**THIS DOCUMENT HAS NOT BEEN REGISTERED BY BURSA MALAYSIA SECURITIES BERHAD ("THE EXCHANGE"). THE INFORMATION IN THIS DOCUMENT MAY BE SUBJECT TO FURTHER AMENDMENTS BEFORE BEING REGISTERED BY THE EXCHANGE. UNDER NO CIRCUMSTANCES SHALL THIS DOCUMENT CONSTITUTE AN OFFER FOR SUBSCRIPTION OR PURCHASE OF, OR AN INVITATION TO SUBSCRIBE FOR OR PURCHASE SECURITIES.**

**PROSPECTUS**

# 3REN BERHAD

Registration No. 202101012445 (1412744-K)
(Incorporated in Malaysia under the Companies Act 2016)

**INITIAL PUBLIC OFFERING IN CONJUNCTION WITH THE LISTING OF 3REN BERHAD ("3REN" OR THE "COMPANY") ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING:-**

**(I) PUBLIC ISSUE OF 110,000,000 NEW ORDINARY SHARES IN 3REN ("SHARES") IN THE FOLLOWING MANNER:-**

- **32,500,000 NEW SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;**
- **30,000,000 NEW SHARES AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS, EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO OUR SUCCESS;**
- **3,800,000 SHARES BY WAY OF PRIVATE PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INVESTMENT, TRADE AND INDUSTRY; AND**
- **43,700,000 NEW SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS;**

**AND**

**(II) OFFER FOR SALE OF 45,000,000 EXISTING SHARES BY WAY OF PRIVATE PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INVESTMENT, TRADE AND INDUSTRY,**

**AT AN ISSUE/OFFER PRICE OF RM[•] PER SHARE PAYABLE IN FULL UPON APPLICATION.**

**Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent**

***KAF INVESTMENT BANK BERHAD***
*Registration No. 197401003530 (20657-W)*

No securities will be allotted or issued based on this Prospectus after 6 months from the date of this Prospectus.

**INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER. FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 159.**

This Prospectus has been registered by Bursa Malaysia Securities Berhad ("**Bursa Securities**"). The approval and registration of this Prospectus should not be taken to indicate that Bursa Securities recommends the offering or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this Prospectus. Bursa Securities has not, in any way, considered the merits of the securities being offered for investment.

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

**THE ACE MARKET IS AN ALTERNATIVE MARKET DESIGNED PRIMARILY FOR EMERGING CORPORATIONS THAT MAY CARRY HIGHER INVESTMENT RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED CORPORATIONS LISTED ON THE MAIN MARKET. THERE IS ALSO NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN THE SHARES OR UNITS OF SHARES TRADED ON THE ACE MARKET. YOU SHOULD BE AWARE OF THE RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION. THE ISSUE, OFFER OR INVITATION FOR THE OFFERING IS A PROPOSAL NOT REQUIRING APPROVAL, AUTHORISATION OR RECOGNITION OF THE SECURITIES COMMISSION MALAYSIA UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007.**

**THIS PROSPECTUS IS DATED [•]**

*Unless otherwise defined, all capitalised terms used shall bear the same meanings as defined under "Definitions" and "Glossary of Technical Terms" sections of this Prospectus.*

**RESPONSIBILITY STATEMENTS**

The Directors, Promoters and Offerors of 3REN have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

KAF IB, being the Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the offering.

**STATEMENTS OF DISCLAIMER**

Admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of the IPO, the Company or the Shares.

[This Prospectus, together with the Application Form, has also been lodged with the ROC, who takes no responsibility for its contents.]

**OTHER STATEMENTS**

Investors should note that they may seek recourse under sections 248, 249 and 357 of the CMSA for breaches of securities laws including any statement in this Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Prospectus or the conduct of any other person in relation to the Company.

Our Shares are offered to the public on the premise of full and accurate disclosure of all material information concerning the offering, for which any person set out in section 236 of the CMSA, is responsible.

[Our Shares are classified as Shariah compliant by the SAC.] This classification remains valid from the date of issue of this Prospectus until the next Shariah compliance review undertaken by the SAC. The new status is released in the updated list of Shariah-compliant securities, on the last Friday of May and November.

This Prospectus is prepared and published solely for our IPO. Our Shares being offered in our IPO are offered solely on the basis of the information contained and representations made in this Prospectus. Our Company, Directors, Promoters, Offerors, Principal Adviser and Sole Underwriter have not authorised anyone to provide any information or to make any representation not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having been authorised by our Company, Directors, Promoters, Offerors, Principal Adviser and Sole Underwriter, any of their respective directors, or any other persons involved in our IPO.

This Prospectus has been prepared in the context of our IPO under to the laws of Malaysia. This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

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

It shall be your sole responsibility to consult your legal and/or other professional advisers on the laws to which our IPO or you are or might be subjected to. Neither we nor the Directors, Promoters, Offerors, Principal Adviser and Sole Underwriter nor any other advisers in relation to our IPO will accept any responsibility or liability if any application made by you shall become illegal, unenforceable or void in any country or jurisdiction.

## ELECTRONIC PROSPECTUS / INTERNET SHARE APPLICATION

This Prospectus can be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the electronic Prospectus and the copy of this Prospectus registered by Bursa Securities are the same.

You are advised that the internet is not a fully secured medium, and that your Internet Share Application may be subject to the risk of problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions. These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt as to the validity or integrity of the Electronic Prospectus, you should immediately request from us or the Issuing House, a paper/printed copy of this Prospectus. If there are any discrepancies arising between the contents of the Electronic Prospectus and the paper/printed copy of this Prospectus for any reason whatsoever, the contents of the paper/printed copy of this Prospectus, which is identical to this Prospectus registered by Bursa Securities, shall prevail.

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

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

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

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

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

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

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

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

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## TENTATIVE TIMETABLE

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

| **Events** | **Indicative Dates** |
|---|---|
| Issue of Prospectus / Opening date for the Application | [●] |
| Closing date of the Application | [●] |
| Balloting of Applications | [●] |
| Allotment / Transfer of IPO Shares to successful applicants | [●] |
| Date of Listing | [●] |

If there is any change to the timetable, we will advertise the notice of changes in widely circulated English and Bahasa Malaysia daily newspaper in Malaysia and announce on the website of Bursa Securities accordingly.

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## DEFINITIONS

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

**COMPANIES WITHIN OUR GROUP**

| | | |
|---|---|---|
| **3REN** or **Company** | : | 3REN Berhad<br>(Registration No. 202101012445 (1412744-K)) |
| **3REN Group** or **Group** | : | Collectively, 3REN and its wholly-owned subsidiary companies, namely, Sophic Automation, Sophic MSC and Pinkypye |
| **Pinkypye** | : | Pinkypye Sdn Bhd<br>(Registration No. 202101029664 (1429964-K)) |
| **Sophic Automation** | : | Sophic Automation Sdn Bhd<br>(Registration No. 200701036965 (794994-D)) |
| **Sophic MSC** | : | Sophic MSC Sdn Bhd<br>(Registration No. 201101041653 (969776-D)) |

**PRINCIPAL PLACES OF BUSINESS OF OUR GROUP**

| | | |
|---|---|---|
| **Bukit Jalil Office** | : | A rented office unit located at Technology Park Malaysia, Bukit Jalil, Kuala Lumpur with a built-up area of approximately 482 sq ft, used by Sophic MSC as one of its offices |
| **Bukit Minyak Plant** | : | Two double-storey semi-detached terrace factories located at Bukit Minyak Industrial Park, Simpang Ampat, Penang with total built-up area of approximately 6,174 sq ft, used as office, production facility, engineering office and warehouse |
| **Setia Spice Office** | : | A rented office unit located at Setia Spice Canopy, Penang with a built-up area of approximately 4,808 sq ft, used as office for our product engineering services |
| **Stellar Suites Office** | : | 2 office units located at Stellar Suites, Puchong, Selangor with a total built-up area of approximately 1,754 sq ft, used by Sophic MSC as one of its offices |
| **Tangkas 3 Plant** | : | A 3-storey link terraced factory located at Tangkas Industrial Park, Bukit Mertajam, Penang with a built-up area of approximately 11,981 sq ft, which is used as office cum precision engineering and assembly facility, and engineering office |
| **Tangkas 9 Plant** | : | A 3-storey link terraced factory located at Tangkas Industrial Park, Bukit Mertajam, Penang with a built-up area of approximately 11,981 sq ft, which is currently used as our corporate headquarters and production facility as well as for our future innovation lab |

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**GENERAL**

| | | |
|---|---|---|
| **3REN Share(s)** or **Share(s)** | : | Ordinary share(s) in 3REN |
| **ACE Market** | : | ACE Market of Bursa Securities |
| **Acquisition of Pinkypye** | : | Acquisition by 3REN of 100% equity interest in Pinkypye from Sophic Automation for a purchase consideration of RM1.0 million which was satisfied via the issuance of 10,000,000 new Shares at an issue price of RM0.10 each |
| **Acquisition of Sophic Automation** | : | Acquisition by 3REN of 100% equity interest in Sophic Automation from the vendors for a purchase consideration of approximately RM49.0 million which was satisfied via the issuance of 489,999,998 new Shares at an issue price of RM0.10 each |
| **Acquisition of Sophic MSC** | : | Acquisition by 3REN of 100% equity interest in Sophic MSC from Sophic Automation and Liew Chee Kin for a purchase consideration of RM4.0 million which was satisfied via the issuance of 40,000,000 new Shares at an issue price of RM0.10 each |
| **Acquisitions** | : | Collectively, the Acquisition of Sophic Automation, Acquisition of Sophic MSC and Acquisition of Pinkypye |
| **Act** | : | Companies Act 2016 |
| **ADA** | : | Authorised Depository Agent |
| **ADA Code** | : | ADA (Broker) Code |
| **AGM** | : | Annual General Meeting |
| **Application** | : | Application for the IPO Shares by way of Application Form, Electronic Share Application and/or Internet Share Application |
| **Application Form** | : | Printed application form for the application of the IPO Shares accompanying this Prospectus |
| **ATM(s)** | : | Automated teller machine(s) |
| **Authorised Financial Institution** | : | The authorised financial institution participating in the Internet Share Application with respect to payments for the IPO Shares |
| **Board** | : | Board of Directors of 3REN |
| **Bursa Depository** or **Depository** | : | Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W)) |
| **Bursa Securities** | : | Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W)) |
| **By-Laws** | : | The rules, terms and conditions governing the LTIP as set out in Annexure A of this Prospectus |
| **CAGR** | : | Compound annual growth rate |

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|---|---|---|
| **CCC** | : | Certificate of completion and compliance |
| **CCM** | : | Companies Commission of Malaysia |
| **CDO** | : | Chief Digital Officer |
| **CDS** | : | Central Depository System |
| **CDS Account** | : | An account established by Bursa Depository for a depositor for the recording of securities and for dealing in such securities by the depositor |
| **Central Depositories Act** | : | The Securities Industry (Central Depositories) Act, 1991 |
| **CEO** | : | Chief Executive Officer |
| **CF** | : | Certificate of fitness for occupation |
| **CMSA** | : | Capital Markets and Services Act, 2007 |
| **Constitution** | : | Constitution of our Company |
| **COVID-19** | : | Novel coronavirus disease 2019, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) |
| **DBKL** | : | Dewan Bandaraya Kuala Lumpur |
| **Deposited Security** | : | A security in the Company standing to the credit of a Securities Account of a Depositor subject to the provision of the Central Depositories Act and the Rules |
| **Depositor** | : | A holder of a Securities Account |
| **Director** | : | An executive director or a non-executive director of our Company within the meaning of Section 2 of the Act |
| **EBITDA** | : | Earnings before interests, taxation, depreciation and amortisation |
| **ECU** | : | Equity Compliance Unit of the SC |
| **Electronic Prospectus** | : | Copy of this Prospectus that is issued, circulated or disseminated via the internet and/or an electronic storage medium |
| **Electronic Share Application** | : | Application for the IPO Shares through a Participating Financial Institution's ATM |
| **Eligible Parties** | : | Eligible Directors and employees of the Group, and persons who have contributed to the success of the Group |
| **Eligible Person** | : | Eligible Directors and employees of the Group (excluding subsidiaries which are dormant) who fulfils the conditions of eligibility as stipulated in the By-Laws |
| **EPS** | : | Earnings per Share |
| **Financial Periods Under Review** | : | Collectively, the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 |

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|---|---|---|
| **First Tranche of SOP Award** | : | Up to 16,250,000 SOP Options, representing up to 2.50% of our enlarged issued share capital upon Listing, to be granted under the SOP award in conjunction with our Listing |
| **FPE** | : | 9-month financial period ended 30 September |
| **FYE** | : | Financial year(s) ended/ending, as the case may be, 31 December |
| **GP** | : | Gross profit |
| **Grant Thornton** or **Reporting Accountants** | : | Grant Thornton Malaysia PLT (Registration No. 201906003682 (LLP0022494-LCA) & AF 0737) |
| **IMR** or **Providence** | : | Providence Strategic Partners Sdn Bhd (Registration No. 201701024744 (1238910-A)) |
| **IMR Report** | : | Independent Market Research Report on the Integrated Circuit Design, Assembly and Test Segments of the Semiconductor Industry, Automated Manufacturing and Digitalised Solutions Industry, and Semiconductor and Electronics Industries as set out in Section 8 of this Prospectus |
| **Internet Participating Financial Institution(s)** | : | Participating financial institution(s) for the Internet Share Application as listed in Section 15 of this Prospectus |
| **Internet Share Application** | : | The application for our IPO Shares through an online share application service provided by the Internet Participating Financial Institutions |
| **IPO** | : | Collectively, the Public Issue and Offer for Sale |
| **IPO Price** | : | RM[●] per IPO Share, being the issue/offer price payable by the investors under the IPO |
| **IPO Share(s)** | : | Collectively, the Public Issue Shares and Offer Shares |
| **Issuing House** | : | Tricor Investor & Issuing House Services Sdn Bhd (Registration No. 197101000970 (11324-H)) |
| **IT** | : | Information Technology |
| **KAF IB** or **Principal Adviser** or **Sponsor** or **Sole Underwriter** or **Sole Placement Agent** | : | KAF Investment Bank Berhad (Registration No. 197401003530 (20657-W)) |
| **Khazanah** | : | Khazanah Nasional Berhad (Registration No. 199301020767 (275505-K)) |
| **Listing** | : | Admission to the Official List and the listing of and quotation for the entire enlarged share capital of 3REN on the ACE Market |
| **Listing Requirements** | : | ACE Market Listing Requirements of Bursa Securities, including any amendments thereto that may be made and enacted from time to time |

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|---|---|---|
| **Listing Scheme** | : | Collectively, the RCPS Conversion, Acquisitions, IPO, Share Transfer and Listing |
| **LPD** | : | 29 February 2024, being the latest practicable date prior to the registration of this Prospectus |
| **LTIP** | : | Long term incentive plan for the award of SGP and/or SOP to any Eligible Person in accordance with the provisions of the By-Laws |
| **Malaysian Public** or **Public** | : | Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia |
| **Market Day(s)** | : | Any day(s) between Mondays and Fridays (both days inclusive) which is not a public holiday and a day on which Bursa Securities is open for trading of securities |
| **MBPP** | : | Majlis Bandaraya Pulau Pinang |
| **MBSJ** | : | Majlis Bandaraya Subang Jaya |
| **MBSP** | : | Majlis Bandaraya Seberang Perai |
| **MCO** | : | Movement control order (including all versions and phases) issued by the Government of Malaysia under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 |
| **MDEC** | : | Malaysia Digital Economy Corporation Sdn Bhd (Registration No. 199601016995 (389346-D)) |
| **MFRS** | : | Malaysian Financial Reporting Standards |
| **MIDA** | : | Malaysian Investment Development Authority |
| **MITI** | : | Ministry of Investment, Trade and Industry Malaysia |
| **MSC Malaysia** | : | MSC Malaysia status issued by MDEC *(now known as Malaysia Digital Status or MD Status)* |
| **MTDC** | : | Malaysian Technology Development Corporation Sdn Bhd (Registration No. 199201004292 (235796-U)) |
| **MyIPO** | : | Intellectual Property Corporation of Malaysia |
| **NA** | : | Net assets |
| **NBV** | : | Net book value |
| **Offer for Sale** | : | Offer for sale by the Offerors of the Offer Shares at the IPO Price |
| **Offer Shares** | : | 45,000,000 existing Shares to be offered by the Offerors pursuant to the Offer for Sale |
| **Offeror(s)** | : | Collectively, Koh Dim Kuan, Lee Chee Hoo, Low Chee Onn and MTDC |
| **Official List** | : | The list specifying all securities listed on the ACE Market |
| **Option Price** | : | The price at which the SOP participant shall be entitled to subscribe for the Shares upon the exercise of the SOP option |

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|---|---|---|
| **Participating Financial Institution(s)** | : | The participating financial institution(s) for the Electronic Share Application as listed in Section 15 of this Prospectus |
| **PAT** | : | Profit after taxation |
| **PBT** | : | Profit before taxation |
| **PE Multiple** | : | Price-to-earnings multiple |
| **Pink Form Allocation** | : | Allocation of the Pink Form Shares to the Eligible Parties, which forms part of the Public Issue |
| **Pink Form Share(s)** | : | 30,000,000 IPO Shares to be issued pursuant to the Pink Form Allocation |
| **PPE** | : | Property, plant and equipment |
| **Prescribed Security** | : | Shares of a company that are prescribed by Bursa Securities to be deposited in the CDS subject to the provision of the Central Depositories Act and the Rules |
| **Promoter(s)** | : | Collectively, Koh Dim Kuan and Lee Chee Hoo |
| **Prospectus** | : | This Prospectus dated [●] in relation to our IPO |
| **PSDC** | : | Penang Skills Development Centre |
| **Public Issue** | : | Issuance of the Public Issue Shares, payable in full upon application, subject to the terms and conditions of the Prospectus |
| **Public Issue Shares** | : | 110,000,000 new Shares at the IPO Price |
| **QC** | : | Quality control |
| **R&D** | : | Research and development |
| **R3 Capital** | : | R3 Capital Sdn Bhd<br>(Registration No. 202101020513 (1420813-K)) |
| **RCPS** | : | Redeemable convertible preference shares in Sophic Automation held by MTDC |
| **RCPS Conversion** | : | Conversion by MTDC of its entire 8,800,000 RCPS into 71,700 new ordinary shares in Sophic Automation (prior to the Acquisition of Sophic Automation) |
| **Record of Depositors** | : | A record provided by Bursa Depository to our Company under Chapter 24.0 of the Rules |
| **ROC** | : | Registrar of Companies |
| **Rules** | : | The Rules of Bursa Depository |
| **SAC** | : | Shariah Advisory Council of the SC |
| **SC** | : | Securities Commission Malaysia |

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|---|---|---|
| **Securities Account** | : | An account established by Bursa Depository for a Depositor for the recording of deposit of securities and for dealing in such securities by the Depositor |
| **Share Transfer** | : | Transfer of an aggregate of 260,000,000 Shares held by Koh Dim Kuan and Lee Chee Hoo to R3 Capital during the prescription period |
| **SICDA** or **Depository Act** | : | Securities Industry (Central Depositories) Act, 1991 |
| **Specified Shareholders** | : | Collectively, Koh Dim Kuan, Lee Chee Hoo and R3 Capital |
| **Sq ft** or **sq ft** | : | Square feet/foot |
| **SVN Automation** | : | SVN Automation Company Limited (Enterprise Registration Certificate No. 0312645596), a former subsidiary of Sophic Automation incorporated and based in Vietnam |
| **Underwriting Agreement** | : | The underwriting agreement dated [●] entered into between our Company and our Sole Underwriter pursuant to the IPO |
| **USA** or **US** | : | United States of America |

**MAJOR CUSTOMERS AND SUPPLIERS**

| | | |
|---|---|---|
| **Intel group of companies** | : | Comprises certain subsidiaries of Intel Corporation which are based in Malaysia, Vietnam, Costa Rica, China, USA, India and Taiwan as further disclosed in Section 7.17 of this Prospectus |
| **KellyOCG** | : | KellyOCG Malaysia Sdn Bhd<br>(Registration No. 201621000375 (1171300-X)) |
| **Top Glove group of companies** | : | Comprises certain subsidiaries of Top Glove Corporation Berhad which are based in Malaysia, Thailand and Vietnam |
| **Customer A** | : | Customer A is a company incorporated and based in Malaysia and is a supplier and manufacturer of solid-state storage systems and other electronic storage systems associated with the semiconductor manufacturing industry. Customer A is a subsidiary of a holding company which was incorporated and based in the USA and listed on the Nasdaq Global Select Market with a market capitalisation of USD19.38 billion as at the LPD. The holding company of Customer A is a developer, manufacturer and provider of data storage devices based on flash and hard disk drive technologies, based in the USA. The group has business operations in the Americas, Asia Pacific, Europe and the Middle East regions.<br><br>We are unable to disclose the identity of Customer A due to the non-disclosure agreement executed with our Group which prohibits the disclosure of business information without prior written consent. We have sought consent from the Customer A for disclosure but such consent had not been granted. |

| | | |
|---|---|---|
| **Customer B** | : | Customer B is a local city council of a state in Malaysia, which is mainly responsible for administering, amongst others, the urban planning, heritage preservation, public health, sanitation, waste management, traffic management, environmental protection, building control, social and economic development and general maintenance of the urban infrastructure of the city.<br><br>We have sought consent from the Customer B for disclosure but such consent had not been granted. |
| **Customer C** | : | Customer C is a company incorporated and based in Malaysia and is a provider of electronic design and test solutions. Customer C is a subsidiary of a holding company which was incorporated and based in the USA and is listed on the New York Stock Exchange with a market capitalisation of USD26.99 billion as at the LPD. The holding company of Customer C is also a provider of electronic design and test solutions. The enlarged group has business operations in the Americas, Asia Pacific and Europe regions.<br><br>We have sought consent from the Customer C for disclosure but such consent had not been granted. |
| **Customer D** | : | Customer D is involved in the manufacturing of plastics, moulding dies and tools, as well as the assembly for the electrical, electronic, audio, telecommunication, automotive industries and medical product based in Malaysia. Customer D is a subsidiary of an unlisted holding company based in Singapore, which is involved in the manufacturing of precision plastics injection molding and metal stamping components as well as precision mould and die fabrication.<br><br>We have sought consent from the Customer D for disclosure but such consent had not been granted. |
| **Customer E** | : | Customer E is a company incorporated and based in Singapore and is involved in the designing and manufacturing of sensor solutions. Customer E is a subsidiary of a holding company which was incorporated and based in Austria and is listed on the SIX Swiss Exchange with a market capitalisation of Swiss Franc 1.34 billion as at the LPD. The holding company of Customer C is also involved in the designing and manufacturing of sensor solutions. The enlarged group has business operations in the Americas, Asia Pacific and Europe regions.<br><br>We are unable to disclose the identity of Customer E due to the non-disclosure agreement executed with our Group which prohibits the disclosure of business information without prior written consent. We have sought consent from the Customer E for disclosure but such consent had not been granted. |

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| | | |
|---|---|---|
| **Supplier A** | : | Supplier A is involved in providing turnkey engineering solutions, training, consultation services and employment agency. Supplier A does not have any holding company. We are unable to disclose the identity of Supplier A due to the non-disclosure agreement executed with our Group which prohibits the disclosure of business information without prior written consent. We have sought consent from the Supplier A for disclosure but such consent had not been granted. |
| **Supplier B** | : | Supplier B is involved in the manufacturing of jigs and fixtures, general trading and machining. Supplier B is a subsidiary of an unlisted holding company involved in investment holding and the provision of management services. We have sought consent from the Supplier B for disclosure but such consent had not been granted. |
| **Supplier C** | : | Supplier C is involved in sales of computers and electronic equipment. Supplier C does not have any holding company. We are unable to disclose the identity of Supplier C due to the non-disclosure agreement executed with our Group which prohibits the disclosure of business information without prior written consent. We have sought consent from Supplier C for disclosure but such consent had not been granted. |
| **Supplier D** | : | Supplier D is involved in the supply of electrical and electronic components, mechanical parts and consultation services. Supplier D does not have any holding company. We are unable to disclose the identity of Supplier D due to the non-disclosure agreement executed with our Group which prohibits the disclosure of business information without prior written consent. We have sought consent from Supplier D for disclosure but such consent had not been granted. |

**<u>CURRENCIES</u>**

| | | |
|---|---|---|
| **RM** and **sen** | : | Ringgit Malaysia and sen, respectively |
| **USD** | : | US Dollar |
| **VND** | : | Vietnamese Dong |

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## GLOSSARY OF TECHNICAL TERMS

The technical abbreviations and their meanings used throughout this Prospectus is in relation to our Group and business and may not correspond to the standard industry meanings usage of these terms. Unless otherwise indicated, the following definitions shall apply throughout this Prospectus:-

| | | |
|---|---|---|
| **Analytics dashboard and visualisation platform** | : | A platform which will display historical and real-time data unto a single dashboard for ease of view and understanding in the form of graphs and charts |
| **Artificial intelligence** or **AI** | : | A simulation of human intelligence in machines that are programmed to think like humans and mimic their actions, such as learning and problem-solving |
| **Asset management system** | : | A system that improves asset management by receiving and analysing maintenance data for key assets such as machinery and equipment, on a real-time basis |
| **Augmented Reality** or **AR** | : | Real world objects are enhanced by computer-generated perceptual information across a single or multiple sensory modalities, such as visual, auditory or haptic |
| **Automated equipment** | : | Refers to machinery, equipment and devices which are typically used to perform mundane, repetitive and tedious tasks |
| **Ball Grid Array** or **BGA** | : | A surface mount package that uses a grid of tiny solder spheres as its connectors |
| **Big Data Analytics** | : | An analysis of large amounts of information in terms of patterns and correlations to provide actionable insights |
| **Circuit marginality validation** | : | The process of testing and verifying the performance of ICs under conditions that are close to their specified limits. It's usually performed before concluding that the IC is ready to be shipped |
| **Command and control centre** | : | A system that enables monitoring and control of functions at the operations control centre and/or backup control centre. |
| **Computerised maintenance management system** or **CMMS** | : | A system which receives and analyses maintenance data for key assets such as machinery and equipment, on a real-time basis. It centralises all maintenance information and data and facilitates the processes of maintenance activities |
| **Connected Production Suite** | : | A collection of our in-house designed and developed proprietary platforms for digitalised solutions, comprising:-<br>(a) Tofl;<br>(b) mobile application platform for smart devices; and<br>(c) analytics dashboard and visualisation platform |
| **Delivery Centre** | : | A dedicated premise set up for a customer to house product engineering design activities undertake by our engineers |
| **die** | : | A semiconducting material or silicon containing an IC |
| **Digitalised solution(s)** | : | A solution which enables an organisation to automate a particular operational process or multiple operational processes |

| | | |
|---|---|---|
| **Display** | : | In the context of HSIO, it refers to the high-speed interfaces and communication channels used to transmit display-related data between electronic devices and display |
| **Edge device** | : | A device or equipment that located near the data source and are able to perform specific tasks, such as data processing, routing, storage, filtering and communication. It can also transmit data between the local network and cloud-base server |
| **Electrical validation** | : | The process of validating the electrical performance and electrical characteristics of an IC to ensure that it meets its design specification |
| **Electronic mail** or **email** | : | A method of transmitting and receiving messages via electronic devices |
| **Engineering support services** | : | Engineering services provided to semiconductor companies or IDMs in the process of IC or chip assembly and testing |
| **Fabless** or **fablite company(ies)** | : | Companies which are involved in the design, marketing and sale of ICs, but fully or partially outsource the fabrication and assembly of ICs |
| **Factory Acceptance Test** | : | This test verifies that the configuration of the solution is in accordance with the customers' specifications |
| **Functional validation** | : | A process of validating the functionality of an IC |
| **Fuse** | : | In the context of HSIO, it refers to a type of configuration setting or parameter that is programmed in a device to enable or disable certain settings or functionalities (e.g., signal termination, voltage levels) of a HSIO interface. The fuse is programmed to make those settings of functionalities permanent or non-volatile |
| **General Purpose Input/Output** or **GPIO** | : | A set of pins or interfaces on a device or IC that is used to connect with various external devices, components or sensors and can be controlled by software or hardware to perform specific tasks |
| **High value manufacturing materials** | : | These raw materials cost more, and include, but not limited to, gold wires, epoxy, rubber tips, solder balls, solder pastes, reels, test sockets, bonding capillaries and probe pins |
| **High-Definition Multimedia Interface** or **HDMI** | : | Digital image, audio and video interface which allows the transmission of high-quality digital image, audio and video signals between various devices |
| **High-speed Input/Output** or **HSIO** | : | The interfaces or communication channels that operate at high data rates and are able to transfer large amounts of data in a short amount of time |
| **High-volume manufacturing environment** | | This refers to the phase of production where a product is manufactured at a large scale to meet high demand in the market |

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| | | |
|---|---|---|
| **Industrial Revolution 4.0 and 5.0** or **Industry 4.0 and 5.0** | : | Refers to the fourth and fifth industrial revolution where traditional manufacturing and industrial processes are being transformed by advanced technologies, and where machinery, equipment and tools are interconnected with one another enabling production line systems to be managed and monitored remotely. It involves technologies like the Internet of Things, artificial intelligence, robotics, augmented reality, system integration and big data. The fifth industrial revolution aims to harness the cognitive ability of human resources to maximise use of machineries, in order to create a sustainable manufacturing environment |
| **Integrated circuit(s)** or **ICs** | : | An integration of several resisters, capacitors, diodes and transistors onto the substrate or semiconductor wafer. It is also called a chip, microchip or die |
| **Integrated device manufacturer(s)** or **IDMs** | : | Companies which are involved in the design, fabrication, assembly, packaging, marketing and sale of ICs or chips |
| **Internet of things** or **IoT** | : | Internet-of-Things is a technology used that enables machinery and equipment used in a factory or organisation to be interconnected. Machinery and equipment that are interconnected are able to send and receive data on a real-time basis |
| **Logic analysers** | : | Instruments used to collect, display and measure multiple electronic signals simultaneously from a digital system, which allows better understanding of the timing and logic relationships between different signals and components in the system |
| **Machine learning** | : | The use of data and algorithms that allow software applications to be more accurate at predicting outcomes, without being explicitly programmed to do so |
| **Mobile application platform for smart devices** | : | A solution which digitalises standard operating procedures and automates workflows. It will automatically coordinate workflows by deploying tasks to the assigned smart devices which are held by workers |
| **New product introduction** or **NPI** | : | The process of taking a product from its conceptual stages to its final form |
| **Operational efficiency solution** | : | A solution to measure productivity and to enable improvement in targeted areas (e.g., performance) of the manufacturing process |
| **Optical Character Recognition** or **OCR** | : | A technology that allows the extraction of text and data from images or scanned documents and then converts it to data that can be read and processed by computers and software systems |
| **Outsourced semiconductor assembly and test service providers** or **OSATs** | : | Companies that provide third-party IC assembly, testing and packaging services |
| **Peripheral Component Interconnect Express** or **PCIe** | : | This is a type of connection used for high-speed data transfer between electronic components |
| **Post-silicon validation** | : | The process of validating the design of product prototypes during its product lifecycle |

| | | |
|---|---|---|
| **Predictive analytics** | : | The process of assessing historical data to forecast future trends |
| **Predictive maintenance** | : | An approach that monitors the condition and performance of assets on a real-time basis to predict when maintenance service should be performed |
| **Principals** | : | Manufacturers of hardware components or developers of software applications, from which hardware components and software applications are sourced for use in the design, development and sale of digitalised solutions and automated equipment |
| **Printed circuit board** or **PCB** | : | A thin board made from fiberglass or other laminate materials that is found in electrical or electronic products. It is used to mechanically support and electrically connect electronic components using conductive tracks made from copper sheets laminated onto a non-conductive substrate |
| **Product engineering services** | : | An engineering service provided to companies, typically in the semiconductor or electronics industry, to assist with the product design and validation, testing, fabrication and assembly of ICs or chips before mass production |
| **Product lifecycle** | : | The stages that a product goes from its initial development and introduction to the market until it's declined and discontinued |
| **Protocol analysers** | : | Measurement tools used to collect, monitor and analyse the data signals between devices or components that communicate using specific protocols |
| **Robotic Process Automation** or **RPA** | : | This is a technology that is used to automate high-volume repetitive tasks |
| **Signal Integrity** or **SI** | : | A set of measures of the quality of an electrical signal as it travels from one electric component to another |
| **Site Acceptance Test** | : | This test validates that the system integrity and performance is in accordance with the customer's requirements. It involves the setup and running of the entire solutions, under a simulated environment and real-time environment |
| **Smart cities** | : | Cities that use technology to automate the management of urban challenges, improve the security and quality of life of its residents, increase economic activity and encourage public participation in the aforementioned areas |
| **Smart devices** | : | Electronic devices with in-built intelligent functionalities and able to operate with minimal human intervention. Examples include smartphones and smart wearables |
| **Smart factory** | : | A smart factory automates the electronics and semiconductors manufacturing process as well as all other processes in a production facility, from the receipt of raw materials and supplies to the production and assembly of end-products. Workers remotely supervise the status of the various machinery and equipment throughout the entire production facility, and monitor and control the operations of the electronics manufacturing solutions in a control room. As a result, minimal human intervention is required in the entire production facility |

| | | |
|---|---|---|
| **Smart wearables** | : | Wearable electronic devices with in-built intelligent functionalities and able to operate with minimal human intervention. Examples include smart glasses and smart watches |
| **System level test debug** | : | The process of validating the test that has been performed in SLT as well as validating the defective engineering samples and defective production samples that have been rejected during the manufacturing process and returned by the customer |
| **System level testing** or **SLT** | : | A type of testing that evaluates the functionality and performance of a complete and fully integrated system |
| **TofI** | : | Our Group's in-house universal data bridge and connectivity solution. TofI enables connection between various machinery, equipment, control hardware/devices and software systems in a business premise or manufacturing facility |
| **Universal Flash Storage** or **UFS** | : | A high-performance interface that is used applications that require low power consumptions, such as smartphones, tablets and automotive system |
| **Universal Serial Bus** or **USB** | : | A connection standard that is used to connect computers with peripheral devices such as smartphones, printers, scanners or flash drives, for connecting or data transferring |
| **User-interface** or **UI** | : | The point at which a user interacts with an electronic device, software application or website. The user is able to provide input or commands and receive output or feedback from the device, application or website |
| **Video Graphics Array** or **VGA** | : | A video interface that transmit analog signals for video transmission |
| **Workforce efficiency solution** | : | A solution which is equipped with smart wearable devices and system application to assist workers in improving efficiency in various activities of customers' business operations |

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## PRESENTATION OF INFORMATION

All references to “3REN” and “our Company” in this Prospectus are to 3REN Berhad. Unless the context otherwise stated, all references to “Group” are to our Company and our subsidiaries taken as a whole and words such as “we”, “us”, “our” and “ourselves” in this Prospectus shall be a reference to our Company, our Group or any member company of our Group as the context requires. Unless the context otherwise requires, references to “Management” are to our Directors and key senior management as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

All references to “Government” in this Prospectus are to the Government of Malaysia, and references to “RM” and “sen” are to the lawful currencies of Malaysia. Certain abbreviations, acronyms and technical terms in this Prospectus are defined in “Definitions” and “Glossary of Technical Terms”. Words importing the singular include the plural and vice versa. Words importing a gender include any gender. References to persons include a corporation.

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

The word “approximately” used in this Prospectus indicates that a number is not exact. Certain numbers presented in this Prospectus have been rounded off to the nearest thousandth or 2 decimal places, hence may not be accurate. Any discrepancies in the tables included herein between the amounts and totals are due to rounding.

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding the growth and performance of the industry in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originates from us. In particular, certain information in this Prospectus is extracted or derived from report(s) prepared by the IMR. We believe that the statistical data and projections cited in this Prospectus are useful in helping you understand the major trends in the industry in which we operate. However, third-party projections, including the projections from IMR cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. Hence, you should not rely on the third-party projections cited in this Prospectus.

If there are any discrepancies or inconsistencies between the English and Bahasa Malaysia versions of this Prospectus, the English version shall prevail.

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

The information on our website or any website, directly or indirectly, linked to our website does not form part of this Prospectus and you should not rely on that information for your decision on whether or not to invest in our Shares. If there is any discrepancy between the contents of such website relating to our Company and this Prospectus, the information contained in this Prospectus shall prevail.

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## FORWARD LOOKING STATEMENTS

This Prospectus includes forward-looking statements, which include all statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our management for future operations.

Some of these statements can be identified by words that have a bias towards or are forward-looking such as “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “estimate”, “aim”, “plan”, “forecast”, “project” or similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other important factors beyond our Group’s control that could cause our actual results, performances or achievements to materially differ from future results, performances or achievements expressed or implied by such forward-looking statements. Such forward-looking statements include, without limitation, statements relating to:-

(a) the demand of our services and/or products;
(b) our business strategies;
(c) our plans and objectives for future operations;
(d) our future financial position, earnings, cash flows and liquidity; and
(e) our ability to pay future dividends.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including, without limitation:-

(a) the COVID-19 pandemic and possible similar future outbreaks;
(b) the economic, political and investment environment in Malaysia; and
(c) government policy, legislation or regulation.

Such forward-looking statements are based on numerous assumptions regarding our Group’s present and future business strategies and the environment in which we operate. Additional factors that could cause our actual results, performances or achievements to differ materially include, but are not limited to those discussed in Section 9 on Risk Factors and Section 12.4 on Management’s Discussion and Analysis of Financial Condition and Results of Operations of this Prospectus. We cannot assure you that the forward-looking statements in this Prospectus will be realised.

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## TABLE OF CONTENTS



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**TABLE OF CONTENTS** *(cont'd)*



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## 1. CORPORATE DIRECTORY

### BOARD OF DIRECTORS

| Name | Designation | Address | Nationality/ Gender |
|---|---|---|---|
| Dato' Boonler Somchit | Non-Independent Non-Executive Chairman | 501F 7-02, Princess Block<br>Diamond Villa Condo<br>Jalan Tanjong Bungah<br>11200 Tanjong Bungah<br>Penang | Malaysian/ Male |
| Koh Dim Kuan | Executive Director/ CEO | 1-World, 2-16-9<br>Tingkat Mahsuri 2<br>11950 Bayan Baru<br>Penang | Malaysian/ Male |
| Lee Chee Hoo | Executive Director/ CDO | 1, Persiaran Kota Permai 1<br>Taman Kota Permai<br>14000 Bukit Mertajam<br>Penang | Malaysian/ Male |
| Ahmad Khairuddin Bin Abdul Rahim | Independent Non-Executive Director | 5, Jalan Sentosa Indah 1<br>Taman Sentosa Indah<br>Teras Jernang<br>43000 Kajang<br>Selangor | Malaysian/ Male |
| Hanita Binti Othman | Independent Non-Executive Director | 81A, Jalan Sri Hartamas 2<br>Taman Sri Hartamas<br>50480 Kuala Lumpur | Malaysian/ Female |
| Joyce Wong Ai May | Independent Non-Executive Director | 2A, Jalan Sungai Air Putih 6<br>Botanica-CT, Bandar Baru Air Putih<br>11000 Balik Pulau<br>Penang | Malaysian/ Female |
| Teresa Tan Siew Kuan | Independent Non-Executive Director | 12, Halaman Bukit Gambir 9<br>11700 Gelugor<br>Penang | Malaysian/ Female |
| Mohammad Hazani Bin Hassan | Non-Independent Non-Executive Director | 6, Jalan Impian Jaya 10<br>Saujana Impian<br>43000 Kajang<br>Selangor | Malaysian/ Male |

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## 1. CORPORATE DIRECTORY *(cont'd)*

### AUDIT AND RISK MANAGEMENT COMMITTEE

| Name | Designation | Directorship |
|---|---|---|
| Joyce Wong Ai May | Chairwoman | Independent Non-Executive Director |
| Hanita Binti Othman | Member | Independent Non-Executive Director |
| Teresa Tan Siew Kuan | Member | Independent Non-Executive Director |

### REMUNERATION COMMITTEE

| Name | Designation | Directorship |
|---|---|---|
| Ahmad Khairuddin Bin Abdul Rahim | Chairman | Independent Non-Executive Director |
| Joyce Wong Ai May | Member | Independent Non-Executive Director |
| Teresa Tan Siew Kuan | Member | Independent Non-Executive Director |

### NOMINATION COMMITTEE

| Name | Designation | Directorship |
|---|---|---|
| Teresa Tan Siew Kuan | Chairwoman | Independent Non-Executive Director |
| Hanita Binti Othman | Member | Independent Non-Executive Director |
| Joyce Wong Ai May | Member | Independent Non-Executive Director |

**COMPANY SECRETARY** : **Ong Tze-En**
(MAICSA 7026537)
(SSM Practicing Certificate No. 202008003397)
Villa Batu Bukit
7-2-1 Jalan Batu Bukit
10470 Tanjung Tokong
Penang

Qualification : Chartered Secretary, Malaysian Institute of Chartered Secretaries and Administrators

**REGISTERED OFFICE** : 170-09-01, Livingston Tower
Jalan Argyll
10050 George Town
Penang

Telephone number: +604 229 4390

**HEAD OFFICE** : No. 9, Jalan Industri Tangkas 1
Taman Industri Tangkas
14000 Bukit Mertajam
Penang

Telephone number : +604 508 9737

E-mail : ir@3ren.com.my
Website : www.3ren.com.my

## 1. CORPORATE DIRECTORY *(cont'd)*

| | | |
|---|---|---|
| **PRINCIPAL ADVISER, SPONSOR, SOLE UNDERWRITER AND SOLE PLACEMENT AGENT** | : | **KAF Investment Bank Berhad**<br>(Registration No. 197401003530 (20657-W))<br>Level 13A, Menara IQ<br>Lingkaran TRX, Tun Razak Exchange<br>55188 Kuala Lumpur |
| **SOLICITORS** | : | **Wong Beh & Toh**<br>1st Floor, Nos. 173 & 174<br>Jalan Kelab Cinta Sayang<br>Taman Ria Jaya<br>08000 Sungai Petani<br>Kedah |
| **AUDITORS AND REPORTING ACCOUNTANTS** | : | **Grant Thornton Malaysia PLT**<br>(Registration No. 201906003682 (LLP0022494-LCA) & AF 0737)<br>Level 5, Menara BHL<br>51, Jalan Sultan Ahmad Shah<br>10050 Penang<br><br>Partner in-charge : Terence Lau Han Wen (Approval No. 03298/04/2025 J)<br>Qualification : Member of the Malaysian Institute of Accountants (Membership No. 39074) |
| **INDEPENDENT MARKET RESEARCHER** | : | **Providence Strategic Partners Sdn Bhd**<br>(Registration No. 201701024744 (1238910-A))<br>67-1, Block D, The Suites, Jaya One<br>No. 72A, Jalan Prof Diraja Ungku Aziz<br>46200 Petaling Jaya<br>Selangor<br><br>Person in-charge : Melissa Lim Li Hua, Executive Director<br>Qualification : Bachelor of Commerce (Double major in Marketing and Management) from Murdoch University, Australia |
| **ISSUING HOUSE AND SHARE REGISTRAR** | : | **Tricor Investor & Issuing House Services Sdn Bhd**<br>(Registration No. 197101000970 (11324-H))<br>Unit 32-01, Level 32, Tower A<br>Vertical Business Suite<br>Avenue 3, Bangsar South<br>No. 8, Jalan Kerinchi<br>59200 Kuala Lumpur |
| **LISTING SOUGHT** | : | ACE Market |
| **SHARIAH STATUS** | : | [Approved by the SAC] |

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## 2. APPROVALS REQUIRED AND MORATORIUM

### 2.1 APPROVALS AND CONDITIONS

#### 2.1.1 Bursa Securities

Bursa Securities had, [vide its letter dated [●], approved] our admission to the Official List and the listing of and quotation for our entire enlarged issued share capital comprising 650,000,000 Shares and such number of new Shares, representing up to 15.0% of our Company's total number of issued Shares (excluding treasury shares, if any) to be issued pursuant to the LTIP on the ACE Market of Bursa Securities.

The approval from Bursa Securities is subject to compliance with the following conditions:-

| No. | Details of the Conditions Imposed | Status of Compliance |
|---|---|---|
| 1. | [●] | [●] |
| 2. | [●] | [●] |
| 3. | [●] | [●] |

#### 2.1.2 SC

Our Listing is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

The SC had, [vide its letter dated [•], approved] our resultant equity structure pursuant to our Listing under the Bumiputera equity requirement for public listed companies.

The effect of our Listing on the equity structure of our Group is as follows:-

| | (1) After the Acquisitions | | (2) After the Listing | |
|---|---|---|---|---|
| **Category of Shareholders** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| **Bumiputera** | | | | |
| - Bumiputera public investors via balloting | - | - | (2) 16,250,000 | 2.50 |
| - Bumiputera investors to be approved by the MITI | - | - | (2) 48,800,000 | 7.51 |
| - MTDC | 65,960,000 | 12.21 | 32,460,000 | 4.99 |
| Total Bumiputera | 65,960,000 | 12.21 | 97,510,000 | 15.00 |
| Non-Bumiputera | 474,040,000 | 87.79 | 552,490,000 | 85.00 |
| Malaysians | 540,000,000 | 100.00 | 650,000,000 | 100.00 |
| Foreigners | - | - | - | - |
| **Total** | **540,000,000** | **100.00** | **650,000,000** | **100.00** |

Notes:-

(1) Being the latest practicable date prior to the submission of our Listing application to Bursa Securities.

(2) Based on the assumption that the Pink Form Shares offered to Eligible Persons who are non-Bumiputera are fully subscribed.

(3) Based on the assumptions that the Shares offered to Bumiputera public investors via balloting and the Bumiputera investors to be approved by the MITI are fully subscribed.

### 2.1.3 SAC

The SAC had, [via its letter dated [●] classified our Shares as Shariah-compliant] based on the Shariah criteria adopted by the SAC.

### 2.1.4 MITI

The MITI had, [via its letter dated [●] taken note and has no objection] to our Listing.

## 2.2 MORATORIUM

As at the date of submission of our listing application to Bursa Securities, we have met the quantitative criteria for admission to the Main Market of Bursa Securities. Hence, in compliance with Rule 3.19(1A)(b) of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of the entire Shares held by the Specified Shareholders for a period of 6 months from the date of our admission to the ACE Market.

Details of the Specified Shareholders and their Shares which will be subject to moratorium are as follows:-

| Specified Shareholders | No of Shares | * % |
|---|---|---|
| Koh Dim Kuan | 28,009,000 | 4.31 |
| Lee Chee Hoo | 129,211,000 | 19.88 |
| R3 Capital | 260,000,000 | 40.00 |
| **Total** | **417,220,000** | **64.19** |

Note:-

* Based on the enlarged issued share capital of 650,000,000 Shares after the IPO and Share Transfer.

The Specified Shareholders have provided their respective written undertakings that they will not sell, transfer or assign their entire Shares held in the Company during the moratorium period. Koh Dim Kuan and Lee Chee Hoo also undertake not to sell, transfer or assign any Shares that they may subscribe for arising from the exercise of SOP or any SGP Shares granted to them pursuant to the LTIP for a period of 6 months from the date of our Listing.

The moratorium shall also apply to the shareholders of R3 Capital, namely Koh Dim Kuan and Lee Chee Hoo, who have provided their respective written undertakings that they will not sell, transfer or assign their respective shares in R3 Capital during the moratorium period in accordance with Rule 3.19(2) of the Listing Requirements.

The moratorium, which is fully accepted by our Specified Shareholders above, is specifically endorsed on our share certificates representing their shareholdings, which is under moratorium to ensure that our Share Registrar will not register any transfer and sale that are not in compliance with the aforesaid restriction imposed.

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## 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) *(calculated based on the indicative IPO Price and enlarged issued share capital of 650,000,000 Shares upon listing)* | [•] |
| Gross proceeds from the Public Issue (RM) | [•] |
| Gross proceeds from the Offer for Sale (RM) | [•] |

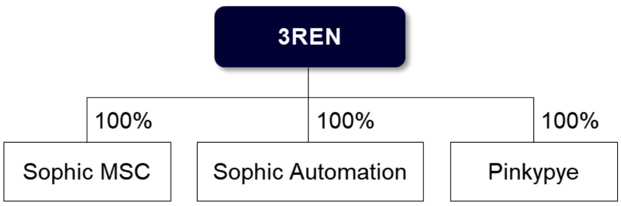
In conjunction with our Listing, we [have established] an LTIP which entails the granting of LTIP Awards to the Eligible Person. Further details on our IPO and LTIP are set out in Section 4.3 of and Annexure A this Prospectus respectively.

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:-

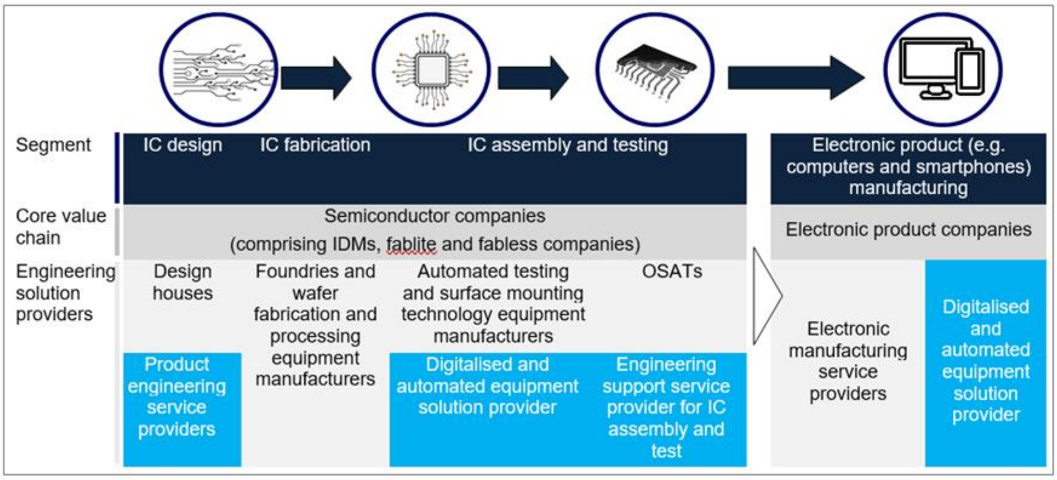
(a) Provision of engineering support services for IC assembly and testing;
(b) Design, development and sale of digitalised solutions;
(c) Provision of product engineering services; and
(d) Design, development and sale of automated equipment.

## 3. INFORMATION SUMMARY *(cont'd)*

Our business model is depicted in the following diagram:-

| | Engineering Support Services for IC Assembly and Testing | Digitalised Solution | Product Engineering Services | Automated Equipment |
|---|---|---|---|---|
| SOLUTIONS | Assembly and testing | Customised digitalised solutions | Post silicon validation, software development and NPI | Standalone machinery and equipment |
| END-USER INDUSTRIES | Semiconductor and electronics industry | Manufacturing, including the semiconductor and electronics industry | Semiconductor and electronics industry | Manufacturing, including the semiconductor and electronics industry |

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



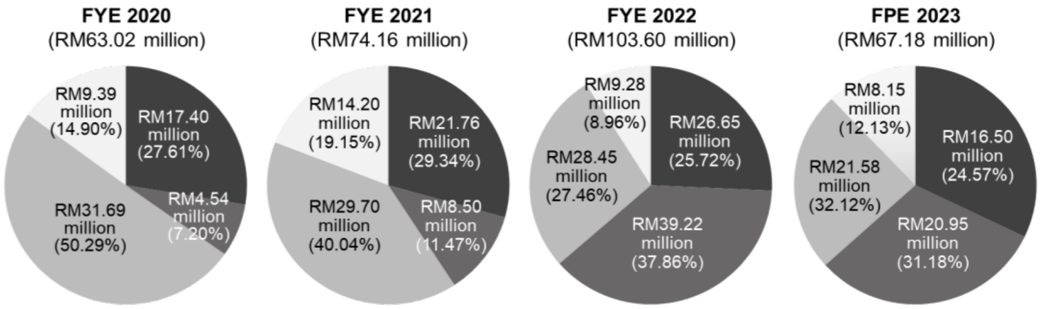

Denotes the type of core processes which our Group principally carries out.

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.

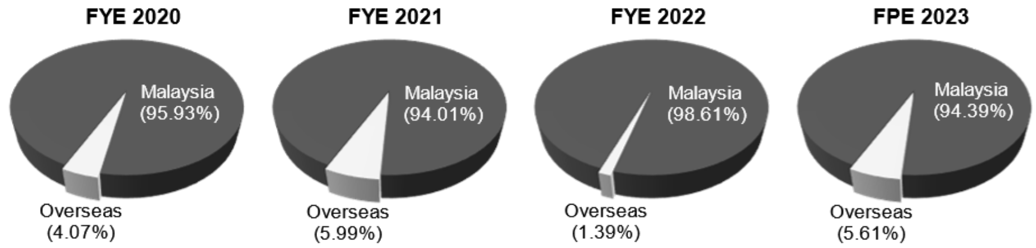
Our revenue contribution by business segment for the Financial Periods Under Review are as follows:-




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

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.

**(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.

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.

**(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.

### 3.6 DIRECTORS AND KEY SENIOR MANAGEMENT

Our Directors and key senior management are as follows:-

| **Directors** | **Designation** |
|---|---|
| Dato' Boonler Somchit | Non-Independent Non-Executive Chairman |
| Koh Dim Kuan | Executive Director/CEO |
| Lee Chee Hoo | Executive Director/CDO |
| Ahmad Khairuddin Bin Abdul Rahim | Independent Non-Executive Director |
| Hanita Binti Othman | Independent Non-Executive Director |
| Joyce Wong Ai May | Independent Non-Executive Director |
| Teresa Tan Siew Kuan | Independent Non-Executive Director |
| Mohammad Hazani Bin Hassan | Non-Independent Non-Executive Director |
| **Key Senior Management** | **Designation** |
| Koh Dim Kuan | Executive Director/CEO |
| Lee Chee Hoo | Executive Director/CDO |
| Liew Chee Kin | Director of Sophic MSC |
| Elwyn Toh Jiern Wae | Head of Software Innovation |
| Lai Goey Choo | Head of Product Engineering Services |
| Wong Shin Guey | Head of R&D |
| Yeap Siew Wen | Head of Finance |

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:-

| | | (1) Before our IPO | | | | (2) After the IPO | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Nationality/ Country of Incorporation | Direct | | Indirect | | Direct | | Indirect | |
| | | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| **Promoters and Substantial Shareholders** | | | | | | | | | |
| 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 |
| **Substantial Shareholders** | | | | | | | | | |
| 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.

## 3.8 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.

### 3.9.2 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.

## 3.10 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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# 4. PARTICULARS OF THE IPO

## 4.1 OPENING AND CLOSING OF APPLICATION

The Application period will open at 10.00 a.m. on [●] and will remain open until 5.00 p.m. on [●]. **Late applications will not be accepted.**

## 4.2 INDICATIVE TIMETABLE

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

| Events | Indicative Dates |
|---|---:|
| Issue of Prospectus / Opening date for the Application | [●] |
| Closing date of the Application | [●] |
| Balloting of Applications | [●] |
| Allotment / Transfer of IPO Shares to successful applicants | [●] |
| Date of Listing | [●] |

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

Our Directors, Promoters and Offerors together with our Sole Underwriter may mutually decide, at their absolute discretion, to extend the closing date and time of Application to any later date or dates. If there is any change to the timetable, we will advertise the notice of changes in widely circulated English and Bahasa Malaysia daily newspapers in Malaysia and announce on the website of Bursa Securities accordingly. Following this, the dates for the balloting of applications for the IPO Shares, allotment of the IPO Shares and Listing would be extended accordingly.

## 4.3 DETAILS OF OUR IPO

The IPO is subject to the terms and conditions of this Prospectus and upon acceptance, the IPO Shares are expected to be allocated in the manner described below.

### 4.3.1 Public Issue

The Public Issue of 110,000,000 new Shares at the IPO Price representing approximately 16.92% of the enlarged issued share capital will be made available for Application as follows:-

**(a) Malaysian Public (via Balloting)**

32,500,000 Public Issue Shares representing approximately 5.0% of our enlarged issued share capital are made available for application by the Malaysian Public, to be allocated by way of balloting, of which at least 50.0% is to be set aside strictly for Bumiputera public investors.

**(b) Pink Form Allocation**

In recognition of the contributions by the Eligible Parties, we have reserved 30,000,000 Public Issue Shares (being the Pink Form Allocation) representing approximately 4.61% of our enlarged issued share capital for subscription by the Eligible Parties, as indicated below:-

| **Category** | **No. of persons** | **Aggregate No. of Pink Form Shares** |
|---|---|---|
| Eligible Directors [(1)] | 6 | 1,250,000 |
| Eligible employees [(2)] | 334 | 18,750,000 |
| Business associates of our Group including any other persons who have contributed to our success [(3)] | 30 | 10,000,000 |
| **Total** | | **30,000,000** |

Notes:-

(1) The number of Pink Form Shares to be allocated to our eligible Directors are as follows:-

| **Eligible Directors** | **Designation** | **No. of Shares** |
|---|---|---|
| Dato' Boonler Somchit | Non-Independent Non-Executive Chairman | 500,000 |
| Ahmad Khairuddin Bin Abdul Rahim | Independent Non-Executive Director | 150,000 |
| Hanita Binti Othman | Independent Non-Executive Director | 150,000 |
| Joyce Wong Ai May | Independent Non-Executive Director | 150,000 |
| Teresa Tan Siew Kuan | Independent Non-Executive Director | 150,000 |
| Mohammad Hazani Bin Hassan | Non-Independent Non-Executive Director | 150,000 |
| **Total** | | **1,250,000** |

The criteria for allocation to our eligible Directors are based on amongst others their future contribution to our Group. Koh Dim Kuan and Lee Chee Hoo, who are our Promoters, Directors and Substantial Shareholders, have opted not to participate in the Pink Form Allocation.

(2) The allocation to our eligible employees (as approved by our Board) is based on the following factors:-

(i) is at least 18 years of age and is a permanent, full-time and confirmed employee under the payroll of our Group;

(ii) the seniority, position and their length of service in our Group; and

(iii) their respective contribution made to our Group and other factors deemed relevant to our Board.

The proposed allocations of Pink Form Shares to our key senior management are as follows:-

| Key Senior Management | Designation | No. of Shares |
|---|---|---|
| Elwyn Toh Jiern Wae | Head of Software Innovation | 500,000 |
| Lai Goey Choo | Head of Product Engineering Services | 1,000,000 |
| Wong Shin Guey | Head of R&D | 1,500,000 |
| Yeap Siew Wen | Head of Finance | 500,000 |

Liew Chee Kin, who is a Director of Sophic MSC, has opted not to participate in the Pink Form Allocation.

(3) A total of 10,000,000 Public Issue Shares have been allocated to persons who have contributed to our success which includes our customers, suppliers and other business associates. The number of Pink Form Shares allotted to them is based on, amongst others, the nature, terms and length of their business relationship with us as well as the level of contribution and support to our Group.

**(c) Private Placement to Bumiputera investors approved by the MITI**

3,800,000 Public Issue Shares representing approximately 0.59% of our enlarged issued share capital will be made available for application by way of private placement to selected Bumiputera investors approved by MITI.

**(d) Private Placement to selected investors**

43,700,000 Public Issue Shares representing approximately 6.72% of our enlarged issued share capital will be made available for application by way of private placement to selected investors.

All the Public Issue Shares shall, upon allotment and issue, rank equally in all respects with our existing issued Shares, except that the Public Issue Shares will not be entitled to any dividends, rights, allotments or other distributions declared, made or paid prior to the date of allotment and issuance of the Public Issue Shares.

Upon completing the Public Issue, our existing issued share capital will increase from 540,000,000 Shares to 650,000,000 Shares.

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# 4. PARTICULARS OF THE IPO

### 4.3.2 Offer for Sale

The Offerors will undertake an offer for sale of 45,000,000 Offer Shares at the IPO Price representing approximately 6.92% of our enlarged issued share capital. The Offer Shares will be made available for application by way of private placement to selected Bumiputera investors approved by MITI. Details of the Offerors are as follows:-

| Offerors | Address | Position/Relationship With Our Group for the Past 3 Years | Before the IPO | | Offer for Sale | | After the IPO | |
|---|---|---|---|---|---|---|---|---|
| | | | No. of Shares | (1) % | No. of Shares | (2) % | No. of Shares | (2) % |
| Koh Dim Kuan | 1-World, 2-16-9<br>Tingkat Mahsuri 2<br>11950 Bayan Baru<br>Penang | Promoter, substantial shareholder, Executive Director/CEO | 161,009,000 | 29.82 | 3,000,000 | 0.46 | 158,009,000 | 24.31 |
| Lee Chee Hoo | 1, Persiaran Kota Permai 1<br>Taman Kota Permai<br>14000 Bukit Mertajam<br>Penang | Promoter, substantial shareholder, Executive Director/CDO | 262,211,000 | 48.56 | 3,000,000 | 0.46 | 259,211,000 | 39.88 |
| MTDC | Level 8, Menara Yayasan Tun Razak<br>Jalan Bukit Bintang<br>55100 Kuala Lumpur | Shareholder | 65,960,000 | 12.21 | 33,500,000 | 5.15 | 32,460,000 | 4.99 |
| Low Chee Onn | 6A-35-13 I-Santorini<br>Jalan Seri Tanjung Pinang 1<br>10470 Tanjung Tokong<br>Penang | Shareholder, Business Development Manager and a former director of Sophic Automation | 36,820,000 | 6.82 | 5,500,000 | 0.85 | 31,320,000 | 4.82 |
| **Total** | | | **526,000,000** | **97.41** | **45,000,000** | **6.92** | **481,000,000** | **74.00** |

Notes:-

(1) Based on our issued share capital of 540,000,000 Shares before the IPO.
(2) Based on our enlarged issued share capital of 650,000,000 Shares after the IPO.

### 4.3.3 Share Transfer

During the prescription period (i.e. 1 day after the issuance of the Prospectus up to a period of 30 days), the Specified Shareholders will transfer their respective shareholdings amounting to 260,000,000 Shares, in aggregate, or 40.0% equity interest in 3REN, to R3 Capital in conjunction with the IPO.

Details of the Share Transfer are set out below:-

| Specified Shareholders | No. of Shares Held Before the Share Transfer | (1) % | No. of Shares to be Transferred to R3 Capital | (2) % | No. of Shares Held After the Share Transfer | (2) % |
|---|---|---|---|---|---|---|
| Lee Chee Hoo | 259,211,000 | 48.00 | 130,000,000 | 20.00 | 129,211,000 | 19.88 |
| Koh Dim Kuan | 158,009,000 | 29.26 | 130,000,000 | 20.00 | 28,009,000 | 4.31 |

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.

The Share Transfer is based on the mutual agreement between the shareholders of R3 Capital and does not involve any issuance of new Shares. Upon Listing, R3 Capital will hold in aggregate 40.0% of the enlarged issued share capital of 3REN.

Please refer to Section 5.1.3 of this Prospectus for further details on R3 Capital.

### 4.3.4 Allocation of the IPO Shares and Underwriting Arrangement

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

| | Public Issue | | Offer for Sale | | Total | |
|---|---|---|---|---|---|---|
| | No. of Shares | * % | No. of Shares | * % | No. of Shares | * % |
| Malaysian Public *(via balloting)* | | | | | | |
| - Bumiputera | 16,250,000 | 2.50 | - | - | 16,250,000 | 2.50 |
| - Non-Bumiputera | 16,250,000 | 2.50 | - | - | 16,250,000 | 2.50 |
| Eligible Parties | 30,000,000 | 4.61 | - | - | 30,000,000 | 4.61 |
| Selected investors | 43,700,000 | 6.72 | - | - | 43,700,000 | 6.72 |
| Bumiputera investors approved by MITI | 3,800,000 | 0.59 | 45,000,000 | 6.92 | 48,800,000 | 7.51 |
| **Total** | **110,000,000** | **16.92** | **45,000,000** | **6.92** | **155,000,000** | **23.84** |

Note:-

* Based on our enlarged issued share capital of 650,000,000 Shares after the IPO.

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The 32,500,000 Public Issue Shares made available to the Malaysian Public [have been] fully underwritten by the Sole Underwriter. In the event of an over-subscription, acceptance of Applications received from the Malaysian Public shall be subject to ballot to be conducted in a manner approved by our Board whilst in the event the Public Issue Shares are not subscribed for in full, those Shares will be made available for application by way of private placement to selected investors by the Sole Placement Agent. Any remaining unsubscribed Public Issue Shares thereafter will be subscribed by the Sole Underwriter, subject to the terms and conditions of the Underwriting Agreement.

The 30,000,000 Pink Form Shares made available to the Eligible Parties [have been] fully underwritten by the Sole Underwriter. Any Pink Form Shares which are not taken up will be made available firstly, for subscription by other Eligible Parties (excluding eligible Directors), secondly, to the selected investors by way of private placement, thirdly, to the Malaysian Public to be allocated via balloting and finally, by the Sole Underwriter pursuant to the terms of the Underwriting Agreement.

The 43,700,000 Public Issue Shares made available for application by way of private placement to selected investors by the Sole Placement Agent are not underwritten. Irrevocable undertakings [have been] obtained from the selected investors to subscribe for the Public Issue Shares by way of private placement. Any unsubscribed Shares under this allocation will be made available firstly, for subscription by other Eligible Parties (excluding eligible Directors) and secondly, to the Malaysian Public to be allocated via balloting process.

The 48,800,000 IPO Shares made available for application by Bumiputera investors approved by the MITI by way of private placement are not underwritten. Irrevocable undertakings [have been] obtained from the selected Bumiputera investors. Any IPO Shares under this allocation not subscribed or accepted by Bumiputera investors approved by the MITI shall firstly be offered to other institutional investors (which are part of the selected investors under Section 4.3.1(d) of this Prospectus) via private placement and secondly, to the Bumiputera general public via the balloting process. Thereafter, any remaining unsubscribed IPO Shares will be made available to other public investors via balloting process and/or offered to other selected investors via private placement, the proportion of which will be at the discretion of the Sole Placement Agent and our Board.

The IPO Shares will be allocated on a fair and equitable manner and the basis of allocation for the IPO Shares shall take into account the distribution of the IPO Shares to a reasonable number of applicants to broaden our shareholding base and to establish a liquid market for our Shares. The identified investors for the IPO Shares under the private placement will be selected in such manner as may be determined by the Sole Placement Agent, in consultation with our Board, to be in the best interest of our Company. The Sole Placement Agent, in consultation with our Board, has the absolute discretion to decide whether to accept or reject any placement application.

There is no minimum subscription amount to be raised from our IPO. The number of IPO Shares offered under the Public Issue will not be increased via any over-allotment or "greenshoe" option.

Under the Listing Requirements, we are required to have a minimum of 25.0% of our Shares held by at least 200 public shareholders, each holding not less than 100 Shares at the point of our Listing. If the above requirement is not met, we may not be able to proceed with our Listing. Please refer to Section 9.3.3 of this Prospectus for details in the event our Listing is delayed or aborted.

As at the LPD, to the extent known to our Company, none of our Directors, substantial shareholders or key senior management has indicated to us that they intend to subscribe for the IPO Shares beyond their respective entitlements under the Pink Form Allocation, and there is no person who has indicated to us that they intend to subscribe for more than 5.0% of the IPO Shares.

### 4.4 LTIP

In conjunction with our Listing, we [have established] an LTIP of up to 15% of our issued share capital (excluding treasury shares, if any), which entails the granting of the LTIP awards to the Eligible Person.

The LTIP is intended to provide our Company with the flexibility to determine the most appropriate instrument or combination of instruments (i.e. share grant plan ("**SGP**") and share option plan ("**SOP**")) to reward and retain Eligible Persons whose services are vital to the continued growth and performance of our Group. It is also intended to provide incentives to the Eligible Persons for their commitment, dedication and loyalty towards attainment of higher performance.

The terms defined in the By-Laws in Annexure A of this Prospectus shall have the same meanings when used below unless otherwise stated or the context otherwise required. The salient features of the LTIP are as follows:-

**(a) Maximum number of new Shares available under the LTIP**

The maximum number of Shares which may be made available under the LTIP shall not in aggregate exceed 15% of the total number of our issued share capital (excluding treasury shares, if any) at any point of time during the LTIP.

In conjunction with the Listing, our Group intends to offer up to 16,250,000 SOP awards under the First Tranche of SOP Awards to the Eligible Persons, representing 2.50% of our enlarged issued share capital upon Listing. The exercise price for the First Tranche of SOP Awards shall be the IPO Price.

The following is the proposed specific allocation of the SOP to our eligible Directors and key senior management under the First Tranche of SOP Award:-

| **Name** | **Designation** | **No. of SOP Award Allocation** |
|---|---|---|
| **Directors** | | |
| Dato' Boonler Somchit | Non-Independent Non-Executive Chairman | 50,000 |
| Ahmad Khairuddin Bin Abdul Rahim | Independent Non-Executive Director | 20,000 |
| Hanita Binti Othman | Independent Non-Executive Director | 20,000 |
| Joyce Wong Ai May | Independent Non-Executive Director | 20,000 |
| Teresa Tan Siew Kuan | Independent Non-Executive Director | 20,000 |
| Mohammad Hazani Bin Hassan | Non-Independent Non-Executive Director | 20,000 |
| **Key Senior Management** | | |
| Liew Chee Kin | Director of Sophic MSC | 650,000 |
| Elwyn Toh Jiern Wae | Head of Software Innovation | 500,000 |
| Lai Goey Choo | Head of Product Engineering Services | 1,000,000 |
| Wong Shin Guey | Head of R&D | 1,500,000 |
| Yeap Siew Wen | Head of Finance | 500,000 |
| **Total** | | **4,300,000** |

As we do not intend to grant any SGP awards within a year from our Listing, we will not identify the eligible directors (excluding independent directors) and eligible executives of our Group to be granted the SGP awards.

**(b) Basis of allocation and maximum allowable allotment**

Subject to the maximum number of LTIP awards and any adjustments which may be made under the By-Laws, the aggregate maximum number of LTIP awards that may be allocated to any one category/designation of Eligible Person shall be determined entirely at the discretion of the LTIP committee.

No allocation of more than 10% of the total number of LTIP awards shall be made to any Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds 20% or more of the total number of issued Shares (excluding treasury shares).

Not more than 50% of the LTIP awards shall be allocated in aggregate to the Directors and senior management of the companies in our Group.

**(c) Retention Period**

The Shares arising upon vesting of SGP awards and/or exercising of the right of SOP participants to subscribe for the Shares at the Option Price ("**SOP Options**") will not be subjected to any retention period or transfer restriction unless otherwise stated in the LTIP award(s) as determined by the LTIP committee from time to time. However, an eligible Director who is our Non-Executive Director shall not sell, transfer or assign the Shares obtained through the exercise of the SOP Options granted to them within 1 year from the SOP award date.

**(d) Duration of the LTIP**

The LTIP shall be in force for a period of 5 years from the effective date (following full compliance with all relevant requirements of the Listing Requirements) and our Board may, if the Board deems fit and upon the recommendation of the LTIP committee, extend the duration of the LTIP and such extension shall not in aggregate exceed 10 years from its effective date or such longer period as may be permitted by Bursa Securities or any other relevant authorities.

The LTIP may be terminated by the LTIP committee at any time before the date of expiry of the LTIP provided that an announcement is released to Bursa Securities on the effective date of termination, the number of Shares vested pursuant to the SGP and/or number of SOP Options exercised pursuant to the SOP and the reasons and justifications for the termination.

**(e) Eligibility**

Only Eligible Person who fulfil the following conditions as at the date of the LTIP award date shall be eligible to participate in the LTIP:-

(i) In respect of an Employee:-

(aa) is at least 18 years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

(bb) is employed by our Group on a full-time basis or serving in a specific designation under an employment contract for a fixed duration (or any other contract as may be determined by the LTIP committee) and is on the payroll of any company within our Group and has not served a notice of resignation or received notice of termination;

(cc) must have been in the employment of our Group for at least 6 months prior to the LTIP award date;

(dd) is confirmed in writing as our full-time employee prior to and up to the LTIP award date; and

(ee) fulfils any other criteria and/or falls within such category as may be determined by the LTIP committee from time to time.

(ii) In respect of an executive Director:-

(aa) is at least 18 years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

(bb) is appointed as an executive Director of our Company or any company within our Group for such periods as may be determined by the LTIP committee prior to and up to the LTIP award date; and

(cc) fulfils any other criteria and/or falls within such category as may be determined by the LTIP committee from time to time.

(iii) In respect of a non-executive Director:-

(aa) is at 18 years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

(bb) is appointed as a non-executive Director of the Company or any company within our Group for such periods as may be determined by the LTIP committee prior to and up to the SOP award date; and

(cc) fulfils any other criteria and/or falls within such category as may be determined by the LTIP committee from time to time.

(iv) LTIP awards to be awarded to any Eligible Person who is a Director, major shareholder or chief executive of the Company or persons connected with such Director, major shareholder or chief executive (as defined in the Listing Requirements) must be approved by our shareholders in a general meeting to be convened unless such approval is no longer required under the Constitution, the Listing Requirements and any other prevailing guidelines issued by the authorities.

(v) An Eligible Person who holds more than 1 position within our Group shall only be entitled to the maximum allowable allotment of any one of those categories/designation of employment

(vi) An Employee or Director of a dormant company within our Group is not eligible to participate in the LTIP.

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**(f) Option price**

The price at which an SOP participant will be entitled to subscribe for our Shares by exercising the SOP Option shall be:-

(i) in respect of the First Tranche of SOP Award, the IPO Price; and

(ii) in respect of any offer which is made subsequent to our Listing, as determined by the LTIP committee based on the 5-day volume weighted average market price of our Shares immediately preceding the SOP award date with a discount of not more than 10% or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the duration of the LTIP.

Under the SGP, the reference price of the SGP awards to be awarded will be determined based on the fair value of the SGP awards, which will take into account, amongst others, the market price of the Shares as at or prior to the award date of the SGP awards.

Further details of the LTIP are set out in Annexure A of this Prospectus.

Save for the potential impact of the MRFS 2, the grant of the SOP awards will not have an immediate effect on the consolidated NA and NA per Share until such time when Shares are granted and vested or issued arising from the exercise of the SOP Options. Any potential effect on the NA and NA per Share of our Group in the future would depend on various factors, which may include the vesting condition of the SOP awards, number of Shares expected to be issued under the SOP awards, volatility of the market price of our Shares, market price of the Shares as at grant date, which can only be determined at the grant date, and the Option Price.

The EPS of our Group may be diluted, depending on the number of Shares issued/or transferred to the LTIP participants pursuant to the vesting of the SOP awards. In accordance with MFRS 2, the potential cost arising from the awarding of the SOP awards is required to be measured at fair value as at the LTIP award date and recognised as an expense in the consolidated statements of comprehensive income of our Company over the vesting period of such SOP awards and may therefore reduce the future earnings of our Group, the quantum of which can only be determined at the LTIP award date.

The potential effects of the LTIP on the earnings and EPS of our Group in the future cannot be determined at this juncture as it would depend on various factors as mentioned above. It should be noted that such potential cost of awarding the LTIP awards does not represent a cash outflow but only an accounting treatment.

## 4.5 BASIS OF ARRIVING AT THE IPO PRICE

Our IPO Price was determined and agreed upon by our Board, the Offerors and our Principal Adviser cum Sole Underwriter after taking into consideration the following factors:-

(a) our proforma NA per Share of RM[●] as at 30 September 2023 based on our enlarged issued share capital of 650,000,000 Shares after our IPO and subsequent to the utilisation of proceeds from our Public Issue;

(b) our Group's EPS of approximately 1.85 sen computed based on our PAT attributable to owners of the Company for the FYE 2022 of approximately RM12.04 million and our enlarged share capital of 650,000,000 Shares upon Listing, which translate into a net PE Multiple of approximately [●] times based on the IPO Price;

(c) our competitive strengths as set out in Section 7.5 of this Prospectus;

(d) our future plans and strategies as set out in Section 7.19 of this Prospectus; and

(e) the industry overview and prospects based on the IMR Report as set out in Section 8 of this Prospectus.

**Prospective investors should also note that the market price of our Shares upon Listing is subject to uncertainties of market forces and other factors which may affect the price of our Shares being traded. Prospective investors should form your own views on the valuation of our IPO Shares and reasonableness of the bases used before deciding to invest in our IPO Shares. Prospective investors are also reminded to carefully consider the risk factors as set out in Section 9 of this Prospectus before deciding to invest in our Shares.**

## 4.6 SHARE CAPITAL, CLASSES AND RANKING OF OUR SHARES

### 4.6.1 Share Capital

Upon the completion of our IPO, our enlarged issued share capital will be as follows:-

| | No. of Shares | RM |
|---|---|---|
| Existing issued share capital | 540,000,000 | 54,000,002 |
| New Shares to be issued pursuant to the Public Issue | 110,000,000 | [●] |
| Less: Estimated listing expenses directly attributable to the Public Issue | * | (1) [●] |
| **Enlarged issued share capital upon Listing** (2) | **650,000,000** | **[●]** |

Notes:-

(1) Computed after taking into account the Public Issue and estimated listing expenses of RM[●] million, of which RM[●] million will be debited against our share capital and the remaining expenses of RM[●] million has been/will be expensed off to the statement of comprehensive income.

(2) The Offer for Sale will not have any effect on our enlarged issued share capital upon Listing.

### 4.6.2 Classes and Ranking of Our Shares

We only have 1 class of shares, being ordinary shares, all of which rank equally with each other. The Public Issue Shares will, upon allotment and issue, rank equally in all respects with our existing Shares in issue, including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment of our Public Issue Shares. The Offer Shares shall rank equally in all respects with the existing Shares, including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of transfer of our Offer Shares to the successful applicants.

Subject to special rights attaching to any Share which we may issue in the future, our shareholders shall, in proportion to the Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions, and the whole of any surplus in the event of our liquidation, such surplus to be distributed among the shareholders in proportion to the issued share capital at the commencement of the liquidation, in accordance with our Constitution and provisions of the Act.

At any general meeting of our Company, each shareholder shall be entitled to vote in person, or by proxy, or by attorney or by his/its representative under the instrument of proxy or certificate of appointment of corporate representative or power of attorney ("**Representative**"). On a vote by show of hands, each shareholder present (either in person, or by proxy, or by Representative) shall have 1 vote. On a vote by way of poll, each shareholder present (either in person, or by proxy, or by Representative) shall have 1 vote for each Share held. A proxy may but need not be a shareholder of our Company and there shall be no restriction as to the qualification of the proxy save that the proxy must be of full age.

## 4.7 DILUTION

Dilution is the amount by which the IPO Price to be paid by the applicants for our IPO Shares will be diluted upon our Listing based on the proforma consolidated NA per Share after the IPO. The following table illustrates such dilution to the new investors for the IPO Shares on a per Share basis as well as the accretion in value to the existing shareholders of the Company after the IPO:-

| | **RM** | **Details** |
|---|---|---|
| IPO Price | [●] | (A) |
| Audited consolidated NA per Share as at 30 September 2023 before our IPO | [●] | (B) |
| Proforma consolidated NA per Share as at 30 September 2023 after our IPO and the utilisation of Public Issue proceeds | [●] | (C) |
| Increase in proforma consolidated NA per Share attributable to existing shareholders | [●] | (C-B) |
| Dilution to the new investors | [●] | (A-C) |
| Dilution to the new investors as a percentage of the IPO Price | [●]% | (A-C) / (A) |

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Save as disclosed below, there is no substantial disparity between the IPO Price and the effective average cost per Share paid by our Promoters, substantial shareholders, Directors, key senior management and/or any persons connected with them since our incorporation up to the LPD:-

| | (1) No. of Shares Held Before the IPO | Total Consideration Paid (RM) | Effective Average Cost Per Share (RM) |
|---|---|---|---|
| **Promoters, substantial shareholders and Directors** | | | |
| Koh Dim Kuan | 161,009,000 | 16,100,900 | 0.10 |
| Lee Chee Hoo | (2) 262,211,000 | (2) 26,221,102 | 0.10 |
| **Director and key senior management** | | | |
| Liew Chee Kin | 14,000,000 | 1,400,000 | 0.10 |

Notes:-

(1) Including Shares allotted pursuant to the Acquisitions.
(2) Including 2 subscribers' shares transferred to Lee Chee Hoo upon completion of the Acquisitions.

Save as disclosed above, the Pink Form Allocations and the First Tranche of SOP Award, there has been no other acquisition or subscription of any of our Shares by our Promoters, substantial shareholders, Directors, key senior management or persons connected to them, or any transaction entered into by them which grants them the right to acquire any of our existing Shares since our incorporation up to the date of this Prospectus.

## 4.8 UTILISATION OF IPO PROCEEDS

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

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

The proceeds from the Public Issue above (save for the estimated listing expenses) will be placed in short-term deposits with licensed financial institutions pending utilisation.

Details of the utilisation of our Public Issue proceeds are as set out below:-

**(a) Setting up New Delivery Centres**

As part of our future business strategies, 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 advantages of having our own Delivery Centre include enhanced efficiency, cost optimisation, enhanced business continuity, flexibility and scalability, and knowledge retention and skill development.

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.

We plan to set up 2 Delivery Centres – 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.

Insofar as timing is concerned, 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 have identified a suitable premise to rent for our first Delivery Centre, which is located at Bayan Lepas, Penang, with a built-up area of 1,960 sq. ft.. Currently, we are in the midst of negotiating the terms of the tenancy. The setting up cost for the first Delivery Centre is approximately RM[●] million (based on a combination of quotations obtained from suppliers/contractors as well as management's estimate), which include renovation cost, fittings, workstations and equipment, and IT infrastructure, all of which will be financed via our internal funds.

The second Delivery Centre is also expected to be situated in Penang although we have yet to identify the specific location as at the LPD.

We plan to utilise approximately RM[●] million of the Public Issue proceeds for purpose of setting up of our Delivery Centres, which would include the following expenditure expected to be incurred over a period of 36 months:-

| **Details** | **RM'000** |
|---|---:|
| Hiring of new staff for Product Engineering Services team [(1)] | [●] |
| Rental expenses [(2)] | [●] |
| Renovation, fittings, office equipment and IT infrastructure [(3)] | [●] |
| General utility and operating expenses | [●] |
| **Total** | **[●]** |

Notes:-

(1) We plan to hire a minimum of 40 new permanent employees for our Product Engineering Services team (comprising mostly fresh graduates and/or junior engineers, i.e. with 1 to 2 years of experience), the details of which are as follows:-

| **Details** | **No. of New Staff to be Hired** | **(i) Estimated Total Cost (RM'000)** |
|---|---|---|
| Software Engineer | 13 | (ii) [●] |
| Validation Engineer | 13 | (ii) [●] |
| Validation Technician | 14 | (iii) [●] |
| **Total** | **40** | **[●]** |

Notes:-

(i) The estimated cost, which comprises basic salary and statutory contributions (excluding bonus) over a period of 36 months, is computed based on management's estimated average annual salary and number of staff to be employed based on respective level/position. The actual salary will be dependent on, amongst others, the qualification, years of experience and job scope.

(ii) Estimated cost computed based on an average annual remuneration cost which ranges between RM[●] and RM[●].

(iii) Estimated cost computed based on an average annual remuneration cost which ranges between RM[●] and RM[●].

The actual number of new employees to be employed by our Group as well as timing of recruitment will be dependent on the availability of such personnel. Typically, we expect to take 3 to 6 months to recruit a new hire from the date of job posting until the date of joining. The talents that we look to hire, apart from the requisite working experiences, would possess degrees in, amongst others, computer science, data science, software engineering, electronic and electrical engineering, and mechatronics engineering.

The expansion of workforce is crucial to allow us to compete and secure for more orders particularly from Intel group of companies as well as to be in a stronger position to gain new prospective customers. This also provides more flexibility in managing resources and delivering our services on a timely basis. Due to the nature of our business which requires minimal upfront capital investment, the resources can be easily transferred between different projects. To ensure our future profitability and sustainability, we require the availability of workforce capability and capacity. This is an important factor that Intel group companies or potential customers typically consider before they award us orders/projects or engage us as a service provider. We train our staff, especially the junior members, to be able to perform multiple technical functions such as handling hardware procedures and software development tools. This enables us to have flexibility in managing and optimising our workforce resources.

From FYE 2020 to FYE 2022, our product engineering services segment has registered revenue growth at a CAGR of 23.75% from RM17.40 million to RM26.65 million. For the FPE 2023, we recorded revenue of RM21.58 million contributed from the same segment (FPE 2022: RM19.42 million). In tandem with the foregoing, we have increased our headcounts in the team from a total of 388 personnel (including 357 contract-based employees) as of the end of FYE 2020 to a total of 701 personnel (including 511 contract-based employees) as of the end of FPE 2023.

As at the LPD, we have a total of 533 personnel (including 350 contract-based personnel), under our Product Engineering Services team.

(2) Based on the proposed negotiated rental for the first Delivery Centre.

(3) Renovation cost, fittings, workstations and equipment, and IT infrastructure (both hardware and software) only for the second Delivery Centre which are estimated at RM[●] million (based on similar estimates for the first Delivery Centre).

We believe that the setting up of our new dedicated Delivery Centres and particularly the expansion of our workforce will allow our Group to meet the demands of our existing and potential customers. This in turn will continue to enhance our Group's earnings and facilitate our future plans and strategies.

Please refer to Section 7.19.2 of this Prospectus for further details on our Delivery Centres.

Any excess proceeds allocated for our setting up of new Delivery Centres will be used for working capital purposes. Conversely, any shortfall thereof will be funded from our Group's internally generated funds.

**(b) R&D expenditure**

As part of our continuing R&D efforts, we strive for innovation and keep abreast with technology evolution and market needs. As such, we intend to utilise approximately 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 in line with our R&D plans and strategies as set out in Section 7.19.1 of this Prospectus.

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The breakdown of the estimated proceeds proposed to be utilised for our R&D expenditures for the next 24 months after our Listing are as follows:-

| **Details** | **RM'000** | **RM'000** |
|---|---|---|
| (i) Employing additional R&D personnel [(1)] | | [●] |
| (ii) Purchase of IT hardware and software | | [●] |
| - Upgrading of IT infrastructure [(2)] | ^[●] | |
| - Cloud infrastructure and subscription costs [(3)] | *[●] | |
| - Development software and design software system [(4)] | ^[●] | |
| - Software licensing | *[●] | |
| - Computer related devices | #[●] | |
| - Registration of intellectual property rights | #[●] | |
| (iii) Purchase of R&D supporting tools and equipment [(5)] | | [●] |
| - Material transport system | ^[●] | |
| - Universal test and handler automation platform | ^[●] | |
| - Development hardware and system controllers | ^[●] | |
| (iv) Others (including renovation, workstations, fittings and office equipment) | | #[●] |
| **Total** | | **[●]** |

Notes:-

^ Based on quotations from supplier.

* Based on management's estimate for the subscription pricing which is sourced from official web stores.

\# Based on management's estimate.

(1) As at the LPD, we have a total of 17 personnel (including the Head of R&D) under our R&D department, all of whom are Malaysian. We intend to hire an additional 9 staff as part of our initiatives to empower our R&D team in supporting the ongoing efforts to develop new/enhanced products and solutions, and they include:-

- Software engineer
- Data scientist/engineer
- Cloud engineer
- AI engineer
- Mechanical engineer
- Developer and programmer

The estimated cost is computed based on an average annual remuneration cost which ranges between RM[●] and RM[●], for a period of 24 months. Such cost, which comprises basic salary and statutory contributions (excluding bonus), is based on management's estimate. The actual salary will be dependent on, amongst others, the qualification, years of experience and job responsibilities.

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The actual number of new employees to be employed by our Group as well as timing of recruitment will be dependent on the availability of such personnel. Typically, we expect to take 3 to 6 months to recruit a new hire from the date of job posting until the date of joining. The talents that we look to hire, apart from the requisite working experiences, would possess degrees in, amongst others, computer science, data science, software engineering, mechanical engineering, and electronic and electrical engineering.

(2) Upgrading of IT infrastructure - We plan to upgrade our existing infrastructure to enhance our testing capability and storage capacity. The new infrastructure would include purchase of high performance server, enhanced operating system, power supply, storage solution and computing device which is expected to further boost networking, machine learning and cybersecurity systems of our R&D department. Besides, the new infrastructure is also aimed at enabling improved scalability of multiple application hosting for customer data.

(3) Cloud infrastructure and subscription costs - We intend to upgrade our cloud infrastructure for data storage, cloud computing and hosting to enable and support scalability of both our existing and new digitalised solutions (including our new Nervii platform as disclosed in Section 7.19.1 of this Prospectus) through a subscription-based cloud computing platform.

(4) Development software is used for functional testing in software development and programming whilst the Solidworks design software system is a 3D design and validation platform.

(5) Included in the purchase of R&D supporting tools and equipment are the following:-

- Material transport system (tracked guided mobile robot) including robotic handler system, brake system module, sensors, aluminium track and route, and battery system. This is intended for the development of prototypes and product demos, in particular, for our soon-to-be-developed automated equipment, namely, material transport system as stated in Section 7.19.1 of this Prospectus. Such prototypes are basically early sample or model built to test a concept or process from which we will develop operational product demos which will serve as a marketing and demonstration tool to both our existing and prospective customers.

- Universal test and handler automation platform (mechanical handler module). The purchase of this platform is intended for the development of prototypes and product demos, in particular, for our soon-to-be-developed automated equipment, namely, automated test and handler equipment as stated in Section 7.19.1 of this Prospectus. Such prototypes are basically early sample or model built to test a concept or process from which we will develop operational product demos which will serve as a marketing and demonstration tool to both our existing and prospective customers.

- Development hardware and system controllers which are essentially development tool to support the development of test programs, automation scripts and evaluation boards.

Please refer to Section 7.19.1 of the Prospectus for more information relating to our Group's future initiatives on R&D activities.

Any excess proceeds allocated for our R&D expenditure will be used for working capital purposes. Conversely, any shortfall thereof will be funded from our Group's internally generated funds.

**(c) Establishment of new Singapore office**

Currently, we operate mostly from our principal places of business located in Penang and Selangor.

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.

We are currently exploring potential locations within the Central Business District. The estimated floor space for our Singapore office is about 600 sq ft. As at the LPD, we have yet to identify the exact office location for our Singapore office.

There are several multinational companies involved in semiconductor and manufacturing sectors that have their offices and plants located in Singapore including some of our existing customers. 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. The setting up of our Singapore office will initially involve hiring a small team of technician/marketing personnel to be based in Singapore on a fulltime basis.

We intend to allocate RM[●] million from the Public Issue proceeds to finance the establishment costs and working capital of our new Singapore office which would include initial company set-up costs and professional fees, rental expenses, office renovation, office equipment and IT infrastructure (hardware and software), staff costs for 1 business development personnel and 2 software technicians, and utility expenses for a period of 36 months. The breakdown of these estimated costs is as follows:-

| **Details** | **RM'000** |
|---|---:|
| Staff related costs | [●] |
| Rental expenses | [●] |
| Renovation, office equipment and IT infrastructure | [●] |
| Initial set-up cost and professional fees | [●] |
| General utility and overhead expenses | [●] |
| **Total** | **[●]** |

Please refer to Section 7.19.3 of this Prospectus for details pertaining to the establishment of our new Singapore office.

Any excess proceeds allocated for our establishment of new Singapore office will be used for working capital purposes. Conversely, any shortfall thereof will be funded from our Group's internally generated funds.

### (d) Repayment of bank borrowings

As at the LPD, our total bank borrowings stood at approximately RM11.60 million which comprised term loan facilities of RM10.89 million and hire purchase facilities of RM0.71 million. We intend to allocate RM[●] million from the Public Issue proceeds to partially reduce some of our outstanding bank borrowings, the details of which are as set out below:-

| **Financial Institution** | **Facility Type** | **Purpose** | **Interest Rate Per Annum** | **Maturity Date** | **Outstanding amount as at the LPD (RM'000)** | **Proposed Repayment (RM'000)** |
|---|---|---|---|---|---|---|
| RHB Islamic Bank Berhad | Islamic Term Financing | To part finance the renovation cost of Tangkas 9 Plant | 4.40% (BFR-2.30%) | July 2043 | 789 | [●] |
| Maybank Islamic Berhad | Islamic Term Financing | To part finance the purchase of Bukit Minyak Plant | 4.45% (BFR-2.20%) | December 2035 | 1,344 | [●] |
| RHB Islamic Bank Berhad | Islamic Term Financing | To part finance the purchase of Tangkas 9 Plant | 4.40% (BFR-2.30%) | February 2042 | 4,197 | [●] |
| RHB Islamic Bank Berhad | Islamic Term Financing | To part finance the purchase of Tangkas 3 Plant | 4.30% (BFR-2.40%) | May 2042 | 3,180 | [●] |
| Maybank Islamic Berhad | Islamic Term Financing | To part finance the purchase of Stellar Suites Office | 4.35% (BFR-2.30%) | March 2042 | 999 | [●] |
| | **Total** | | | | **10,509** | **[●]** |

The partial repayment of the above-mentioned borrowings is expected to have a positive financial impact on our Group with annual interest savings of approximately RM[●] million based on the existing prevailing interest rate for each of the banking facility disclosed above.

Based on our enlarged issued share capital of 650,000,000 Shares after the IPO, the proposed partial repayment of bank borrowings is expected to reduce our overall gearing level from 0.22 to [●] times based on the proforma combined statement of financial position as at 30 September 2023.

The final redemption sum will be determined based on the date of repayment and the actual interest savings may vary depending on the then applicable interest rate. The said partial repayment is not subject to any early settlement fee. In the event the proceeds for actual repayment of bank borrowings are lower than estimated, the excess will be used for our general working capital requirement.

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**(e) Working capital requirements**

Our requirement for working capital is expected to increase in line with our expected expansion and business growth. Therefore, our Group proposes to allocate approximately RM[●] million for our working capital requirements for the following:-

| Details | RM'000 |
|---|---|
| Payroll related costs (1) | [●] |
| Sales/Marketing related cost including exhibition, conference, travelling and accommodation (2) | [●] |
| Training and development costs (3) | [●] |
| Other general and administration expenses | [●] |
| **Total** | **[●]** |

Notes:-

(1) Payroll related costs including existing staff workforce as well as new hiring of personnel (excluding the new employees to be hired for the Product Engineering Services and R&D teams). Labour costs are our main direct cost and such costs are expected to increase due to salary increments and performance bonuses in order to attract and retain talents. We also intend to hire new headcounts from various disciplines for all our core business teams, which would allow us to position ourselves to undertake more projects/contracts from existing and prospective customers and support our Group's revenue growth.

(2) We intend to participate in more exhibitions and conference, both in Malaysia and overseas, to further boost our reputation and market presence. Such initiative is expected to create awareness of our Group and our products/solutions as well as to create more opportunities to gain acceptance and orders from prospective customers. The proceeds earmarked for this purpose shall be utilised to cover the travelling and accommodation expenses for our personnel, exhibition/conference fees, booth set-up costs and freight/logistics related costs.

(3) Cost of continuous training and development for both our existing and new personnel across all divisions. Such training and development is vital for our workforce in order to keep abreast with the latest developments and evolutions in technology and industry demands (such as AI, machine learning and cybersecurity).

We have been funding our working capital and operational costs via our internally generated funds. Therefore, the availability of additional working capital is expected to enhance our Group's liquidity and cash flow position to support the expected growth in our daily operations.

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**(f) Estimated listing expenses**

The breakdown estimated listing expenses to be borne by our Group are as follows:-

| Details | RM'000 |
|---|---|
| Advisory and professional fees [(1)] | [●] |
| Underwriting commission, brokerage fees and placement fees | [●] |
| Fees payable to authorities | [●] |
| Other miscellaneous expenses and contingencies [(2)] | [●] |
| **Total estimated listing expenses** | **[●]** |

Notes:-

(1) Includes fees for our Principal Adviser, Reporting Accountants, Solicitors, IMR, Share Registrar and other professional advisers as well as our Issuing House.

(2) Includes any other incidental charges or related expenses in relation to our IPO such as fees paid to translator, investor relation consultants, printing expenses, media related expenses, IPO event expenses and sales and service tax.

If the actual listing expenses are higher than budgeted, the shortfall will be funded from the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be used for working capital purposes.

The Offer for Sale is expected to raise gross proceeds of approximately RM[●] million, which will accrue entirely to the Offerors and we will not receive any of the proceeds. The Offerors shall bear their own expenses including, but not limited to, the placement fee in relation to the Offer for Sale.

## 4.9 UNDERWRITING COMMISSION, BROKERAGE FEE AND PLACEMENT FEE

### 4.9.1 Underwriting Commission

Our Sole Underwriter will underwrite 62,500,000 Public Issue Shares made available for application by the Malaysian Public and the Eligible Parties under the Pink Form Allocation. We are obligated to pay the Sole Underwriter an underwriting commission at the rate of [●]% of the total value of the Public Issue Shares underwritten based on the IPO Price.

### 4.9.2 Brokerage Fee

Brokerage fee is payable in respect of the 32,500,000 Public Issue Shares made available for Application by the Malaysian Public at the rate of 1.0% of the IPO Price in respect of successful Applications which bear the stamp of participating organisations of Bursa Securities, member of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association in Malaysia or the Issuing House.

### 4.9.3 Placement Fees

Our Sole Placement Agent has placed out a total of 92,500,000 IPO Shares to selected investors by way of private placement.

We will pay the Sole Placement Agent a placement fee of up to [●]% of the total value of the Public Issue Shares placed out via the private placement.

The Offerors will pay the Sole Placement Agent a placement fee of up to [●]% of the total value of the Offer Shares placed out via the private placement.

## 4.10 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

We have entered into the Underwriting Agreement with our Sole Underwriter to underwrite 62,500,000 Public Issue Shares.

The following terms are reproduced from the Underwriting Agreement including terms which allow our Sole Underwriter to withdraw from the underwriting obligation after the opening of our IPO. The capitalised terms and numbering references used in this Section 4.10 shall have the respective meanings and numbering references as ascribed to it in the Underwriting Agreement:-

[●]

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# 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

## 5.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

### 5.1.1 Shareholdings of Promoters and Substantial Shareholders

The details of our Promoters and substantial shareholders and their respective shareholdings in our Company before the IPO 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 | % |
| **Promoters and Substantial Shareholders** | | | | | | | | | |
| 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 |
| **Substantial Shareholders** | | | | | | | | | |
| 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.

Our Promoters and substantial shareholders have the same voting rights as other shareholders of our Company and there is no arrangement with any third parties which may result in a change in control of our Company.

Save as disclosed above, we are not aware of any other person who can, directly or indirectly, joint or severally, exercise control over our Company.

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(cont'd)*

### 5.1.2 Changes in Promoters' and Substantial Shareholders' Shareholdings

Save as disclosed below, there have been no other changes in the shareholdings of our Promoters and substantial shareholders in our Company since our incorporation on 5 April 2021 up to the LPD:-

| | [(1)] As at 5 April 2021 | | | | [(2)] After the Acquisitions | | | | [(3)] As at the LPD | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Direct | | Indirect | | Direct | | Indirect | | Direct | | Indirect | |
| | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| **Promoters and Substantial Shareholders** | | | | | | | | | | | | |
| Lee Chee Hoo | - | - | - | - | 161,009,000 | 29.82 | - | - | 161,009,000 | 29.82 | - | - |
| Koh Dim Kuan | - | - | - | - | 262,211,000 | 48.56 | - | - | 262,211,000 | 48.56 | - | - |
| **Substantial Shareholders** | | | | | | | | | | | | |
| MTDC [(4)] | - | - | - | - | 65,960,000 | 12.21 | - | - | 65,960,000 | 12.21 | - | - |
| Low Chee Onn [(4)] | - | - | - | - | 36,820,000 | 6.82 | - | - | 36,820,000 | 6.82 | - | - |
| Khazanah [(4)] | - | - | - | - | - | - | 65,960,000 | [(5)] 12.21 | - | - | 65,960,000 | [(5)] 12.21 |
| Matthew Ng Hau Keat [(6)] | 1 | 50.00 | - | - | - | - | - | - | - | - | - | - |
| Saw Siew Kim [(6)] | 1 | 50.00 | - | - | - | - | - | - | - | - | - | - |

Notes:-

(1) Based on the issued share capital of 2 Shares as at 5 April 2021, being the incorporation date of our Company.
(2) Based on the issued share capital of 540,000,000 Shares after the Acquisitions and the transfer of 2 subscribers' shares to Lee Chee Hoo.
(3) Based on the issued share capital of 540,000,000 Shares before the IPO.
(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.
(6) Ceased to be shareholders of the Company after the Acquisitions.

### 5.1.3 Profiles of our Promoters and Substantial Shareholders

The profiles of our Promoters and substantial shareholders are as follows:-

**(a)** **Koh Dim Kuan**, a Malaysian aged 43, is our Promoter, substantial shareholder and Executive Director/CEO. He was appointed to our Board on 8 February 2024. He is responsible for the business strategy, development, management and the overall operations of our Group.

He graduated with a Diploma in Technology (Electronic Engineering) and an Advanced Diploma in Technology (Electronic Engineering) from Tunku Abdul Rahman College in 2002 and 2004 respectively. He subsequently obtained a Bachelor in Electronics Systems Engineering from Sheffield Hallam University, United Kingdom in 2004.

He started his engineering career as a Graduate Trainee with Intel Microelectronics (M) Sdn Bhd in November 2004. He was promoted to Validation Design (Senior) in February 2005 where he was involved with post-silicon validation, product validation test plans and strategies, new product validation, managing project resources and providing technical debug support. He left the company in November 2008 to join Sophic Design as the Operation Manager and subsequently became a partner in October 2009. He was mainly responsible for overseeing the business operation as well as coordinating the overall training and consultancy works for Sophic Design. Sophic Design, a partnership formerly set up by Lee Chee Hoo, ceased its operation and transferred all of its businesses to SDTC Innovation Center Sdn Bhd *(now known as System Innotech Integration Experts Sdn Bhd)* ("**SIIE**") and the partnership subsequently expired in February 2011.

In May 2009, he co-founded SIIE to undertake engineering and technical training, design and consultancy services. During his tenure at SIIE, he co-ordinated an industrial automation training development course, which included an advanced programmable logic controller module, microcontroller application design, servo controller training kit, and sensor and data acquisition integration. In addition, he also managed the semiconductor tests and measurement lab in the Selangor Human Resource Development Centre to support requests from industrial engineers, conduct training and prototype product test and measurement services. In May 2015, he resigned as a director and ceased to be a shareholder of SIIE to focus on the business of our Group. SIIE had since been dissolved in July 2023.

Leveraging on his experience and expertise in control system design and engineering as well as his network of customers in the industry, he joined Sophic Automation in June 2011 and assumed the role of Chief Operations Officer to oversee the overall operations, marketing and business development activities. He was redesignated as our CEO in June 2020. In November 2011, he co-founded Sophic MSC with Lee Chee Hoo to initially undertake information system engineering and solution development activities.

Together with Lee Chee Hoo, he has been instrumental in the development, growth and success of our Group. He has been involved in the semiconductor industry for more than 15 years with extensive knowledge in automation solutions and engineering services. He was the Chairman of Malaysia Industrial 4.0 System Integrator Association since January 2021 and he resigned in January 2023.

He also sits on the Board of all of our subsidiary companies. Please refer to Section 5.2.3 of this Prospectus for his past and present involvements in other companies outside of our Group.

**(b)** **Lee Chee Hoo**, a Malaysian aged 51, is our Promoter, substantial shareholder and Executive Director/CDO. He was appointed to our Board on 8 February 2024. He is responsible for leading and facilitating our Group's business solutions, business growth and collaboration with ecosystem partners.

He graduated with a Bachelor in Electrical and Electronics Engineering from Universiti Sains Malaysia in 1998.

He started his career in June 1998 as an Engineer with Golden Hope Fibreboard Sdn Bhd where his responsibility included overseeing automation functions involving electrical devices and instruments at the company's manufacturing plant. In February 1999, he left the company to join Intel Products (M) Sdn Bhd as an Equipment and Process Engineer where he was responsible for various production and quality control activities including equipment and tooling development, product yield loss elimination activities and production capacity savings. He was promoted to Package Design Engineer and Electrical Analysis and Design Engineer in February 2001 where he was responsible for developing models and simulations for semiconductor chips. In January 2004, he was transferred to Intel Technology Sdn Bhd as a Senior Design Integrator, where he led a team of engineers in designing advanced semiconductor packaging for network processors. He was also responsible for the overall project management including managing production schedules, resource planning and design execution. He left Intel Technology in June 2007. During the same year, he set up a partnership, namely, Sophic Design, to offer technical training courses, design and consultancy services such as automation training kits and technical training program. In February 2011, Sophic Design ceased its operations and transferred all its businesses to SIIE, and the partnership subsequently expired in the same month.

He joined Sophic Automation as its director and became one of its shareholders in November 2008, and then assumed the role of CEO in 2013. Together with Koh Dim Kuan who joined Sophic Automation in June 2011, he gradually grew the business of Sophic Automation to be involved in the automation and digitalised solutions business and subsequently incorporated Sophic MSC with Koh Dim Kuan in November 2011. In August 2012, he became a director of SIIE where he was involved in the management of the overall business operations. In August 2015, he left SIIE to focus on growing and expanding our business operations. He was redesignated to his current position as a CDO in July 2020 and has since successfully guided and led the development of new digitalised solutions for our Group.

Together with Koh Dim Kuan, he has been instrumental in the development, growth and success of our Group. He 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.

He also sits on the Board of Sophic Automation and Sophic MSC. Please refer to Section 5.2.3 of this Prospectus for his past and present involvements in other companies outside of our Group.

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**(c)** **R3 Capital** was incorporated in Malaysia under the Act on 3 June 2021 as a private limited company under its present name. R3 Capital is an investment holding company and does not have any subsidiary or associated company.

As at the LPD, the issued share capital of R3 Capital is RM2.00 comprising 2 ordinary shares.

As at the LPD, the directors and substantial shareholders of R3 Capital are Koh Dim Kuan and Lee Chee Hoo with equal shareholdings of 50.0% respectively.

Upon the completion of the Share Transfer, R3 will become a substantial shareholder of our Company with total shareholdings of 260,000,000 Shares representing 40% of our enlarged issued share capital upon Listing.

### 5.1.4 Promoters' and/or Substantial Shareholders' Remuneration and Benefits

Save for the aggregate remuneration and benefits paid or proposed to be paid to our Promoters and/or substantial shareholders for services rendered to our Group in all capacities for the FYE 2023 and FYE 2024 as set out in Section 5.2.4 of this Prospectus, there are no other amount or benefits that have been paid or intended to be paid to our Promoters and/or substantial shareholders within the 2 years preceding the date of this Prospectus.

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## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(cont'd)*

### 5.2 DIRECTORS

### 5.2.1 Shareholdings of Directors

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

| | | (1) Before the IPO | | | | (2) After the IPO | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Direct | | Indirect | | Direct | | Indirect | |
| **Directors** | **Designation** | **No. of Shares** | **%** | **No. of Shares** | **%** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| Dato' Boonler Somchit | Non-Independent Non-Executive Chairman | - | - | - | - | 500,000 | 0.08 | - | - |
| Koh Dim Kuan | Executive Director/CEO | 161,009,000 | 29.82 | - | - | 28,009,000 | 4.31 | 260,000,000 | (3) 40.00 |
| Lee Chee Hoo | Executive Director/CDO | 262,211,000 | 48.56 | - | - | 129,211,000 | 19.88 | 260,000,000 | (3) 40.00 |
| Ahmad Khairuddin Bin Abdul Rahim | Independent Non-Executive Director | - | - | - | - | 150,000 | 0.02 | - | - |
| Hanita Binti Othman | Independent Non-Executive Director | - | - | - | - | 150,000 | 0.02 | - | - |
| Joyce Wong Ai May | Independent Non-Executive Director | - | - | - | - | 150,000 | 0.02 | - | - |
| Teresa Tan Siew Kuan | Independent Non-Executive Director | - | - | - | - | 150,000 | 0.02 | - | - |
| Mohammad Hazani Bin Hassan | Non-Independent Non-Executive Director | - | - | - | - | 150,000 | 0.02 | - | - |

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 and assuming the eligible Directors fully subscribe for their respective entitlements under the Pink Form Allocation, where applicable.
(3) Deemed interested by virtue of their respective shareholdings in R3 Capital pursuant to Section 8(4) of the Act.

### 5.2.2 Profiles of Directors

The profiles of our Executive Directors, namely Koh Dim Kuan and Lee Chee Hoo, who are also our Promoters and substantial shareholders, have been disclosed in Section 5.1.3 of this Prospectus. The profiles of our other Directors are as follows:-

**(a)** **Dato' Boonler Somchit**, a Malaysian aged 71, is our Non-Independent Non-Executive Chairman. He was appointed to our Board on 20 March 2024.

He graduated with a Bachelor of Science with Honours in Ecology (Honours) from Universiti Malaya ("**UM**") in 1977. In January 1978, he joined UM as a Graduate Assistant and he was subsequently promoted to Administrative Assistant in May 1979 and to Assistant Registrar in April 1982 where he was involved with administrative functions in various departments within UM before leaving UM in June 1984.

In August 1984, he joined the ASEAN Food Handling Bureau, a non-profit organisation involved in food handling consultancy and research, where he was responsible for the administration and management function of the organisation. He left in January 1988 and in February 1988, he joined Sunway College Sdn Bhd as the Registrar where he oversees and administers the overall administration and academic functions of the company. He left Sunway College Sdn Bhd in May 1989. In June 1989, he joined PSDC as a director and was subsequently designated as the CEO. He was responsible for overseeing the overall operations, management and development of the centre before retiring in February 2014.

During his tenure with PSDC, he was instrumental in providing leadership and strategy development to ensure PSDC's continued relevance as a talent development organisation. He developed and maintained high-level key relationships with the PSDC management team, multinational corporations, SMEs and many government bodies and agencies, including TalentCorp, NCIA, Khazanah, EPU, and MIDA. His other key responsibilities in PSDC include managing the operational and budget matters for the organisation, interfacing with trainers/subject matter experts and interacting with stakeholders and customer base to develop opportunities to support customers' development needs. He also represented PSDC as a guest speaker at national and international seminars, symposiums and conferences. He was also involved in providing consultancy and advisory services for several feasibility studies and setting up training and development centres nationally and internationally. He also sat on several boards and steering committees at both national and state government bodies/agencies.

Please refer to Section 5.2.3 of this Prospectus for his past involvements in other companies outside of our Group.

**(b)** **Ahmad Khairuddin Bin Abdul Rahim**, a Malaysian aged 62, is our Independent Non-Executive Director. He was appointed to our Board on 20 March 2024. He is also the Chairman of our Remuneration Committee.

He obtained a Diploma in Business Studies from Institut Teknologi MARA *(now known as Universiti Teknologi MARA (UiTM))* in 1983. He also obtained a Bachelor of Business Administration from Eastern Michigan University, USA in 1985 and a Master of International Business Administration from the United States International University, USA in 1988.

He started his career as an Assistant Registrar with International Islamic University, Malaysia in February 1989 where he was involved with general administration. He left the university in December 1990 and in January 1991, he joined MIDA as an Assistant Director in several divisions i.e. Resource Based Industries Division, Planning Division and Industry Support Division. In December 1999, he was assigned as Assistant Director to MIDA office in London, UK. He returned to Malaysia in February 2003 and was attached to the Manufacturing-related Services Division and was later promoted to Senior Assistant Director. He was subsequently promoted to Deputy Director in December 2005 and to Senior Deputy Director (Logistic Services and Regional Operation Division) in January 2008. In November 2009, he was assigned as Director to MIDA office in Sydney, Australia. In January 2013, he returned to Malaysia and assumed the position of Director in Clean/Green Technology and Management Division. He was subsequently promoted to Executive Director of Investment Promotion in July 2014, after which he was transferred to the Manufacturing Development (Resource) in May 2015. In May 2019, he was promoted to Senior Executive Director for Strategic Planning and Development. He was subsequently promoted to Deputy Chief Executive Officer for Investment Development in December 2019.

He retired from MIDA in February 2022 and he brings with him more than 30 years of working experience and knowledge with MIDA in various roles and functions. Throughout his tenure with MIDA, he was responsible for overseeing the investment promotion and industrial development of areas under the purview of MIDA. His portfolio in MIDA was on investment development, covering 11 divisions, namely, business services and regional operations; chemical and advanced materials; electrical and electronics: food technology and resources; life sciences and medical technology; lifestyle; machinery and metal; oil and gas, maritime and logistics; green technology; healthcare, education and hospitality; transport technology; and one unit, i.e., biocircular economy.

He does not have any past or present involvement in other companies outside of our Group.

**(c)** **Hanita Binti Othman**, a Malaysian aged 58, is our Independent Non-Executive Director. She was appointed to our Board on 20 March 2024. She is a member of our Audit and Risk Management Committee and the Nomination Committee.

She graduated with the Association of Chartered Certified Accountants ("**ACCA**") from Emile Woolf College, United Kingdom in 1989. She is a member of the Malaysian Institute of Accountants and a fellow of ACCA.

She started her career in auditing when she joined Coopers & Lybrand Kuala Lumpur as Audit Semi-Senior in June 1990. During her tenure at Coopers & Lybrand Kuala Lumpur, she was involved in various statutory and non-statutory audit of companies, due diligence review, internal control review and reporting accountant activities. She left Coopers & Lybrand Kuala Lumpur in September 1997 as an Audit Manager, to join SPK Sentosa Corporation Bhd as Senior Accountant where she was involved in managing the group's accounting activities. In February 1998, she left SPK Sentosa Corporation Bhd to join Price Waterhouse (presently known as PricewaterhouseCoopers) as Audit Manager where she continued her career in auditing. In September 1999, she left Price Waterhouse to join the Kuala Lumpur Stock Exchange (presently known as Bursa Securities) as a Manager of the Financial Review and Surveillance department where she was involved in monitoring corporate activities and financial irregularities of listed companies.

In January 2001, she was transferred to the Securities Issues department in preparation to undertake a review of applications for listing on the Malaysian Exchange of Securities Dealing and Automated Quotation ("**MESDAQ**") Market (revamped into the ACE Market in 2009). This also involved secondment to the SC's Securities Issues department. The KLSE-MESDAQ merger was completed in March 2002. She became Head, Issues of the Securities Issues department in 2003. In January 2005, she was transferred to the Group Strategic Planning department where she was responsible for planning business strategies, monitoring Bursa Securities-wide initiatives and the implementation of certain initiatives under the Capital Market Masterplan.

In January 2006, she joined the SC as Assistant General Manager where she resumed her previous function involving the assessment and processing of applications for companies' listing on the MESDAQ Market as well as secondary fund raisings on the Main Board, Second Board and MESDAQ Market. In September 2009, she left Securities Commission Malaysia and returned to Bursa Securities as Head of Issuers – ACE Market department where she continued her role in the assessment and processing of applications for listing on the ACE Market. In February 2017 she was transferred to the Primary Market of Securities Market division where she was involved in the marketing and development of initial public offering and fund-raising ecosystem. In August 2018, she was promoted to Senior Vice President of the Primary Market, Listing Development department. In March 2021, she left Bursa Securities to pursue her personal interests in other areas of corporate finance. Since March 2022, she serves as a consultant for Brunei Darussalam Central Bank on matters relating to listing and public offerings.

She does not have any past or present involvement in other companies outside of our Group.

**(d)** **Joyce Wong Ai May**, a Malaysian aged 48, is our Independent Non-Executive Director. She was appointed to our Board on 20 March 2024. She is the Chairwoman of our Audit and Risk Management Committee and a member of our Remuneration Committee and Nomination Committee.

She obtained a Bachelor of Commerce from the University of Tasmania, Australia in 1998. She is a member of the Malaysian Institute of Accountants, a corporate member of the Institute of Internal Auditors Malaysia and a fellow member of the Certified Practicing Accountants, Australia.

She began her career as an Accounts Executive with Smith Zain Securities Sdn Bhd in June 1999 and later became the Head of Finance in 2002 under BBMB Securities Sdn Bhd, Penang Branch (BBMB Securities Sdn Bhd took over the business of Smith Zain Securities Sdn Bhd). She was responsible for treasury, management accounting and financial accounting. Following a takeover of the business of Smith Zain Securities Sdn Bhd by BBMB Securities Sdn Bhd, she was rehired as the company's Penang branch Head of Finance in December 2002 where she was in charge of the overall branch-level activities for the Finance department before leaving the company in January 2004. In February 2004, she joined Hwang-DBS Securities Berhad as an Internal Audit Officer where she was responsible for conducting independent audits on risk management, operations, and financial areas. In July 2004, she left Hwang-DBS Securities Berhad. In August 2004, she joined Fastrack Corporate Sdn Bhd as an Executive, mainly responsible for handling secretarial-related matters for private and public companies. She left the company in January 2005 and joined UHY Malaysia as an Audit Supervisor and was subsequently promoted to Director in January 2015, where she was in charge of supervising the firm's overall operations.

She left the firm in May 2016 to set up her own consulting firm, JWC Consulting Sdn Bhd which provides business management consultancy services and serves public listed companies with reviews on their business processes, corporate governance and risk management. Joyce also sits on the Industry Advisory Panel of the School of Business of Disted College, Penang.

She is currently an Independent Non-Executive Director of Dufu Technology Corp Berhad, PCCS Group Berhad and Edelteq Holdings Berhad, public companies listed on Bursa Securities. Further details of her past and other present involvements in companies outside of our Group are disclosed in Section 5.2.3 of this Prospectus.

**(e)** **Teresa Tan Siew Kuan**, a Malaysian aged 55, is our Independent Non-Executive Director. She was appointed to our Board on 20 March 2024. She is the Chairwoman of our Nomination Committee and also a member of our Audit and Risk Management Committee and Remuneration Committee.

She graduated with a Bachelor of Economics from the University of Adelaide, Australia in 1992. She is a member of the Certified Practising Accountant (Australia) and the Malaysian Institute of Accountants.

She started her career as an Audit Assistant with Kassim Chan + Co (now known as Deloitte) in February 1992, where she was involved in external audit fieldwork for financial statements and internal control procedures for corporate clients. In October 1993, she left and joined Coopers & Lybrand (now known as PriceWaterhouse Coopers) as a Tax Assistant, where she was mainly involved in tax audit works. In June 1995, she left and joined Malaysian International Merchant Bankers Berhad (now known as Hong Leong Investment Bank Berhad) as an Executive, Corporate Finance and held her last position as an Assistant Vice President, Corporate Finance and Acting Branch Manager in July 2004. She then left to join K&N Kenanga Berhad (now known as Kenanga Investment Bank Berhad) in August 2004 as a Senior Manager, Corporate Finance. During her tenure with the investment banks, she mainly provided corporate advisory services to corporate/institutional clients and public listed companies. She left in August 2007 and took a 1-year career break before joining KDU College Penang (now known as UOW Malaysia KDU Penang University College) in August 2008 as a lecturer in accounting and auditing subjects of the Australian tertiary twinning programmes. She left KDU College Penang in November 2009 and in February 2010, she rejoined K&N Kenanga Berhad (currently known as Kenanga Investment Bank Berhad) as a Senior Manager for the investment banking division, where she was responsible for marketing the group's products and services. In March 2014, she was transferred to Kenanga Investors Berhad, Penang as the Vice President, Business Development Manager where she was mainly responsible for the marketing and distribution of products and services to the retail market segment and the financial, operational and administrative matters of the Penang branch. In November 2017, she left Kenanga Investors Berhad and joined TT Vision Holdings Berhad as the Chief Finance Officer where she was responsible for the overall finance and accounts of the group whilst overseeing the listing exercise of the company on the LEAP Market of Bursa Securities. She left TT Vision Holdings Berhad in September 2019. Currently, she provides management and business consultancy services on a freelance basis.

She is currently an Independent Non-Executive Director of PLB Engineering Berhad and IQ Group Holdings Berhad, public companies listed on Main Market of Bursa Securities. Further details of her past and other present involvements in companies outside of our Group are disclosed in Section 5.2.3 of this Prospectus.

**(f)** **Mohammad Hazani Bin Hassan**, a Malaysian aged 59, is our Non-Independent Non-Executive Director. He was appointed to our Board on 20 March 2024. He is also a corporate representative of MTDC to our Board.

He obtained a Bachelor of Science in Mechanical Engineering from the California State University, Sacramento, USA in 1988 and a Diploma in Management for Technology from the Singapore Institute of Engineering Technologists in 1993.

He started his career as a Research Assistant with SIRIM Berhad in October 1988 where he was mainly responsible for research work. He left the company in March 1989 to join Omron (M) Sdn Bhd as a Management Trainee. He left the company in March 1993 with his last position as Section Head, where he was involved in managing engineers and technicians for daily operations of plant facilities and machinery. During the same month, he joined MTDC as an Assistant Manager of Investment. He had held several positions within MTDC before he left as Assistant General Manager, Investment and Special Project in July 2001. He was mainly involved in deal sourcing and evaluation, deal structuring, technology transfer (locally and abroad) and fundraising activities.

In August 2001, he joined Kumpulan Modal Perdana Sdn Bhd ("**KMP**") in August 2001 as Senior Vice President. He was also seconded to Hi Tech Ventures Capital LP in Silicon Valley, USA between October 2004 and October 2007. He left the company in May 2012 with his last position as the Principal. During his tenure with KMP, he was involved with venture capital funds activities, managing special projects, including the local microchip design initiative and business accelerator operation through plug and play technology management. In June 2012, he rejoined MTDC as Director, Technology Transfer and Commercialisation. In June 2015, he was promoted to Director, Technology Ventures Division before being promoted to his current position as CEO in January 2023.

He has vast experience in fund management, venture capital and technology transfer having been involved in the industry for the last 30 years, both locally and internationally. He was previously the Chairman of the Malaysian Venture Capital Association and a management committee member of the Technopreneur Association of Malaysia management committee.

He also sits on the Board of Sophic Automation. Details of his past and other present involvements in other companies outside of our Group, including several MTDC's investee companies, are disclosed in Section 5.2.3 of this Prospectus.

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### 5.2.3 Involvement of our Directors in Other Businesses/Corporations Outside Our Group

Save as disclosed below, our Directors do not have any other principal directorship held or principal business activities performed by them in other businesses or corporations outside our Group within the past 5 years up to the LPD:-

| Director | Company/Business | Principal Activities | Position | Date of Appointment/ Resignation | % Equity Interest as at LPD |
|---|---|---|---|---|---|
| Dato' Boonler Somchit | *Past Involvement* | | | | |
| | 1. Teluk Nibong Ventures Sdn Bhd | Provision of transition support services including outplacement support and training support services for the development of human capital *(Dissolved on 25 April 2022)* | Director | 01.01.2015/ 31.07.2020 | - |
| | 2. Penang Masonic Temple Sdn Bhd | Fraternal society | Director | 31.10.2016/ 14.10.2019 | - |
| | 3. I2M Ventures Sdn Bhd | Promotion, marketing, administration of business service cluster in Iskandar Puteri, Johor | Director | 05.06.2017/ 04.06.2019 | - |
| Koh Dim Kuan | *Existing Involvement* | | | | |
| | 1. R3 Capital | Investment holding with sole purpose of holding our Shares pursuant to the Share Transfer | Director and shareholder | 03.06.2021/ - | 50.00 |
| | 2. SVN Automation | Trading of office and factory furniture, repair and installation services | Shareholder | - | 22.40 |
| | *Past Involvement* | | | | |
| | 1. Inno OPX Sdn Bhd | Computer programming activities | Director | 23.09.2019/ 15.03.2023 | - |
| | 2. Agensi Pekerjaan Sophic Sdn Bhd | To carry on the business as private employment agency, to recruit and place a worker to another employer *(Struck-off on 29 June 2022)* | Director | 26.10.2020/ 29.06.2022 | - |
| | 3. Maju Seimpian PLT | Providing consultation and services in horticulture, plantation, cash crop planting and fruit trading | Partner | 31.05.2013/ 09.03.2022 | - |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(cont'd)*

| Director | Company/Business | Principal Activities | Position | Date of Appointment/ Resignation | % Equity Interest as at LPD |
|---|---|---|---|---|---|
| | 4. Easy Remote Solution Sdn Bhd | Provide things of internet total solution to various industry, equipped with the most hardware and software knowledge on smart manufacturing process | Director | 29.05.2017/ 12.05.2021 | - |
| | 5. Joman Sdn Bhd | Trading in computer and computer stationers | Director | 17.04.2017/ 12.05.2021 | - |
| Lee Chee Hoo | *Existing Involvement* | | | | |
| | 1. R3 Capital | Investment holding, with sole purpose of holding our Shares pursuant to the Share Transfer | Director | 03.06.2021/ - | 50.00 |
| | 2. SVN Automation | Trading of office and factory furniture, repair and installation services | Shareholder | - | 36.48 |
| | *Past Involvement* | | | | |
| | 1. Agensi Pekerjaan Sophic Sdn Bhd | To carry on the business as private employment agency, to recruit and place a worker to another employer *(Struck-off on 29 June 2022)* | Director | 10.01.2013/ 29.06.2022 | - |
| | 2. Easy Remote Solution Sdn Bhd | Provide things of internet total solution to various industry, equipped with the most hardware and software knowledge on smart manufacturing process | Director | 29.05.2017/ 12.05.2021 | - |
| | 3. Joman Sdn Bhd | Trading in computer and computer stationers | Director | 17.04.2017/ 12.05.2021 | - |
| Ahmad Khairuddin Bin Abdul Rahim | *Past Involvement* | | | | |
| | 1. Malaysia Steel Institute | Promote and develop competitiveness, resilience and sustainability of the Malaysian iron and steel industry; provide advisory services and carry out, commission or promote study scientific, technological and economic aspects of iron and steel industry development in Malaysia; promote iron and steel product standardisation and utilisation within Malaysia | Director | 03.12.2021/ 25.02.2022 | - |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(cont'd)*

| Director | Company/Business | Principal Activities | Position | Date of Appointment/ Resignation | % Equity Interest as at LPD |
|---|---|---|---|---|---|
| Joyce Wong Ai May | *Existing Involvement* | | | | |
| | 1. Edelteq Holdings Berhad | A public company listed on ACE Market of Bursa Securities with subsidiaries principally involved in design and assembly of integrated circuits burn-in boards and supply of printed circuit boards, supply and refurbishment of IC assembly and test consumables, design, development and assembly of automated test equipment and factory automation, and trading of operating supplies, spare parts and tools | Independent non-executive director | 01.08.2022/ - | - |
| | 2. PCCS Group Berhad | A public company listed on Main Market of Bursa Securities with subsidiaries principally engaged in R&D, manufacturing, import and export of medical and healthcare product, printing and sale of labels and stickers, manufacturing of seamless bond and silk screen products, manufacturing and sale of apparels, provision of agency and handling services and manufacturing and trading of garments, wholesale of medical, professional, scientific and precision equipment, financial leasing activities | Independent non-executive director | 02.11.2020/ - | 0.03 |
| | 3. Dufu Technology Corp Berhad | A public company listed on Main Market of Bursa Securities with subsidiaries principally engaged in design, development, manufacture, assembly and trading of die components and precision machining of vice, computer peripherals and parts for hard disk drive, manufacturing and trading of optics and magnetism driver and parts, engaging in metal precision manufacturing and processing parts such as metal components for special equipment for electronics industry, air conditioning compressor accessories and auto parts, design, develop, manufacture, fabricate, assembly and trading of precision steel mould, metal products and steel parts, medical industry's chairs and instrument tables and processing and trading of high quality computer disk-drive related components | Independent non-executive director | 23.05.2016/ - | - |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(cont'd)*

| Director | Company/Business | Principal Activities | Position | Date of Appointment/ Resignation | % Equity Interest as at LPD |
|---|---|---|---|---|---|
| | 4. JWC Consulting Sdn Bhd | Business management consultancy services | Director and shareholder | 04.05.2016/ - | 50.00 |
| | *Past Involvement* | | | | |
| | 1. NCT Alliance Berhad | A public company listed on Main Market of Bursa Securities with subsidiaries principally engaged in general contractor and contractor of renovation works, property development, provision of project management services to companies within the same group and buying, selling, renting and operating of self-owned or leased real estate-land | Independent non-executive director | 22.12.2017/ 11.09.2019 | - |
| Teresa Tan Siew Kuan | *Existing Involvement* | | | | |
| | 1. BWYS Group Berhad | A public investment holding company with subsidiaries involved in manufacturing of sheet metal products and supply of scaffoldings, trading of steel materials and steel related products | Independent non-executive director | 01.08.2023/ - | - |
| | 2. IQ Group Holdings Berhad | A public company listed on the Main Market of Bursa Securities with subsidiaries principally involved in the design, manufacture and sales of motion sensors, sensor and security lighting, wireless door entry products, home security system, lighting fixtures and household electrical appliances | Independent non-executive director | 01.03.2023/ - | - |
| | 3. PLB Engineering Berhad | A public company listed on the Main Market of Bursa Securities with subsidiaries principally involved in building construction and property development | Independent non-executive director | 05.10.2022/ - | - |
| | *Past Involvement* | | | | |
| | 1. TCS Advisors PLT | Dormant | Partner | 30.09.2019/ 14.03.2023 | - |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(cont'd)*

| Director | Company/Business | Principal Activities | Position | Date of Appointment/ Resignation | % Equity Interest as at LPD |
|---|---|---|---|---|---|
| Mohammad Hazani Bin Hassan | *Existing Involvement* | | | | |
| | 1. Wiserite Sdn Bhd | Investment holding of companies which are involved in technology sector | Director | 01.02.2023/ - | - |
| | 2. MTDC | Engaged in venture capital activities, management of government grants, technology incubation management and technology support services | Director / CEO | 01.01.2023/ - | - |
| | 3. MTDC BSF Sdn Bhd | Venture capital companies, activities of holding companies, investment advisory services | Director | 31.12.2020/ - | - |
| | 4. MTDC BGF Sdn Bhd | Investment advisory services, venture capital companies, activities of holding companies | Director | 31.12.2020/ - | - |
| | 5. Vepro Group Sdn Bhd | Manufacturing, engineering, design, integration and service provider of packaging, filing, processing equipment machinery, robotic system, material handling and automation machinery, customize software, material trading and general merchants | Director | 17.02.2020/ - | - |
| | 6. Sentinext Therapeutics Sdn Bhd | R&D of biotechnology products | Director | 24.10.2019/ - | - |
| | 7. Bateriku (M) Sdn Bhd | Wholesale and retail sale of all kinds of parts, components, supplies, tools and accessories for motor vehicles, insurance agent, other management consultancy activities | Director | 03.09.2019/ - | - |
| | 8. Al-Meswak Mu'min Sdn Bhd | Manufacturing and trading of toothpaste, oral care and toiletries products | Director | 04.10.2017/ - | - |
| | *Past Involvement* | | | | |
| | 1. GMMI Sdn Bhd | R&D, manufacturing, sales and marketing and trading of medical related products | Director | 28.06.2012/ 31.03.2024 | - |

## 5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(cont'd)*

| Director | Company/Business | Principal Activities | Position | Date of Appointment/ Resignation | % Equity Interest as at LPD |
|---|---|---|---|---|---|
| | 2. Globetronics Technology Berhad | A public company listed on Main Market of Bursa Securities with subsidiaries principally engaged in assembly and testing of integrated circuits, optoelectronic products and technical plating services, manufacturing of small outline components, light emitting diode components and modules, and technical plating services for the semiconductor industry, development and assembly of sensors and optical products for smart mobile and wearable applications, trading of electronics/semiconductor components and provision of computer hardware and software, system solutions and consultations | Independent non-executive director | 07.05.2021/ 21.02.2024 | - |
| | 3. Malaysian Phosphate Additives Sdn Bhd | Manufacturing of feed and fertiliser phosphate products and trading of sulphuric acid | Director | 28.06.2012/ 18.10.2023 | - |
| | 4. Malaysian Phosphate Venture Sdn Bhd | Investment holding company of Malaysian Phosphate Additives Sdn Bhd | Director | 10.06.2019/ 18.10.2023 | |
| | 5. MCOM Holdings Berhad | A public listed investment holding company listed on LEAP Market of Bursa Securities with subsidiaries principally engaged in provision of mobile advertising platform services, mobile payment solution services and management services | Independent non-executive director | 03.09.2019/ 12.05.2022 | - |
| | 6. MGV Industries Sdn Bhd | Manufacturers and distributor of carbonated, sparkling fruit and nutritional drinks | Director | 27.05.2013/ 20.03.2020 | - |

As at the LPD, the directorship of our Directors are in compliance with Rule 15.06 of the Listing Requirements as none of our Directors hold more than 5 directorships in public listed companies of Bursa Securities.

Our Directors' current principal directorships and principal business activities performed outside our Group will not give rise to a conflict of interest with our Group in view that none of those companies in which they have involvements carry on similar trade or manufacture similar products as our Group, or are the customers or suppliers of our Group.

Our Executive Directors believe that their involvements in other business activities outside our Group are minimal as they are not involved in the day-to-day operations and management of the said companies.

In addition, the involvements of our Non-Executive Directors in those business activities as stated above will not affect their contributions to nor abilities/commitments to carry out their respective roles with our Group as they are not involved in the day-to-day operations and active management of the said companies other than attendance at board meetings and/or taking an oversight role.

### 5.2.4 Remuneration of Directors

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for the FYE 2023 and FYE 2024 are set out below:-

| | Actual FYE 2023 (RM'000) | | | | |
|---|---|---|---|---|---|
| **Directors** | **Salary** | **Directors' fee** | **Benefits-in-kind** | **(1) Other emoluments** | **Total** |
| Dato' Boonler Somchit | - | 30 | - | 3 | 33 |
| Koh Dim Kuan | 270 | - | - | 33 | 303 |
| Lee Chee Hoo | 270 | - | - | 33 | 303 |
| Ahmad Khairuddin Bin Abdul Rahim | - | - | - | - | - |
| Hanita Binti Othman | - | - | - | - | - |
| Joyce Wong Ai May | - | - | - | - | - |
| Teresa Tan Siew Kuan | - | - | - | - | - |
| Mohammad Hazani Bin Hassan | - | 30 | - | 3 | 33 |

| | (2) Proposed for FYE 2024 (RM'000) | | | | |
|---|---|---|---|---|---|
| **Directors** | **Salary** | **Directors' fee** | **Benefits-in-kind** | **(1) Other emoluments** | **Total** |
| Dato' Boonler Somchit | - | 60 | - | - | 60 |
| Koh Dim Kuan | 318 | - | - | 40 | 358 |
| Lee Chee Hoo | 282 | - | - | 35 | 317 |
| Ahmad Khairuddin Bin Abdul Rahim | - | 36 | - | - | 36 |
| Hanita Binti Othman | - | 36 | - | - | 36 |
| Joyce Wong Ai May | - | 41 | - | - | 41 |
| Teresa Tan Siew Kuan | - | 36 | - | - | 36 |
| Mohammad Hazani Bin Hassan | - | 35 | - | - | 35 |

Notes:-

(1) Comprising bonus, allowance and contributions to the Employees Provident Fund Board, Social Security Organisation and Employment Insurance System, where applicable.

(2) The bonuses to our Executive Directors for FYE 2024, if any, will be determined at a later date based on the Group's financial performance for the FYE 2024 and their respective performances, and will be subject to recommendation of our Remuneration Committee and approval by our Board.

The remuneration of our Directors including fees, salaries, bonuses, other emoluments and benefits-in-kind, must be reviewed and recommended by our Remuneration Committee and subsequently, be approved by our Board. The Directors' fees and any benefits payable to our Directors shall be further subject to approval by our shareholders at a general meeting.

## 5.3 BOARD PRACTICES

### 5.3.1 Directors' Terms of Office

As at the LPD, the details of the date of expiration of the current term of office for each and every Director of our Company and the period for which our Directors have served in that office are as follows:-

| Director | Designation | Date of Appointment as Director | Date of Expiration of the Current Term of Office | No. of Years and Months in Office as at LPD |
|---|---|---|---|---|
| Dato' Boonler Somchit | Non-Independent Non-Executive Chairman | 20 March 2024 | Shall retire at the AGM to be held in 2024 | Less than 1 year |
| Koh Dim Kuan | Executive Director/CEO | 8 February 2024 | Shall retire at the AGM to be held in 2024 | Less than 1 year |
| Lee Chee Hoo | Executive Director/CDO | 8 February 2024 | Shall retire at the AGM to be held in 2024 | Less than 1 year |
| Ahmad Khairuddin Bin Abdul Rahim | Independent Non-Executive Director | 20 March 2024 | Shall retire at the AGM to be held in 2024 | Less than 1 year |
| Hanita Binti Othman | Independent Non-Executive Director | 20 March 2024 | Shall retire at the AGM to be held in 2024 | Less than 1 year |
| Joyce Wong Ai May | Independent Non-Executive Director | 20 March 2024 | Shall retire at the AGM to be held in 2024 | Less than 1 year |
| Teresa Tan Siew Kuan | Independent Non-Executive Director | 20 March 2024 | Shall retire at the AGM to be held in 2024 | Less than 1 year |
| Mohammad Hazani Bin Hassan | Non-Independent Non-Executive Director | 20 March 2024 | Shall retire at the AGM to be held in 2024 | Less than 1 year |

### 5.3.2 Audit and Risk Management Committee

The main functions of our Audit and Risk Management Committee include, amongst others, the following:-

(a) to review the external auditors to ensure its independence and to set up policies and procedures to ensure quality and reliability of audited financial statements;

(b) to review the quarterly and annual financial statements to ensure compliance with the accounting standards and legal requirements;

(c) to review audit report quarterly to ensure any related party transactions, if any, are conducted at arm's length and to inform the Board of any major findings and to review any conflict of interest situation that arose and action taken to resolve and mitigate such conflict;

(d) to review the internal audit function in relation to its scope, competency, resources, internal audit program, members' performance, major findings of internal investigations, whistleblowing reports including to perform oversight function over the whistleblowing policy and management's response;

(e) to review the internal audit report and approves the annual audit and training plan, methodologies and scope;

(f) to recommend the risk management policies and procedures and to review its systems, internal control and governance processes and recommend changes as required which addresses the strategic, operational, financial and compliance risks;

(g) to implement and monitor the risk management framework;

(h) to review and verify at the end of each financial year the LTIP allocation in compliance with the criteria as stipulated in the by-law of the employees' share scheme of the Group, if any;

(i) to review the Group's risk profile, report to the Board on the Group's risk exposures and to evaluate measures to mitigate business risks;

(j) to set reporting guidelines on the management of business risks;

(k) to evaluate the quality of audit conducted by internal and external auditors and provide assurance that the financial information presented by management is relevant and reliable; and

(l) to observe a proper code of conduct and determine adequacy of the Group's control environment;

The members of our Audit and Risk Management Committee are as follows:-

| **Name** | **Designation** | **Directorship** |
|---|---|---|
| Joyce Wong Ai May | Chairwoman | Independent Non-Executive Director |
| Hanita Binti Othman | Member | Independent Non-Executive Director |
| Teresa Tan Siew Kuan | Member | Independent Non-Executive Director |

### 5.3.3 Remuneration Committee

The main functions of our Remuneration Committee include, amongst others, the following:-

(a) to recommend a framework of remuneration for all Directors and key senior management covering all aspects of remuneration including Director's fee, salaries, allowance, bonuses, options and benefit-in-kind;

(b) to review and recommend the remuneration package of our Executive Directors and if applicable, senior management, which align with the Group's business strategy, long-term objectives, operating results and comparable remuneration statistics in the market;

(c) to review annually the performance of the Directors and recommend to the Board specific adjustments in remuneration and/or reward payments;

(d) to formulate policies, guidelines and set criteria for a fair and appropriate remuneration packages for the Directors according to the general market sentiments or conditions and are in compliance with the regulatory requirements;

(e) to review and recommend the compensation payable to the Directors in connection with any loss or termination of their office are in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Group; and

(f) to ensure corporate accountability and governance in respect of the Board remuneration and compensation function.

The members of our Remuneration Committee are as follows:-

| Name | Designation | Directorship |
|---|---|---|
| Ahmad Khairuddin Bin Abdul Rahim | Chairman | Independent Non-Executive Director |
| Joyce Wong Ai May | Member | Independent Non-Executive Director |
| Teresa Tan Siew Kuan | Member | Independent Non-Executive Director |

### 5.3.4 Nomination Committee

The main functions of our Nomination Committee include, amongst others, the following:-

(a) To determine the criteria for Board membership and appointment of senior management, including qualities, experience, skills, expertise, education background and qualifications, competencies, integrity, contribution, diversity and time commitment to serve the Group;

(b) To ensure appropriate selection criteria and processes and to identify and recommend to the Board, candidates for directorships of the Company and members of the relevant Board committees including their competencies, expertise, experience, potential conflict of interests, commitment, contribution and performance;

(c) To evaluate the effectiveness of the Board and the relevant Board committees and to oversee their appointment, management succession planning and performance evaluation;

(d) To ensure an appropriate framework and succession planning for the Board;

(e) To evaluate annually, the overall composition of the Board and the balance amongst the executive, non-executive and independent directors,

(f) To annually assess the performance and effectiveness of the Board as a whole and the contribution of each Director to the performance of the Company;

(g) To recommend and ensure that the Board receives appropriate continuous training to maintain adequate level of competency and to effectively discharge their roles as the Directors;

**5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT** *(cont'd)*

(h) To review annually and recommend to the Board with regard to the structure, size, tenure, directorships, diversity, balance and composition of the Board and Committees including the required core competencies, mix of skills and experience; and

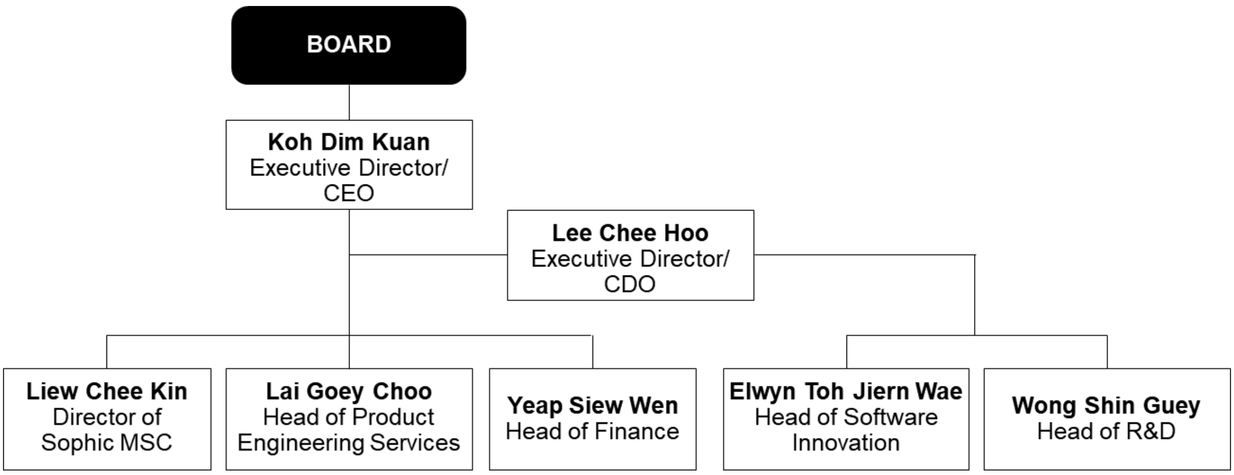
(i) To recommend to the Board the duties and responsibilities of the Directors, including membership and Chairpersonship of the Board Committees.

The members of our Nomination Committee are as follows:-

| **Name** | **Designation** | **Directorship** |
|---|---|---|
| Teresa Tan Siew Kuan | Chairwoman | Independent Non-Executive Director |
| Hanita Binti Othman | Member | Independent Non-Executive Director |
| Joyce Wong Ai May | Member | Independent Non-Executive Director |

## 5.4 MANAGEMENT REPORTING STRUCTURE

Our management reporting structure is set out below:-

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## 5.5 KEY SENIOR MANAGEMENT

### 5.5.1 Shareholdings of Key Senior Management

The details of our key senior management and their respective shareholdings in our Company before and after the IPO are as follows:-

| Key Senior Management | Designation | (1) Before the IPO | | | | (2) After the IPO | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Direct | | Indirect | | Direct | | Indirect | |
| | | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Liew Chee Kin | Director of Sophic MSC | 14,000,000 | 2.59 | - | - | 14,000,000 | 2.15 | - | - |
| Elwyn Toh Jiern Wae | Head of Software Innovation | - | - | - | - | 500,000 | 0.08 | - | - |
| Lai Goey Choo | Head of Product Engineering Services | - | - | - | - | 1,000,000 | 0.15 | - | - |
| Wong Shin Guey | Head of R&D | - | - | - | - | 1,500,000 | 0.23 | - | - |
| Yeap Siew Wen | Head of Finance | - | - | - | - | 500,000 | 0.08 | - | - |

Notes:-

(1) Based on our issued share capital of 540,000,000 Shares before the IPO.

(2) Based on our enlarged issued share capital of 650,000,000 Shares after the IPO and assuming the eligible key senior management fully subscribe for their respective entitlements under the Pink Form Allocation, where applicable.

### 5.5.2 Profiles of Key Senior Management

The profiles of our key senior management are as follows:-

**(a)** **Liew Chee Kin**, a Malaysian aged 42, is the Director of Sophic MSC. He graduated with a Diploma in Electronic Engineering (Computer) from Ungku Omar Polytechnic in 2003.

He started his career as a Mask Designer with Kelly Services (Malaysia) Sdn Bhd in December 2003, where he was assigned to an engineering support services project with Intel Microelectronics (M) Sdn Bhd to design and test ICs. In January 2005, he was absorbed as a full-time employee and was designated as an Engineer Technician, where he performed pre-silicon and post-silicon validation activities. He left Intel Microelectronics (M) Sdn Bhd in January 2006. In January 2006, he joined Vitrox Technologies Sdn Bhd as a Service Engineer, providing customer technical support services for the company's automated visual inspection equipment. In July 2007, he left to join Keyence (Malaysia) Sdn Bhd as Consulting Sales Engineer, where he proposed suitable solutions, undertook sales activities, performed installation and provided technical support services for the company's automated equipment to customers. He left the company in March 2009 and joined Autovation Sdn Bhd as Senior Sales and Application Engineer from April 2009 to January 2014. He was mainly responsible for identifying potential markets and industries to market the company's industrial automation product, supervised project status and progress, proposed suitable solutions, and led a team in carrying out product demonstrations and providing technical support services. He joined our Group as a Technical Sales Manager in August 2014, where he was responsible for business development in the central region. In December 2019, he acquired an equity stake in Sophic MSC and assumed the Director role. He is responsible for the overall business operations and business development of Sophic MSC.

Please refer to Section 5.5.4 of this Prospectus for his past involvement in other company outside of our Group.

**(b)** **Elwyn Toh Jiern Wae**, Malaysian aged 30, is our Head of Software Innovation. He graduated with a Bachelor of Engineering (Hons) in Electrical and Electronic Engineering from the University of Bradford, UK in 2017.

He started his career in January 2017 when he joined our Group as a Junior Programmer, assisting senior programmers in testing and customising software. He was promoted to Software Developer in March 2018, where he was responsible for developing software for our digitalised solutions and automated equipment. In March 2019, he assumed the position of Assistant Manager, where he was responsible for the execution of digitalised solution projects for the Group and led a team in carrying out software development for these projects. He was promoted to Software Innovation Manager in September 2020 and re-designated as Head of Software Innovation in June 2023. He is responsible for the overall development and customisation of software applications/platforms for use in the automated equipment and digitalised solutions of our Group.

He does not have any past or present involvement in other companies outside of our Group.

**(c)** **Lai Goey Choo**, a Malaysian aged 53, is our Head of Product Engineering Services. She obtained a certificate in Electrical Engineering Technicians (Microprocessors) from City and Guilds of London Institute, UK in 1994 and a Diploma in Business Administration from KDU College, Penang in 1999. She also obtained the Executive Master of Preventive Health from Open University Malaysia in 2017.

She started her career as a Technician with Intel Microelectronics (M) Sdn Bhd in August 1990. She was promoted to Product Development Engineer in August 2000 and Component Design Engineer in August 2006. During her tenure with the company, she was involved in conducting validation and testing on ICs, generating product validation test plans and strategies, and validating and verifying semiconductor devices and components. In May 2014, she joined our Group as the Business Process Outsourcing Manager. She was mainly responsible for the product engineering service projects of the Group, which included managing customers and implementing strategies to enhance operational efficiency and productivity whilst ensuring the key performance indicators and objectives set out by our customers were met. She was re-designated to Head of Product Engineering Services in March 2022. Currently, she is mainly responsible for the product engineering services including managing contracts and relationships with the customers as well as overseeing the management and training project teams.

She does not have any past or present involvement in other companies outside of our Group.

**(d)** **Wong Shin Guey**, a Malaysian aged 43, is our Head of R&D. He graduated from Universiti Teknologi Malaysia with a Bachelor of Engineering (Computer) (Hons) in 2005. He also obtained a Master of Engineering (Electrical - Computer and Microelectronic System) from Universiti Teknologi Malaysia in 2010.

He started his career in May 2005 as an Electrical Validation Content Engineer with Intel Technology Sdn Bhd and was promoted to Senior Electrical Validation Content Engineer in March 2011. He was in charge of defining software test frameworks for electrical validation and carrying out pre-silicon simulation activities. In September 2014, he resigned from Intel Technology Sdn Bhd and took a short career break. In April 2015, he joined our Group as an Industrial IoT Architect, where he was responsible for developing software for our digitalised solutions and automated equipment. He was re-designated as Head of R&D in June 2023. He is responsible for spearheading the R&D activities for automated digitalised solutions, software applications and platforms that can enhance our Group's operational processes.

He does not have any past or present involvement in other companies outside of our Group.

**(e)** **Yeap Siew Wen**, a Malaysian aged 31, is our Head of Finance. She graduated from Universiti Tunku Abdul Rahman with a Bachelor of Commerce (Hons) in Accounting in 2015. She is a member of the Malaysian Institute of Accountants and the ACCA.

She started her career in July 2016 as an Audit Associate with BDO PLT (previously known as BDO Malaysia). She was promoted to Audit Senior Associate in July 2017 and Assistant Manager, Audit in July 2019, before leaving the company in September 2021. She managed and supervised the external audits involving multinational, public and private companies from various industries including technology, healthcare, property development, industrial products and services. She was also involved in the audit and preparation of accountants' reports for companies seeking listing on Bursa Securities. She joined our Group as the Accounts and Finance Manager in September 2021 and was redesignated as the Corporate Development and Strategy Manager in October 2022. She was promoted to her current position in June 2023, where she is responsible for overseeing the overall finance and accounting functions and corporate development of the Group.

She does not have any past or present involvement in other companies outside of our Group.

### 5.5.3 Remuneration of Key Senior Management

The remuneration of our key senior management including salaries, bonuses, other emoluments and benefit-in-kind, must be reviewed and recommended by our Remuneration Committee and subsequently, be approved by our Board.

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our key senior management for services rendered in all capacities to our Group for the FYE 2023 and FYE 2024 (in the bands of RM50,000) are set out below:-

| | **Remuneration Band (RM'000)** | |
|---|---|---|
| **Key Senior Management** | **Actual for FYE 2023** | **Proposed for FYE 2024** |
| Liew Chee Kin | 300 – 350 | 300 – 350 |
| Elwyn Toh Jiern Wae | 150 – 200 | 150 – 200 |
| Lai Goey Choo | 250 – 300 | 250 – 300 |
| Wong Shin Guey | 300 – 350 | 300 – 350 |
| Yeap Siew Wen | 150 – 200 | 200 – 250 |

### 5.5.4 Involvement of our Key Senior Management in Other Businesses/Corporations Outside Our Group

Save as disclosed below, our key senior management do not have any other principal directorship held or principal business activities performed by them in other corporations outside our Group within the past 5 years up to the LPD:-

| Key Senior Management | Business | Principal Activities | Position | Date of Appointment/ Resignation | % Equity Interest as at LPD |
|---|---|---|---|---|---|
| Liew Chee Kin | Mittzutec Solution | Sales of electrical and electronic equipment *(Voluntary winding-up)* | Sole proprietor | 24.03.2016/ 04.02.2022 | - |

## 5.6 RELATIONSHIPS OR ASSOCIATIONS BETWEEN OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

There are no relations or associations between the Promoters, substantial shareholders, Directors and key senior management of our Group.

## 5.7 EXISTING OR PROPOSED SERVICE AGREEMENTS

As at the LPD, we had not entered into any service agreement with any of our Directors and/or key senior management.

## 5.8 DECLARATION BY OUR PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

5.8.1 Save as disclosed in Section 5.8.2 of this Prospectus, none of our Promoters, Directors and key senior management is or has been involved in any of the following, whether in or outside Malaysia:-

(a) in the last 10 years, a petition under any bankruptcy or insolvency laws was filed (and not struck out) against him/her or any partnership in which he/she was a partner or any corporation of which he/she was a director or member of key senior management;

(b) he/she was disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;

(c) in the last 10 years, he/she was charged or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

(d) in the last 10 years, any judgment was entered against him/her, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his/her part, involving a breach of any law or regulatory requirement that relates to the capital market;

(e) in the last 10 years, he/she was the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his/her part that relates to the capital market;

(f) he/she was the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him/her from engaging in any type of business practice or activity;

(g) in the last 10 years, he/she has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; or

(h) whether there is any unsatisfied judgment against him/her.

5.8.2 Our Non-Independent Non-Executive Director, Mohammad Hazani Bin Hassan, being the nominee director of MTDC, was also a nominee director of MTDC in the following companies which were wound up by the creditors:-

(a) Sea Pacific Paper Tech Sdn Bhd was wound up under winding-up petition no. 28NCC-8-02/2014 at Ipoh High Court by Taiko Marketing Sdn Bhd via court order dated 28 April 2014.

(b) Recycle Energy Sdn Bhd was wound up under winding-up petition number no. 28NCC-773-09/2015 at Kuala Lumpur High Court by Tenaga Nasional Berhad via court order dated 26 November 2015.

(c) Core Competencies Sdn Bhd was wound up under winding-up petition no. 28NCC-882-10/2015 at Kuala Lumpur High Court by Malayan Banking Berhad via court order dated 10 December 2015.

Mohammad Hazani Bin Hassan did not hold any executive position in the above companies.

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# 6. INFORMATION ON THE GROUP

## 6.1 GROUP OVERVIEW

### 6.1.1 Background and Incorporation

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 and subsequently converted into a public limited company and assumed its present name on 19 February 2024.

We are an investment holding company whilst our wholly-owned subsidiary companies are principally involved in the provision of automation solutions and engineering services. Please refer to Section 7 of this Prospectus for further details on our business and operations.

### 6.1.2 History and Business

Our Group's history can be traced back to the incorporation of Sophic Automation in November 2007. In August 2008, Sophic Automation secured its first project to design and develop a digitalised solution, namely an operational efficiency solution which enables real-time machine performance monitoring, for a printing service provider. During that time, Sophic Automation operated out of a rented commercial lot in Sungai Tiram, Bayan Lepas, Penang. Lee Chee Hoo, our Promoter, Substantial Shareholder, Executive Director and CDO joined Sophic Automation as its director and became one of its shareholders in November 2008.

As business grew, we began to hire more employees and its headcount grew from 7 in 2008 to 13 in 2011. We thus acquired a commercial lot next to the rented commercial lot in Sungai Tiram, Bayan Lepas, Penang with a built-up area measuring approximately 1,614 sq ft, and relocated our headquarters in 2011. In June 2011, Koh Dim Kuan, our Promoter, Substantial Shareholder, Executive Director and CEO joined Sophic Automation.

Sophic MSC was then incorporated by both our Promoters in November 2011 to initially undertake information system engineering and solution development activities before it became a subsidiary of Sophic Automation in August 2014. The company is currently involved in the provision of automation solutions.

In April 2012, we secured our first product engineering service project (post-silicon validation) from Intel group of companies. The project entailed providing electrical validation for ICs for microprocessors to ensure that it meets the design requirements.

We also began to design, develop and sell automated equipment when we secured our first project in November 2013. The project entailed the design development and sale of an automated handler and visual inspection equipment to Intel group of companies.

To cater for further expansion, we relocated our headquarters to a rented office unit located at PSDC, Penang with built-up area measuring approximately 1,765 sq ft in November 2013. We later set up a design and assembly workshop in an adjoining rented office unit in PSDC, Penang with a built-up area measuring approximately 758 sq ft in June 2014. Meanwhile, our existing office in Sungai Tiram, Bayan Lepas, Penang, was converted into another design and assembly workshop.

In the following year, as part of our expansion plan to grow our business beyond Penang, we decided to set up an office at Bukit Jalil Office to increase our market presence in the Klang Valley region. Our total headcount grew from 13 staff in 2011 to 67 staff in 2015.

Sophic Automation subsequently obtained the ISO 9001:2015 in November 2016, which is an independent certification for quality standard compliance. Its ability to obtain this certification highlights our capabilities to meet local and international standards and regulations in the design, development and sale of digitalised solutions and automated equipment.

We also began to offer engineering support services for IC assembly and testing when we secured our first project from Intel group of companies in January 2018 which involved the project management and execution of test operations for microchips.

In line with the growth of our business, we relocated to our Bukit Minyak Plant in March 2020. Accordingly, our headcount expanded from 67 staff in 2015 to 642 staff in 2020.

In January 2021, Sophic Automation was also granted the Pioneer Status, thus enabling us to be granted a 100% tax exemption for the next 10 years for some of our automated equipment, namely, automated visual inspection, material management and automated test and handler equipment as well as our digitalised solution (command and control centre). The Pioneer Status also grants Sophic Automation a tax exemption of up to 70% for the next 5 years for another of its digitalised solutions, namely, the workforce efficiency solution.

In February 2022, Sophic Automation acquired 60% of equity interest in Pinkypye and subsequently acquired the remaining 40% equity interest in December 2022. Pinkypye is principally involved in precision machining and engineering, which is complementary activity to our automated equipment. This allows us to have better control over the cost, quality and supply of these components and shortens the lead time for the delivery of our automated equipment. This activity is carried out at our Tangkas 3 Plant which we acquired in the same year.

In January 2023, we moved our headquarters to Tangkas 9 Plant which is also used as one of our production facilities as well as intended to house our future innovation lab. In March 2023, we set up an office for our product engineering services at the Setia Spice Office. In November 2023, we ceased operations at both of our rented premises at PSDC as well as our Sungai Tiram office.

Over the years, we have successfully grown and evolved into an established automation solutions and engineering services provider in Malaysia. To facilitate our growth, we have grown from 7 employees when we commenced our business in 2008 to 1,526 employees as at the LPD (including 1,192 contract-based workers). For the Financial Periods Under Review, we have customers not only based in Malaysia but also globally such as in Thailand, Singapore, Philippines, USA, China, Vietnam, Costa Rica, Canada, India and Taiwan.

As a testament to our reputation as an established automation solutions and engineering services provider in Malaysia, we have been awarded by our customers, suppliers and government bodies over the years such as Gold partner from Intel Corporation in 2023 and Rising Digital Leader Award from Persatuan Industri Komputer dan Multimedia Malaysia (PIKOM) in 2021. In 2022 and 2023, we were ranked as one of the Asia Pacific High-Growth Companies amongst 500 companies in Asia Pacific by the Financial Times.

In June 2022, Sophic Automation has also been recognised by Western Digital in the CEO Magazine (June 2022) as one of the solution providers that contributed to its factory at Batu Kawan, Penang, being named as Asia's first Sustainability Lighthouse by the World Economic Forum in November 2021. This accolade recognises Western Digital's adoption of the lights-out manufacturing model in its Penang factory. We designed, developed and sold several digitalised solutions and automated equipment to Western Digital.

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The following are the key events in our Group's history and business development:-

| Year | Key Events and Milestone |
|---|---|
| 2007 | • Sophic Automation was incorporated. |
| 2008 | • Lee Chee Hoo, our Executive Director/CDO became a shareholder and director of Sophic Automation.<br>• Sophic Automation secured first project to design and develop a digitalised solution, namely an operational efficiency solution, for a printing service provider. |
| 2011 | • Koh Dim Kuan, our Executive Director/CEO joined Sophic Automation as its Business Development and Chief Operating Officer.<br>• We acquired a premise in Sungai Tiram, Bayan Lepas, Penang to relocate our operations, in order to facilitate our expansion.<br>• Sophic MSC was incorporated and subsequently awarded with MSC Malaysia status. |
| 2012 | • Sophic MSC was granted the Pioneer Status by MIDA.<br>• Sophic Automation secured its first product engineering service project (post-silicon validation) from Intel group of companies. |
| 2013 | • Sophic Automation developed and sold its first automated equipment (automated handler and visual inspection equipment) to Intel group of companies.<br>• We relocated our headquarters to a rented premises in PSDC. |
| 2014 | • Our existing premises in Sungai Tiram, Bayan Lepas, Penang was converted into a design and assembly workshop. |
| 2015 | • Sophic MSC set up an office in Bukit Jalil, Kuala Lumpur. |
| 2016 | • Sophic Automation obtained the ISO 9001:2015 certification. |
| 2018 | • Sophic Automation began to offer engineering support services for IC assembly and testing to Intel group of companies. |
| 2020 | • We relocated our assembly processes and headquarters to Bukit Minyak Plant. |
| 2021 | • Sophic Automation was granted the Pioneer Status by MIDA.<br>• 3REN was set up to facilitate the Listing exercise. |
| 2022 | • The acquisition of Pinkypye was completed, allowing us to vertically integrate our operations into precision machining including the fabrication of mechanical components for automated equipment.<br>• We set up a precision engineering facility and office in Tangkas 3 Plant. |
| 2023 | • We relocated our headquarters to Tangkas 9 Plant.<br>• We set up an office in Setia Spice Office for our product engineering services and ceased operations at our rented premises in PSDC. |
| 2024 | • Sophic Automation obtained ISO/IEC 27001:2022 certification.<br>• Sophic MSC set up an office at Stellar Suites Office. |
| [•] | • [We completed the RCPS Conversion and the Acquisitions.] |

### 6.1.3 Principal Places of Business

We currently operate from the our own and rented premises as follows:-

| No. | Principal Places | Description and Existing Use | Built-up Area (sq ft) |
|---|---|---|---|
| 1. | Tangkas 9 Plant | Corporate headquarters and production facility as well as for future innovation lab for Sophic Automation | 11,981 |
| 2. | Tangkas 3 Plant | Engineering office for Sophic Automation and office cum precision engineering and assembly facility for Pinkypye | 11,981 |
| 3. | Bukit Minyak Plant | Office, production facility, engineering office and warehouse for Sophic Automation | 6,174 |
| 4. | Setia Spice Office | Office for product engineering services of Sophic Automation | 4,808 |
| 5. | Stellar Suites Office | Office for Sophic MSC | 1,754 |
| 6. | Bukit Jalil Office | Office for Sophic MSC | 482 |

Further information on our material owned and rented properties are disclosed in Section 7.13 of this Prospectus.

### 6.1.4 Key Awards, Accreditation and Recognition

Over the years, we have won several awards and recognitions as summarised in the following table:-

| Awards and Recognitions | Awarding Body | Year |
|---|---|---|
| Outstanding Investee Companies | Malaysia Venture Capital and Private Equity Association | 2016, 2018, 2020 and 2021 |
| Rising Digital Leader Award | PIKOM, The National Tech Association of Malaysia | 2021 |
| Best Employer | Employee's Provident Fund (Georgetown Branch, Penang) | 2022 |
| Asia Pacific High-Growth Companies | Financial Times | 2022 and 2023 |
| Gold Partner | Intel Corporation | 2023 |

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### 6.2 SHARE CAPITAL

Our share capital as at the LPD is RM2 comprising 2 Shares. The movements in our share capital since our incorporation are as follows:-

| Date of Allotment | No. of Shares Allotted | Type | Consideration | Cumulative Share Capital RM |
|---|---|---|---|---|
| 05.04.2021 | 2 | Cash | Subscribers' shares | 2 |
| [●] | 489,999,998 | Otherwise than cash | Issued pursuant to the Acquisition of Sophic Automation | 49,000,002 |
| [●] | 40,000,000 | Otherwise than cash | Issued pursuant to the Acquisition of Sophic MSC | 53,000,002 |
| [●] | 10,000,000 | Otherwise than cash | Issued pursuant to the Acquisition of Pinkypye | 54,000,002 |

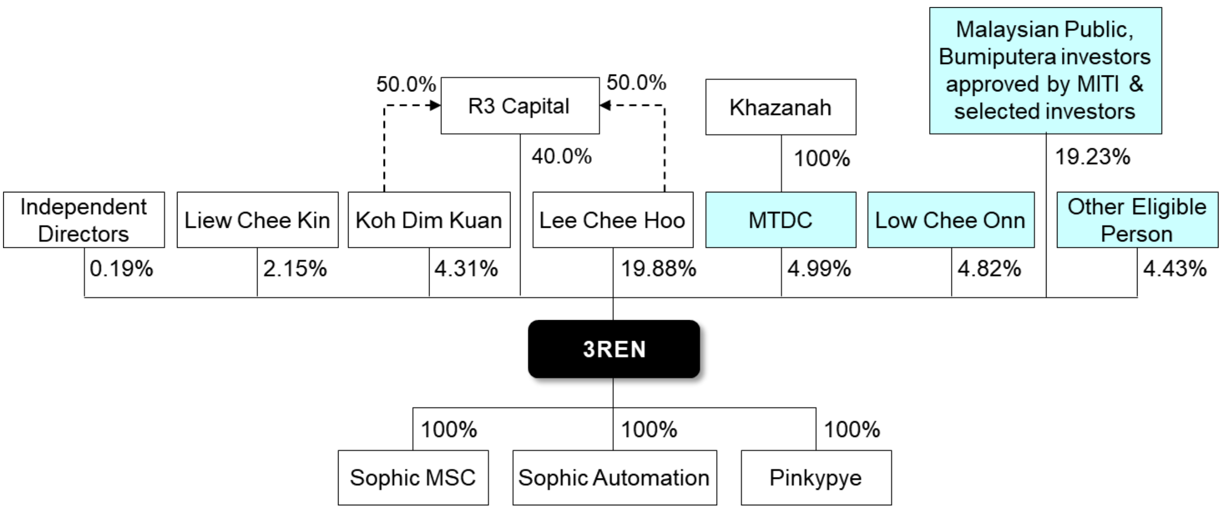
None of our Shares were issued at a discount, on special terms or based on instalment payment terms.

Upon completion of the IPO, our Company's existing issued share capital will increase from 2 Shares to 650,000,000 Shares.

As at the LPD, we do not have any outstanding warrants, options, convertible securities and uncalled capital.

### 6.3 CORPORATE STRUCTURE

Our Group's corporate structure after the IPO is set out below:-




Notes:-

* Based on our enlarged issued share capital of 650,000,000 after the IPO.

Represents public shareholdings in the Company after the IPO.

### 6.4 SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, our subsidiary companies are as follows:-

| Company/ Registration No. | Date/ Country of Incorporation | Principal Place of Business | Effective Equity Interest (%) | Principal Activities |
|---|---|---|---|---|
| Sophic Automation/ (200701036965 (794994-D)) | 07.11.2007/ Malaysia | Malaysia | 100.00 | Provision of automation solutions and engineering services |
| Sophic MSC/ (201101041653 (969776-D)) | 29.11.2011/ Malaysia | Malaysia | 100.00 | Provision of automation solutions |
| Pinkypye/ (202101029664 (1429964-K)) | 13.09.2021/ Malaysia | Malaysia | 100.00 | Provision of precision machining and related services |

As at the LPD, we do not have any joint venture and associated company.

### 6.5 LISTING SCHEME

In conjunction with and as an integral part of our listing of and quotation for our entire enlarged issued and paid-up share capital on the ACE Market, our Company undertook a Listing Scheme which involved the following:-

#### 6.5.1 RCPS Conversion

Pursuant to the Listing, MTDC had on [•] converted its entire 8,800,000 RCPS held in Sophic Automation into 71,700 new Sophic Automation Shares.

The new Sophic Automation Shares issued pursuant to the RCPS Conversion rank equally in all respect with the existing ordinary Sophic Automation Shares except that the new Sophic Automation Shares will not be entitled to any dividends, rights, allotments or other distributions declared, made or paid prior to the date of allotment of such new ordinary shares.

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### 6.5.2 Acquisitions

#### (a) Acquisition of Sophic Automation

On 20 March 2024, our Company entered into a conditional share sale agreement with the vendors of Sophic Automation to acquire the entire 100% issued share capital of Sophic Automation comprising 571,700 Sophic Automation Shares (after the RCPS Conversion) for a purchase consideration of approximately RM49.0 million, which was fully satisfied via the issuance of 489,999,998 new Shares at RM0.10 each to the vendors of Sophic Automation in the following manner:-

| Vendors | No. of Shares in Sophic Automation | % of Issued Capital | Purchase Consideration (RM) | No. of New Shares Issued |
|---|---|---|---|---|
| Lee Chee Hoo | 285,000 | 49.85 | 24,426,499.80 | 244,264,998 |
| Koh Dim Kuan | 175,000 | 30.61 | 14,998,900.00 | 149,989,000 |
| MTDC | 71,700 | 12.54 | 6,144,600.00 | 61,446,000 |
| Low Chee Onn | 40,000 | 7.00 | 3,430,000.00 | 34,300,000 |
| **Total** | **571,700** | **100.00** | **48,999,999.80** | **489,999,998** |

The purchase consideration of approximately RM49.0 million was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of Sophic Automation as at 30 September 2023 of approximately RM54.08 million, and after adjusting for the RCPS Conversion and less interim dividends declared and paid of RM5.0 million.

The new Shares issued pursuant to the Acquisition of Sophic Automation shall, upon allotment and issue, rank equally in all respects with our existing issued Shares, except that the new Shares will not be entitled to any dividends, rights, allotments or other distributions declared, made or paid prior to the date of allotment and issuance of the new Shares.

The Acquisition of Sophic Automation was completed on [•].

#### (b) Acquisition of Sophic MSC

On 20 March 2024, our Company entered into a conditional share sale agreement with Sophic Automation and Liew Chee Kin to acquire the entire 100% issued share capital of Sophic MSC comprising 100,000 ordinary shares for a purchase consideration of RM4.0 million, which was fully satisfied via the issuance of 40,000,000 new Shares at RM0.10 each to the vendors of Sophic MSC in the following manner:-

| Vendors | No. of Shares in Sophic MSC | % of Issued Capital | Purchase Consideration (RM) | No. of New Shares Issued |
|---|---|---|---|---|
| Sophic Automation | 65,000 | 65.00 | 2,600,000 | * 26,000,000 |
| Liew Chee Kin | 35,000 | 35.00 | 1,400,000 | 14,000,000 |
| **Total** | **100,000** | **100.00** | **4,000,000** | **40,000,000** |

Note:-

* Pursuant to the Acquisition of Sophic MSC, the 26,000,000 new Shares issued as consideration to Sophic Automation has been proportionately novated to its shareholders in the following manner:-

| **Shareholders of Sophic Automation** | **% of Equity Interest Held** | **Purchase Consideration (RM)** | **No. of New Shares Novated** |
|---|---|---|---|
| Lee Chee Hoo | 32.40 | 1,296,100 | 12,961,000 |
| Koh Dim Kuan | 19.90 | 795,900 | 7,959,000 |
| MTDC | 8.15 | 326,000 | 3,260,000 |
| Low Chee Onn | 4.55 | 182,000 | 1,820,000 |
| **Total** | **65.00** | **2,600,000** | **26,000,000** |

The purchase consideration of RM4.0 million was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of Sophic MSC as at 30 September 2023 of RM3.98 million.

The new Shares issued pursuant to the Acquisition of Sophic MSC shall, upon allotment and issue, rank equally in all respects with our existing issued Shares, except that the new Shares will not be entitled to any dividends, rights, allotments or other distributions declared, made or paid prior to the date of allotment and issuance of the new Shares.

The Acquisition of Sophic MSC was completed on [•].

**(c) Acquisition of Pinkypye**

On 20 March 2024, our Company entered into a conditional share sale agreement with Sophic Automation to acquire the entire 100% issued share capital of Pinkypye from Sophic Automation for a purchase consideration of RM1.0 million, which was fully satisfied via the issuance of 10,000,000 new Shares at an issue price of RM0.10 each to the vendor of Pinkypye in the following manner:-

| **Vendor** | **No. of Shares in Pinkypye** | **% of Issued Capital** | **Purchase Consideration (RM)** | **No. of New Shares Issued** |
|---|---|---|---|---|
| Sophic Automation | 25 | 100.00 | 1,000,000 | * 10,000,000 |

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Note:-

* Pursuant to the Acquisition of Pinkypye, 10,000,000 new Shares issued as consideration to Sophic Automation has been proportionately novated to its shareholders in the following manner:-

| Shareholders of Sophic Automation | % of Effective Equity Interest Held | Purchase Consideration (RM) | No. of New Shares Novated |
|---|---|---|---|
| Lee Chee Hoo | 49.85 | 498,500 | 4,985,000 |
| Koh Dim Kuan | 30.61 | 306,100 | 3,061,000 |
| MTDC | 12.54 | 125.400 | 1,254,000 |
| Low Chee Onn | 7.00 | 70,000 | 700,000 |
| **Total** | **100.00** | **1,000,000** | **10,000,000** |

The purchase consideration of RM1.0 million was arrived at based on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of Pinkypye as at 30 September 2023 of RM1.02 million.

The new Shares issued pursuant to the Acquisition of Pinkypye shall, upon allotment and issue, rank equally in all respects with our existing issued Shares, except that the new Shares will not be entitled to any dividends, rights, allotments or other distributions declared, made or paid prior to the date of allotment and issuance of the new Shares.

The Acquisition of Pinkypye was completed on [•].

Following the completion of the Acquisitions, the 2 existing subscribers' Shares in the Company were transferred to Lee Chee Hoo on [•].

### 6.5.3 Share Transfer

During the prescription period (i.e. 1 day after the issuance of the Prospectus up to a period of 30 days), the Specified Shareholders will transfer their respective shareholdings amounting to 260,000,000 Shares, in aggregate, or 40.0% equity interest in 3REN, to R3 Capital in conjunction with the IPO.

Details of the Share Transfer are set out below:-

| Specified Shareholders | No. of Shares Held Before the Share Transfer | * % | No. of Shares to be Transferred to R3 Capital | * % | No. of Shares Held After the Share Transfer | * % |
|---|---|---|---|---|---|---|
| Koh Dim Kuan | 158,009,000 | 24.31 | 130,000,000 | 20.00 | 28,009,000 | 4.31 |
| Lee Chee Hoo | 259,211,000 | 39.88 | 130,000,000 | 20.00 | 129,211,000 | 19.88 |

Note:-

* Based on the enlarged issued share capital of 650,000,000 Shares after the IPO.

The Share Transfer is based on the mutual agreement between the shareholders of R3 Capital and does not involve any issuance of new Shares. Upon Listing, R3 Capital will hold in aggregate 40.0% of the enlarged issued share capital of 3REN.

### 6.5.4 IPO

The details of our IPO are set out in Section 4.3 of this Prospectus.

### 6.5.5 Listing of and Quotation for Our Shares

Upon completion of our Listing Scheme, our Company will be admitted to the Official List and our entire enlarged issued share capital of 650,000,000 Shares shall be listed and quoted on the ACE Market.

## 6.6 MATERIAL INVESTMENTS AND DIVESTITURES

### 6.6.1 Material Investments

Save as disclosed below, we do not have any other material investments (including interests in other corporations) for the Financial Periods Under Review and up to the LPD:-

| | FYE 2020 (RM'000) | FYE 2021 (RM'000) | FYE 2022 (RM'000) | FPE 2023 (RM'000) | 1.10.2023 up to LPD (RM'000) |
|---|---|---|---|---|---|
| Property, plant and equipment: | | | | | |
| Land and buildings | - | 5,217 | 1,601 | 28 | - |
| Machinery | - | - | 1,975 | 18 | 13 |
| Office equipment, computers, furniture and fittings | 452 | 443 | 605 | 587 | 91 |
| Renovation | 171 | 59 | 262 | 384 | 27 |
| Motor vehicles | 99 | 503 | 496 | 115 | - |
| Capital work-in-progress | - | 44 | 5,015 | 189 | 105 |
| Right-of-use assets | - | 76 | 666 | - | - |
| Interests in other corporations | - | 458 | 428 | 27 | - |
| **Total** | **722** | **6,800** | **11,048** | **1,348** | **236** |

The above material investments were located within Malaysia and were primarily financed by a combination of bank borrowings and our internally generated funds.

(a) For FYE 2020, our material investments of RM0.72 million mainly comprised the following:-

- RM0.45 million for the purchase of new computers, furniture and office equipment;
- RM0.17 million for the renovation cost of Bukit Minyak Plant; and
- RM0.10 million for the purchase of motor vehicles.

(b) For FYE 2021, our material investments of RM6.80 million mainly comprised the following:-

- RM5.22 million for the acquisition of Tangkas 9 Plant;
- RM0.50 million for the purchase of motor vehicle;
- RM0.44 million for the purchase of office equipment, computers, and furniture and fittings; and
- RM0.46 million being the cost of additional investments in certain former subsidiaries.

(c) For FYE 2022, our material investments of RM11.05 million mainly comprised the following:-

- RM1.60 million being the capitalisation of land cost from the acquisition of Tangkas 3 Plant;
- RM1.97 million for the purchase of CNC milling machines and the capitalisation of internally developed automated mobile robots;
- RM0.61 million for the purchase of office equipment, computers, and furniture and fittings;
- RM0.50 million for the purchase of motor vehicles;
- RM5.02 million for the additions in capital work-in-progress comprised the building cost and capitalised expenses for Tangkas 3 Plant (RM2.19 million), renovation cost (RM1.75 million) and acquisition of Stellar Suites Office (RM1.08 million);
- RM0.67 million for the addition in right-of-use assets particularly for the rental of office premises; and
- RM0.43 million being the cost of additional investments in certain former subsidiaries.

(d) For FPE 2023, our material investments of RM1.35 million mainly comprised the following:-

- RM0.59 million for the purchase of office equipment, computers, furniture and fittings;
- RM0.38 million for renovation of office premises; and
- RM0.19 million for the additions in capital work-in-progress in relation to renovation of office premises.

From 1 October 2023 up to the LPD, our material investments of RM0.24 million mainly comprised purchase of machinery, office equipment, computers, and furniture and fittings.

### 6.6.2 Material Divestitures

Save as disclosed below, we do not have any other material divestitures (including interests in other corporations) for the Financial Periods Under Review and up to the LPD:-

| Divestitures | FYE 2020 (RM'000) | FYE 2021 (RM'000) | FYE 2022 (RM'000) | FPE 2023 (RM'000) | 1.10.2023 up to LPD (RM'000) |
|---|---|---|---|---|---|
| Property, plant and equipment: | | | | | |
| Office equipment, computers, furniture and fittings | - | 26 | - | * | - |
| Renovation | - | 167 | - | - | - |
| Motor vehicle | - | - | 69 | - | - |
| Interests in other corporations ** | - | 829 | - | 1,898 | 20 |
| **Total** | **-** | **1,022** | **69** | **1,898** | **20** |

Notes:-

* Represents RM1.00.

** Represents the disposal value which is equivalent to its carrying amount as at disposal date since the investments are carried at fair value through profit or loss.

For the FYE 2021, our material divestitures of RM1.02 million were mainly from the disposals of certain former subsidiaries and renovation work written off for our Bukit Minyak Plant.

For FYE 2022, our material divestitures of RM0.07 million were mainly from the disposal of motor vehicles.

For FPE 2023, our material divestitures of RM1.90 million were mainly from the disposal of certain former subsidiaries.

From 1 October 2023 up to the LPD, our material divestitures of RM0.02 million were from the disposal of a former subsidiary.

## 6.7 PUBLIC TAKE-OVERS

None of the following has occurred since our incorporation on 5 April 2021 up to the LPD:-

(a) public take-over offers by third parties in respect of our Shares; and

(b) public take-over offers by our Company in respect of other companies' shares.

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## 7. BUSINESS OVERVIEW

### 7.1 BUSINESS MODEL

Our business model is summarised as follows:-

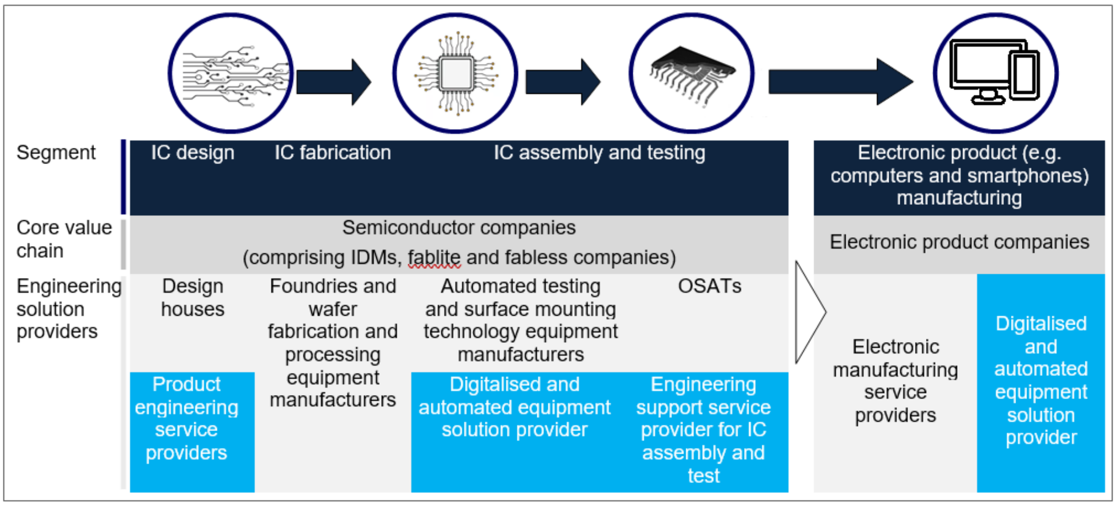
| | Engineering Support Services for IC Assembly and Testing | Digitalised Solution | Product Engineering Services | Automated Equipment |
|---|---|---|---|---|
| SOLUTIONS | Assembly and testing | Customised digitalised solutions | Post silicon validation, software development and NPI | Standalone machinery and equipment |
| END-USER INDUSTRIES | Semiconductor and electronics industry | Manufacturing, including the semiconductor and electronics industry | Semiconductor and electronics industry | Manufacturing, including the semiconductor and electronics industry |

#### 7.1.1 Business Segments

We are an automation solutions and engineering services provider. 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.

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




Notes:-

Denotes the type of core processes which our Group principally carries out.

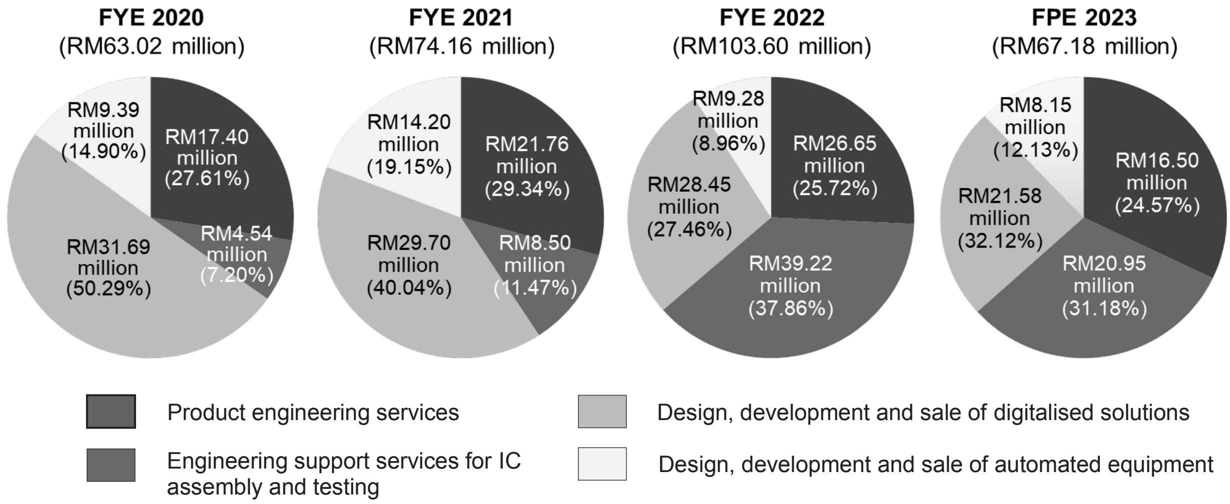
Denotes the customer segment which our Group presently serves.

*(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.

### 7.1.2 Revenue Streams

For the Financial Periods Under Review, our revenue contribution by business segment are as follows:-

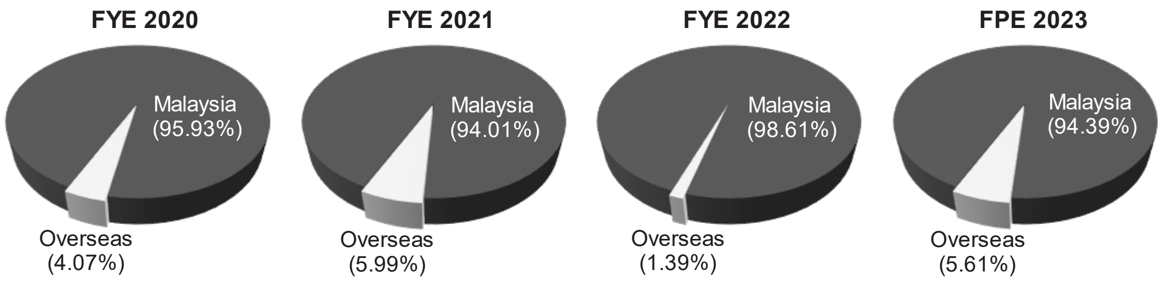



For the Financial Periods Under Review, our Group's total revenue increased at a CAGR of 28.21%, from RM63.02 million in FYE 2020 to RM103.60 million in FYE 2022, mainly contributed by the increased sales from the engineering support services for IC assembly and testing as well as the product engineering services segments.

We do not have any long-term purchase agreements with our customers. Our sales of solutions/equipment and provision of engineering services are based on purchase orders as and when issued by our customers.

### 7.1.3 Principal Markets

A breakdown of our revenue from our principal markets for the Financial Periods Under Review is depicted below:-




For the Financial Periods Under Review, our revenue was substantially contributed by sales to customers based in Malaysia across all business segments with contribution of more than 94% whilst the balance from overseas countries which include Thailand, Singapore, USA, China, Vietnam, Philippines, Canada, Costa Rica, India and Taiwan.

Further details on our principal markets are set out in Section 12.4.2(a)(ii) of this Prospectus.

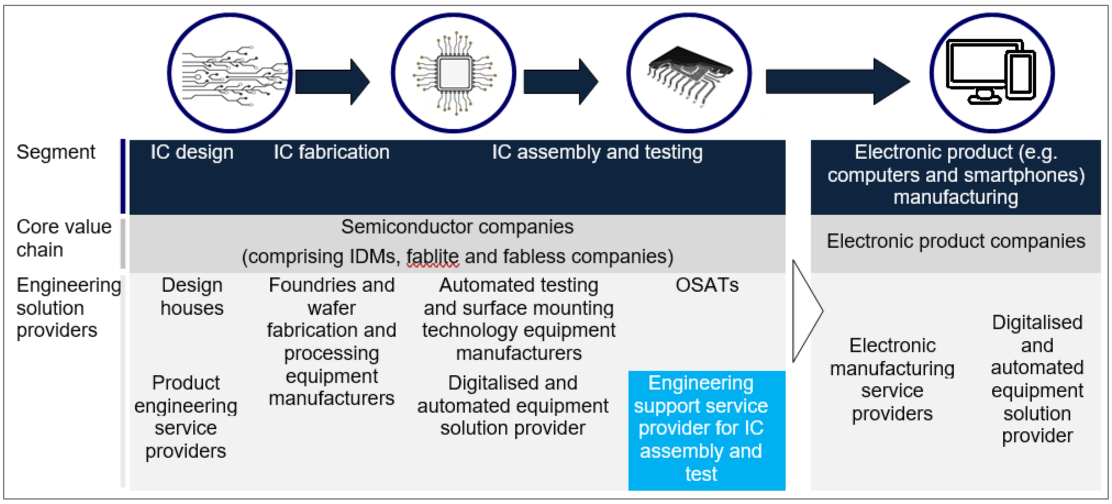
## 7.2 BUSINESS ACTIVITIES AND SOLUTIONS

### 7.2.1 Provision of Engineering Support Services for IC Assembly and Testing

We provide engineering support services to semiconductor companies or IDMs in their process of IC assembly and testing. In particular, we provide services such as equipment installation and tool conversion, equipment maintenance and troubleshooting, PCB rework, material transfer and management, quality, safety and control management, inventory control management as well as production operation.

In a typical semiconductor and electronics industry process chain shown below, assembly and testing process are one of the core processes (apart from design and fabrication) in producing ICs or chips that are widely used in electronics products such as computers, smartphones, electric vehicles and automotive electronics. Our engineering support services are mainly focused in the assembly and testing operations for ICs or chips.

This is as illustrated in the diagram below:-




Notes:-

Denotes the type of core processes which our Group principally carries out.

Denotes the customer segment which our Group presently serves.

*(Source: IMR Report)*

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Details of the primary services we have provided under this segment during the Financial Periods Under Review include the following:-

**(a) IC Assembly**

We undertake IC assembly projects for ICs or chips used in various electronics products such as computers, smartphones, servers and graphics cards that are used by data centres, enterprises and consumers.

For the Financial Periods Under Review, we have undertaken the following IC assembly processes:-

Die attach ➡ Deflux ➡ Epoxy underfill ➡ Epoxy cure ➡ Post epoxy visual inspection ➡ Ball attach ➡ Manual handling services

- *Die attach* – The process of attaching a die to a substrate using either epoxy or solder. For die attach processes using epoxy, a drop of epoxy adhesive is dispensed on the substrate and the die is placed on top of it. For die attach processes using soldering, a silver sintering layer is placed on the substrate to solder the die with the substrate;

- *Deflux* – Removal of flux, which is an acidic mixture that is used to remove metal oxide and create a good bond during the die attach process;

- *Epoxy underfill* – Application of underfill, which is an epoxy which will fill the gap between the die and substrate to reinforce its mechanical strength;

- *Epoxy cure* – The process of heating the IC under a required temperature in order to harden and set the underfill material;

- *Post epoxy visual inspection* – The process of visually inspecting the IC to ensure that is adhered properly, no foreign materials are present and there are no overflows of epoxy outside of the substrate;

- *Ball attach* – The process of attaching solder spheres or solder "balls" onto the metal pads of a Ball Grid Array package. These solder spheres will be used during the soldering process to attach the Ball Grid Array package to a circuit board; and

- *Manual handling services* – manual handling of packaged parts to remove the retention mechanism which holds down the metal or ceramic lid during the lid attach process.

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**(b) IC Testing**

We undertake IC testing projects for ICs or chips used in various electronics products such as computers, smartphones, servers and graphics cards that are used by data centres, enterprises and consumers.

During the Financial Periods Under Review, we have undertaken the following IC testing processes:-

Burn-in test ➡ Class test ➡ Binning ➡ Fusing ➡ System level testing

- *Burn-in test* – Burn-in test which is used to detect early issues and defects of ICs. This is done by elevating electrical and temperature conditions for a specific time period using specialised algorithms and studying the ICs to determine if there are any issues or defects;

- *Class test* – Class test involves the execution of various test programmes which includes:-

  - Parametric testing: Determining the variations in electrical parameters of the ICs based on the statistical distribution of ICs;

  - Scan testing: Analysing output based on test patterns used on the IC;

  - Functional testing: Testing the functionality of ICs is as per design;

  - Performance testing: Testing the performance of ICs in terms of frequency and timing tests, and other performance tests;

  - Power testing: Measuring power consumption and efficiency of the different intellectual properties within the IC.

- *Binning* – Separation of units to "Bins" based on test and performance results from the class test step;

- *Fusing* – The process of permanently configuring an IC to operate in a specific way in terms of parameters such as device specifications, device identifications, frequency, power and operating voltage; and

- *System level testing (SLT)* - Execution of test programmes which includes customised object-code tests, customised scripts, and end-user applications on standard IDM equipment using end-user firmware, operating system, software, drivers, and motherboards.

We support IDM(s) in the planning of the resources required to carry out the abovementioned IC assembly and testing processes including the setting up, installation, maintenance and troubleshooting of assembly and test equipment, and tool conversion. We also monitor the progress and performance of project delivery to ensure that the key performance indicators or performance standards provided to us by IDMs are met.

For the Financial Periods Under Review, we have only provided engineering support services for IC assembly and testing to Intel group of companies and such activities are carried out entirely at their facilities/plants. Given the nature and demand of these services where significant skilled workforce involvement is required to support mass production at scale to meet high standard expectation and compliances, we typically employ a large pool of contract-based workforce (comprising mostly engineers, technicians and manufacturing specialists) to carry out the assignments under the supervision of our Engineering team. Having a large number of contract-based personnel allows us to manage our cost structure more effectively. It also offers us more flexibility to manage our work plan in meeting the demand and job scope required by Intel group of companies as it involves the placement of our personnel at their various assembly and test facilities located in Penang and Kedah.

### 7.2.2 Design, development and sale of digitalised solutions

Digitalised solutions refer to solutions that enable and manage the digitalisation of processes and services to allow for IoT, which facilitates the real time interconnectivity and data exchange between equipment and devices. The information gathered through these digitalised solutions can then allow for big data analytics, which refers to the analysis of large amounts of information in terms of patterns and correlations to provide actionable insights. These can then be incorporated into the pre-programmed parameters used in the digital system to further automate operations and enable machine learning or AI. Thus, information gathered through big data analytics, machine learning and AI will enable businesses to make more informed business decisions with regards to the business operations and processes.

These digitalised solutions are also termed as smart solutions, which enable the formation of smart factories.

A smart factory is a factory environment that adopts Industry 4.0 and 5.0 which generally uses automated equipment and/or digitalised solutions that are connected over the Internet/intranet to fully automate manufacturing processes and allow for collection and analysis of data to further improve and automate multiple manufacturing processes.

An illustration of our digitalised solutions in a typical smart factory is as follows:-

These digitalised solutions provide the following benefits:-

(a) improve operational efficiency, as well as quality and speed of processes;

(b) minimise human intervention, as processes can be automated to enable consistency, enhance precision, extend working hours and reduce health and safety risks;

(c) allow interoperability across premises or facilities via real time remote management of operations; and

(d) enable paperless operations as information are recorded digitally to achieve single source of truth (the practice of aggregating data from various systems within an organisation), which will improve data accuracy.

All our digitalised solutions are customised according to our customers' requirements and needs, which involves the following activities performed by us:-

**(i) Solution design development**

We work closely with our customers to develop digitalised solutions that are customised to their operational needs and requirements. Our in-house Software Innovation and Engineering team have the expertise to design and develop the required software that work with automated equipment and digitalised solutions through our "Connected Production Suite".

The Connected Production Suite acts as a base platform which facilitates the customisation of digitalised solutions, thus enabling us to expand our range of solutions and enhance the features in our solutions.

**(ii) Assembly, integration and configuration**

We also source for hardware components from established Principals. The hardware components are then configured with our in-house developed and third-party software to cater for pre-programmed parameters, and assembled to form a digitalised solution.

We will also integrate our solutions with our customers' existing manufacturing systems (if required). This process involves the configuration of our digitalised solutions to enable connectivity with the existing manufacturing systems, in order for the processes performed to be sequenced and coordinated. We use our TofI, which forms part of our Connected Production Suite, to facilitate the integration process.

**(iii) Testing and commissioning**

Upon the assembly, integration and configuration, we carry out tests to ensure that the functionality and integration of our solutions perform according to requirements before we handover the solution to our customers.

**(iv) Technical support**

In addition, we provide technical support services for digitalised solutions, including for solutions that were not designed and developed by us. These technical support services include one-off troubleshooting and repair services.

## 7. BUSINESS OVERVIEW *(cont'd)*

Descriptions of some of the key digitalised solutions offered during the Financial Periods Under Review are as follows:-

| No. | Solutions / Platform | Description |
|---|---|---|
| 1. | ***Command and control centre***  | Command and control centre enables monitoring and control of functions at the operations control centre and/or backup control centre. This will allow for remote supervision and status control of machinery and equipment in a manufacturing line or smart city operations. |
| 2. | ***Operational efficiency solution***   | Operational efficiency solution is used to measure productivity, as well as enable improvement in targeted areas of the manufacturing process. This solution helps to improve performance through visualisation of data, measuring machine availability, quantifying quality of output and production cycle time, and systematically eliminating sources of production loss. The information gathered from the solution can also provide insights to enable decision making in relation to the acquisition of new machineries and equipment as well as resource planning. |
| 3. | ***Workforce efficiency solutions***  | Workforce efficiency solution is digital system with smart wearable devices equipped with our in-house designed software application which will assist in various functions of any business operations. The solution also digitally records the activity performed allowing for managers to manage and assess the performance of workers and enable paperless operations. |

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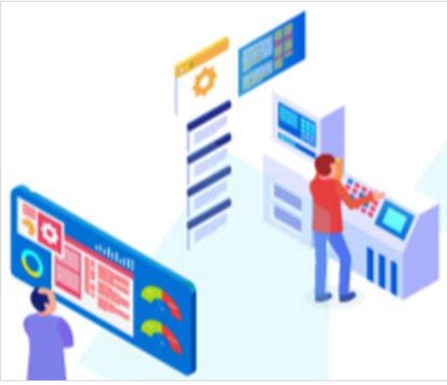
| No. | Solutions / Platform | Description |
|---|---|---|
| 4. | ***Asset management system***  | Asset management system receives and analyses maintenance data for key assets such as machinery and equipment, on a real-time basis.<br><br>It centralises all maintenance information and data (such as asset parts and costs, as well as asset repaired and repair time) and facilitates the processes of maintenance activities (such as scheduling maintenance and track work orders). This facilitates predictive maintenance where the condition and performance of assets are monitored on a real-time basis for maintenance planning purposes.<br><br>Asset management system optimises asset utilisation and availability, thereby improving asset management by eliminating the need for managing spreadsheets. This is done through consolidating all maintenance data, information and activities in a single database. It also allows for real-time response to any equipment failures or breakdowns. |

At present, the digitalised solutions we have designed and developed have been largely developed for and used in the semiconductor and electronics industry, as well as manufacturing industries and other sectors.

### 7.2.3 Provision of Product Engineering Services

The typical product engineering lifecycle of a semiconductor product (such as for a microchip) is as follows:-

Product conceptualisation → Solution architecture and design → Pre-silicon validation → Prototype fabrication

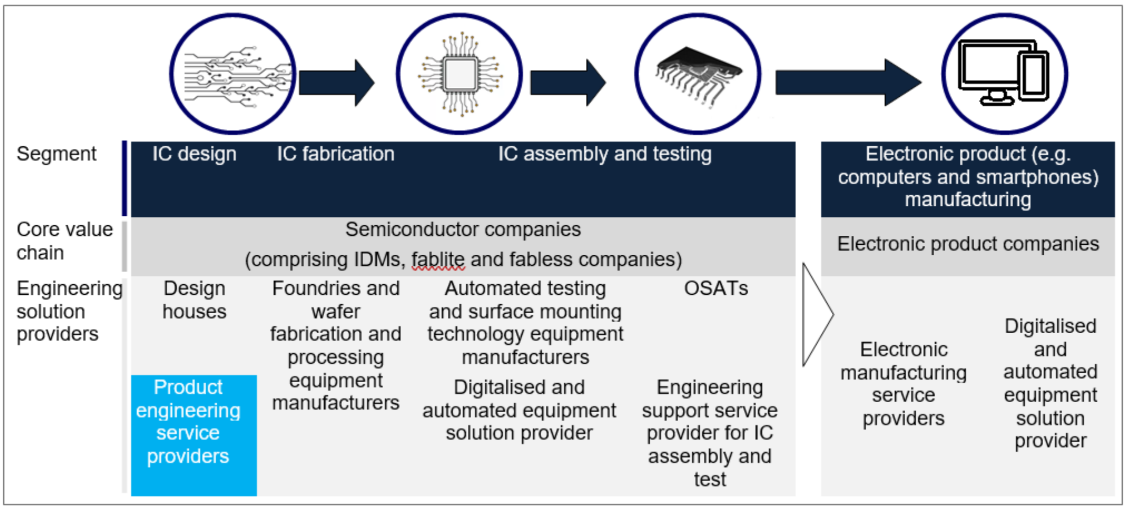
↓

Post-silicon validation → Software development → NPI → Mass production of intended product

Denotes the areas of product engineering services which are outsourced to and managed by our Group on behalf of our customers.

Product engineering processes are traditionally carried out by semiconductor companies or IDMs for the design, development and fabrication of semiconductor products such as ICs or chips which are widely used in electronic products such as computers, smartphones, electric vehicles and automotive electronics. They, in turn, outsource these processes or activities to external solutions providers in order to scale up their product range, focus on conceptualisation of new products, reduce the burden of training and optimise resources.

A typical semiconductor and electronics industry process chain can be illustrated in the diagram below:-




Notes:-

[blue box] Denotes the type of core processes which our Group principally carries out.

[grey box] Denotes the customer segment which our Group presently serves.

*(Source: IMR Report)*

We have the expertise and a team of skilled personnel (including software engineers and validation engineers) to:-

- manage and undertake product engineering services for any semiconductor products, including ICs or chips used in electronic products as well as those used in the fabrication of hardware for smart solutions that enable digitalisation of operational processes;

- carry out complex product engineering services by leveraging on our employees' technical expertise in development of digitalised solutions and automated equipment; and

- progressively report the deliverables based on analytics dashboard and visualisation platform.

The types of product engineering services we provide to our customers include:-

**(a) Post-silicon validation**

Post-silicon validation is where we validate the design of product prototypes during its product lifecycle. During post-silicon validation, the functions of product prototypes are tested repeatedly across a specific number of prototype samples to verify that the intended design specifications are met. While there are many areas of post-silicon validation, we are currently focusing on electrical validation, functional validation, AI system and software validation, circuit marginality validation and system level testing debug.

- *Electrical Validation*

  Electrical Validation refers to the validation of the electrical performance and electrical characteristics including Signal Integrity of an IC to ensure the intellectual properties meet the design requirements as well as specific industry standards. Signal Integrity focuses on the quality of the signals transmitted within and between ICs. We validate these electrical characteristics using various customised and industry-standardised tests and equipment such as oscilloscopes, protocol analysers and synthetic signal generators. The intellectual properties we validate are High-speed Input/Output (such as PCIe, USB and UFS), Display, Memory, General-purpose-IO and Fuse.

  We have the capability to design test boards and the test sequences required during validation. We can also develop development kits which will accelerate the process of developing electronic systems on the IC.

- *Functional Validation*

  We validate the functionality of an IC to ensure that the various intellectual properties of an IC functions as per design. We perform these using customised equipment such as protocol analysers and logic analysers, customised tests and scripts as well as commercially available applications and benchmarks.

  We have the capability to design the validation boards and programs required for testing.

- *AI Systems and Software Validation*

  We validate the various AI software use-cases related to computer vision and AI technologies as well as use-cases to be used on Edge devices in the IoT space. We perform edge graphics processing system validation to ensure that those systems can perform well based on customers' use-cases.

- *Circuit Marginality Validation*

  We validate the minimum operation voltage performance of ICs by comparing the minimum operation voltage measured by automated testing equipment with the specifications provided. We perform these validations using object-code based tests (testing of codes to identify any errors) as well as applications on prototype firmware, software and hardware.

- *System Level Test Debug*

  We validate the test contents in the SLT test program, a type of testing that evaluates the functionality and performance of a complete integrated system. This will be used for internal engineering sample generation as well as for manufacturing reject validation. We perform these reject validation on defective engineering samples and defective production samples which are returned from customers as part of the failure analysis and customer return process.

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**(b) NPI**

NPI is the process of establishing a product from its conceptual stages to its final form. The NPI process includes manufacturing of prototype products in the stage of its product lifecycle where engineering samples are produced for both internal and external customers of an IDM. The activities during these NPI production stages include test processes almost identical to a high-volume manufacturing environment, but in an engineering environment and at a smaller scale for the following purposes:-

- The development of test programs used for Burn-in, Class Test, Fusing, Binning, and SLT test processes.
- Discovering potential issues with new tools, designs, and processes in preparation for mass production, in order for these potential issues to be ironed out and fixed before then.
- Enabling estimations of potential yields and run rates which impact output, as well as to determine if quality targets are meeting projections in preparation for mass production.

In addition, we are also involved in carrying out the following engineering test processes:-

- Setting up, operating, and maintaining test equipment in the engineering lab environment.
- Assisting engineers by providing remote support while test equipment is being used remotely.
- Collecting and reporting of engineering data, test results, and output data of engineering samples.
- Performing various engineering activities while using and implementing new changes to hardware, software, and processes in a dynamic environment.
- Providing procurement support and inventory management of ICs, materials (such as memory cards, graphic cards and motherboards), test and measurement equipment, general tools and computer accessories.

**(c) Software development**

With our technical expertise and advanced capabilities in software development across a variety of industry verticals, we can architect, design and productize various software applications such as:-

- Cloud based remote debug software – remote engineering toolset which helps engineers to remotely reserve, control, manage, maintain, and update a cluster of remote computing systems. This cloud based remote debug software includes remote operating system provisioning and remote login capabilities, enabling organisations to view and optimise resource allocation, view usage statistics, and reduce idle time and wastage.
- Lab usage management application – Allows lab management to monitor the utilisation of any registered testing and measurement equipment and capital assets, with their locations in a lab environment. This application adds value by reducing idle time and wastage and enables quick tracking of expensive equipment and capital assets.

- System-under-test utilisation tracker – Allows for tracking of platform usage, including power status and consumption.

- Announcement portal - allows users to disseminate information, sharing process updates and training material as well as messages to a target audience with a target due date requiring acknowledgment by the reader.

- Reporting dashboard – Visualises the data reported by the lab usage management application and system-under-test utilisation tracker. Provides insight into utilisation in visual form to be viewed by stakeholders and can be further scrutinised.

- Asset management system - Used when registered equipment is faulty in a manufacturing environment. Users use this system to file tickets in the event of equipment failures, to set up new equipment, and schedule preventive maintenance downtime for any equipment. For asset and equipment management, the asset management system tracks details for inventory purposes such as location, machine time, machine name, machine owner and machine type.

- Software for automated testing equipment of ICs during NPI stage.

- Database and web application of user-registered subnetwork on an intranet network.

- Database and portal for users to register an intranet domain name and IP address for the customers' IT team to manage.

- Ticketing system – Maintenance and continuous improvement of a ticketing system within a single user-interface for customers' lab management team to manage tickets submitted by lab users to manage inventories, lab infrastructure, equipment maintenance, and board repair.

For the Financial Periods Under Review, we primarily provide product engineering services, directly and indirectly, to Intel group of companies. Apart from our own Product Engineering Services team (comprising mostly software engineers, software developers and validation engineers), we also employ contract-based skilled personnel (including engineers and technicians) to jointly manage and implement the projects. Having the contractual workforce would, not only able to complement our team, but also allows us to control our overall cost structure and manage our resources more effectively depending on the project needs/requirements. Currently, while we are able to carry out certain software development work and remote support at our own offices, our personnel are mostly placed at Intel group of companies' various fabrication facilities in Penang and Kedah. Going forward, we intend to set up our own delivery centres to carry out certain product engineering services.

### 7.2.4 Design, development and sale of automated equipment

Automated equipment is machinery, equipment and devices which are typically used to perform mundane, repetitive and tedious tasks. This allows workers to be relieved from the said consuming tasks and to focus on more value-added tasks which require more decision making and governance. The use of automated equipment in the workplace will contribute to increased processing speed, higher precision and accuracy, lower headcount and labour related costs, extended work-hours and reduced health and safety risks.

We design and develop customised automated equipment to carry out one or more functions. Meanwhile, we also internally develop all key software systems. We may source hardware components and software applications from third-party Principals as and when required.

Our automated equipment is sold as standalone products. Nevertheless, all of our automated equipment is designed to interconnect with one another, or with other third-party automated equipment, to form an integrated production line system.

Our automated equipment can be integrated with our digitalised solutions (detailed in Section 7.3.2 of this Prospectus) or other third-party smart solutions or robotic systems. By doing so, this creates a fully autonomous process flow, facilitating smart factories. If required by our customers, we have the capability to undertake the integration of our automated equipment with our customers' existing production line systems as well as their manufacturing execution systems.

At present, the automated equipment we have designed and developed have been largely developed for and sold to semiconductor and electronics companies. In addition, we also develop and sell some of our automated equipment to customers in the manufacturing industries and other sectors.

Examples of automated equipment we have designed and developed for customers during the Financial Periods Under Review are as follows:-

| No. | Assets | Description | Application |
|---|---|---|---|
| 1. | ***Automated test and handler equipment***  | The automated test and handler equipment comprise robotic arms that are engineered to undertake assembly, disassembly, pick and place, switching and sorting processes to sort products and/or perform testing processes. | Assemble, dissemble, pick and place and switch products to different process tray for testing, and sorts products based on its quality level during semiconductor and electronics manufacturing. |
| 2. | ***Automated visual inspection equipment***  | The automated visual inspection equipment is designed for conducting visual inspections activities to enable greater accuracy during quality control processes. | Allows for inspection on:-<br>• measurements<br>• marking inspection;<br>• orientation / positioning of parts and components; and<br>• absence or presence of parts and components,<br>during semiconductor and electronic product manufacturing. |

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| No. | Assets | Description | Application |
|---|---|---|---|
| 3. | ***Automated material management system***  | The automated material management system stores and retrieves materials on a real-time basis.<br><br>This system enables:-<br>• management of operations with an actionable dashboard;<br>• analytics and reporting on material usage.<br><br>This system is designed to work collaboratively with other complementary robots or equipment, including material transfer equipment | Manages and stores high value manufacturing materials such as, but not limited to, gold wires, epoxy, rubber tips, solder balls, solder pastes, reels, test sockets, bonding capillaries and probe pins, which are used in semiconductor and electronics manufacturing. |

Apart from the above, we are also able to provide other customised automated equipment based on our customers' requirements and needs.

## 7.3 BUSINESS AND OPERATION PROCESS FLOW

### 7.3.1 Provision of Engineering Support Services and Product Engineering Services

The process flow for engineering support services and product engineering services is as depicted below:-

Liaising with the customers

↓

Initiate project kick off and project team

↓

Monitoring, billing of services and payment

**(a) Liaising with the customers**

The customers will first initiate a scope of work after which we will carry out detailed discussions with our customers to understand their exact needs and required scope of works. The customers will then request for a quotation, following which we will prepare a proposal detailing our quotation and commercial terms based on the pre-agreed scope of works and contract period. Once the proposal is agreed/accepted, the customers will then issue a purchase or work order.

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**(b) Initiate project kick off and project team**

Based on scope of works provided by our customers, we will mobilise and set up a project team (comprising mostly contract-based workforce including engineers, technicians and manufacturing specialists) accordingly to initiate the project execution. Our Human Resource department may, if necessary, carry out resource recruitment and we have an engineering team that is responsible for the supervision and monitoring of the project team.

The processes are as follows:-

**(i) Talent fulfilment**

Based on our customer's requirements and needs, we will first determine the talent resources necessary to perform the required scope of works under the engineering support services or product engineering services. We will then select and allocate suitable personnel to form the project team to carry out the engagements. For certain projects, we may need to source and recruit suitable personnel based on our customers' requirements and needs.

Recruitment of personnel is based on our criteria according to our project requirements and needs. This includes, but not limited to, relevant academic qualification, work experience and technical skills. Potential candidates are then shortlisted and subsequently evaluated via an assessment interview. Successful candidates will be informed with the recruitment formalised accordingly.

**(ii) Training and briefing**

New recruited personnel (especially the contract-based ones) are required to attend briefings and training sessions carried out by our Engineering team. This is to assist them in familiarising themselves with the project as well as our customers' standard operating procedures. Occasionally, they may be required to attend briefing sessions held by our customers to gain a deeper understanding of the project requirements. These sessions are carried out to ensure that they have the necessary skills and are fully certified to perform the processes required to successfully complete the project. Some examples of training that our personnel attended are material handling training, reject management training, software development principles, business analytics training and statistic data analysis training.

**(iii) Project execution**

Once our project team have completed the training and certification process, they will be deployed to perform their assigned duties. Depending on the project, our project team will be based at our customers' sites, plants or facilities, or off-site at our Setia Spice Office.

Our Engineering team will supervise and monitor the progress and performance of the project team to ensure that they meet their performance standards and deliverables for both engineering support services and product engineering services segments.

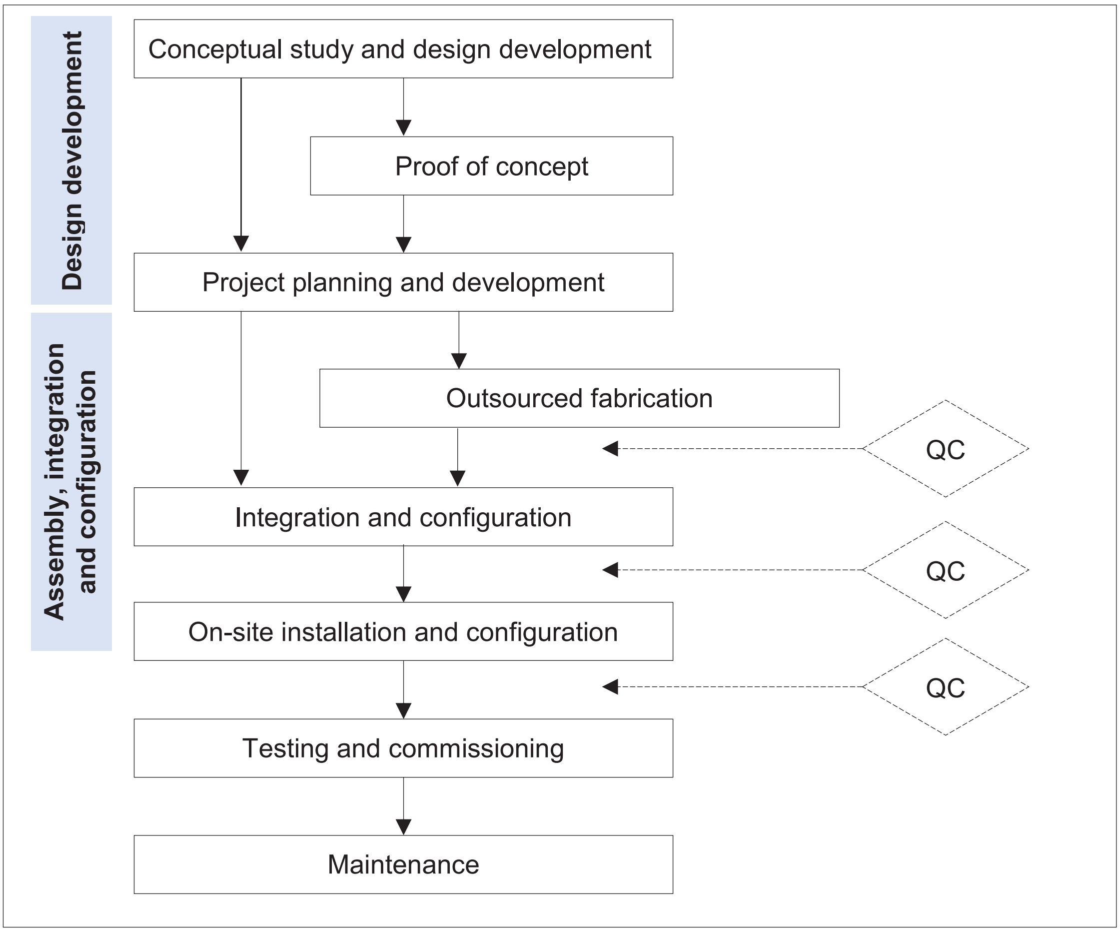
**(c) Monitoring, billing of services and payment**

We will present our performance of our projects progress and delivery on a weekly and monthly basis to our customers. Based on these periodic reports, our customers will be informed on whether we have performed the tasks that we have been assigned to, in an orderly manner and within the time frame stipulated.

On a monthly basis, customers will validate the progress of tasks performed before we can issue an invoice to them for the services provided.

### 7.3.2 Design Development and Sale of Digitalised Solutions and Automated Equipment

The process flow for the provision of digitalised solutions and automated equipment are as depicted below:-




**(i) Conceptual study and design development**

Upon receipt of a purchase order from a customer, we will form a review team comprising representatives from the Business Development, Engineering and Software Innovation departments. The review team will be responsible for completing a conceptual study to review the technical specifications and design of the project. The technical specifications and design will include, but not limited to the functions, specifications, parts and equipment, software systems and connectivity of the automated equipment and digitalised solutions.

We will then demonstrate our conceptual study to the customer and work closely with the customer in the validation of the technical specifications and design of the conceptual study.

Upon approval of the conceptual design by the customer and if requested by the customer, we will provide them with a simple or partial demonstration of the solution. This demonstration is conducted by our review team.

**(ii) Proof of concept**

If the customer has requested a proof of concept, our Engineering and Software Innovation team will begin the development of the proof of concept of the solution. Further discussions with the customer may be carried out by our Engineering, Software Innovation as well as Business Development team to further understand the specifications and requirements of the solution. This is to ensure that the proof of concept will demonstrate and validate the functionality of our conceptual design of the solution.

Thereafter, the proof of concept will be demonstrated to the customer for approval.

**(iii) Project planning and development**

Once the order is confirmed, a project team will be formed, consisting of personnel from Business Development, Engineering and Software Innovation departments.

The project team will prepare a project plan which entails the detailed project schedule and deliverables, project costing, resource allocation, operational processes, quality requirements and other administrative procedures.

Following the customer's specifications, our project team will develop the final solution design in terms of:-

- system functionalities and user interfaces, design requirements and/or site requirements of the software system; and

- final design of the automated equipment and/or ancillary structures for digitalised solutions and automated equipment.

Throughout the project development stage, our project team will continuously liaise with the customer to ensure that the final solution design complies with the customer's requirements.

Thereafter, our project team will begin the fabrication of mechanical components. We outsource fabrication of mechanical components to external parties depending on the cost, resources and complexity of the fabrication works. In addition, we also outsource wiring works to sub-contractors.

Our Engineering team will then conduct a quality inspection to ensure that the mechanical components and wiring works are in accordance to our design specifications.

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**(iv) Assembly, integration and configuration**

Our Engineering team will then assemble the mechanical components and products procured to form the complete equipment used in our digitalised solutions and automated equipment. The mechanical aspects of the equipment will then be tested to ensure that the functionality of the equipment meets the specifications set out in the final solution design.

In parallel, our Software Innovation team will design and customise the necessary software required in the digitalised solutions and automated equipment.

Next, both our Engineering and Software Innovation team will work together to integrate and configure the software with the equipment to form the digitalised solutions or automated equipment.

Thereafter, a Factory Acceptance Test will be conducted by our Engineering team on the digitalised solutions or automated equipment, prior to the delivery of the solution to our customer's location, to ensure that the configuration of the solution is in accordance with the customers' specifications.

**(v) On-site installation and configuration**

The digitalised solutions or automated equipment will then be delivered to our customer's location.

If required, our Engineering and Software Innovation team will then configure our digitalised solutions or automated equipment to integrate with other existing machinery, equipment and devices on-site, to ensure that they are interconnected. At this stage, we will utilise our TofI to facilitate integration of our digitalised solutions or automated equipment with other equipment or manufacturing system of our customers.

Depending on the type of digitalised solutions or automated equipment, we will also integrate our mobile application platform for smart devices and/or analytics dashboard and visualisation platform. As an illustration, our command and control centre, and asset management system require the integration of our analytics dashboard and visualisation platform, while our workforce efficiency solution requires the use of mobile application platform for smart devices.

**(vi) Testing and commissioning**

Thereafter, a Site Acceptance Test will be conducted on the digitalised solutions or automated equipment to ensure that all the machinery, equipment, devices and software performs according to our customer's requirements. Typically, the Site Acceptance Test involves the setup and running of the entire solutions, under a simulated and/or real-time environment, to validate that the functionality and performance are in accordance with the customer's requirements.

The Site Acceptance Test is conducted with and witnessed by the customer together with our Engineering and Software Innovation team. This is to ensure that the solutions are fully functional and readily integrated with the customer's existing machinery, equipment or devices seamlessly, if required, and the entire digitalised solutions or automated equipment is ready.

During the Site Acceptance Test stage, the parameters in the pre-agreed buyoff checklist will be evaluated by the customer and our Engineering and Software Innovation team, and once all parameters are met, the buyoff checklist will be signed by the customer. This signifies the completion of the project.

**(vii) Maintenance**

If and when requested by our customer, we are able to provide maintenance services which include maintenance, software upgrade and technical support services for the solutions. Typically, a warranty period of 1 year is provided for our solutions/equipment, during which hardware parts repair and replacement will be under the suppliers' warranty.

## 7.4 QUALITY ASSURANCE AND QUALITY CONTROL

We recognise the importance of providing consistent quality solutions and services to ensure that our customers' needs and requirements are met. We presently comply with the following international standards:-

| Standard | Certification Body | Year First Awarded | Validity Period | Scope |
|---|---|---|---|---|
| QMS ISO 9001:2015 | Pearl Certification Sdn Bhd (Malaysia) | 2016 | 17.03.2023 to 23.11.2025 | Smart manufacturing system and automation solution provider including design, development and commissioning |
| ISO/IEC 27001:2022 | ARES International Certification Co Ltd (Taiwan) | 2024 | 21.02.2024 to 20.02.2027 | The provision of professional software services delivery, application managed services, software development, customisation and training |

The following are the quality control procedures which are implemented at various stages of the digitalised solutions' and automated equipment's process flow:-

| Process Flow Stage | Quality Control Procedure |
|---|---|
| Assembly | • Upon receipt of completed mechanical components of the equipment, our Engineering team will conduct a buyoff process to ensure that the components are in good condition and meets the specifications set out in our final solution design. |
| Integration and configuration | • A Factory Acceptance Test will be conducted on the digitalised solution or automated equipment, prior to the delivery, to verify the configurations are in accordance with the customers' specifications. |
| Testing and commissioning | • A Site Acceptance Test will be conducted on the digitalised solution or automated equipment that has been installed at our customer's site to ensure that the solutions are fully functional and readily integrated with the customer's existing manufacturing systems seamlessly.<br><br>• The Site Acceptance Test involves the setup and running of the entire solutions, under a simulated environment and/or real-time environment, to validate that the functionality and performance are in accordance with the customer's requirements. |

We have developed and adopted the following quality assurance measures for our engineering support services and product engineering services segments, namely:-

**(a) Selection of quality resources**

Prior to recruitment, we conduct thorough interviews and assessments based on a pre-determined selection criteria to ensure that skilled-based personnel with the appropriate qualification and experience are employed. Such selection criteria include their academic qualification, career history, portfolio of customers, and detailed work experience in handling requisite tasks (or similar tasks).

**(b) Regular inspections and site visits**

Our Engineering team conducts routine inspections and site visits at the relevant work sites to ascertain our customers' satisfaction with our service quality and to ensure that the workers perform their duties with care and diligence and adhere to the standards set by our customers. In addition, we also work closely with our customers to obtain their feedbacks and attend to complaints/issues raised. Our key senior management conducts monthly progress meetings with the engineering team to ensure that our customers' feedback and complaints/issues are dealt with promptly.

## 7.5 COMPETITIVE STRENGTHS

The following competitive strengths are important in sustaining our business as well as providing us with future business growth:-

**(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.

In particular, we provided various types of services and solutions to one of our major customer, Intel group of companies, during the Financial Periods Under Review including the provision of engineering support services for IC testing and assembly, and product engineering services, and development and sale of certain digitalised solutions and automated equipment.

In addition, we also develop and sell some of our digitalised solutions and automated equipment to manufacturing industries and other sectors such as automotive, healthcare, and industrial as well as local city councils. Our solutions/equipment can be customised to cater to various manufacturing needs and industry applications. For the Financial Periods Under Review, 74.34% to 91.10% of our Group's revenues are generated from the semiconductor and electronics industry. Meanwhile, the remaining 8.90% to 25.66% of our Group's revenues are generated from manufacturing industries and other sectors.

**(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.

Some of our customers have stringent supplier selection processes, whereby they conduct detailed reviews, site visits and/or assessment on their suppliers/service providers prior to selection to ensure that their product quality and operating standards have been met, and that the suppliers have a proven track record. Some customers also carry out regular follow-up assessments to ensure compliance have been maintained. Further, we may be required to fulfil their requirements for environmental, social and governance practices. We have had to undergo these reviews and assessments, which is evidence of our standing as a proven industry player.

Further, our operational processes comply with international compliance standards. We were awarded the ISO 9001:2015 certification in 2016 for smart manufacturing system and automation solution provider including design, development and commissioning as well as ISO/IEC 27001:2022 in 2024 for professional software services delivery, application managed services, software development, customisation and training. These ISO certifications serve as a testimony of the quality of our solutions and services. As such, our ability to comply with these requirements in accordance to international standards has enabled us to be effective and successful in both securing and retaining our multinational customers.

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.

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

We are led by an experienced and committed key senior 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.

Since our inception, we have built an established reputation in the industry through our management's engineering experience and expertise, as well as our ability to provide quality products/services and consistent levels of customer service. The competencies of our key senior management will enable us to sustain our future growth and improve the overall financial performance of our Group. Please refer to Sections 5.1.3 and 5.5.2 of this Prospectus for the detailed profiles of our CEO, CDO and key senior management.

**(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:-

(i) the product engineering service industry in Malaysia is forecast to grow by 19.7% between 2024 and 2026 to reach RM1.2 billion in 2026, whilst the global product engineering service industry is expected to grow by 15.4% between 2024 and 2026 to reach USD2.0 billion in 2026;

(ii) the IC assembly and test services industry in Malaysia is anticipated to grow by 10.2% between 2024 and 2026, to reach RM23.3 billion in 2026, whilst the global IC assembly and test services industry is projected to grow at a CAGR of 4.5% between 2024 and 2026, to reach USD37.0 billion in 2026; and

(iii) the automated manufacturing and digitalised solutions industry in Malaysia is predicted to grow at a CAGR of 13.1% to RM17.4 billion in 2026, whilst the global automated manufacturing and digitalised solutions industry is estimated to grow at a CAGR of 8.7% between 2024 and 2026 to reach USD448.6 billion in 2026.

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Amongst the key demand drivers for the above forecasted growths include:-

- growing semiconductor and electronic industries and manufacturing-related industries which have largely been driven by the technological revolution with 5G adoption and the emergence of 6G, IoT, AI, machine learning and big data analytics that has resulted in the introduction of new electronic products, as well as the rise in demand for electric vehicles (EV) and solar energy is also expected to boost the demand for semiconductor chips.

- modernisation and transformation of manufacturing facilities towards Industry 4.0 and 5.0 technologies to enable smart factories and sustainable operations.

- increased outsourcing and relocation of manufacturing activities to Southeast Asia particularly foreign multinational companies that have intention to set up production facilities in Malaysia.

- Government initiatives to develop the automation manufacturing and digitalised solution industry.

The IMR Report further highlights that, despite the global semiconductor and electronics industry decreased to USD526.8 billion as a result of decrease in demand for consumer electronics due to excess inventory stocks of consumer electronics in the first-half of 2023, the global semiconductor and electronics industry has began to rebound towards the later part of 2023, which is mainly driven by demand for AI applications. The global semiconductor and electronics industry is expected to rebound further in 2024 and is forecast to grow by 11.6% to reach USD588.0 billion in 2024. This is expected to be 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. Further, the semiconductor and electronics industry is expected to be driven by rapid technological developments for product innovations and advancements in the market, and the technological revolution with 5G adoption and the emergence of 6G, IoT, artificial intelligence, machine learning and big data analytics, which have resulted in the emergence of new electronic product.

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.

Thus, our Group is well-positioned to capitalise and leverage on the outlook and growth opportunities as set out in Section 8 of this Prospectus.

## 7.6 SEASONALITY

We do not experience any material seasonality in our business as the demand for our products and services are not subject to seasonal fluctuations.

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## 7.7 TYPES, SOURCES AND AVAILABILITY OF RAW MATERIALS

The key supplies for our digitalised solution and automated equipment business segments include hardware components, engineering services and fabrication services for mechanical components and sheet metal. Our engineering support services and product engineering services segments require minimal materials as they are service-centric activities.

For hardware components, the products include mechanical, electrical and pneumatic parts as well as computer related devices such as computers, sensors, smart wearables and touch screen monitors. We source these hardware components from Principals. These supplies are generally readily available from our Principals and we are able to obtain these from both local and foreign suppliers. In addition, we also ensure that the hardware components supplied to us meets our customer's specifications and expectations.

For software, we procure the necessary software licenses and cloud subscriptions which are generally readily available from our Principals.

In addition, we will also outsource certain services to external suppliers and/or subcontractors including fabrication of mechanical components/sheet metal, engineering and wiring related works, which we will subsequently assemble to form our automated equipment. Such services were mainly sourced from local suppliers.

The breakdown of the purchases of these products and services are as follows:-

| | **FYE 2020** | | **FYE 2021** | | **FYE 2022** | | **FPE 2023** | |
|---|---|---|---|---|---|---|---|---|
| | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** |
| **Hardware** | | | | | | | | |
| - Mechanical, electrical and pneumatic parts | 4,723 | 18.04 | 7,470 | 27.32 | 7,267 | 33.05 | 5,397 | 45.63 |
| - Computer related devices | 7,371 | 28.15 | 5,433 | 19.87 | 3,325 | 15.12 | 2,559 | 21.64 |
| **Services** | | | | | | | | |
| - Fabrication services | 3,300 | 12.61 | 5,342 | 19.54 | 4,754 | 21.62 | 910 | 7.69 |
| - Engineering services | 7,911 | 30.22 | 7,653 | 27.99 | 4,821 | 21.92 | 2,374 | 20.07 |
| - Electrical/Wiring services | 643 | 2.46 | 505 | 1.85 | 587 | 2.67 | 114 | 0.96 |
| Software | 1,858 | 7.10 | 351 | 1.28 | 293 | 1.33 | - | - |
| Others * | 373 | 1.42 | 590 | 2.15 | 944 | 4.29 | 474 | 4.01 |
| **Total purchases** | **26,179** | **100.00** | **27,344** | **100.00** | **21,991** | **100.00** | **11,828** | **100.00** |

Note:-

* Others include logistics and packaging costs, jigs and tools, metal parts, personal protective equipment and other consumables such as battery and cables.

We have not experienced any major volatility in the prices of our supplies, which have materially affected our business during the Financial Periods Under Review.

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## 7.8 BUSINESS DEVELOPMENT AND MARKETING STRATEGIES

Our Business Development and marketing department is responsible for expanding our brand awareness and to capture the interest of a wider market. We adopt the following business development and marketing strategies:-

### 7.8.1 Business Development Activities

**(a) Direct approach**

Our business development activities are led by our CEO and CDO and assisted by the Business Development team, which typically targets semiconductor and electronics, and manufacturing companies.

**(b) Building relationship with existing customers**

We also emphasise on maintaining and building our existing relationship with our current customers. We aim to provide our customers with efficient and reliable after-sales services and follow ups, as a method to maintain good business relationships and to ensure that they are satisfied with our services/products.

As our business includes products and solutions that are customised, our customer relationship management is anchored by our technological know-how, mutual trust, technical support services as well as understanding of customers operations, which has to be cultivated over time. We encourage direct involvement of our Engineering team with our customers' operations team. The direct involvement of our personnel enables us to showcase our technological strengths whilst encouraging technological collaboration with our customers. Through such direct involvement, our personnel are able to convey to our customers our latest innovation.

**(c) Referrals and cross-selling**

We also secure new customers through referrals from our business associates, particularly Principals. At times, end-users will reach out to Principals to procure hardware components and software applications. As these Principals are typically only involved in the sales and marketing of these hardware and software applications, the Principals will direct these leads to us for us to follow up and offer our solutions. Further, our trade name is also advertised through brochures and pamphlets of some of these Principals, thus generating leads for us in cases where potential customers (usually end-users) contact us.

As we offer a wide range of digitalised solutions and automated equipment, we are able to leverage on our existing customer base to optimise revenue generation by offering more comprehensive solutions to cater to our customers' needs. The cross-selling of our solutions are a value-add to our customers as they only need to deal with a single solution provider instead of multiple solution providers.

**(d) Corporate website**

We have our own corporate website at https://sophicautomation.com and https://www.3ren.com.my which provides searchable information on our Group, our principal activities and details of our solutions and services.

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**(e) Social media platforms**

We recognise the importance of social media platforms to create awareness of our solutions. We maintain a profile on social media platforms such as Facebook and Linked-In where we post videos and online content to attract customers as well as interact with our customers. We also post videos and online content on YouTube. Periodically, we share online newsletters with our customers to keep our customers abreast on product information and events. Our marketing personnel are in charge of overseeing the marketing activities on social media platforms.

### 7.8.2 Marketing Strategies

**(a) Exhibitions and events**

We participate in exhibitions and events organised by Government ministries, associations and/or third-party technological partners, both locally and internationally to gain further exposure. These exhibitions and events enable us the opportunity to showcase our solutions and capabilities to expand our network of customers.

These exhibitions and events are great opportunities to attract prospective customers, while keeping up-to-date with the latest trends and developments in the automated manufacturing and digitalised solutions industry.

Some of the exhibitions and events we have been involved since 2020 and up to the LPD include:-

| Name of Event | Organiser | Date | Location |
|---|---|---|---|
| TECHFEST 2020 | World Congress on Information Technology 2020 | November 2020 | Virtual |
| Advanced Semiconductor Technology Conference 2021 | SEMI South Asia | January 2021 | Virtual |
| RMK 12: Boosting Electrical and Electronics Industry in Moving up the Value Chain | Malaysia Productivity Corporation, Malaysia Semiconductor Industry Association | October 2021 | Virtual |
| Malaysia National Electrical and Electronics Forum 2021 | Malaysia Semiconductor Industry Association | October 2021 | Virtual |
| PETRONAS Experience Ventures 2022 | PETRONAS | September 2022 | Kuala Lumpur |
| World Congress on Innovation and Technology 2022 Malaysia | The National Tech Association of Malaysia (PIKOM) | September 2022 | Penang |
| Technology Roadshow 2022 | PETRONAS | October 2022 | Sabah |
| Corporate and Limited Partners Roadshow 2022: Penang Chapter | MDEC | October 2022 | Penang |
| Malaysian Digital Dialogue Penang | MDEC | December 2022 | Penang |

| Name of Event | Organiser | Date | Location |
|---|---|---|---|
| ICONICS ASEAN Regional Partner Enablement 2022 | Mitsubishi Electric Sales Malaysia Sdn Bhd | December 2022 | Singapore |
| SEMICON SEA 2023 | SEMI Southeast Asia | May 2023 | Penang |
| Converge Customer Success Conference Asia Pacific 2023 | Siemens | July 2023 | Thailand |
| MTDC Technology Conference & Exhibition 2023 | MTDC | September 2023 | Kuala Lumpur |
| Converge Asia Pacific Executive Partner Forum 2024 | Siemens | January 2024 | Vietnam |

While we have been mainly participating in local exhibitions and events in Malaysia in the past, we have begun to participate in international exhibitions and events in Singapore and Thailand beginning from 2022. In light of our future business plan to expand our presence internationally, particularly in Singapore, we intend to continue participating in international exhibitions and events.

We have also been invited by large multinational corporations and government associations such as MDEC, Malaysian Global Innovation and Creativity Centre SEMI Southeast Asia and MTDC as speakers at their company events to discuss our solutions and capabilities. Through these events, we are able to gain exposure and share our expertise in the industry/sector we are involved.

Some of these events include:-

| Name of Event | Organiser | Date | Location |
|---|---|---|---|
| Malaysia Smart City Project Industry Exchange Conference | MDEC and Overseas Community Affairs Council, Taiwan | September 2020 | Virtual |
| Step by Step Go Towards IR4.0 | Federation of Malaysian Manufacturers | October 2020 | Ipoh |
| AI in Manufacturing: GAIN your competitive edge | MDEC | November 2020 | Virtual |
| FMM - Startups Pitch Day 2020 | Malaysian Global Innovation and Creativity Centre | November 2020 | Virtual |
| MTDC Industry 4.0 Techweek | MTDC | April 2021 | Virtual |
| 4IR + Medtech: Are you future ready? | MDEC, Malaysia Medical Devices Manufacturers Association, Messe Worldwide Sdn Bhd | September 2021 | Virtual |
| Beckhoff Symposium | Beckhoff Automation Sdn Bhd | November 2021 | Virtual |
| Industry 4.0: Market Trend and Technology from Malaysian Companies | Japan External Trade Organisation Kuala Lumpur, MDEC | March 2022 | Virtual |
| SEMICON SEA 2022 | SEMI Southeast Asia | June 2022 | Penang |

| Name of Event | Organiser | Date | Location |
|---|---|---|---|
| Your Sustainable Competitive Edge for Product Development Utilising ISO 56000 Innovation Management System Standards | PSDC | September 2023 | Penang |
| Academic & Industry Symposium | Wawasan Open University | January 2024 | Penang |

## 7.9 INTELLECTUAL PROPERTIES

As at the LPD, save for the following, we do not have any other major intellectual property rights registration or application.

### 7.9.1 Trademark

As at the LPD, the Group has filed the following trademark application with MyIPO:-

| Representation of Trademark | Registered Owner | Issuing Authority/ Application No. | Effective/ Expiry Date | Classification |
|---|---|---|---|---|
| Tofi | Sophic Automation | MyIPO/ 2016006427 | 14.06.2016/ 14.06.2026 | Sensors integrated system, monitoring cloud solution, remote wireless technology, statistical analytic information for factory activity, deployment for small, medium and large scale industries factory, industrial IoT solutions; all included in Class 9. |

The trademark has been registered and is valid for 10 years from the effective date and may be renewed every 10 years, subject to renewal fee paid to MyIPO.

### 7.9.2 Patents

As at the LPD, the Group has filed the following patents with MyIPO:-

| Registered Owner | Title of Invention | Issuing Authority | Filing No./ Grant No. | Filing Date/ Grant Date/ Expiry Date |
|---|---|---|---|---|
| Sophic Automation | Wearable data extractor | MyIPO | PI 2016702378/ MY-193020-A | 27.06.2016/ 22.09.2022/ 27.06.2036 (1) |
| Sophic Automation | Fluid leakage prevention system for thermal management system | MyIPO | PI 2023007915/ Not applicable | 26.12.2023/ Not applicable/ (2) Not applicable (2) |

Notes:-

(1) The patent is subject to annual payment of renewal fee to MyIPO.
(2) The patent is still pending approval from MyIPO.

## 7.10 MAJOR LICENCES AND PERMITS

As at the LPD, save as disclosed below, there are no other major licenses and permits held by or issued to our Group to carry out our business operations.

### 7.10.1 Business Licence

| No. | Licence Holder | Issuing Authority | Effective Date/ Expiry Date | Nature of Approval | Major Conditions Imposed | Status of Compliance |
|---|---|---|---|---|---|---|
| 1. | Sophic Automation | MBSP | 21.09.2023/ 31.12.2024 | Business licence for machine automation factory, office, warehouse/storage and advertising signage located at our Tangkas 9 Plant | Nil. | Not applicable. |
| 2. | Sophic Automation | MBSP | 21.09.2023/ 31.12.2024 | Business licence for machine automation factory, office and warehouse/storage located at our Tangkas 3 Plant | Nil. | Not applicable. |
| 3. | Sophic Automation | MBSP | 21.09.2023/ 31.12.2024 | Business licence for machine automation factory, office, warehouse/storage and advertising signage located at our Bukit Minyak Plant | Nil. | Not applicable. |
| 4. | Sophic Automation | MBPP | 21.12.2023/ 31.12.2024 | Business and advertising signage licence located at our Setia Spice office | Nil. | Not applicable. |

## 7. BUSINESS OVERVIEW *(cont'd)*

| No. | Licence Holder | Issuing Authority | Effective Date/ Expiry Date | Nature of Approval | Major Conditions Imposed | Status of Compliance |
|---|---|---|---|---|---|---|
| 5. | Pinkypye | MBSP | 21.09.2023/ 31.12.2024 | Business licence for electrical and mechanical precision and assembly work, office and warehouse/storage located at our Tangkas 3 Plant | Nil. | Not applicable. |
| 6. | Sophic MSC | MBSJ | 04.09.2023/ 02.09.2024 | Business licence for office and advertising signage located at our Stellar Suites office | (a) The licence has to be renewed within 3 months before the expiry date except for temporary licence. | Noted. |
| | | | | | (b) Implement the Selangor State Plastic Free Campaign, 'NO POLYSTERE' and 'NO STRAW'. Disposable plastic bags (disposable/single use) is no longer supplied for free. The company must be registered under the Plastic Bag Charge Collection Program of Selangor at the MBSJ Licensing Department for control and adjustment purposes. | Complied. |
| | | | | | (c) The Licensing Department must be informed if the premise has closed or ceased operation for a security claim (if any). | Noted. |
| 7. | Sophic MSC | DBKL | 15.02.2024/ 14.02.2025 | Business licence for our Bukit Jalil Office | (a) DBKL reserves the right to impose additional conditions as a business control measure from time to time and to take action in accordance with the relevant laws and acts applicable to other departments/agencies related to the business activities. | Noted. |

| No. | Licence Holder | Issuing Authority | Effective Date/ Expiry Date | Nature of Approval | Major Conditions Imposed | Status of Compliance |
|---|---|---|---|---|---|---|
| | | | | | (b) The licence shall be renewed annually, 60 days prior to the expiry date and without notice form the mayor of Kuala Lumpur. | Noted. |
| | | | | | (c) Non-citizen employees with valid working permits shall not exceed 50% of the national employees in the premise. | Complied. All workers are Malaysians. |

The application for the renewal of the business licences above is expected to be submitted to the relevant authorities at least 1 month before the expiry of the said licences.

### 7.10.2 Manufacturing and Other Licences

| No. | Licence Holder | Issuing Authority | Effective Date/ Expiry Date | Nature of Approval | Major Conditions Imposed | Status of Compliance |
|---|---|---|---|---|---|---|
| 1. | Sophic Automation | MIDA / MITI | 23.12.2019/ Valid until it is revoked or surrendered | Manufacturing licence for factory automation system and related modules | (a) Site: 6 & 8, Lorong Perindustrian Bukit Minyak 1/1, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Penang. | Complied. |
| | | | | | (b) MITI and MIDA must be notified on any disposal of shares in Sophic Automation. | To be complied upon the completion of the Acquisition of Sophic Automation. |
| | | | | | (c) Sophic Automation shall train Malaysian citizens to ensure that the transfer of technology and expertise can be channelled to all employment levels. | Complied. |
| | | | | | (d) Sophic Automation shall comply with the Capital Investment Per Employee (CIPE) of at least RM140,000. | Complied. |

## 7. BUSINESS OVERVIEW *(cont'd)*

| No. | Licence Holder | Issuing Authority | Effective Date/ Expiry Date | Nature of Approval | Major Conditions Imposed | Status of Compliance |
|---|---|---|---|---|---|---|
| | | | | | (e) The total number of full time employees of Sophic Automation must consist of at least 80% Malaysian citizens. The employment of foreign workers, including outsource workers, is subject to the current policy. | Complied. |
| | | | | | (f) Sophic Automation shall submit information in relation to the performance of investment and implementation of the project under the Industrial Coordination Act, 1975 (Act 156) and MIDA Act 1965 when required by MIDA. Failure to submit the said information may result in Sophic Automation:-<br>(i) guilty of an offence and may be fined not more than RM1,000 or imprisonment for more than 3 months or both and may be further fined of not more than RM500 for every day of continuing offence; and<br>(ii) committing an offence if it provides any false or misleading statement or information and may be fined not more than RM2,000 or imprisonment of not more than 6 months or both. | Noted. |
| | | | | | (g) Sophic Automation shall implement its projects as approved and in accordance with the laws and other regulations of Malaysia. | Complied. |

## 7. BUSINESS OVERVIEW *(cont'd)*

| No. | Licence Holder | Issuing Authority | Effective Date/ Expiry Date | Nature of Approval | Major Conditions Imposed | Status of Compliance |
|---|---|---|---|---|---|---|
| 2. | Sophic Automation | MIDA / MITI | 24.02.2023/ Valid until it is revoked or surrendered | Manufacturing licence for factory automation system and related modules and automated guided vehicle/ automated mobile robot and augmented reality smart glass | (a) Site: 9, Jalan Industri Tangkas 1, Taman Industri Tangkas, Seberang Perai Tengah, 14000, Bukit Mertajam, Penang. | Complied. |
| | | | | | (b) MITI and MIDA must be notified on any disposal of shares in Sophic Automation. | To be complied upon the completion of the Acquisition of Sophic Automation. |
| | | | | | (c) Sophic Automation shall train Malaysian citizens to ensure that the transfer of technology and expertise can be channelled to all employment levels. | Complied. |
| | | | | | (d) Sophic Automation shall comply with the Capital Investment Per Employee (CIPE) of at least RM140,000. | Complied. |
| | | | | | (e) The total number of full time employees of Sophic Automation must consist of at least 80% Malaysian citizens. The employment of foreign workers, including outsource workers, is subject to the current policy. | Complied. |
| | | | | | (f) Sophic Automation shall submit information in relation to the performance of investment and implementation of the project under the Industrial Coordination Act, 1975 (Act 156) and MIDA Act 1965 when required by MIDA. Failure to submit the said information may result in Sophic Automation:- | Noted. |

## 7. BUSINESS OVERVIEW *(cont'd)*

| No. | Licence Holder | Issuing Authority | Effective Date/ Expiry Date | Nature of Approval | Major Conditions Imposed | Status of Compliance |
|---|---|---|---|---|---|---|
| | | | | | (i) guilty of an offence and may be fined not more than RM1,000 or imprisonment for more than 3 months or both and may be further fined of not more than RM500 for every day of continuing offence; and | |
| | | | | | (ii) committing an offence if it provides any false or misleading statement or information and may be fined not more than RM2,000 or imprisonment of not more than 6 months or both. | |
| | | | | | (g) Sophic Automation shall implement its projects as approved and in accordance with the laws and other regulations of Malaysia. | Complied. |
| 3. | Sophic Automation | Royal Malaysian Customs Department | 01.04.2022/ 31.03.2024 * | Manufacturing warehouse licence pursuant to Section 65A of the Customs Act 1967 | (a) No dutiable goods other than raw materials/ components and machinery used directly in manufacturing and manufactured goods which have been approved by the State Director of Customs may be stored in the licensed manufacturing warehouse. | Complied |
| | | | | | (b) Changes to the structure of buildings and equipment in the licenced premises are not permitted except with the written approval of The State Director of Customs. | Complied |

## 7. BUSINESS OVERVIEW *(cont'd)*

| No. | Licence Holder | Issuing Authority | Effective Date/ Expiry Date | Nature of Approval | Major Conditions Imposed | Status of Compliance |
|---|---|---|---|---|---|---|
| | | | | | (c) At least 80% finished product (by value) are to be exported, and not exceeding 20% of the finished product can be sold in the local market as approved. Goods sold in domestic market are subject to any prevailing duties/ tax at the time. | Complied |
| | | | | | (d) Disposal of waste including manufacturing waste is subject to the written approval of the State Director of Customs. | Noted |
| | | | | | (e) Licensee shall notify the Office of Customs in writing within 14 days if:-<br>(i) There is a change in the board of directors of Sophic Automation;<br>(ii) Sophic Automation has been wound up;<br>(iii) An application for winding-up of Sophic Automation is made;<br>(iv) Receiver or liquidator is appointed; and<br>(v) Sophic Automation is subjected to civil claims, bankruptcy, closure and other similar matters. | Noted |

## 7. BUSINESS OVERVIEW *(cont'd)*

| No. | Licence Holder | Issuing Authority | Effective Date/ Expiry Date | Nature of Approval | Major Conditions Imposed | Status of Compliance |
|---|---|---|---|---|---|---|
| 4. | Sophic Automation | Ministry of Finance Malaysia ("**MOF**") | 17.01.2022/ 20.03.2025 | Certificate of registration with the MOF as a supplier/service provider in the sector and sub-sector listed therein the certificate. | (a) Any changes to the information submitted to the MOF must be updated within 21 days from the date the change takes place. | Noted. |
| | | | | | (b) The company must ensure that the fields that have been registered in the certificate do not overlap with the fields that have been approved above any of the following companies:- | |
| | | | | | (i) having the same owner or board of directors/directors, management and employees; or | Complied. |
| | | | | | (ii) operates on the same premises. | Complied. |

Note:-

* The application for the renewal of the manufacturing warehouse licence above has been submitted to the Royal Malaysian Customs Department on 28 February 2024. The Company does not foresee any issue in renewing the said manufacturing warehouse licence.

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## 7.11 DEPENDENCY ON CONTRACTS, INTELLECTUAL PROPERTY RIGHTS, LICENCES, PERMITS AND/OR PRODUCTION OR BUSINESS PROCESSES

As at the LPD, save as disclosed in Section 7.10 of this Prospectus, there are no other commercial or financial contracts, intellectual property rights, licences, permits and/or production or business processes, which we are highly dependent on or that are material to our business and/or profitability.

## 7.12 MATERIAL CONTRACTS

Save as disclosed below, the Group has not entered into any other material contracts (which include material contracts the Group's business or profitability is materially dependent on and material contracts not in its ordinary course of business), including those which could have a material adverse impact to the Group's business operations and financial condition, during the Financial Periods Under Review and the subsequent period up to LPD:-

(a) On 16 March 2020, Sophic Automation entered into an investment agreement with MTDC and its shareholders, Lee Chee Hoo, Koh Dim Kuan and Low Chee Onn where MTDC agrees to subscribe for 6,100,000 RCPS at an issue price of RM1.00, with preference rights attached. The RCPS was issued to MTDC in June 2021.

On same date, Sophic Automation entered into a shareholders' agreement together with its shareholders, Lee Chee Hoo, Koh Dim Kuan and Low Chee Onn ("**the Shareholders**") and MTDC to specify and regulate the relationship of the Shareholders and MTDC as shareholders of Sophic Automation. The shareholders' agreement shall be terminated upon the completion of the Acquisition of Sophic Automation.

On 14 March 2024, both MTDC and Sophic Automation have mutually agreed to vary the conversion price of the RCPS pursuant to the RCPS Conversion.

(b) On 26 July 2021, Sophic Automation entered into a sale and purchase agreement ("**SPA**") with Tangkas Properties Sdn Bhd to purchase a unit of freehold 3-storey terraced light industrial factory erected on Lot 31599 (formerly known as PT 31599), Mukim 14, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under GM 9712 (formerly known as HS(M) 9502), bearing the assessment address of No. 9, Jalan Industri Tangkas 1, Taman Industri Tangkas, 14000 Bukit Mertajam, Pulau Pinang for a cash consideration of RM5,000,000. The SPA was completed on 29 October 2021.

(c) On 31 December 2021, Sophic MSC entered into a SPA with Flora Development Sdn Bhd to purchase a commercial unit known as Parcel No.: SS-21-16, Type: C1, Storey No.: 21, Car Park Bay No: L5-05 under the commercial development project known as Stellar Suites erected on the freehold land held under mater title Geran 335256 Lot 115900, Mukim Petaling, Daerah Petaling, Negeri Selangor for a cash consideration of RM628,000. The SPA was completed on 19 July 2022.

(d) On 31 December 2021, Sophic MSC entered into a SPA with Flora Development Sdn Bhd to purchase a commercial unit known as Parcel No.: SS-21-13A, Type: B1, Storey No.: 21, Car Park Bay No: L8-29 under the commercial development project known as Stellar Suites erected on the freehold land held under mater title Geran 335256 Lot 115900, Mukim Petaling, Daerah Petaling, Negeri Selangor for a cash consideration of RM589,000. The SPA was completed on 19 July 2022.

(e) On 31 January 2022, Sophic Automation entered into a SPA with Tangkas Properties Sdn Bhd to purchase a unit of freehold three (3) storey terraced light industrial factory erected on Lot 31605 (formerly known as PT 31605), Mukim 14, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under GM 9718 (formerly known as HS(M) 9508), bearing the assessment address of No. 3, Jalan Industri Tangkas 2, Taman Industri Tangkas, 14000 Bukit Mertajam, Pulau Pinang for a cash consideration of RM3,700,000. The SPA was completed on 29 April 2022.

(f) On 9 November 2022, Sophic Automation entered into a capital transfer agreement to dispose its entire 64% equity interest in SVN Automation to Koh Dim Kuan, Lee Chee Hoo and Low Chee Onn for a transfer price of VND 8,242,027,175 (equivalent to RM1,566,000). The payment of the transfer price was settled by way of set off against the dividend-in-specie of RM1,566,000 declared by Sophic Automation to its shareholders. The capital transfer agreement was completed on 3 February 2023.

(g) Conditional share sale agreement ("**SSA**") dated 20 March 2024 entered into between our Company and Lee Chee Hoo, Koh Dim Kuan, Low Chee Onn and MTDC in relation to the Acquisition of Sophic Automation, which was completed on [●].

(h) Conditional SSA dated 20 March 2024 entered into between our Company and Sophic Automation and Liew Chee Kin in relation to the Acquisition of Sophic MSC, which was completed on [●].

(i) Conditional SSA dated 20 March 2024 entered into between our Company and Sophic Automation in relation to the Acquisition of Pinkypye, which was completed on [●].

(j) Underwriting Agreement dated [●] between 3REN and the Sole Underwriter for the underwriting of 62,500,000 Public Issue Shares for an underwriting commission of [●]% of the total value of the Public Issue Shares underwritten at the IPO Price. Further details of the Underwriting Agreement are set out in Section 4.10 of this Prospectus.

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## 7. BUSINESS OVERVIEW *(con't)*

## 7.13 PROPERTY, PLANT AND EQUIPMENT

### 7.13.1 Own Material Properties

Details of the material properties owned by our Group as at the LPD are as follows:-

| Registered Owner | Location | Description and Existing Use | Land Area/ Built-up Area (sq ft) | Date of CF/CCC Issuance | Land Status/ Category of Land Used | Encumbrances | Audited NBV as at 30.09.2023 |
|---|---|---|---|---|---|---|---|
| Sophic Automation | **Address**<br>No. 9, Jalan Industri Tangkas 1, Taman Industri Tangkas, 14000, Bukit Mertajam, Penang<br><br>**Title**<br>Lot 31599, Mukim 14, Daerah Seberang Perai Tengah, Pulau Pinang held under GM 9712 | Three-storey link terraced factory used as the Group's corporate headquarters, production facility and future innovation lab | 9,332.31/ 11,981 | 18.03.2020 and 05.12.2022 | Freehold/<br>No restriction of category of land used and it is currently being used as industrial land | A charge in favour of RHB Islamic Bank Berhad and RHB Bank Berhad registered on 29.11.2021 and 28.03.2023 respectively. | 5,184 |
| Sophic Automation | **Address**<br>No. 3, Jalan Industri Tangkas 2, Taman Industri Tangkas, 14000, Bukit Mertajam, Penang<br><br>**Title**<br>Lot 31605, Mukim 14, Daerah Seberang Perai Tengah, Pulau Pinang held under GM 9718 | Three-storey link terraced factory.<br><br>Ground and 1st floor<br>Office cum precision and assembly facility for Pinkypye.<br><br>2nd floor<br>Engineering office for Sophic Automation. | 5,995.50/ 11,981 | 18.03.2020 | Freehold/<br>No restriction of category of land used and it is currently being used as industrial land | A charge in favour of RHB Islamic Bank Berhad and RHB Bank Berhad registered on 27.04.2022 and 28.03.2023 respectively | 3,736 |
| Sophic Automation | **Address**<br>6, Lorong Perindustrian Bukit Minyak 1/1, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Penang<br><br>**Title**<br>Lot 20839, Mukim 13, Daerah Seberang Perai Tengah, Pulau Pinang held under PN11572 | Double-storey semi-detached terrace factory used as the production facility and engineering office | 3,153.83/ 3,087.10 | 22.11.2016 and 16.11.2021 | 60-year lease expiring on 13 April 2075/<br>Industrial | A charged in favour of Maybank Islamic Berhad registered on 09.10.2018 and 22.08.2019 | 923 |

## 7. BUSINESS OVERVIEW *(cont'd)*

| Registered Owner | Location | Description and Existing Use | Land Area/ Built-up Area (sq ft) | Date of CF/CCC Issuance | Land Status/ Category of Land Used | Encumbrances | Audited NBV as at 30.09.2023 |
|---|---|---|---|---|---|---|---|
| Sophic Automation | **Address**<br>8, Lorong Perindustrian Bukit Minyak 1/1, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Penang<br><br>**Title**<br>Lot 20840, Mukim 13, Daerah Seberang Perai Tengah, Pulau Pinang held under PN11573 | Double-storey semi-detached terrace factory used as the warehouse and office | 3,153.83/ 3,087.10 | 22.11.2016 and 16.11.2021 | 60-year lease expiring on 13 April 2075/ Industrial | A charged in favour of Maybank Islamic Berhad registered on 09.10.2018 and 22.08.2019 | 923 |
| Sophic MSC | **Address**<br>21-13A, Stellar Suites, Jalan Puteri 4/7, Bandar Puteri Puchong, 47140 Puchong, Selangor<br><br>**Title**<br>Bangunan M1, Tingkat No. 21 Petak No. 198 Petak Aksesori No. A334 held under Hakmilik Strata No. Geran 33526/M1/21/198, Lot No. 115900, Mukim Petaling, Daerah Petaling, Negeri Selangor | A unit on the 21st floor of a 31-storey building used as an office | 861/ 861 | 29.06.2022 and 05.03.2024 | Freehold/ Industrial | A charged in favour of Maybank Islamic Berhad registered on 29.05.2023 | 475 |
| Sophic MSC | **Address**<br>21-16, Stellar Suites, Jalan Puteri 4/7, Bandar Puteri Puchong, 47140 Puchong, Selangor<br><br>**Title**<br>Bangunan M1, Tingkat No. 21 Petak No. 199 Petak Aksesori No. A157 held under Hakmilik Strata No. Geran 33526/M1/21/199, Lot No. 115900, Mukim Petaling, Daerah Petaling, Negeri Selangor | A unit on the 21st floor of a 31-storey building used as an office | 893/ 893 | 29.06.2022 and 05.03.2024 | Freehold/ Industrial | A charged in favour of Maybank Islamic Berhad registered on 29.05.2023 | 511 |

Our above properties are not in breach of any land use conditions and/or are in non-compliance with current statutory requirements, land rules or building regulations/by-laws, which will have material adverse impact on the Group's business operations and financial conditions as at the LPD.

## 7. BUSINESS OVERVIEW *(cont'd)*

***Rented Properties***

Details of our Group's rented properties as at the LPD are as follows:-

| Landlord / Tenant | Postal Address | Description and Existing Use | Built-up Area (sq ft) | Date of CF/CCC Issuance | Tenancy Period | Annual Rental (RM) |
|---|---|---|---|---|---|---|
| Eco Meridian Sdn Bhd/ Sophic Automation | No. 108-B-01-28B, Setia Spice Canopy, Jalan Tun Dr Awang, 11900, Penang | A unit on the 1st floor of a 5-storey building used as the product engineering services office | 4,808 | 15.12.2015 | 01.01.2023 to 31.12.2025 | 184,627 |
| Mranti Corporation Sdn Bhd/ Sophic MSC | Lot 2-9, Innovation House, Technology Park Malaysia, Lebuhraya Puchong-Sg Besi, 57000 Bukit Jalil, Kuala Lumpur | A unit on the 2nd floor of a 3-storey building used as an office | 482 | 14.07.2000 | 01.09.2023 to 31.08.2024 | 16,195 |

As at the LPD, none of our rented properties is in breach of any category of land use and express condition imposed on the land titles nor in breach of any prevailing statutory requirements, land rules or building regulations/by-laws, which would have a material adverse impact on the Group's business operations and financial conditions.

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### 7.13.2 Key Machinery and Equipment

Apart from 4 units of computer numerical control (CNC) 3-axis milling machines used in the metal fabrication of our automated equipment, with a total net book value of RM0.99 million as at the LPD, there are no other material machinery and equipment used in the design and development of digitalised solutions and automated equipment. Further, due to the nature of our operations presently, we do not utilise any machinery and equipment in the provision of engineering support services for IC assembly and testing, and product engineering services.

### 7.13.3 Operating Capacities and Output

For our engineering support services for IC assembly and testing segment, we have a contract-based workforce of 151, 214, 873 and 777 personnel as at 31 December 2020, 2021 and 2022 and 30 September 2023 respectively.

The utilisation rate of our engineering support services personnel for the Financial Periods Under Review are as follows:-

| | **FYE 2020** | **FYE 2021** | **FYE 2022** | **FPE 2023** |
|---|---|---|---|---|
| Total billable time (hours) | 296,223 | 537,063 | 2,101,080 | 1,122,146 |
| Total available time (hours) (1) | 386,784 | 541,008 | 2,161,584 | 1,426,572 |
| Utilisation rate (%) (2) | 76.59 | 99.27 | 97.20 | 78.66 |

Notes:-

(1) Calculated based on total number of engineering support services personnel, the available working hours in the respective financial years/period.

(2) Calculated based on the total billable time divided by total available time in the respective financial years/period.

The utilisation rate increased from 76.59% in FYE 2020 to 99.27% FYE 2021 as we undertook more orders from Intel group of companies during the year with higher headcount. Notwithstanding that, we have to manage and optimise our workforce resources (including working overtime) in order to meet a more stringent responsible business alliance (RBA) compliance requirements imposed by Intel group of companies brought upon by the challenges faced during the COVID-19 pandemic and the ensuing MCOs during the year.

The utilisation rate decreased marginally from 99.27% in FYE 2021 to 97.20% in FYE 2022. During the year, we have to hire a larger headcount in contract-based personnel in a short period of time to fulfil the additional orders taken over from another supplier of Intel group of companies, which came with increased scope of work and timeline constraints.

Meanwhile, the utilisation rate decreased from 97.20% in FYE 2022 to 78.66% in FPE 2023 mainly due to decrease in number of engineering support services personnel as we undertook lower orders from Intel group of companies. During the year, we have also implemented several cost-optimisation measures (which include non-renewal and transfer of contract-based personnel to another department such as the product engineering services team) with the aim of improving our overall competency and operating efficiency in the delivery of our engineering support services.

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We do not adopt calculation of operating capacity for our product engineering services segment as our operating capacity varies based on the complexity and type of the project as well as performance standards set by the client based on the scope of works for the project. Currently, while we are able to carry out certain software development work and remote support at our own offices, our personnel are mostly placed at Intel group of companies' various fabrication facilities in Penang and Kedah.

Meanwhile for our digitalised solution and automated equipment segments, we are not able to quantify our operational capacities and utilisation rate. This is because the output of our digitalised solutions and automated equipment would be dependent on a combination of the following factors:-

**(a) Availability of floor space required for assembly works**

We currently undertake our manufacturing and/or assembly processes of certain digitalised solutions and automated equipment from our Bukit Minyak Plant, Tangkas 3 Plant and Tangkas 9 Plant which have a combined built-up area size of 30,136 sq ft., of which a total of 7,094 sq. ft. in floor area is dedicated for manufacturing and/or assembly processes.

**(b) Manpower capacity and capability**

The output of digitalised solutions and automated equipment is also dependent on the size and technical expertise of our Software Innovation and Engineering team. They play critical role in the initial design and conceptualisation, assembly and configuration, integration, installation and provision of after sales technical support. As at the LPD, we have a total of 79 permanent employees in these departments which accounted for approximately 23.65% of our total permanent employee workforce.

### 7.13.4 Material Plans to Construct, Expand or Improve Facilities

Save for our plan to set up new Deliver Centres and a new office in Singapore as disclosed in Sections 7.19.2 and 7.19.3 of this Prospectus, we have no other material plans to construct, expand and improve our existing facilities.

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## 7.14 EMPLOYEES

As at the LPD, our Group has a workforce of 1,526 employees of whom 334 are permanent employees and 1,192 are contract-based employees. Apart from 2 foreign employees from Egypt and Yemen (who are employed on a contract basis), all our employees are Malaysian.

As at the LPD, the breakdown of our employees are as follows:-

| Category of employees | Permanent | Contract | Total |
|---|---|---|---|
| Management | 7 | - | 7 |
| Business development, marketing and sales | 22 | 1 | 23 |
| Finance, human resources and administration | 18 | 1 | 19 |
| Engineering | 23 | - | 23 |
| Software innovations | 56 | 3 | 59 |
| R&D | 16 | - | 16 |
| Engineering support services | 9 | 837 | 846 |
| Product engineering services | 183 | 350 | 533 |
| | **334** | **1,192** | **1,526** |

None of our employees in Malaysia belongs to any trade union and there was no labour dispute between our management and our employees in Malaysia in the past that have materially affected our operations during the Financial Periods Under Review and the subsequent period up to the LPD.

As at the LPD, we have 2 foreign employees (software engineer) from Egypt and Yemen, both of which have valid working permits. During the Financial Periods Under Review, there has been no non-compliances with the relevant laws in relation to employee statutory contributions in Malaysia.

During the Financial Periods Under Review, some of the courses, seminars and training programmes our employees have attended include:-

| Year | Training programmes | Organiser |
|---|---|---|
| FYE 2021 | Scrum Master Certification | SCRUMstudy™ |
| | Deep Learning for Computer Vision | Elite Indigo Consulting (M) PLT |
| | Plant Information Monitoring System Technical Training | Supplier A |
| FYE 2022 | IoT: Equipment Connectivity Using SECS/GEM | PSDC |
| | Introduction to Augmented Reality (AR) Development for Industry and Mobile Application | Supplier A |
| | Firebase Fundamentals Course | Supplier A |
| | Introduction to Software Debugging – Towards Practical Development Course | Supplier A |
| | Big Data Analysis and Interactive Dashboard Reporting Course | Supplier A |
| | JAVA Mobile Development Course | Supplier A |
| | WebRTC Fundamentals | Supplier A |

| Year | Training programmes | Organiser |
|---|---|---|
| FYE 2023 | Model Deployment | Supplier A |
| | Data Manipulation & Visualisation Learn Programming in Python | Supplier A |
| | Programming C Visual Studio - Advanced | Supplier A |
| | Machine Learning and AI | Supplier A |
| | Prevention and Elimination of Forced Labour & Introduction to Responsible Business Alliance | HR Forum Malaysia Sdn Bhd |
| | Agile Fundamentals | Supplier A |
| | ISO 9001:2015 Requirements Training Course | BSI Training Academy |
| | ISO 31000:2018 Implementation Training Course | BSI Training Academy |
| | Mastering The Employment Act 1955 | HR Act Sdn Bhd |
| | Occupational Safety & Health 1994 Act514 Amendment 2022 | Safety Training Consultancy Plt |
| | Software Development Principles | Trainocate (M) Sdn Bhd |
| | Tax Seminar on Budget 2024: Empowering Financial Sustainability | BDO Tax Services Sdn Bhd |
| | Investigation Techniques for Misconduct at Workplace | HR Act Sdn Bhd |
| | Getting Ready for e-Invoicing in Malaysia | Malaysia Institute of Accountants |
| | Supervisory Skills for Team Lead | Supplier A |
| FYE 2024 | Introduction to SA 8000 Social Accountability | BSI Training Academy |
| | Procedure for termination & retrenchment of employees *(Prosedur Penamatan & Pemecatan Pekerja)* | Department of Trade Union Affiars |
| | EQ vs IQ | Surge Connection Sdn Bhd |
| | Communication & Negotiation Skills | Surge Connection Sdn Bhd |
| | Kepware Fundamental Training | Supplier A |

### 7.15 R&D

We carry out R&D activities for digitalised solutions and automated equipment for the design and development of new solutions/equipment as well as the enhancement of features and functions of existing solutions/equipment. R&D activities are led by Wong Shin Guey, our Head of R&D, with a team of 16 personnels comprising software and mechanical engineers, and analysts. Moving forward, we intend to hire an additional 9 staff as part of our initiatives to empower our R&D team in supporting the ongoing efforts to develop new/enhanced products and solutions. The new employees to be hired include software engineer, data scientist/engineer, cloud engineer, AI engineer, mechanical engineer, and developer and programmer.

There are no design and development or R&D activities carried out for our product engineering services and engineering support services due to the nature of these services.

### 7.15.1 R&D Initiatives and Activities

We are cognisant that R&D is an investment that will ensure that we remain competitive and able to sustain our continuous growth. Hence, our Group has continuously invested in R&D during the Financial Periods Under Review.

Our R&D direction is guided by the following policies:-

(a) Continuous development of platforms and applications to meet evolving market needs, customer demands and emerging technologies to remain competitive and commercially relevant;

(b) Create marketable and cost competitive digitalised solutions and automated equipment; and

(c) Build on strengths, competencies and domain knowledge of digitalised solutions and automated equipment in developing future products.

In the past, we were largely involved in design and development activities for customised digitalised solutions and automated equipment. These activities are typically undertaken in consultation with our customers, and carried out during the development of our solutions/equipment involving the design, configuration and integration of machinery, equipment and tools utilised. We work with our customers and suppliers to develop optimised design plans and configurations, to meet the customers' specifications and intended output.

We also undertake R&D activities to enhance our operational processes, by developing in-house software applications and platforms. These software applications and platforms form our Connected Production Suite, as detailed in Section 7.16.1 of this Prospectus.

Moving forward, we intend to undertake the development of some new and enhanced digitalised solutions and automated equipment, as set out below:-

- Nervii platform - A base platform for integrating all supporting systems and software utilised by the customer with the customers' digitalised solutions used in their manufacturing processes. This will enable information flow between departments to be even more seamless, and lead to greater operational efficiency not only in manufacturing processes but across the entire company. This base platform can be tailored to the respective customers' needs.

- Standardised automated test and handler equipment - By offering standardised solution, we are also able to lower our development costs, thus developing more cost-effective automated equipment. This will allow us to reduce our development time taken, which will enable us to enhance our operational efficiency in the future.

- Material transport system equipment - This new equipment will be based on the concept of the modulation of robotic mobile units that can move on a railway structure from one point to another.

Please refer to Section 7.19.1 of this Prospectus for further details on our future R&D activities.

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### 7.15.2 R&D Expenditure

Our R&D expenses during the Financial Periods Under Review, includes salaries, wages and training expenses for our R&D personnel as well as purchases for parts and materials. Our R&D expenses 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) |
|---|---|---|---|---|
| R&D expenses capitalised as intangible assets * | - | 1,715 | 2,120 | 1,479 |
| R&D expenses directly charged out to profit or loss | 502 | 76 | 949 | 821 |
| **Total R&D expenses incurred** | **502** | **1,791** | **3,069** | **2,300** |
| % over total revenue | 0.80 | 2.41 | 2.96 | 3.42 |

Note:-

* R&D expenditure capitalised as intangible assets are amortised on a straight-line basis over the estimated commercial life of 5 to 10 years. Please refer to Note 5 of the Accountants' Report in Section 13 of this Prospectus for further details on the amortisation of R&D expenditure that were capitalised as intangible assets.

## 7.16 TECHNOLOGY USED

### 7.16.1 Connected Production Suite

Our Connected Production Suite comprises the following modules:-

**(a) TofI**

There are various software and hardware or devices used in the development of machinery and equipment in a manufacturing environment, and these software and hardware or devices may utilise different interfaces and protocols. As they utilise different interfaces and protocols, the machinery and equipment may not have been designed to communicate seamlessly with other machinery and equipment, which could lead to inefficiencies in the manufacturing operations.

We have designed our in-house universal data bridge and connectivity solution called TofI which enables connection between various hardware and devices such as sensors and actuators, machinery, equipment and control hardware, as well as software systems within a business premises or manufacturing facility. With the use of TofI, businesses can integrate their existing machinery, equipment and/or hardware and/or devices and software systems with our newly developed automated equipment and digitalised solutions.

As TofI allows for integration of machinery and equipment and/or other hardware or devices used in a business premises or manufacturing facility, this will enhance automation. Consequently, this would lead to reduced dependency on human intervention for manual processes and decision making, thereby contributing to greater efficiency and productivity to the business with increased processing speed, higher accuracy, higher quality and extended work-hours.

The core functionality of Tofl includes:-

- A universal data and protocol bridge, which enables connection between various machinery, equipment, control hardware/ devices and software systems in a business premises or manufacturing facility. It will allow digitalisation across most software systems and control hardware/ devices in the business premises or manufacturing facility;

- Peripheral connection via analog or digital input and output connections and other computer peripheral connections such as serial or parallel ports, ethernets and USBs and GPIO pins;

- Image or video interface, where control of keystrokes, character, mouse cursor movements on the host computer can be controlled, and various video interfaces such as HDMI and VGA are supported. Tofl utilises OCR technology to enable the data acquisition from legacy or standalone machinery, equipment and other hardware or devices which doesn't support any communication protocol. The OCR processing involves image acquisition, pre-processing, text detection, character detection, post-processing and lastly output generation of the data that required.

**(b) Mobile application platform for smart devices**

This platform digitalises SOPs and automates workflows. It will automatically coordinate workflows by deploying tasks to the assigned smart devices (such as smartphones and smart wearables such as smart watches and smart glasses) which are held by workers. With the digitalisation of task management and automation of workflow, this encourages paperless operations as information can be recorded digitally.

This solution enables the following:-

- Monitoring and management of workforce efficiency and performance;

- Ensuring that all parties are aware of the entire process and the stage of the process;

- Allow for efficiency as tasks are deployed automatically to the assigned device held by the respective workers;

- Prompt response to issues that occur during the manufacturing/operational process as it enables for remote trouble-shooting and technical support;

- Real-time visualisation guide using Augmented Reality in our operational efficiency solutions; and

- Encourage paperless operations as information are recorded digitally.

**(c) Analytics dashboard and visualisation platform**

Our analytics dashboard and visualisation platform is a platform which will display historical and real-time data unto a single dashboard for ease of view and understanding. This will allow for data to be viewed and visualised in the form of graphs and charts. As a result, this will assist businesses to understand its operations' as well as machinery and equipment performance. The data collated through the platform is also descriptive and actionable, allowing for businesses to undertake predictive analytics on the performance and maintenance of their machinery and equipment.


This platform enables the following:-

- Overall view of the hardware and software systems as well as processes across any data sources on any electronic device;
- Generate informative and actionable visuals from historical and real-time data; and
- Gain an understanding of all assets and processes in a single modifiable view.

### 7.16.2 Business intelligence tools

For our engineering support services and product engineering services segments, our Group utilises a third-party interactive data visualisation software, namely Microsoft Power Business Intelligence (BI), as per customer requirements. This third-party software is used to monitor and manage the progress and performance of our Engineering team and output of the services carried out. The interactive data visualisation software will analyse the data and enable us to visualise this analysis in the form of charts, thus allowing us to have meaningful insights in optimising our costs and work performance.

### 7.16.3 Machine Learning and AI

**(a) Visual Analytics**

We use visual or video data for custom object detections. Object detection in a manufacturing environment can help improve safety, efficiency, and quality control. Some applications of object detections are:-

- Quality control: Object detection can be used to identify defects or irregularities in products as they move through the manufacturing process. This can help reduce waste and ensure that only high-quality products are shipped to customers;

- Inventory management: Object detection can be used to track inventory in real-time, allowing manufacturers to optimise their supply chain and ensure that they have the right materials on hand to meet demand;

- Safety: Object detection can be used to monitor the movement of workers and equipment, helping to prevent accidents and ensure that safety protocols are being followed.

**(b) AI / Big Data Analytics**

The use of AI and big data analysis in manufacturing can vary depending on needs and objectives. The focus of the implementations is usually to reduce workload, ensure safety, ease maintenance, and assist in decision making.

Some applications of AI and big data analysis in manufacturing:-

- Predictive maintenance: AI can be used to predict machines' downtimes based on data from sensors and other sources. Reducing downtime will also reduce maintenance costs;

- Quality control: AI can be used to inspect products for defects and ensure that they meet quality standards. This can help reduce waste and improve customer satisfaction;

- Supply chain optimisation: AI can be used to optimise the supply chain by predicting demand, optimising inventory levels, and identifying opportunities for cost savings;

- Robotics and automation: AI can be used to control robots and other automated systems, improving efficiency, and reducing the need for manual labour;

- Process optimisation: AI can be used to analyse data from the manufacturing process and identify opportunities for optimisation and improvement;

- Safety: AI can be used to monitor workers and equipment to ensure that safety protocols are being followed and to detect potential safety hazards.

### 7.16.4 Cloud technology

We utilise the following types of cloud solutions:

- Amazon Web Services ("AWS") ElastiCache, which retrieves web applications from its database management system as opposed to retrieving from databases stored on the random access memory (RAM) of the computer. It improves data access speed and allows for real-time insights with better stability and availability that prevent any disruptions when using the system;

- AWS Relational Database Service (RDS), which simplifies the setup, operation and scaling of relational database for use in applications as all of these activities are fully managed and multiple data engines such as Amazon Aurora, MySQL, PostgreSQL, Oracle, MariaDB and Microsoft SQL, which are commonly used in manufacturing industries.

- Amazon S3 (Simple Storage Service), which enables storage of data on a cloud infrastructure which is scalable. It also easy to integrate with various AWS services like EC2 Compute, RDS and ElastiCache. It is also eases development of new software and allows for third-party system integration.

- ModelArts - Machine learning (AI solution) offered by Huawei Cloud. It enables software developers and data scientist to manage data, combine cloud resource with development tools, train, import models, simplify deployment processes and customise models and engines.

## 7.17 MAJOR CUSTOMERS

Our Group's top 5 major customers for each of the Financial Periods Under Review are as follows:-

***FYE 2020***

| Major Customers | Country | Type of Solutions / Services | RM'000 | % of Total Revenue | (1) No. of Years |
|---|---|---|---|---|---|
| Intel group of companies (2) | Malaysia, Vietnam, Costa Rica, China and USA | Automated equipment, digitalised solutions, engineering support services and product engineering services | 24,312 | 38.58 | 10 |
| Customer A | Malaysia | Automated equipment and digitalised solutions | 11,570 | 18.36 | 4 |
| KellyOCG (3) | Malaysia | Product engineering services | 10,588 | 16.80 | 4 |
| Customer B | Malaysia | Digitalised solutions | 5,975 | 9.48 | 3 |
| Top Glove group of companies (4) | Malaysia and Thailand | Digitalised solutions | 5,792 | 9.19 | 5 |
| **Total top 5 major customers** | | | **58,237** | **92.41** | |
| **Total Group revenue** | | | **63,020** | **100.00** | |

***FYE 2021***

| Major Customers | Country | Type of Solutions / Services | RM'000 | % of Total Revenue | (1) No. of Years |
|---|---|---|---|---|---|
| Intel group of companies (2) | Malaysia, Vietnam, Costa Rica, China, USA and India | Automated equipment, digitalised solutions, engineering support services and product engineering services | 33,578 | 45.28 | 11 |
| KellyOCG (3) | Malaysia | Product engineering services | 12,200 | 16.45 | 5 |
| Customer A | Malaysia | Automated equipment and digitalised solutions | 11,612 | 15.66 | 5 |
| Top Glove group of companies (4) | Malaysia and Thailand | Digitalised solutions | 6,947 | 9.37 | 6 |
| Mah Sing Group Berhad | Malaysia | Automated equipment and digitalised solutions | 1,524 | 2.05 | 1 |
| **Total top 5 major customers** | | | **65,861** | **88.81** | |
| **Total Group revenue** | | | **74,164** | **100.00** | |

***FYE 2022***

| Major Customers | Country | Type of Solutions / Services | RM'000 | % of Total Revenue | (1) No. of Years |
|---|---|---|---|---|---|
| Intel group of companies (2) | Malaysia, Vietnam, Costa Rica, China and USA | Automated equipment, digitalised solutions, engineering support services and product engineering services | 69,227 | 66.82 | 12 |
| KellyOCG (3) | Malaysia | Product engineering services | 14,548 | 14.04 | 6 |
| Customer A | Malaysia | Automated equipment and digitalised solutions | 6,177 | 5.97 | 6 |
| Top Glove group of companies (4) | Malaysia | Digitalised solutions | 2,589 | 2.50 | 7 |
| Customer C | Malaysia | Digitalised solutions | 1,212 | 1.17 | 2 |
| **Total top 5 major customers** | | | **93,753** | **90.50** | |
| **Total Group revenue** | | | **103,598** | **100.00** | |

***FPE 2023***

| Major Customers | Country | Type of Solutions / Services | RM'000 | % of Total Revenue | (1) No. of Years |
|---|---|---|---|---|---|
| Intel group of companies (2) | Malaysia, Vietnam, Costa Rica, China, USA and Taiwan | Automated equipment, digitalised solutions, engineering support services and product engineering services | 39,036 | 58.11 | 13 |
| KellyOCG (3) | Malaysia | Product engineering services | 10,655 | 15.86 | 7 |
| Customer D | Malaysia | Automated equipment | 3,042 | 4.53 | 1 |
| Customer C | Malaysia | Automated equipment and digitalised solutions | 1,731 | 2.58 | 3 |
| Customer E | Singapore | Digitalised solutions | 1,474 | 2.19 | 1 |
| **Total top 5 major customers** | | | **55,938** | **83.27** | |
| **Total Group revenue** | | | **67,180** | **100.00** | |

Notes:-

(1) Approximate length of business relationship is determined as at end of each of the respective financial years/period.

(2) For the Financial Periods Under Review, our Group's revenue contribution from Intel group of companies comprised the following entities:-

| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2023 | |
|---|---|---|---|---|---|---|---|---|
| **Intel group of companies** | **RM'000** | **% of Total Revenue** | **RM'000** | **% of Total Revenue** | **RM'000** | **% of Total Revenue** | **RM'000** | **% of Total Revenue** |
| Intel Technology Sdn Bhd | 11,081 | 17.58 | 14,574 | 19.65 | 45,642 | 44.06 | 24,264 | 36.12 |
| Intel Microelectronics (M) Sdn Bhd | 7,396 | 11.74 | 17,134 | 23.10 | 21,438 | 20.69 | 11,935 | 17.77 |
| Intel Products (M) Sdn Bhd | 1,243 | 1.97 | 832 | 1.12 | 1,885 | 1.82 | 1,957 | 2.91 |
| Intel Electronics (Malaysia) Sdn Bhd | - | - | - | - | - | - | 75 | 0.11 |
| Intel MSC Sdn Bhd | 3,462 | 5.49 | - | - | - | - | - | - |
| | 23,182 | 36.78 | 32,540 | 43.87 | 68,965 | 66.57 | 38,231 | 56.91 |
| Others * | 1,130 | 1.80 | 1,038 | 1.41 | 262 | 0.25 | 805 | 1.20 |
| **Total** | **24,312** | **38.58** | **33,578** | **45.28** | **69,227** | **66.82** | **39,036** | **58.11** |

* Include subsidiaries within the Intel group of companies that are based in Vietnam, Costa Rica, China, USA, India and Taiwan.

In general, each of these companies within the Intel group of companies maintains and manages their own costs and operations. Although they are provided with a recommended list of vendors, they are generally able to independently select from the recommended list of vendors. As such, any decision undertaken by a single company under the Intel group of companies to appoint a solution/service provider may not impact the decisions of the other entities.

(3) Whilst KellyOCG is principally involved in the provision of workforce solutions, the company was engaged by Intel group of companies as one of its managed service providers to manage certain product engineering services (such as post-silicon validation and NPI) and in certain countries including Malaysia. KellyOCG, in turn, outsourced these projects to our Group during the Financial Periods Under Review. Whilst the invoicing/billing is made directly to KellyOCG, insofar as the work scope of the product engineering services is concerned, we liaise and work directly with Intel group of companies in carrying out the engagements.

(4) Included in Top Glove group of companies is revenue contribution from its Malaysian-based subsidiaries which have contributed RM4.44 million (7.04%), RM4.29 million (5.79%), RM2.17 million (2.09%) and RM0.22 million (0.33%) during the Financial Periods Under Review respectively whilst the balance from its overseas-based subsidiaries (Thailand and Vietnam) which have contributed RM1.36 million (2.15%), RM2.66 million (3.58%), RM0.42 million (0.41%) and RM0.02 million (0.03%) to our revenue, respectively.

None of our Promoters, substantial shareholders, Directors and key senior management has any interest, direct or indirect, in all of the abovementioned major customers.

Our top 5 major customers for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 have contributed in aggregate approximately 92.41%, 88.81%, 90.50% and 83.27% to our Group's total revenue respectively.

We are dependent on the following major customers by virtue of their revenue contributions to the Group during the Financial Periods Under Review:-

- Intel group of companies, where the total revenue contribution grew from RM24.31 million (38.58%) in FYE 2020 to RM69.23 million (66.82%) in FYE 2022. For the FPE 2023, total sales generated from Intel group of companies were RM39.04 million (58.11%); and

- KellyOCG, where the revenue contribution increased from RM10.59 million (16.80%) in FYE 2020 to RM14.55 million (14.04%) in FYE 2022. For the FPE 2023, KellyOCG contributed RM10.66 million (15.86%) to our Group.

The growth in revenue contributions from Intel group of companies and KellyOCG is mainly due to increase in orders for our services and solutions (particularly for the engineering support services and product engineering services segments). Such increase in revenue contribution from Intel group of companies and KellyOCG is a testament to the good business relationships they have with our Group. Moving forward, we expect them to continue contributing significantly to our revenue. We have maintained long-term and mutual beneficial business relationships with them over the years (approximately 13 and 7 years respectively as at the LPD) and these have provided us with a strong platform for future growth.

Save for Intel group of companies and KellyOCG, the other top 5 customers generally vary over the Financial Periods Under Review, and we are not dependent on any one of these customers.

For the FPE 2023, we have a total of 89 customers of which 62.9% are recurring customers.

Please refer to Section 9.1.1 of this Prospectus for further information on the dependency to our major customers.

There has been no major dispute with these major customers during the Financial Periods Under Review which has significantly affected our operations or financial performance.

## 7.18 MAJOR SUPPLIERS

Our Group's top 5 major suppliers for each of the Financial Periods Under Review are as follows:-

***FYE 2020***

| Major Suppliers | Country | Type of Materials / Services | RM'000 | % of Total Purchases | * No. of Years |
|---|---|---|---|---|---|
| Beckhoff Automation Sdn Bhd | Malaysia | Supply of industrial PCs, motor drives and product transport systems | 2,336 | 8.92 | 3 |
| Mexcel Technologies Sdn Bhd | Malaysia | Outsourced mechanical engineering services | 1,616 | 6.17 | 5 |
| Panamech (Penang) Sdn Bhd | Malaysia | Supply of industrial robots and controllers | 867 | 3.31 | 1 |
| Superior Mascot Sdn Bhd | Malaysia | Outsourced precision machining and fabrication works | 824 | 3.15 | 6 |
| Iplanet Solution Sdn Bhd | Malaysia | Supply of IT servers and storage systems and computer related devices | 613 | 2.34 | 3 |
| **Total top 5 major suppliers** | | | **6,256** | **23.89** | |
| **Total Group purchases** | | | **26,179** | **100.00** | |

***FYE 2021***

| Major Suppliers | Country | Type of Materials / Services | RM'000 | % of Total Purchases | * No. of Years |
|---|---|---|---|---|---|
| Beckhoff Automation Sdn Bhd | Malaysia | Supply of industrial PCs, motor drives and product transport systems | 2,700 | 9.87 | 4 |
| SCG Control Solution Sdn Bhd | Malaysia | Supply of control panels and controllers | 1,880 | 6.88 | 4 |
| Superior Mascot Sdn Bhd | Malaysia | Outsourced precision machining and fabrication works | 1,204 | 4.40 | 7 |
| NYP Engineering Works Sdn Bhd | Malaysia | Outsourced civil engineering and piping systems | 1,065 | 3.90 | 1 |
| Supplier A | Malaysia | Outsourced PCB engineering and electronic components | 1,051 | 3.84 | 6 |
| **Total top 5 major suppliers** | | | **7,900** | **28.89** | |
| **Total Group purchases** | | | **27,344** | **100.00** | |

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## 7. INFORMATION ON THE GROUP *(cont'd)*

***FYE 2022***

| Major Suppliers | Country | Type of Materials / Services | RM'000 | % of Total Purchases | * No. of Years |
|---|---|---|---|---|---|
| Superior Mascot Sdn Bhd | Malaysia | Outsourced precision machining and fabrication works | 1,210 | 5.50 | 8 |
| Supplier B | Malaysia | Outsourced fabrication works | 1,042 | 4.74 | 7 |
| Supplier A | Malaysia | Outsourced PCB engineering and electronic components | 980 | 4.46 | 7 |
| Supplier C | Malaysia | Supply of mechanical, electrical and pneumatic parts | 968 | 4.40 | 1 |
| Hangzhou Iplusmobot Technology Co., Ltd | China | Autonomous mobile robots | 874 | 3.97 | 1 |
| **Total top 5 major suppliers** | | | **5,074** | **23.07** | |
| **Total Group purchases** | | | **21,991** | **100.00** | |

***FPE 2023***

| Major Suppliers | Country | Type of Materials / Services | RM'000 | % of Total Purchases | * No. of Years |
|---|---|---|---|---|---|
| SCG Control Solution Sdn Bhd | Malaysia | Supply of control panels and controllers | 1,262 | 10.67 | 6 |
| Supplier C | Malaysia | Supply of mechanical, electrical and pneumatic parts | 1,094 | 9.25 | 2 |
| Hume Resources Sdn Bhd | Malaysia | Supply of electronic components and test instruments | 637 | 5.39 | 2 |
| Supplier D | Malaysia | Outsourced precision machining and fabrication works | 439 | 3.71 | 1 |
| Sysmech Automation Sdn Bhd | Malaysia | Supply of barcode scanning and conveyor systems | 312 | 2.63 | 1 |
| **Total top 5 major suppliers** | | | **3,744** | **31.65** | |
| **Total Group purchases** | | | **11,828** | **100.00** | |

Note:-

* Approximate length of business relationship is determined as at end of each of the respective financial years/period.

For the Financial Periods Under Review, the Group was not dependent on any of major suppliers as the supply of materials, parts and services can be sourced from other suppliers.

As at the LPD, we have not encountered any significant production disruption due to a shortage of supplies from our suppliers to meet our production requirements.

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## 7.19 FUTURE PLANS AND STRATEGIES

### 7.19.1 We plan to strengthen our R&D capabilities including development and enhancement of new and existing solutions

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.

We have also taken cognisance of the prospects of the automated manufacturing and digitalised solutions industry in both Malaysia and globally as set out in the IMR Report where they are projected to grow at CAGRs of 13.1% to RM17.4 billion in 2026 and 8.7% to reach USD448.6 billion in 2026, respectively.

As such, we intend to utilise approximately 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. The dedicated innovation centre will be housed at out Tangkas 9 Plant with a built-up area of about 1,300 sq ft. Most of our R&D related activities will be carried out in the innovation centre which will also consists of demo room, display area and workstations for our personnels.

The details of the proposed utilisation of the said proceeds for our R&D expenditures over a period of 24 months are as follows:-

| Details | | RM'000 |
|---|---|---|
| (i) | Employing additional R&D personnel | [•] |
| (ii) | Purchase of IT hardware and software | [•] |
| (iii) | Purchase of R&D supporting tools and equipment | [•] |
| (iv) | Others (including workstations, fittings and office equipment) | [•] |
| **Total** | | [•] |

Please refer to Section 4.8(b) of this Prospectus for further details on the proposed utilisation.

As part of our future R&D activities, we have undertaken/plan to undertake the development of the following new and enhanced solutions/equipment:-

**(a) Ongoing R&D project**

We intend to continue undertaking 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 (such as enterprise resource planning system, production planning and scheduling system, warehouse management system, customer relation management system, logistic management system and inventory management system) utilised by the customer in their manufacturing processes (such as manufacturing execution system, supervisory control and data acquisition). These systems, software and digital solutions may either be designed and developed by us or by third-party solution providers. By doing so, the information flow between departments will be even more seamless. This would lead to greater operational efficiency not only in manufacturing processes but across the entire business process of the company.

We plan to develop the Nervii platform in the following phases:-

| Phase | Description | Commencement quarter/year | Expected commercialisation quarter/year |
|---|---|---|---|
| 1 | We plan to launch a platform that can integrate all supporting systems and software with digital solutions. The entire infrastructure hosting the Nervii platform that has been integrated with the digital solutions for manufacturing and supporting systems and software will be hosted on on-premise infrastructure. | Quarter 4 of 2022 (on-going) | Quarter 4 of 2026 |
| 2 | We plan to allow for:-<br>• the migration of the infrastructure hosting the Nervii platform (comprising the digital solutions and supporting systems and software) to cloud-based infrastructure. This will enable us to offer customers the use of Nervii platform on a subscription basis. It will also ease scalability of the infrastructure hosting the Nervii platform to cater for our customer's business expansion.<br>• the integration of Nervii platform with automated equipment. | Quarter 1 of 2025 | |
| 3 | AI – integration of large language model and RPA (for automated workflow) into the Nervii platform. This will allow for data analytics to enable machine optimisation (such as predictive and prescriptive maintenance) | Quarter 1 of 2026 | |

Prior to commercialisation of the Nervii platform, we will adopt and implement the Nervii platform internally so that we can perform necessary testing and enhancement.

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**(b) New R&D projects**

We also intend to standardise the automated test and handler equipment by developing an Universal Test Automation Platform (Uni-TAP).

Uni-TAP is a platform that acts as the building block which can be reused for future automated test and handler equipment development. We will create a proprietary test software platform and universal tester solution which can be easily customised for future development of the automated test and handler equipment. Thus, Uni-TAP will act as the reference design or building block from where the respective tester design requirements can be derived.

The Uni-TAP will be effective in responding to the needs of electronic manufacturing services as the range of automated test and handler equipment designs vary from customer to customer. This will allow us to grow our customer base of electronic manufacturing service providers.

By offering standardised solutions, we are also able to lower our development costs, thus developing more cost-effective automated equipment. This will allow us to reduce our development time taken, which will enable us to enhance our operational efficiency in the future.

Further, we also intend to expand our range of automated equipment to include the material transport system equipment. This new equipment will be based on the concept of the modulation of robotic mobile units that can move on a railway structure from one point to another. There are a lot of potential fields of application for material transport system in manufacturing industries such as the healthcare, food and beverage, automotive and electrical manufacturing industries as well as the semiconductor and electronics industry.

The timeline for launching the abovementioned solutions are as follows:-

| **Description** | **Commencement quarter/year** | **Expected commercialisation quarter/year** |
|---|---|---|
| Uni-TAP | Quarter 1 of 2025 | Quarter 4 of 2026 |
| Material transport system | Quarter 1 of 2025 | Quarter 4 of 2026 |

We expect our solutions/equipment 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.

For more information on the estimated cost breakdown for our R&D initiatives, kindly refer to Section 4.8(b) of this Prospectus.

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### 7.19.2 We intend to set up new Delivery Centres

As part of our future business strategies, 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.

From FYE 2020 to FYE 2022, our product engineering services segment has registered revenue growth at a CAGR of 23.75% from RM17.40 million to RM26.65 million. For the FPE 2023, we recorded revenue of RM21.58 million from the same segment (FPE 2022: RM19.42 million). In tandem with the foregoing, we have increased our headcounts in the team from a total of 388 personnel (including 357 contract-based employees) as of the end of FYE 2020 to a total of 701 personnel (including 511 contract-based employees) as of the end of FPE 2023. As at the LPD, we have a total of 533 personnel (including 350 contract-based personnel) under our Product Engineering Services team.

The advantages of having our own Delivery Centre are as follows:-

- Enhanced efficiency - Establishing a dedicated Delivery Centre allows us to streamline our operations, resulting in increased efficiency and productivity. Our Product Engineering Services team will have a more focused environment to carry out specified projects leading to faster turnaround times and improved service delivery. We can also introduce our digitalised solution or automated equipment to enhance operational efficiency, if required.

- Cost optimisation - Operating at our own Delivery Centre enables us to optimise costs associated with on-site operations. This includes reduced travel expenses, lower dependency on client facilities and potential savings in terms of infrastructure and logistics.

- Enhanced business continuity - Having a dedicated facility allows us to build on a sustainable and long term relationship with our customers and encourage knowledge-transfer continuity in a controlled and secured environment.

- Flexibility and scalability - Our own Delivery Centre provides us with the flexibility to scale operations according to project requirements. This adaptability is crucial in meeting the dynamic needs of our customers (including other potential clients), ensuring that our services remain agile and responsive.

- Knowledge retention and skill development - With a dedicated Delivery Centre, we can foster a more specialised and focused workforce. This contributes to better knowledge retention within our organisation, as teams can consistently work on similar projects. Additionally, it offers opportunities for skill development and specialisation, which is beneficial for both employee growth and project excellence.

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 – 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.

Insofar as timing is concerned, 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 have identified a suitable premise to rent for our first Delivery Centre, which is located at Bayan Lepas, Penang, with a built-up area of 1,960 sq. ft.. Currently, we are in the midst of negotiating the terms of the tenancy. The setting up cost for the first Delivery Centre is approximately RM[●] million (based on a combination of quotations obtained from suppliers/contractors as well as management's estimate), which include renovation cost, fittings, workstations and equipment, and IT infrastructure, all of which will be financed via our internal funds.

The second Delivery Centre is also expected to be situated in Penang although we have yet to identify the specific location as at the LPD.

We plan to utilise approximately RM[•] million of the Public Issue proceeds over a period of 36 months for the purpose of setting up of our Delivery Centres (which would include hiring of new staff for our Product Engineering Services team, rental expenses, costs of renovation, fittings, office equipment and IT infrastructure as well as general utility and operating expenses), the details of which are set out in Section 4.8(a) of this Prospectus.

We believe that the setting up of our new dedicated Delivery Centres and particularly the expansion of our workforce will allow our Group to meet the demands of our existing and potential customers. This in turn will continue to enhance our Group's earnings and facilitate our future plans and strategies.

The expansion of our product engineering services segment is aligned with the expected growth of the IC design, assembly and test segment of the semiconductor industry in Malaysia. According to the IMR Report, the product engineering service industry in Malaysia to grow by 19.7% between 2024 and 2026 to reach RM1.2 billion by 2026 whilst the IC assembly and test services industry in Malaysia to grow by 10.2% between 2024 and 2026, to reach RM23.3 billion in 2026. The growth of the industry and the rising worldwide demand for semiconductor and electronic products has been and is expected to be driven by the following factors:-

- the technological revolution with 5G adoption and the emergence of 6G, IoT, AI, machine learning and big data analytics, which have resulted in the emergence of new electronic products such as smart factories, autonomous cars and smart home devices.

- the rapid technological advancements which have led to continuous introductions of new product innovations and advancements.

- the rise in demand for electric vehicles and solar energy is also expected to boost the demand for semiconductor chips. Sales of electric vehicles in Malaysia grew at a strong CAGR of 459.5%, from 58 units sold in 2020 to 10,159 units sold in 2023.

- increased outsourcing and relocation of manufacturing activities to Malaysia, which has become a destination for foreign multinational companies who have set up their production facilities here, due to the favourable exchange rate, availability of manpower and strategic location. This has resulted in many local and multinational OSATs and EMSs as well as semiconductor and electronics manufacturing solution industry players emerging in the country.

Please refer to Section 8 of this Prospectus for further details of the IMR Report.

### 7.19.3 We plan to establish a new office in Singapore

At present, a large proportion of our business is carried out through our headquarters in Penang. We also have offices in Selangor.

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.

We are currently exploring potential locations within the Central Business District. The estimated floor space for our Singapore office is about 600 sq ft. As at the LPD, we have yet to identify the exact office location for our Singapore office.

There are several multinational companies involved in semiconductor and manufacturing sectors that have their offices and plants located in Singapore including some of our existing customers. 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. The setting up of our Singapore office will initially involve hiring a small team of technician/marketing personnel to be based in Singapore on a fulltime basis.

We intend to allocate RM[•] million from the Public Issue proceeds to finance the establishment costs and working capital of our new Singapore office which would include initial company set-up costs and professional fees, rental expenses, office renovation, office equipment and IT infrastructure (hardware and software), staff costs for 1 business development personnel and 2 software technicians, and utility expenses for a period of 36 months. The breakdown of these estimated costs is set out in Section 4.8(c) of this Prospectus.

We also intend to set up new offices in other countries including India and USA within the next 5 years.

### 7.19.4 We intend to expand 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.

Prior to acquiring, collaborating and/or undertaking joint-ventures, we will first consider criteria such as valuation, capital requirement, business synergies, potential value creation to our existing business as well as expected return on investment. We intend to fund such acquisitions, collaborations and/or joint-ventures via our internally generated funds and/or external borrowings.

## 7.20 GOVERNING LAWS AND REGULATORY REQUIREMENTS

The relevant laws, regulations, rules and requirements governing the conduct of our Group's business and environmental issue which may materially affect our Group's businesses or operations are summarised below. The following does not purport to be an exhaustive description of all relevant laws and regulations of which our business is subject to.

### (a) Local Government Act 1976 ("**LGA**")

The LGA is enacted to revise and consolidate the laws relating to local government in Peninsular Malaysia. Every licence or permit granted by the local authority shall be subject to such conditions and restrictions as the local authority may think fit and shall be revocable by the local authority at any time without assigning any reason therefor.

Pursuant to the LGA, a person fails to exhibit or produce his licence on the licensed premises shall be liable to a fine not exceeding RM500 or to imprisonment for a term not exceeding 6 months or to both.

### (b) Industrial Co-ordination Act 1975 ("**ICA 1975**")

The ICA 1975 requires manufacturing companies with shareholders' funds of RM2.50 million and above or engaging 75 or more full-time paid employees to apply for a manufacturing licence from the MITI. Failure to observe and adhere to the licensing requirements under the ICA 1975 will constitute an offence which is punishable on conviction by a fine not exceeding RM2,000 or to a term of imprisonment not exceeding 6 months and to a further fine not exceeding RM1,000 per day during which the non-compliance continues.

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

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

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

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

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

### (c) Customs Act 1967

The customs related matters in Malaysia are governed by the Customs Act 1967 **("CA 1967")**. The Director General of Customs and Excise of Malaysia may, at his absolute discretion, on payment of such fees as may be fixed by him in each case, grant a licence to any person, hereinafter referred to as the licensee and when granted withdraw any licence, for warehousing goods liable to customs duties and any other goods in a place or places specified in such licence.

If it appears at any time that in any licensed warehouse or any part thereof there is a deficiency in the quantity of dutiable goods which ought to be found therein, the licensee of such warehouse shall, in the absence of proof to the contrary, be presumed to have illegally removed such goods and shall, without prejudice to any proceedings under CA 1967, be liable to pay to the proper officer of customs the customs duty leviable on the goods found deficient provided that if it is shown to the satisfaction of the Director General that such deficiency has been caused by unavoidable leakage, breakage or other accident, the Director General may remit the whole or any part of the customs duty leviable on the goods found deficient.

In respect of a warehouse licensed under Section 65 of CA 1967, the Director General may, at his absolute discretion, on payment of such fees as may be fixed by him in each case, grant an additional licence to the licensee and when granted withdraw any such licence, to carry on any manufacturing process and other operation in respect of the goods liable to customs duties and any other goods. No goods which have undergone any manufacturing process in the warehouse may be released for home consumption or export without the prior approval of the Director General. If such goods are released from the warehouse for home consumption the customs duly thereon shall be calculated on the basis as if such goods had been imported.

The Minister may in any particular case exempt any person from the payment of the whole or part of such duty which may be payable by such person on any such goods and in granting such exemption the Minister may impose such conditions as he may deem fit.

Where in the course of any operation permissible to any goods liable to customs duty there is waste or refuse customs duty shall be remitted on the quantity of goods liable to customs duty in so much of the waste or refuse as has arisen from the operations carried on in relation to the goods which have undergone any manufacturing process. Such waste or refuse is destroyed subject to such conditions as the Director General may impose or duty is paid on such waste or refuse as if it had been imported in that form.

Every omission or neglect to comply with, and every act done or attempted to be done contrary to, the provisions of the CA 1967, or any breach of the conditions and restrictions subject to, or upon which, any licence or permit is issued or any exemption is granted under the CA 1967, shall be an offence against the CA 1967 and in respect of any such offence for which no penalty is expressly provided the offender shall be liable to a fine of not exceeding RM50,000 or to imprisonment for a term not exceeding five (5) years or to both.

**(d) The Environmental Quality Act 1974** ("**EQA 1974**")

The EQA 1974 governs the enforcement of waste disposal in Malaysia in order to control pollution.

The EQA 1974 regulates, among others, the deposit or disposal of any scheduled wastes on land or into Malaysian waters; receiving or sending, or causing or permitting to be received or sent any scheduled wastes in or out of Malaysia; or transiting or causing or permitting the transit of scheduled wastes. Any person who fails to comply with the relevant requirement shall be guilty of an offence and shall on conviction, be liable to a fine not exceeding RM500,000 or to imprisonment for a period not exceeding 5 years or to both.

The EQA 1974 further provides that where an offence against the EQA 1974 or any regulations made thereunder has been committed by a company, firm, society or other body of persons, any person who at the time of committing the offence is a director, chief executive officer, manager, or other similar officer or a partner of the company, firm, society or other body of persons or was purporting to act in such capacity shall be deemed to be guilty of that offence unless he provides that the offence was committed without his consent or connivance and that he has exercised all such diligence as to prevent committing the offence as he ought to have exercised having regard to the nature of his functions in that capacity and to all the circumstances.

We have complied with all relevant laws, regulations, rules or requirements governing the conduct of our Group's business operations as the LPD.

## 7.21 EXCHANGE CONTROLS

As at the date of this Prospectus, we do not have any foreign subsidiary or associated company which requires repatriation of capital and remittance of profit by or to our Group.

## 7.22 INTERRUPTIONS TO BUSINESS AND OPERATIONS

Save for the impact of COVID-19 pandemic as disclosed below, we have not experienced any interruptions that had a significant effect on our operations during the past 12 months preceding the LPD.

Since COVID-19 was officially declared a pandemic by the Director General of the World Health Organisation on 11 March 2020, we closely monitored the development of the outbreak of COVID-19. As at the LPD, all of our employees have been fully vaccinated.

### 7.22.1 Impact of COVID-19 on our business operations

On 16 March 2020, the Government announced the MCO under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 which took effect from 18 March 2020.

As an automation solutions and engineering service provider, our Group serves several manufacturing industries that are categorised as essential sectors exempted from the MCO. As such, our Group was able to partially resume our operations in office on 17 April 2020 after receipt of approval from MITI, and subsequently fully resumed our operations in office on 6 July 2021. Although our operations were temporarily suspended between 18 March 2020 and 17 April 2020 due to the MCO, it did not have any major material impact on our business operation as our employees worked remotely from home.

Further, most of our business operations including engineering support services, product engineering services and design, development and sale of digitalised solutions and automated equipment continued during this period and were not adversely affected by the various phases of the MCO.

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Due to the resurgence in high number of daily new COVID-19 cases during the CMCO in certain States, the Government of Malaysia has re-imposed the MCO from 13 January 2021 to 26 January 2021 and further extensions of the MCO were re-imposed from 22 January 2021 till 18 February 2021. A nationwide state of emergency was further declared from 12 January 2021 till 1 August 2021, to further tackle the daily surge in the COVID-19 cases nationwide. On 10 May 2021, the Prime Minister of Malaysia had announced that the third nation-wide MCO will be implemented from 12 May 2021. However, most businesses, including our Group's businesses, were still allowed to operate as usual subject to compliance with the SOPs imposed by our Government.

### 7.22.2 Impact of COVID-19 on our sales performance

As mentioned in the IMR Report, during the COVID-19 pandemic, there was a shortage of semiconductor and certain hardware parts (caused by a shortage of semiconductor chips) which was attributable to the surge in demand for consumer electronic products and restrictions in manufacturing activities of semiconductor chip manufacturers caused by the COVID-19 pandemic.

Consequently, our Group benefitted from the growth in global semiconductor and electronics industries and our revenues improved from RM63.02 million in FYE 2020 to RM74.16 million and RM103.60 million in FYE 2021 and FYE 2022 respectively. Our Group expect to continue benefiting as our digitalised solutions and automated equipment become increasingly essential in carrying out daily operational tasks.

### 7.22.3 Impact of COVID-19 on our supply chain

In 2021, we experienced delays in shipping of hardware components from our suppliers largely due to:-

(a) shortage in components, in particular semiconductor chips, used by our suppliers to manufacture the hardware components.

(b) delays in shipments due to congestion of shipping ports arising from limited capacity; and

Apart from the foregoing, we did not experience any major cancellation of orders for our solutions.

## 7.23 ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACT AND CORPORATE GOVERNANCE PRACTICES

We recognise the importance of promoting positive impacts on the environment and the communities which we are part of, and maintaining good governance practices. As part of our commitment in these areas, we have adopted the following the economic, environmental and social impact and corporate governance practices, amongst others, as elaborated below.

### 7.23.1 Environmental

Our Group designs and develops digitalised solutions and automated equipment, both of which enable and manage the digitalisation of processes and services, and automation of manufacturing processes. This allows for automation and digitalisation of manufacturing operations which would improve overall operational efficiency in terms of quality and speed of processes and enable paperless operations as information are recorded digitally to achieve single source of truth (the practice of aggregating data from various systems within an organisation), which will improve data accuracy.

The act of improving efficiency and minimising paper usage is expected to positively impact the environment.

In addition, we have also been engaged by a local city council to design and develop a flood monitoring and pump house system, which helps to mitigate floods.

Internally, we are also conscious of our impact on the environment and we have adopted responsible approaches in our daily operations to promote environmental sustainability. These approaches include:-

- **Building automation feature in premises**

  We have implemented building automation feature in our headquarters whereby we have a control and command solution to enable remote monitoring and management of temperature and lighting in our premises. To enable this building automation feature, we have implemented temperature and light sensors. We believe that the efficient utilisation of electricity will promote energy conservation and reduce equipment stresses leading to lower maintenance needs.

- **Encouraging digitalisation and recycling**

  In order to reduce carbon footprint, employees are encouraged to communicate via electronic methods such as through email and instant messaging and only print hard copies when necessary. Our Group also ensures that material waste is recycled where possible, and that non-recyclable material waste is disposed of responsibly. As part of our efforts, we organised a 5R awareness campaign with the help of Tzu Chi Environment Protection Team to create awareness among our employees and enrich their knowledge in the recycling practices. To that end, we volunteered to help Tzu Chi Environment Protection Centre to repurpose and recycle rubbish while learning the recycling process.

- **Tree planting**

  To reduce our carbon footprint and spread awareness, our employees took part in tree planting programmes and had planted trees and plants around our head office. In addition, we installed an auto sprinkler system to help water the plants and are working to implement rainwater collection system whereby the rainwater can be collected and sent to our underground water tank to be used for outdoor cleaning and plant watering.

### 7.23.2 Social

We recognise that our employees are valuable assets and as such, we strive to create a conducive environment to promote employee wellbeing and personal development through the following goals:-

- We are committed to provide our employees with safe workplace and conducive environment. We have put in place standard operating procedures to reduce the possibility of harm to our employees, visitors and contractors. Our employees also are required to attend orientation programmes in the initial stage of their employment to create awareness of the importance of safety.

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- We are committed to providing compensation and benefits programs and policies that support the needs of our employees. With the establishment of the LTIP, we will be able to reward and retain the Eligible Persons with an opportunity to participate in our equity and to benefit from the capital gain or the income from dividend as and when the Company declares any in the future. The LTIP will also align the interests of the Eligible Persons with the interests of our shareholders.

- We have equipped our headquarters with games, snooker table, karaoke and a smart television. These facilities enable our employees to socialise with other employees and release work stress. We also organise team events to foster team-building.

- We promote gender diversity and provide equal opportunity to individuals from diverse backgrounds in our recruitment process. Thus, our workforce comprises individuals of diverse backgrounds, ethnicities and gender. As at LPD, approximately 30% of our Group's employees are female.

- We retain skilled employees and attract new talents through providing continuous technical training (as elaborated in Section 7.14 of this Prospectus) and rewarding employees with competitive remuneration packages. By doing so, we believe that we are supporting our employees' professional development which would enhance their performance and productivity while increasing their value and future marketability.

- Apart from focusing on the personal development of our own employees, we have also offered scholarships and career talks to students who are furthering, or intend to further, their studies in the field of engineering. Through these initiatives, we aim to not only provide an opportunity for students to further their studies but also impart relevant industry knowledge as well as practical trainings to the candidates. Some of these initiatives include:-

| **Date** | **Name** | **Description** |
|---|---|---|
| September 2021 | Scholarship Programme | Provided financial assistance to deserving candidates(s) for the studies at the PSDC. |
| January 2022 | Collaboration for Talent Programme with Politeknik Seberang Perai | Recruitment and training of suitable graduates |
| October 2022 | Collaboration for Talent Programme with Wawasan Open University | Recruitment and training of suitable graduates |
| February 2023 | Career Talk | Provision of knowledge regarding the latest technology used in the manufacturing industry as well as recruitment of suitable graduates |

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We also organise or participate in charity events for a cause, as illustrated below:-

| **Date** | **Name** | **Beneficiary Party** | **Description** |
|---|---|---|---|
| September 2022 | Mooncake Festival Distribution | REACH Autism | Supported REACH Autism by purchasing REACH's mooncakes. |
| | Social Volunteering Activity | Be Home | Participated in social welfare activities at Be Home. |
| December 2022 | Book Sponsor | Young Enterprise Penang 2022 Annual Showcase | Participated as the Guest of Honor to deliver award to winner. |
| | Social Volunteering Activity | Pertubuhan Penyayang Chi Yun | Participated in social welfare activities at Pertubuhan Penyayang Chi Yun. |
| March 2023 | Social Volunteering Activity | Sekolah Sinar Harapan | Participated in social welfare activities at Sekolah Sinar Harapan. |
| September 2023 | Glo-Walk 2023 | Techdome Penang | Sponsored and participated in the walk event |
| February 2024 | Social Volunteering Activity | Thean Oon Senior Home | Participated in social welfare activities at Thean Oon Senior Home. |
| September 2023 | Glo-Walk 2023 | Techdome Penang | Sponsored and participated in the walk event |
| February 2024 | Social Volunteering Activity | Thean Oon Senior Home | Participated in social welfare activities at Thean Oon Senior Home. |

### 7.23.3 Corporate Governance

We are committed to uphold the good corporate governance and ethical conduct in accordance with the principles and guidance of corporate governance as set out in the Malaysian Code on Corporate Governance 2021 ("**MCCG 2021**").

Save for certain practices of the MCCG 2021, the compliance of which could only be achieved or becomes applicable upon the listing of the Company (such as the recommended disclosures to be made in the Company's Annual Report and Corporate Governance Report), we have adopted the MCCG 2021 practices by codifying the provisions of the practices into the Board Charter, Board Committee's terms of reference and other board policies and procedures. We endeavour to ensure appropriate applications of these adopted practices accordingly when discharging our governance responsibilities.

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The following are some of our key corporate governance practices in line with the recommendations under the MCCG 2021:-

| | |
|---|---|
| Appointment of Chairman of the Board | Dato' Boonler Somchit, our Non-Independent Non-Executive Chairman, will be responsible for instilling good corporate governance practices, providing leadership and effectiveness of the Board. |
| The positions of Chairman and CEO | The positions of Chairman and CEO of our Company are held by different individuals, namely by Dato' Boonler Somchit and Koh Dim Kuan respectively. |
| The Chairman of the board should not be a member of committees of the Board | Dato' Boonler Somchit, our Non-Independent Non-Executive Chairman is not a member of the Audit and Risk Management, Nomination and Remuneration Committees. |
| Governance of sustainability | Our Board together with senior management will be responsible for the governance of our Group's sustainability initiatives. |
| Board membership | Half of the Board comprises independent directors. Currently, none of our independent directors has served on the Board for more than 9 years.<br><br>Annual performance evaluation of our Board members will be conducted by the Nomination Committee, which is chaired by our Independent Non-Executive Director, Teresa Tan Siew Kuan. |
| Audit and Risk Management Committee | We have established an Audit and Risk Management Committee comprising 3 Independent Non-Executive Directors. |
| Board Charter, Code of Conducts and Ethics, Whistleblowing Policy, Directors' Fit and Proper Policy and other policies and procedures | Our Board Charter, Code on Ethics and Conduct, Policy on Directors' Remuneration, Policy on Risk Management, Policy on Related Party Transactions, Policy on Anti-Bribery & Anti-Corruption, and Whistleblowing Policy are made available on our company website and will be reviewed periodically. |
| At least 30% of the Board comprises female directors | 3 out of 8 of our Board members are women. |

Our Board believes that our current Board composition provides the appropriate balance in terms of skills, knowledge and experience to promote the interests of our shareholders and to govern our Group effectively. Our Nomination Committee will be tasked to ensure there is diversity among our board members regardless of age, ethnicity, cultural background and gender, and at the same time, ensuring they possess the requisite skills, knowledge, experience, foresight and sound judgement to serve on our Board.

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PROVIDENCE STRATEGIC PARTNERS SDN BHD
(1238910-A)
67-1, Block D, Jaya One, Jalan Prof Diraja Ungku Aziz
46200 Petaling Jaya, Selangor, Malaysia.
T: +603 7625 1769

Date: 25 March 2024

The Board of Directors
**3REN BERHAD**
No. 9, Jalan Industri Tangkas 1
Taman Industri Tangkas
14000 Bukit Mertajam
Penang.

Dear Sirs,

**Independent Market Research ("IMR") Report on the Integrated Circuit ("IC") Design, Assembly and Test Segments of the Semiconductor Industry, Automated Manufacturing and Digitalised Solutions Industry, and Semiconductor and Electronics Industries in conjunction with the Proposed Listing of 3REN BERHAD and its subsidiaries (collectively referred to as "3REN GROUP") on the ACE Market of Bursa Malaysia Securities Berhad**

PROVIDENCE STRATEGIC PARTNERS SDN BHD ("**PROVIDENCE**") has prepared this IMR report on the IC Design, Assembly and Test Segments of the Semiconductor Industry, Automated Manufacturing and Digitalised Solutions Industry, and Semiconductor and Electronics Industries for inclusion in the Prospectus of 3REN BERHAD.

PROVIDENCE has taken prudent measures to ensure reporting accuracy and completeness by adopting an independent and objective view of these industries within the confines of secondary statistics, primary research and evolving industry dynamics. We believe that this IMR report presents a balanced view of the industries within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive.



For and on behalf of PROVIDENCE:

MELISSA LIM
EXECUTIVE DIRECTOR

***About PROVIDENCE STRATEGIC PARTNERS SDN BHD:***

*PROVIDENCE is an independent research and consulting firm based in Petaling Jaya, Selangor, Malaysia. Since our inception in 2017, PROVIDENCE has been involved in the preparation of independent market research reports for capital market exercises. Our reports aim to provide an independent assessment of industry dynamics, encompassing aspects such as industry performance, demand and supply conditions and competitive landscape.*

***About MELISSA LIM:***

*Melissa Lim is the Executive Director of PROVIDENCE. She has more than 10 years of experience in market research for capital market exercises. Melissa Lim holds a Bachelor of Commerce (Double major in Marketing and Management) from Murdoch University, Australia.*

3REN Berhad and its subsidiaries (collectively referred to as "**3REN Group**" or "**the Group**") is an automation solution and engineering service provider. 3REN Group's principal business activities are in the provision of engineering support services for IC assembly and testing; design, development and sale of digitalised solutions; provision of product engineering services; and design, development and sale of automated equipment. During the Financial Periods Under Review, its main market was Malaysia, as well as overseas countries including Thailand, Singapore, the United States of America ("**USA**"), People's Republic of China ("**China**"), Vietnam, the Philippines, Canada, Costa Rica, India and Taiwan. As such, this IMR report focuses on the following:

- **The IC design, assembly and test segments of the semiconductor industry (Global and Malaysia)**, as these are the segments of the semiconductor industry which 3REN Group supports with its engineering support services and product engineering services segments;
- **The automated manufacturing and digitalised solutions industry (Global and Malaysia),** which is the industry in which 3REN Group operates in with its digitalised solution and automated equipment segments; and
- **The semiconductor and electronics industries**, which are major end-user markets to the abovementioned industries.

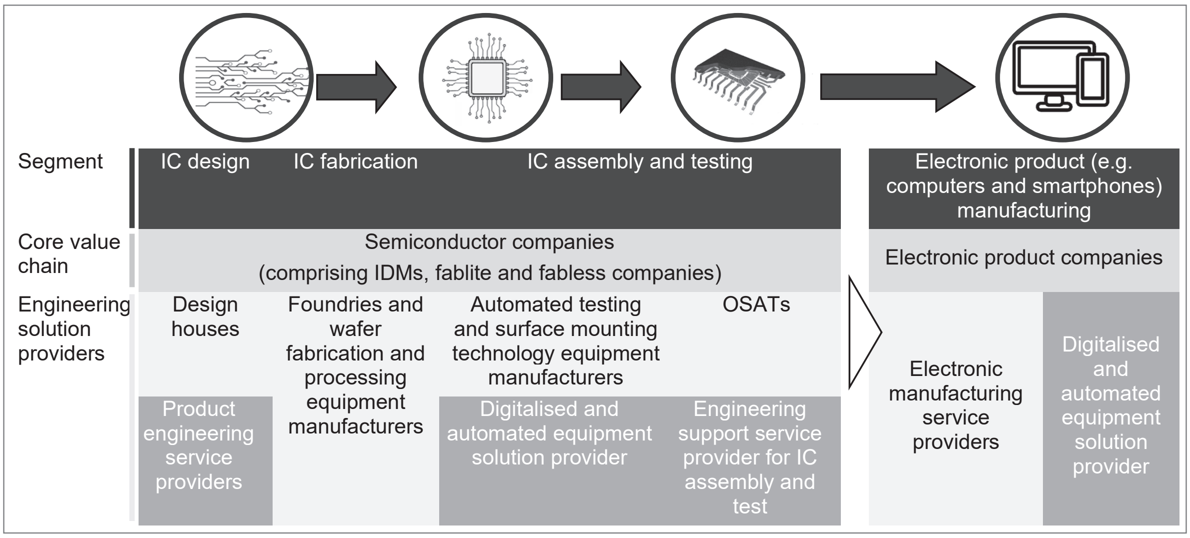
# 1 THE IC DESIGN, ASSEMBLY AND TEST SEGMENTS OF THE SEMICONDUCTOR INDUSTRY (GLOBAL AND MALAYSIA)

**INTRODUCTION**

Semiconductor products refer to microchips and advanced semiconductor packaging, which are sets of miniaturised ICs comprising electronic components such as transistors, diodes, capacitors and resistors that are layered on a thin wafer, substrate or printed circuit board. These microchips and advanced semiconductor packaging are technology enablers for electronic products such as computers, smartphones, electric vehicles, aerospace equipment, high-end testers, medical equipment and automotive electronics.

The diagram below illustrates the semiconductor industry value chain:

**Semiconductor industry value chain**




Note:

Denotes 3REN Group's role in the semiconductor industry

Source: PROVIDENCE

The semiconductor industry comprises companies involved in the following core segments:

- **Design:** The design segment comprises 2 main processes, i.e. design conceptualisation and design verification. Design conceptualisation refers to the conceptualisation and design of IC functions and architecture. Meanwhile, design verification refers to the verification of the IC's functionalities on the IC prototype or simulation to ensure the ICs manufactured meet the required functional specifications of the IC design under different operating conditions;
- **Fabrication:** Upon completion of the design of ICs, the ICs are then mass-produced and fabricated. The IC fabrication process is where semiconductor components are formed on a semiconductor wafer/ substrate (which is a thin silicon-based material) based on the IC design; and

- **Assembly and testing:** The fabricated ICs then undergo a series of assembly processes wherein the main processes are die cutting to cut semiconductor wafers into individual chips (die), die attaching to attach the die onto a substrate, wire bonding, encapsulating die with a metal or ceramic lid, and attaching the die onto a printed circuit board to form a microchip or advanced semiconductor packaging. The assembly process protects the ICs, enable heat dissipation from ICs and facilitate integration of ICs into electronic systems in electronic products.
  Thereafter, the microchip or advanced semiconductor packaging will undergo a series of testing which will include burn-in tests to detect early issues and defects of ICs and class tests which involves the execution of various test programmes. Examples of class tests include parametric tests (to determine if there are any variations in electrical parameters of the ICs), scan tests (to analyse output based on test patterns used on the IC), functional tests (to test if the functionality of the IC is as per design), performance tests (to test performance of the ICs) and power tests (to measure power consumption and efficiency of the ICs).

In the past, integrated device manufacturers ("**IDMs**"), which are typically brand owners or intellectual property ("**IP**") owners of ICs for various electronic devices, undertake all of the abovementioned processes in-house. Over the years, rapid technology advancement and product innovation have increased the complexity in IC production, leading to the outsourcing of some or all of the abovementioned processes to companies specialised in specific activities within the semiconductor industry. As a result, IDMs presently may either undertake all or some of the abovementioned processes. There are also some brand owners or IP owners of ICs which outsource all of the abovementioned processes, based on their conceptualised IC design. Such companies are known as "fablite or fabless companies".

In particular, the design processes can be outsourced to IC design houses and product engineering service providers. IC design houses are focused on undertaking the design of ICs, which includes both front-end (which refers to the functionality design of an IC) and back-end (which refers to the design of the physical implementation of an IC such as the physical design and layout of an IC). Meanwhile, product engineering service providers can undertake the following services:

- Product conceptualisation – which involves the generation of ideas and concepts for new products based on research and feasibility studies;
- Solution architecture and design – which involves the front-end and back-end design of an IC;
- Pre-silicon validation – which involves validation of the functionality of a chip design before a prototype is manufactured in its individual block form or as a sub-system or as a system on chip;
- Post silicon validation – which involves the validation of the prototypes to ensure the functionality of the prototype meets the intended design specifications;
- Software development – which involves the architecture, design and development of software applications that can be used either to integrate with the IC or as a support tool in the product engineering process; and
- New product introduction – which refers to the manufacturing and testing of products in a high volume manufacturing environment, but in an engineering environment and at a smaller scale. This is to develop test programmes, discover potential issues with the tools, designs and processes, and estimate potential yields and run rates and determine if quality targets are meeting the projections.

IC fabrication can be outsourced to foundries, while assembly and test processes can be outsourced to outsourced semiconductor assembly and test companies ("**OSAT**") and engineering support service providers. While both OSATs and engineering support service providers support semiconductor companies in undertaking IC assembly and testing processes, the following are the key differences between OSATs and engineering support service providers:

| OSATs | Engineering support service providers |
|---|---|
| • Engaged for IC assembly and testing processes to deliver a final semiconductor product | • Engaged only to undertake a particular or several IC assembly and test process(es) |
| • Operate in their own facility and may invest in machinery and equipment to perform IC assembly and testing in-house | • Typically operate in the customers' facility using the customers' machinery and equipment |

Semiconductor products are ultimately sold to electronic product companies or electronic manufacturing service providers. Such companies are involved in the manufacturing of electronic products such as mobile and wireless devices, automobile and consumer electronics.

3REN Group supports various facets of the semiconductor industry value chain. The Group provides product engineering services for the IC design segment of the semiconductor industry and provides engineering support services to support the IC assembly and testing segment of the semiconductor industry. The Group also designs and develops customised digitalised solutions and automated equipment used to support semiconductor and electronic product companies.

**INDUSTRY SIZE, PERFORMANCE AND GROWTH**

The industry revenue size for product engineering services in Malaysia, in terms of product engineering service revenue, grew from RM480.7 million in 2020 to RM691.8 million in 2022 and further grew to RM844.0 million in 2023, registering a compound annual growth rate ("**CAGR**") of 20.6%.[1] Meanwhile, the global industry size for product engineering services, in terms of product engineering service revenues, grew from USD778.3 million (RM3.3 billion[2]) in 2020 to USD1.1 billion (RM4.8 billion[2]) in 2022, and further grew to USD1.2 billion (RM5.5 billion[2]) in 2023. The global product engineering services industry registered a CAGR of 15.5% between 2020 and 2023.[1] PROVIDENCE forecasts the product engineering service industry in Malaysia to grow by 19.7% between 2024 and 2026 to reach RM1.2 billion by 2026, and the global product engineering service industry to grow by 15.4% between 2024 and 2026 to reach USD2.0 billion (RM9.1 billion[2]) by 2026.

Meanwhile, the industry size for IC assembly and test services in Malaysia grew from RM15.0 billion in 2020 to RM17.4 billion in 2022 and RM19.2 billion in 2023, registering a CAGR of 8.6% between 2020 and 2023.[3] The global industry size for IC assembly and test segment increased from USD30.1 billion (RM126.5 billion[2]) in 2020 to USD32.5 billion (RM143.0 billion[2]) in 2022 and USD33.9 billion (RM154.8 billion[2]) in 2023, recorded a CAGR of 4.0%.[3] PROVIDENCE forecasts the IC assembly and test services industry in Malaysia to grow by 10.2% between 2024 and 2026, to reach RM23.3 billion in 2026. PROVIDENCE also forecasts the global IC assembly and test services industry to grow at a CAGR of 4.5% between 2024 and 2026, to reach USD37.0 billion (RM168.9 billion[2]) in 2026.

**COMPETITIVE OVERVIEW**

As 3REN Group is focused on the provision of product engineering services (specifically post-silicon validation, software development and new product introductions) and engineering support services for IC assembly and testing within Malaysia, PROVIDENCE has identified 8 industry players, including 3REN Group on the basis that:

(i) They are involved in the provision of product engineering services and/or engineering support services for IC assembly and testing. Engineering support service providers for printed circuit boards ;

(ii) They are based in Malaysia; and

(iii) They have a revenue of RM1.0 million and above, based on their latest audited financial year end ("**FYE**").

These identified industry players[(a)] are as detailed below:

| Company name | Product engine-ering services [(b)] | IC assembly and test enginee-ring support services [(b)] | Digitalised solutions and automated equipment [(b)] | Latest available FYE | Revenue (RM'000) | Gross Profit ("GP") (RM'000) | Profit After Tax/Loss After Tax ("PAT /LAT") (RM'000) | GP Margin [(c)] (%) | PAT/ LAT Margin [(d)] (%) |
|---|---|---|---|---|---|---|---|---|---|
| 3REN Group | ✓ | ✓ | ✓ | 31 December 2022 | 65,869[(e)] | 10,798[(e)] | 12,066[(f)] | 16.4 | 18.3[(g)] |
| Dreamedge Sdn Bhd | ✓ | - | ✓ | 31 December 2022 | 17,801 | 9,518 | (1,649) | 53.5 | - |
| IC Microsystems Sdn Bhd | ✓ | - | - | 31 December 2022 | 701 | (553) | (432) | - | - |

[1] Source: Zion Market Research, PROVIDENCE analysis
[2] Exchange rates from USD to RM were converted based on average annual exchange rates extracted from published information from Bank Negara Malaysia for:
2020: USD1 = RM4.2016
2022: USD1= RM4.4005
2023: USD1 = RM4.5653
Exchange rates from USD to RM for 2024 and 2026 were converted based on average annual exchange rates extracted from published information from Bank Negara Malaysia for 2023 at USD1= RM4.5653
[3] Source: Market Research Future

| Company name | Product engine-ering services (b) | IC assembly and test enginee-ring support services (b) | Digitalised solutions and automated equipment (b) | Latest available FYE | Revenue (RM'000) | Gross Profit ("GP") (RM'000) | Profit After Tax/Loss After Tax ("PAT /LAT") (RM'000) | GP Margin (c) (%) | PAT/ LAT Margin (d) (%) |
|---|---|---|---|---|---|---|---|---|---|
| Infinecs System Sdn Bhd | ✓ | ✓ | - | 31 December 2022 | 12,185 | 2,505 | 1,147 | 20.6 | 9.4 |
| Key ASIC Berhad[h] | ✓ | - | - | 31 May 2023 | 20,816 | 7,329 | (5,368) | 35.2 | - |
| NCS Global Technology Sdn Bhd | ✓ | - | ✓ | 31 December 2022 | 20,968 | 8,006 | 5,618 | 38.2 | 26.8 |
| Nityo Infotech Services Sdn Bhd | - | ✓ | - | 31 December 2022 | 185,015 | 46,048 | 13,552 | 24.9 | 7.3 |
| Oppstar Berhad[h] | ✓ | - | - | 31 March 2023 | 57,904 | 33,512 | 20,274 | 57.9 | 35.0 |
| Symmid Corporation Sdn Bhd | ✓ | - | - | 31 December 2019 | 9,777 | 3,438 | (5,010) | 35.2 | - |
| UST Global (Malaysia) Sdn Bhd | ✓ | - | ✓ | 31 March 2023 | 166,606 | 23,913 | 19,317 | 14.4 | 11.6 |

Notes:

(1) [a] The list is not exhaustive. It contains information based on publicly disclosed information as at 25 March 2024 and excludes exempt private companies
(2) [b] Based on publicly available information
(3) [c] GP margin is computed based on GP over revenue
(4) [d] PAT / LAT margin is computed based on PAT/ LAT over revenue
(5) [e] Based on segmental financial information for product engineering services and engineering support services for IC assembly and test
(6) [f] Based on consolidated financial information as segmental information for product engineering services and engineering support services for IC assembly and test is not available
(7) [g] PAT margin is based on consolidated PAT over consolidated revenue for the Group as the segmental PAT for product engineering services and engineering support services is not available
(8) [h] The company is a listed company on Bursa Malaysia.

Although OSATs are also involved in the provision of IC assembly and testing services, these companies are not comparable to engineering service support service providers as they generate revenues based on the production of final semiconductor products as opposed to provision of services and they have their own facilities, and may invest in machineries and equipment. Thus, they have not been included in the list above.

### MARKET SHARE

In 2022, 3REN Group garnered an industry revenue share of 0.8% of the product engineering services industry in Malaysia, based on the industry size for product engineering services in Malaysia of RM691.8 million in 2022 and its revenue from the product engineering services of RM5.7 million for FYE 2022. 3REN Group also garnered an industry revenue share of 0.2% of the IC assembly and test services industry in Malaysia based on the IC assembly and test services industry size in Malaysia of RM17.4 billion and its revenue from engineering support services for IC assembly and test of RM39.2 million for FYE 2022.

## 2 THE AUTOMATED MANUFACTURING AND DIGITALISED SOLUTIONS INDUSTRY (GLOBAL AND MALAYSIA)

### INTRODUCTION

***Introduction to automated manufacturing and digitalised solutions***

Automated manufacturing and digitalised solutions refer to purpose-built solutions and are typically used in the factories to enable manufacturing processes as well as non-manufacturing processes such as procurement, inventory management and warehousing.

The different types of automated manufacturing and digitalised solutions are as follows:

| | |
|---|---|
| ***Automated equipment***, which refers to standard equipment or custom-built equipment that can perform specific roles or tasks. This equipment is customised to perform a particular process of a manufacturing activity, such as testing and inspection, transfer and loading, laser drilling and packaging. It can operate on a standalone basis without being integrated is part of a production line system. |  |
| ***Digitalised solutions,*** which are solutions that enable and manage the digitalisation of processes and services to allow for internet of Things ("**IoT**"), which facilitates the real-time interconnectivity and data exchange between equipment and devices. This includes **smart solutions**, which are collaborative manufacturing solutions that respond and adapt to real-time changes on the factory floor. Examples include autonomous material transfer which can work with production systems to arrange and transfer inventories, components or finished products during the manufacturing process, as well as analytics systems to enhance efficiency of the manufacturing processes. Artificial intelligence ("**AI**") is utilised to control and monitor the system, especially to predict and prevent issues which cause downtime. |  |

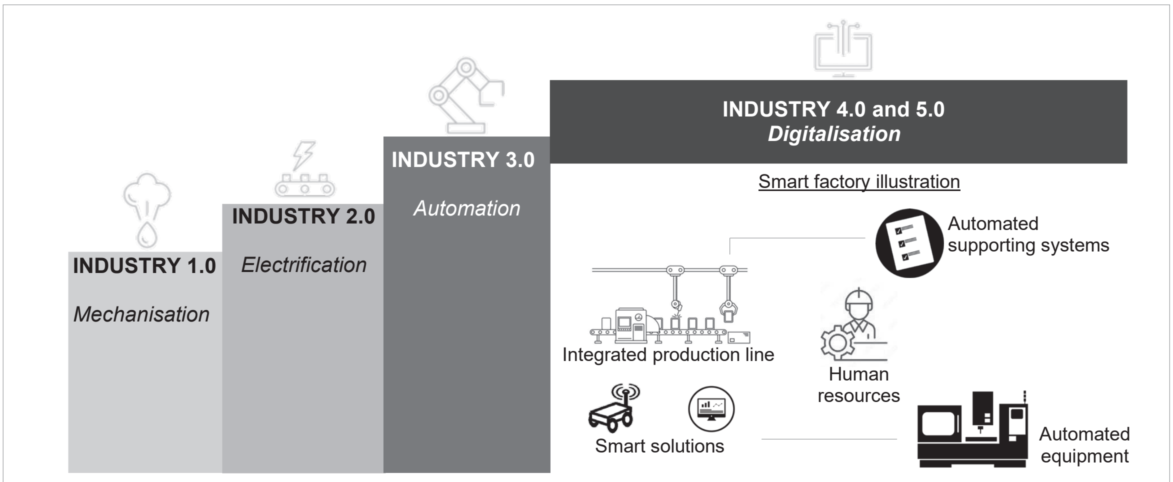
Source: PROVIDENCE

Automated equipment and digitalised solutions can be integrated to set up a smart factory. Smart factories refer to production facility environments that are highly digitalised where machinery and equipment are interconnected using IoT technology. The factory environment is interconnected on a real-time basis, where the monitoring and management of processes may be performed remotely. This includes every process on the factory floor, and is not limited to manufacturing processes.

***Industrial technology revolution***

The technologies used in manufacturing processes have evolved and advanced over time. Industry 1.0 occurred in the 1780s when the steam engine was invented and used to power machines used in manufacturing processes. During Industry 2.0 which occurred in the 1870s, electrical technology was developed and thus, the machines developed for manufacturing processes were electrical-based. The emergence of computer-controlled machines used for manufacturing processes in the 1960s marked the birth of Industry 3.0.

Technologies used in manufacturing processes have shifted to Industry 4.0, where machineries used are able to integrate and communicate with one another to form a seamless integrated production line. These include automated manufacturing and digitalised solutions. There is also a concurrent move towards Industry 5.0, which aims to harness the cognitive ability of human resources to maximise use of machineries, in order to create a sustainable manufacturing environment. With the automation and real-time interconnection of processes other than manufacturing activities performed in the factory, this will form smart factories.




**INDUSTRY PERFORMANCE, SIZE AND GROWTH**

The global automated manufacturing and digitalised solutions industry grew at a CAGR of 8.2%, from USD275.9 billion (RM1.2 trillion[2]) in 2020 to USD321.2 billion (RM1.4 trillion[2]) in 2022 and then to USD349.2 billion (RM1.6 trillion[2]) in 2023.[4] Moving forward, PROVIDENCE estimates that the global automated manufacturing and digitalised solutions industry will grow at a CAGR of 8.7% between 2024 and 2026 to reach USD448.6 billion (RM2.0 trillion[2]) in 2026.

[4] Source: Allied Market Research, PROVIDENCE analysis

The automated manufacturing and digitalised solutions industry in Malaysia grew at a CAGR of 15.8% between 2020 and 2023, from RM7.5 billion in 2020 to RM10.3 billion in 2022 and then to RM12.1 billion in 2023.[4] Moving forward, PROVIDENCE estimates that the automated manufacturing and digitalised solutions industry in Malaysia will grow at a CAGR of 13.1% to RM17.4 billion in 2026.

**COMPETITIVE OVERVIEW**

3REN Group is involved in the design and development of digitalised solutions and automated equipment, and is based in Malaysia. As such, PROVIDENCE has identified the following industry players on the basis that:

- They are involved in the design and development of automated equipment, but excludes companies that only design and develop automated test equipment for testing and packaging equipment of ICs and printed circuit boards; and/or
- They are involved in the design and development of digitalised solutions; and
- They are based in Malaysia.

These identified industry players[(a)] are as detailed below:

| Company name | Automated equipment | Digitalised solutions | Latest available FYE | Revenue (RM'000) | GP (RM'000) | PAT/LAT (RM'000) | GP Margin[(b)] (%) | PAT/LAT Margin[(c)] (%) |
|---|---|---|---|---|---|---|---|---|
| 3REN Group | ✓ | ✓ | 31 December 2022 | 37,729[(d)] | 13,395[(d)] | 12,037[(e)] | 35.5 | 11.6[(f)] |
| BBS Automation Penang Sdn Bhd | ✓ | ✓ | 31 December 2022 | 47,810 | 3,907 | (9,013) | 8.2% | - |
| Cardos Automation System Sdn Bhd | - | ✓ | 31 December 2022 | 3,501 | 1,276 | (643) | 36.4 | - |
| DNC Automation (M) Sdn Bhd | ✓ | ✓ | 31 December 2022 | 12,117 | 5,034 | (176) | 41.5 | - |
| DOEKA Asia Sdn Bhd | ✓ | - | 31 December 2022 | 4,709 | 2,194 | (115) | 46.6 | - |
| ECA Integrated Solutions Berhad[(g)] | ✓ | ✓ | 31 October 2022 | 27,530 | 11,730 | 7,806 | 42.6 | 28.4 |
| Elliance Sdn Bhd | - | ✓ | 31 July 2021 | 3,260 | 1,958 | (28) | 60.0 | - |
| **Epsilon Group** | | | | | | | | |
| Epsilon Automation Sdn Bhd | ✓ | - | 31 December 2022 | 2,401 | 577 | (400) | 24.0 | - |
| Epsilon Technology (M) Sdn Bhd | ✓ | - | 28 February 2023 | 4,638 | 465 | 3,960 | 10.0 | 85.4 |
| Fuka Packaging Solutions Sdn Bhd | ✓ | - | 30 September 2022 | 1,978 | 481 | 125 | 24.3 | 6.3 |
| Genetec Technology Berhad[(g)] | ✓ | - | 31 March 2023 | 294,591 | 98,434 | 67,887 | 33.4 | 23.0 |
| IMA Automation Malaysia Sdn Bhd | ✓ | - | 31 December 2022 | 47,076 | 13,529 | 2,732 | 28.7 | 5.8 |
| JM Automation Solution Sdn Bhd | ✓ | ✓ | 31 December 2022 | 776 | 306 | (143) | 39.4 | - |

| Company name | Automated equipment | Digitalised solutions | Latest available FYE | Revenue (RM'000) | GP (RM'000) | PAT/LAT (RM'000) | GP Margin[b] (%) | PAT/LAT Margin[c] (%) |
|---|---|---|---|---|---|---|---|---|
| Kinetec Automation (M) Sdn Bhd | - | ✓ | 30 April 2023 | 5,924 | 1,358 | (354) | 22.9 | - |
| MMS Ventures Berhad[g] | ✓ | - | 31 December 2022 | 52,867 | 18,095 | 9,047 | 34.2 | 17.1 |
| Neptrix Sdn Bhd | - | ✓ | 31 December 2022 | 1,188 | 1,028 | (163) | 86.5 | - |
| Pentamaster Corporation Berhad[g] | ✓ | ✓ | 30 June 2023 | 342,187 | 99,494 | 70,874 | 29.1 | 20.7 |
| Sky-Tag Robotics Sdn Bhd | ✓ | ✓ | 30 September 2022 | 28,643 | 1,485 | (2,430) | 5.2 | - |
| TT Vision Holdings Berhad[g] | ✓ | - | 31 December 2022 | 52,983 | 22,622 | 10,202 | 42.7 | 19.3 |
| TTOT Sdn Bhd | ✓ | - | 31 December 2022 | 8,565 | 13 | (2,616) | 0.2 | - |
| UBCT Industrial Solution Sdn Bhd | - | ✓ | 30 September 2022 | 23,577 | 9,465 | (936) | 40.1 | - |
| Xtrotech Sdn Bhd | ✓ | - | 31 December 2022 | 2,458 | 1,341 | 236 | 54.6 | 9.6 |
| XTS Technologies Sdn Bhd | ✓ | - | 31 December 2022 | 8,310 | 593 | (4,209) | 7.1 | - |
| YNY Technology Sdn Bhd | - | ✓ | 31 December 2022 | 13,201 | 10,389 | 588 | 78.7 | 4.5 |

Notes:

(1) [a] The list is not exhaustive. It contains information based on publicly disclosed information as at 25 March 2024 and excludes exempt private companies

(2) [b] GP margin is computed based on GP over revenue

(3) [c] PAT / LAT margin is computed based on PAT/ LAT over revenue

(4) [d] Based on segmental financial information for digitalised solutions and automated equipment

(5) [e] Based on consolidated financial information as segmental information for digitalised solutions and automated equipment is not available

(6) [f] PAT margin is based on consolidated PAT over consolidated revenue for the Group as the segmental PAT for digitalised solutions and automated equipment is not available

(7) [g] The company is a listed company on Bursa Malaysia.

Source: Various company websites, Companies Commission of Malaysia, PROVIDENCE

**MARKET SHARE**

Based on an industry size for automated manufacturing and digitalised solutions in Malaysia of RM10.3 billion in 2022 and 3REN Group's combined revenue from automated equipment and digitalised solutions of RM37.7 million in the FYE 2022, 3REN Group garnered an industry revenue share of 0.4% in 2022.

# 3 KEY DEMAND DRIVERS AND SUPPLY CONDITIONS

## KEY DEMAND DRIVERS

**Growth in the semiconductor and electronics industries and manufacturing-related industries**

The IC design, assembly and test segment of the semiconductor industry and automated manufacturing and digitalised solutions industry are generally driven by the increase in manufacturing activities undertaken in the semiconductor and electronics industry as well as other manufacturing-related industries.

Specifically, the semiconductor and electronics industries has been growing as indicated in Chapter 4 of this IMR report. The rising worldwide demand for semiconductor and electronic products has been largely driven by:

(i) the technological revolution with 5G adoption and the emergence of 6G to increase network speed from 20 gigabites per second to 1 terrabyte per second, IoT, AI, machine learning and big data analytics, have resulted in the emergence of new electronic products. New electronic products that have been introduced to the market as a result of these technologies include smart factories (where machinery, equipment and tools are fully interconnected), autonomous cars (which are self-driving or driverless cars) and smart home devices (such as smart lighting, door locks and home appliances). This technological revolution of semiconductor and electronic products is expected to continue driving new developments in the semiconductor and electronics industry to produce more advanced semiconductor and electronic products in terms of performance, capacity and technology; and

(ii) rapid technological advancements which have led to continuous introductions of new product innovations and advancements. Electronic products, especially consumer electronic products, are subject to relatively shorter product lifecycles, given that consumers are highly receptive to new product innovations and advancements.

The rise in demand for electric vehicles ("**EV**") and solar energy is also expected to boost the demand for semiconductor chips. An EV is a vehicle that is powered by electricity. Instead of using fuel-related components in the vehicle to power the motor of the vehicle, EVs use batteries to power the motor and the batteries must be charged to function. Sales of electric vehicles in Malaysia grew at a strong CAGR of 459.5%, from 58 units sold in 2020 to 10,159 units sold in 2023.[5] The EV market has been, and is expected to continue to be, driven by government incentives to promote EV sales, lower battery costs for EVS and increase in manufacturing of EVs by vehicle manufacturers.

**Modernisation and transformation of manufacturing facilities towards Industry 4.0 and 5.0 technology to enable smart factories and sustainable operations**

There is a continuous need for manufacturers to reduce cost and achieve economies of scale, in order to remain competitive. There is also a move towards more sustainable operations by optimising the usage of energy and introducing Industry 5.0 to encourage collaboration between human resources and machineries. In order to do so, these companies are shifting towards full automation of processes to increase operational efficiency and reduce operational costs with less human resources required. As such, smart factory solutions which enable Industry 4.0 and 5.0 production facility environments (or smart factories) have become increasingly popular.

The interconnectivity of machinery and equipment in smart factories enables automation of not only the semiconductor and electronics manufacturing process but also all other processes in the production facility, from the receipt of raw materials and supplies to the production and assembly of end-products. As a result, minimal human intervention is required in the production facility. Workers can remotely supervise the status of various machinery and equipment throughout the entire production facility in a control room, as well as to monitor and control the operations of the semiconductor and electronics manufacturing solutions.

Further, smart factory solutions also provide visibility over the entire organisation, as interconnected processes throughout an entire system would mean that data can be shared throughout the organisation. Data collected from smart factory solutions can be used to make better business decisions, identify areas of concern or improvement as well as under-utilised resources.

As more semiconductor and electronic product companies transition to smart factories, this is expected to bode well for the growth of the automated manufacturing and digitalised solutions industry.

Further, there is also increased awareness and focus on environmental, social and governance as well as sustainability practices. This is expected to encourage manufacturing companies to digitalise their operations in order to reduce greenhouse gas emissions and carbon footprint. Consequently, this is expected to drive demand for automated manufacturing and digitalised solutions.

**Increased outsourcing and relocation of manufacturing activities to Southeast Asia**

Southeast Asia has become a destination for foreign multinational companies to set up their production facilities, due to the favourable exchange rate, availability of manpower and strategic location. Many major multinational

[5] Source: Malaysian Automotive Association

semiconductor and electronics companies have established production facilities in Southeast Asia countries such as Malaysia, Thailand and Vietnam.

The establishment of production facilities in these countries has resulted in many local and multinational OSATs and electronic manufacturing services emerging in the country. Further, while the Russia-Ukraine war could impact new manufacturing facilities being set up in these 3 countries, multinational companies are still expected to set up their facilities in Southeast Asia.

In light of this, semiconductor and electronics manufacturing solution industry players have also emerged in these countries in order to cater for the growing need of the industry. Examples of such expansions include Intel Corporation who intends to invest approximately USD7.0 billion (approximately RM30.0 billion) in a new chip packaging and testing factory in Malaysia[6], as well as Infineon Technologies AG which will be investing EUR5.0 billion (approximately RM24.9 billion) to expand its operations in Malaysia.[7] In particular, exports of electrical and electronics products from Malaysia grew from RM386.1 billion in 2020 to RM575.5 billion in 2023 at a CAGR of 14.2%.[8]

As such, the outsourcing and relocation trend has, and is expected to continue to, support the growth of the IC design, assembly and test segment of the semiconductor industry as well as automated manufacturing and digitalised solution industry in Malaysia.

**Government initiatives to develop the automated manufacturing and digitalised solution industry**

In October 2018, the Ministry of International Trade and Industry launched the National Policy on Industry 4.0 ("**Industry4WRD**") to drive digital transformation of the manufacturing industry and its related services. The policy's goals are to increase labour productivity, increase the manufacturing sector's contribution to the economy, increase innovation and increase the number of high-skilled jobs. The Industry4WRD Readiness Assessment programme is designed to help small and medium enterprises ("**SMEs**") to assess their capabilities and readiness to adopt Industry 4.0 technologies and processes, identify areas for improvement and develop feasible strategies to perform outcome-based intervention projects.

In February 2021, the Government of Malaysia launched MyDIGITAL, a national initiative which aims to transform Malaysia into a digitally-driven, high income nation and a regional leader in digital economy. The Malaysia Digital Economy Blueprint maps out the strategies which will be undertaken in 3 phases (2021-2022, 2023-2025 and 2026-2030) to achieve the targeted outcomes of MyDIGITAL. The key thrusts in the Malaysia Digital Economy Blueprint pertaining to the IT infrastructure and cybersecurity industries are:

(i) Build enabling digital infrastructure – providing access to extensive and high-quality digital infrastructure (such as broadband, data centres and cable landing stations) to better enable people, businesses and the Government of Malaysia to participate in the digital economy; and
(ii) Build trusted, secure and ethical digital environment – creating a conducive environment for businesses and society to reap the benefits of digital services without compromising safety, data security, privacy, reliability and ethical standards.

Under Budget 2024, the Government of Malaysia aims to strengthen competitiveness among MSMEs via the utilisation of technology and digitalisation. Through Budget 2024, the Government intends to allocate RM900 million loan fund under Bank Negara to encourage SMEs to improve business productivity via automation and digitalisation. Further, under the budget, the Government plans to reduce dependency on foreign workers and build on local talent. As such, a special fund will be implemented for the utilisation of automation and training of local workers. Additionally, automation tax incentives will be expanded to cover the commodities sector in order to improve the productivity of plantation products and to reduce foreign labour dependency through mechanisation and automation such as drones and self-driving vehicles.

These Government initiatives are expected to further increase awareness and adoption of smart factory solutions, which will contribute to the growth of the semiconductor and electronics manufacturing solutions industry.

**SUPPLY CONDITIONS**

**Availability of hardware and software and semiconductor chip supply**

Hardware and software are critical components of automated manufacturing and digitalised solutions, and semiconductor chips are integral components of hardware. During the COVID-19 pandemic, there was a shortage of semiconductor and certain hardware parts (caused by a shortage of semiconductor chips) which was attributable to the surge in demand for consumer electronic products and restrictions in manufacturing activities of semiconductor chip manufacturers caused by the COVID-19 pandemic. In 2022, the global semiconductor chip shortage situation turned into oversupply in some semiconductor segments such as in the memory and data centre segments, and this situation persisted in 2023.

[6] Source: "Intel to invest USD7 billion in chip packaging facility in Malaysia", The Economic Times, 14 December 2021
[7] Source: "Infineon to invest RM8bil to build wafer fab in Kulim, set for completion by 3Q24", The Star, 7 July 2022
[8] Source: Department of Statistics Malaysia

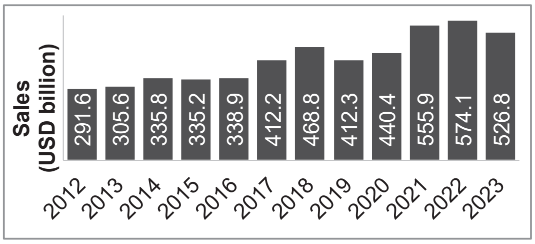
**Availability of human resources**

A critical element of being able to provide automated manufacturing solutions is the availability of qualified and experienced talent. It is essential that industry players offering engineering support services, product engineering service, digitalised solutions and automated equipment are able to hire, train and retain talented employees with the required technical skills and engineering capabilities. Generally, there is no shortage of skilled resources in the engineering sector. According to the Department of Statistics Malaysia, the number of persons employed in the electrical, electronics and optical industry increased from 575,000 in 2020 to 632,000 in 2022.

## 4 THE SEMICONDUCTOR AND ELECTRONICS INDUSTRIES

The global semiconductor and electronics industries is cyclical, influenced by factors such as market demand and supply as well as macroeconomic conditions. Despite the cyclicality of the semiconductor and electronics industries, the global semiconductor and electronics industries size grew from USD291.6 billion (RM901.0 billion[9]) in 2012 to USD526.8 billion (RM2.4 trillion[2]) in 2023, registering a CAGR of 5.5% over the period.[10] From 2012 to 2016, the global semiconductor and electronics industries increased from USD291.6 billion (RM901.0 billion[9]) to USD338.9 billion (RM1.4 trillion[9]), despite a temporary dip in 2015 caused by currency fluctuation and market cyclicality.

**Global semiconductor and electronics industries sales**




Source: Semiconductor Industry Association

In 2017, the global semiconductor and electronics industries recorded USD412.2 billion (RM1.8 trillion[9]), driven by rapid technology advancement such as IoT. In 2019, as a result of decreased in demand for memory chips market which had led to oversupply and excessive inventory as well as cyclicality in product pricing, the global semiconductor and electronics industries decreased to USD412.3 billion (RM1.7 trillion[9]). Despite the COVID-19 pandemic and supply chain disruptions, the global semiconductor and electronics industries continue to grow in 2020 and 2021. This growth was primarily driven by the surging demand for semiconductors in electronic devices and equipment. In 2023, the global semiconductor and electronics industries decreased to USD526.8 billion (RM2.4 trillion[2]) as a result of decrease in demand for consumer electronics due to excess inventory stocks of consumer electronics in the first-half of 2023. Nevertheless, the global semiconductor and electronics industries are began to rebound towards the later part of 2023, driven by demand for AI applications. The global semiconductor and electronics industries is expected to rebound further in 2024 and is forecast to grow by 11.6% to reach USD588.0 billion (RM2.7 trillion[2]) in 2024.[10] This is expected to be driven by demand for ICs for AI and high-performance computing and EV as well as government initiatives in China to support semiconductor production.[10]

The semiconductor and electronics industries are expected to be driven by rapid technological developments for product innovations and advancements in the market, and the technological revolution with 5G adoption and the emergence of 6G, IoT, artificial intelligence, machine learning and big data analytics, which have resulted in the emergence of new electronic product. This is elaborated in Chapter 3 of the IMR report.

## 5 PROSPECTS AND OUTLOOK FOR 3REN GROUP

As an industry player in the IC design, assembly and test segment in Malaysia as well as in the automated manufacturing and digitalised solution industry in Malaysia, 3REN Group stands 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. In this respect, the Group stands to benefit from the technological revolution with the emergence of 6G, IoT, AI, machine learning and big data analytics which is expected to result in the emergence of new final electronics products, as well as rapid technological advancements which have led to continuous introductions of new product innovations and advancements. In addition, the modernisation and transformation of manufacturing facilities towards Industry 4.0 and 5.0 and sustainable operations, increased outsourcing and relocation of manufacturing activities in Malaysia, and government initiatives to develop the automated manufacturing and digitalised solution industry are also expected to drive the growth of the industries in which 3REN Group operates in.

[9] Exchange rates from USD to RM were converted based on average annual exchange rates extracted from published information from Bank Negara Malaysia for:
2012: USD1 = RM3.0898
2016: USD1 = RM4.1457
2017: USD1 = RM4.3008
2019: USD1 = RM4.1427
[10] Source: Semiconductor Industry Association

## 9. RISK FACTORS

**YOU SHOULD EVALUATE AND CONSIDER CAREFULLY THE FOLLOWING RISKS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE ALONG WITH OTHER MATTERS IN THIS PROSPECTUS BEFORE INVESTING IN OUR SHARES.**

### 9.1 RISKS RELATING TO OUR BUSINESS OPERATIONS

#### 9.1.1 We are dependent on certain major customers

We are dependent on the following major customers which had contributed more than 10% of our total revenue during the Financial Periods Under Review:-

| | Audited | | | | | | | | Years of relationship as at the LPD |
|---|---|---|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2023 | | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | |
| Intel group of companies | 24,312 | 38.58 | 33,578 | 45.28 | 69,227 | 66.82 | 39,036 | 58.11 | 13 |
| KellyOCG | 10,588 | 16.80 | 12,200 | 16.45 | 14,548 | 14.04 | 10,655 | 15.86 | 7 |
| **Sub-total** | **34,900** | **55.38** | **45,778** | **61.73** | **83,775** | **80.87** | **49,691** | **73.97** | |
| **Total revenue** | **63,020** | **100.00** | **74,164** | **100.00** | **103,598** | **100.00** | **67,180** | **100.00** | |

Please refer to Section 7.17 of this Prospectus on the information relating to the abovementioned customers.

We expect our abovementioned major customers to continue contributing significantly to our Group's future revenue. During the Financial Periods Under Review, we have not experienced any material delay, suspension or termination of the purchase orders by them.

Our inability to secure purchase orders from the abovementioned customers as well as any early termination by these customers may adversely impact our Group's business and financial performance. As a result of our continued dependency on our major customers, we are exposed to the risks that we may fail to secure sufficient orders in the future, or encounter delays in payments from the abovementioned companies, which may adversely affect our Group's business operations and financial performance.

Although our Group has established business relationships with the Intel group of companies and KellyOCG for several years and believes that it has built up good rapport, there can be no assurance that these companies would continue to be the Group's major customers, or that the failure to maintain this business relationships or reduction in orders from the major customers would not affect the Group's operating results.

Our ability to continue to secure purchase orders from major customers are based on several factors including, among others, our ability to provide solutions and services that meets the respective customer's specifications and requirements, competitive pricing of our solutions, timely delivery as well as continuing customer satisfaction with our solutions and services. Nevertheless, any delays, premature termination of confirmed orders, or decrease in the value of purchase orders or the loss of any of these major customers would adversely affect our future business operations and financial performance.

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### 9.1.2 We are dependent on our Executive Directors and key senior management

Our achievements and success are largely attributable to the continued efforts and abilities of our Executive Directors, namely, Koh Dim Kuan and Lee Chee Hoo, who are directly responsible for the vision, strategic direction, leadership, business planning and development as well as management of our Group's business operations. They are assisted by 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. With extensive knowledge and insights of the industry, they together with our key senior management have played a critical role in our Group's success as well as in formulating and implementing our business strategies to drive the future growth of our Group.

The loss of any of our Executive Directors and/or key senior management, and our subsequent inability to recruit suitable replacement personnel in a timely manner, may adversely affect our business operations and financial performance as well as our continuing ability to compete effectively in the industry.

### 9.1.3 We are dependent on our ability to hire and retain skilled personnel

The nature of our business is such that we are dependent on the ability to hire and retain skilled personnel, such as engineers, developers, technicians and manufacturing specialists. Since our Group is operating in a rapidly emerging technology industry, the management and operation of our core business segments entail the employment of employees with the required expertise, technical skills and engineering capabilities in order to remain competitive in the industry.

Further, due to the vicinity of our primary business operations in Penang, being one of the technology hubs in Malaysia, we face competition to seek highly competent employees and are exposed to the risk of our skilled employees pursuing better career opportunities in Penang or elsewhere.

Having a team of experienced employees is crucial in implementing our Group's business strategies while sustaining and improving our technical capabilities. Any loss of services from any of our skilled workforce, without any prompt and proper replacement may cause disruptions to our business operations, which may, in turn, adversely impact our Group's business and financial performance. Our experienced employees' continuous service would allow us to maintain the quality of our solutions and services. As such, our capacity to hire and retain our skilled workforce is vital to achieving our Group's continuous success and growth.

In the event we are unable to hire and/or retain the skilled workforce with the required expertise and capabilities, 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.

Further, the hiring or retention of skilled personnel may be subject to factors such as remuneration packages and continuous training and development programmes. Should there be any significant increase in the remuneration packages due to whatever reasons including market competition and government policies, it may have a negative impact on our margins and thus affecting our financial performance.

Although we have not previously experienced any major disruptions to our business operations due to a shortage of skilled personnel, there is no assurance that we will be able to recruit and retain skilled personnel necessary for our future success.

### 9.1.4 We do not have long-term contracts and we are dependent on our ability to secure new purchase orders

Our orders are primarily secured via individual purchase orders issued by our customers on a project-to-project basis. As such, our financial performance depends on our ability to secure new purchase orders and/or contracts on a consistent basis to sustain our order book. If we are unable to do so, our order book may decline and this would adversely affect our sustainability and future business performance.

Thus, there is no assurance that there will be continuity from one project to the next project as our orders are primarily dependent on individual capital expenditure, expansion requirements of our customers as well as the demand for their products. Further, the absence of a long term contractual arrangements may result in the fluctuation of our Group's sales and overall business performance.

Notwithstanding the absence of long-term contracts with our customers, our Group has an established track record in providing quality products and services, which has earned the recognition of various local and foreign customers of the Group.

However, any failure on our part to meet the operational and technical requirements of our customers, may subsequently impact our business relationship with our customers, and adversely affect our business, financial conditions and results of operations.

### 9.1.5 We may be affected from termination of secured orders

Notwithstanding of the purchase orders secured from our customers, our business is exposed to the risk of termination of the purchase orders. This may be attributable to numerous causes such as a shift in technology or market conditions.

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. Notwithstanding this, our business is still exposed to the risk of termination of orders by customers, which would adversely affect our financial performance.

Further, we may be required to negotiate a termination fee based on the work we have performed to date should any termination by the customers occur as we may have consumed substantial amount of time and resources to execute the work orders. However, although negotiation for a termination fee is possible, the termination fee is subject to mutual agreement between both parties. There is no assurance that we would be able to attain any compensation from our customers for the work that we have performed to date.

During the Financial Periods Under Review and up to the LPD, we have not had any major termination of secured orders by our customers.

### 9.1.6 We may be unable to effectively implement our business plans and strategies

Our business strategies are aimed at growing and expanding all our core business segments. It is vital that our Group remains competitive to enhance our market presence. As part of our business plans and strategies, we aim to strengthen our R&D activities, set up new Delivery Centres, and expand our reach internationally by setting up a sales office in Singapore. Please refer to Section 7.19 of this Prospectus for further details of our business plans and strategies.

Our business growth is reliant upon our ability to realise our business plans and strategies. We may not be able to promptly carry out our business strategies according to business and financial expectations, which may in turn, affect our future business and financial performance. The execution of our business plans and strategies is subject to production cost, additional capital expenditures and limitation in human capital. Further, elements beyond our control such as changes in the global and local economic, political, and market conditions, may adversely affect our future plan.

### 9.1.7 We are subject to project risks

In view of the complexity of the projects we undertake, we are subject to changes in the specifications required under these projects. As such, our Group is subject to, amongst others, the following risks:-

(a) Delay and/or cancellation of projects due to unforeseen circumstances such as unexpected changes in project requirements or timeline that are beyond our control. Any delay in customers' expansion projects will accordingly affect the implementation of digitalised solutions and automated equipment as well as rolling out of engineering support services and product engineering services. This would affect the recognition of revenues from the relevant projects, which would consequently impact our Group's financial performance;

(b) Project cost overruns due to unanticipated difficulties encountered during the project implementation stage or changes in project requirements. We may be unable to accurately estimate the costs required to deliver our solutions and services and there can be no assurance that the actual time taken and costs incurred for each project would not exceed our estimation. These project cost overruns could impact our Group's profitability which would impact our Group's financial performance.

### 9.1.8 We may be affected by the changes in labour laws and regulations

Our workforce consists of both permanent and contract-based employees. As at the LPD, our workforce comprised 1,526 employees (including 1,192 contract-based). All our employees are entitled to statutory employment benefits.

We are subject to various labour laws and regulations governing our relationships with our employees, including in relation to minimum wages, working hours, overtime, working conditions, hiring and terminating the contracts of contract-based employees and work permits. A change of law which requires us to treat and extend benefits to our employees may create potentially liability for us. We cannot assure you that we will be in compliance with current and future health and safety and labour laws and regulations at all times and any failure to comply with such laws and regulations could materially and adversely affect our business, future financial performance and results of operations.

Currently, our employees are not members of a labour union, but we can give you no assurance that they will not, in the future, join or form a labour union, or eventually wish to engage in collective bargaining. In the event of a labour dispute, protracted negotiations and strike action may impair our ability to carry on our day-to-day operations, which could materially and adversely affect our business, future financial performance and results of operations.

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### 9.1.9 We may be vulnerable from inadequate protection of intellectual property rights

Our Group may unknowingly infringe upon the intellectual property rights of third parties and may be held responsible for such infringements. Any future litigation regarding patents or other intellectual property infringements could be costly and time consuming and divert significant management and staff resources. If our Group loses a claim, we may suffer significant liabilities, litigation costs or be prevented from selling our solutions if they infringe upon the intellectual property of third parties.

Our Group's success will rely on the use of third-party proprietary technology as well as our own technological proficiency. As there is only limited protection offered from the present trademark, trade secret, patent and copyright, we are not able to guarantee that we can safeguard the proprietary rights against exploitation or illegal third party copying and use, which could have a material adverse effect on the Group's business and financial performance. However, the risk is comparatively low due to the nature and complexity of our digitalised solutions and automated equipment. The details of our trademark and patents are set out in Section 7.9 of this Prospectus. There is no assurance that we will be able to renew our trademark and patents on a timely basis.

### 9.1.10 We are exposed to product warranty claims and quality-related risks

We are exposed to the risk of liability claims and product warranty from our customers for claims of losses or damages suffered due to defective design, components/parts, warnings or instructions.

We commonly provide our customers with a warranty period of 12 months for our automated equipment and digitalised solutions and if necessary, on-site maintenance and technical support. Our warranty also includes the replacement or repair defective parts of the digitalised solutions and automated equipment. A significant number of defects would inflate project overheads and subsequently may adversely affect our Group's profitability.

Further, any defects in our solutions may result in negative customer feedback and perception of our Group. These may comprise adverse publicity, resulting in lower demand for our solutions. Further, our Group may incur supplementary costs to fix claims against us. Any substantial claims relating to our digitalised solutions and automated equipment could have an adverse impact on our business and financial performance. There is no assurance that we will not face such claims in the future.

### 9.1.11 We may not be able to obtain, renew or maintain our major licences, permits and approvals

We depend on certain licences, permits and approvals issued by various government authorities and regulatory agencies in Malaysia. Our major licences, permits and approvals are generally subject to a variety of conditions which are either stipulated within the licences, permits and approvals themselves or under the particular legislation and/or regulations governing the issuing authorities. Certain of these major licences, permits and approvals need to be renewed on a periodic basis or reassessed by the relevant regulatory authorities. Please refer to Section 7.10 of this Prospectus for details of our major licences and approvals including the applicable authorities, expiration dates and status of our compliance.

During the 12-month period prior to the date of this Prospectus, we have not faced any suspension, withdrawal or termination of relevant major our major licences, permits and approvals, financial penalties or cessation of our operations which have materially and adversely affected our business and results of operations. Further, we have not encountered any issues in renewing or obtaining any major our major licences, permits and approvals required to carry out our operations

However, there can be no assurance that we will be able to renew such major our major licences, permits and approvals in future or that we will not be subject to suspension, withdrawal or termination of our major our major licences, permits and approvals despite our best efforts to maintain full compliance and any such failure to secure renewal or obtain major licences, permits and approvals would adversely affect our financial condition, results or operations and prospects.

## 9.2 RISKS RELATING TO THE INDUSTRY WE OPERATE IN

### 9.2.1 We are subject to changes and uncertainties in the industries/sectors that we serve

Majority of our solutions/services are provided to customers from the semiconductor and electronics industry. Therefore, the prospects of our business are dependent, to a certain extent, on the growth and performance of the industry, which in turn, are subject to global demand amongst others. If the demand for our solutions/services were to unexpectedly increase, we would require significant increase in operating capacities, resources and capabilities, including adequate fundings, manpower resources as well as materials, in order to fully capitalise on such opportunities. The failure to adjust to such unanticipated increase in the demand for our solutions/services could result in our Group losing existing customers or losing the opportunity to establish business relationships with potential customers. Such failures may adversely affect our Group's future financial results and market share.

We are also exposed to unfavourable domestic and global changes to our industry as well as our customers' industries such as shortage of semiconductors and related parts, decline in the demand for our customers' products, changes in consumer behaviour, global trade restrictions or interruptions, conflicts between countries, imposition of adverse government regulations and increase in tariffs. Such risks may affect our business and financial performance negatively.

In addition, the market for our solutions is characterised by rapidly changing technology as technology obsolescence is one of our business inherent risks. The Group's future growth and success will depend upon our ability to enhance existing solutions and introduce them on a timely and cost-effective basis, as well as to develop new ones to meet and capitalise on new technological developments and changes. The failure of our Group to design, develop and commercialise new and enhanced solutions could have a material adverse effect on our business, financial conditions and results of operations.

We seek to limit these risks through our continuous investment in R&D activities, active engagement with our customers and employment of strategic marketing activities in order to take cognisance of any possible fluctuations in these industries and to ensure that our solutions and services remain technologically relevant and meet customers' demands. Notwithstanding that, as we are operating in a fast-changing industry, there is no assurance that our Group would be able to respond favourably to any new technological advancements.

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### 9.2.2 We face competition from other industry players

Notwithstanding our competitive advantages and key strengths, 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. The key areas of competition for our business comprise quality of services/solutions, pricing, proximity to customers, range of solutions and services provided, timely delivery and after-sales services. Industry players are continuously seeking ways to differentiate themselves, often by improving technical capabilities and providing wider range of offerings. Some of our competitors are more established and are capable of providing more services/solutions on a larger scale. As such, this may impact our revenue and profitability as we may be required to be more price competitive in order to secure purchase orders. Therefore, we are exposed to the risk that we may be unable to compete effectively against our existing or potential competitors, which will have adverse effects on our business operations and financial performance.

Whilst we strive to remain competitive, there can be no assurance that we will be able to compete effectively against our competitors and also new market entrants which may in turn affect our profit margins and/or a reduction in orders from our customers which may have a material and adverse impact on our business and financial performance.

### 9.2.3 We are exposed to the legal, regulatory, political and economic risks

We are susceptible 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. Therefore, our financial condition and results or operations could be affected by variety of factors, including:-

- political and economic instability, including global and regional macroeconomic disruptions such as natural calamities, epidemics or other risks related to countries where we procure our components and parts or sell our solutions;

- unfavourable changes in government policies such as introduction of new regulations, including trade protection measures, sanctions, import or export restrictions and licencing regulations, duties, tariffs or subsidies; and

- risks with respect to social and political crises resulting from riots, terrorism, war or civil unrest as well as outbreak of pandemics, amongst others.

Recent tensions in Europe and the Middle-East have resulted in elevated geopolitical instability, trade restrictions, sanctions, disruptions to global supply chains, and a potential adverse impact on markets and a downturn in the regional and global economy. For example, the conflict in Europe is expected to lead to a shortage of microchips globally considering both Russia and Ukraine are key suppliers of raw materials used in microchip manufacturing. A prolonged war could affect the supply of microchips globally which would consequently have an adverse impact on the investments in new digitalised solutions and automated equipment as well as need for skilled workers for engineering support services and product engineering services. In the short term, the conflict could lead to less demand for our solutions and services. Any of such circumstances may adversely affect our business, financial conditions and results of operations.

Any other unfavourable changes in the political, economic, and regulatory settings in the countries where our Group operates and export our products to, could also adversely affect our financial performance, operational conditions and generally, the profitability of our Group. Our overall business would also be affected by any global or regional economic slump. In addition, this downturn may affect consumer confidence which may cause our customers to reduce their purchases and correspondingly affect the demand for our solutions and services.

## 9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

### 9.3.1 No prior market for our Shares

Prior to our IPO, there has been no prior market for our Shares. As such, there is no assurance that upon Listing, an active market for our Shares will develop, or, if developed, that such market can be sustained. There is also no assurance that there will be liquid market for our Shares. Upon the Listing, our Share price may fluctuate based on a variety of factors such as demand and supply for our Shares, the expectations of our future financial performance as well as the general stock market conditions.

Investors of our IPO Shares should be aware of such risks before deciding to invest in our Shares as there is no certainty that our Shares will trade above the IPO Price upon our Listing.

### 9.3.2 The trading price and volume of our shares following our IPO may be volatile

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and global bourses and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares. Nevertheless, the profitability of our Group is not dependent on the performance of Bursa Securities as the business activities of our Company have no direct correlation with the performance of securities listed on Bursa Securities.

It is expected that there will be about 8 Market Days after the closing date of our IPO before the commencement of trading of our Shares on Bursa Securities. We cannot assure you that there will be no event or occurrence that will have an adverse impact on the securities market, our industry or us specifically during this period that would adversely affect the market price of our Shares when they begin trading.

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, amongst others, the following factors, some of which are beyond our control:-

- material deterioration in our financial performance and operations;
- failure of our management team in implementing business strategies;
- adverse changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- adverse changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;
- departures of our key senior management;
- decline in stock market prices and volumes; and
- involvement in any material litigation.

### 9.3.3 There may be potential delay to or cancellation of our Listing

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

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

(b) the revocation of approvals from the relevant authorities and/or parties for our Listing and/or admission for whatever reason; and/or

(c) we are unable to meet the public shareholding spread requirements of the Listing Requirements, i.e. at least 25% of our enlarged number of Shares for which listing is sought to be held by a minimum of 200 public shareholders holding not less than 100 Shares each at the time of Listing.

In the event that we fail to fulfil any of the events above, we will return in full, without interest, monies paid in respect of all applications, in compliance with Section 243(2) of the CMSA.

Nevertheless, our Board will endeavour to ensure compliance of the various requirements for our successful listing on the ACE Market.

## 9.4 OTHER RISKS

### 9.4.1 Uncertainty of dividend payments

Our Company is an investment holding company and we conduct all of our operations through our subsidiaries. Accordingly, our income will be derived mainly from dividends received from our subsidiaries. Hence, our ability to pay future dividends to our shareholders is dependent on, amongst others, the performance of our subsidiaries. The ability of our subsidiaries to pay dividends to us will depend upon their financial performance and availability of their distributable reserves, capital requirements for their operational needs and debt servicing commitment.

There can be no assurance that we would be able to pay future dividends on our Shares, as a result of the factors stated above. Furthermore, if we do not pay dividends or pay dividends at level lower than that anticipated by investors, the trading price of our Shares may be negatively affected and the value of any investment in our Shares might be reduced.

### 9.4.2 Our Promoters will be able to exert significant influence over our Company as they will continue to hold majority of our Shares after the IPO

As disclosed in Section 5 of this Prospectus, our Promoters will collectively hold approximately 64.19% of our enlarged issued share capital upon Listing. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group. They may also be able to influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and/or as required by the relevant guidelines or regulations.

Nevertheless, our Company has appointed Ahmad Khairuddin Bin Abdul Rahim, Hanita binti Othman, Joyce Wong Ai May and Teresa Tan Siew Kuan as our Independent Directors and they will play an active role in our Board's deliberations to ensure future transactions involving related parties are entered into on an arms-length basis, so as to facilitate good corporate governance whilst promoting greater corporate transparency.

### 9.4.3 We have conditionally adopted the LTIP effective from the Listing Date, which may lead to share-based expenses that may negatively impact our profitability

We conditionally adopted the LTIP effective from the Listing Date to recognise and reward the contribution of Eligible Persons for our growth and development and to provide them with incentives in order to retain them for our continual operation, development and long-term growth and to attract suitable personnel for our further development. We therefore expect to incur expenses based on the fair value of share-based compensation measured at the date of grant under the SGP, which will be recorded in our consolidated financial statements for the relevant future periods. Any significant share-based compensation expenses may result in a material and adverse impact on our results of operations.

# 10. RELATED PARTY TRANSACTIONS

## 10.1 RELATED PARTY TRANSACTIONS

Our Board has confirmed that save as disclosed below, there are no other material related party transactions that we have entered into with any related parties during the Financial Periods Under Review and up to the LPD:-

| Transacting Parties | Nature of Relationships | Nature of Transaction | Value of Transactions (RM'000) | | | | |
|---|---|---|---|---|---|---|---|
| | | | FYE 2020 | FYE 2021 | FYE 2022 | FPE 2023 | 1.10.2023 up to LPD |
| Sophic Automation,<br>Koh Dim Kuan,<br>Lee Chee Hoo and<br>Low Chee Onn | • Koh Dim Kuan and Lee Chee Hoo are our Directors and substantial shareholders. They are also Directors and substantial shareholders of Sophic Automation.<br>• Low Chee Onn is a substantial shareholder and was a Director of Sophic Automation. | Disposal of Sophic Automation's entire 64% equity interest in SVN Automation by Sophic Automation to Koh Dim Kuan, Lee Chee Hoo and Low Chee Onn. | - | - | - | 1,566<br>(2.65% of the NA for FPE 2023) | - |

Sophic Automation entered into a capital transfer agreement dated 9 November 2022 with Koh Dim Kuan, Lee Chee Hoo and Low Chee Onn to dispose of its entire 64% registered charter capital in SVN Automation for a sale consideration of VND 8,242,027,175 (equivalent to RM1,566,000). The consideration, which was derived after taking into account the NA of SVN Automation based on its audited financial statements for the FYE 2021, was satisfied via a declaration of dividend-in-specie by Sophic Automation in November 2022 to its shareholders (Koh Dim Kuan, Lee Chee Hoo and Low Chee Onn) amounting to RM1,566,000. The transaction was completed on 3 February 2023. SVN Automation is a company incorporated in Vietnam and is principally involved in, amongst others, trading of office and factory furniture and repair and installation services.

Our Board is of the view that the related party transaction above was conducted on an arm's length basis and on competitive commercial terms not more favourable to the related parties. This was in view of the said sale consideration was arrived at after taking into consideration the NA of SVN Automation based on the audited financial statements of the company for the FYE 2021.

## 10. RELATED PARTY TRANSACTIONS

After our Listing, we will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions are recurrent of a revenue or trading in nature and which are necessary for our day-to-day operations, we may seek a general mandate from our shareholders to enter into such recurrent related party transactions without having to seek separate shareholders' approval each time we wish to enter into such recurrent related party transactions during the validity period of the mandate.

If there are any proposed related party transaction that require the prior approval of our shareholders, the Directors, major shareholders and/or persons connected with them, which have any interest, direct or indirect, in the proposed related party transactions will be required to abstain from voting in respect of their direct and/or indirect shareholdings. Such interested Directors and/or major shareholders are also required to undertake to ensure that persons connected with them abstain from voting on the resolution approving the proposed related party transaction at the general meeting. The relevant directors who are deemed interested or conflicted in such transactions shall also abstain from our Board deliberations and voting on the Board resolutions relating to these transactions.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. If a member of our Audit and Risk Management Committee has an interest in any related party transaction, he/she is to abstain from participating in the review and approval process in relation to that transaction. Where necessary, our Board would make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

### 10.2 OTHER TRANSACTIONS

#### 10.2.1 Transactions That Are Unusual in Nature or Conditions

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party for the Financial Periods Under Review and the subsequent period up to the LPD.

#### 10.2.2 Outstanding Loans and Guarantees

Our Board has confirmed that there are no outstanding loans (including guarantees of any kind) that have been granted by our Group to or for the benefits of the related parties during the Financial Periods Under Review and the subsequent period up to the LPD.

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## 10. RELATED PARTY TRANSACTIONS *(cont'd)*

Certain Directors of our Group have jointly and severally provided personal guarantees for the banking and leasing facilities extended by several financial and non-financial institutions, the details of which are set out below:-

| Financiers | Type of Facilities | Guarantors | Facility Limit (RM'000) | Amount Outstanding as at LPD (RM'000) |
|---|---|---|---|---|
| RHB Bank Berhad | Tradeline facilities, overdraft, bank guarantee, term loan and foreign exchange contract (Sophic Automation) | Koh Dim Kuan<br>Lee Chee Hoo<br>Low Chee Onn (1) | 7,304 | 79 |
| | Commercial card (Sophic MSC) | Koh Dim Kuan<br>Lee Chee Hoo<br>Liew Chee Kin (2) | 50 | 5 |
| RHB Islamic Bank Berhad | Commodity Murabahah Term Financing-i (Sophic Automation) | Koh Dim Kuan<br>Lee Chee Hoo<br>Low Chee Onn (1) | 8,666 | 8,166 |
| Maybank Islamic Berhad | Commodity Murabahah Term Financing-i (Sophic Automation) | Koh Dim Kuan<br>Lee Chee Hoo<br>Low Chee Onn (1) | 2,335 | 1,672 |
| | Cash Line-i (Sophic MSC) | Koh Dim Kuan<br>Lee Chee Hoo | 160 | - |
| | Commodity Murabahah Term Financing-i (Sophic MSC) | Koh Dim Kuan<br>Lee Chee Hoo<br>Liew Chee Kin (2) | 1,034 | 999 |
| Malayan Banking Berhad | Hire purchase facility (Sophic MSC) | Liew Chee Kin (2) | 90 | 35 |

Notes:-

(1) Low Chee Onn is a former director of Sophic Automation.
(2) Liew Chee Kin is an existing director of Sophic MSC.

In conjunction with the Listing, the respective financiers had agreed to discharge the abovementioned personal guarantees upon the completion of the Listing.

### 10.2.3 Financial Assistance Provided for the Benefit of a Related Party

There was no financial assistance provided by us for the benefit of any related party for the Financial Years Under Review and the subsequent period up to the LPD.

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## 11. CONFLICT OF INTEREST

### 11.1 INTEREST IN SIMILAR BUSINESSES

As at LPD, none of our Directors and substantial shareholders has any interest, direct or indirect, in the following:-

(a) other businesses and corporations which are carrying on a similar trade as our Group; and

(b) the business of our customers and suppliers.

In order to safeguard the interest of our Group and minority shareholders, the Audit Committee will monitor and review any potential conflict of interest situation and report to the Board for further deliberation and action.

### 11.2 DECLARATION BY THE ADVISERS

(a) KAF IB has confirmed that there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent in respect of our IPO.

(b) Grant Thornton has confirmed that there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants in respect of our IPO.

(c) Wong Beh & Toh has confirmed that there is no existing or potential conflict of interest in its capacity as the Solicitors in respect of our IPO.

(d) Providence has confirmed that there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher in respect of our IPO.

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## 12. FINANCIAL INFORMATION

### 12.1 REPORTING ACCOUNTANTS' REPORT ON THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**3REN BERHAD**
**(Registration No.: 202101012445 (1412744-K))**
(Incorporated in Malaysia)

**PRO FORMA CONSOLIDATED**
**STATEMENTS OF FINANCIAL POSITION**
**AS AT 30 SEPTEMBER 2023**

**GRANT THORNTON MALAYSIA PLT**
**CHARTERED ACCOUNTANTS**
**Member Firm of Grant Thornton International Ltd.**

GrantThornton

**REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
(Prepared for inclusion in the Prospectus)

**Grant Thornton Malaysia PLT**
Level 5, Menara BHL
51 Jalan Sultan Ahmad Shah
10050 Penang
Malaysia

T +604 228 7828
F +604 227 9828

Date: 27 March 2024

**The Board of Directors**
**3REN Berhad**
170-09-01 Livingston Tower
Jalan Argyll
10050 Georgetown
Penang

Dear Sirs,

**3REN BERHAD**

**REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023**

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statements of Financial Position of 3REN Berhad ("3REN" or "Company") and its subsidiaries ("3REN Group" or "Group") as at 30 September 2023, together with the notes and assumptions thereto (which we have stamped for the purpose of identification), have been compiled and prepared by the Directors of the Company ("Directors") for inclusion in the prospectus of the Company ("Prospectus") in connection with the initial public offering ("IPO") and the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("the Listing").

The applicable criteria on the basis of which the Directors have compiled the Pro Forma Consolidated Statements of Financial Position are in accordance with the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and described in Note 1 to the Pro Forma Consolidated Statements of Financial Position ("Applicable Criteria").

The Pro Forma Consolidated Statements of Financial Position as at 30 September 2023 have been compiled by the Directors, for illustrative purposes only, to show the effects of the Listing on the Consolidated Statement of Financial Position presented had the Listing been effected and completed on that date. As part of this process, financial information about the Group's Consolidated Statement of Financial Position has been extracted by the Directors from the audited financial statement of the Group for the financial period ended 30 September 2023, on which the audit reports have been issued without modification.

**Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position**

The Directors of the Company are responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis of the Applicable Criteria.

GrantThornton

**Reporting Accountants' Independence and Quality Management**

We are independent of the Group in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our firm applies Malaysian Approved Standard on Quality Management, ISQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements and accordingly, the firm is required to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibility**

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Consolidated Statements of Financial Position have been properly compiled, in all material respect, by the Directors on the basis of the Applicable Criteria.

We conducted our engagement in accordance with *International Standard on Assurance Engagements ("ISAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus"*, issued by International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis of the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position.

The purpose of the Pro Forma Consolidated Statements of Financial Position included in the Prospectus is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the Group as if the events have occurred or the transactions have been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at that date would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions enumerated in the notes thereto, and to obtain sufficient appropriate evidence about whether:-

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Statements of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

GrantThornton

**Reporting Accountants' Responsibility (Cont'd)**

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis set out in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines issued by the Securities Commission Malaysia.

**Other Matter**

This report has been prepared solely for inclusion in the Prospectus in connection with the IPO and the Listing. It is not intended to be used for any other purposes. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

**Grant Thornton Malaysia PLT**
**AF: 0737**
**201906003682 (LLP0022494-LCA)**
**Chartered Accountants**

**Terence Lau Han Wen**
**No. 03298/04/2025 J**
**Chartered Accountant**

**Penang**

**3REN BERHAD**
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**AS AT 30 SEPTEMBER 2023**

The Pro Forma Consolidated Statements of Financial Position of 3REN Berhad ("3REN" or "Company") and its subsidiaries ("3REN Group" or "Group") as at 30 September 2023 as set out below are provided for illustrative purposes only to show the effects of the events and transactions as set out in Note 2 to the Pro Forma Consolidated Statements of Financial Position, had the events and transactions took place on 30 September 2023, and should be read in conjunction with the accompanying notes.

| | Note | Audited<br>As at 30 September 2023 | Pro Forma I<br>After Subsequent Events and Proposed RCPS Conversion and Proposed Acquisitions | Pro Forma II<br>After Pro Forma I and Proposed Public Issue ("IPO") | Pro Forma III<br>After Pro Forma II and Proposed Utilisation of Proceeds from IPO |
|---|---|---|---|---|---|
| | | RM | RM | RM | RM |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | | - | 17,975,353 | 17,975,353 | 17,975,353 |
| Intangible assets | | - | 4,624,844 | 4,624,844 | 4,624,844 |
| Right-of-use assets | | - | 999,176 | 999,176 | 999,176 |
| Trade receivable | | - | 1,800,197 | 1,800,197 | 1,800,197 |
| Contract assets | | - | 971,111 | 971,111 | 971,111 |
| | | **-** | **26,370,681** | **26,370,681** | **26,370,681** |
| **Current assets** | | | | | |
| Inventories | | - | 4,558,060 | 4,558,060 | 4,558,060 |
| Trade receivables | | - | 22,602,554 | 22,602,554 | 22,602,554 |
| Other receivables, deposits and prepayments | **3.1** | - | 2,878,793 | 2,878,793 | 1,937,293 |
| Contract assets | | - | 4,177,437 | 4,177,437 | 4,177,437 |
| Contract costs | | - | 675,771 | 675,771 | 675,771 |
| Current tax assets | | - | 1,475,839 | 1,475,839 | 1,475,839 |
| Fixed deposits with licensed banks | | - | 9,870,396 | 9,870,396 | 9,870,396 |
| Cash and bank balances | **3.2** | 2 | 1,350,212 | [●] | [●] |
| | | **2** | **47,589,062** | [●] | [●] |
| **TOTAL ASSETS** | | **2** | **73,959,743** | [●] | [●] |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Share capital | **3.3** | 2 | 54,000,002 | [●] | [●] |
| (Accumulated losses)/Retained profits | **3.4** | (25,952) | 44,340,756 | 44,340,756 | [●] |
| Merger reserve | | - | (44,340,000) | (44,340,000) | (44,340,000) |
| **Total equity** | | **(25,950)** | **54,000,758** | [●] | [●] |



FOR IDENTIFICATION PURPOSES ONLY
GRANT THORNTON MALAYSIA PLT

**3REN BERHAD**
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**AS AT 30 SEPTEMBER 2023**

The Pro Forma Consolidated Statements of Financial Position of 3REN Berhad ("3REN" or "Company") and its subsidiaries ("3REN Group" or "Group") as at 30 September 2023 as set out below are provided for illustrative purposes only to show the effects of the events and transactions as set out in Note 2 to the Pro Forma Consolidated Statements of Financial Position, had the events and transactions took place on 30 September 2023, and should be read in conjunction with the accompanying notes. (Cont'd)

| | | **Audited** | **Pro Forma I** | **Pro Forma II** | **Pro Forma III** |
|---|---|---|---|---|---|
| | **Note** | **As at 30 September 2023** | **After Subsequent Events and Proposed RCPS Conversion and Proposed Acquisitions** | **After Pro Forma I and Proposed Public Issue ("IPO")** | **After Pro Forma II and Proposed Utilisation of Proceeds from IPO** |
| | | **RM** | **RM** | **RM** | **RM** |
| **Non-current liabilities** | | | | | |
| Deferred income | | - | 1,231 | 1,231 | 1,231 |
| Borrowings | **3.5** | - | 11,194,077 | 11,194,077 | [●] |
| Lease liabilities | | - | 251,606 | 251,606 | 51,606 |
| Deferred tax liabilities | | - | 1,546,000 | 1,546,000 | 1,546,000 |
| | | **-** | **12,992,914** | **12,992,914** | **[●]** |
| **Current liabilities** | | | | | |
| Trade payables | | - | 1,059,535 | 1,059,535 | 1,059,535 |
| Other payables and accruals | | 25,952 | 2,037,949 | 2,037,949 | 2,037,949 |
| Contract liabilities | | - | 2,751,995 | 2,751,995 | 2,751,995 |
| Borrowings | | - | 684,738 | 684,738 | 684,738 |
| Lease liabilities | | - | 202,182 | 202,182 | 202,182 |
| Deferred income | | - | 672 | 672 | 672 |
| Current tax liabilities | | - | 229,000 | 229,000 | 229,000 |
| | | **25,952** | **6,966,071** | **6,966,071** | **6,966,071** |
| **TOTAL LIABILITIES** | | **25,952** | **19,958,985** | **19,958,985** | **[●]** |
| **TOTAL EQUITY AND LIABILITIES** | | **2** | **73,959,743** | **[●]** | **[●]** |
| Issued ordinary shares (unit) | | 2 | 540,000,000 | 650,000,000 | 650,000,000 |
| Net assets per share (RM) | | (12,975) | 0.10 | [●] | [●] |
| Borrowings (RM) | | - | 11,878,815 | 11,878,815 | [●] |
| Gearing ratio (Times) # | | - | 0.22 | [●] | [●] |

# Computed based on total borrowings of the Group over total equity attributable to owners of the Company.

**3REN BERHAD**
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**AS AT 30 SEPTEMBER 2023**

## 1. BASIS OF PREPARATION

The Pro Forma Consolidated Statements of Financial Position of 3REN Group as at 30 September 2023 together with the notes thereon, for which the Directors is solely responsible, have been prepared for illustrative purpose only for the purpose of inclusion in the Prospectus of the Company in connection with the initial public offering ("IPO") and the listing and quotation of the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("the Proposed Listing").

The Pro Forma Consolidated Statements of Financial Position have been prepared based on accounting policies and basis which are consistent with those disclosed in the audited Combined Financial Statements of 3REN for the financial period ended 30 September 2023 and in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia ("SC") and adjusted for the impact of the events and transactions as set out in Note 2 to the Pro Forma Consolidated Statement of Financial Position had these events and transactions took place on 30 September 2023.

## 2. LISTING SCHEME

In conjunction with, and as an integral part of the Listing, the Company undertook the following:

### (i) Pro Forma I: Subsequent Events, Proposed RCPS Conversion and Proposed Acquisitions

Pro Forma 1 incorporates the effects of the following Subsequent Events and Proposed RCPS Conversion and Proposed Acquisitions.

(a) **Subsequent Event I: Disposal of APM Metal Technologies Sdn. Bhd. ("APM Metal")**

On 18 December 2023, Sophic Automation Sdn. Bhd. ("Sophic Automation") had completed the disposal of its entire equity interest, representing 30% equity interest in APM Metal for a total cash consideration of RM20,000, which is also the net carrying amount of the investment as at 30 September 2023.

(b) **Subsequent Event II: Proposed Dividends**

On 2 November 2023, Sophic Automation had declared and paid the following dividends:

(i) third interim single tier dividend of RM9.75 per ordinary share amounting to RM4,875,000 paid on 30 November 2023 in respect of the financial year ended 31 December 2023; and

(ii) first interim single tier dividend of approximately RM0.0142 per RCPS amounting to RM125,000 paid on 26 December 2023 in respect of the financial year ended 31 December 2023.

(c) **Proposed Conversion of Redeemable Convertible Preference Shares ("RCPS") of Sophic Automation ("Proposed RCPS Conversion")**

Pursuant to the Proposed Listing, Malaysian Technology Development Corporation Sdn. Bhd. proposed to convert its entire 8,800,000 RCPS held in Sophic Automation into 71,700 new ordinary shares in Sophic Automation ("Sophic Automation Shares").

The new Sophic Automation Shares issued pursuant to the above shall rank *pari passu* in all respect with the existing ordinary shares Sophic Automation Shares except that the new Sophic Automation Shares will not be entitled to any dividends, rights, allotments or other distributions declared, made or paid prior to the date of allotment of the new Sophic Automation Shares.

**3REN BERHAD**
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**AS AT 30 SEPTEMBER 2023**

**2. LISTING SCHEME (CONT'D)**

(i) **Pro Forma I: Subsequent Events and Proposed RCPS Conversion and Proposed Acquisitions (cont'd)**

(d) **Proposed Acquisition I: Acquisition of Sophic Automation**

On 20 March 2024, 3REN entered into a conditional share sale agreement for the acquisition of 571,700 ordinary shares (after the Proposed RCPS Conversion) in Sophic Automation, representing the entire equity interest of Sophic Automation, for a total purchase consideration of RM49.0 million to be fully satisfied by the issuance of 489,999,998 new ordinary shares in 3REN at an issue price of RM0.10 per share.

The total purchase consideration of RM49.0 million was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the audited net assets ("NA") of Sophic Automation as at 30 September 2023 of RM49,085,615 after adjusting for the Subsequent Events and Proposed RCPS Conversion as disclosed in Note 2(i)(a) to Note 2(i)(c) to the Pro Forma Consolidated Statements of Financial Position.

(e) **Proposed Acquisition II: Acquisition of Sophic MSC Sdn. Bhd. ("Sophic MSC")**

On 20 March 2024, 3REN entered into a conditional share sale agreement with Sophic Automation and Mr. Liew Chee Kin for the acquisition of 100,000 ordinary shares in Sophic MSC, representing the entire equity interest of Sophic MSC for a purchase consideration of RM4.0 million. The purchase consideration will be fully satisfied via the issuance of 40,000,000 new ordinary shares in 3REN at an issue price of RM0.10 per share. The shares allotted to Sophic Automation will be novated proportionately to the shareholders of Sophic Automation in accordance with their respective shareholdings in Sophic Automation prior to their disposal to 3REN.

The total purchase consideration of RM4.0 million was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of Sophic MSC as at 30 September 2023 of RM3,978,690.

(f) **Proposed Acquisition III: Acquisition of Pinkypye Sdn. Bhd. ("Pinkypye")**

On 20 March 2024, 3REN entered into a conditional share sale agreement with Sophic Automation for the acquisition of 25 ordinary shares in Pinkypye, representing the entire equity interest in Pinkypye for a purchase consideration of RM1,000,000. The purchase consideration will be fully satisfied by the issuance of 10,000,000 new ordinary shares in 3REN at an issue price of RM0.10 per share. The shares allotted to Sophic Automation will be novated proportionately to the shareholders of Sophic Automation in accordance with their respective shareholdings in Sophic Automation prior to their disposal to 3REN.

The total purchase consideration of RM1.0 million was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of Pinkypye as at 30 September 2023 of RM1,024,044.

The proposed acquisitions of Sophic Automation, Sophic MSC and Pinkypye are collectively referred herein as the "Proposed Acquisitions".

**3REN BERHAD**
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**AS AT 30 SEPTEMBER 2023**

**2. LISTING SCHEME (CONT'D)**

(i) **Pro Forma I: Subsequent Events and Proposed RCPS Conversion and Proposed Acquisitions (cont'd)**

For the purpose of accounting for the Proposed Acquisitions, the Company has adopted the merger accounting principles as the consolidated entities are under common control by the same parties before and after the IPO. Under merger method of accounting, the difference between the cost of investment recorded by the Company (i.e., the consideration for the acquisition of its subsidiaries) and the share capital of its subsidiaries are accounted for as merger reserve, computed as follows:

| | RM |
|---|---|
| Consideration for the acquisition of: | |
| Sophic Automation | 49,000,000 |
| Sophic MSC | 4,000,000 |
| Pinkypye | 1,000,000 |
| | 54,000,000 |
| Less : Issued share capital as at 30 September 2023 of Sophic Automation | (9,625,000) |
| Acquisition of Minority interest of Sophic MSC | (35,000) |
| **Merger reserve** | 44,340,000 |

(ii) **Pro Forma II: Proposed Initial Public Offering ("IPO")**

(a) **Public Issue**

A total of 110,000,000 new 3REN ordinary shares ("Issued Shares") representing 16.92% of the enlarged share capital of 3REN are offered at an indicative issue price of RM[●] per share and shall be allocated in the following manner:

(a) 32,500,000 Issue Shares, representing 5.00% of the enlarged share capital are made available for application by the Malaysian Public;

(b) 30,000,000 Issue Shares, representing 4.61% of the enlarged share capital for eligible Directors, employees and persons who have contributed to the Group's success;

(c) 3,800,000 Issue Shares, representing 0.59% of the enlarged share capital for private placement to Bumiputera investors approved by Ministry of Investment, Trade and Industry Malaysia ("MITI"); and

(d) 43,700,000 Issue Shares, representing 6.72% of the enlarged share capital for private placement to selected investors.

(b) **Offer for Sale**

The Offer for Sale comprises an offer for sale up to 45,000,000 shares by certain existing shareholders of the Company ("Selling Shareholders") at an indicative offer price of RM[●] per share.

The Company will not receive any proceeds from the Offer for Sale. The total gross proceeds from the Offer for Sale of approximately RM[●] will accrue entirely to the Selling Shareholders.

**3REN BERHAD**
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**AS AT 30 SEPTEMBER 2023**

**2. LISTING SCHEME (CONT'D)**

(ii) **Pro Forma II: Proposed Initial Public Offering ("IPO") (Cont'd)**

(c) **Listing**

Subsequent to the above, the Company's entire enlarged share capital of RM[●] comprising of 650,000,000 ordinary shares shall be listed on the ACE Market of Bursa Securities.

(iii) **Pro Forma III: Proposed Utilisation of Proceeds from IPO**

The total gross proceeds from the Public Issue of RM[●] is expected to be utilised as follows:

| Details of proposed use of proceeds | Estimated timeframe for use from the date of the Proposed Listing | RM | % of total proceeds from the Proposed Public Issue |
|---|---|---|---|
| Setting up of new Delivery Centres [(a)] | Within 36 months | [●] | [●] |
| Research and development ("R&D") expenditure [(a)] | Within 24 months | [●] | [●] |
| Establishment of new Singapore office [(a)] | Within 36 months | [●] | [●] |
| Repayment of bank borrowings [(b)] | Within 6 months | [●] | [●] |
| Working capital requirements [(a)] | Within 24 months | [●] | [●] |
| Estimated listing expenses [(c)] | Immediate | [●] | [●] |
| **Total estimated proceeds** | | [●] | [●] |

**Notes:**

(a) As at 29 February 2024, being the latest practicable date prior to the date of the Prospectus ("LPD"), the Group has yet to enter into any contractual binding lease agreement to lease the space required for setting up its new Delivery Centres or new marketing and sales office in Singapore. The Group has also not issued any purchase order for the acquisition of capital expenditure, overhead cost or hiring of new staff in respect of the new Delivery Centres, new Singapore office, R&D expenditure and planned utilisation of working capital.

Accordingly, the utilisation of proceeds earmarked for the aforementioned are not reflected in the pro forma consolidated statements of financial position but will remain under cash and bank balances.

(b) Included in the repayment of bank borrowings is early settlement of term loans which were drawn down to part finance the purchase and renovation cost of the Group's existing properties. The early settlement will not attract any fees as stipulated in the respective offer letters, while the actual interest savings amount may vary depending on the prevailing applicable interest rate and the outstanding balance at that point of time and are not reflected in the pro forma consolidated statements of financial position.

**3REN BERHAD**
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**AS AT 30 SEPTEMBER 2023**

**2. LISTING SCHEME (CONT'D)**

**(iii) Pro Forma III: Proposed Utilisation of Proceeds from IPO (cont'd)**

(c) The estimated listing expenses comprise the following:

| **Details** | **RM** |
|---|---|
| Professional fees | [●] |
| Fees payable to authorities | [●] |
| Underwriting commission, brokerage fees and placement fees | [●] |
| Other fees and expenses relating to IPO and Listing | [●] |
| **Total estimated listing expenses** | [●] |

The estimated listing expenses of RM[●]million will be allocated to the share capital account as these are directly attributable expenses relating to issuance of the new shares and the remaining estimated listing expenses of RM[●] will be charged to profit or loss.

As at 30 September 2023, the Group has paid approximately RM941,500 of the estimated listing expenses and it is recorded under the prepayment account.

If the actual listing expenses are higher than the estimated, the deficit will be funded out from portion out from the portion allocated for working capital requirements. Conversely, if the actual listing expenses are lower than the estimated, the excess will be utilised for working capital requirements.

**3. NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

3.1 **OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

The movements of the other receivables, deposits and prepayments are as follows:

| | **RM** |
|---|---|
| As at 30 September 2023 | - |
| Pursuant to Subsequent Events and Proposed RCPS Conversion and Proposed Acquisitions | 2,878,793 |
| As per Pro Forma I and II | 2,878,793 |
| Pursuant to Proposed Utilisation of Proceeds from IPO | |
| - Reversal of estimated listing expenses prepaid * | (941,500) |
| As per Pro Forma III | 1,937,293 |

* The estimated listing expenses prepaid comprised of professional fees and miscellaneous expenses relating to the IPO.

**3REN BERHAD**
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**AS AT 30 SEPTEMBER 2023**

## 3. NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

### 3.2 CASH AND BANK BALANCES

The movements of the cash and bank balances are as follows:

| | RM |
|---|---|
| As at 30 September 2023 | 2 |
| Pursuant to Subsequent Events and Proposed RCPS Conversion and Proposed Acquisitions | 1,350,210 |
| As per Pro Forma I | 1,350,212 |
| Pursuant to Proceeds from IPO | [●] |
| As per Pro Forma II | [●] |
| Pursuant to Proposed Utilisation of Proceeds from IPO | |
| - Estimated listing expenses | [●] |
| - Repayment of bank borrowings | [●] |
| As per Pro Forma III | [●] |

### 3.3 SHARE CAPITAL

The movements of the share capital are as follows:

| | No. of Shares (units) | RM |
|---|---|---|
| As at 30 September 2023 | 2 | 2 |
| Pursuant to Proposed Acquisition of Sophic Automation (Note 2(i)(d)) | 489,999,998 | 49,000,000 |
| Pursuant to Proposed Acquisition of Sophic MSC (Note 2(i)(e)) | 40,000,000 | 4,000,000 |
| Pursuant to Proposed Acquisition of Pinkypye (Note 2(i)(f)) | 10,000,000 | 1,000,000 |
| As per Pro Forma I | 540,000,000 | 54,000,002 |
| Pursuant to IPO | 110,000,000 | [●] |
| As per Pro Forma II | 650,000,000 | [●] |
| Pursuant to Proposed Utilisation of Proceeds from IPO | | |
| - Portion of estimated listing expenses set-off against share capital | - | [●] |
| As per Pro Forma III | 650,000,000 | [●] |

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FOR IDENTIFICATION PURPOSES ONLY

**3REN BERHAD**
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**AS AT 30 SEPTEMBER 2023**

**3. NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)**

3.4 **(ACCUMULATED LOSSESS)/RETAINED PROFITS**

The movements of the (accumulated losses)/retained profits are as follows:

| | RM |
|---|---|
| As at 30 September 2023 | (25,952) |
| Pursuant to Subsequent Events and Proposed RCPS Conversion and Proposed Acquisitions | 44,366,708 |
| As per Pro Forma I and II | 44,340,756 |
| Pursuant to Proposed Utilisation of Proceeds from IPO | |
| - Portion of estimated listing expenses set-off against profit or loss | [●] |
| As per Pro Forma III | [●] |

3.5 **NON-CURRENT - BORROWINGS**

The movements of the non-current borrowings are as follows:

| | RM |
|---|---|
| As at 30 September 2023 | - |
| Pursuant to Subsequent Events and Proposed RCPS Conversion and Proposed Acquisitions | 11,194,077 |
| As per Pro Forma I and II | 11,194,077 |
| Pursuant to Proposed Utilisation of Proceeds from IPO | |
| - Repayment of bank borrowings | [●] |
| As per Pro Forma III | [●] |

## 12.2 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated under the Act on 5 April 2021 and our Group was formed upon completion of the Acquisitions on [●].

Our historical combined financial statements for the Financial Periods Under Review have been prepared in accordance with the MFRS and IFRS without any audit qualification. Our Group's historical combined financial information is prepared based on the combined financial statements of our Group for the Financial Periods Under Review as extracted from the Accountants' Report as set out in Section 13 of this Prospectus.

Our Group's historical combined financial information have been prepared as if our Group has been operating as a single economic entity throughout the Financial Periods Under Review, since our Group is under the common control of our Promoters throughout the Financial Periods Under Review. The combined financial statements only included the financial information for Pinkypye effective from 1 March 2022 since it was not under the control of our Promoters prior to that date.

The financial results of Agensi Pekerjaan Sophic Sdn Bhd ("**APS**"), Alpha Core Sdn Bhd ("**ACSB**"), APM Metal Technologies (M) Sdn Bhd ("**APM**"), Easy Remote Solution Sdn Bhd ("**ERS**"), Inno OPX Sdn Bhd *(formerly known as Turcomp Sophic Sdn Bhd)* ("**IOSB**"), Joman Sdn Bhd ("**JSB**"), Mnosys Sdn Bhd ("**MSB**") and SVN Automation (collectively to be referred to as "**Carved-Out Entities**") do not form part of the combined financial statements as we have disposed of our entire equity interests in ACSB, APM, ERS, IOSB, JSB, MSB and SVN Automation on 26 April 2023, 18 December 2023, 11 May 2021, 17 March 2023, 11 May 2021, 11 May 2021 and 3 February 2023 respectively. Meanwhile, APS has been liquidated on 29 June 2022. For the purpose of preparing the combined financial statements, the investments in the Carved-Out Entities are presented under other investments in the Combined Statements of Financial Position and are measured at fair value through profit or loss.

### 12.2.1 Historical Combined Statements of Profit or Loss and Other Comprehensive Income

The summary of our audited combined statements of profit or loss and other 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 |
| Cost of sales | (44,111) | (52,366) | (79,405) | (58,536) | (49,204) |
| GP | **18,909** | **21,798** | **24,193** | **14,837** | **17,976** |
| Other income | 49 | 2,231 | 258 | 200 | 127 |
| Allowance for expected credit losses on receivables | - | (39) | - | - | (4) |
| Other operating expenses | (3,951) | (6,558) | (9,012) | (6,520) | (8,267) |
| R&D expenses | (502) | (98) | (1,184) | (1,006) | (1,254) |
| Operating profit | 14,505 | 17,334 | 14,255 | 7,511 | 8,578 |
| Finance costs | (200) | (141) | (412) | (290) | (422) |
| Finance income | 209 | 153 | 183 | 126 | 217 |
| PBT | **14,514** | **17,346** | **14,026** | **7,347** | **8,373** |
| Tax expense | (3,263) | (1,273) | (1,960) | (1,693) | (1,791) |
| Profit for the year/period | **11,251** | **16,073** | **12,066** | **5,654** | **6,582** |
| PAT attributable to: | | | | | |
| - Owners of the Company | 11,251 | 16,073 | 12,037 | 5,744 | 6,582 |
| - Non-controlling interests | - | - | 29 | (90) | - |
| | **11,251** | **16,073** | **12,066** | **5,654** | **6,582** |

## 12. FINANCIAL INFORMATION *(cont'd)*

| | Audited | | | Unaudited | Audited |
|---|---|---|---|---|---|
| | **FYE 2020 (RM'000)** | **FYE 2021 (RM'000)** | **FYE 2022 (RM'000)** | **FPE 2022 (RM'000)** | **FPE 2023 (RM'000)** |
| EBITDA (1) | 14,901 | 17,768 | 15,207 | 8,179 | 10,287 |
| GP margin (%) (2) | 30.00 | 29.39 | 23.35 | 20.22 | 26.76 |
| PBT margin (%) (3) | 23.03 | 23.39 | 13.54 | 10.01 | 12.46 |
| PAT margin (%) (4) | 17.85 | 21.67 | 11.62 | 7.83 | 9.80 |
| Basic EPS (sen) (5) | 2.08 | 2.98 | 2.23 | 1.06 | 1.22 |
| Diluted EPS (sen) (6) | 1.73 | 2.47 | 1.85 | 0.88 | 1.01 |
| Effective tax rate (%) | 22.48 | 7.34 | 13.98 | 23.04 | 21.39 |
| Dividend paid (RM'000) | - | 750 | 3,000 | - | 5,000 |

Notes:-

(1) The table below sets forth a reconciliation of our PBT to EBITDA:-

| | Audited | | | Unaudited | Audited |
|---|---|---|---|---|---|
| | **FYE 2020 (RM'000)** | **FYE 2021 (RM'000)** | **FYE 2022 (RM'000)** | **FPE 2022 (RM'000)** | **FPE 2023 (RM'000)** |
| PBT | 14,514 | 17,346 | 14,026 | 7,347 | 8,373 |
| Adjusted for: | | | | | |
| Finance costs | 200 | 141 | 412 | 290 | 422 |
| Amortisation of intangible assets | - | 22 | 235 | 165 | 433 |
| Depreciation of PPE and right-of-use assets | 396 | 412 | 717 | 503 | 1,276 |
| Finance income | (209) | (153) | (183) | (126) | (217) |
| EBITDA | 14,901 | 17,768 | 15,207 | 8,179 | 10,287 |

(2) Computed based on GP divided by revenue.

(3) Computed based on PBT divided by revenue.

(4) Computed based on PAT attributable to owners of the Company divided by revenue.

(5) 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.

(6) 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.

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### 12.2.2 Historical Combined Statements of Financial Position

The historical combined statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023 are as follows:-

| | **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 (1) | 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 (2) | 253 | 1,396 | 4,387 | 4,177 |
| Contract cost (3) | - | 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 (4) | 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 (2) | 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.

Notes:-

(1) Other investments represent the Group's investments in the Carved-Out Entities which have been disposed of during the Financial Periods Under Review (save for APM which was disposed of in December 2023).

(2) Contract assets/liabilities comprise of the following:-

(a) Contract assets/liabilities which arose from revenue contracts where there is a timing difference between the point where revenue is recognised to the point where invoice/billing is raised to the customer. The timing difference occurs when the billing does not coincide to the actual work performed to date for the customer or vice versa and this occurs for sales contracts where recognition of revenue is over time; or

(b) Contract liabilities arising from deposits received from customer where work has not been carried out or not completed.

(3) Contract costs represent costs incurred in fulfilling contract with the Group's customers which has yet to be recognised as cost in the profit or loss.

(4) Deemed as invested equity based on number of shares on combined basis.

## 12.3 CAPITALISATION AND INDEBTEDNESS

The following table sets out our Group's capitalisation and indebtedness as at 31 January 2024 after taking into consideration the effects of our Listing Scheme and the utilisation of proceeds from the Public Issue:-

| | | **(I)** | **(II)** |
|---|---|---|---|
| | **Unaudited as at 31.01.2024 (RM'000)** | **After the Listing Scheme (RM'000)** | **After (I) and Utilisation of Proceeds (RM'000)** |
| **Indebtedness** | | | |
| **Current** | | | |
| *Secured and Guaranteed* | | | |
| Term loans | - | [•] | [•] |
| Hire purchase | - | [•] | [•] |
| *Unsecured and Unguaranteed* | | | |
| Lease liabilities | - | [•] | [•] |
| **Non-Current** | | | |
| *Secured and Guaranteed* | | | |
| Term loans | - | [•] | [•] |
| Hire purchase | - | [•] | [•] |
| *Unsecured and Unguaranteed* | | | |
| Lease liabilities | - | [•] | [•] |
| **Total indebtedness** | **-** | **[•]** | **[•]** |
| **Capitalisation** | | | |
| Equity | 28 | [•] | [•] |
| **Total capitalisation** | **28** | **[•]** | **[•]** |
| **Total capitalisation and indebtedness** | **28** | **[•]** | **[•]** |
| Gearing ratio (times) * | - | [•] | [•] |

* Calculated based on total indebtedness divided by total capitalisation.

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

The management's discussion and analysis on our Group's financial condition and results of operations for the Financial Periods Under Review should be read in conjunction with the historical combined financial statements and the accompanying notes as set out in the Accountants' Report included in Section 13 of this Prospectus. There are no accounting policies which are peculiar to our Group in regards to the nature of the business or the industry which our Group is involved in.

The discussion contains data derived from our audited combined financial statements as well as forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the discussion on risk factors as set out in Section 9 of this Prospectus.

### 12.4.1 Overview of Our Operations

Our Company is an investment holding company whilst our Group, through our subsidiaries, is principally involved in the following business segments:-

(a) engineering support services for IC assembly and testing;

(b) design, development and sale of digitalised solutions;

(c) product engineering services; and

(d) design, development and sale of automated equipment.

Please refer to Section 7 of this Prospectus for further information about our business activities, products and services.

### 12.4.2 Review of Results of Operations

#### (a) Revenue

Revenue from the sale of goods and rendering of services are recognised at the point in time or over time when control of the goods is transferred and service is rendered to our customer. We apply judgement in identifying the performance obligations and estimating the point of revenue recognition under different contractual agreements.

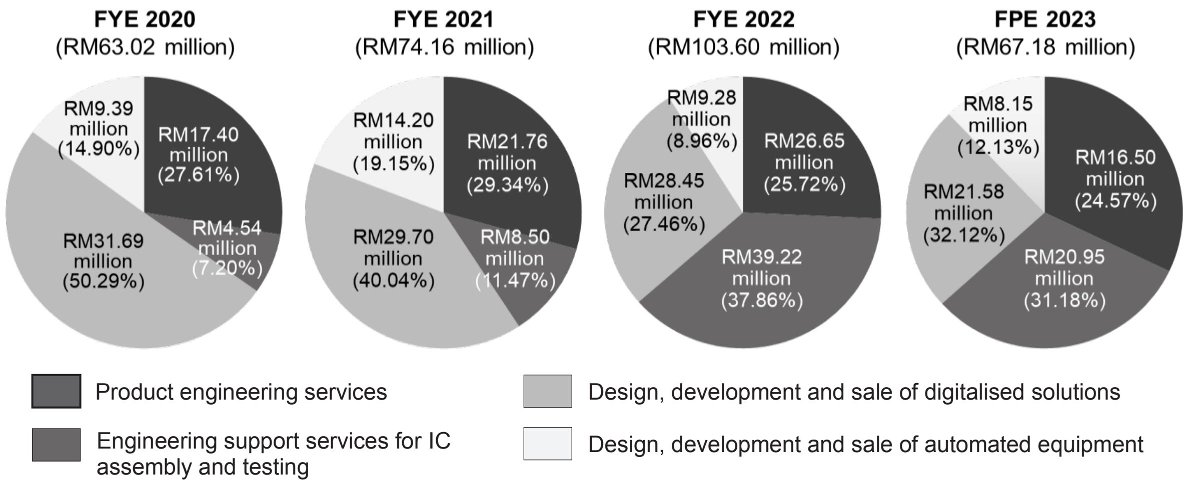
Revenue from engineering support services for IC assembly and testing and product engineering services is recognised over time when control of the services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

Revenue from the design, development and sale of digitalised solutions and automated equipment is recognised when a contract exists and when, or as, it satisfies a performance obligation by transferring control of the goods to a customer. For point in time contracts, revenue is recognised when the transfer of controls of the goods have been passed to the customer. For over time contracts, revenue is recognised by reference to the stage of completion of the contract at the end of each reporting period.

**(i) Revenue by business segment**

The breakdown of our Group's revenue by business segment is as follows:-

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| **Business Segment** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** |
| Engineering support services for IC assembly and testing | 4,542 | 7.21 | 8,504 | 11.47 | 39,220 | 37.86 | 28,597 | 38.98 | 20,947 | 31.18 |
| Design, development and sale of digitalised solutions | 31,686 | 50.28 | 29,698 | 40.04 | 28,452 | 27.46 | 20,848 | 28.41 | 16,503 | 24.57 |
| Product engineering services | 17,401 | 27.61 | 21,757 | 29.34 | 26,649 | 25.72 | 19,423 | 26.47 | 21,583 | 32.12 |
| Design, development and sale of automated equipment | 9,391 | 14.90 | 14,205 | 19.15 | 9,277 | 8.96 | 4,505 | 6.14 | 8,147 | 12.13 |
| **Total revenue** | **63,020** | **100.00** | **74,164** | **100.00** | **103,598** | **100.00** | **73,373** | **100.00** | **67,180** | **100.00** |




We recorded revenue of RM63.02 million, RM74.16 million, RM103.60 million and RM67.18 million during the Financial Periods Under Review respectively. Our Group's total revenue increased at a CAGR of 28.21%, from RM63.02 million in FYE 2020 to RM103.60 million in FYE 2022, mainly contributed by the increased sales from the engineering support services for IC assembly and testing as well as the product engineering services segments.

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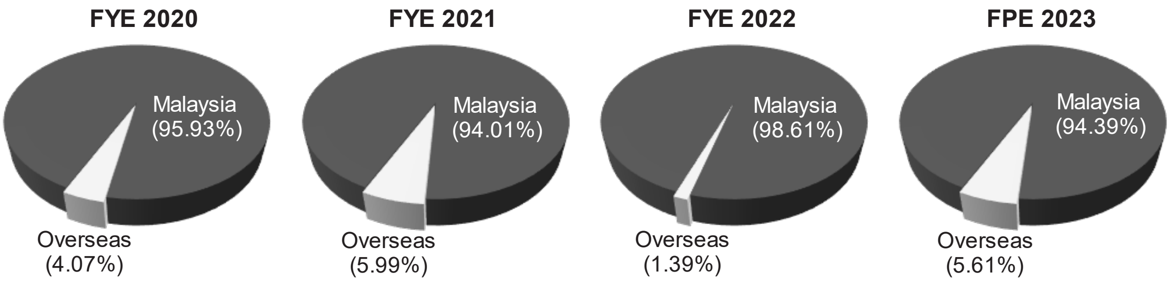
**(ii) Revenue by geographical locations**

The breakdown of our Group's revenue by geographical locations is as follows:-

| Geographical Locations | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| ***Local*** | | | | | | | | | | |
| Malaysia | 60,458 | 95.93 | 69,723 | 94.01 | 102,159 | 98.61 | 72,298 | 98.53 | 63,411 | 94.39 |
| ***Overseas*** | | | | | | | | | | |
| Singapore | 76 | 0.12 | 439 | 0.59 | 259 | 0.25 | 236 | 0.32 | 1,513 | 2.25 |
| Philippines | - | - | - | - | - | - | - | - | 983 | 1.46 |
| USA | 26 | 0.04 | 368 | 0.50 | 232 | 0.22 | 129 | 0.18 | 797 | 1.19 |
| China | 125 | 0.20 | 315 | 0.42 | 318 | 0.31 | 316 | 0.43 | 381 | 0.57 |
| Thailand | 1,355 | 2.15 | 2,655 | 3.58 | 420 | 0.41 | 286 | 0.39 | - | - |
| Vietnam | 665 | 1.06 | 366 | 0.50 | 94 | 0.09 | 72 | 0.10 | 67 | 0.10 |
| Canada | - | - | - | - | 80 | 0.08 | - | - | - | - |
| Costa Rica | 315 | 0.50 | 288 | 0.39 | 36 | 0.03 | 36 | 0.05 | 25 | 0.04 |
| India | - | - | 10 | 0.01 | - | - | - | - | - | - |
| Taiwan | - | - | - | - | - | - | - | - | 3 | * |
| | 2,562 | 4.07 | 4,441 | 5.99 | 1,439 | 1.39 | 1,075 | 1.47 | 3,769 | 5.61 |
| **Total revenue** | **63,020** | **100.00** | **74,164** | **100.00** | **103,598** | **100.00** | **73,373** | **100.00** | **67,180** | **100.00** |

* *Negligible*




For the Financial Periods Under Review, our revenue was substantially contributed by sales to customers in Malaysia across all business segments. Revenue from the local sales represented 95.93% (RM60.46 million), 94.01% (RM69.72 million), 98.61% (RM102.16 million) and 94.39% (RM63.41 million) of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively with the balance 4.07% (RM2.56 million), 5.99% (RM4.44 million), 1.39% (RM1.44 million) and 5.61% (RM3.77 million) contributed from export sales to customers in the foreign countries.

The revenue contribution from overseas markets increased by RM1.88 million or 73.44% in FYE 2021, mainly attributable to our digitalised solutions provided to a Thailand-based subsidiary of Top Glove group of companies. However, in FYE 2022, overseas revenue recorded a decrease of RM3.00 million or 67.57% mainly due to the fulfilment of the said order as well as lower orders from the overseas customers.

**Commentaries on revenue**

**Comparison between FYE 2020 and FYE 2021**

Our revenue increased by RM11.14 million or 17.68% to RM74.16 million in FYE 2021. This was primarily due to:

(aa) the higher revenue from the design, development and sale of automated equipment segment of RM4.81 million or 51.26% mainly driven by:

- higher sales of automated test and handler equipment by RM3.78 million where we sold a total of 20 units of equipment compared to 19 units in FYE 2020 during the year to both local and foreign customers. Notably, during the year, we sold 10 units of equipment to Customer A (FYE 2020: 7 units) and 7 units to Intel group of companies (FYE 2020: 3 units);

- higher sales of automated material management system equipment by RM0.91 million to several local customers. During the year, we sold a total of 55 units of equipment compared to 27 units in FYE 2020 including 45 units sold to Intel group of companies (FYE 2020: 23 units); and

- higher sales of automated visual inspection equipment by RM0.12 million where we sold a total of 10 units equipment during the year (FYE 2020: 12 units) to several local customers. In particular, we sold 5 units of equipment to Intel group of companies (FYE 2020: 2 units);

(bb) the higher revenue from the product engineering services segment by RM4.36 million or 25.03% mainly attributable to the increased orders from Intel group of companies and KellyOCG. During the FYE 2021, we recorded sales of:

- RM12.32 million from post-silicon validation services (FYE 2020: RM10.81 million);

- RM6.72 million from NPI services (FYE 2020: RM5.42 million); and

- RM2.72 million from software development services (FYE 2020: RM1.17 million).

Our total workforce that has been assigned to fulfil these orders has increased in tandem with the increased orders, from 388 personnel as at 31 December 2020 to 436 personnel as at 31 December 2021 including a total of 393 contractual workers (FYE 2020: 357); and

(cc) the higher revenue from the engineering support services for IC assembly and testing segment of RM3.96 million or 87.23% compared to previous year mainly due to higher orders received from Intel group of companies due to higher demand for its ICs or chips. Our total contract-based workforce that has been assigned to fulfil these orders has been increased in line with the higher orders, from 151 workers as at 31 December 2020 to 214 workers as at 31 December 2021,

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which was partially offset by:

(dd) the decrease in the sales from the design, development and sale of digitalised solutions segment by RM1.99 million or 6.27%. The decrease was mainly attributable to the:

- reduction in sales of command and control centre solutions by RM5.27 million which was mainly due to the completion of an intelligent operation centre and video analytics project for Customer B in FYE 2020 where we recorded RM5.98 million in revenue during that year (FYE 2021: nil) and lower sales orders from Customer A of RM1.32 million (FYE 2020: RM4.47 million) mainly due to fulfilment of orders during that year. The decrease was partially offset by an increase in sales of command and control centre solutions provided to Top Glove group of companies, including its Thailand-based subsidiary amounting to RM6.95 million (FYE 2020: RM5.79 million),

which was partially offset by:

- increase in sales of workforce efficiency solutions by RM1.71 million mainly due to higher orders received from several local and foreign customers. During the year, we recorded sales of RM0.97 million from Intel group of companies (FYE 2020: RM0.05 million) and RM0.55 million from Customer A (FYE 2020: RM0.56 million); and

- increase in sales of operational efficiency solutions by RM1.57 million mainly due to higher orders received from several local and foreign customers. In particular, we recorded sales of RM12.33 million from Intel group of companies (FYE 2020: RM11.78 million), RM0.15 million from Customer A (FYE 2020: RM0.52 million) and RM0.08 million from Customer C (FYE 2020: RM nil).

**<u>Comparison between FYE 2021 and FYE 2022</u>**

For the FYE 2022, our revenue increased by RM29.43 million or 39.69% to RM103.60 million. This increase was mainly contributed by higher sales from:

(aa) the engineering support services for IC assembly and testing segment by RM30.72 million or 361.19% compared to previous year mainly due to higher orders secured from Intel group of companies, including additional projects taken over from another supplier of the Intel group of companies. Due to the time constraints faced in fulfilling the demand and job scope of these additional orders, we increased our total contract-based workforce from 214 personnel as at 31 December 2021 to 873 personnel as at 31 December 2022; and

(bb) the higher revenue from the product engineering services segment by RM4.89 million or 22.48% mainly attributable to increased orders from Intel group of companies and KellyOCG. During the FYE 2022, we recorded sales of:

- RM12.30 million from post-silicon validation services (FYE 2021: RM12.32 million);

- RM10.11 million from NPI services (FYE 2021: RM6.72 million); and

- RM4.24 million from software development services (FYE 2021: RM2.72 million).

Our total workforce that has been assigned to fulfil these orders has also increased from 436 personnel as at 31 December 2021 to 694 personnel as at 31 December 2022 including a total of 519 contract-based workers (FYE 2021: 393),

which was partially offset by:

(cc) the lower sales from the design, development and sale of automated equipment segment of RM4.93 million or 34.69% mainly due to lower sales of:

- automated test and handler equipment by RM4.26 million mainly due to lower sales volume of 16 units compared to 20 units in FYE 2021 to both local and foreign customers. Notably, during the year, we sold 2 units of equipment to Customer A (FYE 2021: 10 units), 1 unit to Customer C (FYE 2021: nil) and 4 units to Intel group of companies (FYE 2021: 7 units); and

- automated material management system equipment by RM0.82 million to several local customers. During the year, we sold a total of 29 units of equipment compared to 55 units in FYE 2021 including 24 units to Intel group of companies (FYE 2021: 45 units) and 1 unit to Customer C (FYE 2021: nil),

which was partially offset by higher sales from automated visual inspection equipment by RM0.16 million where we sold a total of 6 units of equipment compared to 10 units in FYE 2021 during the year to several local customers; and

(dd) the decrease in the sales from the design, development and sale of digitalised solutions segment by RM1.25 million or 4.20%. The decrease was mainly attributable to:

- reduction in overall sales of command and control centre solutions by RM4.85 million which was mainly due to lower orders from several customers. Notably, during the year, we recorded sales of RM0.80 million from Customer A (FYE 2021: RM1.32 million), RM2.59 million from Top Glove group of companies (including its Thailand-based subsidiary) (FYE 2021: RM6.95 million) and RM0.83 million from Intel group of companies (FYE 2021: RM nil),

which was partially offset by:

- increase in sales of workforce efficiency solutions by RM0.65 million mainly due to higher orders received from several local and foreign customers. Notably, during the year, we recorded sales of RM0.53 million from Customer A (FYE 2021: RM0.55 million), RM0.55 million from Customer C (FYE 2021: RM nil) and RM0.43 million from Intel group of companies (FYE 2021: RM0.98 million); and

- increase in sales of operational efficiency solutions by RM2.95 million mainly due to higher orders received from several local and foreign customers. In particular, we recorded sales of RM15.77 million from Intel group of companies (FYE 2021: RM12.33 million), RM0.11 million from Customer A (FYE 2021: RM0.15 million) and RM nil from Customer C (FYE 2021: RM0.08 million).

**Comparison between FPE 2022 and FPE 2023**

Our revenue decreased by RM6.19 million or 8.44% to RM67.18 million in FPE 2023. This was primarily due to:

(aa) the lower revenue from the engineering support services for IC assembly and testing segment by RM7.65 million or 26.75% compared to previous period mainly due to lower orders received from Intel group of companies which could be due to lower global demand for chips caused by excess inventory especially in the 1st half of 2023. Our total contract-based workforce has decreased from 1,365 workers as at 30 September 2022 to 777 workers as at 30 September 2023;

(bb) the lower revenue from the design, development and sale of digitalised solutions segment by RM4.35 million or 20.84%. The decrease was mainly attributable to the:

- reduction in sales of operational efficiency solutions by RM4.65 million mainly due to lower orders received from several local and foreign customers. In particular, we recorded sales of RM6.74 million from Intel group of companies (FPE 2022: RM13.33 million), RM0.65 million from Customer A (FPE 2022: RM0.10 million) and RM0.10 million from a new Singapore-based customer acquired during the period, namely, Customer E (FPE 2022: RM nil).

- reduction in sales of workforce efficiency solutions by RM1.68 million mainly due to lower orders received from several local and foreign customers. Notably, during the period, we recorded sales of RM0.31 million from Customer A (FPE 2022: RM0.33 million), RM nil from Customer C (FPE 2022: RM0.07 million) and RM nil from Intel group of companies (FPE 2022: RM0.31 million);

which was partially offset by:

- increase in sales of command and control centre solutions by RM1.71 million which was mainly due to higher orders from several local and foreign customers. In particular, we recorded sales of RM1.35 million from our new Singapore-based customer, namely, Customer E (FPE 2022: RM nil), RM0.44 million from Customer A (FPE 2022: RM0.60 million), RM0.24 million from Top Glove group of companies (including its Thailand-based subsidiary) (FPE 2022: RM1.32 million) and RM0.17 million from Intel group of companies (FPE 2022: RM0.50 million); and

- increase in sales of asset management system solutions by RM0.27 million which was mainly due to orders received from several customers including RM0.06 million from Intel group of companies (FPE 2022: RM nil),

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which was partially offset by:

(cc) the higher revenue from the design, development and sale of automated equipment segment of RM3.64 million or 80.84% mainly driven by:

- higher sales of automated test and handler equipment by RM3.94 million where we sold a total of 50 units of equipment compared to 12 units in FPE 2022 during the period to both local and foreign customers. Notably, we sold 30 units of equipment to a new Malaysia-based customer, namely, Customer D (FPE 2022: nil), 1 unit of equipment to Customer C (FPE 2022: 1 unit) and 1 unit to Intel group of companies (FPE 2022: 4 units); and

- higher sales of automated material management system equipment by RM0.37 million to several local customers. During the period, we sold a total of 9 units of equipment compared to 28 units in FPE 2022, including 2 units to Customer C (FPE 2022: nil) and 1 unit to Intel group of companies (FPE 2022: 24 units)

which was partially offset by lower sales from automated visual inspection equipment by RM0.67 million where we sold a total of 1 unit of equipment both during the period and in FPE 2022 to a local customer; and

(dd) the higher revenue from the product engineering services segment by RM2.16 million or 11.12% mainly attributable to higher orders from Intel group of companies and KellyOCG especially on post-silicon validation and NPI services. The segment, which is part of the IC design segment of IDMs, appears unaffected materially by the lower global demand for ICs or chips especially in the 1st half of 2023.

During the FPE 2023, we recorded sales of:

- RM7.68 million from post-silicon validation services (FPE 2022: RM5.54 million);

- RM9.38 million from NPI services (FPE 2022: RM8.02 million); and

- RM4.52 million from software development services (FPE 2022: RM5.86 million).

Our total workforce that has been assigned to fulfil these orders has increased from 549 personnel as at 30 September 2022 to 701 personnel as at 30 September 2023 including a total of 511 contract-based workers (FPE 2022: 405).

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### (b) Cost of sales

#### (i) Cost of sales by business segment

The breakdown of our Group's cost of sales by business segment is as follows:-

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| **Business Segment** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** |
| Engineering support services for IC assembly and testing | 3,584 | 8.12 | 7,571 | 14.46 | 37,899 | 47.73 | 28,573 | 48.81 | 18,689 | 37.98 |
| Design, development and sale of digitalised solutions | 22,602 | 51.24 | 20,807 | 39.73 | 17,939 | 22.59 | 15,125 | 25.84 | 10,104 | 20.54 |
| Product engineering services | 11,142 | 25.26 | 13,751 | 26.26 | 17,172 | 21.63 | 11,717 | 20.02 | 14,929 | 30.34 |
| Design, development and sale of automated equipment | 6,783 | 15.38 | 10,237 | 19.55 | 6,395 | 8.05 | 3,121 | 5.33 | 5,482 | 11.14 |
| **Total** | **44,111** | **100.00** | **52,366** | **100.00** | **79,405** | **100.00** | **58,536** | **100.00** | **49,204** | **100.00** |

#### (ii) Cost of sales by category

The breakdown of our Group's cost of sales by category is as follows:-

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| **Category** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** |
| Labour costs * | 18,595 | 42.16 | 25,157 | 48.04 | 58,534 | 73.71 | 42,871 | 73.24 | 37,309 | 75.83 |
| Material costs | 11,771 | 26.68 | 12,573 | 24.01 | 10,217 | 12.87 | 7,866 | 13.44 | 7,784 | 15.82 |
| Outsourcing costs | 11,471 | 26.00 | 13,696 | 26.15 | 9,860 | 12.42 | 7,112 | 12.15 | 3,850 | 7.82 |
| Other costs | 2,274 | 5.16 | 940 | 1.80 | 794 | 1.00 | 687 | 1.17 | 261 | 0.53 |
| **Total** | **44,111** | **100.00** | **52,366** | **100.00** | **79,405** | **100.00** | **58,536** | **100.00** | **49,204** | **100.00** |

Note:-

* Breakdown of labour costs by business segment:

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| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| **Business Segment** | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Engineering support services for IC assembly and testing | 3,275 | 17.61 | 7,376 | 29.33 | 37,455 | 63.99 | 28,403 | 66.25 | 18,483 | 49.54 |
| Design, development and sale of digitalised solutions | 3,899 | 20.97 | 3,098 | 12.31 | 3,573 | 6.10 | 2,731 | 6.37 | 2,791 | 7.48 |
| Product engineering services | 10,501 | 56.47 | 13,613 | 54.11 | 16,225 | 27.72 | 11,030 | 25.73 | 14,712 | 39.43 |
| Design, development and sale of automated equipment | 920 | 4.95 | 1,070 | 4.25 | 1,281 | 2.19 | 707 | 1.65 | 1,323 | 3.55 |
| **Total** | **18,595** | **100.00** | **25,157** | **100.00** | **58,534** | **100.00** | **42,871** | **100.00** | **37,309** | **100.00** |

Our Group's total cost of sales increased from RM44.11 million for FYE 2020 to RM52.37 million for FYE 2021, which recorded an increase of RM8.26 million or 18.73%. For FYE 2022, our total cost of sales further increased to RM79.41 million, which was at an increase of RM27.04 million or 51.63%. Our total cost of sales for FPE 2023 stood at RM49.20 million, which was lower than that for FPE 2022 by RM9.33 million or 15.94%. Our cost of sales fluctuated in tandem with our revenue during the Financial Periods Under Review.

**Commentaries on cost of sales**

**(1) Labour costs**

Labour costs represent the key component of our cost of sales accounting for 42.16%, 48.04%, 73.71% and 75.83% of our Group's total cost of sales for FYE 2020, 2021, 2022 and FPE 2023 respectively. Labour costs consist of salaries, wages, bonuses, allowances, social security contributions, defined contribution plans and other related costs and benefits in relation to both permanent and contract-based workforce involved in the operations of the Group.

For engineering support services for IC assembly and testing, and product engineering services segments, labour costs form the largest component of the cost of sales, representing more than 90% of the cost of sales.

For FYE 2021, our labour costs increased by RM6.56 million or 35.27% mainly due to the increase in total headcount within our Group where our total workforce has increased from 642 personnel as at 31 December 2020 to 795 personnel as at 31 December 2021 including a total of 612 contract workers (FYE 2020: 512) to cater to the increase in business activities across most of our business segments in particular the engineering support services for IC assembly and testing, and product engineering services segments. The net increase in employees hired during the year included 144 technical or skilled personnel such as engineers, developers, technicians and manufacturing specialists.

The increase in labour costs was mainly contributed by engineering support services for IC assembly and testing, and product engineering services segments, which were driven by higher number of workforce as explained in our analysis of revenue in Section 12.4.2(a) of this Prospectus, higher overtime for shift coverage arising from stringent resource planning (including quarantine requirements and adherence to standard operating procedures of customer) and higher turnover of employees especially during the COVID-19 pandemic and MCO imposed by our Government. Such increase was coupled by the overall effect of group-wide increment of salary package.

Notwithstanding the above, the increase in labour costs was partially offset by the decrease in labour costs of digitalised solutions segment following the transfer of a total of 16 technical personnel comprising software engineers and developers, programmers, data analyst and software architect to the R&D department following the setup of our in-house R&D team in FYE 2021 as explained in Section 12.4.2(g) of this Prospectus. Further, our Group also received RM1.24 million in FYE 2021 (FYE 2020: RM0.69 million) being the Government's wage subsidy program as part of the economic stimulus package during the COVID-19 pandemic.

For FYE 2022, our labour costs increased by RM33.38 million or 132.67% mainly due to the increase in total headcount within our Group where our total workforce has increased from 795 personnel as at 31 December 2021 to 1,737 personnel as at 31 December 2022 including a total of 1395 contract workers (FYE 2021: 612) in tandem with the increase in orders from the engineering support services for IC assembly and testing, and product engineering services segments. The net increase in employees hired during the year included 930 technical personnel such as engineers, developers, technicians and manufacturing specialists, most of which were assigned to the additional projects (under the engineering support services business segment) taken over from another supplier of Intel group of companies, which came with increased scope of work and timeline constraints. Our Group recruited additional headcounts in a short period of time to fulfil the orders/projects within the stipulated timeline and as a result, our labour costs also increased significantly during the year. Besides, the increase in labour costs was also due to group-wide increment of salary package and other costs such as overtime for shift coverage arising from stringent resource planning as well as effects from the mandatory increase in the minimum wage in Malaysia to RM1,500 which took effect on 1 May 2022 involving a total of 367 of our employees.

The increase in our labour costs was partially offset by salary and training incentives and grant amounting to RM0.14 million received from MDEC in FYE 2022.

For FPE 2023, our labour costs decreased by RM5.56 million or 12.97% mainly due to the decrease in total headcount within our Group where our total workforce has reduced from 2,081 personnel as at 30 September 2022 to 1,634 personnel as at 30 September 2023 including a total of 1,294 contract workers (FPE 2022: 1,770) as a result of lower sales from engineering support services segment as explained in Section 12.4.2(a) of this Prospectus. This was partially offset by the increase in labour costs for product engineering services, design, development and sale of digitalised solutions and automated equipment segments. Our Group also received grant of RM0.11 million from the Northern Corridor Implementation Authority (NCIA) through the NCER Talent Enhancement Programme (NTEP) and RM0.09 million from Malaysia Digital Economy Corporation Sdn Bhd (MDEC) through its Global Technology Grant programme.

**(2) Material costs**

The material costs accounted for 26.68%, 24.01%, 12.87% and 15.82% of our Group's total cost of sales for FYE 2020, 2021, 2022 and FPE 2023 respectively.

The material costs are mainly incurred for our design, development and sale of digitalised solutions and automated equipment segments, and they include mechanical, electrical and pneumatic components as well as computer related devices (including smart wearable devices).

For FYE 2021, our material costs increased by RM0.80 million or 6.80% as a result of increase in purchase of materials, parts and components to meet the increased orders of automated equipment from both our local and foreign customers.

For FYE 2022, our material costs reduced by RM2.36 million or 18.77% mainly due to lower purchases of materials as a result of decrease in orders for our automated equipment.

For FPE 2023, our material costs decreased slightly by RM0.08 million or 1.02%, mainly due to lower purchases of materials for our digitalised solutions. This was offset by the increase in materials purchased for automated equipment by RM2.05 million or 186.52% following higher orders for our automated equipment.

We sourced our materials from both local and overseas suppliers depending on cost competitiveness, lead time and availability of materials with the desired specifications and customer requirements.

**(3) Outsourcing costs**

Outsourcing costs accounted for 26.00%, 26.15%, 12.42% and 7.82% of our Group's total cost of sales for FYE 2020, 2021, 2022 and FPE 2023 respectively. Our outsourcing costs include subcontracted fabrication work for mechanical parts, engineering work and electrical wiring services mainly for design, development and sale of digitalised solutions and automated equipment.

For FYE 2021, our outsourcing costs increased by RM2.23 million or 19.44% as our Group outsourced higher volume of fabrication and engineering work to fulfil the increased orders for Top Glove group of companies and fabrication of customised mechanical and machine parts and wiring work to fulfil higher orders of automated equipment during the year.

For FYE 2022, our outsourcing costs decreased by RM3.84 million or 28.03% mainly due to lower sales from digitalised solutions and automated equipment delivered to customers, and also as a result of internalisation of certain engineering works through our wholly-owned subsidiary, Pinkypye.

For FPE 2023, our outsourcing costs decreased by RM3.26 million or 45.85% as a result of internalisation of certain engineering works through our wholly-owned subsidiary, Pinkypye. The decrease was also partly contributed by lower sales from the design, development and sale of digitalised solutions.

**(4) Other costs**

Other costs accounted for 5.16%, 1.80%, 1.00% and 0.53% for FYE 2020, 2021, 2022 and FPE 2023 respectively. Other costs comprise mainly software licenses and cloud subscription, personal protective equipment, packaging and logistics, purchase taxes, custom duties, and other consumables including bolts and nuts, screws, batteries, and cables.

For FYE 2021, other costs decreased by RM1.33 million or 58.59% mainly attributable to the software licenses and cloud subscription fee amounted to RM1.46 million incurred in FYE 2020 for the intelligent operation center and video analytics project for Customer B as explained in our analysis of revenue in Section 12.4.2(a) of this Prospectus. This cost was borne by our Group during project execution up to the completion of the project in FYE 2020. The decrease in other costs for FYE 2021 was partially offset by an increase in purchases of personal protective equipment and packaging and logistic costs.

For FYE 2022, other costs decreased slightly by RM0.15 million or 15.96% mainly due to lower purchase of software licenses and cloud subscription fee for certain digitalised solutions during the development stage.

For FPE 2023, other costs decreased by RM0.43 million or 62.32% mainly due to the decrease in purchases of personal protective equipment, packaging and logistic costs as well as other consumables.

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## 12. FINANCIAL INFORMATION

### (c) GP and GP Margin

Our Group's GP and GP margin by business segment are as follows:-

| | Audited | | | | | | | | | Unaudited | | | Audited | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2020 | | | FYE 2021 | | | FYE 2022 | | | FPE 2022 | | | FPE 2023 | | |
| **Business Segment** | **GP (RM'000)** | **%** | **% of GP Margin** | **GP (RM'000)** | **%** | **% of GP Margin** | **GP (RM'000)** | **%** | **% of GP Margin** | **GP (RM'000)** | **%** | **% of GP Margin** | **GP (RM'000)** | **%** | **% of GP Margin** |
| Engineering support services for IC assembly and testing | 958 | 5.07 | 21.09 | 933 | 4.28 | 10.97 | 1,321 | 5.46 | 3.37 | 24 | 0.16 | 0.08 | 2,258 | 12.56 | 10.78 |
| Design, development and sale of digitalised solutions | 9,084 | 48.04 | 28.67 | 8,891 | 40.79 | 29.94 | 10,513 | 43.46 | 36.95 | 5,723 | 38.57 | 27.45 | 6,399 | 35.60 | 38.77 |
| Product engineering services | 6,259 | 33.10 | 35.97 | 8,006 | 36.73 | 36.80 | 9,477 | 39.17 | 35.56 | 7,706 | 51.94 | 39.67 | 6,654 | 37.02 | 30.83 |
| Design, development and sale of automated equipment | 2,608 | 13.79 | 27.77 | 3,968 | 18.20 | 27.93 | 2,882 | 11.91 | 31.07 | 1,384 | 9.33 | 30.72 | 2,665 | 14.82 | 32.71 |
| **Total** | **18,909** | **100.00** | **30.00** | **21,798** | **100.00** | **29.39** | **24,193** | **100.00** | **23.35** | **14,837** | **100.00** | **20.22** | **17,976** | **100.00** | **26.76** |

Our Group does not maintain GP and GP margin by geographical location. Accordingly, such information is not provided.

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**Commentaries on GP and GP margin**

Our Group's total GP has increased from RM18.91 million for FYE 2020 to RM21.80 million and RM24.19 million for FYE 2021 and FYE 2022 respectively in tandem with the increase in our Group's revenue over the same period, from RM63.02 million to RM103.60 million. For FPE 2023, our GP has increased from RM14.84 million for FPE 2022 to RM17.98 million despite lower revenue registered during the same period. This was mainly due to lower cost of sales incurred by the Group from RM58.54 million in FPE 2022 to RM49.20 million in FPE 2023, in particular, our labour cost which has been reduced by RM5.56 million for the first 9 months of 2023.

Our Group's overall GP margin has been reduced from 30.00% in FYE 2020 to 29.39% in FYE 2021 and 23.35% in FYE 2022. This was primarily due to the reduction in GP margin for the engineering support services for IC assembly and testing segment where it had registered GP margins of 21.09%, 10.97% and 3.37% for FYE 2020 to FYE 2022 respectively. The significant reduction in our overall GP margin especially in FYE 2022 was mainly due to higher labour cost incurred where during that year we recruited additional headcounts (mostly contract-based workers) in a short period of time to fulfil the additional engineering support services orders/projects that we took over from another supplier of Intel group of companies, which came with increased scope of work and timeline constraints.

Conversely, the GP margins for the design, development and sale of both digitalised solutions and automated equipment segments (where most of them involved certain level of customisations according to our customers' requirements and needs) have been on increasing trends, with the former registering GP margins of 28.67%, 29.94% and 36.95% and the latter recording GP margins of 27.77%, 27.93% and 31.07% for the FYE 2020, FYE 2021 and FYE 2022, respectively.

On the other hand, the GP margins for the product engineering services segment have been relatively stable, registering between 35.56% and 36.80% from FYE 2020 to FYE 2022.

**Comparison between FYE 2020 and FYE 2021**

Our Group's GP increased by RM2.89 million or 15.28% from RM18.91 million for FYE 2020 to RM21.80 million for FYE 2021 in line with the increase in our revenue. Notwithstanding the above, our Group's overall GP margin decreased marginally from 30.00% for FYE 2020 to 29.39% for FYE 2021. The decrease in GP margin was mainly attributable to the following:-

(1) Engineering support services for IC assembly and testing

Our GP for engineering support services for IC assembly and testing decreased slightly by RM0.03 million or 2.61% from RM0.96 million for FYE 2020 to RM0.93 million for FYE 2021 in spite of an increase of RM3.96 million or 87.23% in revenue for FYE 2021. This was mainly due to higher cost of sales (in particular the labour costs) which had increased by RM3.99 million or 111.24% which had eroded our GP margin from 21.09% in FYE 2020 to 10.97% in FYE 2021. This was mainly caused by higher overtime for shift coverage arising from stringent resource planning (including quarantine requirements and adherence to standard operating procedures of customer) and higher turnover of employees especially during the COVID-19 pandemic and MCO imposed by the Government of Malaysia.

As a result, our Group incurred additional costs for re-hiring, providing on-the-job training and certification of new employees to meet the requirements imposed by Intel group of companies.

(2) Design, development and sale of digitalised solutions

Our GP for design, development and sale of digitalised solutions decreased slightly by RM0.19 million or 2.12% from RM9.08 million for FYE 2020 to RM8.89 million for FYE 2021. Nevertheless, our GP margin improved from 28.67% in FYE 2020 to 29.94% in FYE 2021 as our cost of sales reduced by RM1.80 million or 7.94% in line with the decrease in revenue by RM1.99 million or 6.27% in FYE 2021 as explained in our analysis of revenue in Section 12.4.2(a) of this Prospectus.

The improvement in GP margin was mainly attributable to the decrease in material costs of RM1.95 million, labour costs of RM0.80 million in FYE 2021 and other costs which only incurred in FYE 2020, particularly the expense for software licenses and cloud subscription fee for the intelligent operation center and video analytics project for Customer B which was borne by our Group during project execution up to the completion of the project in FYE 2020. The decrease was partially offset by the increase in outsourcing costs of RM2.08 million due to higher volume of outsourced fabrication and engineering work to fulfil the increased orders for Top Glove group of companies

(3) Product engineering services

Our GP for product engineering services increased by RM1.75 million or 27.91% from RM6.26 million for FYE 2020 to RM8.01 million for FYE 2021, which was mainly attributable to the increase in revenue by RM4.36 million or 25.03%. Our GP margin also increased from 35.97% in FYE 2020 to 36.80% in FYE 2021 despite the increase in our cost of sales for product engineering services from RM11.14 million for FYE 2020 to RM13.75 million for FYE 2021, an increase of RM2.61 million or 23.42%, which was mainly contributed by higher labour costs of RM3.11 million or 29.64% where the total employees under this segment increased from 388 as at 31 December 2020 to 436 as at 31 December 2021.

(4) Design, development and sale of automated equipment

Our GP for design, development and sale of automated equipment increased by RM1.36 million or 52.15% from RM2.61 million for FYE 2020 to RM3.97 million for FYE 2021. This was attributable to the increase in revenue of RM4.81 million or 51.26% driven by the higher sales volume of automated equipment where our Group delivered a total of 85 units of automated equipment during FYE 2021 (FYE 2020: 58). Our GP margin also increased from 27.77% in FYE 2020 to 27.93% in FYE 2021 despite the increase in our cost of sales by RM3.45 million or 50.92% from RM6.78 million for FYE 2020 to RM10.24 million for FYE 2021, which was mainly due to higher material costs of RM2.78 million and outsourced fabrication and engineering work of RM0.63 million in FYE 2021.

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**Comparison between FYE 2021 and FYE 2022**

Our Group's GP increased by RM2.39 million or 10.99% from RM21.80 million for FYE 2021 to RM24.19 million for FYE 2022. Notwithstanding the above, our Group's overall GP margin decreased from 29.39% for FYE 2021 to 23.35% for FYE 2022. The decrease in GP margin was mainly attributable to the following:-

(1) Engineering support services for IC assembly and testing

Our GP for engineering support services for IC assembly and testing increased by RM0.39 million or 41.59% from RM0.93 million for FYE 2021 to RM1.32 million for FYE 2022. However, our GP margin reduced from 10.97% in FYE 2021 to 3.37% in FYE 2022 despite an increase in revenue of RM30.72 million or 361.19%. This was mainly due to higher cost of sales which surged by RM30.33 million or 400.58% in particular the labour costs.

The surge in both revenue and cost of sales mainly resulted from higher orders secured from Intel group of companies including additional projects taken over from another supplier of the Intel group of companies. The said additional orders came with increased scope of work and timeline constraints which required the recruitment of a larger number of contract-based personnel. We recruited additional headcounts in a short period of time to fulfil the orders/projects within the stipulated timeline and as a result, our labour costs also increased significantly during the year. Besides, the increase in labour costs was also due to group-wide increment of salary package and other costs such as overtime costs as well as effects from the mandatory increase in the minimum wage in Malaysia to RM1,500 which took effect on 1 May 2022 involving a total of 362 of our contract-based workforce.

(2) Design, development and sale of digitalised solutions

Our GP for design, development and sale of digitalised solutions increased from RM8.89 million for FYE 2021 to RM10.51 million for FYE 2022, representing an increase of RM1.62 million or 18.24%. The improvement in GP was mainly attributable to the reduction in cost of sales by RM2.87 million or 13.78% which outweighed the decrease in revenue of RM1.25 million or 4.20% which was explained in Section 12.4.2(a) of this Prospectus.

The decrease in cost of sales was mainly due to the reduction in outsourcing costs for engineering work by RM3.32 million, mainly on the control and electrical panel. Such decrease was partially offset by the increase in labour costs by RM0.48 million within this business segment for FYE 2022.

As a result, our GP margin improved from 29.94% in FYE 2021 to 36.95% in FYE 2022.

(3) Product engineering services

Our GP for product engineering services increased from RM8.01 million for FYE 2021 to RM9.48 million for FYE 2022, which recorded an upswing of RM1.47 million or 18.37%.

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Our revenue for FYE 2022 increased by RM4.89 million or 22.48% as explained in our analysis of revenue in Section 12.4.2(a) of this Prospectus whist our cost of sales was higher by RM3.42 million or 24.88% in FYE 2022. The increase in cost of sales was mainly attributable to the increase of RM2.61 million in labour costs and RM0.81 million in purchase of materials and outsourcing costs for engineering work in FYE 2022. The increase in labour costs was mainly due to group-wide increment of salary package and other costs such as overtime costs.

The higher cost of sales had reduced our GP margin from 36.80% in FYE 2021 to 35.56% in FYE 2022.

(4) Design, development and sale of automated equipment

Our GP for design, development and sale of automated equipment decreased by RM1.09 million or 27.37% from RM3.97 million for FYE 2021 to RM2.88 million for FYE 2022, however our GP margin improved from 27.93% in FYE 2021 to 31.07% in FYE 2022.

The reduction in GP was mainly due to lower revenue by RM4.93 million or 34.69% where we recorded a lower sales volume of 51 units of automated equipment as compared to 85 units in the previous year. Our cost of sales decreased by RM3.84 million or 37.53% from RM10.24 million for FYE 2021 to RM6.40 million for FYE 2022 mainly on account of the decrease in purchases of materials of RM2.80 million such as computer related devices, mechanical, electrical and pneumatic parts and outsourcing costs of RM1.23 million. Our improvement in GP margin was also contributed by higher cost efficiency from the setup of in-house precision machining facilities following the acquisition of Pinkypye in 2022.

**Comparison between FPE 2022 and FPE 2023**

For FPE 2023, our Group's GP increased by RM3.14 million or 21.16% from RM14.84 million for FPE 2022 to RM17.98 million for FPE 2023, with an improvement in GP margin from 20.22% in FPE 2022 to 26.76% in FPE 2023. The increase in GP margin was mainly attributable to the following:-

(1) Engineering support services for IC assembly and testing

Our GP for engineering support services for IC assembly and testing increased by RM2.24 million from RM0.02 million for FPE 2022 to RM2.26 million for FPE 2023 despite the decrease in revenue for this business segment by 26.75% from RM28.60 million to RM20.95 million. Our GP margin also improved from 0.08% in FPE 2022 to 10.78% in FPE 2023 despite registering lower revenue by RM7.65 million. This was mainly due to lower cost of sales in particular the labour costs which reduced by RM9.92 million in FPE 2023. Due to the lower orders from Intel group of companies, we have implemented several cost-optimisation measures (which include non-renewal and transfer of contract-based personnel to another department such as the Product Engineering Services team) with the aim of improving our overall competency and operating efficiency in the delivery of engineering support services.

Accordingly, we have reduced our total contract-based headcounts under this segment from 1,365 workers as at 30 September 2022 to 777 workers as at 30 September 2023.

(2) Design, development and sale of digitalised solutions

Our GP for design, development and sale of digitalised solutions stood at RM6.40 million for FPE 2023 (FPE 2022: RM5.72 million), which was higher by RM0.68 million or 11.81%. The increase in GP was mainly attributable to the reduction in cost of sales by RM5.02 million which outweighed the decrease in revenue of RM4.35 million as explained in Section 12.4.2(a) of this Prospectus.

In particular, the decrease in cost of sales was mainly driven by the reduction in outsourcing costs by RM3.08 million as a result of internalisation of certain engineering works, through our wholly-owned subsidiary, Pinkypye (which was previously undertaken by external suppliers), lower purchases of materials of RM1.69 million and decrease in other costs, which were partially offset by higher labour cost due to group-wide increment of salary package. The lower cost of sales had driven up our GP margin from 27.45% in FPE 2022 to 38.77% in FPE 2023.

(3) Product engineering services

Our GP for product engineering services decreased by RM1.05 million or 13.65% from RM7.71 million for FPE 2022 to RM6.65 million for FPE 2023, in spite of an increase in revenue by RM2.16 million as explained in Section 12.4.2(a) of this Prospectus.

Our cost of sales for product engineering services increased from RM11.72 million for FPE 2022 to RM14.93 million for FPE 2023, which reflected an increase of RM3.21 million mainly contributed by a hike in labour costs of RM3.68 million due to the additional net headcounts 142 personnel during the period, which was partially offset by the reduction in material costs of RM0.48 million in FPE 2023.

The higher cost of sales had reduced our GP margin from 39.67% in FPE 2022 to 30.83% in FPE 2023.

(4) Design, development and sale of automated equipment

Our GP for design, development and sale of automated equipment increased by RM1.28 million or 92.56% from RM1.38 million for FPE 2022 to RM2.67 million for FPE 2023. This was attributable to the increase in revenue by RM3.64 million driven by the higher sales volume of automated equipment where our Group delivered a total of 60 units of automated equipment during FPE 2023 (FPE 2022: 41 units). Our cost of sales increased by RM2.36 million from RM3.12 million for FPE 2022 to RM5.48 million for FPE 2023 in tandem with the increase in revenue in this business segment. As a result, our GP margin improved from 30.72% in FPE 2022 to 32.71% in FPE 2023.

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### (d) Other income

The detailed breakdown of our other income for the Financial Periods Under Review is as follows:-

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Dividend income | - | - | 1,040 | 43.62 | - | - | - | - | - | - |
| Fair value gain on other investments | | | 1,047 | 43.92 | 17 | 3.85 | 18 | 5.52 | - | - |
| Gain on disposal of PPE | - | - | - | - | 16 | 3.63 | 16 | 4.91 | * | - |
| Realised gain in foreign exchange | 6 | 2.32 | 8 | 0.34 | 4 | 0.90 | 18 | 5.52 | 26 | 7.56 |
| Unrealised gain in foreign exchange | - | - | - | - | 26 | 5.90 | 30 | 9.20 | 70 | 20.35 |
| Finance income | 209 | 81.01 | 153 | 6.42 | 183 | 41.50 | 126 | 38.65 | 217 | 63.08 |
| Miscellaneous income ^ | 43 | 16.67 | 136 | 5.70 | 195 | 44.22 | 118 | 36.20 | 31 | 9.01 |
| **Total** | **258** | **100.00** | **2,384** | **100.00** | **441** | **100.00** | **326** | **100.00** | **344** | **100.00** |

Notes:-

* Less than RM1,000.

^ Miscellaneous income comprises market development fund received from principal, scrap sales, hiring incentives from PENJANA, sundry income and rental rebate.

**Comparison between FYE 2020 and FYE 2021**

For the FYE 2021, our Group's other income increased by RM2.13 million or 824.03% to RM2.38 million. This was mainly attributable to:-

(i) the dividend income declared by certain former subsidiaries (classified under other investments) amounting to RM1.04 million; and

(ii) the gain on the fair value of other investments of RM1.05 million resulted from the recognition of one of our Carved-Out Entities under MFRS 9 at fair value,

which was partially offset by the lower interest income of RM0.06 million.

**Comparison between FYE 2021 and FYE 2022**

For the FYE 2022, the Group's other income decreased by RM1.94 million or 81.50%, mainly due to the following:-

(i) the absence of any dividend income (FYE 2021: RM1.04 million); and

(ii) the lower gain on the fair value of other investments of RM0.02 million (FYE 2021: RM1.05 million) resulted from the recognition of one of our Carved-Out Entities under MFRS 9 at fair value,

which was partially offset by the following:-

(i) the gain on disposal of a motor vehicle of RM0.02 million;

(ii) the increase in miscellaneous income of RM0.06 million mainly from sales of scrap materials; and

(iii) the increase in finance income of RM0.03 million .

**Comparison between FPE 2022 and FPE 2023**

For the FPE 2023, our Group's other income increased by RM0.02 million or 5.52% to RM0.34 million. This was mainly attributable to:-

(i) the decrease in miscellaneous income of RM0.09 million mainly due to the absence of scrap sales and hiring incentives from PENJANA;

(ii) the absence of any fair value gain on other investments (FPE 2022: RM0.02 million); and

(iii) the absence of any gain on disposal of motor vehicle (FPE 2022: RM0.02 million),

which was partially offset by the increase in interest income of RM0.09 million.

**(e) Allowance for expected credit losses on receivables**

The allowance for expected credit losses on our trade receivables during 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) |
| Allowance for expected credit losses on receivables | - | (39) | - | - | (4) |

For the FYE 2021, our Group provided an allowance for expected credit losses on trade receivables of RM0.04 million (FYE 2020: nil) in accordance with MFRS 9 for several local customers.

For the FYE 2022, our Group did not provide any additional allowance for expected credit losses on trade receivables (FYE 2021: RM0.04 million).

For the FPE 2023, our Group provided an allowance for expected credit losses on trade receivables of RM0.004 million (FPE 2022: nil).

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### (f) Other operating expenses

The breakdown of our other operating expenses for the Financial Periods Under Review is as follows:-

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Staff costs and welfare | 1,480 | 37.46 | 2,028 | 30.93 | 3,628 | 40.26 | 2,466 | 37.82 | 3,079 | 37.25 |
| Directors' remuneration | 861 | 21.79 | 1,019 | 15.54 | 1,253 | 13.90 | 967 | 14.83 | 849 | 10.27 |
| Depreciation of PPE and right-of-use assets | 396 | 10.02 | 412 | 6.28 | 717 | 7.96 | 503 | 7.72 | 1,276 | 15.44 |
| COVID-19 related expenses (1) | 11 | 0.28 | 471 | 7.18 | 431 | 4.78 | 428 | 6.56 | 3 | 0.03 |
| Marketing expenses | 231 | 5.85 | 353 | 5.38 | 532 | 5.90 | 340 | 5.21 | 676 | 8.18 |
| Staff recruitment and training expenses | 100 | 2.53 | 536 | 8.17 | 404 | 4.48 | 276 | 4.23 | 114 | 1.38 |
| Road tax and insurance | 196 | 4.96 | 292 | 4.45 | 371 | 4.12 | 218 | 3.34 | 347 | 4.20 |
| License, subscription and related fees to authorities | 161 | 4.07 | 353 | 5.38 | 365 | 4.05 | 418 | 6.41 | 416 | 5.03 |
| Office supplies, upkeep and maintenance | 84 | 2.13 | 121 | 1.85 | 246 | 2.73 | 110 | 1.69 | 169 | 2.04 |
| Professional fees (2) | 73 | 1.85 | 178 | 2.71 | 189 | 2.10 | 155 | 2.38 | 209 | 2.53 |
| Medical expenses | 47 | 1.19 | 83 | 1.27 | 182 | 2.02 | 106 | 1.63 | 253 | 3.06 |
| Rental expenses (3) | 56 | 1.42 | 149 | 2.27 | 186 | 2.06 | 141 | 2.16 | 122 | 1.47 |
| Utilities | 98 | 2.48 | 118 | 1.80 | 148 | 1.64 | 84 | 1.29 | 219 | 2.65 |
| Loss on disposal of PPE | - | - | 19 | 0.29 | - | - | - | - | - | - |
| PPE written off | - | - | 167 | 2.55 | - | - | - | - | - | - |
| Fair value changes in other investments | - | - | 10 | 0.15 | (5) 100 | 1.11 | (5) 100 | 1.53 | 27 | 0.33 |
| Impairment loss on goodwill | - | - | - | - | 52 | 0.58 | 52 | 0.80 | - | - |
| Realised and unrealised loss on foreign exchange | 29 | 0.73 | 7 | 0.11 | - | - | 3 | 0.05 | - | - |
| Scholarship and sponsorship fee | 9 | 0.23 | 36 | 0.55 | 7 | 0.08 | 7 | 0.11 | 7 | 0.08 |
| Unwinding of discount on contract asset | - | - | - | - | - | - | - | - | 106 | 1.28 |
| Unwinding of discount on trade receivable | - | - | - | - | - | - | - | - | 210 | 2.54 |
| Others (4) | 119 | 3.01 | 206 | 3.14 | 201 | 2.23 | 146 | 2.24 | 185 | 2.24 |
| **Total** | **3,951** | **100.00** | **6,558** | **100.00** | **9,012** | **100.00** | **6,520** | **100.00** | **8,267** | **100.00** |

Notes:-

(1) Comprise expenses for COVID-19 tests, purchase of COVID-19 related test kits, personal protective equipment and sanitisation expenses.

(2) Comprise audit fees, ISO certification and audit fee, legal and consultancy fee, secretarial, tax and other professional fees.

(3) Comprise short-term leases of premises, equipment, motor vehicle and storage with contract term of less than 12 months.

(4) Comprise out-of-pocket expenses and disbursements, filing fee, donations, quit rent and assessment, search fee, storage charges, tender fee, bank charges and other administrative expenses.

(5) Relates to loss on the fair value of other investments resulted from the recognition of our Carved-Out Entities under MFRS 9 at fair value.

**Comparison between FYE 2020 and FYE 2021**

Our other operating expenses increased by RM2.61 million or 65.98% in FYE 2021 mainly due to the following:-

(i) increase in staff costs and welfare by RM0.55 million, attributable to annual salary increment and bonus, and the increase in overall headcount in our business development and human resource departments;

(ii) increase in COVID-19 related expenses by RM0.46 million incurred during the year;

(iii) increase in staff recruitment and training expenses by RM0.44 million in line with the surge in number of headcounts of the Group as explained in Section 12.4.2(b) of this Prospectus. This includes higher costs for background screening on potential candidates as part of our recruitment process and higher training costs to equip our employees with the necessary skillsets and technical knowledge to meet our customers' expectations;

(iv) PPE written off of RM0.17 million in relation to renovation cost;

(v) increase in directors' remuneration by RM0.16 million due to higher salary and bonus; and

(vi) increase in professional fees of RM0.11 million mainly due to legal fee, consultancy fee, filing of patent and increase in audit and secretarial fees of the Group.

**Comparison between FYE 2021 and FYE 2022**

Our other operating expenses increased by RM2.45 million or 37.42% in FYE 2022 mainly due to the following:-

(i) increase in staff costs and welfare by RM1.57 million, mainly attributable to higher sales commission in line with the increase in revenue during the year, higher payroll-related costs with the addition of 5 headcounts in finance, human resources and administration departments, additional staff costs resulting from the acquisition of Pinkypye and group-wide salary increment and bonus;

(ii) increase in depreciation of PPE and right-of-use assets by RM0.31 million mainly contributed by the purchase of buildings and renovation, purchase of machinery, office equipment, computers, furniture and fittings and motor vehicles;

(iii) increase in directors' remuneration by RM0.23 million due to higher salary and bonus; and

(iv) increase in marketing expenses by RM0.18 million for marketing and business development activities following the upliftment of COVID-19 travel restrictions imposed by the Malaysian Government.

This was partially offset by the decrease in staff recruitment and training expenses by RM0.13 million as there was less reliance on recruitment agencies to carry out recruitment activities for the Group to meet the increased demand in headcount in tandem with our business growth. The recruitment processes had been performed internally since the expansion of our human resources team.

**Comparison between FPE 2022 and FPE 2023**

Our other operating expenses increased by RM1.75 million or 26.79% in FPE 2023 mainly due to the following:-

(i) increase in depreciation of PPE and right-of-use assets by RM0.77 million, mainly arising from the full period of 9 months depreciation of buildings, machinery and renovation as well as right-of-use assets for FPE 2023;

(ii) increase in staff costs and welfare by RM0.61 million, mainly attributable to annual salary increment and higher expense on staff welfare;

(iii) increase in marketing expenses by RM0.34 million mainly due to higher travelling expenses for marketing and business development activities overseas;

(iv) incurrence of unwinding of discount on contract asset amounting to RM0.11 million due to the long-term payment arrangement over 36 months for the design and development of command and control centre solutions for a flood monitoring system and pump house project for a local city council in Malaysia;

(v) incurrence of unwinding of discount on trade receivable amounting to RM0.21 million due to an indulgence granted to Customer D to settle the outstanding sum over a period of 24 months beginning from December 2023;

(vi) increase in medical expenses by RM0.15 million specifically on outpatient medical fees for both permanent and contract-based employees of our Group;

(vii) increase in utilities by RM0.14 million incurred at our new facilities at Tangkas 9 Plant and Setia Spice Office; and

(viii) increase in road tax and insurance of RM0.13 million mainly due to the increase in life and medical insurance expense for both permanent and contract-based employees of our Group.

This was partially offset by the decrease in COVID-19 related expenses by RM0.43 million and staff recruitment and training expenses by RM0.16 million.

**(g) R&D expenses**

R&D expenses comprise both amortisation of intangible assets (purchases of materials and staff costs relating to R&D that were incurred and capitalised prior to the respective financial years/periods) and expenses relating to R&D that were incurred in the respective financial years/periods and charged out to profit or loss especially expenses incurred in the research phase in relation to the proof of concept undertaken where our R&D team formulates, designs, evaluates and performs final selection of materials, processes or systems for our digitalised solutions and automated equipment.

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The breakdown of our R&D expenditures for the Financial Periods Under Review are as follows:-

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Amortisation of intangible assets (1) | - | - | 22 | 22.45 | 235 | 19.85 | 165 | 16.40 | 433 | 34.53 |
| Research expenses (2) | 502 | 100.00 | 76 | 77.55 | 949 | 80.15 | 841 | 83.60 | 821 | 65.47 |
| **Total** | **502** | **100.00** | **98** | **100.00** | **1,184** | **100.00** | **1,006** | **100.00** | **1,254** | **100.00** |

Notes:-

(1) Refers to amortisation of R&D expenditures that were capitalised in previous years (intangible assets) on a straight-line basis over the estimated commercial lives of 5 to 10 years from the commencement of the commercialisation of the products/solutions.

(2) Refers to staff costs for R&D personnel and materials purchased during research phase of internal projects that were incurred and expensed off during the Financial Periods Under Review.

**Comparison between FYE 2020 and FYE 2021**

Our R&D expenses decreased by RM0.40 million or 80.48% mainly due to the capitalisation of development costs associated with development of new software and applications deployed in digitalised solutions, as well as development of automated equipment, with the feasibility for commercialisation. Our Group established an in-house R&D team with the transfer of 16 personnel comprising software engineers and developers, programmers, data analyst and software architect in 2021 to carry out new software and system developments and solution enhancements, which gave rise to the capitalisation of internally generated intangible assets for FYE 2021. In the previous financial years, our Group did not capitalise any R&D expenditure prior to the setup of the R&D department.

For FYE 2021, a total of RM1.71 million of intangible assets related to development expenditure were amortised due to the commercialisation of certain development projects such as the material assembly module with robotics automation and inspection system during the financial year.

**Comparison between FYE 2021 and FYE 2022**

Our R&D expenses increased by RM1.09 million or 1,108.16% for FYE 2022 due to the following:-

(i) Increase in amortisation of intangible assets of RM0.21 million mainly due to full-year amortisation expenses for FYE 2022 along with additional development costs commencing amortisation following their commercialisation during the financial year.

(ii) Increase in research expenses of RM0.87 million comprising RM0.74 million being the R&D staff costs and RM0.21 million for purchase of materials used for proof-of-concept activities.

**Comparison between FPE 2022 and FPE 2023**

Our R&D expenses increased by RM0.25 million or 24.65% for FPE 2023 mainly due to an increase in amortisation of intangible assets of RM0.27 million following the commercialisation of development projects undertaken for the design and development of digitalised solutions and automated equipment.

**(h) Finance costs**

Our finance costs for the Financial Periods Under Review are as follows:-

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Interest expenses on: | | | | | | | | | | |
| - Bankers' acceptance | 4 | 2.00 | - | - | - | - | - | - | - | - |
| - Bank overdraft | * | - | 1 | 0.71 | 1 | 0.24 | * | - | - | - |
| - Flexitab ^ | 39 | 19.50 | - | - | - | - | - | - | - | - |
| - Hire purchase | 5 | 2.50 | 11 | 7.80 | 33 | 8.01 | 24 | 8.28 | 26 | 6.16 |
| - Lease liabilities | 5 | 2.50 | 6 | 4.26 | 6 | 1.46 | 4 | 1.38 | 21 | 4.98 |
| - Term loans | 144 | 72.00 | 123 | 87.23 | 372 | 90.29 | 262 | 90.34 | 375 | 88.86 |
| - Others | 3 | 1.50 | - | - | - | - | - | - | - | - |
| **Total** | **200** | **100.00** | **141** | **100.00** | **412** | **100.00** | **290** | **100.00** | **422** | **100.00** |

Notes:-

* Represents amount of less than RM1,000.

^ Flexitab is a trade financing facility to finance the sales and purchase of services (intangible goods), and charges/payments incurred to enable delivery of goods/services.

**Comparison between FYE 2020 and FYE 2021**

Our finance costs decreased by RM0.06 million or 29.50% from RM0.20 million for FYE 2020 to RM0.14 million for FYE 2021. The decrease was mainly due to the following:-

(i) Our Group did not utilise the trade financing facilities (including bankers' acceptance and Flexitab) for working capital purposes in FYE 2021.

(ii) Our Group incurred lower interest expense on term loans by RM0.02 million as the term loan in relation to a project financing had been fully settled in FYE 2021.

**Comparison between FYE 2021 and FYE 2022**

Our finance costs increased by RM0.27 million or 192.20% from RM0.14 million for FYE 2021 to RM0.41 million for FYE 2022. This was mainly attributable to the following:-

(i) Our Group incurred higher interest expense on hire purchases by RM0.02 million due to additions in motor vehicles in FYE 2022.

(ii) Our Group incurred higher interest expense on term loans by RM0.25 million which was mainly attributable to drawdown of term loans of RM4.86 million.

**Comparison between FPE 2022 and FPE 2023**

Our finance costs increased by RM0.13 million or 45.52% from RM0.29 million for FPE 2022 to RM0.42 million for FPE 2023. This was mainly attributable to the following:-

(i) Our Group incurred higher interest expense on lease liabilities by RM0.02 million due to the full period of 9 months lease payments on rental of properties during FPE 2023.

(ii) Our Group incurred higher interest expense on term loans by RM0.11 million, mainly attributable to the drawdown of a term loan amounting to RM0.80 million to part finance renovation work of Tangkas 9 Plant.

**(i) PBT, PAT and effective tax rate**

The PBT, PAT and effective tax rate for the Financial Periods Under Review is set out below:-

| | Audited | | | Unaudited | Audited |
|---|---|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** | **FPE 2022** | **FPE 2023** |
| PBT (RM'000) | 14,514 | 17,346 | 14,026 | 7,347 | 8,373 |
| PBT margin (%) | 23.03 | 23.39 | 13.54 | 10.01 | 12.46 |
| Tax expense (RM'000) | 3,263 | 1,273 | 1,960 | 1,693 | 1,791 |
| Effective tax rate (%) | 22.48 | 7.34 | 13.98 | 23.04 | 21.39 |
| Statutory tax rate (%) | 24.00 | 24.00 | 24.00 | 24.00 | 24.00 |
| PAT (RM'000) | 11,251 | 16,073 | 12,037 | 5,744 | 6,582 |
| PAT margin (%) | 17.85 | 21.67 | 11.62 | 7.83 | 9.80 |

**Comparison between FYE 2020 and FYE 2021**

Our Group's PBT increased by RM2.83 million or 19.51%. The increase was mainly attributable to the increase in GP and other income of RM2.89 million and RM2.13 million (comprised mostly dividend income from other investments and fair value gain on other investments) respectively as compared to FYE 2020. The decrease in R&D expenses and finance costs of RM0.40 million and RM0.06 million respectively had also contributed to the increase in PBT. Nevertheless, the increase in PBT was partially moderated by higher other operating expenses of RM2.61 million (mainly due to higher salary related costs, staff recruitment, training related costs and COVID-19 related expenses).

Despite the slight decrease in GP margin, our Group's PBT margin increased marginally from 23.03% for FYE 2020 to 23.39% for FYE 2021, mainly due to higher other income.

For FYE 2021, our Group's effective tax rate of 7.34% was lower than the 22.48% recorded for FYE 2020 as well as the statutory tax rate of 24.0%. This was primarily due to:-

(i) Sales of certain automated equipment and digitalised solutions amounting to RM8.60 million which were not subject to income tax as our Group has been granted with new pioneer status incentives in 2021;

(ii) Over provision of income tax expense of RM0.99 million in prior year; and

(iii) Certain income not subject to tax amounting to RM1.70 million mainly due to dividend income from other investments and fair value gain on other investments,

which was partially offset by:

(iv) Certain expenses that were not tax deductible amounting to RM0.35 million such as depreciation and amortisation expenses and professional fee; and

(v) Under provision of deferred tax expense of RM0.49 million in prior year mainly due to under-estimation of capital allowance on our qualifying fixed assets.

In line with the higher PBT and lower tax expenses by RM1.99 million, our Group's PAT for FYE 2021 increased by RM4.82 million or 42.86% from RM11.25 million for FYE 2020 to RM16.07 million. Similarly, our PAT margin also improved from 17.85% for FYE 2020 to 21.67% for FYE 2021.

**Comparison between FYE 2021 and FYE 2022**

Our Group's PBT decreased by RM3.32 million or 19.14% despite registering higher GP by RM2.40 million for FYE 2022. The decrease was mainly attributable to higher other operating expenses incurred by RM2.45 million (mainly due to higher salary related costs and depreciation charges) and lower other income earned by RM1.96 million (mostly due to absence of dividend income from other investments and lower fair value gain on other investments) as compared to FYE 2021. There was also an increase in R&D expenses and finance costs by RM1.09 million and RM0.27 million respectively which further contributed to the decrease in our PBT for FYE 2022.

Correspondingly, our Group's PBT margin decreased from 23.39% for FYE 2021 to 13.54% for FYE 2022 mainly due to the decrease in our Group's GP margin as analysed in Section 12.4.2(c) of this Prospectus as well as higher other operating expenses and lower other income as explained above.

For FYE 2022, our Group's effective tax rate of 13.98% was higher than the 7.34% recorded for FYE 2021 but lower than the statutory tax rate of 24.0%. This was mainly due to:-

(i) Sales of certain automated equipment and digitalised solutions amounting to RM5.55 million which were not subject to income tax due to the pioneer status tax incentives;

(ii) Over provision of deferred tax expense of RM0.02 million in prior year mainly due to over-estimation of capital allowance on our qualifying fixed assets; and

(iii) Certain expenses that were not tax deductible amounting to RM0.59 million such as depreciation and amortisation expenses and professional fee,

which was partially offset by:

(iv) Certain income not subject to tax amounting to RM0.07 million mainly comprising fair value gain on other investments, gain on disposal of PPE and gain in foreign exchange; and

(v) Over provision of income tax expense of RM0.15 million in prior year.

In line with the lower PBT and higher tax expenses by RM0.69 million, our Group's PAT for FYE 2022 decreased by RM4.04 million or 25.11% from RM16.07 million for FYE 2021 to RM12.04 million for FYE 2022. Similarly, our PAT margin also decreased from 21.67% for FYE 2021 to 11.62% for FYE 2022.

**Comparison between FPE 2022 and FPE 2023**

Our Group's PBT increased by RM1.03 million or 13.96%. The increase was mainly attributable to the increase in GP and other income of RM3.14 million and RM0.02 million respectively as compared to FPE 2022 as explained in Sections 12.4.2(c) and 12.4.2(d) respectively of this Prospectus. Nevertheless, the increase in PBT was partially moderated by higher other operating expenses (mainly due to higher salary related costs and depreciation charges), R&D expenses and finance costs of RM1.75 million, RM0.25 million and RM0.13 million respectively.

Correspondingly, our Group's PBT margin increased from 10.01% for FPE 2022 to 12.46% for FPE 2023 mainly due to the increase in our Group's GP margin as analysed in Section 12.4.2(c) of this Prospectus.

For FPE 2023, our Group's effective tax rate of 21.39% was lower than the 23.04% recorded for FPE 2022 as well as the statutory tax rate of 24.0%. This was primarily due to:-

(i) Sales of certain automated equipment and digitalised solutions amounting to RM2.31 million which were not subject to income tax due to the pioneer status tax incentives;

(ii) Over provision of deferred tax expense of RM0.01 million in prior year mainly due to over-estimation of capital allowance on our qualifying fixed assets; and

(iii) Certain income not subject to tax amounting to RM0.07 million mainly comprising gain in foreign exchange,

which was partially offset by:

(iv) Certain expenses that were not tax deductible amounting to RM0.72 million such as depreciation and amortisation expenses and professional fee;

(v) Deferred tax assets on unabsorbed tax losses and unabsorbed capital allowances amounting to RM0.52 million not recognised; and

(vi) Under provision of income tax expense of RM0.07 million in prior year.

In line with the higher PBT during the financial period, our Group's PAT for FPE 2023 increased by RM0.84 million or 14.59% from RM5.74 million for FPE 2022 to RM6.58 million for FPE 2023. Similarly, our PAT margin also improved from 7.83% for FPE 2022 to 9.80% for FPE 2023.

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

Our financial condition and results of operations have been, and are expected to be affected by, amongst others, the following factors:-

**(a) Dependency on certain major customers**

We are dependent on certain major customers, namely Intel group of companies and KellyOCG that collectively contributed between 55.38% and 80.86% to our revenue during the Financial Periods Under Review. Please refer to Section 7.17 of this Prospectus for further details on our major customers.

We do not enter into long term contracts with our customers. Our sales are based on purchase orders that we receive from our customers from time to time. As a result, our Group's future financial performance, to a certain extent, depends on our ability to retain and secure repeat orders from these major customers and/or new orders from prospective customers, on a consistent basis. Additionally, the loss of any customers or significant delays, deferment, reduction or cancellation in orders, if not replaced in a timely manner with new customers or orders of similar quantum, may adversely affect the Group's business operations and financial performance.

**(b) Availability of skilled personnel**

Our success depends, to a certain extent, on our ability to attract and retain skilled personnel with the right technical expertise and skillset that is aligned with our business core values. Hence, our ability to operate and compete may be adversely affected if we are unable to attract, train, motivate and retain them. We may offer competitive remuneration, attractive incentives and the LTIP to attract, reward and retain our skilled personnel. Such increased costs may in turn adversely affect our business and financial performance.

**(c) Rapid technological changes**

The industry in which we operate, namely, semiconductor and electronics industry, is characterised by rapid technological evolution, evolving industry standards and changes in customer requirements, which could render our existing technologies and solutions obsolete going forward. Our ability to keep abreast with the latest technology and continue to develop or market new/enhanced solutions in a timely manner is vital to us in keeping up with the change in technology and market demands. While we have not faced any major technological disruptions in the past, we cannot assure that such disruptions will not occur in the future which may adversely affect the Group's business and financial performance.

**(d) Impact of interest rates fluctuation**

Our Group's business and financial performance for the Financial Periods Under Review have not been materially affected by fluctuations in interest rates as our Group is not heavily reliant on borrowings as we maintained net cash position throughout the Financial Periods Under Review. However, a significant hike in interest rates would raise the cost of borrowings and our finance costs, which may have an adverse impact on our Group's future financial performance if in the event we take up additional borrowings to finance our operations and capital expenditure in the future.

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**(e) Impact of inflation**

Our Group's business and financial performance for the Financial Periods 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 and financial performance.

**(f) Changes in government, economic, fiscal, monetary policies, regulatory risk and occurrence of force majeure events**

Our business is subject to risks relating to government, political, economic, fiscal or monetary policies and regulatory risks, geopolitical events, as well as occurrence of force majeure events in Malaysia or countries where our customers are based. Any unfavourable changes in such government policies, economic conditions, or fiscal or monetary policies may materially affect our business operations and financial performance.

### 12.4.4 Significant Changes on the Financial Position and Results

Saved as disclosed in this Prospectus, there is no significant change that has occurred, which may have a material effect on our financial position and results during the period subsequent to the FPE 2023 and up to the LPD.

## 12.5 LIQUIDITY AND CAPITAL RESOURCES

### 12.5.1 Working Capital

Our operations have been financed by a combination of internal and external sources of funds. Our internal sources of funds comprise cash generated from our business operations, while our external sources of funds mainly consist of financing facilities from financial institutions. These funds are mainly used to finance our business operations and growth.

Based on the statements of our financial position as at 30 September 2023, we had cash and cash equivalents and total borrowings of RM14.51 million and RM11.88 million respectively. As at 31 December 2020, 31 December 2021 and 31 December 2022 and 30 September 2023, our current ratios were 4.90 times, 7.33 times, 5.30 times and 7.55 times respectively. As at the LPD, our Group had available banking facilities amounting to RM21.31 million of which RM8.54 million are yet to be utilised.

Based on the above and taking into consideration of our sources of funds and the expected cash flow to be generated from our business operations as well as the estimated net proceeds to be raised from the Public Issue, our Board is of the opinion that our Group will have adequate working capital to meet our present and foreseeable future working capital requirements for a period of 12 months from the date of this Prospectus.

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### 12.5.2 Cash and Cash Equivalents

The table below sets out the summary of our combined cash and cash equivalents for the Financial Periods Under Review and should be read in conjunction with the Accountants' Report as set out in Section 13 of this Prospectus:-

| | Audited | | | |
|---|---|---|---|---|
| | **FYE 2020 (RM'000)** | **FYE 2021 (RM'000)** | **FYE 2022 (RM'000)** | **FPE 2023 (RM'000)** |
| Net cash from operating activities | 7,766 | 8,655 | 1,173 | 6,968 |
| Net cash used in investing activities | (886) | (6,583) | (11,406) | (1,414) |
| Net cash from/(used in) financing activities | 6,177 | 3,127 | 1,011 | (6,047) |
| **Net increase/(decrease) in cash and cash equivalents** | **13,057** | **5,199** | **(9,222)** | **(493)** |
| Effect of foreign exchange rate changes | - | (1) | 26 | 27 |
| Cash and cash equivalents at beginning of the financial years/period | 5,915 | 18,972 | 24,170 | 14,974 |
| **Cash and cash equivalents at end of the financial years/period** | **18,972** | **24,170** | **14,974** | **14,508** |
| Cash and cash equivalents at end of the financial years/period comprises:- | | | | |
| 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 |
| Bank overdraft | (150) | - | - | - |
| | 20,033 | 25,250 | 16,076 | 16,201 |
| Less: Fixed deposits pledged to licensed banks as securities | (1,061) | (1,080) | (1,102) | (1,693) |
| **Cash and cash equivalents at the end of the financial years/period** | **18,972** | **24,170** | **14,974** | **14,508** |

Our cash and cash equivalents are held in RM and/or USD. There are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer/receive funds to/from our Company, subject to availability of distributable reserves and compliance with financial covenants, in the form of cash dividends, loans or advances.

**(a) Net cash from operating activities**

**<u>FYE 2020</u>**

For FYE 2020, our net cash from operating activities was RM7.77 million. Our operating profit before working capital changes of RM14.90 million was adjusted for the following key items:-

(i) Increase in inventories by RM0.83 million due to higher work-in-progress for automated equipment (mainly comprised automated test and handler equipment) and digitalised solutions (mainly comprised command and control centre) which were subsequently delivered in the following financial year.

(ii) Increase in trade receivables by RM7.59 million mainly due to the higher sales generated towards the last quarter of FYE 2020.

(iii) Increase in other receivables, deposits and prepayments by RM0.61 million mainly due to higher downpayments made to certain suppliers.

(iv) Increase in trade payables by RM1.02 million mainly due to higher purchases attributable to the design, development and sale of digitalised solutions and automated equipment segments towards the last quarter of FYE 2020.

(v) Increase in other payables and accruals by RM0.31 million mainly due to the receipt of a grant from MTDC of RM0.20 million and higher accruals for payroll related costs.

(vi) Decrease in contract assets by RM3.88 million mainly attributable to the completion of an intelligent operation centre and video analytics project for a city council in Malaysia in FYE 2020 as analysed in Section 12.4.2(a) of this Prospectus.

(vii) Decrease in contract liabilities by RM1.37 million following the completion of certain digitalised solutions (comprising command and control centre and operational efficiency solutions) as well as delivery, commissioning and upgrading of automated equipment, namely the automated visual inspection equipment, for certain customers.

(viii) Net interest income of RM0.01 million.

(ix) Income tax paid of RM1.95 million.

**FYE 2021**

For FYE 2021, our Group's operating profit before changes in working capital was RM15.92 million. After adjusting for the following key items, our net cash generated from operating activities stood at RM8.66 million:-

(i) Increase in inventories by RM0.18 million mainly due to higher purchase of raw materials for the design, development and sale of digitalised solutions and automated equipment segments.

(ii) Increase in trade receivables by RM1.61 million mainly due to higher billings to customers in the last quarter of FYE 2021 compared to the corresponding period in FYE 2020.

(iii) Increase in other receivables, deposits and prepayments by RM0.64 million mainly due to additional deposit for utilities, performance bond for a project with the local council, downpayment for acquisition of PPE and prepayment for IPO expenses.

(iv) Increase in contract assets by RM1.14 million mainly pertaining to unbilled revenue from product engineering services rendered for the last quarter of FYE 2021.

(v) Increase in contract costs by RM1.36 million mainly attributable to the costs incurred to fulfil contracts with certain customers in accordance with MFRS 15 which has yet to be charged out to profit or loss as at year end.

(vi) Decrease in trade payables by RM1.42 million mainly due to prompt payments made to our suppliers in order to maintain good business relationships with our suppliers and secure the continuity of our supplies.

(vii) Increase in other payables and accruals by RM1.40 million mainly due to the acquisition of a motor vehicle and higher accruals for payroll related costs.

(viii) Increase in contract liabilities by RM1.16 million mainly attributable to the advance billings for certain automated equipment for certain customers which were subsequently delivered and commissioned in FYE 2022.

(ix) Net interest income of RM0.02 million.

(x) Income tax paid of RM3.44 million.

**FYE 2022**

For FYE 2022, our Group's operating profit before changes in working capital was RM15.30 million. After adjusting for the following key items, our net cash generated from operating activities stood at RM1.17 million:-

(i) Increase in inventories by RM1.87 million mainly due to higher closing inventories for digitalised solutions (mainly command and control centre for a project with a local city council in Malaysia) and automated equipment (mainly automated test and handler equipment and automated material management system).

(ii) Increase in trade receivables by RM7.94 million mainly due to higher billings to customers in the last quarter of FYE 2022 compared to the corresponding period in FYE 2021.

(iii) Increase in other receivables, deposits and prepayments by RM0.72 million mainly due to prepayment for IPO expenses, insurances and levy.

(iv) Decrease in trade payables by RM1.28 million mainly due to prompt payments made to our suppliers in order to maintain good business relationships with our suppliers and secure the continuity of our supplies.

(v) Increase in other payables and accruals by RM0.46 million mainly due to higher accruals for payroll related costs.

(vi) Increase in contract assets by RM2.99 million mainly attributable to the increase in unbilled revenue from engineering support services and product engineering services segments rendered for the last quarter of FYE 2022.

(vii) Decrease in contract costs by RM0.61 million mainly due to certain costs that has been charged out to profit or loss during the financial year whilst less cost was incurred but has yet to be charged out as at year end.

(viii) Increase in contract liabilities by RM2.58 million mainly due to higher deposits received from customers for our digitalised solutions and automated equipment.

(ix) Net interest expense of RM0.22 million mainly arising from higher finance costs.

(x) Income tax paid of RM2.54 million.

**FPE 2023**

For FPE 2023, our Group's operating profit before changes in working capital was RM10.56 million. After adjusting for the following key items, our net cash from operating activities stood at RM6.97 million:-

(i) Decrease in inventories by RM0.39 million mainly due to lower closing inventories consisting of automated equipment (mainly automated test and handler equipment and automated material management system).

(ii) Decrease in trade receivables by RM1.85 million mainly due to lower billings particularly towards the end of the FPE 2023.

(iii) Increase in other receivables, deposits and prepayments by RM0.10 million mainly due to higher prepayment for IPO expenses.

(iv) Increase in trade payables by RM0.34 million due to higher purchases towards the end of FPE 2023.

(v) Decrease in other payables and accruals by RM0.72 million mainly due to lower accruals for payroll-related costs and the absence of other payables for the acquisition of machineries.

(vi) Increase in contract assets by RM0.87 million mainly attributable to the unbilled revenue for the digitalised solutions provided to one of our customers.

(vii) Decrease in contract costs by RM0.07 million mainly due to certain cost that has been charged out to profit or loss during the financial period.

(viii) Decrease in contract liabilities by RM1.78 million mainly due to higher conversion of deposits received from customers into revenue for FPE 2023 and lower deposits received from customers.

(ix) Net interest expense of RM0.18 million mainly arising from higher finance costs.

(x) Net income tax paid of RM0.85 million.

**(b) Net cash used in investing activities**

**<u>FYE 2020</u>**

For FYE 2020, our Group recorded net cash used in investing activities of RM0.89 million due to additional placement of fixed deposits of RM0.25 million with a licensed bank and cash outflow on the purchase of PPE of RM0.63 million comprising office equipment, computers, furniture and fittings, renovation and motor vehicles.

**<u>FYE 2021</u>**

For FYE 2021, our net cash used in investing activities was RM6.58 million mainly attributable to the following:-

(i) RM1.71 million being development expenditure incurred for FYE 2021, which was related to the development of digitalised solutions and automated equipment.

(ii) Cash inflow of RM1.04 million being dividend income declared by 2 of our former subsidiaries (classified under other investments);

(iii) Net cash inflow of RM0.37 million on other investments, where there was cash inflow of RM0.83 million from the disposal of other investments and partially offset by the cash outflow from addition in other investments of RM0.46 million (which were subsequently divested).

(iv) Cash outflow from the purchase of PPE which amounted to RM6.27 million, which were related to the purchase of Tangkas 9 Plant, office equipment, computers, furniture and fittings, renovation, and motor vehicle.

**FYE 2022**

For FYE 2022, our net cash used in investing activities was RM11.41 million mainly attributable to the following:-

(i) RM2.12 million being development expenditure incurred for FYE 2022, which were related to the development of certain digitalised solutions and automated equipment.

(ii) Cash inflow of RM0.11 million from the effects of acquisition by Sophic Automation of Pinkypye which was completed during the year.

(iii) Cash outflow on acquisition of other investments of RM0.43 million, which were subsequently disposed of.

(iv) Cash outflow from the purchase of PPE amounted to RM9.03 million mainly attributable to the purchase of Tangkas 3 Plant, Stellar Suites Office, computer numerical control precision machinery, office equipment, computers, furniture and fittings, renovation and motor vehicles.

**FPE 2023**

For FPE 2023, our net cash used in investing activities was RM1.41 million mainly attributable to the following:-

(i) RM1.48 million being development expenditure incurred for FPE 2023, which were related to the development of certain digitalised solutions.

(ii) Cash inflow of RM1.87 million from the disposals of other investments.

(iii) Cash outflow of RM0.59 million for the placement of fixed deposits with licensed banks.

(iv) Cash outflow from the purchase of PPE amounted to RM1.21 million mainly attributable to the purchase of office equipment, computers, furniture and fittings, renovation and additional cost incurred in capital work-in-progress.

**(c) Net cash generated from financing activities**

**FYE 2020**

For the FYE 2020, our Group recorded net cash from financing activities of RM6.18 million which was mainly attributable to:-

(i) Proceeds from the issuance of the second tranche RCPS to MTDC of RM6.10 million.

(ii) Drawdown of a new term loan of RM1.0 million to finance working capital of our Group.

This was, however, partially offset by the following:-

(i) Repayment of term loans of RM0.86 million.

(ii) Repayment of hire purchase loans of RM0.02 million for motor vehicles.

(iii) Cash outflow of RM0.04 million for payments of lease liabilities.

**FYE 2021**

For FYE 2021, our Group recorded net cash from financing activities of RM3.13 million, which was mainly attributable to the drawdown of a new term loan of RM4.50 million to part finance the purchase of Tangkas 9 Plant. This was partially offset by the following:-

(i) Repayment of term loans of RM0.43 million.

(ii) Repayment of hire purchase loans of RM0.15 million for motor vehicles.

(iii) Payment of lease liabilities of RM0.04 million.

(iv) Payment of dividend of RM0.75 million.

**FYE 2022**

For FYE 2022, our Group recorded net cash from financing activities of RM1.01 million mainly attributable to the following:-

(i) Payment of dividend of RM3.00 million.

(ii) Repayment for hire purchase loans of RM0.21 million for motor vehicles.

(iii) Payment of lease liabilities of RM0.08 million.

This was partially offset by the net drawdown of term loans of RM4.30 million. The details of drawdown of term loans are as follows:-

(i) RM3.33 million to part finance the purchase of Tangkas 3 Plant.

(ii) RM1.03 million to part finance the purchase of Stellar Suites Office.

(iii) RM0.50 million for working capital purposes.

**FPE 2023**

For FPE 2023, our net cash used in financing activities was RM6.05 million mainly attributable to the following:-

(i) Payment of dividend of RM5.0 million.

(ii) Repayment for hire purchase loans of RM0.15 million for motor vehicles.

(iii) Net payment for term loans of RM0.68 million.

(iv) Payment of lease liabilities of RM0.22 million.

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### 12.5.3 Borrowings

Our Group's total outstanding interest-bearing borrowings as at 30 September 2023 amounted to RM11.88 million, details of which are set out below:-

| Type | Purpose | Tenure | Effective interest rate per annum (%) | As at 30 September 2023 | | |
|---|---|---|---|---|---|---|
| | | | | Payable within 12 months (RM'000) | Payable after 12 months (RM'000) | Total (RM'000) |
| Term loans | Finance the purchase of properties, renovation cost and working capital | Between 84 and 180 months | 3.00 – 8.15 | 467 | 10,611 | 11,078 |
| Hire purchase | Finance the purchase of motor vehicles | Not more than 5 years | 3.78 – 6.40 | 218 | 583 | 801 |
| **Total** | | | | **685** | **11,194** | **11,879** |
| Gearing ratio as at 30 September 2023 (times) * | | | | | | 0.20 |

Note:-

* Based on total interest-bearing borrowings divided by total equity as at 30 September 2023 of RM59.0 million.

As at the LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currency.

There has been no default or any known events that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of our Group throughout the Financial Periods Under Review and up to the LPD.

As at the LPD, our Group was not in breach of any terms and conditions or covenants associated with the credit arrangements of our bank borrowings which can materially affect our financial position and results or business operations or the investments by holders of our Shares.

### 12.5.4 Financial Instruments, Treasury Policies and Objectives

For the Financial Periods Under Review, save for our banking facilities offered by licensed financial institutions as set out in Section 12.5.3 of this Prospectus, we have not utilised any other financial instruments. We maintain foreign currency bank accounts to receive proceeds of our sales and to make payments for our purchases which are denominated in USD.

We finance our operations through a combination of cash generated from operations, share capital and external sources of funds. Our external sources of funds mainly comprise credit extended by our suppliers/principals and banking facilities extended by licensed financial institutions.

Our main capital management policy is to maintain sufficient working capital to finance our business and operations, coupled with adequate banking facilities to meet our commitments for operating and capital expenditure. Our combination of internal and external sources of funds include cash generated from operations, bank borrowings and lease liabilities. The primary objective is to have sustainable shareholders' equity and working capital to ensure we have the ability to continue as a going concern and grow our business in order to maximise shareholder's value. We review and manage our capital structure to maintain the debt-to-equity ratio at an optimum level based on the business requirements and prevailing economic conditions.

### 12.5.5 Material Capital Commitment

As at the LPD, save as disclosed in Section 7.19 of this Prospectus, we do not have any material capital commitments for capital expenditure contracted or known to be contracted, which may have a material adverse effect on the financial position of our Group.

### 12.5.6 Material Litigation, Claims or Arbitration

Neither our Company nor our subsidiaries are engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, a material or significant effects on our financial position or profitability, in the 12 months immediately preceding the date of this Prospectus.

### 12.5.7 Contingent Liabilities

As at the LPD, we do not have any contingent liabilities which, upon becoming enforceable, may have a material adverse impact on our results of operations or financial position of our Group.

## 12.6 KEY FINANCIAL RATIOS

The key financial ratios of our Group for the Financial Periods Under Review are as follows:-

| | **Audited** | | | |
|---|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** | **FPE 2023** |
| Trade receivables turnover period (days) | 97 | 91 | 93 | 99 |
| Trade payables turnover period (days) | 29 | 14 | 4 | 6 |
| Inventory turnover period (days) | 36 | 37 | 75 | 80 |
| Current ratio (times) | 4.90 | 7.33 | 5.30 | 7.55 |
| Gearing ratio (times) | 0.11 | 0.15 | 0.22 | 0.20 |

### 12.6.1 Trade Receivables Turnover Period

A summary of our trade receivables for the Financial Periods Under Review is set out as follows:-

| | **Audited** | | | |
|---|---|---|---|---|
| | **FYE 2020 (RM'000)** | **FYE 2021 (RM'000)** | **FYE 2022 (RM'000)** | **FPE 2023 (RM'000)** |
| Trade receivables | 16,698 | 18,308 | 26,250 | 24,403 |
| Revenue | 63,020 | 74,164 | 103,598 | 67,180 |
| **Trade receivables turnover period (days) *** | **97** | **91** | **93** | **99** |

Note:-

* Computed based on the closing balance of trade receivables divided by the revenue for the respective financial years / period, multiplied by 365 days / 273 days respectively.

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The normal credit period granted to our customers ranges from 30 to 120 days from the date of our invoice, which are mainly assessed and approved on a case-to-case basis, taking into consideration various factors such as business relationship with the customers, creditworthiness (including payment history) of the customers, transaction volume, market reputation as well as customers' ability to pay.

Our trade receivables turnover period stood at 97 days, 91 days, 93 days and 99 days for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively, which fell within the normal credit term granted to our customers.

For the FYE 2021, our trade receivables turnover period improved to 91 days from 97 days in FYE 2020 mainly due to improvement in collections from our customers. For the FYE 2022, our trade receivables turnover period increased by 2 days to 93 days (FYE 2021: 91 days) mainly due to higher billings from our major customers in the fourth quarter of FYE 2022. In addition, 72.57% of our trade receivables in FYE 2022 were not past due.

For FPE 2023, our trade receivables turnover period increased by 6 days to 99 days (FYE 2022: 93 days) mainly due to slower collection from our customers as the semiconductor industry experienced a slowdown in FPE 2023. In addition, 81.21% of our trade receivables in FPE 2023 were not past due.

The ageing analysis of our Group's trade receivables as at 30 September 2023:-

| | Within Credit Period (RM'000) | Exceeded Credit Period | | | | Total (RM'000) |
|---|---|---|---|---|---|---|
| | | 1-30 days (RM'000) | 31-60 days (RM'000) | 61-90 days (RM'000) | > 90 days (RM'000) | |
| **As at 30 September 2023** | | | | | | |
| Trade receivables | 19,818 | 766 | 349 | 715 | 2,799 | 24,447 |
| Less: Allowances for doubtful debts | - | - | - | - | (44) | (44) |
| Net trade receivables | 19,818 | 766 | 349 | 715 | 2,755 | 24,403 |
| % of net trade receivables (%) | 81.21 | 3.14 | 1.43 | 2.93 | 11.29 | 100.00 |
| **As at the LPD** | | | | | | |
| Less: Trade receivables collected | (17,299) | (305) | (216) | (561) | (893) | (19,274) |
| % of net trade receivables (%) | (70.89) | (1.25) | (0.88) | (2.30) | (3.66) | (78.98) |
| **Net trade receivables outstanding as at LPD** | **2,519** | **461** | **133** | **154** | **1,862** | **5,129** |
| % of net trade receivables (%) | 10.32 | 1.89 | 0.55 | 0.63 | 7.63 | 21.02 |

Our net trade receivables stood at RM24.40 million as at 30 September 2023, out of which RM4.58 million or 18.79% exceeded the credit terms granted.

As at LPD, we have collected RM19.27 million, representing 78.98% of our net trade receivables as at 30 September 2023.

Included in the net trade receivables is an amount of RM2.32 million owing by Customer D. We have granted an indulgence (through an instalment payment agreement) to Customer D to settle the outstanding sum over a period of 24 months beginning from December 2023.

Our Board is of the opinion that the remaining outstanding trade receivables are recoverable after taking into consideration the customers' historical payments trend and the fact that our customers have not defaulted on payments throughout the Financial Periods Under Review.

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### 12.6.2 Trade Payables Turnover Period

A summary of our trade payables for the Financial Periods Under Review is set out as follows:-

| | Audited | | | |
|---|---|---|---|---|
| | **FYE 2020 (RM'000)** | **FYE 2021 (RM'000)** | **FYE 2022 (RM'000)** | **FPE 2023 (RM'000)** |
| Trade payables | 3,426 | 2,001 | 723 | 1,059 |
| Cost of sales | 44,111 | 52,366 | 79,405 | 49,204 |
| **Trade payables turnover period (days) *** | **29** | **14** | **4** | **6** |

Note:-

* Computed based on the closing balance of trade payables divided by the cost of sales for the respective financial years / period, multiplied by 365 days / 273 days.

The normal credit period granted to our Group by our suppliers/principals generally ranges from 30 days to 90 days. Our trade payables turnover period stood at 29 days, 14 days, 4 days and 6 days for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively, which is below the normal credit periods granted by our suppliers/principals. It is our practice to make prompt payments to our suppliers/principals in order to foster good business relationships with them to secure the adequacy/continuity of our supplies.

Our trade payables turnover periods improved throughout the Financial Periods Under Review as we have paid our suppliers/principals within shorter timeframe than our normal credit terms granted to our Group. We also made upfront payment and/or cash on delivery to certain suppliers/principals depending on cost competitiveness, lead time and availability of materials with the desired specifications and customers' requirements.

Our trade payables turnover periods had been decreasing over the FYEs 2020, 2021 and 2022 as the composition of cost of sales made up of material costs, outsourcing costs and other costs had been declining while labour costs had been increasing over the financial years. This was consistent with the growth of revenue by business activities over the FYEs 2020, 2021 and 2022 which was analysed in Section 12.4.2(a) in this Prospectus.

For FPE 2023, our trade payables turnover period increased slightly to 6 days (FYE 2022: 4 days) as we continue to maintain prompt payments to our suppliers.

The ageing analysis of our trade payables as at 30 September 2023 is as follows:-

| | **Within Credit Period (RM'000)** | **Exceeded Credit Period** | | | | **Total (RM'000)** |
|---|---|---|---|---|---|---|
| | | **1-30 days (RM'000)** | **31-60 days (RM'000)** | **61-90 days (RM'000)** | **> 90 days (RM'000)** | |
| **As at 30 September 2023** | | | | | | |
| Trade payables | 1,059 | - | - | - | - | 1,059 |
| % of trade payables (%) | 100.00 | - | - | - | - | 100.00 |
| **As at the LPD** | | | | | | |
| Less: Trade payables settled | 1,024 | - | - | - | - | 1,024 |
| % of trade payables (%) | 96.69 | - | - | - | - | 96.69 |
| **Trade payables outstanding as at LPD** | **35** | **-** | **-** | **-** | **-** | **35** |
| % of trade payables (%) | 3.31 | - | - | - | - | 3.31 |

As at LPD, we have settled 96.69% of our trade payables which were outstanding as at 30 September 2023.

### 12.6.3 Inventory Turnover Period

The breakdown of our inventories for the Financial Periods Under Review are as follows:-

| | Audited | | | |
|---|---|---|---|---|
| | **FYE 2020 (RM'000)** | **FYE 2021 (RM'000)** | **FYE 2022 (RM'000)** | **FPE 2023 (RM'000)** |
| **Inventories:** | | | | |
| Raw materials | 127 | 600 | 524 | 988 |
| Work-in-progress | 2,761 | 409 | 4,421 | 3,570 |
| Finished goods | - | 2,063 | - | - |
| | 2,888 | 3,072 | 4,945 | 4,558 |
| Cost of sales (1) | 29,385 | 31,044 | 24,334 | 15,586 |
| **Inventory turnover period (days)** (2) | **36** | **37** | **75** | **80** |

Notes:-

(1) Excluding the engineering support services for IC assembly and testing, and product engineering services as these business activities are service-based.

(2) Computed based on the closing inventories of the respective financial years/periods divided by the cost of sales (excluding the engineering support services for IC assembly and testing, and product engineering services) of the respective financial years / period multiplied by 365 days / 273 days.

Our inventory mainly consists of the following:-

(a) Raw materials such as mechanical, electrical and pneumatic components, computer related devices, metal parts, consumables and tools.

(b) Work-in-progress and finished goods comprising mainly digitalised solutions and automated equipment.

We do not analyse the inventory turnover period for our Group's engineering support services for IC assembly and testing, and product engineering services as the business activities involved are service-based.

Our inventory turnover period for the FYE 2020 and FYE 2021 were consistent between 36 days to 37 days.

Our inventory turnover period increased from 37 days for FYE 2021 to 75 days for FYE 2022 mainly attributable to higher work-in-progress for the ongoing development of certain automated test and handler equipment, automated material management system, and the command and control centre solution for a flood monitoring system and pump house project for a local city council.

For FPE 2023, our inventory turnover period increased to 80 days (FYE 2022: 75 days) mainly due to lower cost of sales and increase in inventory of raw materials namely mechanical, electrical and pneumatic components, and computer related devices used for our digitalised solutions and automated equipment that were purchased towards the end of FPE 2023.

### 12.6.4 Current Ratio

The summary of our Group's current ratio for the Financial Periods Under Review is as follows:-

| | Audited As At | | | |
|---|---|---|---|---|
| | **31.12.2020 (RM'000)** | **31.12.2021 (RM'000)** | **31.12.2022 (RM'000)** | **30.9.2023 (RM'000)** |
| Current assets | 41,513 | 52,342 | 57,047 | 52,570 |
| Current liabilities | 8,477 | 7,145 | 10,752 | 6,966 |
| **Current ratio (times)** (1) | **4.90** | **7.33** | **5.30** | **7.55** |

Note:-

(1) Computed based on total current assets divided by total current liabilities as at the end of the respective financial years/period.

Our current ratios for the Financial Periods Under Review was maintained between 4.90 times and 7.55 times, indicating that our Group is capable of meeting our current obligations as our current assets such as inventories and trade receivables, which can be readily converted into cash, together with our cash and bank balances and fixed deposits are sufficient to meet our short terms current liabilities.

### 12.6.5 Gearing Ratio

The summary of our Group's gearing ratio for the Financial Periods Under Review is as follows:-

| | Audited As At | | | |
|---|---|---|---|---|
| | **31.12.2020 (RM'000)** | **31.12.2021 (RM'000)** | **31.12.2022 (RM'000)** | **30.9.2023 (RM'000)** |
| Total interest-bearing borrowings (1) | 3,818 | 7,588 | 12,598 | 11,879 |
| Total equity | 34,630 | 49,953 | 57,419 | 59,001 |
| **Gearing ratio (times)** (2) | **0.11** | **0.15** | **0.22** | **0.20** |

Notes:-

(1) Including term loans, hire purchase loans and bank overdraft.

(2) Computed based on the total interest-bearing borrowings divided by the total equity of the Group as at the respective financial years/period ended.

Our Group's gearing ratio increased from 0.11 times as at 31 December 2020 to 0.15 times as at 31 December 2021 mainly due to the increase in our borrowings of RM3.77 million or 98.72%. This was mainly attributable to a drawdown of term loan of RM4.50 million to part finance the purchase of Tangkas 9 Plant and partially moderated by the repayments of term loans and hire purchase.

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Our Group's gearing ratio further increased from 0.15 times as at 31 December 2021 to 0.22 times as at 31 December 2022 due to the increase in our bank borrowings by RM5.01 million or 66.05%. The increase was mainly attributable to the following:-

(a) net increase in terms loans of RM4.30 million mainly contributed by the following drawdowns:-

  (i) RM3.33 million to part finance the purchase of Tangkas 3 Plant;

  (ii) RM1.03 million to part finance the purchase of Stellar Suites Office; and

  (iii) RM0.50 million for working capital purposes; and

(b) net increase in hire purchase of RM0.71 million for the purchase of motor vehicles.

For FPE 2023, our Group's gearing ratio decreased slightly from 0.22 times as at 31 December 2022 to 0.20 times as at 30 September 2023 mainly due to repayments of bank borrowings, partially offset by drawdowns of a term loan of RM0.80 million which part financed the renovation works of our headquarters and a hire purchase of RM0.11 million for the acquisition of a motor vehicle.

## 12.7 TREND INFORMATION

As at the LPD, our Board confirms that there are no:-

(a) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations, other than those discussed in Sections 7, 9 and 12 of this Prospectus;

(b) material commitments for capital expenditure;

(c) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group operations, other than those discussed in Sections 7, 9 and 12 of this Prospectus;

(d) known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue and/or profits, other than those disclosed in this Section 12, the information on our Group as set out in Sections 6 and 7 of this Prospectus and our future plans and strategies as set out in Section 7.19 of this Prospectus;

(e) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position; and

(f) known trends, demand, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our liquidity and capital resources.

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## 12.8 ORDER BOOK

We do not maintain an order book as we do not have any long-term contracts with our customers as our sales are made based on confirmed purchased orders. As at the LPD, we have outstanding secured purchase orders amounting up to RM38.39 million, all of which are expected to be fulfilled and recognised as revenue for the FYE 2024.

## 12.9 DIVIDEND POLICY

It is our Company's policy to recommend dividends to allow our shareholders to participate in the profits of our Group. Nonetheless, 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 declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividends for the year are subject to shareholders' approval. Actual dividends proposed and declared may vary depending on the financial performance and cash flows of our Group, and may be waived if the payment of the dividends would adversely affect the cash flows and operations of our Group.

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% |

Notes:-

(1) Dividends declared in FYE 2021 comprised the following:-

(a) interim dividend amounting to RM0.25 million in respect of FYE 2020 which was paid out in FYE 2021; and

(b) interim dividend amounting to RM0.50 million in respect of FYE 2021 which was paid out in FYE 2021.

(2) Dividends declared in FYE 2022 comprised the following:-

(a) interim dividend amounting to RM3.00 million in respect of FYE 2022 which was paid out in FYE 2022; and

(b) dividend-in-specie of amounting to RM1.57 million pursuant to the disposal of 64% equity interest held by Sophic Automation in SVN Automation to its shareholders, namely Lee Chee Hoo, Koh Dim Kuan and Low Chee Oon, via the Capital Transfer Agreement entered into between Sophic Automation and the parties above on 9 November 2022.

(3) Interim dividends amounting to RM5.00 million declared in FPE 2023 in respect of FYE 2023 which was paid out in FPE 2023.

(4) Computed based on dividends declared divided by the PAT of the Company.

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, the Group has not and will not declare or pay any dividend or any pre-IPO dividend prior to the completion of the Listing. Our Board do not foresee that dividends paid subsequent to FPE 2023 would affect the execution and implementation of our future plans or strategies moving forward.

Investors should note that the intention to recommend dividends should not be treated as a legal obligation on our Directors or the Company to do so. The level of dividends previously declared or paid should not be treated as an indication of our Company's future dividend policy. There can be no assurance that the Company will be in the position to declare and pay consistent dividends in the future nor can there be any certainty on timing of any dividend payments in the future.

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**3REN BERHAD**
**(Registration No.: 202101012445 (1412744-K))**
(Incorporated in Malaysia)

**ACCOUNTANTS' REPORT ON THE COMBINED FINANCIAL STATEMENTS**

**GRANT THORNTON MALAYSIA PLT**

**CHARTERED ACCOUNTANT'S**

**Member Firm of Grant Thornton International Ltd.**

GrantThornton

Date: 27 March 2024

The Board of Directors
**3REN Berhad**
170-09-01 Livingston Tower
Jalan Argyll
10050 Georgetown
Penang

**Grant Thornton Malaysia PLT**
Level 5, Menara BHL
51 Jalan Sultan Ahmad Shah
10050 Penang
Malaysia

**T** +604 228 7828
**F** +604 227 9828

Dear Sirs,

**Reporting Accountants' Opinion On The Combined Financial Statements Contained In The Accountants' Report of 3REN Berhad. ("the Company" or "3REN")**

**Opinion**

We have audited the accompanying combined financial statements of the Company and its combining entities (collectively known as "the Group"), which comprises the combined statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, and the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years/period then ended and material accounting policies and other explanatory notes, as set out on pages 4 to 72.

The combined financial statements of the Group have been prepared solely to comply with the Prospectus Guidelines issued by the Securities Commission Malaysia and for inclusion into the Prospectus of the Company in connection with the listing of and quotation of the entire enlarged share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad and for no other purposes.

In our opinion, the accompanying combined financial statements give a true and fair view of the combined statements of financial position of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, and of their combined financial performance and combined cash flows for the financial years/period then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

**Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independence and Other Ethical Responsibilities**

We are independent of the Group in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**Responsibilities of the Directors for the Combined Financial Statements**

The Directors of the Company are responsible for the preparation of the combined financial statements of the Group that give a true and fair view in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the combined financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

**Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a reporting accountants' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the combined financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountants' report to the related disclosures in the Financial Information of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Grant Thornton

**Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (cont'd)**

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (cont'd):

- Evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial information of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicated with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

**Restriction on Distribution and Use**

This report is made solely to the Company for inclusion in the Prospectus in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.

**Grant Thornton Malaysia PLT**
**AF: 0737**
**201906003682 (LLP0022494-LCA)**
**Chartered Accountants**

**Terence Lau Han Wen**
**No. 03298/04/2025 J**
**Chartered Accountant**

**3REN BERHAD**
**Registration No.: 202101012445 (1412744-K)**
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF FINANCIAL POSITION**

| | | Audited | | | |
|---|---|---|---|---|---|
| | **Note** | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 4 | 17,975,353 | 17,716,138 | 8,462,091 | 2,753,434 |
| Intangible assets | 5 | 4,624,844 | 3,578,303 | 1,693,148 | - |
| Right-of-use assets | 6 | 999,176 | 1,224,028 | 642,602 | 613,757 |
| Deferred tax assets | 7 | - | - | - | 483,000 |
| Other investments | 8 | 20,000 | 1,917,500 | 1,572,500 | 905,923 |
| Trade receivable | 9 | 1,800,197 | - | - | - |
| Contract assets | 10 | 971,111 | - | - | - |
| | | 26,390,681 | 24,435,969 | 12,370,341 | 4,756,114 |
| **Current assets** | | | | | |
| Inventories | 11 | 4,558,060 | 4,944,621 | 3,072,455 | 2,888,297 |
| Trade receivables | 9 | 22,602,554 | 26,250,336 | 18,308,411 | 16,698,477 |
| Other receivables, deposits and prepayments | 12 | 2,878,793 | 2,777,353 | 2,055,599 | 1,417,519 |
| Contract assets | 10 | 4,177,437 | 4,386,575 | 1,395,660 | 252,517 |
| Contract costs | 13 | 675,771 | 748,016 | 1,359,840 | - |
| Current tax assets | | 1,475,839 | 1,863,553 | 900,000 | 73,375 |
| Fixed deposits with licensed banks | 14 | 9,870,396 | 7,872,196 | 9,282,617 | 7,664,682 |
| Cash and bank balances | 15 | 6,330,212 | 8,204,100 | 15,967,542 | 12,518,228 |
| | | 52,569,062 | 57,046,750 | 52,342,124 | 41,513,095 |
| **TOTAL ASSETS** | | 78,959,743 | 81,482,719 | 64,712,465 | 46,269,209 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 16.1 | 2 | 2 | 2 | - |
| Invested equity | 16.2 | 9,660,000 | 9,660,000 | 9,660,000 | 9,660,000 |
| Retained profits | 17 | 49,340,756 | 47,759,108 | 40,293,159 | 24,970,120 |
| **Total equity** | | 59,000,758 | 57,419,110 | 49,953,161 | 34,630,120 |

**3REN BERHAD**
**Registration No.: 202101012445 (1412744-K)**
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)**

| | Note | Audited 30.9.2023 RM | 31.12.2022 RM | 31.12.2021 RM | 31.12.2020 RM |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Deferred income | 18 | 1,231 | 1,734 | 2,406 | - |
| Borrowings | 19 | 11,194,077 | 11,689,764 | 7,041,632 | 3,159,877 |
| Lease liabilities | 6 | 251,606 | 403,113 | 33,788 | - |
| Deferred tax liabilities | 7 | 1,546,000 | 1,216,876 | 536,000 | 2,000 |
| | | 12,992,914 | 13,311,487 | 7,613,826 | 3,161,877 |
| **Current liabilities** | | | | | |
| Trade payables | 20 | 1,059,535 | 723,728 | 2,001,383 | 3,425,614 |
| Other payables and accruals | 21 | 2,037,949 | 2,762,167 | 2,303,266 | 903,371 |
| Contract liabilities | 10 | 2,751,995 | 4,529,729 | 1,953,045 | 795,232 |
| Borrowings | 19 | 684,738 | 907,870 | 545,810 | 657,755 |
| Lease liabilities | 6 | 202,182 | 261,956 | 39,099 | 33,240 |
| Deferred income | 18 | 672 | 672 | 672 | - |
| Dividend payable | | - | 1,566,000 | - | - |
| Current tax liabilities | | 229,000 | - | 302,203 | 2,662,000 |
| | | 6,966,071 | 10,752,122 | 7,145,478 | 8,477,212 |
| **TOTAL LIABILITIES** | | 19,958,985 | 24,063,609 | 14,759,304 | 11,639,089 |
| **TOTAL EQUITY AND LIABILITIES** | | 78,959,743 | 81,482,719 | 64,712,465 | 46,269,209 |

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**3REN BERHAD**
**Registration No.: 202101012445 (1412744-K)**
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF COMPREHENSIVE INCOME**

| | Note | Audited 1.1.2023 to 30.9.2023 RM | Unaudited 1.1.2022 to 30.9.2022 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2020 to 31.12.2020 RM |
|---|---|---|---|---|---|---|
| Revenue | 22 | 67,179,837 | 73,373,159 | 103,598,022 | 74,163,750 | 63,019,927 |
| Cost of sales | | (49,203,515) | (58,536,321) | (79,404,827) | (52,366,482) | (44,111,363) |
| **Gross profit** | | 17,976,322 | 14,836,838 | 24,193,195 | 21,797,268 | 18,908,564 |
| Other income | | 127,103 | 200,341 | 257,791 | 2,231,211 | 49,971 |
| Allowance for expected credit losses on receivables | | (4,541) | - | - | (39,107) | - |
| Other operating expenses | | (8,266,749) | (6,519,872) | (9,011,793) | (6,557,904) | (3,951,095) |
| Research and development expenses | | (1,254,041) | (1,005,828) | (1,184,420) | (98,038) | (502,263) |
| **Operating profit** | | 8,578,094 | 7,511,479 | 14,254,773 | 17,333,430 | 14,505,177 |
| Finance costs | | (421,969) | (290,387) | (411,528) | (140,542) | (200,111) |
| Finance income | | 216,587 | 125,750 | 183,057 | 153,012 | 208,766 |
| **Profit before tax** | 23 | 8,372,712 | 7,346,842 | 14,026,302 | 17,345,900 | 14,513,832 |
| Tax expense | 24 | (1,791,064) | (1,693,276) | (1,959,979) | (1,272,861) | (3,263,251) |
| **Profit for the financial period/year, representing total comprehensive income for the financial period/year** | | 6,581,648 | 5,653,566 | 12,066,323 | 16,073,039 | 11,250,581 |

**3REN BERHAD**
**Registration No.: 202101012445 (1412744-K)**
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF COMPREHENSIVE INCOME**

| | Note | Audited 1.1.2023 to 30.9.2023 RM | Unaudited 1.1.2022 to 30.9.2022 RM | \|------------ Audited 1.1.2022 to 31.12.2022 RM | 1.1.2021 to 31.12.2021 RM | ------------\| 1.1.2020 to 31.12.2020 RM |
|---|---|---|---|---|---|---|
| **Total comprehensive income attributable to:** | | | | | | |
| Owner of the Company | | 6,581,648 | 5,743,924 | 12,036,666 | 16,073,039 | 11,250,581 |
| Non-controlling interests | | - | (90,358) | 29,657 | - | - |
| | | 6,581,648 | 5,653,566 | 12,066,323 | 16,073,039 | 11,250,581 |
| **Basic earnings per ordinary shares (sen)** | 25 | 1.01 | 0.88 | 1.85 | 2.47 | 1.73 |

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## 13. ACCOUNTANTS' REPORT *(cont'd)*

**3REN BERHAD**
**Registration No.: 202101012445 (1412744-K)**
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CHANGES IN EQUITY**

| | Note | Share Capital * RM | Invested Equity RM | Retained Profits RM | Total RM | Non-controlling Interests RM | Total Equity RM |
|---|---|---|---|---|---|---|---|
| Balance as at 1 January 2020 | | - | 3,560,000 | 13,719,539 | 17,279,539 | - | 17,279,539 |
| Transaction with owners: | | | | | | | |
| Allotment of redeemable convertible preference shares ("RCPS") | 16 | - | 6,100,000 | - | 6,100,000 | - | 6,100,000 |
| Total comprehensive income for the financial year | | - | - | 11,250,581 | 11,250,581 | - | 11,250,581 |
| Balance as at 31 December 2020/1 January 2021 | | - | 9,660,000 | 24,970,120 | 34,630,120 | - | 34,630,120 |
| Total comprehensive income for the financial year | | - | - | 16,073,039 | 16,073,039 | - | 16,073,039 |
| Transaction with owners: | | | | | | | |
| Dividends | 26 | - | - | (750,000) | (750,000) | - | (750,000) |
| Issuance of shares | 16 | 2 | - | - | 2 | - | 2 |
| Balance as at 31 December 2021/1 January 2022 | | 2 | 9,660,000 | 40,293,159 | 49,953,161 | - | 49,953,161 |
| Total comprehensive income for the financial year | | - | - | 12,036,666 | 12,036,666 | 29,657 | 12,066,323 |
| Transaction with owners: | | | | | | | |
| Dividends | 26 | - | - | (4,566,000) | (4,566,000) | - | (4,566,000) |
| Non-controlling interest arising from acquisition of Pinkypye Sdn. Bhd. ("Pinkypye") | | - | - | - | - | (34,364) | (34,364) |
| Balance carried forward | | 2 | 9,660,000 | 47,763,825 | 57,423,827 | (4,707) | 57,419,120 |

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**COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)**

| | Note | Share Capital * RM | Invested Equity RM | Retained Profits RM | Total RM | Non-controlling Interests RM | Total Equity RM |
|---|---|---|---|---|---|---|---|
| Balance brought forward | | 2 | 9,660,000 | 47,763,825 | 57,423,827 | (4,707) | 57,419,120 |
| Transaction with owners: | | | | | | | |
| Acquisition of Pinkypye's non-controlling interest | | - | - | (4,717) | (4,717) | 4,707 | (10) |
| Balance as at 31 December 2022/1 January 2023 | | 2 | 9,660,000 | 47,759,108 | 57,419,110 | - | 57,419,110 |
| Total comprehensive income for the financial period | 16 | - | - | 6,581,648 | 6,581,648 | - | 6,581,648 |
| Transaction with owners: | | | | | | | |
| Dividends | 26 | - | - | (5,000,000) | (5,000,000) | - | (5,000,000) |
| Balance as at 30 September 2023 | | 2 | 9,660,000 | 49,340,756 | 59,000,758 | - | 59,000,758 |

* *Issuance of shares pursuant to the incorporation of 3REN.*

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**COMBINED STATEMENTS OF CASH FLOWS**

| | Audited | | | |
|---|---|---|---|---|
| | **1.1.2023 to 30.9.2023 RM** | **1.1.2022 to 31.12.2022 RM** | **1.1.2021 to 31.12.2021 RM** | **1.1.2020 to 31.12.2020 RM** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Profit before tax | 8,372,712 | 14,026,302 | 17,345,900 | 14,513,832 |
| Adjustments for: | | | | |
| Accretion of interest on lease liabilities | 21,570 | 6,064 | 5,485 | 4,414 |
| Allowance for expected credit loss | 4,541 | - | 39,107 | - |
| Amortisation of intangible assets | 432,587 | 235,275 | 21,705 | - |
| Bargain purchase | - | 51,560 | - | - |
| Deferred income | (503) | (672) | - | - |
| Depreciation of property, plant and equipment | 1,061,526 | 631,864 | 364,206 | 348,982 |
| Depreciation of right-of-use assets | 214,067 | 84,952 | 47,677 | 47,440 |
| Dividend income | - | - | (1,040,000) | - |
| Fair value loss/(gain) on other investments, net | 27,000 | 83,000 | (1,036,873) | - |
| Interest expense | 400,807 | 405,464 | 135,057 | 195,697 |
| Interest income | (216,587) | (183,057) | (153,012) | (208,766) |
| (Gain)/Loss on disposal of property, plant and equipment | (199) | (15,841) | 19,160 | - |
| Gain on lease modification | (407) | - | - | - |
| Property, plant and equipment written off | - | - | 167,277 | - |
| Rent concession | - | - | - | (3,177) |
| Unrealised (gain)/ loss on foreign exchange | (70,314) | (25,880) | 1,429 | - |
| Unwinding discounts on contract assets | 105,749 | - | - | - |
| Unwinding discounts on trade receivables | 210,709 | - | - | - |
| Operating profit before working capital changes | 10,563,258 | 15,299,031 | 15,917,118 | 14,898,422 |
| Changes in: | | | | |
| Inventories | 386,561 | (1,872,166) | (184,158) | (832,226) |
| Receivables | 1,574,957 | (8,421,141) | (2,287,121) | (8,205,542) |
| Payables | (1,954,411) | (1,262,490) | (24,336) | 1,330,182 |
| Contract assets | (867,722) | (2,990,915) | (1,143,143) | 3,883,860 |
| Contract costs | 72,245 | 611,824 | (1,359,840) | - |
| Contract liabilities | (1,777,734) | 2,576,684 | 1,157,813 | (1,372,372) |
| Deferred income | - | - | 3,078 | - |
| Balance carried forward | 7,997,154 | 3,940,827 | 12,079,411 | 9,702,324 |

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**COMBINED STATEMENTS OF CASH FLOWS (CONT'D)**

| | | Audited | | | |
|---|---|---|---|---|---|
| | **Note** | **1.1.2023 to 30.9.2023 RM** | **1.1.2022 to 31.12.2022 RM** | **1.1.2021 to 31.12.2021 RM** | **1.1.2020 to 31.12.2020 RM** |
| Balance brought forward | | 7,997,154 | 3,940,827 | 12,079,411 | 9,702,324 |
| Interest paid | | (400,807) | (405,464) | (135,057) | (195,697) |
| Interest received | | 216,587 | 183,057 | 153,012 | 208,766 |
| Income tax paid | | (1,495,716) | (2,544,861) | (3,442,284) | (1,949,058) |
| Income tax refunded | | 650,490 | - | - | - |
| Net cash from operating activities | | 6,967,708 | 1,173,559 | 8,655,082 | 7,766,335 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Acquisition of interest of non-controlling interests | | - | (10) | - | - |
| Addition to intangible assets | | (1,479,128) | (2,120,430) | (1,714,853) | - |
| Cash flow effects of acquiring Pinkypye | A | - | 113,654 | - | - |
| Dividend income | | - | - | 1,040,000 | - |
| Net changes in other investments | | 1,870,500 | (428,000) | 370,297 | - |
| Placement of fixed deposit with licensed bank | | (591,548) | (21,196) | (19,592) | (254,171) |
| Proceed from disposal of property, plant and equipment | | 200 | 85,000 | 7,189 | - |
| Purchase of property, plant and equipment | B | (1,213,742) | (9,034,548) | (6,266,489) | (632,335) |
| Net cash used in investing activities | | (1,413,718) | (11,405,530) | (6,583,448) | (886,506) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Dividends paid | | (5,000,000) | (3,000,000) | (750,000) | - |
| Net change in hire purchase loans | C | (149,683) | (205,902) | (149,120) | (25,314) |
| Net drawdown of term loan | C | (676,136) | 4,297,194 | 4,068,727 | 141,533 |
| Payment of lease liabilities | C | (221,659) | (80,260) | (42,360) | (39,183) |
| Proceed from issuance of ordinary shares | | - | - | 2 | - |
| Proceeds from issuance of RCPS | | - | - | - | 6,100,000 |
| Net cash (used in)/from financing activities | | (6,047,478) | 1,011,032 | 3,127,249 | 6,177,036 |
| **NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS CARRIED FORWARD** | | (493,488) | (9,220,939) | 5,198,883 | 13,056,865 |

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**COMBINED STATEMENTS OF CASH FLOWS (CONT'D)**

| | Audited | | | |
|---|---|---|---|---|
| | **1.1.2023 to 30.9.2023 RM** | **1.1.2022 to 31.12.2022 RM** | **1.1.2021 to 31.12.2021 RM** | **1.1.2020 to 31.12.2020 RM** |
| **NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS BROUGHT FORWARD** | (493,488) | (9,220,939) | 5,198,883 | 13,056,865 |
| **Effect of foreign exchange rate changes** | 26,252 | 25,880 | (1,429) | - |
| **CASH AND CASH EQUIVALENTS AT BEGINNING** | 14,974,553 | 24,169,612 | 18,972,158 | 5,915,293 |
| **CASH AND CASH EQUIVALENTS AT END** | 14,507,317 | 14,974,553 | 24,169,612 | 18,972,158 |
| **The cash and cash equivalents are represented by:** | | | | |
| Fixed deposits with licensed banks | 9,870,396 | 7,872,196 | 9,282,617 | 7,664,682 |
| Cash and bank balances | 6,330,212 | 8,204,100 | 15,967,542 | 12,518,228 |
| Bank overdraft | - | - | - | (149,797) |
| | 16,200,608 | 16,076,296 | 25,250,159 | 20,033,113 |
| Less: Fixed deposit pledged to licensed banks and with maturity more than 3 months | (1,693,291) | (1,101,743) | (1,080,547) | (1,060,955) |
| | 14,507,317 | 14,974,553 | 24,169,612 | 18,972,158 |

**A. Cash flow effects of acquiring Pinkypye**

| | **1.1.2022 to 31.12.2022 RM** |
|---|---|
| Cost of investment in Pinkypye | (15) |
| Cash and cash equivalents of Pinkypye | 113,669 |
| | 113,654 |

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**COMBINED STATEMENTS OF CASH FLOWS (CONT'D)**

**B. Purchase of property, plant and equipment**

| | Note | 1.1.2023 to 30.9.2023 RM | 1.1.2022 to 31.12.2022 RM | 1.1.2021 to 31.12.2021 RM | 1.1.2020 to 31.12.2020 RM |
|---|---|---|---|---|---|
| | | Audited | | | |
| Total acquisition cost | | 1,320,742 | 9,953,448 | 6,266,489 | 722,335 |
| Acquired under hire purchase | C | (107,000) | (918,900) | - | (90,000) |
| | | 1,213,742 | 9,034,548 | 6,266,489 | 632,335 |

**C. Liabilities arising from financing activities**

Reconciliation between the opening and closing balances in the combined statements of financial position for liabilities arising from financing activities follows:

| | Balance at beginning RM | Net cash flows RM | Others [1] RM | Balance at end RM |
|---|---|---|---|---|
| | Audited | | | |
| **Audited** | | | | |
| **30.9.2023** | | | | |
| Hire purchase loans | 843,591 | (149,683) | 107,000 | 800,908 |
| Lease liabilities | 665,069 | (221,659) | 10,378 | 453,788 |
| Term loans | 11,754,043 | (676,136) | - | 11,077,907 |
| | 13,262,703 | (1,047,478) | 117,378 | 12,332,603 |
| **31.12.2022** | | | | |
| Hire purchase loans | 130,593 | (205,902) | 918,900 | 843,591 |
| Lease liabilities | 72,887 | (80,260) | 672,442 | 665,069 |
| Term loans | 7,456,849 | 4,297,194 | - | 11,754,043 |
| | 7,660,329 | 4,011,032 | 1,591,342 | 13,262,703 |

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**COMBINED STATEMENTS OF CASH FLOWS (CONT'D)**

**C. Liabilities arising from financing activities (cont'd)**

| | Audited | | | |
|---|---|---|---|---|
| | **Balance at beginning RM** | **Net cash flows RM** | **Others [1] RM** | **Balance at end RM** |
| **31.12.2021** | | | | |
| Hire purchase loans | 279,713 | (149,120) | - | 130,593 |
| Lease liabilities | 33,240 | (42,360) | 82,007 | 72,887 |
| Term loans | 3,388,122 | 4,068,727 | - | 7,456,849 |
| | 3,701,075 | 3,877,247 | 82,007 | 7,660,329 |
| **31.12.2020** | | | | |
| Hire purchase loans | 215,027 | (25,314) | 90,000 | 279,713 |
| Lease liabilities | 71,186 | (39,183) | 1,237 | 33,240 |
| Term loans | 3,246,589 | 141,533 | - | 3,388,122 |
| | 3,532,802 | 77,036 | 91,237 | 3,701,075 |

[1] **Others consist of non-cash movement as follows:**

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| Accretion of interest | 21,570 | 6,064 | 5,485 | 4,414 |
| Addition of lease liabilities | - | 666,378 | 76,522 | - |
| Acquisition of property, plant and equipment through hire purchase loans | 107,000 | 918,900 | - | 90,000 |
| Lease modification | (11,192) | - | - | - |
| Rent concession | - | - | - | (3,177) |
| | 117,378 | 1,591,342 | 82,007 | 91,237 |

*[the remainder of this page is intentionally left blank]*

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

1. **GENERAL INFORMATION**

1.1 **Introduction**

This report has been prepared solely to comply with the Prospectus Guidelines issued by the Securities Commission Malaysia and for inclusion in the prospectus of 3REN Berhad ("the Company" or "3REN") in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (hereinafter defined as "the Listing"), via an initial public offering ("IPO") by the Company.

1.2 **Background**

The Company was incorporated on 5th April 2021 under the Companies Act 2016 in Malaysia as a private limited company and subsequently converted into a public limited company on 19 February 2024. The Company was incorporated as a special purpose vehicle for the purpose of acquiring Sophic Automation Sdn. Bhd. ("Sophic Automation"), Sophic MSC Sdn. Bhd. ("Sophic MSC") and Pinkypye as disclosed in Note 1.5 below, pursuant to the listing.

The registered office of the Company is located at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Penang.

The principal place of business of the Company is located at No. 9 Jalan Industri Tangkas 1, Taman Industri Tangkas, 14000 Bukit Mertajam, Pulau Pinang.

1.3 **Principal activities**

The Company's principal activity is that of investment holding. The details of the subsidiaries as at the date of report are as follows:

| Name of companies | Country of incorporation/Principal place of business | Date of incorporation | Effective equity interest | Principal activities |
|---|---|---|---|---|
| Sophic Automation | Malaysia | 07.11.2007 | 100% | Provision of automation solutions and engineering services. |
| Sophic MSC | Malaysia | 29.11.2011 | 100% | Provision of automation solutions. |
| Pinkypye | Malaysia | 13.09.2021 | 100% | Provision of precision machining and related services. |

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

1. **GENERAL INFORMATION (CONT'D)**

1.4 **Movement of Share Capital of 3REN**

The share capital of 3REN as at the latest practicable date – 29 February 2024 ("LPD") is RM2 comprising 2 ordinary shares. The movement of 3REN share capital since its incorporation are set out below:

| Date of Allotment | No. of Shares allotted | Consideration/Type of issue | Cumulative share capital |
|---|---|---|---|
| | | RM | RM |
| 5 April 2021 | 2 | 2 / Subscribers shares | 2 |
| [●] | 489,999,998 | 49,000,000 / Consideration for the Acquisition of Sophic Automation | 49,000,002 |
| [●] | 40,000,000 | 4,000,000 / Consideration for the Acquisition of Sophic MSC | 53,000,002 |
| [●] | 10,000,000 | 1,000,000 / Consideration for the Acquisition of Pinkpye | 54,000,002 |

As at the LPD, 3REN does not have any outstanding warrant, option, convertible securities and uncalled capital. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment of shares.

Upon completion of the IPO, the enlarged share capital of 3REN will increase from RM2 comprising 2 ordinary shares to RM[●] comprising 650,000,000 ordinary shares.

1.5 **Internal restructuring**

Prior to the IPO, the following internal restructuring exercise was undertaken:

(a) Acquisition of Sophic Automation

On 20 March 2024, 3REN entered into a conditional share sale agreement with Lee Chee Hoo, Koh Dim Kuan, Malaysian Technology Development Corporation Sdn. Bhd. ("MTDC") and Low Chee Onn to acquire the entire equity interest in Sophic Automation comprising 571,700 ordinary shares for a purchase consideration of RM49,000,000. The purchase consideration was satisfied by the issuance of 489,999,998 new ordinary shares in the Company at an issue price of RM0.10 per ordinary share as follows:

| | **No. of Shares** | **RM** |
|---|---|---|
| Lee Chee Hoo | 244,264,998 | 24,426,500 |
| Koh Dim Kuan | 149,989,000 | 14,998,900 |
| Low Chee Onn | 34,300,000 | 3,430,000 |
| MTDC | 61,446,000 | 6,144,600 |
| | 489,999,998 | 49,000,000 |

The acquisition was completed on [●]. Thereafter, Sophic Automation became a wholly-owned subsidiary of 3REN. The total purchase consideration of RM49,000,000 was arrived on a "willing-buyer willing-seller" basis after taking into consideration the audited net assets ("NA") of Sophic Automation as at 30 September 2023 of RM49,085,615, adjusted for the proposed RCPS Conversion and interim dividends declared and paid amounting to RM5.0 million.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

1. **GENERAL INFORMATION (CONT'D)**

1.5 **Internal restructuring (cont'd)**

(b) Acquisition of Sophic MSC

On 20 March 2024, 3REN entered into a conditional share sale agreement with Sophic Automation and Liew Chee Kin to acquire the entire equity interest in Sophic MSC comprising 100,000 ordinary shares for a purchase consideration of RM4,000,000. The purchase consideration was satisfied by the issuance of 40,000,000 new ordinary shares in the Company at an issue price of RM0.10 per share as follows:

| | No. of Shares | RM |
|---|---|---|
| Sophic Automation | 26,000,000 | 2,600,000 |
| Liew Chee Kin | 14,000,000 | 1,400,000 |
| | 40,000,000 | 4,000,000 |

Pursuant to the share sale agreement dated 20 March 2024, the entire 26,000,000 ordinary shares allotted to Sophic Automation pursuant to the acquisition of Sophic MSC was subsequently novated as follows:

| | No. of Shares | RM |
|---|---|---|
| Lee Chee Hoo | 12,961,000 | 1,296,100 |
| Koh Dim Kuan | 7,959,000 | 795,900 |
| Low Chee Onn | 1,820,000 | 182,000 |
| MTDC | 3,260,000 | 326,000 |
| | 26,000,000 | 2,600,000 |

The acquisition was completed on [●]. Thereafter, Sophic MSC became a wholly-owned subsidiary of 3REN. The total purchase consideration of RM4,000,000 was arrived on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of Sophic MSC as at 30 September 2023 of RM3,978,690.

(c) Acquisition of Pinkypye

On 20 March 2024, 3REN entered into a conditional share sale agreement with Sophic Automation to acquire the entire equity interest in Pinkypye comprising 25 ordinary shares for a purchase consideration of RM1,000,000. The purchase consideration was satisfied by the issuance of 10,000,000 new ordinary shares in the Company at an issue price of RM0.10 per share.

Pursuant to the share sale agreement dated 20 March 2024, the entire 10,000,000 ordinary shares allotted to Sophic Automation pursuant to the acquisition of Pinkypye was subsequently novated as follows:

| | No. of Shares | RM |
|---|---|---|
| Lee Chee Hoo | 4,985,000 | 498,500 |
| Koh Dim Kuan | 3,061,000 | 306,100 |
| Low Chee Onn | 700,000 | 70,000 |
| MTDC | 1,254,000 | 125,400 |
| | 10,000,000 | 1,000,000 |

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

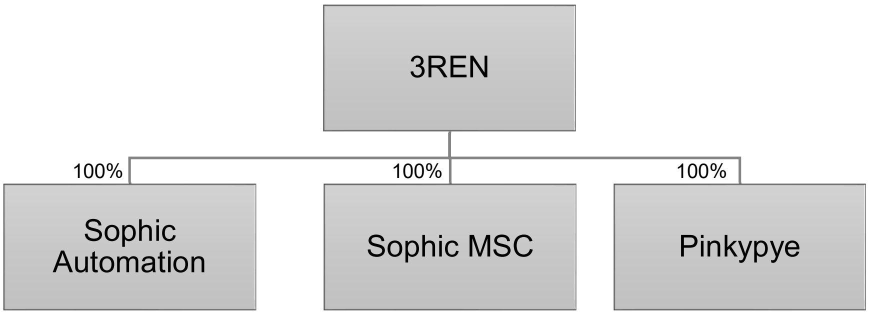
1. **GENERAL INFORMATION (CONT'D)**

1.5 **Internal restructuring (cont'd)**

(c) Acquisition of Pinkypye (cont'd)

The acquisition was completed on [●]. Thereafter, Pinkypye became a wholly-owned subsidiary of 3REN. The total purchase consideration of RM1,000,000 was arrived on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of Pinkypye as at 30 September 2023 of RM1,024,044.

Following the completion of the abovementioned acquisitions, the group structure of 3REN Group is as follows:




1.6 **IPO Listing Scheme**

(i) **Public Issue**

A total of 110,000,000 new 3REN ordinary shares ("Issued Shares") representing 16.92% of the enlarged share capital of 3REN are offered at an issue price of RM[●] per share and shall be allocated in the following manner:

(a) 32,500,000 Issue Shares, representing 5.00% of the enlarged share capital are made available for application by the Malaysian Public;

(b) 30,000,000 Issue Shares, representing 4.61% of the enlarged share capital for eligible Directors, employees and persons who have contributed to the Group's success;

(c) 3,800,000 Issue Shares, representing 0.59% of the enlarged share capital for private placement to Bumiputera investors approved by Ministry of Investment, Trade and Industry Malaysia ("MITI"); and

(d) 43,700,000 Issue Shares, representing 6.72% of the enlarged share capital for private placement to selected investors.

(ii) **Offer for Sale**

The Offer for Sales comprises an offer for sale up to 45,000,000 shares by certain existing shareholders of the Company ("Selling Shareholders") at an indicative offer price of [●] per share.

(iii) **Listing**

Subsequent to the above, the Company's entire enlarged share capital of RM[●]comprising of 650,000,000 ordinary shares shall be listed on the ACE Market of Bursa Securities.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

2. **BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS**

The combined entities are 3REN, Sophic Automation, Sophic MSC and Pinkypye* (collectively known as the "Group"). The combined financial statements of the Group have been prepared as if the Group has been operating as a single economic entity throughout the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and financial period ended 30 September 2023, since the combined entities are under common control throughout the financial years/period under review.

**The combined financial statements only included the financial information for Pinkypye effective from 1 March 2022 since it was not under the control of the Promoters prior to that date.*

Carved Out Entities
Throughout the financial years/period under review, Sophic Automation held equity interest in the following subsidiaries/associates (collectively referred herein as "Carved Out Entities"):

| | Audited | | | |
|---|---|---|---|---|
| **Entities** | **30.9.2023** | **31.12.2022** | **31.12.2021** | **31.12.2020** |
| | % | % | % | % |
| SAV | - | 64 | 64 | 64 |
| APSB | - | - | - | 100 |
| MSB | - | - | - | 100 |
| JSB | - | - | - | 100 |
| ERS | - | - | - | 75 |
| IOSB | - | 49 | 49 | 49 |
| Alpha | - | 42.5 | - | - |
| APM Metal | 30 | 30 | - | - |

*Abbreviations:*
*SVN Automation Co. Ltd ("SAV") (formerly known as Sophic Automation Co. Ltd.)*
*Agensi Pekerjaan Sophic Sdn. Bhd.("APSB")*
*Mnosys Sdn. Bhd. ("MSB")*
*Joman Sdn. Bhd. ("JSB")*
*Easy Remote Solution Sdn. Bhd. ("ERS") (formerly known as Tofi Solution Sdn. Bhd.)*
*Inno OPX Sdn. Bhd. ("IOSB") (formerly known as Turcomp Sophic Sdn. Bhd.)*
*Alpha Core Sdn. Bhd. ("Alpha")*
*APM Metal Technologies (M) Sdn. Bhd. ("APM Metal")*

The financial position, financial performance and cash flows of the Carved Out Entities do not form part of the combined financial statements as they will not be part of the Group post IPO. MSB, JSB and ERS had been disposed in the financial year ended 31 December 2021 while APSB had been liquidated in the financial year ended 31 December 2021. The entire equity interest of SAV, IOSB, Alpha and APM Metal were disposed on 3 February 2023, 17 March 2023, 26 April 2023 and 18 December 2023 respectively.

For the purpose of preparing the combined financial statements, the investment in the Carved Out Entities are presented under other investments in the Combined Statements of Financial Position and are measured at fair value through profit or loss.

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(Incorporated in Malaysia)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

## 2. BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS (CONT'D)

### 2.1 Statement of Compliance

For the purpose of preparing this Accountants' Report, the combined financial statements of the Group for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and financial period ended 30 September 2023 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") and in compliance with the Guidance Note on "Combined Financial Statements" issued by the Malaysian Institute of Accountant and Chapter 10, Part II Division I: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia.

### 2.2 Basis of Measurement

The combined financial statements of the Group are prepared under the historical cost convention unless otherwise indicated in the notes to the combined financial statements.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

**Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumption that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial assets takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the combined financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

2. **BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

2.3 **Functional and Presentation Currency**

The combined financial statements are presented in Ringgit Malaysia ("RM") which is also the Company's functional currency and its combining entities' functional currency.

2.4 **Standards Issued But Not Yet Effective**

The Group has not applied the following standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective:

**Effective for annual periods beginning on or after 1 January 2024**
*Amendments to MFRS 16 Leases: Lease Liability in a Sale and Leaseback*
*Amendments to MFRS 101 Presentation of Financial Statements: Non-Current Liabilities with Covenants*
*Amendments to MFRS 7 Financial Instruments: Disclosure and MFRS 107 Statement of Cash Flows - Supplier Finance Arrangements*

**Effective for annual period beginning on or after 1 January 2025**
*Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability*

**Effective date yet to be confirmed**
*Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group will adopt the above accounting pronouncements when they become effective in the respective financial periods. Preliminary assessment indicates that these accounting pronouncements are not expected to have any material impact to the combined financial statements of the Group upon adoption.

3. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of combined financial statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future periods affected.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

3. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)**

3.1 **Judgements made in applying accounting policies**

There are no significant areas of critical judgement in applying accounting policies that have any significant effect on the amount recognised in the combined financial statements other than the following:

(i) **Revenue recognition**

Revenue from the sale of goods and rendering of services are recognised at the point in time or over time when control of the goods is transferred and service is rendered to the customer. The management applies judgement in identifying the performance obligations and estimating the point of revenue recognition under different contractual agreements. The details of the different types of revenue are disclosed in Note 22 to the combined financial statements.

(ii) **Internally generated development costs**

Management monitors progress of internally generated research and development projects by using a project management system. Significant judgment is required in distinguishing the research phase from the development phase. Development costs are recognised as an asset when all the criteria are met, whereas research costs are expensed as incurred.

To distinguish any research-type project phase from the development phase, it is the Group's accounting policy to also require a detailed forecast of sales or cost savings expected to be generated by the intangible asset. The forecast is incorporated into the Group's overall budget forecast as the capitalisation of development costs commences. This ensures that managerial accounting, impairment testing procedures and accounting for internally-generated intangible assets is based on the same data.

The management also monitors whether the recognition requirements for development costs continue to be met. This is necessary as the economic success of any product under development is uncertain and may be subject to future technical problems after the time of recognition.

(iii) **Determining the lease term of contracts with extension options – Group as lessee**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has lease contracts that include extension option. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to extend the leases. That is, it considers all relevant factors that create an economic incentive for it to exercise the extensions. After the commencement date, the Group reassesses the lease terms if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to extend.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

3. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)**

3.2 **Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) **Inventories**

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the time the estimate is made. Possible changes in these estimates could result in revisions to the valuations of inventories.

(ii) **Provision for expected credit loss ("ECL") of receivables**

The Group uses a provision matrix to calculate ECL for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may be different from customer's actual default in the future.

The information about the ECL on the Group's trade receivables is disclosed on Note 30.3 to the combined financial statements.

(iii) **Leases – Estimating the incremental borrowing rate**

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the stand-alone credit rating).

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4. **PROPERTY, PLANT AND EQUIPMENT**

| | Freehold land RM | Buildings RM | Machinery RM | Office equipment, computers, furniture and fittings RM | Renovation RM | Motor vehicles RM | Capital work-in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **Audited** | | | | | | | | |
| **Cost** | | | | | | | | |
| At 1 January 2020 | 73,800 | 1,582,140 | 13,320 | 559,519 | 294,916 | 625,644 | - | 3,149,339 |
| Additions | - | - | - | 451,871 | 170,868 | 99,596 | - | 722,335 |
| At 31 December 2020/ 1 January 2021 | 73,800 | 1,582,140 | 13,320 | 1,011,390 | 465,784 | 725,240 | - | 3,871,674 |
| Additions | 2,900,000 | 2,317,422 | - | 443,132 | 59,375 | 502,810 | 43,750 | 6,266,489 |
| Disposals | - | - | - | (42,516) | - | - | - | (42,516) |
| Written off | - | - | - | - | (240,738) | - | - | (240,738) |
| At 31 December 2021/ 1 January 2022/Balance carried forward | 2,973,800 | 3,899,562 | 13,320 | 1,412,006 | 284,421 | 1,228,050 | 43,750 | 9,854,909 |

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

4. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

| | Freehold land RM | Buildings RM | Machinery RM | Office equipment, computers, furniture and fittings RM | Renovation RM | Motor vehicles RM | Capital work-in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| Balance brought forward | 2,973,800 | 3,899,562 | 13,320 | 1,412,006 | 284,421 | 1,228,050 | 43,750 | 9,854,909 |
| Additions | 1,600,736 | - | 1,975,046 | 604,867 | 261,970 | 495,815 | 5,015,014 | 9,953,448 |
| Disposals | - | - | - | - | - | (148,198) | - | (148,198) |
| Reclassification | - | 2,314,841 | - | 250,725 | 1,002,263 | - | (3,567,829) | - |
| Acquisition of a subsidiary | - | - | - | 1,650 | - | - | - | 1,650 |
| At 31 December 2022/ 1 January 2023 | 4,574,536 | 6,214,403 | 1,988,366 | 2,269,248 | 1,548,654 | 1,575,667 | 1,490,935 | 19,661,809 |
| Additions | - | 27,675 | 18,040 | 586,792 | 384,306 | 115,300 | 188,629 | 1,320,742 |
| Disposals | - | - | - | (3,380) | - | - | - | (3,380) |
| Reclassification | - | 845,888 | - | 27,164 | 632,187 | - | (1,505,239) | - |
| At 30 September 2023 | 4,574,536 | 7,087,966 | 2,006,406 | 2,879,824 | 2,565,147 | 1,690,967 | 174,325 | 20,979,171 |

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

4. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

| | Freehold land RM | Buildings RM | Machinery RM | Office equipment, computers, furniture and fittings RM | Renovation RM | Motor vehicles RM | Capital work-in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **Audited** | | | | | | | | |
| **Accumulated depreciation** | | | | | | | | |
| At 1 January 2020 | - | 67,540 | 12,836 | 285,756 | 80,007 | 323,119 | - | 769,258 |
| Current charge | - | 29,656 | 240 | 178,741 | 67,821 | 72,524 | - | 348,982 |
| At 31 December 2020/ 1 January 2021 | - | 97,196 | 13,076 | 464,497 | 147,828 | 395,643 | - | 1,118,240 |
| Current charge | - | 29,656 | 239 | 207,951 | 53,838 | 72,522 | - | 364,206 |
| Disposals | - | - | - | (16,167) | - | - | - | (16,167) |
| Written off | - | - | - | - | (73,461) | - | - | (73,461) |
| At 31 December 2021/ 1 January 2022 | - | 126,852 | 13,315 | 656,281 | 128,205 | 468,165 | - | 1,392,818 |
| Current charge | - | 47,891 | 78,409 | 311,450 | 65,075 | 129,039 | - | 631,864 |
| Disposals | - | - | - | - | - | (79,038) | - | (79,038) |
| Acquisition of a subsidiary | - | - | - | 27 | - | - | - | 27 |
| At 31 December 2022/ 1 January 2023/ Balance carried forward | - | 174,743 | 91,724 | 967,7589 | 193,280 | 518,166 | - | 1,945,671 |

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

4. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

| | Freehold land RM | Buildings RM | Machinery RM | Office equipment, computers, furniture and fittings RM | Renovation RM | Motor vehicles RM | Capital work-in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| Balance brought forward | - | 174,743 | 91,724 | 967,758 | 193,280 | 518,166 | - | 1,945,671 |
| Current charge | - | 103,318 | 202,281 | 343,265 | 313,684 | 98,978 | - | 1,061,526 |
| Disposals | - | - | - | (3,379) | - | - | - | (3,379) |
| At 30 September 2023 | - | 278,061 | 294,005 | 1,307,644 | 506,964 | 617,144 | - | 3,003,818 |
| **Net carrying amount** | | | | | | | | |
| As at 31 December 2020 | 73,800 | 1,484,944 | 244 | 546,893 | 317,956 | 329,597 | - | 2,753,434 |
| As at 31 December 2021 | 2,973,800 | 3,772,710 | 5 | 755,725 | 156,216 | 759,885 | 43,750 | 8,462,091 |
| As at 31 December 2022 | 4,574,536 | 6,039,660 | 1,896,642 | 1,301,490 | 1,355,374 | 1,057,501 | 1,490,935 | 17,716,138 |
| As at 30 September 2023 | 4,574,536 | 6,809,905 | 1,712,401 | 1,572,180 | 2,058,183 | 1,073,823 | 174,325 | 17,975,353 |

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

4. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

(i) **Material accounting policy information**

Property, plant and equipment are initially stated at cost and measured subsequently using the cost model less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated as it has an infinite life.

Depreciation on other property, plant and equipment is calculated on the straight-line method to write off the cost of each asset to their residual value over their estimated useful lives at the following annual rates:

| | |
|---|---|
| Buildings | 1.75% - 2% |
| Machinery | 20% |
| Office equipment, computers, furniture and fittings | 10% - 20% |
| Renovation | 20% |
| Motor vehicles | 10% |

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

(ii) The property, plant and equipment pledged to a licensed bank for banking facilities granted to the Group are as follows:

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| Freehold land | 4,574,536 | 4,574,536 | 2,973,800 | 73,800 |
| Buildings | 6,809,905 | 6,039,660 | 3,772,710 | 1,484,944 |
| Capital work-in-progress | - | 973,276 | - | - |
| | 11,384,441 | 11,587,472 | 6,746,510 | 1,558,744 |

(iii) The carrying amount of property, plant and equipment acquired under hire purchase are as follows:

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| Motor vehicles | 1,012,910 | 1,053,500 | 153,776 | 304,433 |

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

5. **INTANGIBLE ASSETS**

| | I---------- Audited ---------- | | | I |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| **At cost** | | | | |
| Balance at beginning | 3,835,283 | 1,714,853 | - | - |
| Additions | 1,479,128 | 2,120,430 | 1,714,853 | - |
| Balance at end | 5,314,411 | 3,835,283 | 1,714,853 | - |
| **Accumulated amortisation** | | | | |
| Balance at beginning | (256,980) | (21,705) | - | - |
| Current charge | (432,587) | (235,275) | (21,705) | - |
| Balance at end | (689,567) | (256,980) | (21,705) | - |
| **Carrying amount** | 4,624,844 | 3,578,303 | 1,693,148 | - |

The intangible assets represent development cost incurred for digitalised solutions such as command and control centre, operational efficiency solutions, workforce efficiency solutions, asset management system, manufacturing operating system framework etc.

**Material accounting policy information**

Expenditure incurred on projects to develop new products is capitalised as development costs and deferred only when the Group can demonstrate the technical feasibility of completing the asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are recognised in profit or loss as incurred.

Capitalised development costs comprise direct attributable costs incurred for development. Capitalised development costs, considered to have finite useful lives, are stated at cost less accumulated amortisation. Development costs are amortised using the straight-line basis over 5 to 10 years.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

## 6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has lease contracts for the rental of office premises and land used in its operations. The lease term of the land is 57 years while the lease term of the office premises is ranged from 2 to 3 years with an option to renew the leases for another 1 year. The Group expects that it is reasonably certain that it will exercise the options to extend the leases and has factored the extension options as part of the lease term for leases of office premise. The lease contracts restrict the Group from assigning and subleasing the leased assets.

Set out below are the carrying amount of the Group's right-of-use assets and lease liabilities recognised and the movements during the financial year:

| | Audited | | |
|---|---|---|---|
| | **Leasehold land RM** | **Office premises RM** | **Total RM** |
| **Right-of-use assets** | | | |
| At 1 January 2020 | 593,659 | 67,538 | 661,197 |
| Depreciation | (10,601) | (36,839) | (47,440) |
| At 31 December 2020/ 1 January 2021 | 583,058 | 30,699 | 613,757 |
| Additions | - | 76,522 | 76,522 |
| Depreciation | (10,601) | (37,076) | (47,677) |
| At 31 December 2021/ 1 January 2022 | 572,457 | 70,145 | 642,602 |
| Additions | - | 666,378 | 666,378 |
| Depreciation | (10,601) | (74,351) | (84,952) |
| At 31 December 2022/ 1 January 2023 | 561,856 | 662,172 | 1,224,028 |
| Depreciation | (7,950) | (206,117) | (214,067) |
| Lease modification | - | (10,785) | (10,785) |
| At 30 September 2023 | 553,906 | 445,270 | 999,176 |

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| **Lease liabilities** | | | | |
| Balance at beginning | 665,069 | 72,887 | 33,240 | 71,186 |
| Additions | - | 666,378 | 76,522 | - |
| Accretion of interest | 21,570 | 6,064 | 5,485 | 4,414 |
| Payments | (221,659) | (80,260) | (42,360) | (39,183) |
| Lease modification | (11,192) | - | - | - |
| Rent concession | - | - | - | (3,177) |
| Balance at end | 453,788 | 665,069 | 72,887 | 33,240 |

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

6. **RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)**

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| Represented by: | | | | |
| Non-current liabilities | 251,606 | 403,113 | 33,788 | - |
| Current liabilities | 202,182 | 261,956 | 39,099 | 33,240 |
| | 453,788 | 665,069 | 72,887 | 33,240 |

(i) **Material accounting policy information**

Right-of-use assets are initially stated at cost and measured subsequently using the cost model less accumulated depreciation and accumulated impairment losses.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the leases and the estimated useful lives of the assets as follows:

| | |
|---|---|
| Leasehold land | 57 years |
| Office premise | 2 to 3 years |

The Group applies the short-term lease recognition exemption to its short-term leases of office premise, other premises and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

(ii) The following are the amounts recognised in profit or loss:

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| Depreciation expense of right-of-use assets | (214,067) | (84,952) | (47,677) | (47,440) |
| Interest expense on lease liabilities | (21,570) | (6,064) | (5,485) | (4,414) |
| Rent concession [(a)] | - | - | - | 3,177 |
| Expenses relating to short-term leases [(b)] | (122,444) | (186,240) | (149,089) | (56,165) |
| Gain on lease modification | 407 | - | - | - |
| | (357,674) | (277,256) | (202,251) | (104,842) |

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

6. **RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)**

(ii) The following are the amounts recognised in profit or loss (cont'd):

[a] Rent concession is in relation to the rental expenses waived by the landlord during the financial year.

[b] The Group leases premise and equipment with contract term of less than 1 year. These leases are short-term in nature and the Group has elected not to recognise right-of-use asset and lease liabilities for these leases.

The Group's total cash outflows for leases during the financial period/year is RM344,103 (31.12.2022: RM266,500, 31.12.2021: RM191,449, 31.12.2020: RM95,348).

(iii) The right-of-use asset pledged to licensed banks for banking facilities granted is as follows:

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| Leasehold land | 553,906 | 561,856 | 572,457 | 583,058 |

7. **DEFERRED TAX ASSETS/(LIABILITIES)**

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| Balance at beginning | (1,216,876) | (536,000) | 481,000 | (222,434) |
| Recognised in profit or loss | (339,124) | (704,876) | (528,000) | 702,000 |
| | (1,566,000) | (1,240,876) | (47,000) | 479,566 |
| Over/(Under) provision in prior year | 10,000 | 24,000 | (489,000) | 1,434 |
| Balance at end | (1,546,000) | (1,216,876) | (536,000) | 481,000 |

The recognised deferred tax assets/(liabilities), after appropriate offsetting, are as follows:

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| Deferred tax assets | - | - | - | 483,000 |
| Deferred tax liabilities | (1,546,000) | (1,216,876) | (536,000) | (2,000) |
| | (1,546,000) | (1,216,876) | (536,000) | 481,000 |

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

7. **DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)**

The deferred tax assets/(liabilities) are represented by temporary differences arising from:

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| Property, plant and equipment | (446,000) | (389,000) | (131,000) | (46,000) |
| Intangible assets | (1,110,000) | (859,000) | (406,000) | - |
| Contract assets | 7,000 | 7,000 | 1,000 | 28,000 |
| Others | 3,000 | 24,124 | - | 499,000 |
| | (1,546,000) | (1,216,876) | (536,000) | 481,000 |

8. **OTHER INVESTMENTS**

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| **Fair value through profit or loss:** | | | | |
| Unquoted shares | | | | |
| Balance at beginning | 1,917,500 | 1,572,500 | 905,923 | 905,923 |
| Additions | - | 428,000 | 458,204 | - |
| Disposals | (1,870,500) | - | (828,500) | - |
| Fair value (loss)/gain on investment | (27,000) | (83,000) | 1,036,873 | - |
| Balance at end | 20,000 | 1,917,500 | 1,572,500 | 905,923 |
| Unquoted shares in Malaysia | 20,000 | 351,500 | 6,500 | 835,000 |
| Unquoted shares outside Malaysia | - | 1,566,000 | 1,566,000 | 70,923 |
| | 20,000 | 1,917,500 | 1,572,500 | 905,923 |

Investment in unquoted shares represents investments in the Carved Out Entities owned by Sophic Automation and are recognised at fair value. For the purpose of preparing the combined financial statements, the fair value of these investments is derived from the selling price agreed between Sophic Automation and the buyers under the respective share sales agreements or other equivalent sales contract and fair value gain/(loss) are recorded in the combined statements of comprehensive income in the year the investment is classified as other investment.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

8. **OTHER INVESTMENTS (CONT'D)**

Below summarises the transaction between the Group and the Carved Out Entities for the financial period/year under review:

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| Advances to SAV | - | 487,765 | - | - |
| Loan interest charged to: | | | | |
| - SAV | - | 7,194 | 855 | 18,233 |
| - ERS | - | - | - | 5,638 |
| Rental of vehicle from MSB | - | - | 9,000 | - |
| Dividend income received: | | | | |
| - MSB | - | - | 660,000 | - |
| - JSB | - | - | 380,000 | - |

**Material accounting policy information**

Other investments are carried in the combined statements of financial position at fair value with net changes in fair value recognised in profit or loss.

9. **TRADE RECEIVABLES**

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| **Non-current asset** | | | | |
| Trade receivable | 1,800,197 | - | - | - |
| **Current asset** | | | | |
| Trade receivables | 22,646,202 | 26,289,443 | 18,347,518 | 16,873,296 |
| Less: Allowance for expected credit losses | | | | |
| Balance at beginning | (39,107) | (39,107) | (174,819) | (174,819) |
| Current year | (4,541) | - | (39,107) | - |
| Written off | - | - | 174,819 | - |
| | (43,648) | (39,107) | (39,107) | (174,819) |
| Balance at end | 22,602,554 | 26,250,336 | 18,308,411 | 16,698,477 |
| Total trade receivables | 24,402,751 | 26,250,336 | 18,308,411 | 16,698,477 |

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

9. **TRADE RECEIVABLES (CONT'D)**

The currency profile of the trade receivables is as follows:

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| Ringgit Malaysia | 21,962,651 | 25,748,784 | 17,798,321 | 16,186,438 |
| US Dollar | 2,440,100 | 322,304 | 510,090 | 512,039 |
| Singapore Dollar | - | 179,248 | - | - |
| | 24,402,751 | 26,250,336 | 18,308,411 | 16,698,477 |

The trade receivables are non-interest bearing and generally on 30 to 120 days (31.12.2022: 30 to 120 days, 31.12.2021: 30 to 120 days, 31.12.2020: 30 to 120 days) credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivables is an amount of RM2,317,311 (31.12.2022: Nil, 31.12.2021: Nil, 31.12.2020: Nil) arising from sales during the financial period which have been arranged to be repaid over 24 months commencing December 2023.

10. **CONTRACT ASSETS/(LIABILITIES)**

| | | Audited | | | |
|---|---|---|---|---|---|
| | **Note** | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| **Non-current asset** | | | | | |
| Contract assets | | | | | |
| - Revenue contracts | 10.1 | 971,111 | - | - | - |
| **Current asset** | | | | | |
| Contract assets | | | | | |
| - Revenue contracts | 10.1 | 4,177,437 | 4,386,575 | 1,395,660 | 252,517 |
| Total contract assets | | 5,148,548 | 4,386,575 | 1,395,660 | 252,517 |
| **Current liability** | | | | | |
| Contract liabilities | | | | | |
| - Revenue contracts | 10.2 | (123,910) | (140,593) | (46,200) | (261,062) |
| - Deposits received from customers | 10.3 | (2,628,085) | (4,389,136) | (1,906,845) | (534,170) |
| | | (2,751,995) | (4,529,729) | (1,953,045) | (795,232) |
| | | 2,396,553 | (143,154) | (557,385) | (542,715) |

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

10. **CONTRACT ASSETS/(LIABILITIES) (CONT'D)**

10.1 **Contract assets - revenue contract ***

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| Balance at beginning | 4,386,575 | 1,395,660 | 252,517 | 4,136,377 |
| Revenue recognised during the year | 43,943,903 | 65,869,497 | 38,211,297 | 27,603,950 |
| Progress billings during the year | (43,181,930) | (62,878,582) | (37,068,154) | (31,487,810) |
| Balance at end | 5,148,548 | 4,386,575 | 1,395,660 | 252,517 |

10.2 **Contract liabilities - revenue contract ***

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| Balance at beginning | 140,593 | 46,200 | 261,062 | - |
| Revenue recognised during the year | (176,340) | (2,442,379) | (478,862) | (68,938) |
| Progress billings during the year | 159,657 | 2,536,772 | 264,000 | 330,000 |
| Balance at end | 123,910 | 140,593 | 46,200 | 261,062 |

* Contract assets/liabilities arising from revenue contracts are timing differences between the point where revenue is recognised to the point where invoice/billing is raised to the customer. The timing difference occurs when the billing does not coincide to the actual work performed to date for the customer and this occurs for sales contracts where recognition of revenue is over time.

10.3 **Contract liabilities - deposits received from customers**

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| Balance at beginning | 4,389,136 | 1,906,845 | 534,170 | 2,167,604 |
| Revenue recognised during the year | (4,389,136) | (1,906,845) | (534,170) | (2,167,604) |
| Deposit received during the year | 2,628,085 | 4,389,136 | 1,906,845 | 534,170 |
| Balance at end | 2,628,085 | 4,389,136 | 1,906,845 | 534,170 |

Deposits received in advance are from customers within the manufacturing operating solutions and services segment.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

10. **CONTRACT ASSETS/(LIABILITIES) (CONT'D)**

10.4 **Unsatisfied performance obligations**

The aggregate amount of unsatisfied performance obligations at the end of the reporting period and the expected timing of recognition of revenue are as follows:

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023** | **31.12.2022** | **31.12.2021** | **31.12.2020** |
| | **RM** | **RM** | **RM** | **RM** |
| Within one year | 6,796,551 | 11,920,809 | 5,033,235 | 3,470,764 |
| Within two years | - | - | 99,000 | 99,000 |
| Balance at end | 6,796,551 | 11,920,809 | 5,132,235 | 3,569,764 |

11. **INVENTORIES**

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023** | **31.12.2022** | **31.12.2021** | **31.12.2020** |
| | **RM** | **RM** | **RM** | **RM** |
| Raw materials | 987,688 | 523,826 | 600,448 | 126,822 |
| Work-in-progress | 3,570,372 | 4,420,795 | 409,032 | 2,761,475 |
| Finished goods | - | - | 2,062,975 | - |
| | 4,558,060 | 4,944,621 | 3,072,455 | 2,888,297 |

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023** | **31.12.2022** | **31.12.2021** | **31.12.2020** |
| | **RM** | **RM** | **RM** | **RM** |
| Recognised in profit or loss: | | | | |
| Inventories recognised as cost of sales | 15,585,447 | 24,334,034 | 31,044,164 | 29,386,071 |

**Material accounting policy information**

Inventories are stated at the lower of cost and net realisable value.

Costs of all inventories are determined on the first-in, first-out basis.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

12. **OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| Other receivables | 355,406 | 387,656 | 345,083 | 626,522 |
| Refundable deposits | 364,650 | 291,134 | 318,779 | 39,897 |
| Prepayments | 2,158,737 | 2,098,563 | 1,391,737 | 751,100 |
| | 2,878,793 | 2,777,353 | 2,055,599 | 1,417,519 |

The currency profile of other receivables, deposits and prepayments is as follows:

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| Ringgit Malaysia | 2,696,917 | 2,627,800 | 1,809,825 | 984,441 |
| US Dollar | 181,876 | 149,553 | 245,774 | 433,078 |
| | 2,878,793 | 2,777,353 | 2,055,599 | 1,417,519 |

13. **CONTRACT COSTS**

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| Costs to fulfil contracts | 675,771 | 748,016 | 1,359,840 | - |

Cost to fulfil contracts relates to project related costs incurred that are attributable to on-going projects where revenue have not been recognised. These costs will be charged to profit or loss when the related revenue is recognised.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

14. **FIXED DEPOSITS WITH LICENSED BANKS**

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| **Unencumbered:** | | | | |
| Fixed deposits with licensed banks | 8,980,759 | 6,770,453 | 8,202,070 | 6,603,727 |
| **Encumbered:** | | | | |
| Fixed deposits with licensed banks | 889,637 | 1,101,743 | 1,080,547 | 1,060,955 |
| | 9,870,396 | 7,872,196 | 9,282,617 | 7,664,682 |

The encumbered fixed deposits are pledged to licensed banks for banking facilities granted to combining entities as disclosed in Note 19 to the financial statements.

The maturities and effective interest rates per annum of the fixed deposits with licensed banks at the end of the reporting period are as follows:

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023** | **31.12.2022** | **31.12.2021** | **31.12.2020** |
| Maturities (months) | 1-12 | 1-12 | 1-12 | 1-12 |
| Interest rates (%) | 1.85 to 3.95 | 1.85 to 3.15 | 1.50 to 1.85 | 1.50 to 3.15 |

15. **CASH AND BANK BALANCES**

The currency profile of cash and bank balances is as follows:

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023** | **31.12.2022** | **31.12.2021** | **31.12.2020** |
| Ringgit Malaysia | 5,235,086 | 8,193,410 | 15,844,226 | 12,264,893 |
| US Dollar | 1,095,126 | 10,690 | 123,316 | 253,335 |
| | 6,330,212 | 8,204,100 | 15,967,542 | 12,518,228 |

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

16. **SHARE CAPITAL AND INVESTED EQUITY**

16.1 Share capital

| | Audited | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Amount 30.9.2023 RM | Number of shares 30.9.2023 | Amount 31.12.2022 RM | Number of shares 31.12.2022 | Amount 31.12.2021 RM | Number of shares 31.12.2021 | Amount 31.12.2020 RM | Number of shares 31.12.2020 |
| Issued and fully paid shares with no par value | 2 | 2 | 2 | 2 | 2 | 2 | - | - |

16.2 Invested equity

| | | Audited | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Amount 30.9.2023 RM | Number of shares 30.9.2023 | Amount 31.12.2022 RM | Number of shares 31.12.2022 | Amount 31.12.2021 RM | Number of shares 31.12.2021 | Amount 31.12.2020 RM | Number of shares 31.12.2020 |
| Issued and fully paid shares with no par value | | 860,000 | 600,000 | 860,000 | 600,000 | 860,000 | 600,000 | 860,000 | 600,000 |
| RCPS | 16.2.1 | 8,800,000 | 8,800,000 | 8,800,000 | 8,800,000 | 8,800,000 | 8,800,000 | 8,800,000 | 2,700,000 |
| | | 9,660,000 | 9,400,000 | 9,660,000 | 9,400,000 | 9,660,000 | 9,400,000 | 9,660,000 | 3,300,000 |

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

16. **SHARE CAPITAL AND INVESTED EQUITY (CONT'D)**

16.2.1 RCPS

| | Audited | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Amount 30.9.2023 RM** | **Number of RCPS 30.9.2023** | **Amount 31.12.2022 RM** | **Number of RCPS 31.12.2022** | **Amount 31.12.2021 RM** | **Number of RCPS 31.12.2021** | **Amount 31.12.2020 RM** | **Number of RCPS 31.12.2020** |
| **Issued and fully paid:** | | | | | | | | |
| Balance at beginning | 8,800,000 | 8,800,000 | 8,800,000 | 8,800,000 | 8,800,000 | 2,700,000 | 2,700,000 | 2,700,000 |
| Issued against share application money * | - | - | - | - | - | 6,100,000 | 6,100,000 | - |
| Balance at end | 8,800,000 | 8,800,000 | 8,800,000 | 8,800,000 | 8,800,000 | 8,800,000 | 8,800,000 | 2,700,000 |
| Represented by: | | | | | | | | |
| RCPS Series A | 2,700,000 | 2,700,000 | 2,700,000 | 2,700,000 | 2,700,000 | 2,700,000 | 2,700,000 | 2,700,000 |
| RCPS series B | 6,100,000 | 6,100,000 | 6,100,000 | 6,100,000 | 6,100,000 | 6,100,000 | 6,100,000 | - |
| | 8,800,000 | 8,800,000 | 8,800,000 | 8,800,000 | 8,800,000 | 8,800,000 | 8,800,000 | 2,700,000 |

* In 2020, Sophic Automation received an amount of RM6,100,000 representing share application money from its existing RCPS holder to subscribe to 6,100,000 new RCPS series B at an issue price of RM1 per share. The allotment was completed on 30 June 2021. The new RCPS series B allotted have similar salient terms as the previous RCPS series A issued.

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16. **SHARE CAPITAL AND INVESTED EQUITY (CONT'D)**

The salient features of the RCPS Series A and RCPS series B are as follows:-

(i) Voting rights similar to ordinary shares on as-converted basis.

(ii) The RCPS series B shall rank pari passu with the RCPS Series A and rank senior to all other issued securities;

At any time upon holder's discretion, the RCPS shall be convertible into ordinary shares in the Group, in full or partially, based on the following formula:

Z = X/Y; where

Z = Holder's Shareholding Percentage in the Group
X = Investment amount
Y = Sophic Automation's Value

For RCPS series A, Sophic Automation's Value shall be determined based on the weighted average Profit after Tax of Sophic Automation over a 36-months period post-disbursement of Investment Amount, multiplied by a Price/Earnings Multiple of 6.05 times.*

For RCPS Series B, Sophic Automation's Value shall be determined by application of intrinsic valuation model, i.e. residual income, and using the relative valuation model, i.e., price-to-earnings ratio or enterprise value to sales (EV/S) as indicator. In the case of merger and acquisition ("M&A") where all existing shares are being surrendered and new shares are issued arising from the merging activity of Sophic Automation with another entity, i.e., acquiree or acquirer, the number of ordinary shares issued to RCPS holder or shares value shall be at equal percentage of the initial or recent shareholding, i.e., assuming the M&A occurs subsequent to several rounds or series of fundraising, calculated on a fully diluted basis. In the case of investment being executed at a pre-IPO level where immediate execution of conversion is required by the financial regulatory authority or the exchanges or requested by the RCPS holder, the 2nd Tranche RCPS being converted prior to IPO shall require a minimum of discount to the IPO's price or valuation, to be completed prior to the final submission of IPO information memorandum or prospectus. Any investment via RCPS made at the subsidiary level of a pre-listing entity shall allow the RCPS holder to convert the RCPS at the subsidiary level and immediately swap the ordinary shares to the listed company, wherever RCPS holder is breakeven or gain position. The ordinary shares to be issued to RCPS holder at the listed company level shall be adjusted accordingly to reflect the RCPS holder's current share value based on the company's current market capitalisation, in which, the shareholding percentage that was held by the RCPS holder at the subsidiary level post conversion shall be used as the basis of computation.*

Notwithstanding the above, the holder reserves the right to adjust the conversion multiples arising from the new equity fund arising by the Group.

** Kindly refer below for the latest conversion salient term.*

(iii) The ordinary shares arising from the conversion of the RCPS shall be upon allotment and issue, rank *pari passu* in all respects, with the then existing issued ordinary shares save and except that they shall not be entitled to any rights, allotments and/or other distributions issued to existing holders of ordinary shares of the Group where the entitlement date (that is the date when such rights, allotments and/or other distributions and declared by the Group) is prior to the date of conversion. Further the amount of the RCPS that will be converted are subject to the initial agreeable conversion rate and/or equity valuation or current paid up capital upon conversion.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

16. **SHARE CAPITAL AND INVESTED EQUITY (CONT'D)**

(iv) The RCPS is redeemable at an amount equal to the Subscription Monies plus 10% Internal Rate of Return ("IRR") or minimum of 6.5% IRR and minimum annual coupon charges of 4.5% from the investment amount at any time upon occurrence of any events which may adversely affect the investment and/or the Group, at the sole determination of the holder.

In the event of the Group is unable to redeem the RCPS upon the issuance date of the Redemption Notice, the holder reserves the right to cause the existing shareholders to acquire the RCPS from the holder at Subscription Monies plus 10% IRR.

(v) As the holders of the RCPS shall have the right of first offer to purchase up to their pro-rata share (on an as-converted basis) of any equity securities that may be issued by the Group in future on the same price terms and conditions as the Group offers such securities to other potential investors or existing ordinary shareholders.

The holder as the holders of ordinary shares and RCPS shall also have a right of over-subscription if any shareholder elects not to purchase their pro-rata share.

(vi) In the event of new shares being approved by the RCPS shareholders, the conversion ratio of RCPS shall be adjusted on a broad-based, weighted-average basis in the event of an issuance below the conversion price of RCPS.

Conversion ratio of RCPS shall be subject to proportional adjustments for stock splits and share dividends, recapitalisation and similar events.

(vii) The holder as the holders of RCPS shall have the right to participate up to theirs share (on an as converted basis) in a sale of shares by any of the Group's shareholders on similar terms.

(viii) In the event of any liquidation, dissolution or winding-up of the Group, the holder shall be entitled to receive in preference to ordinary shareholders, an amount per share equal to 1.50 time of the original issue price (subject to splits, combinations and similar events including but not limited to capital reduction exercise), plus declared and unpaid dividends, if any or the amount holder would have received had holder converted the RCPS to ordinary shares prior to such liquidation or winding ("Initial Payment").

After Initial Payment has been made, the investors and ordinary shareholders will participate rateably.

A sales, lease, conveyance, license or other disposition of all or substantially all of the property or business of the Group with or into any other corporation will be deemed to be a liquidation or purposes of the liquidation preference.

(ix) The holder's equity terms and conditions shall rank higher in priority than the existing institutional investor (if any) wherever relevant which includes but not limited to dividend payment and liquidation preference.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

16. **SHARE CAPITAL AND INVESTED EQUITY (CONT'D)**

**Conversion Notice**

On 14 March 2024, Sophic Automation received a proposal for notice of conversion by MTDC, the RCPS holder, to convert all of its 8,800,000 RCPSs held in Sophic Automation, which comprise of 2,700,000 RCPS Series A and 6,700,000 RCPS series B, into 71,700 new ordinary shares in Sophic Automation based on a conversion rate of 2.1 multiple over the nominal value of the entire RCPS. The proposal put forth by MTDC will supersede the conversion formula as stipulated in (ii) above and is subject to the approval obtain from Bursa Securities and any such other relevant regulatory authorities on the Company's IPO.

17. **RETAINED PROFITS**

The franking of dividends is under the single tier system and therefore, there is no restriction to distribute dividends subject to the availability of retained profits.

18. **DEFERRED INCOME**

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| Balance at beginning | 2,406 | 3,078 | - | - |
| Grant received during the financial year | - | - | 3,358 | - |
| Recognised in profit or loss | (503) | (672) | (280) | - |
| Balance at end | 1,903 | 2,406 | 3,078 | - |
| Analysed as: | | | | |
| Non-current | 1,231 | 1,734 | 2,406 | - |
| Current | 672 | 672 | 672 | - |
| | 1,903 | 2,406 | 3,078 | - |

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

19. **BORROWINGS**

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| **Non-current liabilities** | | | | |
| Term loans | | | | |
| Total amount payable | 11,077,907 | 11,754,043 | 7,456,849 | 3,388,122 |
| Amount due within one year included under current liabilities | (466,900) | (715,277) | (509,419) | (451,922) |
| | 10,611,007 | 11,038,766 | 6,947,430 | 2,936,200 |
| Hire purchase loans | | | | |
| Total amount payable | 865,478 | 915,730 | 140,610 | 314,895 |
| Future finance charges | (64,570) | (72,139) | (10,017) | (35,182) |
| | 800,908 | 843,591 | 130,593 | 279,713 |
| Amount due within one year included under current liabilities | (217,838) | (192,593) | (36,391) | (56,036) |
| | 583,070 | 650,998 | 94,202 | 223,677 |
| | 11,194,077 | 11,689,764 | 7,041,632 | 3,159,877 |
| **Current liabilities** | | | | |
| Bank overdraft | - | - | - | 149,797 |
| Hire purchase loans | 217,838 | 192,593 | 36,391 | 56,036 |
| Term loans | 466,900 | 715,277 | 509,419 | 451,922 |
| | 684,738 | 907,870 | 545,810 | 657,755 |
| Total borrowings | 11,878,815 | 12,597,634 | 7,587,442 | 3,817,632 |

The borrowings (except for hire purchase loans) are secured by way of:

(i) first legal charge over the properties, plant and equipment as disclosed in Note 4 to the combined financial statements;
(ii) first legal charge over the leasehold land as disclosed in Note 6 to the combined financial statements;
(iii) jointly and several guarantee by directors of Sophic Automation; and
(iv) pledged against fixed deposit as disclosed in Note 14 to the combined financial statements.

The hire purchase loans are secured over the corresponding assets acquired in Note 4 to the combined financial statements.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

19. **BORROWINGS (CONT'D)**

A summary of the effective interest rates and the maturities of the borrowings are as follows:

| | Effective interest rates per annum (%) | Total RM | Within one year RM | More than one year and less than two years RM | More than two years and less than five years RM | More than five years RM |
|---|---|---|---|---|---|---|
| **30.9.2023** | | | | | | |
| Hire purchase loans | 3.78 to 6.40 | 800,908 | 217,838 | 227,594 | 355,476 | - |
| Term loans | 3.00 to 8.15 | 11,077,907 | 466,900 | 491,195 | 1,475,741 | 8,644,071 |
| **31.12.2022** | | | | | | |
| Hire purchase loans | 3.78 to 4.17 | 843,591 | 192,593 | 220,490 | 430,508 | - |
| Term loans | 3.00 to 7.90 | 11,754,043 | 715,277 | 758,723 | 1,931,895 | 8,348,148 |
| **31.12.2021** | | | | | | |
| Hire purchase loans | 4.62 to 5.01 | 130,593 | 36,391 | 38,093 | 56,109 | - |
| Term loans | 3.15 to 6.90 | 7,456,849 | 509,419 | 557,296 | 1,626,636 | 4,763,498 |
| **31.12.2020** | | | | | | |
| Banker overdraft | 7.40 | 149,797 | 149,797 | - | - | - |
| Hire purchase loans | 3.85 to 5.01 | 279,713 | 56,036 | 49,661 | 138,259 | 35,757 |
| Term loans | 3.20 to 6.90 | 3,388,122 | 451,922 | 373,684 | 1,264,329 | 1,298,187 |

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

20. **TRADE PAYABLES**

The currency profile of trade payables is as follows:

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| Ringgit Malaysia | 1,054,765 | 679,741 | 1,902,904 | 3,280,087 |
| US Dollar | 3,357 | 43,818 | 26,922 | 48,219 |
| Singapore Dollar | 1,244 | - | 15,735 | 12,786 |
| Euro | 169 | 169 | 55,822 | 84,522 |
| | 1,059,535 | 723,728 | 2,001,383 | 3,425,614 |

The normal credit terms granted by trade payables range from **30 to 90 days** (31.12.2022: 30 to 90 days; 31.12.2021: 30 to 90 days; 31.12.2020: 30 to 90 days).

21. **OTHER PAYABLES AND ACCRUALS**

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| Other payables | 270,271 | 503,536 | 677,453 | 227,485 |
| Accruals | 1,767,678 | 2,258,631 | 1,625,813 | 675,886 |
| | 2,037,949 | 2,762,167 | 2,303,266 | 903,371 |

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

## 22. REVENUE

### 22.1 Disaggregation of revenue from contracts with customers

| | Audited 1.1.2023 to 30.9.2023 RM | Unaudited 1.1.2022 to 30.9.2022 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2020 to 31.12.2020 RM |
|---|---|---|---|---|---|
| **Type of revenue** | | | | | |
| Manufacturing operating solutions and services | 45,596,911 | 53,950,711 | 76,948,685 | 52,407,053 | 45,619,106 |
| Product engineering solutions | 21,582,926 | 19,422,448 | 26,649,337 | 21,756,697 | 17,400,821 |
| **Total revenue from contracts with customers** | 67,179,837 | 73,373,159 | 103,598,022 | 74,163,750 | 63,019,927 |
| **Timing of revenue recognition** | | | | | |
| At a point in time | 24,473,845 | 24,353,283 | 35,286,146 | 35,473,591 | 35,347,039 |
| Overtime | 42,705,992 | 49,019,876 | 68,311,876 | 38,690,159 | 27,672,888 |
| **Total revenue from contracts with customers** | 67,179,837 | 73,373,159 | 103,598,022 | 74,163,750 | 63,019,927 |

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

22. **REVENUE (CONT'D)**

22.1 **Disaggregation of revenue from contracts with customers (cont'd)**

| | **Audited** | **Unaudited** | **\|------------** | **Audited** | **------------\|** |
|---|---|---|---|---|---|
| | **1.1.2023 to 30.9.2023 RM** | **1.1.2022 to 30.9.2022 RM** | **1.1.2022 to 31.12.2022 RM** | **1.1.2021 to 31.12.2021 RM** | **1.1.2020 to 31.12.2020 RM** |
| **By geographical markets** | | | | | |
| Malaysia | 63,410,644 | 72,297,818 | 102,157,285 | 69,722,108 | 60,458,038 |
| Thailand | - | 285,653 | 420,370 | 2,655,278 | 1,355,034 |
| Vietnam | 67,122 | 72,181 | 94,255 | 365,864 | 665,371 |
| United States of America | 796,806 | 129,235 | 232,462 | 368,049 | 25,521 |
| China | 381,453 | 315,700 | 318,405 | 315,442 | 125,130 |
| Singapore | 1,512,623 | 236,190 | 259,158 | 439,189 | 75,676 |
| Costa Rica | 24,925 | 36,382 | 36,382 | 287,848 | 315,157 |
| Others | 986,264 | - | 79,705 | 9,972 | - |
| **Total revenue from contracts with customers** | 67,179,837 | 73,373,159 | 103,598,022 | 74,163,750 | 63,019,927 |

22.2 **Contract balances**

The Group's contract balances are disclosed in Note 9 and Note 10 of the combined financial statements.

22.3 **Performance obligations**

The performance obligations of the Group are set out below:

***Manufacturing operating solutions and services***

Manufacturing operating solutions and services comprise revenue from design, development and sales digitalised solutions and of automated equipment and provision of engineering support services for integrated circuit ("IC") assembly and testing.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

22. **REVENUE (CONT'D)**

22.3 **Performance obligations (cont'd)**

The performance obligations of the Group are set out below: (cont'd)

***Manufacturing operating solutions and services (cont'd)***

The Group designs, assembles, integrates, configures, tests and commission production/operational modernisation digital management solutions systems and automated equipment based on customers orders received. The Group recognises revenue when a contract exists and when, or as, it satisfies a performance obligation by transferring control of a product or service to a customer. Contracts are accounted for when they have approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at point in time.

For point in time contracts, revenue is recognised when the transfer of controls of the goods have been passed to the customer, which typically occurs upon shipment or delivery depending on the terms of the underlying contract. Under certain circumstances, customer acceptance is conducted at customer's site i.e. to ensure that the equipment purchased can be integrated with the customer's production flow. Under such circumstance, revenue is only recognised once customer acceptance has been received at customer's site.

For over time contracts, revenue is recognised by reference to the stage of completion of the contract at the end of each reporting period. The Group uses both the input and output method to measure progress and the choice of method is dependent on what best depicts the transfer of the asset to the customer.

The Group also considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer, if any.

For certain sales transactions, the Group provides a standard part warranty of one year after delivery. These warranties are assurance type and accounted for under MFRS 137 Provisions, Contingent Liabilities and Contingent Assets. Such warranties provision are not recognised by the Group as it is able to claim any defects from its suppliers over the same period.

The Group is also providing engineering support services during the assembly and testing stage of its customers' production flow. Revenue from contracts with customers is recognised over time when control of the services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

***Product engineering services***

The Group is also involved in the provision of product engineering services, which entails mainly post design validation services during the design stage of its customers' production flow. Revenue from contracts with customers is recognised over time when control of the services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

## 23. PROFIT BEFORE TAX

This is arrived at:

| | Audited 1.1.2023 to 30.9.2023 RM | Unaudited 1.1.2022 to 30.9.2022 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2020 to 31.12.2020 RM |
|---|---|---|---|---|---|
| **After charging:** | | | | | |
| Amortisation of intangible assets | 432,587 | 165,373 | 235,275 | 21,705 | - |
| Depreciation of property, plant and equipment | 1,061,526 | 441,279 | 631,864 | 364,206 | 348,982 |
| Depreciation of right-of-use assets | 214,067 | 61,910 | 84,952 | 47,677 | 47,440 |
| Fair value loss on other investments, net | 27,000 | 81,500 | 83,000 | - | - |
| Impairment loss on goodwill | - | 51,560 | 51,560 | - | - |
| Interest expense on: | | | | | |
| - Bankers' acceptance | - | - | - | - | 4,391 |
| - Bank overdraft | - | 221 | 451 | 1,378 | 339 |
| - Flexitab | - | - | - | - | 38,987 |
| - Hire purchase | 25,867 | 23,963 | 32,845 | 10,436 | 4,773 |
| - Lease liabilities | 21,570 | 4,554 | 6,064 | 5,485 | 4,414 |
| - Term loans | 374,940 | 261,649 | 372,168 | 123,243 | 144,207 |
| Loss on disposal of property, plant and equipment | - | - | - | 19,160 | - |
| Property, plant and equipment written off | - | - | - | 167,277 | - |
| Realised loss on foreign exchange | 131 | 2,629 | 186 | 5,677 | 29,458 |

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23. **PROFIT BEFORE TAX (CONT'D)**

| | Audited 1.1.2023 to 30.9.2023 RM | Unaudited 1.1.2022 to 30.9.2022 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2020 to 31.12.2020 RM |
|---|---|---|---|---|---|
| Expenses relating to short-term leases | | | | | |
| - Equipment | 34,688 | 32,610 | 34,435 | 39,130 | 31,940 |
| - Premises | 74,944 | 99,084 | 151,805 | 100,959 | 24,225 |
| - Car rental | - | - | - | 9,000 | - |
| - Storage | 12,812 | 9,900 | - | - | - |
| Staff costs [(i)] | 40,433,680 | 45,993,463 | 62,548,078 | 27,834,754 | 20,740,479 |
| Unrealised loss on foreign exchange | 65 | - | - | 1,429 | - |
| Unwinding discount on | | | | | |
| - Contract assets | 105,749 | - | - | - | - |
| - Trade receivables | 210,709 | - | - | - | - |
| **And Crediting**: | | | | | |
| Deferred income released | 503 | 560 | 672 | 280 | - |
| Dividend income | - | - | - | 1,040,000 | - |
| Interest income | 216,587 | 125,750 | 183,057 | 153,012 | 208,766 |
| Fair value gain on other investments, net | - | - | - | 1,036,873 | - |
| Gain on disposal of property, plant and equipment | 199 | 15,841 | 15,841 | - | - |
| Gain on lease modification | 407 | - | - | - | - |
| Realised gain on foreign exchange | 25,785 | 17,864 | 4,339 | 8,375 | 5,624 |
| Unrealised gain on foreign exchange | 70,379 | 30,359 | 25,880 | - | - |

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23. **PROFIT BEFORE TAX (CONT'D)**

| | Audited | Unaudited | Audited | | |
|---|---|---|---|---|---|
| | 1.1.2023 to 30.9.2023 | 1.1.2022 to 30.9.2022 | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 | 1.1.2020 to 31.12.2020 |
| | RM | RM | RM | RM | RM |
| (i) Staff costs: | | | | | |
| Salaries, allowances, commission and bonus | 35,290,414 | 40,518,745 | 55,033,860 | 24,370,882 | 18,386,187 |
| EPF contribution | 4,473,450 | 4,727,536 | 6,458,776 | 3,029,417 | 2,055,874 |
| SOCSO and EIS | 669,816 | 747,182 | 1,055,442 | 434,455 | 298,418 |
| | 40,433,680 | 45,993,463 | 62,548,078 | 27,834,754 | 20,740,479 |

**Directors' emoluments are as shown below:**

| | Audited | Unaudited | Audited | | |
|---|---|---|---|---|---|
| | 1.1.2023 to 30.9.2023 | 1.1.2022 to 30.9.2022 | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 | 1.1.2020 to 31.12.2020 |
| | RM | RM | RM | RM | RM |
| Fees | 45,000 | 69,107 | 84,107 | 59,115 | 86,000 |
| Salaries, allowances and bonus | 718,065 | 800,798 | 1,040,968 | 858,191 | 692,105 |
| EPF contribution | 85,440 | 96,827 | 128,014 | 102,024 | 82,584 |
| Expenses included in staff costs | 848,505 | 966,732 | 1,253,089 | 1,019,330 | 860,689 |
| Benefit-in-kind | - | 17,625 | 23,500 | 15,800 | 22,300 |
| **Total** | 848,505 | 984,357 | 1,276,589 | 1,035,130 | 882,989 |

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## 24. TAX EXPENSE

| | Audited | Unaudited | \|---- Audited | | ----\| |
|---|---|---|---|---|---|
| | 1.1.2023 to 30.9.2023 RM | 1.1.2022 to 30.9.2022 RM | 1.1.2022 to 31.12.2022 RM | 1.1.2021 to 31.12.2021 RM | 1.1.2020 to 31.12.2020 RM |
| Malaysia income tax: | | | | | |
| Based on results for the financial year | | | | | |
| - Current tax | (1,396,000) | (1,204,173) | (1,430,000) | (1,247,000) | (4,112,336) |
| - Deferred tax relating to the origination and reversal of temporary differences | (339,124) | (664,000) | (704,876) | (528,000) | 702,000 |
| | (1,735,124) | (1,868,173) | (2,134,876) | (1,775,000) | (3,410,336) |
| (Under)/Over provision in prior years | | | | | |
| - Current tax | (65,940) | 150,897 | 150,897 | 991,139 | 145,651 |
| - Deferred tax | 10,000 | 24,000 | 24,000 | (489,000) | 1,434 |
| | (55,940) | 174,897 | 174,897 | 502,139 | 147,085 |
| | (1,791,064) | (1,693,276) | (1,959,979) | (1,272,861) | (3,263,251) |

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24. **TAX EXPENSE (CONT'D)**

The reconciliation of tax expense of the Group is as follows:

| | Audited | Unaudited | \|------------------------- Audited | ------------------------- | -----------------------\| |
|---|---|---|---|---|---|
| | 1.1.2023 to 30.9.2023 RM | 1.1.2022 to 30.9.2022 RM | 1.1.2022 to 31.12.2022 RM | 1.1.2021 to 31.12.2021 RM | 1.1.2020 to 31.12.2020 RM |
| Profit before tax | 8,372,712 | 7,346,842 | 14,026,302 | 17,345,900 | 14,513,832 |
| Income tax at Malaysia statutory tax rate of 24% | (2,009,451) | (1,763,242) | (3,366,312) | (4,163,016) | (3,483,320) |
| Expenses not deductible for tax purposes | (171,733) | (252,123) | (141,082) | (83,756) | (8,143) |
| Income not subject to tax | 16,559 | 18,742 | 17,667 | 407,548 | - |
| Pioneer income not subject to tax | 553,912 | 254,586 | 1,332,823 | 2,064,224 | 81,127 |
| Deferred tax assets not recognised | (124,411) | (126,136) | - | - | - |
| Utilisation of deferred tax assets not recognised | - | - | 22,028 | - | - |
| | (1,735,124) | (1,868,173) | (2,134,876) | (1,775,000) | (3,410,336) |
| Over/(Under) provision of deferred tax in prior years | 10,000 | 24,000 | 24,000 | (489,000) | 1,434 |
| (Under)/Over provision of current tax in prior years | (65,940) | 150,897 | 150,897 | 991,139 | 145,651 |
| | (1,791,064) | (1,693,276) | (1,959,979) | (1,272,861) | (3,263,251) |

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24. **TAX EXPENSE (CONT'D)**

The Group has been granted the following tax incentives under the Promotion of Investments Act, 1986:

(i) Sophic Automation has been granted full income tax exemption for 10 years with effect from 21 January 2021 to undertake the activity of manufacturing automated guided vehicle or automated mobile robot, automated intelligent vision inspection system, automated intelligent material management system, intelligent command center system and automated intelligent handling and testing system and 70% income tax exemption for 5 years with effect from 21 January 2021 to undertake the activity of manufacturing augmented reality smart glass; and

(ii) Sophic MSC has been granted 100% income tax exemption for 10 years effective from 17 May 2012 in relation to research, development and commercialisation of machine monitoring system and visitor management system, and provision of implementation, maintenance and technical services related to the abovementioned solutions. However, due to the changes of guidelines on MSC Malaysia financial incentives, the incentive had expired on 30 June 2021.

25. **EARNINGS PER SHARE**

**Basic earnings per share**

The calculation of basic earnings per share for the financial periods/years ended was based on the profit attributable to owners of the Company and dividend against the number of ordinary shares expected to be in issue upon completion of the IPO exercise as follows:

| | Audited | Unaudited | \|--------------------------- Audited | | -------------------------\| |
|---|---|---|---|---|---|
| | 1.1.2023 to 30.9.2023 RM | 1.1.2022 to 30.9.2022 RM | 1.1.2022 to 31.12.2022 RM | 1.1.2021 to 31.12.2021 RM | 1.1.2020 to 31.12.2020 RM |
| Profit attributable to owners of the Company | 6,581,648 | 5,743,924 | 12,036,666 | 16,073,039 | 11,250,581 |
| Weighted average number of shares (units) | 650,000,000 | 650,000,000 | 650,000,000 | 650,000,000 | 650,000,000 |
| Basic earnings per share (sen) | 1.01 | 0.88 | 1.85 | 2.47 | 1.73 |

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

26. **DIVIDENDS**

| | Audited | Unaudited | \|------------------- | Audited | -------------------\| |
|---|---|---|---|---|---|
| | 1.1.2023 to 30.9.2023 RM | 1.1.2022 to 30.9.2022 RM | 1.1.2022 to 31.12.2022 RM | 1.1.2021 to 31.12.2021 RM | 1.1.2020 to 31.12.2020 RM |
| In respect of financial year ended 31 December 2020: | | | | | |
| A single tier interim dividend of RM0.50 per share | - | - | - | 250,000 | - |
| In respect of financial year ended 31 December 2021: | | | | | |
| A single tier interim dividend of RM1.00 per share | - | - | - | 500,000 | - |
| In respect of financial year ended 31 December 2022: | | | | | |
| A single tier first interim dividend of RM6.00 per share | - | 3,000,000 | 3,000,000 | - | - |
| Dividend-in-specie * | - | - | 1,566,000 | - | - |
| Balance carried forward | - | 3,000,000 | 4,566,000 | 750,000 | - |

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26. **DIVIDENDS (CONT'D)**

| | Audited 1.1.2023 to 30.9.2023 RM | Unaudited 1.1.2022 to 30.9.2022 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2020 to 31.12.2020 RM |
|---|---|---|---|---|---|
| Balance brought forward | - | 3,000,000 | 4,566,000 | 750,000 | - |
| In respect of financial period ended 30 September 2023: | | | | | |
| First single tier interim dividend of RM5.00 per share | 2,500,000 | - | - | - | - |
| Second single tier interim dividend of RM5.00 per share | 2,500,000 | - | - | - | - |
| | 5,000,000 | 3,000,000 | 4,566,000 | 750,000 | - |

* The dividend-in-specie is in relation to the disposal of Sophic Automation's entire equity interests in SAV to its present shareholders pursuant to the Capital Transfer Agreement ("Agreement") dated 9 November 2022 entered between Sophic Automation and its present shareholders. According to the Agreement, the disposal price of SAV will be set off against the dividend-in-specie declared by Sophic Automation ("Set off"). The Set off has been completed on 9 November 2022, while the disposal of SAV has been completed on 3 February 2023 upon successful registration of the change in members of SAV with the Business Registration Office under the Department of Planning and Investment of Ho Chi Minh City, Vietnam.

Subsequent to the financial period ended 30 September 2023, Sophic Automation had declared the following dividends on 2 November 2023:

(i) Third interim single tier dividend of RM9.75 per ordinary share amounting to RM4,875,000 paid on 30 November 2023; and
(ii) First interim single tier dividend of approximately RM0.01 per RCPS amounting to RM125,000 paid on 26 December 2023.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

27. **OPERATING SEGMENT**

The Group has two reportable segments which comprise its major business segments. These business segments are involved in different activities and managed by segment managers who report directly to the Group's executive directors. The reportable segments are as follows:-

| **Reportable segments** | | **Activities** |
|---|---|---|
| Manufacturing operating solutions and services | - | Engineering support services for IC assembly and testing |
| | - | Design, development and sale of digitalised solutions |
| | - | Design, development and sale of automated equipment |
| Product engineering services | - | Product engineering services |

Management monitors its business units separately up to segment results for the purpose of making decisions about performance assessment. Segment assets and liabilities information are not presented to the decision makers by management as management does not distinguish assets and liabilities into the two operating segments. Hence, no disclosure is made on segment assets and liabilities.

| | **Manufacturing operating solutions and services RM** | **Product engineering services RM** | **Elimination RM** | **Total RM** |
|---|---|---|---|---|
| **Audited** | | | | |
| **1.1.2023 to 30.9.2023** | | | | |
| **Revenue** | 45,596,911 | 21,582,926 | - | 67,179,837 |
| **Segment results** | 4,116,793 | 4,495,734 | - | 8,612,527 |
| Finance costs | | | | (421,969) |
| Finance income | | | | 216,587 |
| Investing results* | | | | (27,000) |
| Loss arising from non-reportable segment** | | | | (7,433) |
| **Profit before tax** | | | | 8,372,712 |
| Tax expense | | | | (1,791,064) |
| **Profit for the financial period** | | | | 6,581,648 |

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27. **OPERATING SEGMENT (CONT'D)**

| | Manufacturing operating solutions and services RM | Product engineering services RM | Elimination RM | Total RM |
|---|---|---|---|---|
| **Unaudited** | | | | |
| **1.1.2022 to 30.9.2022** | | | | |
| **Revenue** | 53,950,711 | 19,422,448 | - | 73,373,159 |
| **Segment results** | 1,256,230 | 6,265,175 | - | 7,521,495 |
| Finance costs | | | | (290,387) |
| Finance income | | | | 125,750 |
| Investing results* | | | | (3,500) |
| Loss arising from non-reportable segment** | | | | (6,426) |
| **Profit before tax** | | | | 7,346,842 |
| Tax expense | | | | (1,693,276) |
| **Profit for the financial period** | | | | 5,653,566 |
| **Audited** | | | | |
| **1.1.2022 to 31.12.2022** | | | | |
| **Revenue** | 76,948,685 | 26,649,337 | - | 103,598,022 |
| **Segment results** | 7,061,334 | 7,330,837 | (45,331) | 14,346,840 |
| Finance costs | | | | (411,528) |
| Finance income | | | | 183,057 |
| Investing results* | | | | (83,000) |
| Loss arising from non-reportable segment** | | | | (9,067) |
| **Profit before tax** | | | | 14,026,302 |
| Tax expense | | | | (1,959,979) |
| **Profit for the financial year** | | | | 12,066,323 |

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27. **OPERATING SEGMENT (CONT'D)**

| | Manufacturing Operating Solutions and Services RM | Product engineering services RM | Elimination RM | Total RM |
|---|---|---|---|---|
| **Audited** | | | | |
| **1.1.2021 to 31.12.2021** | | | | |
| **Revenue** | 52,407,053 | 21,756,697 | - | 74,163,750 |
| **Segment results** | 9,264,014 | 6,001,995 | - | 15,266,009 |
| Finance costs | | | | (140,542) |
| Finance income | | | | 153,012 |
| Investing results* | | | | 2,076,873 |
| Loss arising from non-reportable segment** | | | | (9,452) |
| **Profit before tax** | | | | 17,345,900 |
| Tax expense | | | | (1,272,861) |
| **Profit for the financial year** | | | | 16,073,039 |
| **Audited** | | | | |
| **1.1.2020 to 31.12.2020** | | | | |
| **Revenue** | 45,619,106 | 17,400,821 | - | 63,019,927 |
| **Segment results** | 9,320,562 | 5,184,615 | - | 14,505,177 |
| Finance costs | | | | (200,111) |
| Finance income | | | | 208,766 |
| **Profit before tax** | | | | 14,513,832 |
| Tax expense | | | | (3,263,251) |
| **Profit for the financial year** | | | | 11,250,581 |

* Investing results include dividend income and fair value gain/(loss) on other investments.
** Non-reportable segment comprises the results of the Company, being an investment holding company.

**Geographical segments**

Revenue of the Group based on geographical location of its customers are disclosed in Note 22 of the combined financial statements.

The Group's non-current assets are entirely located in Malaysia.

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27. **OPERATING SEGMENT (CONT'D)**

**Major customers**

The following are major customers with revenue equal or more than 10% of the Group's revenue for the relevant reporting periods:

| | Audited | | | |
|---|---|---|---|---|
| | **1.1.2023 to 30.9.2023 RM** | **1.1.2022 to 31.12.2022 RM** | **1.1.2021 to 31.12.2021 RM** | **1.1.2020 to 31.12.2020 RM** |
| Customer A | 39,036,415 | 69,227,149 | 33,577,779 | 24,312,214 |
| Customer B | - | - | 11,612,058 | 11,569,915 |
| Customer C | 10,654,835 | 14,547,739 | 12,200,012 | 10,588,082 |
| | 49,691,250 | 83,774,888 | 57,389,849 | 46,470,211 |

A customer is defined as an entity or group of entities under the same ultimate holding company.

28. **RELATED PARTY DISCLOSURES**

(i) **Related party transaction**

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| Disposal of SAV to certain directors | 1,566,000 | - | - | - |

(ii) **Compensation of key management personnel**

The Group has no other members of key management personnel apart from the Board of Directors which compensation has been shown in Note 23 to the combined financial statements.

Key management personnel are those persons including directors having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

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29. **CAPITAL COMMITMENT**

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| Contracted but not provided for: | | | | |
| Property, plant and equipment | 142,535 | 242,230 | 1,360,406 | - |
| Approved but not provided for: | | | | |
| Property, plant and equipment | - | - | 3,700,000 | - |

*[the remainder of this page is intentionally left blank]*

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## 30. FINANCIAL INSTRUMENTS

### 30.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as financial assets and financial liabilities at amortised cost ("AC").

| | Audited | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 30.9.2023 | | 31.12.2022 | | 31.12.2021 | | 31.12.2020 | |
| | Carrying amount RM | AC RM | Carrying amount RM | AC RM | Carrying amount RM | AC RM | Carrying amount RM | AC RM |
| **Financial assets** | | | | | | | | |
| Trade receivables | 24,402,751 | 24,402,751 | 26,250,336 | 26,250,336 | 18,308,411 | 18,308,411 | 16,698,477 | 16,698,477 |
| Other receivables and refundable deposits | 720,056 | 720,056 | 678,790 | 678,790 | 663,862 | 663,862 | 666,419 | 666,419 |
| Fixed deposits with licensed banks | 9,870,396 | 9,870,396 | 7,872,196 | 7,872,196 | 9,282,617 | 9,282,617 | 7,664,682 | 7,664,682 |
| Cash and bank balances | 6,330,212 | 6,330,212 | 8,204,100 | 8,204,100 | 15,967,542 | 15,967,542 | 12,518,228 | 12,518,228 |
| | 41,323,415 | 41,323,415 | 43,005,422 | 43,005,422 | 44,222,432 | 44,222,432 | 37,547,806 | 37,547,806 |

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

30. **FINANCIAL INSTRUMENTS (CONT'D)**

30.1 **Categories of financial instruments (cont'd)**

The table below provides an analysis of financial instruments categorised as financial assets and financial liabilities at amortised cost ("AC"). (cont'd)

| | Audited | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 30.9.2023 | | 31.12.2022 | | 31.12.2021 | | 31.12.2020 | |
| | Carrying amount RM | AC RM | Carrying amount RM | AC RM | Carrying amount RM | AC RM | Carrying amount RM | AC RM |
| Trade payables | 1,059,535 | 1,059,535 | 723,728 | 723,728 | 2,001,383 | 2,001,383 | 3,425,614 | 3,425,614 |
| Other payables and accruals | 2,037,949 | 2,037,949 | 2,762,167 | 2,762,167 | 2,303,266 | 2,303,266 | 903,371 | 903,371 |
| Borrowings | 11,878,815 | 11,878,815 | 12,597,634 | 12,597,634 | 7,587,442 | 7,587,442 | 3,817,632 | 3,817,632 |
| | 14,976,299 | 14,976,299 | 16,083,529 | 16,083,529 | 11,892,091 | 11,892,091 | 8,146,617 | 8,146,617 |

The table below provides an analysis of financial instruments categorised as financial asset at fair value through profit or loss ("FVTPL").

| | Audited | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 30.9.2023 | | 31.12.2022 | | 31.12.2021 | | 31.12.2020 | |
| | Carrying amount RM | FVTPL RM | Carrying amount RM | FVTPL RM | Carrying amount RM | FVTPL RM | Carrying amount RM | FVTPL RM |
| **Financial asset** | | | | | | | | |
| Other investments | 20,000 | 20,000 | 1,917,500 | 1,917,500 | 1,572,500 | 1,572,500 | 905,923 | 905,923 |

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

30. **FINANCIAL INSTRUMENTS (CONT'D)**

30.2 **Financial risk management**

The Group is exposed to a variety of financial risks arising from its operation and use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency exchange risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

30.3 **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk arises principally from its trade receivables.

(i) **Credit risk concentration profile**

The Group's major concentration of credit risk that accounted for 10% or more of total trade receivables at the end of each reporting period is as follows:

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| Number of customers | 1 | 2 | 2 | 5 |
| Percentage of trade receivables | 48% | 69% | 66% | 87% |

(ii) **Exposure to credit risk**

At the end of each reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the combined statements of financial position of the Group after deducting any allowance for impairment losses.

(iii) **Assessment of impairment losses**

The Group extends credit terms to customers that range between 30 to 120 days. Credit period extended to its customers is based on careful evaluation of the customers' financial condition and credit history. Receivables are monitored on an on-going basis via the Group's management reporting procedures and action will be taken for long outstanding debts. In order to further minimise its exposure to credit risk, the Group may request deposits from its customers or request for progressive payments as the work is performed.

The Group assesses ECL on trade receivables based on a provision matrix, the expected loss rates are based on the payment profile for sales in the past as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

As at the end of the reporting period, the maximum exposure to the credit risk arising from trade receivables is presented by the carrying amounts in the combined statements of financial position.

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30. **FINANCIAL INSTRUMENTS (CONT'D)**

30.3 **Credit risk (cont'd)**

(iii) **Assessment of impairment losses (cont'd)**

The ageing of trade receivables of the Group are as follows:

| | Audited | | |
|---|---|---|---|
| | **Gross RM** | **Allowance for expected credit losses RM** | **Net RM** |
| **30.9.2023** | | | |
| Not past due | 19,818,099 | - | 19,818,099 |
| Past due 1 to 30 days | 765,068 | - | 765,068 |
| Past due 31 to 60 days | 349,179 | - | 349,179 |
| Past due 61 to 91 days | 715,124 | - | 715,124 |
| Past due more than 90 days | 2,755,281 | - | 2,755,281 |
| | 4,584,652 | - | 4,584,652 |
| Individually impaired | 43,648 | (43,648) | - |
| | 24,446,399 | (43,648) | 24,402,751 |
| **31.12.2022** | | | |
| Not past due | 19,049,091 | - | 19,049,091 |
| Past due 1 to 30 days | 3,221,120 | - | 3,221,120 |
| Past due 31 to 60 days | 985,032 | - | 985,032 |
| Past due 61 to 91 days | 436,004 | - | 436,004 |
| Past due more than 90 days | 2,559,089 | - | 2,559,089 |
| | 7,201,245 | - | 7,201,245 |
| Individually impaired | 39,107 | (39,107) | - |
| | 26,289,443 | (39,107) | 26,250,336 |

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30. **FINANCIAL INSTRUMENTS (CONT'D)**

30.3 **Credit risk (cont'd)**

(iii) **Assessment of impairment losses (cont'd)**

The ageing of trade receivables of the Group are as follows: (cont'd)

| | Audited | | |
|---|---|---|---|
| | **Gross RM** | **Allowance for expected credit losses RM** | **Net RM** |
| **31.12.2021** | | | |
| Not past due | 8,559,129 | - | 8,559,129 |
| Past due 1 to 30 days | 3,270,672 | - | 3,270,672 |
| Past due 31 to 60 days | 1,265,224 | - | 1,265,224 |
| Past due 61 to 91 days | 616,962 | - | 616,962 |
| Past due more than 90 days | 4,596,424 | - | 4,596,424 |
| | 9,749,282 | - | 9,749,282 |
| Individually impaired | 39,107 | (39,107) | - |
| | 18,347,518 | (39,107) | 18,308,411 |
| **31.12.2020** | | | |
| Not past due | 8,763,424 | - | 8,763,424 |
| Past due 1 to 30 days | 4,916,800 | - | 4,916,800 |
| Past due 31 to 60 days | 731,201 | - | 731,201 |
| Past due 61 to 91 days | 1,358,310 | - | 1,358,310 |
| Past due more than 90 days | 928,742 | - | 928,742 |
| | 7,935,053 | - | 7,935,053 |
| Individually impaired | 174,819 | (174,819) | - |
| | 16,873,296 | (174,819) | 16,698,477 |

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment record. None of the trade receivables that are neither past due nor impaired has been renegotiated during the financial year.

The Group has trade receivables amounting to RM4,584,652 (31.12.2022: RM7,201,245 31.12.2021: RM9,749,282, 31.12.2020: RM7,935,053) that are past due at the end of the reporting period but not impaired as the management is of the view that these past due amounts will be collected in due course.

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amounts is possible, the amount considered irrecoverable is written off against the receivable directly.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

30. **FINANCIAL INSTRUMENTS (CONT'D)**

30.4 **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met. As part of their overall prudent liquidity management, the Group maintains sufficient levels of cash and cash equivalents to meet its working capital requirements.

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on the undiscounted contractual payments:

| | Audited | | | | | |
|---|---|---|---|---|---|---|
| | **Carrying amount RM** | **Contractual cash flows RM** | **Within one year RM** | **More than one year and less than two years RM** | **More than two years and less than five years RM** | **More than five years RM** |
| **30.9.2023** | | | | | | |
| *Non-derivative financial liabilities* | | | | | | |
| Trade payables | 1,059,535 | 1,059,535 | 1,059,535 | - | - | - |
| Other payables and accruals | 2,037,949 | 2,037,949 | 2,037,949 | - | - | - |
| Borrowings | 11,878,815 | 17,125,139 | 1,202,422 | 1,202,422 | 3,081,369 | 11,638,926 |
| Lease liabilities | 453,788 | 478,448 | 218,816 | 207,706 | 51,926 | - |
| | 15,430,087 | 20,701,071 | 4,518,722 | 1,410,128 | 3,133,295 | 11,638,926 |
| **31.12.2022** | | | | | | |
| *Non-derivative financial liabilities* | | | | | | |
| Trade payables | 723,728 | 723,728 | 723,728 | - | - | - |
| Other payables and accruals | 2,762,167 | 2,762,167 | 2,762,167 | - | - | - |
| Borrowings | 12,597,634 | 17,456,540 | 1,414,168 | 1,434,181 | 3,567,756 | 11,040,435 |
| Lease liabilities | 665,069 | 711,478 | 288,486 | 215,286 | 207,706 | - |
| | 16,748,598 | 21,653,913 | 5,188,549 | 1,649,467 | 3,775,462 | 11,040,435 |

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

30. **FINANCIAL INSTRUMENTS (CONT'D)**

30.4 **Liquidity risk (cont'd)**

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on the undiscounted contractual payments: (cont'd)

| | Audited | | | | | |
|---|---|---|---|---|---|---|
| | **Carrying amount RM** | **Contractual cash flows RM** | **Within one year RM** | **More than one year and less than two years RM** | **More than two years and less than five years RM** | **More than five years RM** |
| **31.12.2021** | | | | | | |
| *Non-derivative financial liabilities* | | | | | | |
| Trade payables | 2,001,387 | 2,001,387 | 2,001,387 | - | - | - |
| Other payables and accruals | 2,303,266 | 2,303,266 | 2,303,266 | - | - | - |
| Borrowings | 7,587,442 | 9,710,155 | 776,183 | 826,775 | 2,236,087 | 5,871,110 |
| Lease liabilities | 72,887 | 77,660 | 42,360 | 35,300 | - | - |
| | 11,964,982 | 14,092,468 | 5,123,196 | 862,075 | 2,236,087 | 5,871,110 |
| **31.12.2020** | | | | | | |
| *Non-derivative financial liabilities* | | | | | | |
| Trade payables | 3,425,614 | 3,425,614 | 3,425,614 | - | - | - |
| Other payables and accruals | 903,371 | 903,371 | 903,371 | - | - | - |
| Borrowings | 3,817,632 | 4,428,625 | 799,897 | 545,432 | 1,620,827 | 1,462,469 |
| Lease liabilities | 33,240 | 35,300 | 35,300 | - | - | - |
| | 8,179,857 | 8,792,910 | 5,164,182 | 545,432 | 1,620,827 | 1,462,469 |

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30. **FINANCIAL INSTRUMENTS (CONT'D)**

30.5 **Interest rate risk**

The Group's fixed rate instruments are exposed to a risk of change in their fair values due to changes in interest rates. The Group's floating rate instruments are exposed to a risk of change in cash flows due to changes in interest rates.

The interest rate profile of the Group's interest-bearing financial instruments based on the carrying amount as at the end of the reporting period are as follows:

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| **Fixed rate instruments** | | | | |
| Financial assets | 9,870,396 | 7,872,196 | 9,282,617 | 7,664,682 |
| Financial liabilities | 800,908 | 843,591 | 130,593 | 279,713 |
| **Floating rate instruments** | | | | |
| Financial liabilities | 11,077,907 | 11,754,043 | 7,456,849 | 3,537,919 |

**Fair value sensitivity analysis for fixed rate instruments**

The Group does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss nor designates derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

**Cash flow sensitivity analysis for variable rate instruments**

An increase of 25 basis points would have decreased the profit before tax and equity of the Group by the amount shown below and a corresponding decrease would have an equal but opposite effect:

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| Decrease in profit before tax | (27,695) | (29,385) | (18,642) | (8,845) |
| Decrease in equity | (21,048) | (22,333) | (14,168) | (6,722) |

30.6 **Foreign currency risk**

The Group is exposed to foreign currency risk mainly on sales and purchases that are denominated in currencies other than the Group's functional currency. The Group also holds cash and bank balances denominated in foreign currencies for working capital purposes. The currency giving rise to this risk is primarily US Dollar ("USD").

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

30. **FINANCIAL INSTRUMENTS (CONT'D)**

30.6 **Foreign currency risk (cont'd)**

**Sensitivity analysis for foreign currency risk**

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rates against Ringgit Malaysia, with all other variables held constant, of the Group's profit before tax. A 10% strengthening of the RM against the following currencies at the end of the reporting period would have decreased profit before tax and equity by the amount shown below and a corresponding weakening of the RM would have an equal but opposite effect.

| | Audited | | | |
|---|---|---|---|---|
| | **30.9.2023 RM** | **31.12.2022 RM** | **31.12.2021 RM** | **31.12.2020 RM** |
| USD | (371,375) | (43,873) | (85,226) | (71,716) |
| Others | 141 | (17,908) | 4,008 | 2,558 |
| Decrease in profit before tax/equity | (371,234) | (61,781) | (81,218) | (69,158) |

31. **FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

The carrying amounts of the financial assets (other than other investments) and financial liabilities of the Group as at the end of the reporting period approximate their fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the non-current portion of hire purchase loans and lease liabilities are reasonable approximation of fair value due to the insignificant impact of discounting.

32. **CAPITAL MANAGEMENT**

The primary objective of the Group's capital management policy is to maintain a strong capital base to support its business and to maximise shareholder's value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions or expansion of the Group. The Group may adjust the capital structure by issuing new shares, returning capital to shareholders, adjusting the amount of dividends to be paid to shareholders or sell assets to reduce debts. No changes were made to the objective, policy and process during the financial years under review.

As at the end of the reporting period, the Group has not breached any of the debt convents imposed by its lenders.

33. **SUBSEQUENT EVENTS**

There is no other subsequent event since the end of the reporting period to the date of the report save for the implementation of the IPO as disclosed in the Note 1 to the combined financial statements, the conversion proposal received from MTDC disclosed in Note 16 to the combined financial statements and the dividends declared on 2 November 2023 disclosed in Note 26 to the combined financial statements.

## 14. ADDITIONAL INFORMATION

### 14.1 EXTRACTS OF OUR CONSTITUTION

The following provisions are extracted from our Constitution and are qualified in their entirety by the remainder of the provisions of our Constitution and the applicable law. The terms defined in our Constitution shall have the same meanings when used here unless otherwise stated or the context otherwise required.

#### 14.1.1 Remuneration of Our Directors

***Clause 198***

*The fees and benefits payable to the directors shall annually be determined by an ordinary resolution of the Company in General Meeting and shall (unless such resolution otherwise provides) be divisible among the directors as they may agree provided always that:-*

*(a) salaries payable to executive directors may not include a commission on or percentage or turnover;*

*(b) fees payable to non-executive directors shall be a fixed sum and not by a commission on or percentage of profits or turnover;*

*(c) any fee paid to an alternate director shall be agreed between himself and the appointing director and shall be paid out of the remuneration of the appointing director; and*

*(d) fees and benefits payable to directors shall not be increased except pursuant to an ordinary resolution passed at a General Meeting, where notice of the proposed increase has been given in the notice convening the meeting.*

***Clause 199***

*The Board can also repay to a director all expenses properly incurred in:-*

*(a) attending and returning from shareholders' meetings, Board meetings or Board committee meetings; or*

*(b) any other way in connection with the Company's business.*

***Clause 200***

*The Board can award extra fees to a director who:-*

*(a) holds an executive position;*

*(b) acts as chairman or deputy chairman; or*

*(c) serves on a Board committee or board at the request of the Board.*

***Clause 201***

*If by arrangement with the directors, any director shall perform or render any special duties or services outside his ordinary duties as a director in particular without limiting to the generality of the foregoing if any director being wiling shall be called upon to perform extra services or to make any special efforts in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of directors, the Company may remunerate the director so doing a special remuneration in addition to his directors' fees and such special remuneration may be by way of a fixed sum or otherwise as may be arranged.*

***Clause 202***

*Subject to the CA and the LR, the Board can decide whether to provide:-*

*(a) pensions;*

*(b) annual payments; or*

*(c) other allowances or benefits,*

*to any people including people who are or who were directors of the Company. The Board can decide to extend these arrangements to relations or dependants of, or people connected to, these people. The Board can also decide to contribute to a scheme or fund or to pay premiums to a third party for these purposes.*

***Clause 203***

*The Company can only provide pensions and other similar benefits to:-*

*(a) people who are or were directors; and*

*(b) relations or dependants of, or people connected to, those directors or former directors,*

*The receipt of a benefit of any kind given in accordance with this clause does not prevent a person from being or becoming a director of the Company.*

***Clause 204***

*Shareholders must approve the matters in Clauses 198 to 203 as far as the Laws require in relation to directors' fees and benefits. There must be annual shareholders' approvals by ordinary resolution at a General Meeting for the fees of the directors and any benefits payable to the directors. Compensation for loss of employment of a director or former director must have shareholders' approvals by ordinary resolution passed a General Meeting, where required by the CA and the LR.*

### 14.1.2 Voting and Borrowing Powers of Our Directors

***Clause 213***

*Matters for decision which arise at a Board meeting will be decided by a majority vote. If the votes are equal, the chairman of the meeting has a second casting vote. However, the chairman will not have a second casting vote where only 2 directors form the quorum or at which only 2 directors are competent to vote on the question at issue.*

***Clause 220***

*A director cannot vote (and if the director does vote, such vote will not be counted) on a resolution about a contract, proposed contract or arrangement in which the director (or a person connected with the director) is directly or indirectly interested.*

***Clause 221***

*A director is counted in the quorum for a Board meeting in relation to a resolution although the director is not entitled to vote.*

***Clause 222***

*A director is not interested in a contract where Sections 221(2) or (3) of the CA state so. This clause does not affect any equitable principle or rule of law relating to directors not being treated as interested. This clause is subject to the LR.*

***Clause 223***

*This clause applies if the Board is considering proposals to appoint 2 or more directors to positions with the Company or any company in which the Company has an interest. It also applies if the Board is considering fixing or varying the terms of the appointment. These proposals can be split up to deal with each proposed director separately. If this is done, each proposed director can vote (unless the proposed director is prevented from voting under Clause 220) and be counted in the quorum for each resolution.*

***Clause 224***

*If a question comes up at a meeting about whether a director (other than the chairman of the meeting) has all interest or whether the director can vote or be counted in the quorum, and the director does not agree to abstain from voting on the question or not be counted in the quorum, the question must be referred to the chairman of the meeting. The chairman's ruling about the director is conclusive, unless the nature or extent of the director's interests has not been fairly disclosed to the Board. If the question comes up about the chairman of the meeting, the question will be decided by a resolution of the Board. The chairman cannot vote on the question but can be counted in the quorum. The Board's resolution about the chairman is conclusive, unless the nature or extent of the chairman's interests has not been disclosed to the Board.*

***Clause 246***

*To the extent that the CA, the LR and this Constitution allow, the Board can exercise all the powers of the Company to:-*

*(a) borrow money of any sum or sums from any person, bank, firm or company;*

*(b) mortgage or charge all or any part of the Company's business, property and assets (present and future);*

*(c) issue debentures and other securities; and*

*(d) give security (including (without limitation), guarantees, indemnities and mortgages and charges) either outright or as collateral security, for a debt, liability or obligation of the Company or another person.*

***Clause 247***

*The director shall not borrow any money or mortgage or charge any of the Company's or its subsidiaries' undertaking, property or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.*

***Clause 248***

*The director shall cause proper register to be kept in accordance with the provisions of the CA of all charges specifically affecting the property of the Company and all floating charges on the undertaking or any property of the Company and shall duly comply with the requirements of the CA in regard to the registration of charges therein specified and otherwise.*

### 14.1.3 Changes to Share Capital

***Clause 34***

*Subject to the CA and this Constitution, the Board is authorised to allot shares, grant rights to subscribe for shares and to convert any securities into shares. This covers allotting shares under an agreement, option or offer.*

***Clause 35***

*Subject to the LR, the Board is authorised, without a resolution of the Company, to:-*

*(a) allot shares or grant any rights to subscribe for shares, under an offer made to shareholders in proportion to the shareholders' shareholdings;*

*(b) allot shares or grant any rights to subscribe for shares, on a bonus issue to shareholders in proportion to the shareholders' shareholdings;*

*(c) allot shares to a promoter of the Company which the promoter has agreed to take;*

*(d) allot shares or grant any rights where shares are to be issued as consideration or part consideration for the Company to acquire shares or assets. Shareholders must be notified of the intention to issue such shares at least 14 days before their issue.*

***Clause 36***

*A resolution of the Company must:-*

*(a) authorise the Board to do any of the things in Clause 34 not authorised by Clause 35 or where the CA or the LR require;*

*(b) not authorise the Board to allot or issue shares or convertible securities beyond any applicable limit required by the LR;*

*(c) approve the specific allotment to a director under a Share Scheme.*

***Clause 37***

*Subject to any direction to the contrary that may be given by the Company in General Meeting:-*

*(a) all new shares or other convertible securities must, before issue, be offered to shareholders who are entitled to receive notices from the Company of General Meetings as at the date of the offer;*

*(b) the offer must, as far as circumstances allow, be in proportion to the amount of existing shares or securities to which such shareholders are entitled to;*

*(c) the offer must be by a notice which specifies the number of shares or securities offered and which limits the time within which, the offer must be accepted or be treated as declined;*

*(d) if the offer is not accepted within such time or if such shareholders decline to accept the offer, the Board may dispose of those shares or securities in a way which they decide as most beneficial to the Company; and*

*(e)* *the **Board** may also dispose of any new share or **security** which (on grounds of the ratio which the new shares or **securities** bear to shares or **securities** held by **shareholders** entitled to such an offer) cannot, in the opinion of the **Board,** be conveniently offered under this clause.*

***Clause 43***

*The shareholders can pass a special resolution to reduce in any way the Company's share capital in accordance with Subdivision 4 of Division 1 of Part III of CA, whether with the confirmation of the Court or a solvency statement.*

***Clause 44***

*The shareholders can alter the Company's share capital in accordance with the CA.*

***Clause 45***

*If any shares are consolidated or divided, the Board may deal with any fractions of shares which result or any other problem that arises. If the Board decide to sell any shares which represent fractions, they must sell for the best price they can reasonably obtain and distribute the net proceeds of sale among shareholders in proportion to their fractional entitlements or shall be disregarded and will be dealt with by the Board in such a manner as they deem fit at their absolute discretion and in the best interest of the Company. The Board can sell to a person (including the Company, if CA and LR allow) and can authorise a person to transfer those shares to the buyer or in accordance with the buyer's instructions. The buyer does not need to take any action to check how any money paid is used. The buyer's ownership will not be affected if the sale was irregular or invalid in any way.*

***Clause 46***

*The shareholders can convert any paid-up shares into stock and reconvert any stock into paid-up shares in accordance with the CA.*

***Clause 47***

*Company may from time to time by an ordinary resolution passed at a General Meeting purchase in good faith and in the best interests of the company, any of its own shares through Bursa Securities on which the shares are quoted in accordance with the provisions of the CA, the LR and the Laws. The Company must be solvent at the date of purchase of the Company's shares and will not become insolvent by incurring the debt arising from the obligation to pay for the shares so purchased.*

***Clause 48***

*The Board may resolve and have the necessary powers to deal with such purchased shares in accordance with the Laws.*

***Clause 49***

*Subject to and in accordance with the Laws, the Company has the right to:-*

*(a)* *distribute treasury shares as dividends to shareholders;*

*(b)* *resell treasury shares in accordance with CA and LR;*

*(c)* *transfer treasury shares for purposes under a Share Scheme;*

*(d) transfer treasury shares as purchase consideration;*

*(e) cancel treasury shares;*

*(f) sell, transfer or use treasury shares for purposes which the Minister prescribes by order;*

*(g) receive an allotment of shares as fully paid bonus shares in respect of treasury shares;*

*(h) subdivide treasury shares into more treasury shares or consolidate them into less treasury shares.*

***Clause 50***

*The Company cannot exercise any right in respect of treasury shares which it holds:-*

*(a) to attend or vote at meetings;*

*(b) to receive dividends or other distributions. These may be cash or the Company's assets (which includes, on a winding up of the Company).*

### 14.1.4 Transfer of Securities

***Clause 57***

*The transfers of any listed security or class of listed security shall be made by way of book entry by the Depository in accordance with the DR and, notwithstanding Sections 105, 106 and 110 of the CA, but subject to Section 148(2) of the CA and any exemption that may be made from compliance with Section 148(1) of the CA, the Company shall be precluded from registering and effecting any transfer of the listed security.*

***Clause 58***

*Where:-*

*(a) the securities of the Company are listed on another stock exchange; and*

*(b) the Company is exempt from complying with Section 14 of SICDA or Section 29 of the Securities Industry (Central Depositories) (Amendment) (No. 2) Act 1998, as applicable, under DR in respect of such securities,*

*the Company shall, on request of a securities holder, allow securities held by that holder to be transmitted from the register of holders kept by the Registrar in the jurisdiction of the other stock exchange, to the register of holders kept by the Registrar in Malaysia and vice versa. However, there must be no change in the ownership of such securities.*

***Clause 59***

*Transfers of Non-Depository Shares must be in such prescribed form under the CA. If the CA does not prescribe a specific form, the transfer must be in the usual standard form, or such form as approved by the Board. A transfer must be signed, or made effective in some other way, by or on behalf of the persons making and receiving the transfer.*

***Clause 60***

*The Depository may refuse to transfer any Deposited Shares which does not comply with SICDA and DR. A shareholder can transfer some or all of their Non-Depository Shares unless this Constitution states otherwise.*

***Clause 61***

*The transfer for Non-Depository Shares must be delivered to the Registered Office or some other place which the Board decides. The transfer must have with it:-*

*(a) the share certificate of the shares to be transferred;*

*(b) any other evidence which the Board asks for to prove that the person making or receiving the transfer is entitled to do so; and*

*(c) if the transfer is executed by another person on behalf of the person making or receiving the transfer, evidence of the authority of that person to do so.*

***Clause 62***

*A transfer delivered under Clause 61:-*

*(a) cannot be in favour of more than 4 joint holders, unless approved by the Board; and*

*(b) must be properly stamped to show payment of any applicable stamp duty.*

***Clause 63***

*The Board can refuse to register such a transfer delivered:-*

*(a) where the transfer breaches any law or regulation or licensing or requirement (of any jurisdiction) which applies to the Company or any of its subsidiaries or any entity in which any of them have an interest;*

*(b) where the transfer is unlawful under Malaysian law; or*

*(c) the transfer relates to partly paid shares where a call has been made and is unpaid.*

***Clause 64***

*If the Board decides not to register a transfer of a share delivered under Clause 61, it must comply with Section 106 of the CA.*

***Clause 65***

*If the Company registers a transfer delivered under Clause 61, it can keep the transfer. A transfer cannot be used to transfer more than 1 class of shares. Each class needs a separate transfer. No fee is payable to the Company for transferring Non-Depository Shares or registering changes relating to the ownership of any such shares.*

***Clause 66***

*The person making a transfer of Non-Depository Shares will be treated as continuing to be the shareholder until the name of the person to whom a share is being transferred is entered in the ROM for that share.*

***Clause 67***

*If a shareholder who is a joint shareholder dies, the remaining joint shareholder or shareholders will be the only people which the Company will recognise as being entitled to their shares.*

***Clause 68***

*When a sole shareholder (or a shareholder who is the last survivor of joint shareholders) dies, their legal personal representatives will be the only people which the Company will recognise as being entitled to their shares.*

***Clause 69***

*Clauses 67 and 68 are subject to the SICDA and the DR, where the shares are Deposited Shares.*

***Clause 70***

*A person who becomes automatically entitled to a share by law can either be registered as the shareholder or may nominate some other person to have the share transferred to. The automatically entitled person must provide evidence of their entitlement as the Board reasonably requires. Where the shares are Deposited Shares, any registration as the shareholder or transfer to some other person must also comply with the Laws.*

***Clause 71***

*If a person who is automatically entitled to a share by law wants to be registered as a shareholder, they must deliver a written notice to the Company stating that they have made this decision. The notice must be in the form which the Board may prescribe. If the share is a Deposited Share, the notice must also be given to the Depository. That person must also comply with the Laws in relation to the registration of a Deposited Share. If the share is a Non-Depository Share, that person must comply with the requirements of this Constitution in relation to the transfers of Non-Depository Shares and their registration. The Board has the same power to refuse to register (in relation to Non-Depository Shares) the automatically entitled person as they would have had in deciding whether to register a transfer by the person who was previously entitled to the Non-Depository Shares.*

***Clause 72***

*If a person who is automatically entitled to a share by law wants the share to be transferred to another person, they must do this for:-*

*(a)* *a Deposited Share, in accordance with the requirements of this Constitution and the Laws; and*

*(b)* *a Non-Depository Share, by signing a transfer to the person they have nominated and comply with the other requirements of this Constitution in relation to the transfers of Non-Depository Shares and their registration.*

***Clause 73***

*The Board has the same power to refuse to register (in relation to Non-Depository Shares) the person selected as they would have had in deciding whether to register a transfer by the person who was previously entitled to the shares.*

***Clause 74***

*A person who is automatically entitled to a share by law is entitled to any dividends or other money or distributions or entitlements relating to the share, even though they are not registered as the holder of that share, upon providing to the Company evidence the Board reasonably requires to show their title to the share. However, the Board can send a written notice to the person stating that the person must either be registered as the holder of the share or transfer the share to some other person. If the automatically entitled person does not do this within 90 days from the date of such notice, the Board can withhold all dividends or other money or distributions or entitlements relating to the share until they do so. The Board may treat these dividends or other money or distributions or entitlements in the same way as unclaimed dividends and other money are treated in this Constitution.*

***Clause 75***

*Unless registered as the holder of the share, the person automatically entitled to a share by law cannot:-*

*(a) receive notices of shareholders' meetings, or attend or vote at these meetings; or*

*(b) exercise any other right of a shareholder in relation to any of these meetings, unless the Board decides otherwise.*

**14.1.5 Rights, Preferences and Restrictions Attached to Each Class of Securities Relating to Voting, Dividend, Liquidation and Any Special Rights**

***Clause 23***

*Where the Company has different classes of shares, this Constitution must state prominently:-*

*(a) that the Company's share capital is divided into different classes of shares;*

*(b) the voting rights attached to shares in each class;*

*(c) any other rights attached to those shares;*

*(d) any other things which Section 90 of the CA requires.*

*Section 89(2) of the CA applies.*

***Clause 24***

*This Constitution must set out the rights of shareholders attached to preference shares or shares convertible into preference shares. The rights which must be set out include shareholders' rights on:-*

*(a) a repayment of capital;*

*(b) participation in surplus assets and profits;*

*(c) cumulative or non-cumulative dividends;*

*(d) voting;*

*(e) priority of payment of capital and dividend when compared to other shares or classes of preference shares.*

**14. ADDITIONAL INFORMATION** *(cont'd)*

*Preference shares must give their holders the right to vote:-*

*(a) when any dividends remain unpaid for more than 6 months;*

*(b) on a proposal to reduce the Company's share capital;*

*(c) on a proposal to dispose of all of the Company's property, business and undertaking;*

*(d) on a proposal that affects rights attached to the share;*

*(e) on a proposal to wind up the Company; and*

*(f) during the winding up of the Company.*

*Holders of preference shares must also be entitled to the same rights as a holder of an ordinary share in relation to receiving notices, reports and audited financial statements, and attending meetings. The Company may issue preference shares on terms that further preference shares may be issued which rank equally with or in priority to existing preference shares.*

***Clause 25***

*The liability of each shareholder is limited to the amount (if any) unpaid on the share held by that shareholder.*

***Clause 26***

*The provisions of this Constitution about allotment, transfer or person who is automatically entitled to a share by law and all other matters which relate to shares apply to new shares in the same way as if they were existing shares.*

***Clause 27***

*The Company can issue new shares and attach any rights and restrictions to them, as long as this is not restricted by special rights previously given to holders of any existing shares. Subject to this, the rights of new shares can take priority over the rights of existing shares, or existing shares can take priority over them, or the new shares and the existing shares can rank equally. These rights and restrictions can apply to sharing in the Company's profits or assets. Other rights and restrictions can also apply, for example, those relating to the right to vote.*

***Clause 28***

*The shareholders can decide on the rights and restrictions to be attached to new shares by passing an ordinary resolution. The Board can also make these decisions if the shareholders have not passed a resolution which covers the point. However, where different classes of shares result, Clause 23 also applies.*

***Clause 29***

*The Company may allot preference shares or convert any existing shares into preference shares. However, Clause 24 then applies.*

***Clause 30***

*If the Company's share capital is divided into different classes of share, the special rights attached to any of these classes may (subject to Section 90 of the CA and whether or not the Company is being wound up) be varied or withdrawn if the shareholders approve this by passing a special resolution. This must be passed at a separate meeting of the holders of that class of shares. This is called a class meeting. Alternatively, the holders of at least 75% of the existing shares of that class (by voting rights) can give their written consent.*

***Clause 31***

*The provisions of the CA and this Constitution which relate to General Meeting shall apply mutatis mutandis, with any necessary changes, to a class meeting, but with the following adjustments:-*

*(a) a shareholder who is present in person or by proxy can demand a poll;*

*(b) on a poll, the holders of shares will have one (1) vote for every share of the class which they hold;*

*(c) the vote will, anyhow, be by poll if the LR requires this.*

*This is subject to any special rights or restrictions which are attached to a class of shares by this Constitution, or any rights attached to shares in some other way under this Constitution.*

*A special resolution of shareholders of the preference capital affected is required where preference capital is to be repaid (other than redeemable preference capital or any other alteration to preference shareholders' rights). However, where the majority for the special resolution is not obtained at a meeting, written consent given by holders of at least 75% of that preference capital within 2 months of that meeting shall be as valid and effective as a special resolution passed at a meeting.*

***Clause 32***

*Clauses 30 and 31 also apply if:-*

*(a) special rights of shares forming part of a class are varied or withdrawn. Each part of the class which is being treated differently is viewed as a separate class in applying this clause;*

*(b) preference shares are issued shares which rank equally with existing preference shares. However, these clauses do not apply if the terms of issue of existing preference shares or this Constitution allows those preference shares to be issued.*

***Clause 33***

*Unless the terms of the existing shares state otherwise, the special rights of existing shares are not regarded as varied or withdrawn if:-*

*(a) new shares are created, or issued, which rank equally with or after any existing shares in payment of dividends or sharing in profits or assets of the Company; or*

*(b) the Company purchases its own shares (this includes, purchases of any of these existing shares); or*

*(c) the Company redeems redeemable preference shares (this includes, redeeming any of these existing shares); or*

*(d) preference shares are issued which rank equally with or in priority to existing preference shares.*

***<u>Clause 277</u>***

*The Company may subject to Sections 131 to 133 of the CA by ordinary resolution make a distribution of dividends to the shareholders out of the profits of the Company available if the Company is solvent, but no dividend can exceed the amount recommended by the Board.*

***<u>Clause 278</u>***

*If the Board considers that the profits of the Company justify such payments, they can pay:-*

*(a) interim dividends on any class of shares of any amounts, on any dates and for any periods which they decide; and*

*(b) fixed or other dividends on any class of shares on the dates stated for the payment of those dividends.*

***<u>Clause 279</u>***

*If the Board acts in good faith, they are not liable to any shareholders for any loss they suffer because a lawful dividend has been paid under Clause 278 on other shares which rank equally with or behind their shares.*

***<u>Clause 280</u>***

*Unless otherwise provided by the rights attached to shares or the terms of their issue, all dividends shall be declared and paid proportionately to the capital paid up on the shares on which the dividend is paid, but if any shares are issued on terms providing that they shall rank for dividend as from a specified date or to a specified extent, they shall rank for dividend accordingly. Any dividend may be expressed to be payable on a specified date to persons registered on some earlier date as the holders of the shares in respect of which the dividend is declared.*

***<u>Clause 281</u>***

*If the Board recommend this, shareholders can pass an ordinary resolution to direct all or any part of a dividend to be paid by distributing specific assets (and in particular paid-up shares or debentures of any other company). The Board must give effect to that resolution. Where a difficulty arises in the distribution, the Board can settle it as they decide. In particular, they can:-*

*(a) issue fractional certificates;*

*(b) value the assets for distribution purposes;*

*(c) pay cash of a similar value to adjust the rights of shareholders; and/or*

*(d) transfer any assets to trustees.*

***<u>Clause 282</u>***

*No dividend can be paid except out of profits available for distribution and where the Company is solvent as the CA requires.*

***Clause 283***

*Subject to the LR, a cash distribution or other dividends or other money payable in cash relating to a share or other securities can be paid:-*

*(a)* *by cheque or warrant payable to the shareholder or person automatically entitled to the shares by law who is entitled to it or to another person named in a written instruction from the shareholder (or all joint shareholders or people jointly and automatically entitled to the shares by law);*

*(b)* *in the case of Deposited Shares, by using the eDividend service or any other means for directly crediting the payments into the bank accounts of the shareholders or holder of such other securities of the Company as provided to the Depository from time to time, where allowed or required. The Company must notify such shareholders or holders of such other securities of the Company once the Company has paid the cash distribution or other money payable in cash out of the Company's account where the shareholders or holders of such other securities of the Company have provided to the Depository the relevant contact details for purposes of electronic notifications;*

*(c)* *by bank transfer, electronic means or by means of a website directly to an account named in a written instruction from the shareholder (or all joint shareholders or people jointly and automatically entitled to the shares by law); and/or*

*in any other way agreed between the shareholder (or all joint shareholders or people jointly and automatically entitled to the shares by law) and the Company.*

***Clause 284***

*For joint shareholders, or people jointly and automatically entitled to shares by law, the Company can rely on a receipt for a dividend or other money paid on shares from anyone of them.*

***Clause 285***

*Cheques and warrants are sent, and payment in any other way is made, at the risk of the people who are entitled to the money. The Company is treated as having paid a dividend if a cheque or warrant is cleared or if a payment is made using the eDividend service, bank transfer, electronic means or by means of a website. The Company will not be responsible for a payment which is lost or delayed.*

***Clause 286***

*Where Malaysian law requires that a dividend and any other money payable in respect of a share can be paid in whatever currency the Board decide or as the law requires using an appropriate exchange rate selected by the Board for any currency conversions required. The Board can also decide how any costs relating to the choice of currency will be met.*

***Clause 287***

*No dividend or other money payable by the Company in respect of its shares carries a right to interest from the Company, unless the rights of the shares say something different.*

***Clause 305***

*(1) If the Company is wound up, whether voluntarily or in some other way, with the approval of a special resolution, the liquidators may divide among the shareholders any part of the assets of the Company. This applies whether the assets consist of property of one kind or different kinds. For the purpose, the liquidator can place whatever value the liquidator considers fair on any property and decide how the division is carried out between shareholders and different shareholders.*

*(2) The liquidator may, with the like sanction, vest the whole or any part of any such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, think fit, but so that no shareholder shall be compelled to accept any shares or other securities whereon there is any liability.*

*(3) Save that this clause shall be without prejudice to the rights of holders of shares issued upon special terms and conditions, the following provisions shall apply:-*

*(a) If the Company shall be wound up and the assets available for distribution among the shareholders as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the shareholders in proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up, on the shares held by them respectively; and*

*(b) If in the winding up the assets available for distribution among the shareholders shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed among the shareholders in proportion to the capital paid up, at the commencement of the winding up, on the shares held by them respectively.*

## 14.2 SHARE CAPITAL

(a) As at the date of this Prospectus, we only have 1 class of shares, namely ordinary shares, all of which rank equally with one another.

(b) Save for the new Shares to be issued pursuant to the Public Issue as disclosed in Section 4.3.1 of this Prospectus, there is no intention on the part of our Directors to further issue any Shares on the basis of this Prospectus.

(c) Save for the new Shares that have been issued as disclosed in Section 6.5 of this Prospectus, no other Shares have been issued by our Company which are paid with assets other than cash within the past 3 years preceding the LPD.

(d) Save for the Pink Form Allocation and the LTIP as disclosed in Sections 4.3.1(b) and 4.4 of this Prospectus:-

(i) no Director or employee of our Group has been or is entitled to be given or has exercised any option to subscribe for any Share of our Company or any of our subsidiaries; and

(ii) there is no other share option scheme involving our Directors or employees of our Group.

(e) Save for the SOP Awards as disclosed in Section 4.4 of this Prospectus, none of our Group's capital is under option, or agreed conditionally or unconditionally to be put under option.

(f) Save as disclosed in this Prospectus, there has been no acquisitions or subscription of any of our Shares by our substantial shareholders, Directors, key senior management or persons connected with them, or any transaction entered into by them which grants them the right to acquire any of our existing Shares, in the past 3 years up to the LPD.

(g) There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

## 14.3 CHANGES IN SHARE CAPITAL

Details on the changes in the share capital of our Company are disclosed in Section 6.2 of this Prospectus. Save as disclosed below, there have been no changes in the share capital of our subsidiaries during the Financial Periods Under Review up to the LPD:-

**(a) Sophic Automation**

As at the LPD, the issued share capital of Sophic Automation comprises [571,700] ordinary shares. The changes in the share capital of Sophic Automation during the Financial Periods Under Review and up to the LPD are as follows:-

***Ordinary Shares***

| Date of Allotment | No. of Shares Allotted | Type of Issue | Consideration | Cumulative No. of Shares |
|---|---|---|---|---|
| [●] | [71,700] | RCPS Conversion | Other than cash | [571,700] |

***Preference Shares***

| Date of Allotment/ Conversion | No. of RCPS Allotted/ (Converted) | Type of Issue | Consideration | Cumulative No. of RCPS |
|---|---|---|---|---|
| 06.09.2017 | 2,700,000 | Allotment of RCPS | Cash | 2,700,000 |
| 30.06.2021 | 6,100,000 | Allotment of RCPS | Cash | 8,800,000 |
| [●] | [(8,800,000)] | RCPS Conversion | Other than cash | [-] |

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**(b) Pinkypye**

As at the LPD, the issued share capital of Pinkypye comprises 25 ordinary shares. The changes in the share capital of Pinkypye from 13 September 2021 (date of incorporation) and up to the LPD are as follows:-

| Date of Allotment | No. of Shares Allotted | Type of Issue | Consideration | Cumulative Share Capital |
|---|---|---|---|---|
| 13.09.2021 | 1 | Allotment of shares | Cash | 1 |
| 28.02.2022 | 24 | Allotment of shares | Cash | 25 |

None of the shares in our Company or our subsidiaries were issued at a discount, on special terms or based on instalment payment terms.

As at the LPD, neither our Company nor our subsidiaries has any outstanding warrant, option, convertible security or uncalled capital in respect of their shares.

## 14.4 CONSENTS

(a) Our Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent has given and has not subsequently withdrawn its written consents to the inclusion of its names and all references thereto in the form and context in which they are included in this Prospectus.

(b) Our Company Secretary, Solicitors, Issuing House and Share Registrar have given and have not subsequently withdrawn their respective written consents to the inclusion of their names and all references thereto in the form and context in which they are included in this Prospectus.

(c) Our Auditors and Reporting Accountants have given and have not subsequently withdrawn their written consent to the inclusion of its name, report on the Compilation of the Proforma Consolidated Financial Statements, Accountants' Report and all references thereto in the form and context in which they are included in this Prospectus.

(d) Our Independent Market Researcher has given and has not subsequently withdrawn its written consent to the inclusion of its name, the IMR Report and all references thereto in the form and context in which they are included in this Prospectus.

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### 14.5 DOCUMENTS AVAILABLE FOR INSPECTION

A copy each of the following documents may be inspected at the registered office of our Company during normal business hours for a period of 6 months from the date of this Prospectus:-

(a) our Constitution;

(b) the material contract referred to in Section 7.12 of this Prospectus;

(c) the IMR Report as included in Section 8 of this Prospectus;

(d) the Reporting Accountants' report on the Proforma Consolidated Statement of Financial Position as included in Section 12.1 of this Prospectus;

(e) the Accountants' Report as included in Section 13 of this Prospectus;

(f) the letters of consent referred to in Section 14.4 of this Prospectus;

(g) the audited financial statements of 3REN for the financial period from 5 April 2021 (date of incorporation) to 31 December 2021, FYE 2022 and FPE 2023;

(h) the audited financial statements of Sophic Automation and Sophic MSC for the Financial Periods Under Review; and

(i) the audited financial statements of Pinkypye for the financial period from 13 September 2021 (date of incorporation) to 31 December 2022 and FPE 2023.

### 14.6 RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Offerors have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

KAF IB, being our Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the offering.

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## 15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

**THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.**

**Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.**

**Unless the context otherwise requires, words used in the singular include the plural, and vice versa.**

### 15.1 OPENING AND CLOSING OF APPLICATION PERIOD

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., [•].

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., [•].

In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspapers in Malaysia and make an announcement on Bursa Securities' website.

**Late Applications will not be accepted.**

### 15.2 METHODS OF APPLICATIONS

#### 15.2.1 Application by the Malaysian Public and the Eligible Parties

Applications must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

| Types of Application | Application Method |
|---|---|
| Applications by Eligible Parties | Pink Application Form only |
| Applications by the Malaysian Public:- | |
| (a) Individuals | White Application Form or Electronic Share Application or Internet Share Application |
| (b) Non-Individuals | White Application Form only |

#### 15.2.2 Application by selected investors via private placement

| Types of Application | Application Method |
|---|---|
| Applications by Bumiputera investors approved by MITI | MITI will directly contact the Bumiputera investors. The Bumiputera investors should follow MITI's instructions. |
| Applications by selected investors | The Sole Placement Agent will contact the selected investors directly. The selected investors should follow the Sole Placement Agent's instructions |

### 15.3 ELIGIBILITY

#### 15.3.1 General

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs set out in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS Account must be in your own name. Invalid, nominee or third party CDS Accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

**MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.**

**AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.**

#### 15.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfil all of the following:-

(a) You must be one of the following:-

  (i) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or

  (ii) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

  (iii) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(b) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

(c) You must submit Applications by using only one of the following methods:-

  (i) White Application Form;

  (ii) Electronic Share Application; or

  (iii) Internet Share Application.

### 15.3.3 Application by Eligible Parties

The Eligible Parties will be provided with Pink Application Forms and letters from us detailing their respective allocations as well as detailed procedures on how to subscribe to the allocated Public Issue Shares. The Eligible Parties must follow the notes and instructions in those documents and where relevant, in this Prospectus.

## 15.4 APPLICATION BY WAY OF APPLICATION FORM

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM[•] for each IPO Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NO. [•]"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:-

(a) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:-

Tricor Investor & Issuing House Services Sdn Bhd
(Registration No. 197101000970 (11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

(b) **DELIVER BY HAND AND DEPOSIT** in the Drop-in Boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur,

so as to arrive not later than 5.00 p.m. on [•] or by such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your White Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

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### 15.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATION

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Electronic Participating Financial Institutions.

### 15.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATION

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS International Securities Sdn Bhd (formerly known as CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

### 15.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:-

(a) reject Applications which:-

  (i) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

  (ii) are illegible, incomplete or inaccurate; or

  (iii) are accompanied by an improperly drawn up, or improper form of, remittance; or

(b) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(c) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 15.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

### 15.8 OVER/UNDER-SUBSCRIPTION

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of IPO Shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at https://tiih.online **within 1 Market Day** after the balloting date.

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our Public Issue Shares by the Malaysian Public and/or Eligible Parties, subject to the reallocation provisions as set out in Section 4.3.4 of this Prospectus, any of the abovementioned Public Issue Shares not subscribed for will then be subscribed by the Sole Underwriter based on the terms of the Underwriting Agreement.

### 15.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application Monies (without interest) will be refunded to you in the following manner:-

#### 15.9.1 For applications by way of Application Forms

(a) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

(b) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (a) and (b) above (as the case may be).

(d) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (b) above (as the case may be).

**15.9.2 For applications by way of Electronic Share Application and Internet Share Application**

(a) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.

(b) You may check your account on the 5th Market Day from the balloting date.

(c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

**15.10 SUCCESSFUL APPLICANTS**

If you are successful in your application:-

(a) Our IPO Shares allotted to you will be credited into your CDS Account.

(b) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(c) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and the Rules.

(d) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

## 15.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:-

| Mode of Application | Parties to Direct the Enquiries |
|---|---|
| Application Form | Issuing House Enquiry Services at telephone number +603 - 2783 9299 |
| Electronic Share Application | Participating Financial Institution |
| Internet Share Application | Internet Participating Financial Institution and Authorised Financial Institution |

The results of the allocation of the IPO Shares derived from successful balloting will be made available to the public at the Issuing House's website at https://tiih.online, within 1 Market Day after the balloting date.

You may also check the status of your Application at the above website, 5 Market Days after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs as set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

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**ANNEXURE A – BY-LAWS OF THE LTIP**

**3REN BERHAD ("3REN" OR "COMPANY")**
**BY-LAWS OF THE LONG TERM INCENTIVE PLAN**

## 1. DEFINITIONS AND INTERPRETATIONS

1.1 Except where the context otherwise requires, the following expression in these By-Laws shall have the following meanings:

| | | |
|---|---|---|
| **3REN** or **the Company** | : | 3REN Berhad (Registration No. 202101012445 (1412744-K)) |
| **3REN Group** or **the Group** | : | The Company and its subsidiary companies as defined in Section 4 of the Act, and in the context of the LTIP, shall exclude subsidiary companies which are dormant. Subject to the foregoing, subsidiary companies include subsidiary companies which are existing as at the Effective Date and subsidiary companies which are incorporated or acquired at any time during the duration of the Scheme but exclude subsidiaries which have been divested in the manner provided in By-Law 11 |
| **3REN Share(s)** or **Share(s)** | : | Ordinary share(s) in 3REN |
| **Act** | : | Companies Act 2016, as amended from time to time including any re-enactment thereof |
| **Adviser** | : | A person registered on the Register of Sponsors who has been appointed by the Company to undertake a corporate proposal prescribed by Bursa Securities to require the services of an Adviser under the ACE Market Listing Requirements of Bursa Securities or a recognised principal adviser under the Main Market Listing Requirements of Bursa Securities (as the case may be) |
| **Board** | : | The Board of Directors of the Company |
| **Bursa Depository** | : | Bursa Malaysia Depository Sdn Bhd (Registration No.: 198701006854 (165570-W)) |
| **Bursa Securities** | : | Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W)) |
| **By-Laws** | : | The rules, terms and conditions of the Scheme (as may be modified, varied and/or amended from time to time) |
| **CDS** | : | Central Depository System |
| **CDS Account** | : | An account established by Bursa Depository for a depositor for the recording of deposits and withdrawal of securities and for dealings in such securities by a depositor |
| **Central Depositories Act** | : | The Securities Industry (Central Depositories) Act 1991, as amended from time to time including all subsidiary legislations made thereunder and any re-enactment thereof |

| | | |
|---|---|---|
| **Constitution** | : | The constitution of the Company, including any amendments thereto that may be made from time to time |
| **Date of Expiry** | : | Last day of the duration of the Scheme or last day of any extended period pursuant to By-Law 13.2 (as the case may be) |
| **Director** | : | A natural person who holds a directorship in the Company or any company within 3REN Group, whether in an executive or non-executive capacity, and shall have the meaning of Section 2(1) of the Capital Markets and Services Act 2007 |
| **Effective Date** | : | The date on which the Scheme comes into force as provided in By-Law 13.1 |
| **Eligible Person** | : | Executive Director or Employee of the Company or any company within 3REN Group who meets the criteria of eligibility for participation in the Scheme as set out in By-Law 4 hereof and Non-Executive Director within 3REN Group who meets the criteria of eligibility for participation in SOP as set out in By-Law 4 hereof |
| **Employee** | : | A natural person who is employed by and on the payroll of the Company or any company within 3REN Group |
| **Entitlement Date** | : | The date as at the close of business on which shareholders' names must appear in the record of depositors of the Company maintained at Bursa Depository in order to be entitled to any dividends, rights, allotments and/or other distributions |
| **Listing Requirements** | : | Main or ACE Market Listing Requirements of Bursa Securities (as the case may be) including all amendments thereto and any Practice Notes or Guidance Notes issued in relation thereto |
| **LTIP** | : | Long Term Incentive Plan as stipulated in these By-Laws |
| **LTIP Award(s)** | : | Means the SGP Award(s) and/or the SOP Award(s), as the case may be |
| **LTIP Award Date(s)** | : | Means the SGP Award Date(s) and/or the SOP Award Date(s), as the case may be |
| **LTIP Award Vesting Date(s)** | : | Means the SGP Vesting Date(s) and/or the SOP Vesting Date(s), as the case may be |
| **LTIP Committee** | : | The committee comprising such persons as may be appointed and duly authorised by the Board pursuant to By-Law 14 to implement and administer the Scheme |
| **LTIP Participant(s)** | : | Means the SGP Participant(s) and/or the SOP Participant(s), as the case may be |
| **LTIP Scheme** or **Scheme** | : | The long term incentive plan for the award of SGP Award(s) and/or SOP Award(s) to any Eligible Person in accordance with the provisions of these By-Laws and such scheme shall be known as the "**3REN's Long Term Incentive Plan**" |
| **Market day** | : | A day on which Bursa-Securities is open for trading in securities |

| | | |
|---|---|---|
| **Maximum Allowable Allotment** | : | The maximum number of Shares in respect of the LTIP Awards that can be made available to an Eligible Person as set out in By-Law 5 hereof |
| **Option Price** | : | The price at which SOP Participant(s) shall be entitled to subscribe for the Share(s) upon the exercise of the SOP Option(s), as initially determined and as may be adjusted, pursuant to the provisions of By-Law 38 |
| **RM and sen** | : | Ringgit Malaysia and sen respectively |
| **Rules of Bursa Depository** | : | The rules of Bursa Depository, as issued pursuant to the Central Depositories Act |
| **SGP** | : | Share Grant Plan as stipulated in Section 1 of these By-Laws |
| **SGP Award(s)** | : | The award of such number of Shares to an Eligible Person in the manner and subject to the terms and conditions provided in these By-Laws |
| **SGP Award Date(s)** | : | The date of which an SGP Award(s) is awarded to an Eligible Person pursuant to a LTIP Award letter |
| **SGP Participant(s)** | : | Eligible Person(s) who has accepted SGP Award(s) in the manner provided in By-Law 30 |
| **SGP Vesting Date(s)** | : | The date upon which all or any parts of the Shares awarded to SGP Participant(s) are eligible to be vested upon fulfilment of all terms and vesting conditions, if any, as determined by the LTIP Committee |
| **SOP** | : | Share Option Plan as stipulated in Section 2 of these By-Laws |
| **SOP Award(s)** | : | The award of such number of SOP Option(s) to an Eligible Person to subscribe for the Shares at the Option Price in the manner and subject to the terms and conditions provided in these By-Laws |
| **SOP Award Date(s)** | : | The date of which an SOP Award(s) is awarded to an Eligible Person pursuant to a LTIP Award letter |
| **SOP Option(s)** | : | The right of SOP Participant(s) to subscribe for the Share(s) at the Option Price in the manner provided in By-Law 36 |
| **SOP Participant(s)** | : | Eligible Person(s) who has accepted the SOP Award(s) in the manner provided in By-Law 35 |
| **SOP Vesting Date(s)** | : | The date upon which all or any part of the SOP Options awarded to SOP Participant(s) are eligible to be vested and are entitled to exercise the SOP Options upon fulfilment of all terms and vesting conditions, if any, as determined by the LTIP Committee |

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1.2 In these By-Laws:

(i) any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision and Listing Requirements and any policies and/or guidelines of the relevant authorities (in each case, whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies and/or guidelines are addressed to by Bursa Securities and/or the relevant authorities);

(ii) any reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of these By-Laws so far as such modification or re-enactment applies or is capable of applying to any LTIP Award(s) awarded and accepted during the duration of the Scheme and shall also include any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced;

(iii) words denoting the singular shall include the plural and vice versa and references to gender shall include both genders and the neuter;

(iv) any liberty or power which may be exercised or any determination which may be made hereunder by the LTIP Committee may be exercised in the LTIP Committee's absolute discretion and the LTIP Committee shall not be under any obligation to give any reasons thereof, except as may be required by the relevant authorities;

(v) the headings in these By-Laws are for convenience only and shall not be taken into account in the interpretation of these By-Laws;

(vi) if an event is to occur on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day;

(vii) any reference to the Company and/or other person shall include a reference to its successors-in-title and permitted assigns; and

(viii) "**person connected**" shall have the meaning as defined in Rule 1.01 of the Listing Requirements.

## 2. NAME OF SCHEME

2.1 This Scheme shall be called the "**3REN's Long Term Incentive Plan**".

## 2A. OBJECTIVES OF THE SCHEME

2A.1 The objectives of the Scheme are as follows:

(i) to serve as a long-term incentive plan to reward the Eligible Persons and to align their interest with the corporate goals and objectives of 3REN Group;

(ii) to recognise the contributions of Eligible Persons whose services are valued and considered vital to the operations and continued growth of 3REN Group;

(iii) to motivate Eligible Persons to work towards better performance through greater productivity and loyalty;

(iv) to stimulate a greater sense of belonging and dedication since Eligible Persons are given the opportunity to participate directly in the equity of the Company;

(v) to encourage Eligible Person to remain with 3REN Group thus ensuring that any loss of key personnel is kept to a minimum;

(vi) to reward Eligible Persons by allowing them to participate in 3REN Group's growth and profitability and eventually realise potential capital gains arising from any appreciation in the value of the Shares;

(vii) to make 3REN Group's remuneration scheme more competitive to attract more skilled and experienced individuals to join 3REN Group and contribute to its continued growth;

(viii) to provide 3REN with the flexibility to determine the most appropriate LTIP Awards to reward and retain Eligible Persons who have contributed to the success of the Group;

(ix) to incentivise the Directors of 3REN Group for their contribution towards development, growth and success and strategic direction to drive long-term shareholder value enhancement of 3REN Group; and

(x) to incentivise the senior management and employees of 3REN Group for their commitment, dedication and loyalty towards attainment of higher performance.

**3. MAXIMUM NUMBER OF NEW SHARES AVAILABLE UNDER THE SCHEME**

3.1 The maximum number of the Shares which may be made available under the Scheme shall not in aggregate exceed fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time during the duration of the Scheme as provided in By-Law 13.2.

3.2 Notwithstanding the provision of By-Law 3.1 above and any other provisions contained herein, in the event the total number of the Shares that may be made available under the Scheme exceeds fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares, if any) as a result of the Company purchasing, cancelling and/or reducing the Shares in accordance with the provisions of the Act or the Company undertaking any corporate proposal and thereby diminishing the total number of issued shares of the Company, then such LTIP Award(s) awarded prior to the adjustment of the issued shares of the Company (excluding treasury shares, if any) shall remain valid and exercisable in accordance with the provisions of this Scheme. However, in such a situation, the LTIP Committee shall not make further LTIP Award(s) until the total number of the Shares under the subsisting LTIP Award(s) falls below fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares, if any).

**4. ELIGIBILITY**

4.1 Subject to the sole discretion of the LTIP Committee, only Eligible Persons who fulfil the following conditions as at the LTIP Award Date shall be eligible to participate in the Scheme:

(i) in respect of an Employee, the Employee must fulfil the following criteria as at the LTIP Award Date:

(a) is at least eighteen (18) years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

(b) is employed by 3REN Group on a full-time basis or serving in a specific designation under an employment contract with 3REN Group for a fixed duration (or any other contract as may be determined by the LTIP Committee) and is on the payroll of any company within 3REN Group and has not served a notice of resignation or received notice of termination;

(c) must have been in employment of the 3REN Group for a period of at least six (6) months prior to the LTIP Award Date;

(d) is confirmed in writing as a full-time Employee of 3REN Group prior to and up to the LTIP Award Date; and

(e) fulfils any other criteria and/or falls within such category as may be determined by the LTIP Committee from time to time.

(ii) in respect of an executive Director, the executive Director must fulfil the following criteria as at the LTIP Award Date:

(a) is at least eighteen (18) years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

(b) is appointed as an executive Director of the Company or any company within 3REN Group for such periods as may be determined by the LTIP Committee prior to and up to the LTIP Award Date; and

(c) fulfils any other criteria and/or falls within such category as may be determined by the LTIP Committee from time to time.

(iii) in respect of a non-executive Director, the non-executive Director must fulfil the following criteria as at the SOP Award Date:

(a) is at least eighteen (18) years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

(b) is appointed as a non-executive Director of the Company or any company within 3REN Group for such periods as may be determined by the LTIP Committee prior to and up to the SOP Award Date; and

(c) fulfils any other criteria and/or falls within such category as may be determined by the LTIP Committee from time to time.

4.2 Notwithstanding the above, the LTIP Committee may, at its absolute discretion, waive any of the eligibility conditions as set out in By-Law 4.1 above. The eligibility and number of LTIP Award(s) to be awarded to an Eligible Person under the Scheme shall be at the sole and absolute discretion of the LTIP Committee and the decision of the LTIP Committee shall be final and binding.

4.3 Subject to By-Law 4.1, the LTIP Committee may from time to time at its own discretion decide on the performance targets to be achieved by the LTIP Participants before the LTIP Awards can be vested.

4.4 Notwithstanding By-Law 4.1, the LTIP Award(s) to be awarded to any Eligible Person, who is a Director, major shareholder or chief executive of the Company or persons connected with such Director, major shareholder or chief executive (as defined in the Listing Requirements), shall also be approved by the shareholders of the Company in general meeting to be convened unless such approval is no longer required under the Constitution, the Listing Requirements and any other prevailing guidelines issued by the authorities.

4.5 Any Eligible Person who holds more than one (1) position within 3REN Group and by holding such positions, the Eligible Person is in more than one category, shall only be entitled to the Maximum Allowable Allotment of any one of those category/designation of employment. The LTIP Committee shall be entitled at its sole discretion to determine the applicable category/designation of employment.

4.6 An Employee or Director of a dormant company within 3REN Group is not eligible to participate in the Scheme.

4.7 An Employee or Director may, at the sole discretion of the LTIP Committee, be eligible to participate in the Scheme, subject to the Maximum Allowable Allotment.

4.8 Eligibility under the Scheme does not confer on an Eligible Person any claim or right to participate in or any right whatsoever under the Scheme and an Eligible Person does not acquire or has any right over or in connection with the LTIP Award(s) unless the LTIP Award(s) has been made by the LTIP Committee to the Eligible Person and the Eligible Person has accepted the LTIP Award(s) in accordance with these By-Laws.

## 5. BASIS OF ALLOCATION AND MAXIMUM ALLOWABLE ALLOCATION

5.1 The allocation of the Shares to be made available for the LTIP Award(s) under the Scheme shall be determined by the LTIP Committee.

5.2 Subject to By-Law 3 and any adjustment which may be made under By-Law 9, the maximum number of Shares to be awarded to an Eligible Person under the Scheme at any point of time in each LTIP Award shall be at the sole and absolute discretion of the LTIP Committee after taking into consideration, inter alia, the Eligible Person's designation, length of service, work performance and/or such other factors as the LTIP Committee deems fit, and subject to the following conditions:

(i) the total number of Shares made available under the Scheme shall not exceed the amount in By-Law 3.1 above;

(ii) not more than ten percent (10%) (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) of the total number of issued shares of the Company made available under the Scheme shall be allocated to any Eligible Person who, either singly or collectively through persons connected (as defined in the Listing Requirements) with the Eligible Person, holds twenty percent (20%) (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) or more of the total number of issued shares of the Company (excluding treasury shares, if any);

(iii) up to fifty percent (50%) of the total number of Shares which may be made available under the Scheme could be allocated, in aggregate, to the Directors and senior management of 3REN Group who are Eligible Persons (where "**senior management**" shall be subject to any criteria as may be determined at the sole discretion of the LTIP Committee from time to time); and

(iv) the Directors and senior management of 3REN Group shall not participate in the deliberation or discussion of their respective allocations as well as to persons connected with them, if any;

PROVIDED ALWAYS THAT it is in accordance with the Listing Requirements or any prevailing guidelines issued by Bursa Securities or any other relevant authorities, as amended from time to time.

5.3 The LTIP Committee shall determine the maximum number of Shares for the LTIP Award(s) that will be made available to an Eligible Person under the Scheme, in the manner provided in these By-Laws in relation to each class or grade of Directors and Employees and the aggregate maximum number of LTIP Award(s) that can be awarded to the Directors and Employees under the Scheme from time to time, and the decision of the LTIP Committee shall be final and binding.

5.4 In the event that an Eligible Person is promoted, the Maximum Allowable Allotment applicable to such Eligible Person shall be the Maximum Allowable Allotment that may be awarded corresponding to the category of employee of which he/she then is a party, subject always to the maximum number of Shares available under the Scheme as stipulated under By-Law 3.1.

5.5 In the event that an Eligible Person who is demoted/re-designated to a lower grade for whatsoever reason shall only be entitled to the allocation of that lower grade unless an award has been made and accepted by him before such demotion/re-designated and where he has accepted an award which exceeds his Maximum Allowable Allotment under that lower grade, he shall not be entitled to any further allocation for that lower grade.

5.6 The Company shall ensure that the LTIP Award(s) awarded pursuant to the Scheme is verified by the Audit Committee of 3REN Group at the end of each financial year as being in compliance with the award criteria of the LTIP Award(s) which have been disclosed to the Eligible Person.

5.7 The LTIP Committee may at its sole and absolute discretion determine whether the LTIP Award(s) to the Eligible Person(s) will be made on a staggered basis over the duration of the Scheme or in a single award and/or whether the LTIP Award(s) are subject to any vesting period and if so, to determine the vesting conditions.

5.8 If any Eligible Person is a member of the LTIP Committee, such Eligible Person shall not participate in the deliberation or discussion of his/her LTIP Award(s).

5.9 The selection of any Eligible Person to participate in the Scheme will be at the sole discretion of the LTIP Committee and the decision of the LTIP Committee shall be final and binding.

5.10 At the time the LTIP Award(s) is awarded in accordance with these By-Laws, the LTIP Committee shall set out the basis of award, identifying the category or grade of the Eligible Person and the Maximum Allowable Allotment that may be awarded to such Eligible Person under the LTIP Award(s).

5.11 Subject to By-Law 5.2, nothing herein shall prevent the LTIP Committee from awarding more than one (1) LTIP Award(s) to an Eligible Person **PROVIDED THAT** the total aggregate number of Shares comprised in the LTIP Award(s) awarded to such Eligible Person during the duration of the Scheme shall not exceed the Maximum Allowable Allotment that an Eligible Person is entitled under the LTIP Award(s).

## 6. RIGHTS OF LTIP PARTICIPANT(S)

6.1 The LTIP Award(s) shall not carry any right to vote at any general meeting of the Company.

6.2 The Shares which are credited into the LTIP Participants' CDS Account upon vesting of the SGP Awards and/or exercising of the SOP Options, would carry rights to vote at the general meeting of the Company, if the LTIP Participant(s) is registered in the Record of Depositors on the Entitlement Date to be entitled to attend and vote at the general meeting.

6.3 A LTIP Participant(s) shall not be entitled to any dividends, rights and/or other distributions on his/her unvested SGP Awards and/or unexercised SOP Options.

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**7. RIGHTS ATTACHING TO THE SHARES**

7.1 The Shares arising upon vesting of SGP Awards and/or exercising of the SOP Options shall, upon allotment and issuance, rank equally in all respects with the existing Shares and together with the Shares procured by the Company, via the Trustee, for transfer shall:

(i) be subject to the provisions of the Constitution; and

(ii) rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the date on which the Shares are credited into the CDS Account of the LTIP Participant(s) and shall in all other respects rank equally with other existing Shares then in issue.

7.2 Notwithstanding any provision in these By-Laws, the LTIP Participant(s) shall not be entitled to any rights, dividends or other distributions attached to the Shares prior to the date on which such Shares are credited into their respective CDS Accounts.

**8. RETENTION PERIOD**

8.1 The Shares arising upon vesting of SGP Awards and/or exercising of the SOP Options will not be subjected to any retention period or restriction on transfer unless otherwise as stated in the LTIP Award(s) as determined by the LTIP Committee from time to time. However, LTIP Participant(s) are encouraged to hold the Shares as a long-term investment and not for any speculative and/or realisation of any immediate gain. The expression "**retention period**" shall mean the period in which the Shares awarded and issued pursuant to the Scheme must not be sold, transferred, assigned or otherwise disposed of by the LTIP Participant(s).

8.2 Notwithstanding to the above By-Law 8.1, the LTIP Committee shall be entitled at its discretion to prescribe or impose, in relation to any LTIP Award(s), any condition relating to any retention period or restriction on transfer (if applicable) as the LTIP Committee sees fit.

8.3 An eligible Director who is a non-executive Director in the Group shall not sell, transfer or assign the Shares obtained through the exercise of the SOP Options granted to him within one (1) year from the SOP Award Date.

**9. ALTERATION OF SHARE CAPITAL AND ADJUSTMENT**

9.1 Subject to By-Law 9.5 hereof, in the event of any alteration in the capital structure of the Company during the duration of the Scheme, whether by way of capitalisation of profits or reserves, rights issue, bonus issue, consolidation or subdivision of the Shares or reduction in share capital (save for set-off against accumulated losses) or any other variation of capital shall take place during the duration of the Scheme, the Company shall cause such adjustment to be made:

(i) in relation to SGP:

(a) the number of Shares comprised in the SGP Award(s) to the extent not yet vested; and/or

(b) the method and/or manner in the vesting of the Shares comprised in the SGP Award(s).

(ii) in relation to SOP:

(a) the Option Price and/or number of SOP Options comprised in the SOP Award(s) to the extent not yet vested or exercised; and/or

(b) the method and/or manner in the vesting of the SOP Options comprised in the SOP Awards.

9.2 The following provisions shall apply in relation to an adjustment which is made pursuant to By-Law 9.1:

(i) any adjustment to the Option Price shall be rounded down to the nearest one (1) sen; and

(ii) in determining a LTIP Participant's entitlement to have the Shares vested and/or to exercise the SOP Options, any fractional entitlements will be disregarded.

9.3 Subject to By-Law 9.2, the Option Price for the SOP Award(s) and/or the number of new Shares unvested/SOP Options relating to the LTIP Award(s) awarded to each LTIP Participant(s) shall from time to time be adjusted, calculated and determined by the LTIP Committee in accordance with the following relevant provisions in consultation with the Adviser and/or the external auditor of the Company:

**(i) <u>Consolidation and subdivision</u>**
Whenever a Share by reason of any consolidation or subdivision, the total number of issued shares shall be different. Then, the Option Price for the SOP Award(s) and/or the number of additional 3REN Shares/SOP Options relating to the LTIP Award(s) to be issued shall be adjusted, calculated or determined in the following formula:

(a) New Option Price

$$\text{New Option Price} = EP \times \frac{\text{Former total number of issued shares before the consolidation or subdivision}}{\text{Revised total number of issued shares after the consolidation or subdivision}}$$

(b) Number of additional Shares/SOP Options

$$\text{Number of additional Shares/SOP Options} = T \times \frac{\text{Former total number of issued shares after the consolidation or subdivision}}{\text{Former total number of issued shares before the consolidation or subdivision}} - T$$

Where:

EP = Existing Option Price; and

T = Existing number of Shares/SOP Options relating to the LTIP Award(s) awarded.

Such adjustment will be effective from the close of business on the Market Day immediately following the Entitlement Date on which the consolidation or subdivision becomes effective (being the date when the Shares are traded on Bursa Securities), or such other period as may be prescribed by Bursa Securities.

**(ii)** **<u>Capitalisation of profits/reserves</u>**
If and whenever the Company shall make any issue of new Shares to ordinary shareholders credited as fully paid-up, by way of bonus issue or capitalisation issue from profits or reserves (whether of a capital or income nature and including any capital redemption reserve fund), the Option Price for the SOP Award(s) shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{A + B}$$

and the number of additional Shares/SOP Options relating to the LTIP Award(s) to be issued shall be calculated as follows:

Number of additional Shares/SOP Options =

$$T \times \left[ \frac{A + B}{A} - T \right]$$

Where:

A = the aggregate number of issued and fully paid-up Shares immediately before such bonus issue or capitalisation issue;

B = the aggregate number of Shares to be issued pursuant to any allotment to ordinary shareholders of the Company credited as fully paid-up by way of bonus issue or capitalisation of profits or reserves (whether of a capital or income nature and including any capital redemption reserve fund); and

T = as T above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the Entitlement Date for such issue.

**(iii)** If and whenever the Company shall make:

**(a)** **<u>Capital Distribution</u>**

a Capital Distribution (as defined below) to ordinary shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); or

**(b)** **<u>Rights issue of the Shares</u>**

any offer or invitation to its ordinary shareholders whereunder they may acquire or subscribe for new Shares by way of rights; or

**(c)** **<u>Rights issue of convertible securities</u>**

any offer or invitation to ordinary shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares attached thereto,

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then and in respect of each such case, the Option Price for the SOP Award(s) shall be adjusted by multiplying it by the following fraction:

$$\frac{C - D}{C}$$

and in respect of the case referred to in By-Law 9.3(iii)(b) hereof, the number of additional Shares/SOP Options comprised in the LTIP Award(s) to be issued shall be calculated as follows:

Number of additional Shares/SOP Options =

$$T \times \left[ \frac{C}{C - D^*} - T \right]$$

Where:

T = as T above;

C = the current market price of each Share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation; and

D = (aa) in the case of an offer or invitation to acquire or subscribe for new Shares under By-Law 9.3(iii)(b) above or for securities convertible into Shares or securities with rights to acquire or subscribe for new Shares under By-Law 9.3(iii)(c) above, the value of rights attributable to one (1) existing Share (as defined below); or

(bb) in the case of any other transaction falling within By-Law 9.3(iii) hereof, the fair market value as determined by the Adviser and/or the external auditor of the Company of that portion of the Capital Distribution attributable to one (1) existing Share.

D*= the value of rights attributable to one (1) existing Shares (as defined below).

For the purpose of definition "(aa)" of D above, the "**value of rights attributable to one (1) existing Share**" shall be calculated in accordance with the formula:

$$\frac{C - E}{F + 1}$$

Where:

C = as C above;

E = the subscription price for one (1) additional Share under the terms of such offer or invitation to acquire or subscribe for the Share or subscription price of one (1) additional security convertible into Shares or one (1) additional security with rights to acquire or subscribe for the Shares; and

F = the number of existing Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or subscribe for security convertible into one (1) additional Shares or rights to acquire or subscribe for one (1) additional Shares.

For the purpose of definition "D*" above, the "**value of rights attributable to one (1) existing Shares**" shall be calculated in accordance with the formula:

$$\frac{C - E^*}{F^* + 1}$$

Where:

C = as C above;

E*= the subscription price for one (1) additional Share under the terms of such offer or invitation to acquire or subscribe for Shares; and

F*= the number of existing Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share.

For the purpose of By-Law 9.3(iii) hereof, "**Capital Distribution**" shall (without prejudice to the generality of that expression) include distributions in cash or specie (other than dividends) or by way of issue of new Shares (not falling under By-Law 9.3(ii) hereof) or other securities issued by way of capitalisation of profits or reserves of the Company (whether of a capital or income nature and including any capital redemption reserve fund).

Any distribution out of profits or reserves (including any capital redemption reserve fund) made (whenever paid and howsoever described) shall be deemed to be a Capital Distribution unless the distribution is paid out of the aggregate of the net profits attributable to the ordinary shareholders as shown in the audited consolidated statements of profit or loss and other comprehensive income of the Company.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the Entitlement Date for such issue.

**(iv)** **<u>Capitalisation of profits/reserves and rights issue of Shares/convertible securities</u>**

If and whenever the Company makes any allotment to its ordinary shareholders as provided in By-Law 9.3(ii) above and also makes any offer or invitation to its ordinary shareholders as provided in By-Law 9.3(iii)(b) or (c) above and Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the Option Price for the SOP Award(s) shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I)}{(G+H+B) \times C}$$

and where the Company makes any allotment to its ordinary shareholders as provided in By-Law 9.3(ii) above and also makes any offer or invitation to its ordinary shareholders as provided in By-Law 9.3(iii)(b) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the number of additional Shares comprised in the LTIP Award(s) to be issued shall be calculated as follow:

Number of additional Shares/SOP Options =

$$T \times \left[ \frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} - T \right]$$

Where:

B = as B above;

C = as C above;

G = the aggregate number of issued and fully paid-up Shares on the Entitlement Date;

H = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for the Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into the Shares or rights to acquire or subscribe for the Shares, as the case may be;

H* = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for the Shares by way of rights;

I = the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for the Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share, as the case may be;

I* = the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for the Shares; and

T = as T above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the Entitlement Date for such issue.

**(v) <u>Rights issue of the Shares and rights issue of convertible securities</u>**

If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for new Shares as provided in By-Law 9.3(iii)(b) above together with an offer or invitation to acquire or subscribe for securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares as provided in By-Law 9.3(iii)(c) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the Option Price for the SOP Award(s) shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J) \times C}$$

and the number of additional Shares/SOP Options comprised in the LTIP Award(s) shall be calculated as follows:

Number of additional Shares/SOP Options =

$$T \times \left[ \frac{(G+H^*) \times C}{(G \times C) + (H^* \times I^*)} - T \right]$$

Where:

C = as C above;

G = as G above;

H = as H above;

H* = as H* above;

I = as I above;

I* = as I* above;

J = the aggregate number of the Shares to be issued to its ordinary shareholders upon conversion of such securities or exercise of such rights to subscribe for the Shares by the ordinary shareholders;

K = the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share; and

T = as T above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the Entitlement Date for such issue.

**(vi) <u>Capitalisation of profits/reserve, rights issue of the Shares and rights issue of convertible securities</u>**

If and whenever the Company makes an allotment to its ordinary shareholders as provided in By-Law 9.3(ii) above and also makes an offer or invitation to its ordinary shareholders to acquire or subscribe for the Shares as provided in By-Law 9.3(iii)(b) above, together with rights to acquire or subscribe for securities convertible into new Shares or with rights to acquire or subscribe for the Share as provided in By-Law 9.3(iii)(c) above, and the Entitlement Date for the purpose of allotment is also the Entitlement Date for the purpose of the offer or invitation, the Option Price for the SOP Award(s) shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C)+(H \times I)+(J \times K)}{(G+H+J+B) \times C}$$

and the number of additional Shares/SOP Options comprised in the LTIP Award(s) shall be calculated as follows:

Number of additional Shares/SOP Options =

$$T \times \left[ \frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} - T \right]$$

Where:

B = as B above;

C = as C above;

G = as G above;

H = as H above;

H* = as H* above;

I = as I above;

I* = as I* above;

J = as J above;

K = as K above; and

T = as T above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the Entitlement Date for such issue.

**(vii)** **Others**

If and whenever (otherwise than pursuant to a rights issue available to all ordinary shareholders of the Company and requiring an adjustment under By-Laws 9.3(iii)(b), (iii)(c), (iv), (v) or (vi) above), the Company shall issue either new Shares or any securities convertible into new Shares or any rights to acquire or subscribe for the Shares, and in any such case, the Total Effective Consideration per Share (as defined below) is less than ninety percent (90%) of the Average Price (as defined below) for one (1) Share or, as the case may be, the price at which the Shares will be issued upon conversion of such securities or exercise of such rights is determined, the Option Price for the SOP Award(s) shall be adjusted by multiplying it by the following fraction:

$$\frac{L + M}{L + N}$$

Where:

L = the number of the Shares in issue at the close of business on Bursa Securities on the Market Day immediately preceding the date on which the relevant adjustment becomes effective;

M = the number of the Shares which the Total Effective Consideration (as defined below) would have purchased at the Average Price (as defined below) (exclusive of expenses); and

N = the aggregate number of the Shares so issued or, in the case of securities convertible into the Shares or securities with rights to acquire or subscribe for the Shares, the maximum number (assuming no adjustment of such rights) of the Shares issuable upon full conversion of such securities or the exercise in full of such rights.

For the purpose of By-Law 9.3(vii), the "**Total Effective Consideration**" shall be determined by the LTIP Committee with the concurrence of the external auditor shall be:

(i) in the case of the issue of new Shares, the aggregate consideration receivable by the Company on payment in full for such Shares;

(ii) in the case of the issue by the Company of securities wholly or partly convertible into new Shares, the aggregate consideration receivable by the Company on payment in full for such securities or such part of the securities as is convertible together with the total amount receivable by the Company upon full conversion of such securities (if any); or

(iii) in the case of the issue by the Company of securities with rights to acquire or subscribe for new Shares, the aggregate consideration attributable to the issue of such rights together with the total amount receivable by the Company upon full exercise of such rights;

in each case without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the "**Total Effective Consideration per Share**" shall be the Total Effective Consideration divided by the number of new Shares issued as aforesaid or, in the case of securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares, by the maximum number of new Shares issuable on full conversion of such securities or on exercise in full of such rights.

For the purpose of By-Law 9.3(vii), "**Average Price**" of a Share shall be the average market price of one (1) Share as derived from the last traded prices for one or more board lots of Shares as quoted on Bursa Securities on the Market Days comprised in the period used as a basis upon which the issue price of such Shares is determined.

Such adjustment will be calculated (if appropriate, retroactively) from the close of business on Bursa Securities on the Market Day immediately following the date on which the issue is announced, or (failing any such announcement) on the Market Day immediately following the date on which the Company determines the subscription price of such Shares. Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the Market Day immediately following the completion of the above transaction.

For the purpose of By-Laws 9.3(iii), (iv), (v) and (vi), the current market price in relation to one (1) existing Shares for any relevant day shall be the based on the volume weighted average market price of the Shares for the five (5) Market Days before such date or during such other period as may be determined in accordance with any guidelines issued, from time to time, by the relevant authorities.

Such adjustment must be confirmed in writing by the external auditors of the Company for the time being (acting as experts and not as arbitrators), upon reference to them by the LTIP Committee, to be in their opinion, fair and reasonable, PROVIDED ALWAYS THAT:

(a) any adjustment to the Option Price shall be rounded up to the nearest one (1) sen;

(b) in the event that a fraction of a new Share arising from the adjustment referred to in these By-Laws would otherwise be required to be issued upon vesting of the SGP Awards and/or exercising of an SOP Option by the LTIP Participant(s), the LTIP Participant(s)' entitlement shall be round down to the nearest whole number;

(c) upon any adjustment being made pursuant to these By-Laws, the LTIP Committee shall, within thirty (30) days of the effective date of the alteration in the capital structure of the Company, notify the LTIP Participant(s) (or his legal representatives where applicable) in writing informing him of the adjusted Option Price for the SOP Award(s) thereafter in effect and/or the number of the Shares/SOP Options comprised in the LTIP Award(s); and

(d) any adjustments made must be in compliance with the provisions for adjustments provided in these By-Laws.

For avoidance of doubt, any adjustments to the Option Price for the SOP Award(s) and/or the number of the Shares/SOP Options comprised in the LTIP Award(s) so far as unvested and/or unexercised arising from bonus issue, subdivision or consolidation of the Shares need not be confirmed in writing by the external auditors or the Adviser of the Company.

9.4 Save as expressly provided for herein, the external auditors or the Adviser must confirm in writing that the adjustments are in their opinion fair and reasonable. The opinion of the external auditors or the Adviser shall be final, binding and conclusive.

9.5 The provisions of By-Law 9 shall not apply where the alteration in the capital structure of the Company arises from any of the following:

(i) an issue of Shares pursuant to the vesting of LTIP Award(s) under the Scheme;

(ii) an issue of securities as consideration or part consideration for an acquisition of any other securities, assets or business;

(iii) private placement or restricted issue or special issue of new Shares by the Company;

(iv) a special issue of securities to Bumiputera parties or investors nominated by the Ministry of International Trade and Industry and/or other government authority to comply with the government's policy on Bumiputera capital participation;

(v) a purchase by the Company of its own Shares and cancellation of all or a portion of such Shares purchased pursuant to Section 127 of the Act; or

(vi) an issue of new Shares arising from the exercise of any conversion rights attached to securities convertible to new Shares or upon exercise of any other rights including warrants and convertible loan stocks or other instruments (if any) issued by the Company.

9.6 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Part III (Division 7, Subdivision 2) of the Act, By-Law 9.1 shall be applicable in respect of such part(s) of the scheme which involves any alteration(s) in the capital structure of the Company to which By-Law 9.1 is applicable, but By-Law 9.1 shall not be applicable in respect of such part(s) of the scheme which involves any alteration(s) in the capital structure of the Company to which By-Law 9.1 is not applicable as described in By-Law 9.5.

An adjustment pursuant to By-Law 9.1 shall be made according to the following terms:

(a) in the case of a right issue, bonus issue or other capitalisation issue, on the next Market Day following the Entitlement Date in respect of such issue; or

(b) in the case of a consolidation or subdivision of the Shares or reduction of capital, on the Market Day immediately following the date on which the consolidation or subdivision or capital reduction becomes effective, or such period as may be prescribed by Bursa Securities.

Upon any adjustment being made, the LTIP Committee shall give notice in writing within thirty (30) days from the date of adjustment to the LTIP Participant(s), or his/her legal representative, where applicable, to inform him/her of the adjustment and the event giving rise thereto.

Notwithstanding the provisions referred to in these By-Laws, the LTIP Committee may exercise its sole discretion to determine whether any adjustments to the Option Price for SOP Award(s) and/or the number of the Shares/SOP Options comprised in the LTIP Award(s) be calculated on a different basis or date or should take effect on a different date or that such adjustments be made to the Option Price for the SOP Award(s) and/or the number of the Shares/SOP Options comprised in the LTIP Award(s) notwithstanding that no such adjustment formula has been explicitly set out in these By-Laws.

**10. TAKE-OVERS AND MERGERS, SCHEMES OF ARRANGEMENT, AMALGAMATIONS, RECONSTRUCTIONS AND DISPOSAL OF ASSETS**

10.1 In the event of:

(i) a take-over offer being made for, under the Malaysian Code on Take-Overs and Mergers 2016 and Rules on Take-Overs, Mergers and Compulsory Acquisitions (or any replacement thereof), to acquire the whole of the issued ordinary share capital of the Company (or such part thereof not at the time held by the person making the take-over ("**Offeror**") or any persons acting in concert with the Offeror);

(ii) the Offeror becoming entitled or bound to exercise the right of compulsory acquisition of the Shares under the provisions of any applicable statutes, rules and/or regulations and gives notice to the LTIP Participant(s) that it intends to exercise such rights on a specific date ("**Specified Date**"); or

(iii) the Company disposes of all or substantially all of its assets and the disposal becomes unconditional;

the LTIP Committee may at its discretion to the extent permitted by law permit the vesting of the LTIP Awards and the LTIP Participant(s) will be entitled to within such period to be determined by the LTIP Committee, to subscribe and/or exercise all or any of his/her LTIP Awards and the Directors of the Company shall use their best endeavours to procure that such a general offer be extended to the new Shares that may be issued pursuant to the LTIP Award(s) under these By-Law.

In the foregoing circumstances, all LTIP Award(s) which the LTIP Committee permits to be vested and/or exercisable, shall automatically lapse and become null and void to the extent remain unvested and/or unexercised by the date prescribed by the LTIP Committee notwithstanding that the LTIP Award Vesting Date has not commenced or has not expired.

10.2 Notwithstanding to the provisions of these By-Laws and subject to the sole discretion of the LTIP Committee, in the event of the court sanctioning a compromise or arrangement between the Company and its members proposed for the purpose of, or in connection with, a scheme of arrangement and reconstruction of the Company under Section 366 of the Act or its amalgamation with any other company or companies under Section 370 or any other provisions of the Act or the Company decided to merge with other company or companies, the LTIP Committee may at its absolute discretion decide whether a LTIP Participant(s) may be entitled to be vested and/or to exercise all or any of his/her unvested and/or unexercised LTIP Awards at any time commencing from the date upon which the compromise or arrangement is sanctioned by the court and ending on the date upon which it becomes effective PROVIDED ALWAYS THAT no LTIP Awards shall be vested and LTIP Awards shall be subscribed and/or exercised after the expiry of the LTIP Award Vesting Date. Upon the compromise or arrangement becoming effective, all unvested and/or unexercised LTIP Awards shall automatically lapse and become null and void and of no further force and effect.

**11. DIVESTMENT FROM AND TRANSFER TO/FROM THE GROUP**

11.1 If a LTIP Participant(s) is in the employment of a company within the Group and such company is subsequently divested, wholly or in part, from 3REN Group, the LTIP Participant(s):

(i) shall cease to be capable of being vested with any unvested LTIP Awards awarded to him/her under the Scheme from the date of completion of such divestment or the Date of Expiry, whichever expires first;

(ii) will not be entitled to exercise any unexercised vested SOP Options from the date of completion of such divestment, unless the LTIP Committee at its discretion permit such exercise of the unexercised vested SOP Option or the vesting of the unvested LTIP Awards including its allocation thereof. For avoidance of doubt, save and except to the extent permitted by the LTIP Committee, all existing LTIP Awards shall automatically lapse and become null and void and of no further force and effect; and

(iii) shall not be eligible to participate for further LTIP Award(s) under the Scheme as from the date of completion of such divestment.

11.2 For the purposes of By-Law 11.1 above, a company shall be deemed to be divested from 3REN Group or disposed of from 3REN Group in the event that the effective interest of the Company in such company is reduced from above fifty percent (50%) to fifty percent (50%) or below so that such company would no longer be a subsidiary of the Company pursuant to Section 4 of the Act (other than pursuant to a takeover, scheme of arrangement, amalgamation, reconstruction, merger or otherwise as provided under the By-Law 10).

11.3 In the event that:

(i) an employee who was employed in a company which is not related to the Company pursuant to Section 7 of the Act (that is to say, a company which does not fall within the definition of 3REN Group") and is subsequently transferred from such company to any company within 3REN Group; or

(ii) an employee who was in the employment of a company which subsequently becomes a company within 3REN Group as a result of a restructuring or acquisition exercise or otherwise involving the Company and/or any company within 3REN Group with any of the first mentioned company stated in (i) above;

(the first abovementioned company in (i) and (ii) herein referred to as the "**Previous Company**"), such an employee of the Previous Company will be eligible to participate in this Scheme for the remaining duration of the Scheme, if the affected employee becomes an "**Eligible Person**" within the meaning under these By-Laws.

For the avoidance of doubt, in the event of any acquisition or incorporation of any company into 3REN Group pursuant to part (ii) above as a subsidiary as defined in Section 4 of the Act or any other statutory regulation in place thereof during the duration of the Scheme, the Scheme shall apply to the employees of such company on the date of such company becomes a subsidiary of 3REN Group (PROVIDED THAT such subsidiary is not dormant) falling within the meaning of the expression of "Eligible Person" under By-Law 1 and the provisions of these By-Laws shall apply.

## 12. WINDING UP

12.1 All outstanding LTIP Awards under the Scheme shall be automatically terminated and be of no further force and effect in the event that a resolution is passed or a court order is made for the winding up of the Company commencing from the date of such resolution or the date of the court order. In the event a petition is presented in court for the winding-up or liquidation of the Company, all rights to exercise the SOP Options and/or vest in the LTIP Awards pursuant to the Scheme shall automatically be suspended from the date of the presentation of the petition. Conversely, if the petition for winding-up is dismissed by the court, the right to exercise the SOP Options and/or vest the LTIP Awards pursuant to the Scheme shall accordingly be unsuspended.

## 13. DURATION AND TERMINATION OF THE SCHEME

13.1 The Effective Date for the implementation of the Scheme shall be at the date of full compliance with all relevant requirements in the Listing Requirements, including but not limited to the following:

(i) submission of the final copy of the By-Laws to Bursa Securities together with a letter of a compliance pursuant to Rule 2.12 of the Listing Requirements and checklist showing compliance with Appendix 6E of the Listing Requirements;

(ii) receipt of the approval or approval-in-principle, as the case may be, from Bursa Securities for the listing of and quotation for the new Shares to be issued under the Scheme;

(iii) receipt of the approval of any other relevant authorities whose approvals are necessary in respect of the Scheme; and

(iv) fulfilment or waiver (as the case may be) of all conditions attached to any of the abovementioned approvals, if any.

The Adviser of the Company shall submit a confirmation letter to Bursa Securities of full compliance with the relevant requirements of Bursa Securities stating the Effective Date of implementation of the Scheme. The confirmation letter shall be submitted to Bursa Securities no later than five (5) Market Days after the Effective Date.

13.2 The Scheme, when implemented, shall be in force for a period of five (5) years from the Effective Date. The Company may, if the Board deems fit and upon the recommendation of the LTIP Committee, extend the Scheme for a period of up to a maximum of five (5) years, commencing from the day after the date of expiration of the original five (5) years period, and shall not in aggregate exceed ten (10) years from the Effective Date or such longer period as may be permitted by Bursa Securities or any other relevant authorities. Such extended Scheme shall be implemented in accordance with the terms of these By-Laws, save for any amendment and/or change to the relevant statutes and/or regulations then in force. Unless otherwise required by the relevant authorities, no further approvals from the shareholders of the Company shall be required for the extension of the Scheme and the Company shall serve appropriate notices on each LTIP Participant(s) and/or make any necessary announcements to any parties and/or Bursa Securities (if required) within thirty (30) days prior to the Date of Expiry or such other period as may be stipulated by Bursa Securities.

13.3 LTIP Award(s) can only be made from the Effective Date and up to the Date of Expiry.

13.4 Notwithstanding anything to the contrary, all unvested LTIP Awards and/or unexercised vested SOP Options shall lapse and become null and void on the Date of Expiry.

13.5 The Scheme may be terminated by the LTIP Committee at any time before the Date of Expiry PROVIDED THAT an announcement is released to Bursa Securities on the following:

(i) the effective date of termination ("**Termination Date**");

(ii) the number of the Shares vested pursuant to the SGP and/or number of SOP Option(s) exercised pursuant to the SOP; and

(iii) the reasons and justification for termination.

13.6 In the event of termination as stipulated in By-Law 13.5 above, the following provisions shall apply:

(i) no further LTIP Award(s) shall be awarded by the LTIP Committee from the Termination Date;

(ii) all LTIP Award(s) which have yet to be accepted by the Eligible Persons shall automatically lapse and become null and void on the Termination Date; and

(iii) any LTIP Award(s) which have yet to be vested or exercised (as the case may be and whether fully or partially) awarded under the Scheme shall be deemed cancelled and be null and void.

13.7 Subject to the requirements under the Listing Requirements, approval or consent of the shareholders of the Company by way of a resolution in a general meeting and written consent of LTIP Participant(s) who have yet to be vested their LTIP Awards and/or exercise their vested SOP Options are not required to effect a termination of the Scheme.

**14. ADMINISTRATION AND IMPLEMENTATION OF THE SCHEME**

14.1 The Scheme shall be administered by the LTIP Committee. The LTIP Committee shall, subject to these By-Laws, administer the Scheme in such manner as it shall deem fit and with such powers and duties as are conferred upon it by the Board. The decision of the LTIP Committee shall be final and binding.

14.2 Without limiting the generality of By-Law 14.1, the LTIP Committee may, for the purpose of administering the Scheme, do all acts and things, rectify any error(s) in the LTIP Award(s), execute all documents and delegate any of its powers and duties relating to the Scheme as it may at its sole discretion consider to be necessary or desirable for giving effect to the Scheme including the powers to:

(i) subject to the provisions of the Scheme, construe and interpret the Scheme and LTIP Award(s) awarded under it, to define the terms therein and to recommend to thereto establish, amend and revoke rules and regulations relating to the Scheme and its administration. The LTIP Committee in the exercise of this power may correct any defects, supply any omission, or reconcile any inconsistency in the Scheme or in any agreement providing for the LTIP Award(s) in a manner and to the extent it shall deem necessary to expedite and make the Scheme fully effective; and

(ii) determine all question of policy and expediency that may arise in the administration of the Scheme and generally exercise such powers and perform such acts as are deemed necessary and/or expedient to promote the best interests of the Company.

14.3 The Board shall have power at any time and from time to time to approve, rescind and/or revoke the appointment of any person in the LTIP Committee as it shall deem fit.

14.4 In implementing the Scheme, the LTIP Committee may at its absolute discretion decide that the LTIP Awards be satisfied by the following methods:

(i) issuance of new Shares;

(ii) acquisition of existing Shares from the open market of Bursa Securities;

(iii) transfer of the Company's treasury shares (if any) or any other methods as may be permitted by the Act, as amended from time to time and any re-enactment thereof; or

(iv) a combination of any of the above.

In considering the method of satisfaction as referred to in (i) to (iv) above, the LTIP Committee shall take into consideration, amongst others, factors such as the prevailing market price of the Shares, the potential cost arising from awarding the LTIP Awards and dilutive effects on the Company's capital base as well as applicable laws and/or regulatory requirements. The method of satisfaction to be made by the Company shall be at the discretion of the LTIP Committee.

14.5 For the purpose of facilitating the implementation of the Scheme, the Company and/or the LTIP Committee may, but shall not be obligated to, establish a trust to be administered by a trustee(s) to be appointed by the Company ("**Trustee**") ("**Trust**") in accordance with the trust deed to be entered into between the Company and the Trustee ("**Trust Deed**"). Accordingly, the Company shall have the power to appoint or rescind the appointment of any Trustee as it deems fit for the purpose of administering the Scheme, in accordance with the provision of the Trust Deed. The Company shall have the power from time to time, at any time, to negotiate with the Trustee to amend the provisions of the Trust Deed.

14.6 For the purpose of administering the Trust, if and when the Trust is established, the Trustee shall do all such acts and things and enter into any transaction, agreement, deed, document or arrangement or make rules, regulations or impose terms and conditions or delegate part of its power relating to the administration of the Trust, as the LTIP Committee may in its absolute discretion direct for the implementation and administration of the Trust which are expedient for the purpose of giving effect to and carrying out the powers and duties conferred on the Trustee by the Trust Deed.

14.7 The Trustee shall, at such times as the LTIP Committee shall direct, subscribe for and/or acquire the necessary number of existing Shares from the open market of Bursa Securities to accommodate any transfer of the Shares to the CDS account of the LTIP Participant(s). For this purpose, the Trustee will be entitled, from time to time, to the extent permitted by law and as set out under these By-Laws to accept funding and/or assistance, financial or otherwise from 3REN and/or any company within 3REN Group. The LTIP Committee shall have the discretion to instruct the Trustee to subscribe for new Shares and/or acquire existing Shares from time to time and also to revoke or suspend any such instruction that has earlier been given to the Trustee.

14.8 Should the Trust be terminated pursuant to the Trust Deed, the Trustee shall sell the remaining Shares held by the Trustee and/or its authorised nominee(s) and deal with such funds in accordance with the instructions of the LTIP Committee.

14.9 The appointment or involvement of a Trustee shall not be required in the event that the Shares to be awarded under the LTIP are to be satisfied solely via issuance of new Shares and/or transfer of treasury shares held by the Company, if any, pursuant to Section 127(7) of the Act.

## 15. MODIFICATION, VARIATION AND/OR AMENDMENT TO THE SCHEME

15.1 Subject to By-Law 15.2 and compliance with the Listing Requirements, the LTIP Committee may at any time and from time to time recommend to the Board any additions, modifications or amendments to or deletions of these By-Laws as it shall at its sole discretion deem fit and the Board shall have the power, at any time, by resolution to, add, amend, modify and/or delete all or any of the terms in these By-Laws upon such recommendation and the Company will submit the amended By-Laws together with a confirmation letter to Bursa Securities confirming that such amendment and/or modification is in compliance with the provisions of the Listing Requirements pertaining to the Scheme and the Rules of Bursa Depository.

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15.2 Subject to By-Law 15.3, the approval of the shareholders of the Company in general meeting shall not be required in respect of any additions, modifications or amendments to or deletions of these By-Laws PROVIDED THAT no additions, modifications or amendments to or deletions of these By-Laws shall be made which will:

(i) prejudice any rights which would have accrued to any LTIP Participant(s) without the prior consent or sanction of that LTIP Participant(s);

(ii) increase the number of the Shares available under the Scheme beyond the maximum amount set out in By-Law 5 above;

(iii) prejudice any rights of the shareholders of the Company; or

(iv) alter to the advantage of an Eligible Person and/or LTIP Participant(s) in respect of any matters which are required to be contained in the By-Laws pursuant to the Listing Requirements, without the prior approval of the Company's shareholders obtained in a general meeting unless allowed by the provisions of the Listing Requirements.

Such amendment or modification to the By-Laws does not need the prior approval of Bursa Securities. However, the Company shall submit to Bursa Securities a confirmation letter that the amendment or modification does not contravene any of the provisions of the Listing Requirements pertaining to the Scheme no later than five (5) Market Days after the effective date of the said amendment or modification is made.

15.3 The LTIP Committee shall within ten (10) Market Days of any amendment and/or modification made pursuant to these By-Laws notify the LTIP Participant(s) in writing of any amendment and/or modification made pursuant to these By-Laws.

## 16. INSPECTION OF THE AUDITED FINANCIAL STATEMENTS

16.1 All LTIP Participant(s) are entitled to inspect the latest audited financial statements of the Company at the registered office of the Company during normal business hours on any working day of the registered office.

## 17. SCHEME NOT A TERM OF EMPLOYMENT

17.1 This Scheme shall not confer or be construed to confer on an Eligible Person any special rights or privileges over the Eligible Person's terms and conditions of employment in 3REN Group under which the Eligible Person is employed nor any rights additional to any compensation or damages that the Eligible Person may be normally entitled to arising from the cessation of such employment. The Scheme shall not form part of or constitute or be in any way construed as a term or condition of employment of any Eligible Person.

## 18. NO COMPENSATION FOR TERMINATION

18.1 No Eligible Person shall be entitled to any compensation for damages arising from the termination of the LTIP Awards(s) or this Scheme pursuant to the provisions of these By-Laws.

18.2 Notwithstanding any provisions of these By-Laws:

(i) this Scheme shall not form part of any contract of employment between the Company or any company within 3REN Group and any Eligible Person of any company of 3REN Group. The rights of any Eligible Person under the terms of his/her office and/or employment with any company within 3REN Group shall not be affected by his/her participation in the Scheme, nor shall such participation or the LTIP Award(s) or consideration for the LTIP Award(s) afford such Eligible Person any additional rights to compensation or damages in consequence of the termination of such office or employment for any reason;

(ii) this Scheme shall not confer on any person any legal or equitable right or other rights under any other law (other than those constituting the LTIP Award(s)) against the Company or any company within 3REN Group, directly or indirectly, or give rise to any course of action in law or in equity or under any other law against any company within 3REN Group;

(iii) no LTIP Participant(s) or his/her personal or legal representative (as the case may be) shall bring any claim, action or proceeding against any company within 3REN Group, the LTIP Committee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension/cancellation of his/her rights to his/her LTIP Award(s) or his/her LTIP Award(s) ceasing to be valid pursuant to the provisions of these By-Laws; and

(iv) the Company, the Board (including Directors that had resigned but were on the Board during the duration of the Scheme) or the LTIP Committee shall in no event be liable to the LTIP Participant(s) or his/her personal or legal representative (as the case may be) or any other person or entity for any third party claim, loss of profits, loss of opportunity, loss of savings or any punitive, incidental or consequential damage, including without limitation lost profits or savings, directly or indirectly arising from the breach or non-performance of these By-Laws or any loss suffered by reason of any change in the price of the Shares or from any other cause whatsoever whether known or unknown, contingent, absolute or otherwise, whether based in contract, tort, equity, indemnity, breach of warranty or otherwise and whether pursuant to common law, statute, equity or otherwise, even if any company within 3REN Group, the Board or the LTIP Committee has been advised of the possibility of such damage.

## 19. DISPUTES

19.1 In case any dispute or difference shall arise between the LTIP Committee and an Eligible Person or a LTIP Participant or in the event of an appeal by an Eligible Person, as the case may be, as to any matter of any nature arising hereunder, such dispute or appeal must have been referred to and received by the LTIP Committee during the duration of the Scheme. The LTIP Committee then shall determine such dispute or difference by a written decision (without the obligation to give any reason thereof) given to the Eligible Person and/or the LTIP Participant, as the case may be PROVIDED THAT where the dispute is raised by a member of the LTIP Committee, the said member shall abstain from voting in respect of the decision of the LTIP Committee in that instance. In the event the Eligible Person or the LTIP Participant(s), as the case may be, shall dispute the same by written notice to the LTIP Committee within fourteen (14) days of the receipt of the written decision, then such dispute or difference shall be referred to the Board, whose decision shall be final and binding in all respects, PROVIDED THAT any Director of the Company who is also in the LTIP Committee shall abstain from voting and no person shall be entitled to dispute any decision or certification which is stated to be final and binding under these By-Laws. Notwithstanding anything herein to the contrary, any costs and expenses incurred in relation to any dispute or difference or appeal brought by any party to the LTIP Committee shall be borne by such party.

19.2 Notwithstanding the foregoing provisions of By-Law 19.1 above, matters concerning adjustments made pursuant to By-Law 9 shall be referred to external auditors or the Adviser of the Company who shall act as experts and not as arbitrators and whose decision shall be final and binding in all respects.

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**20. COSTS AND EXPENSES**

20.1 Unless otherwise stipulated by the Company in the LTIP Award(s), all fees, costs and expenses incurred in relation to the Scheme including but not limited to the fees, costs and expenses relating to the allotment and issuance and/or transfer of the Shares pursuant LTIP Award(s), shall be borne by the Company. Notwithstanding this, the LTIP Participant(s) shall bear any fees, costs and expenses incurred in relation to his/her acceptance of the LTIP Award(s) and/or exercise of the SOP Option(s) under the Scheme and any holding or dealing of the Shares after the Shares have been successfully issued and allotted or transferred to the LTIP Participant(s) pursuant to the LTIP Award(s), including but not limited to the opening and maintenance of his or her own CDS Account, brokerage commissions and stamp duties.

**21. CONSTITUTION**

21.1 In the event of a conflict between any of the provisions of these By-Laws and the Constitution, the provisions of the Constitution shall at all times prevail save and except where such provisions of the By-Laws are included pursuant to the Listing Requirements.

**22. TAXES**

22.1 For the avoidance of doubt, all other costs, fees, levies, charges and/or taxes (including, without limitation, income tax), if any, arising from the acceptance and vesting of the Shares pursuant to the SGP Award(s) and/or exercising of the SOP Option(s) and any holding or dealing of such Shares (including but not limited to brokerage commissions and stamp duty) under the Scheme shall be borne by the LTIP Participant(s) for his own account and the Company shall not be liable for any one or more of such costs, fees, levies, charges and/or taxes.

**23. LISTING OF AND QUOTATION FOR THE SHARES**

23.1 An application will be made by the Company for the listing of and quotation for such new Shares to be issued pursuant to LTIP Award(s) on the ACE Market or Main Market of Bursa Securities (as the case may be).

23.2 The Company and the LTIP Committee shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and however relating to the delay on the part of the Company in allotting and issuing the Shares or in procuring Bursa Securities to list the Shares for which the LTIP Participant(s) are entitled to.

**24. NOTICE**

24.1 Any notice under the Scheme required to be given to or served upon the LTIP Committee by an Eligible Person or LTIP Participant(s) or any correspondence to be made between an Eligible Person or LTIP Participant(s) to the LTIP Committee shall be given or made in writing and either delivered by hand or sent to the LTIP Committee or the Company by email or ordinary letter. Notwithstanding the foregoing, proof of posting shall not be evidence of receipt of the letter.

24.2 Any notice or request which the Company is required to give, or may desire to give, to any Eligible Person or the LTIP Participant(s) pursuant to the Scheme shall be in writing and shall be deemed to be sufficiently given;

(i) if it is sent by ordinary post by the Company to the Eligible Person or the LTIP Participant(s) at the last address known to the Company as being his/her address such notice or request shall be deemed to have been received three (3) Market Days after posting;

(ii) if it is delivered by hand to the Eligible Person or the LTIP Participant(s), such notice or request shall be deemed to have been received on the date of delivery; and

(iii) if it is sent by electronic media, including but not limited to electronic mail to the Eligible Person or the LTIP Participant(s), such notice or request shall be deemed to have been received by the recipient on the Market Day immediately following the day on which the electronic mail is sent or (in the case of communication by other digital means) on the Market Day immediately following the day on which such communication is effected.

Any change of address of the Eligible Person or the LTIP Participant(s) shall be communicated in writing to the Company by email or ordinary letter.

24.3 Where any notice which the Company or the LTIP Committee is required to give, or may desire to give, in relation to matters which may affect all the Eligible Persons or all the LTIP Participant(s) (as the case may be) pursuant to the Scheme, the Company or the LTIP Committee may give such notice through an announcement to all employees of 3REN Group to be made in such manner deemed appropriate by the LTIP Participant(s) (including via electronic media). Upon the making of such an announcement, the notice to be made under By-Law 24.2 above shall be deemed to be sufficiently given, served or made to all affected Eligible Persons or LTIP Participant(s), as the case may be.

**25. SEVERABILITY**

25.1 Any term, condition, stipulation or provision in these By-Laws which is or becomes illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability without invalidating the remaining provisions hereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation or provision herein contained.

**26. DISCLOSURES IN ANNUAL REPORT**

26.1 The Company will make such disclosures in its annual report for as long as the Scheme continues in operation as from time to time required by the Listing Requirements.

**27. SUBSEQUENT LONG TERM INCENTIVE PLAN**

27.1 Subject to the approval of Bursa Securities and other relevant authorities, the Company may establish a new long term incentive plan after the expiry date of this scheme or upon termination of this Scheme.

27.2 The Company may implement more than one (1) scheme PROVIDED THAT the aggregate number of shares available under all the Schemes does not breach the maximum limit prescribed in the prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time.

**28. GOVERNING LAW AND JURISDICTION**

28.1 The Scheme, these By-Laws, all LTIP Award(s) awarded and actions taken under the Scheme shall be governed by and construed in accordance with the laws of Malaysia.

28.2 The Eligible Persons, by accepting the LTIP Award(s) in accordance with these By-Laws and terms of the Scheme and the Constitution, irrevocably submit to the exclusive jurisdiction of the courts in Malaysia.

**SECTION 1**

**SGP**

**29. SGP AWARD**

29.1 During the duration of the Scheme as provided under By-Law 13, the LTIP Committee may, at its sole discretion, at any time and from time to time award the SGP Award(s) in writing to an Eligible Person subject to the Maximum Allowable Allotment as set out in By-Law 5 and further subject to other terms and conditions of these By-Laws. Each SGP Award(s) awarded to the selected Eligible Person(s) shall be separate and independent from any previous or subsequent SGP Award(s) awarded by the LTIP Committee to that Eligible Person.

29.2 The actual number of the Shares which may be awarded to an Eligible Person shall be at the discretion of the LTIP Committee, subject to any adjustments that may be made under By-Law 9. The number of the Shares arising from the vesting of the SGP Award(s) shall not be less than one hundred (100) Shares nor more than the Maximum Allowable Allotment as set out in By-Law 5 and shall be in multiples of one hundred (100) Shares. The LTIP Committee may stipulate any terms and conditions it deems appropriate in a SGP Award(s) and the terms and conditions of each may differs.

29.3 The LTIP Committee shall, in its LTIP Award letter to an Eligible Person, state, amongst others:

(i) the number of the Shares which the Eligible Person shall be entitled upon acceptance of the SGP Award(s);

(ii) the SGP Award Date;

(iii) the manner of acceptance of the SGP Award(s);

(iv) the closing date for acceptance of the SGP Award(s);

(v) the vesting conditions of the SGP Award(s) as determined by the LTIP Committee, if any;

(vi) the SGP Vesting Date(s); and

(vii) any other terms and conditions deemed necessary by the LTIP Committee.

29.4 Under the SGP, the reference price of the SGP Awards to be awarded will be determined based on the fair value of the SGP Awards, which will take into account, amongst others, the market price of the Shares as at or prior to the award date of the SGP Awards.

29.5 Without prejudice to By-Law 14, in the event the LTIP Award letter contains an error on the part of the Company in stating any of the particulars in By-Law 29.3 above, as soon as possible but in any event no later than one (1) month after discovery of the error, the Company shall issue a supplemental LTIP Award letter, stating the correct particulars referred to in By-Law 29.3.

**30. ACCEPTANCE**

30.1 The SGP Award(s) shall be valid for acceptance by the Eligible Person(s) for a period of thirty (30) days from the SGP Award Date (inclusive) or such period as may be determined by the LTIP Committee at its sole discretion on a case to case basis.

30.2 The SGP Award(s) shall be accepted by an Eligible Person within the time as aforesaid by written notice to the Company accompanied by a nominal non-refundable payment to the Company of a sum of Ringgit Malaysia One (RM1.00) only, as acceptance of the SGP Award(s).

30.3 The day of receipt by the Company of such written notice shall constitute the date of acceptance of the SGP Award(s).

30.4 If the SGP Award(s) is not accepted in the manner as set out in By-Law 30.2 and within the time as set out in By-Law 30.1 or in the event of death or cessation of employment of the Eligible Person or the Eligible Person becomes a bankrupt prior to his/her acceptance of the SGP Award(s), the SGP Award(s) shall automatically lapse and become null and void. The SGP Award(s) may, at the discretion of the LTIP Committee, be re-offered to other Eligible Person.

30.5 Upon acceptance of the SGP Award(s) by the Eligible Person(s), the SGP Award(s) will be vested to the SGP Participant(s) on the SGP Vesting Date(s) during the duration of the Scheme subject to the SGP Participant(s) fulfilling the vesting conditions, if any, as determined by the LTIP Committee.

30.6 The SGP Participant is not required to pay for the Shares they are entitled to receive upon vesting of the SGP Award(s).

**31. SGP VESTING CONDITIONS**

31.1 The LTIP Committee shall, as and when it deems necessary, review and determine at its own discretion the vesting conditions specified in respect of the SGP Award(s). The Shares to be issued under the SGP Award(s) shall be vested to the SGP Participant(s) on the SGP Vesting Date once the vesting conditions, if any, are fully and duly satisfied which includes amongst others, the following:

(i) the SGP Participant(s) must remain as an employee and shall not have given a notice to resign or receive a notice of termination as at the SGP Vesting Date; and

(ii) any other conditions which are determined by the LTIP Committee.

31.2 If applicable, where the LTIP Committee has determined that the vesting conditions have been fully and duly satisfied, the LTIP Committee shall notify the SGP Participant(s) of the number of the Shares vested or which will be vested to him/her on the SGP Vesting Date ("**SGP Vesting Notice**").

31.3 No SGP Participant(s) shall have the right to or interest in the Shares under the SGP Award(s) until and unless such number of new Shares are credited into their respective CDS Accounts.

31.4 The SGP Participant(s) shall provide all information as required in the SGP Vesting Notice and subject to the provisions of the Listing Requirements, the Central Depositories Act, the Rules of Bursa Depository, the Constitution and any other relevant laws, the Company shall within eight (8) Market Days from the SGP Vesting Date or such other period as may be prescribed or allowed by Bursa Securities,

(i) allot and issue such number of new Shares and/or transfer the relevant number of existing Shares to the SGP Participant(s) (subject to absolute discretion of the LTIP Committee);

(ii) despatch notices of allotment and/or notice of transfer to the SGP Participant(s) accordingly, if applicable; and

(iii) apply for quotation of such new Shares.

31.5 The Shares arising from the vesting of the SGP Award(s) shall be credited directly to the CDS Account of the SGP Participant(s) and no physical share certificate will be issued and delivered to the SGP Participant(s) or his authorised nominee as the case may be. The SGP Participant(s) shall provide the LTIP Committee with his/her CDS Account number when accepting the SGP Award(s). Any change to the SGP Participant(s)' CDS Account number will need to be made in writing to the LTIP Committee.

31.6 Any failure to comply with the procedures specified by the LTIP Committee or to provide information as required by the Company in the SGP Vesting Notice or inaccuracy in the CDS Account number provided shall result in the SGP Vesting Notice being rejected at the sole discretion of the LTIP Committee. The LTIP Committee shall inform the SGP Participant of the rejection of the SGP Vesting Notice within five (5) Market Days from the date of rejection and the SGP Participant shall then be deemed not to have vested his/her SGP Award(s).

31.7 Notwithstanding anything contrary contained in these By-Laws, the LTIP Committee shall have the right, at its sole discretion by notice in writing to the relevant SGP Participant(s) to that effect, to suspend the unvested SGP Award(s) of any SGP Participant(s) who is being subjected to disciplinary proceedings (whether or not such disciplinary proceedings may give rise to a dismissal or termination of service of such SGP Participant or are found to have had no basis or justification) pending the outcome of such disciplinary proceedings.

31.8 In addition to the right to suspend, the LTIP Committee may impose such terms and conditions as the LTIP Committee shall deem appropriate at its sole discretion, on the SGP Participant's unvested SGP Award(s) having regard to the nature of the charges made or brought against such SGP Participant, PROVIDED ALWAYS THAT:

(i) in the event such SGP Participant is found not guilty of the charges which gave rise to such disciplinary proceedings, the LTIP Committee shall reinstate the unvested SGP Award(s) of such SGP Participant;

(ii) in the event the disciplinary proceedings result in a recommendation for the dismissal or termination of service of such SGP Participant, all or any part of any unvested SGP Award(s) of the SGP Participant shall immediately lapse and become null and void and of no further force and effect, without notice to the SGP Participant, upon pronouncement of the dismissal or termination of service of such SGP Participant notwithstanding that such recommendation, dismissal and/or termination of service may be subsequently challenged or disputed by the SGP Participant in any other forum; or

(iii) in the event the SGP Participant is found guilty but no dismissal or termination of service is recommended, the LTIP Committee shall have the right to determine at its sole discretion whether or not the SGP Participant may continue to satisfy the vesting conditions of the unvested SGP Award(s).

and nothing herein shall impose any obligations on the LTIP Committee to enquire into or investigate the substantiveness and/or validity of such disciplinary proceedings and the LTIP Committee shall not under any circumstances be held liable for any costs, losses, expenses, damages or liabilities, gains or profits foregone, arising from the LTIP Committee's exercise of or failure to exercise any of its rights under these By-Laws.

## 32. NON-TRANSFERABILITY

32.1 An SGP Award(s) is personal to the Eligible Person(s) and shall be accepted solely by that Eligible Person(s) and is not capable of being accepted by any third party on behalf of that Eligible Person(s) by his/her representative or any other persons.

32.2 Subject to the provisions in these By-Laws, an SGP Award(s) is personal to the SGP Participant(s) during his/her employment or appointment within 3REN Group and it shall not be transferred, assigned or disposed of by the SGP Participant(s).

## 33. TERMINATION OF SGP AWARD(S)

33.1 Prior to the full vesting of any SGP Award(s) in the manner as provided for under By-Law 31.2, such SGP Award(s) that remain unvested shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company in the following circumstances:

(i) termination or cessation of employment of the SGP Participant(s) within 3REN Group for any reason whatsoever, in such event the unvested SGP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any company within 3REN Group on the day the SGP Participant(s)' employer accepts his/her notice of resignation or the SGP Participant(s)' employer notifies the SGP Participant(s) of termination of his/her employment or on the day the SGP Participant(s) notifies his/her employer of his/her resignation or on the SGP Participant(s)' last day of employment, whichever is the earlier;

(ii) bankruptcy of the SGP Participant(s), in such event the unvested SGP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any company within 3REN Group on the date a receiving order is made against the SGP Participant(s) by a court of competent jurisdiction;

(iii) upon the happening of any other event which results in the SGP Participant(s) being deprived of the beneficial ownership of the unvested SGP Award(s), in such event the unvested SGP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any company within 3REN Group on the date such event occurs;

(iv) winding up or liquidation of the Company, in such event the unvested SGP Award(s) shall be automatically terminated and/or cease to be valid on the following date:

(a) in the case of a voluntary winding up, the date on which a provisional liquidator is appointed by the Company; or

(b) in the case of an involuntary winding up, the date on which a petition for winding up is served on the Company;

(v) the subsidiary which employs the SGP Participant(s) ceasing to be part of the 3REN Group in such event the SGP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid on the date the subsidiary ceases to be part of the 3REN Group; or

(vi) termination of the Scheme pursuant to By-Law 13.5, in such event the unvested SGP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any company within 3REN Group on the termination date,

whichever shall be applicable.

33.2 Upon the termination of the unvested SGP Award(s) pursuant to By-Laws 33.1 above, the SGP Participant(s) shall have no right to compensation or damages or any claim against the Company or any company within 3REN Group from any loss of any right or benefit or prospective right or benefit under the Scheme which he/she might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from him/her ceasing to hold office or employment or from the suspension of his/her entitlement to the award of, acceptance or vesting of any SGP Award(s) or his/her SGP Award(s) ceasing to be valid.

33.3 Notwithstanding By-Law 33.1(i) above, the LTIP Committee may at its discretion allow for all or any part of any unvested SGP Award(s) to vest in accordance with the provisions of these By-Laws on such terms and conditions as it shall deem fit if the cessation of employment occurs as a result of:

(i) retirement upon or after attaining the age in accordance with the Company's retirement policy;

(ii) retirement before attaining the normal retirement age with the consent of his/her employer;

(iii) ill-health, injury, physical or mental disability;

(iv) redundancy or retrenchment pursuant to the acceptance by that SGP Participant(s) or a voluntary separation scheme offered by a company within 3REN Group; or

(v) any other circumstance as may be deemed as acceptable to the LTIP Committee in its sole discretion,

PROVIDED THAT no SGP Award(s) shall vest after the expiry of the vesting period. Unless the LTIP Committee in its discretion permits such vesting in accordance with this By-Law 33.3, any unvested SGP Award(s) shall cease or be deemed to cease to be capable of vesting to the SGP Participant(s) without any liability or right to claim against the Company and/or the LTIP Committee and/or the Board.

33.4 Where a SGP Participant(s) dies before the expiry of the vesting period for the SGP Award(s), the LTIP Committee may at its discretion determine that all or any part of any unvested SGP Award(s) held by the SGP Participant(s), be vested to the executor or administrator of that deceased SGP Participant(s), and the times or periods at or within which such SGP Award(s) may vest, PROVIDED ALWAYS THAT no SGP Award(s) may vest after the expiry of the vesting period. In this regard, the LTIP Committee may require the executor or administrator of that deceased SGP Participant(s) to provide evidence satisfactory to the LTIP Committee of his status as such executor or administrator, as the case may be.

33.5 Notwithstanding By-Law 33.4 above, the SGP Participant(s) may, during his/her lifetime, nominate any of his/her immediate family members who have attained the age of eighteen (18) years at the time of nomination to receive the SGP Award(s) (which are unvested at the time of the death of the deceased SGP Participant(s)) after the death of the deceased SGP Participant(s) but in any event during the duration of the Scheme. The SGP Award(s) awarded pursuant to the provision of this By-Law 33.5 may be for the benefit of the estate of the SGP Participant(s) or the personal benefit of the nominated person. The nomination as aforesaid shall be made by the SGP Participant(s) during his/her lifetime and shall be in the prescribed form approved by the LTIP Committee and the Shares to be allotted and issued will be in the name of the deceased SGP Participant(s)'s estate or in the name of the nominated person as the SGP Participant(s) shall elect in his/her lifetime. In the event no nomination is made by the SGP Participant(s) during his/her lifetime, the LTIP Committee may at its discretion determine that his/her unvested SGP Award(s) shall only vested to the legal personal representatives pursuant to By-Law 33.4 above.

33.6 For the purposes of By-Law 33.5 above, the term "**immediate family members**" shall include the spouse, parent, child (including legally adopted child but excluding step child), brother and sister of the SGP Participant(s).

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**SECTION 2**

**SOP**

## 34. SOP AWARD

34.1 During the duration of the Scheme as provided under By-Law 13, the LTIP Committee may, at its sole discretion, at any time and from time to time award the SOP Award(s) in writing to an Eligible Person subject to the Maximum Allowable Allotment as set out in By-Law 5 and further subject to other terms and conditions of these By-Laws. Each SOP Award(s) awarded to selected Eligible Person(s) shall be separate and independent from any previous or subsequent SOP Award(s) awarded by the LTIP Committee to that Eligible Person.

34.2 The actual number of SOP Option(s) which may be awarded to an Eligible Person shall be at the discretion of the LTIP Committee, subject to any adjustments that may be made under By-Law 9. The number of the Shares which may be allotted and issued upon exercising the SOP Option(s) shall not be less than one hundred (100) Shares nor more than the Maximum Allowable Allotment as set out in By-Law 5 and shall be in multiples of one hundred (100) Shares. The LTIP Committee may stipulate any terms and conditions it deems appropriate in a SOP Award(s) and the terms and conditions of each may differs.

34.3 The LTIP Committee shall, in its LTIP Award letter to an Eligible Person, state, amongst others:

(i) the number of SOP Option(s) under the SOP Award(s) that are being awarded to the Eligible Person;

(ii) the number of the Share(s) which the Eligible Person shall be entitled to subscribe for upon the exercise of the SOP Option(s);

(iii) the SOP Award Date;

(iv) the manner of acceptance of the SOP Award(s);

(v) the Option Price;

(vi) the closing date for acceptance of the SOP Award(s);

(vii) the vesting conditions of the SOP Option(s) as determined by the LTIP Committee, if any;

(viii) SOP Vesting Date(s); and

(ix) any other terms and conditions deemed necessary by the LTIP Committee.

34.4 Without prejudice to By-Law 14, in the event the LTIP Award letter contains an error on the part of the Company in stating any of the particulars in By-Law 34.3 above, the following provisions shall apply:

(i) as soon as possible but in any event no later than one (1) month after discovery of the error, the Company shall issue a supplemental LTIP Award letter, stating the correct particulars referred to in By-Law 34.3;

(ii) in the event that the error relates to particulars other than the Option Price, the Option Price applicable in the supplemental LTIP Award letter shall remain as the Option Price as per the original LTIP Award letter; and

(iii) in the event that the error relates to the Option Price, the applicable Option Price shall be the Option Price in the supplemental LTIP Award letter and with effect as at the date of the supplemental LTIP Award letter, save and except with respect to any SOP Option(s) which have already been exercised as at the date of issue of the supplemental LTIP Award letter.

**35. ACCEPTANCE**

35.1 The SOP Award(s) shall be valid for acceptance by the Eligible Person(s) for a period of thirty (30) days from the SOP Award Date (inclusive) or such period as the LTIP Committee at its sole discretion on a case to case basis.

35.2 The SOP Award(s) shall be accepted by an Eligible Person within the time as aforesaid by written notice to the Company accompanied by a nominal non-refundable payment to the Company of a sum of Ringgit Malaysia One (RM1.00) only, as acceptance of the SOP Award(s).

35.3 The day of receipt by the Company of such written notice shall constitute the date of acceptance of SOP Award(s).

35.4 If the SOP Award(s) is not accepted in the manner as set out in By-Law 35.2 and within the time as set out in By-Law 35.1 or in the event of death or cessation of employment of the Eligible Person or the Eligible Person becomes a bankrupt prior to his/her acceptance of the SOP Award(s), the SOP Award(s) shall automatically lapse and become null and void. The SOP Award(s) may, at the discretion of the LTIP Committee, be re-offered to other Eligible Person.

35.5 Upon acceptance of the SOP Award(s) by the Eligible Person(s), the SOP Award(s) will be vested to the SOP Participant(s) on the SOP Vesting Date(s) during the duration of the Scheme, subject to the SOP Participant(s) fulfilling the vesting condition(s), if any, as determined by the LTIP Committee.

**36. SOP VESTING CONDITIONS AND EXERCISE OF OPTIONS**

36.1 Subject to the provisions of these By-Laws, the SOP Option(s) awarded to the SOP Participant(s) are exercisable by that SOP Participant(s) during his/she employment in 3REN Group during the duration of the Scheme. All unexercised SOP Options shall become null and void after the expiry date of this Scheme without any claim against the Company or any company within 3REN Group.

36.2 The LTIP Committee shall, as and when it deems necessary, review and determine at its own discretion the vesting conditions specified in respect of the SOP Award(s). The SOP Option(s) can be exercised by the SOP Participant(s) on the SOP Vesting Date once the vesting conditions, if any, are fully and duly satisfied which includes amongst others, the following:

(i) the SOP Participant(s) must remain as an employee and shall not have given a notice to resign or receive a notice of termination on the SOP Vesting Date; and

(ii) any other conditions which are determined by the LTIP Committee.

36.3 If applicable, where the LTIP Committee has determined that the vesting conditions have been fully and duly satisfied, the LTIP Committee shall notify the SOP Participant(s) the number of SOP Options vested or which will be vested to him/her on the SOP Vesting Date ("**SOP Vesting Notice**").

36.4 A SOP Participant shall exercise his/her vested SOP Option(s) by notice in writing to the Company in such form as the LTIP Committee may prescribe or approve. The procedure for the exercise of the SOP Option(s) to be complied with by a SOP Participant shall be determined by the LTIP Committee from time to time.

36.5 Every written notice to exercise the SOP Option(s) shall state the number of the Shares that a SOP Participant intends to subscribe and shall state his CDS Account ("**Notice of Exercise**").

36.6 The SOP Participant(s) shall complete the Notice of Exercise together with the remittance for the full amount of the subscription monies payable in respect thereof in Ringgit Malaysia in the form of a banker's draft or cashier's order drawn and payable in Malaysia or any other mode acceptable to the LTIP Committee for the full amount of the Option Price in relation to the number of the Shares in respect of which the Notice of Exercise is given and subject to the provisions of the Listing Requirements, the Central Depositories Act, the Rules of Bursa Depository, the Constitution and any other relevant laws, the Company shall within eight (8) Market Days from the date of receipt of the Notice of Exercise or such other period as may be prescribed or allowed by Bursa Securities,

(i) allot and issue such number of new Shares and/or transfer the relevant number of existing Shares to the SOP Participant(s) (subject to absolute discretion of the LTIP Committee);

(ii) despatch a notice of allotment to the SOP Participant, if applicable; and

(iii) apply for quotation of such new Shares.

36.7 The Shares arising from the exercising of the SOP Award(s) shall be credited directly to the CDS Account of the SOP Participant(s) and no physical share certificate will be issued and delivered to the SOP Participant(s). The SOP Participant(s) shall provide the LTIP Committee with his/her CDS Account number when accepting the SOP Award(s). Any change to the SOP Participant(s)' CDS Account number will need to be made in writing to the LTIP Committee.

36.8 Any failure to comply with the procedures specified by the LTIP Committee or to provide information as required by the Company in the Notice of Exercise or inaccuracy in the CDS Account number provided shall result in the Notice of Exercise being rejected at the sole discretion of the LTIP Committee. The LTIP Committee shall inform the SOP Participant of the rejection of the Notice of Exercise within five (5) Market Days from the date of rejection and the SOP Participant shall then be deemed not to have exercised his/her SOP Option(s).

36.9 The LTIP Committee may with its power under By-Law 14, at any time and from time to time, before and after the SOP Award(s) is awarded, limit the exercise of the SOP Options to a maximum number of Shares and/or such percentage of the total Shares comprised in the SOP Options and impose any other terms and/or conditions deemed appropriate by the LTIP Committee in its sole discretion including amending or varying any terms and conditions imposed earlier.

36.10 A SOP Participant shall exercise the SOP Option(s) awarded to him/her in whole or part multiples of one hundred (100) new Shares or such other units of the Shares constituting one (1) board lot as may be determined by the LTIP Committee, save and except where a SOP Participant's balance of SOP Option(s) exercisable in accordance with these By-Laws shall be less than one hundred (100) new Shares or such other units of the Shares constituting one (1) board lot as may be determined by the LTIP Committee, in which case the said balance shall, if exercised, be exercised in a single tranche. Such partial exercise of an SOP Option shall not preclude the SOP Participant from exercising the SOP Option(s) as to the balance of any SOP Option(s).

36.11 Notwithstanding anything contrary contained in these By-Laws, the LTIP Committee shall have the right, at its sole discretion by notice in writing to the relevant SOP Participant(s) to that effect, to suspend the right of any SOP Participant(s) who is being subjected to disciplinary proceedings (whether or not such disciplinary proceedings may give rise to a dismissal or termination of service of such SOP Participant or are found to have had no basis or justification) to exercise his/her SOP Option(s) pending the outcome of such disciplinary proceedings.

36.12 In addition to the right to suspend, the LTIP Committee may impose such terms and conditions as the LTIP Committee shall deem appropriate at its sole discretion, on the SOP Participant's right to exercise his/her SOP Option(s) having regard to the nature of the charges made or brought against such SOP Participant, PROVIDED ALWAYS THAT:

(i) in the event such SOP Participant is found not guilty of the charges which gave rise to such disciplinary proceedings, the LTIP Committee shall reinstate the right of such SOP Participant to exercise his/her SOP Option(s);

(ii) in the event the disciplinary proceedings result in a recommendation for the dismissal or termination of service of such SOP Participant, all unexercised and partially exercised SOP Option(s) of the SOP Participant shall immediately lapse and become null and void and of no further force and effect, without notice to the SOP Participant, upon pronouncement of the dismissal or termination of service of such SOP Participant notwithstanding that such recommendation, dismissal and/or termination of service may be subsequently challenged or disputed by the SOP Participant in any other forum; or

(iii) in the event the SOP Participant is found guilty but no dismissal or termination of service is recommended, the LTIP Committee shall have the right to determine at its sole discretion whether or not the SOP Participant may continue to exercise his/her SOP Option(s) or any part thereof and if so, to impose such terms and conditions as it deems appropriate, on such exercise right.

and nothing herein shall impose any obligations on the LTIP Committee to enquire into or investigate the substantiveness and/or validity of such disciplinary proceedings and the LTIP Committee shall not under any circumstances be held liable for any costs, losses, expenses, damages or liabilities, gains or profits foregone, arising from the LTIP Committee's exercise of or failure to exercise any of its rights under these By-Laws.

## 37. NON-TRANSFERABILITY

37.1 An SOP Award(s) is personal to the Eligible Person(s) and shall be accepted solely by that Eligible Person(s) and is not capable of being accepted by any third party on behalf of that Eligible Person(s) by his/her representative or any other persons.

37.2 Subject to the provisions in these By-Laws, an SOP Award(s) is personal to the SOP Participant(s) during his/her employment or appointment within 3REN Group and it shall not be transferred, assigned or disposed of by the SOP Participant(s).

## 38. OPTION PRICE

38.1 Subject to any adjustments in accordance with By-Law 9 and pursuant to the Listing Requirements, the Option Price shall be based on a price to be determined by the Board upon recommendation of the LTIP Committee which will be based on the volume weighted average price of the Shares for the five (5) Market Days immediately preceding the SOP Award Date with a discount of not more than ten percent (10%) or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the duration of the Scheme.

38.2 The Option Price in respect of any offer which is made in conjunction with the listing of the Company shall be the initial public price of the Shares in the Company.

**39. TERMINATION OF SOP AWARD(S)**

39.1 Prior to the full vesting of any SOP Award(s) in the manner as provided for under By-Law 36.3, such SOP Award(s) that remain unvested shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company in the following circumstances:

(i) termination or cessation of employment of the SOP Participant(s) within 3REN Group for any reasons whatsoever, in which event the SOP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any company within 3REN Group on the day the SOP Participant(s)' employer accepts his/her notice of resignation or the SOP Participant(s)' employer notifies the SOP Participant(s) of termination of his/her employment or on the day the SOP Participant(s) notifies his/her employer of his/her resignation or on the SOP Participant(s)' last day of employment, whichever is the earlier;

(ii) bankruptcy of the SOP Participant(s), in which event the SOP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any company within 3REN Group on the date a receiving order is made against the SOP Participant(s) by a court of competent jurisdiction;

(iii) upon the happening of any other event which results in the SOP Participant(s) being deprived of the beneficial ownership of the SOP Award(s), in such event the SOP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any company within 3REN Group on the date such event occurs;

(iv) winding up or liquidation of the Company, in such event the SOP Option(s) shall be automatically terminated on the following date:

(a) in the case of a voluntary winding up, the date on which a provisional liquidator is appointed by the Company; or

(b) in the case of an involuntary winding up, the date on which a petition for winding up is served on the Company; or

(v) termination of the Scheme pursuant to By-Law 13.5, in such event the SOP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any company within 3REN Group on the termination date;

whichever shall be applicable.

39.2 Upon the termination of the SOP Award(s) pursuant to By-Laws 39.1 above, the SOP Participant(s) shall have no right to compensation or damages or any claim against the Company or any company within 3REN Group from any loss of any right or benefit or prospective right or benefit under the Scheme which he/she might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from him/her ceasing to hold office or employment or from the suspension of his/her entitlement to the award of, acceptance or vesting of any SOP Award(s) or his/her SOP Award(s) ceasing to be valid.

39.3 Notwithstanding By-Law 39.1 above, the LTIP Committee may at its discretion allow a SOP Participant to continue to hold and to exercise any SOP Option(s) held by him/her in accordance with the provisions of these By-Laws on such terms and conditions as it shall deem fit if the cessation of employment occurs as a result of:

(i) retirement upon or after attaining the age in accordance with the Company's retirement policy;

(ii) retirement before attaining the normal retirement age with the consent of his/her employer;

(iii) ill-health, injury, physical or mental disability;

(iv) redundancy, retrenchment pursuant to the acceptance by that SOP Participant(s) or voluntary separation scheme offered by a company within 3REN Group; or

(v) any other circumstances as may be deemed as acceptable to the LTIP Committee in its sole discretion.

39.4 Applications under By-Law 39.3 above shall be made during the duration of the Scheme and:

(i) in a case where By-Law 39.3(i), (ii) or (v) is applicable, within one (1) month before the SOP Participant(s)' last day of employment, the SOP Participant(s) may be vested with such number of unvested Shares under the SOP Award(s) within the said one (1) month period. In the event that no application is received by the LTIP Committee within the said period, any such number of unvested Shares under the SOP Award(s) at the expiry of the said period shall be automatically terminated;

(ii) in a case where By-Law 39.3(iii) is applicable, within one (1) month after the SOP Participant(s) notifies his/her employer of his/her resignation due to ill-health, injury, physical or mental disability, the SOP Participant(s) may be vested with such number of unvested Shares under the SOP Award(s) within the said one (1) month period. In the event that no application is received by the LTIP Committee within the said period, any unvested Shares under the SOP Award(s) at the expiry of the said period shall be automatically terminated; and

(iii) in a case where By-Law 39.3(iv) is applicable, within one (1) month after the SOP Participant(s) are notified that he/she will be retrenched or, where he/she is given an offer by his/her employer as to whether he/she wishes to accept retrenchment upon certain terms, within one (1) month after he/she accepts such offer. Thereafter, any such number of unvested and/or unexercised Shares under the SOP Award(s) at the expiry of the said period shall be automatically terminated.

39.5 The LTIP Committee shall consider applications under By-Law 39.3 on a case to case basis and may at its sole discretion approve or reject any application in whole or in part without giving any reasons thereof and may impose any terms and conditions in granting an approval. The decisions of the LTIP Committee shall be final and binding. In the event the LTIP Committee approves an application in whole or in part, the SOP Participant(s) may exercise the SOP Option(s) which are the subject of the approval for such period so approved by the LTIP Committee during the duration of the Scheme and subject to the provisions of By-Law 36. Any SOP Option(s) in respect of which an application is rejected shall be deemed automatically terminated on the date of termination stipulated in the relevant paragraph of By-Law 39.1 or on the date of the LTIP Committee's decision, whichever is the later.

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39.6 In the event a SOP Participant(s) dies before the expiration of the duration of the Scheme and at the time of his/her death held unexercised SOP Option(s), such unexercised SOP Option(s) may be exercised by the representative of the deceased SOP Participant(s) after the date of his/her death PROVIDED THAT such exercise shall be within the duration of the Scheme subject to the approval of the LTIP Committee.

39.7 Notwithstanding By-Law 39.6 above, the SOP Participant(s) may, during his/her lifetime, nominate any of his/her immediate family members who have attained the age of eighteen (18) years at the time of nomination to exercise the SOP Option(s) (which are unexercised at the time of the death of the deceased SOP Participant(s)) or after the death of the deceased SOP Participant(s) but in any event during the duration of the scheme. The SOP Option(s) exercised pursuant to the provision of this By-Law 39.7 may be for the benefit of the estate of the SOP Participant(s) or the personal benefit of the nominated person. The nomination as aforesaid shall be made by the SOP Participant(s) during his/her lifetime and shall be in the prescribed form approved by the LTIP Committee and the Shares to be allotted and issued will be in the name of the deceased SOP Participant(s)'s estate or in the name of the nominated person as the SOP Participant(s) shall elect in his/her lifetime. In the event no nomination is made by the SOP Participant(s) during his/her lifetime, his/her unexercised SOP Option(s) shall only be exercised by the legal personal representatives pursuant to By-Law 39.6 above.

39.8 For the purposes of By-Law 39.7 above, the term "**immediate family members**" shall include the spouse, parent, child (including legally adopted child but excluding step child), brother and sister of the SOP Participant(s).

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