
6. BUSINESS OVERVIEW (CONT'D)

6.1.1 Primary Processes

We provide precision machining services that produces precision-machined parts and components according to our customers' design and specifications requirements. The CNC machining processes that we use include milling, turning and lathing. The use of CNC machines enables us to consistently produce precision-machined parts and components with high-tolerance finishes. During the precision machining process, metal is removed from metal rods and blocks and are shaped according to its design. When the processes are complete, the precision-machined parts and components will then undergo various finishing treatments depending on their specifications.

The primary processes that we provide are as illustrated below.

(i) Milling

CNC milling machine



The milling process involves a metal block or rod that is held stationary while a rotating cutting tool is pressed against the block or rod to remove excess metal and shape the block or rod according to the specific part or component's design and specifications. This process is generally used to cut flat surfaces onto, or to cut deep cavities into the metal block or rod. Depending on the type of cut that is required, different cutting tools will then be used.

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6. BUSINESS OVERVIEW (CONT'D)

(ii) Turning

CNC turning machine



During the turning process, the metal block or rod is secured by the machine and then rotated while a stationary cutting tool is held against the rotating block or rod to remove excess metal and to shape the block or rod according to the design and specifications. Turning is usually used to produce cylindrical components with differing diameters along the component.

(iii) Lathe

Manual lathe machine



Auto-lathe machine



A lathe is a tool that rotates the metal block or rod about an axis in order to perform various operations such as cutting, sanding, drilling, deformation and turning, with tools that are applied to the metal block or rod. The manual lathe process involves a person pressing the cutting tool against the rotating metal block or rod. Automatic lathes are mechanically operated and require little human intervention during the process. However, automatic lathes are different from CNC machines as they are not controlled

6. BUSINESS OVERVIEW (CONT'D)

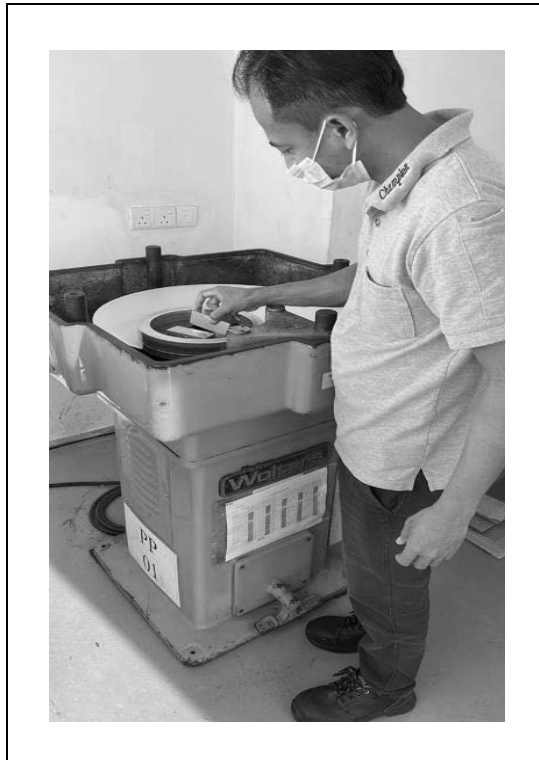
using CNC. Aside from the aforementioned processes, automatic lathes are also able to perform the turn-milling process for smaller precision-machined parts and components. Turn-milling is a combination of the turning and milling processes. The secured metal block or rod is rotated while a rotating cutting tool is pressed against the metal block or rod to remove excess metal.

6.1.2 Secondary Processes

After undergoing the various primary processes, the precision-machined parts and components undergo secondary processes to remove extra material from the precision-machined parts and components and to ensure they are smooth and uniform. We also outsource some finishing solutions which include plating, deburring, polishing, coating, slotting, sandblasting, heat treatment, tumbling, hardening, electroplating and anodising to our sub-contractors depending on our customer's needs and requirements. We also outsource to our sub-contractors when our capacity is full based on the schedule of our workers.

The secondary processes that we provide in house are as illustrated below.

(i) Polishing



Polishing is a finishing process that smoothens the precision-machined parts and components' surface, usually by using an abrasive and a work wheel or by applying a chemical treatment. In addition to smoothing out the surface, polishing the precision-machined parts and components also helps to improve the appearance of the precision-machined parts and components, creating a shiny and smooth finish.

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6. BUSINESS OVERVIEW (CONT'D)

(ii) Deburring



The primary processes such as milling, turning and lathing may leave raised edges or protrusions of metal called burrs, which can affect the quality of the component if they are not removed. Deburring is a process that removes such imperfections through grinding, scraping or buffing. The process can be done manually or using a deburring machine. Our Group only carries out manual deburring.

(iii) Grinding



Similar to polishing, grinding involves the use of abrasives to smoothen the surface of the precision-machined parts and components. However, grinding usually involves the use of a grinding wheel which has abrasive articles present on its surface.

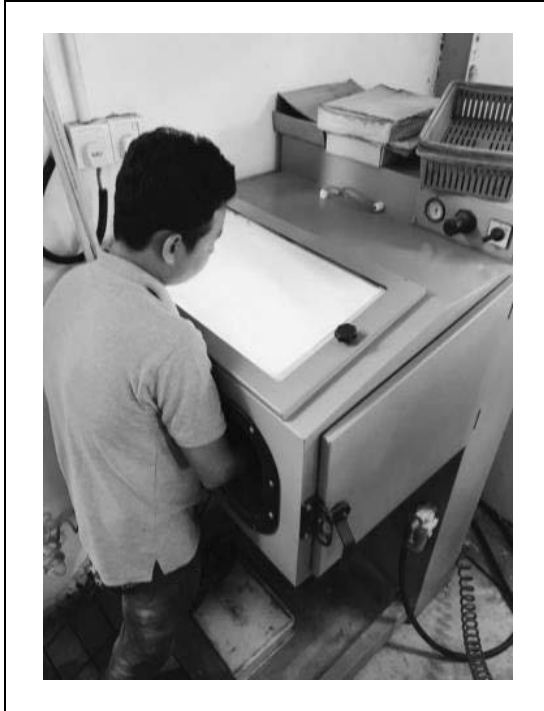
(iv) Lapping



Lapping is a surface finishing process whereby 2 surfaces, namely the stationary lap plate and the precision-machined parts and components, rub together with a lapping medium trapped between them. When the surfaces are rubbed together, the abrasives in the lapping medium remove material from the surface of the precision-machined parts and components, thus smoothing it out.

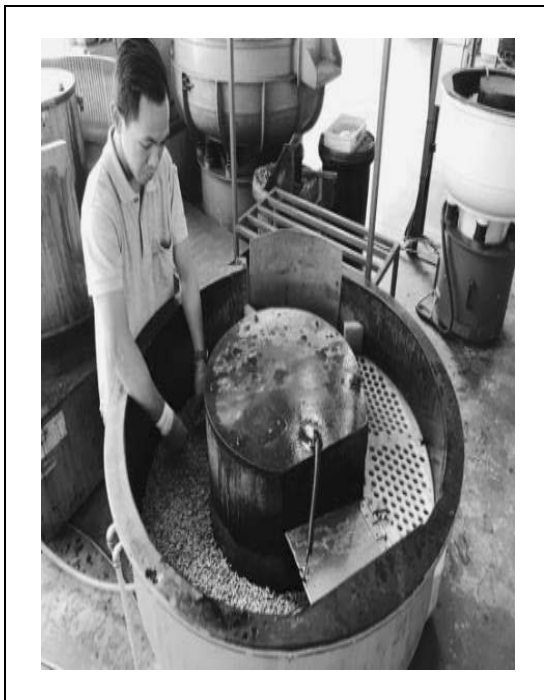
6. BUSINESS OVERVIEW (CONT'D)

(v) Sandblasting



Sandblasting is a surface finishing process that involves the use of a machine that sprays abrasive particles, in this case sand, against a surface. As the particles of sand strike the surface, it is able to wear away at any unwanted or excess material, thus creating a more even texture and smoother surface.

(vi) Tumbling



Tumbling, or tumble finishing, is a process that polishes multiple small metal parts at the same time. The small metal parts are put into a machine in the presence of a media that causes friction with the parts to effectively polish them.

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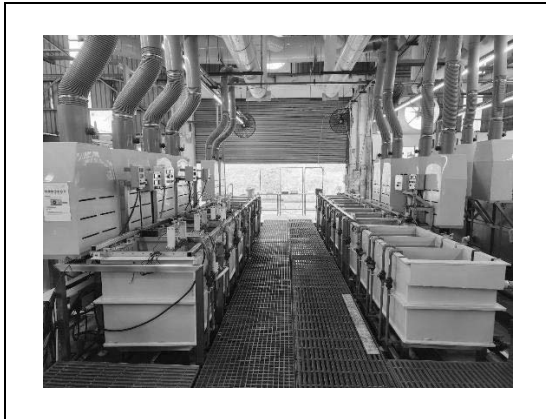
6. BUSINESS OVERVIEW (CONT'D)

(vii) Heat treatment



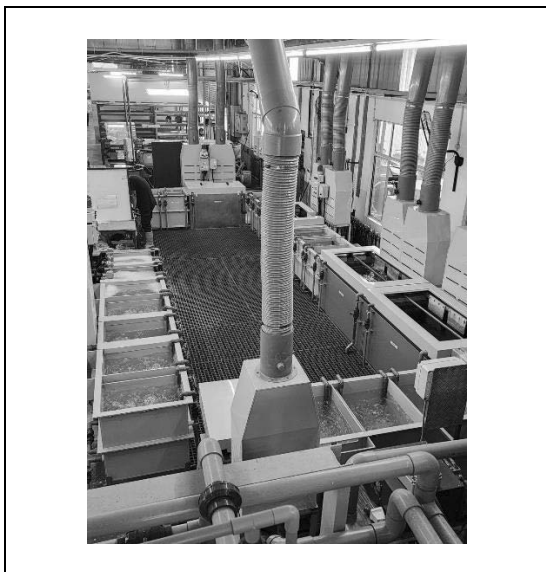
Heat treatment is a controlled heating and cooling process that alters the properties of the metal in order to achieve specific physical properties. Heat treatment can harden the metal, increase ductility of the metal as well as relieve internal stresses of the metal created during machining.

(viii) Electroplating



Electroplating is a process that uses an electrical current to deposit a thin layer of metal onto the surface of a precision-machined part or component that changes the physical properties of the precision-machined part or component.

(ix) Anodising



Anodising is an electrochemical process to produce a metal oxide coating on the metal. The oxide coating provides the metal with improved surface resistance to corrosion and wear or provides a decorative layer on the metal.

During the electroplating and anodising processes, wastewater containing chemicals and heavy metals is discharged. A wastewater treatment plant will allow us to treat the wastewater

6. BUSINESS OVERVIEW (CONT'D)

and reduce the presence of chemicals and heavy metals which may be harmful to the environment when the wastewater is disposed inappropriately.

Our Group has installed a wastewater treatment plant in Plant 4 in March 2023 and the DOE has made available a letter in April 2023 signifying their acceptance and acknowledgment of the written notification made by our Group as required under Regulation 4 of the EQIER 2009 for the said wastewater treatment plant as the said wastewater treatment plant will result in a new source of discharge of industrial effluent or mixed effluent.

With the wastewater treatment plant, our Group will be able to ensure the wastewater discharged during the electroplating and anodising processes is treated and discharged into the drain in a compliant manner with all the relevant environmental laws, regulations, rules, requirements and guidelines.





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6. BUSINESS OVERVIEW (CONT'D)

6.1.3 Precision-machined Parts and Components that We Manufacture

Some of the precision-machined parts and components that we manufacture for our customers are as illustrated below.





Semiconductor

	
<p>A component part for the Integrated Gas System. Integrated Gas System is a component for a semiconductor equipment used in the semiconductor wafer manufacturing process</p>	<p>A component part for the Integrated Gas System. Integrated Gas System is a component for a semiconductor equipment used in the semiconductor wafer manufacturing process</p>
	
<p>A component part for the Integrated Gas System. Integrated Gas System is a component for a semiconductor equipment used in the semiconductor wafer manufacturing process</p>	<p>A component part for the Integrated Gas System. Integrated Gas System is a component for a semiconductor equipment used in the semiconductor wafer manufacturing process</p>

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6. BUSINESS OVERVIEW (CONT'D)


Life science and medical devices

	
<p>A component part used in microfluidics for the life science and medical devices industry</p>	<p>A component part used in microfluidics for the life science and medical devices industry</p>
	
<p>A component part used in imaging and illumination for the life science and medical devices industry</p>	<p>A component part used in imaging and illumination for the life science and medical devices industry</p>

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6. BUSINESS OVERVIEW (CONT'D)

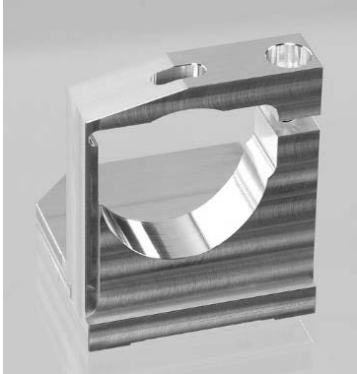

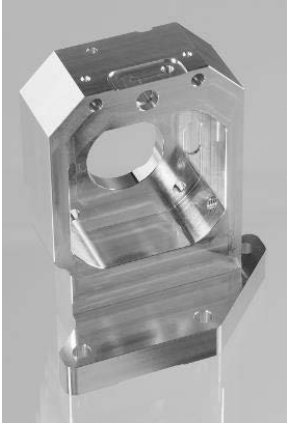

Sport equipment

	
<p>A component part for hydraulic brakes which forms part of the braking system of a bicycle</p>	<p>A component part for fishing reels</p>
	
<p>A component part for fishing reels</p>	<p>A component part for fishing reels</p>

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6. BUSINESS OVERVIEW (CONT'D)

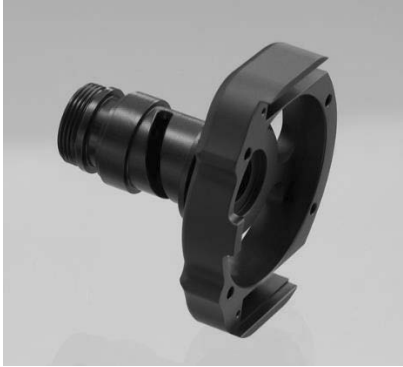



Opto-mechanical

	
<p>A component part for an opto-mechanical equipment</p>	<p>A component part for an opto-mechanical equipment</p>
	
<p>A component part for an opto-mechanical equipment</p>	<p>A component part for an opto-mechanical equipment</p>

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6. BUSINESS OVERVIEW (CONT'D)

Instrumentation

	
<p>A component part for an imaging system</p>	<p>A component part for an imaging system</p>
	
<p>A component part for a measuring instrument</p>	<p>A component part for a measuring instrument</p>

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6. BUSINESS OVERVIEW (CONT'D)

6.2 OUR BUSINESS SEGMENTS AND PRINCIPAL MARKETS

6.2.1 Breakdown of Our Revenue by Business Segments

There is no breakdown of our revenue by business segments as we only operate in precision machining segment. The details of our revenue for the Period Under Review are as stated in the table below.

Business Segment	FYE 30 June 2019		FYE 30 June 2020		FYE 30 June 2021		FYE 30 June 2022		FYE 30 June 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Precision machining										
- Sales of goods ⁽¹⁾	69,188	88.30	63,723	80.65	81,063	86.75	125,701	90.53	131,692	90.65
- Rendering of services ⁽²⁾	9,164	11.70	15,290	19.35	12,381	13.25	13,145	9.47	13,583	9.35
Total	78,352	100.00	79,013	100.00	93,444	100.00	138,846	100.00	145,275	100.00

Notes:-

⁽¹⁾ 'Sales of goods' is in reference to provision of precision machining services to our customers whereby we source and purchase the raw materials used in the manufacturing process.

⁽²⁾ 'Rendering of services' is in reference to provision of precision machining services to our customers whereby our customers provide us with the raw materials used in the manufacturing process.

6.2.2 Breakdown of Our Revenue by Geographical Locations

The breakdown of our revenue by geographical locations of our customers for the Period Under Review are as stated in the table below.

No.	Geographical Location of the Customer ⁽¹⁾	FYE 30 June 2019		FYE 30 June 2020		FYE 30 June 2021		FYE 30 June 2022		FYE 30 June 2023	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
1.	USA	26,483	33.80	30,687	38.84	42,260	45.22	66,189	47.67	77,766	53.53
2.	Singapore ⁽²⁾	19,087	24.36	25,160	31.84	28,019	29.98	49,621	35.74	46,825	32.23

6. BUSINESS OVERVIEW (CONT'D)

No.	Geographical Location of the Customer ⁽¹⁾	FYE 30 June 2019		FYE 30 June 2020		FYE 30 June 2021		FYE 30 June 2022		FYE 30 June 2023	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
3.	Malaysia	14,054	17.94	14,485	18.33	17,978	19.24	17,702	12.75	16,893	11.63
4.	Germany	2,616	3.34	1,551	1.96	2,153	2.30	1,267	0.91	1,251	0.86
5.	Japan	16	0.02	95	0.12	126	0.13	268	0.19	1,071	0.74
6.	Thailand	-	-	-	-	-	-	549	0.40	502	0.35
7.	Italy	16,030	20.46	6,290	7.96	1,961	2.10	1,841	1.33	495	0.34
8.	Portugal	-	-	-	-	-	-	272	0.19	263	0.18
9.	Switzerland	36	0.04	316	0.41	331	0.37	376	0.27	195	0.13
10.	Romania	18	0.02	13	0.02	9	0.01	13	0.01	10	0.01
11.	China	12	0.02	2	⁽³⁾ 0.00	11	0.01	3	⁽³⁾ 0.00	4	⁽³⁾ 0.00
12.	Vietnam	-	-	414	0.52	596	0.64	745	0.54	-	-
	Total	78,352	100.00	79,013	100.00	93,444	100.00	138,846	100.00	145,275	100.00

Notes:-

⁽¹⁾ The sequence of display for the geographical locations of our customers is based on their contributions in respective geographical location to our revenue for the FYE 30 June 2023, in descending order.

⁽²⁾ Inclusive of sales to the following entities:-

- (i) Fujikin Singapore, which is a wholly-owned subsidiary company of a Japanese corporation. Based on our understanding with Fujikin Singapore, they are ordering for their Japanese holding company. Save for the sales to Fujikin Singapore, we are not aware of any association of our Singapore customers with any entities in Japan; and
- (ii) Semiconductor Customer 4, which is an indirect subsidiary company of Semiconductor Customer 5 which is listed on New York Stock Exchange. The sales to Semiconductor Customer 4 are shipped to the manufacturing plant of its related company in Malaysia.

⁽³⁾ Negligible.

Kindly refer to Section 11.3.3(i) of this Prospectus for further details on the analysis of our revenue.

6. BUSINESS OVERVIEW (CONT'D)

6.2.3 Breakdown of Our Revenue by Industry Segments

The breakdown of our revenue by industry segments of our customers for the Period Under Review are as stated in the table below.

No.	Industry Segments ⁽¹⁾	FYE 30 June 2019		FYE 30 June 2020		FYE 30 June 2021		FYE 30 June 2022		FYE 30 June 2023	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
1.	Semiconductor	8,036	10.26	20,521	25.97	37,678	40.32	79,285	57.10	86,079	59.25
2.	Life science and medical devices	20,307	25.92	22,649	28.66	24,293	26.00	28,235	20.34	28,719	19.77
3.	Sport equipment	12,024	15.35	13,533	17.13	16,077	17.20	15,595	11.23	15,588	10.73
4.	Sensor equipment	4,883	6.23	1,978	2.50	2,243	2.40	4,364	3.14	3,866	2.66
5.	Security	2,877	3.66	4,812	6.09	92	0.10	530	0.38	3,012	2.07
6.	Opto-mechanical	5,767	7.36	4,506	5.70	5,598	5.99	4,428	3.19	2,753	1.90
7.	Aerospace	-	0.00	116	0.15	723	0.77	1,563	1.13	2,618	1.80
8.	Instrumentation	6,458	8.24	2,284	2.89	3,278	3.51	2,306	1.66	1,834	1.26
9.	Automotive	17,305	22.09	6,714	8.50	2,629	2.81	2,329	1.68	732	0.51
10.	General engineering industry	5	0.01	128	0.17	74	0.09	112	0.08	74	0.05
11.	Oil and gas ⁽²⁾	690	0.88	1,772	2.24	759	0.81	99	0.07	-	-
	Total	78,352	100.00	79,013	100.00	93,444	100.00	138,846	100.00	145,275	100.00

Note:-

⁽¹⁾ The sequence of display for the industry segments of our customers is based on their contributions in respective industry segment to our revenue for the FYE 30 June 2023, in descending order.

6. BUSINESS OVERVIEW (CONT'D)

⁽²⁾ This is in reference to our revenue recognised pursuant to sales to O&G Customer 1. Prior to the cessation of operations of Champion Oil on 31 October 2019, Champion Oil manufactured precision-machined parts and components for O&G Customer 1 as the sub-contractor of Champion PT. Since the cessation of operations of Champion Oil on 31 October 2019, the precision-machined parts and components for O&G Customer 1 have been manufactured by Champion PT.

The reason behind the substantial increase in our revenue from semiconductor segment during the Period Under Review is due mainly to a shift of our focus from other segments to our semiconductor customers since FYE 30 June 2020 as well as the strong demands from our semiconductor customers due mainly to the positive outlook of semiconductor industry during the Period Under Review. Our semiconductor customers produce finished products for their end-customers in various industries such as semiconductor manufacturing, life science and medical devices, aerospace and defence, food and beverage, automotive and transportation, and petrochemicals.

In regard to the development within the semiconductor industry as stated in Section 8.2.4 of this Prospectus, our Group was not materially affected in the first half of our FYE 30 June 2023. Our Group expects that the orders from some of our existing customers will remain softened for the first half of our FYE 30 June 2024 and rebound in the second half of our FYE 30 June 2024. This is in line with the expected contraction of the global semiconductor industry due mainly to the following factors:-

(i) Oversupply of certain segments of semiconductors (namely memory chips used in electronics).

The oversupply resulted from a rapid expansion in the global semiconductor production capacity as demand for semiconductors soared during the start of the COVID-19 pandemic and from various countries' investment in onshoring semiconductor production in light of tensions between the USA and China.

(ii) Global economic slowdown.

As semiconductors are used in all E&E products, the global economic slowdown and inflationary environment may lead to weak consumer spending and lower demand for E&E products and in turn lead to weaker demand for semiconductors.

(iii) Geopolitical tensions.

Tensions between the USA and China have led to the USA banning the export of semiconductor technology to China in 2022 by enacting export controls on the supply of advanced semiconductor technology to China, which includes, cutting-edge chips, chip design software, chip manufacturing equipment, and USA-built components of manufacturing equipment. The prohibitions not only cover exports from American firms, but also applies to any company worldwide that uses USA semiconductor technology. Japan and the Netherlands have followed suit, announcing respective export restrictions in 2023. In response to such export restrictions, China also enacted export restrictions on gallium and germanium compounds, two metal compounds that are used in the manufacturing of semiconductors. The new restriction will require exporters to have a license to ship the said metal compounds. The USA further tightened its export controls on advanced semiconductor chips and announced that it would constrict exports of artificial intelligence chips. In the short-term, these geopolitical tensions may lead to global semiconductor companies having to cease operations in China or stop exporting their products to China. This may lead companies to establish operations in other countries and lead to the short-term downturn of the industry until the new operations commence.

6. BUSINESS OVERVIEW (CONT'D)

Notwithstanding the above, moving forward to 2024, the global semiconductor industry is expected to rebound in the second half of 2024 due mainly to the following factors:-

(i) Demand from enterprise-driven markets.

Demand from enterprise-driven markets such as enterprise networking, enterprise computer, industrial, medical, and commercial transportation which is expected to remain resilient. Rebound in demand augers well for the global semiconductor industry and is likely to contribute to rebound of orders from our Group's semiconductor customers in the second half of our FYE 30 June 2024.

(ii) Continued investment.

The USA government had introduced the Creating Helpful Incentives to Produce Semiconductor and Science Act of 2022, otherwise known as the CHIPS Act on 9 August 2022, whereby the USA government will provide companies with subsidies for investment in chip fabrication plants, chip research and development, and workforce development, as well as incentives for facilities that manufacture equipment for semiconductor manufacturing to boost the semiconductor industry in the USA. Similarly, China has also been boosting investments into its local semiconductor industry to strengthen its domestic supply chain as the US curbs tech exports. China invested over USD290.8 billion in semiconductor-related investment projects between 2021 and 2022, mainly into semiconductor equipment and materials. In September 2023, China has sought to raise a 300 billion Renminbi (USD41 billion) state-backed fund for its semiconductor industry. In Europe, the European Union adopted the European Chips Act, aimed at reducing the European Union's vulnerabilities and dependencies on foreign players. The act mobilises more than EUR43 billion (USD47.5 billion) and aims to double the region's market share to 20% in 2030. Countries such as Japan, Taiwan, and South Korea have also taken steps regarding its respective semiconductor industries. Japan and the USA have formed a partnership to develop next-generation chips through the collaboration of a consortium of Japanese firms and the USA's International Business Machines Corporation. The Taiwanese government had announced that it would step up talent training and research funding to further grow its already established semiconductor industry, while the Taiwanese Semiconductor Manufacturing Company Limited had also announced that it would build factories in countries such as Japan and Germany. South Korea had launched a 300 billion Korean won semiconductor ecosystem fund to expand its domestic semiconductor industry, while Samsung Electronics Co., Ltd. had announced that it would build the world's largest semiconductor manufacturing base in South Korea with an investment of 300 trillion Korean won over 20 years.

Additionally, our Group has secured orders from a new semiconductor customer in the month of November 2023.

Kindly refer to Section 11.3.3(i) of this Prospectus for further details on the analysis of our revenue.

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6. BUSINESS OVERVIEW (CONT'D)

6.3 OUR COMPETITIVE STRENGTHS

6.3.1 Long-standing Relationship with Our Customers

Our Group has grown into a leading engineering supporting services provider in Malaysia and Singapore with more than 30 years of history. Over the years, we have established QMS to ensure consistent products and services, ensure customer satisfaction, and improve our products and services. Our QMS is currently accredited with ISO 9001:2015 certification from the British Assessment Bureau under the scope “provision of precision machining for electro-mechanical parts and its mechanical sub-assembly, worldwide”.

Our commitment to consistently provide quality services and products has resulted in our Group receiving repeat orders from our customers. Our Group believes that our ability to provide consistent quality products and services, in addition to finishing solutions as well as prompt delivery has resulted in the long-standing relationships with our customers. As at the LPD, we have had business relationships of more than 10 years with 4 of our major customers.

6.3.2 Experienced and Knowledgeable Key Management Team

Our Group’s successes over the years can be largely attributed to our experienced and knowledgeable key management team. Our Executive Director and Group Chief Executive Officer, Mr. Lee and our Executive Director, Mr. Mu, each have more than 30 years of experience in the engineering supporting services industry. They are supported by our Key Senior Management as stated in the table below.

No.	Name	Position	Experience
1.	Hun Jiang Yann	Group CFO	Approximately 31 years of experience in auditing, accounting and financial management.
2.	Akira Nakashima	Chief Operating Officer for International Business Development for Champion PE	Approximately 24 years of experience in various types of international trading business, particularly approximately 18 years of his experience in the semiconductor industry.
3.	Khern Yeng Kar	General Manager of Champion PT	Approximately 32 years of experience in the area of engineering.
4.	Tan Lay Choon	General Manager of Champion PE	Approximately 37 years of experience in QA.
5.	Ngein Liong Fatt	Business Development Manager of Champion PE	Approximately 40 years of experience in the manufacturing industry, particularly approximately 27 years of his experience in the sales in manufacturing and engineering industry.

Our Group believes that the expertise and experience of our key management team have helped to sustain our business and will help to continue the growth of our business in the future.

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6. BUSINESS OVERVIEW (CONT'D)

6.3.3 Availability of An ISO Class 5 Cleanroom (Class 100) and An ISO Class 6 Cleanroom (Class 1,000)

A cleanroom is a controlled environment that contains low levels of pollutants such as airborne microbes, aerosol particles and dust. A cleanroom will have a controlled level of pollutants, which is specified by the number of particles per cubic meter at a specific particle size. Our Group operates an ISO Class 5 cleanroom (also known as 'Class 100') and an ISO Class 6 cleanroom (also known as 'Class 1,000') in Plant 4.

ISO Class 6 cleanroom permits the presence of 35,200 particles of size 0.5 micrometres or larger per cubic metre of air while ISO Class 5 cleanroom permits the presence of 3,520 particles of size 0.5 micrometres or larger per cubic metre of air (*Source: ISO 14644-1:2015*). ISO Class 5 & 6 cleanrooms are subject to annual inspection for renewal of certification. Our Group's cleanrooms were last inspected and certified on 3 April 2023 and as at the LPD, there has been no issues during the annual inspection that has led to delays or non-renewal of our cleanroom certification.

Some of our customers, such as those in the semiconductor industry, require certain parts to be packaged under cleanroom conditions as a pre-requisite to limit any contamination. Our cleanrooms conform with the minimum requirements by our semiconductor customers who have such requirements. For the avoidance of doubt, not all our existing and potential semiconductor customers require such cleanroom conditions and none of our existing customers from other industries require such cleanroom conditions.

We believe that by having a cleanroom environment, we are able to meet and maintain the high-quality standards required by our customers.

We would also be capable of attracting potential customers who require their products to be packaged under ISO Class 5 & 6 cleanroom conditions as a pre-requisite, such as those from the semiconductor industry.

6.3.4 Geographical Coverage of Our Group and Wide Range of Industry Segments

Our Group offers precision machining services to customers from a range of countries including, but not limited to, the USA, Singapore, Malaysia, Germany, Japan and Thailand. Additionally, the precision-machined parts and components that we manufacture are used across a range of industry segments including, but not limited to, semiconductor, life science and medical devices, sport equipment, sensor equipment and security. Our diversified customer base in terms of geographical locations and industry segments helps us to mitigate the risk of over-reliance on customers from a single country or any single industry.

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6. BUSINESS OVERVIEW (CONT'D)

6.3.5 Continuous Investment in Machinery and Equipment

In order to expand our range of precision-machined parts and components as well as to serve and support our customers better, we continuously invest in machinery and equipment. As at the LPD, we utilise CNC milling machines, CNC turning machines and auto-lathe machines.

We have been investing in machinery and equipment over the FYE 30 June 2020 to FYE 30 June 2023. The types of machines acquired over the FYE 30 June 2020 to FYE 30 June 2023 are as shown in the table below.

No.	Type of Machine	FYE 30 June 2020			FYE 30 June 2021			FYE 30 June 2022			FYE 30 June 2023		
		Unit	RM'000	%	Unit	RM'000	%	Unit	RM'000	%	Unit	RM'000	%
1.	Auto-lathe machine	4	1,370	19.65	2	840	45.50	16	4,944	43.96	-	-	-
2.	Milling machine	10	3,419	49.05	-	-	0.00	-	-	0.00	10	3,211	54.69
3.	Turning machine	8	2,182	31.30	4	1,006	54.50	18	5,457	48.52	11	2,660	45.31
4.	5-axis machining machine	-	-	0.00	-	-	0.00	1	845	7.52	-	-	-
Total		22	6,971	100.00	6	1,846	100.00	35	11,246	100.00	21	5,871	100.00

Our continuous investment in machinery and equipment enables us to increase our production capacity and efficiency as well as our manufacturing capabilities.

Kindly refer to Section 6.10 of this Prospectus for further details of our estimated maximum annual production capacity and the annual production capacity utilisation rates for the FYE 30 June 2023.

6.4 OUR FUTURE PLANS AND STRATEGIES

Our Group aims to grow our business by implementing the following business strategies.

6.4.1 Construction of New Plants

In anticipation of the growth of our business, we intend to construct the New Plants located in Taman Perindustrian Gemilang, Johor, on 2 adjacent lots, namely Lot Number HS(D) 596225 and Lot Number HS(D) 596226 located in Taman Perindustrian Gemilang, Johor. It has a total land area of approximately 213,054 sq ft. The New Plants will each comprise a double-storey office building as well as a double-storey factory building, with a built-up area of approximately 118,474 sq ft each. The New Plants will be mainly used for our manufacturing activities.

Upon completion of construction of the New Plants and in order to consolidate our operations and improve our operational efficiency, we intend to:-

- (i) Relocate all the manufacturing activities, machinery and equipment from Plant 1 to the New Plants; and

6. BUSINESS OVERVIEW (CONT'D)

- (ii) Relocate some of the manufacturing activities, machinery and equipment from Plant 2 to the New Plants; and
- (iii) Relocate all of the manufacturing activities, machinery and equipment from Plant 5 to the New Plants.

Upon completion of the relocation of all the manufacturing activities, machinery and equipment from Plant 1 to the New Plants, we may rent out or dispose Plant 1 as Plant 1 is an old plant with an age of approximately 18 years as at the LPD as well as Plant 1 is located in the industrial area which is different with our Plant 2, Plant 3, Plant 4 and the New Plants.

In regard to the excess floor space of Plant 2 after the above-mentioned relocation, our Group will reorganise the remaining machinery and equipment in Plant 2 in order to improve the operational efficiency of Plant 2. Additionally, we do not intend to continue renting Plant 5 when we are able to use the New Plants for our manufacturing activities.

The New Plants are expected to cost a total of approximately RM69.60 million, which comprises of land acquisition costs, construction costs, installation costs, fixture and fitting costs, professional fees, cleanroom installation costs, construction of solar PV costs and stamp duty. We have allocated approximately RM69.60 million of the proceeds from our Public Issue for the acquisition of the New Industrial Lands and construction of the New Plants.

The estimated timeline in relation to the acquisition of New Industrial Lands and construction of New Plants is as set out in the table below.

No.	Items	Estimated Month and Year
1.	Entering into SPA to acquire the New Industrial Lands	March 2024
2.	Completion of acquisition of the New Industrial Lands	June 2024
3.	Submission of building plans to the relevant authorities	July 2024
4.	Commencement of construction of the New Plants ⁽¹⁾	November 2024
5.	Completion of construction of the New Plants	November 2025
6.	Obtaining the CCC of the New Plants ⁽²⁾	May 2026
7.	Completion of the ⁽³⁾ installation of electrical wiring and piping for machines, ⁽⁴⁾ installation of air compressor and its piping and ⁽⁵⁾ set up of fixtures and fittings in the New Plants	September 2026
8.	Completion of the installation of a cleanroom	November 2026
9.	Completion of the installation of new machinery and equipment and relocation of machinery and equipment from Plant 1, Plant 2 and Plant 5 to the New Plants	November 2026
10.	Obtaining Business Premise and Advertisement Licence, MITI Licence and relevant approvals for the New Plants, and ISO certification for the cleanroom	May 2027
11.	Commencement of the business operations of the New Plants	⁽⁶⁾ May 2027

Notes:-

⁽¹⁾ The commencement of construction of the New Plants will only take place after our Group obtains the approvals from the relevant authorities.

⁽²⁾ Pursuant to Section 70(27)(f) of the SDBA 1974, any person who occupies or permits to be occupied any building or any part thereof without a CCC shall be liable on conviction to a fine not exceeding RM250,000.00 or to imprisonment for a term not exceeding 10 years or to both. As such, the said activities would only commence after the completion of construction and

6. BUSINESS OVERVIEW (CONT'D)

- after the CCC of the New Plants has been obtained to be in compliance with the abovementioned provision in the SDBA 1974 as our Group does not want to occupy or permit any person to occupy the New Plants before the said CCC is issued.*
- ⁽³⁾ *Installation of electrical wiring and piping for machines is required to be completed before the commencement of the operations of said machines.*
- ⁽⁴⁾ *Installation of air compressor and its piping is required to be completed for the purpose of operations of milling machines and auto-lathe machines as well as to facilitate the surface cleaning of the precision-machined parts and components.*
- ⁽⁵⁾ *Set up of fixtures and fittings includes, but not limited to, installation of air-conditioners and lightings.*
- ⁽⁶⁾ *Immediately and as practically possible upon obtaining the last of the relevant approvals to commence business operations of the New Plants.*

As part of the efforts of our Group in reducing our carbon footprint and contributing positively to environmental sustainability, we also intend to equip the New Plants with an industrial-scale solar photovoltaic system which will harvest solar energy and convert it into electricity to be utilised at the New Plants.

In order to install a solar PV system in the New Plants, the solar PV system service provider must undertake an assessment of the New Plants to determine amongst others the energy requirements of the New Plants and the installation site of the solar PV system to receive maximum sunlight. As such, we will only be able to begin the process of obtaining a solar PV system after the completion of construction of the New Plants.

After the assessment, the service provider will then design and develop a solar PV system that will fit the needs of the New Plants and subsequently install the system for us.

The new machines as stated in Section 3.7.2 of this Prospectus are intended to be installed in the New Plants and are expected to further increase our estimated annual production capacity as explained in the Section 6.4.2 below – ‘Purchase of New Machinery and Equipment’.

The total built-up area of the New Plants is estimated to be 236,948 sq ft with each measuring approximately 118,474 sq ft. Upon completion of construction of the New Plants and assuming we do not rent any other factories and dispose of our Plant 1, the total built-up area of all of our Plants (excluding Plant 5) is estimated to increase by approximately 245.32% or 236,948 sq ft from 96,586 sq ft as at the LPD to 333,534 sq ft.

6.4.2 Purchase of New Machinery and Equipment

As part of our business growth strategy, we intend to purchase new machinery and equipment to increase our production capacity and service offerings to our customers, in anticipation of increased demand from our customers based on our order book as stated in Section 11.5 of this Prospectus as well as the feedback gathered from our major customers, particularly those from the semiconductor industry.

However, we intend to allocate approximately RM32.88 million of the gross proceeds from our Public Issue for the purchase of new machinery and equipment and relocation of existing machinery and equipment within 36 months from the date of our Listing.

The details of the intended purchase using the gross proceeds from our Public Issue are as stated in the table below.

No.	Items	⁽¹⁾ Number of Units	⁽²⁾ Costs	
		Units	RM'000	%
1.	Auto-lathe machines	12	3,468	10.55
2.	Milling machines	30	9,894	30.09
3.	Turning machines	52	14,306	43.51

6. BUSINESS OVERVIEW (CONT'D)

No.	Items	(1) Number of Units	(2) Costs	
		Units	RM'000	%
4.	5-axis machining machines	2	2,924	8.89
5.	Coordinate measuring machines	4	1,300	3.95
6.	Image dimension measuring machines	2	440	1.34
7.	Profile projectors	4	340	1.03
8.	Setting up cost ⁽³⁾	-	210	0.64
Total		106	32,882	100.00

Notes:-

⁽¹⁾ Intended purchase within 36 months from the date of our Listing.

⁽²⁾ Estimated costs.

⁽³⁾ This cost is in relation to the estimated cost for the relocation of the machinery and equipment from Plant 1, Plant 2 and Plant 5 to the New Plants.

The new machines which are intended to be purchased as stated in the table above are intended to be installed in the New Plants and are expected to further increase our estimated annual production capacity when the New Plants and these new machines are acquired, installed and are operational.

The machines acquisition plan and the estimated increased production capacity are best explained in the table below.

No.	Items	As at 30 June 2023	Within 36 months from the date of our Listing
1.	Reason for increase in Estimated Annual Production Capacity	N/A	Additional machines (as stated in the preceding table above) acquired, installed and fully operational
2.	Estimated Annual Production Capacity (hours per annum)		
	- CNC milling machines	1,202,322	1,426,369
	- CNC turning machines	836,405	1,224,736
	- Auto-lathe machines	448,074	537,689
	- 5-axis machining machine	7,468	22,404
3.	Approximate percentage of increase (%)		
	- CNC milling machines	N/A	18.63
	- CNC turning machines	N/A	46.43
	- Auto-lathe machines	N/A	20.00

6. BUSINESS OVERVIEW (CONT'D)

No.	Items	As at 30 June 2023	Within 36 months from the date of our Listing
	- 5-axis machining machine	N/A	200.00

Our additional annual production capacity after the purchase of the CNC milling machines, CNC turning machines, auto-lathe machines and 5-axis machining machines will allow us to grow our customer base and serve more local and international customers. Further, the additional annual production capacity would also allow us to cater for increasing orders from both our existing and new customers. As stated in Section 5.1.1 of this Prospectus, our total production capacity of our Group has not changed as a result of our Group renting Plant 5.

For the avoidance of doubt, the coordinate measuring machines, image dimension measuring machines and profile projectors are used for QA purpose and therefore would not affect our Group's production capacity and utilisation rate.

6.4.3 Purchase of Raw Materials

As part of our business strategy, we aim to maintain ample stock for our main raw materials such as stainless steel and aluminium, which are mainly sourced from overseas suppliers. As the raw materials we procure are considered commodity materials, they are affected by supply and demand conditions which may lead to fluctuation in prices.

During the period of the COVID-19, we have experienced an increase in prices of stainless steel and aluminium. We have also experienced increased shipping costs and shipping delays due to the effects of COVID-19 on global logistics services.

We have allocated RM7.00 million of the proceeds from our Public Issue to procure and stock our main raw materials within 12 months from the date of our Listing.

6.5 SEASONALITY

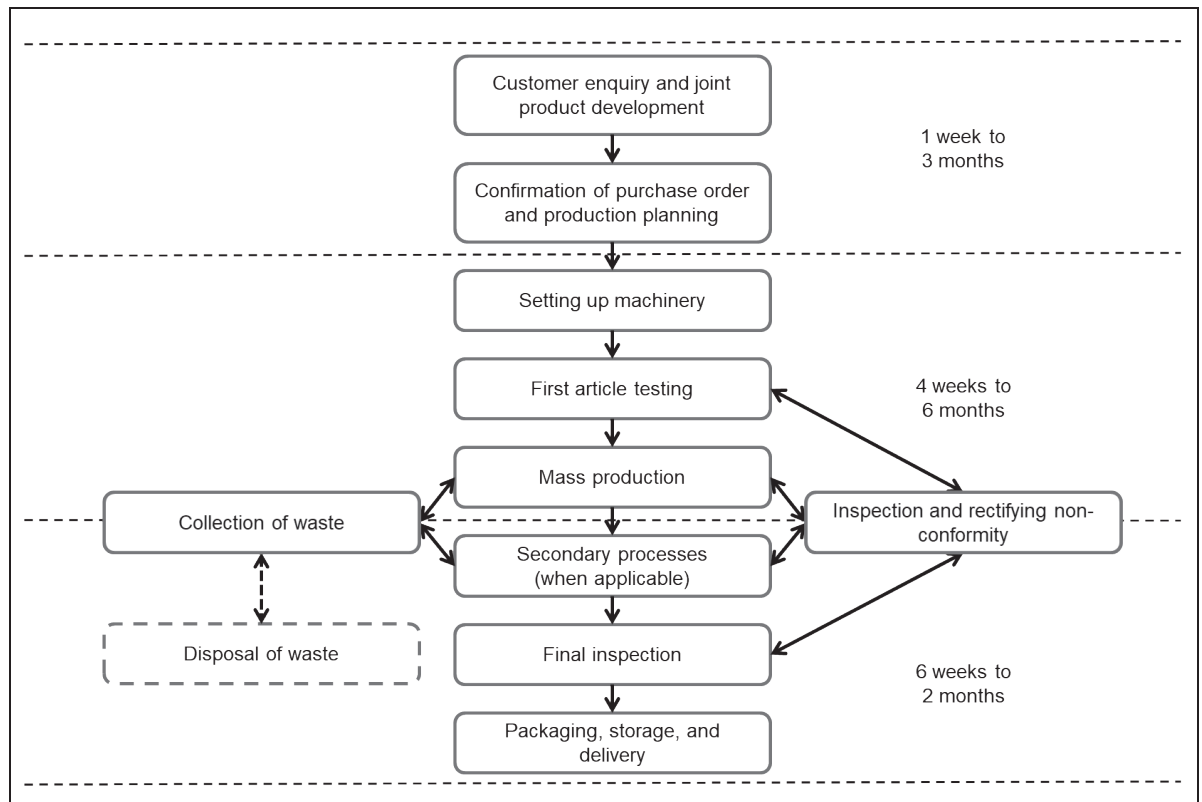
Our business is not affected by any seasonal trends.

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6. BUSINESS OVERVIEW (CONT'D)

6.6 OUR BUSINESS AND OPERATIONS PROCESS

The diagram below depicts our main business processes.



6.6.1 Customer Enquiry and Joint Product Development

Customer enquiries are channelled to our business development and marketing department. They will obtain the customer’s requirements and check internally on our Group’s ability to meet the customer’s requirements before preparing a quotation for the customer’s confirmation.

During this stage, our engineering team will be involved in the process for any design and development with our customer on their new parts or components requirement. We will firstly design based on the customer designs and specification. This will then be reviewed by the customer before a prototype of the product is developed. The prototype will be tested before the customer approves the final prototype.

6.6.2 Confirmation of Purchase Order and Production Planning

Upon getting the approval from the customer on the final prototype, we will confirm the purchase order. We do not require a deposit from our customers upon confirmation of the purchase order. Once the purchase order has been confirmed, the engineering, production and logistics departments will be notified. Our engineering department receives drawings and specifications from our customers and then uses CAD and CAM software to generate detailed processes and/or jig/fixture drawings. They also design the required jig/fixture to fulfil the order. Our engineering team may also raise a purchase requisition for the necessary materials and tools. Our production team will then discuss the necessary processes required to fulfil the order. We will request for the required raw materials such as stainless steel rods and aluminium

6. BUSINESS OVERVIEW (CONT'D)

blocks from our Production Controller. We also request for the appropriate tools needed from our Production Controller for the production processes.

Part of our production planning stage includes sourcing of raw materials from our approved suppliers, suppliers recommended by our customers, or directly from our customers. Our team will inspect and ensure that the quality of the raw materials is up to our requirements and to ensure the quantity of raw materials is correct. If the raw materials do not pass inspection, we will return them to our suppliers.

To ensure the stable supply of our raw materials, we endeavour to maintain the level of inventory of raw materials that is sufficient to meet our customers' demands for the next 3 months.

The duration from customer enquiry and joint product development to confirmation of purchase order and production planning will vary and may take 1 week to 3 months depending on various factors which include, but not limited to, the complexity of the precision-machined parts and components needed.

6.6.3 Setting up Machinery

Our engineering team will set up the relevant machinery for the production process. This may involve attaching certain tools as well as programming and setting parameters on the machinery.

6.6.4 First Article Testing

Once the machinery has been prepared, we will produce the first article by testing and trial-running all the required processes, tooling and CNC programming. Once the first article is produced, we will send it to our QA department for inspection. We may undertake multiple rounds of trial runs in order to produce a first article that will meet the customers' specifications and pass our quality inspections.

6.6.5 Mass Production

After the first article testing is completed and the first article has passed quality testing, we are able to begin mass production. The raw materials undergo various precision machining processes that are outlined in Section 6.1.1 of this Prospectus. Our QA department will carry out regular in-process inspection to ensure that the precision-machined parts and components conform to our customers' requirements.

The duration from setting up machinery to mass production will vary and may take 4 weeks to 6 months depending on various factors which include, but not limited to, the complexity of the precision-machined parts and components needed.

6.6.6 Secondary Processes

Our precision-machined parts and components then undergo secondary processes that are outlined in Section 6.1.2 of this Prospectus. We also subcontract additional secondary processes which include plating, deburring, polishing, coating, slotting, sandblasting, heat treatment, tumbling, hardening, electroplating and anodising.

We carry out a qualification process on our sub-contractors prior to appointing them. We select our sub-contractors based on a criterion that includes their machinery and equipment capabilities. After we receive the parts or components from our sub-contractors, our QA team will inspect the products using the AQL sampling method as described in Section 6.6.7 of this Prospectus to ensure that they meet the quality standards and specifications required. In the

6. BUSINESS OVERVIEW (CONT'D)

event that the products do not meet the required quality standards and specifications, we will request for the products to be reworked by our sub-contractors.

For the avoidance of doubt, we subcontract both primary processes and secondary processes.

6.6.7 Final Inspection

Once all the primary and secondary processes are completed, our QA team will perform a final inspection on the precision-machined parts and components based on the AQL sampling method.

Our Group's sampling rate for final inspection is based on the AQL sampling method and we generally utilise general inspection level II normal inspection with an AQL of 0.65. An AQL of 0.65 means that the acceptable level of non-conformances detected is 0.65% of the total batch. Using this method, the number of precision-machined parts and components to be sampled will depend on the size of the batch. For illustration purposes, based on our Group's selected general inspection level II of the AQL, a batch size of 500 will result in a sample size of 50 parts and components to be inspected.

After determining the sample size, we will then determine the acceptance number and rejection number based on the AQL of 0.65. The acceptance number refers to the maximum number of non-conformances allowed within the sample while the rejection number refers to the number of non-conformances detected within the sample which would lead to the entire batch being rejected.

For illustration purposes, based on our Group's selected sample size of 50 parts and components to be inspected and AQL of 0.65, the acceptance number is 0 while the rejection number is 1. This means that if 1 sample is found to be non-conforming during final inspection, the entire batch of 500 parts will be sent back to our production team.

Our production team is required to sort out this batch of products into conforming and non-conforming products. The conforming products will then be sent to our QA team for re-inspection based on the AQL sampling method as described above. After the re-inspection by our QA team, the conforming products will be accepted and become our finished goods to be delivered to our clients.

In contrast, the non-conforming products will be checked by our production team again on whether they could be reworked or otherwise they would be scrapped. For the products which could be reworked, 100.00% of the reworked products will be re-inspected by our QA team before they become our finished goods to be delivered to our clients.

Based on our past experiences, any non-conforming products identified during the final inspection stage are most likely not caused by our sub-contractors' work as our QA team has inspected the sub-contractors' work upon delivery by our sub-contractors to us as described in Section 6.6.6 of this Prospectus. As this is the QA practice, any non-conformance of our sub-contractors' work would have been identified in that particular production stage before the remaining production process is allowed to continue.

Some of the final precision-machined parts and components that are sent to our clients may have gone through more than one cycle of the process as described above before being delivered to the clients of our Group.

The ultimate purpose of the QA of our Group is to improve on the acceptance rate and reduce the rejection rate based on total manufactured parts and components.

6. BUSINESS OVERVIEW (CONT'D)

For the Period Under Review, the targeted acceptance rate, targeted rejection rate, actual acceptance rate and actual rejection rate for our manufactured parts and components are as stated in the table below.

No.	Items	FYE 30 June 2019	FYE 30 June 2020	FYE 30 June 2021	FYE 30 June 2022	FYE 30 June 2023
1.	Targeted acceptance rate ⁽¹⁾	97.20%	97.50%	97.50%	97.50%	97.50%
2.	Targeted rejection rate ⁽²⁾	2.80%	2.50%	2.50%	2.50%	2.50%
3.	Actual acceptance rate ⁽³⁾	98.88%	98.88%	98.52%	98.08%	97.45%
4.	Actual rejection rate ⁽⁴⁾	1.12%	1.12%	1.48%	1.92%	2.55%

Notes:-

⁽¹⁾ Not less than the stated targeted acceptance rate.

⁽²⁾ Not more than the stated targeted rejection rate.

⁽³⁾ The actual acceptance rate is based on the number of parts and components that are accepted against the total number of parts and components manufactured.

⁽⁴⁾ The actual rejection rate is based on the number of parts and components that are scrapped against the total number of parts and components manufactured.

The actual acceptance rate decreased by 0.63% from 98.08% in FYE 30 June 2022 to 97.45% in FYE 30 June 2023 due mainly to the relatively higher actual rejection rate of 2.55% in FYE 30 June 2023 (which exceeded the targeted rejection rate of 2.50%) mainly due to the mishandling errors committed by mostly newly hired local employees (who usually require a period of training) in relation to the development of new parts and components for new and existing customers of the Group.

6.6.8 Packaging, Storage and Delivery

The precision-machined parts and components are then packed and stored. We are able to provide our customers with packaging methods based on their specifications. Once the precision-machined parts and components are packed, they will be labelled accordingly. When ready for delivery, a delivery order will be issued.

The precision-machined parts and components are either collected from our facilities by our customers or delivered via third-party logistics providers to our customers, who bear the delivery costs. Our Group does not offer product warranty for our precision-machined parts and components. Nonetheless, should our customers identify any defects in the precision-machined parts and components upon acceptance of the precision-machined parts and components, we will rework the non-conforming products before delivering it to our customers again. Similarly, as described in Section 6.6.6 of this Prospectus, if we identify any defects in the work of our sub-contractors, we will request them to rework on the parts and components.

For the Period Under Review, the targeted acceptance rate, targeted rejection rate, actual acceptance rate and actual rejection rate by our customers are as stated in the table below.

No.	Items	FYE 30 June 2019	FYE 30 June 2020	FYE 30 June 2021	FYE 30 June 2022	FYE 30 June 2023
1.	Targeted acceptance rate ⁽¹⁾	97.00%	97.00%	97.00%	97.00%	97.00%
2.	Targeted rejection rate ⁽²⁾	3.00%	3.00%	3.00%	3.00%	3.00%
3.	Actual acceptance rate ⁽³⁾	99.19%	99.71%	99.18%	99.78%	98.78%

6. BUSINESS OVERVIEW (CONT'D)

No.	Items	FYE 30 June 2019	FYE 30 June 2020	FYE 30 June 2021	FYE 30 June 2022	FYE 30 June 2023
4.	Actual rejection rate ⁽⁴⁾	0.81%	0.29%	0.82%	0.22%	1.22%

Notes:-

⁽¹⁾ Not less than the stated targeted acceptance rate.

⁽²⁾ Not more than the stated targeted rejection rate.

⁽³⁾ The actual acceptance rate is based on the number of parts and components that are accepted against the total number of parts and components delivered to our customers.

⁽⁴⁾ The actual rejection rate is based on the number of parts and components that are returned against the total number of parts and components delivered to our customers.

The duration from secondary processes (when applicable) to packaging, storage, and delivery will vary and may take 6 weeks to 2 months depending on various factors which include, but not limited to, the complexity of the precision-machined parts and components needed.

6.6.9 Collection and disposal of waste

During the primary processes such as milling, turning, and lathe, we utilise coolants to lubricate and to cool the metal rods and blocks as well as the cutting tools being used. Additionally, small metal chips are also generated during primary processes when the metal rods and blocks are cut to the design and specifications. We also utilise chemicals such as inorganic acids during the testing process for our electroplating line and anodising line and utilise lubricant oils for our lapping and grinding machines. The used coolants, used inorganic acids and lubricant oils are considered as chemical wastes. The metal chips and chemical wastes are considered as waste and will be collected and placed in appropriate waste containers that are clearly labelled, which will then be stored in specified areas away from the manufacturing area and we will arrange for our appointed waste collectors to collect our waste and dispose of it appropriately.

Kindly refer to Section 6.23.1(iv) of this Prospectus for the relevant laws, regulations, rules and requirements and past non-compliances in regard to our Group's waste management.

6.7 SALES AND MARKETING STRATEGIES

Our sales and marketing activities are carried out mainly by our business development and marketing department. Sales are principally conducted through direct sales and we employ various marketing strategies to increase our presence in existing and potential markets.

Additionally, in April 2021, Mr. Akira Nakashima joined us as Chief Operating Officer for International Business Development of Champion PE. The introduction of Mr. Akira Nakashima as a native Japanese speaker assists us in continuing to develop business relationship with our Japanese customers as well as our customers in other countries which are part of the group of Japanese MNCs as he would be able to better understand the needs of these customers. In addition to liaising with the said existing customers, Mr. Akira Nakashima also assists us in attracting potential Japanese customers as well as customers such as Japanese MNCs outside of Japan. We intend to secure more Japanese customers or Japanese MNCs customers who are involved in the semiconductor industry.

The revenue contributions from Japan for the FYE 30 June 2019, FYE 30 June 2020, FYE 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023 (Period Under Review) were approximately RM0.02 million, RM 0.10 million, RM 0.13 million, RM0.27 million and RM1.07 million respectively and the revenue contribution from Fujikin Group, which is a Japanese MNCs for the FYE 30 June 2019, FYE 30 June 2020, FYE 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023 (Period Under Review) was approximately RM6.63 million, RM13.24 million, RM16.64 million, RM25.15 million and RM22.84 million respectively.

6. BUSINESS OVERVIEW (CONT'D)

We also participate in international conventions and trade fairs to increase our exposure to the market, highlight our capabilities to potential new customers, and to keep abreast of new industry developments. Some of the conventions and trade shows in the past that we have attended are as stated in the table below.

No.	Month and Year	Name of Convention or Trade Show	Location
1.	June 2016	Medical Device Development Expo	Tokyo, Japan
2.	April 2018	Hannover Messe	Hannover, Germany
3.	November 2018	COMPAMED Trade Fair	Düsseldorf, Germany
4.	September 2018	International Manufacturing Technology Show	Chicago, USA
5.	November 2019	COMPAMED Trade Fair	Düsseldorf, Germany
6.	December 2022	SEMICON Japan exhibition	Tokyo, Japan
7.	September 2023	SEMICON Taiwan exhibition	Taipei, Taiwan

In light of the COVID-19 and resulting closure of international borders, our Group has not participated in any conventions or trade shows for 2020 and 2021. Upon the re-opening of more international borders, we began to resume our participation in conventions and trade shows. In December 2022, we attended the SEMICON Japan exhibition in Tokyo, Japan. Furthermore, we also participated in the SEMICON Taiwan exhibition held in Taipei, Taiwan, in September 2023.

Additionally, our corporate website (www.cpetbhd.com) comprises details such as our profiles, products and services and contact details. As the website can be accessed globally, we believe that it enables us to reach a larger market and raise awareness of our Group's capabilities to potential new international customers. We are also a member of the Singapore Precision Engineering and Technology Association.

6.8 MATERIAL MACHINERY

The material machines owned by our Group as at 30 June 2023 are as stated in the table below.

No.	Machines	Number of Units as at 30 June 2023	Age Range of Machines	NBV as at 30 June 2023
		Units	Years	RM'000
1.	CNC milling machines	(1) 161	0 to 24	12,803
2.	CNC turning machines	(2) 112	0 to 22	11,450
3.	Auto-lathe machines	(3) 62	2 to 15	7,743
4.	5-axis machining machine	1	1	704
Total		336	N/A	32,700

Notes:-

6. BUSINESS OVERVIEW (CONT'D)

- ⁽¹⁾ 55 CNC milling machines have exceeded the average useful lifespan of 10 years as at 30 June 2023.
⁽²⁾ 30 CNC turning machines have exceeded the average useful lifespan of 10 years as at 30 June 2023.
⁽³⁾ 8 auto-lathe machines have exceeded the average useful lifespan of 10 years as at 30 June 2023.

The machines owned and operated by our Group has an average useful lifespan of 10 years. Although our Group owns and operates machines that exceed their average useful lifespan, the said machines can still be used. With scheduled maintenance, machines that have exceeded their average useful lifespan can still operate efficiently and will be used mainly for the manufacturing of the precision machined parts and components which do not require high precision. This arrangement is necessary to match the requirements needed for precision machined parts and components based on their respective levels of precision.

In general, we do not have a disposal policy regarding the machines that we utilise. Nevertheless, we will only dispose of machines, if necessary, after 10 years. We may dispose of machines after 10 years due to reasons such as high cost of repair, when the conditions of machines not able to meet our requirements after being repaired, as well as old units being phased out to accommodate new units due to space management in our Plants.

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6. BUSINESS OVERVIEW (CONT'D)

6.9 TYPES, SOURCES AND AVAILABILITY OF MAJOR RAW MATERIALS OR INPUT

The major types of raw materials and inputs sourced by our Group as well as their related handling charges for the Period Under Review are as set out in the table below.

No.	Raw Materials/ Inputs (¹)	Regions/ Countries Sourced	FYE 30 June 2019		FYE 30 June 2020		FYE 30 June 2021		FYE 30 June 2022		FYE 30 June 2023	
			RM'000	(2) %	RM'000	(2) %	RM'000	(2) %	RM'000	(2) %	RM'000	(2) %
1.	Stainless steel	USA, Japan, France, Italy, Malaysia, Singapore, Germany, China, Indonesia and South Africa.	9,868	41.16	3,857	19.31	12,610	41.66	33,093	54.56	28,892	55.37
2.	Loose tools	Singapore, Malaysia, USA, Germany and Japan.	4,622	19.28	6,175	30.91	7,477	24.70	11,467	18.90	8,551	16.39
3.	Subcontracting services	Malaysia and Singapore.	4,164	17.37	5,547	27.76	5,350	17.67	7,509	12.38	8,328	15.96
4.	Chemicals	Malaysia and Singapore.	1,441	6.01	1,697	8.50	1,704	5.63	2,620	4.32	2,489	4.77
5.	Other consumables (³)	USA, Malaysia, France, Japan, Singapore, Italy, China and Germany.	671	2.80	713	3.57	198	0.65	1,420	2.34	2,354	4.51
6.	Aluminium	Germany, Malaysia and Singapore, Taiwan and France.	2,018	8.42	1,031	5.16	1,477	4.88	2,617	4.31	1,215	2.33
7.	Brass	Malaysia and Singapore.	246	1.03	178	0.89	309	1.02	358	0.59	238	0.46
8.	Handling	Japan, Malaysia, Germany, USA and Singapore.	909	3.79	721	3.61	1,114	3.68	1,515	2.50	60	0.12
9.	Delrin and copper	Malaysia and Singapore.	35	0.14	57	0.29	33	0.11	61	0.10	45	0.09

6. BUSINESS OVERVIEW (CONT'D)

No.	Raw Materials/ Inputs (1)	Regions/ Countries Sourced	FYE 30 June 2019		FYE 30 June 2020		FYE 30 June 2021		FYE 30 June 2022		FYE 30 June 2023	
			RM'000	(2) %	RM'000	(2) %	RM'000	(2) %	RM'000	(2) %	RM'000	(2) %
Total			23,974	100.00	19,976	100.00	30,272	100.00	60,660	100.00	55,712	100.00

Note:-

(1) The sequence of display for the raw materials/input is based on their values for the FYE 30 June 2023, in descending order.

(2) Calculated as a percentage of the total trade purchases of our Group for the respective FYE.

(3) Other consumables include packaging materials, protective caps, o-rings, and dowel pins.

The major types of raw materials or inputs purchased by our Group includes stainless steel, loose tools, aluminium and chemicals such as coolant used for our CNC machines. The major inputs sourced by our Group also includes subcontracting services. Our raw materials such as stainless steel and aluminium are commodity-based products and are subject to demand and supply conditions which may lead to fluctuation in market prices. In the event of increase in the cost of raw materials, we have been able to pass on some of the increased costs to our customers. In addition, the raw materials that we source are easily available in the market and there are alternative suppliers from which we can source from. In order to mitigate our risk on fluctuation in raw material prices, we will discuss with our customers on our prices to reflect the increase in raw material prices. Apart from increasing selling prices to pass down the increased cost of raw materials, we also intend to purchase our commonly-used raw materials such as stainless steel and aluminium in larger quantities in order to be able to purchase them at more competitive prices.

The breakdown of our purchases of raw materials from the local suppliers in Malaysia, local suppliers in Singapore and other foreign suppliers for the Period Under Review are as shown in the table below.

No.	Raw Material Suppliers	FYE 30 June 2019		FYE 30 June 2020		FYE 30 June 2021		FYE 30 June 2022		FYE 30 June 2023	
		RM'000	(1) %	RM'000	(1) %	RM'000	(1) %	RM'000	(1) %	RM'000	(1) %
1.	Local suppliers in Malaysia	987	8.11	613	11.97	1,098	7.61	2,262	6.26	1,203	3.96
2.	Local suppliers in Singapore	1,285	10.56	773	15.09	1,315	9.11	3,659	10.13	766	2.52
3.	Other foreign suppliers	9,895	81.33	3,737	72.94	12,016	83.28	30,208	83.61	28,421	93.52
Total		12,167	100.00	5,123	100.00	14,429	100.00	36,129	100.00	30,390	100.00

Note:-

6. BUSINESS OVERVIEW (CONT'D)

⁽¹⁾ Calculated as a percentage of the total purchases of raw materials of our Group for the respective FYE.

The breakdown of our purchases of raw materials based on countries for the Period Under Review are as shown in the table below.

No.	Raw Materials/ Inputs	Regions/ Countries Sourced	FYE 30 June 2019		FYE 30 June 2020		FYE 30 June 2021		FYE 30 June 2022		FYE 30 June 2023	
			RM'000	(¹) %	RM'000	(¹) %	RM'000	(¹) %	RM'000	(¹) %	RM'000	(¹) %
1.	Stainless steel	USA	1,555	12.78	130	2.54	5,404	37.45	18,150	50.24	17,271	56.83
		Japan	163	1.34	355	6.93	4,701	32.58	7,498	20.75	6,448	21.22
		France	2,586	21.25	692	13.51	1,596	11.06	2,072	5.74	3,220	10.60
		Singapore	132	1.08	89	1.74	369	2.56	1,944	5.38	474	1.56
		Malaysia	293	2.41	141	2.75	295	2.04	1,406	3.89	481	1.58
		China	316	2.60	263	5.13	169	1.17	899	2.49	-	-
		Indonesia	72	0.59	188	3.67	38	0.26	-	-	-	-
		Italy	1,332	10.95	1,863	36.37	38	0.27	1,124	3.11	998	3.28
		Germany	-	0.00	136	2.65	-	0.00	-	-	-	-
		South Africa	3,419	28.10	-	0.00	-	0.00	-	-	-	-
	Subtotal	9,868	81.10	3,857	75.29	12,610	87.39	33,093	91.60	28,892	95.07	
2.	Aluminium	Singapore	1,053	8.65	611	11.93	914	6.33	1,672	4.63	285	0.94
		Malaysia	513	4.22	310	6.05	494	3.42	480	1.33	446	1.47

6. BUSINESS OVERVIEW (CONT'D)

No.	Raw Materials/ Inputs	Regions/ Countries Sourced	FYE 30 June 2019		FYE 30 June 2020		FYE 30 June 2021		FYE 30 June 2022		FYE 30 June 2023	
			RM'000	(1) %	RM'000	(1) %	RM'000	(1) %	RM'000	(1) %	RM'000	(1) %
		Germany	196	1.61	19	0.37	69	0.49	345	0.95	484	1.59
		Taiwan	246	2.02	73	1.42	-	0.00	120	0.33	-	-
		France	10	0.09	18	0.35	-	0.00	-	-	-	-
		Subtotal	2,018	16.59	1,031	20.12	1,477	10.24	2,617	7.24	1,215	4.00
3.	Brass	Malaysia	181	1.49	125	2.44	296	2.05	315	0.87	238	0.78
		Singapore	65	0.53	53	1.03	13	0.09	43	0.12	-	-
		Subtotal	246	2.02	178	3.47	309	2.14	358	0.99	238	0.78
4.	Delrin and copper	Singapore	35	0.29	20	0.39	19	0.13	-	-	7	0.02
		Malaysia	-	0.00	37	0.73	14	0.10	61	0.17	38	0.13
		Subtotal	35	0.29	57	1.12	33	0.23	61	0.17	45	0.15
		Total	12,167	100.00	5,123	100.00	14,429	100.00	36,129	100.00	30,390	100.00

Note:-

(1) Calculated as a percentage of the total purchases of raw materials of our Group for the respective FYE.

We have previously faced a longer delivery lead time for our raw materials due to issues with the global supply chain for the metal market. As a result of the COVID-19 which resulted in global logistics issues such as shortage of shipping containers and congestion at ports, our Group has experienced longer lead times for our raw materials namely stainless steel in the FYE 30 June 2020, FYE 30 June 2021, FYE 30 June 2022. While global logistics issues have eased and the WHO had declared an end to the pandemic on 5 May 2023, our Group continued to face a longer delivery lead time for our raw materials, namely stainless steel, in the FYE 30 June 2023 owing to our Group's supplier's production schedules.

6. BUSINESS OVERVIEW (CONT'D)

The table below sets out the minimum, maximum and average lead times for our raw materials namely stainless steel for the Period Under Review. The lead times for our raw materials namely stainless steel in the FYE 30 June 2019 are also presented in the table below for the comparison of the lead times prior to COVID-19 against the lead times after COVID-19 to illustrate the impact of COVID-19 to the lead times for our raw materials namely stainless steel.

No.	Item	Unit/ Measurements	FYE 30 June 2019	FYE 30 June 2020	FYE 30 June 2021	FYE 30 June 2022	FYE 30 June 2023
Purchase orders which have been completed as at the LPD							
1.	Minimum Lead Times	Days	(1) 0	1	1	1	(1) 0
2.	Maximum Lead Times	Days	343	324	578	460	420
3.	Average Lead Times (2)	Days	29	37	53	97	49
Purchase orders which are still on-going as at the LPD							
4.	Maximum Lead Time	Days	N/A	N/A	N/A	N/A	N/A

Notes:-

(1) Delivery on the same day as order.

(2) Computed based on total number of lead times for all purchase orders for raw materials namely stainless steel divided by the number of purchase orders for raw materials namely stainless steel for the respective FYE.

Notwithstanding longer lead times for our raw materials, we have not experienced a disruption in supply of raw materials which has materially affected our financial performance during the Period Under Review as we were able to procure our raw materials from multiple suppliers as well as we were able to reschedule the deliveries with our customers if there is a delay in obtaining the required raw materials.

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6. BUSINESS OVERVIEW (CONT'D)

6.10 OPERATING CAPACITIES AND OUTPUT

Our Group utilises a number of different machinery and equipment to manufacture precision-machined parts and components according to the design and specifications of our customers. Depending on the type of precision-machined parts and components manufactured, the type of machinery and equipment used as well as the production time will vary.

Our production capacity and utilisation rate of our machinery for the FYE 30 June 2023 are as stated in the table below.

No.	Types of Machinery	Number of Units as of 30 June 2023	⁽¹⁾ Estimated Maximum Annual Capacity	Actual Production Time per annum	⁽²⁾ Annual Production Capacity Utilisation Rates
		Unit	Hour	Hour	%
1.	CNC milling machines	161	1,202,322	844,619	70.25
2.	CNC turning machines	112	836,405	592,204	70.80
3.	Auto-lathe machines	⁽³⁾ 60	448,074	349,498	78.00
4.	5-axis machining machine	1	7,468	5,825	78.00

Notes:-

⁽¹⁾ Estimated maximum annual capacity = Number of units x Maximum production running time for each unit x 365 days per year x Percentage of number of operating days per annum. The maximum production running time is based on 2 shifts per day, 8 hours per shift and overtime of 4 hours per shift, with a total break time of 1 hour per shift.

The percentage of number of operating days per annum of 93.00% is applied based on 339 operating days divided by 365 days a year, rounded up to the nearest percent to obtain 93.00%. Number of operating days is based on 365 days a year and subtracting 2 days of shutdown per month (24 days per year) and 2 days for festive period (Chinese New Year) for 339 operating days.

⁽²⁾ The utilisation rate is calculated based on the actual production time per annum divided by estimated maximum annual capacity multiplied by 100.00%.

⁽³⁾ Not including the 2 auto-lathe machines which are no longer in use and have been fully depreciated. Our Group intends to dispose of these 2 auto-lathe machines.

Due to the specification and complexity of the precision-machined parts and components we manufacture, not all types of machinery are used during the production process as the product may not undergo each type of machinery in the manufacturing process. Furthermore, our Group has to manage the utilisation of machinery to ensure there is spare capacity to cope with sudden unanticipated increases in demand from our customers. We will consider the capacity of both our machinery and workers, undertake production planning and scheduling in order to ensure there is spare capacity to cope with the sudden unanticipated increase in demand from our customers.

6.11 D&D

We do not carry out any R&D activities. However, we are involved in D&D activities with our customers for the development of their new products. Before we are able to commence with mass production of our customers' new products, engineers from both parties will work together to develop the product's design and finalise the required product specification. We also determine the required processes and materials, the product assurance and the manufacturability of the new product. As different customers have different requirements for their products and different industry standards they need to achieve, our D&D activities may

6. BUSINESS OVERVIEW (CONT'D)

differ from one product to another. Our Group does not generate revenue from our D&D activities. In order to keep abreast of technological advancements and development of new products and services in a timely manner, the personnel of our Group will attend road shows and seminars.

6.12 TECHNOLOGY USED OR TO BE USED

We use the following technology in our manufacturing processes:-

(i) CNC machinery

We use CNC machinery to carry out our primary processes such as milling and turning. Our team utilises CAD software to create drawings of the precision-machined parts and components. The drawings are then translated by computers into numbers, which are then used as coordinates to guide the CNC machinery on where the metal blocks and rods need to be cut.

(ii) Computer software

We utilise both CAD and CAM software to aid in our primary processes. CAD software is used to create 2-dimensional or 3-dimensional computer models of the precision-machined parts and components. This enables our engineering team to design the parts and components according to the design and specifications of our customers. We utilise various CAD software such as SolidWorks.

In addition, we utilise CAM software such as SolidCAM. CAM software generates the programmes for our CNC machines to manufacture the precision-machined parts and components based on the designs created using CAD software.

(iii) Robotic machinery



We own a robotic arm which could be used to replace manpower in the operation of machines. The robotic arm is able to load and unload items into and from the machines.

6.13 QUALITY ASSURANCE PROCEDURES

Our Group is committed to consistently producing high-quality products for our customers. In order to achieve this, we have put in place various QA processes during the pre-production, production, as well as post-production stages. These QA processes help to ensure the quality of our products and services and our consistency in providing them.

6. BUSINESS OVERVIEW (CONT'D)

No.	Stage	QA Processes
1.	Pre-production	During the pre-production process, our team will work together with our customers to determine the final product design and specifications. We will then conduct production planning whereby we plan the engineering processes required, programme the CNC machinery, as well as the overall flow of the manufacturing processes. We also set up the machinery to qualify that the manufacturing processes can be conducted effectively.
2.	Production	In order to ensure that the precision-machined parts and components meet the design and specifications of our customers, we carry out various QA processes during our manufacturing activities. This includes randomly testing the precision-machined parts and components visually using AQL sampling method as described in Section 6.6.7 of this Prospectus as well as using precision measuring machinery and equipment to check its dimensions. Any parts and components that do not conform to the design and specifications will be reworked, and if the reworked parts and components are still nonconforming and could not be further reworked, they will be scrapped.
3.	Post-production	The precision-machined parts and components undergo final inspection before they are packed and stored to await delivery. Kindly refer to Section 6.6.7 of this Prospectus for further details of our final inspection process. Prior to delivering the precision-machined parts and components to our customers, we conduct additional checks such as checking the items for delivery against the sales orders.

As a testament to our commitment to provide our customers with quality parts and components, our QMS has been accredited with ISO 9001:2015 from the British Assessment Bureau under the scope “provision of precision machining for electro-mechanical parts and its mechanical sub-assembly, worldwide”.

Aside from ensuring that our precision-machined parts and components consistently meet the required quality from our customers, our QMS also enables us to identify areas for improvement, as well as identify any opportunities or potential risks for our Group.

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6. BUSINESS OVERVIEW (CONT'D)

6.14 MAJOR CUSTOMERS

Our top 5 major customers for the Period Under Review are as stated in the table below.

No.	Major Customer	Country ⁽¹⁾	Industry/ Business Segment	Approximate Length of Relationship Years	Contribution to Revenue of Our Group	
					RM'000	(%) %
FYE 30 June 2019						
1.	Customer Group 1					
	- Healthcare Customer 1 ^	USA	Life science and medical devices	6	7,269	9.28
	- Healthcare Customer 2 ^	USA	Life science and medical devices	17	12,999	16.59
	- Instrumentation Customer 3 ⁽³⁾ ^	USA	Instrumentation	7	449	0.57
	Subtotal				20,717	26.44
2.	Fluid-O-Tech ⁽⁴⁾ ^	Italy	Automotive	7	16,030	20.46
3.	Sport Equipment Customer 1 ^	Malaysia	Sport equipment	11	12,024	15.35
4.	Fujikin Singapore ^	Singapore	Semiconductor	8	6,631	8.46
5.	Opto-mechanical Customer Group 1					
	- Opto-mechanical Customer 1 ⁽⁵⁾ ⁽⁶⁾ ^	Singapore	Opto-mechanical	5	490	0.63
	- Opto-mechanical Customer 2 ⁽⁶⁾ ^	Singapore	Opto-mechanical	9	4,430	5.65
	Subtotal				4,920	6.28

6. BUSINESS OVERVIEW (CONT'D)

No.	Major Customer	Country ⁽¹⁾	Industry/ Business Segment	Approximate Length of Relationship Years	Contribution to Revenue of Our Group	
					RM'000	(2) %
Total						
FYE 30 June 2020						
1.	Healthcare Customer Group 1					
	- Healthcare Customer 1 ^	USA	Life science and medical devices	7	9,578	12.12
	- Healthcare Customer 2 ^	USA	Life science and medical devices	18	12,751	16.14
	Subtotal				22,329	28.26
2.	Sport Equipment Customer 1 ^	Malaysia	Sport equipment	12	13,533	17.13
3.	Fujikin Group					
	- Fujikin Singapore ^	Singapore	Semiconductor	9	12,825	16.23
	- Fujikin Vietnam ^	Vietnam	Semiconductor	Less than 6 months	414	0.52
	Subtotal				13,239	16.75
4.	Fluid-O-Tech ⁽⁴⁾ ^	Italy	Automotive	8	6,290	7.96
5.	Security Customer 1 ⁽⁷⁾ ^	Singapore	Security	12	4,812	6.09
Total						
					60,203	76.19

6. BUSINESS OVERVIEW (CONT'D)

No.	Major Customer	Country ⁽¹⁾	Industry/ Business Segment	Approximate Length of Relationship		Contribution to Revenue of Our Group	
				Years		RM'000	(2) %
FYE 30 June 2021							
1.	Healthcare Customer Group 1						
	- Healthcare Customer 1 ^	USA	Life science and medical devices	8	10,345	11.07	
	- Healthcare Customer 2 ^	USA	Life science and medical devices	19	13,617	14.57	
	Subtotal				23,962	25.64	
2.	Fujikin Group						
	- Fujikin Singapore ^	Singapore	Semiconductor	10	16,041	17.17	
	- Fujikin Vietnam ^	Vietnam	Semiconductor	1	596	0.64	
	Subtotal				16,637	17.81	
3.	Sport Equipment Customer 1 ^	Malaysia	Sport equipment	13	16,077	17.20	
4.	Semiconductor Customer 1	USA	Semiconductor	4	8,676	9.28	
5.	Semiconductor Customer 2	USA	Semiconductor	12	6,480	6.93	
	Total				71,832	76.86	
FYE 30 June 2022							
1.	Healthcare Customer Group 1						

6. BUSINESS OVERVIEW (CONT'D)

No.	Major Customer	Country ⁽¹⁾	Industry/ Business Segment	Approximate Length of Relationship Years	Contribution to Revenue of Our Group	
					RM'000	(2) %
	- Healthcare Customer 1 ^	USA	Life science and medical devices	9	13,990	10.08
	- Healthcare Customer 2 ^	USA	Life science and medical devices	20	13,868	9.99
	Subtotal				27,858	20.07
2.	Semiconductor Customer 2	USA	Semiconductor	13	25,399	18.29
3.	Fujikin Group					
	- Fujikin Singapore ^	Singapore	Semiconductor	11	24,409	17.58
	- Fujikin Vietnam ^	Vietnam	Semiconductor	2	744	0.54
	Subtotal				25,153	18.12
4.	Semiconductor Customer Group 1					
	- Semiconductor Customer 4 ^	Singapore	Semiconductor	2	14,853	10.70
	- Semiconductor Customer 5 ^	USA	Semiconductor	2	1,030	0.74
	- Semiconductor Customer 6 ^	Japan	Semiconductor	1	232	0.17
	Subtotal				16,115	11.61
5.	Sport Equipment Customer 1 ^	Malaysia	Sport equipment	14	15,595	11.23
	Total				110,120	79.32

6. BUSINESS OVERVIEW (CONT'D)

No.	Major Customer	Country ⁽¹⁾	Industry/ Business Segment	Approximate Length of Relationship		Contribution to Revenue of Our Group	
				Years		RM'000	(2) %
FYE 30 June 2023							
1.	Healthcare Customer Group 1						
	- Healthcare Customer 1 ^	USA	Life science and medical devices	10	12,844	8.84	
	- Healthcare Customer 2 ^	USA	Life science and medical devices	21	15,678	10.79	
	Subtotal				28,522	19.63	
2.	Semiconductor Customer 2	USA	Semiconductor	14	28,237	19.44	
3.	Fujikin Singapore ^	Singapore	Semiconductor	12	22,838	15.72	
4.	Semiconductor Customer Group 1						
	- Semiconductor Customer 4 ^	Singapore	Semiconductor	3	16,644	11.46	
	- Semiconductor Customer 5 ^	USA	Semiconductor	3	1,573	1.08	
	- Semiconductor Customer 6 ^	Japan	Semiconductor	2	333	0.23	
	Subtotal				18,550	12.77	
5.	Sport Equipment Customer 1 ^	Malaysia	Sport equipment	15	15,588	10.73	
	Total				113,375	78.29	

Notes:-

⁽¹⁾ The country disclosed is based on the country as stated in our invoices to them, which is deemed to be the principal market in which our customer operates in.
⁽²⁾ Calculated as a percentage of our total revenue for the respective FYE.

6. BUSINESS OVERVIEW (CONT'D)

- ⁽³⁾ There were no sales to Instrumentation Customer 3 for the FYE 30 June 2020, FYE 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023.
- ⁽⁴⁾ Due to the size of the sales transactions, Fluid-O-Tech was no longer ranked among the top 5 major customers of our Group for the FYE 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023.
- ⁽⁵⁾ Opto-mechanical Customer 1 merged with Opto-mechanical Customer 2 with effect from 29 April 2019.
- ⁽⁶⁾ Due to the size of the sales transactions, Opto-mechanical Customer Group 1 was no longer ranked among the top 5 major customers of our Group for the FYE 30 June 2020, FYE 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023.
- ⁽⁷⁾ Due to the size of the sales transactions, Security Customer 1 was not ranked among the top 5 major customers of our Group for the FYE 30 June 2019, FYE 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023.
- [^] Being part of MNCs.

Our Group had 36, 38, 35, 41 and 40 customers for the FYE 30 June 2019, FYE 30 June 2020, FYE 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023 (Period Under Review) respectively.

We are dependent on Healthcare Customer Group 1, Semiconductor Customer 2, Fujikin Group, Semiconductor Customer Group 1 and Sport Equipment Customer 1. They have cumulatively contributed approximately 49.87%, 64.73%, 69.14%, 79.31% and 78.29% to our revenue for the FYE 30 June 2019, FYE 30 June 2020, FYE 30 June 2021, FYE 30 June 2022 and the FYE 30 June 2023 (Period Under Review) respectively.

The financial performance of our Group is, to a certain extent, dependent on the ability of our Group to secure future orders or repeat orders from our customers. Although we do not have any long-term contracts with committed quantities and/or contract values in the form of legal agreement with our major customers, we believe that our capabilities and our long-standing relationship with our major customers will enable us to continue the business relationship with our major customers in the future. Save for the Sport Equipment Customer 1, Semiconductor Customer 5, we have not entered into any supply agreements with any of our other major customers to set out the general terms and conditions of the dealings with them. We are not materially dependent on the said supply agreements as the said supply agreements only set out the general understandings on our dealings with them which include, but not limited to, those as stated in the table below.

No.	Customer	General Understandings Governed under the Supply Agreements with the Customer
1.	Sport Equipment Customer 1	<p>The general understandings governed under the supply agreement with the said customer include, but not limited to, the following:-</p> <ul style="list-style-type: none"> (i) Terms of the supply of products to be included in the purchase orders which shall include the description, specifications, quantity, unit price and due date of delivery; and (ii) The factors to be taken into consideration for the determination of the selling price; and (iii) Sub-contracting arrangement; and (iv) Confidentiality clause.

6. BUSINESS OVERVIEW (CONT'D)

No.	Customer	General Understandings Governed under the Supply Agreements with the Customer
		Under the said supply agreement, there is no commitment made by Sport Equipment Customer 1 on quantity of products that will be purchased or any minimum contract value. Sport Equipment Customer 1 is not obligated to purchase products from us unless a purchase order is issued by them.
2.	Semiconductor Customer 5	The general understandings governed under the supply agreement with the said customer include, but not limited to, the term and scope of the supply of products, payment terms, volume of products and pricing. Under the said supply agreement, there is no commitment made by Semiconductor Customer 5 on quantity of products that will be purchased or any minimum contract value. Semiconductor Customer 5 is not obligated to purchase products from us unless a purchase order is issued by them.

Some of our customers require us to complete the first article testing before placing orders with us and some of our semiconductor customers require us to have the clean room for the packaging of their products. Save for the first article testing and the clean room, there are no other pre-requisites required by our customers before they place orders with us. We do not experience any dispute with our customers historically up to and including the LPD.

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6. BUSINESS OVERVIEW (CONT'D)

6.15 MAJOR SUPPLIERS

Our top 5 major suppliers for the Period Under Review are as stated in the table below.

No.	Major Supplier	Country ⁽¹⁾	Product Purchased	Approximate Length of Relationship Years	Total Purchases	
					RM'000	(2) %
FYE 30 June 2019						
1.	Major Supplier 1 ⁽³⁾	South Africa	Casting and raw materials	9	3,488	14.55
2.	Ugitech [^]	France	Raw materials	11	2,594	10.82
3.	Carpenter Technology [^]	USA	Raw materials	⁽⁴⁾ 2	1,534	6.40
4.	Major Supplier 2 ⁽⁵⁾ [^]	Italy	Casting and raw materials	2	1,251	5.22
5.	Walter AG Singapore [^]	Singapore	Tooling	20	1,199	5.00
Total					10,066	41.99
FYE 30 June 2020						
1.	Major Supplier 2 ⁽⁴⁾ [^]	Italy	Casting and raw materials	3	1,821	9.12
2.	Sumitec	Malaysia	Tooling	16	1,809	9.06
3.	Walter AG Singapore [^]	Singapore	Tooling	21	1,528	7.65
4.	Arno Singapore	Singapore	Tooling	5	1,029	5.15
5.	Ugitech [^]	France	Raw materials	12	704	3.52

6. BUSINESS OVERVIEW (CONT'D)

No.	Major Supplier	Country ⁽¹⁾	Product Purchased	Approximate Length of Relationship Years	Total Purchases	
					RM'000	(2) %
Total						
FYE 30 June 2021						
1.	Carpenter Technology ^	USA	Raw materials	(4) 4	5,308	17.53
2.	Yamashin Industry ^	Japan	Raw materials	8	4,950	16.35
3.	Walter AG Singapore ^	Singapore	Tooling	22	2,027	6.70
4.	Sumitec	Malaysia	Tooling	17	1,904	6.29
5.	Ugitech ^	France	Raw materials	13	1,553	5.13
Total					15,742	52.00
FYE 30 June 2022						
1.	Carpenter Technology ^	USA	Raw materials	(4) 5	19,175	31.61
2.	Yamashin Industry ^	Japan	Raw materials	9	6,809	11.22
3.	Sumitec	Malaysia	Tooling	18	3,680	6.07
4.	Walter AG Singapore ^	Singapore	Tooling	23	2,659	4.38
5.	Ugitech ^	France	Raw materials	14	2,168	3.57
Total					34,491	56.85

6. BUSINESS OVERVIEW (CONT'D)

No.	Major Supplier	Country ⁽¹⁾	Product Purchased	Approximate Length of Relationship Years	Total Purchases	
					RM'000	(2) %
FYE 30 June 2023						
1.	Carpenter Technology ^	USA	Raw materials	(4) 6	18,771	35.98
2.	Yamashin Industry ^	Japan	Raw materials	10	6,243	11.97
3.	Ugitech ^	France	Raw materials	15	3,527	6.76
4.	Sumitec	Malaysia	Tooling	19	3,298	6.32
5.	Walter AG Singapore ^	Singapore	Tooling	24	2,635	5.05
Total					34,474	66.08

Notes:-

⁽¹⁾ The country disclosed is based on the country as stated in their invoices to us, which is deemed to be the principal market in which our suppliers operate.

⁽²⁾ Calculated as a percentage of the total trade purchases of our Group for the respective FYE.

⁽³⁾ There were no purchases from Major Supplier 1 for the FYE 30 June 2020, FYE 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023.

⁽⁴⁾ Prior to raising purchase orders to Carpenter Technology, our Group had ordered from its Singapore office since sometime 2009.

⁽⁵⁾ There were no purchases from Major Supplier 2 for the FYE 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023.

^ Being part of MNCs.

Our Group had engaged 180, 180, 166, 171 and 135 suppliers for the FYE 30 June 2019, FYE 30 June 2020, FYE 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023 (Period Under Review) respectively.

We are not dependent on any of our major suppliers as our raw materials are common and can be sourced from other suppliers. Our suppliers are selected based on the quality of their products and services, reliability and pricing. We have developed long-standing relationships with our suppliers and as at the LPD, we have not experienced any material disruption in supply nor have we experienced any material disputes with our major suppliers.

In addition, as we do not have any long term or exclusive contracts with our suppliers, we will not incur any switching cost associated to sourcing from other suppliers. We also do not have any master agreements with any of our major suppliers which set out the general terms and conditions of the dealings with them.

6. BUSINESS OVERVIEW (CONT'D)

6.16 MAJOR SUB-CONTRACTORS

Our top 5 major sub-contractors for the Period Under Review are as stated in the table below.

No.	Major Sub-contractor	Country ⁽¹⁾	Service Sub-contracted	Approximate Length of Relationship		Total Purchases	
				Years	(2) %	RM'000	
FYE 30 June 2019							
1.	ACP Metal	Singapore	Surface treatment and plating	24		1,307	5.45
2.	Chamwin Precision	Malaysia	Milling and turning	9		704	2.94
3.	Machinic Precision	Malaysia	Auto-lathe	8		502	2.09
4.	CL Deburring ⁽³⁾	Malaysia	Deburring and polishing	3		392	1.64
5.	Major Sub-contractor 1 ⁽⁴⁾	Singapore	Surface treatment and plating	11		280	1.17
Total						3,185	13.29
FYE 30 June 2020							
1.	ACP Metal	Singapore	Surface treatment and plating	25		1,029	5.15
2.	Chamwin Precision	Malaysia	Milling and turning	10		927	4.64
3.	CL Deburring ⁽³⁾	Malaysia	Deburring and polishing	4		434	2.17
4.	Machinic Precision	Malaysia	Auto-lathe	9		288	1.44

6. BUSINESS OVERVIEW (CONT'D)

No.	Major Sub-contractor	Country ⁽¹⁾	Service Sub-contracted	Approximate Length of Relationship	Total Purchases	
					RM'000	(2) %
5.	Heng Long Precision	Malaysia	Turning	8	191	0.96
Total						
FYE 30 June 2021						
1.	Chamwin Precision	Malaysia	Milling and turning	11	1,577	5.21
2.	ACP Metal	Singapore	Surface treatment and plating	26	1,312	4.33
3.	Heng Long Precision	Malaysia	Turning	9	476	1.57
4.	Machinic Precision	Malaysia	Auto-lathe	10	460	1.52
5.	CL Deburring ⁽³⁾	Malaysia	Deburring and polishing	5	326	1.08
Total						
FYE 30 June 2022						
1.	Chamwin Precision	Malaysia	Milling and turning	12	2,231	3.68
2.	ACP Metal	Singapore	Surface treatment and plating	27	1,084	1.79
3.	Heng Long Precision	Malaysia	Turning	10	794	1.31
4.	Gah Hong Precision ⁽⁵⁾	Malaysia	Turning	14	691	1.14
5.	Machinic Precision	Malaysia	Auto-lathe	11	523	0.86

6. BUSINESS OVERVIEW (CONT'D)

No.	Major Sub-contractor	Country ⁽¹⁾	Service Sub-contracted	Approximate Length of Relationship		Total Purchases	
				Years		RM'000	(2) %
Total							
FYE 30 June 2023							
1.	Chamwin Precision	Malaysia	Milling and turning	13		3,634	6.97
2.	Gah Hong Precision ⁽⁵⁾	Malaysia	Turning	15		1,112	2.13
3.	Syntech Precision & Engineering	Malaysia	Turning	10		938	1.80
4.	New System Engineering	Malaysia	Turning	3		886	1.70
5.	Heng Long Precision	Malaysia	Turning	11		734	1.41
Total						7,304	14.01

Notes:-

⁽¹⁾ The country disclosed is based on the country as stated in their invoices to us, which is deemed to be the principal market in which our sub-contractors operate.

⁽²⁾ Calculated as a percentage of the total trade purchases of our Group for the respective FYE.

⁽³⁾ Due to the size of the purchases transactions, CL Deburring was no longer ranked among the top 5 major sub-contractors of our Group for the FYE 30 June 2022 and FYE 30 June 2023.

⁽⁴⁾ Due to the size of the purchases transactions, Major Sub-contractor 1 was no longer ranked among the top 5 major sub-contractors of our Group for the FYE 30 June 2020, FYE 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023.

⁽⁵⁾ There were no purchases from Gah Hong Precision for the FYE 30 June 2019, FYE 30 June 2020 and FYE 30 June 2021.

Our Group had engaged 35, 31, 33, 33 and 23 sub-contractors for the FYE 30 June 2019, FYE 30 June 2020, FYE 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023 (Period Under Review) respectively. We engage sub-contractors for the primary processes and secondary processes when our capacity is full based on the schedule of our workers as well as for the secondary processes that are not performed by us.

We are not dependent on any of our major sub-contractors as the sub-contracting services are common and can be sourced from other sub-contractors. Our sub-contractors are selected based on the quality of their products and services, reliability and pricing. We have developed long-standing relationships with our

6. BUSINESS OVERVIEW (CONT'D)

major sub-contractors and as at the LPD, we have not experienced any material disruption in supply of sub-contracting services nor have we experienced any material disputes with our major sub-contractors.

In addition, as we do not have any long term or exclusive contracts with our sub-contractors, we will not incur any switching cost associated to sourcing from other sub-contractors.

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6. BUSINESS OVERVIEW (CONT'D)

6.17 IMPACT OF COVID-19 ON OUR GROUP**6.17.1 COVID-19 in Malaysia**

COVID-19 was officially declared a pandemic by the Director General of the WHO on 11 March 2020. In light of the COVID-19, the Government had announced various stages of lockdown measures across different states or localities in the country at different point in time since 18 March 2020 until the announcement of the “transition to endemic” phase in order to contain the outbreak. The stages of lockdown imposed include MCO, conditional MCO, recovery MCO, enhanced MCO, full lockdown MCO as well as the NRP. The NRP is a 4-phase strategy based on 3 indicators, namely the percentage of the population protected against COVID-19, based on the number of people that have received complete dose of vaccines, the number of symptomatic new hospital admissions, and the capability of public healthcare system based on the bed utilisation rate in intensive care unit wards. The Government had announced that Malaysia would transit from the NRP into the “transition to endemic” phase beginning 1 April 2022 whereby restrictions have been further eased. This includes abolishing limits on workforce capacity, allowing interstate travel for all, as well as abolishing restrictions on business hours. On 5 May 2023, the WHO declared an end to the pandemic as it had been on a downward trend due to the increasing population immunity facilitated by vaccination along with a reduction in strain on healthcare systems. The Government then further relaxed the nation’s COVID-19 SOPs such as lifting mask requirements and reduced the quarantine period.

During the different lockdown stages, various measures and restrictions were put in place to limit the spread of the virus. Government and private premises, except for those involved in essential services or industries with special permissions, were required to close and temporarily cease operations. For businesses providing essential services or in industries with special permission, the workforce had to be reduced to a lower capacity. Furthermore, travel restrictions were also imposed.

As our business operations fall under essential services, we were allowed to resume operations, at 50.00% workforce capacity, after obtaining approvals from the MITI and under strict SOPs set by the MITI. Champion PT and Champion C were able to resume operations after receiving approvals from the MITI on 28 March 2020 and 17 April 2020 respectively. The maximum workforce capacity allowed during the different lockdown stages were amended from time to time by the Government. We resumed operations at full capacity workforce on 13 May 2020 and on 25 October 2021 after each preceding periods of disruption.

For the year 2020, none of our Group’s employees in Malaysia have tested positive for COVID-19. For the year 2021, we have had 147 employees in Malaysia infected with COVID-19.

In February 2021, there were several positive cases detected in the neighbouring industrial premises of our Existing Plants. Our management team then decided to conduct a Group-wide mass testing exercise of all our employees, during which 62 of our employees tested positive for COVID-19. We then contacted the local health authority, Pejabat Kesihatan Johor Bahru, who then instructed all affected employees to undergo quarantine. As a result of the COVID-19 cases, the MOH issued Champion PT a shutdown notice effective from 10 February 2021 to 14 February 2021 for sanitisation of all our Existing Plants. After a follow-up check, MOH granted us permission to resume our manufacturing activities on 15 February 2021. In February 2021, several additional employees tested positive for COVID-19, leading to a total of 81 of our employees tested positive for COVID-19. Our Group was not issued any penalty or compound following the shutdown notices.

Our Group continued to record positive COVID-19 cases sporadically throughout 2021. 2 of our employees tested positive in March 2021, and 2 employees tested positive in July 2021. In August 2021 and September 2021, there were 23 and 38 employees of our Group respectively that tested positive. However, we were not required to shut down our

6. BUSINESS OVERVIEW (CONT'D)

manufacturing facilities. Our affected employees were required to quarantine in designated hostels or at home. 1 of our employees tested positive in October 2021.

Our Group also continued to record positive COVID-19 cases from January 2022 to March 2022. In January 2022 and February 2022, there were 1 employee and 30 employees respectively that tested positive for COVID-19. In early March 2022, there was a spike in number of positive cases detected amongst our employees. As a result, we were issued a shutdown notice from the MOH to temporarily cease operations at all of our Existing Plants from 7 March 2022 to 13 March 2022. We did not incur any penalty or compound following the issuance of the shutdown notices by the MOH. After a follow-up check, MOH granted us permission to resume our manufacturing activities on 14 March 2022. As at 31 March 2022, 100 of our employees has tested positive for COVID-19 in the month of March 2022. From April 2022 to December 2022, 32 of our employees tested positive for COVID-19. Our Group were not issued additional shutdown notices for the remainder of the calendar year 2022. From January 2023 up to 5 July 2023, none of our employees tested positive for COVID-19. Following the Majlis Keselamatan Negara's SOP issued on 5 July 2023, which recommends testing for symptomatic employees, we now conduct testing only when our employees are symptomatic.

As at the LPD, all of our employees in Malaysia are fully-vaccinated and 85.08% of our employees in Malaysia have received their booster shot. We did not meet the criteria to qualify for the Wage Subsidy Programme by the Government.

As at the LPD, there has not been any breach of laws relating to COVID-19 restrictions or SOPs which may lead to penalties by the relevant authorities.

6.17.2 COVID-19 in Singapore

In response to the COVID-19, the Singapore government had announced various stages of safe distancing measures, as a circuit breaker, safe management measures and restrictions across the country at different points in time from 7 April 2020 in order to contain the outbreak. From 7 April 2020, Singapore entered into the Circuit Breaker Period in order to pre-empt escalating COVID-19 infections. The circuit breaker started on 7 April 2020 and ended on 1 June 2020. Singapore embarked on a 3-phased approach to resume business activities safely. Different measures and restrictions were imposed during the Circuit Breaker Period and the subsequent phases (namely, Phase 1, Phase 2 and Phase 3) and adoption of heightened alert measures. These measures and restrictions which included the closing of non-essential workplaces, adoption of safe management measures, adoption of contact tracing and safe entry, encouraging work-from-home measures and travel restrictions were put in place, together with the closure of the Singapore's international borders. The Singaporean Government has since introduced a multi-phase approach to resume more economic and social activities to safely manage the COVID-19 after the "circuit breaker lockdown". Given the current stabilisation of global and local COVID-19 situation, Singapore is now moving out of the acute phase of the pandemic. Starting from 13 February 2023, Singapore will adjust its disease outbreak response system condition framework to green from yellow. This framework, which uses a colour-coded approach to indicate the current disease situation, will reflect the stable and controlled state of the pandemic in the country. Following this transition, all safe management measures, with the exception of mask wearing in healthcare settings, will be lifted completely.

Champion PE was not required to cease operations during the Circuit Breaker Period and had received an approval letter from the Ministry of Trade and Industry of Singapore dated 14 April 2020 to continue operating. However, we were required to comply with SOPs such as operating with a reduced workforce in our facility in order to curb the spread of the virus. As such, our employees were put on rotation whereby some of them were working from home and some of them were working on-site from 7 April 2020 to 25 April 2022. The restrictions being

6. BUSINESS OVERVIEW (CONT'D)

imposed were revised and reviewed by the Singaporean Government in developing COVID-19 situation in the country.

For the year 2020, none of our Group's employees in our Singapore facility was tested positive for COVID-19. For the year 2021, 1 of our Group's employees in our Singapore facility tested positive for the virus. The positive case was detected on 18 November 2021. We then closed our facility on 19 November 2021 to sanitise and disinfect the facility.

Champion PE was found to have committed an offence under COVID-19 (Temporary Measures)(Control Order) Regulations 2020 and was notified by the MOM SG on 29 July 2020 and ordered to pay a composition sum of SGD1,000.00 by 13 August 2020. Champion PE was in breach of regulation 13E(1)(k) of the COVID-19 (Temporary Measures)(Control Order) Regulations 2020, that the Champion PE had, on 29 July 2020, failed as a permitted enterprise, to have appropriate internal policies and procedures and adequate controls to:-

- (i) Monitor and ensure compliance by the permitted enterprise and its permitted enterprise workers of part 3A and schedule 2 of SG Covid Regulations 2020; and
- (ii) Remedy without a delay any instances of such non-compliance; and
- (iii) Conduct an adequate analysis of the risks of COVID-19 infections arising from the permitted enterprise's business, undertaking or work and make recommendations to mitigate any risks identified to the permitted enterprise, including appointing at least one individual as a safe management officer (with such assistants as may be needed) to effectively perform the duties mentioned in sub paragraphs (i), (ii) and (iii).

Champion PE had, on 13 August 2020, submitted an appeal to MOM SG. On 14 August 2020, MOM SG notified Champion PE that the appeal was unsuccessful and instructed Champion PE to make payment of the fine by 28 August 2020.

Champion PE had, on 18 August 2020, fully paid the compound issued by MOM SG. Following the above, we do not foresee any repercussion as there was no issue of late payment since there was an on-going appeal (which was unsuccessful).

Champion PE had also adopted the safe management measures since 11 August 2020, which includes, but not limited to, the procedure in relation to how to handle situation when there are any COVID-19 cases in Champion PE as well as the responsibility of safe management officer. It had also established the workplace safety team. The workplace safety team of Champion PE, including the safe management officer, was responsible to ensure the procedures under the safety measurement guidelines were adhered to.

Following the revocation of the safe management measures under the COVID-19 (Temporary Measures)(Control Order) Regulations 2020 and revocation of Workplace Safety and Health (COVID19 – Safe Workplace) Regulations 2021 with effect from 13 February 2023, Champion PE had ceased to retain the safe management measures.

We received approximately SGD0.12 million in the FYE 30 June 2020 and SGD0.12 million in the FYE 30 June 2021 pursuant to the COVID-19-related wage subsidies under the Job Support Scheme introduced by the Singapore government.

6.17.3 Measures to Commence and Continue Our Business Operations

In Malaysia, the SOPs in place included providing soap and water for handwashing or hand sanitiser, ensuring that face masks were worn indoors, as well as daily disinfecting and sanitising of our premises. As the Malaysian Government had further relaxed COVID-19 SOPs, we no longer impose any COVID-19 related SOPs in our Malaysian premises.

6. BUSINESS OVERVIEW (CONT'D)

In Singapore, the SOPs in place included daily cleaning of the premises, implementation of system for safe management measures, and appointing a safe management officer to assist in the implementation, coordination and monitoring of the safe management measures at the workplace.

Since all safe management measures have been lifted completely in Singapore since 13 February 2023, Champion PE no longer imposes any COVID-19 related SOPs at its premises.

In Malaysia, the cost of implementing the COVID-19 SOPs was approximately RM0.009 million for the FYE 30 June 2020. For the FYE 30 June 2021, the cost of implementing the COVID-19 SOPs was approximately RM0.05 million. For the FYE 30 June 2022, the cost of implementing the COVID-19 SOPs was approximately RM0.13 million. These costs include the cost of COVID-19 tests and vaccinating our employees under the PIKAS, a public-private partnership vaccination program. Our Group did not incur any costs related to implementing COVID-19 SOPs for the FYE 30 June 2023 in Malaysia due to the easing of COVID-19 restrictions.

In Singapore, the cost of implementing the COVID-19 SOPs was approximately SGD0.0005 million for the FYE 30 June 2020. For the FYE 30 June 2021, the cost of implementing the COVID-19 SOPs was approximately SGD0.002 million. For the FYE 30 June 2022, the cost of implementing the COVID-19 SOPs was approximately SGD0.005 million. These costs include purchasing sanitisers, face masks and COVID-19 tests for our employees as well as the cost of sanitising and disinfecting our premises. Our Group did not incur any costs related to implementing COVID-19 SOPs for the FYE 30 June 2023 in Singapore as COVID-19 SOPs are no longer imposed in Champion PE's premises.

The costs of implementing the COVID-19 SOPs in Malaysia and Singapore were not material to our Group.

6.17.4 Impact of COVID-19 on Our Supply Chain

As a result of the COVID-19 which resulted in global logistics issues such as shortage of shipping containers and congestion at ports, our Group has experienced longer lead times for our raw materials namely stainless steel in the FYE 30 June 2020, FYE 30 June 2021 and FYE 30 June 2022. Kindly refer to Section 6.9 of this Prospectus for further details of the lead time for our raw materials namely stainless steel during the Period Under Review.

On the other hand, we have experienced slight delays in delivery of our precision-machined parts and components to our customers and recognition of the corresponding revenue for the said deliveries during the FYE 30 June 2020, FYE 30 June 2021 and the FYE 30 June 2022 due mainly to the global logistic issues as mentioned above and shutdown of our manufacturing operations during the period from 18 March 2020 to 27 March 2020, 10 February 2021 to 14 February 2021 and 7 March 2022 to 13 March 2022. Our revenue recognition for the said delayed deliveries were based on our accounting policies as stated in Section 2.2.20 of Section 12 of this Prospectus. We have informed our customers of any delays in delivery and as at the LPD, we have not experienced any penalties imposed by our customers due to increased delivery times as our Group and our customers have mutually agreed to alter the delivery timeline as needed. As at the LPD, the said delayed deliveries have been fulfilled. In addition, there was no cancellation of orders as a result of COVID-19 and MCO or any variations thereof.

Our Group was not significantly affected by the increase in freight rates caused by the COVID-19. Delivery of our precision-machined parts and components is undertaken by third-party logistics providers whereby the delivery costs are borne by our customers. In the event that our customers request for expedited shipping by air freight, the additional cost of shipping is also borne by them.

6. BUSINESS OVERVIEW (CONT'D)

6.17.5 Impact of COVID-19 on Our Manufacturing Activities

Aside from the initial period from 18 March 2020 to 27 March 2020, we were permitted to operate during the various lockdown stages, albeit under different operating capacities based on which lockdown stage was in effect, and we were able to continue manufacturing the precision-machined parts and components for our customers. During the lockdown stages where we were not able to operate and/or operate in full capacity, we had informed our customers on the lockdown situation in Malaysia and had rescheduled the delivery of our precision-machined parts and components. In addition, the measures imposed during the various lockdown stages had prevented us from travelling internationally as well as meet potential customers face-to-face.

Following the outbreak of COVID-19 amongst our employees, we were issued a shutdown notice by the MOH and we were unable to carry out our manufacturing activities in Malaysia from 10 February 2021 to 14 February 2021. We were issued another shutdown notice by the MOH and we were unable to carry out our manufacturing activities in Malaysia from 7 March 2022 to 13 March 2022. We had informed our customers regarding our shutdown and had rescheduled the delivery of our precision-machined parts and components. We have not incurred any penalties from our customers related to said delivery delays.

However, during the time when we were unable to operate, we continued to incur fixed costs including depreciation cost and staff costs. Such costs amounted to approximately RM0.67 million for the period from 18 March 2020 to 27 March 2020. During the period from 10 February 2021 to 14 February 2021, such costs incurred were approximately RM0.28 million and this period coincided with our scheduled shutdown in conjunction with the Chinese New Year. For the period from 7 March 2022 to 13 March 2022 where we were unable to operate, we incurred costs of approximately RM0.60 million.

6.17.6 Impact of COVID-19 on Our Liquidity and Profitability

There is no material impact to our Group's liquidity, including the collectability of our trade receivables and cash flows, and our profitability, from the impact of the COVID-19 and/or the MCO and variations thereof.

You may refer to the relevant sections as stated in the table below for further details in regard to the above.

No.	Item	Reference to Section in this Prospectus
1.	Our financial performance and financial position during the Period Under Review	Section 11.1 of this Prospectus
2.	Our cash flows during the Period Under Review	Section 11.4.2 of this Prospectus
3.	Our trade receivables turnover periods and current ratios for the Period Under Review	Section 11.4.8 of this Prospectus

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6. BUSINESS OVERVIEW (CONT'D)

6.18 BUSINESS INTERRUPTIONS

Save for the impact of COVID-19 on our business, we did not experience any material interruptions in our business activities, which had a significant effect on our operations, during the past 12 months prior to the date of this Prospectus.

6.19 MAJOR LICENCES, PERMITS AND APPROVALS

As at the LPD, our major licences, permits and approvals are as shown in the table below.

No.	Licensee	Issuing Authority	Valid from/ to	Nature of Approval/ Licences	Equity and/or Conditions Imposed	Compliance Status
1.	Champion PT	MITI	Since 31 October 2018	MITI Licence for the manufacturing of precision machined parts at Plant 1	<p>(i) MITI and MIDA shall be notified of any sale of shares in Champion PT.</p> <p>(ii) Champion PT shall train its Malaysian employees to ensure that technology and expertise may be transferred to all positions in Champion PT.</p> <p>(iii) Champion PT shall ensure that its project's capital investment per employee is at least RM140,000.00.</p> <p>(iv) The total full-time workforce of Champion PT shall comprise at least 80% Malaysians by 31 December 2020. Employment of foreign workers including outsourced workers is subject to current policies.</p> <p>(v) Champion PT must present information regarding investment performance and projects implemented under the ICA 1975 and MIDA Act 1965 when required by MIDA. Failing to submit such information may result in Champion PT:-</p> <p>(a) being found guilty of an offence and liable to a fine not exceeding RM1,000.00 or to imprisonment for a term not exceeding 3 months or to both, and liable to a further fine not exceeding RM500.00 for each day the offence continues; or</p>	<p>Noted and complied.</p> <p>Complied.</p> <p>Complied.</p> <p>To be complied ⁽¹⁾.</p> <p>Noted.</p>

6. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Issuing Authority	Valid from/ to	Nature of Approval/ Licences	Equity and/or Conditions Imposed	Compliance Status
2.	Champion PT	MITI	Since 2 March 2022	MITI Licence for the manufacturing of precision machined parts at Plant 2	<p>(b) being held liable for an offence for furnishing statements or information that is false or misleading in any material form which can result in a fine of not more than RM2,000.00 or imprisonment for a term not exceeding six months or both.</p> <p>(vi) Champion PT shall establish its project as approved subject to the conditions of this licence and in accordance with other laws and regulations in Malaysia.</p> <p>(i) MITI and MIDA shall be notified of any sale of shares in Champion PT.</p> <p>(ii) Champion PT shall train its Malaysian employees to ensure that technology and expertise may be transferred to all positions in Champion PT.</p> <p>(iii) Champion PT shall ensure that its project's capital investment per employee is at least RM140,000.00.</p> <p>(iv) The total full-time workforce of Champion PT shall comprise at least 80% Malaysians by 31 December 2022. Employment of foreign workers including outsourced workers is subject to current policies.</p> <p>(v) Champion PT must present information regarding investment performance and projects implemented under the ICA 1975 and MIDA Act 1965 when required by MIDA. Failing to submit such information may result in Champion PT:-</p> <p>(a) Being found guilty of an offence and liable to a fine not exceeding RM1,000.00 or to imprisonment for a term not exceeding 3 months or to both, and liable to a further fine not exceeding RM500.00 for each</p>	<p>Complied.</p> <p>Noted and complied.</p> <p>Complied.</p> <p>Complied.</p> <p>To be complied ⁽¹⁾.</p> <p>Noted.</p>

6. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Issuing Authority	Valid from/ to	Nature of Approval/ Licences	Equity and/or Conditions Imposed	Compliance Status
3.	Champion PT	MITI	Since 28 March 2022	MITI Licence for the manufacturing of precision machined parts at Plant 4	<p>day the offence continues; or</p> <p>(b) Being held liable for an offence for furnishing statements or information that is false or misleading in any material form which can result in a fine of not more than RM2,000.00 or imprisonment for a term not exceeding six months or both.</p> <p>(vi) Champion PT shall establish its project as approved subject to the conditions of this licence and in accordance with other laws and regulations in Malaysia.</p> <p>(i) The sale of shares of Champion PT should be made known to the MITI and MIDA.</p> <p>(ii) Champion PT should train Malaysia citizens in order to ensure that technology transfer and expertise can be injected equally to all roles and positions.</p> <p>(iii) Champion PT should comply with the terms set out in Capital Investment Per Employee of at least an RM140,000.00 contribution.</p> <p>(iv) Champion PT's total workforce shall consist of at least 80% Malaysian citizen by 31 December 2022. The payroll of foreigners obtained from external sources is governed by the relevant policies.</p> <p>(v) Champion PT must present information regarding investment performance and projects implemented under the ICA 1975 and MIDA Act 1965 when required by MIDA. Failing to present the said information might result in Champion PT:-</p> <p>(a) Being found guilty of an offence and be imposed a fine of not more than RM1,000.00 or imprisonment</p>	<p>Complied.</p> <p>Noted and complied.</p> <p>Noted and complied.</p> <p>Complied.</p> <p>To be complied ⁽¹⁾.</p> <p>Noted.</p>

6. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Issuing Authority	Valid from/ to	Nature of Approval/ Licences	Equity and/or Conditions Imposed	Compliance Status
4.	Champion PT	MITI	Since 9 March 2023	MITI Licence for the manufacturing of precision machined parts at Plant 5	<p>for a term not exceeding 3 months or both and the company can be further fined for up to RM500.00 for every subsequent day the offence continues; or</p> <p>(b) Being held liable for an offence for furnishing statements or information that is false or misleading in any material form which can result in a fine of not more than RM2,000.00 or imprisonment for a term not exceeding six months or both.</p> <p>(vi) Champion PT shall establish its project as approved and comply with any laws and regulations of Malaysia.</p>	Complied.
					<p>(i) The sale of shares of Champion PT should be made known to the MITI and MIDA.</p> <p>(ii) Champion PT should train Malaysia citizens in order to ensure that technology transfer and expertise can be injected equally to all roles and positions.</p> <p>(iii) Champion PT should comply with the terms set out in Capital Investment Per Employee of at least an RM140,000.00 contribution.</p> <p>(iv) Champion PT's total workforce shall consist of at least 80% Malaysian citizen by 31 December 2024. The payroll of foreigners obtained from external sources is governed by the relevant policies.</p> <p>(v) Champion PT must present information regarding investment performance and projects implemented under the ICA 1975 and MIDA Act 1965 when required by MIDA. Failing to present the said information might result in Champion PT:-</p>	<p>Noted and complied.</p> <p>Noted and complied.</p> <p>Complied.</p> <p>To be complied ⁽¹⁾.</p> <p>Noted.</p>

6. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Issuing Authority	Valid from/ to	Nature of Approval/ Licences	Equity and/or Conditions Imposed	Compliance Status
5.	Champion C	MITI	Since 6 December 2019	MITI Licence for carrying out machining activities at Plant 3	<p>(a) Being found guilty of an offence and be imposed a fine of not more than RM1,000.00 or imprisonment for a term not exceeding 3 months or both and the company can be further fined for up to RM500.00 for every subsequent day the offence continues; or</p> <p>(b) Being held liable for an offence for furnishing statements or information that is false or misleading in any material form which can result in a fine of not more than RM2,000.00 or imprisonment for a term not exceeding six months or both.</p> <p>(vi) Champion PT shall establish its project as approved and comply with any laws and regulations of Malaysia.</p> <p>(i) MITI and MIDA shall be notified of any sale of shares in Champion C.</p> <p>(ii) Champion C shall train its Malaysian employees to ensure that technology and expertise may be transferred to all positions in Champion C.</p> <p>(iii) Champion C shall ensure that its project's capital investment per employee is at least RM140,000.00.</p> <p>(iv) The total full-time workforce of Champion C shall comprise at least 80% Malaysians. Employment of foreign workers including outsourced workers is subject to current policies.</p> <p>(v) Champion C must present information regarding investment performance and projects implemented under the ICA 1975 and MIDA Act 1965 when required by MIDA. Failing to submit such information may result in Champion C:-</p> <p>(a) Being found guilty of an offence and liable to a fine</p>	<p>Complied.</p> <p>Noted and complied.</p> <p>Complied.</p> <p>Complied.</p> <p>Complied.</p> <p>Noted.</p>

6. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Issuing Authority	Valid from/ to	Nature of Approval/ Licences	Equity and/or Conditions Imposed	Compliance Status
					<p>not exceeding RM1,000.00 or to imprisonment for a term not exceeding 3 months or to both, and liable to a further fine not exceeding RM500.00 for each day the offence continues; or</p> <p>(b) Being held liable for an offence for furnishing statements or information that is false or misleading in any material form which can result in a fine of not more than RM2,000.00 or imprisonment for a term not exceeding six months or both.</p> <p>(vi) Champion C shall establish its project as approved subject to the conditions of this licence and in accordance with other laws and regulations in Malaysia.</p>	Complied.
6.	Champion PT	RMCD	1 February 2023/ 31 January 2024	Licensed Warehouse Licence for raw materials and finished goods on Plant 1, Plant 2, Plant 4 and Plant 5	<p>(i) Licence and licensed manufacturing warehouse plan approved by the State Director of Customs shall be displayed at a prominent place on the premise.</p> <p>(ii) No dutiable goods other than raw materials/components and machinery used directly in manufacturing, and manufactured goods which have been approved by the State Director of Customs may be stored in the licensed manufacturing warehouse.</p> <p>(iii) A copy of every plan approved by the State Director of Customs shall be displayed at a prominent place on the premise after the premise has been licensed.</p> <p>(iv) Manufacturing and movement in and out of dutiable goods and manufactured goods shall be allowed at any time on any day according to the needs of Champion PT.</p> <p>(v) 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.</p>	<p>Complied.</p> <p>Noted and complied.</p> <p>Complied.</p> <p>Noted.</p> <p>Complied.</p>

6. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Issuing Authority	Valid from/ to	Nature of Approval/ Licences	Equity and/or Conditions Imposed	Compliance Status
					<p>(vi) State Director of Customs may at any time direct licensee to make any changes in the plan deem necessary.</p> <p>(vii) The State Director of Customs may require licensee to install any lock, seal or other safety equipment deemed necessary to ensure against the loss of revenue.</p> <p>(viii) Champion PT shall submit to the Industry Branch Customs Office, a monthly statement in Bahasa Malaysia by the 28th day of the following month.</p> <p>(ix) Champion PT shall submit Annual Statement containing details of raw materials/components used, finished good produced, released and balance stock for the period from 1 January to 31 December of each year using the format prescribed certified and signed by the accountant of the company or the other authorised officer by the licensee to the Customs Station before 31 January of the following year. The statement shall be accompanied by the annual financial statements of Champion PT which has been audited by an independent auditor.</p> <p>(x) Goods stored in the licenced manufacturing warehouse should be arranged and labelled in such to ensure security as directed and for Customs inspection.</p> <p>(xi) Finished goods manufactured in licenced manufacturing warehouse are to be kept separately from raw materials/components or manufacturing waste.</p> <p>(xii) At least 80.00% finished product (by value) are to be exported, and not exceeding 20.00% of the finished product (by value) can be sold in the local market for the period of 12 months (within the licensing period starting from the approval date). Goods sold in domestic market are subject to any prevailing duties ⁽²⁾/tax at the time.</p>	<p>Noted and complied.</p> <p>Noted and complied.</p> <p>Noted and complied.</p> <p>Noted and complied.</p> <p>Noted and complied.</p> <p>Noted and complied.</p> <p>Noted and complied.</p> <p>Noted and complied.</p>

6. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Issuing Authority	Valid from/ to	Nature of Approval/ Licences	Equity and/or Conditions Imposed	Compliance Status
					<p>(xiii) Disposal of waste including manufacturing waste is subject to the written approval of the State Director of Customs.</p> <p>(xiv) The licensee is responsible for receiving, movement and storage of dutiable goods in a factory licenced under licenced manufacturing warehouse.</p> <p>(xv) Bank Guarantee amounting to RM260,000.00 and General Bond amounting to RM0.00 is required from Champion PT to ensure the safety of duties on raw materials/components, finished goods stored in the licenced manufacturing warehouse and the movement of dutiable goods.</p> <p>(xvi) Champion PT shall keep and maintain daily records of the quantity of raw materials/components in the store, the quantity used for manufacturing and the stock of finished goods produced.</p> <p>(xvii) Champion PT shall notify the proper officer of Customs in writing within 14 days if:-</p> <p>(a) There is a change in the board of directors of Champion PT;</p> <p>(b) Champion PT has been wound up;</p> <p>(c) An application for winding up by Champion PT has been initiated;</p> <p>(d) Appointment of receiver or liquidator has been made; and</p> <p>(e) Champion PT is subject to civil claims, bankruptcy, closure and other similar matters.</p>	<p>Noted and complied.</p> <p>Noted and complied.</p> <p>Noted and complied.</p> <p>Noted and complied.</p> <p>Noted and complied.</p>

6. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Issuing Authority	Valid from/ to	Nature of Approval/ Licences	Equity and/or Conditions Imposed	Compliance Status
					<p>(xviii) Champion PT has to report any case of fire, natural disaster, theft or loss of raw materials, finished goods and machines. The report should contain quantity details and the duty involved together with the investigation report from the Fire and Rescue Department and Police Department.</p> <p>(xix) Application for renewal of a licence shall be made in the format as in Appendix 'B' to the State Director of Customs at least 1 month before the expiry of the licence.</p> <p>(xx) This licence can be revoked at any time in the event of breach of conditions, under the CA 1967 or regulations thereunder.</p> <p>(xxi) All duty/tax involved on the balance of raw materials, components and finished goods are payable, if any, before cancellation of licence due to the breach of conditions or company apply to cease operations.</p> <p>(xxii) The issue of a licence shall not relieve the applicant or Champion PT from the obligation to comply with the requirements of any written law relating to other business.</p> <p>(xxiii) Breach of any conditions of the licence is an offence which the licence can be revoked or compounded under the CA 1967 and the Customs Regulations 1977 or both.</p> <p>(xxiv) Champion PT shall prepare and maintain proper records for a period of 6 years on the details of raw materials/components/parts/finished goods, waste, etc., or as determined by the State Director of Customs.</p> <p>(xxv) Champion PT is required to keep and maintain record on exempted machines and tools for a period of at least 10 years. These records shall be made available for inspection by Customs when required and during disposal. All machinery and equipment shall not be disposed and</p>	<p>Noted and complied.</p> <p>Noted and complied.</p> <p>Noted.</p> <p>Noted.</p> <p>Noted.</p> <p>Noted.</p> <p>Noted.</p> <p>Noted.</p> <p>Noted and complied.</p>

6. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Issuing Authority	Valid from/ to	Nature of Approval/ Licences	Equity and/or Conditions Imposed	Compliance Status
					removed from the Gudang Pengilangan Berlesen (GPB) plant without approval from the State Director of Customs. The duties involved for machinery and equipment which the life span is less than 10 years from the date of exemption are to be paid, if applicable. (xxvi) Only one entity is allowed to operate within the premises of licenced manufacturing warehouse. Any partnership with another entity within the same area is not allowed.	Noted and complied.
7.	Champion PT	MBJB	1 January 2023/ 31 December 2023	Business Premise and Advertisement Licence for 'kejuruteraan logam' at Plant 1	Nil.	N/A.
8.	Champion PT	MBJB	1 January 2023/ 31 December 2023	Business Premise and Advertisement Licence for the 'kejuruteraan besi, logam, plastik, kaca dan aluminium' at Plant 2	Nil.	N/A.
9.	Champion PT	MBJB	1 January 2023/ 31 December 2023	Business Premise and Advertisement Licence for 'kejuruteraan logam' at Plant 4	Nil.	N/A.
10.	Champion PT	MBJB	10 August 2023/ 9 August 2024	Business Premise and Advertisement Licence for 'kejuruteraan logam' at Plant 5	Nil.	N/A.
11.	Champion C	MBJB	1 January 2023/ 31 December 2023	Business Premise and Advertisement Licence for 'kejuruteraan logam' at Plant 3	Nil.	N/A.
12.	Champion PE	MOM SG	- ⁽³⁾	Factory notification for premise at 5B Gambas Crescent Nordcom	Nil.	N/A.

6. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Issuing Authority	Valid from/ to	Nature of Approval/ Licences	Equity and/or Conditions Imposed	Compliance Status
13.	Champion PE	Singapore Customs	-(4)	<p>One Singapore 757038 for carrying out mechanical engineering works</p> <p>Registration of persons making declaration with the Singapore Customs</p>	<p>(i) A declaring entity and the registration of a declaring entity shall be subject to Part IVA of the RIER and Part XIVA of the CR.</p> <p>(ii) The declaring entity and all the key personnel must fulfil the "fit and proper" criteria set out in Regulation 35D of the RIER and Regulation 112D of the CR. Further:-</p> <p>(a) At any point in time after the declaring entity has been registered, the declaring entity or key personnel may be required by the Singapore Customs to furnish such information and documents to show that the declaring entity and all its key personnel are "fit and proper" persons.</p> <p>(b) If at any point in time after the declaring entity has been registered, Singapore Customs is of the opinion that the declaring entity and/ or its key personnel have ceased to be "fit and proper" persons, Singapore Customs may immediately suspend or terminate the registration of the declaring entity.</p> <p>(iii) The declaring entity shall be registered for such a period as the Director-General may determine. The declaring entity may apply to renew its registration, if it decides to renew its registration, and shall apply to do so before the expiry date of its registration.</p> <p>(iv) Unless renewed, the registration of a declaring entity shall automatically lapse on the expiry date of such registration or as otherwise directed by the Director-General.</p>	<p>Noted.</p> <p>Complied.</p> <p>Not subject to renewal. N/A.</p> <p>Not subject to renewal. N/A.</p>

6. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Issuing Authority	Valid from/ to	Nature of Approval/ Licences	Equity and/or Conditions Imposed	Compliance Status
					<p>(v) For declarations not involving preferential certificate of origin, the declaring entity shall ensure proper maintenance of all trade documents and records in connection with the activity to which the registration relates, for a period of not less than 5 years. Such records shall include, but shall not be limited to, the invoices, packing lists, bill of lading, air waybills and any other relevant documents or records.</p> <p>(vi) For declarations involving preferential certificate of origin, the documents and records should be maintained for such period of time as may be required under the relevant preferential tariff arrangement or agreement. Such records shall include, but shall not be limited to, the invoices, packing lists, bill of lading, air waybills and any other relevant documents or records.</p> <p>(vii) The declaring entity must extend the fullest co-operation to the Singapore Customs when requested to produce the above trade documents or records and any other supporting documents. When requested by the Singapore Customs, the declaring entity shall furnish the information or records at the specified customs office or station or other place, as may be determined by the Singapore Customs.</p> <p>(viii) The declaring entity shall, at the request of the Singapore Customs, provide full assistance to Singapore Customs or the relevant Singapore authorities for investigation into any offence under the Regulation of Imports and Exports Act 1995, SG CA 1960 and/or any regulations made thereunder. When requested by the Singapore Customs, the declaring entity shall furnish all necessary information and records at the specified customs office or station or other place, as may be determined by the Singapore Customs.</p>	<p>Noted and complied.</p> <p>N/A.</p> <p>Noted.</p> <p>Noted.</p>

6. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Issuing Authority	Valid from/ to	Nature of Approval/ Licences	Equity and/or Conditions Imposed	Compliance Status
					(ix) The declaring entity shall identify itself using its UEN in every application made for a permit, licence, certificate or other document under the SG CA 1960, Regulation of Imports and Exports Act 1995 and/or the regulations made thereunder. The declaring entity shall not use another entity's UEN.	Noted and complied.
					(x) The declaring entity shall not permit a third party to use its UEN to apply for a permit for goods not belonging to the declaring entity.	Noted and complied.
					(xi) The declaring entity shall ensure that all documents and information provided by it to the declaring agent/declarant to make a declaration are accurate and correct.	Noted and complied.
					(xii) The declaring entity must inform the Singapore Customs of any changes to any of its particulars registered with Director-General, and of any change to its key personnel. Such changes include, but are not limited to, any change in ownership, change in address, change in contact details and termination of business.	Noted and complied.
					(xiii) Any notice of such change as specified in clause (xii) above must be made electronically within 7 days of the effective date of change, to the Singapore Customs via the Singapore Customs' website.	Noted and complied.
					(xiv) Singapore Customs reserves the right to disseminate customs procedural or process related information, where necessary, without the need to seek any prior consent or authorisation.	Noted.
					(xv) When required by the Singapore Customs, the declaring entity shall lodge a security of such amount as determined by the Singapore Customs, for payment of taxes, general compliance with the legislation and/or the protection of revenue, pursuant to Section 81 of the Goods and Services	N/A.

6. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Issuing Authority	Valid from/ to	Nature of Approval/ Licences	Equity and/or Conditions Imposed	Compliance Status
					<p>Tax Act 1993, Regulation 6(c) of the Regulation of Imports and Exports (Chewing Gum) Regulations and Section 99 of the SG CA 1960.</p> <p>(xvi) The security shall be given in the manner and form approved by the Director-General and may, subject to that approval, be by bond, guarantee, cash deposit or any other method.</p> <p>(xvii) The security or any part thereof may be directed for forfeiture by the Singapore Customs if the Singapore Customs is satisfied that the declaring entity has failed to comply with any condition specified in respect of security required to be furnished under Section 81 of the Goods and Services Tax Act 1993, Regulation 6(c) of the Regulation of Imports and Exports (Chewing Gum) Regulations or Section 99 of the SG CA 1960.</p> <p>(xviii) Pursuant to Regulation 35F(3) of the RIER and Regulation 112F(3) of the CR, a declaring entity which breaches any condition herein, including the conditions imposed by the Director-General under Regulation 35F of the RIER or Regulation 112F of the CR, shall be guilty of an offence and shall, if found liable, be punished in accordance with the relevant provisions under Regulations 35H and/or 45 of the RIER or Regulations 112H and/or 117 of the CR.</p> <p>(xix) Singapore Customs reserves the right to add, alter, vary and/or modify any of the above terms and conditions at any time. When the Director-General has notified, or taken reasonable steps to try to notify a declaring entity of any such varied or additional term or condition, that varied or additional term or condition shall form part of these conditions. The declaring entity shall be bound by that varied or additional term or condition from the time of notification of the varied or additional term or condition.</p>	<p>N/A.</p> <p>N/A.</p> <p>Noted.</p> <p>Noted.</p>

6. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Issuing Authority	Valid from/ to	Nature of Approval/ Licences	Equity and/or Conditions Imposed	Compliance Status
					(xx) The declaring entity shall be deemed to have been notified of any varied or additional term or condition so long as notice of that varied or additional term or condition is sent to the last known mailing address, email address or fax number of the declaring entity which was provided to the Singapore Customs pursuant to clause (xii) above.	Noted.

Notes:-

- (1) As at the LPD, the total workforce of Champion PT consists approximately 54.84% of local workforce. Kindly refer to the subsequent table of this section in relation to the details of the compliance status with this condition.
- (2) Customs duty exemption is given to all raw materials and components used directly in the manufacturing process of approved produce from the initial stage of manufacturing until the finished product is finally packed ready for export.
- (3) A factory engages in low-risk activities will only have to submit a one-time notification declaring such activities. The factory notification was issued by the MOM SG to Champion PE on 31 July 2018.
- (4) The registration is not subject to renewal and Mr. Foo is the only authorised person. However, this does not constitute a key person risk as Champion PE can identify another appropriate personnel who meet the requirements of RIER and CR.

As at the LPD, Champion PT has approximately 54.84% of local workforce while all the employees of Champion C are the local employees.

The details of non-compliances pursuant to MITI Licences for our Existing Plants and the compliance status of our Existing Plants with the conditions of MITI Licences are as summarised in the table below.

No.	Entities	Existing Plants	Details of Non-Compliance pursuant to MITI Licences for Our Existing Plants	Details of the Compliance Status of Our Existing Plants with the Conditions of MITI Licences
1.	Champion PT	Plant 1	<p>Champion PT does not have the MITI Licence/approval from MIDA for Plant 1 prior to 31 October 2018</p> <p>There was no MITI Licence/approval from MIDA for Plant 1 under Champion PT prior to 31 October 2018. Champion PT triggered the threshold to obtain the MITI Licence sometime during FYE 30 June 2006 when the NA of Champion PT stood at approximately RM4.66 million as at 30 June 2006. Pursuant to the Guideline on Application for E-Manufacturing Licence issued by MIDA, a company is required to have a MITI Licence for its manufacturing activities when its shareholders' funds reach RM2.50 million and above or it employs 75 or more full-time paid</p>	<p>Save for the conditions of MITI Licences for Plant 1, Plant 2 and Plant 4 in regard to the total full-time workforce of Champion PT shall comprise at least 80.00% Malaysians by 31 December 2024, we have complied with all the conditions of our major licences, permits and approvals.</p> <p>Champion PT is required to meet this condition by 31 December 2020 in accordance with the condition stipulated in the MITI Licence for Plant 1 and is required to meet this condition by 31 December 2022 in accordance with the condition stipulated in the MITI Licence for Plant 2 and Plant 4 respectively.</p> <p>Prior to January 2022, Champion PT was previously under the wrong impression that it was entitled to continue adopting the ratio of 1 local worker to 3 foreign workers based</p>

6. BUSINESS OVERVIEW (CONT'D)

No.	Entities	Existing Plants	Details of Non-Compliance pursuant to MITI Licences for Our Existing Plants	Details of the Compliance Status of Our Existing Plants with the Conditions of MITI Licences
2.	Champion PT	Plant 2	<p>employees. However, Champion PT was under the wrong impression that they were exempted from the requirement of having the MITI Licence until the adviser for the HKEX IPO advised them otherwise sometime May 2018. Champion PT had, on 5 June 2018, submitted the application for the MITI Licence to the MIDA. Champion PT had, on 31 October 2018, obtained the approval from the MIDA on the MITI Licence for Plant 1 and had, on 5 March 2019, obtained the MITI Licence for Plant 1 which is valid since 31 October 2018.</p> <p>Champion PT does not have the MITI Licence/approval from MIDA for Plant 2 prior to 2 March 2022</p> <p>There was no MITI Licence/approval from MIDA for Plant 2 under Champion PT prior to 2 March 2022. Champion PT started manufacturing activities in Plant 2 in November 2019. Champion PT was under the wrong impression that the MITI Licence obtained specifically for Plant 1 applied to all plants under/owned by Champion PT. Subsequent to the advice by the DDWG, Champion PT had, on 23 December 2021, submitted the application to the MIDA for the expansion of the MITI Licence for Plant 1 to Plant 2. Champion PT had, on 2 March 2022, obtained the approval for the said application and had, on 7 June 2022, obtained the MITI Licence for Plant 2 which is valid since 2 March 2022.</p>	<p>on the guideline “semakan kelayakan pekerja asing” as appearing in www.eppax.gov.my. Thereafter, Champion PT realised that sometime in January 2022 the above was not applicable when the DDWG advised Champion PT on the same.</p> <p>Following that finding and in January 2022 too, DDWG had advised Champion PT that pursuant to note (i) of clause 2 of the Guideline on Application For E-Manufacturing Licence issued by MIDA on 26 March 2021, relaxation for compliance of such condition had been given until 31 December 2022 under the scenario of expansion or diversification and regularisation of manufacturing projects and Champion PT met the criteria for the said relaxation.</p> <p>A meeting was arranged with MITI officers in January 2022 where as a result from that meeting and following the advice of the DDWG, Champion PT had, on 31 January 2022, applied for an extension of time to comply with the said condition by 31 December 2022. Champion PT however did not receive any response from MITI in relation to the said application.</p> <p>MITI had, on 18 July 2022, issue a letter to, among others, relevant associations, chambers of commerce, federations, councils and organisations granting further extension on the requirement to comply with the said condition until 31 December 2024. As such, the application submitted by Champion PT on 31 January 2022 was no longer deemed relevant and the approval from MIDA for the said application was no longer required.</p> <p>Sometime December 2022, the DDWG had relooked into past non-compliances of our Group and had discovered that prior to the issuance of Guideline on Application For E-Manufacturing Licence dated 26 March 2021, there was a similar guideline which was issued by MIDA on 10 July 2020.</p> <p>Pursuant to note (ii) of clause 2 of the Guideline on Application For E-Manufacturing Licence issued by MIDA on 10 July 2020, there was also relaxation for compliance with such condition until 31 December 2022 for the expansion or diversification and regularisation of manufacturing projects which Champion PT has also met the criteria for the said relaxation. In addition, pursuant to Clause 3 of the said guideline, all MITI Licence application for manufacturing projects under the ICA 1975 received by MIDA from 1 July 2020 will be evaluated through the self-assessment/self-declaration</p>
3.	Champion PT	Plant 4	<p>Champion PT does not have the MITI Licence/approval from MIDA for Plant 4 prior to 28 March 2022</p> <p>There was no MITI Licence/approval from MIDA for Plant 4 under Champion PT prior to 28 March 2022. Champion PT started manufacturing activities in Plant 4 in November 2019. Champion PT was under the wrong impression that the MITI Licence obtained specifically for Plant 1 applied to all plants under/owned by Champion PT. Subsequent to the advice by the DDWG, Champion PT had, on 8 March 2022, submitted the application to the MIDA for the expansion of the MITI Licence for Plant 1 to</p>	<p>Sometime December 2022, the DDWG had relooked into past non-compliances of our Group and had discovered that prior to the issuance of Guideline on Application For E-Manufacturing Licence dated 26 March 2021, there was a similar guideline which was issued by MIDA on 10 July 2020.</p> <p>Pursuant to note (ii) of clause 2 of the Guideline on Application For E-Manufacturing Licence issued by MIDA on 10 July 2020, there was also relaxation for compliance with such condition until 31 December 2022 for the expansion or diversification and regularisation of manufacturing projects which Champion PT has also met the criteria for the said relaxation. In addition, pursuant to Clause 3 of the said guideline, all MITI Licence application for manufacturing projects under the ICA 1975 received by MIDA from 1 July 2020 will be evaluated through the self-assessment/self-declaration</p>

6. BUSINESS OVERVIEW (CONT'D)

No.	Entities	Existing Plants	Details of Non-Compliance pursuant to MITI Licences for Our Existing Plants	Details of the Compliance Status of Our Existing Plants with the Conditions of MITI Licences
4.	Champion C	Plant 3 and Plant 4	<p>Plant 4. Champion PT had, on 28 March 2022, obtained the approval for the said application and had, on 31 May 2022, obtained the MITI Licence for Plant 4 which is valid since 28 March 2022.</p> <p>Champion C does not have the MITI Licence/approval from MIDA for Plant 3 prior to 6 December 2019 and operates without MITI Licence/approval from MIDA for Plant 4 for the period from 28 April 2017 to 13 August 2018</p> <p>There was no MITI Licence/approval from MIDA for Plant 3 under Champion C prior to 6 December 2019. Champion C started manufacturing activities in Plant 3 in November 2019. Champion C had, vide its letter dated 25 October 2019, applied for the change in MITI Licence for Plant 4 to Plant 3 and subsequently obtained the approval for the said application on 6 December 2019. Champion C was under the impression that they could operate in Plant 3 using its MITI Licence for Plant 4 while waiting for the approval from the MITI for the change in MITI Licence for Plant 4 to Plant 3. Champion C met the triggering threshold to obtain the MITI Licence on 28 April 2017 as the shareholders' fund of Champion C had exceeded RM2.50 million. However, Champion C only had the MITI Licence for Plant 4 from 14 August 2018 to 6 December 2019. Therefore, the period of non-compliance of Champion C operating Plant 4 without the MITI Licence/approval from MIDA is for the period between 28 April 2017 until 13 August 2018. Prior to May 2018, Champion C was under the wrong impression that they did not need to have MITI Licence (same wrong impression by Champion PT as explained above) until the adviser for the HKEX IPO advised them otherwise sometime May 2018. Champion C had, on 8 June 2018, submitted the application of MITI Licence to MIDA and had, on 14 August 2018, obtained the approval from MIDA on the MITI Licence for Plant 4. Subsequent to the approval from MIDA on 6 December 2019 on the change in MITI Licence of Champion C for Plant 4 to Plant 3, Champion C ceased to have MITI Licence for Plant 4 since 6 December 2019. Subsequently,</p>	<p>mechanism. Based on the clarification made with the MIDA officer by MY Solicitors, as the evaluation was through self-assessment/self-declaration mechanisms, application to MITI for its approval for such relaxation was not necessary back then.</p> <p>Premised on the above, there was no non-compliance in regard to Champion PT in regard to the said condition.</p> <p>As at the LPD, pursuant to note (ii) of clause 2.3 of the Guideline on Application For E-Manufacturing Licence issued by MIDA on 3 November 2022, the relaxation continues to apply for new, expansion, diversification and regularisation manufacturing project on the said condition until 31 December 2024. Pursuant to Clause 1.4 of the said guideline, the evaluation was through self-assessment/self-declaration mechanisms. Based on the clarification made with the MIDA officer by MY Solicitors and as confirmed by the said MIDA officer, application to MITI for its approval for such relaxation was not required.</p> <p>However, in the event Champion PT is unable to comply with such condition by 31 December 2024 and the further extension of time application is not approved by MIDA, MIDA may take action by issuing warnings, imposing penalties or additional conditions or restrictions, suspending and/or revoke the licence for any breach or non-compliance of the conditions.</p> <p>Under the circumstances where the MITI Licence for Plant 1, Plant 2 and/or Plant 4 are suspended and/or revoked, our business operations and financial conditions are expected to be materially and adversely impacted.</p> <p>Champion PT has made various efforts in order to comply with this condition by 31 December 2024 which include, but not limited to, the following:-</p> <p>(i) Prior to the implementation of Minimum Wages Order 2022, Champion PT has since 1 April 2021, increase the basic salary for new local workforce from RM1,200.00 per month to RM1,500.00 per month (RM1,350.00 per month during the probation period and RM1,500.00 per month upon confirmation); and</p> <p>(ii) Conduct roadshows and interview sessions in East Malaysia to attract local workforce from rural areas of East Malaysia; and</p>

6. BUSINESS OVERVIEW (CONT'D)

No.	Entities	Existing Plants	Details of Non-Compliance pursuant to MITI Licences for Our Existing Plants	Details of the Compliance Status of Our Existing Plants with the Conditions of MITI Licences
			<p>Champion C had, on 8 December 2021, submitted the application to MIDA for the expansion of the MITI Licence of Plant 3 to Plant 4 and subsequently obtained the approval for the said application on 24 January 2022 and such approval is valid since 24 January 2022. As per the letter of approval from MIDA, Champion C has to submit the requisite documents within 6 months from the date of the approval. Otherwise, cancellation proceeding will commence after the said 6-month period has lapsed. Our Group did not submit the said requisite documents as we did not intend to continue to obtain the MITI Licence for Plant 4 under Champion C as Champion PT has already obtained a valid MITI Licence for Plant 4 on 31 May 2022 which is valid since 28 March 2022.</p>	<p>(iii) Actively offering internship programmes for final year vocational school and/or college students and offering full-time employment with Champion PT upon completion of internship period; and</p> <p>(iv) Enquiring our existing staff for any family members and/or friends who are seeking for employment and are interested to join us; and</p> <p>(v) Engaging a manpower agency to source for local workers.</p> <p>The above-mentioned efforts by Champion PT had resulted in the percentage of local workforce of Champion PT to increase from 30.50% as at 30 June 2020 to 58.63% as at 31 December 2022 and 54.84% as at the LPD respectively.</p> <p>Barring any unforeseen circumstances, Champion PT expects to meet the said condition by 31 December 2024.</p>

As at the LPD, we have not been imposed any penalty by the MITI with regard to the non-compliances in relation to our Existing Plants being unlicensed for the period before we obtain the MITI Licences for the respective Existing Plants. Pursuant to the ICA 1975, any person who engages in any manufacturing activity without a manufacturing licence is guilty of an offence and such person shall be liable on conviction to 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 the business continues to operate without a licence. The MITI may take action by issuing warnings, imposing penalties or additional conditions or restrictions, suspending and/or revoke the licence for any breach or non-compliance of the conditions. Notwithstanding that the MITI has the right to impose the relevant penalties or take legal action against our Group for our past non-compliances, the likelihood of such occurrence is low in view that such licences have already been obtained. This is further substantiated by an email sent by the officer of MIDA to our Company's representative on 23 May 2018 stipulating that no penalty will be imposed upon Champion PT in regard to its operations without a MITI Licence.

Our Group has an internal process to monitor and track the validity and submission of our approvals, certificates and licences applicable to our Group, and to ensure all the approvals, certificates and licences and permits are renewed in a timely manner prior to their expiry. Upon submission of the renewal applications, our Group will actively liaise and follow up closely with the relevant authorities on the progress of the renewal.

The non-existence of the MITI Licence for Plant 1 from the FYE 30 June 2006 until 30 October 2018 was discovered by the advisers of the HKEX IPO sometime May 2018 and before the appointment of KAF IB as our Principal Adviser for our IPO and our Listing, which was in November 2021. Our Group had taken immediate action upon the advice by the advisers of the HKEX IPO by applying for the MITI Licence for Plant 1 immediately and had successfully obtained the

6. BUSINESS OVERVIEW (CONT'D)

approval for the MITI Licence for Plant 1 on 31 October 2018. Save for this, all the other non-compliances as stated in this section, Section 6.17.2, Section 6.22.1 and Section 6.23 of this Prospectus were discovered by the DDWG during the due diligence for our IPO and our Listing and after the appointment of KAF IB as our Principal Adviser for our IPO and our Listing.

Our Group has also implemented the following measures to enhance our internal control in order to prevent recurrence of non-compliances:-

- (i) On 18 November 2021, we had appointed SocialGreen Governance to perform a detailed evaluation on our Group's policies, procedures, systems and internal control measures. According to the result of the follow up review by SocialGreen Governance, we had implemented measures and rectified deficiencies (other than those which are applicable to be implemented upon Listing) as recommended by them; and
- (ii) Champion PT and Champion C had, on 14 December 2022, engaged the Independent DOE Consultant to review their compliance with the EQA 1974 and other relevant regulations and to advise on the required corrective measures. Champion PT and Champion C had fully adopted the recommendations by the Independent DOE Consultant and the Independent DOE Consultant had, via its signed reports dated 9 February 2023, 23 March 2023 and 27 October 2023, confirm that Champion PT and Champion C have fully complied with the EQA 1974 and all the relevant environmental laws, regulations, rules, requirements and guidelines in Malaysia; and
- (iii) Champion PT and Champion C had, on 19 December 2022, engaged the Independent DOSH Consultant to review their compliance with the OSHA 1994, FMA 1967 and other relevant regulations and to advise on the required corrective measures. Save for the recommendation in relation to having a first aid room to which our Group has in place sufficient first aid facilities and measures in each of the Existing Plants to cater to the objective of first aid, Champion PT and Champion C had fully adopted the recommendations by the Independent DOSH Consultant and the Independent DOSH Consultant had, via its signed reports dated 9 February 2023, 24 March 2023 and 27 October 2023, confirm that Champion PT and Champion C have fully complied with the OSHA 1994, FMA 1967 and all the relevant workplace safety and health laws, regulations, rules, requirements and guidelines in Malaysia; and
- (iv) We will continue to engage an independent internal control consultant to perform internal audit for the risk areas of our Group 3 times in a financial year and the frequency of which will be revisited from time to time; and
- (v) We have established the Compliance Department in Malaysia, headed by our Group CFO with the assistance of Head of Compliance and another 2 designated compliance officers, and to be overseen by our Compliance Committee, to ensure that all areas of compliance with regard to Malaysia laws, regulations, rules and requirements are adhered to; and
- (vi) We have established the Compliance Department in Singapore, headed by our General Manager of Champion PE with the assistance of the human resources manager of Champion PE, and to be overseen by our Compliance Committee, to ensure that all areas of compliance with regard to Singapore laws, regulations, rules and requirements are adhered to. The human resources manager of Champion PE has joined Champion PE since 1999 and she is mainly responsible for matters in relation to human resources, compliance, accounting and admin of Champion PE. During the course of due diligence conducted for Champion PE pursuant to our IPO, along with the General Manager of Champion PE, she is also the main liaison person for Champion PE

6. BUSINESS OVERVIEW (CONT'D)

in its dealings with the DDWG and with AVANT and with the input and advice from AVANT, she is equipped with requisite legal knowledge as to the requirements for compliance with regard to Singapore laws, regulations, rules and requirements; and

- (vii) We have established a register of relevant approvals, licences and certificates with the date of expiry and the conditions imposed for our Compliance Department to monitor and take action in regard to renewal prior to the expiry of the relevant approvals, licences and certificates and the compliance with the necessary conditions of the said approvals, licences and certificates, where applicable; and
- (viii) We have set out specific SOPs to address and to prevent the recurrence of each and every past non-compliance; and
- (ix) We have, on 1 April 2022 and 16 June 2022 respectively, established an Audit Committee and a Risk Management Committee, which comprise entirely Independent Non-Executive Directors. Our Audit Committee and Risk Management Committee was combined to Audit and Risk Management Committee with effect from 8 February 2023.

The duties and obligations of our Audit Committee function of our Audit and Risk Management Committee include, but not limited to, reviewing the audit plan, audit report and evaluating system of internal controls with the external auditors and reporting the same to our Board.

The duties and obligations of our Risk Management Committee function of our Audit and Risk Management Committee include, but not limited to, establishing an adequate and effective risk management and internal control framework for our Group, reviewing significant risks identified (including operational, financial, regulatory compliance, sustainability and reputational risks) and assessing the mitigating actions put in place to manage these risks, as well as reviewing the adequacy of resources for managing the risk management and internal control framework of our Group, in addition to other matters as instructed by our Board; and

- (x) Our Group had, on 8 February 2023, established a Compliance Committee as stated in Section 6.24 of this Prospectus, which is tasked in and responsible for monitoring and overseeing all areas of our Group's compliance such as the legal and regulatory compliance matters including, but not limited to, the compliance with licensing, permits and approvals for the businesses in Malaysia and Singapore; and
- (xi) Where necessary, we will seek professional advice and assistance from internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to the internal controls and compliance of our Group, and to provide our Group updates on the applicable laws related to our Group from time to time. In this regard, R&L are the designated legal counsel of our Group for matters on any updates of compliance which our Group needs to adhere to. This will be practical since R&L are involved in this IPO and they are now familiar with on areas of compliance in respect of approvals, licences and certificates. On matters concerning secretarial compliance, Tricor will be engaged to provide updates and compliance; and
- (xii) All the members of our Board have attended the Mandatory Accreditation Programme of Bursa Securities and are well informed on the obligations of the directors of a listed company and the corporate governance requirements for a listed company and the directors of a listed company; and

6. BUSINESS OVERVIEW (CONT'D)

- (xiii) We had, on 22 September 2022, enrolled to the corporate membership of Institute of Corporate Directors Malaysia and our Directors will be able to access the resources provided by the said institute and shall attend the trainings provided by the said institute, where necessary; and
- (xiv) We will also engage professionals where necessary to provide trainings to our Directors and our employees to develop a clear understanding on matters related to internal controls and compliances for them to leverage on their understanding to enhance the policies and processes of our Group. Additionally, KAF IB have also briefed our Board together with MY Solicitors on the duties and responsibilities of our Directors for a listed entity as well as the obligations of our Promoters in respect of matters concerning moratorium and mandatory takeover and will continue to advise our Directors and our Promoters on the same from time to time up to the Listing.

KAF IB, being our Principal Adviser, is of the view in regard to the following:-

- (i) Our Group has always strived to comply with the relevant laws, regulations, rules and requirements governing the conduct of the business of our Group, including the compliance in relation to the property assets owned or rented by our Group. Our Group has always taken efforts to comply with the relevant laws, regulations, rules and requirements the moment we are aware of the same. While there have been past non-compliances, our Group has implemented controls and measures to avoid the recurrence of the said non-compliances; and
- (ii) Our Group has taken immediate action to resolve all the non-compliances which were being advised by the advisers of the HKEX IPO prior to our submission for the HKEX IPO in November 2018; and
- (iii) Using the due diligence findings of the HKEX IPO as a base, the DDWG for our IPO and Listing had practiced a broader scope of due diligence in respect of our IPO and Listing and consequently has resulted in the following:-
- (a) Discovery of additional applicable laws, regulations, rules and requirements (of which were not previously covered in the HKEX IPO) which had immediately resulted in non-compliances; and
- (b) Even more careful and right interpretation of the laws and regulations which had resulted in non-compliances (of which were not previously covered in the HKEX IPO). One of these instances is that the MITI Licence of Champion PT which was specifically for Plant 1, was not applicable for Plant 2 and Plant 4 but was otherwise wrongly presumed to be applicable for Plant 2 and Plant 4; and
- (iv) The occurrence of the non-compliances and the fact that the rectifications were made just prior to the submission to the relevant authorities for our IPO and Listing are not an indication of lack of corporate governance of our Group.
- The non-compliances were resulted by the inadequacy of our knowledge and misinterpretation of the relevant laws, regulations, rules and requirements governing conduct of the business of our Group in the past, and of which is not a representation of our knowledge and capability at present and going forward. The inadequate knowledge and misinterpretation of the relevant laws, regulations, rules and requirements governing conduct of the business of

6. BUSINESS OVERVIEW (CONT'D)

our Group in the past does not reflect lack of corporate governance of our Group either as we are always committed to and as well strive to comply with all the relevant regulatory requirements in the past the moment we are made known to such requirements.

The rectifications made were immediate as practicable as part of our obligation to comply with the relevant laws, regulations, rules and requirements governing conduct of the business of our Group and not necessarily due to our IPO and Listing.

Our management is now aware of and well informed of all requisite compliance areas as well as being able to manage compliance on an on-going basis after the extensive due diligence we have gone through in the course of due diligence for our IPO and Listing. In addition, to keep abreast with the latest update of the regulatory requirements that are relevant to the business of our Group, our Compliance Department will be mindful of vetting through news in the media and broadcast in the websites of the relevant authorities from time to time and if any clarification is required, our Group will immediately seek advice from our professionals advisers; and

- (v) Upon the advice of the DDWG, our Group has immediately taken all reasonable steps in enhancing our internal control system and ensuring compliance with the relevant laws, regulations, rules and requirements governing conduct of the business of our Group, including compliance of property assets owned or rented by our Group; and
- (vi) In addition to the above, our Group has also implemented the internal controls measures as mentioned above to enhance our internal control system; and
- (vii) The non-compliances of our Group in the past, on a combined basis, does not affect the suitability of our Group for Listing due to the following reasons:-
 - (a) With regard to the past wrong impression and not being aware of the applicable requirements governing the conduct of the business of our Group, including the property assets owned or rented by our Group in the past, the DDWG members have duly advised us on the said requirements and we are now well informed on the said requirements and will ensure that all areas of compliance with regard to said requirements are adhered to; and
 - (b) With regard to the oversight in relation to the renewal of the relevant approvals, licences and certificates prior to their expiry and/or non-compliances of the conditions imposed on the relevant approvals, licences and certificates, we have established a register of relevant approvals, licences and certificates with the date of expiry and the conditions imposed for our Compliance Department to monitor and take action in regard to renewal prior to the expiry of the relevant approvals, licences and certificates and the compliance with the necessary conditions of the said approvals, licences and certificates, where applicable and this is expected to mitigate the incidences of such oversight; and
 - (c) With regard to the obligations for the compliance with the relevant requirements pursuant to a listed entity on the Main Market, the DDWG members have briefed our Board on the same and will advise our Directors and the Promoters on the same from time to time up to our Listing; and
 - (d) We have rectified those non-compliances as well as has put in place measures and controls to prevent the recurrence of those non-compliance incidents; and

6. BUSINESS OVERVIEW (CONT'D)



- (e) Most importantly, the DDWG have assessed the competency of our Board and management on the point of being aware of all requisite compliance areas as well as our competency in managing compliance on an on-going basis and found that after the extensive due diligence process our Group have been through, our Group are now well-equipped to deal with this matter; and
- (viii) Our Principal Adviser believes the measures put in place by our Group will be effective to ensure our compliance moving forward due to the following:-
- (a) We have set up our Compliance Committee in overseeing and monitoring all areas of compliance of our Group; and
- (b) We have adopted systematic approach on the following:-
- (i) In tracking the timing to prepare the necessary applications before the expiry of the relevant approvals, certificates and licences and is not expected to have anymore oversight in renewal of any of the relevant approvals, certificates and licences; and
- (ii) In minimising the recurrence of the instances of past non-compliances of our Group in the future; and
- (c) We are now well equipped with the requisite knowledge of the relevant regulatory requirements after substantial advice given by the DDWG in the course of the due diligence on our IPO and we are now able to put to practice with the right compliance framework and trained personnel.

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6. BUSINESS OVERVIEW (CONT'D)

6.20 INTELLECTUAL PROPERTIES

As at the LPD, save as disclosed below, we do not have any other intellectual property right registered and/or in the process of registration.

No.	Registered Owner/ Applicant	Authority	Trademark	Application No.	Filing Date/ Expiry Date	Class of Trademark	Status
1.	CPE Technology ⁽¹⁾	MyIPO		TM2022013848	7 June 2022/ 7 June 2032	Class 42 Engineering; construction engineering services [technical project studies in the field of construction]; consultancy services in the fields of science, engineering and information technology; design and development of engineering products; development of engineering products; electrical engineering services; engineering consultancy; engineering services; information technology engineering services; preparation of engineering reports; consultancy in the field of engineering	Registered
2.	Champion PE	Intellectual Property Office of Singapore		40201818400P	12 September 2018/ 12 September 2028	Class 37 Servicing of manufacturing machines and apparatus; servicing of machines	Registered

Note:-

⁽¹⁾ The application was previously made under the name of Mr. Lee on 7 June 2022. Our Company and Mr. Lee had, on 27 June 2022, entered into a deed of assignment and pursuant to the said deed of assignment, Mr. Lee has assigned to our Company all the property, right, title and interest in the trademark and all the benefits of the trademark application to the intent that upon such trademark application being registered the said assignment shall operate to vest the full and exclusive rights and benefits in the trademark including all common law rights connected therewith together with the goodwill of the business relating to the goods in respect of which the trademark is registered to hold the same unto our Company absolutely. Thereafter, the application to transfer the applicant from Mr. Lee to our Company was made on 22 July 2022 and the applicant of the said trademark has been successfully transferred from Mr. Lee to our Company following the approval by the MyIPO dated 26 July 2022 stipulating that the effective date of the said transfer is on 27 June 2022. As such, the said trademark is registered under CPE Technology's name on 9 February 2023.

6. BUSINESS OVERVIEW (CONT'D)

Our Group is not materially dependent on the abovementioned trademarks as our customers do not rely on the recognition of our trademarks in placing orders with us and none of our products are sold with our trademarks in the past and the said trademarks are not expected to have any impact to our business operations and financial performance.

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6. BUSINESS OVERVIEW (CONT'D)

6.21 MATERIAL DEPENDENCY CONTRACTS

As at the LPD, there are no contracts, including commercial or financial contracts, on which we are materially dependent for our business or profitability.

6.22 EMPLOYEES

As at the LPD, we have 604 employees, of which 583 are based in Malaysia, and 21 are based in Singapore. Out of our 604 employees, 2 of them are employed by both Champion PT (Malaysia) and Champion PE (Singapore). The breakdown of our employees as at 30 June 2023 and as at the LPD is as follows:-

6.22.1 Employees in Malaysia

The details of our employees in Malaysia are as summarised in the table below.

No.	Category of Employees	Number of Employees	
		As at 30 June 2023	As at the LPD
1.	Managerial	(1) 27	(1) 27
2.	Professionals/Accountants/Engineers	8	8
3.	Supervisor/Technician/Maintenance/Officer/Leaders	64	64
4.	Clerical Support	31	28
5.	Service and Sales Workers	2	2
6.	Machinist/Operator/QA	500	454
Total		(1) 632	(1) 583
Nationality			
1.	Malaysian	368	331
2.	Foreign		
	Managerial	2	2
	Professionals/Accountants/Engineers	3	3
	Supervisor/Technician/Maintenance/Officer/Leaders	22	19
	Clerical Support	1	1
	Service and Sales Workers	-	-
	Machinist/Operator/QA	236	227
Subtotal		(1) 264	(1) 252

6. BUSINESS OVERVIEW (CONT'D)

No.	Category of Employees	Number of Employees	
		As at 30 June 2023	As at the LPD
Total		(1) 632	(1) 583

Note:-

(1) Mr. Mu and another employee of Champion PT, the latter who is primarily tasked to supervise the secondary processes of our Group, are also included in 'Employees in Singapore' (in the table below) as they are also under the employment of Champion PE.

As at the LPD, save for 11 practical students which are our contractual employees, all of our employees in Malaysia are permanent employees.

As at the LPD, all of our foreign employees in Malaysia hold valid working permits and the general validity period of the working permits for our foreign employees is 1 year.

Prior to 4 January 2022, all foreign workers of Champion PT were supposed to work only at Plant 1 based on the designated place as stated in their work permits. However, there were foreign workers who were working in other of our Existing Plants. Our Group was under the wrong impression that the work permits obtained for our foreign workers allow our foreign workers to work in any of our Existing Plants until being advised by the DDWG on otherwise.

Champion PT had, on 23 December 2021, applied to the Immigration Department of Malaysia to change the work place of its 141 foreign workers from Plant 1 to Plant 2.

Subsequently, on 4 January 2022, approval was obtained by Champion PT.

Following the said approval, Champion PT has placed all its foreign workers in either Plant 1 or Plant 2. Our Group will ensure continuous compliance of this requirement.

There were no penalties incurred in regard to the above said past non-compliance. Pursuant to Section 39 of the Immigration Regulations 1963, the potential penalties are in the form of fine not exceeding RM1,000.00 or a term of imprisonment not exceeding 6 months or both.

In addition, as the above said non-compliance has been rectified since 4 January 2022, we do not expect any retrospective action to be taken by the relevant authority for the period of non-compliance.

As at the LPD, none of our employees in Malaysia are member of any union nor have there been any major industrial disputes in the past.

As at the LPD, our Group has complied with the Minimum Wages Order 2022.

6.22.2 Employees in Singapore

The details of our employees in Singapore are as summarised in the table below.

No.	Category of Employees	Number of Employees	
		As at 30 June 2023	As at the LPD
1.	Managerial	(1) 8	(1) 8
2.	Accounts and human resources	2	2

6. BUSINESS OVERVIEW (CONT'D)

No.	Category of Employees	Number of Employees	
		As at 30 June 2023	As at the LPD
3.	Logistics	1	1
4.	Purchasing	1	1
5.	QA	4	4
6.	Sales	4	4
7.	Warehouse	1	1
Total		(1) 21	(1) 21
Nationality			
1.	Singaporean/Permanent Resident	15	15
2.	Foreign		
	Accounts and human resources	1	1
	Sales	2	2
	QA	3	3
Subtotal		6	6
Total		(1) 21	(1) 21

Note:-

(1) Mr. Mu and another employee of Champion PE are also included in 'Employees in Malaysia' (in the table above) as they are also under the employment of Champion PT.

As at the LPD, all our foreign employees in Singapore hold valid working permits/employment pass and the general validity period for the working permits/employment pass of our foreign employees is 2 years.

As at the LPD, none of our employees in Singapore are member of any union nor have there been any major industrial disputes in the past.

6.23 REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES

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.

As at the LPD, our Group is in compliance with the governing laws, regulations, rules or requirements relating to our business.

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6. BUSINESS OVERVIEW (CONT'D)

6.23.1 Governing Laws, Regulations, Rules or Requirements to our Business in Malaysia

(i) Industrial Co-Ordination Act 1975 (ICA 1975)

Pursuant to the ICA 1975, no person shall engage in any manufacturing activity unless he is issued with a licence in respect of such manufacturing activity. The ICA 1975 defines “manufacturing activity” as the “making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade”. Failure to comply is an offence under the ICA 1975 and the person is liable, on conviction to 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 such default continues.

Manufacturing companies with shareholders' funds of RM2.50 million and above or engaging 75 or more full-time paid employees are required to apply to the MITI for a manufacturing licence.

As at the LPD, we have valid MITI Licences for all of our Existing Plants.

As stated in Section 6.19 of this Prospectus, Champion PT has yet to comply with the conditions of MITI Licence for Plant 1, Plant 2, Plant 4 and Plant 5 in regard to the total workforce of Champion PT which shall consist at least 80.00% Malaysian citizen by 31 December 2024. As at the LPD, the total workforce of Champion PT consists approximately 54.84% of local workforce. Kindly refer to Section 6.19 of this Prospectus for various efforts made by Champion PT in order to comply with the said condition by 31 December 2024.

(ii) Factories and Machinery Act 1967 (FMA 1967)

The FMA 1967 provides for the control of factories with respect to matters relating to the safety, health and welfare of persons in the factories, the registration and inspection of machinery, as well as other matters connected therewith.

The FMA 1967 dictates that the occupier of the factory has a duty to maintain the standards of safety of the appliances and machinery in his factory as well as the health and welfare of his factories and factory workers. Such standards include taking precautions against fire, proper maintenance of safety appliances and machinery, keeping of a clean factory, and mandatory reporting of accidents and dangerous occurrences to the inspector of factories and machinery.

Under the FMA 1967, 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 a valid certificate of fitness issued under the FMA 1967 in relation to the operation of the machinery. In the event of any contravention, an inspector of factories and machinery appointed under the FMA 1967 shall serve the person a notice in writing prohibiting the operation of the machinery or may render the machinery inoperative until a valid certification of fitness is issued.

For the purposes of the 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

6. BUSINESS OVERVIEW (CONT'D)

but does not include:-

- (I) Any machinery used for the propulsion of vehicles other than steam boilers or steam engines;
 - (II) Any machinery driven by manual power other than hoisting machines;
 - (III) Any machinery used solely for private and domestic purposes; or
 - (IV) 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 (FMA 2022) has received the Royal Assent and was gazetted on 4 March 2022 and 16 March 2022 respectively. However, the FMA 2022 was not in force as the FMA 2022 will come into operation on a date to be appointed by the Minister by notification in the gazette. The FMA 2022 will repeal the FMA 1967 when it comes into operation and 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 be dealt with under the OSHA 1994 and its subsidiary legislations.

As at the LPD, our Group complies with the requirements under FMA 1967 and we hold valid certificates of fitness for our machinery that require certifications under the FMA 1967.

(iii) Occupational Safety and Health Act 1994 (OSHA 1994) and Occupational Safety and Health (Use and Standard of Exposure of Chemicals Hazardous to Health) Regulation 2000 (USECHH)

The OSHA 1994 makes provisions for securing the safety, health and welfare of persons at work, to protect others against risks to safety or health in connection with the activities of persons at work, as well as to promote an occupational environment for persons at work.

It shall be the duty of every employer to conduct its undertaking in such a manner as to ensure, as far as possible, that he and other persons, not being its employees who may be affected thereby are not exposed to risks to their safety or health. Every employer who provides, maintains, or imports any machinery, equipment, or appliance for use at work shall ensure the aforesaid, and the installation thereof, is safe and without risks to health when properly used; carry out testing and examination as necessary; and ensure the results of such tests are available.

It shall also be the duty of every employer to prepare a general policy with respect to the safety and health of his employees and the organisation and arrangements for the time being in force for carrying out that policy. The policy shall be revised as needed and shall be brought to the notice of all employees.

The OSHA 1994 requires a company to notify the nearest occupational safety and health office of any accident, dangerous occurrence, occupational poisoning, or occupational disease which has occurred or is likely to occur at the place of work.

In addition, pursuant to the USECHH, which is a subsidiary legislation pursuant to the OSHA 1994, an employer shall not carry out any work which may expose or is likely to expose any employee to any chemical hazardous to health unless he has made a written assessment of the risk created by the chemical to the health of the employee.

6. BUSINESS OVERVIEW (CONT'D)

Pursuant to the OSHA 1994, a person who by any act or omission contravenes any provision of the OSHA 1994 or any regulation made thereunder, shall be guilty of an offence, and if no penalty is expressly provided shall, on conviction, be liable to a fine not exceeding RM10,000.00 or to imprisonment for a term not exceeding 1 year or to both, and in the case of continuing offence, to a fine not exceeding RM1,000.00 for every day or part of a day during which the offence continues after conviction.

Where a body corporate contravenes any provisions of the OSHA 1994 or any regulations made thereunder, every person, who at the time of the commission of the offence is a director, manager, secretary or other like officer of the body corporate shall be deemed to have contravened the provision and may be charged jointly in the same proceedings with the body corporate or severally, and every such director, manager, secretary or other like officer of the body corporate shall be deemed to be guilty of the offence.

Our Group's safety and health policy has been communicated to the employees of our Group.

The officer of DOSH had requested our Group to conduct a written assessment of the risk created by the chemical used in our Plant 1 in July 2015. However, our Group had only engaged a consultant to conduct the said written assessment of the risk created by the chemical used in Plant 1, Plant 3 and Plant 4 on 18 April 2018 as we were under the impression that the request by the officer of DOSH in July 2015 was a suggestion and not a requirement until being reminded by the officer of DOSH again in February 2018. The said assessment was not made for Plant 2 as Plant 2 was not in operation at that point in time. It was an oversight by Champion PT in not conducting assessment for Plant 2 after they commenced operations in Plant 2. Champion PT had, on 10 March 2022, commenced such assessment for Plant 2 and had, on 10 April 2022, completed such assessment for Plant 2.

There were no penalties incurred in regard to the period of non-compliance. Pursuant to the OSHA 1994, the potential penalties are in the form of fine not exceeding RM10,000.00 or a term of imprisonment not exceeding 1 year or both and to a further fine not exceeding RM1,000.00 for every day during which such offence is continued after conviction.

As Champion PT has completed such assessment for Plant 2 on 10 April 2022, we do not expect any retrospective action to be taken by the relevant authority for the period of non-compliance with USECHH. As at the LPD, our Group has conducted written assessment of the risk created by the chemical used in all of our Existing Plants.

(iv) Environmental Quality Act 1974 (EQA 1974)

The EQA 1974 regulates and control the levels of pollution of the atmosphere, noise pollution, pollution of the soil, pollution of inland waters without licence, prohibits the discharge of oil and wastes into Malaysian waters without a licence and prohibits open burning.

The EQCAR 2014 is a subsidiary legislation pursuant to the EQA 1974 which regulates the emission of air pollutants to the atmosphere and specifies the requirements for an air pollution control system for every premises to which the EQCAR 2014 applies to, including any premises used for any industrial or trade purposes, or on which matter is burnt in connection with any industrial or trade purposes and any other premises or process that discharges or is capable of discharging air pollutants into the open air.

Any person who contravenes or fails to comply with any provisions of the EQCAR 2014 will be guilty of an offence and shall be liable to a fine not exceeding RM100,000.00 or

6. BUSINESS OVERVIEW (CONT'D)

to imprisonment for a term not exceeding 2 years or to both.

The EQIER 2009 is a subsidiary legislation pursuant to the EQA 1974 which regulates the discharge or release of industrial or mixed effluents onto or into any soil, or into inland waters or Malaysian waters. The EQIER 2009 specifies the requirements for the design and construct of an industrial effluent treatment system to collect and treat industrial effluents generated within such premises.

Pursuant to Regulation 4 of the EQIER 2009, no person shall, without prior written notification to the Director General of DOE:-

- (a) Carry out any work on any premises that may result in a new source of discharge of industrial effluent or mixed effluent;
- (b) Construct on any land, building or facility designed or used for a purpose that may cause the land or building or facility to result in a new source of discharge of industrial effluent or mixed effluent;
- (c) Make or cause or permit to be made 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 the discharge or release from an existing source; or
- (d) Carry out upgrading work of an existing industrial effluent treatment system that may result in a material change in the quantity or quality of the discharge or release.

Regulation 4 of the EQIER 2009 further requires such written notification to carry out any work, construction, or upgrading or to make any change referred to in paragraph above shall be submitted to the Director General of DOE in a specified form within 30 days before the work or construction or upgrading commences.

Any person who contravenes the EQIER 2009 will be guilty of an offence and will, on conviction, be liable to a fine not exceeding RM100,000.00 or to a term of imprisonment for a period not exceeding 5 years or to both and to a further fine not exceeding RM1,000.00 a day for every day that the offence is continued.

The EQSWR 2005 is a subsidiary legislation pursuant to the EQA 1974 which impose on the waste generator of premises an obligation to record, store, label, treat and dispose scheduled waste in accordance to the regulation. Any person who contravenes the aforementioned will commit an offence, and will be compounded by the Director General of DOE or any other public officer or local authority to whom the Director General of DOE has delegated such power to a sum of money not exceeding RM2,000.00.

We have appointed a licenced service provider to collect and transport scheduled wastes from our factory, and dispose, treat and carry out other waste management related services at premises of the licenced service provider.

Champion PT was issued with 5 compounds totalling RM10,000.00 (discounted to RM5,000.00 eventually) by the DOE for Plant 1 in the FYE 30 June 2021 due to contravention of the following:-

- (a) Regulation 3 (Notification of the generation of scheduled wastes); and
- (b) Regulation 8 (Responsibility of waste generator); and
- (c) Regulation 9 (Storage of scheduled waste); and
- (d) Regulation 11 (Keeping an inventory of scheduled wastes); and

6. BUSINESS OVERVIEW (CONT'D)

(e) Regulation 14 (Spill or accidental discharge).

In the FYE 30 June 2022, Champion PT was further issued with:-

- (a) 5 compounds totalling RM10,000.00 (discounted to RM6,000.00) by DOE for Plant 1; and
- (b) 3 compounds totalling RM6,000.00 (discounted to RM4,500.00) by DOE for Plant 2; and
- (c) 4 compounds totalling RM8,000.00 (discounted to RM6,000.00) by DOE for Plant 4.

The above-mentioned compounds are due to contravention of the following:-

- (a) Regulation 3 (Notification of the generation of scheduled wastes); and
- (b) Regulation 9 (Storage of scheduled waste); and
- (c) Regulation 10 (Labelling of scheduled waste); and
- (d) Regulation 11 (Keeping an inventory of scheduled wastes); and
- (e) Regulation 14 (Spill or accidental discharge); and
- (f) Regulation 15 (Conduct of training).

In the FYE 30 June 2022, Champion C was also issued with 4 compounds totalling RM8,000.00 (eventually discounted to RM6,000.00) for Plant 3 due to the contravention of the following:-

- (a) Regulation 9 (Storage of scheduled waste); and
- (b) Regulation 10 (Labelling of scheduled waste); and
- (c) Regulation 11 (Keeping an inventory of scheduled wastes).

Champion PT and Champion C have fully settled all the compounds above.

The 21 compounds (after discount) incurred collectively were approximately 0.06% based on our Group's PBT for the FYE 30 June 2022, which did not have any material adverse impact to the business operations and financial condition of our Group.

Some of the compounds issued were in relation to the contravention of same regulations of the DOE. Our Company has taken immediate action to address the recommendations of the officers from the DOE in each instance after the compounds were issued and managed to obtain discounts from the DOE for all 21 compounds issued by the DOE thereafter. The reasons of the occurrence of the contravention of the same regulations subsequent to the initial compounds were due to the following reasons:-

- (a) Prior to January 2022, we do not have any competent person in regard to the management of scheduled wastes pursuant to the DOE requirements. We have sent 2 of our employees to attend the CePSWaM Course from 28 November 2021 to 2 December 2021 (5-day course). These 2 of our employees are now our Head of Compliance (who came into our employment as an Account Senior Officer on 14 May 2018 and was subsequently promoted as our Head of Compliance on 1 August 2022) and Administrative and Compliance Executive (who came into our

6. BUSINESS OVERVIEW (CONT'D)

employment on 15 April 2021 with the same job title) respectively.

The processes for a person to become a competent person in regard to the management of scheduled wastes pursuant to the DOE requirements and the status of the completion of the respective process by our above-mentioned employees as at the LPD are as summarised in the table below.

No.	Step	Process	Status as at the LPD
1.	Step 1	Registration to attend the CePSWAM.Course.	Completed.
2.	Step 2	Attendance of the CePSWAM Course.	Completed.
3.	Step 3	Completion of the course assignment.	Completed.
4.	Step 4	Passing the comprehensive assessments.	Completed.
5.	Step 5	Obtaining the Certificate of Competency (first level).	Completed. Both of our employees (Head of Compliance and Administrative and Compliance Executive) have been certified by the Environment Institute of Malaysia of DOE as competent persons, the validity period of which is from 20 January 2022 to 20 January 2023.
6.	Step 6	Preparation of the field training report.	Completed. Our Head of Compliance and Administrative and Compliance Executive are required to submit their field training reports to the Environmental Institute of Malaysia of DOE within 1 year from the issuance of the Certificate of Competency (first level), which is by 19 January 2023.
7.	Step 7	Submission of the field training report.	Completed. Both our employees had, on 16 December 2022, submitted the field training reports, which is within the stipulated timeframe as mentioned above. As confirmed by the Environmental Institute of Malaysia via its email dated 16 December 2022, their certificates as competent persons shall continue to be valid until the availability of the results of the assessment of the said field training reports and the interview as stated in Item No. 8 below.
8.	Step 8	Appearance at the professional interview.	Pending. After the submission of the field training reports, the assessment of the field training reports will be conducted by the panel of the DOE. Participants will then be called for a professional interview, if required by the DOE. Our Head of Compliance has attended the professional interview on 16 February 2023 while the Administrative and Compliance Executive is still awaiting for the interview date, if such interview is required by the DOE.
9.	Step 9	Certified as competent person by the Director General of DOE.	Pending. After the professional interview as mentioned in Item No. 8 above, the certification panel of the DOE will make a final decision on whether to issue the certificate of competency to the participant. Our Head of Compliance has been certified as a competent person by the DOE in April 2023.

6. BUSINESS OVERVIEW (CONT'D)

A competent person will automatically be registered in the National Registry of Certified Environmental Professionals administered by the Environment Institute of Malaysia of DOE.

In order to maintain the registration with the Environment Institute of Malaysia of DOE after being certified as competent persons as mentioned above, our Head of Compliance and Administrative and Compliance Executive would need to complete the 40 continuing professional development hours a year, prepare reports on the pollution control system performance status and make presentations at their work premises; and

- (b) Although we have reminded our related employees after each instance of the compounds, some of these employees had failed in ensuring the requirements under the EQA 1974 were met due mainly to the absence of our environment and scheduled waste management policy prior to 18 April 2022 as well as inadequate training. These 2 reasons have since been rectified.

Our Directors have implemented the following measures to enhance the internal control system of our Group and prevent the recurrence of the above non-compliance incidents:-

- (a) Our Group has adopted the recommendations of the DOE during their site visits where those compounds were issued; and
- (b) Our Group has 2 competent persons in regard to the management of scheduled wastes pursuant to the DOE requirements since January 2022 as mentioned above and they are responsible to ensure the requirements under the EQA 1974 and other relevant regulations are adhered to; and
- (c) Our Group has, on 18 April 2022, established and adopted the environment and scheduled waste management policy which establishes the procedure for handling, storage and disposal of scheduled waste produced by our Group and has, on even date, circulated the said policy to our related employees and requested them to comply with the said policy; and
- (d) Our Group had, in May 2022, provided training to our related employees with regard to the requirements of the DOE; and
- (e) We have established an Audit Committee and a Risk Management Committee on 1 April 2022 and 16 June 2022 respectively, which comprise entirely Independent Non-Executive Directors. The said Audit Committee and Risk Management Committee have been combined into Audit and Risk Management Committee effective from 8 February 2023.

The duties and obligations of the Audit Committee function of our Audit and Risk Management Committee include, but not limited to, reviewing the audit plan, audit report and evaluating system of internal controls with the external auditors and reporting the same to our Board.

The duties and obligations of the Risk Management Committee function of our Audit and Risk Management Committee include, but not limited to, establishing an adequate and effective risk management and internal control framework for our Group, reviewing significant risks identified (including operational, financial, regulatory compliance, sustainability and reputational risks) and assessing the mitigating actions put in place to manage these risks, as well as reviewing the adequacy of resources for managing the risk management and internal control framework of our Group, in addition to other matters as instructed by our Board;

6. BUSINESS OVERVIEW (CONT'D)

and

- (f) Champion PT and Champion C had, on 14 December 2022, engaged the Independent DOE Consultant to review their compliance with the EQA 1974 and other relevant regulations and to advise on the required corrective measures. Champion PT and Champion C had fully adopted the recommendations by the Independent DOE Consultant and the Independent DOE Consultant had, via its signed reports dated 9 February 2023, 23 March 2023 and 27 October 2023, confirm that Champion PT and Champion C have fully complied with the EQA 1974 and all the relevant environmental laws, regulations, rules, requirements and guidelines in Malaysia; and
- (g) Where necessary, we will seek professional advice and assistance from internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to our internal controls and compliance, and to provide us updates on the applicable laws related to our business operations from time to time after our Listing; and
- (h) We will also engage professionals where necessary to provide trainings to our Directors and employees to develop a clear understanding of matters related to our internal controls and compliances for them to leverage on their understanding to enhance our policies and processes and implementation of the same.

KAF IB, being our Principal Adviser, is of the view that the recurrence of contravention under EQA 1974 is not necessarily a reflection of the lack of commitment by our Promoters to ensure compliance with the said regulation but merely a reflection of the inadequate knowledge and internal control measures and training to our staff on the DOE's requirements in the past which have since been rectified.

Following the second occurrence of the compounds from the DOE in September 2021, our Group has sent 2 of our officers for CePSWaM Course and they are competent persons in regard to the management of scheduled wastes pursuant to the DOE requirements since January 2022 as mentioned above.

Following the third occurrence of the compounds in March 2022, our Group immediately recognised the importance of adopting the environment and scheduled waste management policy urgently to prevent the recurrence of the non-compliances with the requirements of the DOE and the said policy is adopted and communicated to our related employees on 18 April 2022. In addition, we have also provided training to our related employees with regard to the requirements of the DOE. This training and any updates where necessary are now part of our Group's policy and shall remain as a continuous effort going forward.

In July 2022, the officer of DOE had visited our Plant 2 to inspect the oil mist collectors installed in our Plant 2. The officer of DOE did not visit our Plant 1, Plant 3 and Plant 4 during the said inspection. No compound was issued by the DOE to any of our Existing Plants during the said inspection.

Between July 2023 and September 2023, the officer of DOE had also visited our Existing Plants. No compound was issued by the DOE to any of our Existing Plants during the said inspections.

There is no inspection by the officer of DOE subsequent to the inspection in September 2023 up to and including the LPD.

The inspection by the DOE would be conducted on a random basis without prior notice to our Group. Nonetheless, with the implementation of the aforementioned measures which led to an enhancement of our Group's internal control system, our Group does not

6. BUSINESS OVERVIEW (CONT'D)

expect on the recurrence of the abovementioned non-compliance incidents in the future.

(v) EMPLOYEES' MINIMUM STANDARDS OF HOUSING, ACCOMMODATION AND AMENITIES ACT 1990 (EMSHAA 1990), WORKERS' MINIMUM STANDARDS OF HOUSING AND AMENITIES (AMENDMENT) ACT 2019 AND THE EMPLOYEES' MINIMUM STANDARDS OF HOUSING, ACCOMMODATIONS AND AMENITIES (ACCOMMODATION AND CENTRALIZED ACCOMMODATION) REGULATIONS 2020

The EMSHAA 1990 and its subsidiary regulations require employers and centralised accommodation providers to comply with the minimum statutory requirements relating to centralised accommodation provided to employees. A centralised accommodation provider is defined as any person who provides and manages any building used for the housing of employees employed by one or more employers and supervises the services provided in such building for one or more employers but does not include an employer who provides accommodations for his own employees.

The EMSHAA 1990 was amended by the Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019 where effective from 1 June 2020, employers must abide by enhanced minimum standards on accommodation for employees which includes obtaining a Certificate of Accommodation from the Department of Labour Peninsular Malaysia. Notwithstanding, a 3 months' grace period up to 31 August 2020 was granted to allow employers to make necessary arrangements to ensure compliance with the EMSHAA 1990. Nonetheless, in any event that the accommodation provided does not have a valid Certificate of Accommodation, the employer will be liable to a fine not exceeding RM50,000.00.

Kindly refer to Section 5.5.2 of this Prospectus for the details of the compliance of our tenanted properties with the above regulations.

(vi) 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 RMCD 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.

Pursuant to the Customs Duties (Exemption) Order 2017, customs duty exemption is given to all raw materials and components used directly in the manufacturer of finished or semi-finished goods in premises of manufacturers undertaking subcontract work in the principal customs area provided among others, that the goods belong to a category that has been approved by the Director General of RMCD and prior approval has been obtained by the said manufacturer licenced under Section 65 or Section 65A of the CA 1967 and the manufacturer keeps such accounts of the issue of the raw materials or components and receipt of the finished or semi-finished goods to and from the subcontractor. The said manufacturer shall also furnish not later than the 10th of each month to the RMCD a return in such form and manner as the Director General of RMCD may prescribe, the security as determined by the Director General of RMCD should be furnished to the RMCD for the return of the finished or semi-finished goods to the said manufacturer and any other conditions as the Director General of RMCD may deem necessary.

Section 138 of the CA 1967 provides that any breach of the conditions and restrictions stipulated under any licence or permit issued shall constitute an offence and in respect

6. BUSINESS OVERVIEW (CONT'D)

of any such offence for which no penalty is expressly provided, the offender shall be liable to a fine of not exceeding RM50,000.00 or imprisonment for a term not exceeding 5 years or both.

As at the LPD, Champion PT is a Licenced Manufacturing Warehouse company whose licence was granted by the Director General of RMCD for the warehousing and manufacturing of approved products on Plant 1, Plant 2, Plant 4 and Plant 5. With the issuance of the Licenced Manufacturing Warehouse Licence, our raw materials and components used directly in the manufacturing process are exempted from custom duties.

(vii) Local Government Act 1976 (LGA 1976)

The LGA 1976 confers the power to the local authority to make, amend and revoke by-laws. As our business is carried out in Johor Bahru, we come under the jurisdiction of the MBBJ and the relevant by-laws governing the conduct of our business would be the Licensing of Trades, Business and Industries (Johor Bahru City Council) By-Laws 2016 (By-Laws 2016).

The By-Laws 2016 provides that no person shall use any place or premises within the area of MBBJ for any trade, business or industry without a licence issued by the Local Authority. A contravention of the LGA 1976 and By-Laws 2016 would result in an offence, which upon conviction, result in a fine not exceeding RM2,000.00 or imprisonment or a term not exceeding one year or both and to a further fine not exceeding RM200.00 for every day during which the offence is continued after conviction.

As at the LPD, we hold and maintain a valid Business Premise and Advertisement Licences issued by MBBJ for all of our Existing Plants and our Plant 5.

(viii) Employment Act 1955 (EA 1955)

The EA 1955 regulates all labour related matters including contracts of service, payment of wages, employment of women, maternity protection, rest days, hours of work, holidays, termination, lay-off and retirement benefits, employment of foreign employees and keeping of registers of employees.

Any person who commits any offence under, or contravenes any provision of the EA 1955, or any regulations, order or other subsidiary legislation whatsoever made thereunder, in respect of which no penalty is provided, shall be liable, on conviction, to a fine not exceeding RM50,000.00.

(ix) Employees Provident Fund Act 1991 (EPFA 1991)

The EPF is a social security institution established in accordance with the EPFA 1991 providing for the retirement benefits for employees through management of their savings in an efficient and reliable manner.

Under the EPFA 1991, both the employer and employee are required to make contributions at the contribution rate set out in the EPFA 1991 into the employee's individual account in the EPF. The amount is calculated based on the monthly wage of the employee and the contribution rate is based on the wage or salary received by the employee. The EPFA 1991 would be applicable to all local employees.

If the employer fails to pay to the EPF any contributions within the prescribed period, the company and the directors are liable to pay in respect of or on behalf of any employee shall, on conviction, be liable to imprisonment for a term not exceeding 3 years or to a

6. BUSINESS OVERVIEW (CONT'D)

fine not exceeding RM10,000.00 or to both.

(x) Companies Act 2016 (Act)

The Act governs, amongst others, matters relating to the rights, powers, duties and obligations of a company, shares and share capital of a company (including issuances of new shares (including preference shares), share buybacks, redemption, share capital reduction, declaration of dividends, financial assistance, directors and shareholders of a company (including meetings and proceedings of directors and shareholders, dealings between such persons and the company), accounts, and winding up.

The company and any officer that fails to comply with any provisions under the Act is liable to imprisonment or a fine or to both, the details of the term of imprisonment or fine of each matter is as stipulated in the Act.

6.23.2 Governing laws, regulations, rules or requirements to our business in Singapore

(i) Workplace Safety and Health Act 2006 (WSHA 2006) and Workplace Safety and Health (Registration of Factories) Regulations 2008 (WSHR 2008)

The WSHA 2006 which is regulated by the MOM SG provides that every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of persons at work. These measures include:-

- (a) Providing and maintaining for those persons a work environment which is safe, without risk to health, and adequate as regards to facilities and arrangements for their welfare at work; and
- (b) Ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by those persons; and
- (c) Ensuring that those persons are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer; and
- (d) Developing and implementing procedures for dealing with emergencies that may arise while those persons are at work; and
- (e) Ensuring that those persons at work have adequate instruction, information, training and supervision as is necessary for them to perform their work.

Section 50 of the WSHA 2006 provides that any person who breaches his duty shall be guilty of an offence and shall be liable on conviction, in the case of a body corporate, to a fine not exceeding SGD500,000.00 and if the contravention continues after the conviction, the body corporate shall be guilty of a further offence and shall be liable to a fine not exceeding SGD5,000.00 for every day or part thereof during which the offence continues after conviction.

Pursuant to the WSHA 2006, Section 5(2) provides that, "factory" means any premises:-

- (a) Within which persons are employed in any of the following process:-
 - (I) The handling, sorting, packing, storing, altering, repairing, construction, processing or manufacturing of any goods or product;
 - (II) The handling, sorting, packing, storing, processing, manufacturing or use of any hazardous substances;

6. BUSINESS OVERVIEW (CONT'D)

- (III) The repair, construction or manufacturing of any vessel or vehicle;
- (IV) Any building operation or work of engineering construction;
- (V) The operation or maintenance of any facility or system related to the provision of any public utility; and
- (VI) Which is specified in the fourth schedule of the WSHA 2006.

Pursuant to Regulation 5(1) of the WSHR 2008, any person who desires to occupy or use any premises as a factory not falling within any of the classes of factories described in part I, II or III of the first schedule of the WSHR 2008 shall, before the commencement of operation of the factory, submit a notification to the Commissioner for Workplace Safety and Health appointed under Section 7 of the WSHA 2006, informing the Commissioner for Workplace Safety and Health of his intention to occupy or use those premises as such a factory. Under Regulation 5(5) of the WSHR 2008, any person who contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding SGD5,000.00.

Champion PE has submitted the factory notification to the Commissioner for Workplace Safety and Health informing the intention to occupy or use its premises as a factory from 31 July 2018.

(ii) Workplace Safety and Health (General Provisions) Regulations (WSH(GP)R)

Under Regulation 31(5) of WSH(GP)R, it is provided that subject to paragraph (6) and Regulation 31A (extension of time for examination of steam boilers, steam receivers and air receivers), every air receiver shall be (a) thoroughly cleaned; and (b) examined by an authorised examiner at least once every 2 years. Regulation 31(6) of the WSH(GP)R provides that, an authorised examiner may, in his discretion, arrange to make the examination referred to in paragraph (5) within 3 months after the 2 years have expired.

In accordance with Regulation 27(1) of the WSH(GP)R, it shall be the duty of the owner of any air receiver who intends to put the relevant equipment into use in a workplace to:-

- (a) Obtain, in such form and manner as may be determined by the Commissioner, the approval of the Commissioner to use the relevant equipment;
- (b) Ensure that such examination and test by an authorised examiner as may be specified by the Commissioner has been satisfactorily carried out;
- (c) Obtain from the authorised examiner a report of the examination and test referred to in sub-paragraph (b), specifying the safe working pressure of the relevant equipment and stating the nature of the tests to which the relevant equipment and its fittings have been submitted;
- (d) Keep the report referred to in sub-paragraph (c) available for inspection; and
- (e) Mark the relevant equipment so as to enable it to be identified as the relevant equipment to which the report refers.

The above-mentioned Regulation 27(1) of the WSH(GP)R shall not apply to any air receiver that has been examined in accordance with Regulation 31(5) and reported on in accordance with Regulation 31(10) of the WSH(GP)R.

6. BUSINESS OVERVIEW (CONT'D)

Any person who contravenes any provision of WSH(GP)R which imposes a duty on him for which no penalty is expressly provided shall be guilty of an offence and shall be liable on conviction to a fine not exceeding SGD20,000 or to imprisonment for a term not exceeding 2 years or to both.

As at the LPD, we have obtained the approval of the Commissioner to use the pressure vessel and the pressure vessel has been inspected by the authorised examiner every 2 years.

(iii) Regulation of Imports and Exports Act 1995 (RIEA 1995) and Regulation of Imports and Exports Regulations (RIER)

The RIEA 1995 is administered by the Director-General of Singapore Customs appointed under Section 4(1) of the SG CA 1960, and provides for the regulation, registration and control of imports and exports. The relevant regulatory body is the Singapore Customs. RIER requires permits to be granted for the import, export or transshipment of certain goods.

Any importer, exporter, shipping agent, air cargo agent, freight forwarder, common carrier or other person who desires to obtain a permit, certificate or any other document or form of approval for any purposes of the RIEA 1995 or any regulations made thereunder, the application for which involves a declaration being made, is a “declaring entity”. Under Regulation 35B of the RIER, unless the Director-General of Singapore Customs allows in any particular case, no declaration may be made for any purposes of the RIEA 1995 or any regulations made thereunder unless the declaring entity, and the declaring agent and the declarant, are registered by the Director-General of Singapore Customs prior to the making of the declaration. An entity which is registered under the former Regulation 37(1) of the RIER in force immediately before 2 April 2013 shall be deemed to have been so registered.

Except where otherwise provided, any person who is guilty of an offence under the RIER shall be liable, (a) on the first conviction to a fine not exceeding SGD100,000 or 3 times the value of the goods in respect of which the offence was committed, whichever is the greater, or to imprisonment for a term not exceeding 2 years or to both; and (b) on the second or subsequent conviction to a fine not exceeding SGD200,000 or 4 times the value of the goods in respect of which the offence was committed, whichever is the greater, or to imprisonment for a term not exceeding 3 years or to both.

As at the LPD, we have been registered with the Director-General of Singapore Customs as a declaring entity.

(iv) Employment of Foreign Manpower Act 1990 (EFMA 1990) and Employment of Foreign Manpower (Work Passes) Regulations 2012

The employment of foreign employees in Singapore is governed by the EFMA 1990 and is regulated by the MOM SG. The EFMA 1990 prescribes the responsibilities and obligations of employers of foreign employees in Singapore.

Under Section 2 of the EFMA 1990, a foreign employee is defined as:-

- (a) Any foreigner, other than a self-employed foreigner, who seeks or is offered employment in Singapore; or
- (b) Any other person or class of persons as the Minister may, by notification in the Gazette, specify.

Section 5(1) of the EFMA 1990 provides that no person shall employ a foreign employee unless he has obtained in respect of the foreign employee a valid work pass from the

6. BUSINESS OVERVIEW (CONT'D)

MOM SG in accordance with the Employment of Foreign Manpower (Work Passes) Regulations 2012, which allows the foreign employee to work for him. Section 5(6) of the EFMA 1990 states that any person who fails to comply with or contravenes Section 5(1) of the EFMA 1990 shall be guilty of an offence and shall:-

- (a) Be liable on conviction to a fine not less than SGD5,000.00 and not more than SGD30,000.00 or to imprisonment for a term not exceeding 12 months or to both; and
- (b) On a second or subsequent conviction:-
 - (I) In the case of an individual, with a fine of not less than SGD10,000.00 and not more than SGD30,000.00 and with imprisonment for a term of not less than one month and not more than 12 months; or
 - (II) in any other case, be punished with a fine of not less than SGD20,000.00 and not more than SGD60,000.00.

Pursuant to Section 25(1) of the EFMA 1990, any employer which:-

- (a) Makes or causes to make an application for a work pass on the basis of its foreign employee entitlement; and
- (b) Commits, or causes or permits to be committed any act or omission which facilitates, or which results in, the inflation of its foreign employee entitlement,

may be subject to a financial penalty not exceeding SGD20,000.00 as determined by the Controller of Work Passes.

On 24 June 2019, Champion PE had received a compound amounted to SGD1,000.00 from the MOM SG with regard to the EFMA 1990 as Champion PE was not aware of the self-initiated change of one of its work permit holder's actual residential address and failure to put in place measures to check on the foreign workers' living conditions which as a result in breach of the conditions of work permit by failing to ensure that the foreign worker was residing in acceptable accommodation. Champion PE had, on 2 July 2019, fully paid the compound of SGD1,000.

The relevant work permit holders of Champion PE have also vide the letters of confirmation dated 14 January 2022, confirmed their intention to stay at their current place of residence as reflected under Online Foreign Worker Address Service (OFWAS) and will keep Champion PE informed on the change of place of residence, if any. Under the revised template employment contract of Champion PE to be signed by any new hire of Champion PE after 14 January 2022, provision is included such that foreign employee of Champion PE shall inform Champion PE for changes to the foreign employee's residential address.

Subject to the consents of respective landlords and relevant work permit holders, Champion PE will also conduct visits to the work permit holders' places of residence on a periodic basis.

If any of the landlord does not consent for such physical inspection, Champion PE will request the work permit holders to provide photos of the place of residence and will also require the relevant work permit holders to fill up and sign off the checklist in connection with the conditions of place of residence, and Champion PE will also fill up and sign off a fresh checklist by reviewing the photos of place of residence provided and checklists filled up by the relevant work permit holders.

6. BUSINESS OVERVIEW (CONT'D)

In addition, Champion PE will also inform any new hire under work permit holders to adhere to this requirement and will include the said requirements in the employment contracts with them.

As at the LPD, Champion PE has 5 work permit holders.

(v) Employment Act 1968 of Singapore (SG EA 1968)

The SG EA 1968 is administered by the MOM SG and sets out the basic terms and conditions at work for employees covered under the SG EA 1968, such as payment of salary, paid public holidays, sick leave and maternity leave. The SG EA 1968 covers, amongst others, every employee who is under a contract of service with an employer and includes a workman.

A workman is defined under the SG EA 1968 means (a) any person, skilled or unskilled, who has entered into a contract of service with an employer in pursuance of which he is engaged in manual labour, (b) any person, other than clerical staff, employed in the operation or maintenance of mechanically-propelled vehicles used for the transport of passengers for hire or for commercial purposes; (c) any person employed partly for manual labour and partly for the purpose of supervising in person any workman in and throughout the performance of his work; (d) any person specified in first schedule of the SG EA 1968 (i.e cleaners, construction workers, labourers, machine operators and assemblers, metal and machinery workers, train, bus, lorry and van drivers, train and bus operators and all workmen employed on piece rates in the employer's premises); or (e) any person whom the Minister may, by notification in the *Gazette*, declare to be a workman for the purpose of SG EA 1968. The definition of "employee" under the SG EA 1968 also does not extend to include any seafarer, domestic workers and any person belonging to any other class of persons whom the Minister may, by notification in the *Gazette*, declare not to be employees for the purposes of SG EA 1968.

In accordance to Section 112 of SG EA 1968, any person who is guilty of any breach or any offence under the SG EA 1968 for which no penalty is otherwise provided shall be liable on conviction to a fine not exceeding SGD5,000.00 or to imprisonment for a term not exceeding 6 months or to both, and for a subsequent offence under the same section to a fine not exceeding SGD10,000.00 or to imprisonment for a term not exceeding 12 months or to both.

(vi) Central Provident Fund Act 1953

The CPF system is a mandatory social security savings scheme funded by contributions from employers and employees. Pursuant to the Central Provident Fund Act 1953, an employer is obliged to make CPF contributions for all employees who are Singapore citizens or permanent residents who are employed in Singapore by an employer (save for employees who are employed as a master, a seaman or an apprentice in any vessel, subject to an exception for non-exempted owners).

CPF contributions are not applicable for foreigners who hold employment passes, S passes or work permits. CPF contributions are required for both ordinary wages and additional wages (subject to an ordinary wage ceiling and a yearly additional wage ceiling) of employees at the applicable prescribed rates which is dependent on, amongst others, the amount of monthly wages and the age of the employee. An employer must pay both the employer's and employee's share of the monthly CPF contribution.

Except as otherwise provided in Section 61(2) of the CPF Act 1953, any person convicted of an offence under the CPF Act 1953 for which no penalty is provide shall be liable on conviction, (a) to a fine not exceeding SGD5,000.00 or to imprisonment for a term not exceeding 6 months or to both; (b) if that person is a repeat offender in relation to the same offence, to a fine not exceeding SGD10,000.00 or to imprisonment for a

6. BUSINESS OVERVIEW (CONT'D)

term not exceeding 12 months or to both. Under Section 61(2) of the CPF Act 1953, where any person is guilty of an offence under Section 7(5) (*rates of contributions*) or 58(1)(b) (*offences*) of the CPF Act 1953; or (b) being a director, manager or secretary or any other officer of a body corporate, is guilty of an offence under Section 60 (*offences by corporations*) by virtue of the fact that an offence under Section 7(3) or (5) or 58(1)(b) has been committed by that body corporate and is found to have been committed with the consent or connivance of or to be attributable to any act or default on the part of that person, that person shall be liable on conviction (c) to a fine not less than SGD1,000.00 and not more than SGD5,000.00 or to imprisonment for a term not exceeding 6 months or to both; and (d) if that person is a repeat offender in relation to the same offence, to a fine not less than SGD2,000.00 and not more than SGD10,000.00 or to imprisonment for a term not exceeding 12 months or to both.

(vii) Companies Act 1967 of Singapore (SG Act 1967)

Champion PE is a private company limited by shares, incorporated and governed under the provisions of the SG Act 1967 and its regulations.

The SG Act 1967 generally governs, amongst others, matters relating to the status, power and capacity of a company, shares and share capital of a company (including issuances of new shares (including preference shares), treasury shares, share buybacks, redemption, share capital reduction, declaration of dividends, financial assistance, directors and officers and shareholders of a company (including meetings and proceedings of directors and shareholders, dealings between such persons and the company), protection of minority shareholders' rights, accounts, arrangements, reconstructions and amalgamations, winding up and dissolution.

A person who, (a) does that which under the SG Act 1967 the person is forbidden to do; (b) does not do that which under the SG Act 1967 the person is required or directed to do; or (c) otherwise contravenes or fails to comply with any provision of the SG Act 1967, shall be guilty of an offence. Under Section 407(2) of the SG Act 1967, a person who is guilty of an offence under SG Act 1967 shall be liable on conviction to a penalty or punishment not exceeding the penalty or punishment expressly mentioned as the penalty or punishment for the offence, or if a penalty or punishment is not so mentioned, to a fine not exceeding SGD1,000.00.

6.24 ENVIRONMENTAL, SOCIAL AND GOVERNANCE

As part of our Group's efforts in ensuring that our operations are environmentally responsible, that our workplace is conducive for our employees, and that we adopt a high-standard of corporate governance, we have adopted ESG practices as elaborated below.

Environmental practices take into account our Group's impact on the environment in terms of factors such as ensuring proper treatment of waste from our business activities, minimising waste and reducing our carbon footprint.

Social practices refer to our treatment of our employees as well as promoting inclusion and diversity in our Group.

Governance practices evaluate our Group's leadership and management, and business practices including our commitment to the ethical impact of our operations and our accountability.

There were past instances of non-compliances in relation to ESG as summarised in the sections below due to the reasons as elaborated in Section 6.17.2, Section 6.19, Section 6.22.1 and Section 6.23 of this Prospectus.

6. BUSINESS OVERVIEW (CONT'D)

As stated in Section 6.19 of this Prospectus, the said non-compliances were mainly resulted by the inadequacy of our knowledge and misinterpretation of the relevant laws, regulations, rules and requirements governing the conduct of the business of our Group in the past, and of which is not a representation of our knowledge and capability at present and going forward.

The inadequate knowledge and misinterpretation of the relevant laws, regulations, rules and requirements governing the conduct of the business of our Group in the past does not reflect the lack of our commitment in respect to the ESG requirements as our Group is always committed to act responsibly in our business operations, to create an environmentally responsible operations, a conducive workplace for employees, and a high standard of corporate governance towards our stakeholders.

The rectifications made were immediate as practicable and we strive to comply with all the relevant ESG requirements in the past the moment we are made known to such requirements. Similarly, our Board is mindful of the importance of building a sustainable business, and therefore takes into consideration the ESG impact when developing the corporate strategy of our Group.

In order to develop and implement our Group's ESG strategies, we have established our ESG Working Group to manage our ESG goals and lead the efforts in implementing our Group's ESG strategies. The working group is led by our Executive Director, Mr. Mu and consist of our Group CFO, Hun Jiang Yann; our General Manager of Champion PT, Khern Yeng Kar; our General Manager of Champion PE, Tan Lay Choon; our Group accountant; as well as our Compliance Department.

The ESG Working Group is responsible for implementing our Group's ESG strategies and projects with the primary aim in achieving our corporate social responsibility initiatives. The ESG Working Group is also responsible for identifying additional opportunities for the Group to improve our ESG practices. For the avoidance of doubt, the compliance with ESG related laws, regulations and rules shall be the responsibilities of our Compliance Committee and our Compliance Department and not our ESG Working Group.

(i) Environmental

(a) Past non-compliance

As set out in Section 6.23.1(iv) of this Prospectus, Champion PT was issued with 5 compounds by the DOE in the FYE 30 June 2021 and 12 compounds by the DOE in the FYE 30 June 2022, and Champion C was issued with 4 compounds by the DOE in the FYE 30 June 2022. The details of the said compounds are as summarised in the table below.

No.	Entity	FYE	Number of Compounds	Total Amount of the Compounds Before Discount RM	Total Amount of the Compounds after Discount RM	Nature of Contravention
1.	Champion PT	30 June 2021	5	10,000	5,000	(i) Regulation 3 (Notification of the generation of scheduled wastes); and (ii) Regulation 8 (Responsibility of waste generator); and (iii) Regulation 9 (Storage of scheduled waste); and

6. BUSINESS OVERVIEW (CONT'D)

No.	Entity	FYE	Number of Compounds	Total Amount of the Compounds Before Discount RM	Total Amount of the Compounds after Discount RM	Nature of Contravention
						(iv) Regulation 11 (Keeping an inventory of scheduled wastes); and (v) Regulation 14 (Spill or accidental discharge).
		30 June 2022	12	24,000	16,500	(i) Regulation 3 (Notification of the generation of scheduled wastes); and (ii) Regulation 9 (Storage of scheduled waste); and (iii) Regulation 10 (Labelling of scheduled waste); and (iv) Regulation 11 (Keeping an inventory of scheduled wastes); and (v) Regulation 14 (Spill or accidental discharge); and (vi) Regulation 15 (Conduct of training).
2.	Champion C	FYE 30 June 2022	4	8,000	6,000	(i) Regulation 9 (Storage of scheduled waste); and (ii) Regulation 10 (Labelling of scheduled waste); and (iii) Regulation 11 (Keeping an inventory of scheduled wastes).
Total			21	42,000	27,500	N/A.

Champion PT and Champion C have fully settled all the compounds above.

Some of the compounds issued were in relation to the same contravention of relevant regulations of the DOE. As stated in Section 6.23.1(iv) of this Prospectus, we have since adopted the necessary internal control measures to prevent the recurrence of the said non-compliances.

(b) Environmental sustainability strategies

We are committed in creating an environmentally responsible operations and in complying with the relevant environmental regulations. We are also committed to minimising the environmental impact of our activities. Our strategies to tackle environmental sustainability matters are as follows:-

(l) Management of scheduled wastes

6. BUSINESS OVERVIEW (CONT'D)

We have 2 competent persons in regard to the management of scheduled wastes pursuant to the DOE requirements since January 2022 as mentioned in Section 6.23.1(iv) of this Prospectus and they are responsible to ensure the requirements under the EQA 1974 and other relevant regulations are adhered to.

Additionally, our Group had, on 18 April 2022, established and adopted the environment and scheduled waste management policy which establishes the procedure for handling, storage and disposal of scheduled wastes produced by our Group and had, on even date, circulated the said policy to our related employees and requested them to comply with the said policy.

Our other internal controls over environmental processes which includes waste management and environmental control, and compliance monitoring is as set out in Section 6.23.1(iv) of this Prospectus.

In addition, Champion PT and Champion C had, on 14 December 2022, engaged the Independent DOE Consultant to review their compliance with the EQA 1974 and other relevant regulations and to advise on the required corrective measures. Champion PT and Champion C had fully adopted the recommendations by the Independent DOE Consultant and the Independent DOE Consultant had, via its signed reports dated 9 February 2023, 23 March 2023 and 27 October 2023, confirm that Champion PT and Champion C have fully complied with the EQA 1974 and all the relevant environmental laws, regulations, rules, requirements and guidelines in Malaysia.

As well, our Group has installed a wastewater treatment plant in Plant 4 in March 2023 as stated in Section 6.1.2 of this Prospectus. Such wastewater treatment plant will allow us to ensure the wastewater discharged during the electroplating and anodising processes is treated and disposed of in a compliant manner.

(II) Energy management

In line with our Group's efforts in minimising our carbon footprint and reducing the effect of climate change, our Group intends to install a solar PV system at our New Plants. By utilising solar energy, which is a natural, free and accessible source of clean energy, we would be able to reduce usage of other energy sources which may have larger effects on the environment for our Group's energy needs. The solar PV system that we intend to install is a system of interconnected solar panels used to harvest solar energy and generate electricity. Solar panels create no emissions when producing energy, making them a clean source of energy. We intend to utilise the solar PV system to gradually increase our usage of renewable energy and gradually reduce our total electricity cost and our carbon footprint.

In order to install a solar PV system in our New Plants, the solar PV system service provider must undertake an assessment of our New Plants to determine amongst others the energy requirements of our New Plants and the installation site of the solar PV system to receive maximum sunlight. As such, we will only be able to begin the process of obtaining a solar PV system after the completion of construction of our New Plants. After the assessment, the service provider will then design and develop a solar PV system that will fit the needs of our New Plants and subsequently install the system for us.

In addition to reducing future electricity cost by installing and utilising a solar PV system at our New Plants, we have also introduced the usage of LED

6. BUSINESS OVERVIEW (CONT'D)

lights of our Plant 2 and Plant 3. LED lights are more energy-efficient as they consume less electricity when in use. Furthermore, LED lights emit less heat which would help to further reduce energy usage from climate control, and are more long-lasting compared to fluorescent lights thus reducing the need to continuously replace the lights.

(III) Waste Management

Waste management is important in order to limit the impact of our business activities on the environment as well as the health of our employees and those around our Existing Plants. In order to effectively manage the generated waste and reduce generation of waste, we have implemented proper disposal procedures and have educated our employees on the procedures and have requested them to comply with the said procedures.

We have implemented a proper waste disposal system to encourage our employees to dispose of waste responsibly. This includes having separate waste bins to collect different types of waste such as recyclable waste (such as paper, plastic and glass) and general waste. We also encourage our employees to practise the principles of “reduce, reuse, recycle” by undertaking actions such as utilising digital communication tools to reduce paper usage, reusing pieces of paper whenever possible, reusing old packaging for storage, as well as recycling carbon packaging and paper products.

(IV) Water Management

Our Group is cognisant that water is an invaluable resource and issues such as water pollution will lead to lack of supply of clean water as well as environmental pollution. Our services include secondary processes such as electroplating and anodising. As such, we have installed a wastewater treatment plant in Plant 4 to ensure the wastewater discharged during the aforementioned processes carried out by our Group in-house is treated and disposed of in a compliant manner as explained above.

(ii) Social

(a) Past non-compliances

As set out in Section 6.23.1(iii) of this Prospectus, the officer of DOSH had requested our Group to conduct a written assessment of the risk created by the chemical used in our Plant 1 in July 2015. However, our Group had only engaged a consultant to conduct the said written assessment of the risk created by the chemical used in Plant 1, Plant 3 and Plant 4 on 18 April 2018 as we were under the impression that the request by the officer of DOSH in July 2015 was a suggestion and not a requirement until being reminded by the officer of DOSH again in February 2018. The said assessment was not made for Plant 2 as Plant 2 was not in operation at that point in time. It was an oversight by Champion PT in not conducting assessment for Plant 2 after they commenced operations in Plant 2. Champion PT had, on 10 March 2022, commenced such assessment for Plant 2 and had, on 10 April 2022, completed such assessment for Plant 2.

As at the LPD, our Group has conducted written assessment of the risk created by the chemical used in all of our Existing Plants.

6. BUSINESS OVERVIEW (CONT'D)

(b) Social sustainability strategies

Our Group understands that our employees are our key assets who are vital to our business operations and the success of our Group and as such we are committed to maintain a safe and conducive workplace for our employees. This involves putting in place initiatives to ensure our employees' physical and mental wellbeing. Our strategies to tackle social sustainability matters are as follows:-

(I) Workplace health and safety

We are committed to maintain a safe and conducive workplace for our employees. We have formalised SOPs for safety and health functions which includes conducting safety and health spot check quarterly to ensure the safety and health of the environment in our business and factory premises, formalising emergency response plan to prepare and train our employees for emergencies and inspection of employees' personal protective equipment, amongst others.

(II) Training and development

We are cognisant of the need to continuously train and develop our employees to nurture them. We provide on-the-job training to our employees to keep them up to date with the skills and knowledge required to enhance their competencies.

We also allocate training budget and plan training courses for our employees' development based on their training needs. Further, our Group has also established a training requisition form should our employees request for participation in additional training programme to improve on their skill sets.

(III) Employee wellbeing

It is important to foster a positive workplace that leads to healthy and motivated employees as it helps them to thrive and further contribute to our Group.

The accommodations provided to our local and foreign workers in Malaysia are in compliance with the minimum requirements as set out under the relevant regulations and have been issued with the Certificates for Accommodation by the Department of Labour of Peninsular Malaysia.

We also organise activities such as celebration lunches and dinners during festive occasions to reward our employees. We also offer prayer rooms for our employees as well as maternal and paternal leave for employees who are expecting.

(IV) Diversity and inclusion

A diverse and inclusive workforce brings together unique individuals with a range of experiences and perspectives, which may lead to a wider approach in problem-solving and better decision-making. It can also lead to development of new ideas and approaches, leading to improvements in our business processes. Our Group believes in implementing diversity and inclusion initiatives in our workplace. We are committed to practise recruitment and employment, placement, training and development, as well as remuneration and advancement in our Group based on the qualifications,

6. BUSINESS OVERVIEW (CONT'D)

work performance, and skills and experience of the employees. This ensures that employees from all backgrounds receive equal opportunities and that they feel valued and supported in our Group.

(iii) Governance

(a) Past non-compliances

There were non-compliances as set out in Section 6.17.2, Section 6.19, Section 6.22.1 and Section 6.23 of this Prospectus. The details of the said non-compliances are as summarised in the table below.

No.	Section of this Prospectus	Relevant Laws, Regulations, Rules or Requirements	Nature of Non-compliance	Reasons of Non-compliance	Status as at the LPD
1.	6.17.2	COVID-19 (Temporary Measures)(Control Order) Regulations 2020	Champion PE was found to have committed an offence under COVID-19 (Temporary Measures)(Control Order) Regulations 2020 and was notified by the MOM SG on 29 July 2020 and ordered to pay a composition sum of SGD1,000.00 by 13 August 2020. Champion PE was in breach of regulation 13E(1)(k) of the COVID-19 (Temporary Measures)(Control Order) Regulations 2020.	It was an oversight by Champion PE	Champion PE had, on 18 August 2020, fully paid the compound issued by MOM SG. Champion PE had also adopted the safety measurement guidelines since 11 August 2020, which includes, but not limited to, the procedure in relation to how to handle situation when there are any COVID-19 cases in Champion PE as well as the responsibility of safe management officer. It had also established the workplace safety team. The workplace safety team of Champion PE, including the safe management officer, was responsible to ensure the procedures under the safety measurement guidelines were adhered to. Following the revocation of the safe management measures under the COVID-19 (Temporary Measures)(Control Order) Regulations 2020 and revocation of Workplace Safety and Health (COVID-19 Safe Workplace) Regulations 2021 with effect from 13 February 2023, Champion PE had ceased to retain the safety measurement guidelines.
2.	6.19	ICA 1975	(i) Our Group operated without MITI Licences/ approvals from MIDA for certain period in the past.	Kindly refer to Section 6.19 of this Prospectus for the reasons of the said non-compliances.	As at the LPD, we have valid MITI Licences for all of our Existing Plants and Plant 5.
3.	6.22.1	Immigration Act 1959/63 and the Immigration Regulations 1963	Prior to 4 January 2022, all foreign workers of Champion PT were supposed to work only at Plant 1 based on the designated place as stated in their work	Our Group was under the wrong impression that the work permits obtained for our foreign workers allow our foreign workers	Champion PT had, on 23 December 2021, applied to the Immigration Department of Malaysia to change the work place of its 141 foreign workers from Plant 1 to Plant 2.

6. BUSINESS OVERVIEW (CONT'D)

No.	Section of this Prospectus	Relevant Laws, Regulations, Rules or Requirements	Nature of Non-compliance	Reasons of Non-compliance	Status as at the LPD
			permits. However, there were foreign workers who were working in other Existing Plants.	to work in any of our Existing Plants until being advised by the DDWG on otherwise.	Subsequently, on 4 January 2022, approval was obtained by Champion PT. Following the said approval, Champion PT has placed all its foreign workers in either Plant 1 or Plant 2. Our Group will ensure continuous compliance of this requirement.
4.	6.23.1(iii)	USECHH	The officer of DOSH had requested our Group to conduct a written assessment of the risk created by the chemical used in our Plant 1 in July 2015. However, our Group had only engaged a consultant to conduct the said written assessment of the risk created by the chemical used in Plant 1, Plant 3 and Plant 4 on 18 April 2018. The said assessment was not made for Plant 2 as Plant 2 was not in operation at that point in time.	We were under the impression that the request by the officer of DOSH in July 2015 was a suggestion and not a requirement until being reminded by the officer of DOSH again in February 2018. It was an oversight by Champion PT in not conducting assessment for Plant 2 after they commenced operations in Plant 2.	As at the LPD, our Group had conducted written assessment of the risk created by the chemical used in all of our Existing Plants.
5.	6.23.1(iv)	EQA 1974	Champion PT was issued with 5 compounds by the DOE in the FYE 30 June 2021 and 12 compounds by the DOE in the FYE 30 June 2022, and Champion C was issued with 4 compounds by the DOE in the FYE 30 June 2022 pursuant to the contravention of the EQA 1974.	Kindly refer to Section 6.23(iv) of this Prospectus for the reasons of the said non-compliances.	As at the LPD, we have fully paid the compounds and we have since adopted the necessary internal control measures to prevent the recurrence of the said non-compliances.
6.	6.23.2(iv)	EFMA 1990	On 24 June 2019, Champion PE had received a compound amounted to SGD1,000.00 from the MOM SG with regard to the EFMA 1990 as Champion PE was not aware of the self-initiated change of one of its work permit holder's actual residential address and failure to put in place measures to check on the foreign workers' living	It was an oversight by Champion PE.	Champion PE had, on 2 July 2019, fully paid the compound of SGD1,000. The present work permit holders of Champion PE have also vide the letters of confirmation dated 14 January 2022, confirmed their intention to stay at their current place of residence as reflected under Online Foreign Worker Address Service (OFWAS) and will keep Champion PE informed on the change of place of residence, if any.

6. BUSINESS OVERVIEW (CONT'D)

No.	Section of this Prospectus	Relevant Laws, Regulations, Rules or Requirements	Nature of Non-compliance	Reasons of Non-compliance	Status as at the LPD
			conditions which as a result in breach of the conditions of work permit by failing to ensure that the foreign worker was residing in acceptable accommodation.		<p>Subject to the consents of respective landlords and relevant work permit holders, Champion PE will also conduct visits to the work permit holders' places of residence on a periodic basis.</p> <p>If any of the landlord does not consent for such physical inspection, Champion PE will request the work permit holders to provide photos of the place of residence and will also require the relevant work permit holders to fill up and sign off the checklist in connection with the conditions of place of residence, and Champion PE will also fill up and sign off a fresh checklist by reviewing the photos of place of residence provided and checklists filled up by the relevant work permit holders.</p>

We have implemented the internal control measures as set out in Section 6.19 of this Prospectus to enhance our corporate governance as well as to prevent the recurrence of the non-compliances.

(b) Governance sustainability strategies

Notwithstanding the previous non-compliances of our Group, we remain committed to inculcating good corporate governance practices in accordance with the principles and practices of corporate governance as set out in the MCCG. We strive to achieve a high standard of corporate governance which is fundamental in safeguarding our Group's commitments to our shareholders and other stakeholders.

Our Board is also committed to the high standards of professionalism, honesty, accountability, integrity and ethical behaviour in the conduct of our business and operation of our Group and has adopted the practices and guidance of the MCCG to do so. Our strategies to tackle governance sustainability matters are as follows:-

(i) Board practices

Having good corporate governance practices in place are key to encouraging and implementing integrity and ethical business conduct. As such, our Group has implemented a code of ethics which all employees of our Group as well as our Board are subject to.

To ensure an effective Board to instil good corporate governance practices in our Group, we have established a Nomination and Remuneration Committee which comprises entirely Non-Executive Directors with duties and obligations of, amongst others, to evaluate and review the performance of our Board and Key Senior Management including the performance of our Board and Key Senior Management in addressing our Group's material sustainability risks and opportunities. Our Board comprises 8 Directors, 5 of

6. BUSINESS OVERVIEW (CONT'D)

which are Independent Non-Executive Directors (62.50% of our Board). Of the 8 Directors, 3 are women (37.50%) while the remaining members are men.

Our Group has applied the practices and guidance of the MCGG to our Group as an applicant for Listing.

(II) Whistleblowing policy

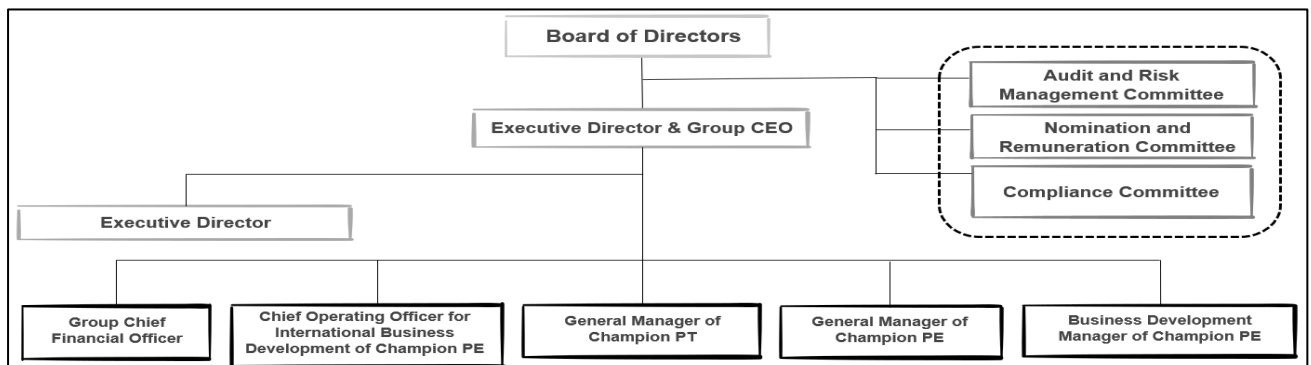
Our Group is committed to conduct our business activities in an ethical, transparent and responsible manner. As such, we have put in place a Whistleblowing Policy, in line with the Whistleblower Protection Act 2010, for our stakeholders such as customers, employees, suppliers, sub-contractors and local community to report any genuine concerns or allegations about actual or suspected fraud carried out by our Group, alleged unethical behaviours, or improper business conduct carried out by our employees or external parties with business relationships with our Group that may affect our Group.

(III) Anti-bribery and corruption policy

Our Group is committed to conduct our business activities in an ethical, transparent and responsible manner. As such, we have put in place an Anti-Bribery and Corruption Policy, in line with the Malaysian Anti-Corruption Commission Act 2009, that communicates our Group's policy against any form of bribery and corruption. We do not tolerate any bribery or corruption practices amongst our employees, as well as external parties such as customers and suppliers.

(IV) Enhancement of our Compliance framework

To monitor the ongoing implementation of our risk management policies and corporate governance measures, our Group has resolved to set up a holistic and robust compliance framework together with our operational structure within our Group to ensure compliance in all areas. Our Group's compliance structure shall begin with our Board and cascades down to the 3 committees namely Audit and Risk Management Committee, Nomination and Remuneration Committee and Compliance Committee. The compliance framework will then continue further downwards to the operational level and this would make up the whole compliance framework of our Group. The diagram below best depicts the compliance framework of our Group.

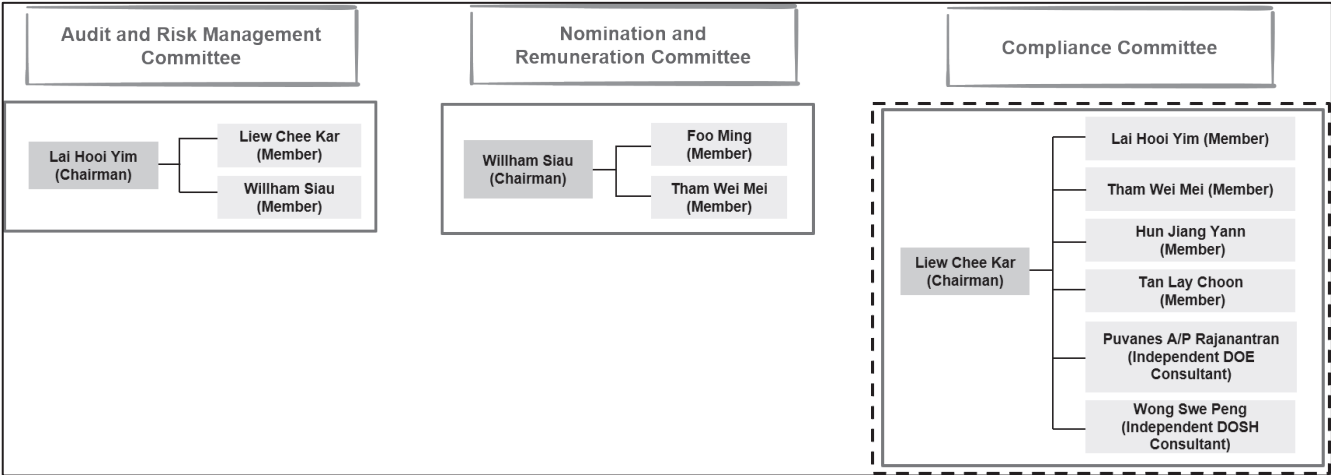


Note: Figure above depicts the various committees and their reporting responsibilities to our Board in regulating areas of compliance.

6. BUSINESS OVERVIEW (CONT'D)

The 3 committees mentioned above will be reporting to our Board at least on a quarterly basis and each committee are primarily tasked with recommending policies based on their respective areas of responsibilities. Our Board will provide for the approval on those recommended policies and once approved, to be adopted and practised by our Group. On a need basis, reporting to our Board would happen outside the set quarterly reporting intervals to ensure matters of urgency regarding compliance are arrested and attended to immediately.

The members of the various committees are selected based on their experience and areas of professional training. The diagram below depicts the composition of the members of the respective committees.



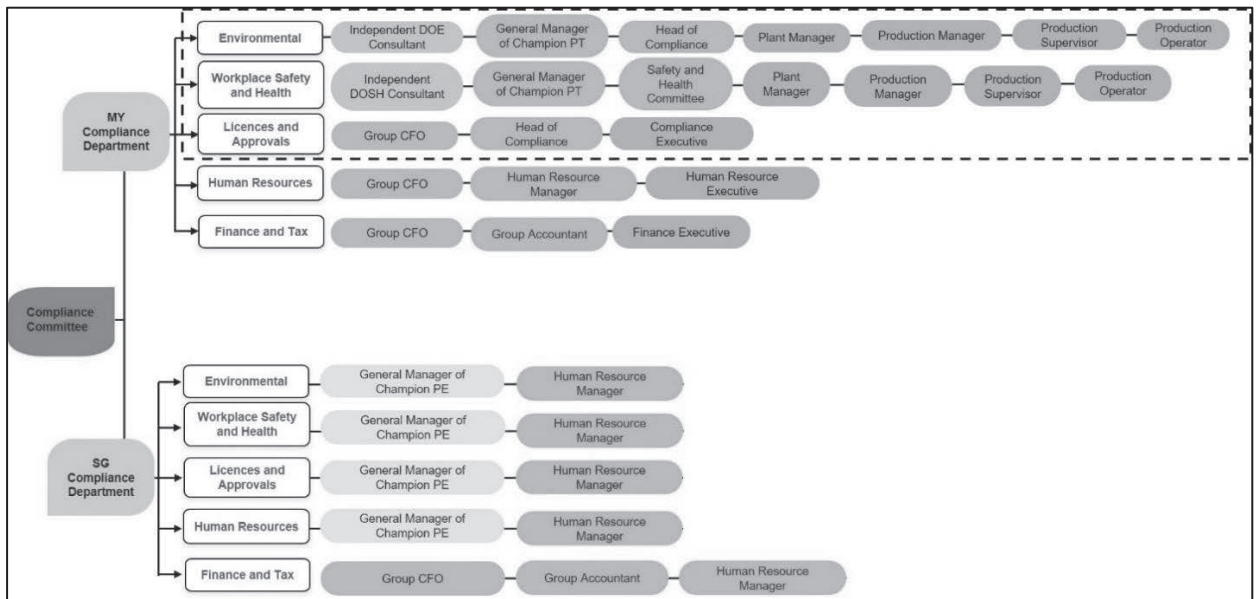
Note: Figure above depicts the various committees set up by our Board to regulate areas of compliance and their respective members composition.

Our Group has established distinct terms of reference for each committee to oversee the governance and compliance aspects in their respective areas of responsibilities. The authorities, duties and responsibilities of each committee as stated in their respective terms of reference are as stated in Section 4.2 of this Prospectus.

Our Group had, on 8 February 2023, established our Compliance Committee, which is tasked in and responsible for monitoring and overseeing all areas of our Group’s compliance such as the legal and regulatory compliance matters including, but not limited to, the compliance with licensing, permits and approvals for the businesses in Malaysia and Singapore. At operational level, we have also established the reporting structure as depicted in the diagram below and the SOPs for each of the areas of compliance.

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6. BUSINESS OVERVIEW (CONT'D)

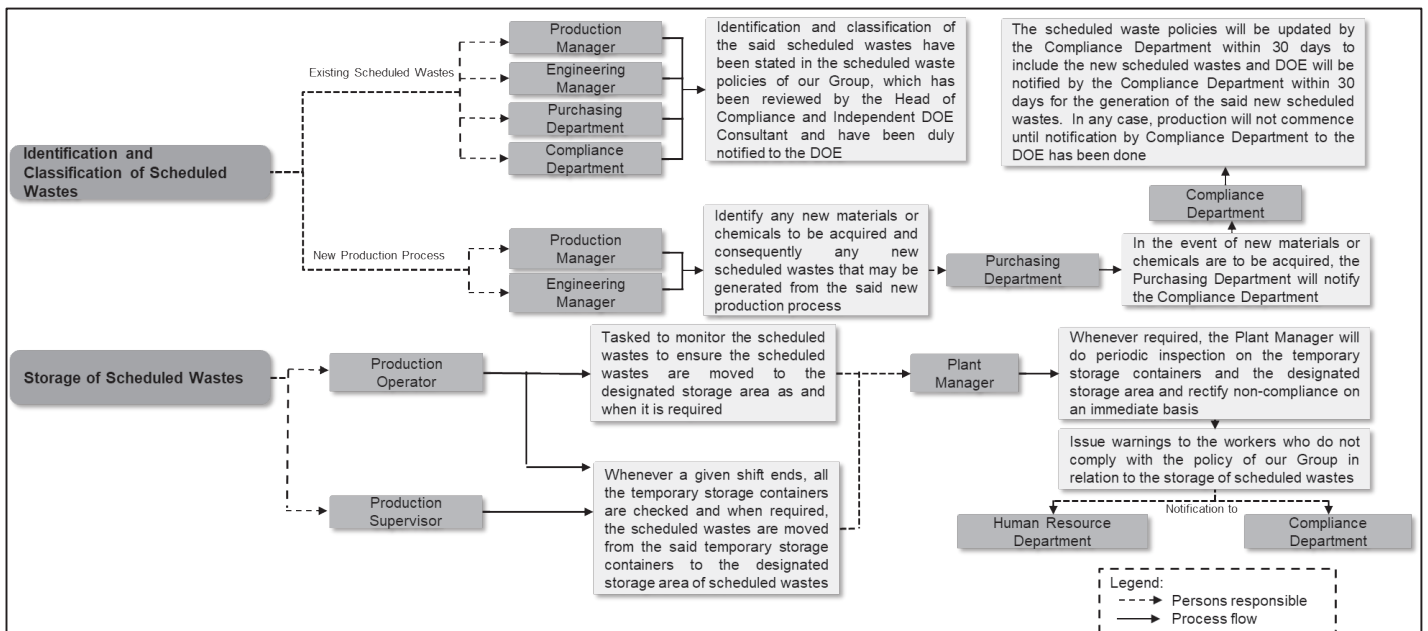


Note: Figure above depicting the reporting structure at operational level of the Group to regulate areas of compliance.

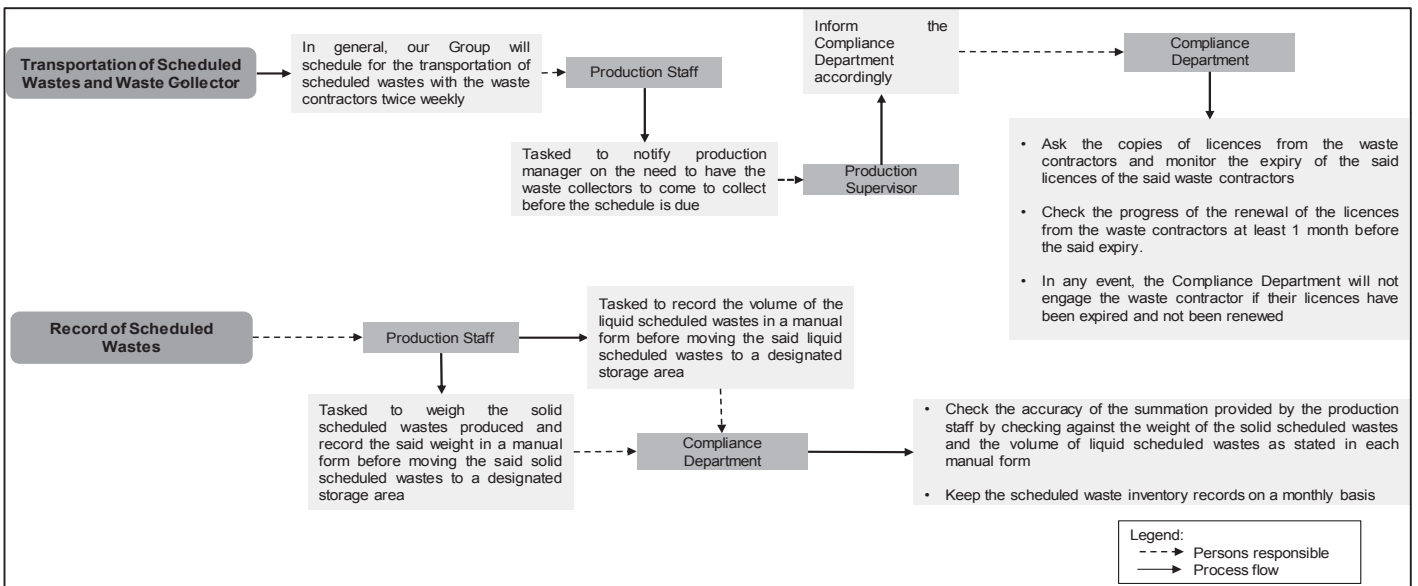
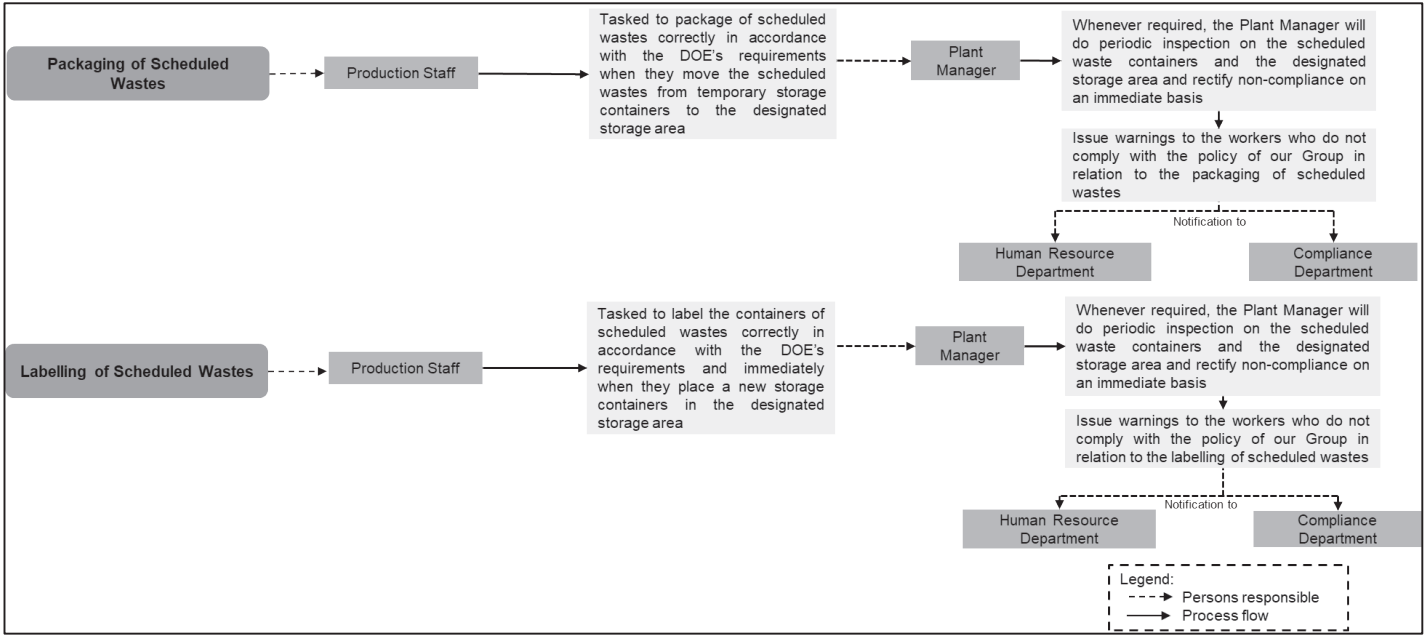
We have also set out relevant SOPs for the respective functional areas of our Group to ensure the compliance with the relevant laws, regulations, rules and requirements governing the conduct of our business.

As at the LPD, some of our pertinent SOPs are as summarised below:-

(A) SOPs for Environmental Compliance for Malaysia operations of our Group

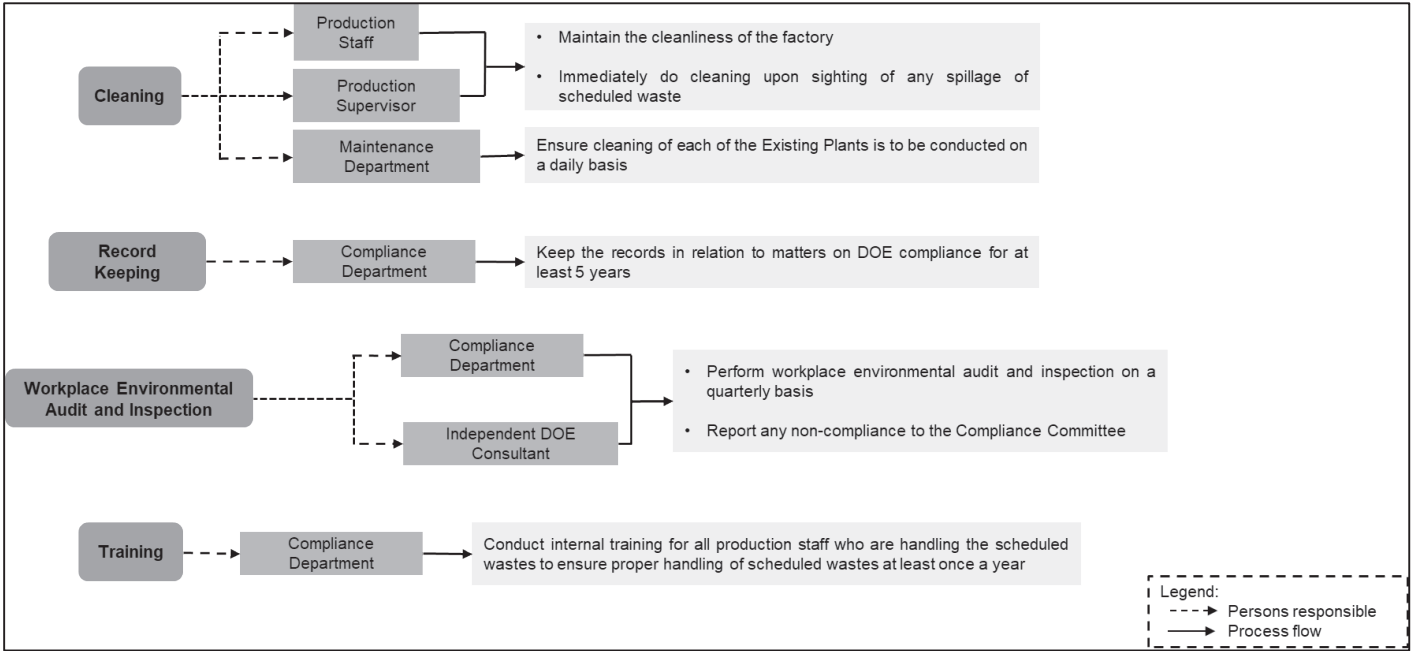


6. BUSINESS OVERVIEW (CONT'D)

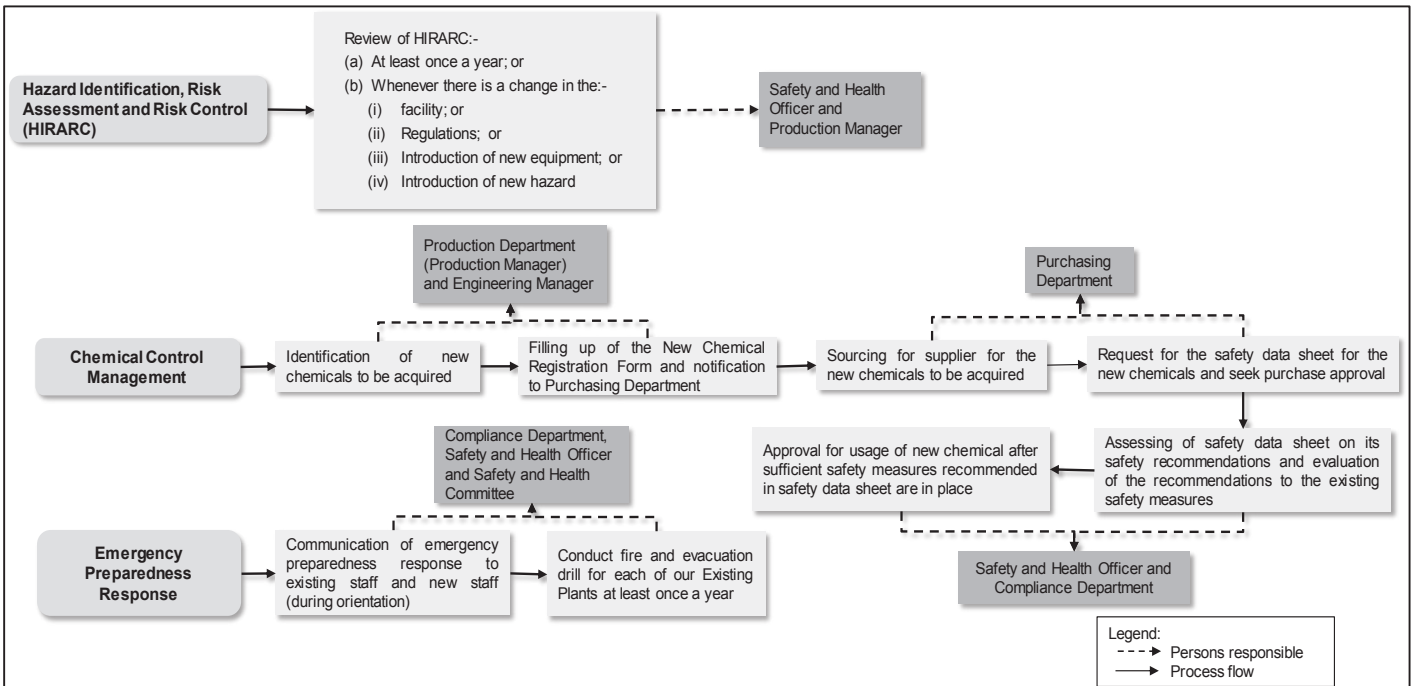


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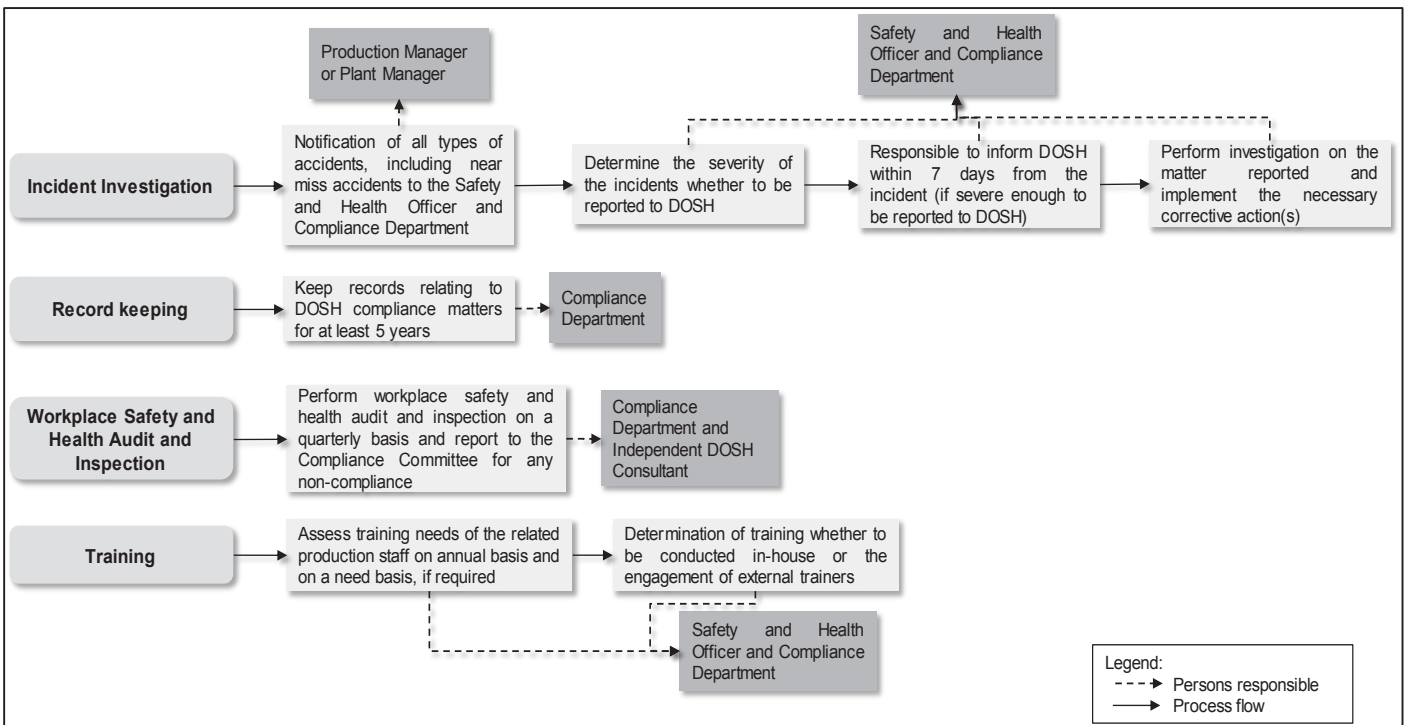
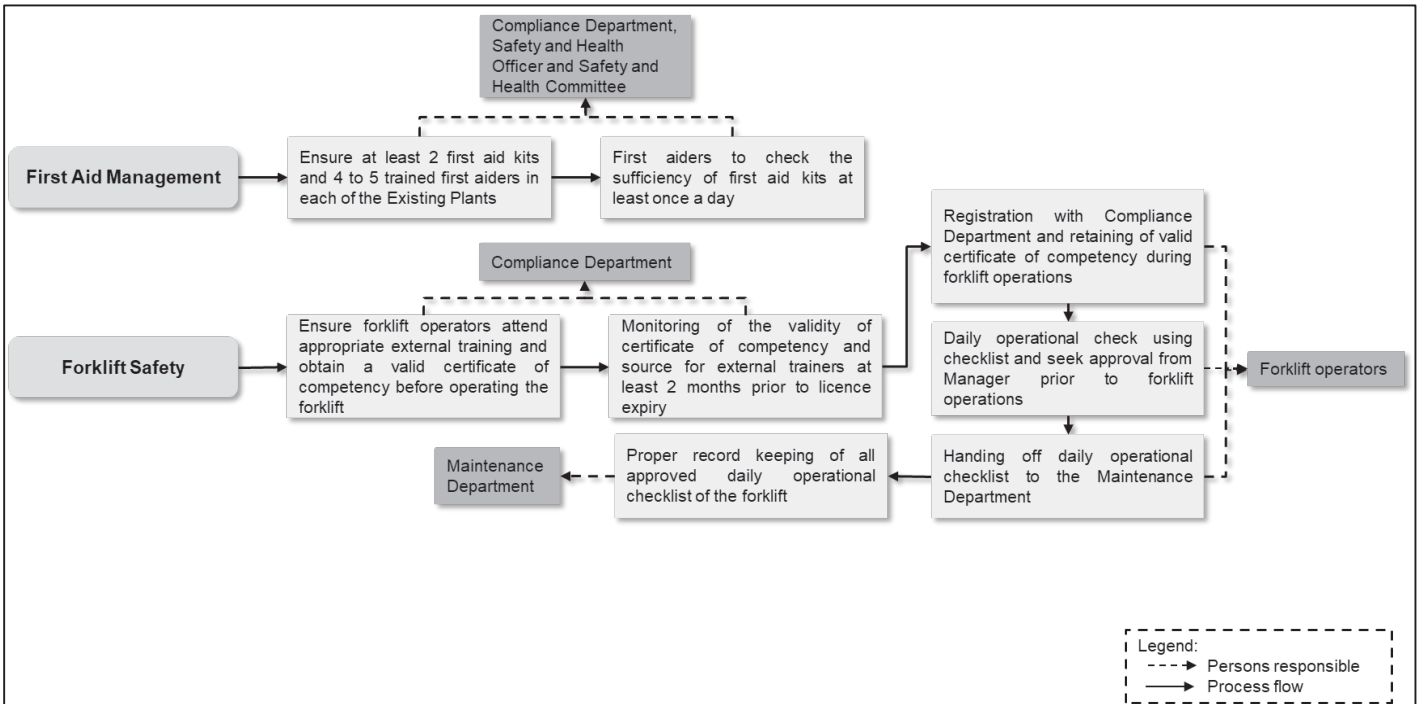
6. BUSINESS OVERVIEW (CONT'D)



(B) SOPs for Workplace Safety and Health Compliance for Malaysia operations of our Group



6. BUSINESS OVERVIEW (CONT'D)



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6. BUSINESS OVERVIEW (CONT'D)

(C) Other Malaysia Compliance SOPs which include SOPs for Licences and Approvals for Malaysia operations of our Group

