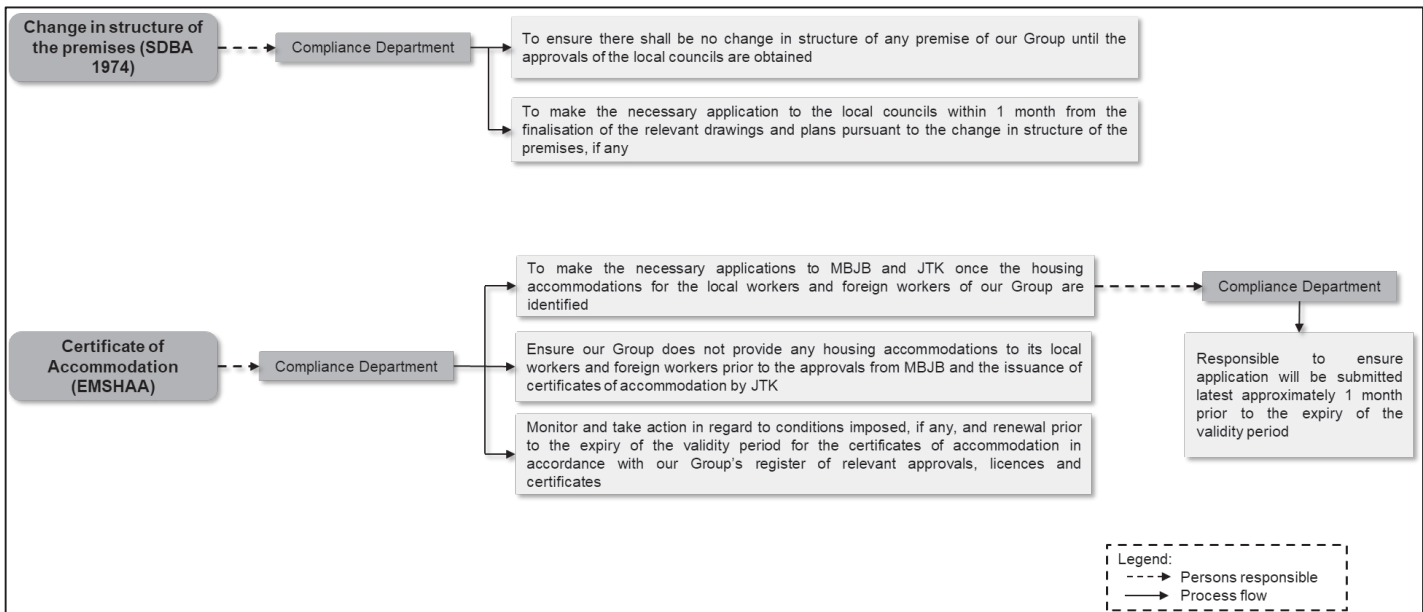
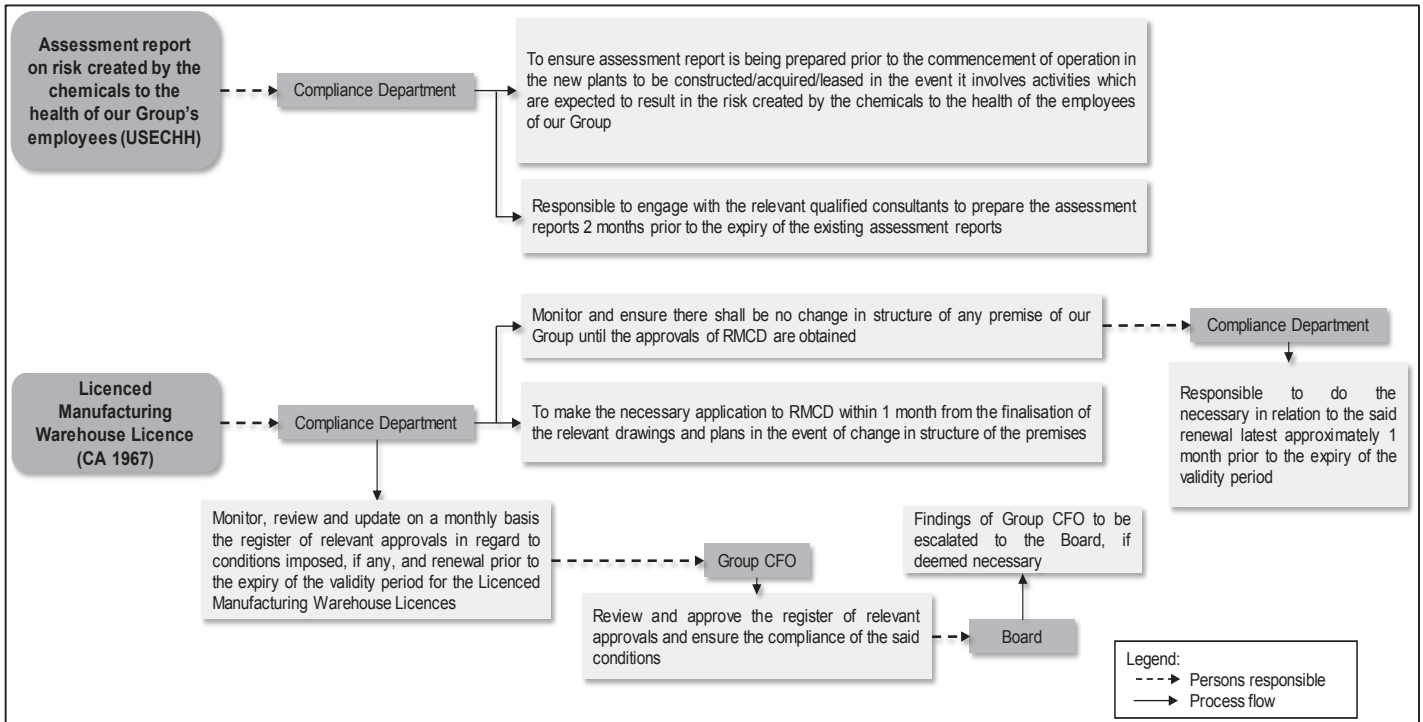


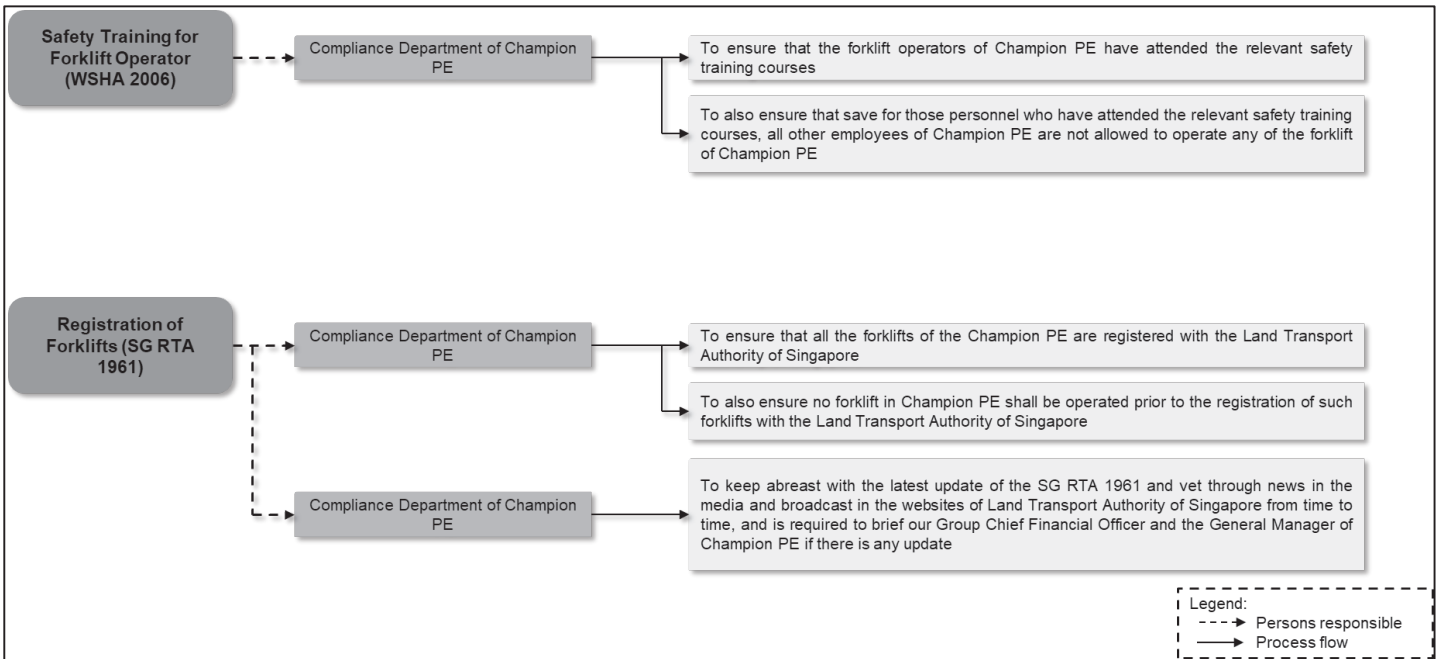
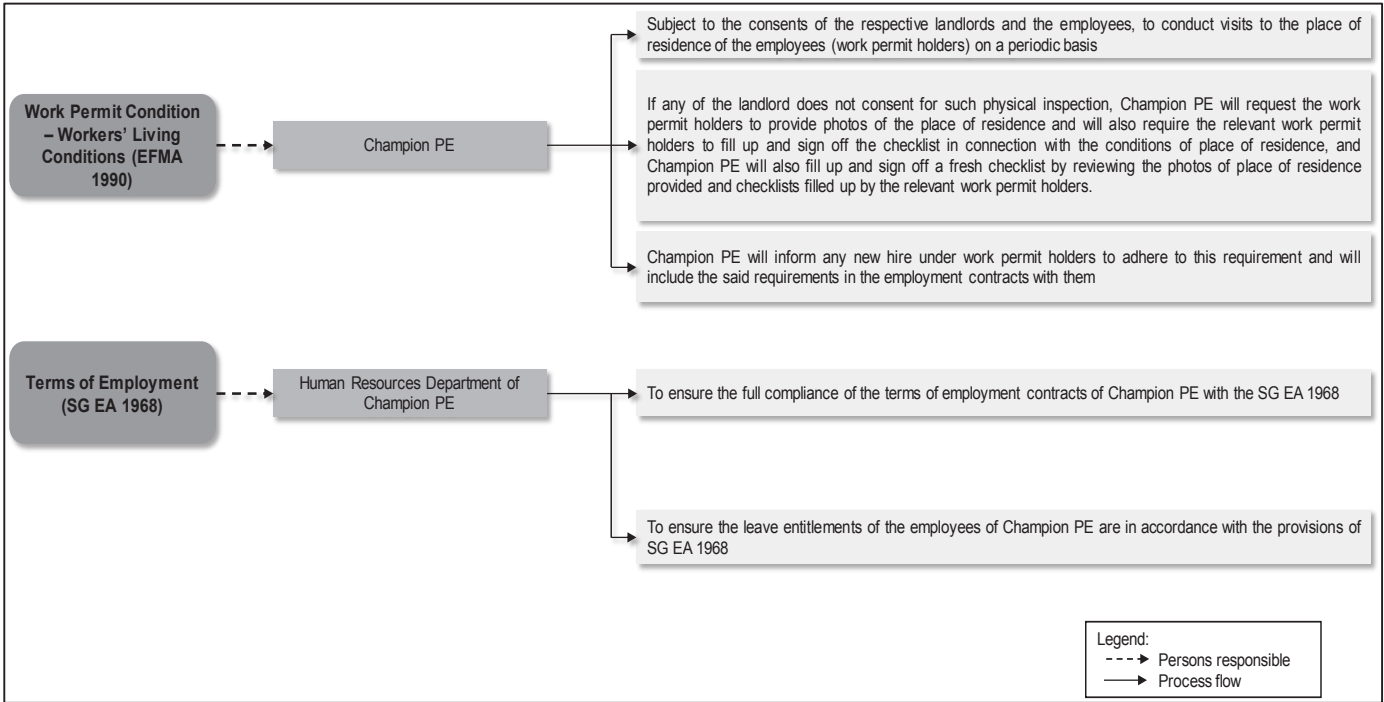
**6. BUSINESS OVERVIEW (CONT'D)**



*The rest of this page has been intentionally left blank*

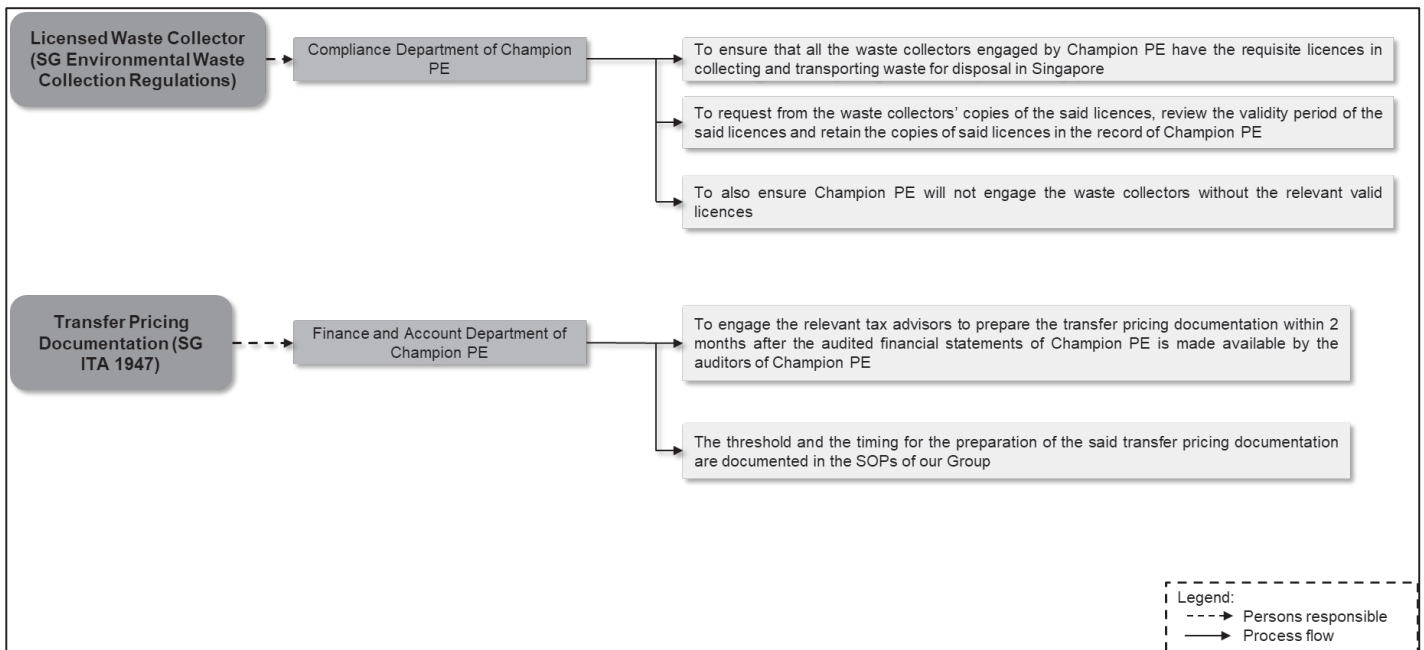
**6. BUSINESS OVERVIEW (CONT'D)**

**(D) SOPs for Singapore operations of our Group**



*The rest of this page has been intentionally left blank*

## 6. BUSINESS OVERVIEW (CONT'D)



### 6.25 PRICING AND COSTING STRATEGY

Our Group's objective with our pricing strategy is to look for customers who will entrust us with ESI projects of the right complexity where we are able to maintain a minimum of 20.00% on our gross margins. Our Group is aware of the costs incurred when purchasing raw materials for our manufacturing activities. As the raw materials we require are commodities, their prices are subject to fluctuation depending on the market demand and supply. Our practice is to purchase raw materials in bulk from our approved list of suppliers that we have long-standing relationships with. As a result of our long-standing relationships with our suppliers, we are able to procure the raw materials at more competitive prices, thus enabling us to reduce costs.

### 6.26 MATERIAL CAPITAL EXPENDITURES AND DIVESTITURES

#### 6.26.1 Material Capital Expenditures

Save for the expenditures disclosed below, there were no other capital expenditures (including interests in other corporations) made by us for the Period Under Review and up to and including the LPD.

No.	Capital Expenditure	FYE 30 June 2019	FYE 30 June 2020	FYE 30 June 2021	FYE 30 June 2022	FYE 30 June 2023	1 July 2023 up to and including the LPD
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1.	Plant and machinery	34	8,500	2,203	12,903	7,556	172
2.	Buildings	-	-	-	(1) 4,404	-	-
3.	Freehold land	-	-	-	(1) 2,431	-	-

## 6. BUSINESS OVERVIEW (CONT'D)

No.	Capital Expenditure	FYE 30 June 2019	FYE 30 June 2020	FYE 30 June 2021	FYE 30 June 2022	FYE 30 June 2023	1 July 2023 up to and including the LPD
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
4.	Motor vehicles	113	-	-	223	-	-
5.	Furniture and office equipment	175	440	68	86	85	35
6.	Renovation	334	2,854	15	146	61	425
Total		656	11,794	2,286	20,193	7,702	632

Note:-

<sup>(1)</sup> Inclusive of the purchase consideration for the acquisition of Plant 4 which amounted to RM6.50 million, and stamp duty and legal fee in relation to the acquisition of Plant 4 which amounted to approximately RM0.34 million.

The material capital expenditures above were mainly financed via a combination of internally generated funds and bank borrowings.

For the FYE 30 June 2019, our major capital expenditures comprised of:-

- (i) Renovation for our new office rented in Singapore which amounted to approximately RM0.30 million; and
- (ii) Furniture and office equipment for our new office rented in Singapore which amounted to approximately RM0.16 million; and
- (iii) Motor vehicles namely the forklift in Singapore which amounted to approximately RM0.11 million.

For the FYE 30 June 2020, our major capital expenditures comprised of:-

- (i) Machinery such as turning machines, auto-lathe machines, milling machines, as well as machining tools and accessories which amounted to approximately RM8.50 million; and
- (ii) Renovations and electrical installation for our Plant 1, Plant 2 and Plant 4 which amounted to approximately RM2.80 million.

For the FYE 30 June 2021, our major capital expenditures comprised mainly of purchases of machinery such as turning machines, auto-lathe machines, as well as machining tools and accessories which amounted to approximately RM2.20 million.

For the FYE 30 June 2022, our major capital expenditures comprised of:-

- (i) Machinery such as turning machines, auto-lathe machines, 5-axis machining machine as well as machining tools and accessories which amounted to approximately RM12.90 million; and
- (ii) The purchase consideration for Plant 4 which amounted to approximately RM6.50 million and stamp duty and legal fee in relation to the acquisition of Plant 4 which amounted to approximately RM0.34 million.

For the FYE 30 June 2023, our major capital expenditures comprised mainly of purchases of machinery such as milling machines and turning machines as well as machining tools and

---

## **6. BUSINESS OVERVIEW (CONT'D)**

---

accessories which amounted to approximately RM5.87 million and installation of wastewater treatment plant in Plant 4 which amounted to approximately RM1.21 million.

For the period from 1 July 2023 up to and including the LPD, our major capital expenditures comprises machining tools and accessories and renovations for Plant 5.

### **6.26.2 Material Capital Divestitures**

Our Group has not had any material capital divestitures for the Period Under Review and up to and including the LPD.

### **6.27 FUTURE CAPITAL EXPENDITURE REQUIREMENTS**

Save as those disclosed in Section 6.4.1 and Section 6.4.2 of this Prospectus, as at the LPD, we do not expect any other future capital expenditure requirements of our Group.

### **6.28 EXCHANGE CONTROL**

#### **6.28.1 Malaysia**

The Financial Services Act 2013 is an act to provide regulation and supervision of financial institutions, payment systems and other relevant entities and the oversight of the money market and foreign exchange market to promote financial stability and any related, consequential or incidental matters.

Foreign Exchange Administration provides for the regulation and supervision of financial in situations, payment systems and other relevant entities and the oversight of the money market and foreign exchange market to promote financial stability and any related, consequential or incidental matters.

Pursuant to Notice 4 issued by BNM, a non-resident is allowed to repatriate funds from Malaysia, including any income earned or proceeds from divestment of ringgit asset, provided that the repatriation is made in foreign currency. Notice 4 also governs the payment and receipt of local or foreign currencies and proceeds of export of goods from the Malaysian entities and entities in overseas. There is no restriction for Malaysian entities to make or receive payments from each other in RM, or to or from entities overseas in foreign currency.

Malaysian entities shall receive the full value (excluding any deductions approved by the BNM such as handling charge including freight and insurance or takaful costs) of the proceeds of its export of goods in RM or foreign currency within 6 months from the date of shipment.

Foreign exchange administration rules allow non-residents to remit out divestment proceeds, profits, dividends or any income arising from investments in Malaysia. Repatriation, however, must be made in foreign currency.

Pursuant to Notice 2 issued by the BNM, a resident is free to give a financial guarantee on behalf or in favour of a non-resident except for the financial guarantee issued to secure:-

- (i) Foreign currency borrowing obtained by a non-resident special purpose vehicle (SPV) from a non-resident entity outside the resident guarantor's group, which is subject to external borrowing limit as per Notice 2; or
- (ii) Foreign currency borrowing obtained by a non-resident where the repayment of the borrowing will be paid by a resident (other than when the financial guarantee is called upon under an event of default), which shall be subjected to investment in foreign currency asset limit as per notice issued by the BNM.

## 6. BUSINESS OVERVIEW (CONT'D)

As at the LPD, we comply with the exchange control requirement in relation to the payments and receipt of local and foreign currencies with our customers and suppliers.

### 6.28.2 Singapore

There are no foreign exchange control restrictions imposed under Singapore laws and there are no exchange control formalities or approvals required for all forms of payments or capital transfers into or out of Singapore. Champion PE is not restricted in their ability to repatriate profits to CPE Technology.

The return of capital proceeds by Champion PE to CPE Technology should not be subject to Singapore income tax as Singapore does not impose tax on capital proceeds/capital gains.

Pursuant to the provisions of the SG Act 1967, capital may not be returned to shareholders unless a capital reduction exercise is carried out in accordance with the provisions of the SG Act 1967 and the company's constitution (or memorandum and articles of association). There are no restrictions on payment of capital from a capital reduction exercise to foreign shareholders who are not subject to any financial sanctions or other restrictions imposed by the Monetary Authority of Singapore or other regulatory authorities.

A company may, if so authorised by its constitution (or memorandum and articles of association) and subject to the requirements imposed by the SG Act 1967, buy back its own shares. Similarly, there are no restrictions on payment of the purchase price to foreign shareholders in respect of such purchase.

Dividend payments made to non-resident or resident shareholders are not subject to withholding tax.

### 6.29 INTRA-GROUP TRANSACTIONS

During the Period Under Review and up to and including the LPD, our Group has carried out certain intra-group transactions between Champion PT, Champion PE, Champion C and Champion Oil. All of these transactions were eliminated at our Group level and were carried out in our ordinary course of business.

The details of the intra-group transactions between Champion PT, Champion PE, Champion C and Champion Oil are as summarised in the table below.

No.	Transacting Entities	Transactions Nature	Transacted Amount					Whether Such Arrangements Will Continue in the Foreseeable Future
			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.	Champion PT and Champion PE	Purchase of raw materials and finished goods by Champion PT from Champion PE <sup>(1)</sup>	14,362	7,147	16,574	34,934	31,928	Yes
		Sales of work-in-progress and finished goods by	49,312	45,112	59,887	81,548	87,900	Yes

**6. BUSINESS OVERVIEW (CONT'D)**

No.	Transacting Entities	Transactions Nature	Transacted Amount					Whether Such Arrangements Will Continue in the Foreseeable Future
			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	
		Champion PT to Champion PE <sup>(2)</sup>						
2.	Champion PT and Champion C	Purchase of sub-contracting services by Champion PT from Champion C	7,863	7,524	9,151	10,165	9,620	Yes
		Service fees for equipment charged by Champion PT to Champion C	79	3	-	-	-	No
		Rental of factory premise by Champion PT to Champion C	382	127	-	-	-	No
		Rental of factory premise by Champion PT from Champion C	346	115	-	-	-	No
		Interest income earned by Champion PT from Champion C	-	134	109	17	-	No
		Management fee earned by Champion C from Champion PT	-	-	-	4	-	No
		Fixed asset fee charged by Champion C to Champion PT <sup>(3)</sup>	-	-	-	-	28	No
		Fixed asset fee charged by Champion PT to Champion C <sup>(3)</sup>	-	-	-	-	2	No
		Labour fee charged by Champion C to Champion PT <sup>(4)</sup>	-	-	-	-	3,363	Yes
		Tooling fee charged by Champion C to Champion PT	-	-	-	-	1	No

## 6. BUSINESS OVERVIEW (CONT'D)

No.	Transacting Entities	Transactions Nature	Transacted Amount					Whether Such Arrangements Will Continue in the Foreseeable Future
			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	
		Depreciated asset fee charged by Champion PT to Champion C	-	-	-	-	(5) -	No
		Reimbursement for employees' fee charged by Champion PT to Champion C	-	-	-	-	(5) -	No
3.	Champion PT and Champion Oil	Purchase of sub-contracting services by Champion PT from Champion Oil	2,715	832	-	-	-	No
		Service fees for equipment charged by Champion PT to Champion Oil	311	78	-	-	-	No
		Rental of factory premise by Champion PT to Champion Oil	121	40	-	-	-	No
<b>Total</b>			<b>75,491</b>	<b>61,112</b>	<b>85,721</b>	<b>126,668</b>	<b>132,842</b>	<b>N/A</b>

**Notes:-**

- (1) *Champion PT purchases raw materials from Champion PE as Champion PE is predominantly the entity within our Group that sources and purchases raw materials for the precision-machined parts and components for our Group. Furthermore, based on our experience, our Group experiences quicker shipment delivery if the raw materials are ordered from and sent to Singapore instead of Malaysia directly. As some of the secondary processes for the precision-machined parts and components for Champion PT's customers are undertaken by our sub-contractors in Singapore, Champion PT will purchase the finished goods from Champion PE after the completion of the said secondary processes prior to selling the same to its customers. The use of our sub-contractors in Singapore is for certain component parts of which the specifications demand higher quality of finishing. Although there may be companies offering comparable quality of finishing in Malaysia, our previous experiences dictate our preference to use those in Singapore as we have in the past engaged certain sub-contractors in Malaysia, specifically those in Johor, however, we have found that the quality of their finishing to be inadequate.*
- (2) *Champion PT sells work-in-progress that are required to undertake secondary processes by our sub-contractors in Singapore to Champion PE as well as finished goods for the customers of Champion PE which do not require secondary processes by any of our sub-contractors in Singapore to Champion PE.*
- (3) *Pursuant to the recommendations by the auditors in relation to asset tagging during the course of their statutory audit for the Period Under Review, our Group has recognised the fixed assets owned by Champion PT that are utilised and situated at the premise owned/rented by Champion C and vice versa. Kindly refer to Section 6.30 of this Prospectus for further details of our compliance with the asset tagging recommendation.*
- (4) *Champion C employs the services of Champion PT's employees for some of its own workforce for its day-to-day operations.*
- (5) *Negligible.*

Our Group has determined transfer prices that we believe are the same as the prices that would be charged by unrelated third parties dealing with each other on an arms' length basis. As the outcome of any findings in relation to our Group's compliance with the transfer pricing laws or related laws that may be modified from time to time are at the discretion of the tax authorities, there can be no assurance that tax authorities reviewing such transfer pricing arrangements would agree that we are in compliance with the transfer pricing laws. The tax authorities have the power to review our transfer pricing arrangement in regard to our intra-group transactions.



**6. BUSINESS OVERVIEW (CONT'D)**

In the event there are any adjustments as required by the tax authorities to be made, we may incur higher overall tax liability and/or penalty, if any, charged or imposed which may in turn adversely affect our business, financial conditions and results of operations

Our Group has commissioned tax advisors to perform an independent transfer pricing review of our Group's intra-group transactions during the FYE 30 June 2019, FYE 30 June 2020, FYE 30 June 2021 and FYE 30 June 2022. The details of the transfer pricing review of our Group's intra-group transactions during the FYE 30 June 2019, FYE 30 June 2020, FYE 30 June 2021 and FYE 30 June 2022 are as summarised in the table below.

Based on the relevant tax laws, rules, regulations, requirements and guidelines in Malaysia, CPE Technology, Champion PT and Champion C are required to prepare contemporaneous transfer pricing documentations which are brought into existence prior to the due date for furnishing the income tax return in the basis period for a year of assessment. The filing due date for the income tax return to the IRB for the FYE 30 June 2023 is 31 January 2024, hence, the transfer pricing documentations are deemed not due as yet until such date.

Similarly, under the relevant tax laws, rules, regulations, requirements and guidelines in Singapore, Champion PE is required to prepare a contemporaneous transfer pricing documentation prior to the due date for furnishing the income tax return of Champion PE for the FYE 30 June 2023. The filing due date for the income tax return to the Inland Revenue Authority of Singapore for the FYE 30 June 2023 is 30 November 2024, hence, the transfer pricing documentation is deemed not due as yet until such date.

To meet these requirements, the Group has commissioned a tax advisor to prepare the transfer pricing documentations for submission to the relevant authorities sometime December 2023.

No.	Entities	Name of Reports	Date of Issuance of Reports	Name of Tax Advisors	Conclusion of Tax Advisors in the Report	Tax Advisor's View
1.	Champion PT	Transfer Pricing Documentation for Financial Year 2019 Champion Precision Technology Sdn. Bhd.	4 January 2021	Baker Tilly Monteiro Heng Tax Services Sdn. Bhd.	Champion PT has yielded return that is commensurate with the functions performed, risk assumed and assets employed.	The intra-group transactions tested were carried out on arm's length basis.
2.	Champion C	Simplified Transfer Pricing Documentation for Financial Year 2019 <sup>(1)</sup> Champion Component Sdn. Bhd.	4 January 2021	Baker Tilly Monteiro Heng Tax Services Sdn. Bhd.	The pricing policy adopted by Champion C is consistent with the arm's length principle.	The intra-group transactions tested were carried out on arm's length basis.
3.	Champion PE <sup>(2)</sup>	Transfer Pricing Documentation for Financial Year 2019 Champion Precision Engineering Pte. Ltd.	3 November 2021	Baker Tilly TFW LLP	Transactions of Champion PE and its related company are within arm's-length dealings during the review period.	The intra-group transactions tested were carried out on arm's length basis.
4.	Champion PT	Transfer Pricing Documentation for Financial Year 2020 Champion Precision Technology Sdn. Bhd.	4 January 2022	Baker Tilly Monteiro Heng Tax Services Sdn. Bhd.	Champion PT has yielded return that is commensurate with the functions performed, risk assumed and assets	The intra-group transactions tested were carried out on arm's length basis.

**6. BUSINESS OVERVIEW (CONT'D)**

No.	Entities	Name of Reports	Date of Issuance of Reports	Name of Tax Advisors	Conclusion of Tax Advisors in the Report	Tax Advisor's View
					employed.	
5.	Champion C	Simplified Transfer Pricing Documentation for Financial Year 2020 <sup>(1)</sup>  Champion Component Sdn. Bhd.	4 January 2022	Baker Tilly Monteiro Heng Tax Services Sdn. Bhd.	The pricing policy adopted by Champion C is consistent with the arm's length principle.	The intra-group transactions tested were carried out on arm's length basis.
6.	Champion PT	Transfer Pricing Documentation for Financial Year 2021  Champion Precision Technology Sdn. Bhd.	7 June 2022	Baker Tilly Monteiro Heng Tax Services Sdn. Bhd.	Champion PT has yielded return that is commensurate with the functions performed, risk assumed and assets employed.	The intra-group transactions tested were carried out on arm's length basis.
7.	Champion C	Simplified Transfer Pricing Documentation for Financial Year 2021 <sup>(1)</sup>  Champion Component Sdn. Bhd.	7 June 2022	Baker Tilly Monteiro Heng Tax Services Sdn. Bhd.	The pricing policy adopted by Champion C are consistent with the arm's length principle and that Champion PT has yielded returns that are commensurate with the functions performed, risk assumed and assets employed.	The intra-group transactions tested were carried out on arm's length basis.
8.	Champion PE <sup>(2)</sup>	Transfer Pricing Documentation for the Financial Year Ended 30 June 2021  Champion Precision Engineering Pte. Ltd.	2 June 2022	Baker Tilly TFW LLP	It is concluded that Champion PE was not under-remunerated in the course of undertaking the purchase of goods from Champion PT during the FYE 30 June 2021.	The intra-group transactions tested were carried out on arm's length basis.
9.	Champion PT	Champion Precision Technology Sdn. Bhd.  Transfer Pricing Documentation for the period from 1 July 2021 to 30 June 2022	24 March 2023	MSA Consulting	The transfer pricing practices of Champion PT for FYE 30 June 2022 is consistent with the arm's length principle under the Income Tax (Transfer Pricing) Rules 2012.	The intra-group transactions tested were carried out on arm's length basis.
10.	Champion C	Champion Component Sdn. Bhd.  Simplified Transfer Pricing Documentation	24 March 2023	MSA Consulting	The pricing policy adopted by Champion C in respect of its transactions with	The intra-group transactions tested were carried out on arm's length basis.

## 6. BUSINESS OVERVIEW (CONT'D)

No.	Entities	Name of Reports	Date of Issuance of Reports	Name of Tax Advisors	Conclusion of Tax Advisors in the Report	Tax Advisor's View
		for the period from 1 July 2021 to 30 June 2022 <sup>(1)</sup>			Champion PT are consistent with the arm's length principle and that Champion C has yielded returns that are commensurate with the functions performed, risk assumed, and assets employed.	
11.	Champion PE	Transfer Pricing Documentation for the Financial Year Ended 30 June 2022  Champion Precision Engineering Pte. Ltd.	24 March 2023	Baker Tilly TFW LLP	It is reasonable to conclude that the purchase of goods by Champion PE from Champion PT is consistent with arm's length dealings.	The intra-group transactions tested were carried out on arm's length basis.

Notes:-

<sup>(1)</sup> As Champion C did not meet threshold set by the IRB as per the Transfer Pricing Guidelines, Champion C had opted to prepare a simplified transfer pricing documentation. The IRB indicates in its Transfer Pricing Guidelines that the full scope requirement of the transfer pricing rules with regard to the maintenance of the contemporaneous transfer pricing documentation is applicable for companies having:-

(i) Carrying on a business – Annual gross income exceeding RM25.00 million and the total amount of related party transaction exceeding RM15.00 million.

(ii) Providing financial assistance – Financial assistance exceeding RM50.00 million (do not apply to transactions involving financial institutions).

<sup>(2)</sup> For the FYE 30 June 2020, the value of purchases from Champion PT by Champion PE was approximately SGD14.83 million. As this amount is below SGD15.00 million, Champion PE is exempted from preparing transfer pricing documentation based on Paragraph 6.18 of the Inland Revenue Authority of Singapore's e-tax guide "Transfer Pricing Guidelines (Sixth Edition)" dated 10 August 2021. Nonetheless, Champion PE must be able to substantiate that its transactions with Champion PT were carried out at arm's length in the event of a query from the Inland Revenue Authority of Singapore.

Our Group has not been challenged or investigated by any tax authorities in relation to the intra-group transactions of our Group during the Period Under Review and up to and including the LPD. While the transfer pricing documentation for FYE 30 June 2023 is not currently required as explained above according to all relevant tax laws, rules, regulations, requirements and guidelines in Malaysia and Singapore, it remains true that the Group has not received any communication from tax authorities in Malaysia and Singapore for the Period Under Review and up to LPD. Our Directors will continue to monitor the transfer pricing arrangements of our Group to ensure compliance with the arm's length principle.

### 6.30 Recommendations in the Management Letters

During the Period Under Review, our Subsidiary Companies have received the management letters from our auditors.

In the course of our statutory audit for the Period Under Review, our auditors have highlighted in their management letters, among others, the following recommendations:-

- (i) Some of our assets do not have proper tagging and therefore those assets need to be tagged; and
- (ii) No credit note was issued for performing rework and therefore the relevant credit notes should be prepared to document any rework.

We did not fully address the recommendations by our auditors on:-

## 6. BUSINESS OVERVIEW (CONT'D)

- (i) The asset tagging for 4 consecutive financial years from FYE 30 June 2019 to FYE 30 June 2022; and
- (ii) The credit note for performing rework for 3 consecutive financial years from FYE 30 June 2019 to FYE 30 June 2021.

However, as of 30 June 2022, save for assets tagging, we have fully addressed/implemented all the comments highlighted by our auditors in the management letters for the FYE 30 June 2019 to FYE 30 June 2021 (including issuance of credit note for performing rework).

In relation to asset tagging, we have tagged all the main machines such as milling machines, turning machines and auto-lathe machines prior to receipt of the comments from our auditors on asset tagging. Our auditors had, in FYE 30 June 2018, advised us to tag the remaining assets of our Group. Pursuant to that, we have commenced asset tagging for our remaining assets since FYE 30 June 2019 and have completed tagging the relevant assets which are required to be tagged in January 2023.

Kindly refer to the table below on the list of assets of our Group which have been tagged over the financial years from the FYE 30 June 2019 to FYE 30 June 2023.

No.	FYE	List of Assets which have been tagged
1.	The FYEs prior to FYE 30 June 2019	Milling machines, turning machines and auto-lathe machines.
2.	During FYE 30 June 2019	Compressor, bandsaw, grinding machines, lapping machines, tumbling machines and motor vehicles in addition to those which have been tagged as stated in Item No. 1 above.
3.	During FYE 30 June 2020	Wire cutter, coordinate measuring machines, air dryer and oven in addition to those which have been tagged as stated in Item No. 1 and Item No. 2 above.
4.	During FYE 30 June 2021	Sandblasting machines in addition to those which have been tagged as stated in Item No. 1 to Item No. 3 above.
5.	During FYE 30 June 2022	Computer and air-conditioner in addition to those which have been tagged as stated in Item No. 1 to Item No. 4 above.
6.	During FYE 30 June 2023	All relevant assets which are required to be tagged.

In addition, the summary of our status of compliance for the recommendations highlighted by our auditors in its management letter to Champion PT for the FYE 30 June 2022 are as shown in the table below.

No.	FYE	Entity	Recommendations by the Auditors	Compliance Status as at LPD
1.	30 June 2022	Champion PT	Revenue from provision of services where the control is transferred over time should be recognised based on the percentage of completion of such services progressively.	Complied.  Champion PT has recognised the revenue arising from provision of services where the control is transfer over time and the corresponding costs of sales based on the percentage of completion of such services progressively at least on quarterly basis since December 2022.  As the reporting obligations of our Group will be on quarterly basis after we are listed on the Main Market of Bursa Securities, such

**6. BUSINESS OVERVIEW (CONT'D)**

No.	FYE	Entity	Recommendations by the Auditors	Compliance Status as at LPD
				recognition on quarterly basis is sufficient to meet the said recommendation.
2.	30 June 2022	Champion PT	The gross profit margins by individual products should be computed based on the actual cost of sales (based on direct costs incurred and an appropriate proportion of overheads).	<p>Complied.</p> <p>As at the LPD, Champion PT has adopted its revised financial reporting system and work flow as follows:-</p> <p>(i) Champion PT will update the bill of materials for each individual product to take into account the raw materials costs and budgeted machining hourly rate to determine the cost of sales for each individual product; and</p> <p>(ii) The remaining cost variances after item (i) above will be apportioned back to each product based on total machining hours for that financial year.</p>
3.	30 June 2022	Champion PT	All property, plant and equipment should be properly tagged, and their physical locations should be updated to the 'Fixed Assets Register' on timely basis, which is within 3 days when such assets are acquired or when physical locations of such assets are changed.	<p>Complied.</p> <p>As at the LPD, Champion PT has completed asset tagging for its property, plant and equipment which are required to be tagged <sup>(1)</sup> and SocialGreen Governance has vide its reports dated 10 February 2023, 26 March 2023 and 27 October 2023, confirmed that the controls of our Group relating to fixed assets management including asset tagging are adequately designed and operating effectively.</p> <p>According to the result of the follow up review by SocialGreen Governance in its report dated 26 March 2023, we had implemented all the recommendations of SocialGreen Governance in relation to the asset tagging.</p> <p>Our Group has also set out the SOPs since February 2023 to update the physical locations of our property, plant and equipment to the 'Fixed Assets Register' within 3 days when such assets are acquired or when physical locations of such assets are changed.</p>

**6. BUSINESS OVERVIEW (CONT'D)**

No.	FYE	Entity	Recommendations by the Auditors	Compliance Status as at LPD									
4.	30 June 2022	Champion PT	<p>There is no employment contract being prepared and signed with the following Directors:-</p> <p>(i) Mr. Lee; and</p> <p>(ii) Mr. Foo; and</p> <p>(iii) Mr. Mu.</p> <p>Employment contracts with clear roles and responsibilities as well as the remuneration package should be properly prepared and signed by the Directors and Champion PT.</p>	<p>Complied.</p> <p>Employment contracts dated 1 July 2022 have been prepared and signed off by the following parties <sup>(2)</sup>:-</p> <p>(i) Mr. Lee and Champion PT; and</p> <p>(ii) Mr. Mu and Champion PT.</p> <p>There is no employment contract between Mr. Foo and Champion PT as Mr. Foo is not drawing any salary from Champion PT.</p> <p>There was no written arrangement between Mr. Lee, Mr. Foo, Mr. Mu and our Group which sets out the roles and responsibilities as well as remuneration package prior to the execution of the employment contracts dated 1 July 2022. However, the process of discussion of the roles and responsibilities and remuneration package of each Director has always been in place and are agreed and approved by the board of directors of the respective company.</p> <p>As our Group was privately owned prior to 1 July 2022, decision making on such matters were agreed between the 3 Promoters and formalisation in the form of agreement was not necessary.</p> <p>The possible implications of the absence of the employment contracts between Mr. Lee, Mr. Foo, Mr. Mu and our Group as highlighted by the auditors of Champion PT are as summarised in the table below.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">No.</th> <th style="text-align: center;">Possible Implications as highlighted by the auditors of Champion PT</th> <th style="text-align: center;">Mitigating factor in place</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1.</td> <td>The terms and conditions of employment, including compensation, benefits, responsibilities, and termination, may not be clearly defined, and this can create legal uncertainty for both our Group and the senior management.</td> <td>As the process of discussion of the roles and responsibilities and remuneration package of each Director has always been in place, our Group has not encountered such issue in the past.</td> </tr> <tr> <td style="text-align: center;">2.</td> <td>In the absence of clear expectations and boundaries, misunderstandings and miscommunication may arise, leading to frustration and potential conflict between the company and the senior management.</td> <td>As the process of discussion of the roles and responsibilities and remuneration package has always been in place, our Group has not encountered such issue in the past.</td> </tr> </tbody> </table>	No.	Possible Implications as highlighted by the auditors of Champion PT	Mitigating factor in place	1.	The terms and conditions of employment, including compensation, benefits, responsibilities, and termination, may not be clearly defined, and this can create legal uncertainty for both our Group and the senior management.	As the process of discussion of the roles and responsibilities and remuneration package of each Director has always been in place, our Group has not encountered such issue in the past.	2.	In the absence of clear expectations and boundaries, misunderstandings and miscommunication may arise, leading to frustration and potential conflict between the company and the senior management.	As the process of discussion of the roles and responsibilities and remuneration package has always been in place, our Group has not encountered such issue in the past.
No.	Possible Implications as highlighted by the auditors of Champion PT	Mitigating factor in place											
1.	The terms and conditions of employment, including compensation, benefits, responsibilities, and termination, may not be clearly defined, and this can create legal uncertainty for both our Group and the senior management.	As the process of discussion of the roles and responsibilities and remuneration package of each Director has always been in place, our Group has not encountered such issue in the past.											
2.	In the absence of clear expectations and boundaries, misunderstandings and miscommunication may arise, leading to frustration and potential conflict between the company and the senior management.	As the process of discussion of the roles and responsibilities and remuneration package has always been in place, our Group has not encountered such issue in the past.											

Notes:-

<sup>(1)</sup> As at the LPD, Champion C and Champion PE have completed asset tagging for their property, plant and equipment which are required to be tagged.

<sup>(2)</sup> Employment contracts dated 1 July 2022 have been prepared and signed off by the following parties:-

(i) Mr. Mu and Champion PE; and

(ii) Mr. Foo and Champion PE.

There is no employment contract between Mr. Lee and Champion PE as Mr. Lee is not drawing any salary from Champion PE.

## 7. INDUSTRY OVERVIEW

PROTEGE ASSOCIATES SDN BHD (200401037256 (675767-H))  
SUITE C-09-12, PLAZA MONT' KIARA  
2 JALAN KIARA, MONT' KIARA  
50480 KUALA LUMPUR, MALAYSIA  
GEN +603 6201 9301 FAX +603 6201 7302  
www.protege.com.my

Protégé  
ASSOCIATES

BRAND | FINANCE | MARKET

The information in this Section 7 is based on market research conducted by Protégé Associates commissioned by CPE Technology Berhad for the purpose of the IPO.

Date: 30 OCT 2023

The Board of Directors  
CPE Technology Berhad,  
No 6, Jalan Indah Gemilang 5,  
Taman Perindustrian Gemilang,  
81800 Ulu Tiram,  
Johor  
Malaysia

Dear Sirs,

### **Strategic Analysis of the Engineering Supporting Industry in Malaysia**

Protégé Associates Sdn Bhd ("Protégé Associates") has prepared this 'Strategic Analysis of the Engineering Supporting Industry in Malaysia' for inclusion in the prospectus of CPE Technology Berhad ("CPE Technology") in relation to its listing on the Main Market of Bursa Malaysia Securities Berhad.

Protégé Associates is an independent market research and business consulting company. Our market research reports provide an in-depth industry and business assessment for companies raising capital and funding in the financial markets; covering their respective market dynamics such as market size, key competitive landscape, demand and supply conditions, government regulations, industry trends and the outlook of the industry.

Mr. Seow Cheow Seng is the Managing Director of Protégé Associates. He has 23 years of experience in market research, having started his career at Frost & Sullivan where he spent 7 years. He has been involved in a multitude of industries covering Automotive, Construction, Electronics, Healthcare, Energy, IT, Oil and Gas, etc. He has also provided his market research expertise to government agencies such as Malaysia Digital Economy Corporation Sdn Bhd, Malaysia Debt Ventures Berhad and Malaysia Technology Development Corporation Sdn Bhd.

We have prepared this report in an independent and objective manner and have taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a balanced and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.

Yours sincerely,



SEOW CHEOW SENG  
Managing Director

## 7. INDUSTRY OVERVIEW (CONT'D)



### 1.0 Global Economic Overview

Following a decline of 3.1% in the global economy in 2020 due to the novel coronavirus disease 2019 ("COVID-19") pandemic causing a significant slowdown in the global economic activities, the global economy rebounded by 6.3% in 2021. The expansion in the world output was broad-based with both advanced economies as well as the emerging markets and developing economies registering positive growths during the year. The recovery trend continued in 2022, with global output estimated to grow by 3.5% during the year. Advanced economies experienced a positive growth of 2.7% in 2022. In particular, the United States of America ("USA") grew by 2.1% in its output for 2022. In the Far East, Japan's economy expanded by 1.0% whilst the Euro Area grew by 3.5% in 2022. The emerging market and developing economies witnessed an economic expansion of 4.0% in 2022. The emerging and developing Asia region as a whole registered an increase of 4.5% whilst the emerging and developing Europe region grew by 0.8% during the year.

Moving forward, the global economy is expected to further expand, albeit at a slower pace. World output is projected to slow to 3.0% in 2023 and 2.9% in 2024. The forecast lower growth in 2023 reflects the rise in central bank rates to fight inflation, especially in advanced economies, as well as the ongoing Russia-Ukraine War. The decline in growth in 2023 is expected to be driven by advanced economies, while in emerging markets and developing economies, growth is estimated to be broadly stable for 2023 and 2024.

### 2.0 Malaysia Economic Overview

Malaysia's real gross domestic product ("GDP") expanded by 8.7% in 2022, continuing a growth trend recorded in 2021. Growth in the country in 2022 was supported by strong domestic demand, resilient external demand, revival of tourism activities, as well as continued policy support from the Malaysian Government.

Looking ahead, the Malaysian economy is expected to expand at a more moderate pace in 2023 amid a challenging external environment. Growth in the country is expected to be supported by domestic demand and favourable labour market conditions, particularly in domestic-oriented sectors. The expansion is also supported by large infrastructure projects as well as higher tourist arrivals. While the country remains susceptible to slower global economic growth, upside risks may come from domestic factors such as stronger-than-expected tourism activity and implementation of multi-year projects.

### 3.0 Introduction to the Engineering Supporting Industry

The engineering supporting industry ("ESI") mainly revolves around the manufacture of intermediate metal products that are later used to produce various end products. The segmentation of the ESI as per the Malaysian Investment Development Authority ("MIDA") is as below:

**Moulds and dies** are generally used in the manufacturing industry. A mould is a container in which molten metal or other liquid substances are poured into to form the final products in the same shape as the mould once the substance solidifies. A die is a block of metal of specific shape or pattern cut and is used for shaping a metal workpiece through mechanical forces. Mould or die casting is particularly suitable for series and mass production of components as the metal moulds or dies can be reused for all of the same components.

**Machining** refers to the process of producing high-precision machined parts and components through advanced computer numerical control ("CNC") machines. Advanced CNC machines are also capable of multi-axis machining, in which machining tools can move in four or more directions to manufacture complex parts and components. Some examples of precision machined parts and components include shafts, pins, brushes, jigs and other machined components like parts found in a hard disk drive.

**Metal casting** includes foundries, die casting, magnesium injection moulding (Thixomoulding©) and investment casting. A foundry is a factory in which molten metal is poured into a mould to produce a specific metal part or component. Die casting is a process in which molten metal is injected into dies at high pressures to form a casting that takes the shape of the die used. Similarly, magnesium injection moulding (Thixomoulding©) is a process which uses magnesium alloys that are heated into a semi-solid state and injected at high speeds into moulds to produce precision moulded components. An investment casting process involves creating a three-dimensional ("3D") wax version of the final product and subsequently dipping the wax product into a ceramic suspension that hardens over the wax structure. The ceramic is heated to remove the wax, thus creating a ceramic mould. Molten metal is poured into the mould, and upon cooling down, the ceramic mould is destroyed to remove the metal casting. Other types of metal casting include sand casting, which involves pouring molten metal into a mould created by compacting sand around a pattern or model of the final product (the pattern is removed after the sand is compacted to allow molten metal to be poured into the mould).

**Metal stamping** is the process of manufacturing stamped metal parts from sheet metal, in particularly for the electrical and electronics ("E&E"), machinery and equipment ("M&E") as well as automotive industries.

**Surface engineering** is the process of modifying the surface properties of a metallic or non-metallic product using a wide range of technologies (generally via a plating process). Examples of surface engineering include improving corrosion resistance to prolong component life or providing special properties such as non-stick surfaces.

**Heat treatment** involves the heating and cooling of metal to various temperatures to alter its physical and mechanical properties.

**Forging** is a process involving the use of physical force to bend and alter the physical shape of a metal into a desired form. Forging is mainly used in the manufacturing iron and steel products.



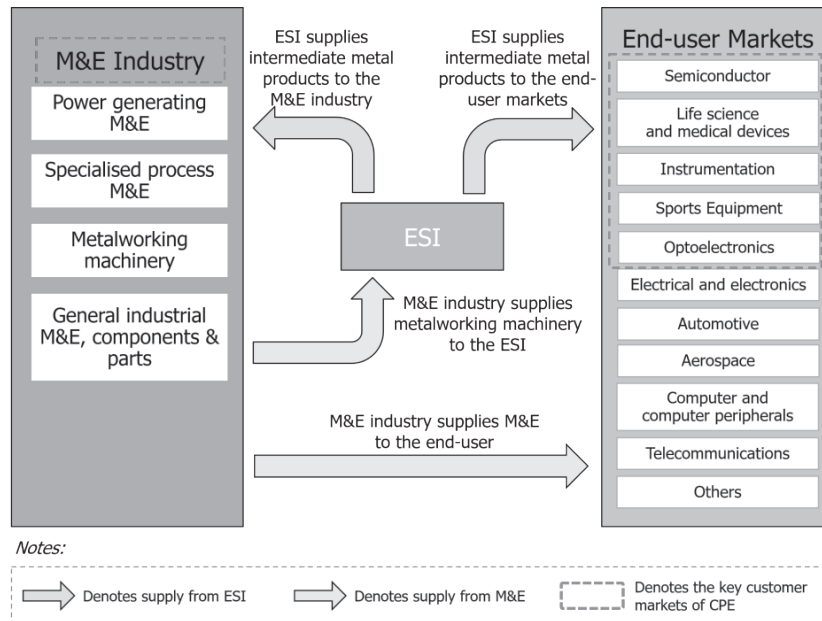
**7. INDUSTRY OVERVIEW (CONT'D)**



**Metal fabrication** generally involves the process of creating metal structures from metal materials via cutting, bending, welding, machining, forming and assembly to create the final product. End products can range from small simple household items to large complex metal structures used in the construction industry or on oil drilling platforms.

The ESI produces and supplies intermediate metal products to both the M&E industry as well as to other end-user markets. These intermediate metal products are utilised in the production of various finished products by both these end-user markets. The relationship between the ESI and its user industries are depicted in Figure 1.

**Figure 1: ESI and User Industries**



Source: Protégé Associates

The M&E industry comprises of the power generating M&E, metalworking machinery, specialised process M&E, and general industrial M&E components and parts sub-segments. The ESI supplies intermediate metal products to the M&E industry, which in turns uses it to produce various machinery and equipment. These machinery and equipment are then supplied to other end-user markets. The ESI also directly supplies intermediate metal products to end-user markets.

**4.0 Overview of the M&E Industry and Selected End-User Markets**

**4.1 Overview of the M&E Industry in Malaysia**

Malaysia is still reliant on imported M&E to fulfil local demand, with M&E imports increasing over the years. While imports fell in 2020 due to the COVID-19 pandemic disrupting global economic activities, the local M&E industry recovered in 2021, with imports for the year reaching RM68.55 billion. In 2022, imports of M&E further increased to reach RM89.38 billion. However, imports slowed in the first six months of 2023 considering slowing global economic activities, with imports falling slightly to RM41.47 billion compared to RM47.70 billion in the same period last year. Malaysia mainly sources imported M&E from countries such as the USA, Japan, Singapore, China, Thailand and Germany.

Malaysian exports of M&E have also been on the rise over the years. Similarly, due to the effects of COVID-19, M&E exports fell in 2020. Exports rebounded in 2021 in light of increased global demand for electronics and electrical products, with M&E exports reaching RM49.92 billion. In 2022, exports of M&E further increased to reached RM60.45 billion. In the first half of 2023, due to the global economic slowdown, M&E exports fell to RM27.23 billion, as compared to RM28.95 billion in the previous corresponding period. Main export destinations of Malaysian M&E include Singapore, the USA, Germany, the United Kingdom, Indonesia, Thailand, Hong Kong and Australia. Due to its crucial part in driving Malaysia's economic and technological development and advancement, continuous investment has been poured into the local M&E industry. A total of 72 M&E projects worth RM8.4 billion were approved in 2022.

The Malaysian M&E industry is poised for sustained growth in the near term, supported by the expansion of its end-user markets within the broader manufacturing sector. As manufacturing activities ramp up, there's an anticipated increase in investments aimed at increasing and refining production capacities including the use of automated equipment solutions, which would translate to increased demand for the M&E solutions in Malaysia.

**4.2 Overview of the Global Semiconductor Industry**

The rising demand for semiconductor across the world stems from increased semiconductor usage in both traditional and non-traditional industries. Global semiconductor sales were valued at USD574.08 billion in 2022, up from USD555.89 billion in the previous year.

## 7. INDUSTRY OVERVIEW (CONT'D)



Going forward, the global semiconductor industry is projected to continue expanding as an ever-increasing number of E&E devices are being produced with embedded semiconductor technology. The advancement in technology is expected to lead to the launching of new electronic devices which would contribute to higher demand for semiconductors. However, the global semiconductor industry is expected to contract in 2023 to USD515.10 billion due to the global economic slowdown and weaker consumer spending leading to decreased demand and oversupply in certain segments of the industry.

The oversupply resulted from a rapid expansion in 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. The global semiconductor industry has been affected by tensions between the USA and China, whereby the USA has banned the export of USA semiconductor technology to China 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. The new rule also forbids USA citizens, residents and green-card holders from working in Chinese semiconductor firms. Firms intending to supply Chinese chipmakers with equipment to produce semiconductor chips must first obtain a licence from the USA. Japan and the Netherlands has also followed suit in implementing export controls of advanced semiconductor manufacturing equipment. Japan has listed 23 types of semiconductor technology that are now subject to export restriction beginning 23 July 2023 while companies in the Netherlands will need to apply for a license to export certain advanced semiconductor manufacturing equipment overseas with effect from 1 September 2023. China retaliated by restricting the exports of two metals, namely gallium and germanium, which are key to the manufacturing of semiconductors. The new regulation which starts from 1 August 2023, will require exporters to seek a license to ship these metals. The USA further tightened its export controls on advanced semiconductor chips and announced that it would constrict exports of artificial intelligence chips. These geopolitical tensions may lead to some global semiconductor companies having to cease operations in China or stop exporting products to the country in the short-term. Some companies may also opt to establish new operations in locations outside China, which may lead to a downturn in the industry until the new operations commence. At the same time, as a major market for E&E products, the slower than expected economic recovery in China since the country's reopening has also weighed on demand for consumer electronics, which would in turn dampen demand for semiconductors.

Notwithstanding the above, moving forward to 2024, the global semiconductor industry is expected to rebound in the second half of 2024 due to demand from enterprise-driven markets, such as enterprise networking, enterprise computer, industrial, medical and commercial transportation which is expected to remain resilient. In addition, the USA government had also introduced the Creating Helpful Incentives to Produce Semiconductor and Science Act of 2022 ("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 July 2023, the European Union ("EU") adopted the European Chips Act, aimed at reducing the EU'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. The increased investment in the semiconductor industry is likely to lead to growth of the industry going forward.

### **4.3 Overview of the Global Life Sciences and Medical Technology Industry**

Life sciences mainly revolve around the scientific study of organisms, including microorganisms, fauna and flora, as well as human beings. On the other hand, medical technology involves the application of medical science in developing products and services to improve the healthcare sector, in particular in the field of diagnostics and treatment. Due to the similarities in their driving motivations, namely an aging population as well as the prevalence of chronic disease, there is often linkages between the development of the life sciences industry and the medical technology industry. At present, one of the main aims of both these industries are to improve existing technologies by incorporating new technologies into consumer-oriented medical devices and healthcare equipment. As such, the innovation in the life science and medical technology industry has manifested in many new products, ranging from the invention of new medical devices such as needle-free diabetes care to surgical robot for precise operations.

## 7. INDUSTRY OVERVIEW (CONT'D)



The outlook of the life sciences and medical technology industry is expected to remain bright, supported by an ageing population and healthcare reforms requiring increased need for healthcare and medical products. The United Nation has estimated that there were 771 million persons aged 65 years and over in the world in 2022. This figure is projected to grow to 1.6 billion in 2050.

### **4.4 Overview of the Global Instrumentation Industry**

Instrumentation equipment refers to equipment that are used to measure, analyse, test and record electrical data. These test and measurement equipment function by generating electrical signals and then providing feedback to determine if the object being tested is faulty and if it is functioning properly. Examples of common instrumentation equipment include oscilloscopes, frequency counters, and spectrum analysers.

The advancement in technology and industrialisation has been the driving factors behind the expansion of the instrumentation industry. This is due to instrumentation equipment being widely used to evaluate the performance as well as defects of semiconductors and consumer electronics during the manufacturing process to limit wasting of resources. As such, the outlook of the instrumentation industry moving forward is expected to remain bright, supported by a wide range of end-user markets and the advancement in technology such as adoption of 5G and the Internet of Things ("IoT"). The industry was valued at USD26.70 billion in 2022, and is forecast to expand at a CAGR of 3.9% from USD26.81 billion in 2023 to USD32.28 billion in 2027.

### **4.5 Overview of the Global Optoelectronics Industry**

The global semiconductor optoelectronics industry is a subset of the global semiconductor industry, and its products are used in optoelectronic devices, which combine electronics and light. Optoelectronic devices can mainly be divided into light-emitting and light-detecting devices. Light-emitting devices uses voltage and current to produce electromagnetic radiation (e.g., light) and are commonly used for purposes of illumination, display or in indicator lights. In contrast, light-detecting devices are designed to convert received electromagnetic energy into electric current or voltage. Some of main usage of light-detecting devices are for light sensing and communication. Some of the common optoelectronic devices include photodiodes, photovoltaic (solar cells), photoresistors, light-emitting diodes ("LEDs"), encoder sensor integrated circuits, laser diodes and optical fibres.

As optoelectronic devices are widely used in various fields ranging from telecommunications to consumer electronics to specialised healthcare, they play a crucial role in the equipment and systems that shape the very infrastructure of our society. The global optoelectronics industry was valued at USD43.91 billion in 2022, up from USD43.40 billion in the previous year. The industry is expected to reach USD45.95 billion in 2023.

### **4.6 Overview of the Global Sport Equipment Industry**

Sport equipment (also known as sporting goods) refers to the tools, materials, apparel and gear that are used to train for or compete in a sport and varies depending on the sport. Sport equipment can range from balls, nets, racquets, bats, fishing rods and reels to protective gear such as helmets and knee and elbow pads and training equipment such as weights and other equipment for the gym.

The sport equipment industry has been on an expansionary trend as more and more people are increasingly taking up sport, working out and participating recreational activities due to growing health awareness and stress management. At the same time, advancement in technologies has also led to the introduction of new and better materials (which includes composite materials or enhanced surface coating), which are in turn used to manufacture sport equipment that are lighter, more durable or can improve performance of the user.

The sport equipment industry endured a difficult year in 2020 as the COVID-19 outbreak and accompanying lockdown measures in many countries restricted sport participation both on the recreational and professional level. However, as countries loosened restrictions in 2021, the global sport equipment industry expanded to reach USD62.58 billion. The global sport equipment industry further grew to reach USD64.52 billion in 2022 due to upliftment of restrictions. Going forward, the industry is forecast to expand from USD66.07 billion in 2023 at a CAGR of 4.8% to reach USD81.46 billion in 2027.

### **5.0 Overview of the ESI in Malaysia**

As an industry serving a wide range of end-user markets such as the global semiconductor, life science and medical technology, optoelectronics as well as M&E industries, the Malaysian ESI is reliant of export demand from these end-users. At the same time, growth in the industry as a whole generally follows cyclical trends in tandem with the fluctuation in global economic growth and volatile foreign currency, in particular the USD which tends to affect export demand.

The cyclical growth performance can also be attributed to the cyclical nature of technology-based end-user market, notably the semiconductor industry. The cyclical nature of the semiconductor industry with frequent introduction of new or better electronic devices (which mainly consist of semiconductors) has resulted in older technology becoming obsolete at a faster pace. As a result, pricing of existing devices tends to depreciate in order to remain competitive in the marketplace. The downward pricing pressure is also passed to the entire value chain of the semiconductor industry, including the ESI which supplies various parts and components.

The historical performance and growth forecast of the ESI in Malaysia is based on a combination of resources, including data from the Department of Statistics Malaysia ("DOSM"), MIDA, Bank Negara Malaysia ("BNM") and the annual reports

## 7. INDUSTRY OVERVIEW (CONT'D)



of public listed ESI companies. Data is also gathered from further secondary and primary research works conducted such as searches on private ESI companies with the Companies Commission of Malaysia to gather more disclosure on their business performance. Primary research works are conducted with stakeholders in the local ESI such as industry players, suppliers and customers to gather their insights on the industry. All the findings are collated, analysed and/or computed to ascertain the outlook of the ESI in Malaysia. The estimated market size (in terms of sales value of manufactured products in Malaysia) and growth forecast of the ESI in Malaysia is shown in Figure 2.

**Figure 2: Estimated Market Size (in terms of sales value of manufactured products in Malaysia) and Growth Forecast of the ESI in Malaysia, 2019-2027**

Year	Market Size (RM billion)	Growth Rate (%)
2019	7.93	-
2020	6.23	-21.4
2021	7.62	22.3
2022	9.37	22.9
2023 <sup>f</sup>	9.98	6.5
2024 <sup>f</sup>	10.78	8.0
2025 <sup>f</sup>	11.69	8.5
2026 <sup>f</sup>	12.74	8.9
2027 <sup>f</sup>	13.88	8.9

Notes:

1. CAGR (2023-2027) (base year of 2022): 8.2%;
2. All figures are rounded;
3. <sup>f</sup> denotes forecast
4. The estimated market size and growth forecast exclude sales of products from metal fabrication activities which range from simple household items to large-scale metal fabricated structures for skyscrapers and oil drilling platform.

Source: Protégé Associates

In recent years, the performance of the local ESI has been affected by the growing trend of trade protectionism, whereby various governments across the globe have been protecting domestic industries from foreign competition through the implementation of tariff, import quotas, products standards or government subsidies. This is particularly noteworthy with the trade war between the USA and China. The trade tension between the countries has caused disruptions in the global supply chain and trading activities, leading to downside risk to the global economy. The COVID-19 outbreak in 2020 further aggravated the situation. In order to curb the spread of COVID-19, governments around the world, including Malaysia, have imposed multiple travel and movement restrictions. This has affected the global supply chain and led to shortage of supplies, delays from suppliers to customers, and an increase of raw material prices and logistic costs. Due to the deep linkages of its end-user markets in the global supply chain, the Malaysian ESI is sensitive to economic cycles and its performance is affected by current developments in the global economy. As such, any adverse impact on the global economy, such as trade protectionism policies and viral outbreaks, is likely to have a negative impact on the Malaysian ESI.

In 2022, the performance of the Malaysian ESI continued to register a positive growth. The industry was supported by continued strength of end-user industries such as life science and medical technology, optoelectronics, and semiconductor. While the global economy continued to recover and perform well in the first half of 2022 after the onset of the COVID-19 pandemic, the Russia-Ukraine war led to a rise in oil and energy prices throughout the year which subsequently led to increase in manufacturing costs as well as an increase in prices of commodities. The growing inflationary environment prompted central banks around the world to raise interest rates to combat the rising prices, which led to a slowdown in the global economy during the second half of 2022. In the second half of 2022, the semiconductor industry began to experience an oversupply for certain segments. The industry was also affected by the decline in disposable income caused by the rise in inflation and interest rates as well as shift in consumer discretionary spending from goods to travel, leisure and entertainment, leading to lower consumer demand of consumer products such as electronics. Nonetheless, enterprise-driven markets of the semiconductor industry such as enterprise networking, industrial, medical and commercial transportation sectors remained resilient throughout the year, countering the decline in consumer-led markets.

In 2023, the Malaysian ESI is forecast to continue growing, albeit at a slower rate considering an inflationary environment, weaker consumer spending, and global economic slowdown. The semiconductor industry in particular is expected to experience a decline, especially in consumer-led markets, which is likely to affect the demand for engineering supporting services in Malaysia. On the flipside, demand for engineering supporting services from other end-user industries, namely the life science and medical technology industry, is likely to offset the decline in the semiconductor industry and support the Malaysian ESI. Advancements in medical technology such as wearable medical devices that are connected to the internet as well as a growing ageing population and need for healthcare reform are factors that are likely to drive the life science and medical technology industry moving forward.

In the medium to long term (2024-2027) the ESI in Malaysia is likely to experience cyclical growth due to fluctuations in the global economy and a volatile foreign currency exchange that are expected to continue impacting the export demand for the intermediate metal products from the ESI in Malaysia. Nevertheless, growth of the ESI is likely to be driven by factors such as technological advancements, strong government support towards the M&E industry and end-user markets,

## 7. INDUSTRY OVERVIEW (CONT'D)



as well as a global ageing population. The Malaysian ESI can also benefit from the trade war on technology between the USA and China in the form of trade and investment diversion to countries outside of the USA and China. As part of the global supply chain, the ESI in Malaysia may benefit from multinational companies shifting manufacturing facilities to the countries, whereby the semiconductor, telecommunications and technology industries are likely to be key beneficiaries of potential investment diversion. The ESI in Malaysia was valued at RM9.37 billion in 2022 and is projected to expand from RM9.98 billion in 2023 to RM13.88 billion in 2027 at a CAGR of 8.2% for the period.

### 5.1 Competitive Analysis

The local ESI is highly competitive with around 2,000 domestic and foreign companies (*Source: MIDA*) competing fiercely against one another to gain market share.

CPE Technology and its subsidiaries ("CPE Technology Group") is an engineering support services provider principally involved in the manufacturing of sheet metal parts and precision machined components. For the purpose of this report, Protégé Associates has used the following criteria when selecting industry players in Malaysia for comparison with CPE Technology Group:

- Involved in the production of sheet metal parts and precision machined components;
- Cater to M&E, semiconductor (electronic devices), life science and medical technology and instrumentation end-user markets; and
- Registered an annual turnover of between RM50 million and RM450 million based on the latest publicly available financial information (The threshold is selected based on Protégé Associates' study on the list of companies in the ESI in Malaysia and their financials).

The above criteria are used to narrow down the list of industry players that can be selected for comparison with CPE Technology Group. The criteria are used in order to select industry players that are deemed to be more similar to CPE Technology Group in terms of upcoming revenue, type of products and principal activities. After taking into consideration the above criteria, Protégé Associates has selected the following industry players for comparison purposes. It needs to be highlighted that the list of industry players used for comparison purpose is not exhaustive. These market players cater to a wide range of end-user markets and may not entirely be the same as CPE Technology Group.

#### Coraza Integrated Technology Berhad ("Coraza")

Coraza is currently listed on the ACE Market of Bursa Malaysia Securities Berhad. It is principally involved in the manufacture of sheet metal parts and precision machined parts and components. Coraza's end-user markets include the M&E, life science and medical technology, semiconductor, instrumentation and aerospace industries.

#### Frencken Mechatronics (M) Sdn Bhd ("Frencken")

Frencken is a wholly-owned subsidiary of Frencken Group Limited, which is listed on the Mainboard of the Singapore Exchange. It is principally involved in the manufacture of machined parts and components for the E&E industries, semiconductor industrial machinery equipment, aerospace industry, medical equipment industry, environmental equipment, professional machines and other solar energy equipment and machineries.

#### Kobay Technology Berhad ("Kobay")

Kobay is currently listed on the Main Market of Bursa Malaysia Securities Berhad. It is an investment holding company while principal activities of its subsidiaries include manufacture of metal works and structures, modules and parts for oil and gas production and extraction equipment, manufacture of semiconductor assembly and testing equipment, manufacture of precision moulds and parts, precision plating and surface treatment and manufacture of precision metal stamping, sheet metal and die casting parts.

#### SFP Tech Holdings Berhad ("SFP")

SFP is currently listed on the ACE Market of Bursa Malaysia Securities Berhad. It is an investment holding company while principal activities of its subsidiaries include provision of sheet metal fabrication, CNC machining, assembly services as well as automation equipment solutions. SFP's end-user markets include the M&E, semiconductor, electrical and electronics and solar PV industries.

#### UWC Berhad ("UWC")

UWC is currently listed on the Main Market of Bursa Malaysia Securities Berhad. It is an investment holding company while principal activities of its subsidiaries include provision of precision sheet metal fabrication and value-added assembly services and provision of precision machined components. UWC's end-user markets include the semiconductor, life sciences and medical technology, telecommunications, and M&E industries.

**Figure 3: Comparison between CPE Technology Group and Selected Industry Players in the ESI in Malaysia**

Company	Information from FYE	Revenue (RM'000)	Gross Profit (RM'000)	Profit after Tax (RM'000)	Gross Profit Margin <sup>1</sup> (%)	Profit after Tax Margin <sup>2</sup> (%)
CPE Technology Group	30 June 2023	145,275.00	51,507.00	30,293.00	35.45	20.85

## 7. INDUSTRY OVERVIEW (CONT'D)



Company	Information from FYE	Revenue (RM'000)	Gross Profit (RM'000)	Profit after Tax (RM'000)	Gross Profit Margin <sup>1</sup> (%)	Profit after Tax Margin <sup>2</sup> (%)
Coraza	31 December 2022	143,347.72	37,432.40	14,714.38	26.11	10.26
Frencken	31 December 2022	393,914.62	63,886.45	35,471.24	16.22	9.00
Kobay	30 June 2023	313,693.51 <sup>3</sup>	81,130.35	25,589.95	25.86	8.16
SFP	31 December 2023	85,784.02	42,957.61	31,977.16	50.08	37.28
UWC	31 July 2022	345,630.97	N/A	106,773.52	N/A	30.89

**Notes:**

1. The above figures (which are based on the latest available audited financial information) only provide an indication and are not considered directly comparable as not all companies carry out activities which are completely similar to each other or in the same geographical area;

2. The list of industry players is not exhaustive;

<sup>1</sup> Gross Profit Margin = Gross Profit / Revenue

<sup>2</sup> Profit after Tax Margin = Profit after Tax / Revenue

<sup>3</sup> Includes revenue generated from property development division of RM34.8 million and from pharmaceutical division of RM78.3 million

Sources: CPE Technology Group, annual report of Coraza, Kobay, SFP, and UWC, Companies Commission of Malaysia and Protégé Associates

### 5.2 CPE Technology Group's Market Share Analysis

For FYE 30 June 2023, CPE Technology Group generated revenue of RM145.35 million, equivalent to approximately 1.55% share of the total size of the ESI in Malaysia of RM9.37 billion in 2022. This is based on CPE Technology Group's revenue of RM145.35 million against the market size (in terms of sales value of manufactured products in Malaysia) of the ESI in Malaysia of RM9.37 billion in 2022.

### 6.0 Demand Conditions

**Figure 4: Demand Conditions Affecting the ESI in Malaysia, 2023-2027**

Impact	Demand Conditions	Short-Term	Medium-Term	Long-Term
		2023-2024	2025-2026	2027
+	Technological Advancement	High	High	High
+	Strong Government Support towards the M&E Industry and End-User Markets	High	High	Medium
+	Global Ageing Population and Healthcare Reforms	Low	Low	Low
-	Geopolitical Tension across the Globe Affecting Economic Activities	High	Low	Low

Source: Protégé Associates

#### Technological Advancement

Along with the advancement in technology, there has been an increasing number of electronic components that have been incorporated into conventional and new devices in various industries. As the ESI relies heavily on the performance of its end-user markets, the industry stands to benefit from the rapid evolving technological trends which has driven the expansion of these end-user markets. Some of the key technological trends driving the expansion of the semiconductor industry and other end-user markets are detailed below.

##### ***Invention of new technologies***

The introduction of new and innovative electronic devices has been one of the key driving forces behind the growth of the global semiconductor industry. For example, the proliferation of augmented reality ("AR"), virtual reality ("VR") and 3D printing in the recent years had led to the launch of new electronic devices such as AR glasses, VR headsets and 3D printing machines.

Additionally, the technological revolution, marked by fifth generations ("5G") technology adoption, artificial intelligence, and big data analytics, has resulted in new electronic devices. These encompass smart factories where machinery and equipment are interconnected, autonomous cars (which are self-driving or driverless cars) and smart home devices such as intelligent lighting systems and door locks. This technological revolution of semiconductor and electronic devices is expected to continue driving new developments in the semiconductor and E&E industries to produce more advanced semiconductor and electronic devices in terms of performance, capacity and technology.

##### ***Advancement of telecommunication technologies***

As telecommunication technologies advance, so has the number of integrated circuits being used in telecommunication devices and transmission infrastructure. This trend has bolstered the development of the

## 7. INDUSTRY OVERVIEW (CONT'D)



semiconductor industry to provide mutual support. One of the latest telecommunication technologies attributes to the development of the fifth-generation wireless broadband technology ("5G") that provides faster speed and wider coverage. The new technology is expected to feature a greater number of multiple input and output streams, which would lead to having a higher data transmission rate than the present fourth-generation wireless broadband technology. The greater data transmission rate alongside the expansion in input and output streams require the support of more advanced semiconductor technology.

### ***Internet of Things ("IoT")***

The IoT refers to a network of physical objects enabled to communicate with one another through the use of electronics, software, sensors and network connectivity embedded within them. The rise of IoT has led to increasing usage of sensors and semiconductors in both consumer and industrial products, ranging from cloud computing, drone cameras, smart home devices, wearable technology, to smart manufacturing where automated equipment communicate seamlessly.

### ***Internet of Medical Things ("IoMT")***

An ageing global population coupled with the occasional viral outbreaks has led to the continuous rollout of new life science and medical applications to keep human beings and other living organisms safe and healthy. In particular, a current popular trend within the healthcare shows the adoption of IoMT, which refers to the usage of medical devices that are embedded with connectivity and sensor technology to monitor a patient's health conditions. The use of IoMT devices also provides healthcare providers with the necessary data required to take immediate health actions or detect health issues at an early stage.

### ***Achievements in Materials Engineering***

The introduction of new innovative materials has not only significantly impacted human progress but also become a cornerstone towards technologically advanced future. These new materials have enabled the development of new technologies in various industries, including civil engineering, biomedical, and electrical engineering. In civil engineering, advanced alloys and composite materials have enabled the construction of more durable and efficient structures. In the biomedical fields, biomaterials and nanomaterials are at the forefront of ground-breaking medical devices and prosthetics, enhancing healthcare outcomes and offering a new lease of life to many. The electrical engineering industry has also benefited from superconductors and photonic crystals, leading to enhanced efficiency and energy savings.

### **Strong Government Support towards the M&E Industry and End-User Markets**

The local ESI has been largely supported by the M&E industry in Malaysia, which generally acquires intermediate metal products that are manufactured by the ESI. The Malaysian M&E industry plays a crucial role in the transformation of the country into a high-technology nation, mainly due to its linkages to various important economic sectors such as the manufacturing, construction and services industries. This has led to the strong support from the Malaysian Government, as witnessed by its inclusion into the Third Industrial Master Plan ("IMP3") to promote the industry's growth.

The local E&E industry is yet another industry that has garnered the attention of Malaysian Government. As an important economic pillar that contributes significantly to the GDP of the country, the local E&E industry has been named as one of the National Key Economic Areas ("NKEAs") under the Economic Transformation Programme to promote its development. Furthermore, under the Twelfth Malaysia Plan ("12MP"), the Government is set on accelerating the development of eight strategic and high impact industries and activities, which includes the local E&E industry. In particular, the focus will be on boosting the E&E industry to move up the value chain, whereby industry players will be encouraged to adopt advanced technologies and produce more sophisticated products. To achieve a more comprehensive ecosystem to ensure the sustainable development of the E&E industry, a national E&E roadmap will also be formulated to provide strategic direction for the industry. Further, during the tabling of Budget 2024, the Malaysian Government announced that it would establish a high-tech industrial area in Kerian, Perak to create a broader ecosystem for the E&E industry in the northern region of Malaysia. The Budget 2024 also aims to provide funding via government-linked companies and government-linked investment companies to local startups to venture into high growth high value industries such as E&E, digital economy, and space technology. Any development in the E&E industry can only serve to benefit its supporting semiconductor industry.

Malaysia is also committed to improving healthcare delivery standards to provide world-class medical products and technologies. The Government established the Medical Device Investment Advisory Panel ("MDIAP") to assist the industry's growth and development, by providing strategic initiatives to promote the growth of the medical device industry in Malaysia.

### **Global Ageing Population and Healthcare Reforms**

According to the United Nations, there was an estimated 771 million persons aged 65 years and above in 2022. This number is projected to more than double by 2050, reaching over 1.6 billion persons. This means that the percentage of older persons in the global population is expected to increase from 9.7% in 2022 to 16.0% in 2050. With an increase in older demography, the demand for healthcare and other associated spending is expected to increase in tandem.

At the same time, there has also been an increase in healthcare reforms over the world in recent years to provide better healthcare services for the general population. At present, the population's access to healthcare facilities and treatment

## 7. INDUSTRY OVERVIEW (CONT'D)



varies widely around the globe, with poor countries seeking basic infrastructure such as clean water and sanitation, while developed economies have abundant hospitals but struggle with cost containment. The combination of an ageing global population coupled with more healthcare reforms is expected to lead to higher demand for healthcare services globally, which in turn is expected to drive demand for life science and medical technology products. This will in turn drive demand for the ESI in Malaysia.

### Geopolitical Tension across the Globe Affecting Economic Activities

As a part of the global supply chain, economic activities in Malaysia are subject to geopolitical events that may affect economic activities across the globe. Global trading avenues has witnessed a rising trend of trade protectionism, led by the major economies, notably the USA and China. The USA has banned the export of semiconductor technology to China by enacting export controls on the supply of advanced semiconductor chips to China and requiring USA companies to obtain a licence to supply Chinese chipmakers with equipment to produce advanced semiconductor chips. This was followed by Japan and the Netherlands which also enacted export restrictions of some advanced semiconductor manufacturing equipment in 2023. The USA government had also introduced the CHIPS Act on 9 August 2022, whereby the USA government will provide companies with subsidies for investment in chip fabrication plants and chip research and development to boost the semiconductor industry in the USA and reduce the country's reliance on China. The trend of trade protectionism has the potential to adversely impact global trading activities, posing a downside risk to global economic growth. Furthermore, impact of the downside risk may increase if the uncertainties over trade protectionism are prolonged.

The ongoing war between Russia and Ukraine has also caused disruptions to the global supply chain. As one of the largest exporters of oil in the world, Russia's involvement in the war has affected global oil supply dynamics, whereby some countries have banned crude oil and petroleum products from the country. This had led to oil prices spiking in the first half of 2022 and renewed supply chain disruptions, including for the automotive industry with the high fuel price. The high oil prices had also aggravated inflation in the USA as well as in some European countries, which affected demand from these countries. To combat the situation, the USA and major European economies had increased interest rates to cool inflation. This had led to an economic slowdown in these economies in the second half of 2022. The slowdown has persisted into 2023, and global economic growth is expected to moderate to 3.0% in 2023 and 2.9% in 2024. Oil prices had also been trending downwards since the second half of 2022. More recently, the sudden escalation of conflict between Hamas and Israel has led to the outbreak of the Hamas-Israel war which is in the early stage, and it is uncertain how the conflict will affect the global economy.

In Malaysia, many of the end-user markets of the ESI are sensitive to economic cycles and are subject to the conditions of the global economy. As such, the trade protectionism by major economies and the war between Russia and Ukraine is expected to adversely affect the demand for end-user market products, and in turn demand for intermediate metal products from the ESI in Malaysia. However, while geopolitical issues tend to affect global economic activities, some countries that are not involved in said geopolitical issues may benefit in the form of trade or investment diversion. In particular, Malaysia has benefited from the ongoing trade war between the USA and China. This development is expected to lead more USA companies outsourcing electronic manufacturing services to Malaysia, which will support demand for engineering supporting services. At the same time, several multinational companies such as Intel Corp, Infineon Technologies AG and AT&S has indicated plans to invest a total of over USD10 billion for new production capacity in Malaysia. This is also expected to bode well for the local ESI.

### 7.0 Supply Conditions

**Figure 5: Supply Conditions Affecting the ESI in Malaysia, 2023-2027**

Impact	Supply Conditions	Short-Term	Medium-Term	Long-Term
		2023-2024	2025-2026	2027
+	Expansion within the ESI	High	High	High
+	Growing Sophistication of Manufacturing Technology	High	High	High
+	Support from the Government	High	High	High
-	Downward Pricing Pressure from Customers	Medium	Medium	Medium

Source: Protégé Associates

### Expansion within the ESI

To ensure continued competitiveness and prevent obsolescence in the global market, market players have been continuously upgrading production facilities as well as adopting the latest manufacturing technologies to be able to meet the expectations of its end-user markets. This trend also applies to the ESI, whereby industry players have invested in their production facilities and newer technology to remain as a qualified vendor of customers. At the same time, some industry players have also opted to enhance their competitive advantage by offering integrated services and total manufacturing solutions or even focus on niche segment products that require additional design and development capabilities to meet the demands of clients. This includes working closely with the customer to develop a product, by creating and refining a product's design to the final required prototype of the product, as well as other related issues such as process and material requirements product and quality assurance, and manufacturability.



## 7. INDUSTRY OVERVIEW (CONT'D)



### Growing Sophistication of Manufacturing Technology

The term technostructure facilities and resources refers to the various state-of-the-art machine and tools, the use of computer system along with advanced computer-aided design and other related design and engineering software, R&D facilities, quality control facilities. The advancement of technostructure facilities and resources has long been driving the expansion of the manufacturing sector globally. This is due to more advanced technostructures enabling the production of higher precision end products with minimal human induced error. At present, manufacturing technology is very much shaped by digitalisation transformation, driven by connected technologies. It is described as Industry 4.0, smart manufacturing, or digital factories. Industry 4.0 introduces the combination of digitalised and automated manufacturing process and real time physical progress monitoring to make decentralised decisions. As part of the manufacturing sector, the advancement in the technostructure also benefits the expansion of the local ESI.

### Support from the Government

Due to its close linkages with the Malaysian M&E industry for supplying parts and components and other metal fabrication services, the Malaysia Government has been supportive of the local ESI with the introduction of various supporting programmes in the form of tax incentives that are relevant for manufacturing companies, all of which are expected to aid in the expansion of the ESI in Malaysia. These incentives include but are not limited to reinvestment allowance, group relief, Industrial Building Allowance, and deduction of audit fees. In addition, the Government launched various Industry4WRD related financial facility supports and incentives to help SMEs to drive digital transformation in their manufacturing businesses. These include the Industry4WRD Intervention Fund, Domestic Investment Strategic Fund, and the automation capital allowance. The Malaysian Government had also announced the New Industrial Master Plan 2030 ("NIMP 2030") to improve the country's manufacturing sector. Amongst other measures, the NIMP 2030 aims to improve access to funding and capital for the sector to grow via the NIMP 2030 Industrial Development Fund and NIMP 2030 Strategic Co-Investment Fund. The continued support of the Malaysian Government augers well for the growth of the local ESI.

### Downward Pricing Pressure from Customers

The ESI faces constant challenges from downward pricing pressure from technology-based end-user markets, notably the semiconductor industry. The semiconductor industry is cyclical in nature and is characterized with the frequent introduction of more advanced or improved products. This has led to products manufactured using older technologies becoming obsolete at a quicker pace and the price of older products depreciating to remain competitive in the marketplace. The downward pricing pressure is then passed through to the entire value chain of the semiconductor industry, including the ESI which supplies various parts and components. This has resulted in ESI players being forced to accept lower margins or reduce production cost to fulfil orders at lower prices from customers while still remain financially stable.

Nonetheless, market players in the ESI have been investing in upgrading their manufacturing facilities and acquiring latest manufacturing technologies to provide total manufacturing solutions. Leveraging on their experience, market players also begin to venture into higher value-added niche production concept which require D&D capabilities. Such move allows the ESI to shy away from the competitive low-end production without hurting their financial performances.

### 8.0 Prospect and Outlook of the ESI in Malaysia

The market size (measured by sales value of manufactured products in Malaysia) of the ESI in Malaysia was valued at RM9.37 billion in 2022, which was a double-digit expansion from RM7.62 billion in the previous year. The local ESI is forecast to reach RM9.98 billion in 2023 and expand by a CAGR of 8.2% to reach RM13.88 billion in 2027, supported by the advancement in technology as well as expansion in end-user markets. In the short term, the growth of the Malaysian ESI may be affected by the global economic slowdown, heightened inflation rates, and subdued consumer spending. The semiconductor industry, in particular, is expected to experience a decline, especially within consumer-led markets. Nevertheless, the increasing demand for engineering supporting services from other end-user industries, namely the life science and medical technology industry, is likely to offset the decline in the semiconductor industry and support the Malaysian ESI. Growth in the industry is expected to be underpinned by an increasing number of electronic components being incorporated into both emerging and traditional industries, thus spurring demand for more semiconductors in the long-term. At the same time, the global semiconductor industry is also expected to be driven by the advancement in telecommunication technology such as the rollout of 5G technology and the increasing adoption of IoT and IoMT, in which both will boost demand for semiconductors. The ESI is also set to benefit from the expansion of its other end-user markets such the life sciences and medical technology, instrumentation and sport equipment industries, all of which rely on the ESI to supply parts, components and services to them.

Closer to home, the local ESI is poised to benefit from the growth of the local M&E industry which serves as an important supporting industry for the broader manufacturing sector. As manufacturing activities intensify, there's an anticipated uptick in investments, especially those that focus on enhancing and expanding production capacities, which would translate to increased demand for the M&E solutions in Malaysia. Manufacturers are also adopting the "just-in-time" method for its advantages such as reduced warehousing and inventory costs, greater control over inventory turnover and prevention of overproduction as well as unsold product accumulation. The need for swift production in response to orders from customers would require manufacturers to increase their manufacturing capacity. These developments will continue to support the local M&E industry and translate to higher demand for engineering supporting services.

## 8. RISK FACTORS

**NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER, IN ADDITION TO THE OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, THE FOLLOWING RISK FACTORS (WHICH MAY OCCUR EITHER INDIVIDUALLY OR IN COMBINATION, AT THE SAME TIME OR AROUND THE SAME TIME) THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF OUR GROUP BEFORE INVESTING IN OUR SHARES. IF YOU ARE IN ANY DOUBT TO THE INFORMATION CONTAINED IN THIS SECTION, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.**

### 8.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

#### 8.1.1 We are subject to Regulatory Requirements for our Business Operations

Our business is subject to various laws and regulations. As at the LPD, we have obtained the necessary licences and permits to carry out our business activities. Kindly refer to Section 6.19 of this Prospectus for more information on our major licences, permits and approvals.

The licences, permits and approvals that we have obtained are subject to conditions and requirements imposed by the various issuing bodies. In the event of non-compliance by our Group, the licences, permits and approvals we have obtained may be terminated, revoked, or may not be renewed upon its expiry. Our Group and/or our Directors may be subject to penalties, fines or prosecution in the event of our non-compliance. Notwithstanding our internal process to monitor compliance and track the validity of our licences, permits and approvals, there can be no assurance that we will be able to renew our licences, permits and approvals in a timely manner or be able to comply with any new conditions imposed. This may adversely affect our business operations and our future financial performance.

As disclosed in Section 6.19 of this Prospectus, our Group operated without MITI Licences/approvals from MIDA for certain period in the past. 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.

In addition, as at the LPD, Champion PT has yet to comply with the conditions of MITI Licence for Plant 1, Plant 2 and Plant 4 in regard to the total workforce of Champion PT which shall consist at least 80.00% Malaysian citizen by 31 December 2020 for Plant 1 and 31 December 2022 for Plant 2 and Plant 4 in accordance with the condition stipulated in their respective MITI Licence. Pursuant to the letter issued by the MITI to, among others, relevant associations, chamber of commerce, federations, councils and organisations on 18 July 2022 and 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 MITI has further extended the requirement to comply with the said condition until 31 December 2024.

Our Company and Champion PT has made various efforts as stated in Section 6.19 of this Prospectus in order to comply with the above-mentioned conditions by 31 December 2024. Notwithstanding the various efforts taken by our Company and Champion PT, there is no assurance that Champion PT is able to meet such conditions by 31 December 2024. In the event such conditions are not met by 31 December 2024 and there is no further extension of time granted by the MIDA, the MIDA may take action by issuing warnings, imposing penalties or additional conditions or restrictions, suspending and/or revoke our MITI Licences for any

## 8. RISK FACTORS (CONT'D)

breach or non-compliance of the conditions. Under the event of the revocation of MITI Licence, our Group's operations and financial performance will be materially affected.

As disclosed in Section 6.17.2, Section 6.19, Section 6.22.1 and Section 6.23 of this Prospectus, our Group was not in compliance with certain laws and regulations but which have since been rectified as at the LPD.

The above said past non-compliances are not expected to have any material impact to our Group's business operations and financial conditions.

Kindly refer to Section 6.17.2, Section 6.19, Section 6.22.1 and Section 6.23 of this Prospectus for further details of the non-compliances of our Group.

### 8.1.2 We are dependent on our Major Customers

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 FYE 30 June 2023 (Period Under Review) respectively.

Our top 5 major customers for the FYE 30 June 2023, collectively, account for a significant proportion of our Group's revenue and we anticipate that they will continue to contribute to our Group's revenue in the future.

Our Group does not enter into any long-term contracts with committed quantities and/or contract values in the form of legal agreement with our major customers. Due to the nature of the industries our major customers operate in, which are subject to rapid advancement in industry standards and product specification changes, our major customers typically do not enter into such long-term contracts with us. However, some of our major customers will issue blanket purchase orders to us. The blanket purchase orders generally cover a larger quantity of goods over a longer duration of time. When the said major customers request for a quantity of precision-machined parts and components covered under the blanket purchase order, they will generally issue a purchase order for the specific goods required or inform us via email. The value and amount of goods will then be subtracted from the blanket purchase order. We will then update our major customers on the expected delivery time of the requested precision-machined parts and components. The absence of the above-mentioned long-term contracts with our major customers may result in the fluctuation of our overall financial performance as the orders from our major customers are generally on a purchase order basis.

Nevertheless, despite the absence of the said long-term contracts with our major customers, we have managed to develop long-standing business relationships with our major customers by providing products that meet their specifications in a timely and consistent manner, some for more than 10 years as at the LPD. Although our Group continuously seeks to maintain and strengthen our existing business relationships and establish relationships with new customers, there is no assurance that we will be able to retain these customers or maintain a consistent level of business activities with them.

Any adverse changes to the business relationship between our Group and our major customers may result in a loss of revenue and adversely affect our financial performance and business operations. Furthermore, we may be negatively affected if we lose one or more of our major customers without securing new customers or additional orders from our existing customers in a timely manner.

---

## **8. RISK FACTORS (CONT'D)**

---

### **8.1.3 We are exposed to Price Fluctuation, Availability and Quality of our Raw Materials**

The main raw materials we use in our manufacturing activities are stainless steel and aluminium. The value of our purchases of stainless steel and aluminium amounted to approximately RM11.89 million, RM4.89 million, RM14.09 million, RM35.71 million and RM30.11 million respectively 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), which translated to approximately 49.58%, 24.47%, 46.54%, 58.87% and 57.70% of our total purchases respectively for the said period. The price of our raw materials may fluctuate due to factors including, but not limited to, market supply and demand conditions.

Any unfavourable changes in the above-mentioned factors may result in an increase of raw material prices, leading to higher manufacturing costs. The rising cost of raw materials may adversely affect our profitability and our financial performance if we are unable to pass on the increase in raw material costs to our customers.

During the FYE 30 June 2020 and FYE 30 June 2021, we have experienced an increase in stainless steel prices by approximately 40.00% to 50.00%. We are currently able to pass some of the increased costs of raw materials to our customers. However, if the raw material prices continue to increase and we are unable to pass on the increased cost to our customers, our margins may be negatively affected. There can be no assurance that our Group's financial performance will not be adversely affected by any fluctuation in stainless steel or aluminium prices in the future.

Changes in global supply and demand conditions may also affect our ability to procure the necessary raw materials which are required in the manufacturing of precision-machined parts and components. We currently have not experienced disruptions in procuring raw materials as we are able to procure them from different suppliers. Nevertheless, there can be no assurance that we may not experience difficulties in obtaining raw materials from our suppliers in the future, which may negatively affect our business operations and future financial performance. Furthermore, if the raw materials we procure are lower in quality, the quality of our precision-machined parts and components may be affected, leading to an adverse effect on our reputation and future financial performance.

### **8.1.4 We are dependent on our Directors and Key Senior Management**

We believe that our continued success and growth of our business largely depends on the efforts of our Directors and key management personnel, who have been instrumental in the development of our corporate strategy and the growth of our business thus far. Our Executive Director and Group Chief Executive Officer, Mr. Lee, has approximately 35 years of experience in the precision engineering industry and he is supported by our Executive Director, Mr. Mu who has approximately 38 years of experience in the precision engineering industry and a team of experienced key personnel who each has more than 20 years of relevant working experience in their respective fields. In addition, our Key Senior Management possesses extensive industry knowledge and their ability to develop insight into the consumer trends has successfully enabled us to establish and maintain business relationships with our customers. Our knowledgeable management team also keep abreast of developments in the ESI which enables us to remain competitive. As such, the loss of our experienced key management personnel simultaneously or without timely replacements, may create an unfavourable impact on our Group's competitiveness, business operations and financial performance.

### **8.1.5 We are dependent on Skilled Workers and Production Workers and the Availability of Labour**

We are dependent on the supply of skilled workers and production workers.

## 8. RISK FACTORS (CONT'D)

As at the LPD, we have a total of 306 skilled workers and 296 production workers, which represent approximately 50.83% and 49.17% respectively of the total workforce of our Group of 602 personnel which includes staff from other departments such as those assuming the accounting and finance functions.

We have 285 skilled workers in Malaysia and 21 skilled workers in Singapore (Mr. Mu and another employee are employed by both Champion PT and Champion PE). Of the 285 skilled workers in Malaysia, 174 are Malaysian while the remaining 111 are foreign employees. Of the 21 skilled workers in Singapore, 15 are Singaporean/permanent resident while the remaining 6 are foreign employees.

All 296 of our production workers are in Malaysia. Of the 296 production workers in Malaysia, 157 are Malaysian while the remaining 139 are foreign employees. With regard to our production workers, save for 6 practical students employed by our Group who are under contract as at the LPD, the remaining 151 of them are our permanent employees.

The table below illustrates the breakdown of our skilled workers and production workers for both our Malaysia and Singapore operations.

No.	Jurisdiction	Nationality	Total	Skilled Workers		Production Workers	
				Permanent	Not permanent	Permanent	Not permanent
1.	Malaysia operations	Malaysian	331	169	5	151	6
		Foreigner <sup>(1)</sup>	250	111	-	139	-
2.	Singapore operations	Singaporean/ Permanent Resident <sup>(2)</sup>	15	15	-	-	-
		Foreigner <sup>(3)</sup>	6	6	-	-	-
Total			602	301	5	290	6

Notes:-

<sup>(1)</sup> 'Foreigner' under our Malaysia operations denotes all our employees in Malaysia who are not Malaysian.

<sup>(2)</sup> Although Mr. Mu and another employee of our Group are under the employment of both Champion PT in Malaysia and Champion PE in Singapore, for the purpose of the table above, we have only categorised them as 'Singaporean/Permanent Resident' in their employment in Singapore (and not Malaysia) to avoid duplication.

<sup>(3)</sup> 'Foreigner' under our Singapore operations denotes all our employees in Singapore who do not hold either Singaporean or Permanent Residence status.

Although we utilise a number of automated machinery in our operations, we are still dependent on production workers in other operating procedures. In addition, we may also experience dependency on the supply of skilled workers such as engineers who are engaged in the process of product design and development and programming of CNC machinery.

With increasing demand of skilled labour, there is no assurance that we can continue to attract workers or retain our existing workers at the current level of wages. If we are unable to attract or retain workers, we may not be able to fulfil orders in a timely manner and thereby adversely affecting our business operations and financial performance. In addition, in a tight skilled labour market, any increase in competition for skilled workers may result in higher wages, leading to higher manufacturing costs. Consequently, our business and financial performance will be affected in the event that we are unable to pass on the increase in manufacturing costs to our customers.

## 8. RISK FACTORS (CONT'D)

As at the LPD, we have been affected by the preference of local workers in Johor to work in Singapore in terms of recruiting local personnel from Johor. However, we are still able to increase our local workforce (if we opt for a more competitive remuneration package). Despite these circumstances, we have not experienced shortage of skilled workers and production workers in the past that have affected our operations.

### 8.1.6 We may be exposed to disruptions in our Operations, Manufacturing Activities, Facilities and Inadequate Insurance Coverage

Our Group's business operations are reliant on our manufacturing activities running smoothly and efficiently. Our Group's manufacturing activities are mainly supported by our workforce and machine and equipment such as CNC milling machines, CNC turning machines and auto-lathe machines. We schedule and conduct regular maintenance on the machineries to ensure performance efficiency and optimum utilisation. However, we may experience unexpected incidents such as power shortage, mechanical failure and operational failure which may lead to disruption to our manufacturing operations. Major or continuous disruptions in our operations will lead to a longer lead time for our manufacturing activities. Failure to meet delivery deadlines as a consequence of such disruptions may in turn result in the loss of business and claims against us. Such incidents may damage our Group's reputation and affect our business relationships with our customers and thereby experiencing an adverse effect on our profitability and financial performance.

Our business operations are also subject to risks outside of our control including, but not limited to, fire, flood, power failure, burglary, and disruptions in water supply. Should these unexpected events occur, our manufacturing activities may be disrupted or experience a prolonged suspension. This may lead to significant interruptions or downtime for our manufacturing activities, thus affecting our manufacturing schedule and timely delivery of our products which would in turn impact our relationship with our customers and affect our reputation, future business and financial performance of our Group.

For our Malaysia operations, we have purchased insurance policies, details of which are tabulated as summarised in the table below.

No	Type of Insurance	Sum Insured as at 30 June 2023
		RM
1.	Fire (for content in the building)	59,770,000
2.	Fire (for factory building)	18,000,000
3.	Burglary	18,500,000
4.	Public liability	1,000,000
5.	Product liability	4,000,000
6.	Inland transit	600,000
7.	All risks	23,269,860
8.	Vehicle	156,000
9.	Personal accident and medicals	<sup>(1)</sup> 20,000 per foreign worker
Total (Excluding Item No. 9)		125,295,860

## 8. RISK FACTORS (CONT'D)

Note:-

<sup>(1)</sup> Annual maximum limit per person.

For our Singapore operations, we have purchased insurance, details of which are tabulated as summarised in the table below.

No	Type of Insurance	Sum Insured as at 30 June 2023
		SGD
1.	Public liability	1,000,000
2.	Commercial and industrial all risk	3,095,000
3.	Plate glass	10,000
4.	Group hospital and surgical insurance per disability	<sup>(1)</sup> 15,000 per work permit holder
5.	Burglary	250,000
6.	Work injury compensation	1,528,668
Total (Excluding Item No. 4)		5,883,668

Note:-

<sup>(1)</sup> Annual maximum limit per person.

Nonetheless, the insurance policies we have purchased are subject to limitations and exclusions of liability in terms of events that occur as well as the amount insured. As such, our Group's policies may be inadequate to cover all losses or liabilities suffered due to unexpected events such as those mentioned above. If our insurance policies are unable to cover the full losses or liabilities suffered, we may experience an adverse effect on our financial performance.

As at the LPD, save for those as disclosed in Section 6.17 of this Prospectus in relation to the impact of COVID-19, there have been no unexpected incidences in the past that have affected our operations.

### 8.1.7 We may be unable to efficiently manage our Inventory Risks

Our inventories consist of raw materials, work-in-progress parts and components, and finished precision-machined parts and components. Our Group procures raw materials based on forecast orders provided by our customers as well as based on purchase orders from our customers. However, the forecast orders are non-binding and may not reflect the actual quantities, pricing or timing that the final purchase orders will include. Substantial differences between the forecast orders and the final purchase orders may result in excessive raw materials in our inventory. In light of the COVID-19 and the resulting global supply chain issues, we have also purchased a larger amount of raw materials to ensure that we do not face shortages of raw materials when supply is disrupted. If we fail to manage our inventory effectively, we may be subjected to a higher risk of obsolete inventory, inventory write-offs, or a decline in the value of our inventory. We may also be required to commit a substantial amount of capital resources to purchase the said raw materials which may affect the amount of capital resources for other operations, if required and necessary.

Our provision for slow-moving and obsolete inventories for the Period Under Review are as stated in Section 11.4.8(iii) of this Prospectus. There were no inventories written off during the Period Under Review.

## 8. RISK FACTORS (CONT'D)

### 8.1.8 We are exposed to Foreign Currency Exchange Risk

The percentages of sales of our Group denominated in USD and EUR for the Period Under Review 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	
		RM'000	% over Total Revenue of Our Group	RM'000	% over Total Revenue of Our Group	RM'000	% over Total Revenue of Our Group	RM'000	% over Total Revenue of Our Group	RM'000	% over Total Revenue of Our Group
1.	USD	33,925	43.30	45,218	57.23	64,777	69.32	111,738	80.48	120,042	82.63
2.	EUR	17,513	22.35	8,467	10.72	5,173	5.54	4,709	3.39	2,584	1.78
Total revenue denominated in USD and EUR		51,418	65.65	53,685	67.95	69,950	74.86	116,447	83.87	122,626	84.41
Total revenue		78,352	100.00	79,013	100.00	93,444	100.00	138,846	100.00	145,275	100.00

Note:-  
The sales of Champion PE to some of our customers are denominated in SGD. However, such sales in SGD will not result in our exposure to foreign currency exchange risks as SGD is the local currency of Champion PE.

As such, any significant fluctuations in foreign exchange between RM and/or SGD with the foreign currencies as shown in the table above may have a material impact on our financial performance. Any unfavourable movement in the foreign currencies as shown in the table above against the RM and/or SGD may adversely affect our profitability.

The value of our trade purchases denominated in currencies other than RM and SGD for the Period Under Review 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	
		RM'000	% over Total Purchase of Our Group	RM'000	% over Total Purchase of Our Group	RM'000	% over Total Purchase of Our Group	RM'000	% over Total Purchase of Our Group	RM'000	% over Total Purchase of Our Group
1.	USD	5,126	21.38	1,706	8.54	7,773	25.68	24,528	40.44	21,741	49.59
2.	JPY	441	1.84	361	1.81	4,932	16.29	7,365	12.14	6,448	14.71
3.	EUR	5,498	22.93	2,381	11.92	401	1.32	712	1.17	483	1.10
4.	GBP	-	0.00	2	0.01	-	0.00	-	0.00	-	0.00
Total trade purchases denominated in currencies other than RM and SGD		11,065	46.15	4,450	22.28	13,106	43.29	32,605	53.75	28,672	65.40
Total trade		23,974	100.00	19,976	100.00	30,272	100.00	60,660	100.00	43,843	100.00



## 8. RISK FACTORS (CONT'D)

No.	Items	FYE 30 June 2019		FYE 30 June 2020		FYE 30 June 2021		FYE 30 June 2022		FYE 30 June 2023	
		RM'000	% over Total Purchase of Our Group	RM'000	% over Total Purchase of Our Group	RM'000	% over Total Purchase of Our Group	RM'000	% over Total Purchase of Our Group	RM'000	% over Total Purchase of Our Group
	purchases										

Our net realised and unrealised gain or loss on foreign exchange for the Period Under Review are as stated in the table below.

No.	Items	Unit/ Measurements	FYE 30 June 2019	FYE 30 June 2020	FYE 30 June 2021	FYE 30 June 2022	FYE 30 June 2023
1.	Realised gain/(loss) on foreign exchange	RM'000	307	280	(1,591)	870	1,475
2.	Unrealised gain/(loss) on foreign exchange	RM'000	(243)	427	77	(64)	(347)
3.	Net gain/(loss) on foreign exchange	RM'000	64	707	(1,514)	806	1,128
4.	PBT/(LBT)	RM'000	14,163	12,414	24,880	43,415	39,101
5.	Net gain/(loss) on foreign currency exchange as a percentage of PBT/(LBT)	%	0.45	5.70	(6.09)	1.86	2.88

Based on the above, we are exposed to foreign exchange gains or losses in the conversion of foreign currencies into RM and/or SGD, mainly arising from the timing differences between our billings and the actual receipt of payments from our customers and/or actual conversion for transactions which are conducted in currencies other than RM and/or SGD.

Our Group has cash and cash equivalents, trade and other receivables and trade and other payables which are denominated in foreign currencies.

Please refer to Section 2.3.1(a)(ii), Page 44 of Section 12 of this Prospectus for the details of the sensitivity analysis when USD, EUR and SGD strengthens/weakens by 5.00% to 10.00% against the respective functional currencies of the entities within our Group.

Based on the historical trend in the past few years, the fluctuation in the foreign currency exchange ranges from 2.00% to 5.00%. However, save for the fluctuations of SGD against RM during the FYE 30 June 2023 (of 10.00%), our Company is of the view that it is reasonable that a possible change of 5.00% is to be applied as the worst-case scenario across all currencies and all periods.

Currently, we practise natural hedging by maintaining foreign exchange bank accounts in SGD, EUR, and USD whereby the collections in the respective currencies can be used to settle payments of the same currencies where possible. Our Group does not use any formal financial instruments to manage our foreign exchange risk. In the future, should the need arise, we may consider other hedging instruments such as derivative contracts to further mitigate our exposure to foreign exchange risks. However, there can be no assurance that any adverse

---

## 8. RISK FACTORS (CONT'D)

---

fluctuation in foreign exchange rates will not affect the future revenue and financial performance of our Group.

### 8.1.9 We may be exposed to sudden disruptions to our Business and Operations caused by outbreak of Infectious Diseases such as COVID-19 and the Imposition of Lockdown Measures

Our Group's business and operations may be subject to disruptions caused by outbreaks of infectious diseases such as COVID-19 in Malaysia or countries where our customers and suppliers operate. Any outbreak of diseases may lead to government authorities imposing strict measures to curb the spread of the diseases, thus leading to temporary suspension of business activities.

When COVID-19 was declared a pandemic, the Government implemented various lockdown measures such as closure of its borders, movement restrictions, and closure of non-essential businesses. Our Group did not experience a material disruption in our operations as our business operations fall under essential services and we were allowed to continue operating albeit under strict SOPs and decreased workforce capacity. We also did not experience any disruptions in our raw material supply as we were able to procure supplies from multiple suppliers. However, we experienced slight delays delivery of precision-machined parts and components to our customers due to the global logistics issues. Nevertheless, our customers did not impose any penalties on our Group due to the delays in delivery. We have also experienced temporary shutdowns of our operations from 10 February 2021 to 14 February 2021 and from 7 March 2022 to 13 March 2022 due to the discovery of COVID-19 cases amongst our employees and as a result, we were unable to carry out our manufacturing activities temporarily. Nonetheless, we had informed our customers about the shutdown and rescheduled delivery of products to them. We have not incurred penalties from our customers related to the rescheduled deliveries.

However, should the Government implement tighter restrictions in the future due to outbreaks of infectious diseases, we may be forced to shut down our operations or reduce our workforce capacity. There can be no assurance that our manufacturing activities will not be materially affected, which may affect our ability to fulfil our orders within the stipulated timeline and lead to our customers imposing penalties on us. This may adversely affect our business operations and financial performance. The imposition of tighter restrictions may also affect our ability to conduct in-person meetings with potential new customers, which could affect our ability to show them our precision machining capabilities, thus affecting our future financial performance.

### 8.1.10 We are exposed to risk of Security Breaches and failure to protect our Proprietary Information and our Customers' Information

During the course of our operations, we are routinely exposed to confidential information which our customers require us to maintain confidentiality, including highly commercially sensitive technological know-how. We rely on the security of our IT systems as well as the integrity of our staff and physical security of our premises to preserve confidentiality of this information. Our servers may be vulnerable to hacking, data theft and subsequent leakage of confidential information to unauthorised third parties. It is our contractual obligations to our customers to preserve confidentiality of information. Our Group may be exposed to liabilities, such as complaints, claims, legal actions initiated by our customers or potential termination of business relationships arising from any leakage or loss of data. Our reputation, business and financial position may be materially and adversely affected as a result.

All of our employees are subject to non-disclosure agreements in relation to the confidential information which came into their possession during their course of employment.

As at the LPD, there has been no security breaches in the past that have affected our operations. Notwithstanding that we have in place measures to prevent security breaches,

---

## **8. RISK FACTORS (CONT'D)**

---

there can be no assurance that our Group will not experience any security breaches that would materially affect our business operations and/or financial performance in the future.

### **8.1.11 We may experience delays in realising our Future Plans and Strategies**

We plan to construct the New Plants which will enable us to increase our production capacity. We have developed a timeline and a budget for the construction of the New Plants. However, construction of the New Plants within the specified timeline and budget is subject to various uncertainties including, but not limited to, completing the acquisition for the New Industrial Lands, receiving approval for our building plans, issuance of CCC, receiving a MITI Licence from the MITI, and procuring new machinery or relocating existing machinery to our New Plants.

If there are continued delays in realising our future plans, this may delay our future business growth and may lead to an adverse effect on our financial performance as well as affect our competitiveness in meeting our customers' growing needs. Furthermore, delays in constructing our New Plants may result in higher construction costs due to factors which include, but not limited to, an increase in cost of construction materials. If construction of our New Plants is delayed, we may be subject to higher costs and may require the use of internally generated funds or increase our bank borrowings to pay for such costs, which will lead to a reduced availability of working capital and increase in interest cost respectively.

### **8.1.12 We may incur additional Capital Expenditure in the future and may require additional Financing**

As part of our future business expansion plans, we intend to acquire New Industrial Lands and construction of the New Plants with an estimated cost of approximately RM69.60 million. We intend to allocate 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. In addition, we intend to purchase new machinery and equipment in order to increase our production capacity and cater to an increase in orders from our customers and potential new customers. We intend to allocate approximately RM32.88 million of the proceeds from our Public Issue to finance the purchase of the new machinery and equipment. We also plan to utilise up to approximately RM1.42 million of the gross proceeds from our Public Issue to part-finance the other capital expenditure requirements of our Group which include, but not limited to, purchase of new laptops/desktops, replacement of existing laptops/desktops and upgrade of IT system/server.

Upon the full utilisation of the allocated proceeds, we may require additional funds to finance additional items such as purchase of additional machines to increase production capacity or to venture into new customers' end-user industries. If we are unable to generate sufficient capital resources to meet our future capital expenditure, we may be required to raise funds through bank borrowings. There can be no assurance that we will be able to secure bank borrowings at a favourable interest rate. Any future bank borrowings will increase our exposure to interest rate fluctuations. We may also experience an increase in borrowing costs and affect our profitability.

### **8.1.13 Taxation Authorities could challenge our allocation of Taxable Income which could increase our Consolidated Tax Liability**

During the Period Under Review and up to and including the LPD, we have carried out certain intra-group transactions between Champion PT, Champion PE, Champion C and Champion Oil. Kindly refer to Section 6.29 of this Prospectus for further details on our intra-group transactions. We have determined transfer prices that we believe are the same as the prices that would be charged by unrelated third parties dealing with each other on an arms' length basis. As the outcome of any findings in relation to our Group's compliance with the transfer pricing laws or related laws that may be modified from time to time are at the discretion of the tax authorities, there can be no assurance that tax authorities reviewing such transfer pricing arrangements would agree that we are in compliance with the transfer pricing laws. The tax

---

## 8. RISK FACTORS (CONT'D)

---

authorities have the power to review our transfer pricing arrangement in regard to our intra-group transactions. In the event there are any adjustments as required by the tax authorities to be made, we may incur higher overall tax liability and/or penalty, if any, charged or imposed which may in turn adversely affect our business, financial conditions and results of operations.

### 8.2 RISKS RELATING TO THE INDUSTRY IN WHICH OUR GROUP OPERATES IN

#### 8.2.1 We are reliant on the End-User Markets of our Customers

Our business performance largely depends on the end-user markets of our customers such as the semiconductor, life science and medical devices, and sport equipment industries. The semiconductor industry contributed to approximately 10.26%, 25.97%, 40.32%, 57.10% and 59.25% of our revenue 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. The life science and medical devices industry contributed to approximately 25.92%, 28.66%, 26.00%, 20.34% and 19.77% of our revenue 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 while the sport equipment industry contributed to approximately 15.35%, 17.13%, 17.20%, 11.23% and 10.73% of our revenue for the same period respectively.

The changes in end-user markets of our customers may be influenced by factors including, but not limited to, the state of the economy, political and regulatory risks, spending trends, and decrease demand for their products. For example, the global semiconductor industry is projected to continue expanding as an ever-increasing number of E&E devices are being produced with embedded semiconductor technology. However, the global semiconductor industry is expected to contract slightly in 2023 due to the global economic slowdown, high rates of inflation and weak consumer spending leading to decreased demand and oversupply in certain segments of the industry.

The outlook of global semiconductor industry is subject to tensions between the USA and China, whereby the USA has banned the export of USA semiconductor technology to China 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. The new rule also forbids USA citizens, residents and green-card holders from working in semiconductor firms in China without a licence. Firms intending to supply Chinese chipmakers with equipment to produce semiconductor chips must first obtain a licence from the USA.

Nevertheless, our Group has customers in various industries such as life science and medical devices and sport equipment, which is expected to continue contributing positively to our Group's financial performance moving forward.

Apart from the geopolitical tension between USA and China, the semiconductor industry is also subject to geopolitical tensions between Russia and Ukraine, which may affect the global semiconductor industry as a whole. Further information on this risk factor can be found in Section 8.2.4 of the Prospectus.

There can be no assurance that our customers' end-user markets will not experience a downturn caused by factors outside of our customers' control. As such, a decline in performance of our customers' end-user markets may lead to a material adverse effect on our business operations and financial performance.

***The rest of this page has been intentionally left blank***

---

## **8. RISK FACTORS (CONT'D)**

---

### **8.2.2 We are subject to changes and advancements in Technology**

Our Group is principally engaged in the manufacturing of precision-machined parts and components that are used across multiple industries. As such, our business is susceptible to changes and advancements in technology in the different industries our customers operate in. It is vital for our Group to adapt promptly to the advancements in technology and develop new products to a wider consumer base in a timely basis to meet their evolving needs. If we fail to anticipate such changes in technology and develop new products and services in a timely manner, we may be unable to retain our existing customers or attract new customers. Furthermore, undertaking D&D activities to anticipate changes in technology will incur expenses that may not be recouped in the event that our D&D activities are unsuccessful. This may lead to an adverse effect on our profitability and overall financial performance.

### **8.2.3 We operate in a highly Competitive Market**

According to the IMR Report dated 30 October 2023, the ESI in Malaysia is highly competitive, with around 2,000 market players. Generally, we compete with our competitors on a number of factors such as pricing, delivery times, reputation and customer service. There can be no assurance that we will be able to compete with our competitors effectively, and we may even experience more intense competition with the entry of new market players in the industry. Our competitors may have more resources in terms of experiences, operating histories, network of suppliers and customers, and financial capability which would enable them to seize a larger market share. Some of our competitors may also adopt aggressive pricing strategies to capture or retain their market shares. As such, we have to constantly keep abreast with the market conditions and trends to maintain our competitiveness.

The ESI has relatively high barriers to entry such as high capital requirements and the presence of established incumbent market players. Potential new entrants will need to possess strong financial resources to invest into plants, machinery and equipment, as well as human resources. New entrants will also need to continuously invest into new machinery and equipment in light of changes in technology of the various end-user industries.

The track record and reputation of incumbent players in the ESI may inhibit the ability of potential new entrants to gain a foothold in the ESI. Additionally, incumbent players would have established relationships with raw material suppliers as well as customers throughout their operating history. This would likely affect potential players' ability to secure raw materials at competitive prices or to attract customers.

Lastly, potential new entrants would require human resources that possess the necessary knowledge and experience of the industry in order to compete effectively in the ESI.

Despite the relative high barrier of entries, there can be no assurance that we are able to compete effectively with our competitors, incumbent market players or new entrants. If we fail to compete with them, our business operations and financial performance may be negatively affected.

### **8.2.4 We are exposed to the risk of Geopolitical Tensions across the Globe affecting Economic Activities**

The Malaysian ESI is a part of the global supply chain and as such, the ESI in Malaysia may be subject to any geopolitical events that may occur. As of late, there has been a trend of trade protectionism across the globe, led by major economies, notably the USA and China. The trend of trade protectionism has the potential to adversely impact global trading activities, posing a downside risk to global economic growth. The impact of the downside risk may be exacerbated should the uncertainties due to trade protectionism are prolonged. The war between Russia and Ukraine has also caused disruption to global supply chains, which may affect the global economy and in turn the Malaysian ESI.

---

## 8. RISK FACTORS (CONT'D)

---

Our Group sources raw materials both from local and international suppliers. Should our suppliers be impacted by geopolitical tensions, the supply of our raw materials may be affected, which may affect our business operations. Further, our Group also supplies our products to both local and international customers who ultimately serve the global supply chain. While our customers supply products to various countries to diversify risk of overdependence on a single export destination, there can be no assurance that our customers would not be impacted by the geopolitical tensions, which may then affect our business operations and financial performance.

The USA had banned the export of semiconductor technology to China to which China responded by investing heavily in developing the manufacturing of semiconductor chips locally. The USA then introduced the Creating Helpful Incentives to Produce Semiconductor and Science Act of 2022 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. The geopolitical tensions between the USA and China had also led to countries such as Japan, Taiwan, and South Korea responding by announcing investments aimed at bolstering their respective domestic semiconductor industries.

Tensions have since grown between the 2 countries and the USA government had, in October 2022, published a set of export controls whereby the USA has banned the export of USA semiconductor technology to China 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. The new rule also forbids USA citizens, residents and green-card holders from working in semiconductor firms in China without a licence. Firms intending to supply Chinese chipmakers with equipment to produce semiconductor chips must first obtain a licence from the USA. In January 2023, the Netherlands and Japan agreed, in principle, to also impose export controls on chip-making equipment to China. USA and other countries' industry players may experience a decrease in demand for their semiconductor chips and equipment used in semiconductor manufacturing if the export controls are imposed for a prolonged period of time.

As our Group supplies precision-machined parts and components for our semiconductor customers, our Group may experience a dip in demand from our semiconductor customers due to the geopolitical tensions affecting the global semiconductor industry.

For the FYE 30 June 2019, our Group had experienced a decline in revenue from our semiconductor customers due to the trade war between the USA and China in 2018. We did not experience a decline in revenue from our semiconductor customers from the FYE 30 June 2020 to FYE 30 June 2022. In regard to the development within the semiconductor industry as stated above, our Group was not materially affected in the first half of our FYE 30 June 2023. Notwithstanding that our Group's revenue from our semiconductor customers increased from RM79.29 million in FYE 30 June 2022 to RM86.08 million in FYE 30 June 2023, our Group experienced that orders from some of our existing semiconductor customers had softened slightly in the second half of our FYE 30 June 2023 as compared with 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.

Although we are able to supply to semiconductor customers in countries outside of the USA and China, there can be no assurance that prolonged tensions between the USA and China regarding the semiconductor industry will not affect other global players in the semiconductor industry and that our Group may not be adversely affected as a result.

---

## 8. RISK FACTORS (CONT'D)

---

### 8.2.5 We are exposed to the risk of rising Minimum Wages and alterations to the Employment Act

We are exposed to the risk of rising minimum wages and alterations to the Employment Act.

Over the years, the Government has implemented and revised minimum wage rates in the country. The following is a chronology of changes made to the minimum wage rates:-

- (i) The Minimum Wages Order 2012, effective from 1 January 2013, set the minimum wages at RM900.00 per month for Peninsular Malaysia; and
- (ii) The Minimum Wages Order 2016, effective from 1 July 2016, increased the minimum wages to RM1,000.00 for Peninsular Malaysia; and
- (iii) The Minimum Wages Order 2018, effective from 1 January 2019, revised the minimum wages to RM1,100.00 for Malaysia; and
- (iv) The Minimum Wages Order 2020, effective from 1 February 2020, increased the minimum wages further for employees working in City Council or Municipal Council areas to RM1,200.00; and
- (v) As of 1 May 2022, the current minimum wage rate in Malaysia is RM1,500.00 subject to the terms in the Minimum Wages Order 2022 which has been gazetted on 27 April 2022.

The Government had also gazetted the Employment (Amendment) Act 2022 on 10 May 2022, which was then enforced on 1 January 2023. The Employment (Amendment) Act 2022 reduces the maximum weekly working hours from 48 hours to 45 hours. Further, by virtue of the Employment (Amendment Of First Schedule) Order 2022, employees whose wages is lesser than RM4,000.00 a month will be entitled to overtime and/or termination benefits which replaces the threshold of RM2,000.00 previously.

Any further future increases in minimum wages are likely to lead to an increase in cost incurred by our Group. The changes in employment laws or regulations, such as a reduction in maximum working hours or an increase in the salary threshold for overtime eligibility, may increase our labour costs. This could potentially result in higher overtime costs, as well as the payment of overtime to a greater number of employees. If we are unable to pass on the increased cost to our customers, our financial performance may be adversely affected.

### 8.2.6 We are exposed to Inflation Risk

We are exposed to inflation risk, which may arise from various factors outside of our Group's control such as disruptions to production of commodities, disruptions to the supply chain as well as geopolitical tensions. Such inflationary pressures may lead to an increase in the price of raw materials that our Group purchases, which would lead to higher costs incurred leading to reduced profit margins. If the increased cost cannot be passed on to our customers, our Group may have to incur the cost which may affect our overall Group's financial performance. Inflation may also affect our customers' end-users and lead to decreases in consumer spending and demand for our customers' products. Should there be a prolonged decrease in demand for our customers' products, we may also experience reduced orders from our customers, thus unfavourably affecting our financial performance and future outlook.

***The rest of this page has been intentionally left blank***

---

## **8. RISK FACTORS (CONT'D)**

---

### **8.3 RISKS RELATING TO OUR SHARES AND OUR LISTING**

#### **8.3.1 There is no Prior Market for our Shares**

Prior to our Listing, there was no public trading of our Shares. The listing of our Shares on the Main Market does not guarantee an active market for our Shares. There can be no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the Main Market.

#### **8.3.2 Our Listing may be Aborted or Delayed**

Our Listing may be aborted or delayed should any of the following occurs:-

- (i) The selected investors fail to subscribe for their portion of our IPO Shares; and
- (ii) Our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations; and
- (iii) We are unable to meet the public shareholding spread requirement set by Bursa Securities, whereby at least 25.00% of our total number of Shares for which listing is sought must be held by a minimum number of 1,000 public shareholders each holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing.

Should any of the above-mentioned events occur, investors will not receive any Shares and we will return in full, without interest, all monies paid regarding the Applications within 14 days, failing which provisions of Section 243(2) of the CMSA will apply.

If our Shares have been allotted to the investors and our Listing is aborted and/or terminated, a return of monies to the investors can only be achieved by way of cancellation of share capital as provided under Sections 116 or 117 of the Act and its related rules. Such cancellation requires the approval of shareholders by special resolution in a general meeting, with sanction of High Court of Malaya or with notice to be sent to the Director General of the Inland Revenue Board and Registrar of Companies within 7 days of the date of the special resolution and us meeting the solvency requirements under Section 117(3) of the Act. There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

#### **8.3.3 The Trading Price and Trading Volume of our Shares following Our Listing may be Volatile**

The trading price and volume of our Shares may fluctuate as a result of various factors including some which may not be within our control and may be unrelated or disproportionate to our financial results. Such factors may include changes in general market conditions and broad market fluctuations, changes in the results of our operations, and changes in analysts' recommendations or projections.

The performance of Bursa Securities is also affected by external factors including, but not limited to, the performance of regional and global stock markets, economic and political conditions of the country, inflow or outflow of foreign funds, and the growth potential of various sectors and the economy. The aforementioned factors inevitably contribute to the volatility of trading volumes on Bursa Securities, which may affect the market price of our Shares.

***The rest of this page has been intentionally left blank***



---

## **8. RISK FACTORS (CONT'D)**

---

### **8.3.4 We are subject to Political, Economic and Regulatory Risks in Malaysia, Singapore and Other Foreign Countries**

Our Group conducts business activities in Malaysia and Singapore and has customers in various foreign countries. As such, we are subject to political, economic and regulatory conditions in various countries. Any adverse changes in the various countries including changes in political leadership; changes in government policies regarding taxation, import duties, and tariffs; methods of taxation; risk of war; and changes in economic conditions could affect our operations and may lead to a negative and material effect on our earnings and financial performance in the future.

The inflationary environment due to factors such as the ongoing war between Russia and Ukraine had led to the USA and major European economies increasing interest rates to cool inflation. In particular, the United States Federal Reserve had been raising interest rates with the most recent hike leading to rates of 5.00% to 5.25%. The higher interest rates may lead to postponement of projects which require financing or lead to lower consumer spending, which may in turn affect the supply and demand for manufactured products including those manufactured by the ESI. In the event that there is decreased demand for products from our Group's customers as a result of the rising interest rate environment, we may experience a decrease in demand for our services which may then affect our business operations and financial performance.

### **8.3.5 The interest of our Promoters who control our Group may not be aligned with the interest of Other Shareholders or our Company**

Upon Listing, our Promoters will hold approximately 65.00% of our enlarged issued share capital. As a result, they will be able to control the business direction and management of our Group which includes among others, the election of the Directors, the timing and payment of final dividends as well as having substantial voting control. Due to the size of their shareholdings, our Promoters will have significant influence on the outcome of matters that require the vote of the shareholders, including the ability to pass or block any of the ordinary resolutions and having significant influence in passing of any special resolutions or the ability to block any of the special resolutions, unless they are required by law or by the relevant guidelines or regulations to abstain from voting.

### **8.3.6 Uncertainty of Dividend Payments**

There can be no assurance that we are able to pay dividends to our shareholders. Our Company is an investment holding company and we conduct all of our operations through our Subsidiary Companies. Accordingly, our Company's income is mainly derived from dividend payments from our Subsidiary Companies. As such, our Company's ability to pay dividends in the future is largely dependent on the financial performance of our Subsidiary Companies.

Our Group intends to embark on our future plans as disclosed in Section 6.4 of this Prospectus which may limit our ability to pay dividends. Our ability to pay dividends may also be affected by the need to conserve cash to address any uncertainties that may arise from political, social, economic and regulatory conditions.

### **8.3.7 Forward-looking Statements are subject to Uncertainty**

Certain statements or expectations or forecasts in this Prospectus are based on historical data that may not reflect our future results. Additionally, forward-looking statements in this Prospectus are based on various assumptions and are subject to uncertainties. There can be no assurance that the forward-looking statements will materialise and there is a risk that the actual results may differ significantly. Such differences may have a material and adverse effect on our business operations and future financial performance.

---

## 9. RELATED PARTY TRANSACTIONS

---

### 9.1 THE RELATED PARTY TRANSACTIONS OF OUR GROUP

#### 9.1.1 Related Party Transactions

Under the Listing Requirements, a “**related party transaction**” is a transaction entered into by a listed issuer or its subsidiaries that involves the interest, direct or indirect, of a related party. A “**related party**” of a listed issuer is:-

- (i) A director, having the meaning given in subsection 2(1) of the CMSA, and includes any person who is or was within the preceding 6 months of the date in which the terms of the transaction were agreed upon, a director of the listed issuer, its subsidiary or holding company or a chief executive of the listed issuer, its subsidiary or holding company; or
- (ii) A major shareholder, and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed issuer or its subsidiaries or holding company, and has or had an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares, is:-
  - (a) 10.00% or more of all the voting shares in the corporation; or
  - (b) 5.00% or more of all the voting shares in the corporation where such person is the largest shareholder of the corporation; or
- (iii) A Person Connected with such director or major shareholder.

#### 9.1.2 Material Related Party Transactions

There are no material related party transactions entered into by our Group which involves the interest, direct or indirect, of our Directors, major shareholders and/or Persons Connected with them for the Period Under Review and up to and including the date of this Prospectus.

#### 9.1.3 Related Party Transactions Entered into that are Unusual in Their Nature or Conditions

Our Directors have confirmed that there are no transactions that were unusual in its nature or condition, involving goods, services, tangible or intangible assets, to which our Company and/or any of our Subsidiary Companies was a party for the Period Under Review and up to and including the LPD.

#### 9.1.4 Outstanding Loans and/or Financial Assistance Made to or for the Benefit of Related Parties

As at the LPD, there are no outstanding loans and/or financial assistance made by our Group to/for the benefit of any related party for the Period Under Review and up to and including the LPD.

#### 9.1.5 Provision of guarantees by our Directors and/or Promoters for the facilities granted to our Group

Our Directors and/or Promoters, namely, Mr. Lee, Mr. Foo and Mr. Mu, have jointly and severally provided personal guarantees for the banking facilities granted to our Group and Mr. Lee and Mr. Mu have jointly and severally provided personal guarantees for the hire purchase facilities granted to our Group.

As at the LPD, the details of the facilities granted to Champion PT and Champion C are as shown in the table below.

**9. RELATED PARTY TRANSACTIONS (CONT'D)**

No.	Financier	Borrower/ Hirer	Type of Facilities	Total Facility Limit and Amount Guaranteed)  RM	Guarantor
1.	Public Bank Berhad	Champion PT	Overdraft	1,000,000.00	Mr. Lee, Mr. Foo and Mr. Mu
2.	Public Islamic Bank Berhad	Champion PT	Term Equity Financing-i/VR	3,000,000.00	Mr. Lee, Mr. Foo and Mr. Mu
3.	Public Bank Berhad	Champion PT	Fixed Loan	2,200,000.00	Champion PE, Mr. Lee, Mr. Foo and Mr. Mu
4.	Public Bank Berhad	Champion PT	Fixed Loan	6,070,000.00	Champion PE, Mr. Lee, Mr. Foo and Mr. Mu
5.	Public Bank Berhad	Champion PT	Fixed Loan	5,525,000.00	Champion PE, Mr. Lee, Mr. Foo and Mr. Mu
6.	Public Bank Berhad	Champion C	Fixed Loan	5,724,000.00	Champion PT, Champion PE, Mr. Lee, Mr. Foo and Mr. Mu
7.	SMFL Hire Purchase (Malaysia) Sdn Bhd	Champion PT	Hire Purchase	<sup>(1)</sup> 14,271,408.00	Mr. Lee and Mr. Mu
Total				48,027,990.00	N/A.

Notes:-

<sup>(1)</sup> Total facilities limit for 13 hire purchase facilities.

As at the LPD, the details of the facilities granted to Champion PE are as shown in the table below.

No.	Financier	Borrower	Type of facilities	Facility limit  SGD	Amount Guaranteed	Guarantor
1.	United Overseas Bank Limited	Champion PE	Line of credit  Foreign exchange forward line	1,000,000  700,000	SGD1,140,000	Mr. Foo, Mr. Lee and Mr. Mu

Our Group has obtained all conditional consents from the respective financiers to release the above personal guarantees by substituting the same with corporate guarantees to be provided by our Company. These conditional consents are subject to, among others, the successful listing of our Company on the Main Market of Bursa Securities.

***The rest of this page has been intentionally left blank***

---

## **9. RELATED PARTY TRANSACTIONS (CONT'D)**

---

### **9.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS**

#### **9.2.1 Audit and Risk Management Committee Review**

Our Audit and Risk Management Committee reviews related party transactions and conflicts of interest situations that may arise within our Company or our Group. Our Audit and Risk Management Committee also reviews any transaction, procedure or course of conduct that raises questions of management integrity, including our related party transactions. In reviewing the related party transactions, the following, among others, will be considered:-

- (i) The rationale and the cost/benefit to our Company is first considered; and
- (ii) Where possible, comparative quotes will be taken into consideration; and
- (iii) That the transactions are based on normal commercial terms and not more favourable to the related parties than those generally available to third parties dealing on arm's length basis; and
- (iv) That the transactions are not detrimental to our Company's minority shareholders.

All reviews by our Audit and Risk Management Committee are reported to our Board for its further action.

#### **9.2.2 Our Group's Policy on Related Party Transactions**

Related party transactions by their very nature, involve conflicts of interest between our Group and the related parties with whom our Group has entered into such transactions. It is the policy of our Group that all related party transactions and conflicts of interest must be immediately and fully disclosed by our interested or conflicted Directors or substantial shareholders to the management for reporting to our Audit and Risk Management Committee. Any related party transactions must be reviewed by our Audit and Risk Management Committee to ensure that they are negotiated and agreed upon in the best interest of our Company on an arm's length basis and are based on normal commercial terms which are not more favourable to the related party than those generally available to third parties, and are not to the detriment of our minority shareholders. In respect of our Directors' interest in companies carrying on similar business, our Directors will also be required to abstain from deliberations and voting on resolutions pertaining to matters and/or transactions where a conflict of interest may arise.

In addition, in line with the Listing Requirements, Companies Act, the MCCG and Corporate Governance Guide issued by Bursa Securities, our Directors are required to make timely disclosure of any related party transactions and conflicts of interest with our Group and our Audit and Risk Management Committee must carry out assessment of such related party transactions and/or conflict of interest involving our Directors. Our Audit and Risk Management Committee will in turn report to our Board after their evaluation and assessment and make the appropriate recommendations to our Board.

***The rest of this page has been intentionally left blank***

---

## **10. CONFLICTS OF INTEREST**

---

### **10.1 INTEREST IN BUSINESSES AND CORPORATIONS WHICH CARRY ON A SIMILAR TRADE AS THAT OF OUR GROUP OR WHICH ARE OUR CUSTOMERS OR SUPPLIERS OR SUB-CONTRACTORS**

As at the LPD, none of our Directors and/or substantial shareholders have any interests, whether direct or indirect, in any entities which:-

- (i) Carrying on a similar trade as that of our Group; or
- (ii) Are the customers or suppliers or sub-contractors of our Group.

### **10.2 DECLARATION BY ADVISERS ON CONFLICTS OF INTEREST**

#### **10.2.1 Declaration by KAF IB**

KAF IB confirms there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Underwriter and Placement Agent in relation to our IPO and Listing.

#### **10.2.2 Declaration by PricewaterhouseCoopers PLT**

PricewaterhouseCoopers PLT confirms that there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants to our Company in relation to our IPO and Listing.

#### **10.2.3 Declaration by David Lai & Tan**

David Lai & Tan confirms that there is no existing or potential conflict of interest in its capacity as the Solicitors to our Company as to the laws of Malaysia in relation to our IPO and Listing.

#### **10.2.4 Declaration by Rohamat & Ling**

Rohamat & Ling confirms that there is no existing or potential conflict of interest in its capacity as the Solicitors to our Company as to the laws of Malaysia in relation to our IPO and Listing.

#### **10.2.5 Declaration by Avant Law LLC**

Avant Law LLC confirms that there is no existing or potential conflict of interest in its capacity as the Solicitors to our Company as to the laws of Singapore in relation to our IPO and Listing.

#### **10.2.6 Declaration by Protégé Associates Sdn. Bhd.**

Protégé Associates Sdn. Bhd. confirms that there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher to our Company in relation to our IPO and Listing.

#### **10.2.7 Declaration by MSA Consulting Sdn. Bhd.**

MSA Consulting Sdn. Bhd. confirms that there is no existing or potential conflict of interest in its capacity as the tax advisor to our Company in relation to our IPO and Listing.

#### **10.2.8 Declaration by Baker Tilly Monteiro Heng Tax Services Sdn. Bhd.**

Baker Tilly Monteiro Heng Tax Services Sdn. Bhd. confirms that there is no existing or potential conflict of interest in its capacity as the tax advisor to our Company in relation to our IPO and Listing.

---

## **10. CONFLICTS OF INTEREST**

---

### **10.2.9 Declaration by SocialGreen Governance**

SocialGreen Governance confirms that there is no existing or potential conflict of interest in its capacity as the Internal Control Reviewer to our Company in relation to our IPO and Listing.

### **10.2.10 Declaration by Baker Tilly TFW**

Baker Tilly TFW confirms that there is no existing or potential conflict of interest in its capacity as the tax advisor to Champion PE who have prepared the transfer pricing documentation of Champion PE for the FYE 30 June 2019, FYE 30 June 2021 and FYE 30 June 2022.

### **10.2.11 Declaration by Environmental Competency Consultancy Sdn. Bhd.**

Environmental Competency Consultancy Sdn. Bhd. confirms that there is no existing or potential conflict of interest in its capacity as the Independent DOE Consultant to our Company in relation to our IPO and Listing.

### **10.2.12 Declaration by Active ESH Sdn. Bhd.**

Active ESH Sdn. Bhd. confirms that there is no existing or potential conflict of interest in its capacity as the Independent DOSH Consultant to our Company in relation to our IPO and Listing.

***The rest of this page has been intentionally left blank***

## 11. FINANCIAL INFORMATION (CONT'D)

### 11.1 HISTORICAL FINANCIAL INFORMATION

The historical financial information for the FYE 30 June 2019, FYE 30 June 2020, FYE 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023 (as shown as “audited”) have been extracted from the audited financial statements contained in the Accountants’ Report in Section 12 of this Prospectus-

The following selected historical consolidated financial information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Section 11.3 of this Prospectus and the Accountants’ Report, together with its related notes in Section 12 of this Prospectus. Our financial statements have been prepared in accordance with the MFRS and IFRS.

There are other historical information disclosed in Section 11 which are either computed based on the respective figures extracted from the audited financial statements contained in Accountants' Report or extracted from the operational and financial records maintained by the Group.

#### 11.1.1 Financial Information from Our Historical Consolidated Statements of Comprehensive Income

Our financial information for the Period Under Review from our historical consolidated statements of comprehensive income for the Period Under Review is as set out in the table below.

No.	Items	Audited				
		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.	Revenue	78,352	79,013	93,444	138,846	145,275
2.	Cost of sales	(54,728)	(58,307)	(58,603)	(83,020)	(93,768)
3.	GP/(GL)	23,624	20,706	34,841	55,826	51,507
4.	Other income	856	748	866	676	1,050
5.	Other gains/(losses), net	40	730	(1,507)	1,075	1,259
6.	Selling and marketing expenses	(1,417)	(925)	(783)	(1,810)	(2,300)
7.	General and administrative expenses	(7,524)	(7,771)	(7,800)	(11,327)	(10,866)
8.	Operating profit/(loss)	15,579	13,488	25,617	44,440	40,650
9.	Finance income	14	35	46	48	41

## 11. FINANCIAL INFORMATION (CONT'D)

No.	Items	Audited				
		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
10.	Finance cost	(1,430)	(1,109)	(783)	(1,073)	(1,590)
11.	Finance cost, net	(1,416)	(1,074)	(737)	(1,025)	(1,549)
12.	PBT/(LBT)	14,163	12,414	24,880	43,415	39,101
13.	Tax expenses	(3,048)	(2,244)	(6,205)	(9,501)	(8,808)
14.	PAT/(LAT) <sup>(1)</sup>	11,115	10,170	18,675	33,914	30,293
15.	Other comprehensive income/(loss) <sup>(1)</sup>	125	221	299	783	3,805
16.	Total comprehensive income/(loss) <sup>(1)</sup>	11,240	10,391	18,974	34,697	34,098

Note:-

<sup>(1)</sup> Our PAT/(LAT), other comprehensive income/(loss) and total comprehensive income/(loss) are attributable to the owners of our Company only as there are no non-controlling interests since all our Subsidiary Companies are wholly owned by us.

Our key financial indicators for the Period Under Review as shown in the table below are derived based on our respective audited figures but may not be in compliance with MFRS and IFRS, and they are different from those disclosed in the Accountants' Report.

No.	Items	Unit/ Measurements	FYE 30 June 2019	FYE 30 June 2020	FYE 30 June 2021	FYE 30 June 2022	FYE 30 June 2023
1.	EBITDA/(LBITDA) <sup>(1)</sup>	RM'000	19,715	19,484	32,324	51,907	49,134
2.	Adjusted PBT/(LBT) <sup>(2)</sup>	RM'000	13,261	11,673	23,890	45,111	39,245
3.	Adjusted PAT/(LAT) <sup>(3)(4)</sup>	RM'000	10,411	9,504	17,815	35,745	30,585
4.	GP/(GL) margin <sup>(5)</sup>	%	30.15	26.21	37.29	40.21	35.45
5.	EBITDA/(LBITDA) margin <sup>(6)</sup>	%	25.16	24.66	34.59	37.38	33.82
6.	PBT/(LBT) margin <sup>(7)</sup>	%	18.08	15.71	26.63	31.27	26.92
7.	PAT/(LAT) margin <sup>(8)</sup>	%	14.19	12.87	19.99	24.43	20.85



**11. FINANCIAL INFORMATION (CONT'D)**

No.	Items	Unit/ Measurements	FYE 30 June 2019	FYE 30 June 2020	FYE 30 June 2021	FYE 30 June 2022	FYE 30 June 2023
8.	Adjusted PBT/(LBT) margin <sup>(9)</sup>	%	16.92	14.77	25.57	32.49	27.01
9.	Adjusted PAT/(LAT) margin <sup>(10)</sup>	%	13.29	12.03	19.06	25.74	21.05
10.	Number of Shares in issue after our IPO	'000	671,315	671,315	671,315	671,315	671,315
11.	Basic and diluted EPS/(LPS) <sup>(11)</sup>	sen	1.66	1.51	2.78	5.05	4.51
12.	Adjusted basic and diluted EPS/ (LPS) <sup>(12)</sup>	sen	1.55	1.42	2.65	5.32	4.56

Notes:-

<sup>(1)</sup> Computed based on the workings 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
		RM'000	RM'000	RM'000	RM'000	RM'000
1.	PBT/(LBT)	14,163	12,414	24,880	43,415	39,101
Add:-						
2.	Finance costs	1,430	1,109	783	1,073	1,590
3.	Depreciation of property, plant and equipment	4,104	4,622	5,618	6,464	7,453
4.	Depreciation of investment properties	32	-	-	-	-
5.	Amortisation of right-of-use asset	-	1,374	1,089	1,003	1,031
Less:-						
6.	Finance income	(14)	(35)	(46)	(48)	(41)
7.	EBITDA/(LBITDA)	19,715	19,484	32,324	51,907	49,134

<sup>(2)</sup> Adjusted to exclude profits or losses generated from non-recurring items or by activities or events outside the ordinary and usual course of business and computed based on the workings as stated in the table below. Certain of the items listed in the table below which are presented as 'non-recurring items or by activities or events outside the ordinary and usual course of business' do not carry the same definition and presentation in the Accountants' Report. This specifically relates to the interpretation of whether the said items are activities or events outside the ordinary and usual course of business or otherwise.

No.	Items	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.	PBT/ (LBT)	14,163	12,414	24,880	43,415	39,101

**11. FINANCIAL INFORMATION (CONT'D)**

No.	Items	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
Less:-						
2.	Other income generated from non-recurring items or by activities or events outside the ordinary and usual course of business					
	- Government grants <sup>(2)</sup>	224	439	402	38	9
	- Rental income of premises <sup>(1)</sup>	109	-	-	-	48
	- Reimbursement of hostel rental recognised as rental income <sup>(2)</sup>	-	155	162	109	200
	- Written off of unknown balance in payables <sup>(1)</sup>	9	-	-	-	-
	- Trade in faulty parts <sup>(1)</sup>	-	1	-	-	-
	- Refund for electricity deposit which had not been recognised in deposit <sup>(1)</sup>	-	7	-	-	-
	- Write back of over provision of prior year audit fee for Champion Oil <sup>(1)</sup>	-	5	-	-	-
	- Vouchers given by the vendor <sup>(1)</sup>	-	-	-	6	-
	Subtotal	342	607	564	153	257
Less:-						
3.	Other gains generated from non-recurring items or by activities or events outside the ordinary and usual course of business					
	- Gains on disposal of property, plant and equipment <sup>(2)</sup>	1	35	7	257	131
	- Gain on early termination of lease liabilities <sup>(1)</sup>	-	-	-	12	-
	Subtotal	1	35	7	269	131
Less:-						
4.	Reversal of provision for slow-moving and obsolete inventories <sup>(2)</sup>	559	99	419	525	393
Add:-						
5.	Listing expenses for our IPO	-	-	-	2,643	925

## 11. FINANCIAL INFORMATION (CONT'D)

No.	Items	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
6.	Adjusted PBT/(LBT)	13,261	11,673	23,890	45,111	39,245

Notes:-

- (1) Being non-recurring items.  
(2) Being recurring items.  
(3) Our adjusted PAT/(LAT) is attributable to the owners of our Company only as there are no non-controlling interests since all our Subsidiary Companies are wholly-owned by us.  
(4) Adjusted to exclude profits or losses generated from non-recurring items or by activities or events outside the ordinary and usual course of business and computed based on the workings 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
		RM'000	RM'000	RM'000	RM'000	RM'000
1.	PAT/(LAT) and PAT/(LAT) attributable to the owners of our Company	11,115	10,170	18,675	33,914	30,293
Add/(less):-						
2.	Adjustments after exclusion of Items No. 2, No. 3, No. 4 and No. 5 of the table in Note 2 above	(902)	(741)	(990)	1,696	144
Add:-						
3.	Tax effect	198	75	130	135	148
4.	Adjusted PAT/(LAT) and adjusted PAT/(LAT) attributable to the owners of our Company	10,411	9,504	17,815	35,745	30,585

Our adjusted PAT has excluded profits or losses generated from non-recurring items or by activities or events outside the ordinary and usual course of business.

- (5) Computed as GP/(GL) divided by revenue.  
(6) Computed as EBITDA/(LBITDA) divided by revenue.  
(7) Computed as PBT/(LBT) divided by revenue.  
(8) Computed as PAT/(LAT) divided by revenue.  
(9) Computed as adjusted PBT/(LBT) divided by revenue.  
(10) Computed as adjusted PAT/(LAT) divided by revenue.  
(11) Computed as PAT/(LAT) divided by our enlarged total number of 671,314,791 Shares after our IPO.  
(12) Computed as adjusted PAT/(LAT) divided by our enlarged total number of 671,314,791 Shares after our IPO.

EBITDA, EBITDA margin, adjusted PBT, adjusted PAT, adjusted PBT margin and adjusted PAT margin are not measures of our financial performance or liquidity under the MFRS or IFRS and should not be considered as alternatives to net income or any other performance measures derived in accordance with the MFRS or IFRS or as alternatives to cash flows from operating activities or as a measure of liquidity. In addition, EBITDA, EBITDA margin, adjusted PBT, adjusted PAT, adjusted PBT margin and adjusted PAT margin are not standardised terms. Hence, a direct comparison of similarly titled measures between companies may not be possible. Other companies may adopt EBITDA, EBITDA margin, adjusted PBT, adjusted PAT, adjusted PBT margin and adjusted PAT margin differently from us, limiting their usefulness as a comparative measure.

## 11. FINANCIAL INFORMATION (CONT'D)

### 11.1.2 Selected Financial Information from Our Historical Consolidated Statements of Financial Position

The selected financial information of our Group from our historical consolidated statements of financial position for the Period Under Review is as set out in the table below.

No.	Items	Audited				
		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.	Total non-current assets	46,627	55,639	52,480	64,884	67,247
2.	Total current assets	70,033	74,770	82,436	96,482	128,338
3.	Total assets	116,660	130,409	134,916	161,366	195,585
4.	Total current liabilities	18,911	20,581	62,402	30,417	30,369
5.	Total non-current liabilities	13,313	15,001	15,517	27,359	27,528
6.	Total liabilities	32,224	35,582	77,919	57,776	57,897
7.	Share capital	-	-	^	91,397	91,397
8.	Capital reorganisation reserves	5,182	5,182	(40,456)	(86,215)	(86,215)
9.	Currency translation reserves	125	346	645	1,428	5,233
10.	Retained profits	79,129	89,299	96,808	96,980	127,273
11.	NA/(NL)	84,436	94,827	56,997	103,590	137,688

Note:-

^ This denotes RM10.00.

### 11.2 CAPITALISATION AND INDEBTEDNESS

The table below sets out our capitalisation and indebtedness as at 30 September 2023, and after adjusting for our Public Issue and use of proceeds.

No.	Items	Unit/ Measurements	As at 30 September 2023	After the Public Issue and Use of Proceeds
1.	Indebtedness			
	Current:-			
	Secured and guaranteed			
	- Term Loans	RM'000	932	( <sup>2</sup> ) 1,180

**11. FINANCIAL INFORMATION (CONT'D)**

No.	Items	Unit/ Measurements	As at 30 September 2023	After the Public Issue and Use of Proceeds
	- Hire purchases	RM'000	6,217	6,217
	Subtotal	RM'000	7,149	7,397
	Unsecured			
	- Lease liabilities	RM'000	1,187	1,187
	Total current indebtedness	RM'000	8,336	8,584
	Non-current:-			
	Secured and guaranteed			
	- Term loans	RM'000	17,702	(2) -
	- Hire purchases	RM'000	3,743	3,743
	Subtotal	RM'000	21,445	3,743
	Unsecured			
	- Lease liabilities	RM'000	1,870	1,870
	Total non-current indebtedness	RM'000	23,315	5,613
2.	Total indebtedness	RM'000	31,651	14,197
3.	Shareholders' equity	RM'000	139,916	309,517
4.	Total capitalisation and indebtedness	RM'000	171,567	323,714
5.	Gearing ratio <sup>(1)</sup>	Times	0.23	0.05

Notes:-

<sup>(1)</sup> Computed as total indebtedness divided by shareholders' equity.

<sup>(2)</sup> The proforma effects are based on the workings as shown in the table below.

No.	Items	Total	Term Loan for Plant 2	Term Loan for Plant 3	Term Loan for Plant 4	Islamic Term Financing/ Term Loans for working capital
		RM'000	RM'000	RM'000	RM'000	RM'000
1.	Outstanding balance as at 30 September 2023	18,634	4,998	4,413	5,208	4,015
2.	Assumed total repayment of bank borrowings, for the purpose of illustration in this section only	<sup>(1)</sup> 17,454	4,943	4,346	4,765	3,400

## 11. FINANCIAL INFORMATION (CONT'D)

3.	<i>Outstanding balance after adjusting for Item No. 2 above based on the cut-off as at 30 September 2023.</i>	1,180	55	67	443	615
----	---	-------	----	----	-----	-----

Note:-

<sup>(1)</sup> *The differential amount between the assumed total repayment of bank borrowings as stated in the table above with the proposed total repayment of bank borrowings as stated in Section 3.7.3 of this Prospectus is attributable to the assumed early settlement penalty fee for term loan for Plant 4 of 2.00% of its outstanding balance as at 30 September 2023, assuming settlement date is 30 September 2023.*

*For the avoidance of doubt, the above workings are for the purpose of illustration in this section only and does not represent the actual event when we receive our IPO proceeds.*

### 11.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our Group's financial condition and results of operations is based on our historical consolidated financial information with respect to the Period Under Review, which have been extracted from the Accountants' Report in Section 12 of this Prospectus.

There are no accounting policies which are peculiar to our Group because of the nature of the business and industry which we are involved in. For further details on the significant accounting policies of our Group, see Note 2.2 of the Accountants' Report in Section 12 of this Prospectus.

#### 11.3.1 Overview

We are an investment holding company. Through our Subsidiary Companies, our Group is an engineering supporting services provider principally involved in the provision of manufactured precision parts and components. The precision-machined parts and components are then used by our customers in different industries which include, but not limited to, semiconductor, life science and medical devices, sport equipment, sensor equipment and security industries in Malaysia and overseas. Please refer to Section 6.1 of this Prospectus for further information on our business activities.

Overall, our Group's financial performance over the Period Under Review as indicated by some of the financial indicators has been summarised as follows:-

- (i) Our Group's revenue grew at a CAGR of approximately 16.69% from approximately RM78.35 million for the FYE 30 June 2019 to approximately RM145.28 million for the FYE 30 June 2023; and
- (ii) Our Group's PAT grew at a CAGR of approximately 28.49% from approximately RM11.12 million for the FYE 30 June 2019 to approximately RM30.29 million for the FYE 30 June 2023; and
- (iii) Our Group's adjusted PAT grew at a CAGR of approximately 30.92% from approximately RM10.41 million for the FYE 30 June 2019 to approximately RM30.59 million for the FYE 30 June 2023.

In addition, the year-on-year comparison of the growth rate of our Group's revenue and non-adjusted and adjusted PAT are as summarised in the table below.

## 11. FINANCIAL INFORMATION (CONT'D)

No.	Items	FYE 30 June 2019		FYE 30 June 2020		FYE 30 June 2021		FYE 30 June 2022		FYE 30 June 2023	
		Amount	Year-on-year Growth Rate	Amount	Year-on-year Growth Rate	Amount	Year-on-year Growth Rate	Amount	Year-on-year Growth Rate	Amount	Year-on-year Growth Rate
		RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
1.	Revenue	78,352	N/A	79,013	0.84	93,444	18.26	138,846	48.59	145,275	<sup>(1)</sup> 4.63
2.	PAT	11,115	N/A	10,170	(8.50)	18,675	83.63	33,914	81.60	30,293	(10.68)
3.	Adjusted PAT	10,411	N/A	9,504	(8.71)	17,815	87.45	35,745	100.65	30,585	(14.44)

Note:-

<sup>(1)</sup> The marginal increment on our year-on-year growth rate for our revenue for the FYE 30 June 2023 as compared with our revenue for the FYE 30 June 2022 were contributed by the following:-

- (i) Higher percentage of revenue disparity between FYE 30 June 2021 and FYE 30 June 2022 due to reasons as explained in Section 11.3.3(d) of the Prospectus; and
- (ii) Slight softening of orders from our existing semiconductor customers in the second half of our FYE 30 June 2023 as compared with that of the first half of our FYE 30 June 2023 as explained in Section 8.2.4 of the Prospectus.

### 11.3.2 Significant Factors Affecting Our Financial Condition and Results of Operations

Section 8 of this Prospectus details a number of risk factors relating to our business and the industry in which we operate in. Some of these risk factors have an impact on our Group's revenue and financial performance. The main factors which affect our revenue and profit include, but not limited to, the following:-

- (i) Demand and supply conditions

Our revenue and profit are dependent on the demand and supply conditions affecting the ESI in Malaysia, whereby Malaysian ESI is a part of the global supply chain. In particular, our services are driven by technological advancement in the industries we cater to, where we stand to benefit from the evolving technological trends such as, among others, invention of new technologies and advancement of current technologies. In addition, technological advancement in these industries will also lead to a need for us to invest and upgrade our machinery and equipment to keep up with the new technology trend as part of our business operations. Nonetheless, if we are unable to keep up with the latest technological changes or invest in upgrading our machinery and equipment, this may have an adverse impact which would result in the loss of orders from our customers.

The demand and supply of our services are also influenced by other factors such as support from the government and public sector, expansion in the global economy, a growing and aging population, protectionism by major economies as well as downward pricing pressure from our customers.

- (ii) We are dependent on our major customers

Although we enjoy a good working relationship with our major customers, there is no assurance that we will be able to retain these customers or maintain or increase the level of business activity that we have with them. Any adverse changes to the business relationship between our Group and our major customers such as cancellation of orders or a termination of the relationship may lead to a negative impact on our operations and financial performance.

**11. FINANCIAL INFORMATION (CONT'D)**

- (iii) We are dependent on skilled workers and production workers

We are dependent on the supply of skilled workers and production workers. Although we have automated machinery and equipment in our manufacturing facility, we are still reliant on production workers. We are also dependent on the supply of skilled workers such as engineers who are involved in processes such as cost-effective machining process to make each component or part without compromising on the quality of the finished goods and programming of CNC machines. In a tight skilled labour market, we face the risk of competing for our skilled workers among other companies involved in engineering supporting services. If we are unable to retain or replace them, our business operations and financial performance may be negatively affected.

We have been affected by the preference of local workers in Johor to work in Singapore in terms of recruiting local personnel from Johor. However, we are still able to increase our local workforce and we have not experienced a shortage of skilled workers and production workers in the past that have affected our operations.

- (iv) We are exposed to the price fluctuation, availability and quality of our raw materials

Our operations are dependent on a consistent supply of raw materials that meet our quality standards. We must obtain raw materials on a timely basis in order for us to turn around and deliver our products on a timely basis to our customers. Any prolonged disruption in the supplies of these raw materials and/or raw materials that do not meet our quality standards will disrupt our business operations.

Our main raw materials particularly stainless steel and aluminium are also price sensitive and we face the risk of fluctuating prices. Although we can pass on such risks by increasing the selling price of our products to maintain our profit margin, such action would result in our products becoming less competitive in the market and this in turn may have a material and adverse effect on us.

The movement in the North America cold rolled steel coil prices, North America hot rolled steel coil prices and global aluminium prices for the years 2018, 2019, 2020, 2021 and 2022 are as disclosed in the table below.

No.	Items	Items	2018	2019	2020	2021	2022
1.	North America cold rolled steel coil prices <sup>(1)</sup>	Average weekly closing price for the year	Approximately USD971 per tonne	Approximately USD786 per tonne	Approximately USD792 per tonne	Approximately USD1,827 per tonne	Approximately USD1,045 per tonne
		Highest monthly average weekly closing price for the year	Approximately USD1,015 per tonne	Approximately USD850 per tonne	Approximately USD1,021 per tonne	Approximately USD2,175 per tonne	Approximately USD1,488 per tonne
		Lowest monthly average weekly closing	Approximately USD874 per tonne	Approximately USD728 per tonne	Approximately USD689 per tonne	Approximately USD1,252 per tonne	Approximately USD680 per tonne



**11. FINANCIAL INFORMATION (CONT'D)**

No.	Items	Items	2018	2019	2020	2021	2022
		price for the year					
2.	North America hot rolled steel coil prices <sup>(2)</sup>	Average weekly closing price for the year	Approximately USD850 per tonne	Approximately USD625 per tonne	Approximately USD607 per tonne	Approximately USD1,596 per tonne	Approximately USD1,456 per tonne
		Highest monthly average weekly closing price for the year	Approximately USD928 per tonne	Approximately USD730 per tonne	Approximately USD878 per tonne	Approximately USD1,958 per tonne	Approximately USD2,038 per tonne
		Lowest monthly average weekly closing price for the year	Approximately USD685 per tonne	Approximately USD524 per tonne	Approximately USD484 per tonne	Approximately USD1,063 per tonne	Approximately USD894 per tonne
3.	Global aluminium prices <sup>(3)</sup>	Average daily closing price for the year	Approximately USD2,108 per tonne	Approximately USD1,794 per tonne	Approximately USD1,706 per tonne	Approximately USD2,477 per tonne	Approximately USD2,701 per tonne
		Highest monthly average daily closing price for the year	Approximately USD2,300 per tonne	Approximately USD1,871 per tonne	Approximately USD2,015 per tonne	Approximately USD2,934 per tonne	Approximately USD3,498 per tonne
		Lowest monthly average daily closing price for the year	Approximately USD1,920 per tonne	Approximately USD1,726 per tonne	Approximately USD1,460 per tonne	Approximately USD2,004 per tonne	Approximately USD2,225 per tonne

Notes:-

<sup>(1)</sup> Extracted from North America steel cold rolled coil spot ex-works prices from Bloomberg.

<sup>(2)</sup> Extracted from North America steel hot rolled coil spot ex-works prices from Bloomberg.

<sup>(3)</sup> Extracted from London Metal Exchange spot price from Bloomberg.

Kindly refer to Section 8.1.3 of this Prospectus for the impacts on the risk of our Group pursuant to the price fluctuation, availability and quality of our raw materials.

---

**11. FINANCIAL INFORMATION (CONT'D)**

---

(v) Foreign currency exchange rate fluctuations

Our business is subject to risks of foreign currency exchange rate fluctuations. Any significant fluctuations in foreign exchange between RM and/or SGD with the foreign currencies of our export sales may have a material impact on our financial performance. Kindly refer to Section 8.1.8 of this Prospectus for further details on our foreign currency risks.

(vi) Impact of inflation

The business, financial condition or results of our operations for the Period Under Review were not materially affected by the impact of inflation. Nevertheless, there can be no assurance that future inflation would not have an impact on our business operations and financial performance.

(vii) Government/economic/fiscal/monetary policies

Our business is subject to risks relating to government, economic, fiscal or monetary policies in USA, Singapore, Malaysia and in the countries which we serve. Any unfavourable changes in such government policies, economic conditions, or fiscal or monetary policies may materially affect the operations and financial performance of our Group.

As stated in Section 8.3.4 of this Prospectus, the USA and major European economies have increased interest rates to cool inflation and the higher interest rates may lead to postponement of projects which require financing or lead to lower consumer spending, which may in turn affect the supply and demand for manufactured products including those manufactured by the ESI.

As at the LPD, we have not experienced slowdown in demand from our customers which is specifically related to tightening monetary policies of the USA and major European economies as mentioned above.

(viii) Trade protectionism among major economies affecting global economic activities

Our business is subject to risks relating to trade protectionism among major economies affecting global economic activities.

In recent years, the performance of the local ESI has been affected by the growing trend of trade protectionism, whereby various governments across the globe have been protecting domestic industries from foreign competition through the implementation of tariffs, import quotas, products standards or government subsidies. This is particularly noteworthy with the trade wars between the USA and China. The trade tension between the countries has caused disruptions in the global supply chain and trading activities, leading to downside risk to the global economy.

Any unfavourable changes in such trade pacts may materially affect the operations of our Group.

For instance, our Group has experienced a decline in revenue by approximately RM40.19 million or 33.90% from approximately RM118.54 million for the FYE 30 June 2018 to approximately RM78.35 million for the FYE 30 June 2019 and a decline in PAT by approximately RM18.14 million or 62.01% from approximately RM29.25 million for the FYE 30 June 2018 to approximately RM11.12 million for the FYE 30 June 2019 due mainly to the decrease in the revenue from the semiconductor industry arising from the impact of the trade war between the USA and China in 2018.

## 11. FINANCIAL INFORMATION (CONT'D)

We did not experience a decline in revenue from our semiconductor customers from the FYE 30 June 2020 to FYE 30 June 2022. 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.

Notwithstanding that our Group's revenue from our semiconductor customers increased from RM79.29 million in FYE 30 June 2022 to RM86.08 million in FYE 30 June 2023, our Group experienced that orders from some of our existing semiconductor customers had softened slightly in the second half of our FYE 30 June 2023 as compared with 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.

As explained in Section 8.2.4 of this Prospectus, as our Group supplies precision-machined parts and components for our semiconductor customers, our Group may experience a dip in demand from our semiconductor customers due to the geopolitical tensions affecting the global semiconductor industry.

Kindly refer to Section 8.2.4 of this Prospectus for the impacts of trade protectionism among major economies affecting global economic activities on the business operations of our Group.

(ix) Prolonged COVID-19 or any other contagious or virulent diseases

The spread or outbreak of COVID-19 or any contagious or virulent diseases may potentially affect our business operations. If any of the employees in our Existing Plants are infected with COVID-19 or any contagious or virulent diseases, we may be required to temporarily shut down our operations for an uncertain period of time to contain the spread of such diseases.

Kindly refer to Section 6.17 of this Prospectus for the impacts of COVID-19 on the business operations of our Group.

### 11.3.3 Results of Operations

An analysis of our financial condition and results of operations are as follows:-

(i) Revenue

Our revenue is derived solely from the CNC precision machining activities. The deliverables to our customers usually take the form of customised metal piece parts which are used by our customers to produce finished products in various industries.

Our revenue increased from approximately RM78.35 million for the FYE 30 June 2019 to approximately RM145.28 million for the FYE 30 June 2023, representing a CAGR of approximately 16.69%. Such increase in our revenue was mainly contributed by our customers in the semiconductor and life science and medical technology industries, which was in line with the continued growth of these industries, driven by the increasing use of electronic products as well as the growing need for healthcare and medical products.

We market our products and services in both the local and foreign markets, where the majority of our customers are MNCs with operations based in Malaysia and overseas. Local market contributed approximately 17.94%, 18.33%, 19.24%, 12.75% and 11.63% to our revenue 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, while foreign markets contributed approximately 82.06%, 81.67%, 80.76%, 87.25% and 88.37% to

## 11. FINANCIAL INFORMATION (CONT'D)

our revenue 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. The majority of our foreign sales are derived from our customers in:-

- (a) USA, which contributed approximately 33.80%, 38.84%, 45.22%, 47.67% and 53.53% to our revenue 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; and
- (b) Singapore, which contributed approximately 24.36%, 31.84%, 29.98%, 35.74% and 32.23% to our revenue 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.

Our sales are primarily denominated in USD, RM, SGD and EUR. We do not practise any fixed pricing policy. The selling prices of our products and services are determined and negotiated on a case-to-case basis, and may vary according to various factors which include, but not limited to, design, specifications and requirements, volume of order, raw material prices, delivery lead time as well as future prospects of new orders from our customers.

Our deliverables to customers are measured in terms of number of pieces. Due to the nature of our business where the products are customised based on customers' requirements, our products vary in terms of design, specification, size, machining processes and materials required. Accordingly, different unit selling prices are applied to our products despite similar measurement units in terms of size and quantity.

- (a) Revenue by business activities

The table below sets out our revenue by business activities for the Period Under Review.

No.	Business Activities	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.	Sales of goods <sup>(1)</sup>	69,188	88.30	63,723	80.65	81,063	86.75	125,701	90.53	131,692	90.65
2.	Rendering of services <sup>(2)</sup>	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:-

<sup>(1)</sup> '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.

<sup>(2)</sup> '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.

- (b) Revenue by geographical locations of our customers

The table below sets out our revenue by geographical locations of our customers for the Period Under Review.

## 11. FINANCIAL INFORMATION (CONT'D)

No.	Geographical Location of Our Customer <sup>(1)</sup>	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 <sup>(2)</sup>	19,087	24.36	25,160	31.84	28,019	29.98	49,621	35.74	46,825	32.23
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	<sup>(3)</sup> 0.00	11	0.01	3	<sup>(3)</sup> 0.00	4	<sup>(3)</sup> 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:-

<sup>(1)</sup> The sequence of display for the geographical location of our customers is based on the contribution of our customers in respective geographical location to our revenue for the FYE 30 June 2023, in descending order.

<sup>(2)</sup> 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.

<sup>(3)</sup> Negligible and not within 2 decimal points.

### (c) Revenue by industry segments of our customers

The table below sets out our revenue by industry segment of our customers for the Period Under Review.

No.	Industry Segments <sup>(1)</sup>	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

## 11. FINANCIAL INFORMATION (CONT'D)

No.	Industry Segments <sup>(1)</sup>	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	%
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	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:-

<sup>(1)</sup> The sequence of display for our customers is based on their contribution to our revenue for the FYE 30 June 2023, in descending order.

(d) Commentaries on revenue

Comparison between FYE 30 June 2019 and FYE 30 June 2020

Our revenue increased by approximately RM0.66 million or approximately 0.84% from approximately RM78.35 million for the FYE 30 June 2019 to approximately RM79.01 million for the FYE 30 June 2020.

This was due mainly to the following reasons:-

- (I) Increase in sales to Fujikin Group by approximately RM6.61 million or approximately 99.65% from approximately RM6.63 million for the FYE 30 June 2019 to approximately RM13.24 million for the FYE 30 June 2020, due mainly to the following reasons:-
  - (A) Increase in sales to Fujikin Singapore by approximately RM6.19 million or approximately 93.41% from approximately RM6.63 million for the FYE 30 June 2019 to approximately RM12.83 million for the FYE 30 June 2020 due mainly to the following reasons:-
    - (aa) Increase in sales quantity to Fujikin Singapore due mainly to the increase in demand for semiconductor products from Fujikin Singapore during the economic recovery period after the trade war between the USA and China; and
    - (bb) However, the effect of the above-mentioned increase in sales quantity was partially offset by the decrease in average selling price per unit of the products sold to Fujikin Singapore due

**11. FINANCIAL INFORMATION (CONT'D)**

mainly to lower profit margins as a result of higher sales volume. Our Group has accepted lower profit margins due mainly to our Group's intentions to clear our inventories as well as after taking into consideration the volume ordered from Fujikin Singapore; and

- (B) We newly secured sales orders from Fujikin Vietnam in the FYE 30 June 2020 which contributed to approximately RM0.42 million for the FYE 30 June 2020. Fujikin Vietnam was introduced to us by Fujikin Singapore and have separate management with Fujikin Singapore. Notwithstanding both companies are part of the same group and in South East Asia, they could have different target markets and geographical reach. As such, we have received orders from both Fujikin Singapore and Fujikin Vietnam; and
- (II) Increase in sales to Semiconductor Customer 1 by approximately RM3.73 million or approximately 883.18% from approximately RM0.42 million for the FYE 30 June 2019 to approximately RM4.15 million for the FYE 30 June 2020, due mainly to the following reasons:-
  - (A) Increase in sales quantity to Semiconductor Customer 1 due mainly to the increase in demand from Semiconductor Customer 1 which was attributed mainly to the growth in the semiconductor industry during the economic recovery period after the trade war between the USA and China; and
  - (B) Increase in average selling price per unit of the products sold to Semiconductor Customer 1 due mainly to increase in product mix that had resulted in a better average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, the change in product mix would have the impact on the average selling price per unit of the products sold to our customers; and
- (III) Increase in sales to Semiconductor Customer 2 by approximately RM1.80 million or approximately 1198.00% from approximately RM0.15 million for the FYE 30 June 2019 to approximately RM1.95 million for the FYE 30 June 2020, due mainly to the following reasons:-
  - (A) Increase in sales quantity to Semiconductor Customer 2 due mainly to the increase in demand from Semiconductor Customer 2 which was attributed mainly to the growth in the semiconductor industry during the economic recovery period after the trade war between the USA and China; and
  - (B) Increase in average selling price per unit of the products sold to Semiconductor Customer 2 due mainly to increase in the product mix which had resulted in a better average pricing due mainly to the higher specifications and requirements as required by the Semiconductor Customer 2; and
- (IV) Increase in sales to Healthcare Customer 1 by approximately RM2.31 million or approximately 31.77% from approximately RM7.27 million for the FYE 30 June 2019 to approximately RM9.58 million for the FYE 30 June 2020, due mainly to the following reasons:-
  - (A) Increase in sales quantity to Healthcare Customer 1 due mainly to

---

**11. FINANCIAL INFORMATION (CONT'D)**

---

the increase in demand from Healthcare Customer 1 for medical related equipment such as microscope, sensor and imaging products and pumps during the COVID-19 outbreak; and

- (B) Increase in average selling price per unit of the products sold to Healthcare Customer 1 due mainly to change in the product mix which had resulted in a better average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, the change in product mix would have the impact on the average selling price per unit of the products sold to our customers; and
- (V) Increase in sales to Security Customer 1 by approximately RM1.94 million or approximately 67.26% from approximately RM2.88 million for the FYE 30 June 2019 to approximately RM4.81 million for the FYE 30 June 2020, due mainly to the following reasons:-
  - (A) Increase in sales quantity to Security Customer 1 due mainly to increase in demand from Security Customer 1 as we are able to meet the specifications and requirements of Security Customer 1; and
  - (B) Increase in average selling price per unit of the products sold to Security Customer 1 due mainly to change in product mix which had resulted in a better average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, the change in product mix would have the impact on the average selling price per unit of the products sold to our customers; and
- (VI) Increase in sales to Sport Equipment Customer 1 by approximately RM1.51 million or approximately 12.55% from approximately RM12.02 million for the FYE 30 June 2019 to approximately RM13.53 million for the FYE 30 June 2020, due mainly to the increase in sales quantity to Sport Equipment Customer 1 as a result of the increase in demand from Sport Equipment Customer 1 for the bicycle parts and sport equipment due mainly to increase in cycling activities; and
- (VII) Increase in the sales to O&G Customer 1 by approximately RM1.08 million or approximately 156.81% from approximately RM0.69 million for the FYE 30 June 2019 to approximately RM1.77 million for the FYE 30 June 2020, due mainly to the following reasons:-
  - (A) Increase in sales quantity to O&G Customer 1 due mainly to the increase in demand by O&G Customer 1. However, O&G Customer 1 is our non-regular customer and the said increase in demand would be on an ad-hoc basis. O&G Customer 1 places its order with us on need basis and does not provide us with any sales forecast or purchase orders in advance. Our Group will assess our capacity before deciding whether to accept the orders from O&G Customer 1 when the orders are raised by O&G Customer 1; and
  - (B) Increase in average selling price per unit of the products sold to O&G Customer 1 due mainly to change in product mix which had resulted in a better average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, the change in product mix would have the impact on the average selling price per unit of the products sold to our



---

**11. FINANCIAL INFORMATION (CONT'D)**

---

customers.

However, the effect of the revenue growth from our above-mentioned customers was partially offset by the following factors:-

- (I) Decrease in sales to Fluid-O-Tech by approximately RM9.74 million or approximately 60.76% from approximately RM16.03 million for the FYE 30 June 2019 to approximately RM6.29 million for the FYE 30 June 2020, due mainly to the following reasons:-
  - (A) Decrease in sales quantity to Fluid-O-Tech due mainly to the slowdown in demand for combustion engine car in Europe as a result of carbon emission control and car manufacturers starting to manufacture electric vehicles, as well as in line with our plan to gradually reduce our exposure to the traditional automotive industry in order to focus on the semiconductor and life science and medical devices industries. This is in response to the growing demand from our customers in the semiconductor and life science and medical devices industries due mainly to the increase in demand for electronic, healthcare and medical products; and
  - (B) Decrease in average selling price per unit of the products sold to Fluid-O-Tech due mainly to low demand from the automotive industry which had led to stringent cost control by Fluid-O-Tech and we had accepted lower average pricing requested by Fluid-O-Tech. We had accepted lower average pricing requested by Fluid-O-Tech due mainly to the products ordered by Fluid-O-Tech are the existing products and we do not require to incur further engineering costs for the products ordered by Fluid-O-Tech; and
- (II) Decrease in sales to Instrumentation Customer 1 by approximately RM2.68 million for the FYE 30 June 2019 or approximately 76.47% from approximately RM3.50 million for the FYE 30 June 2019 to approximately RM0.82 million for the FYE 30 June 2020, due mainly to the following reasons:-
  - (A) Decrease in sales quantity to Instrumentation Customer 1 due mainly to the decrease in demand from Instrumentation Customer 1 which was attributed mainly to decrease in the demand of their end customers due mainly to the COVID-19 in the first half of 2020; and
  - (B) Decrease in average selling price per unit of the products sold to Instrumentation Customer 1 due mainly to the change in the product mix which had resulted in a lower average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, the change in product mix would have the impact on the average selling price per unit of the products sold to our customers; and
- (III) Decrease in sales to Instrumentation Customer 2, by approximately RM1.09 million or approximately 48.48% from approximately RM2.24 million for the FYE 30 June 2019 to approximately RM1.15 million for the FYE 30 June 2020, due mainly to the decrease in sales quantity to Instrumentation Customer 2 which was attributed mainly to the decrease in the demand of the end customers of Instrumentation Customer 2 due mainly to the COVID-19 in the first half of 2020; and

---

**11. FINANCIAL INFORMATION (CONT'D)**

---

- (IV) Decrease in sales to Sensor Equipment Customer 1 by approximately RM2.50 million or approximately 78.99% from approximately RM3.16 million for the FYE 30 June 2019 to approximately RM0.66 million for the FYE 30 June 2020, due mainly to the following reasons:-
- (A) Decrease in sales quantity to Sensor Equipment Customer 1 due mainly to the decrease in market demand resulted from COVID-19; and
  - (B) Decrease in average selling price per unit of the products sold to Sensor Equipment Customer 1 due mainly to the change in product mix which had resulted in a lower average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, the change in product mix would have the impact on the average selling price per unit of the products sold to our customers; and
- (V) Decrease in sales to Opto-Mechanical Customer Group 1 by approximately RM1.22 million or 24.74% from approximately RM4.92 million for the FYE 30 June 2019 to approximately RM3.70 million for the FYE 30 June 2020 due mainly to the following reasons:-
- (A) Decrease in sales quantity to Opto-Mechanical Customer Group 1 due mainly to the decrease in demand from Opto-Mechanical Customer Group 1 which was attributed mainly to the decrease in overall industry demand for opto-mechanical products such as complementary metal-oxide semiconductor (CMOS) image sensors, infrared devices and light sensors; and
  - (B) Decrease in average selling price per unit of the products sold to Opto-Mechanical Customer Group 1 due mainly to the change in the product mix which had resulted in lower average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, the change in product mix would have the impact on the average selling price per unit of the products sold to our customers.

Comparison between FYE 30 June 2020 and FYE 30 June 2021

Our revenue increased by approximately RM14.43 million or approximately 18.26% from approximately RM79.01 million for the FYE 30 June 2020 to approximately RM93.44 million for the FYE 30 June 2021.

This was due mainly to the following reasons:-

- (I) Increase in sales to Semiconductor Customer 2 by approximately RM4.53 million or approximately 232.82% from approximately RM1.95 million for the FYE 30 June 2020 to approximately RM6.48 million for the FYE 30 June 2021, due mainly to the following reasons:-
- (A) Increase in sales quantity to Semiconductor Customer 2 due mainly to the increase in demand from Semiconductor Customer 2 which was attributed mainly to the growth in the semiconductor industry due mainly to surge in demand for semiconductors for consumer electronics to cater for work-from-home protocols, major foundries across the globe expanded capacities to fulfil the increase in demand and the continued economic recovery in 2021 led to higher

**11. FINANCIAL INFORMATION (CONT'D)**

- production of various types of semiconductors; and
- (B) Increase in average selling price per unit of the products sold to Semiconductor Customer 2 due mainly to the change in the product mix which had resulted in better average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, the change in product mix would have the impact on the average selling price per unit of the products sold to our customers; and
- (II) Increase in sales to Semiconductor Customer 1 by approximately RM4.53 million or approximately 109.11% from approximately RM4.15 million for the FYE 30 June 2020 to approximately RM8.68 million for the FYE 30 June 2021, due mainly to the following reasons:-
- (A) Increase in sales quantity to Semiconductor Customer 1 due mainly to the increase in demand from Semiconductor Customer 1 which was attributed mainly to the growth in the semiconductor industry due mainly to surge in demand for semiconductors for consumer electronics to cater for work-from-home protocols, major foundries across the globe expanded capacities to fulfil the increase in demand and the continued economic recovery in 2021 led to higher production of various types of semiconductors; and
- (B) However, the effect of the above-mentioned increase in sales quantity to Semiconductor Customer 1 was partially offset by the decrease in average selling price per unit of the products sold to Semiconductor Customer 1 due mainly to the lower price requested by Semiconductor Customer 1. In our dealing with our customers, it is a norm for our customers to request for a lower selling price after a certain period as they expected our Group to have achieved greater efficiency and technical know-how for the products manufactured after a certain period and with the greater efficiency and technical know-how, our Group is expected to have cost savings by reducing the direct labour costs as well as the wastage of raw materials. Our Group had accepted such request by Semiconductor Customer 1 after taking into consideration the factors which include, but not limited to, the volume ordered by Semiconductor Customer 1, our margins earned and to maintain our competitiveness in terms of pricing in the industry; and
- (III) Increase in sales to Fujikin Group by approximately RM3.40 million or approximately 25.67% from approximately RM13.24 million for the FYE 30 June 2020 to approximately RM16.64 million for the FYE 30 June 2021, due mainly to the following reasons:-
- (A) Increase in sales to Fujikin Singapore by approximately RM3.22 million or approximately 25.08% from approximately RM12.83 million for the FYE 30 June 2020 to approximately RM16.04 million for the FYE 30 June 2021 due mainly to the following reasons:-
- (aa) Increase in average selling price per unit of the products sold to Fujikin Singapore due mainly to upgrade in the product version which contributed to the product mix with higher average pricing; and
- (bb) However, the effect of the above-mentioned increase in

**11. FINANCIAL INFORMATION (CONT'D)**

average selling price per unit was partially offset by the decrease in sales quantity to Fujikin Singapore due mainly to the change in product mix variants which had resulted in a less quantity ordered. The quantity of our products is measured by number of pieces and our products are different based on the specifications and requirements of our customers. As such, when there is a change in product mix variants, the number of pieces of precision-machined parts and components for the purpose of computation of sales quantity may vary; and

- (B) Increase in sales to Fujikin Vietnam by approximately RM0.18 million or approximately 43.96% from approximately RM0.41 million for the FYE 30 June 2020 to approximately RM0.60 million for the FYE 30 June 2021 due mainly to the following reasons:-
- (aa) Increase in sales quantity to Fujikin Vietnam due mainly to the increase in demand from Fujikin Vietnam which was attributed mainly to the growth in the semiconductor industry due mainly to surge in demand for semiconductors for consumer electronics to cater for work-from-home protocols, major foundries across the globe expanded capacities to fulfil the increase in demand and the continued economic recovery in 2021 led to higher production of various types of semiconductors; and
- (bb) However, the effect of the above-mentioned increase in sales quantity to Fujikin Vietnam was partially offset by the decrease in average selling price per unit of the products sold to Fujikin Vietnam due mainly to the lower price requested by Fujikin Vietnam. In our dealing with our customers, it is a norm for our customers to request for a lower selling price after a certain period as they expected our Group to have achieved greater efficiency and technical know-how for the products manufactured after a certain period and with the greater efficiency and technical know-how, our Group is expected to have cost savings by reducing the direct labour costs as well as the wastage of raw materials. Our Group had accepted such request by Fujikin Vietnam after taking into consideration that Vietnam is a relatively new market to us and we need to keep our price competitive to penetrate into Vietnam market; and
- (IV) Increase in sales to Semiconductor Customer 3 by approximately RM3.01 million or approximately 349.54% from approximately RM0.86 million for the FYE 30 June 2020 to approximately RM3.88 million for the FYE 30 June 2021, due mainly to the following reasons:-
- (A) Increase in sales quantity to Semiconductor Customer 3 due mainly to the increase in demand from Semiconductor Customer 3 which was attributed mainly to the growth in the semiconductor industry due mainly to surge in demand for semiconductors for consumer electronics to cater for work-from-home protocols, major foundries across the globe expanded capacities to fulfil the increase in demand and the continued economic recovery in 2021 led to higher production of various types of semiconductors; and
- (B) However, the effect of the above-mentioned increase in sales

---

**11. FINANCIAL INFORMATION (CONT'D)**

---

quantity to Semiconductor Customer 3 was partially offset by the decrease in average selling price per unit due mainly to the lower price requested by Semiconductor Customer 3. In our dealing with our customers, it is a norm for our customers to request for a lower selling price after a certain period as they expected our Group to have achieved greater efficiency and technical know-how for the products manufactured after a certain period and with the greater efficiency and technical know-how, our Group is expected to have cost savings by reducing the direct labour costs as well as the wastage of raw materials. Our Group had accepted such request by Semiconductor Customer 3 after taking into consideration the factors which include, but not limited to, the volume ordered by Semiconductor Customer 3, our margins earned and to maintain our competitiveness in terms of pricing in the industry; and

- (V) Increase in sales to Semiconductor Customer Group 1 by approximately RM1.35 million or approximately 1,339.60% from approximately RM0.10 million for the FYE 30 June 2020 to approximately RM1.45 million for the FYE 30 June 2021, due mainly to the following reasons:-
  - (A) Increase in sales quantity to Semiconductor Customer Group 1 due mainly to Semiconductor Customer Group 1 was newly secured by us in the FYE 30 June 2020 and they started to increase their orders in the FYE 30 June 2021; and
  - (B) However, the effect of the above-mentioned increase in sales quantity to Semiconductor Customer Group 1 was partially offset by the decrease in average selling price per unit of the products sold to Semiconductor Customer Group 1 due mainly to the lower price requested by Semiconductor Customer Group 1. In our dealing with our customers, it is a norm for our customers to request for a lower selling price after a certain period as they expected our Group to have achieved greater efficiency and technical know-how for the products manufactured after a certain period and with the greater efficiency and technical know-how, our Group is expected to have cost savings by reducing the direct labour costs as well as the wastage of raw materials. Our Group had accepted such request by Semiconductor Customer Group 1 after taking into consideration the factors which include, but not limited to, the volume ordered by Semiconductor Customer Group 1, our margins earned and to maintain our competitiveness in terms of pricing in the industry; and
- (VI) Increase in sales to Sport Equipment Customer 1 by approximately RM2.54 million or approximately 18.80% from approximately RM13.53 million for the FYE 30 June 2020 to approximately RM16.08 million for the FYE 30 June 2021, due mainly to the increase in sales quantity to Sport Equipment Customer 1 which was attributed mainly to the increase in demand from Sport Equipment Customer 1 for the bicycle parts and sport equipment following the recovery from the COVID-19; and
- (VII) Increase in sales to Opto-Mechanical Customer 1 by approximately RM0.90 million or approximately 24.22% from approximately RM3.70 million for the FYE 30 June 2020 to approximately RM4.60 million for the FYE 30 June 2021 due mainly to the following reasons:-
  - (A) Increase in sales quantity to Opto-Mechanical Customer 1 due mainly to increase in demand from Opto-Mechanical Customer 1

---

**11. FINANCIAL INFORMATION (CONT'D)**

---

which was attributed mainly to the increase in overall industry demand for opto-mechanical products along with recovery in economic activities across the globe; and

- (B) Increase in average selling price per unit of the products sold to Opto-Mechanical Customer 1 due mainly to change in product mix which had resulted in a better average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, the change in product mix would have the impact on the average selling price per unit of the products sold to our customers; and
- (VIII) Increase in sales to Healthcare Customer 2 by approximately RM0.87 million or approximately 6.79% from approximately RM12.75 million for the FYE 30 June 2020 to approximately RM13.62 million for the FYE 30 June 2021 due mainly to the increase in sales quantity to Healthcare Customer 2 as a result of the increase in market demand for medical products during the COVID-19 period; and
- (IX) Increase in sales to Healthcare Customer 1 by approximately RM0.77 million or approximately 8.01% from approximately RM9.58 million for the FYE 30 June 2020 to approximately RM10.35 million for the FYE 30 June 2021 due mainly to the following reasons:-
  - (A) Increase in sales quantity to Healthcare Customer 1 due mainly to the increase in market demand for medical devices during the COVID-19 period; and
  - (B) However, the effect of the above-mentioned increase in sales quantity to Healthcare Customer 1 was partially offset by the decrease in average selling price per unit of the products sold to Healthcare Customer 1 due mainly to change in the product mix which had resulted in lower average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, the change in product mix would have the impact on the average selling price per unit of the products sold to our customers; and
- (X) Increase in sales to Instrumentation Customer 2 by approximately RM0.62 million or approximately 53.38% from approximately RM1.15 million for the FYE 30 June 2020 to approximately RM1.77 million for the FYE 30 June 2021 due mainly to the following reasons:-
  - (A) Increase in sales quantity to Instrumentation Customer 2 due mainly to the increase in demand from Instrumentation Customer 2 which was attributed mainly to the increase in overall industry demand for instrumentation along with higher demand for semiconductor and other electronic and electrical products across the globe; and
  - (B) Increase in average selling price per unit of the products sold to Instrumentation Customer 2 due mainly to change in product mix which had resulted in a better average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, the change in product mix would have the impact on the average selling price per unit of the products sold to our customers; and

---

**11. FINANCIAL INFORMATION (CONT'D)**

---

- (XI) Increase in the revenue contributed from Aerospace Customer 1 by approximately RM0.61 million or approximately 523.38% from approximately RM0.12 million for the FYE 30 June 2020 to approximately RM0.72 million for the FYE 30 June 2021 due mainly to the following reasons:-
- (A) Increase in sales quantity to Aerospace Customer 1 due mainly to the change in product mix variants which had resulted in a higher quantity ordered. The quantity of our products is measured by number of pieces and our products are different based on the specifications and requirements of our customers. As such, when there is a change in product mix variants, the number of pieces of precision-machined parts and components for the purpose of computation of sales quantity may vary; and
- (B) However, the effect of the above-mentioned increase in sales quantity to Aerospace Customer 1 was partially offset by the decrease in average selling price per unit of the products sold to Aerospace Customer 1 due mainly to change in product mix which had resulted in a lower average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, the change in product mix would have the impact on the average selling price per unit of the products sold to our customers.

However, the effect of the revenue growth from our above-mentioned customers was partially offset by the following factors:-

- (I) Decrease in sales to Security Customer 1 by approximately RM4.72 million or approximately 98.09% from approximately RM4.81 million for the FYE 30 June 2020 to approximately RM0.09 million for the FYE 30 June 2021 as Security Customer 1 had reduced its order for the products manufactured by us. The orders from Security Customer 1 are dependent on the type of projects they successfully secured from their biddings; and
- (II) Decrease in sales to Fluid-O-Tech by approximately RM4.33 million or approximately 68.82% from approximately RM6.29 million for the FYE 30 June 2020 to approximately RM1.96 million for the FYE 30 June 2021, due mainly to the following reasons:-
- (A) Decrease in sales quantity to Fluid-O-Tech due mainly to the slowdown in demand for combustion engine cars in Europe as a result of carbon emission control and car manufacturers starting to manufacture electric vehicles; and
- (B) However, the effect of the above-mentioned decrease in sales quantity to Fluid-O-Tech was partially offset by the increase in average selling price per unit of the products sold to Fluid-O-Tech due mainly to change in product mix which had resulted in a better average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, the change in product mix would have the impact on the average selling price per unit of the products sold to our customers; and
- (III) Decrease in sales to O&G Customer 1 by approximately RM1.01 million or approximately 57.17% from approximately RM1.77 million for the FYE 30

---

**11. FINANCIAL INFORMATION (CONT'D)**

---

June 2020 to approximately RM0.76 million for the FYE 30 June 2021 due mainly to the following:-

- (A) Decrease in sales quantity to O&G Customer 1 due mainly to the decrease in demand from O&G Customer 1. As explained above, O&G Customer 1 is our non-regular customer and their orders are on an ad-hoc basis; and
- (B) However, the effect of the above-mentioned decrease in sales quantity to O&G Customer 1 was partially offset by the increase in average selling price per unit of the products sold to O&G Customer 1 due mainly to change in product mix which had resulted in a better average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, the change in product mix would have the impact on the average selling price per unit of the products sold to our customers.

Comparison between FYE 30 June 2021 and FYE 30 June 2022

Our revenue increased by approximately RM45.40 million or approximately 48.59% from approximately RM93.44 million for the FYE 30 June 2021 to approximately RM138.85 million for the FYE 30 June 2022.

This was due mainly to the following reasons:-

- (I) Increase in sales to Semiconductor Customer 2 by approximately RM18.92 million or approximately 291.96% from approximately RM6.48 million for the FYE 30 June 2021 to approximately RM25.40 million for the FYE 30 June 2022 due mainly to the following reasons:-
  - (A) Increase in sales quantity to Semiconductor Customer 2 due mainly to subsequent to the successful first article testing for most of the products manufactured for Semiconductor Customer Group 1 in the FYE 30 June 2020 and FYE 30 June 2021, those products have entered into a mass production stage in the FYE 30 June 2022; and
  - (B) However, the effect of the above-mentioned increase in sales quantity to Semiconductor Customer 2 was partially offset by the decrease in average selling price per unit of the products sold to Semiconductor Customer 2 due mainly to the mass production stage as mentioned above had resulted in change in product mix which had resulted in a lower average pricing; and
- (II) Increase in sales to Semiconductor Customer Group 1 by approximately RM14.66 million or approximately 1,008.32% from approximately RM1.45 million for the FYE 30 June 2021 to approximately RM16.12 million for the FYE 30 June 2022 due mainly to the following reasons:-
  - (A) Increase in sales quantity to Semiconductor Customer Group 1 due mainly to subsequent to the successful first article testing for most of the products manufactured for Semiconductor Customer Group 1 in the FYE 30 June 2020 and FYE 30 June 2021, those products have entered into a mass production stage in the FYE 30 June 2022; and



---

**11. FINANCIAL INFORMATION (CONT'D)**

---

- (B) Increase in average selling price per unit of the products sold to Semiconductor Customer Group 1 due mainly to change in product mix which had resulted in a better average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, the change in product mix would have the impact on the average selling price per unit of the products sold to our customers; and
- (III) Increase in sales to Fujikin Group by approximately RM8.52 million or approximately 51.19% from approximately RM16.64 million for the FYE 30 June 2021 to approximately RM25.15 million for the FYE 30 June 2022 due mainly to the following reasons:-
- (A) Increase in sales to Fujikin Singapore by approximately RM8.37 million or approximately 52.16% from approximately RM16.04 million for the FYE 30 June 2021 to approximately RM24.41 million for the FYE 30 June 2022 due mainly to the following reasons:-
- (aa) Increase in sales quantity to Fujikin Singapore due mainly to the growth in the semiconductor industry due mainly to surge in demand for semiconductors for consumer electronics to cater for work-from-home protocols, major foundries across the globe expanded capacities to fulfil the increase in demand and the continued economic recovery in 2021 and 2022 led to higher production of various types of semiconductors; and
- (bb) However, the effect of the above-mentioned increase in sales quantity to Fujikin Singapore was partially offset by the decrease in average selling price per unit due mainly to change in product mix which had resulted in a lower average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, the change in product mix would have the impact on the average selling price per unit of the products sold to our customers; and
- (B) Increase in sales to Fujikin Vietnam by approximately RM0.15 million or approximately 25.00% from approximately RM0.60 million for the FYE 30 June 2021 to approximately RM0.75 million for the FYE 30 June 2022 due mainly to the following reasons:-
- (aa) Increase in sales quantity due mainly to the growth in the semiconductor industry due mainly to surge in demand for semiconductors for consumer electronics to cater for work-from-home protocols, major foundries across the globe expanded capacities to fulfil the increase in demand and the continued economic recovery in 2021 and 2022 led to higher production of various types of semiconductors; and
- (bb) However, the effect of the above-mentioned increase in sales quantity to Fujikin Vietnam was partially offset by the decrease in average selling price per unit due mainly to change in product mix which had resulted in a lower average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, the change in product mix would have the impact on the average selling price per unit of the products sold to our customers; and

---

**11. FINANCIAL INFORMATION (CONT'D)**

---

- (IV) Increase in sales to Healthcare Customer 1 by approximately RM3.65 million or approximately 35.23% from approximately RM10.35 million for the FYE 30 June 2021 to approximately RM13.99 million for the FYE 30 June 2022 due mainly to the following reasons:-
- (A) Increase in sales quantity to Healthcare Customer 1 due mainly to Healthcare Customer 1 has been satisfied with the quality of our products and our delivery lead time and had continued to increase the orders in the FYE 30 June 2022; and
  - (B) Increase in average selling price per unit due mainly to change in product mix which had resulted in a better average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, the change in product mix would have the impact on the average selling price per unit of the products sold to our customer; and
- (V) Increase in sales to Sensor Equipment Customer 1 by approximately RM1.62 million or approximately 140.98% from approximately RM1.15 million for the FYE 30 June 2021 to approximately RM2.76 million for the FYE 30 June 2022 due mainly to the following reasons:-
- (A) Increase in sales quantity to Sensor Equipment Customer 1 due mainly to the increase in demand from Sensor Equipment Customer 1 which was attributed mainly to the increase in overall industry demand for sensor equipment along with recovery in economic activities across the globe; and
  - (B) Increase in average selling price per unit of the products sold to Sensor Equipment Customer 1 due mainly to change in product mix which had resulted in a better average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, the change in product mix would have the impact on the average selling price per unit of the products sold to our customers; and
- (VI) Increase in sales to Sensor Equipment Customer 2 by approximately RM0.51 million or approximately 47.62% from approximately RM1.07 million for the FYE 30 June 2021 to approximately RM1.58 million for the FYE 30 June 2022 due mainly to the following reasons:-
- (A) Increase in sales quantity to Sensor Equipment Customer 2 due mainly to the increase in demand from Sensor Equipment Customer 2 which was attributed mainly to the increase in overall industry demand for sensor equipment along with recovery in economic activities across the globe; and
  - (B) Increase in average selling price per unit of the products sold to Sensor Equipment Customer 2 due mainly to change in product mix which had resulted in a better average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, the change in product mix would have the impact on the average selling price per unit of the products sold to our customers; and

---

**11. FINANCIAL INFORMATION (CONT'D)**

---

(VII) Increase in sales to Aerospace Customer 1 by approximately RM0.84 million or approximately 116.18% from approximately RM0.72 million for the FYE 30 June 2021 to approximately RM1.56 million for the FYE 30 June 2022, due mainly to the following reasons:-

- (A) Increase in sales quantity to Aerospace Customer 1 due mainly to Aerospace Customer 1 had increased its orders due mainly to the recognition of the quality of our products. Aerospace Customer 1 is our relatively new customer which was secured in the FYE 30 June 2020 and its orders have been growing since FYE 30 June 2020; and
- (B) However, the effect of the above-mentioned increase in sales quantity to Aerospace Customer 1 was partially offset by decrease in average selling price per unit due mainly to change in the product mix which had resulted in a lower average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, the change in product mix would have the impact on the average selling price per unit of the products sold to our customers.

However, the effect of the revenue growth from our above-mentioned customers was partially offset by the following factors:-

- (I) Decrease in sales to Semiconductor Customer 1 by approximately RM0.81 million or approximately 9.28% from approximately RM8.68 million for the FYE 30 June 2021 to approximately RM7.87 million for the FYE 30 June 2022 due mainly to the following:-
  - (A) Decrease in sales quantity due mainly to we have rescheduled some of the deliveries to Semiconductor Customer 1 due mainly to shortage of the raw materials used for the products for Semiconductor Customer 1 and our Group has agreed with the Semiconductor Customer 1 on the revised delivery schedules based on the availability of the raw materials; and
  - (B) Decrease in average selling price due mainly to change in the product mix which had resulted in a lower average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, the change in product mix would have the impact on the average selling price per unit of the products sold to our customers; and
- (II) Decrease in sales to Sport Equipment Customer 1 by approximately RM0.48 million or approximately 3.00% from approximately RM16.08 million for the FYE 30 June 2021 to approximately RM15.59 million for the FYE 30 June 2022 due mainly to the decrease in sales quantity to Sport Equipment Customer 1 which was attributed mainly to lack of production capacity for our customers in other industries after the increase in sales orders from our semiconductor customers as mentioned above. Our Group had turned down the requests by our customers in the past if we did not have idle production capacity when they requested us to produce precision-machined parts and components for them; and
- (III) Decrease in sales to Opto-Mechanical Customer 1 by approximately RM1.86 million or approximately 40.52% from approximately RM4.60 million for the FYE 30 June 2021 to approximately RM2.74 million for the FYE 30 June 2022 due mainly to the following reasons:-

---

**11. FINANCIAL INFORMATION (CONT'D)**

---

- (A) Decrease in sales quantity to Opto-Mechanical Customer 1 due mainly to our sales team had placed more focuses in securing sales from other segments such as semiconductor segment due mainly to our business strategies and business directions to shift our focus to semiconductor segment as well as higher margins from semiconductor segment; and
  - (B) Decrease in average selling price per unit of the products sold to Opto-Mechanical Customer 1 due mainly to change in product mix which had resulted in a lower average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, the change in product mix would have the impact on the average selling price per unit of the products sold to our customers; and
- (IV) Decrease in sales to Instrumentation Customer 2 by approximately RM1.32 million or approximately 74.75% from approximately RM1.77 million for the FYE 30 June 2021 to approximately RM0.45 million for the FYE 30 June 2022 due mainly to the following reasons:-
- (A) Decrease in sales quantity to Instrumentation Customer 2 due mainly to Instrumentation Customer 2 has reduced its orders due mainly to the existing products that we manufacture for Instrumentation Customer 2 are coming to the end of product life cycle and there is no development of new products with the said customer; and
  - (B) Decrease in average selling price per unit of the products sold to Instrumentation Customer 2 due mainly to change in product mix which had resulted in a lower average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, the change in product mix would have the impact on the average selling price per unit of the products sold to our customers; and
- (V) Decrease in sales to O&G Customer 1 by approximately RM0.66 million or approximately 86.96% from approximately RM0.76 million for the FYE 30 June 2021 to approximately RM0.10 million for the FYE 30 June 2022 due mainly to the following:-
- (A) Decrease in sales quantity to O&G Customer 1 due mainly to the decrease in demand from O&G Customer 1. As explained above, O&G Customer 1 is our non-regular customer and their orders are on an ad-hoc basis; and
  - (B) However, the effect of the above-mentioned decrease in sales quantity to O&G Customer 1 was partially offset by the increase in average selling price per unit of the products sold to O&G Customer 1 due mainly to change in product mix which had resulted in a better average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, the change in product mix would have the impact on the average selling price per unit of the products sold to our customers.

---

**11. FINANCIAL INFORMATION (CONT'D)**

---

Comparison between FYE 30 June 2022 and FYE 30 June 2023

Our revenue increased by approximately RM6.43 million or approximately 4.63% from approximately RM138.85 million for the FYE 30 June 2022 to approximately RM145.28 million for the FYE 30 June 2023.

This was due mainly to the following reasons:-

- (I) Increase in sales to Semiconductor Customer 1 by approximately RM6.09 million or approximately 77.36% from approximately RM7.87 million for the FYE 30 June 2022 to approximately RM13.96 million for the FYE 30 June 2023 due mainly to the following reasons:-
  - (A) Increase in sales quantity to Semiconductor Customer 1 due mainly to the increase in demand from Semiconductor Customer 1 which has been notable since FYE 30 June 2022 but despite that our Group were unable to fulfil their orders in the FYE 30 June 2022 due to insufficient raw materials to be allocated to them. However, upon having sufficient raw materials in FYE 30 June 2023, we were able to fulfil the orders from Semiconductor Customer 1 based on the revised delivery schedule; and
  - (B) Increase in average selling price per unit of the products sold to Semiconductor 1 due mainly to change in product mix which had resulted in a better average pricing. As the selling price per unit of our products varies according to specifications and the requirements of our customers, this change in product mix had an impact on the average selling price per unit of the products sold to this customer; and
- (II) Increase in sales to Semiconductor Customer 2 by approximately RM2.84 million or approximately 11.17% from approximately RM25.40 million for the FYE 30 June 2022 to approximately RM28.24 million for the FYE 30 June 2023 due mainly to the following reasons:-
  - (A) Increase in average selling price per unit of the products sold to Semiconductor Customer 2 due mainly to change in product mix which had resulted in a better average pricing. As the selling price per unit of our products varies according to the specifications and the requirements of our customers, this change in product mix had the impact on the average selling price per unit of the products sold to this customer; and
  - (B) However, the effect of the above-mentioned increase in average selling price per unit to Semiconductor Customer 2 was partially offset by the decrease in sales quantity to Semiconductor Customer 2 due mainly to change in product mix variants which was resulted mainly by the decrease in the sales of lower priced products; and
- (III) Increase in sales to Security Customer 1 by approximately RM2.48 million or approximately 468.30% from approximately RM0.53 million for the FYE 30 June 2022 to approximately RM3.01 million for the FYE 30 June 2023 due mainly to the following reasons:-
  - (A) Increase in sales quantity to Security Customer 1 due mainly to increase in demand from Security Customer 1 as we were able to meet the specifications and requirements of Security Customer 1;

---

**11. FINANCIAL INFORMATION (CONT'D)**

---

and

- (B) Increase in average selling price per unit of the products sold to Security Customer 1 due mainly to change in product mix which had resulted in a better average pricing; and
- (IV) Increase in sales to Semiconductor Customer Group 1 by approximately RM2.43 million or approximately 15.11% from approximately RM16.12 million for the FYE 30 June 2022 to approximately RM18.55 million for the FYE 30 June 2023 due mainly to the following reasons:-
  - (A) Increase in average selling price per unit due mainly to change in product mix which had resulted in a better average pricing; and
  - (B) However, the effect of the above-mentioned increase in average selling price per unit to Semiconductor Customer Group 1 was partially offset by the decrease in sales quantity to Semiconductor Customer Group 1 due mainly to change in product mix variants which was resulted mainly by the decrease in the sales of lower priced products; and
- (V) Increase in sales to Healthcare Customer 2 by approximately RM1.81 million or approximately 13.05% from approximately RM13.87 million for the FYE 30 June 2022 to approximately RM15.68 million for the FYE 30 June 2023 due mainly to the following reasons:-
  - (A) Increase in average selling price per unit of the products sold to Healthcare Customer 2 due mainly to change in product mix which had resulted in a better average pricing; and
  - (B) However, the effect of the above-mentioned increase in average selling price per unit to Healthcare Customer 2 was partially offset by the decrease in sales quantity to Healthcare Customer 2 due mainly to the change in product mix variants which had resulted in a lower quantity of lower priced products ordered; and
- (VI) Increase in sales to Aerospace Customer 1 by approximately RM1.06 million or approximately 67.50% from approximately RM1.56 million for the FYE 30 June 2022 to approximately RM2.62 million for the FYE 30 June 2023 due mainly to the following reasons:-
  - (A) Increase in sales quantity to Aerospace Customer 1 due mainly to Aerospace Customer 1 had increased its orders due mainly to the recognition of the quality of our products. Aerospace Customer 1 is our relatively new customer which was secured in the FYE 30 June 2020 and its orders have been growing since FYE 30 June 2020; and
  - (B) Increase in average selling price per unit of the products sold to Aerospace Customer 1 due mainly to change in product mix which had resulted in a better average pricing; and
- (VII) Increase in sales to one of our semiconductor customers by approximately RM0.70 million or approximately 1,950.00% from approximately RM0.04 million for the FYE 30 June 2022 to approximately RM0.74 million for the FYE 30 June 2023 due mainly to the following reasons:-
  - (A) Increase in sales quantity to our semiconductor customer above due

---

**11. FINANCIAL INFORMATION (CONT'D)**

---

mainly to our semiconductor customer above has been satisfied with the quality of our products and our delivery lead time and had continued to increase their orders in the FYE 30 June 2023; and

- (B) Increase in average selling price per unit of the products sold to our semiconductor customer above due mainly to change in product mix which had resulted in a better average pricing; and
- (VIII) We newly secured sales orders from another semiconductor customer in the FYE 30 June 2023 which contributed to approximately RM0.58 million for the FYE 30 June 2023.

However, the effect of the revenue growth from our above-mentioned customers was partially offset by the following factors:-

- (I) Decrease in sales to Semiconductor Customer 3 by approximately RM3.55 million or approximately 90.47% from approximately RM3.93 million for the FYE 30 June 2022 to approximately RM0.37 million for the FYE 30 June 2023 due mainly to the following:-
  - (A) Decrease in sales quantity due mainly to the decrease in demand from Semiconductor Customer 3 which was attributed mainly to the slight contraction in the semiconductor industry in the FYE 30 June 2023; and
  - (B) However, the effect of the above-mentioned decrease in sales quantity to Semiconductor Customer 3 was partially offset by the increase in average selling price per unit of the products sold to Semiconductor Customer 3 due mainly to change in product mix which had resulted in a better average pricing; and
- (II) Decrease in sales to Fujikin Group by approximately RM2.32 million or approximately 9.20% from approximately RM25.15 million for the FYE 30 June 2022 to approximately RM22.84 million for the FYE 30 June 2023 due mainly to the following reasons:-
  - (A) Decrease in sales to Fujikin Singapore by approximately RM1.57 million or approximately 6.44% from approximately RM24.41 million for the FYE 30 June 2022 to approximately RM22.84 million for the FYE 30 June 2023 due mainly to the following reasons:-
    - (aa) Decrease in average selling price per unit due mainly to change in product mix which had resulted in a lower average pricing; and
    - (bb) However, the effect of the above-mentioned decrease in average selling price per unit to Fujikin Singapore was partially offset by the increase in sales quantity due mainly to change in product mix variants which had resulted in an increase in lower priced products ordered; and
  - (B) We did not proceed to fulfil the sales orders from Fujikin Vietnam in the FYE 30 June 2023 due mainly to our Group having turned down the request from Fujikin Vietnam to supply further as we found that the product being to be developed for Fujikin Vietnam would not meet our margin expectation after a period of product development; and

---

**11. FINANCIAL INFORMATION (CONT'D)**

---

- (III) Decrease in sales to Fluid-O-Tech by approximately RM1.35 million or approximately 73.11% from approximately RM1.84 million for the FYE 30 June 2022 to approximately RM0.50 million for the FYE 30 June 2023 due mainly to the following reasons:-
- (A) Decrease in sales quantity to Fluid-O-Tech due to lower production for our automotive segment as a result of our Group's strategic business decision to shift our focus to the semiconductor segment; and
  - (B) Decrease in average selling price per unit of the products sold to Fluid-O-Tech due mainly to change in product mix which had resulted in a lower average pricing; and
- (IV) Decrease in sales to Opto-Mechanical Customer 1 by approximately RM1.10 million or approximately 40.15% from approximately RM2.74 million for the FYE 30 June 2022 to approximately RM1.64 million for the FYE 30 June 2023 due mainly to the following reasons:-
- (A) Decrease in sales quantity to Opto-Mechanical Customer 1 due mainly to lower production for our opto-mechanical segment as a result of our Group's strategic business decision to shift our focus to the semiconductor segment; and
  - (B) However, the effect of the above-mentioned decrease in sales quantity to Opto-Mechanical Customer 1 was partially offset by the change in product mix which had resulted in a better average pricing; and
- (V) Decrease in sales to Sensor Equipment Customer 1 by approximately RM0.68 million or approximately 24.50% from approximately RM2.76 million for the FYE 30 June 2022 to approximately RM2.09 million for the FYE 30 June 2023 due mainly to the following:-
- (A) Decrease in sales quantity to Sensor Equipment Customer 1 due mainly to lower production for our sensor equipment segment as a result of our Group's strategic business decision to shift our focus to the semiconductor segment; and
  - (B) However, the effect of the above-mentioned decrease in sales quantity to Sensor Equipment Customer 1 was partially offset by the change in product mix which had resulted in a better average pricing; and
- (VI) Decrease in sales to Opto-Mechanical Customer 3 by approximately RM0.57 million or approximately 60.04% from approximately RM0.95 million for the FYE 30 June 2022 to approximately RM0.38 million for the FYE 30 June 2023 due mainly to the following:-
- (A) Decrease in sales quantity to Opto-Mechanical Customer 3 due mainly to lower production for our opto-mechanical industry segment as a result of our Group's strategic business decision to shift our focus to the semiconductor segment; and
  - (B) Decrease in average selling price per unit of the products sold to Opto-Mechanical Customer 3 due mainly to change in product mix which had resulted in a lower average pricing.



---

**11. FINANCIAL INFORMATION (CONT'D)**

---

(ii) Cost of sales

Our cost of sales comprises 3 main components, namely material costs, labour costs and production overheads. Our cost of sales increased from approximately RM54.73 million for the FYE 30 June 2019 to approximately RM93.77 million for the FYE 30 June 2023, representing a CAGR of approximately 14.41%.

(a) Material costs

Material costs represent the key component of our cost of sales, accounting for approximately 36.58%, 34.77%, 32.29%, 38.87% and 35.86% of our cost of sales for the Period Under Review respectively.

Our material costs mainly consist the costs of raw materials, loose tools, chemicals, packing materials and other consumables.

We source our materials from both local and foreign suppliers.

Due to the nature of our business where our products are customised according to our customers' orders, the raw materials consumed for each product vary in terms of type of metal, shape, size and thickness specified by our customers. As such, despite similar measurement unit in terms of quantity being used, our material costs vary from one product to another depending on our customers' requirements.

During the Period Under Review, we have not experienced any substantial increase in cost of sales that materially affect our operations due mainly to the following:-

- (I) We were able to pass on some of the cost of sales to certain customers. There had been instances whereby our customers had agreed on price revision when there was increase in the costs of raw materials incurred from the preferred suppliers of such customers; and
- (II) The purchase of raw materials in advance helped us to cushion the impact of the price hike of the raw materials.

(b) Labour costs

Labour costs consist salaries, wages, allowances, performance incentives and other staff-related costs incurred in relation to engineers, production workers and employees deployed in the ancillary functions supporting the production activities which include, but not limited to, product development, QA, store-keeping and maintenance. They accounted for approximately 29.53%, 30.09%, 29.73%, 27.01% and 29.58% of our cost of sales for the Period Under Review respectively.

(c) Production overheads

Production overheads mainly consist sub-contractors' charges, depreciation of production property, plant and equipment, utilities costs, production scraps, upkeep and maintenance costs, forwarding and freight charges, as well as amortisation of the right of use for the factories and hostels. They accounted for approximately 33.89%, 35.14%, 37.98%, 34.12% and 34.56% of our cost of sales for the Period Under Review respectively.

## 11. FINANCIAL INFORMATION (CONT'D)

(d) Cost of sales by business activities

The table below sets out our cost of sales by business activities for the Period Under Review.

No.	Business Activities	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.	Sales of goods	47,906	87.53	46,991	80.59	48,430	82.64	71,914	86.62	83,562	89.12
2.	Rendering of services	6,822	12.47	11,316	19.41	10,173	17.36	11,106	13.38	10,206	10.88
Total		54,728	100.00	58,307	100.00	58,603	100.00	83,020	100.00	93,768	100.00

(e) Cost of sales by cost components

The table below sets out our cost of sales by cost components for the Period Under Review.

No.	Cost Components	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.	Material costs										
	Raw materials <sup>(1)</sup>	13,301	24.30	11,691	20.05	9,382	16.01	17,471	21.04	19,646	20.95
	Loose tools	4,622	8.45	6,175	10.59	7,477	12.76	11,467	13.81	10,973	11.70
	Chemicals	1,441	2.63	1,697	2.91	1,704	2.91	2,620	3.16	2,489	2.66
	Packing materials	400	0.73	265	0.46	272	0.46	696	0.84	519	0.55
	Consumables	256	0.47	445	0.76	90	0.15	14	0.02	-	-
	Subtotal	20,020	36.58	20,273	34.77	18,925	32.29	32,268	38.87	33,627	35.86
2.	Labour costs										
	Staff salaries, bonus and statutory contributions	15,214	27.80	16,917	29.01	16,836	28.73	21,714	26.16	27,015	28.81
	Workers levy and permit	904	1.65	626	1.08	585	0.99	696	0.84	718	0.77
	Sub-contract wages <sup>(2)</sup>	42	0.08	-	0.00	3	0.01	10	0.01	-	-

**11. FINANCIAL INFORMATION (CONT'D)**

No.	Cost Components	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	%
	Subtotal	16,160	29.53	17,543	30.09	17,424	29.73	22,420	27.01	27,733	29.58
3.	Production overheads										
	Sub-contracting services <sup>(3)</sup>	4,164	7.60	5,547	9.52	5,350	9.12	7,509	9.05	9,233	9.85
	Depreciation of property, plant and equipment	3,875	7.08	4,574	7.84	5,508	9.40	6,267	7.55	7,268	7.75
	Water and electricity	4,034	7.37	3,837	6.58	3,845	6.56	4,442	5.35	5,017	5.35
	Production scrap	1,933	3.53	1,530	2.62	3,039	5.19	4,107	4.95	4,907	5.24
	Upkeep of plant and machinery	628	1.15	1,294	2.22	927	1.58	1,033	1.24	1,725	1.84
	Upkeep of factory	1,086	1.98	982	1.68	796	1.36	1,487	1.79	1,348	1.44
	Freight and handling	909	1.66	721	1.24	1,114	1.90	1,515	1.82	1,043	1.11
	Amortisation of right-of-use asset	-	0.00	1,055	1.81	1,084	1.85	1,047	1.26	1,031	1.10
	Security services	179	0.33	214	0.37	241	0.41	268	0.32	384	0.41
	Disposal of chemicals	75	0.13	82	0.14	100	0.17	166	0.20	144	0.15
	Uniform, safety shoe and protective ware	53	0.10	76	0.13	68	0.12	67	0.08	101	0.11
	Workers' welfare	152	0.28	164	0.28	145	0.25	280	0.34	87	0.09
	Crane charges	3	0.01	236	0.40	-	0.00	4	<sup>(4)</sup> 0.00	46	0.05
	Upkeep of factory equipment	25	0.05	5	0.01	5	0.01	10	0.01	34	0.04
	Upkeep of hostel	-	0.00	-	0.00	-	0.00	112	0.14	23	0.02
	Factory	29	0.05	12	0.02	28	0.05	14	0.02	13	0.01

## 11. FINANCIAL INFORMATION (CONT'D)

No.	Cost Components	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	%
	expenses										
	Lorry running expenses	4	0.01	5	0.01	4	0.01	4	<sup>(4)</sup> 0.00	4	<sup>(4)</sup> 0.00
	Rental – Factory	1,199	2.19	157	0.27	-	0.00	-	0.00	-	0.00
	Rental – Hostel	200	0.37	-	0.00	-	0.00	-	0.00	-	0.00
	Subtotal	18,548	33.89	20,491	35.14	22,254	37.98	28,332	34.12	32,408	34.56
	Total	54,728	100.00	58,307	100.00	58,603	100.00	83,020	100.00	93,768	100.00

**Notes:-**

- <sup>(1)</sup> This is in reference to costs of raw materials consumed in the production process for the respective FYEs and does not represent the costs of raw materials purchased during the respective FYEs.
- <sup>(2)</sup> Sub-contract wages are in reference to the payment to the manpower supply agency for provision of manpower services.
- <sup>(3)</sup> Sub-contracting services are in reference to the purchases of sub-contracting services which include milling, turning, auto-lathing, plating, deburring, polishing, coating, slotting, sandblasting, heat treatment, tumbling, hardening, electroplating and anodising from our sub-contractors.
- <sup>(4)</sup> Negligible and not within 2 decimal points.

(f) Commentaries on cost of sales

Comparison between FYE 30 June 2019 and FYE 30 June 2020

Our cost of sales increased by approximately RM3.58 million or approximately 6.54% from approximately RM54.73 million for the FYE 30 June 2019 to approximately RM58.31 million for the FYE 30 June 2020.

The overall increase in our cost of sales was due mainly to the following reasons:-

- (I) Our production overheads increased by approximately RM1.94 million or approximately 10.48% from approximately RM18.55 million for the FYE 30 June 2019 to approximately RM20.49 million for the FYE 30 June 2020, due mainly to the following reasons:-
- (A) Increase in our depreciation and amortisation charges for the property, plant and equipment by approximately RM1.75 million or approximately 45.26% from approximately RM3.88 million for the FYE 30 June 2019 to approximately RM5.63 million for the FYE 30 June 2020 due mainly to the following reasons:-
- (aa) We recognised amortisation of right of use assets for the factories and hostels rented which amounted to approximately RM1.06 million for the FYE 30 June 2020 following the adoption of MFRS 16 in the FYE 30 June 2020; and
- (bb) Increase in depreciation charges for our factory electrical installations by approximately RM0.20 million or approximately 317.19% from approximately RM0.06 million for the FYE 30 June 2019 to approximately RM0.27 million for the FYE 30 June 2020 due mainly to new factory electrical installations in Plant 2 in the FYE 30 June 2020; and

**11. FINANCIAL INFORMATION (CONT'D)**

- (cc) Increase in depreciation charges for our plant and machinery by approximately RM0.19 million or approximately 5.53% from approximately RM3.38 million for the FYE 30 June 2019 to approximately RM3.57 million for the FYE 30 June 2020 due mainly to additional depreciation charges for the plant and machinery being bought in the FYE 30 June 2020; and
- (dd) Increase in depreciation charges for our factory renovations by approximately RM0.17 million or approximately 113.33% from approximately RM0.15 million for the FYE 30 June 2019 to approximately RM0.32 million for the FYE 30 June 2020 due mainly to factory renovations for Plant 2 in the FYE 30 June 2020; and
- (ee) Increase in depreciation charges for our factory buildings by approximately RM0.14 million or approximately 84.05% from approximately RM0.16 million for the FYE 30 June 2019 to approximately RM0.30 million for the FYE 30 June 2020 due mainly to the reclassification of our Plant 2 from the investment property to the property, plant and equipment since November 2018 due to our intention to use Plant 2 for our own operations and the depreciation charges for the said plant were recognised under the cost of sales from November 2018 onwards instead of under the general and administrative expenses prior to November 2018; and
- (B) Increase in the costs of engaging sub-contractors' services by approximately RM1.38 million or 33.21% from approximately RM4.16 million for the FYE 30 June 2019 to approximately RM5.55 million for the FYE 30 June 2020 due mainly to production capacity limitation for the FYE 30 June 2020; and
- (C) Increase in the upkeep of plant and machinery by approximately RM0.67 million or approximately 106.05% from approximately RM0.63 million for the FYE 30 June 2019 to approximately RM1.29 million for the FYE 30 June 2020 due mainly to more upkeep of plant and machinery during the relocation of our machinery for the Existing Plants which was completed in the month of October 2019; and
- (D) Increase in the crane charges by approximately RM0.23 million or approximately 7,766.67% from approximately RM0.003 million for the FYE 30 June 2019 to approximately RM0.24 million for the FYE 30 June 2020 due mainly to additional crane charges incurred during the relocation of our machinery for our Existing Plants which was completed in the month of October 2019.

However, the effect of the above-mentioned increases in our production overheads was partially offset by the following:-

- (A) Decrease in rental for factory by approximately RM1.04 million or approximately 86.91% from approximately RM1.20 million for the FYE 30 June 2019 to approximately RM0.16 million for the FYE 30 June 2020 due mainly to the adoption of MFRS 16 in FYE 30 June 2020 as well as cessation of rental of one of the plants of our Group effective from the month of December 2019; and
- (B) Decrease in costs of production scraps by approximately RM0.40

---

**11. FINANCIAL INFORMATION (CONT'D)**

---

million or approximately 20.85% from approximately RM1.93 million for the FYE 30 June 2019 to approximately RM1.53 million for the FYE 30 June 2020 due mainly to improvement in our production process as less raw materials were rendered as wastes in our production; and

- (C) Decrease in electricity costs by approximately RM0.20 million or approximately 4.88% from approximately RM3.88 million for the FYE 30 June 2019 to approximately RM3.69 million for the FYE 30 June 2020 due mainly to our Plant 2 enjoyed a lower electricity tariff rate in the FYE 30 June 2020 due mainly to high tension power installation in Plant 2; and
  - (D) We did not recognise any rental for hostels for the FYE 30 June 2020 due to adoption of MFRS 16 as compared with rental for hostels of approximately RM0.20 million which was recognised for the FYE 30 June 2019 prior to the adoption of MFRS 16; and
  - (E) Decrease in freight and handling charges by approximately RM0.19 million or approximately 20.68% from approximately RM0.91 million for the FYE 30 June 2019 to approximately RM0.72 million for the FYE 30 June 2020 due mainly to the decrease in sales to Fluid-O-Tech. The sales to Fluid-O-Tech were on the basis of delivery duty unpaid where we were required to bear the delivery cost. Hence, the lower sales to Fluid-O-Tech had also resulted in a lower delivery cost; and
- (II) Our labour costs increased by approximately RM1.38 million or approximately 8.56% from approximately RM16.16 million for the FYE 30 June 2019 to approximately RM17.54 million for the FYE 30 June 2020, due mainly to the increase in our staff salaries, bonus and statutory contributions by approximately RM1.70 million or approximately 11.19% from approximately RM15.21 million for the FYE 30 June 2019 to approximately RM16.92 million for the FYE 30 June 2020 due mainly to the following reasons:-
- (A) Increase in number of headcounts by 22 workers or approximately 4.93% from 446 workers as at 30 June 2019 to 468 workers as at 30 June 2020; and
  - (B) Increase in overtime pay due mainly to lower production efficiency achieved in the FYE 30 June 2020 due mainly to the resources allocated for first article testing for the said financial year. The lower production efficiency achieved in the FYE 30 June 2020 had resulted in more overtime required from our production workers to fulfil the orders from our customers.

However, the effect of the above-mentioned increase in our staff salaries, bonus and statutory contributions was partially offset by the decrease in costs incurred for workers' levies and permits by approximately RM0.28 million or approximately 30.75% from approximately RM0.90 million for the FYE 30 June 2019 to approximately RM0.63 million for the FYE 30 June 2020 due mainly to one-off payment to Ministry of Home Affairs Malaysia on 15 November 2018 regarding the application for the new foreign workers quota which amounted to approximately RM0.22 million; and

---

**11. FINANCIAL INFORMATION (CONT'D)**

---

- (III) Our material costs increased by approximately RM0.25 million or approximately 1.26% from approximately RM20.02 million for the FYE 30 June 2019 to approximately RM20.27 million for the FYE 30 June 2020, due mainly to the following reasons:-
- (A) Increase in costs of loose tools by approximately RM1.55 million or approximately 33.60% from approximately RM4.62 million for the FYE 30 June 2019 to approximately RM6.18 million for the FYE 30 June 2020 due mainly to the following reasons:-
- (aa) Additional tooling costs incurred to develop new products for our customers as different tools are required depending on the requirements of our customers; and
- (bb) Increase in sales to semiconductor customers. In general, the tooling costs for semiconductor customers are higher than the tooling costs for customers from other segments; and
- (B) Increase in costs of chemicals by approximately RM0.26 million or approximately 17.77% from approximately RM1.44 million for the FYE 30 June 2019 to approximately RM1.70 million for the FYE 30 June 2020 due mainly to the following reasons:-
- (aa) Increase in production activities in the last 2 months of the FYE 30 June 2020 due mainly to increase in sales orders for the said period; and
- (bb) Increase in usage of chemicals pursuant to the increase in first article testings during the FYE 30 June 2020; and
- (C) Increase in costs of other consumables by approximately RM0.19 million or approximately 73.83% from approximately RM0.26 million for the FYE 30 June 2019 to approximately RM0.45 million for the FYE 30 June 2020 due mainly to increase in sales to semiconductor customers. In general, the costs of other consumables for semiconductor customers are higher than the costs of other consumables for customers from other segments.

However, the effect of the above-mentioned increases in our material costs was partially offset by the following reasons:-

- (A) Decrease in raw material costs by approximately RM1.61 million or approximately 12.10% from approximately RM13.30 million for the FYE 30 June 2019 to approximately RM11.69 million for the FYE 30 June 2020 due mainly to our Group was attempting to utilise aged raw materials where possible during the FYE 30 June 2020. As the provisions have been made on aged raw materials in previous financial years and the costs had been charged out in the previous financial years, this has resulted in lower direct material costs recognised in the FYE 30 June 2020. Notwithstanding of the fact that inventories may be impaired or written off, our Group maintains a certain level of raw materials based on our anticipation of future demands and if our anticipation does not materialise due to the factors beyond our control, those raw materials could still be used for our production at a later date as they are mainly stainless steel and the quality of the said raw materials are not expected to be impacted by the number of years they are stored; and

---

**11. FINANCIAL INFORMATION (CONT'D)**

---

- (B) Decrease in costs of packing materials by approximately RM0.14 million or approximately 33.75% from approximately RM0.40 million for the FYE 30 June 2019 to approximately RM0.27 million for the FYE 30 June 2020 due mainly to our Group was attempting to utilise aged packing materials where possible during the FYE 30 June 2020, which had resulted in lower costs of packing materials in the FYE 30 June 2020. Notwithstanding of the fact that inventories may be impaired or written off, our Group maintains a certain level of packing materials based on our anticipation of future demands and if our anticipation does not materialise due to the factors beyond our control, those packing materials could still be used for our production at a later date and the quality of the said packing materials are not expected to be impacted by the number of years they are stored.

Comparison between FYE 30 June 2020 and FYE 30 June 2021

Our cost of sales increased by approximately RM0.30 million or approximately 0.51% from approximately RM58.31 million for the FYE 30 June 2020 to approximately RM58.60 million for the FYE 30 June 2021.

The overall increase in our cost of sales was due mainly to the following reasons:-

- (I) Our production overheads increased by approximately RM1.76 million or approximately 8.60% from approximately RM20.49 million for the FYE 30 June 2020 to approximately RM22.25 million for the FYE 30 June 2021, due mainly to the following reasons:-
- (A) Increase in costs of production scraps by approximately RM1.51 million or approximately 98.63% from approximately RM1.53 million for the FYE 30 June 2020 to approximately RM3.04 million for the FYE 30 June 2021 due mainly to higher production activities in the FYE 30 June 2021 which is in line with the increase in our sales in the FYE 30 June 2021; and
- (B) Increase in depreciation and amortisation charges for our property, plant and equipment by approximately RM0.96 million or approximately 17.11% from approximately RM5.63 million for the FYE 30 June 2020 to approximately RM6.59 million for the FYE 30 June 2021 due mainly to the following reasons:-
- (aa) Increase in depreciation charges for our plant and machinery by approximately RM0.67 million or approximately 18.79% from approximately RM3.57 million for the FYE 30 June 2020 to approximately RM4.24 million for the FYE 30 June 2021 due mainly to additional depreciation charges for the plant and machinery being bought in the FYE 30 June 2021 as well as full year effect of the depreciation for the plant and machinery bought in the FYE 30 June 2020; and
- (bb) Increase in depreciation charges for our factory electrical installations by approximately RM0.13 million or approximately 46.82% from approximately RM0.27 million for the FYE 30 June 2020 to approximately RM0.39 million for the FYE 30 June 2021 due mainly to full year effect of the depreciation for the factory electrical installations installed in the FYE 30 June 2020; and



---

**11. FINANCIAL INFORMATION (CONT'D)**

---

- (C) Increase in freight and handling charges by approximately RM0.39 million or approximately 54.51% from approximately RM0.72 million for the FYE 30 June 2020 to approximately RM1.11 million for the FYE 30 June 2021 due mainly to increase in freight and handling charges in importing the raw materials.

However, the effect of the above-mentioned increases in our production overheads was partially offset by the following reasons:-

- (A) Decrease in the upkeep of plant and machinery by approximately RM0.37 million or approximately 28.36% from approximately RM1.29 million for the FYE 30 June 2020 to approximately RM0.93 million for the FYE 30 June 2021 due mainly to the one-off upkeep of plant and machinery which was incurred in the FYE 30 June 2020 pursuant to the relocation of our machinery for our Existing Plants which was completed in the month of October 2019; and
- (B) We did not incur any crane charges for the FYE 30 June 2021 as compared with crane charges of approximately RM0.24 million which was recognised in the FYE 30 June 2020. The crane charges incurred in the FYE 30 June 2020 was related to relocation of our machinery for our Existing Plants which was completed in the month of October 2019; and
- (C) Decrease in the costs of engaging sub-contractors' services by approximately RM0.20 million or 3.55% from approximately RM5.55 million for the FYE 30 June 2020 to approximately RM5.35 million for the FYE 30 June 2021; and
- (D) We did not recognise any rental of factory for the FYE 30 June 2021. As explained above, we ceased to rent one of our plants effective from December 2019. The 5-month rental of the said plant from July 2019 to November 2019 had resulted in our Group recognising rental cost of approximately RM0.16 million for the FYE 30 June 2020; and
- (E) Decrease in upkeep of factory by approximately RM0.19 million or approximately 18.94% from approximately RM0.98 million for the FYE 30 June 2020 to approximately RM0.80 million for the FYE 30 June 2021 due mainly to the one-off upkeep of factory which was incurred in the FYE 30 June 2020 pursuant to the relocation of our machinery for the Existing Plants which was completed in the month of October 2019.
- (II) The effect of the above-mentioned increase in our production overheads was partially offset by the following reasons:-
- (A) Our material costs decreased by approximately RM1.35 million or approximately 6.65% from approximately RM20.27 million for the FYE 30 June 2020 to approximately RM18.93 million for the FYE 30 June 2021, due mainly to the following reasons:-
- (aa) Decrease in raw material costs by approximately RM2.31 million or approximately 19.75% from approximately RM11.69 million for the FYE 30 June 2020 to approximately RM9.38 million for the FYE 30 June 2021 due mainly to increase in efficiency of our production activities which had resulted in less

---

**11. FINANCIAL INFORMATION (CONT'D)**

---

wastage of our raw materials; and

(bb) However, the effect of the above decrease in our raw material costs was partially offset by the increase in the costs of loose tools by approximately RM1.30 million or approximately 21.09% from approximately RM6.18 million for the FYE 30 June 2020 to approximately RM7.48 million for the FYE 30 June 2021 due mainly to increase in sales to semiconductor customers. In general, the tooling costs for semiconductor customers are higher than the tooling costs for customers from other segments; and

(B) Our labour costs decreased by approximately RM0.12 million or approximately 0.68% from approximately RM17.54 million for the FYE 30 June 2020 to approximately RM17.42 million for the FYE 30 June 2021 due mainly to the decrease in our staff salaries, bonus and statutory contributions by approximately RM0.08 million or approximately 0.48% from approximately RM16.92 million for the FYE 30 June 2020 to approximately RM16.84 million for the FYE 30 June 2021, which was attributed mainly to less overtime pay due to the better production efficiency for the FYE 30 June 2021.

Comparison between FYE 30 June 2021 and FYE 30 June 2022

Our cost of sales increased by approximately RM24.42 million or approximately 41.67% from approximately RM58.60 million for the FYE 30 June 2021 to approximately RM83.02 million for the FYE 30 June 2022.

The overall increase in cost of sales was due mainly to the following reasons:-

(l) Our material costs increased by approximately RM13.34 million or approximately 70.50% from approximately RM18.93 million for the FYE 30 June 2021 to approximately RM32.27 million for the FYE 30 June 2022, due mainly to the following reasons:-

(A) Increase in raw material costs by approximately RM8.09 million or approximately 86.22% from approximately RM9.38 million for the FYE 30 June 2021 to approximately RM17.47 million for the FYE 30 June 2022 due mainly to increase in sales to semiconductor customers. In general, the raw material costs for semiconductor customers are higher than the raw material costs for customers from other segments; and

(B) Increase in costs of loose tools by approximately RM3.99 million or approximately 53.36% from approximately RM7.48 million for the FYE 30 June 2021 to approximately RM11.47 million for the FYE 30 June 2022 due mainly to increase in sales to semiconductor customers. In general, the tooling costs for semiconductor customers are higher than the tooling costs for customers from other segments; and

(C) Increase in costs of chemicals by approximately RM0.92 million or approximately 53.76% from approximately RM1.70 million for the FYE 30 June 2021 to approximately RM2.62 million for the FYE 30 June 2022 due mainly to chemical costs incurred for the test run of the electro-polishing line, a line for the surface treatment process; and

---

**11. FINANCIAL INFORMATION (CONT'D)**

---

- (D) Increase in costs of packing materials by approximately RM0.42 million or approximately 155.88% from approximately RM0.27 million for the FYE 30 June 2021 to approximately RM0.70 million for the FYE 30 June 2022 due mainly to increase in sales to semiconductor customers. In general, the costs of packing materials for semiconductor customers are higher than costs of packing materials for customers from other segments; and
- (II) Our production overheads increased by approximately RM6.08 million or approximately 27.31% from approximately RM22.25 million for the FYE 30 June 2021 to approximately RM28.33 million for the FYE 30 June 2022, due mainly to the following reasons:-
- (A) Increase in the costs of engaging sub-contractors' services by approximately RM2.16 million or approximately 40.36% from approximately RM5.35 million for the FYE 30 June 2021 to approximately RM7.51 million for the FYE 30 June 2022 due mainly to increase in sales and our production capacity limitation; and
- (B) Increase in costs of production scraps by approximately RM1.07 million or approximately 35.14% from approximately RM3.04 million for the FYE 30 June 2021 to approximately RM4.11 million for the FYE 30 June 2022 due mainly to the higher level of production activities which is in line with the increase in our sales; and
- (C) Increase in depreciation charges for our property, plant and equipment by approximately RM0.76 million or approximately 13.78% from approximately RM5.51 million for the FYE 30 June 2021 to approximately RM6.27 million for the FYE 30 June 2022 due mainly to increase in depreciation charges for our plant and machinery by approximately RM0.75 million or approximately 17.61% from approximately RM4.24 million for the FYE 30 June 2021 to approximately RM4.50 million for the FYE 30 June 2022 which was attributed mainly to additional depreciation charges for the plant and machinery being bought in the FYE 30 June 2022 as well as a full year effect of the depreciation for the plant and machinery bought in the FYE 30 June 2021; and
- (D) Increase in the upkeep of factory by approximately RM0.69 million or approximately 86.81% from approximately RM0.80 million for the FYE 30 June 2021 to approximately RM1.49 million for the FYE 30 June 2022 due mainly to more upkeep of factory which was pursuant to the new purchase of machinery such as costs incurred to change a place that was initially used as store to place new machinery; and
- (E) Increase in water and electricity costs by approximately RM0.60 million or approximately 15.53% from approximately RM3.85 million for the FYE 30 June 2021 to approximately RM4.44 million for the FYE 30 June 2022 due mainly to higher level of production activities in the FYE 30 June 2022 which was in line with our higher sales in the FYE 30 June 2022; and
- (F) Increase in freight and handling charges by approximately RM0.40 million or approximately 36.00% from approximately RM1.11 million for the FYE 30 June 2021 to approximately RM1.52 million for the FYE 30 June 2022 due mainly to increase in freight and handling

---

**11. FINANCIAL INFORMATION (CONT'D)**

---

charges in importing the raw materials; and

- (III) Our labour costs increased by approximately RM5.00 million or approximately 28.67% from approximately RM17.42 million for the FYE 30 June 2021 to approximately RM22.42 million for the FYE 30 June 2022, due mainly to the following reasons:-
- (A) Increase in our staff salaries, bonus and statutory contributions by approximately RM4.88 million or approximately 28.97% from approximately RM16.84 million for the FYE 30 June 2021 to approximately RM21.71 million for the FYE 30 June 2022 due mainly to the salaries increments to our workers and the increase in overtime pay arising from the said salaries increments; and
- (B) Increase in the costs incurred for workers' levies and permits by approximately RM0.11 million or approximately 18.97% from approximately RM0.59 million for the FYE 30 June 2021 to approximately RM0.70 million for the FYE 30 June 2022. The costs incurred for workers' levies and permits were lower in the FYE 30 June 2021 due mainly to the 25.00% discount given by the Government in relation to foreign worker levy from April 2020 to December 2020 under the Prihatin economic stimulus package announced by the Government on 6 April 2020.

Comparison between FYE 30 June 2022 and FYE 30 June 2023

Our cost of sales increased by approximately RM10.75 million or approximately 12.95% from approximately RM83.02 million for the FYE 30 June 2022 to approximately RM93.77 million for the FYE 30 June 2023.

The overall increase in cost of sales was due mainly to the following reasons:-

- (I) Our labour costs increased by approximately RM5.31 million or approximately 23.70% from approximately RM22.42 million for the FYE 30 June 2022 to approximately RM27.73 million for the FYE 30 June 2023, due mainly to the increase in our staff salaries, bonus and statutory contributions by approximately RM5.30 million or approximately 24.41% from approximately RM21.71 million for the FYE 30 June 2022 to approximately RM27.02 million for the FYE 30 June 2023 arising from the increase in the number of production workers, the annual salary increments to our workers and the increase in overtime pay arising from the 2022 Amendment in the Employment Act 1955. The Employment (Amendment) Act was passed in Parliament and has come into force on 1 January 2023. Under the Amendment Act, whereby employees who earn up to RM4,000 are now entitled to overtime; and
- (II) Our production overheads increased by approximately RM4.08 million or approximately 14.39% from approximately RM28.33 million for the FYE 30 June 2022 to approximately RM32.41 million for the FYE 30 June 2023, due mainly to the following reasons:-
- (A) Increase in the costs of engaging sub-contractors' services by approximately RM1.72 million or approximately 22.96% from approximately RM7.51 million for the FYE 30 June 2022 to approximately RM9.23 million for the FYE 30 June 2023 due mainly to the Group's intention to focus on higher specification component parts whereby lower specification components parts were being sub-

**11. FINANCIAL INFORMATION (CONT'D)**

contracted; and

- (B) Increase in depreciation charges for our property, plant and equipment by approximately RM1.00 million or approximately 15.97% from approximately RM6.27 million for the FYE 30 June 2022 to approximately RM7.27 million for the FYE 30 June 2023 due mainly to increase in depreciation charges for our plant and machinery by approximately RM1.48 million or approximately 32.89% from approximately RM4.50 million for the FYE 30 June 2022 to approximately RM5.98 million for the FYE 30 June 2023 which was attributed mainly to additional depreciation charges for the plant and machinery which were bought in the FYE 30 June 2023 as well as a full year effect of the depreciation for the plant and machinery bought in the FYE 30 June 2022; and
- (C) Increase in costs of production scraps by approximately RM0.80 million or approximately 19.48% from approximately RM4.11 million for the FYE 30 June 2022 to approximately RM4.91 million for the FYE 30 June 2023 due mainly to the higher level of production activities which is in line with the increase in our sales; and
- (D) Increase in the upkeep of plant and machinery by approximately RM0.69 million or approximately 66.99% from approximately RM1.03 million for the FYE 30 June 2022 to approximately RM1.73 million for the FYE 30 June 2023 due mainly to higher utilisation of our plant and machinery in FYE 30 June 2023 which is in line with the higher level of production activities; and
- (E) Increase in water and electricity costs by approximately RM0.58 million or approximately 12.94% from approximately RM4.44 million for the FYE 30 June 2022 to approximately RM5.02 million for the FYE 30 June 2023 due mainly to higher level of production activities in the FYE 30 June 2023 which was in line with our higher sales in the FYE 30 June 2023.

However, the effect of the above-mentioned increases in our production overheads was partially offset by decrease in freight and handling charges by approximately RM0.47 million or approximately 31.16% from approximately RM1.52 million for the FYE 30 June 2022 to approximately RM1.04 million for the FYE 30 June 2023 due mainly to decrease in freight and handling charges in importing the raw materials as a result of our Group utilising our inventory of raw materials purchased in the FYE 30 June 2022 for our production in FYE 30 June 2023; and

- (III) Our material costs increased by approximately RM1.36 million or approximately 4.21% from approximately RM32.27 million for the FYE 30 June 2022 to approximately RM33.63 million for the FYE 30 June 2023, due mainly to the increase in our raw material costs by approximately RM2.18 million or approximately 12.45% from approximately RM17.47 million for the FYE 30 June 2022 to approximately RM19.65 million for the FYE 30 June 2023 due mainly to increase in sales to semiconductor customers. In general, the raw material costs for semiconductor customers are higher than the raw material costs for customers from other segments.

However, the effect of the above-mentioned increase in our material costs was partially offset by the following reasons:-

## 11. FINANCIAL INFORMATION (CONT'D)

- (A) Decrease in costs of loose tools by approximately RM0.49 million or approximately 4.31% from approximately RM11.47 million for the FYE 30 June 2022 to approximately RM10.97 million for the FYE 30 June 2023 due mainly to our Group was attempting to utilise aged loose where possible during the FYE 30 June 2023, which had resulted in lower costs of loose tools in the FYE 30 June 2023; and
- (B) Decrease in costs of packing materials by approximately RM0.18 million or approximately 25.43% from approximately RM0.70 million for the FYE 30 June 2022 to approximately RM0.52 million for the FYE 30 June 2023 due mainly to our Group was attempting to utilise aged packing materials where possible during the FYE 30 June 2023, which had resulted in lower costs of packing materials in the FYE 30 June 2023; and
- (C) Decrease in costs of chemicals by approximately RM0.13 million or approximately 5.00% from approximately RM2.62 million for the FYE 30 June 2022 to approximately RM2.49 million for the FYE 30 June 2023 due mainly to chemical costs incurred for the change from water-based coolant to oil-based coolant whereby the usage of oil-based coolant gives out a higher quality finish for the component parts and also helps prolong the useful life of jigs and tools.

(iii) GP and GP margins

(a) GP and GP margins by business activities

The tables below set out our GP and GP margins by our business activities for the Period Under Review.

(I) GP

No.	Business Activities	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.	Sales of goods	21,282	90.09	16,732	80.81	32,633	93.66	53,787	96.35	48,130	93.44
2.	Rendering of services	2,342	9.91	3,974	19.19	2,208	6.34	2,039	3.65	3,377	6.56
Total		23,624	100.00	20,706	100.00	34,841	100.00	55,826	100.00	51,507	100.00

Notes:-

<sup>(1)</sup> Our total GPs for each of the FYEs are derived based on the respective audited figures.

<sup>(2)</sup> Our GPs for different business activities are calculated using a methodology which in the opinion of our Board is reasonable, using the audited sales figures, certain audited costs of sales and other unaudited allocated costs of sales which are derived based on the costs allocation to different business activities extracted from our accounting system.

(II) GP margins

## 11. FINANCIAL INFORMATION (CONT'D)

No.	Business Activities	FYE 30 June 2019	FYE 30 June 2020	FYE 30 June 2021	FYE 30 June 2022	FYE 30 June 2023
		%	%	%	%	%
1.	Sales of goods	30.76	26.26	40.26	42.79	36.55
2.	Rendering of services	25.56	25.99	17.83	15.51	24.86
Overall GP margin		30.15	26.21	37.29	40.21	35.45

Notes:-

(1) Our overall GP margins for each of the FYEs are derived based on the respective audited figures.

(2) Our overall GP margins for different business activities are calculated using a methodology which in the opinion of our Board is reasonable, using the audited sales figures, certain audited costs of sales and other unaudited allocated costs of sales which are derived based on the costs allocation to different business activities extracted from our accounting system.

### (b) GP and GP margins by geographical locations of our customers

The tables below set out our GP and GP margins by geographical locations of our customers for the Period Under Review.

#### (I) GP

No.	Geographical Locations <sup>(1) (2)</sup>	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.	Americas <sup>(3)</sup>	8,098	34.28	10,653	51.45	18,886	54.21	32,821	58.79	32,445	63.00
2.	Asia <sup>(4)</sup>	8,320	35.22	7,878	38.05	14,624	41.97	21,632	38.75	18,426	35.77
3.	Europe <sup>(5)</sup>	7,206	30.50	2,175	10.50	1,331	3.82	1,373	2.46	636	1.23
Total		23,624	100.00	20,706	100.00	34,841	100.00	55,826	100.00	51,507	100.00

Notes:-

(1) Our total GPs for each of the FYEs are derived based on the respective audited figures.

(2) Our GPs for different geographical locations are calculated using a methodology which in the opinion of our Board is reasonable, using the audited sales figures, certain audited costs of sales and other unaudited allocated costs of sales which are derived based on the costs allocation to different geographical locations extracted from our accounting system.

(3) Denotes only USA.

(4) Includes Singapore, Malaysia, Vietnam, Thailand, Japan and China.

(5) Includes Germany, Italy, Switzerland, Portugal and Romania.

#### (II) GP margins

No.	Geographical Locations <sup>(1) (2)</sup>	FYE 30 June 2019	FYE 30 June 2020	FYE 30 June 2021	FYE 30 June 2022	FYE 30 June 2023
		%	%	%	%	%
1.	Americas <sup>(3)</sup>	30.58	34.73	44.70	49.59	41.72
2.	Asia <sup>(4)</sup>	25.09	19.62	31.29	31.40	28.22
3.	Europe <sup>(5)</sup>	38.53	26.63	29.88	36.43	28.73