

3. INFORMATION SUMMARY

THIS PROSPECTUS SUMMARY ONLY HIGHLIGHTS THE KEY INFORMATION FROM OTHER PARTS OF THIS PROSPECTUS. IT DOES NOT CONTAIN ALL THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ AND UNDERSTAND THE CONTENTS OF THE WHOLE PROSPECTUS BEFORE DECIDING ON WHETHER TO INVEST IN OUR SHARES.

3.1 PRINCIPAL DETAILS OF THE IPO

The principal statistics of our IPO is as follows:-

No. of Shares to be issued pursuant to the Public Issue	110,000,000
No. of Shares to be offered under the Offer for Sale	45,000,000
No. of Shares to be issued pursuant to the First Tranche of SOP Award	16,250,000
Enlarged number of Shares after the IPO	650,000,000
Enlarged number of Shares after full exercise of First Tranche of SOP Award	666,250,000
Indicative IPO Price per Share (RM)	[•]
Market capitalisation (RM) <i>(calculated based on the indicative IPO Price and enlarged issued share capital of 650,000,000 Shares upon listing)</i>	[•]
Gross proceeds from the Public Issue (RM)	[•]
Gross proceeds from the Offer for Sale (RM)	[•]

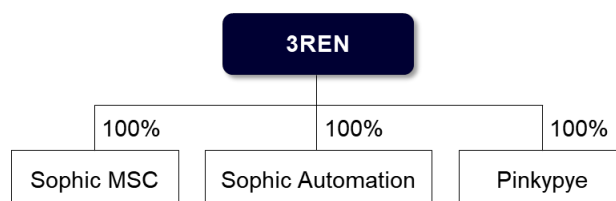
In conjunction with our Listing, we [have established] an LTIP which entails the granting of LTIP Awards to the Eligible Person. Further details on our IPO and LTIP are set out in Section 4.3 of and Annexure A this Prospectus respectively.

Our Specified Shareholders' entire shareholdings after the Share Transfer will be held under moratorium for 6 months from the date of Listing. Separately, the ultimate shareholders of R3 Capital, namely Koh Dim Kuan and Lee Chee Hoo have also undertaken not to sell, transfer or assign their shareholdings in R3 Capital during the said moratorium period. Save as disclosed above, there is no other moratorium imposed on our Shares. Further details on the moratorium on our Shares are set out in Section 2.2 of this Prospectus.

3.2 GROUP STRUCTURE, BUSINESS MODEL AND OPERATIONAL HIGHLIGHTS

Our Company was incorporated in Malaysia under the Act on 5 April 2021 as a private limited company under the name of 3REN Sdn Bhd. On 19 February 2024, our Company was converted into a public limited company and we assumed our present name.

Our corporate structure as at the LPD is as follows:-



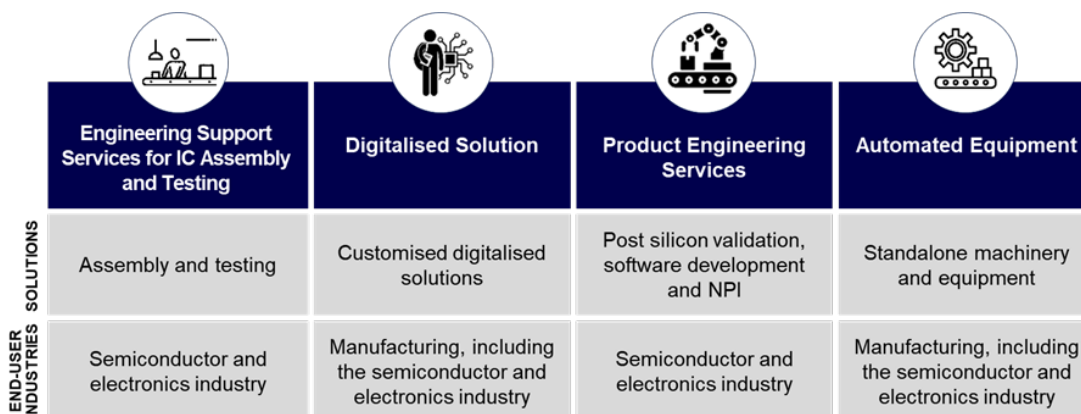
Our Company is principally an investment holding company whilst our subsidiaries are principally an automation solutions and engineering services provider. Our Group presently operates in Malaysia and our principal places of business is disclosed in Section 6.1.3 of this Prospectus.

Our Group's principal business activities and solutions are segmented as follows:-

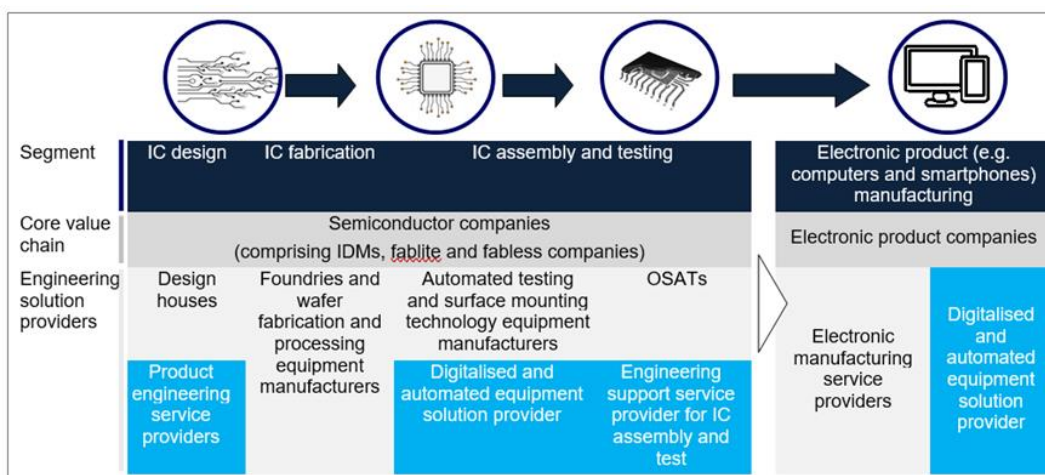
- (a) Provision of engineering support services for IC assembly and testing;
- (b) Design, development and sale of digitalised solutions;
- (c) Provision of product engineering services; and
- (d) Design, development and sale of automated equipment.



3. INFORMATION SUMMARY (cont'd)

Our business model is depicted in the following diagram:-



Our principal business activities serve various segments of the semiconductor and electronics industry value chain, as illustrated below:-

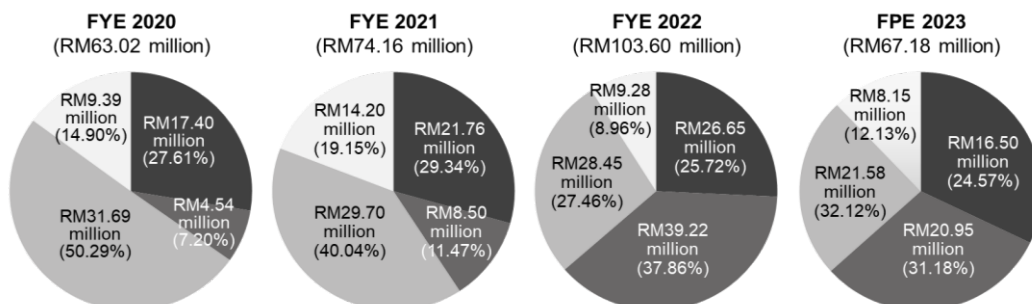


 Denotes the type of core processes which our Group principally carries out.
 Denotes the customer segment which our Group presently serves.



(Source: IMR Report)

Apart from the above, our digitalised solutions and automated equipment are also developed and sold to customers in the manufacturing industries and other sectors such as automotive, healthcare, and industrial as well as local city councils.

Our revenue contribution by business segment for the Financial Periods Under Review are as follows:-

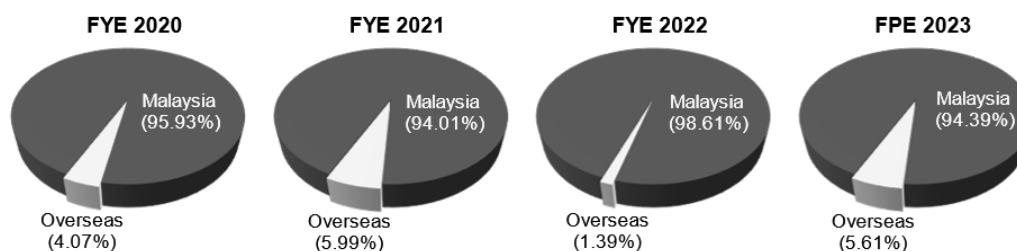


Notes:-

-  Product engineering services
-  Engineering support services for IC assembly and testing
-  Design, development and sale of digitalised solutions
-  Design, development and sale of automated equipment

3. INFORMATION SUMMARY (cont'd)

Our revenue contribution by geographical locations for the Financial Periods Under Review are as follows:-



Further details on our business operations are set out in Sections 6 and 7 of this Prospectus respectively.

3.3 COMPETITIVE STRENGTHS

Our competitive strengths are summarised as follows:-

(a) We have a wide range of solutions and services that are complementary and can cater to different industries and manufacturing needs

Our Product Engineering Services and Engineering Support Services team (supported by our contract-based skilled personnel) have the necessary skillsets, expertise and experience to manage IC assembly and testing related activities as well as to undertake product engineering services such as post-silicon validation, NPI and software development. These services are generally catered for the semiconductor and electronics industry particularly the IDMs who carry out design, development, fabrication, and assembly and testing of semiconductor products such as ICs or chips which are widely used in electronic products such as computers, smartphones, electric vehicles and automotive electronics.

Meanwhile, we are able to develop and sell digitalised solutions and automated equipment to companies from various industries including the semiconductor and electronics industry, as well as manufacturing industries and other sectors that seek to digitalise and automate their manufacturing processes. Our Engineering and Software Innovation team have the capability to conceptualise and customise the digitalised solutions or automated equipment used in carrying out numerous operational processes.

(b) We secure projects/orders from wide-range of customers mostly comprising multinational companies

Most of our customers are multinational companies, such as the Intel group of companies, KellyOCG, Customer A, Customer C, Customer D and Customer E. Apart from our ability to maintaining long-term business relationships with some of our major customers such as Intel group of companies (more than 13 years) and KellyOCG (more than 7 years), we have been able to secure new customers such as Customer D and Customer E which we acquired in 2023 to broaden our customer base.

Our ability in securing new and retaining existing clients is a testament to our service competence, product quality and proven industry track record. Since securing these customers, we have managed to retain many of them over the years. For the FPE 2023, we have a total of 89 customers of which 62.9% are recurring customers. Having such a strong portfolio of multinational and established local customers has given us the credentials to secure even more customers over the years, and moving forward, will help us grow our business further.

3. INFORMATION SUMMARY *(cont'd)*

(c) We have an experienced and technically-strong key management team

We are led by an experienced and committed key management team. Both our Executive Directors, Koh Dim Kuan (CEO) and Lee Chee Hoo (CDO), have played vital roles and been instrumental in the development, growth and success of our Group. Dim Kuan has been involved in the semiconductor industry for more than 15 years with extensive knowledge in automation solutions and engineering services whilst Chee Hoo has been involved in the automation and digitalisation industry for more than 20 years and has vast knowledge in the area of design and development of automated and digitalised solutions.

They are supported by a team of experienced and dedicated key senior management with extensive experience across a range of business activities, from operations to technical and finance to sales and marketing. This includes Liew Chee Kin, our Director of Sophic MSC, Elwyn Toh Jiern Wae, our Head of Software Innovation, Lai Goey Choo, our Head of Product Engineering Services, Wong Shin Guey, our Head of R&D, and Yeap Siew Wen, our Head of Finance. Their expertise and passion for our business have been instrumental in our Group's growth strategies. These key senior management have between 7 and 33 years of working experiences in their respective fields.

(d) We are well-positioned to benefit from the positive outlook of the industries we serve and involved in

As stated in the IMR Report, the product engineering service industry, IC assembly and test services industry and automated manufacturing and digitalised solutions industry, both in Malaysia and globally, are all expected to grow positively by 2026. The growth is mainly driven by, amongst others, growing semiconductor and electronic industries and manufacturing-related industries, modernisation and transformation of manufacturing facilities, increased outsourcing and relocation of manufacturing activities by multinational companies to Malaysia, and Government initiatives to develop the automation manufacturing and digitalised solution industry.

The IMR further projects that the global semiconductor and electronics industry is expected to rebound in 2024 and is forecasted to grow by 11.6% to reach USD588.0 billion in 2024, driven by demand for ICs for AI and high-performance computing and electric vehicles as well as government initiatives in China to support semiconductor production.

As an industry player in the IC design, assembly and test segment in Malaysia as well as in the automated manufacturing and digitalised solutions industry in Malaysia, our Group stand to benefit from the positive outlook of these industries, which will be driven by the growing semiconductor and electronics industry as well as manufacturing related industries.

Further details of our Group's competitive strengths are set out in Section 7.5 of this Prospectus.

3.4 FUTURE PLANS AND STRATEGIES

Our future plans and strategies are summarised as follows:-

(a) Strengthening of our R&D capabilities

As part of our continuing R&D efforts, we strive for innovation and keep abreast with technology evolution and market needs. We also look to develop new/enhanced solutions and equipment with the aim of strengthening our position in the industry.

As such, we intend to utilise RM[•] million of the Public Issue proceeds for our continuing R&D initiatives which would include setting up of a dedicated innovation centre, hiring of additional R&D personnel as well as purchase of related IT software and hardware as well as R&D supporting tools and equipment.

3. INFORMATION SUMMARY *(cont'd)*

We intend to continue and undertake on-going R&D activities on the Nervii platform which began in the fourth quarter of 2022. The Nervii platform is intended to be a scalable platform for integrating all supporting systems and software utilised by the customer in their manufacturing processes.

We also intend to undertake new R&D projects which involve standardising the automated test and handler equipment by developing an Universal Test Automation Platform (Uni-TAP) as well as to expand our range of automated equipment to include the material transport system equipment.

All the above solutions/equipment are expected to be commercialised by the fourth quarter of 2026. We expect them to enhance our competitiveness amongst other solutions providers in the market. Our success in developing new and innovative solutions that cater to market demand and requirements is envisaged to contribute towards further growth in our operations and financial performance.

(b) Setting up of new Delivery Centres

We intend to set up our own dedicated Delivery Centres to specifically undertake certain product engineering services projects which are usually performed at various premises/locations of our customers. The Delivery Centre is aimed at fulfilling customers' requirements in terms of physical and network securities. Such dedicated centre, which includes facilities comprising dedicated design space with security and access controls and a server room with independent network infrastructure, would enable utilisation of customers' proprietary tools, hardware and software in a secured environment as well as remote log-in features. These capabilities would allow the Delivery Centre to provide lab space and more sophisticated engineering services. Further, we would be able to utilise the Delivery Centre to provide value added offering as turnkey embedded design services through our technical expertise with necessary infrastructure/tools to enable customer product development.

We plan to set up 2 Delivery Centres whereby the first one is specifically designated for Intel group of companies, being our primary customer for the product engineering services segment, whilst the second one is intended for prospective customers. The first Delivery Centre is expected to be set up and commence operations by second half of 2024 with the second Delivery Centre by the end of 2025.

We plan to utilise RM[•] million of the Public Issue proceeds for the purpose of setting up of our Delivery Centres (which would include hiring of new staff, rental expenses, costs of renovation, fittings, office equipment and IT infrastructure as well as general utility and operating expenses).

(c) Establishment of a new office in Singapore

We intend to set-up a marketing and sales office in Singapore by the first half of 2025 to increase our market presence and enhance our sales and marketing initiatives. During the Financial Periods Under Review, we have secured orders from customers based in Singapore. These orders are mainly from related companies of multinational companies that had operations in Singapore. Our new Singapore office would provide us direct access/sales support to our existing customers as well as close proximity to prospective customers. By leveraging on our new Singapore office as a base, we will be able to expand our reach to other international countries in the future, which could grow our sales from a larger pool of multinational companies, as this would enhance our corporate profiling.

We intend to allocate RM[•] million from the Public Issue proceeds to finance the establishment costs and working capital of our new Singapore office.

3. INFORMATION SUMMARY *(cont'd)***(d) Expansion via mergers and acquisitions**

We intend to acquire and/or undertake strategic collaborations and/or joint ventures with other solution or service providers involved in similar or complementary activities to our existing core businesses or can provide additional revenue streams while enhancing our competitive advantage. We intend to target companies based in both Malaysia or internationally. This will enable us to broaden our service offerings, widen our geographical reach and customer base while contributing to incremental growth of our Group. As at the LPD, we have yet to identify any potential mergers and acquisitions, strategic collaborations and/or joint venture opportunities.

Please refer to Section 7.19 of this Prospectus for further information on our future plans and strategies.

3.5 RISK FACTORS

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, the risk factors as set out in Section 9 of this Prospectus. Some of the more important risk factors are summarised below:-

- (a) We are dependent on certain major customers such as Intel group of companies and KellyOCG which had contributed more than 10% of our total revenue during the Financial Periods Under Review and we expect our abovementioned major customers to continue contributing significantly to our Group's future revenue.
- (b) We are dependent on the continued efforts and abilities of our Executive Directors who are directly responsible for the vision, strategic direction, leadership, business planning and development as well as management of our Group's business operations. We are also dependent on our key senior management, who possess the relevant knowledge and experience in their respective fields of work to ensure the smooth operations of our business.
- (c) We have an order book of RM38.39 million based on total amount of purchase orders secured, which has not been recognised in our revenue as at the LPD. We may be affected from termination of the purchase orders secured from our customers.
- (d) We may be unable to effectively implement our business plans and strategies to strengthen our R&D activities, set up new Delivery Centres, and expand our reach internationally by setting up a sales office in Singapore as disclosed in Section 7.19 of this Prospectus. This may in turn, affect our future business and financial performance.
- (e) We are dependent on the ability to hire and retain skilled personnel with the required expertise, technical skills and engineering capabilities in order to remain competitive in the industry. In the event we are unable to do so, it may adversely impact our operations and affect our capacity to secure new orders/contracts, which may negatively impact our ability to maintain and/or improve our financial performance.
- (f) We continue to face competition from other existing and prospective local and international industry players which may be capable of offering similar services and solutions despite our competitive advantages and key strengths.
- (g) We are exposed to legal, regulatory, political and economic conditions as well as operational risks in Malaysia or our export markets, as well as global supply chain changes arising from such risks. Our business may be subject to risks associated with conducting business internationally as we offer our solutions and services to customers and purchase parts and components from suppliers based overseas.

Further details on the risks associated with our Group and the IPO are set out in Section 9 of this Prospectus.

3. INFORMATION SUMMARY (cont'd)**3.6 DIRECTORS AND KEY SENIOR MANAGEMENT**

Our Directors and key senior management are as follows:-

<p><u>Directors</u> Dato' Boonler Somchit Koh Dim Kuan Lee Chee Hoo Ahmad Khairuddin Bin Abdul Rahim Hanita Binti Othman Joyce Wong Ai May Teresa Tan Siew Kuan Mohammad Hazani Bin Hassan</p> <p><u>Key Senior Management</u> Koh Dim Kuan Lee Chee Hoo Liew Chee Kin Elwyn Toh Jiern Wae Lai Goey Choo Wong Shin Guey Yeap Siew Wen</p>	<p><u>Designation</u> Non-Independent Non-Executive Chairman Executive Director/CEO Executive Director/CDO Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director Non-Independent Non-Executive Director</p> <p><u>Designation</u> Executive Director/CEO Executive Director/CDO Director of Sophic MSC Head of Software Innovation Head of Product Engineering Services Head of R&D Head of Finance</p>
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Further details on our Directors and key management personnel are set out in Sections 5.2 and 5.5 of this Prospectus.

3.7 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

The details of our Promoters and substantial shareholders and their respective shareholdings in our Company before and after the IPO are as follows:-

	Nationality/ Country of Incorporation	⁽¹⁾ Before our IPO				⁽²⁾ After the IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<u>Promoters and Substantial Shareholders</u>									
Koh Dim Kuan	Malaysian	161,009,000	29.82	-	-	28,009,000	4.31	260,000,000	⁽³⁾ 40.00
Lee Chee Hoo	Malaysian	262,211,000	48.56	-	-	129,211,000	19.88	260,000,000	⁽³⁾ 40.00
<u>Substantial Shareholders</u>									
MTDC ⁽⁴⁾	Malaysia	65,960,000	12.21	-	-	32,460,000	4.99	-	-
Low Chee Onn ⁽⁴⁾	Malaysian	36,820,000	6.82	-	-	31,320,000	4.82	-	-
R3 Capital	Malaysia	-	-	-	-	260,000,000	40.00	-	-
Khazanah ⁽⁴⁾	Malaysia	-	-	65,960,000	⁽⁵⁾ 12.21	-	-	32,460,000	⁽⁵⁾ 4.99

Notes:-

- (1) Based on the issued share capital of 540,000,000 Shares before the IPO.
- (2) Based on the enlarged issued share capital of 650,000,000 Shares after the IPO.
- (3) Deemed interested by virtue of their respective shareholdings in R3 Capital pursuant to Section 8(4) of the Act.
- (4) They will cease to be substantial shareholders of the Company after the IPO.
- (5) Deemed interested by virtue of its shareholdings in MTDC pursuant to Section 8(4) of the Act.

Further details on our Promoters and substantial shareholders are set out in Section 5.1 of this Prospectus.

3. INFORMATION SUMMARY (cont'd)**3.8 UTILISATION OF PROCEEDS**

The estimated gross proceeds arising from the Public Issue of RM[•] million shall accrue entirely to our Company and will be utilised as follows:-

Description	Amount (RM'000)	% of gross proceeds	Timeframe for Utilisation Upon Listing
Setting up new Delivery Centres	[•]	[•]	Within 36 months
R&D expenditure	[•]	[•]	Within 24 months
Establishment of new Singapore office	[•]	[•]	Within 36 months
Repayment of bank borrowings	[•]	[•]	Within 6 months
Working capital requirements	[•]	[•]	Within 24 months
Estimated listing expenses	[•]	[•]	Immediate
Total cash proceeds	[•]	100.00	

Further details on our utilisation of IPO proceeds are set out in Section 4.8 of this Prospectus.

The gross proceeds arising from the Offer for Sale of RM[•] million shall accrue entirely to the Offerors.

3.9 FINANCIAL HIGHLIGHTS**3.9.1 Combined Statements of Profit or Loss and Other Comprehensive Income**

The summary of our audited combined statements of profit or loss and comprehensive income for the Financial Periods Under Review is as follows:-

	Audited			Unaudited	Audited
	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2022 (RM'000)	FPE 2023 (RM'000)
Revenue	63,020	74,164	103,598	73,373	67,180
GP	18,909	21,798	24,193	14,837	17,976
PBT	14,514	17,346	14,026	7,347	8,373
PAT attributable to owners of the Company	11,251	16,073	12,037	5,744	6,582
GP margin (%) ⁽¹⁾	30.00	29.39	23.35	20.22	26.76
PBT margin (%) ⁽²⁾	23.03	23.39	13.54	10.01	12.46
PAT margin (%) ⁽³⁾	17.85	21.67	11.62	7.83	9.80
Basic EPS (sen) ⁽⁴⁾	2.08	2.98	2.23	1.06	1.22
Diluted EPS (sen) ⁽⁵⁾	1.73	2.47	1.85	0.88	1.01

Notes:-

- (1) Computed based on GP divided by revenue.
- (2) Computed based on PBT divided by revenue.
- (3) Computed based on PAT attributable to owners of the Company divided by revenue.
- (4) Basic EPS is computed based on PAT attributable to owners of the Company divided by the issued share capital of 540,000,000 Shares before the IPO.
- (5) Diluted EPS is computed based on PAT attributable to owners of the Company divided by the issued share capital of 650,000,000 Shares after the IPO.

Our audited consolidated financial statements for the Financial Periods Under Review were not subject to any audit qualifications.

3. INFORMATION SUMMARY (cont'd)**3.9.2 Combined Statements of Financial Position**

The following table sets out our Group's historical combined statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023:-

	Audited As At			
	31.12.2020 (RM'000)	31.12.2021 (RM'000)	31.12.2022 (RM'000)	30.9.2023 (RM'000)
ASSETS				
Non-current assets				
Property, plant and equipment	2,753	8,462	17,716	17,975
Intangible assets	-	1,693	3,578	4,625
Right-of-use assets	614	643	1,224	999
Deferred tax assets	483	-	-	-
Other investments	906	1,572	1,918	20
Trade receivable	-	-	-	1,800
Contract assets	-	-	-	971
Total non-current assets	4,756	12,370	24,436	26,390
Current assets				
Inventories	2,888	3,072	4,945	4,558
Trade receivables	16,698	18,308	26,250	22,603
Other receivables, deposits and prepayments	1,418	2,056	2,777	2,879
Contract assets	253	1,396	4,387	4,177
Contract cost	-	1,360	748	676
Current tax assets	73	900	1,864	1,476
Fixed deposits with licensed banks	7,665	9,283	7,872	9,871
Cash and bank balances	12,518	15,967	8,204	6,330
Total current assets	41,513	52,342	57,047	52,570
TOTAL ASSETS	46,269	64,712	81,483	78,960
EQUITY AND LIABILITIES				
Share capital	-	*	*	*
Invested equity	9,660	9,660	9,660	9,660
Retained profits	24,970	40,293	47,759	49,341
TOTAL EQUITY	34,630	49,953	57,419	59,001
Non-current liabilities				
Deferred income	-	2	2	1
Borrowings	3,160	7,042	11,690	11,194
Lease liabilities	-	34	403	252
Deferred tax liabilities	2	536	1,217	1,546
Total non-current liabilities	3,162	7,614	13,312	12,993
Current liabilities				
Trade payables	3,426	2,001	723	1,059
Other payables and accruals	903	2,303	2,762	2,038
Contract liabilities	795	1,953	4,530	2,752
Borrowings	658	546	908	685
Lease liabilities	33	39	262	202
Deferred income	-	1	1	1
Dividend payable	-	-	1,566	-
Current tax liabilities	2,662	302	-	229
Total current liabilities	8,477	7,145	10,752	6,966
TOTAL LIABILITIES	11,639	14,759	24,064	19,959
TOTAL EQUITY AND LIABILITIES	46,269	64,712	81,483	78,960

* Represents RM2.00.

Further details on our financial information are set out in Sections 12 and 13 of this Prospectus.

3. INFORMATION SUMMARY *(cont'd)***3.10 DIVIDEND POLICY**

Our Company does not have any formal dividend policy. Our ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as actual profits registered for the year and the availability of funds in excess of working capital requirements for our businesses. The dividends declared and paid by Sophic Automation during the Financial Periods Under Review are set out below:-

	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2023 (RM'000)
Dividend declared	-	⁽¹⁾ 750	⁽²⁾ 4,566	⁽³⁾ 5,000
Dividend paid	-	⁽¹⁾ 750	⁽²⁾ 3,000	⁽³⁾ 5,000
Dividend payout ratio (%) ⁽⁴⁾	-	4.7%	37.9%	76.0%

In addition, our Group has declared further interim dividends amounting to RM5.00 million in November 2023 in respect of FYE 2023 which was paid out in November and December 2023.

The dividends paid were funded entirely via our Group's internally generated funds.

Save as disclosed above and in Section 12.9 of this Prospectus, we have not and will not declare or pay any dividend or any pre-IPO dividend prior to the completion of our Listing. Please refer to Section 12.9 of this Prospectus for further details of our dividends.

3.11 MATERIAL INTERRUPTIONS TO OUR BUSINESS

We did not experience any material interruptions to our business and operations during the Financial Periods Under Review, except for those related to the COVID-19 pandemic.

Further details on the COVID-19 conditions are set out in Section 7.22 of this Prospectus.

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