7. BUSINESS OVERVIEW *(Cont'd)*

7.3 OUR COMPETITIVE ADVANTAGES AND KEY STRENGTHS

Our competitive advantages and key strengths that will provide us with the platform to sustain and grow our business are as follows:

7.3.1 We serve customers in industrial and consumer sectors which provides us with 2 pillars for business growth as well as diversity to mitigate against sector dependency and seasonal factors

We provide EMS of box build consumer products including household appliances and electronic cigarettes, as well as industrial electronic products such as wireless communications equipment, smart utility data collection equipment and POS terminals. For the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, revenue from EMS of industrial electronic products accounted for RM17.8 million (41.2%), RM83.6 million (49.7%), RM214.7 million (62.3%) and RM187.9 million (58.8%) of our total revenue respectively. Meanwhile revenue from EMS of consumer electronic products accounted for RM26,000 (0.1%), RM53.6 million (31.9%), RM91.6 million (26.6%) and RM121.6 million (38.0%) respectively.

The provision of EMS in the 2 industry sectors namely industrial electronic products and consumer electronic products provide us with an overall larger addressable market to sustain and grow our business compared to serving only 1 industry sector. In addition, serving 2 industry sectors enable us to mitigate, to a certain extent, against unfavourable business conditions in 1 industry sector.

7.3.2 Our growth in revenue and profit for the Period Under Review will provide us with the financial platform to grow our business

We recorded a strong financial performance where our revenue grew from RM43.2 million in FYE 2019 to RM344.3 million in FYE 2021, representing a CAGR of 182.5%, and our revenue increased by 31.3% in FPE 2022 as compared to FPE 2021, mainly attributed to the increase in revenue from the provision of EMS comprising industrial and consumer electronic products contributed by securing more purchase orders from existing customers arose from our ability in meeting their specifications, requirements and delivery schedules as well as securing new customers for both industrial and consumer electronics sectors arising from our marketing efforts to expand our EMS business which started in 2019. Our strong revenue growth combined with a CAGR of 162.3% in PAT performance between FYE 2019 and FYE 2021, and our PAT which increased by 23.6% in FPE 2022 as compared to FPE 2021, provides us with the financial platform to expand our business operations. Our financial strengths will facilitate our ability to invest in manufacturing facilities including factory space, production and assembly lines, machinery and equipment to take on more orders for new products from existing or new customers and grow our business.

7.3.3 We provide customised operations and dedicated manufacturing areas for our EMS customers to create customer loyalty and secure new contracts

One of our business strengths is to provide customised operations and dedicated areas for carrying out EMS for each of our customers as indicated below:

- As at the LPD, we carry out our EMS operations in 2 locations at Senai 227 Factory and Kempas 6 Factory with a total built-up area of 332,771 sq ft where we can configure our production lines to incorporate manual and automated processes that are customised and dedicated to each of our customer's products. From this perspective, we have customised production lines and dedicated areas for EMS of various products. As at the LPD, the EMS of our industrial electronic products comprise wireless communications equipment, smart utility data collection equipment, POS terminals and LED lighting products while our consumer electronic products comprise household appliances and electronic cigarettes.

- Our strengths in providing dedicated production lines and manufacturing areas also enable us to ring-fence some designated areas to restrict movements to authorised personnel only where such requirements are mandated by our customers. This is relevant for the EMS of smart utility data collection equipment, POS terminals and electronic cigarettes where restricted entry and controlled access to their respective production area is a requirement that is specified by our customers.

7. BUSINESS OVERVIEW *(Cont'd)*

Smart utility data collection equipment are instruments that, among others, measure the usage of utilities such as water, gas and electricity which are subsequently charged to the users of the utility. As such, security is important to minimise tampering of the equipment. POS terminals serve as payment gateways to facilitate commercial transactions, therefore one part of the manufacturing areas involved in downloading of software has to be secured to minimise the risk of tampering. Meanwhile, electronic cigarettes deal with substances which is subject to Malaysia's Poisons Act 1952, requires security and accountability for the transportation, storage and manufacturing processes. The ability to provide dedicated and secured areas is an important requirement for our customers.

Our dedicated area which includes dedicated space, tools and equipment for the production of the said customer's products enable us to better meet customer's demand in production volume, especially for higher volume output within a short period of time. Our ability to provide dedicated area serve as an appealing consideration to attract new customers to help grow our business.

Our ability to provide customised EMS and dedicated areas is one of the key factors that have enabled us to grow our EMS business segment from revenue of RM17.8 million in FYE 2019 to RM306.3 million in FYE 2021, representing a CAGR of 314.5% between FYE 2019 and FYE 2021. This is further supported by the repeat purchase orders issued by our major customers during the Period Under Review and up to the LPD, including wireless communication equipment, smart utility data collection equipment, POS terminals, household appliances and electronic cigarettes.

While we are able to provide customised EMS and dedicated areas for each of our customers, these EMS processes, machine and equipment as well as the dedicated areas can be reconfigured for other customers with similar EMS processes. We are able to reconfigure many of our machinery and equipment for other products and/or new customers, such as the robotic arms, conveyor system and cleanrooms, in the event that our existing customers choose to terminate our EMS services.

7.3.4 We have factory floor space to accommodate the business expansion of our existing customers as well as potential customers

One of the key factors in securing EMS contracts is the availability of space particularly in carrying out the full box build product assembly including storage areas for input materials and finished goods before delivery to the customer. As we provide the final assembly, some of the finished products are relatively large which require substantial assembly and storage areas. In addition, we have dedicated assembly areas to cater to each of our customer's existing products as well as the required floor space for our customers' future product expansion.

During the Period Under Review and up to the LPD, we had, in 2021, completed the expansion of our existing Senai 227 Factory which has provided an additional factory floor space of 74,329 sq ft to cater for the EMS of electronic cigarettes. In addition, we acquired the Kempas 6 Factory in 2021 with a total built-up area of 18,808 sq ft and commenced EMS of smart utility data collection equipment in September 2022. Our total factory floor space for EMS operations increased from 240,334 sq ft in 2020 to 332,771 sq ft as at the LPD. The increase in our factory floor space will enable us to scale up our operations with a view of meeting the requirements of our customers.

Moving forward, we plan to expand our factory floor space by freeing up storage space from the Senai 227 Factory to cater to potential new products and expansion of our existing EMS business. We plan to construct a new warehouse building incorporating warehouse automation systems and the New Senai 226 Warehouse. Please refer to **Section 7.22** of this Prospectus for further details on our strategies and plans.

7. BUSINESS OVERVIEW *(Cont'd)*

7.3.5 We invest in dedicated machinery and equipment, and procure materials and services to create long term business relationships with our customers

In some situations, we also invest in specialised machinery and equipment that are dedicated to our customers' products:

- We are able to provide specialised and dedicated production areas to meet our customers' requirements. This enables our customers to have minimal capital outlay and expenses. This is demonstrated by the fact that we have secured areas incorporating ISO Class 8 cleanroom facilities for the EMS of electronic cigarettes and the cleanroom facilities are subjected to annual inspection for the issuance of the annual certificate to confirm that the cleanroom facilities meet the specifications of ISO Class 8 cleanroom where, based on ISO 14644 standard, an ISO Class 8 cleanroom is an enclosed zone where airborne particulates and pollutants are maintained at a maximum of 3,520,000 particles of ≥0.5 micrometre per cubic meter of air inside the cleanroom through the use of HEPA filters. The electronic cigarettes are required to be manufactured in an environment consistent with those of an ISO Class 8 cleanroom to meet the customer's product specifications. The last inspection for the cleanroom facilities were conducted in August 2022. The annual inspection was conducted by an independent external laboratory company which was also the same party that issued the annual certificate for the cleanroom. As at the LPD, there has been no issue during the annual inspections which led to the delay or non-renewal of the ISO Class 8 cleanroom certifications. This is in addition to the investment in specialised and dedicated machinery and equipment to carry out EMS for our customers. As at the LPD, we have invested RM73.5 million on the purchase and installation of dedicated machinery and equipment as well as cleanroom facilities for the EMS of electronic cigarettes.

  These specialised machinery and equipment for our EMS of electronic cigarettes are focused on robotic arms to carry out pick and place functions to replace manual processes. In the event we no longer provide EMS for electronic cigarettes, these robotic arms can be reconfigured to carry out pick and place functions for EMS of other products that require pick and place functions. The main consideration factors for our investment in specialised machinery and equipment are customer commitment based on the duration and value of the agreement, customer's reputation and customer's financial strength for us to establish business sustainability and credit worthiness.

  Regardless of our practice to maintain dedicated production lines for each customer, we are able to reconfigure many of our machinery and equipment for other products and/or new customers, such as the robotic arms, conveyor system and cleanrooms, in the event that our existing customers choose to terminate our EMS services.

- We are able to source and procure parts, components and services as part of our end-to-end EMS. These are sourced from our suppliers including customers' approved suppliers as well as other suppliers. This ability provides convenience to our customers as they will only need to specify their requirements and technical specifications while we carry out all the necessary processes and bear the initial procurement costs before we bill the complete box build products to our customers. This represents an added advantage in facilitating business continuity from our existing customers and to serve as an appealing consideration to attract new customers.

7.3.6 We have both direct and indirect distribution channels to optimise our market access and coverage

We serve customers through 2 distribution channels, including securing contracts directly with brand/product owners, as well as securing contracts and working with intermediaries who are procurement companies for brand/product owners. While our direct distribution channel strategy enables us to access brand/product owners, our indirect channel strategy utilises intermediaries to sell our products and services to brand/product owners which we would otherwise not have any access to. Our EMS operations involve parts, components and products that are technical in nature, requiring a certain level of precision tolerance and quality, and in some cases customisation to meet customers' technical specifications and requirements. Thus, our ability to work directly with our customers who are brand/product owners will help us attain a better understanding of their requirements to meet their technical needs. Additionally, by dealing directly with these customers we also develop rapport to facilitate business continuity as well as to secure new businesses. As such, our strength in adopting a direct and indirect distribution channel approach will help us enlarge our market access and coverage.

7. BUSINESS OVERVIEW *(Cont'd)*

This can be demonstrated by the increase in revenue contribution from both direct and indirect distribution channels. Our revenue from the direct distribution channel increased from RM43.1 million in FYE 2019 to RM141.5 million, RM189.3 million and RM220.7 million in FYE 2020, FYE 2021 and FPE 2022 respectively. At the same time, revenue contribution from indirect distribution channel where we mainly serve the procurement companies has been growing from less than RM0.1 million in FYE 2019 to RM26.8 million in FYE 2020, RM155.0 million in FYE 2021 and RM99.1 million in FPE 2022.

Our ability in working directly with the brand/product owners as well as through procurement companies will provide us with the platform to address opportunities, secure new contracts or new customers with a view of growing our business.

7.3.7 We have an in-house aluminium die cast manufacturing facility to support our EMS operations which also serves as an additional source of revenue

Aluminium die cast parts are commonly used in electronic products due to their strengths, lightweight and heat dissipating properties. While we source and procure parts and components from suppliers, we have in-house capabilities and facilities to manufacture aluminium die cast parts. Our aluminium die cast parts are used in the EMS of box build products and devices. Our in-house manufacturing of aluminium die cast parts provides us with flexibility in design and control on prioritising manufacturing to meet our EMS customers' delivery schedule.

We also derived external revenue for our aluminium die cast product which provides us with a second revenue stream to help sustain and grow our business. Revenue contribution from the manufacturing of aluminium die cast parts for customers accounted for 6.8% (RM11.4 million), 7.0% (RM24.1 million) and 2.5% (RM8.2 million) for FYE 2020, FYE 2021 and FPE 2022 of our total revenue respectively.

7.3.8 We have experienced Managing Director/Group Chief Executive Officer, Executive Directors and Key Senior Management team to sustain and continue developing our business

We have experienced Executive Directors and Key Senior Management team headed by our Managing Director/Group Chief Executive Officer, Tee Kim Chin, who has contributed significantly to the growth and development of our Group. She is responsible for developing the overall strategic direction of our Group. She brings with her approximately 30 years of experience in the EMS industry.

We are also supported by our Executive Directors and Key Senior Management team including:

- Alex Miranda Juntado, our Executive Director, is primarily responsible for business development and brings with him 37 years of experience in the EMS industry;

- Tee Kim Yok, our Executive Director, is primarily responsible for government liaison and CSR of our Group and brings with her 17 years of experience;

- Lim Chue Wan, our Executive Director, is primarily responsible for overseeing our Group's corporate, finance, treasury and accounting matters and brings with her 26 years of relevant experience. She is supported by Tan Zong Yuan, our Group Chief Financial Officer who brings with him 14 years of experience in accounting and finance related matters;

- Salehaldin Bin Nasron, our Vice President of Corporate Affairs, brings with him 37 years of working experience in various fields relating to corporate communications, government liaison and corporate governance matters;

- Teo Hui Seng, our Vice President of Operations, brings with him 28 years of experience in project management and planning and related operational matters; and

- Yew Seow Kuen, our Vice President of Supply Chain, brings with her 20 years of experience in the EMS industry.

7. BUSINESS OVERVIEW *(Cont'd)*

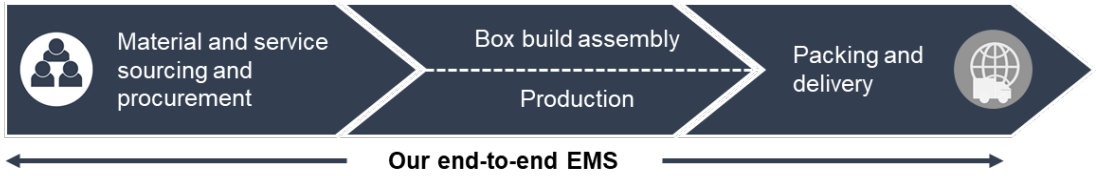
In addition, our Managing Director/Group Chief Executive Officer, Tee Kim Chin has known some of our Executive Directors and Key Senior Management team from her past employment between 2006 and 2011 including Alex Miranda Juntado (Executive Director), Lim Chue Wan (Executive Director), Teo Hui Seng (Vice President of Operations) and Yew Seow Kuen (Vice President of Supply Chain). The established relationship enables the Directors and Key Senior Management to work efficiently and effectively to grow our business.

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

We believe our experienced Management team will help sustain our business and provide the platform to support future growth.

7.4 OUR EMS OPERATIONS

We are a provider of EMS to carry out end-to-end manufacturing of box build products.



Our EMS broadly incorporate the following main activities:

- We are responsible for the sourcing and procurement of all materials and services necessary for us to carry out EMS for full box build products. These materials and services are sourced from a combination of our suppliers, our customers' approved suppliers as well as other suppliers. We procure these materials and services at our expense. In some situations, our customers will provide us with the materials, mainly semiconductors such as integrated circuits to carry out EMS for box build products.

- We provide 2 main types of EMS for the following electronic products:

  - **All the procured materials, parts and components are delivered to our factory where we carry out full assembly to complete box build products.** As at the LPD, this applies to our EMS of wireless communication equipment, smart utility data collection equipment, POS terminals, LED lighting products and household appliances. As at the LPD, we have 24 dedicated production lines to cater for these 5 product categories. While the production lines are catered specifically to each product, our cleanrooms and many of our machinery and equipment such as the robotic arms and conveyor system can be reconfigured for other products with similar EMS processes.

    For the FYE 2020, FYE 2021 and FPE 2022, we outsourced the assembly of the digital vending machines and portable printer power desks to our major supplier namely Changhuat Plastic, which is a supplier, and the rationale for the outsourcing is the sales volume was relatively small. The revenue contribution for the digital vending machines and portable printer power desks was relatively small which accounted for 0.1% (RM0.1 million), 1.3% (RM4.5 million) and 2.7% (RM8.6 million) of our total revenue for the FYE 2020, FYE 2021 and FPE 2022 respectively. The EMS for both said products commenced in FYE 2020; or

  - **All the procured materials, parts and components are delivered to our factory where we have to carry out the production of some key components before assembly into the final box build product.** This process is for the EMS of electronic cigarettes where the liquid solution containing flavours is filled into pods or disposable cigarette sticks before final assembly into electronic cigarettes. As at the LPD, we have 14 automated production lines for the production of electronic cigarettes comprising 8 lines for refill pods, 2 lines for the device and 4 semi-automated lines for the disposable cigarette sticks.

7. BUSINESS OVERVIEW *(Cont'd)*

- Packing and delivery entail labelling and packaging for shipping where we are responsible for the full logistics of delivering the finished products from our factories to our customers' specified destinations, including domestic and foreign destinations. Typically, our products are on ex-factory basis where our customers will bear the cost of delivery.

Please refer to **Section 7.8** of this Prospectus for further details on our process flow.

Prior to securing the first contract from a new customer, we are required to undergo a qualifying process by all potential EMS customers which commonly takes between 6 and 12 months. The qualifying process is for all potential EMS customers to be assured that we have the required capabilities, operational facilities, technical resources and knowledge and financial strengths to provide EMS that meets its needs and expectations. Please refer to **Section 7.19** of this Prospectus for further details on the qualifying process.

As at the LPD, we secured 2 new EMS customers as below:

- we have received a letter of award from 1 new EMS customer where we have been selected as an EMS provider. We will manufacture and supply first sample finished products for product acceptance prior to mass production. We expect to complete the first sample finished products namely thermal energy devices by March 2023 and the mass production is expected to commence in second quarter of 2023; and

- as for the other new EMS customer, we have received a letter of award where we have been selected as an EMS provider. We are currently carrying out the pilot production run as at the LPD. Please refer to **Section 7.8.1** of this Prospectus for further details on our process flow.

As at the LPD, there is no ongoing qualifying process for potential EMS customer.

As at the LPD, we have 2 factories for our EMS operations (Senai 227 Factory and Kempas 6 Factory) in Johor, 1 factory for aluminium die cast manufacturing (Temenggong 22 Factory) in Johor and 1 testing facility in Singapore.

Assembly line for POS terminal

Automated production lines for electronic cigarettes in cleanroom

7. BUSINESS OVERVIEW *(Cont'd)*

7.4.1 Product categories and applications

We provide EMS for complete box build products for the following industrial and consumer electronic products:

Industrial electronic products

- wireless communication equipment including point-to-point/point-to-multiple-point antenna devices, interface and gateway devices, and microwave antenna devices;
- smart utility data collection equipment including gateway devices, repeaters, remote readers and transceivers, as well as temperature monitoring device;
- POS terminals; and
- others including LED lighting products*, digital vending machines and portable printer power desks.

Consumer electronic products

- household appliances mainly cordless vacuum cleaners; and
- electronic cigarettes including pod-based electronic cigarettes which comprise devices and refill pods, as well as disposable cigarette sticks.

Note:

* LED lighting products commenced production during FPE 2022.

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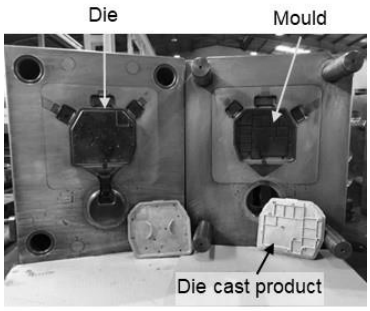
7. BUSINESS OVERVIEW *(Cont'd)*

7.5 SUPPORTING SERVICES

7.5.1 Aluminium die cast manufacturing

Our aluminium die cast manufacturing which is undertaken by our subsidiary, Cape Manufacturing at our Temenggong 22 Factory in Johor is mainly to support our EMS of box build products, as we use the die cast parts including parts and enclosure for us to assembly into a finished product. We also manufacture aluminium die cast parts for our customers.



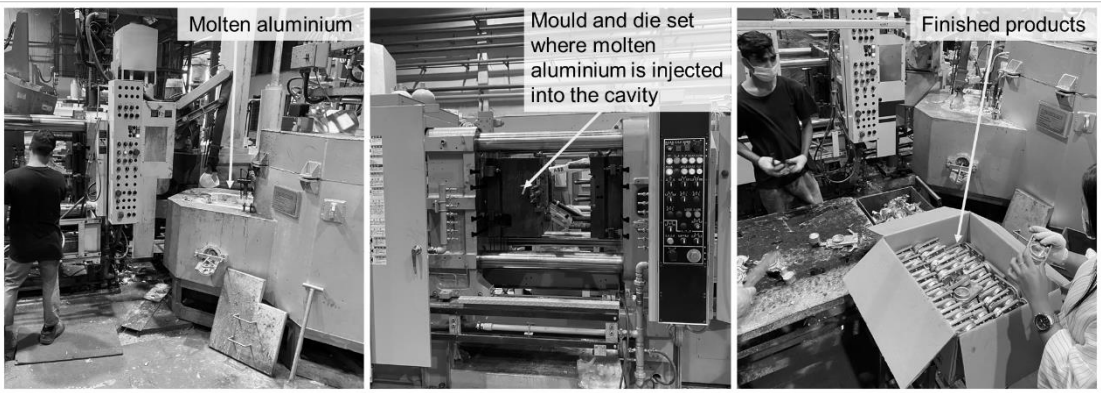
As at the LPD, our production facilities are equipped with 13 units of melting and holding furnaces and 13 units of die casting machines to produce die cast parts with rated machine clamping force capacity ranging between 125 tonnes and 500 tonnes. The die cast manufacturing process involves firstly melting the aluminium ingots and forcing the molten aluminium under high pressure into a mould and die set to cast the aluminium product into the geometrical shapes based on design specification.

Each design of the aluminium part that we wish to mass manufacture will require a mould and die set. Where our customer does not provide us with mould and die, we engage suppliers to fabricate our mould and die, based on our tooling design and design for manufacturing specifications in accordance to customers' products design and specifications. The outsourcing of fabrication of mould and die to suppliers, which is classified as supply of mould and die under factory overheads, is because we do not have the necessary machinery and equipment to fabricate the same in-house. The percentage of cost relating to the supply of moulds and dies fabricated by suppliers calculated over the total cost of sales are approximately 0.5%, 1.0%, 0.5% and 1.9% for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively. During the preparation of quotation, we commonly take into account the cost incurred for the initial development process including the cost of prototypes. We are not dependent on these suppliers and we have 3 regular suppliers for the supply of mould and die. Typically, these suppliers are not required to be approved by customers.

We have the skills and facilities to carry out the tooling design. Prior to the fabrication of the mould and die, we utilise metal flow simulation software to determine precise dimensions where the software will simulate the flow of the molten metal into the mould cavity that will form the specified die cast part. We work closely with our customers to meet the requirements and specifications of die cast parts. These tooling designs are subsequently provided to suppliers to fabricate the moulds and dies.

We will also produce die cast prototypes for each new part design for approval by our customers prior to mass production. We mostly use 3-dimension printers for our prototyping process. In some situations, our customers may require a different method of creating prototypes where the die cast prototypes will be produced through CNC machining process to produce in small volume. In such situations, we outsource the prototyping of die cast parts to suppliers, which are different from the suppliers fabricating our mould and die, as these specialised prototyping requires special machinery, equipment and materials where we do not have sufficient volume for in-house prototyping to be economical.

Aluminium die cast manufacturing



7. BUSINESS OVERVIEW *(Cont'd)*

Due to the normal process of wear and tear in continuously producing die cast parts, the dimension tolerance of the moulds and dies will deteriorate thus affecting the quality of the die cast parts. We are able to carry out repair and maintenance of our moulds and dies as and when required. We will typically check on the condition of the moulds and dies prior to the mass production of die cast parts. In general, the average lifespan of moulds and dies is expected to last about 100,000 castings.

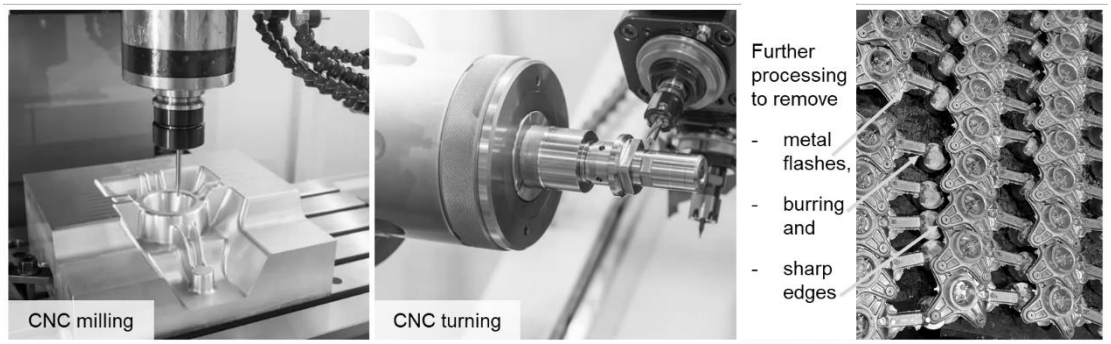
We also carry out the following post die casting activities:

- CNC machining where we perform precision machining to bring the die cast parts to their final specified dimension as the die casting process may not be able to provide the required dimension within the specified tolerance. We use up to 3-axle machining for cutting, grinding, milling and turning. We also carry out secondary processing using CNC machines to drill holes and carry out tapping. We outsource the CNC machining works to subcontractors.

- finishing including trimming and deburring to remove the metal flash and any burrs or sharp edges as well as sand blasting to remove debris and contaminants.

- surface treatment mainly for decorative or protective coating, which we outsource to subcontractors.

- subassembly of aluminium and other metal parts into semi-finished products based on customers' requirements.



7.5.2 Supply of parts and components

For our EMS of box build electronic products, our responsibilities include sourcing and procuring all the necessary input materials and services from suppliers prior to us carrying out the final assembly and testing. As such, we are able to leverage on our supply chain resources and capabilities to source and supply parts and components to customers. This segment of our business represents an added revenue stream which is synergistic with our business of providing EMS for electronic products. For the avoidance of doubt, the revenue from customers pertaining to sourcing and procuring of all necessary materials and services are classified under supporting services.

Some of the parts and components that we supplied to our customers during the Period Under Review include:

- electrical parts and components including lithium batteries, cables and wires;
- plastic parts such as enclosures and mechanical parts; and
- metal parts such as enclosures and antenna.

7. BUSINESS OVERVIEW *(Cont'd)*

7.6 PRODUCT CAPACITY AND UTILISATION

7.6.1 EMS operations

Our production operations are based on dedicated main machinery and equipment for each customer's products. As at the LPD, we have 5 major customers with their respective 5 different product types for which the EMS is carried out in their respective 5 dedicated areas in our factories. As such, measurement of production capacity and utilisation rate will be based on their respective dedicated main machinery and equipment.

Major product categories[1]	No. of production lines	Annual Capacity[2][3]	Annual Production Output	Utilisation Rate
		(pieces)	(pieces)	(%)
Wireless communication equipment				
FYE 2019	4	350,000	97,911	28
FYE 2020	9	1,100,000	489,690	45
FYE 2021	12	1,700,000	599,222	35
FPE 2022	12	1,300,000[4]	361,234	28
Smart utility data collection equipment				
FYE 2019	-	-	-	-
FYE 2020	3	400,000	173,070	43
FYE 2021	3	1,000,000[5]	641,742	64
FPE 2022	6	1,100,000[4]	850,566	77
POS terminals				
FYE 2019	-	-	-	-
FYE 2020	1	53,000[6]	2,981	6
FYE 2021	2	400,000[7]	147,629	37
FPE 2022	2	450,000[4]	169,481	38
Household appliances				
FYE 2019	-	-	-	-
FYE 2020	2	200,000[8]	74,421	37
FYE 2021	2	500,000	193,751	39
FPE 2022	2	400,000[4]	166,018	42
Electronic cigarettes				
FYE 2019	-	-	-	-
FYE 2020	-	-	-	-
FYE 2021	7	4,200,000[9]	780,900	19
FPE 2022	12[10]	35,500,000[4]	21,163,300	60

Notes:

(1) Major products based on revenue contributions of 10% or more in any of the Period Under Review.

(2) Annual capacity is calculated based on 6 days a week excluding public holidays, and 22 hours per operating day (2 shifts per day and 12 hours per shift with a 1-hour break time).

Save for electronic cigarettes, the EMS of our Company's box-build products is based on manual assembly using general tools, jigs and testing equipment. As such, it would not be meaningful to state the product capacity and utilisation rate based on the main machinery and equipment.

7. BUSINESS OVERVIEW *(Cont'd)*

As for electronic cigarettes, the EMS process is based on automated production line where all machinery and equipment are integrated into one continuous line. As such, product capacity and utilisation rate are based on the entire line.

(3) Our typical operating hours for each of our major products are provided below:

EMS operations	Average number of working hours per shift (hours)	No. of shifts per day
Industrial Electronic Products		
Wireless communication equipment	12	1
Smart utility data collection equipment	12	1
POS terminals	12	2
Consumer Electronic Products		
Household appliances	12	1
Electronic cigarettes	12	2

(4) Based on 9-month pro-rated capacity.

(5) In FYE 2021, the increase in annual capacity for smart utility data collection equipment was mainly due to reconfiguration of the existing production lines to cater to new models which enables us to take on higher volume.

(6) Based on 5-month pro-rated capacity as the mass production of POS terminals commenced in the third quarter of 2020.

(7) For FYE 2021, the capacity included the 5-month pro-rated capacity of one new production line which commenced in the third quarter of 2021.

(8) Based on 7-month and 3-month pro-rated capacity of the 2 production lines which commenced in the second quarter and fourth quarter of 2020 respectively. We started the pilot box build assembly of some samples of household appliances at the end of FYE 2019 and subsequently the mass production commenced in FYE 2020.

(9) Based on 1.5-month pro-rated capacity of the 7 production lines which commenced pilot production run for the production of refill pods within the fourth quarter of 2021. The utilisation rate for FYE 2021 was relatively low as we used 7 production lines to run the pilot production in the fourth quarter of 2021 to enable us to fine-tune the manufacturing processes. Our utilisation rate has increased from approximately 19% for FYE 2021 to 60% for the FPE 2022.

(10) Including 9-month pro-rated capacity for 8 lines for refill pods and 2 lines for the device as well as 6-month pro-rated capacity for 2 lines for the disposable cigarette sticks.

Our low utilisation rate is mainly due to our approach in dedicating manufacturing areas including space, machinery and equipment to each of our EMS customers. This is to better meet customers' varying demand in production volume, especially to cater for higher volume output within a short period of time. While this approach enables us to meet peak demand, the overall average annual utilisation would be low.

7. BUSINESS OVERVIEW *(Cont'd)*

7.6.2 Die cast manufacturing

Our production capacity and utilisation of our die cast manufacturing are as follows:

	No. of Production Lines	Annual Capacity[1] (pieces)	Annual Production Output (pieces)	Utilisation Rate (%)
Die cast parts[2]				
FYE 2020	6	900,000[3]	587,501	65
FYE 2021	13	2,000,000[3]	1,423,073	71
FPE 2022	13	1,500,000	512,590	34

Notes:

(1) Annual capacity is calculated based on 6 days a week excluding public holidays, and 22 hours per operating day (2 shifts per day and 12 hours per shift with a 1-hour break time).

(2) Our die cast manufacturing operation is undertaken by our subsidiary, Cape Manufacturing which was acquired by our Company in January 2020.

(3) The increase in annual capacity for FYE 2021 was due to an increase in number of production lines.

7.7 OPERATIONAL FACILITIES

Our Group's operational facilities are located in Johor and Singapore as follows:

Company	Main Function	Location of Facilities	Approximate Built-up Area (sq ft)
Cape EMS	Head office and EMS[1]	PLO 227A, Jalan Cyber 1A Kawasan Perindustrian Senai III 81400 Senai, Johor Darul Ta'zim Malaysia ("**Senai 227 Factory**")	313,963
Cape Manufacturing	Aluminium die cast manufacturing	No.22, Jalan Temenggong 2 Kawasan Perindustrian Temenggong 81100 Johor Bahru, Johor Darul Ta'zim Malaysia ("**Temenggong 22 Factory**")	39,385
	EMS[1]	No. 6, Jalan Belati Taman Perindustrian Maju Jaya 81300 Johor Bahru, Johor Darul Ta'zim Malaysia ("**Kempas 6 Factory**")	18,808
Cape Singapore	Testing facility[2]	No. 18, Sin Ming Lane #08-17 Midview City, Singapore 573960	1,346

7. BUSINESS OVERVIEW *(Cont'd)*

Notes:

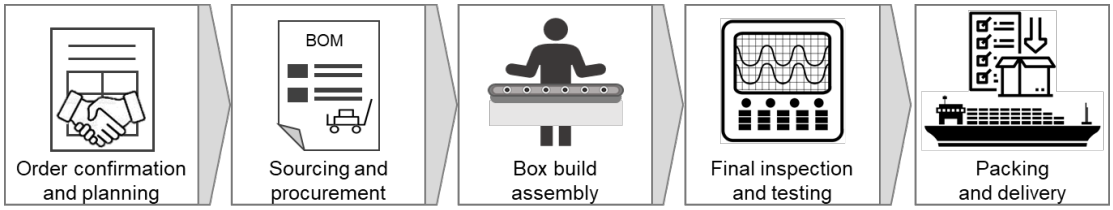
(1) The EMS activities for both Cape EMS and Cape Manufacturing are similar. The only difference is in relation to different customers serviced by the respective companies. Save for NextCentury and Next Meters, LLC ("**Next Meters**"), which are served by Cape Manufacturing, all the Group's EMS customers under the Group's EMS segment are served by Cape EMS. NextCentury and Next Meters have a common shareholder. Cape Manufacturing originally provided die casting services for the aluminium enclosure required for NextCentury's products, and eventually expanded to provide EMS for NextCentury's products. Cape Manufacturing worked with NextCentury, the brand and design owner, on the product design of NextCentury and Next Meters, LLC.

(2) The purpose of the testing facility, which is rented by Cape Singapore, is to cater to requests by customers for testing to be carried out in Singapore, as and when required, as Singapore is the location specified by customers for our Group to carry out certain processes for example, radio frequency test, final functional test and/or final inspection on product packaging for wireless communication equipment. This testing facility will be made available at the potential request of existing customers as well as our new customers as and when required if Singapore is the location specified by our customers. We also provide similar testing as part of our EMS operations in Malaysia.

7.8 PROCESS FLOW

7.8.1 EMS of box build assembly for wireless communication equipment, smart utility data collection equipment, POS terminals, household appliances and LED lighting products

Our EMS of box build assembly include wireless communication equipment, smart utility data collection equipment, POS terminals, household appliances and LED lighting products.



The general process flow for our EMS of box build assembly operations is as follows:

- **Order confirmation and planning**

  Upon securing the purchase order, our planning team will commence preparation works and liaise with our customer to plan for all input materials and services including materials supplied by the customers, as well as schedule for delivery of the final box build product. The planning process is when our procurement team will prepare and produce a bill of materials ("**BOM**") which lists the items, quantity and specifications of the required items for the box build assembly process. The BOM will be used for sourcing and procurement. The delivery schedule will be used to time delivery of all necessary input materials and services.

  During the planning process, our customers will also provide us with rolling forecasts of 6 to 12 months and confirmed purchase orders incorporating quantity and delivery schedule. This purchase order is confirmed on a weekly or quarterly basis to provide us with sufficient time to plan and carry out assembly and final delivery.

  The typical lead time from receipt of purchase order to completing the box build assembly process is 3 to 6 months before they are delivered to the customer's destination. However, such lead time may differ, depending on the order volume and product types.

7. BUSINESS OVERVIEW *(Cont'd)*

- **Sourcing and procurement**

  If our customers have approved suppliers(1), we would liaise with the approved suppliers on the purchase and timing of delivery of their parts, input materials. In some situations, especially for proprietary or critical input materials namely semiconductors, our customers will supply these materials to us.

  Where such input materials are not supplied to us by our customers, we will then source input materials from our regular suppliers(1) including approved suppliers. Prior to sourcing from a new supplier, we would carry out assessments to determine, among others, their capabilities, facilities and capacity, product quality, financial strengths and reputation for timeliness of delivery.

  Note:

  (1) Approved suppliers refer to suppliers which are appointed and approved by our customers for us to source the input materials, while regular suppliers refer to our other suppliers who need not be appointed by our customers.

  Purchases and timing of delivery of the items set out in the BOM will take into consideration our customers' confirmed purchase orders to meet the delivery schedule of the box build product to our customers.

  With the exception of aluminium die cast parts that we manufacture in-house, all required parts, components and input materials are sourced externally. Some of these items we source from suppliers include PCBA, E&E components, electrical wiring and harnesses, as well as plastic, rubber and metal parts and casing. All input materials are inspected visually upon receipt to ensure there are no visible defects.

- **Box build assembly**

  Our assembly process which are carried out manually commonly involves 2 main steps, the first step, subassembly and thereafter, final electromechanical assembly.

  Our subassembly involves the combination of various parts and components to form a module as part of the overall final product. An example of a subassembly process is to assemble the power supply board, PCBA, heat sink, fan, input and output interfaces, and display panels. We carry out in-process E&E testing of various subassembly modules before the final electromechanical assembly of the box build product.

  The next assembly process is the final electromechanical assembly involving the assembly of all E&E subassembly modules and other parts, followed by mechanical assembly to form the final box build product. The electrical assembly part is mainly focused on wiring to connect all the relevant parts and modules, including optimising the routing of all wire, cables and harnesses to optimally fit into the final assembly as well as taking into consideration safety issues. The next step is the mechanical assembly and installation of various subassembly modules, parts, components and outer casing to form the final box build product.

- **Final inspection and testing**

  Once the final product is fully assembled, all the final products go through a series of visual inspection and testing including functional test and other tests depending on customer's requirements and specifications. Visual inspection is mainly to check that the final product is properly assembled and there are no visual imperfections including surface damages such as scratches or dents.

  Testing mainly involves operating the devices to simulate normal usage by the end-user. Some of these testing procedures include, among others, the following:

  - functional test to ensure all functions of the product is working according to specifications;

7. BUSINESS OVERVIEW *(Cont'd)*

- radio frequency test for wireless communication devices and products in terms of strengths and quality of receiving and transmitting signals;
- other tests depending on customer's requirements and specifications.

Generally, the final inspection and testing are carried out at the operational facilities for our EMS operations namely Senai 227 Factory and Kempas 6 Factory. The testing facility in Singapore is to cater to requests by customers for testing to be carried out in Singapore, as and when required, as Singapore is the location specified by customers for our Group to carry out certain processes for example, radio frequency test, final functional test and/or final inspection on product packaging for wireless communication equipment. This testing facility will be made available at the potential request of existing customers as well as our new customers as and when required if Singapore is the location specified by our customers.

- **Packing and delivery**

The completed products are labelled and packed manually in-house, and sent to our warehouse for storage, before delivering to the customers.

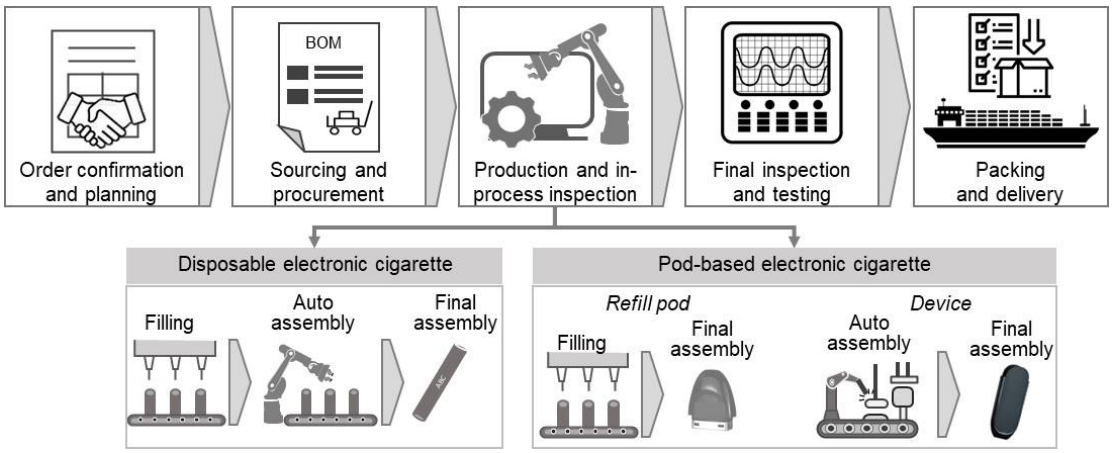
When arranging packaging of a new product, we have to discuss with packaging manufacturers to supply packaging materials such as corrugated cartons and internal protective packaging to ensure product security and protection during handling, storage and transportation. The products are packed into cartons.

We also provide product delivery to domestic and foreign destinations based on customers' requests as typically our products are on ex-factory basis. We would engage freight forwarders to provide end-to-end delivery, which includes transportation, custom clearance, and booking shipping space. In addition, for those new products, we will send the sample products from trial run and pilot production to customers for final buyoff on product acceptance prior to mass production. During the said final buyoff, our customers will carry out the necessary tests on the sample products to ensure that the said sample products meet their specifications and requirements. Upon the final buyoff on product acceptance, we will then proceed with mass production. In the event the sample products do not meet the customer's specifications and requirements during the said final buyoff, we will carry out rework on the sample products to ensure that the sample products meet customer's specifications and requirements. Invoices will be issued upon completion of the products including the sample products and the mass-produced finished goods.

7.8.2 EMS of box build assembly for electronic cigarettes

We carry out EMS for 2 types of electronic cigarettes, namely disposable cigarette sticks and pod-based electronic cigarettes.

The process flow of our EMS of electronic cigarettes is as follows:



7. BUSINESS OVERVIEW *(Cont'd)*

- **Order confirmation and planning**

  Upon securing the purchase orders, our customers will send us instructions including, among others, the BOM, electrical schematic, assembly drawings, wire lists and test specifications for manufacturing the product. The BOM lists the items, quantity and specifications of the required items for the production process. The BOM will also be used for sourcing and procurement. We will carry out all the planning including procurement, production and delivery schedule.

  Our customer will also provide us with rolling forecasts of 6 months and confirmed purchase order incorporating quantity and delivery schedule. This purchase order is confirmed on a weekly or quarterly basis to provide us with sufficient time to plan and carry out assembly and final delivery.

  The typical lead time from receipt of purchase order to carry out the box build assembly process into a complete electronic cigarette ranges from 3 to 6 months before they are delivered to the customer's destination. However, such lead time may differ, depending on the order volume and product types.

- **Sourcing and procurement**

  Once we secure the purchase order, we will procure the required input materials based on the BOM from our suppliers including approved suppliers. Prior to sourcing from a new supplier, we and our customers would carry out assessments to determine, among others, their capabilities, facilities and capacity, product quality, financial strengths and reputation for timeliness of delivery.

  We source all input materials including PCBA, E&E components, LED panels, atomisers, cartridges, batteries, liquid solution containing flavours, as well as the enclosures from suppliers.

  All input materials are inspected visually upon receipt to ensure there are no visible defects.

- **Production and in-process inspection**

  The production of electronic cigarettes is carried out using our automated and semi-automated production lines. The automated in-process inspection is carried out for refill pod while for the disposable cigarette sticks, we require manual handling for the in-process inspection. The input materials are placed in their respective location throughout our automated production line. Our automated production operation is carried out in ISO Class 8 cleanroom facilities. All personnel are required to wear personal protective equipment including, among others, coveralls, face masks, gloves, sleeves and bouffant caps, and pass through a decontamination area to remove as much contamination as possible prior to entering the cleanroom.

  An electronic cigarette contains 3 main parts namely a cartridge, a vaporisation chamber and a battery. We produce 2 types of electronic cigarettes, namely disposable cigarette sticks and pod-based electronic cigarettes.

  Disposable cigarette sticks

  Our disposable cigarette sticks is a closed system vape device which consist of a cartridge, a vaporisation chamber and a battery. The production process includes the following:

  - filling process, where a cartridge is filled with a liquid solution containing flavours with or without nicotine. In mid-November 2022, our Company commenced the manufacturing of disposable cigarette sticks with nicotine. For cartridges containing nicotine, the filled cartridge is weighed to ensure the nicotine dosage does not exceed the standard requirement for each size;

  - assembly of the vaporising chamber, where an atomising device is connected to the microprocessor, sensor and heater; and

- final product assembly to connect the cartridge with the vaporisation chamber and the non-rechargeable battery, as well as the LED indicator to signal activation of the disposable cigarette sticks with each puff.

Pod-based electronic cigarette including the device and refill pod

Our pod-based electronic cigarette is an open system vape device including a cartridge, a vaporisation chamber and a battery.

The production process for the device includes the assembly of vaporisation chamber where the atomising device is connected to the microprocessor, sensor and heater, followed by the final assembly where it is connected to the battery, as well as the LED indicator to signal activation of the electronic cigarette with each puff.

As for the refill pods, the production process mainly comprises the automated filling process, where a cartridge is filled with a liquid solution containing flavours with or without nicotine. In mid-November 2022, our Company commenced the manufacturing of electronic cigarettes with nicotine. For those containing nicotine, the filled cartridge is weighed to ensure the nicotine dosage does not exceed the standard requirement for each size. This is followed by the final assembly of the enclosure and the cartridge into complete refill pod.

In-process inspection

We also carry out in-process automatic optical inspection to detect any visible defects such as misplaced or missing parts, and surface defects. In the event of any defects identified, the defective object will require to be reworked or discarded if it is not practical to rework.

- **Final inspection and testing**

Once the final product is fully assembled, all the final products go through a series of visual inspection and testing including functional test and other tests depending on customer's requirements and specifications. Visual inspection is mainly to check that the final product is properly assembled and there are no visual imperfections including surface damages such as scratches or dents.

Testing mainly involves operating the devices to simulate normal usage by the end-user. Some of these testing procedures include, among others, the following:

- functional test to ensure all functions of the product is working according to specifications;
- leak test to ensure that there is no leakage of liquids from the cartridge or pod;
- altitude test to ensure that the product is able to withstand high pressure environment;
- other tests depending on customer's requirements and specifications.

The final inspection and testing are carried out at the operational facilities for the EMS of electronic cigarettes namely Senai 227 Factory.

- **Packing and delivery**

The completed products are labelled and packed in-house manually, save for the refill pods where they are packed using the automated blister packaging lines, and sent to our warehouse for storage, before delivering to the customer.

7. BUSINESS OVERVIEW *(Cont'd)*

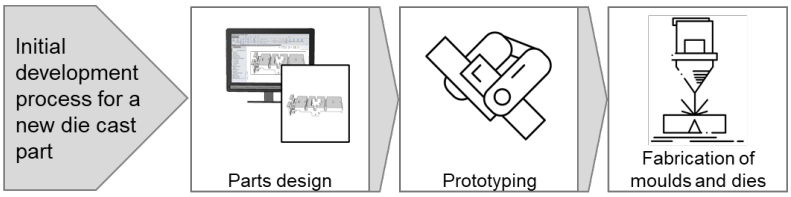
When arranging packaging of a new product, we have to discuss with packaging manufacturers to supply packaging materials such as corrugated cartons, user instruction manual and internal protective packaging to ensure product security and protection during handling, storage and transportation. The products are packed into cartons and ready for shipments. These products are based on ex-factory basis. In addition, for those new products, we will send the sample products from trial run and pilot production to customers for final buyoff on product acceptance prior to mass production. During the final buyoff, our customer will carry out the necessary tests on the sample products to ensure that the said sample products meet their specifications and requirements. Upon the final buyoff on product acceptance, we will then proceed with the mass production. In the event the sample products do not meet the customer's specifications and requirements during the said final buyoff, we will carry out rework on the sample products to ensure that the sample products meet customer's specifications and requirements. Invoices will be issued upon pick up of the products including the sample products and the mass-produced finished products by the customer.

7.8.3 Manufacturing of aluminium die cast parts

We manufacture aluminium die cast parts to support our EMS operations as well as for sales to customers.

The process flow of our manufacturing of aluminium die cast parts are segmented into 2 processes, namely the initial development process for a new part and mass production process as set out in the ensuing sections. Generally, the initial development process for a new die cast part takes between 2 to 3 months, while the mass production process of new die cast part takes about 1 month.

7.8.3.1 Initial development process for a new die cast part



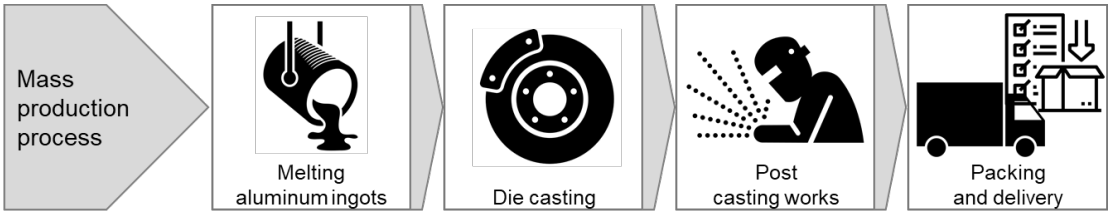
For each new part that we intend to mass produce, we have to firstly digitalise the design of the part, to facilitate various digital simulations taking into consideration the metal flow, structural strengths, applied mechanical forces and energy flow such as heat transfer, as well as physical testing of prototypes.

For the parts design, we use computer aided Design for Manufacture (DFM) software to perform geometric and formability analysis which analyses the molten aluminium when it solidifies and is formed into the desired shape and size without deformation and cracking and to virtually simulate on a computer the forming of a die cast part to achieve optimum casting. Upon completion of the design based on customer's specifications, we will use the digitalised design to produce prototypes using a 3-dimension printer. In some situations, our customers may require different methods of creating prototypes, where we will outsource the prototyping of die cast parts to suppliers as these specialised prototyping requires special machinery, equipment and materials where we do not have sufficient volume for in-house prototyping to be economical. The prototypes will be provided to our customer for their testing and final adjustments. This process of prototyping and fine tuning may take several iterations involving carrying out the casting process and examining the die cast parts to ensure that they comply to technical specifications until our customer accepts and signs off on the final parts design.

Using the customer accepted final die cast part design, we will engage suppliers to fabricate moulds and dies.

7. BUSINESS OVERVIEW *(Cont'd)*

7.8.3.2 Mass production process



- **Melting aluminium ingots**

  The aluminium alloy ingots are first heated to achieve a molten state in our melting and holding furnace. We use piped in gas to melt the aluminium.

- **Die casting**

  The molten aluminium is then transported to the die casting machine where it is fed into the machine's chamber. The die casting machine uses a plunger to force the molten aluminium into the cavity of the mould under high pressure until the casted part solidifies. For parts of different designs, a new mould and die will be required to be fabricated. The mould and die set in the die casting machine will be changed for the production of die cast parts of different designs.

  Depending on the size of the part to be casted, the mould and die set may be able to cast one or several parts simultaneously.

- **Post casting works**

  After the aluminium parts are cast, post casting works need to be carried out to achieve the final dimension within the given tolerance commonly ±0.05 mm. We use our existing CNC machines to carry out machining works, such as grinding, milling and turning, as well as drilling of holes and tapping to incorporate screw threads in the holes. As at the LPD, we outsource machining works to a subcontractor. Moving forward, we will carry out the precision finishing process in a production room of Temenggong 22 Factory. Please refer to Note (5) in **Section 7.21.1** of the Prospectus for further details of the said production room. Other instances where we would outsource post casting works include where we do not have the necessary CNC machines such as CNC lathe machines, or in situations when we do not have the machine to handle certain sizes or dimensional precision required, or when we have conflicting delivery timelines due to surge of orders. As at the LPD, given that we do not have any CNC lathe machines and also that our existing CNC machines are not able to handle lathe machining works, as part of our immediate plans, we intend to acquire only the CNC lathe machines. In the event that we need other CNC machines such as a higher specification CNC milling machine, we will either engage subcontractors to carry out the machining works or to purchase the required machine subject to the availability of funds in future. Please refer to **Section 7.22** of this Prospectus for further details on our strategies and plans.

  We also carry out finishing including trimming and deburring to remove unwanted metal parts and flashes, and smoothening edges and sharp corners.

  For some die cast parts, we send them to subcontractors to carry out surface treatment such as powder coating, buffing, blasting, polishing, grinding or sanding for decorative or protective purposes as we do not have the facilities to carry out such surface treatment. The subcontracted services for surface treatment and coating accounted for 1.7%, 1.1% and 0.7% of our total purchases of input materials and services for the FYE 2020, FYE 2021 and FPE 2022 respectively. Moving forward, we expect to continue outsourcing surface treatment works to subcontractors as we do not have the capacity to perform such works using our existing machinery and equipment.

7. BUSINESS OVERVIEW *(Cont'd)*

- **Packing and delivery**

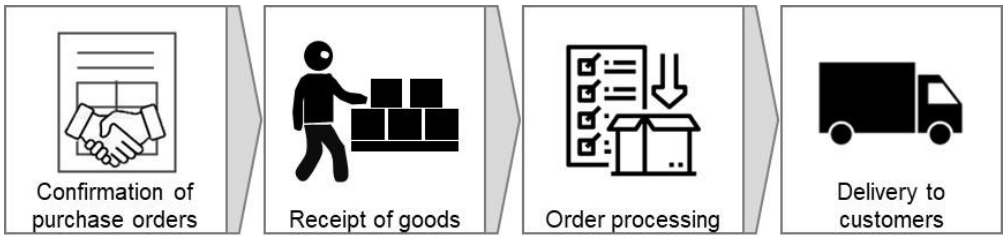
  The completed products are labelled and packed, and sent to our warehouse for storage, before delivering to the customers.

  When arranging for packaging of a new product, we have to discuss with packaging manufacturers to supply packaging materials such as corrugated cartons and internal protective packaging to ensure product security and protection during handling, storage and transportation. The packing of products into cartons are carried out by our in-house workers.

  As at the LPD, our die cast parts are mainly delivered to domestic destinations. We also deliver our die cast parts for use in our EMS operations at Senai 227 Factory and Kempas 6 Factory. Invoices will be issued upon delivery of such goods.

7.8.4 Supply of parts and components

The process flow of our supply of parts and components is as follows:



- **Confirmation of purchase orders**

  Upon receiving the purchase orders from our customers, we will first check if we have sufficient stocks for our customers. In the event where we do not have the required products or sufficient quantity of the products, we will place orders for them from our suppliers.

- **Receipt of goods**

  Upon the receipt of goods at our warehouse, we will conduct a quantity check on the products to ensure that the quantity received is equivalent to the amount that was raised in the purchase order as well as invoice issued by suppliers.

- **Order processing**

  We will generate a sales order with the itemised list of products ordered by the customers and our warehouse team will then pick and pack the orders in accordance to the sales orders.

- **Delivery to customers**

  Customers have the option of picking up their orders at our warehouse or have their orders delivered to their choice of locations. Upon receipt of goods, the customers will sign and stamp the sales order as proof of delivery.

7. BUSINESS OVERVIEW *(Cont'd)*

7.9 MARKETING STRATEGIES AND ACTIVITIES

Market strategies and positioning

- We position ourselves as a box build EMS provider where we mainly provide the following facilities and benefits to our customers:
  - dedicated machine and equipment within a secured and dedicated manufacturing area;
  - invest in specialised machinery and equipment for specific customers for their sole use;
  - source and procure input materials and services for our EMS on behalf of customers such that customers only pay later for the finished box build product.

- We market our EMS to the consumer and industrial electronic product sectors.

- We adopt both direct and indirect distribution channel strategies to enlarge our market access and coverage.

- We promote our manufacturing space that can cater to customers' growth plans.

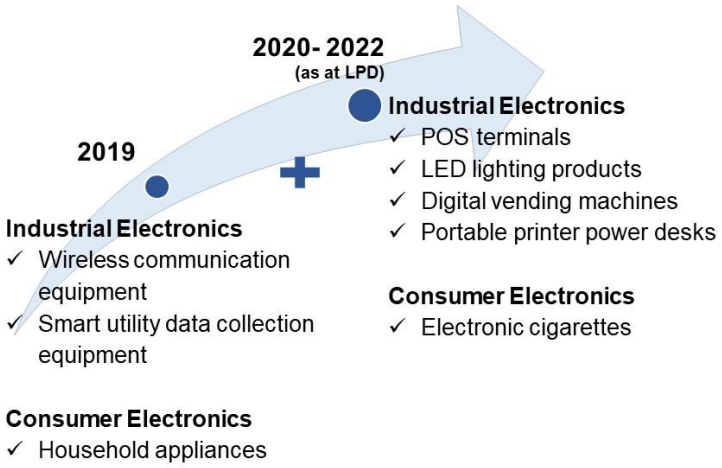
- We position ourselves as having the capabilities to service global brands as a reference of our reliability in delivering products that meet customers' requirements, specifications and timeliness.

Marketing activities

- We adopt a proactive sales and marketing approach where our business development and sales and marketing team follow up on business opportunities including referrals from business partners, suppliers and customers.

- The results of our marketing efforts include:
  - increasing the number of customers from 3 customers in FYE 2019 to 15 customers in FYE 2021 for our EMS operations; and
  - enlarging our product portfolio to include industrial and consumer electronic products as well as increasing the number of products within each sector.

Our product portfolio expansion through our marketing efforts(1)



Note:

(1) Please refer to **Section 7.1.1** of this Prospectus for further details on our key milestones.

7. BUSINESS OVERVIEW *(Cont'd)*

7.10 RESEARCH AND DEVELOPMENT

We do not carry out research and development as our main business activity is in the provision of EMS which involves sourcing and procurement, production, assembly, testing, packaging up to direct shipment fulfilment where all the parts are specified by our customers and mainly procured from suppliers.

7.11 TECHNOLOGY USED

We primarily use the following technologies in our EMS and die cast manufacturing operations:

- DFM for fabrication of moulds and dies;
- aluminium die casting;
- CNC machining;
- automated and semi-automated production lines for electronic cigarettes; and
- inspection and testing systems.

7.11.1 DFM for fabrication of moulds and dies

We utilise computer-aided DFM software for the design of the aluminium die cast parts taking into consideration the metal flow, structural strengths, applied mechanical forces and energy flow. Once the design is finalised, we will then engage suppliers to proceed with the fabrication of moulds and dies using a range of machines, among others, electrical discharge machines (EDM), as mentioned below. The DFM software enables our technical team to perform geometric and formability analysis to virtually simulate on a computer the forming of a die cast part to achieve optimum casting.

Moulds and dies are required to provide the shape and design of products using the casting method. Casting is a process where a liquid substance is poured into a mould and when the liquid hardens, it will take on the shape of the mould.

Mould forms the cavity with the desired shape, while the die is the corresponding protrusion such that when the die is placed in a mould, a small gap is formed in which the liquid substance can seep into the gap to become the walls of the desired product.

Moulds and dies are formed out of harden steel block using EDM. The EDM uses high-frequency electrical sparks from an electrode to vaporise metals to remove unwanted parts. EDM is widely used in mould and die making because it works well on hard materials such as hardened steel and can be used to fabricate or cut out more complex shapes and designs compared to mechanical cutting machines.

7.11.2 Aluminium die-casting

Die casting is a process that involves forcing molten metal through the cavity of a pre-created mould and die set under high pressure. We create the mould and die set using our DFM software to determine the dimensional precision to provide the cavity to form a specified component.

We use cold chamber die casting machines to manufacture our aluminium die cast parts as aluminium has a high melting point to achieve a molten state.

The aluminium is first melted in a separate furnace until it achieves a molten state. The molten aluminium is then forced into the cavity of the mould under high pressures where it cools and hardens, thereby creating a high precision die cast product. The aluminium die casting process is fully automated from the melting furnace up to the casting of aluminium parts. The post casting works such as finishing are carried out manually.

7. BUSINESS OVERVIEW *(Cont'd)*

7.11.3 CNC machining

CNC machining is a manufacturing technology and process in which pre-programmed instructions are sent to the CNC machine to control the removal of materials from a physical object. The application can be used to automate a range of manufacturing techniques such as our 3-axis cutting, grinding, milling and tapping processes.

3-axis cutting is a milling process where the cutting tool moves along the X, Y and Z axis for automatic operation, milling slots, drilling holes and cutting sharp edges. Milling is the mechanical machining process along with drilling, cutting, and other machining processes to make angle shapes, slot holes and curves, flat surfaces and channels. Tapping is the process of cutting threads on the inside surface of a drilled hole.

We use various types of CNC machines for cutting sharp or curve edges, drilling holes, as well as cutting threads on the inside surface of the drilled holes. We also use CNC machines to do the finishing, namely trimming and deburring to remove the unwanted edges and parts.

7.11.4 Automated production lines for electronic cigarettes

The automated and semi-automated production lines for refill pods and disposable cigarette sticks for electronic cigarettes are carried out in the ISO Class 8 cleanroom as the filling and assembly processes of the products are required to be manufactured under cleanroom environment to meet the customer's product specifications, while the production of the devices for the pod-based electronic cigarettes are not required to be carried out in a cleanroom environment. Based on ISO 14644 standard, an ISO Class 8 cleanroom is an enclosed zone where airborne particulates and pollutants are maintained at a maximum of 3,520,000 particles of ≥0.5 micrometre per cubic meter of air inside the cleanroom through the use of HEPA filters. In addition, a cleanroom system will also require pumps for the movement of air and a decontamination room to remove any contamination on the bodies of personnel or items prior to entering the cleanroom environment.

Cleanroom technology is a requirement for our electronic cigarettes as the liquid is inhaled and as such, any contaminants will need to be minimised during the production process.

7.11.5 Inspection and testing systems

We conduct various inspection and testing systems, some of which are customised and developed by our technical team to meet the specific requirements of our customers. Some of the tests carried out manually using appropriate testing equipment include:

- **Radio frequency test**, used to test devices that use wireless communication technologies ranging from low to high frequency band. Some of the parameters examined include transmitting power, receiving sensitivity, noise (unwanted background disturbances from various sources), phase noise (unwanted short and random fluctuation of a signal) and modulation quality. The tolerance level for acceptance is ±5% of the specified frequency band.

- **Leak test**, used to test the electronic cigarettes and the smart utility data collection equipment by performing air injection and water leak test. The tolerance level for acceptance is no leak of the electronic cigarette when subjected to pressure of 0.7 kilopascal (kPa) and 1.3 kPa.

- **Altitude test,** using altitude simulation tester to ensure that the product is able to withstand high pressure environment. The tolerance level for acceptance is no visible surface damage when the product is subjected to atmospheric pressure of 40kPa for 6 hours.

- **Composition test**, used to test the chemical composition and purity of the aluminium ingot using an optical emission spectrometer. The tolerance level for acceptance is between purity 77% to 87% of pure aluminium.

7. BUSINESS OVERVIEW *(Cont'd)*

- **Salt spray test**, used to check the corrosion resistance of the aluminium die cast parts. The tolerance level for acceptance is no visible oxidation after 1,000 hours of exposure to salt water.

We also utilise in-process automatic optical inspection machine to check for visual defects including missing or misplaced parts, and surface damages and defects as well as weight test on final product to detect on any missing parts or components.

7.12 KEY MACHINERY AND EQUIPMENT

As at 30 September 2022, the key machinery and equipment for our manufacturing operations are as follows:

	Quantity	Net Carrying Amount as at 30 September 2022 (RM'000)	Average useful lifespan (year)	(1)Average age (year)
EMS operations				
Assembly and production				
- Electromechanical assembly	25 lines	13,005	10	3
- Automated and semi-automated production lines	14* lines	58,099	10	2
- Automated blister packaging lines	2 lines	6,858	10	2
Surface mount technology	2 lines	12,312	10	3
Aluminium Die Cast Manufacturing and related activities				
Furnace	13 units	593	10	4
Die casting machines	13 units	5,121	10	4
CNC machines	14 units	271	10	6

Notes:

* Used for production of electronic cigarettes comprising 8 lines for refill pods, 2 lines for the device and 4 lines for the disposable cigarette sticks.

(1) None of the key machinery and equipment have exceeded the average useful lifespan.

The disposal policy for our key machinery and equipment typically takes into consideration the following factors:
- estimated useful life of the machinery and equipment;
- cost of maintenance and repair; and
- cost and benefits of replacement.

Based on our accounting policy, the estimated useful life of our machinery and equipment is 5 to 10 years. Please refer to Note 3.2 of **Section 13** of this Prospectus for further details on the estimated useful life of our machinery and equipment.

Our policy is to use our machinery and equipment for at least the duration of their estimated useful life. Thereafter, we would consider the ongoing cost of repair and maintenance relative to the costs and benefits of the new machinery and equipment.

7. BUSINESS OVERVIEW *(Cont'd)*

7.13 MATERIAL INTERRUPTIONS TO THE BUSINESS

Saved as disclosed below, we did not experience any other material interruptions to our business and operations during the past 12 months prior to the LPD.

7.13.1 COVID-19 conditions in Malaysia

Commencing on 18 March 2020, the Government of Malaysia implemented several measures to contain the spread of COVID-19 in the country. These measures include restrictions on the movement of people within Malaysia and internationally, and restrictions on business, economic and social activities.

The first phase of the MCO was implemented from 18 March 2020 to 3 May 2020 which saw the closure of all businesses except for those classified as "essential services" during that period, or those that have received written approval from the MITI.

During the first phase of MCO, our business operations was temporarily suspended for 29 days from 18 March 2020 to 16 April 2020. Cape EMS resumed partial operations from 16 April 2020 at 50% workforce capacity based on letter of approvals from the MITI dated 16 April 2020. Cape Manufacturing resumed partial operations from 24 April 2020 based on the letter of approval from the MITI dated 24 April 2020.

Subsequently, as the number of daily and active COVID-19 cases came down, the Government relaxed the country's restrictions and allowed the nation's economy to reopen in a controlled manner. From 18 March 2020 up to June 2021, the MCO went through various phases throughout the country including Conditional MCO ("**CMCO**"), Recovery MCO ("**RMCO**") and Full MCO ("**FMCO**") where restrictions were either relaxed and/or tightened for certain states, districts and/or location based on the number of daily and active COVID-19 cases in the respective areas. On 15 June 2021, the Government announced the National Recovery Plan ("**NRP**"), a phased exit strategy from the COVID-19 crisis. The NRP consists of 4 phases where the restrictions are gradually eased in each phase.

During the various phases of MCO including CMCO, RMCO, FMCO and NRP between 4 May 2020 and up to the LPD, save as disclosed below, we continued to operate according to the specified guidelines and SOP including specified workforce capacity during the respective periods.

On 14 June 2021, Cape Manufacturing received an inspection form from MITI and was issued a compound of RM50,000 for operating above the permitted capacity, i.e. 10% of employees (9 employees). Cape Manufacturing had earlier obtained approval from MITI on 1 June 2021 to operate in the E&E sector. However, on the day of inspection, the inspection officer took the view that die-casting operation was not part of essential services despite Cape Manufacturing's explanation that die-cast components were required in the E&E operations. Notwithstanding this, on 17 June 2021, Cape Manufacturing had successfully appealed to reduce the compound to RM5,000. On 21 June 2021, Cape Manufacturing had fully paid the said compound.

Thereafter, our Company had implemented procedures such as daily headcount checks by each team head and human resource department to ensure compliance with the specified guidelines and SOP including specified workforce capacity.

7.13.2 Impact on our business operations and financial performance

FYE 2020

As a result of the implementation of MCO by the Government during the MCO period, our business operation was temporarily suspended for 29 days in FYE 2020 during the MCO period. This has impacted our financial performance on the monthly revenue of April 2020 where our revenue declined by 89.0% from RM6.8 million in March 2020 to RM0.8 million in April 2020. As we resume our operations, our revenue increased by 2,428.3% to RM18.8 million in May 2020.

7. BUSINESS OVERVIEW *(Cont'd)*

FYE 2021

In FYE 2021, pursuant to the FMCO that started on 1 June 2021 followed by Phase 1 of the NRP, save as disclosed above, we continued to operate according to the specific guidelines and SOP.

We continued to fulfill customers' orders during the NRP period which has not materially affected our product shipments where we continued to record revenue of RM28.4 million in June 2021 and RM25.5 million in July 2021 and RM45.8 million in August 2021. Our Group resumed full workforce capacity on 8 October 2021. Pursuant to the COVID-19 pandemic and the disruptions in global shortage of semiconductors, we purchase the input materials ahead upon approvals by our customers for the supply.

Since March 2020 and up to the LPD, 218 of our employees had tested positive for COVID-19 and have since fully recovered. We did not experience any material impact on our operations as employees tested positive for COVID-19 were placed under self-quarantine while we continued our operations. Since March 2020 and up to the LPD, we incurred cost for testing of our employees and production floor workers as well as purchase of face masks of approximately RM65,000, approximately RM81,000 and approximately RM40,000 in FYE 2020, FYE 2021 and FPE 2022 respectively, which accounted for approximately 0.3%, 0.4% and 0.2% of our PAT for FYE 2020, FYE 2021 and FPE 2022 respectively. Premised on this, there was no material impact on our financial performance for the respective Period Under Review.

We have received wage subsidy of approximately RM0.5 million in FYE 2020 and approximately RM13,000 in FYE 2021 under the Wage Subsidy Program ("**PSU**") implemented by Malaysia Social Security Organisation ("**SOCSO**") as well as the Support Scheme implemented by Inland Revenue Authority Singapore ("**IRAS**") and Ministry of Manpower of Singapore ("**MOM**").

There was no cancellation of orders a result of COVID-19 and MCO or variations thereof. The impact of MCO and variations thereof did not materially affect our Group's liquidity, including collectability of trade receivables and cash flow, and profitability.

As at 30 September 2022, we have cash and cash equivalent of RM24.5 million and our total borrowings stood at RM203.5 million. As at 30 September 2022, our gearing ratio was 1.1 times and current ratio was 1.5 times. As at the LPD, our available banking facilities for working capital purposes amounted to RM294.2 million, of which RM137.3 million has yet to be utilised. After taking into consideration our cash and bank balances and existing banking facilities, we have adequate working capital to meet our present and foreseeable requirements for a period of 12 months from the date of this Prospectus.

7.13.3 Impact on our supply chain

According to the IMR, there is a global shortage of semiconductors that has affected the electronics industry. The shortage of semiconductors started approximately in the second quarter of 2020 and continued into 2022. This was mainly due to the increase in the demand for E&E products caused by the increased use of electronic devices as a result of the COVID-19 pandemic as well as the increased use of semiconductors in automobiles.

Our EMS customers provide us with a 6 to 12 months rolling forecast and confirmed purchase orders mainly on a weekly or quarterly basis. We are responsible for the procurement of input materials, while proprietary or critical input materials namely the semiconductors are mainly supplied by our customers. Any delays in supplying semiconductors to us will consequently delay our manufacturing process and delivery. The shortage of semiconductors does not directly affect our procurement as the semiconductors are mainly supplied by our customers as mentioned above. However, this has resulted in the delay in the supply of semiconductors by our customers to us, which consequently delayed our manufacturing process and delivery.

Notwithstanding the above, in the event of a prolonged COVID-19 pandemic or any other outbreaks of contagious or virulent diseases in the future, our business operation and financial performance would be materially affected. Please refer to **Section 9.1.7** of this Prospectus for further details on this risk factor.

7. BUSINESS OVERVIEW *(Cont'd)*

Saved as disclosed above, we did not encounter any material supply disruptions of input materials during the MCO periods and up to the LPD.

7.14 TYPES AND SOURCES OF INPUT MATERIALS AND SERVICES

For the Period Under Review, the major types of input materials and services that we purchase for our business operations are as follows:

	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Input Materials for EMS operations	**33,352**	**100.0**	**122,130**	**94.0**	**246,940**	**96.8**	**179,683**	**97.0**
E&E parts and components	16,869	50.6	80,776	62.2	213,245	83.5	153,490	82.9
Mechanical parts	15,871	47.6	37,271	28.7	25,722	10.1	19,032	10.3
Packaging and related materials	609	1.8	3,683	2.8	7,243	2.9	7,004	3.7
Others[(1)]	3	*	400	0.3	730	0.3	157	0.1
Materials and services for die cast manufacturing#	**-**	**-**	**7,803**	**6.0**	**8,291**	**3.2**	**5,451**	**3.0**
Aluminium ingots	-	-	1,972	1.5	2,021	0.8	1,630	0.9
Subcontracted services	-	-	5,831	4.5	6,270	2.5	3,821	2.1
Total purchases of input materials and services	**33,352**	**100.0**	**129,933**	**100.0**	**255,231**	**100.0**	**185,134**	**100.0**

Notes:

\# Cape Manufacturing was acquired by our Company in January 2020.

* Less than 0.01%.

(1) Includes mainly magnets, shielding materials, equipment such as sealer, laser printer, laser marking machine and calibration equipment, forklift rental as well as hardware.

For the Period Under Review, our input materials for our EMS operations are, among others, as follows:

- **E&E parts and components**: The purchases of E&E parts and components accounted for 50.6%, 62.2%, 83.5% and 82.9% of our total purchases of input materials and services for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively.

  E&E parts and components that are used for our EMS operations mainly include the following:
  - Electronic components including components for portable credit card readers, wireless data gathering systems, cordless vacuum cleaners and antenna for wireless communication, as well as other electronic components which include chassis, gasket, atomiser, dust filter, nozzle and form-in-place gasket;
  - PCBA;
  - LED panels and related materials such as backlit panel, hub housing top/ LED tunnel and LED light intensifier;
  - Vending machine parts;
  - Battery parts and components including battery tubes and parts, and lithium batteries;
  - Electrical parts mainly include cables, metal cables, cable gland, solder bar, solder wire and socket converters.

  These input materials are mainly used during the assembly process, where all parts are then assembled together to produce the products.

- **Mechanical parts**: The purchases of mechanical parts accounted for 47.6%, 28.7%, 10.1% and 10.3% of our total purchases of input materials and services for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively.

7. BUSINESS OVERVIEW *(Cont'd)*

Mechanical parts that we purchase are as follows:

- Plastic parts for enclosures including fees for the development of tooling, mould and tooling for the plastics parts;
- Metal parts including metal and aluminium parts;
- Gas meter parts;
- Silicon and rubber seals, plugs, caps and O-rings; and
- Fasteners, jigs, plug gauge and springs.

These input materials are mainly used during the assembly process, where all parts are then assembled together to produce the products.

- **Packaging and related materials**: The purchases of packaging and related materials accounted for 1.8%, 2.8%, 2.9% and 3.7% of our total purchases of input materials and services for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively.

  Packaging and related materials mainly includes labels, carton boxes, blister foils, tray packaging, plastic pallets, barrier bags, bottom covers, tapes, adhesive and rubber parts.

  These materials are mainly used during our packing process.

For the Period Under Review, our input materials and services for our die cast manufacturing operations are as follows:

- **Materials and services for die cast manufacturing**

  For the Period Under Review, our input materials and services purchased for our die cast manufacturing operations accounted for 6.0%, 3.2% and 3.0% of our total purchases of input materials and services for the FYE 2020, FYE 2021 and FPE 2022 respectively.

  Our main purchases were subcontracted services and aluminium ingots. Subcontracted services were mainly surface treatment and coating for our finished die cast parts, as well as machining works when required. Aluminium ingots are our input materials for the manufacture of aluminium die cast parts.

  We also engaged suppliers to manufacture die cast parts based on our specifications for some complex design. As these die cast parts are time consuming in the fabrication of the moulds and die set as well as post casting finishing works. We also outsource some of our die casting works when we have conflicting delivery timelines due to unexpected surge in work orders during the Period Under Review. We are currently outsourcing 100% of our precision finishing process to the sub-contractor. Moving forward, we will carry out the precision finishing process in a production room of Temenggong 22 Factory. Please refer to Note (5) in **Section 7.21.1** of the Prospectus for further details of the said production room.

  We also plan to carry out precision finishing process at our Tebrau 6 Factory upon the purchases of 2 units of CNC lathe machines in the second quarter of 2023.

Aluminium is a globally traded commodity and is subject to price fluctuations as a result of supply and demand conditions in the market. The average purchase price of our aluminium ingots increased by approximately 17.4%, 40.2% and 22.0% for the FYE 2020, FYE 2021 and FPE 2022 respectively. In addition, the Group's purchases are mainly denominated in USD and RM. In the event of any unfavourable fluctuations in the cost of these materials or in the relative strength of the USD against the RM, our margin will be affected to a certain extent. Please refer to **Section 9.2.6** of this Prospectus for further details on the risks relating to fluctuations in aluminium prices and **Section 12.3.2(iii)** of this Prospectus for further information on the impact of foreign exchange.

7. BUSINESS OVERVIEW *(Cont'd)*

In FYE 2021, we were unable to pass on the increased cost resulting from the increase in aluminium prices to customers in a timely manner. This has impacted our GP and GP margin of our die cast manufacturing operations. In ensuring the timely passing of such costs to our customers, we began reviewing the aluminium prices on a quarterly basis with our customers to address any material fluctuations in aluminium prices. Please refer to **Section 12.3.1(iii)(b)** of this Prospectus for further details on the impact of the increase in aluminium prices to our GP and GP margin, and **Section 9.2.6** of this Prospectus for further details on the related risks.

In addition to aluminium materials, other input materials such as plastic and metal parts that we purchased for EMS operations are also subject to increase in prices of raw material, being polymer resins and metal prices. The impact to our Group was minimal as we were able to revise the product pricing in a timely manner to factor in the increased cost of the said materials following the review of price that was agreed by customers.

For the Period Under Review, imported materials accounted for 34.7%, 27.6%, 49.8% and 59.9% of our total purchases of input materials and services for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively.

The breakdown of purchases by countries is as follows:

	FYE 2019		**FYE 2020**		**FYE 2021**		**FPE 2022**	
	(RM'000)	**(%)**	**(RM'000)**	**(%)**	**(RM'000)**	**(%)**	**(RM'000)**	**(%)**
Input Materials for EMS operations	**33,352**	**100.0**	**122,130**	**94.0**	**246,940**	**96.8**	**179,683**	**97.0**
E&E parts and components	16,869	50.6	80,776	62.2	213,245	83.5	153,490	[(2)]82.9
Malaysia	*7,463*	*22.4*	*52,489*	*40.4*	*100,498*	*39.4*	*52,768*	*28.5*
Singapore	*4,234*	*12.7*	*6,254*	*4.8*	*55,728*	*21.8*	*57,633*	*31.1*
USA	*1,846*	*5.5*	*1,682*	*1.3*	*31,730*	*12.4*	*372*	*0.2*
China	*529*	*1.6*	*18,785*	*14.5*	*25,005*	*9.8*	*35,015*	*18.9*
UK	*1,634*	*4.9*	*752*	*0.6*	*284*	*0.1*	*55*	*
Taiwan	*1,163*	*3.5*	*814*	*0.6*	-	-	-	-
Japan	-	-	-	-	-	-	*7,647*	*4.1*
Mechanical parts	15,871	47.6	37,271	28.7	25,722	10.1	19,032	[(2)]10.3
Malaysia	*13,836*	*41.5*	*30,165*	*23.2*	*12,165*	*4.8*	*9,483*	*5.1*
China	*1,836*	*5.5*	*2,627*	*2.0*	*12,426*	*4.9*	*9,112*	*4.9*
USA	-	-	*1,045*	*0.8*	*658*	*0.2*	*38*	*
Singapore	*196*	*0.6*	*2,332*	*1.8*	*473*	*0.2*	*399*	*0.2*
Taiwan	-	-	*1,099*	*0.9*	-	-	-	-
UK	*3*	*	*3*	*	-	-	-	-
Packaging and related materials	609	1.8	3,683	2.8	7,243	2.9	7,004	3.7
Malaysia	*464*	*1.4*	*3,345*	*2.6*	*6,801*	*2.7*	*6,576*	*3.5*
China	*67*	*0.2*	*338*	*0.2*	*416*	*0.2*	*358*	*0.2*
Singapore	*78*	*0.2*	-	-	*26*	*	*70*	*
Others[(1)]	3	*	400	0.3	730	[(2)]0.3	157	0.1
Malaysia	*3*	*	*334*	*0.3*	*271*	*0.1*	*18*	*
China	-	-	*45*	*	*354*	*0.1*	*139*	*0.1*
USA	-	-	*21*	*	*105*	*	-	-

7. BUSINESS OVERVIEW *(Cont'd)*

	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Materials and services for die cast manufacturing#	**-**	**-**	**7,803**	**6.0**	**8,291**	**(2)3.2**	**5,451**	**3.0**
Aluminium ingots	-	-	1,972	1.5	2,021	0.8	1,630	0.9
Malaysia	*-*	*-*	*1,864*	*1.4*	*2,021*	*0.8*	*1,630*	*0.9*
China	*-*	*-*	*108*	*0.1*	*-*	*-*	*-*	*-*
Subcontracted services	-	-	5,831	4.5	6,270	2.5	3,821	2.1
Malaysia	*-*	*-*	*5,831*	*4.5*	*6,270*	*2.5*	*3,821*	*2.1*
Total purchases of input materials and services	**33,352**	**100.0**	**129,933**	**100.0**	**255,231**	**100.0**	**185,134**	**100.0**

Notes:

\# Cape Manufacturing was acquired by our Company in January 2020.

* Less than 0.01%.

(1) Includes mainly magnets, shielding materials, equipment such as sealer, laser printer, laser marking machine and calibration equipment, forklift rental as well as hardware.

(2) The percentage does not add up due to rounding issue.

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7. BUSINESS OVERVIEW *(Cont'd)*

7.15 MAJOR APPROVALS, LICENCES AND PERMITS OBTAINED

Our Group is dependent on the following major approvals, licences and permits for our operations. As at the LPD, details of the major approvals, licences and permits, together with salient conditions imposed and status of compliance, are as follows:

No	Company	Approving authority/ issuer	Description of approval/ licence / approval	Licence/ Reference No.	Issuance Date/ Expiry Date	Equity and/or salient conditions imposed	Status of compliance
1.	Cape EMS	MITI	**Manufacturing Licence** for manufacturing of PCBA, home entertainment equipment, computer peripherals, telecommunication equipment and measuring instrument/device at Senai 227 Factory	Licence No: A022025 Serial No: A040977	28 September 2022/ Nil Effective Date: 30 August 2019	(a) MIDA shall be notified in writing of any change of Cape EMS' registered address.	Noted
						(b) MITI and MIDA shall be notified of any sale of shares in Cape EMS(1).	Complied
						(c) Cape EMS shall implement its projects as approved subject to the conditions of this licence(2) and in accordance with other laws and regulations in Malaysia.	Complied
2.	Cape EMS	MITI	**Manufacturing Licence** for manufacturing of vacuum cleaner, vending machine and scanner device at Senai 227 Factory	Licence No: A022025 Serial No: A040970	28 September 2022/ Nil Effective Date: 22 February 2021	(a) MITI and MIDA shall be notified of any sale of shares in Cape EMS(1).	Complied
						(b) The total full-time workforce of the Company shall comprise at least 80% Malaysians. Employment of foreign workers including outsourced workers is subject to current policies.	Complied(3)
						(c) Cape EMS shall implement its projects as approved subject to the conditions of this licence(2) and in accordance with other laws and regulations in Malaysia.	Complied

7. BUSINESS OVERVIEW *(Cont'd)*

No	Company	Approving authority/ issuer	Description of approval/ licence / approval	Licence/ Reference No.	Issuance Date/ Expiry Date	Equity and/or salient conditions imposed	Status of compliance
3.	Cape EMS	MITI	**Manufacturing Licence** for manufacturing of electronic cigarette device including vape with nicotine liquid/gel at Senai 227 Factory	Licence No: A022025 Serial No: A040996	7 October 2022/ Nil Effective Date: 29 June 2021	(a) Cape EMS shall obtain Type B Licence under Poisons Act 1952 from the Ministry of Health Malaysia.	Noted and to be complied[4]
						(b) Cape EMS shall export 100% of the manufactured electronic cigarette device including vape with nicotine liquid/gel.	Complied
						(c) MITI and MIDA shall be notified of any sale of shares in Cape EMS[1].	Complied
						(d) The total full-time workforce of the Company shall comprise at least 80% Malaysians. Employment of foreign workers including outsourced workers is subject to current policies.	Complied[3]
						(e) Cape EMS shall implement its projects as approved subject to the conditions of this licence[2] and in accordance with other laws and regulations in Malaysia.	Complied
4.	Cape EMS	MITI	**Manufacturing Licence** for manufacturing of LED light, accessories and parts thereof at Senai 227 Factory	Licence No: A022025 Serial No: A040836	12 August 2022/ Nil Effective Date: 22 December 2021	(a) MITI and MIDA shall be notified of any sale of shares in Cape EMS[1].	Complied
						(b) The total full-time workforce of the Company shall comprise at least 80% Malaysians. Employment of foreign workers including outsourced workers is subject to current policies.	Complied[3]

7. BUSINESS OVERVIEW *(Cont'd)*

No	Company	Approving authority/ issuer	Description of approval/ licence / approval	Licence/ Reference No.	Issuance Date/ Expiry Date	Equity and/or salient conditions imposed	Status of compliance
						(c) Cape EMS shall implement its projects as approved subject to the conditions of this licence(2) and in accordance with other laws and regulations in Malaysia.	Complied
5.	Cape EMS	RMCD	Licensed Manufacturing Warehouse ("**LMW**") for telecommunication equipment, home entertainment equipment and measuring instrument / device, electronic cigarette and vape devices (non-nicotine)	Licence No: J10-GPB-0083/2022	Issuance date: 8 March 2022 Validity period: 1 April 2022 to 31 March 2023(6)	(a) Licence and LMW Plan approved by the State Director of Customs shall be displayed at a prominent place on the premise.	Complied
						(b) No taxable goods other than raw materials / components and machinery used directly in manufacturing and manufactured goods which have been approved by the State Director of Customs may be stored in the licensed manufacturing warehouse.	Complied
						(c) Changes to the structure of buildings and equipment in the licensed premises are not permitted except with the written approval of the State Director of Customs.	Noted
						(d) At least 80% finished product (by value) are to be exported, and not exceeding 20% of the finished product can be sold in the local market as approved. Goods sold in domestic market are subject to any prevailing duties / tax at the time.	Complied

7. BUSINESS OVERVIEW *(Cont'd)*

No	Company	Approving authority/ issuer	Description of approval/ licence / approval	Licence/ Reference No.	Issuance Date/ Expiry Date	Equity and/or salient conditions imposed	Status of compliance
						(e) Breach of any conditions of licence is an offence which the licence can be revoked or compounded under the Customs Act 1967 and the Customs Regulations 1977 or both.	Noted
						(f) Only 1 entity is allowed to operate within the premises of LMW. Any partnership with another entity within the same area is not allowed.	Complied
6.	Cape EMS	Kulai Municipal Council	**Risky Business Premise Licence**(7) for Senai 227 Factory: (i) Factory licence for assembly of electric component (ii) Factory licence for the business of electronic goods (iii) Office licence (iv) Warehouse / store licence (v) Advertisement	Serial No: MPKu B 018067	Validity Period: 1 January 2023 to 31 December 2023	-	-

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7. BUSINESS OVERVIEW *(Cont'd)*

No	Company	Approving authority/ issuer	Description of approval/ licence / approval	Licence/ Reference No.	Issuance Date/ Expiry Date	Equity and/or salient conditions imposed	Status of compliance
7.	Cape Manufacturing	RMCD	**Licensed Manufacturing Warehouse** for mechanical parts and electronic parts at Temenggong 22 Factory and Kempas 6 Factory[8]	Licence No: J10-GPB-0149/2022	Issuance date: 16 June 2022 Validity period: 1 July 2022 to 30 June 2023[9]	(a) Licence and LMW Plan approved by the State Director of Customs shall be displayed at a prominent place on the premise.	Complied
						(b) No taxable goods other than raw materials / components and machinery used directly in manufacturing and manufactured goods which have been approved by the State Director of Customs may be stored in the licensed manufacturing warehouse.	Complied
						(c) Changes to the structure of buildings and equipment in the licensed premises are not permitted except with the written approval of the State Director of Customs.	Noted
						(d) 100% finished product (by value) are to be exported, and not exceeding 0% of the finished product can be sold in the local market as approved. Goods sold in domestic market are subject to any prevailing duties / tax at the time.	Complied
						(e) Breach of any conditions of licence is an offence which the licence can be revoked or compounded under the Customs Act 1967 and the Customs Regulations 1977 or both.	Noted

7. BUSINESS OVERVIEW *(Cont'd)*

No	Company	Approving authority/ issuer	Description of approval/ licence / approval	Licence/ Reference No.	Issuance Date/ Expiry Date	Equity and/or salient conditions imposed	Status of compliance
						(f) Only 1 entity is allowed to operate within the premises of LMW. Any partnership with another entity within the same area is not allowed.	Complied
8.	Cape Manufacturing	Johor Bahru City Council	**Business Premise Licence** for manufacturing of electrical and aluminum goods at Temenggong 22 Factory	Account No: L2015LI01493	Validity period: 1 January 2023 to 31 December 2023	-	-
9.	Cape Manufacturing	Johor Bahru City Council	**Business Premise Licence** Office at Temenggong 22 Factory	Account No: L2015LI01494	Validity period: 1 January 2023 to 31 December 2023	-	-
10.	Cape Manufacturing	Johor Bahru City Council	**Business Premise Licence** for electronic and electrical component assembly at Kempas 6 Factory	Account No: L2022LI04282	Validity period: 1 January 2023 to 31 December 2023	-	-
11.	Cape Manufacturing	MITI	**Manufacturing Licence** for manufacturing of aluminium die cast parts at Temenggong 22 Factory	Licence No: A024491 Serial No: A040734	8 July 2022/ Nil Effective Date: 15 March 2022	(a) MITI and MIDA shall be notified of any sale of shares in Cape Manufacturing. (b) The total full-time workforce of Cape Manufacturing shall comprise at least 80% Malaysians. Employment of foreign workers including outsourced workers is subject to current policies.	Noted Complied[5]

7. BUSINESS OVERVIEW *(Cont'd)*

No	Company	Approving authority/ issuer	Description of approval/ licence / approval	Licence/ Reference No.	Issuance Date/ Expiry Date	Equity and/or salient conditions imposed	Status of compliance
						(c) Cape Manufacturing shall implement its project as approved and in accordance with the laws and regulations of Malaysia.	Complied
12.	Cape Manufacturing	MITI	**Manufacturing Licence** for manufacturing of data gathering system devices at Kempas 6 Factory	Licence No: A024662 Serial No: A041029	26 October 2022/ Nil Effective Date: 19 September 2022	(a) MITI and MIDA shall be notified of any sale of shares in Cape Manufacturing.	Noted
						(b) The total full-time workforce of Cape Manufacturing shall comprise at least 80% Malaysians. Employment of foreign workers including outsourced workers is subject to current policies.	Complied[(5)]
						(c) Cape Manufacturing shall implement its project as approved and in accordance with the laws and regulations of Malaysia.	Complied
13.	Cape Manufacturing	MITI	**Manufacturing Licence** for manufacturing of data gathering system devices at Temenggong 22 Factory	Licence No: A024491 Serial No: A041077	24 November 2022/ Nil Effective Date: 15 August 2022	(a) MITI and MIDA shall be notified of any sale of shares in Cape Manufacturing.	Noted
						(b) The total full-time workforce of Cape Manufacturing shall comprise at least 80% Malaysians. Employment of foreign workers including outsourced workers is subject to current policies.	Complied[(5)]
						(c) Cape Manufacturing shall implement its project as approved and in accordance with the laws and regulations of Malaysia.	Complied

7. BUSINESS OVERVIEW *(Cont'd)*

Notes:

(1) On 16 August 2022, MIDA informed Cape EMS that its application to amend or waive this condition can only be submitted once Cape EMS is listed on the Main Market of Bursa Securities. Upon the successful listing of Cape EMS on the Main Market of Bursa Securities, Cape EMS will resubmit its application to MIDA for MITI to amend or waive this condition.

(2) Save as disclosed, there are no other salient conditions stated in this licence.

(3) On 23 July 2022, MITI announced that the obligation to comply with this condition has been deferred to 31 December 2024. As at the LPD, the total full-time workforce of Cape EMS comprises 81% Malaysians.

(4) As one of the conditions imposed under the Manufacturing Licence issued by MITI, Cape EMS is required to obtain a Type B Licence from the Ministry of Health under the Poisons Act 1952 in the event Cape EMS intends to import e-liquid with nicotine. On 5 November 2021, our Company applied for Type B Licence and as at the LPD, our application is pending approval. Pursuant to Poisons Act 1952, nicotine is categorised as a poison and hence Type B Licence is required to import, store and sell nicotine by wholesale. In mid-November 2022, our Company commenced the manufacturing of electronic cigarettes with nicotine based on purchase order received from Customer A. The e-liquid with nicotine required for the manufacturing of electronic cigarettes is consigned by Customer A via Customer A's agent who imports, stores and transports the e-liquid with nicotine to our Company for manufacturing of electronic cigarettes with nicotine. Notwithstanding the pending approval for a Type B Licence, Cape EMS is of the view that its implication on the operations of the Company is minimal in view of the current arrangement with Customer A.

Pursuant to the Industrial Co-Ordination Act 1975, the licensing officer may in his discretion revoke a manufacturing licence if a licence holder has not complied with any condition imposed in the manufacturing licence, or withhold or suspend the revocation of the manufacturing licence if he is satisfied that the act or omission of Cape EMS was due to some cause beyond its control and there is a reasonable prospect of such act or omission being remedied within such period as the licensing officer may direct.

Based on Cape EMS' verbal discussion with MIDA, Cape EMS is permitted to manufacture electronic cigarettes with nicotine under this manufacturing licence for 100% export market, as Customer A's agent imports, stores and transports the e-liquid with nicotine to Cape EMS. Pending the approval of our Type B Licence application, which we estimate to receive by the fourth quarter of 2023, we will continue manufacturing electronic cigarettes with nicotine imported by Customer A's agent.

Cape EMS has not received any notice of non-compliance from any licensing officer in relation to the above. Premised on the above verbal clarification with MIDA, Cape EMS is of the view that exposure to such penalty is minimal.

(5) On 23 July 2022, MITI announced that the obligation to comply with this condition has been deferred to 31 December 2024. As at the LPD, the total full-time workforce of Cape Manufacturing comprises 81% Malaysians.

(6) When this LMW approval was issued on 8 March 2022, our Company's previous LMW approval was still in force until 31 March 2022. Hence this approval's validity period commenced on 1 April 2022. Our Company's usual practice is that the application for renewal of LMW approval will be submitted approximately 1 month before the date of expiry. Based on our previous renewal applications, RMCD will issue the renewed LMW approval before the expiry of the LMW, provided all application documents are in order. Given that this LMW approval is expiring on 31 March 2023, we have not submitted the application for renewal of this LMW as at the LPD. We do not foresee any issues in renewing this LMW approval. As at the LPD, we have not experienced any non-approval for the renewal of our LMW licence.

(7) The Risky Business Premise Licence in essence is a business premise licence similar to licences No. 8, 9 and 10 above, where a person shall not use any premise for the operation of any business activity without obtaining a business premise licence from the relevant local authority. Whether a premise is classified as risky business premise or non-risky business premise is determined by the Kulai Municipal Council. Our Senai 227 Factory has been classified as a risky business premises by the Kulai Municipal Council. In an application for a Risky Business Premise Licence, the Kulai Municipal Council may refer the application to various departments such as Fire Department, Department of Environment, Department of Occupational Safety and Health, and other departments (as applicable) for comments; whereas in an application for non-risky business premise licence, the Kulai Municipal Council may refer the application to the Fire Department for comments.

(8) Cape Manufacturing received the amended manufacturing warehouse licence dated 3 October 2022 which included Kempas 6 Factory as its business premises. The amended manufacturing warehouse licence is valid until 30 June 2023.

(9) When this LMW approval was issued on 16 June 2022, Cape Manufacturing's previous LMW approval was still in force until 30 June 2022. Hence this approval's validity period commenced on 1 July 2022. Cape Manufacturing's usual practice is that the application for renewal of LMW approval will be submitted approximately 1 month before the date of expiry. Based on our previous renewal applications, RMCD will issue the renewed LMW approval before the expiry of the LMW approval, provided all application documents are in order. Given that this LMW approval is expiring on 30 June 2023, we have not submitted the application for renewal of this LMW as at the LPD. We do not foresee any issues in renewing this LMW approval. As at the LPD, we have not experienced any non-approval for the renewal of our LMW licence.

As at the LPD, save as disclosed in **Section 7.21.1** and **Section 7.23** of this Prospectus, our Group has the necessary government approvals, authorisations, licences or permits of any nature whatsoever which are required under any law, decree or regulation to carry on our business and operations and all such approvals, authorisations, licences or permits are still valid and the same has not been revoked or threatened to be revoked.

7.16 INTELLECTUAL PROPERTY RIGHTS, PATENTS, TRADEMARKS AND REGISTRATIONS

Our Group is not materially dependent on the trademarks as our existing business is not affected whether or not our trademark applications are approved because we are an EMS provider and the products are not marketed under our own brand. Please refer to **Section 7.9** of this Prospectus for further details on our Group's marketing strategies and activities.

As at the LPD and save as disclosed below, our Group does not have any other intellectual property rights, patents, trademarks and registrations.

No.	Trademark	Issuing authority	Registered owner/ Name of Applicant	Trademark number/ Application number	Description	Status/ Expiry date
1.		MyIPO	Our Company	TM2022009277	Class 35(1)	Registered/ 13 April 2032
2.		MyIPO	Our Company	TM2022009278	Class 40(2)	Registered/ 13 April 2032

7. BUSINESS OVERVIEW *(Cont'd)*

No.	Trademark	Issuing authority	Registered owner/ Name of Applicant	Trademark number/ Application number	Description	Status/ Expiry date
3.		MyIPO	Our Company	TM2022009279	Class 42(3)	Registered/ 13 April 2032
4.	icApe	MyIPO	Our Company	TM2022009280	Class 35(1)	Registered/ 13 April 2032
5.	icApe	MyIPO	Our Company	TM2022009281	Class 40(2)	Registered/ 13 April 2032
6.	icApe	MyIPO	Our Company	TM2022009282	Class 42(3)	Registered/ 13 April 2032

Notes:

(1) The bringing together, for the benefit of others, of a variety of goods, excluding the transport thereof, enabling customers to conveniently view and purchase those goods; advertising services relating to the sale of goods; business consultancy services; advertising; distribution of samples; import-export agency services; marketing; publicity; demonstration of goods; arranging and conducting of trade shows; arranging exhibitions for commercial or advertising purposes; business information; online advertising on a computer network; provision of an online marketplace for buyers and sellers of goods and services; presentation of goods on communication media, for retail purposes.

(2) Custom manufacture of goods; custom assembling of materials for others; custom manufacturing; processing of materials; treatment of materials.

(3) Design of tools; consumer product design services; design and development of new products; design of engineering products; design of industrial products; design of machines, apparatus and instruments; design of mechanical components; design of new products; design services; product design services; technical design services.

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7. BUSINESS OVERVIEW *(Cont'd)*

7.17 MATERIAL DEPENDENCY ON COMMERCIAL CONTRACTS, AGREEMENTS AND OTHER ARRANGEMENTS

Save as disclosed below, as at the LPD, our Group is not dependent on any contracts or agreements including commercial and financial contracts which are material to our business or profitability:

(i) Customer A[(1)] – Manufacturing and Supply Agreement

Contracting Parties	Cape EMS and Customer A
Description	The Manufacturing and Supply Agreement sets out the general terms and conditions governing the purchases of products by Customer A on a non-exclusive basis from Cape EMS, and Cape EMS shall manufacture and sell the products to Customer A in accordance with the specifications provided by Customer A.
Exclusivity	Nil
Main Product	Electronic cigarette device
Term / Duration	18 May 2022 to 17 May 2027. The Manufacturing and Supply Agreement will automatically renew for an additional successive 2 years term, unless terminated pursuant to the terms of the agreement or applicable laws.
Governing Law	The laws of the state of New York, USA
Arbitration	Any dispute will be resolved by final and binding arbitration in New York City, New York, USA.
Termination / Events of Default	Customer A's Right to Terminate for Cause Customer A may terminate the Manufacturing and Supply Agreement, by providing written notice to Cape EMS: (i) if Cape EMS is in breach of the Manufacturing and Supply Agreement and the breach cannot be cured or is not cured by Cape EMS within a commercially reasonable period of time; (ii) if Cape EMS (a) becomes insolvent or is generally unable to pay, (b) becomes subject to any proceeding under any domestic or foreign bankruptcy or insolvency law, (c) makes or seeks a general assignment for the benefit of its creditors, or (d) applies for or has appointed a receiver, trustee, custodian or similar agent appointed by order of any court of competent jurisdiction to take charge of or sell any material portion of its property or business; (iii) if Cape EMS fails to provide Customer A (after Customer A's request) with adequate and reasonable assurance of Cape EMS's financial and operational capability to perform timely any of Cape EMS's obligations under this Manufacturing and Supply Agreement; or (iv) if, without obtaining Customer A's prior written consent, (a) Cape EMS sells, leases or exchanges a material portion of Cape EMS's assets, (b) Cape EMS merges or consolidates with or into another Person, or (c) a change in control of Cape EMS occurs. Such termination will be effective on Cape EMS' receipt of Customer A's written notice of termination or such later date (if any) set forth in such termination notice.

7. BUSINESS OVERVIEW *(Cont'd)*

	Cape EMS' Right to Terminate for Cause Cape EMS may terminate this Manufacturing and Supply Agreement, by providing 15 days' written notice to Customer A, in the event that Customer A fails to pay any undisputed invoice for a period of longer than 20 days after the due date thereof and does not cure the failure by the end of such 15-day period.
Payment Terms	Except for any amounts disputed by Customer A in good faith and except as otherwise agreed by the parties, Cape EMS' accurate and correctly submitted invoices for products will be payable within 60 days following Customer A's receipt of Cape EMS' invoice. Customer A shall be given a discount for prompt payment of products invoices, which will be (unless otherwise agreed) a 0.2% discount if payment is made within 15 days from the date of receipt of Cape EMS' invoice and 0.15% if payment is made between 16-30 days from the date of receipt of Cape EMS' invoice. If any undisputed amounts payable by Customer A to Cape EMS shall remain unpaid after the same shall have become due then Customer A shall pay to Cape EMS interest at the rate of 10% per annum calculated on a daily basis on the amount remaining due and unpaid from the due date for payment until the date of actual payment. Prior to incurring any interest, Cape EMS shall provide Customer A with written notice and a 10-day opportunity to pay any such undisputed amounts.
Late Delivery	If Cape EMS does not comply with any of its delivery obligations under the Manufacturing and Supply Agreement, Customer A may, in its sole discretion and at Cape EMS' sole cost and expense, (i) approve a revised delivery date, (ii) require Cape EMS to deliver the products using priority air shipping at Cape EMS' expense, or (iii) cancel the applicable purchase order and obtain similar products from other sources. Unless otherwise expressly agreed to by the parties in writing, Cape EMS may not make partial shipments of products to Customer A.
Product Liability	Withdrawal or Recall of Products If Customer A, or any governmental authority determines that any products sold to Customer A are defective and a recall campaign is necessary, Customer A will have the right to implement such recall campaign and return the defective products to Cape EMS or destroy such products, as determined by Customer A in its reasonable discretion. If a recall campaign is implemented, at Customer A's option, Cape EMS shall promptly replace any defective products and provide such replacement products to Customer A or Customer A's designee. Cape EMS will be liable for all costs pursuant to this Manufacturing and Supply Agreement and all of Customer A's costs associated with any recall campaign if such recall campaign is based upon Customer A's reasonable determination that the products fail to conform to the specifications or warranties set forth in the Manufacturing and Supply Agreement. If Cape EMS does not agree with Customer A's determination that the products fail to conform to the specifications or warranties set forth in the Manufacturing and Supply Agreement, then Cape EMS shall provide Customer A with written notice thereof within 10 days' after Customer A's determination. In such event, the parties shall attempt, in good faith, to resolve such dispute. If Customer A and Cape EMS cannot resolve such dispute within 14 days, the parties shall submit the dispute for arbitration in accordance with this Manufacturing and Supply Agreement.

7. BUSINESS OVERVIEW *(Cont'd)*

	Indemnification Subject to the terms and conditions of the Manufacturing and Supply Agreement, a party (as "**Indemnifying Party**") shall indemnify, defend and hold harmless the other party and, in the case of Cape EMS as the Indemnifying Party, indemnify, defend and hold harmless Customer A and its affiliates, customers, subcontractors and successors and assigns (collectively, "**Indemnified Parties**") against any and all losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs, or expenses of whatever kind, including reasonable attorney's fees (collectively, "**Losses**"), relating to, arising out of or resulting from: (i) a breach or non-fulfilment of any of Indemnifying Party's representations, warranties, or covenants in this *Manufacturing and Supply* Agreement; (ii) any negligent or more culpable act or omission of Indemnifying Party or any of its representatives (including any recklessness or willful misconduct); (iii) any bodily injury, death of any person or damage to real or tangible personal property caused by the acts or omissions of Indemnifying Party or any of its representatives; or (iv) any failure by Indemnifying Party or its personnel to comply with any applicable laws.
Force Majeure	In the event that either party is prevented from carrying out its obligations under this Manufacturing and Supply Agreement as a result of any cause beyond its reasonable control and could not have been reasonably prevented through ordinary prudence, including, but not limited to, war or hostilities, terrorism or the effects of terrorism, riot an civil commotion, pandemic, denial of public utilities or means of transport, fire, flood and other natural disasters ("**Force Majeure Event**"), the party affected by the Force Majeure Event shall have its obligations suspended for as long as such fulfilment is prevented by the Force Majeure Event. If the Force Majeure Event continues for or is expected to continue for a period of more than 30 consecutive calendar days, the parties shall enter into bona fide discussions with a view to alleviating its effects or to agreeing upon such alternative arrangements as may be fair and reasonable.

Note:

(1) The name of Customer A has not been disclosed due to a confidentiality requirement in our manufacturing and supply agreement with Customer A. Consent was sought for disclosure of the identity of Customer A but was not obtained. As such, the identity of Customer A is not disclosed in this Prospectus.

(ii) K & Q – Manufacturing Supply Agreement

Contracting Parties	Cape EMS and K & Q
Description	The Manufacturing Supply Agreement sets out the general terms and conditions governing the manufacturing of K & Q's products by Cape EMS.
Exclusivity	Nil
Main Product	Robotic vacuum cleaner

7. BUSINESS OVERVIEW *(Cont'd)*

Term / Duration	24 February 2020 to 23 February 2022. The Manufacturing Supply Agreement shall automatically renew for renewal terms of 12 months unless either party provides a written termination notice to the other party.
Governing Law	English Law
Jurisdiction	Non-exclusive jurisdiction of the English courts.
Termination / Events of Default	Either party may terminate the Manufacturing Supply Agreement for convenience on 180 days prior written notice to the other. Either party may terminate the Manufacturing Supply Agreement with immediate effect on written notice to the other party, if, either Party defaults in making payment as required in the Manufacturing Supply Agreement and fails to remedy such default within 30 days following receipt of notice, commits an act of bankruptcy or winding up, enters into liquidation, becomes unable to pay its debts as they fall due, or if a receiver or administrator is appointed over all or any part of its assets (other than for the purpose of solvent reorganization) or suffers any similar action or event. If Cape EMS defaults, Cape EMS shall immediately notify K & Q of the above event in writing and grant K & Q unencumbered access to all documentation and K & Q-owned equipment during the Cape EMS' normal working hours or otherwise by appointment. If K & Q defaults, Cape EMS may cancel any further deliveries under the Manufacturing Supply Agreement or stop any products in transit and may terminate the Manufacturing Supply Agreement with immediate effect on written notice to K & Q. Cape EMS shall have the right to enter K & Q's premises and recover any product or components thereon for which K & Q has not paid and sell the same to the value of the outstanding debt, if any. If either party is in material breach of any of the provisions and the breaching party fails to remedy the breach within 28 days, or such other period as the parties may agree, or, in the case of a breach which is incapable of remedy within such time, fails to begin to remedy the breach within 28 days and to diligently pursue such remedy to completion thereafter, then the non-breaching party may terminate the Manufacturing Supply Agreement with immediate effect on written notice to the breaching party. If either party suffers an event of Force Majeure Event (as defined below) and the Force Majeure Event is expected to continue beyond the date review for a period in excess of 30 days and its effects cannot be alleviated through reasonable efforts or no suitable alternative arrangements can be made, then the other party may terminate the Manufacturing Supply Agreement with immediate effect on written notice.
Payment Terms	Invoices shall be paid 90 days from bill of lading date, except as otherwise agreed by both parties in writing.
Late Delivery	Cape EMS will notify K & Q of any potential delivery delay and the cause of the delay promptly on becoming aware of such potential delay. If the potential delivery delay is caused by the supply of components, then Cape EMS will undertake special actions with the supplier(s) to expedite deliveries so that Cape EMS can deliver products as near to the original delivery date as possible. Certain products delivery dates may be defined by K & Q, from time to time, as being critical products requiring additional assurance that delivery date will be met. Cape EMS will confirm that the delivery date will be met, and if there is risk of that delivery date being missed, then Cape EMS will outline what actions are being taken to mitigate that risk and to meet the required delivery date.

7. BUSINESS OVERVIEW *(Cont'd)*

Product Liability	With respect to components, Cape EMS, to the extent reasonably possible, obtain from the component suppliers all available warranties for K & Q's benefit and will transfer to K & Q any transferable component warranties received from the component suppliers. If components are returned under supplier's warranty, Cape EMS will, on K & Q's behalf and without additional charge, manage the return of any such components to the supplier. Should a supplier seek to defend on grounds that Cape EMS committed error and K & Q can show such error was due to Cape EMS' faulty workmanship, this shall be considered a defect in workmanship under the Manufacturing Supply Agreement. Cape EMS will provide both in-warranty and out-of-warranty repair facilities as part of the services. Cape EMS will either, at its option and free of charge to K & Q, repair or replace products not conforming to the warranties provided in the Manufacturing Supply Agreement, provided such products are returned to Cape EMS within the warranty period of 12 months from the acceptance of the products, services or additional services by K & Q. Cape EMS' warranty for replacement or repaired products shall be the longer of (a) the duration of the warranty remaining on the original product returned under warranty, or (b) 180 days from the date of manufacturing of the replaced or repaired product. Cape EMS will return any products repaired or replaced to K & Q with freight prepaid. Any repair services requested of Cape EMS by K & Q not explicitly covered by the warranty, including, but not limited to, upgrade services, out-of-warranty services, diagnostic analysis, shall be performed by Cape EMS at its option and on a time and materials basis at terms to be agreed. Cape EMS shall not have any liability to repair or replace products under this warranty to the extent that products are defective because of: (1) K & Q's Specifications; (2) malfunctions, defect, or failures resulting from (a) misuse, (b) abuse, (c) accident, (d) neglect, (e) improper operation or maintenance, (f) acts of God, (g) alteration, modification, or repairs by any party other than Cape EMS; (3) any defect not made known by K & Q to Cape EMS as soon as practical after the defect first appears; (4) components incorporated into the product. If the parties are unable to agree as to whether damage to or defect in a product is properly the responsibility of Cape EMS or K & Q under the Manufacturing Supply Agreement, either party may send the product for analysis to an independent laboratory or testing house, whose decision on the cause of the damage or defect shall be final and binding; provided, however, that either party shall have the right to contest such decision in the event such party has a good faith belief that laboratory or testing house committed error. The foregoing constitutes K & Q's sole remedies against Cape EMS for breach of warranty claims. Except as provided in the Manufacturing Supply Agreement, Cape EMS makes no warranties with respect to the products, services or additional services under the Manufacturing Supply Agreement, express or implied, including any implied warranties in respect to non-infringement, or merchantability or fitness for a particular purpose or any implied warranties arising from a course of dealing, or trade usage. Cape EMS shall, at its expense, defend, indemnify and hold K & Q including its parent company, subsidiaries, affiliates, officers, directors, employees, agents and representatives harmless from and against any and all judgements, liabilities, claims, demands, actions, suits and proceedings expenses and costs (including reasonable attorneys' fees) to the extent arising from any third party bodily injuries, death, or damage of tangible property based on or arising out of:

7. BUSINESS OVERVIEW *(Cont'd)*

	(i) any claims or demands relating to use of Cape EMS' intellectual proprietary information in relation to the manufacturing processes employed in the manufacture of the product / where such process was not specifically directed by K & Q; or (ii) any claims or demands arising out of a manufacturing defect to the extent solely caused by Cape EMS' negligence. K & Q shall give written notice of any claim to Cape EMS within a reasonable time. Cape EMS shall have control of any litigation and appointment of counsel in defence of any third party claims for which K & Q seeks indemnification under the Manufacturing Supply Agreement and K & Q shall provide reasonable assistance to Cape EMS, at Cape EMS' expense, in the defence of any such action. No suit or proceeding shall be settled or compromised without the prior written consent of K & Q.
Force Majeure	In the event that either party is prevented from carrying out its obligations under the Manufacturing Supply Agreement as a result of any cause beyond its reasonable control, including but not limited to, war or hostilities, terrorism or the effects of terrorism, riot and civil commotion, denial of public utilities or means of transport, fire, flood and other natural disasters ("**Force Majeure Event**"), the party affected by the Force Majeure Event shall have its obligations suspended for as long as such fulfilment is prevented by the Force Majeure Event. If the Force Majeure Event continues for or is expected to continue for a period of more than 30 consecutive calendar days, the parties shall enter into bona fide discussions with a view to alleviating its effects or to agreeing upon such alternative arrangements as may be fair and reasonable. In the event the parties are unable to reach agreement, either party may terminate the Manufacturing Supply Agreement on no less than 7 days written notice.

(iii) Tastar Electronics and Huizhou Sanhua – Contract Manufacturing Agreement

Contracting Parties	Cape EMS, Tastar Electronics and Huizhou Sanhua
Description	The Contract Manufacturing Agreement sets out the general terms and conditions governing the manufacturing of products for Tastar Electronics by Cape EMS based on Huizhou Sanhua's specifications and technology on a non-exclusive basis. Cape EMS shall manufacture and sell the products to Tastar Electronics based on the technology and specification approved by Huizhou Sanhua.
Exclusivity	Nil
Main Product	Portable credit card reader
Term / Duration	6 June 2022 to 5 June 2024 and will automatically renew for renewal terms of 2 years unless and until terminated or extended in accordance with the provisions mentioned in the Contract Manufacturing Agreement
Governing Law	Laws of Malaysia
Dispute Settlement	In the event of a dispute arising from the Contract Manufacturing Agreement or the operation thereof, the parties agree in the first instance to attempt to settle any differences using methods of alternative dispute resolution and/or mediation.

7. BUSINESS OVERVIEW *(Cont'd)*

Termination / Events of Default	If either party is in breach of any obligation on its part hereunder and in the case of a breach capable of remedy, it shall not have been remedied by the defaulting party within 30 days of written notice, then that party not in breach of the obligation or condition may forthwith terminate the Contract Manufacturing Agreement by notice, without prejudice to the accrued rights of either party.
Payment Terms	30 days nett from the date of invoice.
Product Liability	Cape EMS warrants materials and workmanship supplied by Cape EMS for 1 year upon goods out from Cape EMS' factory.
Force Majeure	In case a party's performance of its obligations under the Contract Manufacturing Agreement is prevented, delayed or rendered impossible directly by circumstances or events such as fire, flood, storm, earthquake, explosion, epidemic or pandemic, or any act of God, war, export or import restriction, circumstances affecting the party's normal source of supply or manufacture of goods or of raw materials ("**Force Majeure Event**"), the party affected by such Force Majeure Events shall not be considered in breach of the Contract Manufacturing Agreement or be liable for any loss or damage due to the failure or delay in its obligations. If Force Majeure Event continues for a period over 30 days, either party may immediately terminate the affected purchase order / proforma invoice or the Contract Manufacturing Agreement without liability to the other party, upon giving written notice of termination to the other party. This clause shall not apply to the monetary obligation(s).
Late Delivery	Nil

(iv) Airspan Communications – Manufacturing Supply Agreement

Contracting Parties	Our Company and Airspan Communications Limited ("**Airspan Communications**")
Description	The Manufacturing Supply Agreement sets out the general terms and conditions governing the manufacturing of products for Airspan Communications by Cape EMS in accordance with forecasts and purchase orders to be issued from time to time by Airspan Communications
Exclusivity	Nil
Main Product	Wireless communications equipment
Term / Duration	From 31 May 2019 until 30 May 2021 and shall automatically renew for renewal terms of 12 months unless either party provides a written termination notice to the other party.
Governing Law	English Law
Jurisdiction	Non-exclusive jurisdiction of the English courts.
Termination / Events of Default	Either party may terminate the Manufacturing Supply Agreement for convenience on 180 days' prior written notice to the other. Either party may terminate the Manufacturing Supply Agreement with immediate effect on written notice to the other party, if, either party defaults in making payment as required in the Manufacturing Supply Agreement and fails to remedy such default, commits an act of bankruptcy or winding up, enters into liquidation, becomes unable to pay its debts as they fall due, or if a receiver or administrator is appointed over all or any part of its assets (other than for the purpose of solvent reorganization) or suffers any similar action or event. If Cape EMS defaults, Cape EMS shall immediately notify

7. BUSINESS OVERVIEW *(Cont'd)*

	Airspan Communications of the above event in writing and grant Airspan Communications unencumbered access to all documentation and Airspan Communications-owned equipment during the Cape EMS' normal working hours or otherwise by appointment. If Airspan Communications defaults, Cape EMS shall have the right to enter Airspan Communications' premises and recover any product or components thereon for which Airspan Communications has not paid and sell the same to the value of the outstanding debt, if any. If either party is in material breach of any of the provisions and the breaching party fails to remedy the breach within the agreed period, or, in the case of a breach which is incapable of remedy within such time, fails to begin to remedy the breach within 28 days and to diligently pursue such remedy to completion thereafter, then the non-breaching party may terminate the Manufacturing Supply Agreement with immediate effect on written notice to the breaching party. If either party suffers a Force Majeure Event (as defined below) and the Force Majeure Event is expected to continue beyond the date review for a period in excess of 30 days and its effects cannot be alleviated through reasonable efforts or no suitable alternative arrangements can be made, then the other party may, without prejudice to any rights or remedies under the Manufacturing Supply Agreement, terminate the Manufacturing Supply Agreement with immediate effect on written notice.
Payment Terms	Invoices shall be paid 45 days from end of month, except as otherwise agreed by both parties in writing.
Late Delivery	Cape EMS will notify Airspan Communications of any potential delivery delay and the cause of the delay promptly on becoming aware of such potential delay. If the potential delivery delay is caused by the supply of components, then Cape EMS will undertake special actions with the supplier(s) to expedite deliveries so that Cape EMS can deliver products as near to the original delivery date as possible. Certain products delivery dates may be defined by Airspan Communications, from time to time, as being critical products requiring additional assurance that delivery date will be met. Cape EMS will confirm that the delivery date will be met, and if there is risk of that delivery date being missed, then Cape EMS will outline what actions are being taken to mitigate that risk and to meet the required delivery date.
Product Liability	With respect to components, Cape EMS, to the extent reasonably possible, obtain from the component suppliers all available warranties for Airspan Communications' benefit and will transfer to Airspan Communications any transferable component warranties received from the component suppliers. If components are returned under supplier's warranty, Cape EMS will, on Airspan Communications' behalf and without additional charge, manage the return of any such components to the supplier. Should a supplier seek to defend on grounds that Cape EMS committed error and Airspan Communications can show such error was due to Cape EMS' faulty workmanship, this shall be considered a defect in workmanship under the Manufacturing Supply Agreement. Cape EMS will provide both in-warranty and out-of-warranty repair facilities as part of the services. Cape EMS will either, at its option and free of charge to Airspan Communications, repair or replace products not conforming to the warranties provided in the Manufacturing Supply Agreement, provided such products are returned to Cape EMS within the warranty period of 24 months from the acceptance of the products, services or additional services by Airspan Communications.

7. BUSINESS OVERVIEW *(Cont'd)*

Cape EMS' warranty for replacement or repaired products shall be the longer of (a) the duration of the warranty remaining on the original product returned under warranty, or (b) 180 days from the date of shipment of the replaced or repaired product. Cape EMS will return any products repaired or replaced to Airspan Communications with freight prepaid.

Any repair services requested of Cape EMS by Airspan Communications not explicitly covered by the warranty, including, but not limited to, upgrade services, out-of-warranty services, diagnostic analysis, shall be performed by Cape EMS at its option and on a time and materials basis at terms to be agreed.

Cape EMS shall not have any liability to repair or replace products under this warranty to the extent that products are defective because of: (1) Airspan Communications' specifications; (2) malfunctions, defect, or failures resulting from (a) misuse, (b) abuse, (c) accident, (d) neglect, (e) improper installation, operation or maintenance, (f) acts of God, (g) alteration, modification, or repairs by any party other than Cape EMS; (3) any defect not made known by Airspan Communications to Cape EMS as soon as practical after the defect first appears; (4) components incorporated into the product.

If the parties are unable to agree as to whether damage to or defect in a product is properly the responsibility of Cape EMS or Airspan Communications under the Manufacturing Supply Agreement, either party may send the product for analysis to an independent laboratory or testing house, whose decision on the cause of the damage or defect shall be final and binding; provided, however, that either party shall have the right to contest such decision in the event such party has a good faith belief that laboratory or testing house committed error.

The foregoing constitutes Airspan Communications' sole remedies against Cape EMS for breach of warranty claims. Except as provided in the Manufacturing Supply Agreement, Cape EMS makes no warranties with respect to the products, services or additional services under the Manufacturing Supply Agreement, express or implied, including any implied warranties in respect to non-infringement, or merchantability or fitness for a particular purpose or any implied warranties arising from a course of dealing, or trade usage.

Cape EMS shall, at its expense, defend, indemnify and hold Airspan Communications including its parent company, subsidiaries, affiliates, officers, directors, employees, agents and representatives harmless from and against any and all judgements, liabilities, claims, demands, actions, suits and proceedings expenses and costs (including reasonable attorneys' fees) to the extent arising from any third party bodily injuries, death, or damage of tangible property based on or arising out of:

(i) any claims or demands relating to use of Cape EMS' intellectual proprietary information in relation to the manufacturing processes employed in the manufacture of the product / where such process was not specifically directed by Airspan Communications; or

(ii) any claims or demands arising out of a manufacturing defect to the extent solely caused by Cape EMS' negligence.

Airspan Communications shall give written notice of any claim or potential claim to Cape EMS within a reasonable time. Cape EMS shall have control of any litigation and appointment of counsel in defence of any third party claims for which Airspan Communications seeks indemnification under the Manufacturing Supply Agreement and Airspan Communications shall provide reasonable assistance to Cape EMS, at Cape EMS' expense, in the defence of any such action. No suit or proceeding shall be settled or compromised without the prior written consent of Airspan Communications.

7. BUSINESS OVERVIEW *(Cont'd)*

Force Majeure	In the event that either party is prevented from carrying out its obligations under the Manufacturing Supply Agreement as a result of any cause beyond its reasonable control, including but not limited to, war or hostilities, terrorism or the effects of terrorism, riot and civil commotion, denial of public utilities or means of transport, fire, flood and other natural disasters ("**Force Majeure Event**"), the party affected by the Force Majeure Event shall have its obligations suspended for as long as such fulfilment is prevented by the Force Majeure Event. If the Force Majeure Event continues for or is expected to continue for a period of more than 30 consecutive calendar days, the parties shall enter into bona fide discussions with a view to alleviating its effects or to agreeing upon such alternative arrangements as may be fair and reasonable. In the event the parties are unable to reach agreement, either party may terminate the Manufacturing Supply Agreement on no less than 7 days written notice.

(v) NextCentury – License Agreement

Contracting Parties	Cape Singapore and NextCentury Submetering Systems, LLC ("**NextCentury**")
Description	The License Agreement grants an exclusive right and license to Cape Singapore to market and sell NextCentury's data gathering system to customers in specified countries.
Exclusivity	Cape Singapore is the exclusive marketer, seller and distributor of NextCentury's data gathering system in (i) China / Hong Kong / Macau; (ii) Malaysia / Singapore / Indonesia; and (iii) Philippine / Taiwan / Japan.
Main Product	Data Gathering System
Term / Duration	15 July 2018 for an initial term of 5 years ("**Initial Term**"). For countries in which Cape Singapore meets minimum sales goals, the countries are (i) China / Hong Kong / Macau; (ii) Malaysia / Singapore / Indonesia; and (iii) Philippine / Taiwan / Japan. For countries in which Cape Singapore meets minimum sales goals, this License Agreement shall be renewed, upon the parties' mutual agreement, for 2 years, unless cancelled by either party upon 60 days' advanced written notice.
Governing Law	United States of America
Jurisdiction	Arbitration. Any dispute, controversy, or claim arising out of or relating to this contract shall be finally settled by binding arbitration administered by the International Centre for Dispute Resolution (the international division of the American Arbitration Association) in accordance with its international arbitration rules, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.
Termination / Events of Default	If Cape Singapore chooses to pull out of a market during the Initial Term and NextCentury chooses to stay active in that market, NextCentury will compensate Cape Singapore for its direct cost to certify NextCentury's Data Gathering System equipment for use in that country and any non-recurring engineering cost charged to Cape Singapore.

7. BUSINESS OVERVIEW *(Cont'd)*

Payment Terms	Cape Singapore shall pay to NextCentury the following fees: A license fee for each piece of Data Gathering System equipment sold: • TR201 Transceiver - $10.00 • RE201 Repeater - $25.00 • GW201 Gateway - $50.00 • GW301 Gateway - $50.00 • All license fees are in U.S. dollars
Late Delivery	Nil
Product Liability	Nil
Force Majeure	Nil

7.18 EMPLOYEES

As at the LPD, we have a total workforce of 467 employees located in Malaysia and Singapore. The following table sets out the breakdown of our employees in our Group based on job function as at FPE 2022 and as at the LPD:

	No. of employees					
	FPE 2022			As at the LPD		
Category	**Local**	**Foreign**	**Total**	**Local**	**Foreign**	**Total**
Management and Professionals	26(1)	-	26	29(1)	-	29
Clerical and administrative	112	-	112	116	-	116
Technical Professionals	197	-	197	192	1	193
Production Workers	42	81	123	43	86	129
Total	**377**	**81**	**458**	**380**	**87**	**467**

Note:

(1) Inclusive of 1 Malaysian employee employed by Cape Singapore.

The breakdown of our contractual employees are as follows:

	No. of employees	
Category	**FPE 2022**	**As at the LPD**
Management and professionals	1	1
Clerical and administrative	1	1
Technical professionals	3	4
Production workers	81	86
Total	**86**	**92**

7. BUSINESS OVERVIEW *(Cont'd)*

As at the LPD, our Group has 129 production workers (representing 27.6% of our total workforce of 467 employees) working on our factory floor, out of which 86 are contractual foreign workers and 43 permanent local workers. On 12 August 2022 and 15 September 2022, our Group obtained approval from the Ministry of Human Resources to hire up to 200 additional foreign production workers for Cape Manufacturing and up to 500 additional foreign production workers for Cape EMS respectively. As at the LPD, our Group is in the midst of liaising with recruitment agencies in order to recruit additional foreign production workers provided that the total full-time workforce of each of Cape EMS and Cape Manufacturing will continue to comprise of at least 80% Malaysians. Notwithstanding that we have automated production lines, we are still reliant on production workers to meet our production requirements. Pending the said recruitment, our production workers are supplemented by 657 production workers employed by our sub-contractor as at the LPD.

Please refer to **Section 9.2.1** of this Prospectus in relation to our recent proposed recruitment of additional foreign production workers.

On 23 July 2022, MITI announced that the obligation to comply with one of the salient conditions imposed on manufacturing licences, which require the total full-time workforce of each of Cape EMS and Cape Manufacturing to comprise at least 80% Malaysians, has been deferred to 31 December 2024. As at the LPD, our Group complies with the abovementioned condition and intends to continue complying with the said salient condition. Hence, in complying with the abovementioned condition, the recruitment of the additional foreign workers is dependent on the number of full time Malaysian workers that our Group employs at any particular time.

As at the LPD, our Group has a total of 87 foreign workers in Malaysia, of which 77 of these foreign workers have valid work permits as contract workers. The remaining 10 foreign workers are under rehiring program which is an initiative launched by the Government to provide opportunities for illegal immigrants working illegally in Malaysia to be granted a valid work permit.

Among the conditions for rehiring program are (i) foreign workers had a valid permit to enter Malaysia; (ii) an employer that will pay the foreign worker's salary for more than 6 months; and (iii) foreign worker does not have any criminal record. As at the LPD, the said 10 foreign workers have been granted conditional approvals, subject to satisfactory results of medical examination undertaken by the foreign worker and valid insurance policies being obtained for the foreign workers. Thereafter, valid work permits will be issued.

Generally, a valid work permit has a validity period of 1 year. As the application and renewal of the work permits are an ongoing process, there will be foreign workers that are in the midst of applying or renewing their work permits at any one point in time.

As at the LPD, both Cape EMS and Cape Manufacturing comply with the requirements under Minimum Wages Order 2022. None of our employees belong to any union nor are they parties to any collective agreements and we have not experienced any strikes or other disruptions due to labour disputes.

Our Group had appointed 2 third party accommodation providers, Westlite Dormitory (Tampoi) Sdn Bhd and Westlite Dormitory (SNII) Sdn Bhd, to provide accommodation for our foreign workers. Please refer to **Section 7.23(vii)** of this Prospectus for further details.

7. BUSINESS OVERVIEW *(Cont'd)*

7.19 MAJOR CUSTOMERS

The Group, for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, has 4, 22, 31 and 27 customers respectively.

Our top 5 major customers and their contribution to our revenue for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 are as follows:

FYE 2019

Customer Name#	Country of Origin	Main Product Categories	Revenue Contribution		Length of Relationship*
			(RM'000)	(%)	(years)
Changhuat Plastic	Malaysia	Plastic and metal parts, electrical parts and components, and lithium batteries	25,288	58.6	2
Airspan group of companies	USA & UK	Wireless communication equipment	17,801	41.2	1(1)
Cape Manufacturing	Malaysia	Supply of components for wireless communication equipment	42	0.1	1(2)
K & Q	Singapore	Household appliances	26	0.1	1
Sub-total			**43,157**	**100.0**	
Total revenue			**43,157**		

Note:

There are only 4 customers for the FYE 2019.

FYE 2020

Customer Name	Country of Origin	Main Product Categories	Revenue Contribution		Length of Relationship*
			(RM'000)	(%)	(years)
Airspan group of companies	USA & UK	Wireless communication equipment	72,278	43.0	2(1)
Customer A(4)	USA	Electronic cigarettes	36,406	21.6	1
Changhuat Plastic	Malaysia	Plastic and metal parts, electrical part and components, and lithium batteries	19,071	11.3	3
K & Q	Singapore	Household appliances	17,213	10.2	2
SOQ and NextCentury	USA	Smart utility data collection equipment	10,510	6.2	1(3)
Sub-total			**155,478**	**92.3**	
Total revenue			**168,261**		

7. BUSINESS OVERVIEW *(Cont'd)*

FYE 2021

Customer Name	Country of Origin	Main Product Categories	Revenue Contribution		Length of Relationship*
			(RM'000)	(%)	(years)
Airspan group of companies	USA & UK	Wireless communication equipment	78,193	22.7	3(1)
Tastar Electronics	Singapore	POS terminals	62,862	18.3	2
SOQ and NextCentury	USA	Smart utility data collection equipment	62,769	18.3	2(3)
K & Q	Singapore	Household appliances	49,350	14.3	3
Customer A(4)	USA	Electronic cigarettes	42,279	12.3	2
Sub-total			**295,453**	**85.9**	
Total revenue			**344,334**		

FPE 2022

Customer Name	Country of Origin	Main Product Categories	Revenue Contribution		Length of Relationship*
			(RM'000)	(%)	(years)
Customer A(4)	USA	Electronic cigarettes	86,594	27.1	3
Tastar Electronics	Singapore	POS terminals	63,222	19.8	3
Airspan group of companies	USA & UK	Wireless communication equipment	58,797	18.4	4(1)
NextCentury	USA	Smart utility data collection equipment	40,205	12.6	3(3)
K & Q	Singapore	Household appliances	34,983	10.9	4
Sub-total			**283,801**	**88.8**	
Total revenue			**319,750**		

Notes:

* Length of the relationship as at the respective financial year. The length of relationship with our major customers range from 2 to 3 years as we placed emphasis on our marketing efforts to expand our EMS business which started in 2019 after our Company moved into our Senai 227 Factory.

(1) Our subsidiary, Cape Manufacturing which was acquired by our Company in January 2020, started dealing with Airspan group of companies in 2014.

(2) This was prior to our acquisition of Cape Manufacturing which was completed in January 2020. This was for the supply of components for wireless communication equipment for Airspan Communications.

7. BUSINESS OVERVIEW *(Cont'd)*

(3) Our subsidiary, Cape Singapore started dealing with SOQ in 2015. SOQ is the procurement company for a single brand of smart utility data collection equipment, namely NextCentury brand. Since October 2021, there were no orders for the provision of EMS from SOQ due to end of life of older models. Our Group have been working with the brand owner, NextCentury from the USA since 2020.

(4) Customer A is principally involved in electronic cigarette manufacturing and distribution in the USA. The name of Customer A has not been disclosed due to a confidentiality requirement in our manufacturing and supply agreement with Customer A. Consent was sought for disclosure of the identity of Customer A but was not obtained. As such, the identity of Customer A is not disclosed in this Prospectus.

We were dependent on the following customers based on their historical revenue contribution and working arrangements during the Period Under Review:

(i) Mimosa Networks, USA and Airspan Communications, UK

We have been dealing with our customer, Mimosa Networks since 2019. However, Cape Manufacturing, prior to becoming our subsidiary in January 2020, has been dealing with Mimosa Networks since 2014. Cape Manufacturing supplies customised aluminium parts to this customer. In 2019, through our Company, we started to provide EMS for box build wireless communication equipment to Mimosa Networks. Mimosa Networks is incorporated in the USA and is involved in providing wireless broadband solutions.

We have been dealing with Airspan Communications since 2019 where we provide EMS for box build wireless communication equipment. Airspan Communications is incorporated in the UK and is mainly involved in wireless network equipment for 4th generation broadband cellular network ("**4G**") and 5th generation broadband cellular network ("**5G**").

Both companies are subsidiaries of Airspan Networks Holdings Inc., a provider of 4G and 5G networks densification solutions and end-to-end radio access network (RAN) solutions. Airspan Network Holdings Inc. is an entity listed on the New York Stock Exchange.

We were dependent on Airspan group of companies based on their collective revenue contribution as set out below:

Customer Name	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Mimosa Networks	10,821	25.1	41,679	24.8	76,462	22.2	36,810	11.5
Airspan Communications	6,980	16.1	30,599	18.2	1,731	0.5	21,987	6.9
Sub-total	**17,801**	**41.2**	**72,278**	**43.0**	**78,193**	**22.7**	**58,797**	**18.4**
Group revenue	**43,157**		**168,261**		**344,334**		**319,750**	

In 2019, our Company entered into a manufacturing supply agreement with Airspan Communications for the provision of EMS. Airspan Communications commonly provides us with 12 months of rolling forecasts and purchase orders are confirmed on a quarterly basis. The revenue from Airspan Communications decreased to RM1.7 million in FYE 2021 mainly due to no sales orders of EMS from Airspan Communications as the customer stopped placing orders with us in FYE 2021. Subsequently there were increased sales orders from Airspan Communications in FPE 2022. We continue to provide EMS to Mimosa Networks and Airspan Communications.

(ii) Tastar Electronics, Singapore

We have been dealing with Tastar Electronics, a procurement company for POS terminal for the BBPOS brand since 2020 through our Company where we provide EMS for box build POS terminals. Tastar Electronics is an E&E component sourcing company.

7. BUSINESS OVERVIEW *(Cont'd)*

In 2020, our Company entered into a tripartite agreement with Tastar Electronics and Huizhou Sanhua. Based on the contract manufacturing agreement dated 6 June 2022, Cape EMS shall manufacture and sell the products to Tastar Electronics based on the technology and specification approved by Huizhou Sanhua.

The end customer for the sales to Tastar Electronics is BBPOS, the brand owner of BBPOS point-of-sale terminals. Tastar Electronics is a components supplier which supplies electronic components to BBPOS. Huizhou Sanhua is an original design manufacturing service provider for BBPOS. Currently Cape EMS is manufacturing BBPOS products meant for the US market. Technical support is provided by Huizhou Sanhua, and product specification is provided by BBPOS via Huizhou Sanhua to Cape EMS.

Tastar Electronics commonly provides us with 6 months of rolling forecast and purchase orders are confirmed on a weekly basis.

Revenue contributions from Tastar Electronics for FYE 2020, FYE 2021 and FPE 2022 are set out below:

Customer Name	**FYE 2020**		**FYE 2021**		**FPE 2022**	
	(RM'000)	**(%)**	**(RM'000)**	**(%)**	**(RM'000)**	**(%)**
Tastar Electronics	1,610	1.0	62,862	18.3	63,222	19.8
Group revenue	**168,261**		**344,334**		**319,750**	

We have been dealing with Tastar Electronics where the company has been supplying us with electronic components including mechanical parts such as plastic and metal parts and casing for the Period Under Review. These input materials are solely used in the EMS of box build POS terminals for Tastar Electronics. The complete products will then be delivered to their final destinations based on the shipment request from Tastar Electronics. In this respect, Tastar Electronics is our supplier and customer for the Period Under Review.

(iii) K & Q, Singapore

We have been dealing with K & Q, a procurement company for vacuum cleaner for the Eureka brand since 2019 through our Company where we provide EMS of household appliances mainly cordless vacuum cleaners for K & Q's customer in the USA. Revenue from K & Q are set out below.

Customer Name	**FYE 2019**		**FYE 2020**		**FYE 2021**		**FPE 2022**	
	(RM'000)	**(%)**	**(RM'000)**	**(%)**	**(RM'000)**	**(%)**	**(RM'000)**	**(%)**
K & Q	26	0.1	17,213	10.2	49,350	14.3	34,983	10.9
Group revenue	**43,157**		**168,261**		**344,334**		**319,750**	

We manufacture box build products for K & Q, a distributor of Eureka brand vacuum cleaners in the USA market. Midea America Corp acquired the Eureka brand in 2016 and the Midea Group Co. Ltd is a company listed on the Shenzhen Stock Exchange.

In 2020, our Company entered into a manufacturing supply agreement with K & Q for the provision of EMS. K & Q commonly provides us with 12 months of rolling forecasts and the purchase orders are confirmed on a weekly basis.

7. BUSINESS OVERVIEW *(Cont'd)*

(iv) Customer A, USA

We have been dealing with Customer A, which is principally involved in electronic cigarette manufacturing and distribution in the USA, since 2020 through our Company where we provide EMS of box build electronic cigarettes. Revenue contributions from Customer A for FYE 2020 and FYE 2021 are set out below:

Customer Name	FYE 2020		FYE 2021		FPE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Customer A	36,406	21.6	42,279	12.3	86,594	27.1
Group revenue	**168,261**		**344,334**		**319,750**	

In 2020, our Company entered into a manufacturing and supply agreement with Customer A for the provision of EMS. Customer A commonly provides us with 6 months of rolling forecasts and the purchase orders are confirmed on a weekly basis. The name of Customer A has not been disclosed due to confidentiality requirements in the manufacturing and supply agreement with Customer A dated 18 May 2022. As such, the identity of Customer A is not disclosed in this Prospectus.

(v) SOQ and NextCentury, USA

We have been dealing with SOQ, a procurement management company for the brand owner NextCentury which is based in the USA, since 2020 where we provide EMS of box build smart utility data collection equipment. However, Cape Singapore, prior to becoming our subsidiary in 2020, has been dealing with SOQ since 2015.

For the Period Under Review, we have been working with SOQ together with NextCentury where SOQ supplies us with the electronic components while we procure the PCBA, mechanical parts mainly plastic and metal parts as well as casing from domestic suppliers in Malaysia. We use these input materials to carry out the EMS of box build smart utility data collection equipment only for NextCentury. The complete products will then be delivered to the final destinations in the USA based on the shipment request from SOQ. In this respect, SOQ is our supplier and customer for the Period Under Review.

Since October 2021, there were no orders for the provision of EMS from SOQ due to end of life of older models. We have been working directly with the brand owner, NextCentury from the USA since 2020 for the EMS of smart utility data collection equipment. Since October 2021, there were no orders for the provision of EMS for SOQ due to end of life of older models. We continued to work directly with NextCentury. For the Period Under Review and as at the LPD, there is no agreement between our Group, SOQ and/or NextCentury. The provision of our EMS is based on purchase orders issued by SOQ and/or NextCentury. The collective revenue contribution from NextCentury and SOQ for FYE 2020, FYE 2021 and FPE 2022 are set out below:

Customer Name	FYE 2020		FYE 2021		FPE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
SOQ	6,635	3.9	36,332	10.6	-	-
NextCentury	3,875	2.3	26,437	7.7	40,205	12.6
Subtotal	**10,510**	**6.2**	**62,769**	**18.3**	**40,205**	**12.6**
Group revenue	**168,261**		**344,334**		**319,750**	

7. BUSINESS OVERVIEW *(Cont'd)*

(vi) Changhuat Plastic

We have been dealing with Changhuat Plastic since 2018 through our Company where we supply plastic and metal parts, electrical parts and components, and lithium batteries that we sourced from third parties. Revenue from Changhuat Plastic for the Period Under Review are set out below:

Customer Name	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Changhuat Plastic	25,288	58.6	19,071	11.3	8,915	2.6	1,890	0.6
Group revenue	**43,157**		**168,261**		**344,334**		**319,750**	

Historically and for the Period Under Review, we supply the parts and components to Changhuat Plastic where Changhuat Plastic will then carry out further processing into assembled battery packs based on our requirements. We will then purchase the assembled battery packs from Changhuat Plastic as input materials which will then be used in our EMS of box build household appliances. In this respect, Changhuat Plastic is our customer and supplier during the Period Under Review.

In addition, Changhuat Plastic is our major supplier for plastic parts and casings. We work closely with Changhuat Plastic where we are involved in the development of tooling to manufacture prototypes for new parts for approval by our customers. Once we have obtained our customer's approval for the prototype parts, Changhuat Plastic will then carry out mass production of the approved parts. During the Period Under Review and up to the LPD, we have been sourcing the customised plastic parts and casings from Changhuat Plastic for our EMS operations mainly for wireless communication equipment, smart utility data collection equipment, household appliances and electronic cigarettes. As such, the customised plastic parts and casings can only be used by the Group for the customers of the abovementioned products. Please refer to **Section 7.20** of this Prospectus for further details on major suppliers.

Our Company entered into a tenancy agreement with Changhuat Plastic where we rented out PLO 103 Factory to them for a period of 3 years from 1 January 2021 to 31 December 2023. In this respect, we also collect rental income from Changhuat Plastic.

Our customers and us are mutually dependent on each other which strengthens our business relationships and facilitate customer retention and loyalty. This is based on the following common consideration factors:

- Prior to securing our first main contract from potential EMS customers, we are required to undergo a qualifying process with our customers that commonly takes between 6 and 12 months. Among others, our qualifying process covers our:
  - financial strength;
  - qualification and experience of our technical resources;
  - manufacturing capabilities, capacity and facilities;
  - references from past and existing customers;
  - qualifications of key supporting product and service providers; and
  - prototyping, where relevant, and pilot runs.

  Upon successful qualification as a supplier, our customers will commence providing us with purchase orders. Initial purchase orders are for small quantities and our customers will gradually increase the quantities once they have gained confidence in our ability to meet their requirements in a timely manner. We completed our qualifying process which is a pre-requisite to provide EMS to our major customers set out above including to Airspan group of companies, Tastar Electronics, K & Q, Customer A, SOQ and NextCentury.

7. BUSINESS OVERVIEW *(Cont'd)*

- We also provide customised operations and dedicated manufacturing areas for each of our EMS customers. Where required, we are able to ring-fence certain designated areas to restrict movements to authorised personnel only to provide security for that part of the manufacturing process.

- We also invest in dedicated specialised machinery and equipment including customised production lines and dedicated areas as well as cleanroom environment for Customer A.

Our customers' dependency on us are mainly focused on the time and resources needed to qualify potential new suppliers and to gain sufficient confidence in the said supplier to reach optimum production. In addition, not all potential new suppliers are willing to invest in specialised machinery and equipment including construction of cleanroom environment, as well as allocate dedicated factory space for each customer. Since the commencement of EMS operations in 2019 up to the LPD, there has been no dispute with our customers.

Our Group continues to market our EMS business focusing on 2 industry sectors namely industrial electronic products and consumer electronic products to expand our customers from these sectors. We adopt a general approach in dedicating manufacturing areas including space, machinery and equipment to each of our EMS customers. However, in view that our current EMS processes and ability to provide end-to-end manufacturing services, machinery and equipment as well as the dedicated production areas can be reconfigured for other customers with similar EMS processes, we do not foresee any barriers to venture into other areas and products.

Where the opportunity arises, we will seek to increase our portfolio of EMS customers in order to reduce our dependency on our major customers' revenue contribution.

As at the LPD, we secured 2 new EMS customers below:

- we have received a letter of award from 1 new EMS customer where we have been selected as an EMS provider. We will manufacture and supply first sample finished products for product acceptance prior to mass production. We expect to complete the first sample finished products namely thermal energy devices by March 2023 and the mass production is expected to commence in second quarter of 2023; and

- as for the other potential EMS customer, we have received a letter of award where we have been selected as an EMS provider. We are currently carrying out the pilot production run as at the LPD. Please refer to **Section 7.8.1** of this Prospectus for further details on our process flow.

As at the LPD, there is no ongoing qualifying process for potential EMS customer.

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7. BUSINESS OVERVIEW *(Cont'd)*

7.20 MAJOR SUPPLIERS

The Group, for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 has 44, 130, 151 and 158 suppliers respectively.

Our top 5 major suppliers and their contribution to our purchases for the Period Under Review are as follows:

FYE 2019

Supplier Name	Country of Origin	Main Products Categories	Purchases		Length of Relationship*
			(RM'000)	(%)	(years)
Changhuat Plastic	Malaysia	Plastic parts and casings	12,159	36.5	2
BM Nagano	Malaysia	PCBA	7,432	22.3	5[(2)]
Qualcomm CDMA Technologies Asia-Pacific Pte Ltd ("**Qualcomm**")	Singapore	Electronic components	4,156	12.5	6[(3)]
Cape Manufacturing	Malaysia	Die cast parts	2,374	7.1	1[(1)]
Airspan Communications	UK	Components for wireless communication equipment	1,634	4.9	1
Sub-total			**27,755**	**83.3**	
Group purchases			**33,352**		

FYE 2020

Supplier Name	Country of Origin	Main Products Categories	Purchases		Length of Relationship*
			(RM'000)	(%)	(years)
Changhuat Plastic	Malaysia	Plastic parts and casings	38,169	29.4	3
BM Nagano	Malaysia	PCBA	38,110	29.3	6[(2)]
Jiangsu Midea	China	Components for household appliances	13,942	10.7	1
Tastar Electronics	Singapore	Components for POS terminals	5,115	3.9	1
Camwell	Malaysia	Metal parts	4,687	3.6	2
Sub-total			**100,023**	**76.9**	
Group purchases			**129,933**		

7. BUSINESS OVERVIEW *(Cont'd)*

FYE 2021

Supplier Name	Country of Origin	Main Products Categories	Purchases		Length of Relationship[1]
			(RM'000)	(%)	(years)
BM Nagano	Malaysia	PCBA	54,222	21.2	7[2]
Tastar Electronics	Singapore	Components for POS terminals	53,590	21.0	2
SOQ	USA	Components for smart utility data collection equipment	31,337	12.3	2
Changhuat Plastic	Malaysia	Plastic parts	27,039	10.6	4
Jiangsu Midea	China	Components for household appliances	24,530	9.6	2
Sub-total			**190,718**	**74.7**	
Group purchases			**255,231**		

FPE 2022

Supplier Name	Country of Origin	Main Products Categories	Purchases		Length of Relationship[1]
			(RM'000)	(%)	(years)
Tastar Electronics	Singapore	Components for POS terminals	57,480	31.0	3
Changhuat Plastic	Malaysia	Plastic parts	28,199	15.2	5
Jiangsu Midea	China	Components for household appliances	23,323	12.6	3
BM Nagano	Malaysia	PCBA	18,486	10.0	8[2]
Senba Denki Kazai Co., Ltd	Japan	Components for smart utility data collection equipment	7,647	4.1	Less than 1
Sub-total			**135,135**	**72.9**	
Group purchases			**185,134**		

Notes:

* Length of relationship as at the respective financial year.

(1) The acquisition of Cape Manufacturing was completed in January 2020.

(2) Our Company started dealing with BM Nagano from 2014.

(3) We dealt with Qualcomm from 2013 up to 2020, where we ceased dealing with Qualcomm.

7. BUSINESS OVERVIEW *(Cont'd)*

Our purchases and working arrangements with our major suppliers during the Period Under Review are as follows:

(i) BM Nagano

We have been dealing with BM Nagano since 2014 for the purchase of PCBA, which is one of the input materials for our EMS operations. Our Company has been dealing with BM Nagano since 2014. Subsequently, we continued to deal with BM Nagano in 2019 for the procurement of components and the assembly of the components onto the printed circuit board. We have been purchasing PCBA from BM Nagano for our smart utility data collection equipment and wireless communication equipment.

Our purchases from BM Nagano for the Period Under Review are set out below:

Supplier Name	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
BM Nagano	7,432	22.3	38,110	29.3	54,222	21.2	18,486	10.0
Group purchases	**33,352**		**129,933**		**255,231**		**185,134**	

In 2020, we entered into a contract manufacturing agreement with BM Nagano for the manufacture of PCBA. The purchases of PCBA are based on confirmed purchase orders.

In addition to BM Nagano, we have 3 other suppliers of PCBA during the Period Under Review including SMT Technologies Sdn Bhd and Channel Electronics (M) Sdn Bhd based in Malaysia, and New Era Electronics Co. Ltd based in China.

(ii) Tastar Electronics

We have been dealing with Tastar Electronics, Singapore since 2020 for the purchase of components for the POS terminals.

Our purchases from Tastar Electronics for FYE 2020, FYE 2021 and FPE 2022 are set out below:

Supplier Name	FYE 2020		FYE 2021		FPE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Tastar Electronics	5,115	3.9	53,590	21.0	57,480	31.0
Group purchases	**129,933**		**255,231**		**185,134**	

Tastar Electronics is our supplier and customer for the Period Under Review. For further details on Tastar Electronics, please refer to **Section 7.19** of this Prospectus on major customers.

In 2020, our Company entered into a tripartite agreement with Tastar Electronics from Singapore and Huizhou Sanhua. Based on the contract manufacturing agreement dated 6 June 2022, Cape EMS shall manufacture and sell the products to Tastar Electronics based on the technology and specification approved by Huizhou Sanhua.

The end customer for the sales to Tastar Electronics is BBPOS, the brand owner of BBPOS point-of-sale terminals. Tastar Electronics is a components supplier which supplies electronic components to BBPOS. Huizhou Sanhua is an original design manufacturing service provider for BBPOS. Currently Cape EMS is manufacturing BBPOS products meant for the US market. Technical support is provided by Huizhou Sanhua, and product specification is provided by BBPOS via Huizhou Sanhua to Cape EMS.

7. BUSINESS OVERVIEW *(Cont'd)*

(iii) SOQ

We have been dealing with SOQ since 2020 for the purchase of components for smart utility data collection equipment. SOQ is a procurement management company. Our purchases from SOQ for FYE 2020 and FYE 2021 are set out below:

Supplier Name	FYE 2020		FYE 2021	
	(RM'000)	(%)	(RM'000)	(%)
SOQ	30	*	31,337	12.3
Group purchases	**129,933**		**255,231**	

Note:

* Negligible.

SOQ is our supplier and customer for the Period Under Review.

We have been working directly with the brand owner, NextCentury from the USA since 2020 for NextCentury's new models of smart utility data collection equipment. Since October 2021, there were no orders for the provision of EMS for SOQ due to end of life of older models. We continued to work directly with NextCentury. Since the cessation of dealing with SOQ, the brand owner NextCentury continues to supply us the electronic components, while we procure the mechanical parts such as plastic and metal parts and casing from domestic suppliers. Please refer to **Section 7.19** of this Prospectus for further details.

(iv) Changhuat Plastic

We have been dealing with Changhuat Plastic since 2018 for the purchase of plastic parts and casings.

We have been sourcing customised plastic parts and casings from Changhuat Plastic for our EMS operations for various product categories including wireless communication equipment, smart utility data collection equipment, household appliances and electronic cigarettes. In addition, we also outsource the assembly works of digital vending machines and portable printer power desks solely to Changhuat Plastic during the Period Under Review.

Our purchases from Changhuat Plastic for the Period Under Review are set out below:

Supplier Name	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Changhuat Plastic	12,159	36.5	38,169	29.4	27,039	10.6	28,199	15.2
Group purchases	**33,352**		**129,933**		**255,231**		**185,134**	

Changhuat Plastic is our supplier and customer for the Period Under Review. For further details on Changhuat Plastic, please refer to **Section 7.19** of this Prospectus on major customers.

In addition to Changhuat Plastic, we have been dealing with 1 other domestic supplier of plastic parts namely Global Tech Plastic Industry Sdn Bhd during the Period Under Review.

7. BUSINESS OVERVIEW *(Cont'd)*

(v) Jiangsu Midea

We have been dealing with Jiangsu Midea from China since 2020 for the purchase of components for household appliances namely cordless vacuum cleaners. Our purchases from Jiangsu Midea for FYE 2020, FYE 2021 and FPE 2022 are set out below:

Supplier Name	FYE 2020		FYE 2021		FPE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Jiangsu Midea	13,942	10.7	24,530	9.6	23,323	12.6
Group purchases	**129,933**		**255,231**		**185,134**	

For the Period Under Review and up to the LPD, we have been dealing with Jiangsu Midea mainly for the supply of electronic components while we procure the mechanical parts such as plastic and metal parts and casing from domestic suppliers. These input materials are then used by us to carry out the EMS for box build household appliances only for K & Q. The products are then delivered to the final destinations in the USA based on shipment requests from our customer, K & Q.

Jiangsu Midea is a subsidiary of Midea Group Co Ltd, a company listed on the Shenzhen Stock Exchange, while K & Q is a distributor of Eureka brand vacuum cleaners in the USA market which was acquired by Midea America Corp (a subsidiary of Midea Group Co. Ltd) in 2016. In 2020, our Company entered into a supply agreement with Jiangsu Midea for the purchase of components for the assembly of cordless vacuum cleaner.

(vi) Qualcomm

We have been dealing with Qualcomm since 2013 to 2020 for the purchase of electronic components for wireless communication equipment. Our purchases from Qualcomm for FYE 2019 and FYE 2020 are set out below:

Supplier Name	FYE 2019		FYE 2020	
	(RM'000)	(%)	(RM'000)	(%)
Qualcomm	4,156	12.5	2,124	1.6
Group purchases	**33,352**		**129,933**	

Since 2021, we no longer purchase from Qualcomm as these electronic components had been either purchased by our major customer, Mimosa Networks to be supplied to our major supplier, BM Nagano and/or purchased directly by our major supplier, BM Nagano, from Qualcomm's distributor. Our major supplier, BM Nagano, purchased the said components to manufacture PCBA for our EMS of box-build wireless communication equipment. Mimosa Networks will supply the said components to BM Nagano to manufacture PCBA for our EMS of box-build wireless communication equipment. This has no impact on our EMS operations as these electronic components are used by BM Nagano to manufacture PCBA and BM Nagano continues to supply us the PCBA based on our purchase orders.

(vii) Camwell

We have been dealing with Camwell since 2018 for the purchase of metal parts. Our purchases from Camwell for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 are set out below:

Supplier Name	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Camwell	1,578	4.7	4,687	3.6	4,490	1.8	6,493	3.5
Group purchases	**33,352**		**129,933**		**255,231**		**185,134**	

7. BUSINESS OVERVIEW *(Cont'd)*

(viii) Airspan Communications

We have been dealing with Airspan Communications since 2019 for the purchase of components for the wireless communication equipment in order to undertake its activities of EMS for box build wireless communication equipment to Airspan Communications. Our purchases from Airspan Communications was RM1.6 million which accounted for 4.9% of our total purchases for FYE 2019. Please refer to **Section 7.19(i)** of this Prospectus for information on the Airspan group of companies.

(ix) Senba Denki Kazai Co., Ltd

We have been dealing with Senba Denki Kazai Co., Ltd since 2022 for the purchase of components for the smart utility data collection equipment in order to undertake its activities of EMS for box build smart utility data collection equipment to Senba Denki Kazai Co., Ltd. Our purchases from Senba Denki Kazai Co., Ltd was RM7.6 million which accounted for 4.1% of our total purchases for FPE 2022.

We are not dependent on our major suppliers. As an EMS provider, we source some of our input materials from various suppliers as mentioned above. For example, in addition to BM Nagano for the supply of PCBA, we have 4 other approved suppliers of PCBA during the Period Under Review including SMT Technologies Sdn Bhd, Channel Electronics (M) Sdn Bhd and Eason Technology Resources Sdn Bhd based in Malaysia, and New Era Electronics Co. Ltd based in China as mentioned above. In addition to Changhuat Plastic for the supply of plastic parts, we have been dealing with 1 other domestic approved supplier of plastic parts namely Global Tech Plastic Industry Sdn Bhd during the Period Under Review. The major suppliers as set out herein are approved suppliers, which refer to suppliers which are appointed and approved by our customers for us to source the input materials.

In the event that the input materials are not available from these approved suppliers, we will source the materials from alternative suppliers in the industry. We need to obtain prior approval from our customers before purchasing from alternative suppliers, who have yet to be approved by our customers. We maintain a list of approved suppliers, apart from our major suppliers set out above, which have been approved by our customers. Hence, there is no dependency on any major supplier.

Typically, the selection of suppliers will also involve discussions between our major customers and us where we will propose various potential suppliers for our major customers to carry out their qualification process. Once the supplier is approved and appointed by our customers, we will procure the relevant input materials and services from the list of approved suppliers which have been approved and appointed by our customers. The arrangement for the purchase from approved suppliers is a typical business arrangement in the EMS industry which is adopted between our Group and our customers.

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7. BUSINESS OVERVIEW *(Cont'd)*

7.21 PROPERTIES OF OUR GROUP

7.21.1 Properties owned

A summary of the material properties owned by our Group as at the LPD is as follows:

Property	Senai 227 Factory	PLO 226B	PLO 227B[1]	Kempas 6 Factory	Temenggong 22 Factory
Title details	HS(D) 71183, PTD 112659 ("**PLO 226D**") and HS(D) 53987, PTD 87571 ("**PLO 227A**") both in Mukim Senai, Daerah Kulai, Johor	HS(D) 71181, PTD 112657 ("**PLO 226B**") in Mukim Senai, Daerah Kulai, Johor	HSD(D) 71069, PTD 87572 ("**PLO 227B**") in Mukim Senai, Daerah Kulai, Johor	Geran 74497, Lot 37585 in the Mukim Tebrau, Daerah Johor Bahru, Johor	Geran 128424 Lot 1582 in the Mukim Tebrau, Daerah Johor Bahru, Johor
Registered owner	Cape EMS				Cape Manufacturing
Property address	PLO 227A, Jalan Cyber 1A, Kawasan Perindustrian Senai III, 81400 Senai, Johor Darul Ta'zim, Malaysia	PLO 226B, Jalan Cyber 1A, Kawasan Perindustrian Senai III, 81400 Senai, Johor Darul Ta'zim, Malaysia	PLO 227B, Jalan Cyber 1A, Kawasan Perindustrian Senai III, 81400 Senai, Johor Darul Ta'zim, Malaysia	No. 6, Jalan Belati, Taman Perindustrian Maju Jaya, 81300 Johor Bahru, Johor Darul Ta'zim, Malaysia	No. 22, Jalan Temenggong 2, Kawasan Perindustrian Temmengong, 81100 Johor Bahru, Johor Darul Ta'zim, Malaysia
Description/ Existing use of property	A 3-storey detached factory/ Headquarters of Cape EMS comprising office, factory and warehouse	Vacant land/ Nil	Vacant land/ Nil	A 1 ½ storey detached factory/ EMS of smart utility data collection equipment[3]	A single storey detached factory and a production room[5]/ Aluminium die cast manufacturing
Approximate age of building	20 years	Not applicable	Not applicable	25 years	26 years
Date of CCC or CF	25 February 2002 (original) / 28 October 2021 (extension)	Nil[2]	Nil[2]	28 August 1996	22 March 1996[5]

7. BUSINESS OVERVIEW *(Cont'd)*

Property	Senai 227 Factory	PLO 226B	PLO 227B[(1)]	Kempas 6 Factory	Temenggong 22 Factory
Category of land use/ Express conditions of land use	**PLO 226D:** Industrial/ This land shall be used as medium industrial area for electronics factory purposes and other related uses and be built in accordance with the plan approved by the local authority. **PLO 227A:** Industrial/ This land shall be used as medium industrial area for industrial purpose of 'Purpose of designing, developing and manufacturing of PCB assemblies for microprocessor applications, computers, computer peripherals, office automation equipment, control panels and testing/measuring equipment, medical equipment and telecommunication /multimedia equipment/system and other related uses and be built in accordance with the plan approved by the local authority.	Industrial/ This land shall be used as medium industrial area for electronics factory purposes and other related uses and be built in accordance with the plan approved by the local authority.	Industrial/ This land shall be used as medium industrial area for industrial purpose of 'Purpose of designing, developing and manufacturing of PCB assemblies for microprocessor applications, computers, computer peripherals, office automation equipment, control panels and testing/measuring equipment, medical equipment and telecommunication/ multimedia equipment/system and other related uses and be built in accordance with the plan approved by the local authority.	Industrial/ This land shall be used as light industrial area and other related uses and be built in accordance with the plan approved by the local authority.	Industrial/ This land shall be used as a light industrial area for the purpose of Electronics enterprise and other related uses, built in accordance with the plan approved by the relevant local authority.

7. BUSINESS OVERVIEW *(Cont'd)*

Property	Senai 227 Factory	PLO 226B	PLO 227B[1]	Kempas 6 Factory	Temenggong 22 Factory
Land area/ Built-up area (sq ft)	Land area for both PLO 226D and PLO 227A: 210,757.37 Built up area for both PLO 226D and PLO 227A: 313,963.28	Land area: 278,462.36 Built up area: -	Land area: 280,507.51 Built up area: -	Land area: 34,530.62 Built up area: 18,807.83	Land area: 46,995.23 Built up area: 39,385.37
Restrictions in interest/ Material encumbrance(s)	PLO 226D: The landlord after the name of Johor Corporation (formerly known as Johor State Economic Development Corporation) shall not transfer, charge, lease or release in any way, including by using letters of agreement intended to release or sell this land, without the permission of the state authority/ Charged to HSBC Bank Malaysia Berhad by Cape EMS vide Presentation No. 68298/2020.	The landlord after the name of Johor Corporation (formerly known as Johor State Economic Development Corporation) shall not transfer, charge, lease or release in any way, including by using letters of agreement intended to release or sell this land, without the permission of the state authority/ Charged to Hong Leong Bank Berhad by Cape EMS vide Presentation No. 67247/2021.	The land granted cannot be sold, leased, or transferred in any way, including by using all letters of agreement intended to release or sell this land without the permission of the state authority/ Charged to Hong Leong Bank Berhad by Cape EMS vide Presentation No. 67247/2021.	The landlord shall not sell or transfer ownership of this land in any way, to Non-Malaysians without the permission of the state authority/ Charged to HSBC Bank Malaysia Berhad by Tee Kim Chin vide Presentation Nos. 99271/2014, 99272/2014, 68362/2017, 58550/2018 and 68042/2020[4].	Nil/ 1. Charged to RHB Bank Berhad by Cape Manufacturing vide Presentation No. 59917/2021 2. Private caveat registered by RHB Bank Berhad on 16.08.2021 vide Presentation No. 21589/2021.

7. BUSINESS OVERVIEW *(Cont'd)*

Property	Senai 227 Factory	PLO 226B	PLO 227B[(1)]	Kempas 6 Factory	Temenggong 22 Factory
	PLO 227A: The land granted cannot be sold, leased, or transferred in any way, including by using all letters of agreement intended to release or sell this land without the permission of the state authority/ Charged to HSBC Bank Malaysia Berhad by Cape EMS vide Presentation No. 68298/2020.				
Tenure / Date of expiry of lease	PLO 226D: Leasehold for 60 year/ expiring 17 March 2068 PLO 227A: Leasehold for 60 years/ expiring 31 May 2069	Leasehold for 60 years/ expiring 17 March 2068	Leasehold for 60 years/ expiring 21 August 2077	Freehold	Freehold
Audited NBV as at 31 December 2021	Leasehold land: RM11,648,742 Factory building: RM47,068,067	Leasehold land: RM9,750,000	Leasehold land: RM8,980,000	Freehold land: RM2,700,373 Factory building: RM3,484,212	Freehold land: RM3,663,802 Factory building: RM2,617,001

Notes:

(1) We have signed a letter of intent with a construction company for the proposed sale, build and leaseback of PLO 227B. Please refer to **Section 7.22.3.3** of this Prospectus for further details.

(2) CF/CCC is not required for PLO 226B and PLO 227B as no building is erected on the land.

7. BUSINESS OVERVIEW *(Cont'd)*

(3) Pursuant to the tenancy agreement dated 24 June 2021, our Company has rented the property to Cape Manufacturing for 2 years for RM26,000 per month, commencing from 1 July 2021 and expiring on 30 June 2023 with an option to renew for 2 years subject to agreement by both parties on rental rate. Cape Manufacturing commenced EMS of smart utility data collection at Kempas 6 Factory in September 2022.

(4) These third party charges were given by Tee Kim Chin, as the registered owner of Kempas 6 Factory (prior to the sale of Kempas 6 Factory to Cape EMS pursuant to the sale and purchase agreement dated 1 July 2021), in favour of HSBC Bank Malaysia Bhd ("**HSBC**") as part of the securities for Cape EMS' banking facilities with HSBC. Thereafter, on 28 October 2021, Cape EMS was registered as the registered owner of Kempas 6 Factory pursuant to the completion of the abovementioned sale and purchase agreement in relation to Kempas 6 Factory. Cape EMS, Tee Kim Chin and HSBC have consented for the said charges to still subsist after the transfer of Kempas 6 Factory to Cape EMS. As at the LPD, Cape EMS' banking facilities with HSBC are still subsisting and these charges will only be discharged upon the full settlement of Cape EMS' banking facilities with HSBC.

(5) The Johor Bahru City Council has approved the amended building plan for Temenggong 22 Factory to include the production room housing the CNC machines in October 2022. Cape Manufacturing is constructing the open shed and sprinkler system as set out in the plan, which is expected to be completed by March 2023. Immediately upon completion of construction, Cape Manufacturing will arrange to present the certificate of completion of additional changes to the Johor Bahru City Council, the latter is also expected to be completed by March 2023.

The said production room in the Temenggong 22 Factory was already erected on the land at the time Cape Manufacturing purchased the Temenggong 22 Factory in 2021. As at the LPD, there are no activities undertaken at the said production room in the Temenggong 22 Factory. The production room is intended to carry out precision finishing process for the die casting products. This will be implemented upon presenting the certificate of completion of additional changes to the Johor Bahru City Council. Currently, the precision finishing process for the die casting products is outsourced to a sub-contractor, Evergrown Technology Sdn Bhd, at its premises.

The estimated capacity for the planned precision finishing process to be carried out in the production room, namely milling, is approximately 214,000 pieces per month (based on 14 CNC machines running 22 days a month and 22 hours per operating day). As at the LPD, the outsourced precision finishing process for the die casting products is approximately 90% of the estimated capacity for the planned precision finishing process to be carried out in our production room. This had been based on the assumption that our customers do not require all the various works requiring precision finishing process to be undertaken simultaneously. Moving forward, we will carry out the precision finishing process once we present the certificate of completion of additional changes to the Johor Bahru City Council. Our Group is of the view that in the event we are unable to use the production room, the above plan will not affect or impact our Group's operation as we will be able to outsource our precision finishing process to sub-contractors. We also plan to carry out precision finishing process at our Tebrau 6 Factory upon the purchases of 2 units of CNC lathe machines in the second quarter of 2023. We also outsource some of our die casting works when we have conflicting delivery timelines due to unexpected surge in work orders during the Period Under Review.

As at the LPD, save as disclosed above, the properties owned by our Group are not in breach of any land use conditions, current statutory requirements, land rules and/or building regulations/by-laws.

7. BUSINESS OVERVIEW *(Cont'd)*

7.21.2 Properties leased by our Group

A summary of the material properties leased by our Group as at the LPD is as follows:

Property	**PLO 103 Factory**(1)	**Tebrau 6 Factory (consisting PTD 53893, PTD 53894 and PTD 53895)**
Title details/ Property address/ Date of issuance of CCC or CF	HS(D) 50668 PTD 8857, Mukim Senai, Daerah Kulai, in the State of Johor/ Lot No. PLO 103, Jalan Cyber 5, Kawasan Perindustrian Senai III, Senai Johor, Malaysia/ 11 May 2007	• PTD 53893 HS(D) 177898 PTD 53893, Mukim Tebrau, Daerah Johor Bahru, Johor ("**PTD 53893**")/ No. 6, Jalan Firma 1/5, Kawasan Perindustrian Tebrau, 81100 Johor Bahru, Johor, Malaysia/ 13 May 1993 • PTD 53894 HS(D) 177899 PTD 53894, Mukim Tebrau, Daerah Johor Bahru, Johor ("**PTD 53894**")/ No. 6, Jalan Firma 1/5, Kawasan Perindustrian Tebrau, 81100 Johor Bahru, Johor, Malaysia/ 13 May 1993 • PTD 53895 HS(D) 177900 PTD 53895, Mukim Tebrau, Daerah Johor Bahru, Johor ("**PTD 53895**")/ No. 6, Jalan Firma 1/5, Kawasan Perindustrian Tebrau, 81100 Johor Bahru, Johor, Malaysia/ 2 June 2000
Registered owner/ Lessor	Johor Corporation	Johor Corporation
Lessee	Cape EMS(2)	Cape Manufacturing(3)
Description/ Existing use	1 unit of a single storey detached factory annexed with a 2 storey office/ warehouse and manufacturing	1 unit of single storey factory/ not in use pending the completion of the change of express condition of land use(4)

7. BUSINESS OVERVIEW *(Cont'd)*

Property	PLO 103 Factory[1]	Tebrau 6 Factory (consisting PTD 53893, PTD 53894 and PTD 53895)
Approximate age of building	15 years	• Building erected on PTD 53893 and PTD 53894 29 years • Building erected on PTD 53895 22 years
Tenure	From 31 May 1996 to 30 May 2056.	• PTD 53893 and PTD 53894 From 6 September 1991 to 5 September 2051 • PTD 53895 From 18 June 1993 to 17 June 2053
Category of land use/ Express conditions of land use	Industrial/ This land shall be used for factory for medium industrial purpose and other related uses and be built in accordance with the plan approved by the relevant local authority.	• PTD 53893 and PTD 53894[4] Industrial/ The land shall be used exclusively as medium enterprise with the purpose as building site for enterprises in printing inks varnishes and related chemical and colorants, and be built in accordance to the plan approved by the relevant local authority. • PTD 53895 Industrial/ The land shall be used for medium enterprise and other related uses and be built in accordance with the plan approved by the relevant local authority.
Land area (sq ft)	87,123.09	• PTD 53893 65,340.2 • PTD 53894 65,340.2 • PTD 53895 88,571.0
Built-up area (sq ft)	60,450.62	• PTD 53893 and PTD 53894 89,317.7 • PTD 53895 11,323.6

7. BUSINESS OVERVIEW *(Cont'd)*

Property	PLO 103 Factory[(1)]	Tebrau 6 Factory (consisting PTD 53893, PTD 53894 and PTD 53895)
Consideration (RM'000)	6,000	16,800
Restrictions in interest/ Material encumbrance(s)	The landlord after the name of developer shall not sell, lease or transfer ownership of this land in any way, including by using all letters of agreement intended to release or sell this land without the permission of the state authority/ Charged to Hong Leong Bank Berhad by our Company vide Presentation No. 103324/2019.	The land contained in this title shall not be transferred in any way unless the factory building referred to in condition above is built in accordance with the plan approved by the state authority. The landowner is only allowed to charge/pledge his land once to the Government or Statutory Body or any registered Bank in Malaysia or any other source of finance recognised by the Government./ Charged to Ambank Islamic Berhad by Cape Manufacturing vide Presentation No. 81425/2022.

Notes:

(1) Our Company had, via the sale and purchase agreement dated 27 March 2019 with Public Bank Berhad (as vendor), purchased the lease. The said purchase was completed in December 2019.

(2) Pursuant to the tenancy agreement dated 1 November 2019, our Company has rented the property to Changhuat Plastic for 3 years, commencing from 1 January 2021 and expiring on 31 December 2023, for RM96,000 per month.

(3) Cape Manufacturing had in September 2022 acquired the Tebrau 6 Factory, which refers to the lease over the 3 pieces of land held under PTD 53893, PTD 53894 and PTD 53895, together with a detached factory erected thereon.

(4) On 23 November 2022, Cape Manufacturing submitted an application to the Pejabat Tanah Johor Bahru to change this express condition for PTD 53893 and PTD 53894 to allow Cape Manufacturing to undertake aluminium die cast manufacturing and EMS activities in the Tebrau 6 Factory, and to amalgamate PTD 53893 and PTD 53894. On 2 February 2023, Cape Manufacturing has received the approval from Pejabat Tanah Johor Bahru for the said applications. Based on this approval, Cape Manufacturing will request Johor Corporation to provide the original land title for the submission to Pejabat Tanah Johor Bahru for the issuance of a new amalgamated land title. The EMS activities to be undertaken in the Tebrau 6 Factory, if any, has yet to be determined at this juncture. The issuance of the new land title is expected to take place by the second quarter of 2023.

7. BUSINESS OVERVIEW *(Cont'd)*

Notwithstanding the foregoing, our operations and financial performance will not be materially impacted by any potential delays in completion of the change of express condition of land use for PTD 53893 and PTD 53894, as we will continue to utilise our existing aluminium die cast facilities in Temenggong 22 Factory to meet customers' orders and internal demand for aluminium die-cast parts. In addition, we can also outsource some of our die casting works when we have conflicting delivery timelines due to an unexpected surge in work orders.

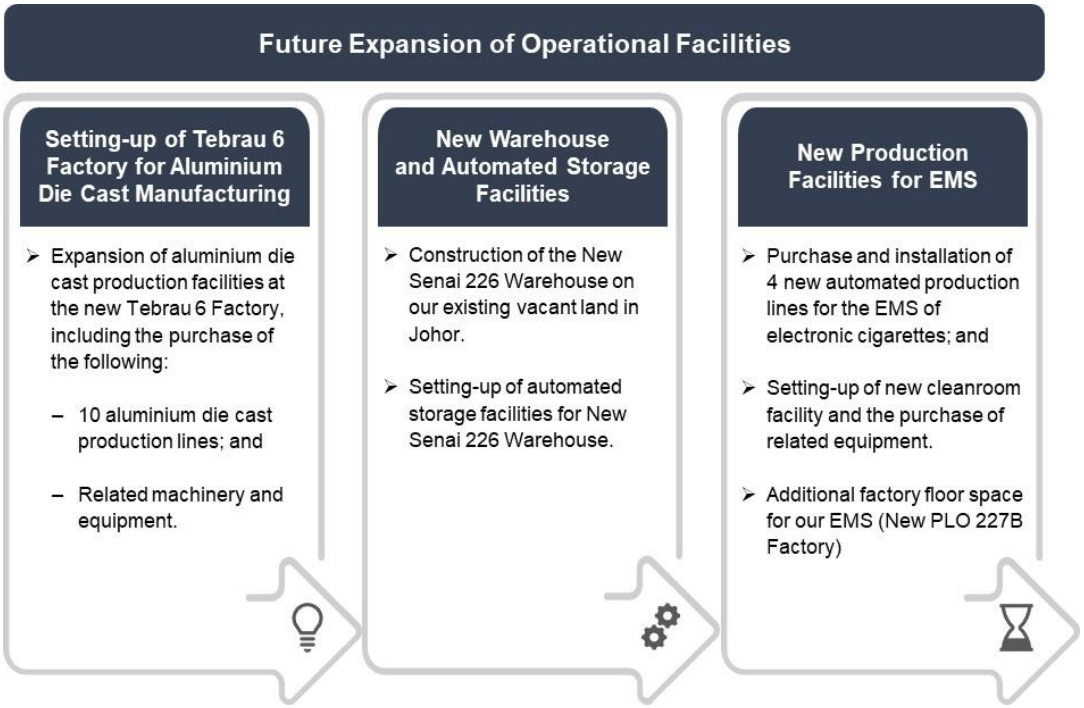
As at the LPD, the property leased by our Group is not in breach of any land use conditions, current statutory requirements, land rules and/or building regulations/by-laws, which will have material adverse impact on our operations.

7.22 BUSINESS STRATEGIES AND PLANS

Our overall strategies are to continue to focus on our core competency in providing EMS of electronic products supported by our aluminium die cast manufacturing, sourcing and procurement capabilities.

As part of our strategies and plans, we plan to expand our operational facilities by increasing our factory floor space to facilitate our EMS business expansion and also to enhance our operational facilities including the setting-up of Tebrau 6 Factory for aluminium die cast manufacturing, the New Senai 226 Warehouse with the incorporation of automated storage facilities, and new automated production facilities in Senai 227 Factory.

A summary of our future expansion of operational facilities is as follows:



7.22.1 Setting-up of Tebrau 6 Factory for aluminium die cast manufacturing

As part of our ongoing expansion plans, we completed the sale and purchase agreement for the acquisition of Tebrau 6 Factory in September 2022.

The new Tebrau 6 Factory has a total built-up area of 100,641 sq ft. For the FYE 2021 and FPE 2022, our utilisation rate for our aluminium die cast production in Temenggong 22 Factory was 71% and 34% respectively. The low utilisation rate in FPE 2022 was mainly due to lower orders from Mimosa Networks during the FPE 2022 as this said customer was in the midst of changing model of the wireless communication equipment. As at the LPD, we secured orders for the new model for the said customer. Our main rationale for setting up the new aluminium die cast production facilities is to cater for our business expansion including to support our EMS business expansion.

7. BUSINESS OVERVIEW *(Cont'd)*

We plan to purchase and install the following die cast manufacturing facilities at the new Tebrau 6 Factory:

(i) Purchase and installation of 10 new aluminium die cast production lines

The new 10 production lines comprise furnaces and die casting machines which are expected to be installed progressively, commencing installation in the first quarter of 2023. Upon the completion of the installation of the 10 production lines by the second quarter of 2023, we will commence the aluminium die cast manufacturing operations at the new Tebrau 6 Factory.

The total capacity of the 10 new production lines for the aluminium die cast manufacturing is approximately 1.8 million pieces per year, which is an increase of 90% of our capacity from our existing capacity of 2.0 million pieces per year, as set out in **Section 7.6.2** of this Prospectus, to 3.8 million pieces per year by 2023. The new 10 production lines will be equipped with rated machine capacity ranging from 250 tonnes up to 800 tonnes. Our investment in increasing our capacity is aimed at catering to potential future increases in demand for our aluminium die cast products. It is envisaged that the new increase in capacity will be able to meet our potential increase in our production process moving forward.

(ii) Purchase of related machinery and equipment

We also plan to purchase the following machinery and equipment for our die cast manufacturing operations at Tebrau 6 Factory:

- there will be an installation for the natural gas piping system to cater for the new 10 production lines;
- 9 units of robotic pick and spray equipment to be incorporated onto the die casting machines to enable automated handling of die cast parts after the parts are formed. Please refer to **Section 4.6.4** of this Prospectus for further details on this equipment;
- 2 units of CNC lathe machines to perform precision machining onto the die cast parts. Please refer to **Section 4.6.4** of this Prospectus for further details on this equipment; and
- 3 units of rotary screw air compressors to cater for the entire factory operating 24 hours a day in 2 shifts. Please refer to **Section 4.6.4** of this Prospectus for further details on this equipment.

The total cost for setting up of Tebrau 6 Factory for aluminium die cast manufacturing including the acquisition of Tebrau 6 Factory, renovation cost, purchase and installation of aluminium die cast production lines and related machinery and equipment is estimated at RM39.7 million and details are set out below:

	Estimated cost	**Internal funds and/or borrowings**	**IPO Proceeds**	**Expected timing to commence**	**Expected timing to complete**
	(RM'000)	**(RM'000)**	**(RM'000)**		
Acquisition of Tebrau 6 Factory	[(1)]18,000	18,000	-	[(1)]February 2022	Completed[(1)]
10 new aluminium die cast production lines	13,296	13,296	-		
- *10 units of new die casting machines*	*10,400*	*10,400*	-	*[(2)]Q1 2023*	*Q2 2023*
- *10 units of furnaces*	*2,896*	*2,896*	-	*[(2)]Q1 2023*	*Q2 2023*

7. BUSINESS OVERVIEW *(Cont'd)*

	Estimated cost (RM'000)	Internal funds and/or borrowings (RM'000)	IPO Proceeds (RM'000)	Expected timing to commence	Expected timing to complete
Related machinery and equipment	8,432	3,833	4,599		
• *Internal natural gas piping system*	*3,000*	*3,000*	*-*	*Q1 2023*	*Q2 2023*
• *9 sets of robotic pick and spray equipment*	*3,734*	*-*	*3,734*	*Q2 2023*	*Q2 2023*
• *Overhead crane*	*833*	*833*	*-*	*Q1 2023*	*Q2 2023*
• *2 units of CNC lathe machines*	*500*	*-*	*500*	*Q2 2023*	*Q2 2023*
• *3 units of rotary screw air compressors*	*365*	*-*	*365*	Q2 2023	*Q2 2023*
Total	**39,728**	**35,129**	**4,599**		

Notes:

(1) Including acquisition cost of RM16.8 million and renovation cost of RM1.2 million. The renovation work is expected to commence by the second quarter of 2023.

(2) In February 2022, we placed orders for the purchase of the 10 new die casting machines and subsequently in May 2022, we secured a letter of credit of RM8.9 million for the purchase of the new die casting machines. In addition, the purchase of furnaces has been financed through borrowings as at LPD.

Please refer to **Section 4.6** of this Prospectus for further details on the Use of Proceeds.

The use of the Tebrau 6 Factory is subject to the completion of the change of express condition as set out in Note (4) in **Section 7.21.2** of this Prospectus.

7.22.2 New Senai 226 Warehouse and automated storage facility

7.22.2.1 Construction of New Senai 226 Warehouse in Johor

Our existing Senai 227 Factory and planned New Senai 226 Warehouse

As at LPD, we have 2 factories that are dedicated to our EMS operations namely the Senai 227 Factory, with a total built-up area of 313,963 sq ft, and the Kempas 6 Factory, with a total built-up area of 18,808 sq ft, both of which have been used to house our machinery and equipment as well as storage facilities.

Part of our strategies and plans is to expand our facility floor space for our EMS business expansion where we plan to construct the New Senai 226 Warehouse on our existing vacant land, PLO 226B adjacent to our Senai 227 Factory in Johor which was acquired in 2021.

The New Senai 226 Warehouse will have a total built-up area of approximately 166,917 sq ft which is envisaged to mainly house our finished goods for our EMS operations. The remaining land area of 111,545 sq ft will comprise the landscape area, car park area and access road, guard house and electric supply substation. Currently, our Senai 227 Factory stores both our finished goods for our EMS operations and input materials. This will free up the storage floor space at Senai 227 Factory to be made available for our expansion including the set-up of a new cleanroom facility to house the 4 new automated production lines as disclosed in **Section 7.22.3.1** of this Prospectus.

7. BUSINESS OVERVIEW *(Cont'd)*

The key milestones for the construction of our planned New Senai 226 Warehouse are as follows:

3rd quarter of 2023	:	Submission of building plan to the Kulai Municipal Council for approval
1st quarter of 2024	:	Expected approval of building plan
	:	Expected commencement of building construction
	:	Target submission of storage licence to local authority
1st quarter of 2026	:	Expected completion of physical building construction
	:	Target submission for the CCC
	:	Expected approval and issuance of CCC
	:	Expected approval and issuance of the storage licence
3rd quarter of 2026	:	Expected to commence operations upon completion of installation of Phase 1 of the automated storage facilities
1st quarter of 2027	:	Expected completion of installation of Phase 2 of the automated storage facilities

7.22.2.2 Setting-up automated storage facilities for New Senai 226 Warehouse

The material handling process at our storage space in Senai 227 Factory is mainly reliant on workers to move, retrieve, pack, store and move goods with the use of forklifts. Part of our strategies is to enhance our operational facilities by installing automated storage facilities to enable us to automate the management, storage and retrieval of goods in our New Senai 226 Warehouse. It is expected that this will also reduce labour requirements compared to manual material handling.

The automated storage facilities which will be installed at the New Senai 226 Warehouse comprises mainly the following:

- automatic storage and retrieval system (ASRS) including programmable logic controller, heavy duty shelving and storage racks as well as the rail mounted storage and retrieval mechanism which is placed in the aisle space between the storage racks.

- material transportation devices namely rail guided vehicles (RGV) which are used to transport goods within the New Senai 226 Warehouse.

- warehouse management and control system including customised application software for inventory management and control with tracking and monitoring features for the storage and retrieval of goods.

The set-up of the automated storage facilities will be implemented in 2 phases comprising the following:

	Phase 1 ***Pallets/units***	**Phase 2** ***Pallets/units***	**Total** ***Pallets/units***
Storage racks:			
• *Rated load of 500kg with storage capacity (pallets)*	*10,800*	*10,800*	*21,600*
• *Rated load of 1,000kg with storage capacity (pallets)*	*-*	*2,352*	*2,352*
Rail mounted storage and retrieval mechanism			
• *Rails*	*10*	*10*	*20*
• *Rail mounted stacker-extractor*	*4*	*5*	*9*
RGV	3	2	5
Warehouse management and control system			
• *Warehouse management system including customised solutions and ERP interface*	*1*	*-*	*1*
• *Warehouse control and scheduling system*	*1*	*1*	*2*
• *Hardware* [(1)]	*1*	*-*	*1*

7. BUSINESS OVERVIEW *(Cont'd)*

Note:

(1) Include server, operating computer, bar code printers, display panels and related devices.

The total cost for the New Senai 226 Warehouse including the construction of the warehouse building and setting-up of the automated storage facilities is estimated at approximately RM53.1 million and details are set out below:

	Estimated cost	Internal funds/ borrowings	IPO proceeds	Expected timing to commence	Expected timing to complete
	(RM'000)	**(RM'000)**	**(RM'000)**		
Construction of New Senai 226 Warehouse	25,937	-	25,937	Q1 2024	Q1 2026
Purchase and installation of automated storage facilities	27,168	-	27,168		
• *Phase 1*	*13,516*		*13,516*	*Q1 2026*	*Q3 2026*
• *Phase 2*	*13,652*		*13,652*	*Q4 2026*	*Q1 2027*
Total	**53,105**	**-**	**53,105**		

Please refer to **Section 4.6** of this Prospectus for further details on the Use of Proceeds.

7.22.3 New production facilities for EMS operations

7.22.3.1 Purchase and installation of 4 new automated production lines

We intend to further expand our production facilities and invest in 4 new automated production lines for refill pods at our Senai 227 Factory to cater to the expected expansion of our EMS for the electronic cigarette. As at the LPD, we have a total of 8 automated production lines for refill pods with a monthly capacity of 3.3 million pieces. The utilisation rate for FYE 2021 was relatively low as we used 7 production lines to run the pilot production in the fourth quarter of 2021 to enable us to fine-tune the manufacturing processes. Our utilisation rate for the refill pods has been improving from approximately 19% for FYE 2021 to 66% for the FPE 2022. The rationale for the expansion of new production lines is to address the expected demand from a customer premised on mutual understanding in terms of the quantity they require and the rolling forecast provided.

In addition, the new automated production lines are designed to be an enhanced model with a monthly capacity of 1.1 million pieces per line compared to our existing model with a monthly capacity of 0.4 million pieces per line. In this respect, we will have a total of 12 production lines for refill pods by the end of 2024. With the new production lines, our expected capacity will increase by approximately 133% to 7.7 million pieces per month compared to 3.3 million pieces per month by the end of 2024.

The new automated production line is a customised design that consists of a series of equipment and mechanism with built-in control system to carry out assembly, filling and final product assembly as well as final testing equipment on the finished goods. We plan to purchase and install the 4 new production lines progressively between the third quarter 2023 and the end of 2024.

7.22.3.2 Setting-up of new cleanroom facility and purchase of related equipment for Senai 227 Factory

In line with our expansion plans, we will set up a new cleanroom to house the new automated production lines mentioned above. As at LPD, we have 2 cleanrooms comprising:

- an ISO Class 8 cleanroom which houses 8 automated production lines and 2 automated blister packaging lines for the refill pods; and
- an ISO Class 8 cleanroom which houses 4 production lines for disposable cigarette sticks.

7. BUSINESS OVERVIEW *(Cont'd)*

We plan to set up a new cleanroom at our Senai 227 Factory which is a new ISO Class 8 cleanroom designed to be an enclosed zone where airborne particles and pollutants are maintained at specific parameters which is the maximum allowable concentration of particles inside the room. This takes into consideration the requirements of filtration, air pressure, humidity or temperature control, static control requirements as well as the need for sanitation, lighting and electrical connectivity. The setting-up of a new cleanroom facility does not require any licence or approval from regulatory authorities. However, the Group opts to obtain an annual certificate to be issued by an independent external laboratory company to confirm that the new cleanroom is an ISO Class 8 cleanroom. For the avoidance of doubt, the annual certification for the cleanrooms is not requested by our customers and it is a voluntary measure adopted by our Group to showcase our quality standards and provide reassurance to our customers in relation to our EMS facilities. Please refer to **Section 4.6.2** of this Prospectus for further details on the annual certification for our cleanrooms. Our Group expects to obtain the annual certificate for the new cleanroom facility in the fourth quarter of 2023. As at the LPD, our Group has not appointed the independent external laboratory company for the issuance of the said annual certificate.

We intend to allocate approximately 14,680 sq ft of floor space for the new cleanroom.

In addition, we plan to purchase and install an energy saving cooling system to upgrade our existing centralised air-conditioning system for the Senai 227 Factory. Please refer to **Section 4.6.3** of this Prospectus for further details on this system.

The total cost for the new automated production facilities includes 4 new automated production lines and the setting-up of the cleanroom facility, and the purchase and installation of the related equipment for Senai 227 Factory is estimated at approximately RM66.5 million and details are set out below:

	Estimated Cost	Internal funds/ borrowings	IPO Proceeds	Expected timing to commence	Expected timing to complete
	(RM'000)	(RM'000)	(RM'000)		
4 new automated production lines (progressive installation)	61,512	-	61,512	Q3 2023	Q4 2024
Setting-up of new cleanroom	1,298	-	1,298	Q2 2023	Q4 2023
Purchase and installation of energy saving cooling system	3,688	-	3,688	Q2 2023	Q2 2023
Total	**66,498**	**-**	**66,498**		

Please refer to **Section 4.6** of this Prospectus for further details on the Use of Proceeds.

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7. BUSINESS OVERVIEW *(Cont'd)*

7.22.3.3 Additional factory floor space for our EMS operations

Part of our plans is to expand our factory floor space to accommodate business expansion for our existing as well as potential customers. The planned additional factory floor space for our EMS operations includes the following:

(a) Kempas 6 Factory with a total built-up area of 18,808 sq ft which we acquired in 2021. This is planned for our EMS of smart utility data collection equipment. Cape Manufacturing has commenced EMS of smart utility data collection at Kempas 6 Factory on 22 September 2022.

(b) New PLO 227B Factory where we have signed a letter of intent in June 2022 and letters of extension in September and December 2022 with AME Construction Sdn Bhd for the proposed sale, build and leaseback of the New PLO 227B Factory.

PLO 227B land is adjacent to our existing Senai 227 Factory

Subject to terms to be negotiated and agreed upon, the proposed sale, build and leaseback arrangements entail the following 3 stages:

Stage 1: We will sell a piece of our land, namely PLO 227B with a total area of 280,526.4 sq ft to AME Construction Sdn Bhd or its affiliate ("**AME**"). We acquired PLO 227B in 2021 which is adjacent to our Senai 227 Factory in Johor. The sale of PLO 227B is expected to complete by the second half of 2023.

Stage 2: AME will then build an industrial building, based on our requirements, comprising production and storage space, office and a canteen with a total built-up area of approximately 150,000 sq ft. The construction is expected to commence by the second half of 2023 upon completion of the sale of said land, and complete by the first half of 2024.

Stage 3: We will enter into a long-term leasing arrangement with AME for the completed industrial building and the lease period will be around 10 years.

The duration of the letter of intent is initially for a period of 3 months up to September 2022 and has been extended to 20 December 2022 and 20 March 2023. We are currently awaiting for the finalisation of building plan to finalise the terms of the proposed sale, build and leaseback of the New PLO 227B Factory. We expect to complete the construction of the New PLO 227B Factory and commence the leasing of the completed building and commence EMS operations at the New PLO 227B Factory in the first half of 2024. In the event the letter of intent expired, we will seek a renewal or other suitable alternative.

The proposed sale-and-leaseback arrangement provides additional factory floor space to scale up our EMS operations while maintaining our borrowing capacity for other purposes such as working capital and capital expenditures.

The additional factory floor space from the New PLO 227B Factory will enable us to scale up our operations to accommodate business expansion. Our factory floor space for EMS operations will increase from 332,771 sq ft as at the LPD to 463,471 sq ft by the first half of 2024.

There is no capital expenditure for the construction of the New PLO 227B Factory as this arrangement is under the proposed sale, build and leaseback.

7. BUSINESS OVERVIEW *(Cont'd)*

7.23 GOVERNING LAWS AND REGULATIONS

Our business is regulated by, and in some instances required to be licenced under specific laws of Malaysia and Singapore. The relevant laws and regulations governing our Group which do not purport to be an exhaustive description of all laws and regulations of which our business is subject to are summarised below. Non-compliance with the relevant laws and regulations below may result in monetary and/or custodial penalties and/or any other orders being made.

(i) Industrial Coordination Act 1975 ("ICA 1975")

Pursuant to the ICA 1975 and the Industrial Co-ordination (Exemption) Order 1976, manufacturing companies with shareholders' funds of RM2,500,000 and above or engaging 75 or more full-time paid employees are required to apply for a manufacturing licence. The ICA 1975 defines "manufacturing activity" as the "making, altering, blending, ornamenting, finishing or otherwise treating or adapting any articles or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade".

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

(a) has not complied with any condition imposed in the licence;

(b) is no longer engaged in the manufacturing activity in respect of which the licence is issued; or

(c) has made a false statement in his application for the licence.

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

(aa) Past non-compliance of die-casting operations at the Temenggong 22 Factory

Upon beginning its die-casting operations at the Temenggong 22 Factory in July 2013, Cape Manufacturing was not required to apply for a manufacturing licence as its shareholders' fund did not exceed RM2,500,000 and did not employ more than 75 full-time paid employees. In view that products manufactured by Cape Manufacturing are mainly exported out of Malaysia or sold to LMW holders, Cape Manufacturing had been operating under its LMW licence. Cape Manufacturing's shareholders' funds had, in June 2016, exceeded RM2,500,000 and is required to have a manufacturing licence.

The manufacturing licence, which has since been issued on 8 July 2022, is effective from 15 March 2022.

For the period of past non-compliance from 30 June 2016 to 14 March 2022, the potential maximum penalties which may be imposed for the non-compliance incident set out above is approximately RM2.1 million, representing approximately 8.2% of the Group's FYE 2021 PBT. The potential maximum penalties would not have a material adverse impact on our business and financial results. For clarity, the effective date of the manufacturing licence for die-casting operations of Temenggong 22 Factory is 15 March 2022. As such, the calculation of potential maximum penalties is up to 14 March 2022.

7. BUSINESS OVERVIEW *(Cont'd)*

As at the LPD, Cape Manufacturing has not received any penalty for this past non-compliance. Notwithstanding that MITI has the right to impose penalties on Cape Manufacturing for its past non-compliance, we have obtained verbal confirmation from MIDA that it is unlikely for Cape Manufacturing to be subject to any repercussions/ retrospective sanctions from MITI as a result of operating without a valid manufacturing licence for aluminium die-casting operations at Temenggong 22 Factory.

(bb) Past non-compliance of EMS operations at Temenggong 22 Factory

Upon beginning its EMS operations at the Temenggong 22 Factory in January 2016, Cape Manufacturing was not required to apply for a manufacturing licence as its shareholders' fund did not exceed RM2,500,000 and it did not employ more than 75 full-time paid employees. In view that products manufactured by Cape Manufacturing are mainly exported out of Malaysia or sold to LMW holders, Cape Manufacturing had been operating under its LMW licence.

Since June 2016, Cape Manufacturing's shareholders' funds exceeded RM2,500,000 and is required to have a manufacturing licence. In July 2022, Cape Manufacturing obtained its manufacturing licence for die casting operations.

The manufacturing licence for EMS operations was obtained on 24 November 2022 and is effective from 15 August 2022. Cape Manufacturing has ceased its EMS operations at the Temenggong 22 Factory upon commencing its EMS operations at the Kempas 6 Factory in September 2022.

Section 3(1) of the ICA 1975 provides that no person shall engage in any manufacturing activity unless he is issued a licence in respect of such manufacturing activity. Failure to observe and adhere to the licensing requirements under the ICA will constitute an offence which is punishable on conviction by a fine not exceeding RM2,000.00 or to a term of imprisonment not exceeding 6 months and to a further fine not exceeding RM1,000.00 for every day during which the non-compliance continues.

For the period of past non-compliance from 30 June 2016 and up to 14 August 2022, the potential maximum penalties which may be imposed for the non-compliance incident set out in **Section 7.23(i)(bb)** of this Prospectus is approximately RM2.2 million, representing approximately 8.8% of the Group's FYE 2021 PBT. The potential maximum penalties would not have a material adverse impact on our business and financial results.

As at the LPD, Cape Manufacturing has not received any penalty for this past non-compliance. Notwithstanding that MITI has the right to impose penalties on Cape Manufacturing for its non-compliance, we have obtained verbal confirmation from MIDA that it is unlikely for Cape Manufacturing to be subject to any repercussions from MITI for the absence of manufacturing licence for EMS operations at Temenggong 22 Factory.

Save as disclosed above, as at the LPD, our Group holds and maintains valid manufacturing licences issued by MITI as disclosed in **Section 7.15** of this Prospectus.

7. BUSINESS OVERVIEW *(Cont'd)*

(ii) Customs Act 1967 ("CA 1967")

The CA 1967 governs, among others, the levying of custom duties, port clearances, warehousing and other custom-related matters.

Pursuant to Sections 65 and 65A of the CA 1967, the Director General of Customs may on payment of such fees as may be fixed by him in each case, grant a licence to any person for warehousing and manufacturing goods liable to custom duties and any other goods in a place or places specified in the licence.

Our Company and Cape Manufacturing are both LMW companies whose licences were granted by the Director General of Customs for the warehousing and manufacturing of approved products on our premises at the Senai 227 Factory and the Temenggong 22 Factory respectively. Pursuant to Order 2 and Schedule I of Customs Duties (Exemption) Order 2017, with the issuance of the manufacturing warehouse licences, our raw materials and components used directly in the manufacturing process are exempted from custom duties.

Cape Manufacturing received the amended manufacturing warehouse licence dated 3 October 2022 which included Kempas 6 Factory as its business premises. The amended manufacturing warehouse licence is valid until 30 June 2023.

As at the LPD, our Company and Cape Manufacturing hold and maintain valid manufacturing warehouse licences issued by the RMCD.

(iii) Factory and Machinery Act 1967 ("FMA")

The FMA and the relevant regulations made thereunder, including the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations 1970 governs the control of factories with respect to matters relating to the safety, health and welfare of person, the registration and inspection of machinery and for matters connected therein.

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

Section 19(1) of the FMA further states that no person shall operate or cause or permit to be operated any machinery in respect of which a certificate of fitness is prescribed, unless there is in force in relation to the operation of the machinery a valid certificate of fitness issued under the FMA. In the case of any contravention, an inspector of factories and machineries appointed under the FMA shall forthwith serve upon the person aforesaid a notice in writing prohibiting the operation of the machinery or may render the machinery inoperative until such time a valid certificate of fitness is issued. The person who contravenes Section 19(1) shall be liable of an offence and shall. on conviction, be liable to a fine not exceeding RM150,000.

For the purposes of FMA 1967,

(a) the term "machinery" includes steam boilers, unfired pressure vessels, fired pressure vessels, pipelines, prime movers, gas cylinders, gas holders, hoisting machines and tackle, transmission machinery, driven machinery, materials handling equipment, amusement device or any other similar machinery and any equipment for the casting, cutting, welding or electro-deposition of materials and for the spraying by means of compressed gas or air of materials or other materials but does not include:

    (aa) any machinery used for the propulsion of vehicles other than steam boilers or steam engines;

7. BUSINESS OVERVIEW *(Cont'd)*

(bb) any machinery driven by manual power other than hoisting machines;

(cc) any machinery used solely for private and domestic purposes; or

(dd) office machines; and

(b) the term "material handling equipment" includes any power-driven equipment for handling materials, and includes forklift, conveyor, stacker, excavator, tractor, dumper or bulldozer but does not include hoisting machine.

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

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

As at the LPD, our Group holds valid certificates of fitness issued by Department of Occupational Safety and Health Malaysia for the relevant machineries we use.

(iv) <u>Occupational Safety and Health Act 1994 ("OSHA 1994")</u>

The OSHA 1994 provides the framework to secure the safety, health and welfare among workforce and to protect others against risks to safety or health in connection with the activities of persons at work.

Pursuant to OSHA 1994, it shall be the duty of every employer to formulate a written safety and health policy with respect to the safety and health at work of his employees. The employer shall also establish a safety and health committee at the place of work if there are 40 or more persons employed at the place of work. An occupier of a place of work is also required to employ a competent person to act as a safety and health officer at the place of work.

Failure to comply with the general duties of employers under Part IV of OSHA 1994 constitutes an offence and the employer is liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding 2 years or to both.

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

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

(a) a right to an employee to remove himself from the danger or the work if he has reasonable justification to believe there exist an imminent danger at his place of work, and the employer has failed to take any action to remove the danger;

(b) the obligation of an employer to conduct a risk assessment in respect of the safety and health risk posed to any person who may be affected by his undertaking at the place of work and the implementation of risk control to eliminate or reduce said safety and health risk; and

(c) provisions relating to notification of occupation of place of work, and installation and inspection of Plants, including the prescription of any Plant for which a certificate of fitness is required.

7. BUSINESS OVERVIEW *(Cont'd)*

Upon the OSH Amendment Act comes into operation, failure to comply with the general duties of employers under Part IV of the amended OSHA 1994 constitutes an offence and the employer is liable to a fine not exceeding RM500,000 or to imprisonment for a term not exceeding 2 years or to both.

As at LPD, there has been no non-compliance by our Group in relation to the OSHA 1994. Our Group has formulated a documented standard operating policies and procedure on occupational safety, health and environmental plan. We have established safety and health committees and a certified safety and health officer has been appointed to monitor the safety and health related matter of our Group.

(v) Environmental Quality Act 1974 ("EQA 1974")

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

(a) emit or discharge environmentally hazardous substances, pollutants or wastes into the atmosphere;

(b) emit or cause or permit to be emitted any noise greater in volume, intensity or quality;

(c) pollute or cause or permit to be polluted any soil or surface of any land; or

(d) emit, discharge or deposit any environmentally hazardous substances, pollutants or waste into any inland waters,

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

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

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

(a) any person who generates scheduled wastes ("**Waste Generators**") shall, within 30 days from the date of generation of scheduled wastes, notify the Director General of Environmental Quality ("**DGEQ**") of the new categories and quantities of scheduled wastes which are generated;

(b) scheduled wastes shall be disposed of at prescribed premises only and shall, as far as practicable, before disposal, be rendered innocuous;

(c) scheduled wastes be treated at prescribed premises or at on-site treatment facilities only and the residuals from treatment of scheduled wastes shall be treated and disposed of at prescribed premises.

(d) a Waste Generator may apply to the DGEQ in writing to have the scheduled wastes generated from their particular facility or process excluded from being treated, disposed of or recovered in premises or facilities other than at the prescribed premises, on-site treatment or recovery facilities. If the DGEQ is satisfied with the application made, the DGEQ may grant a written approval either with or without conditions; and

(e) a Waste Generator shall keep an accurate and up-to-date inventory of scheduled wastes generated, treated and disposed of in accordance with the fifth schedule of the Regulations 2005 and of materials or product recovered from such scheduled wastes for a period up to 3 years from the date of the scheduled wastes was generated.

7. BUSINESS OVERVIEW *(Cont'd)*

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

(a) a written notification shall be submitted by the owner or occupier of a premises to the DGEQ not less than 30 days before the commencement of the following:

(aa) any change in operation of his premises;

(bb) any work on any premises that may result in a source of emission;

(cc) construction of any building or premises on any land designed or used for a purpose that may result in a new source of emission;

(dd) any change of, to, or in any plant, machine, or equipment used or installed at the premises that causes a material change in the quantity or quality of emission from an existing source; or

(ee) any changes or modifications to an existing facility designed and constructed for the purpose of preventing or reducing the potential emission that causes air pollution, and includes the extraction system, control equipment and chimney ("**Air Pollution Control System**").

(b) every premises shall be equipped with an Air Pollution Control System in accordance with the specifications as determined by the DGEQ;

(c) the owner or occupier of the premises must operate and maintain the Air Pollution Control System in accordance with sound engineering practice and ensure that all components of the Air Pollution Control System are in good working condition; and

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

Our Company has appointed a consultant, Prisma Laboratory (M) Sdn Bhd, which confirmed on 8 July 2022 that air pollution control system is not required for our chemical storage area and our production line due to the nature of our production process which does not generate excessive dust or solvent vapour.

Further, our Company has a standby generator set located at the Senai 227 Factory. We have on 19 May 2022 submitted written notification to the Department of Environment for approval for this generator set. This standby generator set serves as a backup generator in case of any sudden power supply disruption and is not required for our day-to-day operations. We will not use this standby generator until the approval is obtained.

On 30 June 2022, Cape Manufacturing has submitted the notification to the Department of Environment for its air pollution control system. Cape Manufacturing's emission of air particles are within the permissible parameters of the Clean Air Regulations.

The sewage discharge and effluent discharge of our Group at the Senai 227 Factory and Temenggong 22 Factory are within the permissible parameters of the Environmental Quality (Sewage) Regulations 2009 and Environmental Quality (Industrial Effluent) Regulations 2009.

Failure to comply with the provisions of the EQA 1974 where no penalty is expressly provided, the offender shall be liable to a fine not exceeding RM10,000.00 or imprisonment for a period not exceeding 2 years. As at the LPD, our Group has not received any notices, penalties or reprimands from the Department of Environment for non-compliance of the environmental laws and regulations.

7. BUSINESS OVERVIEW *(Cont'd)*

(vi) Fire Services Act 1988 ("FSA 1988")

The FSA 1988 prescribes the effective and efficient functioning of the Fire Services Department, for the protection of persons and property from fire risks or emergencies. The FSA provides, among other things, that a fire certificate be issued only after the designated premises have been inspected and the Fire and Rescue Department of Malaysia ("**FRD**") is satisfied that there are adequate facilities for life safety, fire prevention, fire protection and firefighting.

Where there is no fire certificate in force, the owners of such premises may become subject to a fine not exceeding RM5,000 or imprisonment for a term not exceeding 3 years or both. Pursuant to the Fire Services (Designated Premises) (Amendment) Order 2020, save for the Kempas 6 Factory, our premises are regarded as designated premises whereby fire certificates are required. As at the LPD, save for Tebrau 6 Factory which does not have any operations, our Group holds valid fire certificates issued by the FRD.

(vii) Employees' Minimum Standards of Housing, Accommodation and Amenities Act 1990 ("EMSHAAA 1990")

The EMSHAAA 1990 prescribes the minimum standards of housing, nurseries and accommodation for employees (and their dependants, if applicable) as well as health, hospital, medical and social amenities to be provided by the employers to their employees.

Effective from 1 June 2020, the Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019 ("**Amended Act**") amended the EMSHAAA 1990, where employers are required to comply with the Amended Act, which includes providing minimum space requirement for workers' accommodation, basic facilities as well as safety and hygiene standards.

EMSHAAA 1990 provides that no employer or centralised accommodation provider shall use any buildings as accommodation if the building is unfit for human habitation in accordance with the relevant written laws. The employer or centralised accommodation provider shall ensure that every accommodation provide for employees complies with the minimum standards required under the Amended Act or any regulations made thereunder.

Pursuant to Section 24D(1) of the EMSHAAA 1990, no accommodation shall be provided to an employee unless certified with a Certificate for Accommodation. As such, employers or centralised accommodation providers are required to apply for a Certificate for Accommodation with the Department of Labour of Peninsular Malaysia. An employer who contravenes Section 24D(1) commits an offence and shall, on conviction, be liable to a fine not exceeding RM50,000.

Our Group had appointed 2 third party accommodation providers to provide accommodation for our foreign workers. The said third party accommodation providers have obtained the Certificates of Accommodation for the hostels occupied by our foreign workers. In the event we employ additional foreign workers, we will arrange for the necessary accommodation which complies with the EMSHAAA 1990.

As at the LPD, save as disclosed above and in **Section 7.21.1** of this Prospectus, the Group is in compliance with the governing laws, regulations, rules or requirements relating to its business.

7.24 SEASONALITY

We do not experience any material seasonality in our business as we serve customers in both industrial and consumer sectors which moderates any seasonal factors.

7. BUSINESS OVERVIEW *(Cont'd)*

7.25 ESG PRACTICES

Our Board has adopted our Sustainability Policy, which encompasses all aspects of ethical business practices, addressing the relevant ESG issue responsibly. The Sustainability Policy aims to integrate the principles of sustainability into the Group's strategies, policies and procedures, promote sustainable practices and create a culture of sustainability within the Group and community. Our Sustainability Policy had been established to address the three-pronged principles, namely, (a) environmental sustainability which is in relation to fair workplace with health, safety, security and environment practices; (b) social sustainability which is in relation to fair labour and employment practices; and (c) governance sustainability which is in relation to fair business practices. With this in place, our ESG practices strives to be in-line with the purpose of the Sustainability Reporting Guide issued by Bursa Securities, which seeks to help Main Market and ACE Market listed companies to embed sustainability in their operations. Moving forward, our Group shall endeavour towards ensuring that our ESG practices are disclosed to our various stakeholders in a detailed manner (including disclosures on our Group's management of material sustainability matters) via the preparation of Sustainability Statements in line with Bursa Securities' Sustainability Reporting Guide.

(i) Environmental

Our Group is committed to delivering quality products that meets the expectation and requirements of our client while ensuring the safety and health of parties involved and minimising the environmental impact that arises from our operation.

Our Company and Cape Manufacturing have obtained the ISO 14001:2015 accreditation in environmental management system under the scope "box build assembly for E&E industries" and "manufacturing of aluminium and electronic components and parts, sub assembly of parts" respectively.

Our Group strives to:

- minimise the level of pollutants entering into the air and water from daily business operations;
- create an awareness of this policy within the Group and stakeholders;
- consider sustainability risks and opportunities, including climate-related risks and opportunities as part of our governance, risk management and strategic and financial planning framework;
- integrate practices that embrace responsible energy and resource management in daily operations, including prioritizing the use of green technologies, adopting carbon reduction strategies and promoting good environmental practices across the supply chain, where practicable;
- inculcate behaviour that supports the building of environmentally sustainable practices among our employees; and
- promote the adoption of good environmental practices.

In line with the Sustainability Policy, we plan to install an energy saving cooling system for our Senai 227 Factory to promote energy conservation and costs savings efforts relating to the potential 'green' contribution towards the environment. With the lower energy consumption, we can expect lower carbon emissions from the installation of the energy saving cooling system.

As part of our environmental ESG practice, we are also planning to automate our production facilities by installing automated storage facilities for our New Senai 226 Warehouse and automated production lines for our EMS operations.

7. BUSINESS OVERVIEW *(Cont'd)*

The installation of automated storage facilities is expected to increase the efficiency of our storage system, where our finished products/input materials can be stacked compactly thus reducing the need for a larger storage area. Through the automated storage facilities, we can swiftly store and retrieve our finished products/input materials from anywhere in the New Senai 226 Warehouse with lesser energy output required. The installation of the automated production lines will improve our production efficiency through having lower cycle times and higher yield (in terms of lower rejection rates) leading to less energy consumed in the production process. In addition to the above, both the installation of automated storage facilities and automated production lines are expected to reduce human intervention resulting in a reduction of workload of our workers which will result in the reduction of possible rejection and rework activities in the relevant critical processes. Any rework activities undertaken would require additional work to be done which will lead to more energy spent or consumed in the production process.

Please refer to **Section 7.22** of this Prospectus for further details on the Business Strategies and Plan.

(ii) Social

Our Group is committed to act responsibly in our business operations, as well as in supporting our community. Our Group has many stakeholders that range from our shareholders, employees, customers, suppliers, business associates and the community in general.

Our Group is committed to protecting the vulnerable, respecting social diversity, and ensuring that our Group puts a priority on social relationship amongst the community. We also have in place operational safety policies such as safety briefings. Our manufacturing facilities are, from time to time, inspected by local government authorities, including the Department of Occupational Safety and Health.

In addition to the above, our Group is committed to training and skills development of our employees. These programmes include production techniques, leadership skills and self-development training.

Our Group also supports and practices workplace equal opportunity, fair treatment, and gender and cultural diversity for both local and foreign employees. We have a systematic appraisal system where employees are assessed based on their respective skillset and capabilities. Additionally, our headquarters facilities include a designated women's parking space for the safety of our employees and nursing rooms to promote physical and mental wellness for our nursing mothers.

To provide positive social value to our community, our Group was involved in various corporate social responsibility activities which includes the following:

Description	Year
Contributed a total of RM61,890 to SJK (C) Foon Yew 3, Johor Bahru, Johor for the Parents Teacher Association	**2016 - 2021**
Contributed a total of RM73,130 to SMK Taman Pelangi, Johor Bahru, Johor for the Parents Teacher Association	**2018 - 2021**
Contribution to Persatuan Kebajikan Sinar Harapan The Hope Garden Society Johor Bahru, Johor	**2019 - 2021**
Contributed a total of RM5,880 to the Bulan Sabit Merah Malaysia Cabang Johor Bahru, Johor	**2021 - 2022**
Sponsorship of a basketball tournament "Peak Basketball 3x3" Johor Bahru, Johor amounting RM5,000	**2022**
Sponsorship of Sabah Football Club Sdn Bhd amounting to RM200,000	**2022**

7. BUSINESS OVERVIEW *(Cont'd)*

(iii) Governance

Our Group is committed to adhering to a high standard of corporate governance practice as set out in the MCCG. Our Group recognises the importance of governance sustainability and as such, we conduct our business dealings in a professional and ethical manner and we have among others, the following policies to uphold good corporate governance practices:

(i) formal organisational structure with clear lines of reporting to Board Committees and Key Senior Management, including defined lines of accountability and limits of authority;

(ii) adopted the Anti-Bribery and Corruption Policy and Whistle-blowing Policy to promote and maintain compliance with the Malaysian Anti-Corruption Commission Act 2009 and the Whistleblower Protection Act 2010;

(iii) adopted a Personal Data Protection Notice, which complies with the Personal Data Protection Act, 2010 in order to protect the personal data that we obtained from our customers, vendors, suppliers, service providers and/or employees;

(iv) as part of our continuous effort and commitment to ensure product quality, our Company and Cape Manufacturing have obtained the ISO 9001:2015 accreditation in quality management systems under the scope "box build assembly for E&E industries" and "manufacturing of aluminium and electronic components and parts, sub assembly of parts" respectively; and

(v) Our Company has obtained the ISO 27001:2013 accreditation in information security management system under the scope of "operations and administration of information security management system for processes of assembly box build for electric and electronic industries" to manage risks related to the security of information and data our Company holds.

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