to 0.56 times for the year ended 31 December 2010. Net gearing ratio increased from 0.05 times for the year ended 31 December 2008 to 0.09 times for the year ended 31 December 2010. The increase was mainly contributed by an increase in borrowings as a result of our new acquisition of two oil palm plantation companies, namely CFSB and MPSB and assuming additional loan obtained by us of RM150 million subsequent to the Listing, for working capital purposes.

**8. FINANCIAL INFORMATION (Cont'd)**

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**8.2.13 Financial risk management objectives and policies**

Our Group is exposed to a variety of risks which include, among others, financial risks, currency risk, credit risk and liquidity risk. The overall risk management policy of our Group places emphasis on the unpredictability of financial markets and seeks to minimise the potential adverse effects on our financial performance. The risks identified and reviewed by our Board are set out below.

**(i) Foreign currency risk**

We are not significantly exposed to foreign currency risk as majority of our Group's transactions, assets and liabilities are denominated in RM except for foreign currency risk arising from countries in which certain foreign subsidiaries operate. Foreign currency exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

We maintain a natural hedge, whenever possible, by buying products and selling our products and services in foreign currencies. In addition to the management of foreign currency risk, our Group enters into foreign currency forward contracts in the normal course of business, where appropriate, to manage its exposure against foreign currency fluctuations on sales and purchases transactions denominated in foreign currencies.

**(ii) Credit risk management**

Credit risk arises when sales are made on credit terms in particular for our Group's IMS division. Our Group employs a credit policy whereby customers are subject to credit screening and any outstanding balances from clients are followed up on a timely basis. Details of our credit risk are set out in Section 5 of this Prospectus.

**(iii) Liquidity risk**

We manage our liquidity risk by ensuring the sufficiency of operating cash flows for our working capital requirements and managing the repayment and maturity profile of our borrowings and banking facilities. In addition, we adopt the policy of maintaining our existing banking facilities at a reasonable level to our overall debt position.

**(iv) Inflation**

The current inflation in Malaysia does not have a material impact on our business, financial condition or results of our operations. However, it is possible that inflation in the future may have an adverse effect on our financial condition or results of operations.

**(v) Government, economic, fiscal and monetary policies**

The risks relating to government, economic, fiscal and monetary policies which may materially affect our operations are set out in Section 5 of this Prospectus. Save for the risks disclosed in Section 5 of this Prospectus and to the best knowledge of our Board, there is no government, economic, fiscal and monetary policies that have a material impact on our profitability and financial position.

**8. FINANCIAL INFORMATION (Cont'd)**

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**8.2.14 Trend information****Business**

Based on the industry overview set out in Section 7 of this Prospectus, our Board believes that the demand for our products and the growth potential of our Group is promising.

**Production and revenue****(i) Production**

Save as disclosed below, there have been no significant changes in our production capacity for the years under review.

There has been an average 7.62% increase in the production capacity of the semiconductor business for the years under review.

**(ii) Revenue**

The revenue of our Group has been sustainable between the years ended 31 December 2008 and 31 December 2009 and showed an increasing trend for the year ended 31 December 2010.

**Costs and selling prices**

Save as disclosed below, there have been no significant changes in the cost and selling prices of our products and services for the years under review.

For the semiconductor business, the selling prices have experienced an average 5% decrease per annum for the financial years under review. Whereas the costs have increased in tandem with the increase in commodity prices namely gold and copper and also in utility rates for the years under review.

**Order book**

Our Group does not have any long-term contracts with our key customers. Despite the lack of long-term contractual agreements, our Group believes that our key customers will continue to purchase our products/services for our product quality and reliability as our Group maintains good relationship with our key customers.

The orders captured may change at any particular point in time as a result of additions, cancellations, deferrals or rescheduling. Accordingly, our order book as at any date may not be indicative of our revenue for any succeeding period.



## 8. FINANCIAL INFORMATION (Cont'd)

### 8.3 Capitalisation and indebtedness

The following information should be read in conjunction with the Reporting Accountants' letters on the proforma consolidated financial information and the proforma consolidated statements of financial position as set out in Section 8.5 of this Prospectus.

The table below sets out our cash and cash equivalents as well as capitalisation and indebtedness of our Group as at 31 December 2010 based on our proforma consolidated statement of financial position as at 31 December 2010, after making adjustments that were considered necessary based on the results of Jotech, AIC and AutoV and on the assumption that we have been in existence throughout the years under review. The proforma financial information below does not represent our Group's actual capitalisation and indebtedness as at 31 December 2010 and is provided for information purposes only. The total indebtedness of our Group is not guaranteed by any third party.

|  | <b>As at 31<br/>December 2010</b> |
|--|-----------------------------------|
|  | <b>RM'000</b>                     |
| Cash and bank balances                             | 54,466                            |
| <b>Indebtedness</b>                                |                                   |
| <b>Short-term borrowings</b>                       |                                   |
| - Secured  | 33,334                            |
| - Unsecured  | 4,000                             |
| Total short-term borrowings                        | <u>37,334</u>                     |
| <b>Long-term borrowings</b>                        |                                   |
| - Secured  | 56,901                            |
| - Unsecured  | -                                 |
| Total long-term borrowings                         | <u>56,901</u>                     |
| <b>Total indebtedness</b>                          | <b>* 94,235</b>                   |
| <b>Total shareholders' equity / capitalisation</b> | <b>439,265</b>                    |
| <b>Total capitalisation and indebtedness</b>       | <b><u>533,500</u></b>             |

**Note:**

- \* Total borrowings exclude RM150 million borrowings which is expected to be raised via a proposed fund raising exercise subsequent to our Listing.

**8. FINANCIAL INFORMATION (Cont'd)**

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**8.4 Dividend policy**

The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividend for the year is subject to shareholders' approval. We intend to pay dividends to our shareholders in the future. However, such payments will depend upon a number of factors, including our earnings, capital requirements, general financial condition, our distributable reserves and other factors considered relevant by our Board. As we are a holding company, our income, and therefore our ability to pay dividends, is dependent upon the dividends and other distributions that we receive from our subsidiaries. The payment of dividends or other distributions by our subsidiaries will depend upon their financial results, business operations, capital expenditure plans and other factors that their respective boards of directors deem relevant. Dividends may only be paid out of distributable reserves. In addition, covenants in the loan agreements, if any, for our subsidiaries may limit their ability to declare or pay cash dividends.

We currently do not have a formal dividend policy as we intend to adopt a policy of active capital management. The form, frequency and amount of future dividends on our Shares will depend on our earnings and financial results, business operations, our capital needs, our plans for expansion and other factors as our Directors may deem appropriate.

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