
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.

6. INFORMATION ON THE GROUP *(cont'd)*

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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6. INFORMATION ON THE GROUP (cont'd)

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

Year	Key Events and Milestone
2007	<ul style="list-style-type: none"> Sophic Automation was incorporated.
2008	<ul style="list-style-type: none"> Lee Chee Hoo, our Executive Director/CDO became a shareholder and director of Sophic Automation. Sophic Automation secured first project to design and develop a digitalised solution, namely an operational efficiency solution, for a printing service provider.
2011	<ul style="list-style-type: none"> Koh Dim Kuan, our Executive Director/CEO joined Sophic Automation as its Business Development and Chief Operating Officer. We acquired a premise in Sungai Tiram, Bayan Lepas, Penang to relocate our operations, in order to facilitate our expansion. Sophic MSC was incorporated and subsequently awarded with MSC Malaysia status.
2012	<ul style="list-style-type: none"> Sophic MSC was granted the Pioneer Status by MIDA. Sophic Automation secured its first product engineering service project (post-silicon validation) from Intel group of companies.
2013	<ul style="list-style-type: none"> Sophic Automation developed and sold its first automated equipment (automated handler and visual inspection equipment) to Intel group of companies. We relocated our headquarters to a rented premises in PSDC.
2014	<ul style="list-style-type: none"> Our existing premises in Sungai Tiram, Bayan Lepas, Penang was converted into a design and assembly workshop.
2015	<ul style="list-style-type: none"> Sophic MSC set up an office in Bukit Jalil, Kuala Lumpur.
2016	<ul style="list-style-type: none"> Sophic Automation obtained the ISO 9001:2015 certification.
2018	<ul style="list-style-type: none"> Sophic Automation began to offer engineering support services for IC assembly and testing to Intel group of companies.
2020	<ul style="list-style-type: none"> We relocated our assembly processes and headquarters to Bukit Minyak Plant.
2021	<ul style="list-style-type: none"> Sophic Automation was granted the Pioneer Status by MIDA. 3REN was set up to facilitate the Listing exercise.
2022	<ul style="list-style-type: none"> 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. We set up a precision engineering facility and office in Tangkas 3 Plant.
2023	<ul style="list-style-type: none"> We relocated our headquarters to Tangkas 9 Plant. We set up an office in Setia Spice Office for our product engineering services and ceased operations at our rented premises in PSDC.
2024	<ul style="list-style-type: none"> Sophic Automation obtained ISO/IEC 27001:2022 certification. Sophic MSC set up an office at Stellar Suites Office.
[•]	<ul style="list-style-type: none"> [We completed the RCPS Conversion and the Acquisitions.]

6. INFORMATION ON THE GROUP (cont'd)**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. INFORMATION ON THE GROUP (cont'd)

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

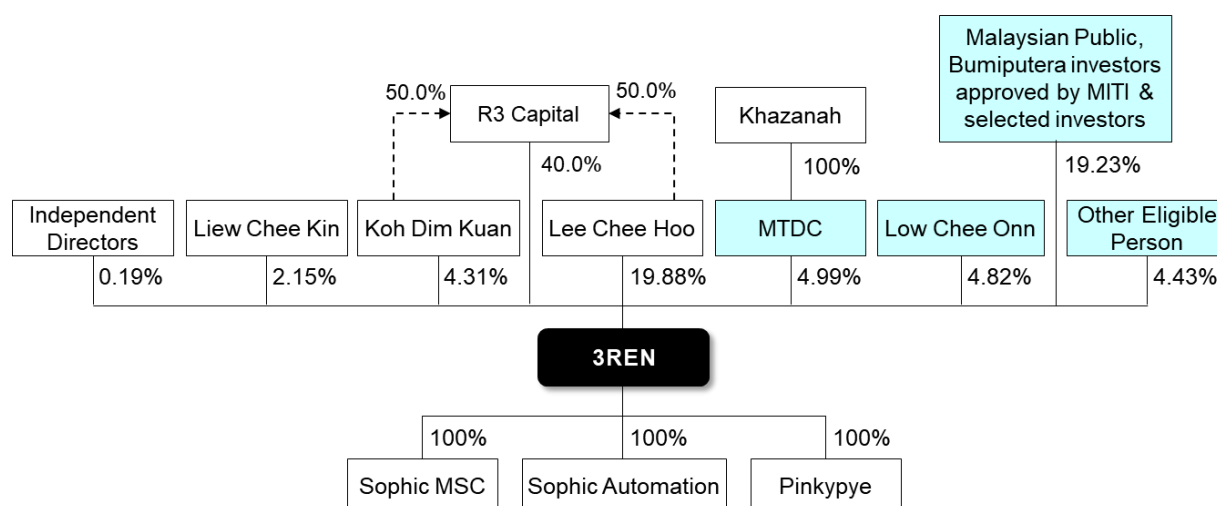
None of our Shares were issued at a discount, on special terms or based on instalment payment terms.

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. INFORMATION ON THE GROUP (cont'd)**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. INFORMATION ON THE GROUP (cont'd)**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

6. INFORMATION ON THE GROUP (cont'd)

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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6. INFORMATION ON THE GROUP (cont'd)

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.

6. INFORMATION ON THE GROUP (cont'd)

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.

6. INFORMATION ON THE GROUP (cont'd)

- (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. INFORMATION ON THE GROUP (cont'd)**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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