FOUNDPAC GROUP BERHAD

PROSPECTUS

FoundPac®

FoundPac Group Berhad (1165946-H)
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FoundPac®

PROSPECTUS

FOUNDPAC GROUP BERHAD
(Company No. 1165946-H)
(Incorporated in Malaysia under the Companies Act, 1965)

A) PUBLIC ISSUE OF 40,000,000 NEW ORDINARY SHARES OF RM0.10 EACH IN FOUNDPAC GROUP BERHAD ("SHARES") COMPRISING:-

(I) 18,500,000 NEW SHARES AVAILABLE FOR THE MALAYSIAN PUBLIC;
(II) 10,500,000 NEW SHARES AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS, EMPLOYEES AND BUSINESS ASSOCIATES (INCLUDING ANY OTHER PERSONS WHO HAVE CONTRIBUTED TO OUR SUCCESS); AND
(III) 11,000,000 NEW SHARES AVAILABLE FOR APPLICATION BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED INVESTORS; AND

B) OFFER FOR SALE OF 92,000,000 SHARES IN THE FOLLOWING MANNER:-

(I) 55,000,000 SHARES BY WAY OF PLACEMENT TO IDENTIFIED INVESTORS; AND
(II) 37,000,000 SHARES BY WAY OF PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY

AT AN ISSUE/OFFER PRICE OF RM0.54 PER SHARE PAYABLE IN FULL ON APPLICATION IN CONJUNCTION WITH THE LISTING OF FOUNDPAC GROUP BERHAD ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD.

Principal Adviser, Sole Underwriter and Sole Placement Agent

TA Securities Holdings Berhad
(Company No. 14948-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

TA SECURITIES
A MEMBER OF THE TA GROUP

THIS PROSPECTUS IS DATED 13 DECEMBER 2016

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

THERE ARE CERTAIN RISK FACTORS WHICH YOU SHOULD CONSIDER. PLEASE REFER TO "RISK FACTORS" AS SET OUT IN SECTION 4 OF THIS PROSPECTUS.

RESPONSIBILITY STATEMENTS

The Directors and Promoters of FoundPac Group Berhad ("**FoundPac**" or the "**Company**") and FoundPac Holdings Sdn. Bhd. (the "**Offeror**") have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

TA Securities Holdings Berhad ("**TA Securities**"), being our Principal Adviser, Sole Underwriter and Sole Placement Agent acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our initial public offering ("**IPO**").

STATEMENTS OF DISCLAIMER

The Securities Commission Malaysia ("**SC**") has approved the issue, offer or invitation in respect with our IPO and a copy of this Prospectus has been registered with SC. The approval and registration of this Prospectus should not be taken to indicate the SC recommends our IPO 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 the securities being offered in respect of the IPO for investment.

The SC is not liable for any non-disclosure on the part of our Company and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

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

Approval has been obtained from Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing of and quotation for our Shares (as defined herein). Admission to the Official List of the Main Market of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our securities.

A copy of this Prospectus together with the application form has also been lodged with the Registrar of Companies, who takes no responsibility for its contents.

OTHER STATEMENTS

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**").

Securities listed on Bursa Securities are offered to the public premised on full and accurate disclosure of all material information concerning the issue for which any of the persons set out in Section 236 of the CMSA, e.g. Directors and Advisers, are responsible.

This Prospectus is prepared and published solely under the Laws of Malaysia. Our Shares are offered in Malaysia solely based on the contents of this Prospectus. Our Company, Promoters, and Principal Adviser, Sole Underwriter and Sole Placement Agent have not authorised anyone to provide you with information which is not contained in this Prospectus.

This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered and 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 IPO will not be made in any country or jurisdiction other than Malaysia or to the persons who are subject to the laws of any country or jurisdiction other than the Laws of Malaysia. The IPO to which this Prospectus relates is only available to persons receiving this Prospectus electronically or otherwise within Malaysia.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection to it. It is your sole responsibility to consult your legal and/or other professional advisers as to whether the IPO would result in the contravention of any laws or jurisdictions of Malaysia.

Further, it shall also be your sole responsibility to ensure that your application for the IPO would be in compliance with the terms of the IPO and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may subject to. We will further assume that you had accepted the IPO in Malaysia. However, we reserve the right, in our absolute discretion, to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

ELECTRONIC PROSPECTUS

This Prospectus can also be viewed or downloaded from Bursa Securities website at http://www.bursamalaysia.com.

The contents of the Electronic Prospectus are as per the contents of the copy of this Prospectus registered with the SC. A copy of this Prospectus so registered is available from the websites of Malayan Banking Berhad at http://www.maybank2u.com.my, CIMB Investment Bank Berhad at http://www.eipocimb.com, CIMB Bank Berhad at http://www.cimbclicks.com, Affin Bank Berhad at http://www.affinonline.com, Public Bank Berhad at http://www.pbebank.com and RHB Bank Berhad at http://www.rhb.com.my.

You are advised to note that the internet is not a fully secure medium and that your Internet Share Application (as defined herein) is subject to the risks of problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions (as defined herein). These risks cannot be borne by the Internet Participating Financial Institutions. If you doubt the validity or the integrity of an Electronic Prospectus, you should immediately request from us, our Principal Adviser or the Issuing House, a paper/printed copy of the Prospectus. If there is any discrepancy between the contents of the Electronic Prospectus and the contents of the paper/printed copy of this Prospectus, the contents of the paper/printed copy of this Prospectus which are identical to the copy of this Prospectus registered with the SC shall prevail. The Electronic Prospectus submitted to the SC and Bursa Securities is the same as the registered paper printed copy.

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

(a) we and our Principal Adviser do not endorse and are not affiliated in any way to the Third Party Internet Sites and are not responsible for the availability of, or the content or any data, files or other material provided on the Third Party Internet Sites. You bear all risks associated with the access to or use of the Third Party Internet Sites;

(b) we and our Principal Adviser are not responsible for the quality of products or services in the Third Party Internet Sites referred to in this Prospectus, for fulfilling any of the terms of your agreements with the Third Party Internet Sites. We are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, information, files or other material provided by such parties; and

(c) any data, information, files or other material downloaded from the Third Party Internet Sites is done at your own discretion and risk. We and our Principal Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files or other material.

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

(a) the Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of an Electronic Prospectus, to the extent of the content of the Electronic Prospectus on the web servers of the Internet Participating Financial Institutions which may be viewed via your web browser or other relevant software. The Internet Participating Financial Institutions are not responsible in any way for the integrity of the contents of an Electronic Prospectus which has been downloaded or obtained from the web servers of the Internet Participating Financial Institutions and subsequently, communicated or disseminated in any manner to other parties; and

(b) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Prospectus, the accuracy and reliability of an Electronic Prospectus cannot be guaranteed because the internet is not a fully secure medium.

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

The distribution of this Prospectus and our IPO are subject to the laws of Malaysia. 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 our IPO 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. Our IPO to which this Prospectus relates is only available to persons receiving this Prospectus electronically or otherwise within Malaysia. We and our Principal Adviser have not authorised and take no responsibility for the distribution of this Prospectus (in preliminary or final form) outside Malaysia. Accordingly, this Prospectus may not be used for the purpose of and does not constitute an offer or subscription or purchase or invitation to subscribe or purchase, any Shares under our IPO in any jurisdiction in which such offer or invitation in any jurisdiction or in any circumstances in which such an offer is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the sale of our Shares in certain jurisdiction may be restricted by law. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions.

We will not make or be bound to make any enquiry before any acceptance in respect of our IPO 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 with it. It is your sole responsibility to consult your legal and/or other professional advisers as to whether our IPO would result in the contravention of any laws or jurisdictions of Malaysia.

Further, it shall also be your sole responsibility to ensure that your application for our Shares would be in compliance with the terms of our IPO and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected to. We will further assume that you had accepted this IPO in Malaysia and will at all applicable times be subjected only to the laws of Malaysia connected to it.

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

This Prospectus is prepared and published solely for our IPO in Malaysia under the laws of Malaysia. Our Shares are issued in Malaysia solely based on the contents of this Prospectus. We and our Principal Adviser have not authorised anyone to provide you with information, which is not contained in this Prospectus.

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TENTATIVE TIMETABLE

The indicative timing of events leading to the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities is set out below:-

Events	**Dates**
Issue of Prospectus/Opening date for the Initial Public Offering ("**IPO**")	13 December 2016
Closing date of the IPO	19 December 2016
Tentative date for balloting of applications	21 December 2016
Tentative date for allotment of IPO Shares	27 December 2016
Tentative listing date	29 December 2016

The above dates are tentative and are subject to changes which may be necessary to facilitate the implementation procedures. The application period will open at 10.00 a.m. on 13 December 2016 and remain open until 5.00 p.m. on 19 December 2016 or such further period or periods as our Directors, Promoters and Offeror together with our Sole Underwriter may mutually decide, at their absolute discretion.

Should the closing date of the application be extended upon consultation with the SC, the dates for the balloting, allotment of the IPO Shares, and the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities would be extended accordingly. Any change to the closing date of the Application will be advertised in widely circulated English and Bahasa Malaysia newspapers in Malaysia.

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DEFINITIONS

Unless otherwise indicated, the following definitions shall apply throughout this Prospectus:-

Acquisition of FoundPac Tech	:	The acquisition by FoundPac of the entire issued and paid-up share capital of FoundPac Tech comprising 21,500,000 FoundPac Tech Shares from the FoundPac Tech Vendors for a total consideration of RM21,500,000 satisfied entirely via the issuance of 215,000,000 new Shares credited as fully paid-up at an issue price of RM0.10 per Share in accordance with the FoundPac Tech SSA
Acquisition of FPSB	:	The acquisition by FoundPac of the entire issued and paid-up share capital of FPSB comprising 11,500,000 FPSB Shares from the FPSB Vendors for a total consideration of RM11,500,000 satisfied entirely via the issuance of 114,999,980 new Shares credited as fully paid-up at an issue price of RM0.10 per Share in accordance with the FPSB SSA
Act	:	Companies Act, 1965, as amended from time to time and any re-enactment thereof
ADA	:	Authorised Depository Agent
ADA Code	:	ADA (Broker) Code
AGM	:	Annual General Meeting
Application	:	The application for the IPO Shares by way of Application Form, Electronic Share Application and/or Internet Share Application
Application Form	:	The printed application form for the application of the IPO Shares accompanying this Prospectus
ATM	:	Automated teller machine
Authorised Financial Institution	:	The authorised financial institution participating in the Internet Share Application with respect to payments for the IPO Shares
Board	:	Board of Directors of FoundPac
Bursa Depository	:	Bursa Malaysia Depository Sdn. Bhd. (165570-W)
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
CAGR	:	Compounded annual growth rate
CCM	:	Companies Commission of Malaysia
CDS	:	Central Depository System
CDS Account	:	An account established by Bursa Depository for a Depositor for the recording of deposit of securities and for dealing in such securities by the Depositor
Central Depositories Act	:	The Securities Industry (Central Depositories) Act, 1991, as amended from time to time and any re-enactment thereof

DEFINITIONS *(cont'd)*

CEO	:	Chief Executive Officer
CF	:	Certificate of Fitness for Occupation
CFO	:	Chief Financial Officer
CMSA	:	Capital Markets and Services Act, 2007, as amended from time to time and any re-enactment thereof
COO	:	Chief Operating Officer
D&D	:	Design and development
Deposited Security	:	A security in the Company standing to the credit of a CDS Account of a Depositor subject to the provision of the Central Depositories Act and the Rules
Depositor	:	A holder of a CDS Account
EBITDA	:	Earnings before interests, taxation, depreciation and amortisation
ECU	:	Equity Compliance Unit of the SC
Electronic Prospectus	:	A copy of this Prospectus that is issued, circulated or disseminated via the internet and/or an electronic storage medium, including but not limited to CD-ROMs
Electronic Share Application	:	Application for the IPO Shares through a participating financial institutions' ATM
EPS	:	Earnings per Share
FoundPac or **Company**	:	FoundPac Group Berhad (1165946-H)
FoundPac Group or **Group**	:	Collectively, FoundPac and its wholly-owned subsidiary companies, namely FPSB and FoundPac Tech
FoundPac Holdings	:	FoundPac Holdings Sdn. Bhd. (1174756-P)
FoundPac Share(s) or **Share(s)**	:	Ordinary share(s) of RM0.10 each in FoundPac
FoundPac Tech	:	FoundPac Technologies Sdn. Bhd. (939942-M), a wholly-owned subsidiary company of FoundPac
FoundPac Tech Share(s)	:	Ordinary share(s) of RM1.00 each in FoundPac Tech
FoundPac Tech SSA	:	Share sale agreement dated 16 February 2016 entered into between FoundPac Tech Vendors, FoundPac (as purchaser) and FoundPac Holdings (as nominee company) pursuant to the Acquisition of FoundPac Tech
FoundPac Tech Vendors	:	Collectively, Lee Chun Wah, Tan Sin Khoon and Ong Choon Heng
FPSB	:	FoundPac Sdn. Bhd. (675052-D), a wholly-owned subsidiary company of FoundPac

DEFINITIONS *(cont'd)*

FPSB Share(s)	:	Ordinary share(s) of RM1.00 each in FPSB
FPSB SSA	:	Share sale agreement dated 16 February 2016 entered into between FPSB Vendors, FoundPac (as purchaser) and FoundPac Holdings (as nominee company) pursuant to the Acquisition of FPSB
FPSB Vendors	:	Collectively, Lee Chun Wah and Tan Sin Khoon
FYE	:	Financial year(s) ended/ending, as the case may be, 30 June
GP	:	Gross profit
Independent Market Researcher or **Smith Zander**	:	Smith Zander International Sdn. Bhd. (1058128-V)
Internet Participating Financial Institution(s)	:	Participating financial institution(s) in the Internet Share Application
Internet Share Application	:	The application for the IPO Shares through an Internet Participating Financial Institutions
IPO	:	Initial public offering comprising the Public Issue and Offer for Sale, collectively
IPO Price	:	The issue/offer price of RM0.54 per Share pursuant to the IPO
IPO Share(s)	:	The Public Issue Shares and Offer Shares, collectively
ISO	:	International Organisation for Standardisation
Issuing House	:	Tricor Investor & Issuing House Services Sdn. Bhd. (11324-H)
Listing	:	Admission to the Official List and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM37,000,000 comprising 370,000,000 Shares on the Main Market of Bursa Securities
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities, including any amendments thereto that may be made and enacted from time to time
Listing Scheme	:	Collectively, Public Issue, Offer for Sale and Listing
LPD	:	22 November 2016, being the latest practicable date prior to the registration of this Prospectus or as otherwise stated
M&A	:	Memorandum and Articles of Association
Malaysian Public or **Public**	:	Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Market Day(s)	:	Any day between Mondays and Fridays (both days inclusive) which is not a public holiday and a day on which Bursa Securities is open for trading of securities

DEFINITIONS *(cont'd)*

MFRS	:	Malaysian Financial Reporting Standards
MBPP	:	Majlis Bandaraya Pulau Pinang
MIDA	:	Malaysian Investment Development Authority
MITI	:	Ministry of International Trade and Industry Malaysia
NA	:	Net assets
NBV	:	Net book value
Offer for Sale	:	The invitation by the Offeror to identified investors to purchase the Offer Shares at the IPO Price, payable in full upon application, subject to the terms and conditions of this Prospectus
Offer Shares	:	The 92,000,000 Shares, which are the subject of the Offer for Sale
Offeror	:	FoundPac Holdings
Official List	:	The list specifying all securities listed on the Main Market of Bursa Securities
Participating Financial Institution(s)	:	The participating financial institution(s) for the Electronic Share Application as listed in Section 15.5(i)(d) of this Prospectus
PAT	:	Profit after taxation
PBT	:	Profit before taxation
PE Multiple	:	Price-to-earnings multiple
Pink Form Allocation(s)	:	10,500,000 Public Issue Shares representing 2.84% of our enlarged issued and paid-up share capital at the IPO Price to be issued to the eligible Directors, employees and business associates of our Group (including any other persons who have contributed to our success)
Prescribed Securities	:	Shares of a company that are prescribed by Bursa Securities to be deposited in the CDS subject to the provision of the Central Depositories Act and the Rules
Principal Adviser	:	TA Securities
Promoters	:	Collectively, Lee Chun Wah, Tan Sin Khoon, Ong Choon Heng and FoundPac Holdings
Prospectus	:	This Prospectus dated 13 December 2016 issued by our Company in respect of our IPO
Public Issue	:	Public issue of 40,000,000 new Shares, representing 10.81% of our enlarged issued and paid-up share capital at the IPO Price, subject to the terms and conditions of this Prospectus

DEFINITIONS *(cont'd)*

Public Issue Shares	:	40,000,000 new Shares to be made available for application pursuant to the Public Issue
QA	:	Quality assurance
QC	:	Quality control
Record of Depositors	:	A record provided by Bursa Depository to our Company under Chapter 24.0 of the Rules
Reporting Accountants or **Crowe Horwath**	:	Crowe Horwath (AF: 1018)
RM and **sen**	:	Ringgit Malaysia and sen, respectively
ROC	:	Registrar of Companies
Rules	:	The Rules of Bursa Depository
SC	:	Securities Commission Malaysia
Share Registrar	:	Securities Services (Holdings) Sdn. Bhd. (36869-T)
Sole Placement Agent	:	TA Securities
Sole Underwriter	:	TA Securities
Sq Ft or **sq ft**	:	Square feet
TA Securities	:	TA Securities Holdings Berhad (14948-M)
Underwriting Agreement	:	The underwriting agreement dated 29 November 2016 entered into between FoundPac and TA Securities pursuant to the IPO
UK	:	United Kingdom
USA or **US**	:	The United States of America
USD	:	US dollar

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GLOSSARY OF TECHNICAL TERMS

This glossary contains explanation of certain terms used throughout this Prospectus in connection with our Group and business. The terminologies and their meanings may not correspond to the standard industry meanings usage of these terms.

Ampere	:	A unit of measurement for electric current
Automated Testing Equipment or **ATE**	:	An apparatus which performs tests on electronics and semiconductor products
Bushing	:	A fixed or removable cylindrical lining added to an opening to constrain, guide, or reduce abrasion
CNC	:	A machine incorporated with computer numerical controls, automatic tool changers, tool magazines and coolant systems, used in a milling/tapping process to remove unwanted materials from the workpiece or to make holes in the workpiece
Computer-Aided Design or **CAD**	:	A computer technology/software for design and design documentation. CAD software replaces manual drafting with an automated process
Contact/Probe pins	:	A tiny object used to establish a connection between two (2) PCBs
Conversion kits	:	A collection of precision fixtures which allows a test handler to accommodate different device sizes and types
Coordinate-Measuring Machine or **CMM**	:	A machine used in to accurately measure the physical geometrical characteristics of an object
Deburring	:	A process to remove unwanted excess material and smoothen rough edges or ridges of an object (usually a metal)
Decibel or **dB**	:	A unit of measurement for the ratio of intensity or power
Device Under Test or **DUT**	:	Any electronic device or assembly under test to determine the performance and proficiency
Dowel pins	:	Objects engineered to tight tolerance limits, which are inserted into holes (either wider or narrower than the pin) for use as precise locating or alignment devices
Engineering plastics	:	A group of plastic materials that are used in applications generally requiring higher performance in terms of heat resistance, chemical resistance, impact fire retardancy or mechanical strength, compared to the more widely used commodity plastics (such as polystyrene, polyvinyl chloride ("**PVC**"), polypropylene and polyethylene)
Ferrous	:	A material which contains iron that are primarily used for their tensile strength and durability. Examples of ferrous materials include mild steel, carbon steel, stainless steel, cast iron and wrought iron
Gigahertz or **GHz**	:	A unit of measurement for alternating current or electromagnetic wave frequencies equal to one (1) billion hertz
Grinding machine	:	A machine that performs very light cutting using abrasive wheel to remove material from the workpiece

GLOSSARY OF TECHNICAL TERMS *(cont'd)*

Hand lids	:	A device used during the setup of manual test to secure a DUT in place
Heat sink	:	A device which keeps a hot component cool by assisting in the dissipation of heat
Integrated Circuit or **IC**	:	A set of semiconductor devices on a thin plate (i.e. chip) of semiconductor material, which is usually silicon
Leads/balls of an IC	:	Parts of an IC package which conducts electrical signals between the IC and the PCB on which the IC is placed. These parts may take the form of pins or tiny balls of solder
MasterCam	:	A computer-aided manufacturing software program to produce mechanical drawings of parts, create three (3)-dimensional wire frame models and guide CNC machines tools in the manufacture of parts
Metrology	:	A science of measurement which includes all theoretical and practical measurement to validate data obtained from measuring equipment in terms of accuracy and precision
Micro milling machine	:	A machine incorporated with CNC controls, used in a milling/tapping process to remove materials from smaller workpiece or to make holes in smaller workpiece
Micron	:	A unit of measurement for one millionth of a metre
Milling	:	A machining process of cutting to remove material from the surface of the workpiece
Modular components	:	Components composed of separate components that can be connected together or separated
Outsourced Semiconductor Assembly and Test Companies or **OSAT**	:	Companies that specialise in assembly, testing and packaging services for semiconductor
Precision engineering parts	:	Parts which are engineered to have exceptionally tight tolerance, reusable and remain stable while being used
Printed Circuit Board or **PCB**	:	An object which mechanically supports and electrically connects electronic components using conductive trace, pads and other features etched from copper sheets laminated onto a non-conductive substrate
Radio Frequency or **RF**	:	A frequency in which radio waves may be transmitted
RF connector	:	A RF connector is an electrical connector which is typically used with coaxial cables, and is designed to perform in high frequency, high power, low loss or extreme temperature situations. These connectors are usually used in wireless telecommunications applications
SolidWorks	:	A CAD software program for three (3)-dimensional product design and engineering
Stiffeners	:	A device used to dock a PCB in place to ensure that it is in alignment with the test handler and/or tester during the testing of IC packages/wafers

GLOSSARY OF TECHNICAL TERMS *(cont'd)*

Tapping	:	A process of cutting or forming a surface inside a hole which acts as a nut, so that bolts can be screwed into the holes
Test sockets	:	A device which is placed on a PCB and are configured to receive and protect the leads/balls of an IC
Tool presetter	:	A device that accurately measures the tools to assure that they are precisely set in the tool holders in the machine
Wafers	:	A thin slice of semiconductor material, such as crystalline silicon, used in the fabrication of IC

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PRESENTATION OF INFORMATION

Words importing the singular include the plural and vice versa. Words importing a gender include any gender. References to persons include a corporation.

Any reference to words such as “we”, “us”, “our” and “ourselves” in this Prospectus shall be a reference to our Company, our Group or any member company of our Group as the context requires, unless otherwise stated. All references to “FoundPac” and “our Company” in this Prospectus are to FoundPac Group Berhad, references to “our Group” are to our Company and our subsidiary companies taken as a whole. 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.

Any reference in this Prospectus, the Application Form, Electronic Share Application or Internet Share Application to any legislation, statute or statutory provision shall be a reference to the statute or legislation of Malaysia and includes any statutory modification, amendment or re-enactment thereof, unless otherwise indicated.

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 report(s) prepared by Smith Zander. We believe that the statistical data and projections cited in this Prospectus are useful in helping you understand the major trends in the industry in which we operate. However, third-party projections, including the projections from Smith Zander, cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. Hence, you should not place undue reliance on the third-party projections cited in this Prospectus.

The word “approximately” used in this Prospectus is to indicate that a number is not exact, but that number is usually rounded off to the nearest hundredth or two (2) decimal places. Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding.

If there are any discrepancies or inconsistencies between the English and Malay versions of this document, the English version shall prevail.

Any reference to a time of day in this Prospectus shall be a reference to Malaysian time, unless otherwise stated.

The information on our website, or any website directly or indirectly linked to such website does not form part of this Prospectus and you should not rely on it.

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FORWARD LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and objectives of our Management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our Group's present and future business strategies and the environment in which our Group 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:-

(a) demand for our products and services;

(b) our business strategies;

(c) our plans and objectives for future operations;

(d) our financial position; and

(e) our future earnings, cash flows and liquidity.

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, the economic, political and investment environment in Malaysia and globally and the government policy, legislation or regulation.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to those discussed in Section 4 of this Prospectus. Due to these and other uncertainties, we cannot give any assurance that the forward-looking statements included in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus. We expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statements contained in this Prospectus to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name/ Designation	Address	Occupation	Nationality
Tan Cheik Eaik/ *Independent Non-Executive Chairman*	2B-28-1, The View Condo Jalan Batu Uban 5 Gelugor, 11700 Penang	Director	Malaysian
Lee Chun Wah/ *Executive Director/CEO*	36 Pintasan Kenari Desaria Sungai Ara 11900 Bayan Lepas Pulau Pinang	Director	Malaysian
Tan Sin Khoon/ *Executive Director/COO*	56B, Jalan Irving George Town 10400 Penang	Director	Malaysian
Ong Choon Heng/ *Executive Director/CFO*	1067 Jalan Besar Permatang Tinggi 14000 Bukit Mertajam Pulau Pinang	Director	Malaysian
Chan Bee Cheng/ *Independent Non-Executive Director*	82 Lorong Riang Kampung Gajah 12300 Buttterworth Pulau Pinang	Chartered Accountant	Malaysian
Teoh Lay Fung/ *Independent Non-Executive Director*	22, Arratoon Road 10050 Penang	Lawyer	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Chan Bee Cheng	Chairman	Independent Non-Executive Director
Tan Cheik Eaik	Member	Independent Non-Executive Chairman
Teoh Lay Fung	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Teoh Lay Fung	Chairman	Independent Non-Executive Director
Chan Bee Cheng	Member	Independent Non-Executive Director
Ong Choon Heng	Member	Executive Director/CFO

1. CORPORATE DIRECTORY *(cont'd)*

NOMINATING COMMITTEE

Name	Designation	Directorship
Tan Cheik Eaik	Chairman	Independent Non-Executive Chairman
Chan Bee Cheng	Member	Independent Non-Executive Director
Teoh Lay Fung	Member	Independent Non-Executive Director

COMPANY SECRETARIES :
How Wee Ling (MAICSA 7033850)
Ooi Ean Hoon (MAICSA 7057078)
57-G Persiaran Bayan Indah
Bayan Bay
Sungai Nibong
11900 Penang
Tel No. : (04) 640 8932/8933
Fax No. : (04) 643 8911

REGISTERED OFFICE :
57-G Persiaran Bayan Indah
Bayan Bay
Sungai Nibong
11900 Penang
Tel No. : (04) 640 8932/8933
Fax No. : (04) 643 8911

HEAD OFFICE :
Plot 35, Hilir Sungai Keluang 2
Bayan Lepas Industrial Estate
Non-Free Industrial Zone Phase IV
11900 Bayan Lepas
Penang
Tel No. : (04) 630 9336
Fax No. : (04) 630 9333
E-mail : corporate@foundpac.com
Website : www.foundpac.com

PRINCIPAL ADVISER, SOLE UNDERWRITER AND SOLE PLACEMENT AGENT :
TA Securities Holdings Berhad (14948-M)
28th Floor, Menara TA One
22, Jalan P. Ramlee
50250 Kuala Lumpur
Tel No. : (03) 2072 1277
Fax No. : (03) 2026 7241

AUDITORS & REPORTING ACCOUNTANTS FOR THE LISTING :
Crowe Horwath (AF: 1018)
Chartered Accountants
Level 6, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 Penang
Tel No. : (04) 227 7061
Fax No. : (04) 227 8011

1. CORPORATE DIRECTORY *(cont'd)*

SOLICITORS FOR THE LISTING	:	Katherine Khaw & Associates Advocates & Solicitors 368-2-6 Bellisa Row 10350 Jalan Burma Penang Tel No. : (04) 229 9918/ 228 7918 Fax No. : (04) 227 8918
PRINCIPAL BANKERS OF FOUNDPAC TECH	:	HSBC Bank Malaysia Berhad No. 26, 28 & 30, Persiaran Bayan Indah Bayan Bay, 11900 Bayan Lepas Penang Tel No. : (04) 252 8800 Fax No. : (03) 2179 1149 OCBC Bank (Malaysia) Berhad 13-15 Lintang Batu Maung 1 11960 Pulau Pinang Tel No. : 1300 88 7000 Fax No. : (04) 626 2666 CIMB Bank Berhad Menara BHL 51 Jalan Sultan Ahmad Shah 10050 Georgetown, Penang Tel No. : (04) 227 4397 Fax No. : (04) 227 4822
ISSUING HOUSE	:	Tricor Investor & Issuing House Services Sdn. Bhd. (11324-H) Unit 32-01, Level 32, Tower A, Vertical Business Suite Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur Tel No. : (03) 2783 9299 Fax No. : (03) 2783 9222
SHARE REGISTRAR	:	Securities Services (Holdings) Sdn. Bhd. (36869-T) Level 7, Menara Milenium Jalan Damanlela Pusat Bandar Damansara Damansara Heights 50490 Kuala Lumpur Tel No. : (03) 2084 9000 Fax No. : (04) 2094 9940/ 2095 0292
INDEPENDENT MARKET RESEARCHER	:	Smith Zander International Sdn. Bhd. (1058128-V) Suite 23-3, Level 23, Office Suite Menara 1MK 1, Jalan Kiara, Mont' Kiara 50480 Kuala Lumpur Tel No. : (03) 6211 2121
LISTING SOUGHT	:	Main Market of Bursa Securities

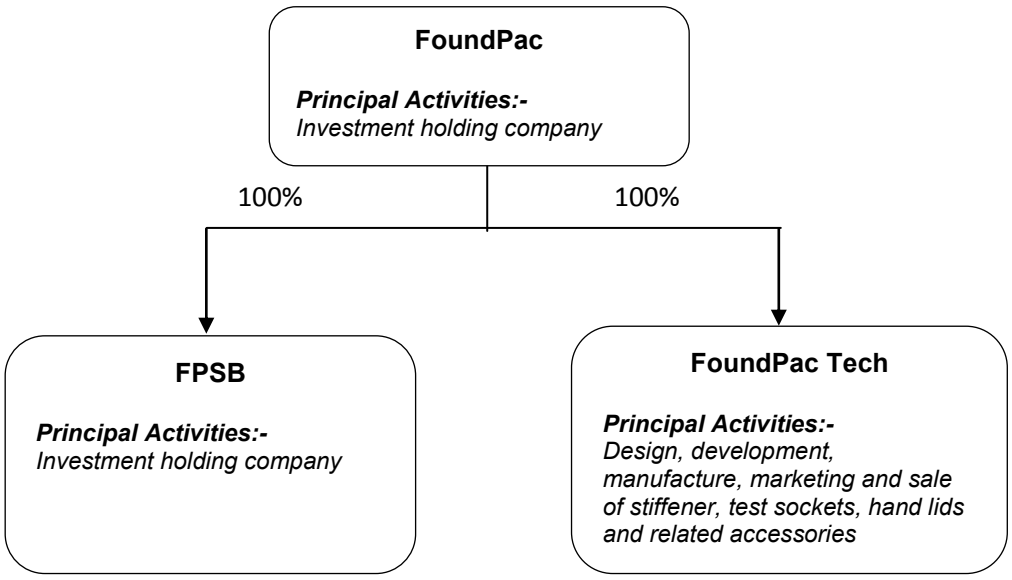
2. INFORMATION SUMMARY

THE INFORMATION CONTAINED IN THIS SECTION IS INTENDED ONLY TO BE A SUMMARY OF SOME SALIENT INFORMATION RELATING TO OUR GROUP AND THE IPO. THE INFORMATION CONCERNED IS DERIVED FROM AND SHOULD BE READ IN CONJUNCTION WITH THE FULL TEXT OF THIS PROSPECTUS. YOU SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST IN OUR SHARES.

2.1 HISTORY AND BUSINESS

Our Company was incorporated in Malaysia under the Act on 16 November 2015 as a private limited company under the name of FoundPac Group Sdn. Bhd. as a listing vehicle to undertake the Listing. On 16 February 2016, we have entered into the FPSB SSA and FoundPac Tech SSA to acquire 100% equity interest in FPSB and FoundPac Tech respectively. The Acquisition of FPSB and Acquisition of FoundPac Tech were completed on the same day. Consequently, FPSB and FoundPac Tech became wholly-owned subsidiary companies of FoundPac. The Company was subsequently converted into a public limited company and assumed its present name on 11 March 2016.

As at the LPD, our Group structure is as follows:-



Our Group is principally involved in the design, development, manufacture, marketing and sale of precision engineering parts namely stiffeners, test sockets, hand lids and related accessories. These precision engineering parts are sold to semiconductor manufacturers and OSATs, or for PCB design houses or fabless semiconductor companies which are used to facilitate the testing of IC.

On 24 March 2005, Chng Paik See and Kuan Yuet Mooi acquired FPSB as a shelf company. In May 2005, FPSB commenced operations in the trading of precision engineering parts such as stiffeners, test sockets and hand lids and conversion kits led by Chng Paik See and Kuan Yuet Mooi who was managing the overall trading operations of FPSB. Lim Hui Jiun became a shareholder of FPSB on 12 July 2005 for a short period of time of approximately eight (8) months and subsequently disposed her shares on 29 March 2006. Lim Hui Jiun was also a director of FPSB from 5 April 2005 to 31 March 2006. Chng Paik See had, from 1973 to 1988, spent 15 years as material handler at National Semiconductor Sdn. Bhd. in Penang, and from her experience in the semiconductor and electronics industry, saw an opportunity to venture into the precision engineering business.

2. INFORMATION SUMMARY *(cont'd)*

Among some of the customers we served at time were established electronic companies based in North America, Europe and Asia, including Broadcom Corporation, Intel Corporation (UK) Ltd, Tessolve Services Pvt Ltd (India) and Kobe Precision Technology Sdn. Bhd. From May 2005 to January 2006, we operated from our rented office in Pusat Komersial Desaria Sungai Ara, Penang.

In January 2006, Lee Chun Wah joined FPSB as a General Manager, and was appointed as our CEO in April 2006. He joined FPSB with a strong background in electronics engineering, specialising in mechatronics, having worked previously as an engineer in the precision engineering industry in a multinational company. With his vision and experience, and armed with business relationships built with our existing customers, he saw an opportunity to venture from trading into the manufacturing of stiffeners, test sockets and hand lids. Thus, we moved to a larger rented premise at Lengkok Kampung Jawa 2, Penang in February 2006. We received orders for the manufacturing of stiffeners, test sockets and hand lids within the same year we commenced our manufacturing operations, primarily from the existing customers of our trading business. Some of the major customers of our trading business who continued to be our customers were Broadcom Corporation, Tessolve Services Pvt Ltd and Kobe Precision Technology Sdn. Bhd. Amongst some of the new customers we managed to secure at the time included Pentamaster Technology (M) Sdn. Bhd., NXP Semiconductor, Synergie CAD (UK) and Synergie CAD (FR). Following the appointment of Lee Chun Wah as CEO in April 2006, Chng Paik See took the role of a passive shareholder but maintained her directorship with FPSB. Kuan Yuet Mooi ceased to be a shareholder and resigned as a director of FPSB in March 2006.

In July 2007, Tan Sin Khoon joined our Group as Operations cum Business Director and he was subsequently promoted to COO in January 2009. In June 2015, Chng Paik See ceased to be a shareholder and resigned as Director of FPSB due to retirement.

In March 2010, to accommodate further expansion of our business, we relocated to our present head office and manufacturing facility in Bayan Lepas Non-Free Industrial Zone Phase IV, Penang which we purchased in 2009. We subsequently began an internal restructuring exercise in 2011, in which FoundPac Tech was incorporated on 11 April 2011 and commenced operations in September 2011 to undertake the business of the design, development, manufacturing, marketing and sale of precision engineering parts, while FPSB became an investment holding company, holding the Group's factory premises. The purpose of the internal restructuring was to streamline the Group's corporate structure to achieve a clear segregation between its investment and manufacturing activities. As at the LPD, there are no plans to change the principal activities of FPSB in the future.

Following the restructuring, we continued to expand our customer base and our reputation as a precision engineering parts manufacturer. Between 2012 and 2014, we secured more renowned customers in the electronics industry such as Qualcomm Technologies, Inc (previously known as Qualcomm Incorporated), Form Factor Inc and Advantest America, Inc., to add to our growing list of worldwide multinational customers.

Please refer to Sections 5 and 6 of this Prospectus for further information on our history, group structure and business.

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2. INFORMATION SUMMARY *(cont'd)*

2.2 OUR COMPETITIVE ADVANTAGES AND KEY STRENGTHS

Our competitive strengths include the following:-

(a) our customers are primarily large multinational semiconductor manufacturers, OSATs and PCB design houses;

(b) we have demonstrated our ability to comply with the design and manufacturing requirements set by our multinational customers;

(c) we are well-positioned to capitalise on growth in the global electronics and semiconductor industry;

(d) our Group has a well-established network of channel partners in Europe; and

(e) we have an experienced management team with strong technical expertise.

Please refer to Section 6.4 of this Prospectus for further details on our competitive advantages and key strengths.

2.3 FUTURE PLANS, STRATEGIES AND PROSPECTS

Our future plans, strategies and prospects include the following:-

(a) we intend to expand our production capacity through the acquisition of new CNC machines;

(b) we aim to diversify our customer base to include other end-user industries;

(c) we plan to set up a dedicated D&D team to focus on product development; and

(d) we intend to establish sales offices in Europe and the US to continue expanding our presence in these major markets.

Further details on our future plans, strategies and prospects are set out in Section 6.15 of this Prospectus.

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2. INFORMATION SUMMARY *(cont'd)*

2.4 PROMOTERS, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY MANAGEMENT PERSONNEL

Our Promoters, substantial shareholder, Directors and key management personnel are as follows:-

Name	Designation
Promoters	
Lee Chun Wah	Promoter and Executive Director/CEO
Tan Sin Khoon	Promoter and Executive Director/COO
Ong Choon Heng	Promoter and Executive Director/CFO
FoundPac Holdings	Promoter and substantial shareholder
Substantial Shareholder	
FoundPac Holdings	Promoter and substantial shareholder
Directors	
Tan Cheik Eaik	Independent Non-Executive Chairman
Lee Chun Wah	Executive Director/CEO
Tan Sin Khoon	Executive Director/COO
Ong Choon Heng	Executive Director/CFO
Chan Bee Cheng	Independent Non-Executive Director
Teoh Lay Fung	Independent Non-Executive Director
Key Management Personnel	
Low Cher Shyong	Vice President of Sales and Marketing
Fathil bin Mohamed	Operations Manager
Lam Yoong Leng	Engineering Manager
Tan Yong Yong	Senior Finance and Admin Manager

Detailed information on our Promoters, substantial shareholder, Directors and key management personnel are set out in Section 8 of this Prospectus.

2.5 FINANCIAL HIGHLIGHTS

FoundPac was incorporated on 16 November 2015. FoundPac acquired the entire issued and paid-up share capital in FPSB and FoundPac Tech on 16 February 2016 and the acquisition was completed on the same date. As such, the financial statements comprise:-

i) The combined statements of financial position as at 30 June 2014 and 2015, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years ended 30 June 2014 and 2015 and

ii) The consolidated statement of financial position as at 30 June 2016, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year ended 30 June 2016.

The combined financial statements the financial years ended 30 June 2014 and 2015 were prepared based on the separate audited financial statements of FPSB and FoundPac Tech for the financial years ended 30 June 2014 and 2015. All material intra-group transactions and balances have been eliminated on combination.

2. INFORMATION SUMMARY *(cont'd)*

The consolidated financial statements for the financial year ended 30 June 2016 was prepared based on the audited consolidated financial statements of the Company for the financial year ended 30 June 2016.

All references to our financial condition and results of operations within Sections 11.1 and 11.4 herein refer to financial condition and results of operations of FoundPac and its subsidiary companies.

The historical financial information presented below should be read in conjunction with the "Management's discussion and analysis of financial condition, results of operations and prospects" as set out in Section 11.4 of this Prospectus and the Accountants' Report, together with its related notes as set out in Section 12 of this Prospectus.

2.5.1 Statements of Comprehensive Income

	Audited		
	FYE 2014	**FYE 2015**	**FYE 2016**
	(RM'000)	**(RM'000)**	**(RM'000)**
Revenue	30,204	34,370	44,108
Cost of sales	(17,529)	(18,510)	(23,352)
GP	**12,675**	**15,860**	**20,756**
Other income	275	1,482	1,059
Administrative and general expenses	(1,916)	(2,119)	(3,183)
Selling and distribution expenses	(1,006)	(1,152)	(1,040)
Finance costs	(4)	(1)	-
PBT	**10,024**	**14,070**	**17,592**
Tax expense	(813)	(1,172)	(1,160)
PAT	**9,211**	**12,898**	**16,432**
Other comprehensive income:-			
Items that will not be reclassified to profit or loss:-			
Revaluation increase of property, plant and equipment	-	3,336	-
Deferred tax expense of revaluation increase	-	(800)	-
Deferred tax income relating to the change in tax rate	-	45	-
Other comprehensive income for the financial year	**-**	**2,581**	**-**
Total comprehensive income for the financial year	**9,211**	**15,479**	**16,432**
Attributable to:-			
Owners of our Company	9,211	15,479	16,432
Non-controlling interest	-	-	-
Total comprehensive income for the financial year	**9,211**	**15,479**	**16,432**
Number of Shares in issue ('000)[(a)]	330,000	330,000	330,000
EBITDA (RM'000) [(b)]	10,800	15,248	18,862
GP margin (%)[(c)]	41.96	46.14	47.06
PBT margin (%)[(d)]	33.19	40.94	39.88
PAT margin (%)[(e)]	30.50	37.53	37.25
Basic EPS (sen) [(f)]	2.88	4.03	5.03
Diluted EPS (sen) [(g)]	2.56	3.59	4.48
Weighted average number of share in issue ('000)	319,762	319,762	326,587
Weighted average number of share in issue after the IPO ('000)	359,762	359,762	366,587

2. INFORMATION SUMMARY *(cont'd)*

Notes:-

(a) Based on the existing issued and paid-up share capital of 330,000,000 Shares.

(b) EBITDA is computed based on the following:-

		FYE 2014 (RM'000)	***FYE 2015 (RM'000)***	***FYE 2016 (RM'000)***
PAT		*9,211*	*12,898*	*16,432*
Add:	*Tax expense*	*813*	*1,172*	*1,160*
	Finance costs	*4*	*1*	*-*
	Depreciation	*809*	*1,246*	*1,596*
Minus:	*Interest income*	*(37)*	*(69)*	*(326)*
EBITDA		***10,800***	***15,248***	***18,862***

(c) GP Margin is computed based on GP divided by Revenue.

(d) PBT Margin is computed based on PBT divided by Revenue.

(e) PAT Margin is computed based on PAT attributable to owners of our Company divided by Revenue.

(f) Basic EPS is computed based on PAT attributable to owners of our Company divided by the weighted average number of share in issue.

(g) Diluted EPS is computed based on PAT attributable to owners of our Company divided by our weighted average number of share in issue after the IPO.

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2. INFORMATION SUMMARY *(cont'd)*

2.5.2 Proforma Consolidated Statements of Financial Position

The proforma consolidated statements of financial position of our Group as at FYE 2016 as set out below had been prepared solely for illustrative purposes only, to show the effects on the audited consolidated statements of financial position of our Group had the Listing Scheme and the utilisation of proceeds been effected on that date. The proforma consolidated statements of financial position should be read in conjunction with the accompanying notes and assumptions included in the proforma consolidated statements of financial position as set out in Section 11.2 of this Prospectus.

	As at FYE 2016 (RM'000)	Proforma I After Public Issue (RM'000)	Proforma II After Proforma I and Utilisation of Proceeds (RM'000)
NON-CURRENT ASSETS			
Property, plant and equipment	15,789	15,789	23,789
CURRENT ASSETS			
Inventories	2,627	2,627	2,627
Trade and other receivables	7,634	7,634	7,634
Prepayments	1,256	1,256	1,256
Cash and bank balances	20,181	41,781	30,781
Total current assets	31,698	53,298	42,298
CURRENT LIABILITIES			
Trade and other payables	3,082	3,082	3,082
Current tax liabilities	114	114	114
Total current liabilities	3,196	3,196	3,196
NET CURRENT ASSETS	28,502	50,102	39,102
NON-CURRENT LIABILITIES			
Deferred tax liabilities	2,002	2,002	2,002
NET ASSETS	**42,289**	**63,889**	**60,889**
EQUITY			
Share capital	33,000	37,000	37,000
Share premium	0	17,600	14,600
Retained profits	9,289	9,289	9,289
Total equity	**42,289**	**63,889**	**60,889**
No. of shares in issue ('000)	330,000	370,000	370,000
Net assets per Share attributable to the equity holder of the Company (RM)	0.13	0.17	0.16

2. INFORMATION SUMMARY *(cont'd)*

2.5.3 Dividend Policy

Whilst it is our intention to adopt a dividend distribution policy allow our shareholders to participate in our Group's profits, our ability to declare dividends or make other distributions to our shareholders in the future years will also depend upon other various factors such as:-

(a) our Group's cash flows requirements for operations, financing commitments and capital expenditure;

(b) the availability of adequate distributable reserves; and

(c) our financial performance.

It is our Board's policy to recommend and distribute a dividend of at least 30.00% of our annual audited PAT to shareholders of our Company. However, any final dividends declared are subject to the approval of our shareholders at the AGM.

You should note that this dividend policy merely describes our Group's present intention and shall not constitute legally binding statements in respect of our Group's future dividends that are subject to modification at our Board's discretion. Kindly refer to Section 4.3.4 on the risk that our dividend payment is not guaranteed.

The dividends declared and paid by FoundPac Tech in respect of FYE 2014 and 2015 are as follows:-

FYE	Type of Dividend	Dividend declared and paid (A) (RM'000)	PAT for the respective FYE (B) (RM'000)	Percentage of dividend declared and paid over PAT for the respective FYE (C=A/B) (%)	Payment Date
2014	First interim, tax exempt in respect of FYE 2014	3,000	9,211	32.57	30.04.2014
	Second interim, tax exempt in respect of FYE 2014	3,300		35.83	31.10.2014
	Total	**6,300**	**9,211**	**68.40**	
2015	First interim, tax exempt in respect of FYE 2015	6,000	12,898	46.52	26.06.2015
	Second interim, tax exempt in respect of FYE 2015	4,400		34.11	28.08.2015
	Total	**10,400**	**12,898**	**80.63**	

There were no dividends declared and paid by the FoundPac Group in respect of FYE 2016.

2.5.4 Audit Qualifications

The audited financial statements of FoundPac for the FYE 2016 were not subject to audit qualification. The audited financial statements of subsidiary companies, namely FPSB and FoundPac Tech were not subject to any audit qualification for the FYE 2014 to FYE 2016.

2. INFORMATION SUMMARY *(cont'd)*

2.6 PRINCIPAL STATISTICS RELATING TO OUR IPO

	No. of Shares ('000)	(RM'000)
Authorised share capital	**500,000**	**50,000**
Existing issued and fully paid-up share capital	330,000	33,000
New Shares to be issued pursuant to the Public Issue	40,000	4,000
Enlarged issued and paid-up share capital upon Listing	**370,000**	**37,000**
Offer for Sale	92,000	9,200
IPO Price per Share (RM)		0.54
Market capitalisation upon Listing based on IPO Price		199,800
Proforma NA based on the proforma consolidated statements of financial position as at FYE 2016		
– Proforma NA upon Listing and after the utilisation of proceeds		60,889
– Proforma NA per Share upon Listing and after the utilisation of proceeds (RM)		0.16

Further details on the Listing Scheme are set out in Sections 3.4 and 5.4 of this Prospectus.

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2. INFORMATION SUMMARY *(cont'd)*

2.7 UTILISATION OF PROCEEDS

Based on the IPO Price, the total cash proceeds to be raised from our Public Issue amounting to RM21.60 million shall be utilised in the following manner:-

Description	**Timeframe for Utilisation Upon Listing**	**(1) Amount (RM'000)**	**Percentage of Gross Proceeds (%)**
Purchase of property, plant and equipment	Within 24 months	8,000	37.04
Overseas expansion	Within 24 months	4,000	18.52
Working capital	Within 24 months	3,600	16.66
D&D expenditure	Within 24 months	3,000	13.89
Estimated listing expenses (2)	Immediate	3,000	13.89
Total cash proceeds		**21,600**	**100.00**

Notes:-

(1) The proceeds from the IPO save for the estimated listing expenses will be placed in interest bearing deposits with licensed financial institutions pending utilisation.

(2) The estimated listing expenses arising from the issuance of new FoundPac Shares pursuant to the IPO amounting to approximately RM3.00 million is to be written off against the share premium account under Section 60 of the Act. If the actual listing expenses are higher than estimated, the shortfall will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than estimated, the excess will be utilised for working capital purposes.

Detailed information on our utilisation of proceeds is set out in Section 3.10 of this Prospectus.

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2. INFORMATION SUMMARY *(cont'd)*

2.8 RISK FACTORS

Before applying for our IPO Shares, you should carefully consider the following risk factors (which are not exhaustive) in addition to the other information contained elsewhere in this Prospectus:-

(a) Risks relating to Our Business and Operations

- Dependence on Directors and key management personnel
- Dependence on suppliers
- Dependence on major customer
- Failure to meet demand for our products
- Infringement of our intellectual property rights
- Tax consideration
- Credit risk
- Foreign exchange risk
- Political risk
- Regulatory risk
- Economic risk
- Non-compliance of condition attached to the land title

(b) Risks relating to the Industry in which Our Group Operates

- Failure to adopt new technologies
- Inability to anticipate changes in consumer preferences
- Consolidation of businesses within the semiconductor industry
- Competition risk

(c) Risks relating to the Investment in Our Shares

- No prior market for our Shares
- Delay in or abortion of our Listing
- Trading price and volume of our Shares
- Dividend payment is not guaranteed
- Issue of future securities for additional funding for our future growth
- Continued control by our Promoters
- Forward looking statements

For a more detailed commentary on risk factors, please refer to Section 4 of this Prospectus.

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3. PARTICULARS OF THE IPO

3.1 INTRODUCTION

This Prospectus is dated 13 December 2016.

We have registered a copy of this Prospectus together with the Application Forms with the SC. We have also lodged a copy of this Prospectus together with the Application Forms with the ROC and neither the SC nor the ROC takes any responsibility for contents of this Prospectus.

We have obtained the approvals by the SC and Bursa Securities vide its letters dated 29 August 2016 and 17 October 2016 for the admission of our Company to the Official List of the Main Market of Bursa Securities and for the listing of and quotation of our Company's entire issued and paid-up share capital, including the IPO Shares which are the subject of this Prospectus, on the Main Market of Bursa Securities. Our Shares will be admitted to the Official List of the Main Market of Bursa Securities and official quotation will commence upon receipt of confirmation from Bursa Depository that all the IPO Shares have been credited into the respective CDS Accounts of the successful Applications and the notices of allotment have been issued and despatched to all successful applicants.

Bursa Securities assumes no responsibility for the correctness of any statement made or of any opinion or report expressed in this Prospectus. Our admission to the Official List of the Main Market of Bursa Securities shall not be taken as an indication of the merits of our Company, our Shares and/or our IPO.

Pursuant to Section 14(1) of the Central Depositories Act, Bursa Securities has prescribed our Shares as Prescribed Securities. Therefore, we will deposit our Shares directly with Bursa Depository. Any dealing in our Shares will be carried out in accordance with the Central Depositories Act and the Rules. We will not issue any share certificate to the successful applicants.

Person submitting the Applications by way of Application Forms or by way of Electronic Share Application or Internet Share Application must have a CDS Account. If you do not presently have a CDS Account, you must open a CDS Account at an ADA before making an application for the IPO Shares.

In the case of an Application by way of Application Form, you should state your CDS Account number in the space provided in the Application Form.

In the case of an Application by way of Electronic Share Application, only an applicant who has a CDS Account number can make an Electronic Share Application and you shall furnish your CDS Account number to the Participating Financial Institutions by way of keying in your CDS Account number if the instructions on the ATM screen at which you submit your electronic Share Application require you to do so.

In the case of an Application by way of Internet Share Application, only an applicant who has a CDS Account opened with the Internet Participating Financial Institutions can make an Internet Share Application. Arising therewith, your CDS Account number will automatically appear in the electronic IPO online application form.

A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application or Internet Share Application. Please refer to Section 15 of this Prospectus for further details on the procedure for Application for the IPO Shares.

3. PARTICULARS OF THE IPO

Pursuant to the Listing Requirements, at least 25.00% of the total number of our Shares for which listing is sought must be held by a minimum number of 1000 public shareholders holding not less than 100 Shares each at the point of Listing. We expect to meet this public shareholding spread requirement at the point of Listing. If we do not meet the public shareholding requirement, we may not be allowed to proceed with the Listing. In such an event, we will return in full, without interest, monies paid in respect of all Applications.

You should rely only on the information contained in this Prospectus or any applicable supplemental Prospectus. Neither we nor our advisers have authorized anyone to provide you with information that is different and which is not contained in this Prospectus. The delivery of this Prospectus or any issue made in connection with this Prospectus shall not, under any circumstance, constitute a representation or create any implication that there has been no change in our affairs since the date of this Prospectus. Nonetheless, should we become aware of any material change or development affecting a matter disclosed in this Prospectus from the date of registration of this Prospectus up to the date of the 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.

The distribution of this Prospectus and the offer of the IPO Shares in other jurisdictions outside Malaysia may be restricted by the law. If you have come into possession of this Prospectus, we require you to inform your goodself of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to buy any IPO Share in any jurisdiction or circumstance in which such invitation is not authorised or unlawful, or to any person to whom it is unlawful to make such invitation.

3.2 OPENING AND CLOSING OF APPLICATION PERIOD

The Application period will open at 10.00 a.m. on 13 December 2016 and will remain open until 5.00 p.m. on 19 December 2016 or such further period or periods as our Directors, Promoters and Offeror together with our Sole Underwriter may in their absolute discretion mutually decide. **LATE APPLICATIONS WILL NOT BE ACCEPTED**.

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3. PARTICULARS OF THE IPO

3.3 INDICATIVE TIMETABLE

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

Events	Dates
Issue of Prospectus/Opening date for the IPO	13 December 2016
Closing date of the IPO	19 December 2016
Tentative date for balloting of Applications	21 December 2016
Tentative date for allotment of IPO Shares	27 December 2016
Tentative Listing date	29 December 2016

This timetable is tentative and is subject to changes which may be necessary to facilitate the implementation procedures. The application period for the IPO will close at the date stated above or such further period or periods as our Directors, Promoters and Offeror together with our Sole Underwriter may mutually decide, at their absolute discretion.

Our Directors, Promoters and Offeror together with our Sole Underwriter may mutually decide, at their absolute discretion, to extend the closing date and time of application of our IPO to any later date or dates. Should the closing date of the application of our IPO be extended upon consultation with the SC, we will advertise a notice of the extension in widely-circulated English and Bahasa Malaysia daily newspapers in Malaysia prior to the original closing date of applications for our IPO. Following this, the dates for the balloting of applications for the IPO Shares, allotment of the IPO Shares and Listing would be extended accordingly.

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3. PARTICULARS OF THE IPO *(cont'd)*

3.4 DETAILS OF OUR IPO

3.4.1 Public Issue

Our Public Issue comprises an initial public offering of 40,000,000 new Shares at the IPO Price payable in full on application, subject to the terms and conditions of this Prospectus and will be allocated in the following manner:-

(a) Malaysian Public

18,500,000 Public Issue Shares representing 5.00% of our enlarged issued and fully paid-up share capital will be offered to the Malaysian Public by way of balloting, of which 50.00% is to be set aside for Bumiputera investors.

The basis of allocation for the Public Issue Shares shall take into account the desirability of distributing the Public Issue Shares to a reasonable number of applicants in view of broadening the Group's shareholding base to meet the public spread requirements, and to establish a liquid and adequate market for the Shares.

(b) Eligible Directors, Employees and Business Associates/Persons who have Contributed to the Success of Our Group

In recognition of the contributions by the eligible Directors, employees and business associates/persons who have contributed to the success of our Group, we have reserved 10,500,000 Public Issue Shares (being the Pink Form Allocation) representing 2.84% of the Company's enlarged issued and paid-up share capital for subscription by the eligible Directors, employees and business associates/persons who have contributed to the success of the Group as follows:-

Category	No. of Persons as at the LPD	Aggregate No. of Pink Form Allocation
Directors	3	4,000,000
Employees and business associates (including any other persons who have contributed to our success)	66	6,500,000
Total	**69**	**10,500,000**

The criteria of allocation of the Pink Form Allocation to our eligible Directors and eligible employees (as approved by our Board) are based on, *inter-alia*, the following factors:-

(i) they must be an eligible and confirmed employee and on the payroll of our Group;

(ii) the number of Shares allocated to our eligible employees are based on their seniority, position, their length of service and their respective contribution made to our Group as well as other factors deemed relevant to our Board; and

(iii) they must be a full time employee of at least eighteen (18) years of age.

3. PARTICULARS OF THE IPO *(cont'd)*

The criteria of allocation of the Pink Form Allocation to our business associate (as approved by our Board) are based on, amongst others, current and past contributions to our Group, length of business relationship, value of transactions with our Group and other criteria deemed fit by our Board.

Details of the Pink Form Allocation to eligible Directors of our Group are as follows:-

Directors	Designation	No. Pink Form Allocation
Tan Cheik Eaik	Independent Non-Executive Chairman	2,000,000
Chan Bee Cheng	Independent Non-Executive Director	1,000,000
Teoh Lay Fung	Independent Non-Executive Director	1,000,000
Total		**4,000,000**

Any Pink Form Allocation which are not taken up by our eligible Directors, employees, business associates/persons who have contributed to the success of our Group will be re-offered to our Group's other eligible Directors, employees, business associates/ persons who have contributed to the success of our Group before being allocated to the Malaysian Public and/or identified investors via private placement.

(c) Private Placement to Identified Investors

11,000,000 Public Issue Shares representing 2.97% of our enlarged issued and fully paid-up share capital will be placed out to identified investors by our Sole Placement Agent.

3.4.2 Offer for Sale

The Offeror is offering an aggregate of 92,000,000 Offer Shares at the IPO Price payable in full upon application, representing approximately 24.86% of our enlarged issued and paid-up share capital, by way of placement to identified investors of which 37,000,000 Offer Shares are set aside for application by Bumiputera investors, approved by MITI.

Details of the Offeror is set out below:-

Offeror	Address	Material relationship with our Group	Before IPO		Offer for Sale		After IPO	
			No. of Shares ('000)	(1) (%)	No. of Shares ('000)	(2) (%)	No. of Shares ('000)	(2) (%)
FoundPac Holdings	57-G Persiaran Bayan Indah Bayan Bay Sungai Nibong 11900 Penang	Shareholder	330,000	100.00	92,000	24.86	238,000	64.32

Notes:-

(1) Based on the existing issued and paid-up share capital of 330,000,000 Shares.

(2) Based on our enlarged issued and paid-up share capital of 370,000,000 Shares upon completion of the IPO.

Based on the IPO Price, the entire proceeds of approximately RM49.68 million arising from the Offer for Sale will accrue entirely to the Offeror and not to the Company. All expenses relating to the Offer for Sale will be fully borne by the Offeror.

3. PARTICULARS OF THE IPO *(cont'd)*

As at the LPD, no investors have been specifically identified for the offer for sale.

3.4.3 Underwriting and Allocation of the IPO Shares

In summary, the IPO Shares will be allocated in the following manner:-

	Public Issue		Offer for Sale		Total	
	No. of Shares	% of Enlarged Share Capital	No. of Shares	% of Enlarged Share Capital	No. of Shares	% of Enlarged Share Capital
Malaysian Public	18,500,000	5.00	-	-	18,500,000	5.00
Our eligible Directors, employees and business associates	10,500,000	2.84	-	-	10,500,000	2.84
Identified investors *(via private placement)*	11,000,000	2.97	92,000,000	24.86	103,000,000	27.84
Total	**40,000,000**	**10.81**	**92,000,000**	**24.86**	**132,000,000**	**35.68**

The 18,500,000 Public Issue Shares made available for Application by the Malaysian Public under Section 3.4.1(a) of this Prospectus have been fully underwritten by our Sole Underwriter.

All the 10,500,000 Public Issue Shares made available to our Group's eligible Directors, employees and/or business associates (including any other persons who have contributed to the success of our Group) pursuant to the Pink Form Allocation and 11,000,000 IPO Shares made available to identified investors by way of private placement under Sections 3.4.1(b) and 3.4.1(c) respectively are not underwritten. Irrevocable undertakings will be obtained post approval of the Prospectus from identified investors to subscribe for the IPO Shares available under the private placement.

Any unsubscribed Public Issue Shares by the Malaysian Public will be made available for application by way of private placement to identified investors. Any unsubscribed Pink Form Allocations will be re-offered to our Group's other eligible Directors, employees and/or business associates before being re-allocated to the Malaysian Public on a fair and equitable manner and/or identified investors via the private placement.

There is no minimum subscription amount to be raised from the IPO. All the IPO Shares are either subscribed by the identified investors, pursuant to their irrevocable undertakings or fully underwritten by our Sole Underwriter.

The number of IPO Shares will not increase via any over-allotment or "greenshoe" option.

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3. PARTICULARS OF THE IPO *(cont'd)*

3.5 SHARE CAPITAL

	No. of Shares ('000)	(RM'000)
Authorised share capital	**500,000**	**50,000**
Existing issued and fully paid-up share capital	330,000	33,000
New Shares to be issued pursuant to the Public Issue	40,000	4,000
Enlarged issued and paid-up share capital upon Listing	**370,000**	**37,000**
Offer for Sale	92,000	9,200
IPO Price per Share (RM)		0.54
Market capitalisation upon Listing based on IPO Price		199,800
Proforma NA based on the proforma consolidated statements of financial position as at FYE 2016		
– Proforma NA upon Listing and after the utilisation of proceeds		60,889
– Proforma NA per Share upon Listing and after the utilisation of proceeds (RM)		0.16

Presently, we have only one (1) class of shares, namely ordinary shares of RM0.10 each, all of which rank *pari passu* with one another. The IPO Shares will upon allotment and issue, rank *pari passu* in all respects with our existing issued and fully paid-up ordinary shares, including voting rights and will be entitled to all rights, dividends and distributions that may be declared subsequent to the date of allotment of the IPO Shares.

Subject to any special right attaching to any of our Shares which we may issue in future, our shareholders shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share the whole of the profits paid out by us in the form of dividends and other distributions and the whole of any surplus in the event of our liquidation, such surplus to be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with our Articles of Association.

At any general meeting of our Company, each shareholder shall be entitled to vote in person or by proxy or by attorney, or being a corporation, by a duly authorised representative. On a show of hands, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each Share held. As our Articles of Association has provided that Section 149(1)(b) of the Act shall not apply to our Company, a proxy may but need not be a member of our Company.

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3. PARTICULARS OF THE IPO *(cont'd)*

3.6 PURPOSES OF OUR IPO

The purposes of our IPO are as follows:-

(a) to facilitate our business expansion as the listed status of our Company enhances our corporate profile, which in turn enables our Group to tap into new customers, form strategic alliances with our business affiliates and expand our business locally and internationally with the prestigious profile;

(b) to enable our Group to gain access to the capital market and allow us to generate an optimal capital structure for our anticipated future expansion and growth as elaborated in Section 6.15 of this Prospectus;

(c) to enable our Group to raise funds to finance the growth opportunities of the Group as elaborated in Section 6.15 of this Prospectus;

(d) to provide an opportunity for Malaysian investors to participate in our equity and growth in our Company; and

(e) to enable us to attract and retain qualified and experienced employees and align the interests of our employees with our Group as a listed company via participation in the Pink Form Allocation.

3.7 BASIS OF ARRIVING AT THE IPO PRICE

Our Directors together with TA Securities had determined and agreed on the IPO Price, after taking into consideration the following factors:-

(a) The PE Multiple of approximately 12.16 times based on our Group's proforma EPS of 4.44 sen for the FYE 2016 based on our enlarged issued and paid-up share capital of RM37,000,000 comprising 370,000,000 Shares;

(b) Our operating history, financial performance and financial position as elaborated in the following sections of the Prospectus:-

  (i) Section 11.1 of the Prospectus, which describes the summary of our Group's historical financial information, together with the Reporting Accountants' Letter on Proforma Consolidated Statements of Financial Position as set out in Section 11.2 of this Prospectus; and

  (ii) Section 11.4 of the Prospectus, which provides the management's discussion and segmental analysis of the audited financial results for the past three (3) FYE 2014 to FYE 2016; and

(c) Our Group's future plans and prospects as set out in Section 6.15 of this Prospectus.

Prior to the IPO, there has been no public market for our Shares within or outside of Malaysia. You should note that the market price for our Shares upon Listing is subject to the vagaries of market forces and other uncertainties that may affect the price of our Shares being traded. You should form your own views on the valuation of our IPO Shares before deciding to invest in them. You are reminded to carefully consider the risk factors as set out in Section 4 of this Prospectus and form your own views on the valuation of our IPO Shares before deciding to invest in our Shares.

3. PARTICULARS OF THE IPO *(cont'd)*

3.8 MARKET CAPITALISATION

Based on the IPO Price and our enlarged issued and paid-up share capital of 370,000,000 Shares, our total market capitalisation will be approximately RM199.80 million upon Listing.

3.9 DILUTION

Dilution is computed as the difference between the IPO Price paid by our investors for our IPO Shares and the proforma consolidated NA per Share of our Group immediately after our IPO.

Pursuant to our IPO, our proforma consolidated NA per Share as at FYE 2016 after adjusting for the utilisation of gross proceeds to be raised from our IPO and based on the enlarged issued and paid-up share capital upon our Listing would have been RM0.16. This represents an immediate increase in the proforma consolidated NA per Share of RM0.03 to our existing shareholders and an immediate dilution in the NA per Share of RM0.38, representing approximately 70.37% dilution to our new investors.

The table below illustrates such dilution on a per Share basis:-

	(RM)
IPO Price	0.54
Proforma consolidated NA per Share as at 30 June 2016	0.13
Proforma consolidated NA per Share attributable to the existing shareholders, after the IPO (before the utilisation of proceeds)[(1)]	0.19
Proforma consolidated NA per Share attributable to the existing shareholders, after the IPO (after the utilisation of proceeds)[(2)]	0.18
Proforma consolidated NA per Share attributable to the shareholders, after the IPO (after the utilisation of proceeds)	0.16
Dilution in proforma consolidated NA per Share to new investors (after utilisation of proceeds)	0.38
Dilution in proforma consolidated NA per Share to new investors as a percentage of our IPO Price	70.37%

Notes:-

(1) Derived based on net assets of RM63,889,000 (as set out in Proforma I of Section 2.5.2 above) divided by 330,000,000 Shares, being the number of FoundPac Shares before the Public Issue.

(2) Derived based on net assets of RM60,889,000 (as set out in Proforma II of Section 2.5.2 above) divided by 330,000,000 Shares, being the number of FoundPac Shares before the Public Issue.

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3. PARTICULARS OF THE IPO *(cont'd)*

The following table summarises the total number of Shares received by our substantial shareholders, Directors, key management personnel and persons connected to them from the date of our incorporation to the date of this Prospectus and the average cost per Share to them and to the investors who subscribe for our IPO Shares pursuant to the IPO:-

Substantial Shareholders, Directors, Key Management and Persons Connected to Them	**No. of Shares Before IPO**	**[(a)] No. of Shares From IPO**	**Total Consideration (RM)**	**Average Price Per Share (RM)**
Tan Cheik Eaik	-	2,000,000	1,080,000	0.54
Chan Bee Cheng	-	1,000,000	540,000	0.54
Teoh Lay Fung	-	1,000,000	540,000	0.54
Low Cher Shyong	-	550,000	297,000	0.54
Fathil bin Mohamed	-	550,000	297,000	0.54
Lam Yoong Leng	-	550,000	297,000	0.54
Tan Yong Yong	-	250,000	135,000	0.54
Promoters				
FoundPac Holdings	330,000,000[(b)]	-	33,000,000	0.10
Lee Chun Wah[(d)]	330,000,000[(c)]	-	-	-
Tan Sin Khoon[(d)]	330,000,000[(c)]	-	-	-
Ong Choon Heng[(d)]	330,000,000[(c)]	-	-	-
New Investors				
• Public Issue	-	40,000,000	21,600,000	0.54
• Offer for Sale	-	92,000,000	49,680,000	0.54

Notes:-

(a) Assuming full subscription of their respective entitlements pursuant to the Pink Form Allocations.

(b) Shares issued pursuant to the Acquisition of FPSB and Acquisition of FoundPac Tech by FoundPac.

(c) Deemed interested pursuant to Section 6A of the Act via FoundPac Holdings.

(d) Also a Director of our Company.

Save for the Shares received by FoundPac Holdings pursuant to the Acquisition of FoundPac Tech and Acquisition of FPSB, there is no material acquisition of any existing Shares that involved cash by our substantial shareholders, Directors, key management personnel, or persons connected with them, or in which they have the right to acquire, during the past three (3) years prior to the date of this Prospectus.

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3. PARTICULARS OF THE IPO *(cont'd)*

3.10 IPO PROCEEDS

3.10.1 Utilisation of IPO Proceeds

Based on the IPO Price, we expect to raise gross proceeds of RM21.60 million from the Public Issue and each principal intended use of the proceeds is set out below:-

Description	Timeframe for Utilisation Upon Listing	Amount (RM'000)	Percentage of Gross Proceeds (%)
Purchase of property, plant and equipment	Within 24 months	8,000	37.04
Overseas expansion	Within 24 months	4,000	18.52
Working capital	Within 24 months	3,600	16.66
D&D expenditure	Within 24 months	3,000	13.89
Estimated listing expenses	Immediate	3,000	13.89
Total cash proceeds		**21,600**	**100.00**

Pending the utilisation of the proceeds for the abovementioned purposes, save for the estimated listing expenses of RM3.00 million, the proceeds from the Public Issue will be placed with licensed banks and/or financial institutions.

Our Offer for Sale is expected to raise gross proceeds of approximately RM49.68 million, which will accrue entirely to our Offeror and we will not receive any of the proceeds thereof. Our Offeror shall bear all the expenses relating to the Offer Shares such as placement fee, brokerage fee and other related expenses relating to the Offer Shares estimated to be approximately RM1.49 million.

Further details of the utilisation of our Public Issue proceeds are set out below:-

(a) Purchase of Property, Plant and Equipment

We intend to allocate approximately RM8.00 million from the proceeds of the Public Issue to fund our acquisition of new equipment for our operations as disclosed in the table below:-

Details of the purchase of Property, Plant and Equipment	(RM'000)
Nine (9) units of CNC machine (mainly for our manufacturing division)	5,050
Two (2) units of CMM machine (mainly for our QA division)	1,000
One (1) unit of grinding machine (mainly for our manufacturing division)	300
Implementation of Enterprise Resources Planning System	300
Purchase and upgrading of CAD software	400
Two (2) units of profile projector	340
Miscellaneous equipment*	610
Total	**8,000**

Note:-

* *Inclusive of computers, office equipments such as closed-circuit television ("**CCTV**") system, air conditioner, production tools and equipment such as sand blast machine, laser engraver, tracking system, gauge, metal cutting band saw, compressor, drill gun, truck and others.*

3. PARTICULARS OF THE IPO *(cont'd)*

The additional nine (9) CNC machines to be purchased from the proceeds of the Public Issue is expected to increase our production capacity for stiffeners by approximately 44.30% or 3,700 units from 8,352 units to 12,052 units; and production capacity for test sockets and hand lids by approximately 69.78% or 642 units from 920 units to 1,562 units.

Due to the advancement in technologies, the Group needs to continuously upgrade its manufacturing facilities by acquiring new CNC machines with advanced features in order to keep abreast with customers' requirement in term of precision level and enhance our competitiveness by producing products with higher specifications. In addition, as FoundPac's products are customisable (in the form of size, design and specifications), the increase in number of machines would optimise our manufacturing flow and improve our production capacity and at the same time reduce the fabrication works outsourced by the Group. The increase in capacity as a result of the purchase of new machines is expected to cater to the expected increase on the demand of our products, in line with the Group's expansion plans and will subsequently enable us to expand more aggressively by accepting more job orders. As at the LPD, no material commitments or agreements have been entered into for the purchase of the equipment set out above. Please refer to Section 6.8.5 for further details on the operating capacities and output of the Group.

(b) Overseas Expansion

We plan to allocate approximately RM4.00 million from the proceeds of the Public Issue to defray the cost to be incurred for setting-up our sales office in Milan, Italy and California, US in the next two (2) years. With the setting up of sales office in these two locations, we will be in closer geographical proximity to many potential customers. As at the LPD, the Group has identified the relevant locations for the setting-up of its sales office in Milan, Italy and California, US.

(c) Working Capital

Our requirement for working capital is expected to increase in line with our expected expansion and business growth as set out in Section 6.15 of this Prospectus. Therefore, our Group proposes to allocate approximately RM3.60 million for our working capital requirements for the following:-

Details of the Working Capital		**(RM'000)**
(i)	Trade and other payables	2,000
(ii)	Staff salaries	1,600
Total		**3,600**

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3. PARTICULARS OF THE IPO *(cont'd)*

(d) D&D Expenditure

As part of our on-going expansion, we plan to set-up a dedicated D&D team to formalise our D&D activities. At present, the D&D activities are carried out by our Engineering Department. Hence, we plan to set-up a dedicated team to focus on the D&D activities by recruiting new staff and acquire new equipment and software for our D&D activities. Thus, we intend to use RM3.00 million from the proceeds of the Public Issue to fund the setting-up of a D&D team, details are as follows:-

Details	**(RM'000)**
Purchase two (2) units of 3-dimensional printer and materials	1,200
Salary for D&D staff	900
Purchase and upgrading of CAD software	500
Training expenses	200
Office equipment	200
Total	**3,000**

(e) Estimated Listing Expenses

Our estimated expenses for our Listing are as follows:-

Details	**(RM'000)**
Professional advisory fees	1,400
Fees to authorities	240
Underwriting, placement and brokerage fees	620
Printing, advertisement and other incidental charges relating to the Listing	740
Total	**3,000**

In the event the actual listing expenses are higher than budgeted, the shortfall will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the surplus will be utilised for general working capital purposes.

3.10.2 Financial Impact from Utilisation of Proceeds

Our utilisation of proceeds from our IPO is expected to enhance our working capital position. We intend to utilise approximately RM3.60 million from our IPO proceeds for our working capital requirements which will be used for trade and other payables and staff salaries. Our cash and cash equivalents will be approximately RM30.78 million after our Listing and utilisation of proceeds based on our proforma consolidated statements of financial position as at FYE 2016. This will allow us to internally fund our daily operational activities without being overly dependent on external funding.

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3. PARTICULARS OF THE IPO

3.11 BROKERAGE, PLACEMENT FEE AND UNDERWRITING COMMISSION

(a) Brokerage Fee

Brokerage fee is payable in respect of the 40,000,000 IPO Shares at the rate of 1.00% of the IPO Price in respect of successful applicants which bear the stamp of participating organisations of Bursa Securities, member of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association in Malaysia or the Issuing House.

(b) Placement Fee

Our Sole Placement Agent has agreed to place out 103,000,000 IPO Shares to be offered to identified investors. We are obliged to pay our Sole Placement Agent a placement fee at the rate of between 0.50% and 2.00% of the value of Shares placed out to investors identified by our Promoters, Directors and our Sole Placement Agent respectively at the IPO Price. The Offeror will bear the expenses incurred in relation to the Offer for Sale.

(c) Underwriting Commission

Our Sole Underwriter has agreed to underwrite 18,500,000 Public Issue Shares made available for application by the Malaysian public. We are obligated to pay our Sole Underwriter the underwriting commission at the rate of 2.00% of the total value of the underwritten Shares at the IPO Price.

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3. PARTICULARS OF THE IPO

3.12 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

The following terms are the salient terms reproduced from the Underwriting Agreement which includes terms that allow the Sole Underwriter to withdraw from the underwriting obligation after the opening of our IPO. The capitalised terms and numbering references used in this section shall have the respective meanings and numbering references as ascribed thereto in the Underwriting Agreement:-

*"**8. CONDITIONS PRECEDENT***

8.1 The obligations of the Underwriter to perform its obligations to underwrite the Underwritten Shares under this Agreement are conditional upon the following conditions precedent being fulfilled to the satisfaction of the Underwriter:

8.1.1 there not having been on or prior to the Closing Date in the opinion of the Underwriter (which opinion is final and binding), any adverse change or any development reasonably likely to result in any adverse change in the financial position, business operations or conditions (financial or otherwise) of the Group, taken as a whole, which is material from that set forth in the Prospectus nor the occurrence of any event or discovery of any fact or circumstance rendering untrue or incorrect to an extent which is material as aforesaid or any breach of any of the representations, warranties contained in Clause 5 as though they had been given or made on such date with reference to the facts and circumstances then subsisting, nor the occurrence of any breach of the undertakings of the Company as contained in this Agreement;

8.1.2 the issuance of the Prospectus within two (2) months from the date of this Agreement, and the Company receiving all relevant approvals for the Listing and complying with the conditions imposed by the Appropriate Authorities (if any) within two (2) months from the date of issue of the Prospectus (or such longer period as may be specified by the Appropriate Authorities);

8.1.3 the Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the Underwriting Commission and the expenses referred to in Clause 22;

8.1.4 the Public Issue and/or the Listing are not being prohibited or impeded by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia and all consents, approvals, authorisations or other orders required by the Company under such laws for or in connection with the Public Issue and/or the Listing have been obtained and are in force on the Closing Date or the Underwriter being reasonably satisfied that the same will be in force on the Closing Date;

8.1.5 the Underwriter having been satisfied that the Company has complied with the policies, guidelines and requirements of the Appropriate Authorities and all revisions, amendments and/or supplements thereto;

8.1.6 the Listing has been approved by the shareholders of the Company in an Extraordinary General Meeting;

3. PARTICULARS OF THE IPO *(cont'd)*

8.1.7 the due registration and lodgement of the Prospectus with the Appropriate Authorities together with copies of all required documents in accordance with the CMSA, the Act and the relevant laws and regulations before the issuance of the same;

8.1.8 all approvals of the Appropriate Authorities remain in full force and effect on the Closing Date or the Underwriter being reasonably satisfied that the same will be in force on the Closing Date and the Underwriter being reasonably satisfied that all conditions of the same (to the extent that can be complied with prior to the Closing Date) have been complied with;

*8.1.9 the FTSE Bursa Malaysia KLCI Index ("**Index**"), at the close of normal trading on Bursa Securities, on any market day:-*

(a) on or after the date of the Underwriting Agreement; and

(b) prior to the Closing Date;

is lower than ninety percent (90.00%) of the level of the Index at the last close of the normal trading on the relevant exchange on the market day immediately prior to such date and remains at or below that level for at least three (3) market days or any adverse change in the market conditions which the parties may mutually agree to be sufficiently material and adverse to render it to be a terminating event;

8.1.10 the listing of the Shares on the Main Market of the Bursa Securities within one (1) month from the Closing Date or any later date as may be approved by the Appropriate Authorities and agreed in writing by the Underwriter.

8.2 If any of the foregoing condition(s) is not satisfied or complied with to the satisfaction of the Underwriter on or before the Closing Date, the Underwriter shall thereupon be entitled subject as mentioned below, to terminate this Agreement by notice in writing served by the Underwriter and upon such termination, the obligations and liabilities of the Company and the Underwriter hereunder shall become null and void, except for the liability of the Company in respect of payments of costs and expenses referred to in Clause 22 incurred prior to or in connection with such termination.

8.3 Notwithstanding anything herein contained, the Underwriter may at its discretion modify or waive compliance with any of the above provisions of Clause 8.1 provided that such modification or waiver shall not prejudice the Underwriter's other rights under this Agreement.

9. EVENTS AFFECTING THE UNDERWRITING OF PUBLIC ISSUE SHARES

9.1 The Underwriter shall be entitled to terminate this Agreement by notice in writing delivered by the Underwriter to the Company prior to the Closing Date if the success of the Listing is in the reasonable opinion of the Underwriter seriously jeopardised or affected by the coming into force of any law or governmental regulation or directive which seriously affects or is likely to seriously affect the business of the Group.

9.2 On delivery of such a notice, this Agreement shall be terminated and the rights and obligations of the Company, the Underwriter hereunder shall cease and none of the parties shall have any claim against the other (except for the liability of the Company in respect of payments of costs and expenses referred to in Clause 22 incurred prior to or in connection with such termination). Thereafter the Underwriter and the Company shall confer with a view to deferring the Public Issue or amending its terms and/or entering into a new Underwriting Agreement PROVIDED THAT the Company and the Underwriter shall not be under any obligation to enter into such new agreement unless mutually agreed.

10. TERMINATION IN THE EVENT APPROVAL FOR THE LISTING IS WITHDRAWN

The Underwriter shall have the right to terminate this Agreement by notice in writing served by the Underwriter on the Company in the event that the approvals of the Appropriate Authorities for the Listing is withdrawn and upon such termination, the liabilities and obligations herein of the Company and the Underwriter shall become null and void and none of the parties aforementioned shall have any claim against the other except for the liability of the Company in respect of payments of costs and expenses referred to in Clause 22 incurred prior to or in connection with such termination).

11. FORCE MAJEURE

*11.1 Notwithstanding anything herein contained, the Underwriter may, after consultation with the Company in good faith at any time before the Closing Date, terminate its obligations under this Agreement by notice in writing delivered by the Underwriter to the Company if in the reasonable opinion of the Underwriter there shall have occurred, happened or come into effect any of the following circumstances ("**Force Majeure**"):*

11.1.1 any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, earthquake, epidemic, disease, civil commotion, sabotage, hijacking, acts of war or terrorism, hostilities, riot, uprising or accidents);

11.1.2 without prejudice to the generality of the foregoing, any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing;

11.1.3 the imposition of any moratorium, suspension or material restriction on trading in securities generally in the Bursa Securities due to exceptional financial circumstances or otherwise;

which, in the reasonable opinion of the Underwriter, would have or can reasonably be expected to have a material adverse effect on the business or operations of the Group taken as a whole or the success of the Listing and the distribution or sale of the Underwritten Shares (whether in the primary market or in respect of dealings in the secondary market) or market conditions generally or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms and upon such termination, the parties hereto shall (except

for the liability of the Company in the payment of costs and expenses referred to in Clause 22 hereof incurred prior to or in connection with such termination) be released and discharged from their respective obligations hereunder.

12. TERMINATION

12.1 Notwithstanding anything herein contained, the Underwriter may, at any time prior to the Closing Date, by notice in writing delivered to the Company, terminate, cancel or withdraw its underwriting commitment to underwrite the Underwritten Shares under this Agreement if:

12.1.1 there is any breach by the Company of any of the representations, warranties and undertakings contained in Clause 5 above which is not capable of remedy, or if capable of remedy, is not remedied within such period as stipulated in the notice given by the Underwriter to the Company or by the Closing Date, whichever is earlier; or

12.1.2 there is failure on the part of the Company to perform any of its obligations under this Agreement; or

12.1.3 there is withholding of information of material nature from the Underwriter which is required to be disclosed pursuant to this Agreement which, in the opinion of the Underwriter would have or can reasonably be expected to have a material adverse effect on the business or operations of the Group, the success of the Listing or the distribution or sale of the Public Issue Shares; or

12.1.4 there is any material and adverse change in the business or financial condition of the Company or the Group as a whole which in the reasonable opinion of the Underwriter have occurred or happened or is threatened against the Company or the Group as a whole; or

12.1.5 the success of the Listing is in the reasonable opinion of the Underwriter seriously jeopardised or affected by the coming into force of any law or governmental regulation or directive which seriously affects or is likely to seriously affect the business of the Group as provided for in Clause 9 above; or

12.1.6 any of the approvals of the Appropriate Authorities for the Listing is withdrawn as provided for in Clause 10 above; or

12.1.7 there shall have in the reasonable opinion of the Underwriter, occurred or happened or threatened, any Force Majeure event referred to in Clause 11 above.

12.2 Upon any such notice being given pursuant to Clause 12.1, the Underwriter shall be released and discharged from its obligations under this Agreement whereupon this Agreement shall be of no further force or effect and no party shall be liable to the other in respect of this Agreement save and except that the Company shall remain liable for any antecedent breach and for the payment of the costs and expenses referred to in Clause 22 below which are incurred prior to or in connection with such termination and such reimbursement of the costs and expenses incurred shall be paid to the Underwriter within seven (7) days from the date of notification to the Company by the Underwriter."

4. RISK FACTORS

YOU SHOULD EVALUATE AND CONSIDER CAREFULLY, ALONG WITH OTHER MATTERS IN THIS PROSPECTUS, THE RISKS (WHICH MAY NOT BE EXHAUSTIVE) BELOW. ADDITIONAL RISKS, WHETHER KNOWN OR UNKNOWN, MAY IN THE FUTURE HAVE A MATERIAL ADVERSE EFFECT ON US OR THE MARKET PRICES OF OUR SHARES

4.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

4.1.1 Dependence on Directors and Key Management Personnel

The technology industry is a growing and fast changing sector, hence, the management and operations of the business requires the employment of high skilled knowledge workers, whether in technology or non-technology related fields. Our Board recognises and believes that our Group's continuing success depends, to a significant extent, on the abilities and continuing efforts of our existing CEO, Executive Directors and key management personnel as disclosed in Section 8 of this Prospectus as well as the ability to attract new personnel and retain its existing skilled personnel. The labour market for skilled personnel in this field is competitive.

4.1.2 Dependence on Suppliers

Our Group relies on our suppliers, with whom we work closely to support our business activities. Any severance of these relationships will have a negative impact on our Group's ability to supply our products to our customers. We have been dealing with our major suppliers for more than five (5) years and as at the LPD, we have not encountered any major problems in sourcing for our supplies and raw materials. No assurance can be given that any future changes in the relationships with these suppliers will not have an impact on our business.

4.1.3 Dependence on Major Customer

Our major customer as disclosed in Section 6.13.1 is a global semiconductor company whose product portfolio serves multiple applications within four primary end markets, namely wired infrastructure, wireless communications, enterprise storage, and industrial and others. The loss of this major customer may adversely impact our Group's operating results.

4.1.4 Failure to Meet Demand for Our Products

The growth in the global semiconductor market is dependent on the global demand for electronic products. If the market for electronics and semiconductors were to suddenly expand, our Group would require significant increases in production capabilities, including personnel as well as supplies and raw materials, in order to fully capitalise on such expansions in demand. The failure to adjust to such unanticipated increases in demand for our products could result in our Group losing existing customers or losing the opportunity to establish strong relationships with potential customers with whom we currently have little or no business. Such failures may adversely affect our Group's future financial results and market share.

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4. RISK FACTORS *(cont'd)*

4.1.5 Infringement of Our Intellectual Property Rights

Our commercial success is dependent to a certain degree on our ability to protect our intellectual property rights. Whilst relying on certain trade secrets pertaining to our products and services, as at the LPD, we have also registered our trademarks with the Intellectual Property Corporation of Malaysia and Registrar of Trade Marks Singapore with the details as set out in Section 6.17.1 of this Prospectus. The registration of our trademarks will confer instant protections for our Group such that subsequent third party users are prevented from using trademarks that are similar to ours. As the owner of registered trademarks, we may commence legal proceedings for any infringements under the Trade Marks Act 1976 of Malaysia, the Singapore Trade Marks Act 1998 and under common law against third party users of trademarks that are similar to ours and/or which may be confusing and misleading.

4.1.6 Tax Consideration

Our subsidiary company, namely FoundPac Tech had enjoyed tax incentive under the Pioneer Status for 70.00% tax exemption on statutory income for the past five (5) years for the production of test socket, hand lid, stiffener and related components pursuant to the Pioneer Status granted by MITI on 1 September 2011. The Pioneer Status had expired on 31 August 2016 as FoundPac Tech did not qualify for the renewal which was based on the income generated from the existing products of FoundPac Tech. In this regard, the taxable income generated by FoundPac Tech is subject to the prevailing statutory tax rate i.e 24.00%.

4.1.7 Credit Risk

We grant our customers credit periods of between thirty (30) days and ninety (90) days and as such we are exposed to credit risks arising from our Group's trade receivables which may arise from events and circumstances beyond our Group's control. In the event of significant delays or defaults in payment by our customers or where our customers face significant financial difficulties, we will have to make allowance for impairment on uncollectible trade receivables or may be required to write-off uncollectible trade receivables as bad debts, which may adversely affect our financial performance.

4.1.8 Foreign Exchange Risk

We are exposed to foreign exchange risk as part of our sales and purchases are transacted in foreign currencies. Moving forward, we expect to derive more revenue denominated in USD and Euro in view of our growing presence in the overseas markets. Any significant fluctuations in exchange rates, particularly the USD and Euro, may have a significant impact, whether positively or negatively, on the revenue and earnings of our Group.

4.1.9 Political Risk

Our business is subject to risks associated with conducting business internationally such as US, Europe and Asia as we sell our products overseas and purchase some supplies and raw materials from foreign suppliers. We are therefore susceptible to changes in political conditions in the countries where we have business dealings.

As we continue to expand our business in foreign markets, our financial condition and results of operations could be affected by a variety of factors. Political instability, including social and political crises resulting from terrorism and war, could adversely impact our financial condition. For instance, the Islamic State of Iraq and Syria ("**ISIS**") have deployed several terrorist attacks in the US and Europe. A major terrorist attack could cause a disruption in the economic sectors in the country, as a result of the disruption in businesses.

4. RISK FACTORS *(cont'd)*

4.1.10 Regulatory Risk

There are no special or industry-specific laws and regulations governing the precision engineering part industry save for the laws and regulations generally applicable to all companies carrying out business activities in Malaysia.

However, the Group may be affected if there are changes in regulatory requirements in countries which the Company has dealings with (such as with the US, Europe and other parts of Asia) which may affect our financial condition and result of operations such as trade protection, import or export licensing requirements and changes in import and/or export duties.

4.1.11 Economic Risk

Our revenues are mostly derived from overseas markets, particularly the US and Europe. For the past three (3) FYE 2014 to FYE 2016, revenues from the US and Europe contributed approximately 88.44%, 90.34% and 89.22%, respectively to our total revenues. Our business is thus susceptible to the economic conditions in the US and Europe.

Disruption or deterioration in economic conditions may reduce customer purchases of our products, thereby reducing our revenues and earnings. In addition, such adverse changes in economic conditions, and resulting slowdowns in the market for our products, may, among other things, result in increased price competition for our products, increased risk in the collectability of our accounts receivable from our customers, potential doubtful accounts and write-offs of accounts receivable, increased risk of restructuring charges and higher operating costs as a percentage of revenues, which, in each case and together, adversely affect our operating results.

4.1.12 Non-Compliance of Condition Attached to the Land Title

As set out in Section 6.8.1 of the Prospectus, the Board has confirmed that all the conditions of land use, restriction in interest and express conditions imposed on the title to the property owned by FPSB have been complied with, save for the condition requiring that 30.00% of the employees at all levels of the management of the business the purpose for which the land was alienated shall comprise Bumiputera.

The Company had on 29 July 2016 submitted an application to the Pejabat Daerah dan Tanah Barat Daya, Pulau Pinang to amend the aforesaid condition to *"30% of the employees engaged in the business for which the land was alienated shall comprise Bumiputera*". The application is currently pending the approval by the relevant authority.

In the event of a non-compliance to the aforesaid condition, the Land Administrator may impose a fine; or the land may become liable to forfeiture by the State Authority (however, the Land Administrator shall serve a notice to the land owner, requiring the owner to remedy the breach). As at the LPD, no fine has been imposed on FPSB and no notice to remedy the breach has been served on FPSB.

In the event the approval for the amendments for the abovementioned condition is not obtained or waived by the State Authority, the Group will use its best endeavours to remedy the breach and/or appeal against the decision. In the worst case scenario that the Group has exhausted all avenues to seek approval and/or appeal against the decision by the State Authority, the Board will consider relocating their operations to other premises whereby no such condition has been imposed. In such an event, the Group expects the relocation will take approximately six (6) months and the one-off cost for relocation and renovation of new premises is approximately RM2.00 million. However, the impact to the Group's operations is expected to be minimal as the Group will undertake the re-location in phases to ensure minimal disruption to its operations.

4. RISK FACTORS *(cont'd)*

4.2 RISKS RELATING TO THE INDUSTRY IN WHICH OUR GROUP OPERATES

4.2.1 Failure to Adopt New Technologies

Our Group operates in a dynamic market where our products are prone to evolving industry standards and frequent new product introductions and enhancements. Our Group's future growth and success would significantly depend on continuing market acceptance of the portfolio of our products and our ability to develop new products to meet the needs of our customers.

Furthermore, we may also experience design, marketing and other operational difficulties that could delay or prevent the development of our new products and services and the introduction of our products and services.

There can be no assurance that we will be able to successfully anticipate technological changes and to develop new products in a timely manner and/or cost effectively. Such circumstances may in turn adversely affect our business operations and financial performance. Additionally, there can be no assurance that our D&D activities will be successful. Unsuccessful D&D activities may have a negative impact on our financial performance as the D&D expenses incurred may be substantial vis-a-vis our revenue for the relevant financial years.

4.2.2 Inability to Anticipate Changes in Customer Preferences

Our Group's continued success is dependent to a certain extent, on our ability to anticipate and to rapidly design and develop stiffeners, test sockets and hand lids for our customers. Should our Group be unable to anticipate and identify new industry trends and development, the demand for our products may be affected which will then have an impact on our Group's operating results.

Additionally, our Group may incur significant costs relating to the development and marketing of new products, or improving or improvising existing products in response to what our Group perceives to be customer preferences and demands. Such development or marketing efforts may not necessarily result in the desired level of market acceptance, volume of sales or profitability as anticipated by our Group.

4.2.3 Consolidation of Businesses Within the Semiconductor Industry

The global semiconductor industry is concentrated, with a relatively small number of large semiconductor manufacturers and companies supplying to customers worldwide. This market concentration could become even more acute in the future if further industry consolidations take place, as semiconductor manufacturers and companies acquire or merge with other industry participants and as corporate restructuring such as elimination and consolidation of businesses progress.

Any consolidation in the industry may impact the business processes of the affected companies, and as a result, affect our position as a supplier to these customers. As our Group's ability to increase sales will depend mainly upon our ability to obtain or increase orders from these customers, we face additional risks of losing sales opportunities should business conditions change in the event of industry consolidations.

4. RISK FACTORS *(cont'd)*

4.2.4 Competition Risk

Notwithstanding our competitive strengths, we continue to face competition from existing and prospective competitors which may be capable of offering similar products. Additionally, consolidation of market players within the industry may heighten competition.

Whilst we strive to remain competitive, there can be no assurance that any changes in the competitive environment would not have any material and adverse impact on our business and financial performance.

4.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

4.3.1 No Prior Market for Our Shares

Prior to this Public Issue, there has been no prior market for our Shares. The listing of and quotation for our Shares on the Main Market of Bursa Securities does not guarantee that an active market for the trading of our Shares will develop.

There also can be no assurance that the IPO Price which has been determined after taking into consideration the factors as set out in Section 3.7 of this Prospectus will correspond to the price at which our Shares will be traded on the Main Market of Bursa Securities upon or subsequent to our Listing.

4.3.2 Delay In or Abortion of Our Listing

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

(a) our Company or the Underwriter fails to honour its obligations under the Underwriting Agreement;

(b) identified investors fail to subscribe for the portions of the IPO Shares allotted to them; and/or

(c) we are unable to meet the public spread requirements of the Listing Requirements, i.e. at least 25.00% of our issued and paid-up share capital for which listing is sought must be held by a minimum number of 1000 public shareholders holding not less than 100 Shares each at the time of Listing.

However, our Board will endeavour to ensure that our Company complies with the provisions of the Listing Requirements, including, inter-alia, the public spread requirement.

In the event that we fail to fulfil any of the events above, you will not receive any IPO Shares, and our Company and the Offeror will return in full, without interest, all monies paid in respect of any application for our IPO Shares. If such monies are not returned within fourteen (14) days, then, pursuant to Section 243 (2) of the CMSA, in addition to the liability of our Company and the Offeror, the officers of our Company and the Offeror will become jointly and severally liable to return such monies with interest at the rate of 10.00% per annum or such other rate as may be prescribed by the SC upon expiration of that period until full refund is made.

In the event that our Listing is aborted and/or terminated, and our IPO Shares have been allotted to the shareholders, a return of monies to investors could only be achieved by way of cancellation of share capital as provided under the Act. Such cancellation requires the approval of our shareholders by special resolution in a general meeting, consent by creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and

the confirmation of the High Court of Malaya. There can be no assurance that such monies can be recovered within a short period of time or at all in such circumstances.

4.3.3 Trading Price and Volume of Our Shares

The trading prices and volume of our IPO Shares could be subject to fluctuations in response to various factors, some of which are not within our control and may be unrelated or disproportionate to our operating results. These factors may include the following: -

(a) variations in the results of our operations;

(b) trading liquidity of our Shares;

(c) changes in analysts' recommendation or projections; and

(d) general market, political and economic conditions

In addition, the performance of Bursa Securities is very much dependent on external factors, including: -

(a) performance of the regional and world bourses;

(b) the inflow or outflow of foreign funds;

(c) economic and political conditions of the country; and

(d) growth potential of the various sectors of the economy.

These factors invariably contribute to the volatility of trading volumes on Bursa Securities, thus adding risk to the market price of our Shares.

4.3.4 Dividend Payment is not Guaranteed

We propose to pay dividends of 30.00% of our annual audited PAT to the shareholders of our Company. However, the dividend payments are not guaranteed, and our Board may decide, in its sole absolute discretion, at any time and for any reason, not to pay dividends, or to pay smaller dividends than we currently propose. If we do not pay dividends, or pay dividends at lower level than anticipated by the shareholders, the market price of our Shares may be negatively affected and the value of the investment in our Shares may be reduced.

The ability for the Company to declare the dividends are depends on the various factors such as: -

(a) our Group's cash flows requirements for operations, financial commitments and capital expenditure;

(b) the availability of adequate distributable reserves; and

(c) our financial performance.

4.3.5 Issue of Future Securities for Additional Funding for Our Future Growth

Secondary issue(s) of securities after the IPO may be necessary to raise the required capital to fund our growth. If new Shares placed to new and/or existing shareholders are issued after the IPO, they may be priced at a discount to the prevailing market price of our Shares trading on Bursa Securities, in which case, existing shareholders' equity interest may be diluted. If we fail to utilise the new equity to generate a commensurate increase in earnings, our EPS will be diluted, and this could lead to a decline in our Share price. Any additional debt financing may, apart from increasing interest expenses and gearing, contain restrictive covenants with

respect to dividends, future fund raising exercises and other financial and operational matters.

4.3.6 Continued Control by Our Promoters

Upon completion of our IPO, our Promoters will collectively hold an aggregate of 238,000,000 Shares, representing approximately 64.32% of our enlarged issued and paid-up share capital. As a result, these shareholders, acting together, will be our controlling shareholders and have voting control over our Company and are expected to have significant influence on the outcome of certain matters, unless they are required to abstain from voting by law and/or by the relevant authorities.

4.3.7 Forward Looking Statements

This Prospectus contains forward-looking statements, which are statements other than statements of historical facts. Although our Company believes that the expectations and assumptions which are deemed by our Directors to be reasonable at this point of time, there can be no assurance that such expectations will be realised. In addition, statements which are forward-looking in nature are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward looking statements. The inclusion of a forward-looking statement in this Prospectus should not be regarded as a representation or warranty by our Company that the plans and objectives of our Company will be achieved. Any deviations from the expectations may have material effect on the financial and business performance of our Group.

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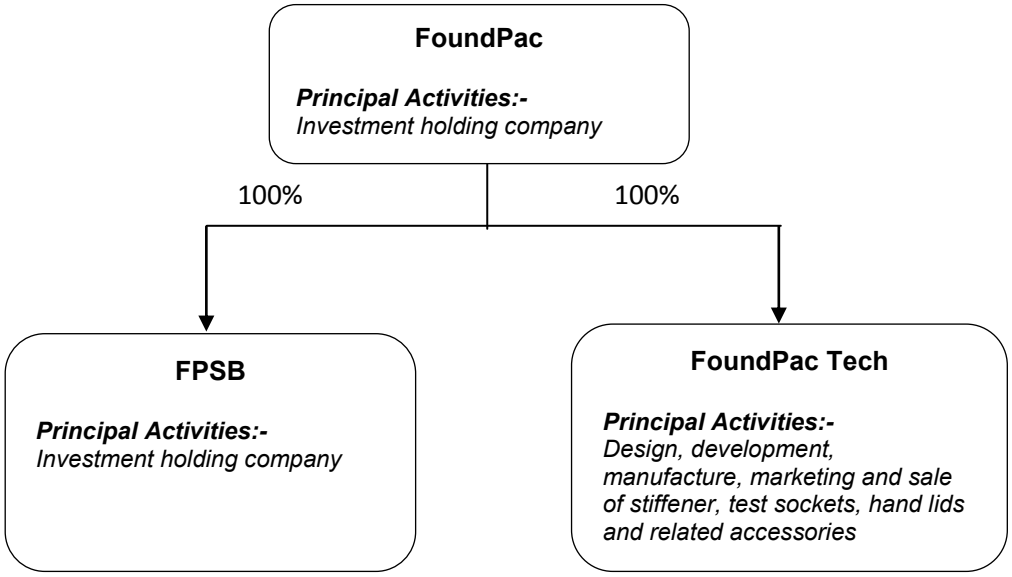
5. GENERAL INFORMATION ON OUR GROUP

5.1 INCORPORATION AND HISTORY OF OUR GROUP

Overview

Our Company was incorporated in Malaysia under the Act on 16 November 2015 as a private limited company under the name of FoundPac Group Sdn. Bhd. as a listing vehicle to undertake the Listing. On 16 February 2016, we entered into the FPSB SSA and FoundPac Tech SSA to acquire 100% equity interest in FPSB and FoundPac Tech respectively. The Acquisition of FPSB and Acquisition of FoundPac Tech were completed on the same day. Consequently, FPSB and FoundPac Tech became wholly-owned subsidiary companies of FoundPac. The Company was subsequently converted into a public limited company and assumed its present name on 11 March 2016.

As at the LPD, our Group structure is as follows:-



Our Group is principally involved in the design, development, manufacture, marketing and sale of precision engineering parts namely stiffeners, test sockets, hand lids and related accessories. These precision engineering parts are sold to semiconductor manufacturers and OSATs, or for PCB design houses and fabless semiconductor companies which are used to facilitate the testing of IC.

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

Changes in Shareholdings

The ownership of FPSB has gone through several changes since its incorporation on 13 December 2004. The details of the changes in shareholdings are set out as follows:-

Date	Event
13 December 2004	• Incorporation of FPSB. Sumami Binti Kiman and Saharuddin Bin Abdullah has been each allotted one (1) FPSB Share.
24 March 2005	• Sumami Binti Kiman and Saharuddin Bin Abdullah ceased to be shareholders of FPSB. Kuan Yuet Mooi and Chng Paik See emerged as new shareholders of FPSB holding one (1) FPSB Share each.
12 July 2005	• Subscription of FPSB Shares by Kuan Yuet Mooi (199,999 FPSB Shares representing 40.00% equity interest), Chng Paik See (199,999 FPSB Shares representing 40.00% equity interest) and Lim Hui Jiun (100,000 FPSB Shares representing 20.00% equity interest).
29 March 2006	• Kuan Yuet Mooi ceased to be a shareholder of FPSB. Her entire FPSB Shares were transferred to Favor Wise Holdings Limited ("**Favor Wise**")[(a)]. • Favor Wise emerged as a new shareholder of FPSB holding 200,000 FPSB Shares (representing 40.00% equity interest). • Lim Hui Jiun ceased to be shareholder of FPSB. Her entire FPSB Shares were transferred to Lee Chun Wah. Chng Paik See transferred 50,000 FPSB Shares to Lee Chun Wah. • Lee Chun Wah emerged as a new shareholder holding 150,000 FPSB Shares (representing 30.00% equity interest).
24 November 2008	• Favor Wise ceased to be a shareholder of FPSB. The entire 200,000 FPSB Shares held by Favor Wise was transferred to Chng Paik See.
15 December 2008	• Tan Sin Khoon emerged as a shareholder of FPSB holding 140,000 FPSB Shares (representing 28.00% equity interest). His FPSB Shares were transferred by Chng Paik See. • Lee Chun Wah's shareholdings in FPSB increased with an additional 50,000 FPSB Shares transferred from Chng Paik See. • The shareholding of Tan Sin Khoon, Lee Chun Wah and Chng Paik See in FPSB stood at 28.00% (140,000 FPSB Shares), 40.00% (200,000 FPSB Shares) and 32.00% (160,000 FPSB Shares) respectively.
17 August 2009	• FPSB undertook a bonus issue on the basis of 1:1.

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

Date	Event
19 June 2015	• Chng Paik See ceased to be a shareholder of FPSB. She has transferred her entire FPSB Shares to Lee Chun Wah and Tan Sin Khoon. Tan Sin Khoon and Lee Chun Wah held 500,000 FPSB Shares respectively, representing 50% equity interest each in FPSB.
30 November 2015	• FPSB undertook a bonus issue on the basis of 21:2.
16 February 2016	• Tan Sin Khoon and Lee Chun Wah transferred their entire equity interest in FPSB totalling 11,500,000 FPSB Shares to FoundPac[(b)(c)] pursuant to the Acquisition of FPSB. • FPSB became a wholly-owned subsidiary of FoundPac.

Notes:-

(a) Favor Wise was incorporated in the British Virgin Islands as an International Business Company on 11 October 2005. Lee Chun Wah was a shareholder of Favor Wise and appointed Director on 10 April 2006 but subsequently ceased to be shareholder and Director.

(b) Deemed interest of FoundPac Holdings pursuant to Section 6A of the Act via FoundPac.

(c) Deemed interest of Lee Chun Wah, Tan Sin Khoon and Ong Choon Heng pursuant to Section 6A of the Act via FoundPac Holdings.

History of our Business

On 24 March 2005, Chng Paik See and Kuan Yuet Mooi acquired FPSB as a shelf company. In May 2005, FPSB commenced its operations in the trading of precision engineering parts such as stiffeners, test sockets and hand lids and conversion kits led by Chng Paik See and Kuan Yuet Mooi who were managing the overall trading operations of FPSB. Lim Hui Jiun became a shareholder of FPSB on 12 July 2005 for a short period of time of approximately eight (8) months and subsequently disposed her shares on 29 March 2006. Lim Hui Jiun was also a director of FPSB from 5 April 2005 to 31 March 2006. Chng Paik See had, from 1973 to 1988, spent 15 years as material handler at National Semiconductor Sdn. Bhd. in Penang, and from her experience in the semiconductor and electronics industry, saw an opportunity to venture into the precision engineering business.

Among some of the customers we served at that point in time were established electronic companies based in North America, Europe and Asia, including Broadcom Corporation, Intel Corporation (UK) Ltd, Tessolve Services Pvt Ltd (India) and Kobe Precision Technology Sdn. Bhd. From May 2005 to January 2006, we operated from our office in Pusat Komersial Desaria Sungai Ara, Penang.

In January 2006, Lee Chun Wah joined FPSB as a General Manager, and was appointed as our CEO in April 2006. He joined FPSB with a strong background in electronics engineering, specialising in mechatronics, having worked previously as an engineer in the precision engineering industry in a multinational company. With his vision and experience, and armed with business relationships built with our existing customers, he saw an opportunity to venture from trading into the manufacturing of stiffeners, test sockets and hand lids. Thus, we moved to larger rented premises in Lengkok Kampung Jawa 2, Penang in February 2006. We received orders for the manufacturing of stiffeners, test sockets and hand lids within the same year we commenced operations, primarily from the existing customers of our trading business. Some of the major customers of our trading business who continued to be our customers were Broadcom Corporation, Tessolve Services Pvt Ltd and Kobe Precision Technology Sdn. Bhd. Amongst some of the new customers we managed to secure at the

time included Pentamaster Technology (M) Sdn. Bhd., NXP Semiconductor, Synergie CAD (UK) and Synergie CAD (FR). Following the appointment of Lee Chun Wah as CEO in April 2006, Chng Paik See took the role of a passive shareholder but maintained her directorship with FPSB. Kuan Yuet Mooi ceased to be a shareholder and resigned as a director of FPSB in March 2006.

In July 2007, Tan Sin Khoon joined our Group as Operations cum Business Director and he was subsequently promoted to as COO in January 2009. In June 2015, Chng Paik See ceased to be a shareholder and resigned as Director of FPSB due to retirement.

In March 2010, to accommodate further expansion of our business, we relocated to our present head office and manufacturing facility in Bayan Lepas Non-Free Industrial Zone Phase IV, Penang which we purchased in 2009. We subsequently began an internal restructuring exercise in 2011, in which FoundPac Tech was incorporated on 11 April 2011 and commenced operations in September 2011 to undertake the business of the design, development, manufacturing, marketing and sale of precision engineering parts, while FPSB became an investment holding company, holding the Group's factory premises. The purpose of the internal restructuring was to streamline the Group's corporate structure to achieve a clear segregation between its investment and manufacturing activities. As at the LPD, there are no plans to change the principal activities of FPSB.

Following the restructuring, we continued to expand our customer base and our global reputation as a precision engineering parts manufacturer. Between 2012 and 2014, we secured more renowned customers in the electronics industry such as Qualcomm Technologies, Inc (previously known as Qualcomm Incorporated), Form Factor Inc and Advantest America, Inc., to add to our growing list of worldwide multinational customers.

5.2 SHARE CAPITAL

As at the LPD, our Company's authorised share capital is RM50,000,000 comprising 500,000,000 Shares of which 330,000,000 Shares have been issued and fully paid-up.

The changes in our Company's issued and fully paid-up share capital since incorporation were as follows:-

Date of Allotment	No. of Shares Allotted	Par Value (RM)	Consideration	Cumulative Issued and Fully Paid-Up Share Capital (RM)
16.11.15	20	0.10	Subscribers' shares	2
16.02.16	329,999,980	0.10	Shares issued pursuant to the Acquisition of FPSB and Acquisition of FoundPac Tech	33,000,000

Upon completion of the Public Issue, our Company's issued and fully paid-up share capital will increase to RM37,000,000 comprising 370,000,000 Shares.

None of our Shares as tabulated above were issued at a discount, on special terms or instalment payment terms. As at the LPD, our Company does not have any warrant, option or convertible securities in issue or any uncalled capital.

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

5.3 SUBSIDIARY COMPANIES

As at the LPD, we do not have any associated companies. Details of our subsidiary companies are summarised as follows:-

Subsidiary Companies/ Company No.	Date/ Place of Incorporation	Effective Equity Interest (%)	Issued and Paid-up Share Capital (No. of Shares)	Principal Activities
FPSB/ 675052-D	13.12.2004/ Malaysia	100.00	11,500,000	Investment holding company.
FoundPac Tech/ 939942-M	11.04.2011/ Malaysia	100.00	21,500,000	Design, development, manufacture, marketing and sale of stiffener, test sockets, hand lids and related accessories.

5.3.1 FPSB

(a) Background and History

FPSB was incorporated in Malaysia under the Act on 13 December 2004 as a private limited company which was principally involved in the trading of precision engineering parts such as stiffeners, test sockets, hand lids and conversion kits. Subsequently, FPSB ventured into the manufacturing of precision parts. On 1 September 2011, FPSB ceased its business operations and became an investment holding company.

(b) Share Capital

As at the LPD, FPSB's authorised share capital is RM25,000,000 comprising 25,000,000 FPSB Shares of which 11,500,000 FPSB Shares have been issued and fully paid-up.

The changes in the issued and fully paid-up share capital of FPSB since incorporation are as follows:-

Date of Allotment	No. of FPSB Shares	Par Value (RM)	Consideration	Cumulative Issued and Paid-Up Share Capital (RM)
13.12.2004	2	1.00	Subscribers' shares	2
12.07.2005	499,998	1.00	Cash @ RM1.00 each	500,000
17.08.2009	500,000	1.00	Bonus Issue (Basis 1:1)	1,000,000
30.11.2015	10,500,000	1.00	Bonus Issue (Basis 21:2)	11,500,000

As at the LPD, there are no warrants, options, convertible securities or uncalled capital in FPSB. In addition, there is no discount, special term or instalment payment term payable to the payment of the consideration for the allotment of the ordinary shares of RM1.00 each in FPSB.

(c) Substantial Shareholders

FPSB is our wholly-owned subsidiary company.

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

(d) Subsidiary or Associated Company

As at the LPD, FPSB does not have any subsidiary or associated company.

5.3.2 FoundPac Tech

(a) Background and History

FoundPac Tech was incorporated in Malaysia under the Act on 11 April 2011 as a private limited company and commenced its business operations since 1 September 2011. FoundPac Tech is principally involved in the design, development, manufacture, marketing and sale of stiffeners, test socket, hand lids and related accessories.

(b) Share Capital

As at the LPD, FoundPac Tech's authorised share capital is RM25,000,000 comprising 25,000,000 FoundPac Tech Shares of which 21,500,000 FoundPac Tech Shares have been issued and fully paid-up.

The changes in the issued and fully paid-up share capital of FoundPac Tech since incorporation are as follows:-

Date of Allotment	No. of FoundPac Tech Shares	Par Value (RM)	Consideration	Cumulative Issued and Paid-Up Share Capital (RM)
11.04.2011	2	1.00	Subscribers' shares	2
26.07.2011	999,998	1.00	Cash @ RM1.00 each	1,000,000
30.10.2015	50,000	1.00	Cash @ RM60.00 each	1,050,000
30.11.2015	20,450,000	1.00	Bonus Issue (973,809:50,000)	21,500,000

As at the LPD, there are no warrants, options, convertible securities or uncalled capital in FoundPac Tech. In addition, there is no discount, special term or instalment payment term payable to the payment of the consideration for the allotment of the ordinary shares of RM1.00 each in FoundPac Tech.

(c) Substantial Shareholders

FoundPac Tech is our wholly-owned subsidiary company.

(d) Subsidiary or Associated Company

As at the LPD, FoundPac Tech does not have any subsidiary or associated company.

5.4 LISTING SCHEME

We will undertake an IPO, details of which are disclosed in Section 3.4.1 of this Prospectus.

Upon completion of our IPO, our Company will be admitted to the Official List and our entire enlarged issued and paid-up share capital of RM37,000,000 comprising 370,000,000 Shares shall be listed and quoted on the Main Market of Bursa Securities.

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

5.5 MAJOR APPROVALS, LICENSES AND PERMITS

Save as disclosed below, as at the LPD, there are no other major approvals, licenses and permits held by or issued to FPSB and FoundPac Tech in order for our Group to carry out our operations:-

No.	Issuing Authority	Effective Date/ Date of Expiry	Nature of Approval/License	Major Conditions	Compliance Status
1.	MBPP	8.12.2015/ 31.12.2016	Business license and Signboard license	Nil	Not applicable
2.	MITI and MIDA	15.01.2016/ Not applicable. The license is valid until and unless it is cancelled/ revoked by MITI under Industrial Co-Ordination Act 1975 ("**ICA**"). It need not be renewed. See Note (a) below.	Manufacturing license for: test socket, hand lid, stiffener and related components	(i) Site: Plot 35, Hilir Sungai Keluang 2, Bayan Lepas Non-Free Industrial Zone, Phase IV, 11900 Bayan Lepas, Pulau Pinang, subject to the no objection from the relevant state authorities (i.e Penang Development Corporation and Invest-in-Penang Berhad, a wholly-owned company by the Penang State Government) and the approval of the Department of Environment ("**DOE**"). See Note (b) below. (ii) MITI and MIDA must be notified of any sale of the shares in the company. (iii) The company shall train Malaysian citizens in order to transfer technology and knowhow to every level of employee structure. (iv) The company shall implement its project as approved and shall comply with the laws and regulations of Malaysia.	Complied
3.	Royal Malaysia Customs Department	1.9.2015/ 31.8.2017	Manufacturing warehouse license under Section 65A Customs Act 1967 for stiffener, stiffener parts & accessories, test socket and test socket parts & accessories.	See Note (c) below	Complied
4.	Royal Malaysia Customs Department	1.9.2015/ 31.8.2017	Warehouse license under Section 65 Customs Act 1967 for stiffener, stiffener parts & accessories, test socket and test socket parts & accessories.	See Note (c) below	Complied

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

Notes:-

(a) Prior to this manufacturing license issued by MITI which was effective on 15 January 2016, FoundPac Tech does not have any manufacturing license. FoundPac Tech had previously applied for a manufacturing license on 27 May 2011 simultaneously with its application for Pioneer Status. MIDA had vide its letter dated 24 October 2011 granted approval for FoundPac Tech's Pioneer Status. In the same letter, MIDA had stated that FoundPac Tech was exempted from all the provisions under the ICA (which includes the manufacturing license) but will be required to apply for a manufacturing license when the company's shareholders' funds increases to RM2,500,000 or more or when the company engages seventy-five (75) or more full time employees. However, subsequent to the commencement of its operations, FoundPac Tech's shareholders' funds had exceeded RM2,500,000 for the fifteen (15)-month period ended 30 June 2012. The Board recognises that the application for the MITI license has been overlooked prior to the Proposed Listing and took immediate steps to apply for the said license on 15 December 2015 and rectified the situation. As regards to the number of employees of FoundPac Tech, the number has not exceeded 75 throughout the years in which FoundPac Tech is in operation.

There was no financial or non-financial impact due to the consequence of the absence of a MITI manufacturing license during the said financial years.

(b) FoundPac Tech received letters dated 1 February 2016 and 4 February 2016 respectively from Penang Development Corporation and Invest-in-Penang Berhad, whom have stated that they have no objection for FoundPac Tech's manufacturing license, subject to the approval of the DOE. The DOE had vide its letter dated 30 June 2016, approved the manufacturing activity to be undertaken on FoundPac Tech's premises which is the manufacturing of test socket, hand lid, stiffener and related components and FoundPac Tech is required to ensure compliance with the relevant environmental regulations at all times.

(c) Major conditions of license for both manufacturing warehouse license and warehouse license: -

1. *No other taxable products other than the raw materials/components and the machines for the direct use in the manufacturing and finished products approved by the State Director of Customs can be stored in the Licensed Manufacturer's Warehouse.*

2. *The licensee shall deliver to the State Director of Customs a monthly statement in Bahasa Malaysia on or before 28th of each month containing certain required information and the monthly statement shall be certified by the company's accountant.*

3. *80.00% of the finished products (based on value) are for export and 20.00% of the finished products are for domestic market as approved. The output for the domestic market shall be subject to the applicable duty/tax.*

4. *The licensee shall provide a general bond guarantee of RM2,000,000 as security for the duty on the raw materials/components, finished products kept in the warehouse and the transfer of products subject to duty.*

5. *The licensee shall inform the Senior Customs Officer in writing within 14 days of any of the following: -*

   (i) change in the Board of Directors of the company;
   (ii) a resolution passed for the winding up of the company;
   (iii) a winding up order made against the company;
   (iv) an appointment of liquidator or receiver of the company;
   (v) any involvement in any civil claim, liquidation, cessation of operations, etc.

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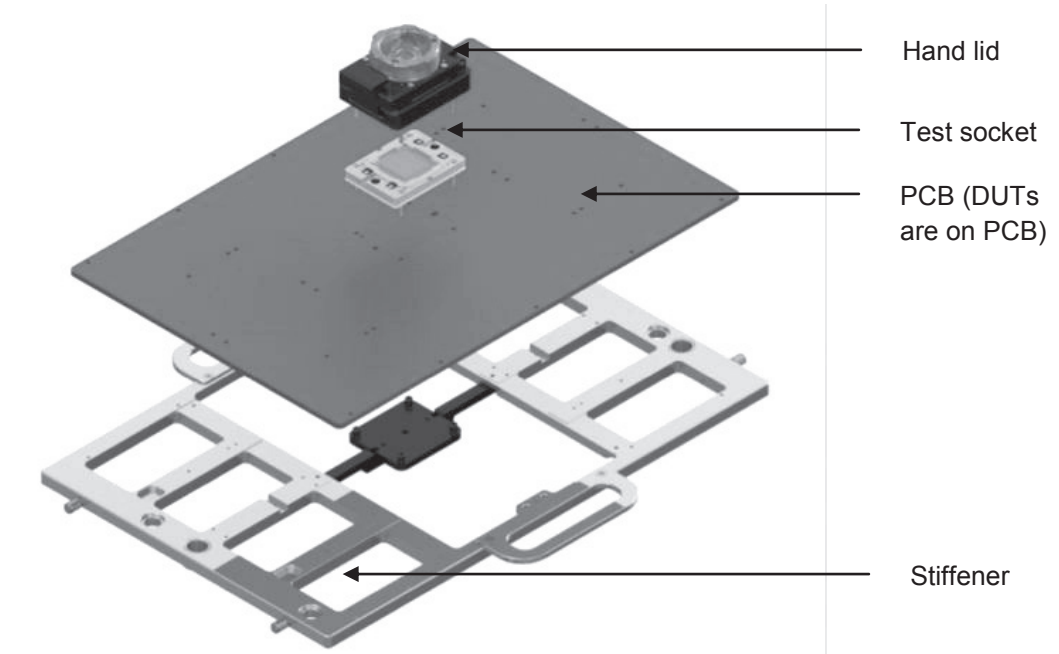
6. BUSINESS OVERVIEW

6.1 OVERVIEW OF OUR GROUP'S BUSINESS ACTIVITIES AND SERVICES

Our Group is principally involved in the design, development, manufacturing, marketing and sale of precision engineering parts to our customers in the semiconductor industry.

The precision engineering parts that we design, develop, manufacture, market and sell are stiffeners, test sockets and hand lids. These precision engineering parts are used to facilitate the testing of ICs, also known as DUT. The following diagram is an illustration of the abovementioned products:-



We secure orders for our products directly from semiconductor manufacturers and/or OSATs, or from PCB design houses, fabless semiconductor companies and channel partners (which include precision engineering component manufacturers and electronic component trading companies) for onward supply to semiconductor manufacturers and/or OSATs.

Semiconductor manufacturers are brand owners or intellectual property owners of semiconductor ICs. These companies are vertically integrated, where its principal activities involved the design, fabrication, assembly, packaging, marketing and sale of these products. Fabless semiconductor companies are semiconductor companies that do not have in-house IC manufacturing. These companies outsource all of its manufacturing activities to semiconductor manufacturers or to semiconductor IC fabrication companies, also known as semiconductor foundries. Semiconductor foundries are solely involved in IC manufacturing for third parties. OSATs are companies that specialise in assembly, packaging and testing of ICs. Many semiconductor manufacturers outsource these processes to OSATs. PCB design houses are engaged by semiconductor manufacturers to undertake the design of PCB. *(Source: IMR Report)*

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6. BUSINESS OVERVIEW

Our Group also secures orders from our channel partners who play the role as a sales representative by assisting to secure sales for the Group. We employ the channel partners model in view that they are able to manage the business relationships with their respective customers and we will work together with these partners to reach out to their customers, especially in Europe whereby the end customers would normally deal with international renowned companies such as Synergie CAD Group. There is no agreement or contract with these channel partners. Our channel partners consist of companies only and are not confined to Europe.

The number of channel partners engaged by the Group for the financial years under review are as follows: -

	FYE 2014	**FYE 2015**	**FYE 2016**
Synergie CAD Group[#]	8	8	8
Others	5^	5^	5^
Total	**13**	**13**	**13**

Notes:-

\# *The Synergie CAD Group comprises Synergie CAD, Synergie CAD (UK) Ltd., Synergie CAD Germany GMBH, Synergie CAD Instruments S.R.L., Synergie CAD Probe, Synergie CAD Probe (Singapore) Pte. Ltd., Synergie CAD USA, Inc. and Synergie CAD, Inc.*

^ *U4 Global Solutions Ltd in UK, QL Tech Malaysia Sdn. Bhd. in Malaysia, Ara Technologies, Inc in Korea, Systems and Technology International in France and BeCe Pte. Ltd. in Singapore.*

The Group will frequently communicate with its channel partners via emails, telephone calls and site visits in order to monitor its business transactions with its channel partners. There are no differences in the financial arrangement between FoundPac and its channel partners *vis-à-vis* other customers. Sales are invoiced to the channel partners with credit terms ranging from thirty (30) to ninety (90) days. Revenue is recognised upon the delivery of the products to the channel partners. FoundPac is not dependant on sales from any channel partners. None of our channel partners contributed more than 10.00% of our Group's total revenue for the FYE 2014 to FYE 2016.

There is no after sales service required for our products. Defective products are either returned to us to be rectified or replaced. Our customers also purchase stiffener and test socket accessories from us as replacement parts due to normal wear and tear.

In the past three (3) financial years, there was only one (1) sales return due to an error on the drawing specifications with a customer (which was a channel partner) for approximately RM198,000 in FYE 2015. The Group has issued a credit note to the customer for the aforesaid amount and it has been set-off against its revenue. The risk exposure to sales return is minimal as the Group has stringent quality control in-place and the Group will obtain confirmation from its customers on the product specifications before commencement of any production.

According to the IMR report, the precision engineering part industry size in Malaysia grew, in terms of the revenues of major industry players which are involved in the design, development and manufacturing of precision engineering parts, from RM35.76 million in 2011 to RM132.51 million in 2015, at a CAGR of 38.74%. Due to the global nature of the semiconductor industry, precision engineering part industry players serve their customers worldwide. The global prospects of precision engineering part industry players in Malaysia can be illustrated through the growth in the global semiconductor industry, as data on global precision engineering part industry players is not publicly available.

6. BUSINESS OVERVIEW

Overall, the global market for electronic products is estimated to have grown from USD1.79 trillion (RM6.31 trillion[1]) in 2009 to USD2.60 trillion (RM10.16 trillion[2]) in 2015, registering a CAGR of 6.42% during this period while the global semiconductor industry registered a CAGR of 7.73% between the period 1990 and 2015, indicating the sustainability of the industry's growth in the long term. Semiconductor sales grew from USD50.03 billion (RM135.26 billion[3]) in 1990 to USD321.80 billion (RM1.26 trillion[4]) in 2015. Meanwhile, the semiconductor industry in Malaysia also witnessed positive growth over the last six (6) years, where production of ICs grew from 23.28 billion units in 2009 to 24.25 billion units in 2015, registering a CAGR of 0.69% between 2009 and 2015. During the same period, Malaysia's production of other semiconductor components also increased, from 44.16 billion units in 2009 to 47.32 billion units in 2015, growing at a CAGR of 1.16%. *(Source: IMR Report)*.

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[1] *Exchange rate from USD to RM in 2009 was converted based on average annual exchange rates in 2009 extracted from published information from Bank Negara Malaysia at USD1 = RM3.5236.*

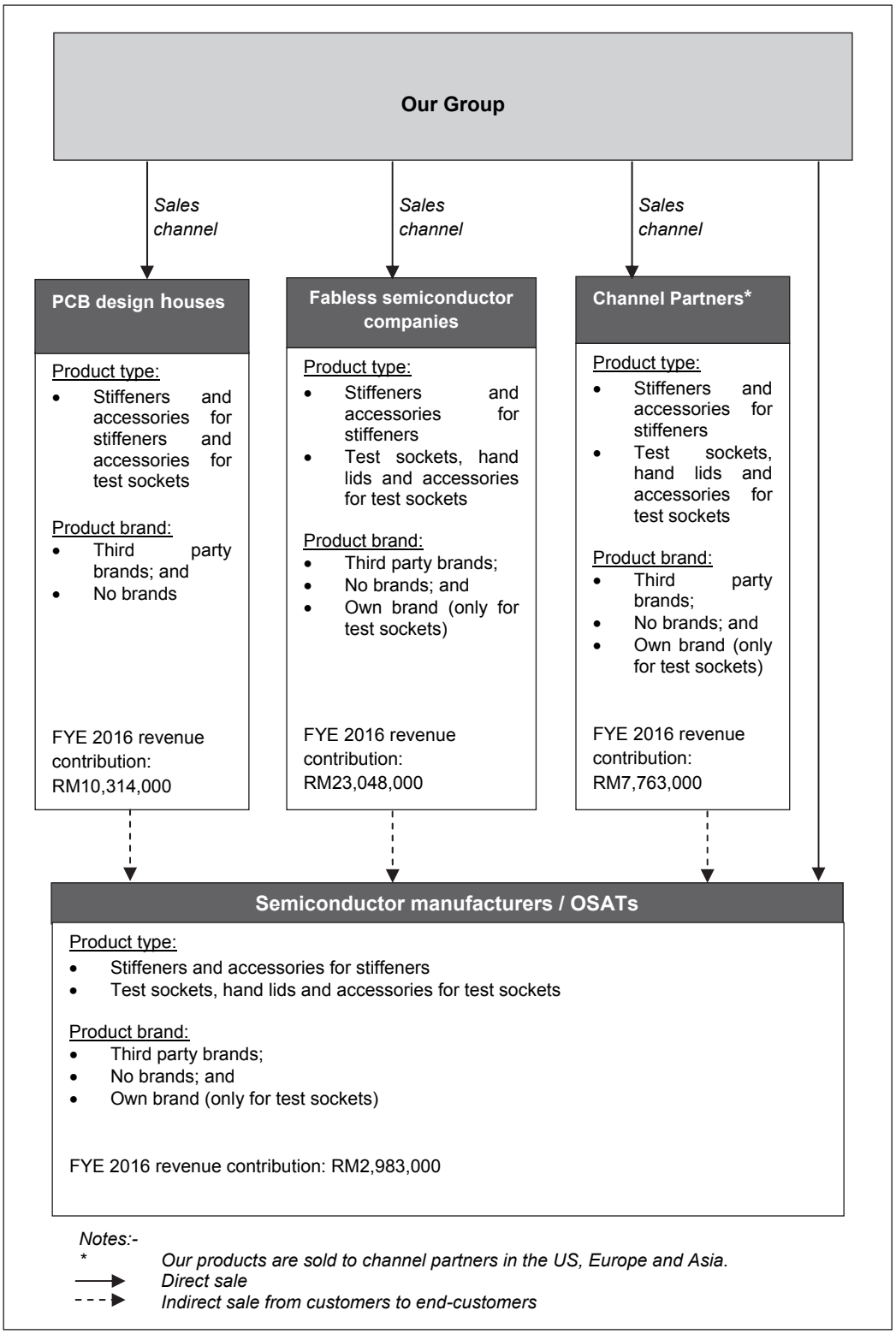
[2] *Exchange rate from USD to RM in 2015 was converted based on average annual exchange rates in 2014 extracted from published information from Bank Negara Malaysia at USD1 = RM3.9073.*

[3] *Exchange rate from USD to RM in 1990 was converted based on average annual exchange rates in 1990 extracted from published information from OANDA Corporation at USD1 = RM2.7035.*

[4] *Exchange rate from USD to RM in 2015 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD1 = RM3.9073.*

6. BUSINESS OVERVIEW *(cont'd)*

The diagram below illustrates our sales channels:-



6. BUSINESS OVERVIEW *(cont'd)*

Our products are primarily manufactured using aluminium, stainless steel and engineering plastics.

Our core business activities can be segmented as follows:-

(a) Design, development, manufacturing, marketing and sale of stiffeners and accessories for stiffeners

A stiffener acts as a docking mechanism, and it ensures that PCBs, on which the ICs are affixed, remain rigid and firm in its position during testing of the ICs. The ICs are tested using ATE which our Group does not manufacture or supply.

Our stiffeners are an essential component of the IC testing process, as most PCBs are mounted onto stiffeners when IC testing is underway. The stiffeners that we manufacture are developed and designed to our specifications and can be customised based on specific requirements.

(b) Design, development, manufacturing, marketing and sale of test sockets, hand lids and accessories for test sockets

Test sockets are placed on PCBs and are configured to receive and protect the leads/balls of an IC, while hand lids are used during the setup of manual test to secure a DUT in place.

Our test sockets and hand lids are important in the IC testing process, as they secure and protect the DUT while testing is underway. The test sockets, hand lids and accessories of test sockets that we manufacture are developed and designed to our specifications and can be customised based on specific requirements.

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6. BUSINESS OVERVIEW *(cont'd)*

6.2 KEY ACHIEVEMENTS, AWARDS AND RECOGNITION

Since the commencement of our business, we have achieved the following key achievements, awards, accreditation and recognition.

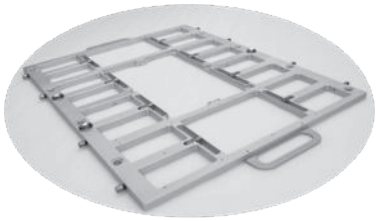
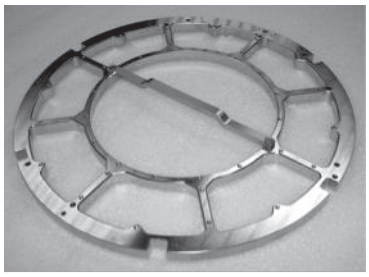
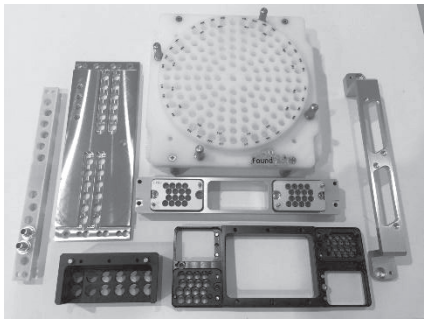
6.2.1 List of Key Historical Milestones, Awards, Accreditation and Recognition

Year	Key Milestones, Awards, Accreditation and Recognition
December 2004	• Incorporation of FPSB
May 2005	• FPSB commenced business in the trading of precision engineering parts such as stiffeners, test sockets, hand lids and conversion kits
February 2006	• FPSB moved operations to Lengkok Kampung Jawa 2 • FPSB expanded business to manufacturing of stiffeners, test sockets and hand lids
August 2007	• FPSB received the ISO 9001:2000 certifications from SGS United Kingdom Ltd and SGS (Malaysia) Sdn. Bhd. for the "Design and Fabrication of Precision Engineering Manufacturing"
March 2010	• FPSB moved operations to Bayan Lepas Non-Free Industrial Zone Phase IV
August 2010	• FPSB received the ISO 9001:2008 certification from SGS United Kingdom Ltd and SGS (Malaysia) Sdn. Bhd. for the "Design and Fabrication of Precision Engineering Manufacturing" and the "Provision of Dimensional Measurement Service"
April 2011	• Incorporation of FoundPac Tech
September 2011	• FoundPac Tech commenced business to undertake the design, development, manufacturing, marketing and sale of precision engineering parts • FPSB became an investment holding company holding the Group's factory premises
November 2011	• FoundPac Tech received the ISO 9001:2008 certification from SGS United Kingdom Ltd and SGS (Malaysia) Sdn. Bhd. for the "Design and Fabrication of Precision Engineering Manufacturing" and "Provision of Dimensional Measurement Service"
August 2013	• FoundPac Tech renewed the ISO 9001:2008 certification from SGS United Kingdom Ltd and SGS (Malaysia) Sdn. Bhd. for the "Design and Fabrication of Precision Engineering Manufacturing" and "Provision of Dimensional Measurement Service"
October 2016	• FoundPac has received the ISO 9001:2015 certification from SGS United Kingdom Ltd and SGS (Malaysia) Sdn. Bhd. for the "Design and Fabrication of Precision Engineering Manufacturing" and "Provision of Dimensional Measurement Service". The certifications are valid until August 2019

6. BUSINESS OVERVIEW *(cont'd)*

6.3 OVERVIEW OF OUR GROUP'S PRODUCTS, SERVICES AND OPERATIONS

Our range of stiffeners and accessories for stiffeners are shown as follows:-

Product range	Description
Final test stiffener 	Final test stiffeners dock PCBs in place to ensure that the PCBs are in alignment with the test handlers and/or tester during the testing of IC packages. Final test stiffeners are designed to precise specifications to ensure the PCBs remain in a level position under all load conditions. We manufacture a standard range of final test stiffeners, as well as customised final test stiffeners. Our final test stiffeners are usually fabricated from aluminium.
Probe card stiffener 	Probe card stiffeners dock PCBs in place to ensure that the PCBs are in alignment with the tester during the testing of wafers (i.e. a thin slice of semiconductor material). Probe card stiffeners are designed to precise specifications to ensure the PCBs remain in a level position under all load conditions. Our probe card stiffeners are usually fabricated from stainless steel and hardened steel.
Accessories for stiffeners 	Accessories for stiffeners are mounted to stiffeners to enhance the setup of the DUT. This specific setup is to enable certain test capabilities which are not enabled in the normal setup. The main function of the accessories for stiffeners is to hold the RF connector/cable which connects to the tester for RF testing. There are a standard range of accessories for stiffeners, as well as customised accessories.

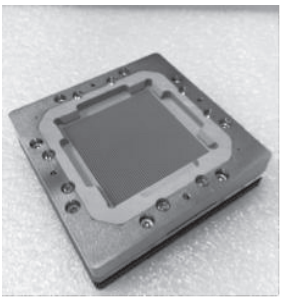
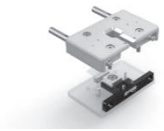
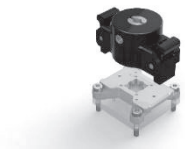
Our stiffeners and accessories for stiffeners are sold under third party brands or without any brand. This is due to the following reasons:-

- Our direct end-user customers brand our products with their own proprietary brands.
- Our channel partners either brand our products with their own proprietary brands or sell to their customers who may brand our products subsequently.

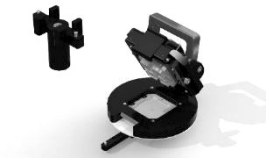
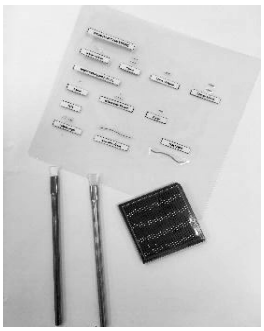
Among the third party brands that may be used on our stiffeners and accessories for stiffeners are Advantest and Teradyne. There are no restrictions faced by the Group for selling its stiffeners and accessories for stiffeners under third party brands. The choice of brands for our stiffeners and accessories for stiffeners to be used is determined by the customer and there is no difference in pricing and margins between the different choice of brands.

6. BUSINESS OVERVIEW *(cont'd)*

Our range of test sockets, hand lids and accessories for test sockets are made from engineering plastics and are shown as follows:-

Product	Product range	Description
IC test sockets 	High pin count sockets	High pin count sockets are used for the testing of IC packages with more than 1,000 pin counts.
	Fine pitch sockets	Fine pitch sockets are used for the testing of IC packages with fine pitching size of equal or less than 400 micron.
	High power/ High frequency sockets	High power sockets are used for the testing of IC packages requiring higher current carrying capacity of two (2) Ampere per pin. High frequency sockets are used for the testing of IC packages requiring higher frequency allowance at more than 6GHz @ -1dB.
	Tri-temp test sockets	Tri-temp test sockets are used for the testing of IC packages requiring wider range of testing temperatures (-55 °C to 155 °C).
Module test sockets		Module test sockets are used for the testing of modular components.
Hand lids	Clamp shell hand lids 	Clamp shell hand lids are typically used to securely mount IC packages, with pin count ranging between 100 and 1,000 pin count, in place. Clamp shell hand lids holds a DUT.
	Snap-on hand lids 	Snap-on hand lids are typically used to securely mount IC packages with 100 pin count and below. Snap-on hand lids are pre-set to the required force to automatically hold the DUT in place, thus reducing set-up time.
	High power hand lids with heat sink 	High power with heat sink hand lids are equipped with heat sinks to assist in dissipating heat of the DUT during the testing of the IC package.

6. BUSINESS OVERVIEW *(cont'd)*

Product	Product range	Description
	Toggle clamp hand lids 	Toggle clamp hand lids are used to secure IC packages with more than 1,000 pin count, which require weight to assist in securing the DUT in place.
Accessories for test sockets		Accessories for test sockets are typically used for periodic maintenance of test sockets or as replacement parts for wear and tear. A key example of accessories for test sockets is probe pins. The main function of probe pins is to provide connection paths between the PCB and DUT. The tip of the probe pins will wear off after a certain number of contact cycles causing the performance of the probe pins to degrade after which they need to be replaced.

Our test sockets, hand lids, and accessories for test sockets, are sold under our own brand, "FoundPac", as well as under third party brands. There is no difference between the products sold under our own brand and those sold under third party brands. Among the third party brands involved are Broadcom and Synergie CAD. The choice of brand to be sold to customers depends on our customers' request and there is no difference in pricing and margins between the different choice of brands. In addition, there are no restrictions faced by the Group for selling its test sockets and hand lids, and accessories for test sockets under third party brands.

Notwithstanding our stiffeners, accessories for stiffeners, test sockets, hand lids and accessories for test sockets may be generic, the Group's emphasis on product quality and precise measurement coupled with customer service enable us to provide solutions and meet our customers' needs and requirements.

6.4 OUR COMPETITIVE ADVANTAGES AND KEY STRENGTHS

Our competitive strengths are important in sustaining our business as well as providing us with future business growth.

(a) Our customers are primarily large multinational semiconductor manufacturers, OSATs and PCB design houses

We serve customers in the global semiconductor industry. Our customers comprise multinational semiconductor manufacturers, OSATs and PCB design houses, which include, amongst others, Broadcom Corporation, Qualcomm Technologies, Inc and Synergie CAD Group (comprising Synergie CAD, Synergie CAD (UK) Ltd., Synergie CAD Germany GMBH, Synergie CAD Instruments S.R.L., Synergie CAD Probe, Synergie CAD Probe (Singapore) Pte. Ltd., Synergie CAD USA, Inc. and Synergie CAD, Inc.). Our export business accounted for 94.46%, 95.48% and 97.09% of our revenue in the last three (3) FYEs.

6. BUSINESS OVERVIEW *(cont'd)*

Our success in securing and retaining these globally renowned companies is testament of our product quality, customer service and proven industry track record. Since securing these customers, we have managed to retain many of them over the years. For example, Broadcom Corporation is a major global fabless semiconductor manufacturer and has been our customer for over ten (10) years, since the commencement of our Group's operations in 2005. Our track record and successful relationship with Broadcom Corporation has also led to our Group securing other major multinational customers. Qualcomm Technologies, Inc and Synergie CAD (UK) Ltd have been our customers for four (4) and nine (9) years respectively.

As a supplier to these multinational companies, we have had to comply with their product and quality control requirements, which is evidence of our standing as a global industry player with proven credentials. Our successful track record and credentials will lay the foundations for our Group's on-going and future business expansion.

(b) We have demonstrated our ability to comply with the design and manufacturing requirements set by our multinational customers

Our multinational customers have stringent design and manufacturing requirements. Our design and manufacturing process complies with international compliance standards. We were first awarded the ISO 9001:2000 certification in 2007 from SGS United Kingdom Ltd and its local office SGS (Malaysia) Sdn. Bhd. for "Design and Fabrication of Precision Engineering Manufacturing". We subsequently received the ISO 9001:2008 certification for "Design and Fabrication of Precision Engineering Manufacturing" and "Provision for Dimensional Measurement Service" from SGS United Kingdom Ltd and SGS (Malaysia) Sdn. Bhd. in 2010.

FoundPac Tech received the ISO 9001:2008 certification for "Design and Fabrication of Precision Engineering Manufacturing" and "Provision for Dimensional Measurement Service" from SGS United Kingdom Ltd and SGS (Malaysia) Sdn. Bhd. in 2011, which were subsequently renewed and valid until August 2016. Subsequently in October 2016, FoundPac has received the ISO 9001:2015 certification from SGS United Kingdom Ltd and SGS (Malaysia) Sdn. Bhd. for the "Design and Fabrication of Precision Engineering Manufacturing" and "Provision of Dimensional Measurement Service". The certifications are valid until August 2019.

This ISO certification serves as a testimony that we are able to comply with strict design and manufacturing requirements of our multinational customers. As such, our ability to comply with these requirements in accordance to international standards has enabled us to be effective and successful in both securing and retaining our multinational customers.

(c) We are well-positioned to capitalise on growth in the global electronics and semiconductor industry

According to the IMR report by Smith Zander, the global market for electronic products is estimated to have grown from USD1.79 trillion (RM6.31 trillion) in 2009 to an estimated USD2.60 trillion (RM10.16 trillion) in 2015, registering a CAGR of 6.42%. The global semiconductor industry registered a CAGR of 7.73% between the period 1990 and 2015, indicating the sustainability of the industry's growth in the long term.

The future growth in the global electronics and semiconductor industry is expected to be driven by mobile communications, which has radically transformed the global electronics and communications industry, including changing the lives of billions of consumers worldwide. According to the IMR report by Smith Zander, in 2013, the penetration of mobile phones reached 73.00% of the global population, while smartphones had a 22.00% penetration rate. While mobile cellular subscriptions illustrated a healthy growth of 214.30% in a span of nine (9) years between 2007 and 2015, active mobile broadband (which enables the use of smartphones and tablets) grew almost six (6) times faster with

a growth of 1,194.00% during the same time period, from 268.00 million subscriptions in 2007 to an estimated 3.20 billion subscriptions in 2015 and thus, much of the growth of the electronics and semiconductor industry is expected to be driven by the rapidly increasing uptake of smartphones and tablets.

Our prospects will remain in tandem with growth in the global electronics and semiconductor industry, which has demonstrated sustainability over the last twenty-five (25) years. As an industry player supporting the global electronics and semiconductor industry, our Group is well-positioned to capitalise and leverage on further growth in the industry, including capturing future growth opportunities the industry may offer and enabling our Group to continue on our long term growth and expansion.

(d) Our Group has a well-established network of channel partners in Europe

In markets such as France, UK, Italy, Belgium, and Germany in Europe, our products are also distributed through channel partners to leverage on their market reach and business relationships with their customers, who are end-users of our products. We have close partnerships with various channel partners in Europe such as Synergie CAD Group of companies in Europe, U4Global Solutions Ltd and Systems & Technology International as well as the US such as Synergie CAD USA, Inc.

While the sales and marketing is carried out through our channel partners, we maintain close contact with their customers, i.e. the end-users of our products, as we provide after-sales service and technical assistance directly. By working directly with the end-users, we are able to provide more effective customer service as well as a shorter response times.

By leveraging on the customer networks of our channel partners, we are better-positioned to extend our end-user customer reach in Europe, in addition to serving end-user customers in geographical regions in which we do not have physical presence. Through these strategic channel partnerships, we also incur minimal sales and distribution cost.

(e) We have an experienced management team with strong technical expertise

We have been operating our business for more than ten (10) years, and we are led by an experienced and technically strong senior management team. Our Executive Director and CEO, Lee Chun Wah, is a qualified engineer with over twenty (20) years of experience in the electronics and semiconductor industry, and holds a Master's degree in Mechatronics. Our Executive Director and COO, Tan Sin Khoon, is an electrical engineer and has over twenty-three (23) years of experience in the electronics and semiconductor business. Further to their roles in providing strategic direction and operations management, both our CEO and COO play key roles in product development for our Group.

Our CEO and COO are supported by our key management team, who collectively, have exposure across a broad spectrum of business activities, including engineering, operations, sales and marketing and finance. Our CFO, Ong Choon Heng, joined us in 2015, and brings with him sixteen (16) years of experience in finance, accounting and business management. Our Vice President of Sales and Marketing, Low Cher Shyong, has been with our Group since 2012, and has over eighteen (18) years of experience in the electronics and semiconductor industry. Our Operations Manager, Fathil bin Mohamed, has spent five (5) years with our Group, managing various aspects of our operations including production and quality management, and has thirty-four (34) years of experience in the manufacturing industry. Our Engineering Manager, Lam Yoong Leng, joined our Group in 2006 and has twenty (20) years of experience in the electronics industry. Our Senior Finance and Admin Manager, Tan Yong Yong, has seventeen (17) years of experience in finance and accounting.

6. BUSINESS OVERVIEW *(cont'd)*

Since our inception, we have built an established reputation in the industry through our management's engineering experience and expertise, as well as our ability to provide quality products and consistent levels of customer service. The competencies of our key management team will enable us to sustain our future growth and improve the overall financial performance of our Group. Please refer to Sections 8.2 and 8.4 of this Prospectus for further details on the profiles of our Directors and key management personnel.

6.5 PRINCIPAL SEGMENTS AND MARKETS FOR OUR BUSINESS

The detailed breakdown of our Group's segmental revenue for the past three (3) FYE 2014 to FYE 2016 is set out below:-

	Audited					
	FYE 2014		FYE 2015		FYE 2016	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Stiffeners and accessories for stiffeners	25,330	83.86	27,187	79.10	33,564	76.10
Test sockets, hand lids and accessories for test sockets	4,874	16.14	7,183	20.90	10,544	23.90
Total	**30,204**	**100.00**	**34,370**	**100.00**	**44,108**	**100.00**

Our Group's revenue by our principal markets in the past three (3) FYE 2014 to FYE 2016 are as follows:-

	Audited					
	FYE 2014		FYE 2015		FYE 2016	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
US	**20,797**	**68.86**	**24,331**	**70.79**	**32,058**	**72.68**
Europe						
France	2,354	7.79	2,929	8.52	4,173	9.46
UK	3,212	10.63	3,364	9.79	2,451	5.56
Others[(1)]	351	1.16	425	1.24	672	1.52
	5,917	**19.58**	**6,718**	**19.55**	**7,296**	**16.54**
Asia						
Malaysia	1,672	5.54	1,554	4.52	1,285	2.91
Singapore	961	3.18	929	2.70	1,101	2.50
Others[(2)]	857	2.84	838	2.44	2,368	5.37
	3,490	**11.56**	**3,321**	**9.66**	**4,754**	**10.78**
Total	**30,204**	**100.00**	**34,370**	**100.00**	**44,108**	**100.00**

Notes:-

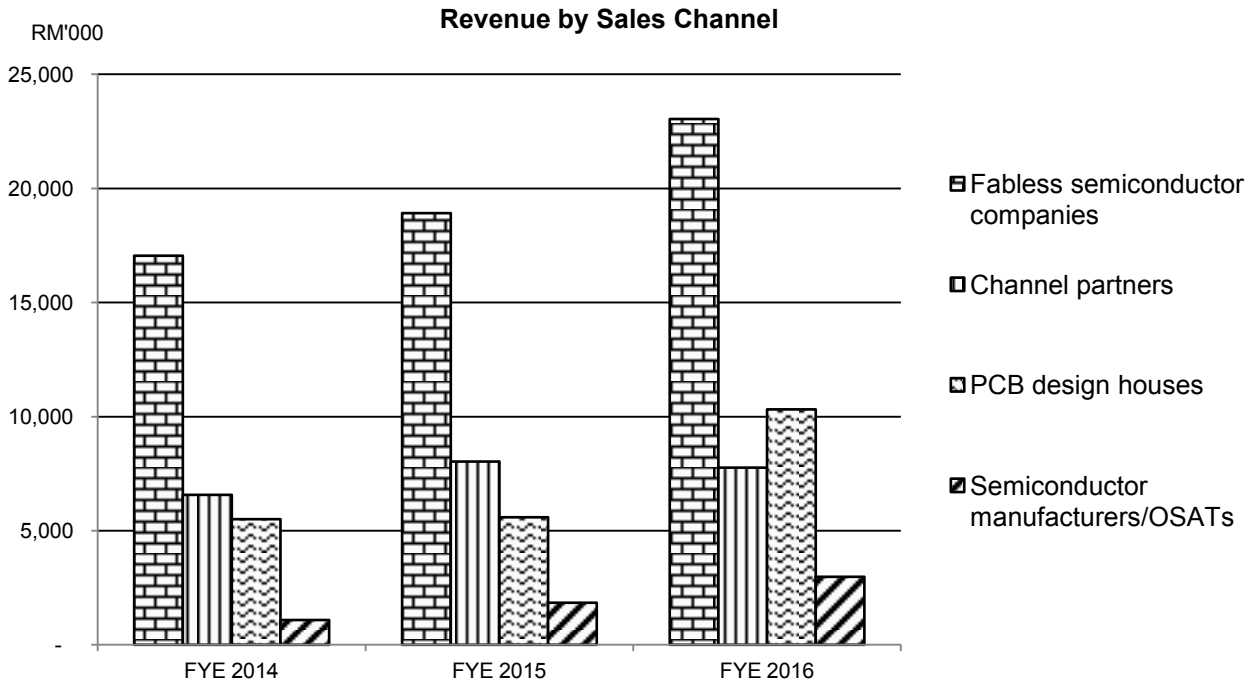
(1) Others include Italy, Belgium and Germany.

(2) Others include Vietnam, Republic of Korea, the People's Republic of China, Taiwan, Hong Kong, India, Philippines and Japan.

6. BUSINESS OVERVIEW *(cont'd)*

Our Group's revenue by sales channels in the past three (3) FYE 2014 to FYE 2016 are as follows:-

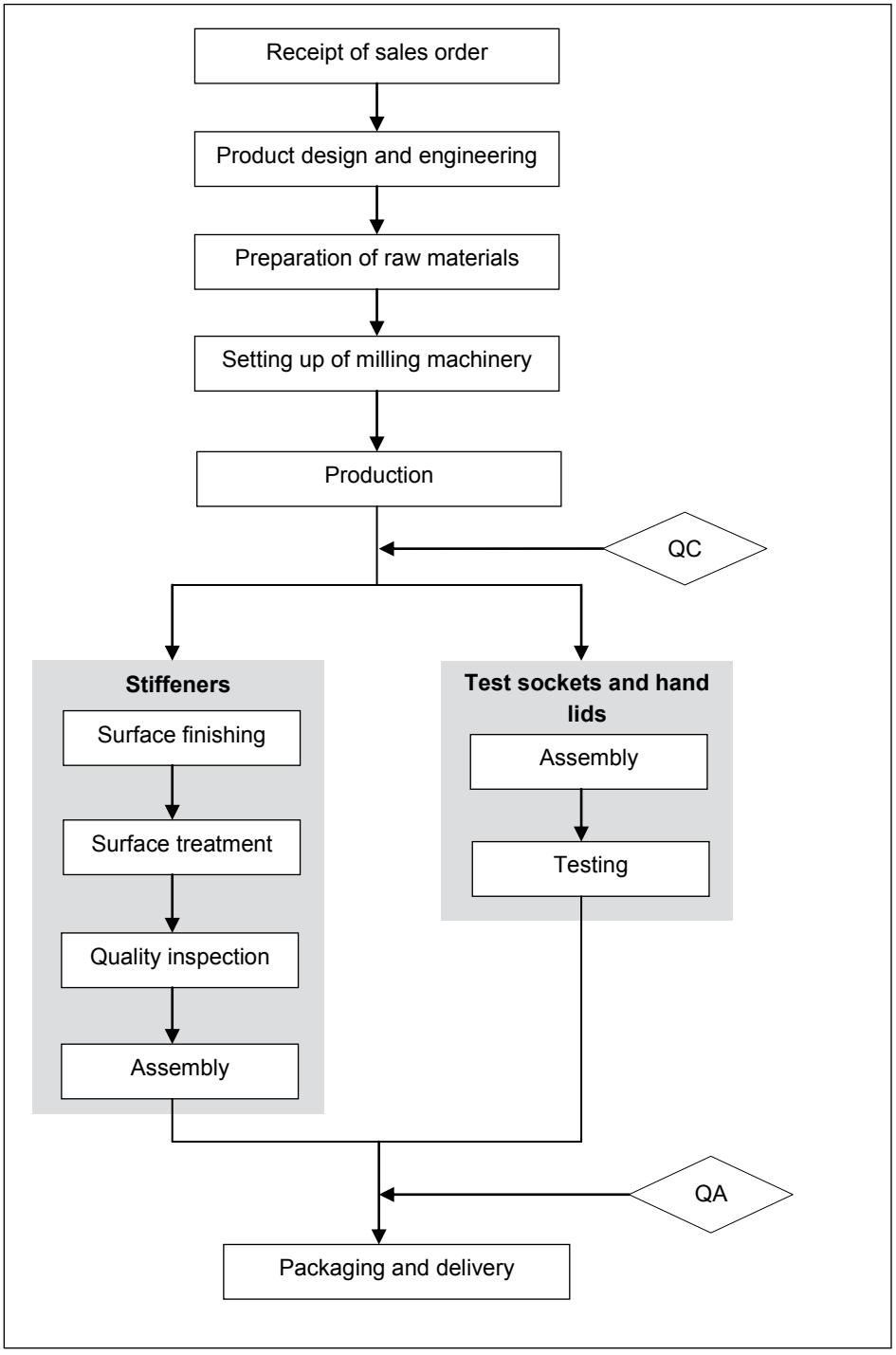
	Audited					
	FYE 2014		FYE 2015		FYE 2016	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Fabless semiconductor companies	17,052	56.46	18,917	55.04	23,048	52.26
Channel partners	6,567	21.74	8,028	23.36	7,763	17.60
PCB design houses	5,500	18.21	5,588	16.26	10,314	23.38
Semiconductor manufacturers /OSATs	1,085	3.59	1,837	5.34	2,983	6.76
Total	**30,204**	**100.00**	**34,370**	**100.00**	**44,108**	**100.00**



6. BUSINESS OVERVIEW *(cont'd)*

6.6 BUSINESS PROCESS FLOW

The typical process flow for our Group's core business activities, upon the receipt of confirmation of a sales order, are as depicted below:-



6. BUSINESS OVERVIEW *(cont'd)*

(a) Product Design and Engineering

Our sales team and engineering team are responsible for the product design. Both teams will discuss and design the product based on customer's requirements, and at the same time decides on suitable materials to be used for the product. Our engineering team uses SolidWorks, a CAD software tool, for the design of our products. Upon receipt of the drawing, the CNC Programmer will convert the drawing using MasterCam programme so that it is readable by our CNC machine. The product design and engineering process will take approximately three (3) to six (6) days.

(b) Preparation of Raw Materials

Based on the specifications set out in the drawing, the CNC Programmer will then procure the relevant raw materials. The raw materials will undergo cutting process in accordance to the product dimensions specified in the drawing. The preparation of raw materials will take approximately one (1) to two (2) hours.

(c) Setting-up of CNC Machine

After the tools have been set in the tool holders by using a tool presetter, and the raw materials have been cut to size, they will be loaded into the CNC machine by a production technician so that the raw materials can undergo more complicated and detailed cutting process. The production technician is responsible for loading the tools into the correct tool magazines and the raw materials onto the table, as well as programming the CNC machine accurately. A milling process will be undertaken to remove unwanted materials from the raw materials. The setting up of CNC machine will take approximately one (1) to two (2) hours.

(d) Production

Upon the inspection and approval of the QC team on the trial run piece, the production will commence. It takes on average approximately eight (8) hours to complete the production process for stiffeners, and on average approximately thirty-six (36) hours to complete the production process for test sockets and hand lids. In-process QC inspection will be performed on sample pieces to ensure that dimensions are accurate as per the drawing.

After production is completed, the stiffeners, test sockets and hand lids will each undergo different processes:-

<u>For stiffeners:-</u>

(i) Surface Finishing

The PCB stiffeners will undergo surface finishing process. This process, which is performed manually, involves polishing to smoothen the overall surface of stiffeners, and deburring to remove unwanted excess material and smoothening sharp edges. The surface finishing process will take approximately half an hour.

(ii) Surface Treatment

If required by customers, the stiffeners will be sent for surface treatment after the surface finishing process. Surface treatment prevents rust and abrasions and increases durability of the stiffeners. The surface treatment for the stiffeners is outsourced to a third-party service provider. The surface treatment process will take approximately twenty-four (24) hours.

6. BUSINESS OVERVIEW *(cont'd)*

(iii) Quality Inspection

Upon surface treatment, stringent quality inspection will be conducted by our QC team on each stiffener. This process includes dimensional measurement and screw hole testing, using inspection machinery such as the CMM, vision inspection and others. This process is conducted to ensure that there are no manufacturing defects or faults. Quality inspection will take approximately one (1) to two (2) hour(s).

(iv) Assembly

Upon the quality inspection process, the stiffeners will be assembled with other parts (such as screws, metal handles, bushing, plastic discs and dowel pins), in accordance to the drawing. The assembly of stiffeners will take approximately half an hour.

For test sockets and hand lids:-

(i) Assembly

The test sockets and hand lids will be assembled with other parts such as contact pins, screws, bushing and/or plastic parts, to integrate these items to form a functional test socket or hand lid. The assembly of stiffeners will take approximately three (3) to four (4) hours.

(ii) Final Testing

Upon assembly, the test sockets and hand lids will undergo final testing, to ensure that all the parts are in working order, as per the drawing specification. Final testing will take approximately half an hour.

(e) QA

After the stiffeners have been assembled and the test sockets or hand lids has passed the final testing stage, the finished products will undergo a final visual inspection. Quality assurance will typically take approximately ten (10) to twenty-five (25) minutes.

(f) Packaging and Delivery

Thereafter, the products will be packed and properly secured in boxes, depending on customers' requests, awaiting delivery to our local customers or stored in the warehouse awaiting collection from the shipping company for our overseas customers. Packaging will take approximately half an hour.

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6. BUSINESS OVERVIEW *(cont'd)*

6.7 QUALITY ASSURANCE AND CONTROL PROCEDURE

We undergo various stages of quality assurance and control procedures in our manufacturing process i.e. trial run piece QC, in-process QC, post assembly QA as detailed in Section 6.6 of this Prospectus.

As a testament to our on-going commitment to quality, we have been awarded the following accreditations:-

Date of first issue	Validity period	Certification	Scope	Awarding body
20 August 2007	25 August 2016 – 19 August 2019	ISO 9001:2015	1. Design and Fabrication of Precision Engineering Manufacturing. 2. Provision of Dimensional Measurement Service.	SGS (Malaysia) Sdn. Bhd.
20 August 2007	17 October 2016 – 19 August 2019	ISO 9001:2015	1. Design and Fabrication of Precision Engineering Manufacturing. 2. Provision of Dimensional Measurement Service.	SGS United Kingdom Ltd

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6. BUSINESS OVERVIEW *(cont'd)*

6.8 OUR GROUP'S PROPERTY, PLANT AND EQUIPMENT

6.8.1 Own Properties

As at the LPD, the details of the property owned by our Group are as follows:-

Registered/ Beneficial Owner	Title/ Address	Description/ Existing Use	Tenure of Property/ Date of Expiry of Lease	Approximate Land/ Built-up Area (Sq Ft)	Date of CF/ Date of Sale and Purchase Agreement ("SPA")	Group audited NBV as at 30.6.2016 (RM'000)	Encumbrance
FPSB	**Title** Pajakan Negeri 5869, Lot 12349, Mukim 12, District of South West, Penang **Address** Plot 35, Hilir Sungai Keluang 2, Bayan Lepas Industrial Estate, Non-Free Industrial Zone, Phase IV, 11900 Bayan Lepas Penang	Industrial land with three (3) buildings erected thereon. Factory complex comprises single storey office building, single storey storage building, single storey with mezzanine floor production building, guard house and car park shed. See Note (2) below.	Leasehold for 60 years with a remaining term of 37 years expiring on 31 October 2053.	66,133 / 46,037	26.1.1998 (CF)/ 18.6.2009 (SPA)	12,369	See Note (1) below.

Notes:-

*(1) The Board has confirmed that all the conditions of land use, restriction in interest and express conditions imposed on the title to the above property owned by FPSB have been complied with, save for the condition requiring that 30.00% of the employees at all levels of management of the business the purpose for which the land was alienated shall comprise Bumiputera employees ("**Condition**"). As an investment holding company, FPSB has no employees (save for the Directors) as at the LPD. The Company had on 29 July 2016 submitted an application to the Pejabat Daerah dan Tanah Barat Daya, Pulau Pinang to amend the Condition by deleting "at all levels of management" from the Condition. The aforesaid application is currently pending the approval of the relevant authority.*

(2) The property as set out above is being rented by FoundPac Tech from FPSB for a tenancy period of three (3) years commencing from 1 October 2015 to 30 September 2018 with a monthly rental of RM40,000.00. The aforesaid property is used by FoundPac Tech as its factory premises.

Save as the above, the Board confirms that the Group is not in breach of any of the relevant land rules and building regulations governing the property owned/occupied by the Group.

6. BUSINESS OVERVIEW *(cont'd)*

6.8.2 Property rented by our Group

Save for the above, as at the LPD, there is no other property rented by the Group.

6.8.3 Material Plant and Equipment

A summary of the material equipment used and owned by us as at the LPD is set out below:-

Key equipment	Description	No. of units	Original Cost (RM'000)	Group Audited NBV as at FYE 2016 (RM'000)
CNC	Machine incorporated with CNC controls, automatic tool changers, tool magazines and coolant systems, used in a milling/tapping process to remove materials from the workpiece or to make holes in the workpiece	16	3,520	991
Precision surface grinding machine	Machine used to produce precision ground surface	1	763	699
CMM	Machine used in a quality assurance process to accurately measure dimensions of an object	2	446	50
Total		**19**	**4,729**	**1,740**

The abovementioned key equipment has assisted us to ensure the quality of our products. Precision engineering parts require high level of precision in its manufacturing process. As an illustration, the manufacturing of test sockets in particular involves the drilling of 80 micron diameter holes with a hole pitching, i.e. distance between the centre of two (2) holes, 125 micron.

The Group intends to purchase an additional nine (9) CNC machines with the proceeds of the Public Issue, which is expected to increase our production capacity for stiffeners by approximately 44.30% or 3,700 units from 8,352 units to 12,052 units; and production capacity for test sockets and hand lids by approximately 69.78% or 642 units from 920 units to 1,562 units.

The Group also intends to purchase additional two (2) CMMs and one (1) grinding machine with the proceeds from the Public Issue. This will not increase the production capacity but its functions are complementary to the products produced by the CNC machines. The CMM functions by measuring the dimensions of an object while the grinding machine functions as machinery for light cutting of materials.

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6. BUSINESS OVERVIEW *(cont'd)*

6.8.4 Material Capital Expenditures And Divestitures

The FoundPac Group does not have any material expenditures and divestitures currently in progress. Save as disclosed below, we did not incur any material capital expenditure for the past three (3) FYE 2014 to FYE 2016 and up to the LPD:-

Description	**Transaction Value (at cost)**			
	FYE 2014 (RM'000)	**FYE 2015 (RM'000)**	**FYE 2016 (RM'000)**	**1.7.2016 up to the LPD (RM'000)**
Investments				
Plant and machinery	165	2,639	1,126	6
Office equipment, furniture and fitting	155	40	28	7
Renovation	-	277	21	-
Total	320	2,956	1,175	13
Divestments				
Plant and machinery	-	8	89	-
Office equipment, furniture and fitting	-	-	1	-
Total	-	8	90	-

The capital expenditures incurred by our Group are based on cost incurred and funded via our internally-generated funds. Our capital expenditures during the past three (3) FYE 2014 to FYE 2016 and from 1 July 2016 up to the LPD were incurred on plant and machinery, QA equipment, office equipment, computer hardware and software, furniture and fittings, installation and renovation.

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6. BUSINESS OVERVIEW *(cont'd)*

6.8.5 Operating Capacities and Output

Our Group's maximum yearly production capacity and utilisation levels are set out below:-

	Product Type	Number of CNC machines (unit)	Allocation of CNC machine Capacity[(a)] (%)	Maximum Production Capacity[#] (units per year)	Actual Production (units)	Average Percentage Utilised (%)
FYE 2014	Stiffeners	7	100	6,496	4,139	63.72
	Test sockets and hand lids	6	90	1,074	708	65.92
FYE 2015	Stiffeners	7	100	6,496	5,087	78.31
	Test sockets and hand lids	7	68[(b)]	920	765	83.15
FYE 2016	Stiffeners	9	100	8,352	6,358	76.13
	Test sockets and hand lids	7	70	920	607	65.98
As at the LPD	Stiffeners	9	100	8,352	2,874	86.78*
	Test sockets and hand lids	7	70	920	305	83.60*

Notes:-

*Calculated based on the following formula*

$$= \frac{\text{No. of productive machining hours in a day x No. of days in a year x No. of machines x Percentage of allocation of CNC machine capacity per product}}{\text{Average production time per unit of product}}$$

*** *Annualised*

(a) *For stiffeners, the percentage of allocation of CNC machine per product is 100%, meaning each CNC machine is solely allocated for the production of stiffeners. However, for test sockets and hand lids, the CNC machines are used interchangeably to produce parts and accessories.*

(b) *The fluctuation was mainly due to the additional CNC machines acquired during the year.*

Our estimated annual production capacity is derived based on the following assumptions:-

(i) We operate in two (2) shifts with productive machining hour of 20 hours a day for 348 days a year.

(ii) Our average production time (hours) for one (1) unit of stiffener and one (1) unit of test socket are set out as below:-

	FYE 2014 (hours)	FYE 2015 (hours)	FYE 2016 (hours)
Stiffeners	7.50	7.50	7.50
Test sockets and hand lids^	35.00	36.19	37.07

^ *The increase in average production time for test sockets and hand lids are due to the higher precision level which requires a higher manufacturing hour per unit.*

It is important to note that the amount of time taken to manufacture each type of stiffener, test socket or hand lid varies in accordance to size, specification and/or complexity of each design.

The additional nine (9) CNC machines to be purchased from the proceeds of the Public Issue is expected to increase our production capacity for stiffeners by approximately 44.30% or 3,700 units from 8,352 units to 12,052 units; and production capacity for test sockets and hand lids by approximately 69.78% or 642 units from 920 units to 1,562 units.

6. BUSINESS OVERVIEW *(cont'd)*

The new CNC machines proposed to be acquired shall provide additional capacity and specialisation of production by machines. In addition, any additional capacity will provide a buffer for the Company in the event of any contingency and to cater for any future growth in sales.

6.9 TECHNOLOGIES USED

We manufacture precision technology products and provide metrology and quality assurance services, using the following technologies/processes:

(a) CAD software tool

We use SolidWorks, a CAD software tool for three (3)-dimensional product design, engineering, simulation and after-sales analysis.

(b) CNC machines

CNC machines refer to automated machines used in our manufacturing process. These machines are controlled through programmed commands encoded in a software programme, based on drawings produced from CAD software tool.

The use of CNC machines allows for high-speed milling and tapping, which will increase operating efficiencies and process accuracies. Further, these CNC machines will also allow for high-precision profile machining or shaping, enabling us to refine our product finishing through cutting/shaping of complex geometries and patterns without deformation.

6.10 INTERRUPTIONS TO BUSINESS AND OPERATIONS

We have not experienced any interruption in business which had a significant effect on operations during the twelve (12) months period prior to the date of this Prospectus.

6.11 SEASONALITY

Our business is subject to the cyclicality of the global electronics, semiconductor and PCB industry, which is caused by variations in supply and demand for semiconductors and PCBs and economic cycles. We do not experience any seasonality in our business.

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6. BUSINESS OVERVIEW *(cont'd)*

6.12 SALES AND MARKETING

We understand the importance of building our brand recognition and market standing in order to boost sales revenue. As such, our Group constantly invests in various sales and marketing strategies to raise our corporate profile.

The sales and marketing strategies initiated by our Group include the following:-

(a) Direct approach

As the sales and marketing of our products require in-depth knowledge of our products, the direct approach is the most effective method as it allows us to deliver the required technical information and detailed explanations and descriptions accurately. Our sales and marketing team approach potential customers directly and also via referrals by our existing customers. We provide product simulations prior to purchase and after-sales analysis for troubleshooting purposes.

(b) Corporate website

Corporate website, http://www.foundpac.com, is another means of introducing and broadcasting our products to potential customers and providing immediate searchable information on our Group.

The current widespread use of the Internet as a source of information enables us to cross geographical boundaries and facilitates access from any part of the world, enhancing our potential market reach and exposure.

6.13 MAJOR CUSTOMER AND SUPPLIERS

6.13.1 Major Customer

Our Group's major customer which has contributed more than 10.00% of our total revenue for the past three (3) FYE 2014 to FYE 2016 are as follows:-

Major Customer/ Country of Operation	Sales Channel	FYE 2014		FYE 2015		FYE 2016		Length of business relationship (years)
		(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	
Broadcom Corporation/US	Fabless semiconductor companies	13,737	45.48	16,513	48.04	21,040	47.70	11

Broadcom Corporation, a wholly-owned subsidiary of Broadcom Limited which is listed on NASDAQ Stock Market, has been our major customer for the past three (3) FYE 2014 to FYE 2016. We have a strong and established relationship with Broadcom Corporation, as they have been our customer for eleven (11) years, since the commencement of our operations in 2005. As such, we have built a strong, trusted and mutually beneficial relationship with Broadcom Corporation, and this has provided our Group with a strong platform for future growth with Broadcom Corporation.

As our stiffeners, test sockets and hand lids are designed to cater to a wide range of multinational semiconductor manufacturers and OSATs, or for fabless semiconductor companies and PCB design houses, there are potential customers and an addressable market for our products that we have yet to explore.

In addition, it should also be noted that the electronic and semiconductor industry comprise many PCB design houses, fabless semiconductor companies and channel partners, and as

6. BUSINESS OVERVIEW *(cont'd)*

such our Group has a large pool of potential customers. Thus, our Group believes that it is able to secure orders from other customers should we cease to receive orders from Broadcom Corporation.

However, the loss of Broadcom Corporation as our major customer may adversely impact our Group's operating results. The loss of Broadcom Corporation as our major customer, if not replaced, may adversely affect our financial results as this major customer accounted for approximately 45.48%, 48.04% and 47.70% of the total revenue of our Group for the FYE 2014, FYE 2015 and FYE 2016 respectively.

In such circumstances, the Group will have to immediately market our products and services to other potential customers in the electronics and semiconductor industries or in other industries. However, there is no assurance that such endeavours will be successful or if we are successful in securing other potential customers, we may not be able to achieve the same profit margins that we achieved over the relevant financial years/period. Nevertheless, the Group has transacted with other PCB design houses, fabless semiconductor companies and channel partners for the past three (3) financial years as part of its efforts to diversify its customer base. To reduce the dependence on Broadcom Corporation, FoundPac is also looking at penetrating into other markets via its overseas expansion such as Milan, Italy and California, US to diversify and broaden its customer base. In addition, the established relationship with Broadcom Corporation has also led the Group in securing other major multinational customers. The Group has also other established customers such as the Advantest group of companies, Qualcomm group of companies and Synergie CAD group of companies.

The loss of Broadcom Corporation as our major customer may not result in any other business disruptions such as operational disruptions as we practice flexible management strategies by outsourcing some of our fabrication work to local and international fabricators. Furthermore, all our machineries are purchased in cash and there are no borrowing facilities to be serviced.

There were no customer disputes for the financial years under review save for the sales return due to an error on the drawing specifications with a customer for approximately RM198,000 in the FYE 2015. The Group has issued a credit note to the customer for the aforesaid amount and it has been set-off against its revenue.

As at LPD, our Group does not have any contracts with our major customers.

The total number of customers which has transacted with the FoundPac Group for the financial years under review is as follows:-

	FYE 2014	**FYE 2015**	**FYE 2016**
Total number of customers	80	89	94

The total number of repeat/regular customers which has transacted with the FoundPac Group for the financial years under review is as follows:-

	FYE 2014	**FYE 2015**	**FYE 2016**
Total number of repeat/regular customers*	56	67	74

Note: -

* *Repeat/regular customers refer to customers which have transacted with the Group before the aforesaid financial year.*

The year of relationship with the repeat/regular customers ranges between one (1) to eleven (11) years for the financial years under review.

6. BUSINESS OVERVIEW *(cont'd)*

6.13.2 Major Suppliers

Our Group's major suppliers which have contributed more than 10.00% of our purchases for the past three (3) FYE 2014 to FYE 2016 are as follows:-

Major Suppliers	Country of Operations	Nature of Supplies	FYE 2014		FYE 2015		FYE 2016		Length of business relationship (years)
			(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	
ADE Technologies Pte. Ltd.	Singapore	Fabrication services	1,098	8.16	1,696	10.30	6,852	38.26	11
Gaffoglio Family Metalcrafters, Inc.	US	Fabrication services	1,745	12.97	1,739	10.56	1,229	6.86	8
Innovative Semicon Technologies Limited	Hong Kong	Fabrication services	1,261	9.37	2,176	13.22	1,093	6.10	9
TKLE Enterprise Sdn. Bhd.	Malaysia	Fabrication services	1,590	11.81	2,325	14.12	-	-	4

For the past three (3) FYE 2014 to FYE 2016, our Group's major suppliers included ADE Technologies Pte. Ltd., Gaffoglio Family Metalcrafters, Inc., Innovative Semicon Technologies Limited and TKLE Enterprise Sdn. Bhd. Contribution of purchases from ADE Technologies Pte. Ltd. to our Group's total purchases increased significantly as ADE Technologies Pte. Ltd. was able to provide fabricated parts with consistent specification that met our Group's requirements.

ADE Technologies Pte. Ltd., Gaffoglio Family Metalcrafters, Inc., Innovative Semicon Technologies Limited and TKLE Enterprise Sdn. Bhd. are suppliers of fabrication services, which are widely available from local and international suppliers. Hence, we are not dependent on any of our major suppliers as we have alternate source of suppliers. The sourcing from a large pool of suppliers is dependent on the sourcing strategies of each industry player. We understand that it is an industry norm to source on a purchase order basis.

The Group adopts ISO certified standard and procedures in selecting a new supplier.

In general, the Group will first obtain the company profile to understand the background of the supplier including its major customers, products/services offering, pricing, delivery lead time etc. Subsequently, a quotation will be requested and the Group will undertake the evaluation and selection process based on the information gathered i.e. pricing, delivery lead time and other terms & conditions. If the terms and conditions meet the Group's requirements, approval will be obtained from the management and a purchase order will be granted to the selected supplier. The Group will then start on a small scale business with the supplier to determine the quality and turnaround time of the products or services provided.

In selecting our suppliers for raw materials, the key aspects considered by the Group include the ability of the supplier to provide raw materials that meet the Group's required specifications, delivery lead-time, price and payment terms and the service provided whereas in selecting our suppliers of fabrication services, the key aspects considered by the Group will include the final surface treatment of the product, the lead-time, price and payment terms and the facility of the fabrication supplier.

The Group strive to maintain good relationships with our suppliers to ensure minimal disruptions to our supply chain and operations. There is no financial and non-financial restriction imposed by any suppliers of the Group and there were no disputes with our suppliers for the financial years under review.

We expect the suppliers for fabrication services to be reduced as we purchase more machines to increase our capacity as well as expand our fabrication capabilities. Please refer to Section 6.15 of this Prospectus for details on our plans to purchase new machines.

As at LPD, our Group does not have any contracts with our major suppliers.

6.14 KEY TYPES, SOURCES AND AVAILABILITY OF SUPPLIES

Our raw materials mainly consist of stainless steel, aluminium and engineering plastics used for the manufacturing of stiffeners, test sockets and hand lids. These materials are sourced from local and overseas suppliers. Thus far, we have not experienced any material shortages in sourcing these materials for our operations. In addition, we have not experienced any major fluctuations in prices of our raw materials that have materially affected our financial position. Furthermore, these materials are commodities which are readily available from many overseas as well as local suppliers.

We outsource some of our fabrication work to local and international fabricators, in instances where we lack capacity or do not have the machines to carry out the required fabrication. Moving forward, we expect the outsourcing of fabrication work to be reduced as we purchase more machines to increase our capacity as well as expand our fabrication capabilities. Please refer to Section 6.15 of this Prospectus for details on our plans to purchase new machines.

6.15 FUTURE PLANS, STRATEGIES AND PROSPECTS

(a) We intend to expand our production capacity through the acquisition of new CNC machines

As detailed in Section 6.8.3, for the last three (3) FYE 2014 to FYE 2016, our utilisation rate of production capacity for stiffeners was 63.72%, 78.31% and 76.13%, respectively, while our utilisation rate of production capacity for test sockets and hand lids for the same period was 65.92%, 83.15% and 65.98%, respectively.

As at the LPD, we have sixteen (16) CNC machines, which allow for high precision machining of stiffeners, test sockets and hand lids, one (1) unit of precision surface grinding machine as well as two (2) CMMs which allow us to ensure the quality of our products through accurate measurements. We intend to increase our production capacity through the acquisition of nine (9) CNC machines, as well as two (2) CMMs and one (1) grinding machine.

We have allocated a total of RM8.00 million for the purchase of property, plant and equipment from the proceeds of our Public Issue which shall be utilised within twenty-four (24) months of our Listing.

The additional machines are expected to increase our production capacity which will enable us to expand more aggressively, as we will be able to accept more job orders, ensuring that we will not be constrained by capacity limitations for the foreseeable future, and this will be an impetus to bring our Group to the next phase of growth. Thus, the expansion of our production capacity will facilitate our other growth strategies, namely to strengthen our local and global footprint, as well as to further expand our products to new geographical markets.

6. BUSINESS OVERVIEW *(cont'd)*

(b) We aim to diversify our customer base to include end-user industries

Since the commencement of our business, we have remained focused on the electronics and semiconductor industry. As part of our sector diversification, we intend to manufacture products that cater to other end-user industries (such as the automotive industry) within the next two (2) years from the LPD. Through this expansion of our end-user customer base, we will be able to diversify our revenue stream, reducing the risk of relying on the performance of any one particular industry.

In line with our expertise in the design and manufacturing of precision engineering parts produced from aluminium, stainless steel and engineering plastics, we will explore opportunities in other industries where we can leverage on our expertise to undertake the mechanical fabrication of metal automotive components and parts, and as such, we have identified the automotive industry as a potential area for expansion.

We believe we are well-positioned to explore such opportunities as we have the relevant experience in precision machining, providing us with the technical capabilities and resources to secure orders from other end-user industries (such as the automotive industry) in which FoundPac's end customers are operating. Further, our diversification into other end-user industries (such as the automotive industry) will enhance our Group's profile.

(c) We plan to set up a dedicated D&D team to focus on product development

Our product D&D activities are presently carried out by our engineering team, which also supports other aspects of our operations including production and manufacturing.

With our Group's on-going expansion, we plan to set up a dedicated D&D team to formalise our D&D activities, a measure which we anticipate will contribute towards the long term growth and sustainability of our Group. The primary objective of our D&D team would be product development.

We plan to staff our D&D team initially with six (6) persons, and will expand the team as and when required. Further, we will also need to invest in equipment which will include servers, desktops, laptops and required D&D software.

The total cost of setting-up our D&D team, including initial staff cost and cost to acquire the related hardware and software, will be approximately RM3.00 million, which we intend to fund via proceeds from our Public Issue. We expect to commence the setting up of the D&D team within twenty-four (24) months of receipt of our Listing proceeds.

The establishment of a dedicated D&D team will enable our Group to remain at the forefront of industry technologies, manufacturing processes and market trends, which will provide a strong foundation for our Group's future growth and development.

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6. BUSINESS OVERVIEW *(cont'd)*

(d) We intend to establish sales offices in Milan, Italy and California, US to continue expanding our presence in these major markets

We are an export-oriented Group and our major markets are Europe and US. These markets collectively accounted for 88.44%, 90.34% and 89.22% of our total revenue in the last three (3) FYE 2014 to FYE 2016. With many global semiconductor manufacturers, fabless semiconductor companies and PCB design houses based in Europe and US, these regions will continue to remain important markets for our Group.

Premised on the above, our Group intends to continue to focus on Europe and US for future customer and market expansion for the Group. As at the LPD, the Group has identified the relevant locations for the set-up of its sales office which are in Milan, Italy and California, US. The set-up of our sales offices in Milan, Italy and California, US will enable us to establish our presence in these markets and be in closer geographical proximity to many potential customers, which will enable our Group to have better access to these customers and allow us to shorten our response times when attending to customer enquiries and when providing technical support. As at the LPD, we have begun making enquiries with regard to the office rental as well as reviewing legal and regulatory requirements related to the establishment of sales offices in these locations.

The estimated combined cost for setting up our sales offices in the said locations will be approximately RM4.00 million, which will be funded via proceeds from our Public Issue. This cost is expected to comprise rental cost for the offices (RM1.00 million), staff cost (RM2.00 million), and sales and marketing expenses (RM1.00 million) over a 24-month period.

Our presence in these two countries will support our Group's continued expansion into the world's major electronics and semiconductor markets, as placing dedicated regional resources will enable our Group to proactively drive our export sales. As our Group's future growth will be driven by the global electronics and semiconductor industry, the presence of our overseas sales offices will enable our Group to further capitalise on these opportunities.

6.16 COMPETITION

Due to the global nature of the industry, precision engineering part industry players in Malaysia also compete with other foreign precision engineering part industry players in the global market, particularly when they are involved in the exports of precision engineering parts to foreign markets. The global prospects of precision engineering part industry players in Malaysia can be illustrated through the growth in the global semiconductor industry, as data on global precision engineering part industry players is not publicly available. The global semiconductor industry is forecast to grow from USD337.70 billion (RM1.32 trillion) in 2016 to reach USD 376.60 billion (RM1.47 trillion) in 2018, registering a CAGR of 5.60% during the period.

The precision engineering part industry in Malaysia is a niche and specialist industry within the broader electronics, semiconductor and PCB industry. The precision engineering part industry in Malaysia grew from RM35.76 million in 2011 to RM132.51 million in 2015, at a CAGR of 38.74%. Our Group's global market share in relation to the equipment segment of the global semiconductor industry in 2015 was 0.02%, based on its revenue of RM34.37 million in the FYE 2015, computed against the global revenue from the equipment segment of the semiconductor industry of USD37.00 billion (RM144.57 billion) in 2015. *(Source: IMR Report)*

Despite the competition, our Board is of the view that our Group will enjoy promising growth in the long term premised on out competitive advantages and key strengths as set out in Section 6.4 of this Prospectus, our Group's future plans as set out in Section 6.15 of this Prospectus

6. BUSINESS OVERVIEW *(cont'd)*

and the prospects of the global electronics and semiconductor industry as set out in Section 7 of this Prospectus.

6.17 BRAND NAMES, TRADE MARKS, LICENSE AGREEMENT AND TECHNICAL AGREEMENT

As at the LPD, save for the trade marks disclosed in Section 6.17.1 of this Prospectus which we are currently using in our day-to-day business, our Group does not presently hold any brand names, patents, trademarks, licenses, technical assistance agreements, franchises and other intellectual property rights.

6.17.1 Trade Marks Registered

As at the LPD, our Company has the trademark registered as the following:-

No.	Registered Owner	Issuing Authority	Representation of Trade Mark	Issuing Authority/ Trade Mark No.	Date of Certificate/ Effective Date/ Expiry/ Renewal Date	Classification
1.	FoundPac Tech	Registrar of Trade Marks, Malaysia	Logo and "FoundPac"	09021185[(a)]	1.12.2009/ 1.12.2019	9[(b)]
2.	FoundPac Tech	Registrar of Trade Marks Singapore	Logo and "FoundPac"	T1000348A[(c)]	12.01.2010/ 12.01.2020	9[(d)]

Notes:-

(a) The Malaysian-registered trade mark No. 09021185 was initially registered under FPSB and was assigned by FPSB to FoundPac Tech on 3.12.2015. The transfer in ownership of the trade mark has been duly recorded by the Registrar of Trade Marks, Malaysia.

(b) For test sockets for integrated circuits; apparatus for testing electronic circuits; apparatus for testing printed circuit boards; apparatus for the testing of electrical circuits; circuit testers; circuit testing apparatus; circuit testing instruments; circuits (electric or electronic); electrical apparatus for plating electrical circuits; electrical apparatus for plating printed circuits; electrical circuit boards; electrical circuit testers; electric circuit components; electric circuit control devices; test apparatus for testing electronic circuits; test probe assemblies for integrated circuits; test probes for the automatic testing of bare circuit boards; test probes for the automatic testing of loaded circuit boards; films (laminates) adapted for use in the printed circuit industry; glass fibre conduits for electricity cables; glass wafers for integrated circuits; cases adapted for electric circuits; cases adapted for electronic circuits; all included in Class 9.

(c) The Singapore-registered trade mark No. T1000348A was initially registered under FPSB and was assigned by FPSB to FoundPac Tech on 29.12.2015. The transfer in ownership of the trade mark has been duly recorded by the Registrar of Trade Marks, Singapore.

(d) For measuring apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; test sockets for integrated circuits; apparatus for testing electronic circuits; apparatus for testing printed circuit boards; apparatus for the testing of electrical circuits; circuit testers; circuit testing apparatus; circuit testing instruments; circuits (electric or electronic); electrical apparatus for plating electrical circuits; electrical apparatus for plating printed circuits; electrical circuit boards; electrical circuit testers; electric circuit components; electric circuit control devices; test apparatus for testing electronic circuits; test probe assemblies for integrated circuits; test probes for the automatic testing of bare circuit boards; test probes for the automatic testing of loaded circuit boards; films (laminates) adapted for use in the printed circuit industry; glass fibre conduits for electricity cables; glass wafers for integrated circuits; cases adapted for electric circuits; cases adapted for electronic circuits; in Class 9.

6.17.2 License Agreement

As at the LPD, our Company has not entered into any License Agreement with any parties.

6.18 DEPENDENCY ON CONTRACTS/ARRANGEMENTS/LICENSES/PATENTS

As at the LPD, save as disclosed below, our Group is not dependent on any other contracts/ arrangements/licenses/patents:-

(a) approvals, major licenses and permits as set out in Section 5.5 of this Prospectus; and

(b) registered trademarks as set out in Section 6.17.1 of this Prospectus.

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7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT

SMITH ZANDER INTERNATIONAL SDN BHD (1058128-V)
Suite 23-3, Level 23, Office Suite, Menara 1MK,
1 Jalan Kiara, Mont' Kiara,
50480 Kuala Lumpur, Malaysia.
T +603 6211 2121

SMITH ZANDER

30 Nov 2016

The Board of Directors

FOUNDPAC GROUP BERHAD
57-G Persiaran Bayan Indah
Bayan Bay
Sungai Nibong
11900 Penang

Dear Sirs/Madam,

Executive Summary of the Independent Market Research Report on the Electronics, Semiconductor and PCB Industries, and Precision Engineering Part Industry in Malaysia

This Executive Summary of the Independent Market Research Report on the Electronics, Semiconductor and PCB Industries, and Precision Engineering Part Industry in Malaysia has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER") for inclusion in the Prospectus in conjunction with the listing of FoundPac Group Berhad on the Main Market of Bursa Malaysia Securities Berhad.

For and on behalf of SMITH ZANDER:

DENNIS TAN
MANAGING PARTNER

1 INTRODUCTION

Objective of the Study

This Executive Summary of the Independent Market Research ("Executive Summary") Report has been prepared in conjunction with the listing of FoundPac Group Berhad on the Main Market of Bursa Malaysia Securities Berhad. The objective of this Executive Summary report is to provide an independent view of the industry and market(s) in which FoundPac Group Berhad operates in and to offer a clear understanding of the industry and market dynamics.

Rationale and Scope of Work

FoundPac Group Berhad is principally involved in the design, development, manufacturing, marketing and sale of precision engineering parts for integrated device manufacturers ("IDMs") (also known as semiconductor manufacturers), outsourced semiconductor assembly and test companies ("OSATs") or PCB design houses, fab-less semiconductor companies and/or other channel partners. FoundPac Group Berhad mainly designs and manufactures stiffeners, test sockets and hand lids, and these parts are used to facilitate the testing of integrated circuits.

The scope of work for this Executive Summary report will thus address the following two (2) areas:

(i) The Electronics, Semiconductor and PCB industries, which are the broader sectors in which FoundPac Group Berhad operates, and which the outlook and prospects of stiffeners, test sockets and hand lids are directly tied to; and

(ii) The Precision Engineering Part industry in Malaysia, specifically focusing on precision engineering parts for the Electronics, Semiconductor and PCB industries such as stiffeners, test sockets and hand lids. This is the industry FoundPac Group Berhad operates in and is a sub-sector of the Electronics and Semiconductor industries.

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2 DEFINITION AND SEGMENTATION

The semiconductor industry encompasses companies involved in the design, fabrication and processing as well as marketing and sale of semiconductor chips or semiconductor integrated circuits ("ICs"). An IC is an assembly and integration of more than one (1) semiconductor device on a single thin semiconductor material (i.e. "wafer"). There are two (2) types of semiconductor devices, namely active and passive components. Active semiconductor devices refer to components with the ability to control electric current, and examples of these components include diodes and transistors. On the other hand, passive semiconductor devices are supplementary components to active semiconductor devices which are incapable of manipulating electric current flow and do not require electric current to function. Passive semiconductor devices include electronic components such as resistors and capacitors. These semiconductor devices are mounted on a base known as a printed circuit board, consisting of a thin semiconductor material (i.e. "wafer") with pre-defined conductive copper tracks which enable semiconductor devices to be soldered onto its surface.

The birth of the semiconductor industry can be traced back to 1906 when it was discovered that two (2) electrical meshes placed between two (2) electrodes in a vacuum could amplify electrical current and act as a switch. This technology was known as a vacuum tube, and was widely used in radios and telephones during the time. The vacuum tube technology also enabled the first digital computer, called Electronic Numerical Integrator and Computer ("ENIAC"), to be built in 1946 for the United States Army's Ballistic Research Laboratory. ENIAC weighed 30 metric tonnes and comprised 100,000 parts including 18,000 vacuum tubes. Ultimately however, vacuum tube technology consumed an immense amount of power and had to be replaced frequently.

Solid-state devices emerged in 1948 with the introduction of transistors by a team of scientists at the American Telephone and Telegraph Company's Bell Laboratories. Solid-state devices are electronic components in which electrons are confined within a solid material. While this technology substantially reduced the power required to generate these electronic circuits, the solid-state electronic components needed to be interconnected using wires and solder, and thus they were susceptible to faulty connections. The solid-state technology later evolved, and ICs were invented when Jack Kilby, an engineer in Texas Instruments Inc., introduced the idea of integrating these components within a single flat block of semiconductor material such as silicon or germanium, allowing electronic circuits to be even more compact in size. Almost simultaneously, Robert Noyce also developed another version of IC from semiconductor materials. Robert Noyce was one of the founders of Intel Corporation, one of the largest global semiconductor companies today, and it was his IC technology which was utilised in the personal computers manufactured by Intel Corporation. Intel Corporation created the first commercially available microprocessor in 1971, and the first microcomputer in 1972. Prior to that, Texas Instruments Inc., which was then focused on developing equipment for the seismic and defence industries, had built the first IC or chip-based computer for the United States Air Force in 1961.

Today, ICs can have up to and over 20 million semiconductor devices integrated into a single electronic circuit, and are progressively reducing in size and increasing in performance. The range of applications for ICs in the industry has also broadened dramatically over the last decade, and they now play an essential role in almost every aspect of our lives. At present, the applications for ICs are no longer limited to computers, industrial or scientific equipment, and military and aerospace hardware, but also extends to electronic products which form an integral part of the society today. ICs are technology enablers for electronic products used in various industries such as consumer electronics, information and communications technology ("ICT"), automotive, medical and manufacturing. Hence, the semiconductor industry is highly correlated to the growth of the electronics industry as the demand for electronic products reflects the market for its raw materials, namely ICs.

In the past, the semiconductor industry comprised IDMs, which are typically brand owners or intellectual property owners of ICs that are used in various electronic products. These IDMs were vertically integrated, where their principal activities involved the design, fabrication, assembly, packaging, marketing and sale of ICs, as well as the manufacturing of equipment and tools required in the

manufacture of ICs. Over the years, as contract outsourcing partners began to emerge, many of these IDMs began to outsource activities such as assembly and packaging as well as IC manufacturing, placing greater emphasis on design and fabrication in order to achieve economies of scale and reduce manufacturing costs. Examples of IDMs include Intel Corporation, Freescale Semiconductor Inc., and Samsung Electronics Co. Ltd.

For the most part, IDMs are involved in the design of their own ICs, although there may be instances where they outsource the IC design process to IC design houses which are able to develop innovative IC design solutions. In turn, some IDMs provide these IC design houses with fabrication services. Thus, the IC design houses rely on IDMs to fabricate their IC design solutions due to the capital intensive nature of the IC fabrication process. As companies solely involved in IC fabrication such as Taiwan Semiconductor Manufacturing Company Limited, Semiconductor Manufacturing International Corporation and United Microelectronics Corporation, commonly known as "foundries", began to emerge, this provided the more established IC design houses with the opportunity to partner with these foundries in growing their business further in the semiconductor industry. The business model of these IC design houses, in which the IC fabrication process is outsourced, is commonly known as the "fab-less" business model. Some of the key fab-less semiconductor device companies include, but are not limited to, Qualcomm Technologies Inc., Semtech Corporation, Nvidia Corporation, and Advanced Micro Devices Inc. ("AMD").

With the emergence of fab-less semiconductor companies, IDMs are increasingly faced with cost pressures as these fab-less semiconductor companies have lower capital expenditure and are able to reduce product prices. In light of adapting to changing industry requirements, an increasing number of IDMs are shifting towards outsourcing most or part of their fabrication process to foundries to reduce fixed costs in order to increase competitiveness. Companies which are still involved in the design of ICs and outsource a significant part of their fabrication activities to foundries are known as "fab-lite" companies. Examples of these fab-lite companies include Texas Instruments Inc., Infineon Technologies AG, Avago Technologies Limited and Analog Devices Inc.

Today, ICs are progressively reducing in size and increasing in performance. As a result, there is a growing trend towards producing PCBs with higher densities at a faster speed, leading to a growing need for higher precision in the machining of interlayer connection holes within the PCBs. This caters to the expanding range of applications for ICs over the last decades as the end-products now play an essential role in almost every aspect of our lives.

Value chain of the electronics and semiconductor industries

Presently, these three (3) types of semiconductor industry players, namely IDMs, fab-less companies and fab-lite companies, form the backbone of the semiconductor industry. All three (3) types of companies are involved in the design of semiconductor solutions. These design solutions are then fabricated in-house or by a foundry. Fabrication typically refers to the manufacturing of ICs where semiconductor devices are formed on a semiconductor wafer, which is a thin silicon-based material, based on a pre-defined circuit pattern. Once fabricated, ICs are then sent for assembly, packaging and testing. The assembly process is necessary to protect the ICs and enable the dissipation of heat from the ICs, as well as facilitate the integration of ICs into electronic systems to manufacture electronic products. After the assembly process, the products created will be packaged in a plastic moulding or ceramic case. Thereafter, the final products manufactured will undergo a series of testing. IDMs generally engage OSAT companies to undertake this process.

Electronic product companies are ultimately the customers of the semiconductor industry players and examples of these companies include mobile and wireless device companies, automobile manufacturers, as well as other consumer electronic product manufacturers. These companies may also engage electronic manufacturing service providers to undertake the manufacturing, assembly, packaging and/or testing of the final electronic products.

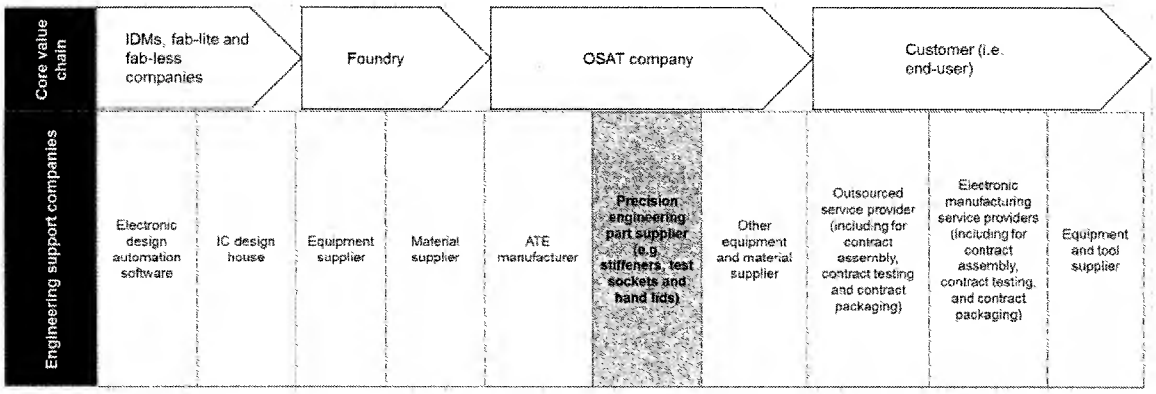
Most IDMs ceased the manufacturing of equipment and tools used in their manufacturing processes when engineering support companies specialising in manufacturing such equipment began to emerge in the

industry. Different equipment and tools are required at each stage of the value chain. At the design and development stage, design automation tools and equipment supplies are required by IDMs in the design of ICs. Industry players involved in the fabrication stage also require the necessary automated equipment for the manufacture of ICs. The OSATs require precision engineering parts such as stiffeners, test sockets and hand lids, automated test equipment ("ATE") and other equipment and tools to facilitate their testing services, as well as equipment to undertake assembly and packaging services.

The manufacturing of electronics and semiconductor products has become an automated process where precision, speed and quality are critical success factors. As such, the required equipment and tools are regarded as highly important components in the manufacturing process as they allow industry players to meet these three (3) success factors. Due to the intense competition present amongst semiconductor manufacturers, industry players must meet the stipulated delivery time while ensuring the quality of products manufactured. Thus, the testing of semiconductor devices is an important process, and is carried out using ATE and various precision engineering parts such as stiffeners, test sockets and hand lids.

FoundPac Group Berhad is principally involved in the design, development, manufacturing, marketing and sale of precision engineering parts for the electronics and semiconductor industries and as such, this is the segment which will be of interest in this report.

Value Chain of the Electronics and Semiconductor Industries (Global), 2015



Notes:

1. *Industry segment in which FoundPac Group Berhad is principally involved in.*
2. *Companies involved in the above value chain may have overlapping principal activities and thus, may have multiple roles in the semiconductor value chain.*
3. *Although precision engineering part suppliers' products are used by OSAT companies to facilitate their testing services, precision engineering part suppliers may also sell these products to IDMs, fab-less and fab-lite companies, for onward supply to the OSAT company.*

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3 THE ELECTRONICS, SEMICONDUCTOR AND PRINTED CIRCUIT BOARD ("PCB") INDUSTRIES

Introduction

The outlook and prospects of stiffeners, test sockets and hand lids is directly tied to the electronics, semiconductor and PCB industry, as the demand for stiffeners, test sockets and hand lids is positively correlated to, and hence grows in tandem with the growth in the electronics, semiconductor and PCB industry. As industry data for stiffeners, test sockets and hand lids is not publicly available, the growth prospects of the electronics, semiconductor and PCB industry will be used as an indicator for the growth prospects of stiffeners, test sockets and hand lids.

The global semiconductor industry has significant economic contribution to most regions around the world, with significant interlinkages to the global electronics industry. The electronics and semiconductor industries emerged from the invention of transistors in the 1940s and since then, its technology has been constantly evolving in terms of speed, performance and size of semiconductor devices in order to meet the increasing demand for lighter and more powerful semiconductor devices. For instance, the advancement of IC technology can be illustrated through the evolution of computers. From the first IC-based mainframe computer developed by Texas Instruments Inc. for the United States Air Force in 1961. About a decade later, when the first microprocessor was developed by Intel Corporation, computers were able to be mass produced and made commercially available to consumers. Over the years, computers have progressed in terms of performance and reduction in weight and size, and today, there are not only desktops, but also notebooks/laptops and tablets available in the market.

Being the point of origination of electronics and semiconductors, and home to most large semiconductor industry players such as Texas Instruments Inc., Intel Corporation and Freescale Semiconductor Inc., United States has one of the oldest and most established electronics and semiconductor industries. The Asia Pacific region has also been expanding, with global semiconductor industry players emerging in Japan and Korea such as Toshiba Corporation and Samsung Electronics Co. Ltd.

Electronic product companies are ultimately the customers of the electronics manufacturing industry and examples of these electronic product companies include mobile and wireless device companies, telecommunication equipment manufacturers, and consumer electronic product manufacturers. Hence, the PCB industry is highly correlated to the growth of the electronics industry as the demand for electronic products reflects the market for its electronic components, including PCBs.

In the context of Malaysia, the booming global electrical and electronic ("E&E") industry has spurred the growth of the domestic electronics and semiconductor industry. The E&E industry is the largest manufacturing sub-segment of Malaysia's economy, contributing 5.60% of Malaysia's total GDP in 2015.

The year 1969 was a significant milestone in the history of the electronics and semiconductor industry in Malaysia, as the Penang Development Corporation was established to promote foreign direct investments ("FDI") in the Free Industrial Zone (then known as Free Trade Zone) in Penang. Beginning in 1972, major electronics and semiconductor industry players began setting up manufacturing facilities in the Free Industrial Zone in Penang. Among the first few multinational electronics and semiconductor industry players to set up manufacturing facilities in Malaysia were Intel (M) Sdn Bhd, Advanced Micro Devices Products Sdn Bhd and Clarion (M) Sdn Bhd. Many of these companies still operate their manufacturing facilities in Malaysia, and other major multinational electronics and semiconductor industry players have since established manufacturing facilities in Malaysia.

The electronics and semiconductor industries in Malaysia have been developing since its early years, as the country offers global industry players lower labour costs, competent and skilled engineers and technicians as well as a stable political environment. As talent within the industry began to grow, local Malaysian companies began to emerge as OSATs and engineering support companies such as electronic equipment manufacturers, ATE manufacturers and electronic manufacturing service ("EMS") providers.

These local companies began to grow to support the multinational electronics and semiconductor industry players, and some of these local companies have also expanded overseas to support the manufacturing facilities of their multinational clients located in other parts of the world. In the 1990s, the electronics and semiconductor industries in Malaysia began to evolve to include design and development activities as local engineers developed technical capabilities in design and engineering, and local companies ventured into the design of their own proprietary equipment.

At present, Malaysia's ability to develop human talent with technical capabilities and skills to undertake activities in various segments of the electronics and semiconductor value chain has provided a strong foundation for its electronics and semiconductor industries. The development of the electronics and semiconductor industries in Malaysia has transformed Malaysia into a major player in the global electronics industry. Malaysia has built a reputation as a producer and assembler of parts and components of manufactured E&E products with good product quality, as can be seen by the continuous demand from export markets such as United States and Singapore. Malaysia's exports of E&E products contributed about 44.43% of total manufactured exports in Malaysia, and was valued at RM277.92 billion in 2015, growing from RM231.23 billion in 2012. Meanwhile, a total of 93 projects were approved in the E&E industry in Malaysia in 2015, amounting to investments worth RM8.93 billion. A significant percentage of these investments were FDIs (91.83%), and FDIs in the country for the E&E industry grew from RM3.30 billion in 2012 to RM8.20 billion in 2015.

The Global Electronics, Semiconductor and PCB Industry

Electronics Industry

The global market for electronic products is estimated to have grown from USD1.79 trillion (RM6.31 trillion[1]) in 2009 to USD2.50 trillion (RM8.18 trillion[2]) in 2014, registering a CAGR of 6.91% during this period. Of the total worldwide electronic product sales, computers and other consumer electronics comprised the largest proportion, at an estimated 36.50%. Meanwhile, telecommunications, radio and radar equipment comprised 21.20%, control and instrument equipment comprised 7.20%, medical and industrial equipment comprised 4.70%, office equipment comprised 0.60%, and the remaining 29.80% of electronic product sales consisted of other semiconductor components. The global market for electronic products is estimated to have reached USD2.60 trillion (RM10.16 trillion[3]) in 2015, registering a CAGR of 6.42% between 2009 and 2015.

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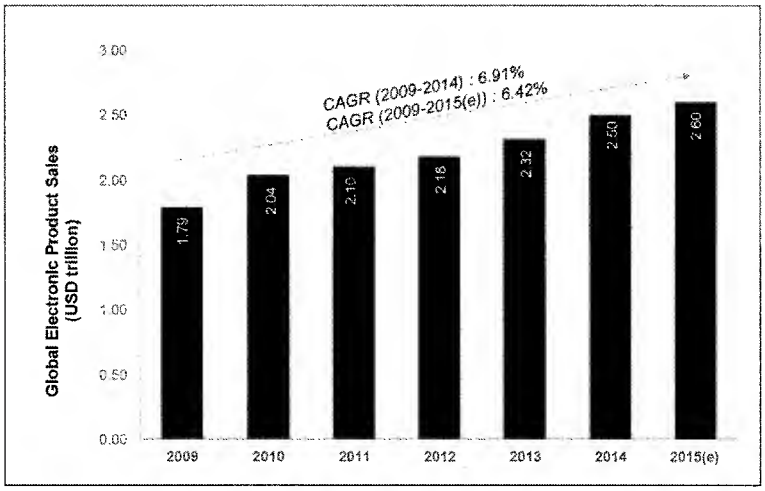
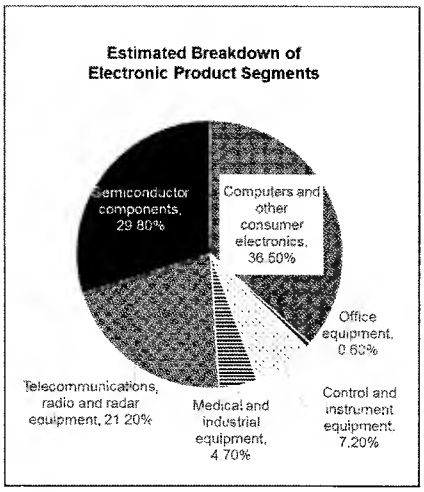
[1] Exchange rate from USD to RM in 2009 was converted based on average annual exchange rates in 2009 extracted from published information from Bank Negara Malaysia at USD1 = RM3.5236.
[2] Exchange rate from USD to RM in 2014 was converted based on average annual exchange rates in 2014 extracted from published information from Bank Negara Malaysia at USD1 = RM3.2736.
[3] Exchange rate from USD to RM in 2015 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD1 = RM3.9073.

Electronic Product Sales and the Breakdown of Electronic Product Sales by Region (Global), 2009-2015(e)



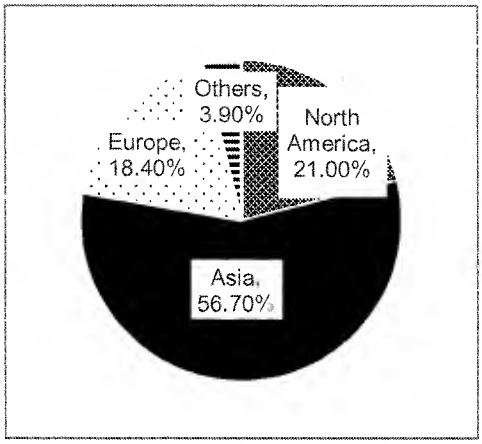


Notes:

1. *Electronic product sales refer to the sales of selected electronic products for electronic data processing, office use, control and instrumentation equipment, medical and industrial equipment, communications and radar equipment, telecommunication, semiconductor components as well as other consumer electronics including video equipment, audio equipment and personal consumer electronics (e.g. electronic watches, musical instruments, and clocks).*
2. *(e) Estimate*

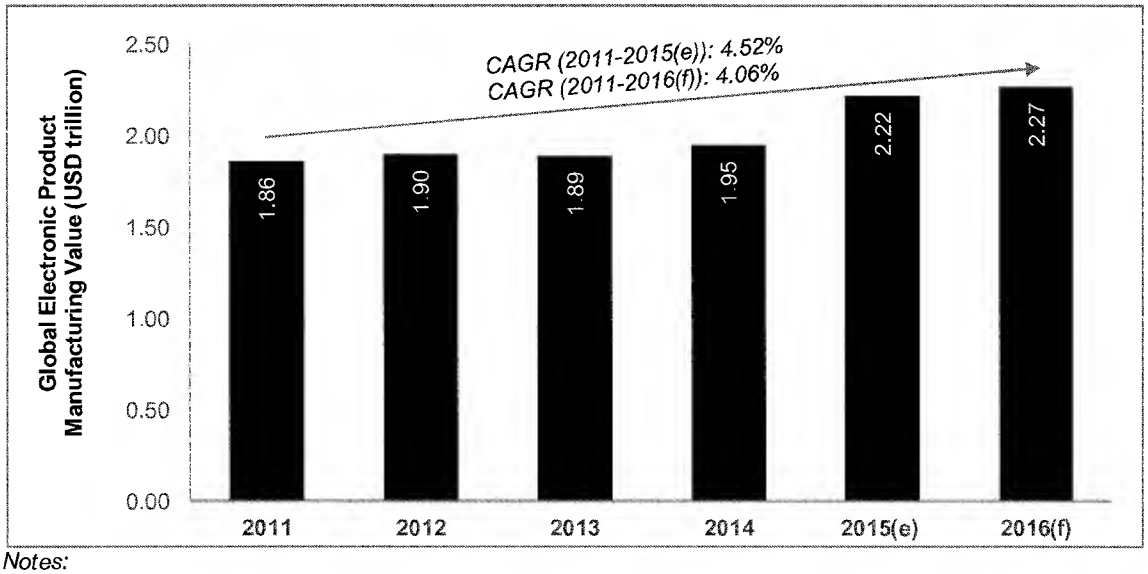
Asia constituted more than half (i.e. 56.70%) of the global electronics market size, of which a majority of sales was estimated to be from PRC. North America contributed about 21.00% to the total market size, while Europe contributed about 18.40% to the total market size.

Estimated Breakdown of Electronic Product Sales by Region (Global)



Meanwhile, global production of electronic products is estimated to have grown, in terms of manufacturing value, from USD1.86 trillion (RM5.69 trillion[4]) in 2011 to USD2.22 trillion (RM8.67 trillion[5]) in 2015, registering a CAGR of 4.52% during this period. Global manufacturing value of electronic products is estimated to reach an estimated USD2.27 trillion (RM8.87 trillion[6]) in 2016.

Electronic Product Manufacturing Value (Global), 2011-2016(f)



Notes:

1. *Electronic products include AV equipment, communication devices, computer and information terminals, other electronic equipment, electronic components, display devices and semiconductor devices.*
2. *(e) Estimate*
3. *(f) Forecast*

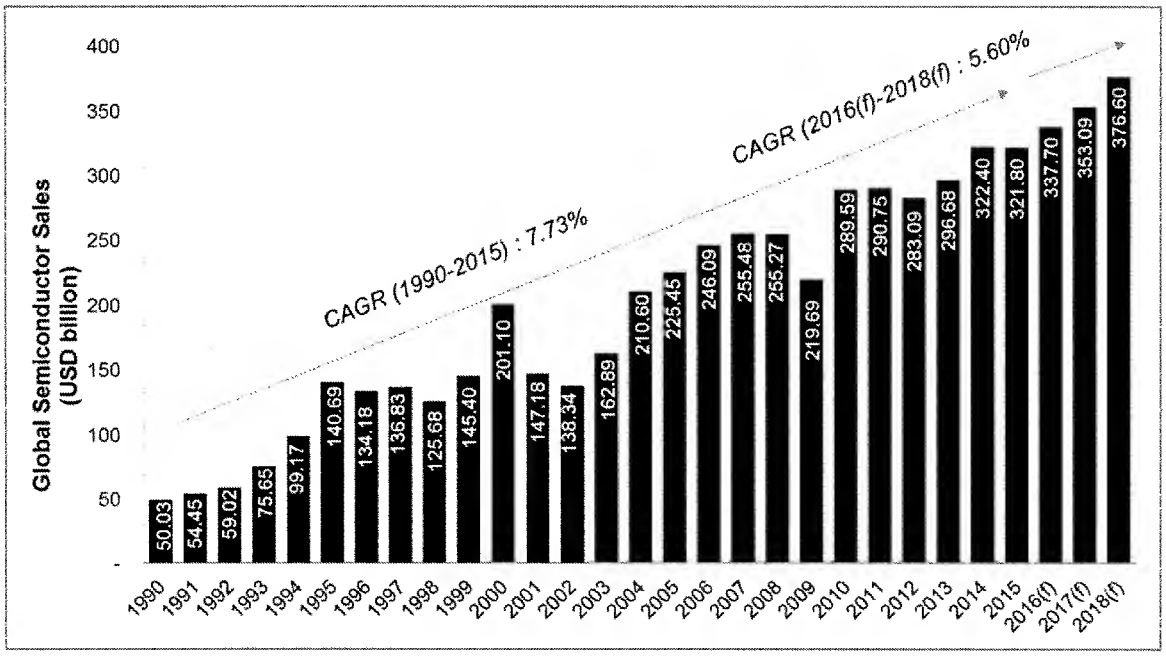
Semiconductor Industry

The semiconductor industry is highly correlated to the demand for electronic products, and the growth of the industry over the last two (2) decades has been primarily driven by continuous demand for personal computers and other consumer electronic products.

Despite several troughs occurring over the last two (2) decades, global semiconductor sales have proven to be resilient with speedy recoveries occurring in the following years, with each recovery pushing semiconductor sales higher than previous peaks. Overall, the global semiconductor industry registered a CAGR of 7.73% between the period 1990 and 2015, indicating the sustainability of the industry's growth in the long term. Semiconductor sales grew from USD50.03 billion (RM135.26 billion[7]) in 1990 to USD321.80 billion (RM1.26 trillion[8]) in 2015.

[4] *Exchange rate from USD to RM in 2011 was converted based on average annual exchange rates in 2011 extracted from published information from Bank Negara Malaysia at USD1 = RM3.0594.*
[5] *Exchange rate from USD to RM in 2015 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD1 = RM3.9073.*
[6] *Exchange rate from USD to RM in 2016 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD1 = RM3.9073.*
[7] *Exchange rate from USD to RM in 1990 was converted based on average annual exchange rates in 1990 extracted from published information from OANDA Corporation at USD1 = RM2.7035.*
[8] *Exchange rate from USD to RM in 2015 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD1 = RM3.9073.*

Semiconductor Sales (Global), 1990 – 2018(f)



The semiconductor industry is typically cyclical, characterised by periods of growth and decline caused by variations in supply and demand for semiconductors and economic cycles. The global semiconductor industry rose steadily in the early 1990s, driven by the widespread adoption of computers in businesses and homes during the period. This growth was augmented by the introduction of the Windows 3.0 operating system in 1990, which was the first operating system to gain popularity due to its ease of use, improved graphics and increased virtual memory. In 1995, the growth in demand for personal computers propelled when the Windows 95 operating system was introduced. Windows 95 enhanced compatibility and user-friendliness, as well as marked the change from 16-bit to 32-bit computers that enabled better performance processors. Accordingly, the semiconductor industry experienced a strong spike in sales of 41.87% between 1994 and 1995. The market for personal computers entered into a correction phase in 1996 as inventories of computer parts were excessive due to the accelerated trend of office automation and personal computers in the previous years. As a result, the industry experienced a decline of 4.63% between 1995 and 1996, though the industry recovered the following year.

During the Asian financial crisis in 1998, the market fell by 8.15% in the year but quickly rebounded with a growth of 15.69% in 1999. As a result of the Internet boom in 2000, the semiconductor industry increased significantly by 38.31% from 1999 to 2000 due to the expanding demand from the computer and telecommunication industries. However the semiconductor market once again underwent a market correction of excess inventory stocks for semiconductors in 2001 and 2002, causing a slowdown in those years. Nevertheless, the market recovered in 2003 with a year-on-year growth of 17.75% from 2002 and has since illustrated an upward trend, save for declines in 2008 and 2009 due to the global financial crisis, from which the industry recovered strongly with a growth of 31.82% in the following year of 2010.

In 2012, the semiconductor industry experienced a dip of 2.63% due to the fall in demand for personal computers. This was exacerbated by the onset of the European financial crisis which lowered consumer spending on personal computers and other consumer electronics such as mobile phones and televisions which are one of the largest components of electronic product sales. Meanwhile, the global semiconductor industry continued to face challenges of decreasing average selling prices from suppliers in the PRC. Nevertheless as the European economy recovered and with the substantial rise in demand

for mobile and wireless devices such as smartphones and tablets, the semiconductor industry rebounded and grew to USD296.68 billion (RM934.87 billion[9]) in 2013.

The semiconductor industry posted all-time high sales of USD322.40 billion (RM1.06 trillion[10]) in 2014, due to the increase in demand for consumer electronics, particularly for smartphones and tablets. Consumer spending on smartphones is projected to increase predominantly in emerging markets, due to the declining average selling prices of smartphones and introduction of new products from major mobile and wireless device brands such as Apple and Samsung. In addition, this growth is also expected to be fuelled by emerging consumer electronic products such as smart watches, three (3)-dimension printers, Ultra High Definition ("Ultra HD") television displays, and health and fitness devices.

The healthy CAGR illustrated by global electronics and semiconductor sales is driven by the importance of electronic products in various applications and industries today, whereby the range of applications for electronics has broadened dramatically over recent decades, and electronic products developed today play essential roles among consumers. In addition, rapid technological advancements within the electronics industry have driven, and are also expected to continue, to promote new product advancements in the market as electronics manufacturers need to ensure their products remain competitive and are not obsolete. Consumers are highly receptive to these new product introductions, resulting in relatively shorter product lifecycles for most electronic products, especially consumer electronics such as mobile and wireless devices. As a result, new and enhanced versions of products are constantly introduced to the market, and these new introductions have been the key driving factor for electronics and semiconductor sales.

The global semiconductor industry is forecast to grow from USD337.70 billion (RM1.32 trillion[11]) in 2016 to reach USD376.60 billion (RM1.47 trillion[12]) in 2018, registering a CAGR of 5.60% during the period.

The Electronics, Semiconductor and PCB Industry in Malaysia

The electronics industry in Malaysia is driven by the global demand for electronic products.

Electronics Industry

The E&E industry, of which the electronics industry is a sub-sector, has been acknowledged as a pillar of Malaysia's economy as it is one of the largest economic sectors in the country. The E&E industry has been acknowledged as a pillar of the nation's economy, as it is one of the five (5) largest economic sectors in the country and contributes to about a third of the nation's export income. The industry accounted for 5.60% of Malaysia's GDP in 2015, where its GDP was valued at RM64.80 billion, growing at a CAGR of 9.67% from RM44.80 billion in 2011.

[9] Exchange rate from USD to RM in 2013 was converted based on average annual exchange rates in 2013 extracted from published information from Bank Negara Malaysia at USD1 = RM3.1511.
[10] Exchange rate from USD to RM in 2014 was converted based on average annual exchange rates in 2014 extracted from published information from Bank Negara Malaysia at USD1 = RM3.2736.
[11] Exchange rate from USD to RM in 2016 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD1 = RM3.9073.
[12] Exchange rate from USD to RM in 2018 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD1 = RM3.9073.

Economic Statistics (Malaysia), 2011-2015

Year	National GDP (RM billion)	E&E Industry GDP (RM billion)	E&E Industry Contribution to National GDP (%)
2011	864.90	44.80	5.18
2012	912.30	45.80	5.02
2013	955.30	47.40	4.96
2014	1,012.50	45.50	4.49
2015	1,157.10	64.80	5.60

Note:

GDP data is at constant 2010 prices

Source: Department of Statistics Malaysia

Over the years, Malaysia has built a reputation as a producer and assembler of parts and components of manufactured goods with good product quality. This has led to continuous demand for Malaysia's E&E products from various end-user industries such as consumer electronics, telecommunications and automotive for both the domestic and export markets. In light of this, Malaysia's exports of E&E products grew from RM231.23 billion in 2012 to RM277.92 billion in 2015. Meanwhile, a total of 93 projects were approved in the E&E industry in Malaysia, amounting to investments worth RM8.93 billion in 2015. A significant percentage of these investments in 2015 were FDIs (91.83%), and FDIs in the E&E industry in the country grew from RM3.30 billion in 2012 to RM8.20 billion in 2015.

Investments and Export Values (Malaysia), 2012-2015

Year	No. of Projects	Total Investments (including FDI) (RM billion)	FDI (RM billion)	E&E Product Export Value (RM billion)
2012	112	3.99	3.30	231.23
2013	118	9.81	8.50	236.98
2014	96	11.15	10.40	256.14
2015	93	8.93	8.20	277.92

Source: Malaysian Industrial Development Authority ("MIDA"), Department of Statistics Malaysia

Semiconductor Industry

The semiconductor industry in Malaysia grows in tandem with global semiconductor market trends. Overall, the semiconductor industry in Malaysia witnessed positive growth over the last six (6) years, boosted by the increasing production of E&E products during the same period. Production of ICs grew from 23.28 billion units in 2009 to 24.25 billion units in 2015, registering a CAGR of 0.69% between 2009 and 2015. During the same period, Malaysia's production of other semiconductor components also increased, from 44.16 billion units in 2009 to 47.32 billion units in 2015, growing at a CAGR of 1.16%.

Production of ICs and Semiconductor Devices (Malaysia), 2009-2015

Product *(million units)*	Year							CAGR (2009 - 2015)
	2009	2010	2011	2012	2013	2014	2015	
ICs	23,279	38,007	33,380	39,391	35,686	24,613	24,253	0.69%
Semiconductor devices including diodes and transistors	44,156	52,181	50,470	55,884	54,643	51,594	47,320	1.16%

Source: Department of Statistics Malaysia

The Government of Malaysia (or the Government) plays an active role in driving the electronics and semiconductor industry, with aims of growing gross national income ("GNI") contribution from the semiconductor industry by an additional RM53.40 billion by 2020. In an effort to reach this goal, the Government of Malaysia intends to shift the local semiconductor industry further up the value chain through emphasis on mature technology fabrication and expanding into advanced packaging and design of ICs, as well as supporting the growth of substrate manufacturers.

In summary, among some of the Economic Transformation Programme ("ETP") initiatives which are expected to drive the growth of the semiconductor industry in Malaysia include:

- **Executing a Smart Follower Strategy for Mature Technology Fabrication**
  Semiconductor fabrication plants are high value-added manufacturing plants which anchor the entire semiconductor chain, and the Government of Malaysia estimates that the establishment of this segment of the semiconductor industry in Malaysia would provide an incremental GNI of RM4.20 billion, alongside creating 6,500 jobs. The Government intends to pursue a smart follower strategy in which emphasis is placed on establishing fabrication plants which use mature technology (i.e. defined as 90 nanometer or larger transistor feature size) and are focused on niche applications (e.g. analog, power).

- **Developing Assembly and Test using Advanced Packaging Technology**
  Despite the fact that Malaysia's semiconductor assembly and test segment is an established industry, very few firms offer advanced packaging services such as bumping or wafer level packaging. The Government of Malaysia intends to provide financial assistance to selected local assembly and test companies to bring advanced packaging services to Malaysia, and the learnings from this can be applied to other industry players in Malaysia. The Government aims to attract foreign companies to establish advanced semiconductor packaging services in Malaysia.

- **Developing IC Design Firms**
  The Government of Malaysia is committed to identifying and encouraging IC design firms to set up in Malaysia, with the intention for 50 additional IC design firms to be set up by 2020. Amongst some of the initiatives the Government is working on in order to meet this target are shared services and laboratories for electronic design automation, prototyping and testing, financial assistance to train local talent and incentives for multinational companies ("MNCs") to outsource IC design to local IC design companies.

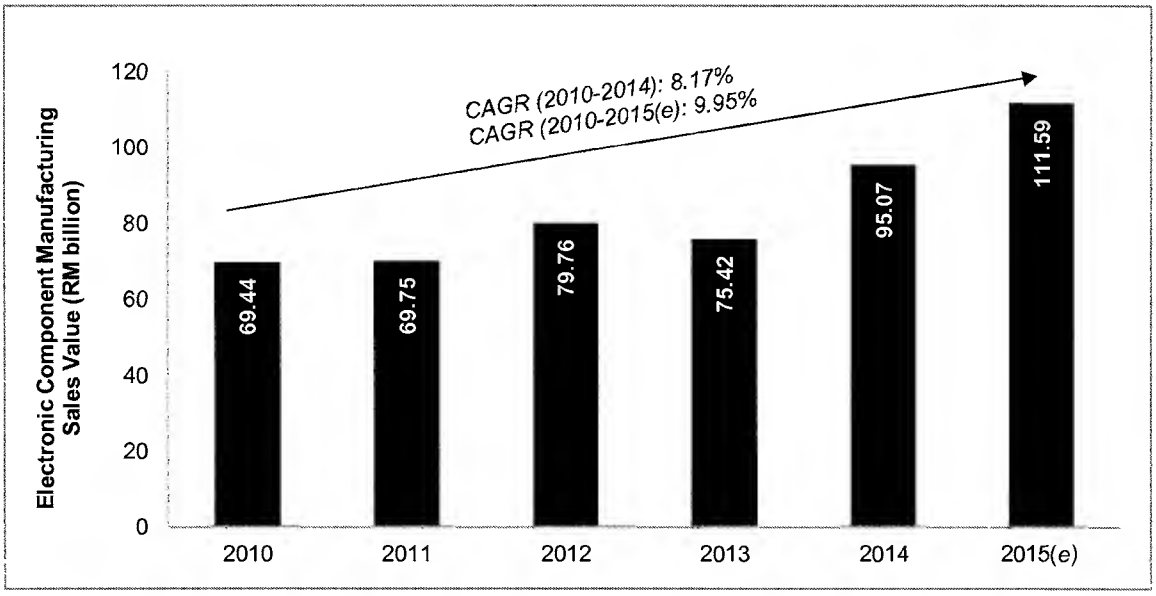
- **Increasing the Number of Silicon Producers**
  The growth of the core semiconductor industry value chain is expected to increase Malaysia's silicon production from 6,000 metric tonnes to 170,000 metric tonnes by 2020. The Government intends to establish one (1) MNC and two (2) domestic silicon manufacturers each year till 2020 to achieve this target. At present, Tokuyama Corporation has invested approximately RM3.00 billion to build its first polycrystalline silicon plant in Sarawak, and a further RM3.70 billion to build a second plant in Sarawak with a capacity of 13,800 metric tonnes.

As the Government continues to drive and support the growth of the semiconductor industry, the growth prospects for the semiconductor industry in Malaysia appear to be positive. Moreover, the semiconductor industry in Malaysia is also expected to benefit from increasing worldwide demand.

PCB Industry

The electronic component industry is used as a growth indicator for the PCB industry, as it is the broader industry segment of the PCB industry. The size of the electronic component industry can be measured based on the manufacturing sales value of electronic components (including PCBs). Between 2010 and 2014, the electronic component manufacturing sales value in Malaysia grew at a CAGR of 8.17%, increasing from RM69.44 billion in 2010 to RM95.07 billion in 2014. Electronic component manufacturing sales value in Malaysia is estimated to have grown to RM111.59 billion in 2015.

Electronic Component Manufacturing Sales Value (Malaysia), 2010 – 2015(e) *



Notes:

1. ** Includes the manufacture of electrical capacitors, resistors, printed circuit boards, display components, diodes, transistors and similar semiconductor devices, electronic integrated circuits micro assemblies and other components for electronic applications.*
2. *(e) Estimate*

Source: Department of Statistics Malaysia

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Malaysia's exports of PCBs recorded a trade value of USD1.59 billion (RM5.19 billion[13]) in 2014, having grown from USD845.97 million (RM2.72 billion[14]) in 2010 at a healthy CAGR of 17.00%.

PCB Exports (Malaysia), 2010-2014

Year	USD (million)	RM (billion)
2010	845.97	2.72
2011	902.60	2.76
2012	1,417.93	4.38
2013	1,536.79	4.84
2014	1,585.36	5.19
CAGR (2010-2014)	**17.00%**	

Note:
Exchange rates from USD to RM from 2010 to 2014 were converted based on annual average exchange rates in the respective years, as extracted from Bank Negara Malaysia.

Source: *United Nations Comtrade database*

According MIDA, a total of 93 projects were approved in the E&E industry in Malaysia, amounting to investments worth RM8.93 billion in 2015. In 2014, there were RM11.15 billion worth of investments, of which RM5.84 billion were for electronic components, RM3.12 billion for industrial electronics, RM1.81 billion for electrical products and the balance of RM380.00 million were for consumer electronics. In the electronic components sector, most of the projects approved were for the production of semiconductor devices, PCBs and optoelectronics devices. Out of the RM5.84 billion worth of investments, the biggest investment of RM3.20 billion was for the expansion of a wafer fabrication plant owned by a wholly foreign-owned company, with a further RM1.50 billion invested into the production of PCBs, also by a wholly foreign-owned company. These projects are expected to generate around 2,963 jobs.

In addition, PCB companies that fall within MIDA's list of qualified high technology companies which are involved in activities promoted by MIDA, or in the production of products promoted by MIDA, in areas of new and emerging technologies, will be granted tax incentives by the Government of Malaysia, thereby further driving the growth of the local PCB industry.

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[13] *Exchange rate from USD to RM in 2014 was converted based on average annual exchange rates in 2014 extracted from published information from Bank Negara Malaysia at USD1 = RM3.2736.*
[14] *Exchange rate from USD to RM in 2010 was converted based on average annual exchange rates in 2010 extracted from published information from Bank Negara Malaysia at USD1 = RM3.2182.*

Industry Drivers

Importance of electronic products in multiple industries

The range of applications for electronics and semiconductors has broadened dramatically over the last couple of decades, and electronic products developed today play essential roles in consumer retail, medical, manufacturing and telecommunications industries. Many of these industries cannot function without the use of electronic equipment. For instance, the medical industry requires the use of electronic medical equipment to perform diagnosis, monitoring and treatment of patients. The manufacturing industry today also largely consists of fully or semi-automated manufacturing facilities, and thus electronic machinery and equipment form an integral component of manufacturing activities.

Consumer electronics such as mobile and wireless devices, televisions and home appliances are now the largest contributors to electronic product sales, comprising 36.50% of total electronic product sales worldwide. Mobile and wireless devices, which comprise mobile feature phones, smartphones and tablets have become a necessity as a means of communication and connectivity. In 2013, the penetration of mobile phones reached 73.00% of the global population, while smartphones had a 22.00% penetration rate. While mobile cellular subscriptions illustrated a healthy growth of 214.30% in a span of nine (9) years between 2007 and 2015, active mobile broadband (which enables the use of smartphones and tablets) grew almost six (6) times faster with a growth of 1,194.00% during the same time period, from 268.00 million subscriptions in 2007 to 3.20 billion subscriptions in 2015 and thus, much of the growth of the electronics and semiconductor industry is expected to be driven by the rapidly increasing uptake of smartphones and tablets.

Further, computers have become one of the most used technological items today. Computers enable information technology ("IT") which is the application of computers and other equipment to store, retrieve, transmit and manage digital data. As an increasing volume of digital data is managed and stored globally, IT is increasingly integrated with consumers' lifestyle and business operations. In other words, consumers and businesses have become increasingly dependent on computers for connectivity as well as to perform daily tasks such as accessing information and preparing business documents. The market potential for computers can be depicted through total worldwide IT expenditure, which is valued at USD3.70 trillion (RM11.66 trillion[15]) in 2013, an increase of 15.63% from USD3.20 trillion (RM11.28 trillion[16]) in 2009.

Rapid technological advancements drive electronics and semiconductor sales

Moving forward, it is expected that the number of electronic products which are integrated with the lifestyle of today's society will only increase further. Rapid technological developments within the electronics and semiconductor industry will also continue to promote new product advancements in the market as industry players need to ensure their products remain competitive and are not obsolete.

The electronics and semiconductor industries have seen developments in terms of performance, size and technology of various products. For instance, computers which have transformed from when they were first introduced in 1961 as mainframe computers, to the current portable size of notebooks/laptops today. Even just within the last few years, new computer models are constantly introduced to the market with advancements made in terms of its processor performance and reductions in weight and size. Likewise, mobile phones have experienced similar advancements in the 21st century, in terms of design, performance, features and reductions in weight. Mobile phones are no longer just a telecommunication tool for making telephone calls and sending and receiving messages; more advanced smartphones now have functions for Internet access, photography, data storage, entertainment and social media networking.

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[15] Exchange rate from USD to RM in 2013 was converted based on average annual exchange rates in 2013 extracted from published information from Bank Negara Malaysia at USD1 = RM3.1511.

[16] Exchange rate from USD to RM in 2009 was converted based on average annual exchange rates in 2009 extracted from published information from Bank Negara Malaysia at USD1 = RM3.5236.

Consumers are highly receptive to these new product innovations, resulting in relatively shorter product lifecycles for most E&E products, especially consumer electronics. As a result, new and enhanced versions of products are constantly introduced to the market, and these new introductions have been the key driving factor for electronics and semiconductor sales.

One of the most prevalent trends in the electronics and semiconductor industries is the rise of mobile and portable engineering designs which promote convenience. With the increase in demand for mobile and wireless devices, industry players are constantly developing newer electronic and semiconductor components to meet market requirements for smaller and more lightweight products. In addition, this trend has also led to greater demand for wireless-enabled electronic components (e.g. Wi-Fi connection and Bluetooth adaptors) and power management ICs (e.g. batteries). This is expected to result in a further increase in the demand for semiconductor devices for the manufacture of these electronic components, thus further driving the growth of the industry.

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4 PRECISION ENGINEERING PART INDUSTRY IN MALAYSIA

Introduction

Precision engineering parts refer to parts used in the electronics and semiconductor industry which require high level of precision in the manufacturing process. Stiffeners, test sockets and hand lids are examples of precision engineering parts used during the testing of ICs.

A stiffener acts as a docking mechanism, and it ensures that PCBs, on which the ICs are affixed, remain rigid and firm in its position during testing of the ICs. During the manufacturing, assembly and testing of PCBs, the use of stiffeners will provide a flat and strong base. Stiffeners offer added mechanical strength, rigidity and support as the PCB can be firmly fastened onto the stiffener, enabling it to be moved or transported more easily and with less likelihood of damage, bending or sagging. A more rigid PCB will also allow efficient and maximum delivery of current across it. A stiffener's configuration and material (be it ferrous or non-ferrous) can be customised to suit the PCB and its usage.

Test sockets are placed on PCBs and are configured to receive and protect the leads/ balls of an IC, while hand lids are used during the setup of manual test to secure a device under test ("DUT") in place. Test sockets and hand lids are used for the testing of finished and semi-finished IC devices, to test for failures or to verify processing power and performance. Test sockets and hand lids compress and secure the device onto a load board for testing, and are typically used in semiconductor companies, IC packaging foundries and test handler companies. The test socket is customised to fit the DUT as well as the load board.

As an illustration to the level of precision required in the manufacturing of these parts, the manufacturing of test sockets in particular involves the drilling of 80 micron[17] diameter holes with a hole pitching, i.e. distance between the center of two (2) holes, of 125 micron. As such, the precision engineering part industry in Malaysia remains a niche and specialist industry, with only a handful of industry players which can undertake the entire process of designing and manufacturing precision engineering parts for testing process.

Key Demand Drivers

Strong global demand for electronic products supports and increases demand for precision engineering parts

Historically, Malaysia's E&E industry has been acknowledged as a pillar of the nation's economy, contributing to more than a third of the nation's export income. Malaysia's reputation as a producer and assembler of parts and components of manufactured goods with good product quality has led to continuous demand for Malaysia's E&E products from various end-user industries such as consumer electronics, telecommunications and automotive for both the domestic and export market. In light of this, Malaysia's exports of E&E products increased by 20.19% from RM231.23 billion in 2012 to RM277.92 billion in 2015.

[17] *Also known as micrometre; 1 micron is equal to one thousandth of a millimetre, or 0.001 mm.*

The global market for E&E products is estimated to have grown from USD1.79 trillion (RM6.31 trillion[18]) in 2009 to an estimated USD2.60 trillion (RM10.16 trillion[19]) in 2015, registering a CAGR of 6.42% during this period. In line with the growth of the E&E market worldwide, global semiconductor sales also depicted a positive growth trend, growing at a CAGR of 6.57% from USD219.69 billion (RM774.10 billion[20]) in 2009 to USD321.80 billion (RM1.26 trillion[21]) in 2015.

A major driving factor of the growth of the global demand for the electronics and semiconductor industries is the rapid technological advancement of electronic products in the market. Rapid technological developments within the electronics and semiconductor industries have, and will continue to, propel the introduction of new product advancements to the market as industry players need to ensure their products remain competitive and are not obsolete. Supported by healthy economic conditions, consumers are also highly receptive to these new product introductions, resulting in relatively shorter product lifecycles for most E&E products, especially consumer electronics. As a result, new and enhanced versions of products are constantly introduced to the market, and these new introductions have been the key driving factor of electronics and semiconductor sales.

These shorter product lifecycles have led to semiconductor industry players reducing turnaround periods of semiconductor manufacturing, by introducing new products quicker, in order to remain relevant with the latest products in the market. As such, precision engineering parts (including stiffeners, test sockets and hand lids) which are customised to fit the device that is to be tested, have to be constantly manufactured to allow for the testing of new ICs that have been developed.

As a supporting industry to the electronics and semiconductor industries, the precision engineering part industry in Malaysia is supported by the strong prospects of the electronics and semiconductor industries. The precision engineering part industry also stands to benefit from the importance of E&E products in multiple industries, and increased E&E product sales as a result of rapid technological changes and rising consumer income levels.

Government support and initiatives in light of promoting the E&E and related industries

The Government of Malaysia plays an active role in driving the E&E industry. Government bodies such as MIDA facilitate the provision of land, infrastructure and financial incentives to existing MNCs to encourage expansion while simultaneously attracting new foreign firms to set up operations in Malaysia.

Under the 10th Malaysia Plan ("10MP"), the Government aimed to shift the E&E industry further up the value chain through the development of existing talent and technological capabilities. These efforts continued to be intensified in the 11th Malaysia Plan ("11MP") through the following initiatives:

- Encouraging existing sectors to move up the value chain by focusing on high value, knowledge incentive activities which require skilled workers;
- Minimising human capital gaps in the country, through the establishment of an Industry Skills Committee, which will serve as a platform to gather information from the different sectors, and identify the human capital requirements for future human capital planning;
- Incentivise pioneers and develop workforce skills and capabilities in catalytic sub-sectors in the E&E industry to promote development of frontier products;
- Improving access to financing through encouraging financial institutions to engage in panels of experts when evaluating business and innovation projects in new areas; and

[18] *Exchange rate from USD to RM in 2009 was converted based on average annual exchange rates in 2009 extracted from published information from Bank Negara Malaysia at USD1 = RM3.5236.*
[19] *Exchange rate from USD to RM in 2015 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD1 = RM3.9073.*
[20] *Exchange rate from USD to RM in 2009 was converted based on average annual exchange rates in 2009 extracted from published information from Bank Negara Malaysia at USD1 = RM3.5236.*
[21] *Exchange rate from USD to RM in 2015 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD1 = RM3.9073.*

- Encouraging manufacturers to undertake research and development ("R&D") and innovation activities by leveraging on existing research institutions, as well as increasing strategic alliances with developed countries in the field of technology, innovation and R&D.

Additionally, the Ministry of International Trade and Industry ("MITI") and Malaysia External Trade Development Corporation ("MATRADE") actively promote local electronics manufacturers. These agencies offer tax incentives to foreign companies by encouraging them to utilise the services of local manufacturers, including EMS or electronic contract manufacturing providers. As a result of these policies, Malaysia's FDIs grew from RM3.30 billion in 2012 to RM8.50 billion in 2013.

While the country has focused on assembly in the lower end of the value chain in the past, the Government now aims to revitalise the industry by focusing on higher value-added activities such as R&D, design and manufacturing, in an effort to maintain growth and compete effectively against other nations globally. This is particularly seen in the Government's plans under the ETP.

Under the ETP, the Government intends to grow the E&E industry to increase its GNI contribution to RM53.40 billion by 2020, create an additional 157,000 highly skilled and medium skilled jobs and place more emphasis on the development of regional clusters in the Northern Corridor, Klang Valley, Johor, Sabah and Sarawak. The achievement of RM53.40 billion GNI is expected to be accomplished via the execution of a total of 20 entry point projects ("EPPs") in the semiconductor, solar, light emitting diodes ("LED"), industrial electronics and home appliances sector.

Particularly in the semiconductor sector, the ETP outlines several EPPs, including building a strong foundation in the areas of mature technology fabrication, expansion into advanced packaging and design of ICs, promoting the growth of substrate and silicon manufacturers, building a test and measurement hub, and growing automation equipment manufacturing.

The Government's plan to develop the industrial electronics and home appliances sector involves moving towards developing the testing and measurement sector which will, in turn, benefit the precision engineering part industry, particularly precision engineering parts which are manufactured for testing processes such as stiffeners, test sockets and hand lids.

The outlook for the precision engineering part industry in Malaysia is positive in line with the Government's plan under the 11MP and ETP to further spur the E&E industry and other industries involved in the semiconductor industry value chain.

Increase in outsourcing to engineering support companies, and relocation of manufacturing activities to lower cost countries

With the rapid advancement in products developed in the semiconductor industry, semiconductor manufacturers, OSATs and PCB design houses are able to focus on their core business activities while leaving the manufacturing, enhancement and adaptation of supporting equipment and parts, including precision engineering parts, to precision engineering part industry players. This has allowed semiconductor manufacturers, OSATs and PCB design houses to remain competitive in the industry by managing cost effectiveness and limiting capital expenditure.

Furthermore, semiconductor manufacturers and OSATs are increasingly relocating their manufacturing facilities to lower cost countries within Asia in order to achieve better cost effectiveness and economies of scale. This is due to the substantially lower operating costs as well as the availability of talent in these markets. The shift towards the Asia region also has an added benefit of allowing semiconductor manufacturers and OSATs to tap into the growing demand for electronic products in Asia.

In light of this, precision engineering part industry players have also emerged in Malaysia in order to cater to the growing need of the market. As such, the outsourcing and relocation trend has, and is expected to continue to, support the growth of the precision engineering part industry in Malaysia.

Supply Conditions and Dependencies

Availability of skilled personnel

The precision engineering part industry is faced with rapid technological developments and thus, one of the key supplies of the industry is the talent involved in the design and engineering of precision engineering parts. As such, it is necessary to hire personnel with the required technical skills and engineering capabilities.

Generally, Malaysia has an adequate supply of skilled personnel with backgrounds in E&E, where employment in the E&E industry grew from 296,870 persons in 2008 to 471,672 persons in 2014. This has been largely driven by the 10MP where efforts have been undertaken to form industry and academia collaborations, especially in the areas of R&D and training, in an effort to develop centres of engineering, as well as to develop state level skills training centres and co-funding post graduate programmes in critical areas. Moving forward, the 11MP is expected to intensify these efforts through initiatives undertaken to develop workforce skills and capabilities to undertake R&D and innovation activities.

Looking ahead, under the ETP, the Government aims to create an additional 157,000 highly skilled and medium skilled jobs in the E&E industry.

Availability of raw materials, supplies and machinery

The raw materials and supplies used in the manufacturing of precision engineering parts are primarily ferrous and non-ferrous materials, comprising stainless steel, aluminum and engineering plastic materials. Though these materials and supplies are typically imported, they are generally readily available, and do not experience any major fluctuations in prices.

Machinery utilised in the manufacturing of precision engineering parts include, amongst others, computer numerical machinery ("CNC"). These machinery are readily available via imports, largely from the United States, Germany, Taiwan and Japan, from local suppliers and importers.

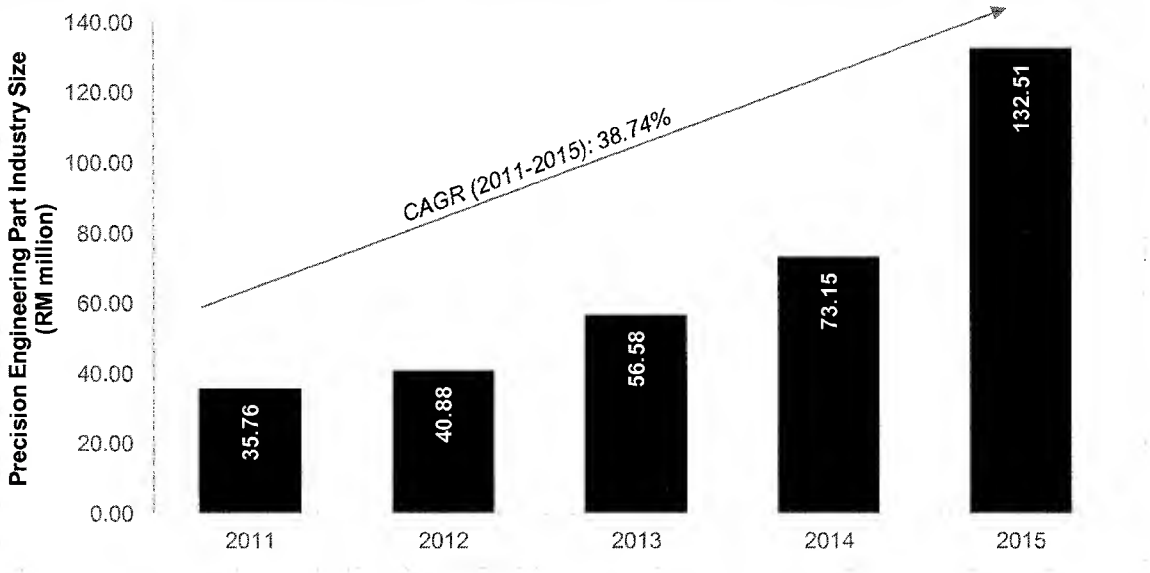
Industry Performance, Size and Growth

The precision engineering part industry grows in tandem with the electronics, semiconductor and PCB industry as it is an engineering support industry to the semiconductor industry. The industry size for precision engineering parts can be measured in terms of the revenues of major industry players which are involved in the design, development and manufacturing of precision engineering parts.

For the purpose of this report, the precision engineering part industry size in Malaysia has been calculated based on identified local industry players involved in the design, development and manufacturing of stiffeners, test sockets and hand lids, namely AEM Microtronics (M) Sdn Bhd, Esmo Automation (M) Sdn Bhd, FoundPac Group Berhad, Fujim Digital Sdn Bhd, JF Microtechnology Sdn Bhd, Multitest Electronic Systems (Penang) Sdn Bhd and Test Tooling Solutions (M) Sdn Bhd. These local industry players have local manufacturing facilities and are involved in the design, development and manufacturing of precision engineering parts, and other activities.

Based on these identified local industry players, the precision engineering part industry size in Malaysia grew from RM35.76 million in 2011 to RM132.51 in 2015, at a CAGR of 38.74%. The growth of the precision engineering part industry is expected to be driven by the continued demand for electronic products, which are supported by the importance of electronic products in multiple industries as well as rapid technological advancements in the electronics and semiconductor industries.

Precision Engineering Part Industry Size (Malaysia), 2011-2015



Notes:

1. *The precision engineering part industry size has been computed based on identified local industry players involved in the design, development and manufacturing of stiffeners, test sockets and hand lids (as listed in Chapter 5 – The Precision Engineering Part Industry in Malaysia (Competitive Landscape).*
2. *Latest available data is as at 2015 as 2015 is the latest year where financial information of the identified industry players are available.*

Source: Companies Commission of Malaysia ("CCM")

Due to the global nature of the semiconductor industry, precision engineering part industry players serve their customers worldwide. The global prospects of precision engineering part industry players in Malaysia can be illustrated through the growth in the global semiconductor industry, as data on global precision engineering part industry players is not publicly available. The global semiconductor industry is forecast to grow from USD337.70 billion (RM1.32 trillion[22]) in 2016 to reach USD376.60 billion (RM1.47 trillion[23]) in 2018, registering a CAGR of 5.60% during the period.

In line with the growth in the semiconductor industry, semiconductor manufacturers, OSATs, PCB design houses and/or other channel partners (or customers of these precision engineering part industry players) will continue to purchase stiffeners, test sockets and hand lids for testing. In addition, semiconductor manufacturers and OSATs are increasingly relocating their manufacturing facilities to lower cost countries within Asia in order to achieve better cost effectiveness and economies of scale. The shift towards the Asia region also has an added benefit of allowing semiconductor manufacturers and OSATs to tap into the growing demand for electronic products in Asia. In light of this, precision engineering part industry players have also emerged in Malaysia in order to cater to the growing need of the market.

[22] *Exchange rate from USD to RM in 2016 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD1 = RM3.9073.*
[23] *Exchange rate from USD to RM in 2018 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD1 = RM3.9073.*

Product/Service Substitution

Stiffeners, test sockets and hand lids are essential for performing testing on PCBs and ICs, and as such there is no available substitute for these products.

Without proper precision machining of these parts, the precision engineering part will not be able to suit or fit the DUT, resulting in a possible delay and substantial loss in costs to the semiconductor manufacturers and OSATs. In addition, this may also damage the reputation of semiconductor manufacturers and OSATs due to their inability to deliver on a timely basis. Semiconductor manufacturers and OSATs are thus very particular in their selection of precision engineering part manufacturers. Further, owing to the pressures to remain competitive in the industry, semiconductor manufacturers strive to effectively manage cost effectiveness and limit capital expenditure, and thus are expected to continue to purchase precision engineering parts from precision engineering part industry players, as opposed to manufacturing these parts in-house.

Reliance and Vulnerability to Imports

Data on import for precision engineering parts (i.e. stiffeners, test sockets and hand lids) is not publicly available, and as such imports of precision engineering parts into Malaysia cannot be quantified.

Nevertheless, it is noted that the overall semiconductor industry is global in nature, where machinery, equipment and parts used in semiconductor manufacturing are typically sourced globally. This is the case with precision engineering parts, where semiconductor manufacturers, OSATs, PCB design houses and/or other channel partners who are customers of these precision engineering part industry players, may source such parts globally. As there are semiconductor manufacturers, OSATs, PCB design houses and/or other channel partners located in multiple countries worldwide, it is expected that precision engineering parts manufactured in Malaysia will be exported for use in markets where these companies operate.

As an illustration, FoundPac Group Berhad exported between 94.00% and 96.00% of its products to foreign markets in North America, Europe and other countries in Asia in the last FYE 30 June 2013, FYE 30 June 2014 and FYE 30 June 2015.

Relevant Laws and Regulations

Save for the laws and regulations generally applicable to all companies carrying out business activities in Malaysia, there are no special or industry-specific laws and regulations governing the precision engineering part industry.

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5 COMPETITIVE LANDSCAPE

Overview

The precision engineering part industry in Malaysia is a niche and specialist industry within the broader electronics, semiconductor and PCB industry. Industry players in this segment are able to undertake the process of design, development and manufacturing of precision engineering parts for the testing process.

Global

The precision engineering part industry is global in nature, with semiconductor manufacturers, OSATs, PCB design houses and/or other channel partners (or customers of these precision engineering part industry players) sourcing these products globally. Apart from Malaysia, precision engineering parts are also typically manufactured in the United States, Germany, Singapore, South Korea and Japan. Due to the global nature of the industry, precision engineering part industry players in Malaysia also compete with other foreign precision engineering part industry players in the global market, particularly when they are involved in the exports of precision engineering parts to foreign markets.

Some of the foreign precision engineering part industry players in the global market are as listed below:

Industry player	Location of head office
APS Solutions GmbH	Germany
Everett Charles Technologies LLC	United States
Interconnect Devices, Inc.	United States
Johnstech International Corporation	United States
Qualmax, Inc./ Qualmax Testech, Inc.	South Korea
VA Innovation Pte. Ltd.	Singapore
Yamaichi Electronics Co. Ltd.	Japan
Yokowo Co. Ltd.	Japan

Note:
This list include examples of companies involved in design, development and manufacturing of precision engineering parts in the global market, and is not exhaustive.

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Malaysia

The competitive landscape in Malaysia comprises both local and foreign multinational industry players. Foreign multinational players have local manufacturing facilities and/ or support services in Malaysia. The industry players that are of interest in this report are companies involved in the design, development and manufacturing of precision engineering parts, particularly stiffeners, test sockets and/or hand lids.

A list of identified industry players in Malaysia is shown as follows:

Industry Players and Profiles

Industry Player	Products/ Services	Financial Year End	Revenue (RM '000)
AEM Microtronics (M) Sdn Bhd	Stiffeners, test sockets and hand lids	31 December 2015	5,454.25
Esmo Automation (M) Sdn Bhd	Stiffeners and test sockets	31 March 2015	13,315.00
FoundPac Group Berhad	Stiffeners, test sockets and hand lids	30 June 2015	34,370.00
Fujim Digital Sdn Bhd	Hand lids and fixtures, precision tooling equipment, machinery parts and related equipment	30 April 2015	1,804.21
JF Microtechnology Sdn Bhd (subsidiary of JF Technology Berhad)	Test sockets	30 June 2015	16,193.05
Multitest Electronic Systems (Penang) Sdn Bhd (subsidiary of LTX Credence Sdn Bhd and is part of the Xcerra Corporation Inc. group)	Test handlers, contactors and analytics software	31 July 2015	34,900.30
Test Tooling Solutions (M) Sdn Bhd/Test Tooling Designs (M) Sdn Bhd	Test sockets and hand lids	30 June 2015	26,468.70

Notes:

1. *This list includes all local industry players who are involved in the design, development and manufacturing of precision engineering parts, particularly stiffeners, test sockets and hand lids that were identified by SMITH ZANDER based on sources available, such as the internet, published documents and industry directories. However, there may be companies that have no online and/or published media presence, or are operating with minimal public advertisement, and hence SMITH ZANDER is unable to state conclusively that the list of industry players is exhaustive.*
2. *The above list was arranged in alphabetical order.*
3. *Information on products/services are based on SMITH ZANDER's secondary or desktop research on information made publicly available as at 6 September 2016.*
4. *Latest available financials filed with CCM as at 6 September 2016.*

Source: CCM

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Global Market Share

As mentioned earlier, the semiconductor industry is global in nature and thus, precision engineering part industry players serve customers, i.e. semiconductor manufacturers, OSATs, PCB design houses and/or other channel partners, worldwide. These customers require precision engineering parts, including stiffeners, test sockets and hand lids, as components to their testing equipment, or ATE. Similarly, FoundPac Group Berhad also serves customers worldwide, with over 94.00% of sales derived from the overseas market for the past three (3) FYE 30 June.

Global revenue from the equipment segment of the semiconductor industry was approximately USD37.00 billion (RM144.57 billion[24]) in 2015. The equipment segment of the semiconductor industry consists of all types of equipment used in the manufacture and testing of semiconductor and semiconductor related products; and stiffeners, test sockets and hand lids are included in this segment.

Accordingly, FoundPac Group Berhad's global market share in relation to the equipment segment of the global semiconductor industry in 2015 was 0.02%, based on its revenue of RM34.37 million in the FYE 30 June 2015, computed against the global revenue from the equipment segment of the semiconductor industry of USD37.00 billion (RM144.57 billion[24]) in 2015.

FoundPac Group Berhad's market share in Malaysia is not applicable as more than 94.00% of the Group's sales were derived from the overseas market for the past three (3) FYE 30 June.

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[24] *Exchange rate from USD to RM in 2015 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD1 = RM3.9073.*

6 PROSPECTS AND OUTLOOK FOR FOUNDPAC GROUP BERHAD

The precision engineering part industry size in Malaysia grew, in terms of the revenues of major industry players which are involved in the design, development and manufacturing of precision engineering parts, from RM35.76 million in 2011 to RM132.51 million in 2015, at a CAGR of 38.74%.

Due to the global nature of the semiconductor industry, precision engineering part industry players serve their customers worldwide. The global prospects of precision engineering part industry players in Malaysia can be illustrated through the growth in the global semiconductor industry, as data on global precision engineering part industry players is not publicly available.

Despite several troughs occurring over the last two (2) decades, global semiconductor sales have proven to be resilient with speedy recoveries occurring in the following years, with each recovery pushing semiconductor sales higher than previous peaks. Overall, the global semiconductor industry registered a CAGR of 7.73% between the period 1990 and 2015, indicating the sustainability of the industry's growth in the long term. Semiconductor sales grew from USD50.03 billion (RM135.26 billion[25]) in 1990 to USD321.80 billion (RM1.26 trillion[26]) in 2015. The global semiconductor industry is forecast to grow from USD337.70 billion (RM1.32 trillion[27]) in 2016 to reach USD376.60 billion (RM1.47 trillion[28]) in 2018, registering a CAGR of 5.60% during the period.

In line with the growth in the semiconductor industry, semiconductor manufacturers, OSATs, PCB design houses and/or other channel partners (or customers of these precision engineering part industry players) will continue to purchase stiffeners, test sockets and hand lids for testing.

The global semiconductor industry has significant economic contribution to most regions around the world, with significant interlinkages to the global electronics industry. The global market for electronic products is estimated to have grown from USD1.79 trillion (RM6.31 trillion[29]) in 2009 to USD2.50 trillion (RM8.18 trillion[30]) in 2014, registering a CAGR of 6.91% during this period. Meanwhile, the semiconductor industry in Malaysia also witnessed positive growth over the last five (5) years, boosted by the increasing production of electronic products during the same period. Production of ICs grew from 23.28 billion units in 2009 to 24.25 billion units in 2015, registering a CAGR of 0.69% between 2009 and 2015. During the same period, Malaysia's production of other semiconductor components also increased, from 44.16 billion units in 2009 to 47.32 billion units in 2015, growing at a CAGR of 1.16%.

The growth of the precision engineering part industry is also expected to be driven by the outsourcing of manufacturing, enhancement and adaptation of supporting equipment and parts, including precision engineering parts, by semiconductor manufacturers, OSATs and PCB design houses, to precision engineering part industry players. In addition, semiconductor manufacturers and OSATs are increasingly relocating their manufacturing facilities to lower cost countries within Asia in order to achieve better cost effectiveness and economies of scale. The shift towards the Asia region also has an added benefit of allowing semiconductor manufacturers and OSATs to tap into the growing demand for electronic products

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[25] *Exchange rate from USD to RM in 1990 was converted based on average annual exchange rates in 1990 extracted from published information from OANDA Corporation at USD1 = RM2.7035.*

[26] *Exchange rate from USD to RM in 2015 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD1 = RM3.9073.*

[27] *Exchange rate from USD to RM in 2016 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD1 = RM3.9073.*

[28] *Exchange rate from USD to RM in 2018 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD1 = RM3.9073.*

[29] *Exchange rate from USD to RM in 2009 was converted based on average annual exchange rates in 2009 extracted from published information from Bank Negara Malaysia at USD1 = RM3.5236.*

[30] *Exchange rate from USD to RM in 2014 was converted based on average annual exchange rates in 2014 extracted from published information from Bank Negara Malaysia at USD1 = RM3.2736.*

in Asia. In light of this, precision engineering part industry players have also emerged in Malaysia in order to cater to the growing need of the market.

FoundPac Group Berhad, as one of the industry players in the precision engineering part industry, is well-positioned to benefit from opportunities arising from the growing electronics and semiconductor industries globally. With their track record and technical capabilities, as well as their portfolio of multinational clients, FoundPac Group Berhad is poised to increase its presence in the precision engineering part industry with through establishing sales offices in Europe and the United States, diversifying to serve other end-user industries, expanding production capacity as well as setting up a dedicated design and development team to focus on product development. The continued global demand for electronics and semiconductor products which will positively impact the precision engineering part industry as well as FoundPac Group Berhad's future growth.

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